

**SULTANATE OF OMAN**



هيئة تنظيم الخدمات العامة  
Authority for Public Services Regulation

**RURAL AREAS ELECTRICITY COMPANY LICENCE**

**GRANTED TO**

**Rural Areas Electricity Company SAOC**

**Effective: 1 May 2005**

**Modified: 1 June 2023**

## Table of Content

<b>PART I THE LICENCE .....</b>	<b>4</b>
1. GRANT OF LICENCE.....	4
2. CONDITIONS OF LICENCE .....	4
3. LICENCE TERM .....	4
4. LICENSED ACTIVITIES.....	4
5. GOVERNING LANGUAGE .....	5
6. DEFINITIONS .....	5
7. INTERPRETATION AND CONSTRUCTION .....	9
<b>PART II GENERAL CONDITIONS.....</b>	<b>10</b>
Condition 1: General .....	10
Condition 2: Prohibited activities and cross-ownership .....	10
Condition 3: Non discrimination .....	10
Condition 4: Economic Purchase.....	10
Condition 5: Provision of information to the Authority .....	12
Condition 6: Co-operation with Licence Holders .....	12
Condition 7: Licence fees .....	12
Condition 8: Insurance requirements .....	13
Condition 9: Environmental matters.....	13
Condition 10: Regulatory Compliance .....	14
Condition 11: Cyber Security.....	14
Condition 12: Omani Content and Omanisation.....	15
Condition 13: Languages of Codes.....	15
Condition 14: Health and safety.....	16
Condition 15: Revocation .....	16
Condition 16: Prohibition of cross subsidies .....	17
Condition 17: Separate Businesses and Regulatory Accounts .....	17
Condition 18: Disposal of assets and transfer of Licence.....	20
Condition 19: Settlement .....	21
Condition 20: Production Facilities .....	22



Condition 21: RAEC Systems Generation Security Standard .....	22
Condition 22: Grid Code and Distribution Code .....	23
Condition 23: Transfer of assets .....	23
Condition 24: Existing Arrangements.....	23
<b>Schedule 2: Charge Restriction Conditions.....</b>	<b>24</b>

## **PART I THE LICENCE**

### **1. Grant of licence**

The Authority for Public Services Regulation, Oman (hereinafter referred to as "the Authority"), in exercise of the powers conferred by Article (2) of Royal Decree No. 78/2004 promulgating the Law for the Regulation and Privatisation of the Electricity and Related Water Sector (hereinafter referred to as the "Sector Law") hereby grants to the **Rural Areas Electricity Company SAOC** (hereinafter referred to as the "Licensee") a licence (hereinafter referred to as the "Licence") to undertake the activities referred to in paragraph 4 below (hereinafter referred to as the "Licensed Activities").

### **2. Conditions of Licence**

This Licence is granted on the Conditions set out in Parts II (hereinafter referred to as the "Conditions"), for the period referred to in paragraph 3 below and for the purposes of enabling the Licensee to undertake the Licensed Activities.

This Licence is subject to:

- (a) Modification in accordance with Article (109) of the Sector Law and in accordance with its terms; and
- (b) Revocation in accordance with Condition 15 of this Licence.

### **3. Licence term**

This Licence shall come into force on **1 June 2023** and, unless terminated in accordance with the provisions of Condition 15, shall continue in full force for a period of (25) years from 1 June 2023.

### **4. Licensed Activities**

This Licence authorises the Licensee to carry out the following activities:

- a) To Generate electricity in the Sultanate of Oman and to finance, develop, own and /or operate and maintain Production Facilities in order to do so;
- b) to carry out any other function assigned to it by the Sector Law.

## 5. Governing Language

The governing language of this Licence shall be the English language.

## 6. Definitions

The following words and expressions, when used in this Licence, shall have the following meanings:

<b>"Affiliate"</b>	in relation to the Licensee, means any Person which Controls (directly or indirectly) the Licensee and any other Person Controlled (directly or indirectly) by such first mentioned Person, including where the Licensee is a Company, the ultimate holding Company of the Licensee and any holding Company of the Licensee and any subsidiary of such holding Company;
<b>"Ancillary Services"</b>	means services which (1) Licensed Generators, Licensed Generators/Desalinators or other Persons whose Premises are Connected to a Transmission System or a Distribution System may be required to provide from time to time in connection with the security and stability of such Transmission System or the Total System; and (2) are provided for in either (i) an agreement between a Licensed Transmission System Operator or a Licensed Distribution System Operator and any Person or (ii) an agreement between a Licensed Generator or a Licensed Generator/Desalinator and the PWP;
<b>"Company"</b>	has the meaning given to it in the Commercial Companies Law, No. 18/2019, as amended and <b>"Companies"</b> shall be construed accordingly;
<b>"Competent Authority"</b>	means any unit of the state apparatus and all considered as such and the branches and divisions related thereto and which have been assigned with jurisdiction pursuant to the Sector Law in relation to any matter which is the subject of the Sector Law and/or this Licence;
<b>"Condition"</b>	has the meaning given to it in paragraph (2) of Part I;
<b>"Controls"</b>	means, in respect of a Person by another, that that other (whether alone or with others and

whether directly or indirectly and whether by the ownership of share capital, the possession of voting power, contract or otherwise):

