

## **Request for Proposals AER (112/2020)**



**Economic Support for Price Control Reviews of:**  
**MIS Distribution & Supply Companies (D&S-PCR6)**  
**Dhofar Power Company (DPC-PCR4)**  
**Rural Areas Electricity Company (RAEC-PCR5)**

**July 2020**

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# 1 INTRODUCTION

The Authority for Electricity Regulation, Oman ("the Authority") wishes to retain an experienced and well-qualified economic/financial Consultant to assist in setting new RPI-X type price controls for (i) the three licensed Distribution and Supply companies ("Discos") of the Sultanate's Main Interconnected System ("MIS") (Muscat Electricity Distribution Company ("MEDC"), Majan Electricity Company ("Majan") and Mazoon Electricity Company ("Mazoon")); (ii) Dhofar Power Company ("DPC"), which is authorised to Distribute and Supply electricity to customers connected to the Dhofar Power System; and (iii) the Rural Areas Electricity Company ("RAEC").

## Background

The electricity and related water sector in the Sultanate of Oman was extensively restructured following the implementation of the Law for the Regulation and Privatisation of the Electricity and Related Water Sector ("the Sector Law"). The Sector Law was promulgated by Royal Decree 78/2004 on 1 August 2004 and came fully into force on 1 May 2005.

The Sector Law provided for the horizontal and vertical unbundling of the electricity and related water activities previously undertaken by the Ministry of Housing Electricity and Water ("MHEW"). The Oman electricity market comprises three separate market segments: the Main Interconnected System in the north of Oman, remote isolated systems of the Rural Areas Electricity Company SAOC, and the Dhofar Power System. An overview of Licensees operating within each segment is provided in Appendix A and the customer base and electricity supplied by each Licensee in 2019.

## MEDC, Majan and Mazoon

Each of MEDC, Majan and Mazoon has a monopoly right to distribute and supply electricity within the Authorised Areas of the Main Interconnected System stipulated in their respective licenses. MIS Discos operate under RPI-X type price controls implemented by the Authority. These controls are applied through Charge Restriction Conditions in their Distribution and Supply licences. Initial three year price controls were implemented in 2005 and subsequently extended for a year to cover 2008. Price controls were then revised and implemented on 1 January 2009 for a 3-year period and the subsequent reviews were implemented for a 3-year

period each (2009-2011, 2012-2014, and 2015-2017). With the existing price controls, the Authority opted for a longer price control period of a four-year duration, effective since 1 January 2018 and are due to expire on 31 December 2021. The Authority will therefore implement new MIS Distribution and Supply price controls that will come into effect from 1 January 2022.

### **Dhofar Power Company**

Similar to the distribution and supply companies in the MIS, DPC has a monopoly right to distribute and supply electricity within the Authorised Area in the Dhofar region of Oman. Until 31 December 2013, DPC operated a vertically integrated electricity concession, i.e. it generated, transmitted, distributed and supplied electricity in Dhofar. DPC did this under contract; the Salalah Concession Agreement. The Salalah Concession Agreement was terminated on 1 January 2014, when the Dhofar Power System became functionally separated into Generation, Transmission and Distribution/Supply entities. DPC continues to own and operate the Distribution and Supply business and was issued with a Distribution and Supply licence by the Authority on 1 January 2014.

The current DPC price controls were implemented on 1 January 2019, along with the MIS Discos and RAEC, and are due to expire on 31 December 2021. The Authority therefore is looking to implement new DPC Distribution and Supply price controls that will come into effect from 1 January 2022.

### **Rural Areas Electricity Company**

The Rural Areas Electricity Company SAOC ("RAEC") is authorised by licence to generate electricity and desalinate water, transmit, distribute and supply electricity to customers in its Authorised Area. RAEC's Authorised Area extends throughout the Sultanate to remote areas not connected to either the MIS or DPS. Electricity supplied to most RAEC rural systems is generated at diesel fuelled production facilities, although for some rural systems RAEC purchases electricity from other entities like Petroleum Development Oman.

RAEC operates under RPI-X type price controls that cover its production (generation/desalination), transmission, distribution and supply activities. RAEC price controls are also due to expire on 31 December 2021. The Authority is therefore looking to set revised price controls covering all of RAEC's regulated activities that will come into effect from 1 January 2022.

Details of the Sultanate's electricity and Related Water market structure, the licensing and regulatory regimes, and the functions and duties of entities to which assignments in this RfP relate can be found in the Authority's Annual Reports (available for download from the Public Register page of the Authority's web site ( [www.aer.om](http://www.aer.om) )).

