



هيئة تنظيم الكهرباء - عمان
AUTHORITY FOR ELECTRICITY REGULATION, OMAN

2012 Forward Work Programme
Consultation Draft

November 2011

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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 2012 Forward Work Programme and invites interested Persons to submit comments or objections on the proposed programme to the following address by **Wednesday 21 December 2011**:

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

The final published 2012 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 2012 Forward Work Plan, must be conducted in accordance with these statutory duties.

Consultation

The Authority wishes to consult on the draft 2012 Forward Work Programme and invites interested Persons to submit comments and objections by Wednesday 21 December 2011. 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 in 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.

Each Forward Work Programme sets out work the Authority proposes to undertake in the coming year. During the course a year the Authority may need to reprioritise work in response to events and changing circumstances and may therefore undertake work that was not included in a Forward Work Programme and be unable to undertake or complete items in a published programme.

Context & Content of 2012 Forward Work Programme

The 2012 Forward Work Programme is the seventh programme published by the Authority since its establishment.

All of the work items in the 2012 Forward Work Programme are in addition to work undertaken by the Authority in the normal course of business.

2012 Work Priorities

The draft 2012 Forward Work Programme includes a number of 'high priority' areas of work:

1) Promoting and safeguarding the interests of Customers:

- a. The Customer Affairs Directorate will engage with Customers to raise awareness about what they have a right to expect from providers of electricity services;
- b. Increased scrutiny and audit of
 - (i) the performance of meter reading, billing and collection functions;
 - (ii) the application by licensees and their contractors of customer connection charges and the processing of applications for connection; and

- (iii) the obligation of Licensees outlined in the Customer Charters issued in 2011;
- c. Finalisation of proposals for a new Permitted Tariff for Customers with Special Needs with a firm commitment to submit final proposals to government by the end of Q1 2012; and
- d. Formal consultation with all relevant stakeholders on the future implementation of Supply competition. The views of Customers will, in particular, be important to formulating proposals for this important liberalisation measure.

2) Health and Safety Seminar

To further emphasise the importance of health and safety (HSE) the Authority will host a seminar to highlight HSE performance in the electricity and related water sector since restructuring; areas for further improvement; HSE best practice internationally, and case studies of HSE improvements secured by electricity companies in Oman. The seminar will present a comparison of HSE obligations under different regulatory regimes to inform the further development of HSE regulations in Oman and their enforcement.

3) Restructuring of the Salalah Concession Agreement

The Authority will continue to coordinate with PAEW and PWP on the restructuring of the Salalah Concession Agreement, building on progress made during 2011. The restructuring is expected to be implemented in 2012 in advance of which the Authority will be required to:

- a. Grant new generation, distribution and supply licences to relevant companies;
- b. Implement and approve new price controls and Bulk Supply Tariff arrangements for relevant companies;
- c. Modify the licences of OETC and PWP to reflect the new Salalah market structure and regulatory arrangements; and
- d. Implement arrangements, pursuant to Article (18) of the Sector Law to calculate and secure the provision of electricity subsidy to a Licensed supplier in Salalah;

4) Operational & Financial Benchmarks

The Authority aims to publish baseline 'operational and financial' benchmarks to be agreed with the Ministry of Finance to increase the transparency and consistency of performance reporting and highlight trends in electricity and related water sector efficiency. The Authority was unable to progress this work last year and views the preparation of benchmarks as an important priority;

5) Consultation on ways to promote (i) Clean Energy investment, and (ii) Energy Efficiency in Oman

The Authority considers it timely to consult with stakeholders on the need for, and possible measures to support, investment in Clean Energy and ways to improve Energy Efficiency. The results of the consultation will inform a submission to PAEW proposing ways forward on these two important and complimentary issues.

Other areas of work planned for 2012

In addition to the 'high priority' areas of work outlined above, the Authority expects to progress other areas of work during 2012, including:

1. Further Health & Safety (HSE) audits of licensees, including generation and generation/desalination licensees;
2. Review and implement a new price control for the Oman Electricity Transmission Company SAOC to take effect from 1 January 2013. The Authority will consult with transmission system users before implementing the new control and undertake (i) a price control audit, and (ii) a dispatch audit to inform our assessment of OETC's efficiency;
3. The Authority will coordinate with licensees and the Electricity Holding Company SAOC to progress a Small Scale Implementation (SSI) project that aims to identify the costs and benefits of the potential for the widespread application of digital metering, automatic meter reading and related systems. The Authority will wish to establish, with the support of licensees, baseline data of customer consumption characteristics in order to evaluate change in customer consumption attributable to information provided by SSI related technologies;
4. Power Plant in Tibat and Bukha, Mussandam: the Authority will work to support the development of a new gas fired power plant and related infrastructure in Mussandam that will replace a substantial proportion of RAEC's diesel generation in that region;
5. Support the procurement of the Ghubrah Independent Water Project through a fair and transparent competition;
6. Conduct price control audits of all RAEC electrification expenditures approved by the Authority to date;
7. Prepare and issue regulatory accounting guidelines (i) for Distribution and Supply licensees – to support Supply competition and (ii) for OETC, to support the implementation of separate price control arrangements for the company's operations in Salalah and the MIS;

8. Statutory and Licence compliance – the Authority was unable to complete the compliance audits included in the 2011 work programme and intends to do so in 2012. In preparation for this the Authority is implementing an internal ‘compliance system’ that will provide a basis for collating and publishing reports and assessments of regulatory compliance;
9. Renewable Energy Initiatives: the Authority will continue to support various renewable energy initiatives and will commission specialist consultants to advise on Grid integration issues to support Oman’s first Large Solar Project and take steps to ensure Oman benefits from experience of implementing solar and other renewable energy technologies in other jurisdictions; and
10. Consolidation of work from previous Work Programmes.

The Authority has identified a challenging work programme for 2012 and invites comments and/or objections from interested persons on our draft programme for 2012.



Authority for Electricity Regulation, Oman

November 2011

Glossary of Terms

<i>I(W)PP</i>	Independent (Water) and Power Project
<i>Licence</i>	An authorization granted by the Authority to undertake one or more of the Regulated Activities stipulated in Article (3) of the Sector Law
<i>MIS</i>	Main Interconnected System
<i>OETC</i>	The Oman Electricity Transmission Company SAOC
<i>PAEW</i>	The Public Authority for Electricity and Water established by Royal Decree 92/2007
<i>Permitted Tariff</i>	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
<i>Price control</i>	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
<i>PWP</i>	The Oman Power and Water Procurement Company SAOC
<i>RAEC</i>	The Rural Areas Electricity Company SAOC
<i>Regulated Activities</i>	The activities stipulated in Article (3) of the Sector Law
<i>Sector Law</i>	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
<i>Subsidy</i>	The financial support provided to Licensed Suppliers, as calculated by the Authority and paid by the Ministry of Finance, pursuant to Article (18) of the Sector Law
<i>The Authority</i>	The Authority for Electricity Regulation, Oman, being the authority established pursuant to Article (19) of the Sector Law