- (i) has the power to appoint and/or remove all or the majority of the members of the board of directors or other governing body of that Person or of any other Person which controls that Person; or
- (ii) controls or has the power to control the affairs and policies of that Person or of any other Person which controls that Person; or
- (iii) is the parent undertaking of that Person or is the parent undertaking of any other Person which controls that Person; or
- (iv) possesses or is, or will be at a future date, entitled to acquire:
  - (A) twenty per cent (20%) or more of the share capital or issued share capital of, or of the voting power in, that Person or any other Person which controls that Person; or
  - (B) such part of the issued share capital of that Person or any other Person which controls that Person as would, if the whole of the income of such Person were in fact distributed, entitle him to receive twenty per cent (20%) or more of the amount so distributed; or
  - (C) such rights as would, in the event of the winding-up of that Person or any other Person which controls that Person or in any other circumstances, entitle him to receive twenty per cent (20%) or more of the assets of such Person

which would then be available for distribution,

and, for those purposes, there shall be attributed to any Person the rights or powers of any nominee or associate of his and the rights and powers of any one or more Persons which he, or he and any nominee or associate of his, controls

and "**Control**" and "**Controlled**" shall be construed accordingly;

**"Economic Purchase"**

means the purchase on the best economic terms reasonably obtainable, having regard to quality, quantity, the nature of the things to be purchased, the available manner of delivery and the future security, reliability and diversity of supply of the things to be purchased;

**"Electricity Holding Company**

**SAOC"**

means the Company of that name as referred to in Article (63) of the Sector Law;

**"Generation"**

means the production of electricity by any means and "**Generate**" and "**Generated**" shall be construed accordingly;

**"Generation Security Planning Standards"**

means standards which shall be established as required in the Condition (21) of this Licence;

**"Government"**

means the Government of the Sultanate of Oman;

**"Grid Code"**

means the code, which each Licensed Transmission System Operator shall be required to prepare and maintain pursuant to the terms of its Transmission Licence;

**"Licence"**

means a written authorisation to undertake a Regulated Activity issued by the Authority pursuant to the Sector Law and shall, unless the context otherwise requires, include this Licence;

**"Licence Holder" or "Licensee"**

means any Person who is the holder of a Licence and shall, where the context permits, include the Licensee;

**"Licensee"**

has the meaning given in paragraph (1) of Part I;

<b>"Ministry of Finance"</b>	means the Ministry of Finance of the Government;
<b>"Modification"</b>	includes addition, omission, amendment and substitution, and cognate expressions shall be construed accordingly;
<b>"New Capacity"</b>	means Production Capacity, which is not subject to a contract between its owner and the Licensee;
<b>"Omani Content"</b>	means Omani products, suppliers and contractors;
<b>"Omanisation"</b>	means the Government's policy for the employment and training of Omani nationals;
<b>"Output"</b>	means electricity Generated and/or water Desalinated by a Production Facility;
<b>"Person"</b>	means any natural person or public or private legal person or corporations or societies or organisations;
<b>"Premises"</b>	means any land, building or structure occupied or used by a Person;
<b>"Production Capacity"</b>	means electricity Generation capacity or electricity Generation capacity combined with or co-located with water Desalination capacity in the same site or the water Desalination capacity from a Desalination Facility of a Special Nature, as the context so requires;
<b>"Production Facility"</b>	installations used for the Generation of electricity or the Generation of electricity combined with the Desalination of water or the Generation of electricity co-located with the Desalination of water in the same site or the Desalination of water from a Desalination Facility of a Special Nature, including all associated Electric and water lines connected to such installations as the context so requires;
<b>"Regulatory Accounting Guidelines"</b>	means guidelines issued by the Authority from time to time in connection with the preparation of regulatory accounts;
<b>"Regulated Activity"</b>	means the activities listed in Article (3) of the Sector Law;



**"Rural Areas Electricity Company**

**SAOC"** means the company of that name referred to in Article (66) of the Sector Law;

**"Sector Law"** has the meaning given to it in paragraph (1) of Part I;

**"Security Standards"** means the standards by which the Licensee's performance in maintaining generation security and/or the availability and quality of RAEC Systems or services, may be measured, in the manner prescribed in this Licence;

**"Wholly-owned by the**

**Government"** means, in relation to any Company, that all of the issued shares in that Company are held by the Ministry of Finance or by the Electricity Holding Company SAOC or by another nominee of the Government or by any entity which is itself wholly-owned by the Government.

**7. Interpretation and construction**

For the purpose of this Licence:

- (a) where any obligation of the Licensee is required to be performed within a specified time limit that obligation shall be deemed to continue after that time limit if the Licensee fails to comply with that obligation within that time limit;
- (b) in construing a Condition, the heading or title of any Condition or paragraph shall be disregarded; and
- (c) any reference to a numbered Condition is a reference to the Condition bearing that number or prefix in this Licence and any reference to a paragraph is to the paragraph bearing that number or prefix in the Condition in which the reference occurs.
- (d) terms used in this Licence shall, unless the context otherwise admits, have the same meaning as ascribed to them in the Sector Law.

## **PART II GENERAL CONDITIONS**

### **Condition 1: General**

The Conditions set out in this Part II of the Licence apply, unless otherwise stated, to all the Licensed Activities undertaken by the Licensee.

### **Condition 2: Prohibited activities and cross-ownership**

1. The Licensee shall not and shall procure that any Affiliate of the Licensee shall not,
  - (a) on its own account (or that of the Licensee or of any Affiliate of the Licensee, as the case may be) without the prior written consent of the Authority, carry on any activities other than the Licensed Activities stipulated in Paragraph (4) of Part 1 or activities reasonably necessarily ancillary thereto;
  - (b) without the consent in writing of the Authority, hold any economic interest, whether by the ownership of shares or otherwise, in any Person who undertakes a Regulated Activity,

Provided that, neither the Government nor any entity which is Wholly-owned by the Government at the relevant time shall constitute an Affiliate of the Licensee for the purposes of this Condition 2.