## 2 SCOPE OF WORK

The Consultant will review economic and financial aspects of the existing price controls and assist the Authority with establishing new RPI-X type price controls for four Distribution and Supply companies (Muscat, Majan, Mazoon and DPC) and the Rural Areas Electricity Company. The Consultant's scope of work will include the following:

- i. review, and make amendments where necessary, to the existing price control proforma (including guidance notes) to facilitate the submission of information to the Authority. The proforma will present historic data and 5-year projections for each Business/activity;
  - ii. reviewing demand forecasts submitted by Licensees to confirm their reasonableness and that the forecasts provide a robust basis for future capex and opex requirements;
  - iii. operating expenditure analysis: the Consultant will review and assess the reasonableness of Licensees' opex projections over the price control period. Having reviewed companies' opex submissions, the Consultant will make recommendations for appropriate adjustments (if required) to the opex projections. The Consultant's opex review will be supported with detailed written analysis and scrutiny of Licensees' costs (Direct costs, staff costs etc.), including (i) scrutiny of the use of allowances in the *current* price control period and (ii) the use of benchmarking analysis where appropriate;
  - iv. updating estimates of the pre-tax cost of capital to inform Distribution Business returns, including estimating the cost of equity and debt in conjunction with capital structure assumptions;
  - v. undertaking analysis to inform an appropriate return for the Supply Business activities;
  - vi. modelling the regulated asset base of each company (including establishing an appropriate opening regulated asset value for the start of the new price control);
  - vii. establishing revised (technical and non-technical) losses targets: The consultant will review the existing Losses Reduction Incentive Mechanism and propose revised losses targets for each Disco. The proposals will be informed by a detailed study of each Licensee's historic and current losses and will take account of the specific characteristic of each Licensee as well as international benchmarks;
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- viii. introduction of new incentive mechanisms, where deemed necessary and appropriate, to help improve Licensees' performances;
- ix. efficiency analysis to inform possible values for X in the RPI-X formulas of Licensees;
- x. modelling each company's price control against benchmark financial metrics agreed with the Authority to inform the financial stability and viability of proposed price control allowances;
- xi. modification of licences to reflect changes to price control parameters;
- xii. preparation of price control consultation letters (including all request letters, proposals and responses to Licensees) as well as working papers;
- xiii. participating in all price control review consultation meetings, including the preparation of all minutes of meetings;
- xiv. conducting workshops for the Authority, Licensees and other stakeholders as may be necessary; and
- xv. other analysis required to support the setting of new price controls (such as review of the form, structure and duration of the price controls).

The Authority has issued a separate RfP to appoint technical consultants to support its technical review of costs and capital expenditure requirements. Consequently, reviews of capital expenditure do not form part of this Request for Proposals, but the Consultant retained for this assignment will be required to utilise output from the technical review and, in so far as is necessary, coordinate with the technical consultant.

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## **Deliverables**

The primary deliverables for this assignment are:

- i. preparation of the price control information proforma in line with items (i) in the “Scope of Work” section of this Request for Proposals;
  - ii. preparing an Initial Consultation paper setting out the main issues for the price control review, in line with the “Scope of Work” section of this Request for Proposals;
  - iii. preparing Initial Price Control Proposals for each of MEDC, Majan, Mazoon, DPC and RAEC which will include documentation of items i-xv listed in the “Scope of Work” section of this Request for Proposals;
  - iv. preparing Final Price Control Proposals for each of MEDC, Majan, Mazoon, DPC and RAEC, which will include, among others, documentation of items i-xv listed in the “Scope of Work” section of this Request for Proposals;
  - v. drafting responses to all letters relating to the respective price control reviews over the course of the assignment; and
  - vi. preparing working papers setting out the different considerations of the price control review process, international best practices and recommendation for the Authority to consider.
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## Requirements for Assignments

The Authority wishes to appoint an experienced and well-qualified Consultant for the assignment. The appointed Consultant will have experience of price control reviews (assisting a regulator or regulated company) and be familiar with the analysis required by such reviews (including the development and operation of spreadsheet models, cost of capital analysis and assessments of opex requirements).

The experience and qualifications of team members proposed by the Consultant will be afforded significant weight in the evaluation and selection criteria. Any Consultant or individuals without the necessary experience will not be considered for the assignment. Consultants retained by the Authority in the past for similar assignments had team members that generally consisted of a project director, a project manager, a financial expert, senior economic and financial consultants and the support of two to three junior analysts.

The Authority expects to work extensively in collaboration with the Consultant and therefore the Consultant would be required to be present in the Authority's office particularly during periods of extensive analysis, prior to publication of Initial and Final Proposals as well as for consultation meetings, to conduct workshops and as may be deemed necessary by the Authority<sup>1</sup>.

