



هيئة تنظيم الكهرباء - عمان
AUTHORITY FOR ELECTRICITY REGULATION, OMAN

2011 Forward Work Programme
Consultation Draft

November 2010

Table of Contents

Foreword.....	3
Statutory Functions and Duties	4
Consultation	4
Purpose of Forward Work Programme	5
Context & Content of 2011 Forward Work Programme.....	5
2011 Work Priorities	5
Other areas of work planned for 2011	7
Glossary of Terms	8

Foreword

The Authority for Electricity Regulation, Oman (“the Authority”) is responsible for regulating the electricity and related water sector in the Sultanate of Oman. The Authority was established pursuant to Article (19) of the law for the regulation and privatization of the electricity and related water sector (the “Sector Law”) promulgated by Royal Decree 78/2004 and amended by Royal Decree 59/2009.

Article (34) of the Sector Law requires the Authority to publish a Forward Work Programme before the commencement of each Financial Year (1 January to 31 December) setting out the principal areas of work for the coming year. This document presents the Authority’s draft 2011 Forward Work Programme and invites interested Persons to submit comments or objections on the proposed programme to the following address by Sunday 19 December 2010:

Deputy Executive Director (acting)

Authority for Electricity Regulation, Oman

PO Box 954, Postal Code 133

Muscat

Tel: 24609700

Fax: 24609701

e-mail: enquiries@aer-oman.org

The Authority will respond to all comments and objections received within 30 days of receipt.

The final published 2011 Forward Work Programme will be presented to the Government in accordance with the requirements of Article (36) of the Sector Law.

Further information about the Authority and the structure and regulation of the electricity and related water sector in Oman is available for review on the Authority’s website: www.aer-oman.org.

Statutory Functions and Duties

The Authority has a range of statutory functions and duties that are set out in various sections of the Sector Law. The Authority's principal duties (see Article (22) of the Sector Law) require the Authority to:

- secure the provision of electricity and related water services in Oman;
- promote competition in the electricity and related water sector;
- secure the safe, effective and economic operation of the electricity and related water sector in the public interest;
- protect the interests of customers, in particular those with limited income, the elderly and sick; to prepare criteria relating to the welfare of customers and to act in accordance with such criteria;
- secure compliance with Government policy relating to the protection of the environment, Omanisation and Omani Content;
- ensure the financial and technical capabilities of licensees and ensure companies operating efficiently can finance their activities;
- secure the conduct of fair and transparent competitions for new capacity by the Oman Power and Water Procurement Company SAOC;
- facilitate the privatisation of the electricity and related water sector;
- review on an annual basis the scope for further liberalisation of the electricity and related water sector; and
- prepare and maintain a Public Register of all matters relating to licenses and exemptions.

The Authority is also subject to important governance duties including a duty not discriminate against or unduly prefer any Person; to act consistently treating like cases alike and, in particular, to ensure, so far as it is appropriate, that all Licenses and Exemptions for the same Regulated Activities are granted in substantially the same form; a duty to minimise, insofar as it is able to do so, the regulatory burden on licence holders and exemption holders; and to give written reasons for its decisions.

All of the Authority's work, including that envisaged in the 2011 Forward Work Plan, must be conducted in accordance with these statutory duties.

Consultation

The Authority wishes to consult on the draft 2011 Forward Work Programme and invites interested Persons to submit comments and objections by Sunday 19 December 2010. The Authority intends to respond to all comments and objections received in response to this consultation within thirty days of receipt.

Purpose of Forward Work Programme

The Authority's Forward Work Programme serves a number of purposes:

- (i) publication of each Forward Work Programme provides notice to Persons who may be affected by the programme thereby affording them the opportunity to comment on what is proposed;
- (ii) the Forward Work Programme is an important determinant of the Authority's costs (and licensees' fees) and as such is an important input to the development of the Authority's budget; and
- (iii) Publication of a Forward Work Programme reinforces transparency and accountability by allowing interested Persons, such as licensees and the Government, to ensure work planned for each subsequent year is consistent with Government objectives and aligned to the Authority's statutory functions and duties.

Context & Content of 2011 Forward Work Programme

The 2011 Forward Work Programme is the sixth programme published by the Authority since its establishment. All of the work items in the 2011 Forward Work Programme are in addition to work undertaken by the Authority in the normal course of business.

2011 Work Priorities

The draft 2011 Forward Work Programme includes three 'high priority' areas of work:

1. Supervision of 2011 Executive Task Team Actions

2011 will be the second successive year since the electricity sector was restructured in 2004 in which no new IPP / IWPP MIS contracted capacity will be commissioned. As electricity demand growth remains strong, the Authority is concerned that a shortfall of firm generation capacity may have serious implications for system security and electricity supply.

The Authority has established an Executive Task Team (ETT) chaired by the Executive Director of the Authority and comprising senior management representatives of licensees and the Public Authority for Electricity and Water with a remit to identify actions to be taken by licensees to safeguard the security of electricity supply in 2011.

The Authority intends to devote significant time in the early part of 2011 to ensuring actions identified by the ETT are implemented on a timely basis.

2. Amendment to Change of Control procedure

The Sultanate of Oman has an extremely successful I(W)PP programme that affords International Investors the right to own 100% of the shares of a I(W)PP project company for an initial period, following which a stipulated proportion of shares are required to be subject to an Initial Public Offering (IPO) through the Muscat Securities Market. Project founders are required to retain shareholdings at stipulated levels for minimum periods referenced to the date on which a I(W)PP project enters full Commercial Operation.