2. The Licensee shall, in carrying out the Licensed Activities, comply at all times with the Sector Law.

### **Condition 3: Non discrimination**

In carrying out the Licensed Activities, the Licensee shall not create any undue preference in favour of nor unduly discriminate against any Person or class of Persons.

### **Condition 4: Economic Purchase**

#### **General**

1. The Licensee shall, to the extent that the same is applicable to it, do such things as are necessary to ensure that all Production Capacity and Output, Ancillary Services, and all other goods, assets and services which are purchased by it or are otherwise acquired by it, are purchased or otherwise acquired and managed by it on an Economic Purchase basis.

### **Contracts with Affiliates**

2. Any contracts or arrangements for the purchase of goods, assets and services from an Affiliate shall be on arm's length terms. For the purposes of this Condition, "an arm's length basis" means a basis on which unrelated parties would, in the normal course of business, do business.

### **Ancillary Services**

3. The Licensee shall, to the extent that this is applicable to it, upon request of the Licensed System Operator or the OPWP:
  - (a) provide to that Licensed System Operator and to the OPWP such information as to the Ancillary Services which are being or could be made available by it; and
  - (b) offer to provide, on reasonable terms, Ancillary Services, from any operating Generation Unit of the Licensee, to the PWP, provided that no charge shall be made by the Licensee for any Ancillary Services which are required to be provided under a PPA.

The Licensee shall provide to the Authority, upon request of the Authority, information on the provision of Ancillary Services, including details of the costs to the Licensee of providing Ancillary Services.

### **Production Capacity and Output**

4. To the extent that this is applicable to it, in determining whether a contract or agreement for Production Capacity and Output, Ancillary Services, and all other goods, assets and services would satisfy the Licensee's obligation to purchase the same on an Economic Purchase basis, the Licensee shall have regard not only to the price which it is to pay for such Production Capacity and Output, Ancillary Services, and all other goods, assets and services but also to any payments made or received or to be made or received for the grant of or pursuant to the relevant contract and/or agreement to the risk of the Licensee having to make further payments under the contract or agreement. The Licensee shall additionally have regard to any considerations liable to affect its ability to discharge its obligations under this Licence in the future, including the future security, reliability and diversity of sources of electricity and the quality of the sources of water available for purchase.
5. The Licensee shall, having regard to the considerations described in paragraph 4 above, keep under review the prices, which it shall be liable to pay and the relevant terms of contracts and agreements for Production Capacity and Output, Ancillary Services, and all other goods, assets and services. Where, as a result of any such review, the Licensee terminates or seeks to terminate or fails to terminate or to seek to terminate an existing contract or agreement or:
  - (a) amends or seeks to amend; or

(b) exercises a discretion or fails to exercise a discretion under, an existing contract or agreement in such a manner as to alter or not to alter the price or prices applicable under such agreement and/or any of the other relevant terms, the Licensee shall provide the Authority with all relevant information in relation to any amendment or termination of such contract or agreement.

#### **Condition 5: Provision of information to the Authority**

1. The Licensee shall furnish to the Authority, in such manner and at such times as the Authority may require, such information and shall procure and furnish to it such reports, as the Authority may consider necessary in the light of the Conditions or as it may require for the purpose of performing the functions assigned to it by or under the Sector Law.
2. Without prejudice to the generality of paragraph 1 above, the Authority may call for the furnishing of accounting information.
3. In paragraphs 1 and 2 of this Condition , "information" shall include any documents, accounts, estimates, analysis, returns or reports (whether or not prepared specifically at the request of the Authority) of any description specified by the Authority.

#### **Condition 6: Co-operation with Licence Holders**

1. The Licensee shall furnish to any Licence Holder as the Authority may direct, in such manner and at such times as the Authority may direct, such information as the Authority may consider necessary to enable such Licence Holder to perform the functions assigned to it under the Sector Law or its licence.
2. The Licensee shall co-operate, to such extent as the Authority may direct, with any relevant Licence Holder in performing its functions under the Sector Law and its Licence so as to enable any such Licence Holder to perform its functions under the Sector Law and its Licence.

#### **Condition 7: Licence fees**

1. The Licensee shall, at the times stated hereunder, pay to the Authority fees of the amount specified in, or determined under, the following paragraphs of this Condition.
2. In respect of the First Relevant Year (1 June 2023 to 31 December 2023) and in each subsequent year, the Licensee shall pay the aggregate of the following amounts:
  - (a) an amount which is a proportion as determined by the Authority of the amount estimated by the Authority, according to a method which has previously been disclosed in writing to the Licensee, as likely to be its costs during the coming year in the exercise of its general functions under the Sector Law; and

- (b) the difference (being a positive or a negative amount), if any, between:
- (i) the amount of the fee paid by the Licensee in respect of the year immediately preceding the year in question; and
  - (ii) the amount which that fee would have been in respect of that year had the amount comprised therein under paragraph (a) been calculated by reference to the total costs of the Authority and the proportion thereof actually attributable to the Licensee (such total costs being apportioned as determined by the Authority according to a method previously disclosed in writing to the Licensee),

and the fee shall be paid by the Licensee to the Authority during the year to which it relates in four equal quarterly instalments, the first such instalment being payable within 30 days of the date upon which the Authority gives notice to the Licensee of its amount. In the First Relevant Year (1 June 2023 to 31 December 2023) the fee shall be paid in the number of instalments determined by the Authority.

