



**هيئة تنظيم الكهرباء - عمان**  
**AUTHORITY FOR ELECTRICITY REGULATION, OMAN**

## 2019 Forward Work Programme

Foreword.....	3
Statutory Functions and Duties .....	4
Consultation.....	4
Purpose of Forward Work Programme.....	4
Context & Content of 2019 Forward Work Programme.....	5
2019 Work Priorities .....	6
Glossary of Terms .....	<b>Error! Bookmark not defined.</b>

## 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 and Royal Decree 47/2013.

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.

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](http://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 to 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 2019 Forward Work Plan, must be conducted in accordance with these statutory duties.

## Consultation

The Authority consulted on the draft 2019 Forward Work Programme and invited interested Persons to submit comments and objections. The Authority responded to all comments and objections received in response to the 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 of 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 2019 Forward Work Programme

The 2019 Forward Work Programme is the fourteenth programme published by the Authority since its establishment.

All of the work items in the 2019 Forward Work Programme are in addition to work undertaken by the Authority in the normal course of business.

## 2019 Work Priorities

The 2019 Forward Work Programme includes a number of general policy areas of work:

### 1) Sahim Project

During the first phase of the Sahim project customers that installed rooftop PV solar systems, at their own cost, were allowed to be compensated for PV electricity exported to a licensed system at the relevant approved Bulk Supply Tariff (“BST”). During 2018 the second phase of Sahim was launched which aimed to drive the wide-scale deployment of small PV systems (3kWp – 5kWp) at between 10% to 30% of residential Premises in Oman. Unlike Sahim 1, the costs of procuring, installing, operating and maintaining Sahim 2 residential PV systems will not be met by Customers but will be met by private sector entities who will recover related costs through contracts with Licensed Suppliers. The Authority aims to issue a tender for the first tranche of houses as part of the Sahim 2 project during 2019.

### 2) Energy Efficiency

The establishment of Energy Services Companies (ESCOs) in Oman is considered an area of high priority for the Authority. The Authority intends to build further upon the audits of various Government buildings that were undertaken in 2017 and 2018, to support the Government’s energy efficiency efforts.

Lowering electricity consumption in the Omani Government sector can be achieved by utilizing ESCOs. ESCOs have long served markets internationally by providing improved building performance, access to expertise, installation of new more efficient equipment and training of building staff, with little to no upfront costs; with inherent risks being managed by the ESCOs. The comprehensive building retrofits that ESCOs can perform will allow for simultaneous targeting of multiple building systems, including the building envelope, lighting, ventilation, and air conditioning (HVAC).

The roll-out of the program is expected to commence over multiple phases, with the overarching objective of achieving long-term reduction of energy consumption and operational costs in Government buildings. Initially this is expected to be met by auditing and retrofitting 70% of Government buildings falling under CRTs by 2023.

### **3) Environmental Audit**

In 2008 the Authority conducted Environmental Audits of the licensed transmission and distribution systems. The Authority believes it is appropriate to conduct similar audits in 2019 in order to assess continuing compliance with environmental obligations.

### **4) Cyber Security Audits**

The Authority is planning to undertake a full cyber security audit that will include the IWPs and other Licensees that were not audited previously, to ensure that comprehensive audits of all Licensees have been undertaken.

### **5) Electric Vehicles**

Following on from its 2018 review of international best practice the Authority will continue to assess developments in this fast moving field and to promote an informed debate about the role to be played by electricity distribution companies, as well as key stakeholders in the transport sector. In particular, in order to assess the impacts on the sector, the Authority will continue to review the attractiveness of electric vehicles in Oman, developing battery technologies and the potential timescales for cost parity between electric and combustion engine vehicles. It will also assess the options for public versus private roll-out of charging infrastructure on strategic highways, the most appropriate tariff structure for residential customers wishing to charge their vehicles at home and critical public safety related issues.

### **6) Dispatch Audit for OETC**

Economic Dispatch, which includes the implementation of the merit order, the management of system constraints and the correct level of spinning reserve are all important areas that need to be assessed in detail by the Authority. It is very important that the Authority establishes a good understanding of the manner in which OETC is undertaking its economic dispatch activities ahead of the spot market implementation and therefore an audit is planned for 2019.

### **7) Guaranteed and Overall Standards of Performance**

In 2019 the Authority intends to finalise the preparation and implementation of the Guaranteed and Overall Standards of Performance scheme. This exercise was moved to 2019 to allow licensed suppliers to adapt to the new KPI incentive scheme and to undertake the required system enhancements.

## **8) Supply Competition**

The Authority will progress the competitive market review, working closely with key stakeholders, including existing licensees and potential new entrants, to build a shared understanding of the key building blocks that must be put in place to enable customer choice. These include the functional separation of Distribution Network from Retail Supply activities, the organization of market support services such as metering and data management and the development of customer registration and switching systems. In addition, the Authority will develop and consult on a series of arrangements necessary to protect the interests of customers, such as those required to ensure continuity of electricity supply in the event a supplier chooses to exit the market and arrangements to ensure that customer supply terms are fair and reasonable.

## **9) Review of Market Liberalisation Measures**

In 2018 the Authority completed work to assess the readiness of the market for the introduction of competition between licensed suppliers. This confirmed that the introduction of competition between licence holders and new market entrants is feasible and desirable. Although the precise arrangements will need to reflect the specific circumstances of the Oman market, the Authority also received proposals from interested participants proposing specific arrangements for electricity purchasing. In addition, the Government is actively progressing key privatisation measures, with the Authority's full support. The Authority wishes to ensure that the liberalization programme is co-ordinated and will therefore undertake a comprehensive review of the market structure and other factors, to ensure that there is a coherent overview and to establish the pre-conditions and timeline for introducing a consistent and timely series of liberalisation measures, within the overall framework of the electricity sector market development.

## **10) Water Restructuring**

In anticipation of the water restructuring that is planned for 2020 the Authority expects that it will actively work with relevant entities on the finalization of the legal and regulatory framework for the restructured water sector, to ensure that it meets the Government's objectives.



## Authority for Electricity Regulation, Oman

### Glossary of Terms

<b><i>Licence</i></b>	An authorization granted by the Authority to undertake one or more of the Regulated Activities stipulated in Article (3) of the Sector Law
<b><i>OES</i></b>	Oman Electrical Standards
<b><i>Discos</i></b>	The Distribution & Supply Licensees; Muscat Electricity Distribution Company SAOC, Majan Electricity Company SAOC, Mazoon Electricity Company SAOC and Dhofar Power Company SAOC
<b><i>PAEW</i></b>	The Public Authority for Electricity and Water established by Royal Decree 92/2007
<b><i>Price control</i></b>	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
<b><i>RAEC</i></b>	The Rural Areas Electricity Company SAOC
<b><i>Regulated Activities</i></b>	The activities stipulated in Article (3) of the Sector Law
<b><i>Sector Law</i></b>	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 and Royal Decree 47/2013

***Cyber Security***

The tools, policies, security concepts, security safeguards, guidelines, risk management approaches, actions, training, best practices, assurance and technologies used to protect and safeguard SCADA and DCS systems from threats to the availability and integrity of those systems, and the confidentiality of data held by those systems and/or exchanged with other systems.

***The Authority***

The Authority for Electricity Regulation, Oman, being the authority established pursuant to Article (19) of the Sector Law