Thereafter, project founders can sell their shareholdings in a I(W)PP. A Person wishing to acquire shares in a Licensed production facility may require the Authority's prior consent to do so if the purchase of shares constitutes a "Change of Control" as defined in a relevant Licence.

In addition to the Authority's Appropriate Person criteria, the Government wishes to implement new measures to confirm the acceptability of Persons seeking to secure economic interests in I(W)PP.

The Authority will consult with relevant Persons on changes to regulations governing the grant of approval for a Changes of Control of a Licensee, and aims to implement the revised arrangements during the second quarter of 2011.

3. Statutory and Licence compliance

The detailed compliance review of each licensee highlighted in the 2010 Forward Work Programme was delayed due to competing priorities. However, the Authority intends to initiate the compliance review in December 2010 and complete it by the third quarter of 2011. On completion of the compliance reviews the Authority will publish and place on the Public Register a full compliance status report for each licensee.

The Authority is committed to regulatory transparency and believes publication of compliance reports will allow interested stakeholders to scrutinise and confirm the extent to which electricity and related water sector companies are complying, or failing to comply, with their statutory and regulatory obligations.

Other areas of work planned for 2011

In addition to the 'high priority' areas of work outlined above, the Authority expects to progress other areas of work during 2011, including:

1. Further Health & Safety (HSE) audits of licensees following Muscat and RAEC audits conducted in 2009 and Mazoon and Majan audits in 2010;
2. Review and re-setting of new Distribution and Supply price controls for Muscat, Mazoon and Majan that will take effect from 1 January 2012;
3. Publication of baseline 'operational and financial' benchmarks agreed with the Ministry of Finance to increase the transparency and consistency of reporting electricity and related water sector efficiency;
4. Coordination with PAEW and PWP on the restructuring of the Salalah Concession Agreement;
5. Compilation of water sector data to inform decisions to be taken in coordination with PAEW about regulation of the un-related water sector;
6. Initiatives to further promote the interests of Customers, including:
 - a. Finalisation of proposals for a new Permitted Tariff for Customers with Special Needs (the Authority aims to publish proposals in Q1 2011);
 - b. Review and amendment of Customer Complaint procedures to reduce the time needed to resolve Customer Complaint's; and
 - c. Implement Overall and Guaranteed Standards of Performance;
7. Conduct price control audits of licensees and audit all RAEC electrification expenditures approved by the Authority to date;
8. Finalise and issue proposals for Cost Reflective Tariffs for large consumers of electricity;
9. Renewable Energy Initiatives: the Authority will aim to support and progress renewable energy initiatives including:
 - a. Oman's first Large Solar Project;
 - b. Implementation of renewable energy pilot projects for RAEC systems for which a shortlist was published in April 2010; and
 - c. A wind monitoring initiative to gather time series data at specific locations in Oman of sufficient quality to support wind based IPPs; and
10. Consolidation of work from previous Work Programmes.

The Authority has identified a challenging work programme for 2011 and invites comments and/or objections from interested persons on the draft programme.

Authority for Electricity Regulation, Oman
November 2010

Glossary of Terms

Cost Reflective Tariff	Amounts charged by the Licensed Transmission System Operator and Licensed Distribution System Operators in consideration for Connection and use of their Systems, and amounts charged by Licensed Suppliers in consideration for Supply where no Permitted Tariff exists, and such tariffs shall be calculated in respect of each calendar year on the basis and rules prescribed by the Authority
Export	Electricity generated in the Sultanate of Oman which is exported from the Sultanate of Oman pursuant to a legal transaction in accordance with the provisions of the Sector Law
Import	Electricity generated outside the Sultanate of Oman and imported into the Sultanate of Oman pursuant to a legal transaction in accordance with the provisions of the Sector Law
International Interconnections	An interconnection between a System within the Sultanate of Oman and a System outside the Sultanate of Oman
I(W)PP	Independent (Water) and Power Project
Licence	An authorization granted by the Authority to undertake one or more of the Regulated Activities stipulated in Article (3) of the Sector Law
Licence Exemption	An authorization granted by the Authority to undertake one or more of the Regulated Activities stipulated in Article (3) of the Sector Law
Oman Electrical Standards or 'OES'	The standards previously issued by the Ministry of Housing, Electricity and Water and the standards approved, reviewed and modified from time to time by electricity regulations made in accordance with Article (38) and Article (39) of the Sector Law, in relation to the safety of equipment and electrical Systems and procedures associated with the operation of electrical Systems
OETC	The Oman Electricity Transmission Company SAOC

PAEW	The Public Authority for Electricity and Water established by Royal Decree 92/2007
Permitted Tariff	The tariffs Customers are obliged to pay in consideration for Supply of electricity or for Connection to a Distribution System or a Transmission System, which tariff shall be determined in the manner stipulated in Article (9) of the Sector Law
Price control	A mechanism for determining the maximum allowed revenue a licensee can recover in each year from users of its services, as stipulated in a schedule charge restriction condition of a Licence
PWP	The Oman Power and Water Procurement Company SAOC
RAEC	The Rural Areas Electricity Company SAOC
Regulated Activities	The activities stipulated in Article (3) of the Sector Law
Sector Law	The law for the regulation and privatization of the electricity and related water sector promulgated by Royal Decree 78/2004 and amended by Royal Decree 59/2009
The Authority	The Authority for Electricity Regulation, Oman, being the authority established pursuant to Article (19) of the Sector Law