#### **Condition 8: Insurance requirements**

1. The Licensee shall, in respect of its Licensed Activities, maintain insurance (including Self-Insurance) against third party liabilities on terms approved by the Authority (including, but without limitation, with respect to type, cover, level and identity of insurer) with any Modification as may be required pursuant to paragraph 3 of this Condition.
2. The Licensee shall, except as the Authority may otherwise consent, procure that every insurance policy maintained pursuant to paragraph 1 above shall bear an endorsement to the effect that 30 days' prior notice shall be given to the Authority by the insurer or insurance broker of any lapse or cancellation of, or material change to, the policy.
3. Where the Authority notifies the Licensee that the Authority requires any Modification of the insurance approved by the Authority pursuant to paragraph 1 above, the Licensee shall, no later than 60 days (or such longer period as the Authority may approve) from the date of the notice, procure that such Modification is made.
4. In this Condition:

"Self-Insurance" means the Licensee's financial capacity to meet any liability to a third party in respect of which the Licensee does not otherwise have insurance.

#### **Condition 9: Environmental matters**

1. The Licensee shall, taking due account of guidance issued to it by the Authority and applicable environmental standards prevailing in the Sultanate of Oman, within six (6)

months of the grant of this Licence, establish a written policy designed to protect the environment from the effect of the Licensed Activities, together with operational objectives and management arrangements to give effect to such policy. The Licensee shall review the policy, the operational objectives and management arrangements periodically and otherwise as appropriate.

2. The Licensee shall, upon the establishment and any material change of them, promptly send to the Authority a copy of the policy, together with a general description of the operational objectives and management arrangements.
3. The Licensee shall act with regard to the policy and operational objectives and use its reasonable endeavours to operate the management arrangements effectively.
4. The Licensee shall, on an annual basis (or at such other intervals as the Authority may direct from time to time) prepare and submit to the Authority a statement setting out how the Licensee is complying and proposes to continue to comply with the guidance issued by the Authority and applicable environmental standards prevailing in the Sultanate of Oman.

#### **Condition 10: Regulatory Compliance**

The Licensee shall, insofar as they are applicable to it, comply with all regulations, conditions, instructions, directives, and all other Regulatory changes and developments that may be issued by the Authority from time to time, including in relation to applicable tariffs and charges

#### **Condition 11: Cyber Security**

1. The Licensee shall, in carrying out the Licensed Activities, safeguard and protect its systems from Cyber Security threats, in all circumstances in accordance with applicable law and relevant regulations from Competent Authorities.

The Licensee shall comply with Cyber Security Standards issued by the Authority from time to time in the timescale stipulated by the Authority from time to time.

- a. Establish effective governance;
  - b. Understand the risk to business of Cyber Security threats;
  - c. Establish and maintain secure system and architecture;
  - d. Implement incident response, business continuity and disaster recovery plans for all licensed activities;
  - e. Establish cyber security training and awareness programme;
  - f. Manage third party cyber security risks ; and
  - g. Ensure security controls are included in system changes and projects.
2. The Licensee shall appoint a suitably qualified and experienced person as a Single Point of Accountability (SPoA) responsible for Cyber Security in the organisation. The SPoA shall be a member of the senior management team.

3. The Licensee shall provide the Authority with details of the qualifications, experience and responsibilities of the SPoA and their position in the senior management team, and promptly notify the Authority of a change to the SPoA,
4. The Licensee shall at all times act in accordance with guidance and directions issued to it by the Authority concerning Cyber Security and all applicable laws and regulations, and to take all necessary actions to comply with the Mandatory Standards referred to in paragraph (2) of this Condition.

For the purposes of this Condition:

“Cyber Security” means the tools, policies, security concepts, security safeguards, guidelines, risk management approaches, actions, training, best practices, assurance and technologies used to protect and safeguard 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 general security objectives comprise the following:

- Availability,
- Integrity, which may include authenticity and non-repudiation, and
- Confidentiality

#### **Condition 12: Omani Content and Omanisation**

1. The Licensee shall use all reasonable efforts, in conducting the Licensed Activities, to promote and encourage the employment and training of Omani nationals and otherwise comply with and procure compliance with the Government's policy from time to time in respect of Omanisation and Omani Content.
2. The Licensee shall, on an annual basis (or at such other intervals as the Authority may direct from time to time) prepare and submit to the Authority a statement setting out how the Licensee is complying and proposes to continue to comply with the Government's policy for the time being in respect of Omanisation and Omani Content.

#### **Condition 13: Languages of Codes**

Whenever a Condition of this Licence requires the production or publication of any code, or other document, then, save to the extent that the Authority agrees otherwise, each such code or document shall be so produced or published in both the Arabic and the English languages.

#### **Condition 14: Health and safety**

1. The Licensee shall be under a duty, in carrying out the Licensed Activities, to give due consideration to the health and safety of the general public and to Persons employed by the Licensee, in all circumstances in accordance with applicable law and any regulations from a Competent Authority.
2. The Licensee shall, taking due account of any guidance issued to it by the Authority and all applicable laws and regulations, within 3 months of the grant of this Licence, establish a written health and safety policy, together with details of the management arrangements which the Licensee has, or will, put in place to give effect to such policy.
3. The Licensee shall review the policy and the management arrangements periodically and otherwise as appropriate.
4. The Licensee shall, upon the establishment of and following the making of any material change to the health and safety policy, promptly send to the Authority a copy of the health and safety policy and management arrangements which it proposes to put in place to give effect to that policy.
5. The Licensee shall at all times act with regard to the health and safety policy and use reasonable endeavours to operate the management arrangements effectively.

#### **Condition 15: Revocation**

1. The Authority may at any time revoke this Licence by not less than 30 days' prior notice in writing to the Licensee:
  - (a) if the Licensee agrees in writing with the Authority that this Licence should be revoked;
  - (b) if the Licensee ceases to undertake the Licensed Activities for a period exceeding 90 days, except where the Authority is satisfied that this has occurred as a result of events beyond the reasonable control of the Licensee, in which case the Authority shall substitute such longer period as it considers reasonable in the circumstances;
  - (c) if any amount payable under condition (7) is unpaid for 30 days after it has become due and remains unpaid for a period of 30 days after the Authority has given the Licensee notice in writing that the payment is overdue;
  - (d) if the Licensee fails, to any material extent, to perform any of its Licence duties or statutory duties;



- (e) if the Licensee has been adjudicated insolvent;
  - (f) on expiry of the duration of the existence of the Licensee as specified in its constitutional documentation;
  - (g) if the Licensee suffers a change of Control without the Authority's prior written approval, provided that, in considering whether or not to give such approval, the Authority's primary considerations shall be whether, in all the circumstances, (1) the Person acquiring Control is a fit and proper Person to do so and (2) the change of Control would necessarily cause a breach of the Sector Law or a provision of this Licence; or
  - (h) if it is found that the issue of this Licence had been based on inaccurate or incorrect information knowingly provided by the Licensee and the Licensee has been convicted of an offence in respect of such provision of inaccurate or incorrect information pursuant to Article (132) (b) of the Sector Law.
  - (i) If the public interest so require.
2. For the purpose of paragraph 1(g) of this Condition, there is a change in the Control of the Licensee whenever a Person obtains Control of the Licensee who did not have Control of the Licensee when this Licence was granted.

#### **Condition 16: Prohibition of cross subsidies**

The Licensee shall procure that when undertaking the Licensed Activities it shall not give any direct or indirect cross-subsidy to, nor receive any direct or indirect cross-subsidy from, any separate business or division responsible for any of the Licensed Activities or any other activity of the Licensee or the business of any Affiliate.

#### **Condition 17: Separate Businesses and Regulatory Accounts**

1. This Condition shall apply to each of the Licensee's Separate Businesses for the purposes of ensuring that the Licensee (and any Affiliate) maintains accounting and reporting arrangements which are prepared with such Regulatory Accounting Guidelines as may be in force from time to time and such other accounting standards as may be approved from time to time by the Authority.
2. The Licensee shall maintain accounting and reporting arrangements, which enable:
  - (a) separate accounts to be prepared for each Separate Business, that shall be stipulated by the Authority, showing the financial affairs of each such Separate Business; and
  - (b) those accounts to be prepared in accordance with such Regulatory Accounting Guidelines as may be in force from time to time and such other accounting standards as may be approved from time to time by the Authority.

3. The Licensee shall in respect of each Separate Business:
- (a) keep or cause to be kept for each of its financial years and in the manner referred to in this Condition:
    - (i) such accounting records in respect of each Separate Business as would be required to be kept in respect of each such business if it were carried on by a separate Company, so that the revenues, costs, subsidy (if applicable), assets, liabilities, reserves and provisions of, or reasonably attributable to, each Separate Business are separately identifiable in the books of the Licensee from those of any other business; and
    - (ii) such other accounting records in respect of such Separate Business as may be required by the Authority;
  - (b) prepare on a consistent basis from such accounting records for each financial year:
    - (i) accounting statements comprising a profit and loss account, a balance sheet and a statement of cash flow, together with notes thereto, and showing separately in respect of each Separate Business and in appropriate detail the amounts of any revenue, cost, subsidy (if applicable), asset, liability, reserve or provision which has been either:
      - (A) charged from or to any other business (whether or not a Separate Business) together with a description of the basis of that charge; or
      - (B) determined by apportionment or allocation between any Separate Business and any other business (whether or not a Separate Business) together with a description of the basis of the apportionment or allocation; and
    - (ii) such other financial statements as may be required by the Authority;
  - (c) procure, in respect of the accounting statements prepared in accordance with this Condition in respect of a financial year, a report by auditors and addressed to the Authority stating whether in their opinion those statements have been properly prepared in accordance with this Condition and give a true and fair view of the revenues, costs, subsidy (if applicable), assets, liabilities, reserves and provisions of, or reasonably attributable to the Separate Business to which the statements relate; and
  - (d) deliver to the Authority:

- (i) the auditors' report referred to in paragraph (c) above; and
- (ii) the accounting statements referred to in paragraph (b)(i) above,

as soon as reasonably practicable, and in any event not later than six months after the end of the financial year to which they relate in the case of the accounting statements referred to in paragraph (b)(i) above and the auditor's report referred to in paragraph (c) above.

- 4. (a) Unless the Authority so specifies in directions issued for the purposes of this Condition or with its prior written approval, the Licensee shall not, in relation to the accounting statements in respect of a financial year, change the basis of charge or apportionment or allocation referred to in paragraph 3(b)(i) of this Condition from those applied in respect of the previous financial year;
  - (b) Where, in relation to the accounting statements in respect of a financial year, the Licensee has changed such bases of charge or appointment or allocation from those adopted for the immediately preceding financial year, the Licensee shall, if so directed in directions issued by the Authority, in addition to preparing accounting statements on the bases which it has adopted in respect of that financial year, prepare accounting statements on the bases applied in respect of the immediately preceding financial year.
5. Accounting statements in respect of a financial year prepared under paragraph 3(b)(i) of this Condition shall, unless otherwise approved by the Authority having regard to the purposes of this Condition:
- (a) have the same content and format (in relation to each Separate Business) as the annual accounts of the Licensee prepared under relevant law;
  - (b) conform to the best commercial accounting practices and accounting standards or such other standards as may be notified to the Licensee by the Authority from time to time;
  - (c) state the accounting policies adopted; and
  - (c) (with the exception of the part of such statement which shows separately the amounts charged, apportioned or allocated and describes the bases of charge or apportionment or allocation respectively), be prepared at the same time as the annual accounts of the Licensee.

6. References in this Condition to costs or liabilities of, or reasonably attributable to, any Separate Business shall be construed as excluding taxation, capital liabilities which do not relate principally to a particular Separate Business, and interest thereon and references to any profit and loss account shall be construed accordingly.

### **Condition 18: Disposal of assets and transfer of Licence**

1. The Licensee shall not:
  - (a) transfer its interests in this Licence, under this Licence or to this Licence (nor any part thereof) without the prior written consent of the Authority;
  - (b) otherwise than in accordance with this Condition, dispose of or relinquish operational control over any Relevant Asset; or
  - (c) create or agree to create any security or effect a Disposal of or relinquish Control over any Relevant Asset or liabilities or create or agree to create or extinguish or agree to extinguish any interest it uses in connection with the Licensed Activities other than with the prior written consent of the Authority.
2. Save as provided in paragraph 3 below, the Licensee shall give to the Authority not less than two months' prior notice of its intention to dispose of or relinquish operational control over any Relevant Asset, together with such further information as the Authority may request relating to such asset or the circumstances of such intended Disposal or relinquishment of Control or to the intentions in regard thereto to the Persons proposing to acquire such asset or operational control over such asset.
3. Notwithstanding the provisions of paragraphs 1 and 2 above, the Licensee may dispose of or relinquish operational control over any Relevant Asset:
  - (a) where:
    - (i) the Authority has issued directions for the purposes of this Condition containing a general consent (whether or not subject to conditions) to:
      - (A) transactions of a specified description; and/or
      - (B) the Disposal of or relinquishment of operational control over Relevant Assets of a specified description for a specified period; and
    - (ii) the transaction or the relevant assets are of a description to which such directions apply and the Disposal or relinquishment is in accordance with any conditions to which the consent is subject;

- (b) where the Disposal or relinquishment of operational control in question is made under such contracts or agreements, or such categories of contracts or agreements, as may have been designated by the Authority for the purpose of this Condition; or
- (c) where the disposal or relinquishment of operational control in question is required by or under any enactment or subordinate legislation or by or under the Transfer Scheme.
4. Notwithstanding paragraph 1 above, the Licensee may dispose of or relinquish operational control over any Relevant Asset as is specified in any notice given under paragraph 2 in circumstances where:
- (a) the Authority confirms in writing that it consents to such Disposal or relinquishment (which consent may be made subject to the acceptance by the Licensee or any third party in favour of whom the Relevant Asset is proposed to be disposed or operational control is proposed to be relinquished of such conditions as to the Authority may specify); or
- (b) the Authority does not inform the Licensee in writing of any objection to such Disposal or relinquishment of Control within the notice period referred to in paragraph 2.
5. In this Condition:
- "Disposal" includes any sale, gift, lease, licence, mortgage, charge or the grant of any encumbrance or any other disposition to a third party and "dispose" shall be construed accordingly; and
- "Relevant Asset" means any asset which is necessary to enable the Licensee to undertake the Licensed Activities in accordance with the provisions of the Sector Law and this Licence, including any interest in land upon which any such asset is situated.

### **Condition 19: Settlement**

The Licensee shall, for each agreement entered into by it pursuant to the Licensed Activities, prepare, process, issue and settle invoices, as required, in accordance with the terms and timescales stipulated in such agreements.

### **Condition 20: Production Facilities**

1. The Licensee shall operate and maintain its Production Facilities in a safe, secure, efficient and economical manner.
2. The Licensee shall ensure that sufficient Production Capacity and Output is available to meet all reasonable demand for electricity.
3. The Licensee shall pursuant to Article (77) of the Sector Law:
  - (i) consult with the Oman Power and Water Procurement Company SAOC to determine the requirement for New Capacity and Output; and
  - (ii) construct or procure any New Capacity and Output required if the Oman Power and Water Procurement Company SAOC has determined that such New Capacity and Output shall be from the licensee's Production Facilities.

### **Condition 21: RAEC Systems Generation Security Standard**

1. The Licensee shall, as soon as practicable after the date upon which this Licence is granted and in any event not later than such date as the Authority specify in directions issued to the Licensee for the purposes of this Condition and from time to time thereafter, submit to the Authority for its approval details of the Licensee's proposals for
  - a) Generation Security Planning Standards; and
  - b) Proposals for complying with the obligation referred to in (a) above.
2. The Generation Security Planning Standards shall apply to each of the Licensee's RAEC Systems and the Licensee shall make arrangements, sufficient to meet the Generation Security Planning Standards.
3. The Licensee shall review the Generation Security Planning Standards periodically and otherwise as appropriate.
4. The Licensee shall upon request by the Authority provide to the Authority such information as the Authority may require for the purpose of monitoring compliance with this Condition and to enable the Authority (having regard to its statutory duties) to review the operation of the Generation Security Planning Standards.
5. The Authority, after consultation with the Licensee, may at any time and from time to time by directions issued to the Licensee for the purpose of this Condition make such Modifications to this Condition or any other Condition to which this Licence is subject as, in the opinion of the Authority, are the most appropriate to ensure that the Generation Security Planning Standards shall continue to be met.

### **Condition 22: Grid Code and Distribution Code**

1. The Licensee shall become and remain a party to and shall comply with the provisions of the Grid Code and the Distribution Code to the extent the provisions of such Codes are applicable to it.
2. The Authority may (following consultation with any relevant Licensed Transmission System Operator and/or relevant Licensed Distribution System Operator) issue directions relieving the Licensee of its obligation under paragraph 1 above in respect of such parts of the Grid Code and/or the Distribution Code to such extent as may be specified in those directions.

### **Condition 23: Transfer of assets**

The Licensee shall transfer any of its assets, in such manner and on such terms as the Authority may specify from time to time and otherwise on the terms specified in Article (88) of the Sector Law.

### **Condition 24: Existing Power Purchase Arrangements**

- (a) As an exceptional case and for a provisional duration, the licensee shall continue the existing arrangements to purchase electric power, which were made before the effective date of this licence.
- (b) The Licensee is not entitled to purchase electric power from third parties other than OPWP without obtaining prior written approval from the Authority effective from the date of this modified licence.

## Schedule 2: Charge Restriction Conditions

### 1- Regulated Revenue: Electricity

The Licensee shall, in setting its charges for the Generation of electricity use its best endeavours to secure that in any Relevant Year the **Actual Regulated Revenue** (ARR) shall not exceed the **Maximum Allowed Generation Revenue** (MAGR) calculated according to the following formula:

$$\text{MAGR}_t = G_t + \text{Fuel}_t + \text{PC}_t + \text{LF}_t - K_t$$

Where:

**MAGR<sub>t</sub>** means the **Maximum Allowed Generation Revenue** in Relevant Year t;

**G<sub>t</sub>** is a Notified Value in relevant year t provided by the Authority;

**Fuel<sub>t</sub>** means Fuel purchases (measured on an accruals basis) used for purpose of electricity Generation in Relevant Year t;

**PC<sub>t</sub>** means amounts due (measured on an accruals basis) in respect of purchases of electricity in Relevant Year t from third parties; and

**LF<sub>t</sub>** means the Licence fee payable pursuant to Condition 8 in Relevant Year t; and

**K<sub>t</sub>** is the correction factor in Relevant Year t calculated in accordance with the following formula:

$$K_t = (\text{ARR}_{t-1} - \text{MAGR}_{t-1}) \times \left(1 + \left(\frac{it}{100}\right)\right)$$



Where:

ARR<sub>t-1</sub> means the Actual Regulated Revenue in Relevant Year t-1;

MAGR<sub>t-1</sub> means the Maximum Allowed Generation Revenue in Relevant Year t-1; and

$i_t$  means the Specified Rate save that when ARR<sub>t-1</sub> exceeds MAGR<sub>t-1</sub> by more than 2 per cent, the Specified Rate plus 3 unless otherwise agreed by the Authority;

### **Restrictions on Electricity Charges**

- 1- If, in respect of any Relevant Year, Actual Regulated Revenue exceeds the Maximum Allowed Generation Revenue by more than 3 per cent the Licensee shall furnish an explanation to the Authority and shall not effect any increase in charges for the services, the revenue from which is regulated under this schedule, unless it has demonstrated to the reasonable satisfaction of the Authority that the revenue collected from the increased charges is not likely to exceed the Maximum Allowed Generation Revenue in that next following Relevant Year.
- 2- If, in respect of any 2 successive Relevant Years, the sum of the amounts by which the Actual Regulated Revenue has exceeded the Maximum Allowed Generation Revenue is more than 4 per cent of the Maximum Allowed Generation Revenue for the second of these Relevant Years, then in the next following Relevant Year the Licensee shall, if required by the Authority, adjust its charges services, the revenue from which is regulated under this schedule, so that the revenue collected from these charges would not be likely, in the judgment of the Authority, to exceed the Maximum Allowed Generation Revenue in that next following Relevant Year.
- 3- If, in respect of any 2 Relevant Years, the Actual Regulated Revenue collected is less than 90 per cent of the Maximum Allowed Generation Revenue, the Authority, after consultation with the Licensee, may direct that in calculating  $K_t$  in

respect of the next following Relevant Year, there should be substituted for  $ARR_{t-1}$  in the formula set out in paragraph 1 such figure as the Authority may specify being not less than  $ARR_{t-1}$  and not more than  $0.9*(MAGR_{t-1})$ .

### **Provision of Information to the Authority**

- 4- Where any change is intended to be made in charges for Electricity Generation the Licensee shall 1 month prior to the date of publication of such changes provide the Authority with:
  - a) written forecast of the **Actual Regulated Revenue** expected in the Relevant Year t in which such change is to take effect and in respect of the next following Relevant Year t+1; and
  - b) a written estimate of the **Maximum Allowed Generation Revenue**, together with its components, in respect of the Relevant Year t-1 immediately preceding the Relevant Year in which the change is to take effect unless a statement complying with paragraph 9 in respect of Relevant Year t-1 has been furnished by the Licensee to the Authority before the publication of the proposed change.
- 5- If within 3 months of the commencement of any Relevant Year t the Licensee has not made any such change in its charges as referred to in paragraphs 4 the Licensee shall provide the Authority with a written forecast of the Maximum Allowed Electricity Generation Revenue together with their respective components in respect of the Relevant Year t.
- 6- Any forecast or estimate provided in accordance with paragraphs 4 or 5 shall be accompanied by such information as regards the assumptions underlying the forecast or any estimate as may be necessary, in the judgement of the Authority, to enable the Authority to be satisfied that the forecast or estimate has been properly prepared on a consistent basis.
- 7- Not later than 6 weeks after the commencement of each Relevant Year t, the Licensee shall send the Authority a statement as to:

- a) whether or not the provisions of paragraphs 4, 5 and 6 regarding the Electricity Generation charges are likely to be applicable in consequence of revenues collected in the preceding Relevant Years (t-1 and t-2); and
  - b) its best estimate as to the relevant correction factor  $K_t$  calculated in accordance with the formula set out in paragraph 1 to be applied in calculating the Maximum Allowed Generation Revenue in Relevant Year t.
- 8- Not later than 3 months after the end of each Relevant Year t the Licensee shall send to the Authority a written statement in respect of that Relevant Year showing the specified items referred to in paragraph 9.
- 9- The statements referred to in the preceding paragraph shall be:
- a) accompanied by a report addressed to the Authority from the auditors referred to in Condition 17 that in their opinion such statements fairly represents each of the specified items in accordance with the requirement of this schedule and that the amounts shown in respect of each of the specified items are in accordance with the accounting records which have been maintained in accordance with Condition 17. The Authority may also require certain information of the specified items referred to in paragraph 10 or any information relating to or used for the calculation of these specified items to be subject to further audit by suitably qualified auditors as may be specified in directions issued by the Authority for the purposes of this schedule; and
  - b) Certified by a director of the Licensee on behalf of the Licensee that, to the best of his or her knowledge, information and belief after having made all reasonable enquires, that the amounts included in its calculations under paragraph 10 have been prepared in accordance with the Licensee's statutory and Licence obligations.
- 10-The specified items to be shown in the statements referred to in paragraph 9 in respect of the Licensee's activities shall be the following:
- a. the Actual Regulated Revenue in Relevant Year t showing separately (i) electricity Sales revenue,

- b. the value of  $G_t$  as defined in paragraph 1 in Relevant Year  $t$ ;
- c. the value of  $Fuel_t$  purchases as defined in paragraph 1 in Relevant Year  $t$ ;
- d. the value of  $PC_t$  as defined in paragraph 1 in Relevant Year  $t$ ;

### **Duration of Charge Restriction Conditions**

11-The charge restriction conditions in this schedule shall apply so long as this Licence continues in force but shall cease to have effect (in whole or in part as the case may be) if the Licensee delivers to the Authority a disapplication request made in accordance with paragraph 12 and:

- (a) the Authority agrees in writing to the disapplication request; or
- (b) their application (in whole or in part) is terminated by notice given by the Licensee in accordance with paragraph 13 and 14.

12- A disapplication request shall:

- a) be in writing addressed to the Authority;
- b) specify the charge restrictions (or any part thereof) to which the request relates; and
- c) state the date from which the Licensee wishes the Authority to agree that the specified charge restriction conditions shall cease to have effect, and the date upon which such charge restriction conditions shall cease to have effect shall be the 'disapplication date' provided that, save where the Authority agrees otherwise, the disapplication date shall not be earlier than the date occurring 18 months after the delivery of the disapplication request.

13-If the Authority has not proposed a Modification of the charge restriction conditions or has not issued a decision in writing rejecting the disapplication request before the beginning of the period of 6 months which will end with the disapplication date, the Licensee may deliver written notice to the Authority terminating the application of such of the charge restriction conditions as are specified in the disapplication request with effect from the disapplication date or a later date.

14-Nothing in paragraphs 11 to 13 above shall be taken to imply any limitation to or restriction of the Authority's power to modify this Licence in accordance with Article (109) of the Sector Law.

## **Definitions**

1- In this schedule words and expressions, when used with capital letters, shall have the following meanings:

### **"Actual Regulated Revenue ( $ARR_t$ )"**

means the revenue recovered through charges for the provision of electricity Generation, , and any other revenue items stipulated by the Authority measured on an accruals basis;

### **"First Relevant Year"**

means the Relevant Year effective on 1 January 2023 and ending on 31 December 2023;

### **"Fuel"**

means natural gas, diesel, and any other fuels used in the electricity and Related Water sector in the Sultanate of Oman;

### **"Maximum Allowed Generation Revenue ( $MAGR_t$ )"**

means the revenue allowed in relation to the Licensee's direct costs of providing the Licensed

Activities listed in Paragraph 4(a) of Part I of this Licence;

**"Notified Value"**

means, in relation to any term, such value as shall be first ascribed to that term in a written notice given to the Licensee by the Authority as soon as practicable after the date of grant of this Licence or as revised in a written notice given to the Licensee by the Authority;

**"Omani Consumer Price Index"**

is calculated as a weighted average of the value of the following price indices within the "Sultanate Consumer Price Index", as published in the Monthly Statistical Bulletin:

- i. Foods and non-alcoholic beverages
- ii. Tobacco
- iii. Clothing & Footwear
- iv. Furnishings, household equipment and routine household maintenance
- v. Health
- vi. Transport
- vii. Communication
- viii. Recreation and Culture
- ix. Education
- x. Restaurants and Hotels
- xi. Miscellaneous goods and services

The weights to attach to each of the items above,  $w_i$ , shall be calculated as  $w_i = \left( \frac{weight_i}{\sum_{i=1}^{12} weight_i} \right)$  where  $i = 1 - 3, 5 - 12$  and  $weight_i$  is the weight stated for the  $i^{th}$  item above in the Sultanate Consumer Price Index;

**"Relevant Year"**

means a period of 12 calendar months commencing on 1 January;

**"Relevant Year t"** means that Relevant Year for the purposes of which any calculation falls to be made;

**"Relevant Year t-1"** means the Relevant Year preceding Relevant Year t;

**"Specified Rate"** means in respect of Relevant Year t the average of the Weighted Average Interest Rates on Deposits (Total Deposits All Sectors: Rial Omani) published in the Monthly Statistical Bulletin of the Central Bank of Oman (or such other banks as the Authority shall specify from time to time) during Relevant Year t-1;

2- Words and expressions, when used in this schedule with capital initial letters and which are not defined in paragraph 1 above, shall have the meanings given to them in Part I of this Licence.

Chairman of Authority for Public Services Regulation

On Behalf of the Authority For Public Service Regulation