The Consultant will be required to draft letters to a high standard. A sample of written work (such as price control consultation documents and letters) is required for evaluation.

Consultants shall demonstrate to the satisfaction of the Authority that they have no commercial relationship with any of the Licensees that are the subject of this price control review that may lead to any concern, real or perceived, as to the independence of the consultant or team members proposed. Where the consultant has any ongoing assignments with Licensees then these should be identified and the consultant should declare any overlap of team members and extent of their involvement in such other projects. The Consultant should clearly state the working procedures enforced by the company in relation to potential conflict of interest situations. This should be signed by an officer of the company.

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<sup>1</sup> Depending on the status of COVID-19 pandemic outbreak developments and taking into consideration the restrictions on international travellers.

## Timetable

The Consultant shall commence the assignment **within fourteen days** of being notified of the contract award.

The assignment is expected to last through to the completion of the price control review process (expected by December 2021). The Consultant will not be required to be present in Oman for the duration of the assignment, but will be expected to be available in Oman at certain points in time for meetings with Licensees, the Authority and other stakeholders<sup>2</sup>.

An indicative timeline for the price control review process is set out below:

<b>September 2020</b>	Appoint technical and economic advisers
<b>October 2020</b>	Issue “Key Issues” consultation paper
<b>October 2020</b>	Issue price control proforma
<b>May 2021</b>	Issue Initial Price Control Proposals
<b>July 2021</b>	Receive response to Initial Proposals
<b>October 2021</b>	Issue Final Price Control Proposals
<b>December 2021</b>	Completion of the Price Control Review process

Any time extensions agreed with the Authority (due to, for example, rejection of final price control proposals, or to undertake additional unanticipated work) would be based on the daily fees outlined in the Consultant’s proposal.

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<sup>2</sup> Depending on the status of COVID-19 pandemic outbreak developments and taking into consideration the restrictions on international travellers.

## **Information to be provided by the Client**

The Authority will provide the consultant with the following information prior to commencement of the assignment

1. Copy of the Sector Law;
2. Copies of the relevant licenses and existing price controls;
3. 2005-2019 Audited Financial Statements and Regulatory Accounts of Licensees; and
4. Previous price control consultation papers.

The Consultant will be expected to develop a good understanding of the Sector Law and relevant licenses, and the general approach of the Authority to setting Distribution and Supply price controls.

The Consultant may find it helpful to refer to published Annual Reports of Licensees for further detail of Licensees' respective systems and the price control parameters under which they operate. Another useful reference is the 7-year statement published annually by the Oman Power and Water Procurement Company that presents official electricity demand forecasts for the coming seven years.

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### **3 CONTRACT TERMS AND CONDITIONS**

The Authority's standard terms and conditions are enclosed as Annex C.

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## 4 SUBMISSION OF PROPOSAL

The Consultant shall submit two paper copies and an electronic copy of their assignment proposal by **11 August 2020** to:

Sultan AL-Habsi  
Procurement Department  
P.O. Box 954, PC 133 Al Khuwair, Sultanate of Oman  
Tel.: +968 24 609 718  
Fax.: +968 24 609 701  
E-mail: sultan.alhabsi@aer.om

We will be pleased to provide clarification of matters covered by the RfP prior to the submission of proposals. The proposal shall include:

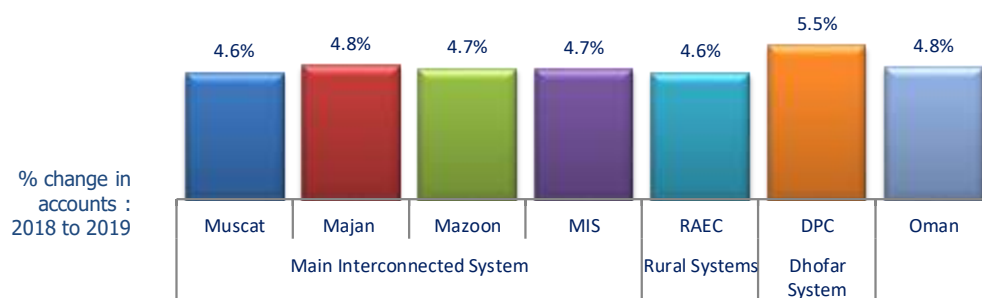
1. A description of the methodology proposed by the Consultant for each part of the assignment, including an indication of the time required to complete each part of the assignment described in the scope of work, and timescales for the submission of project deliverables;
  2. Details of the Consultant's experience of similar assignments, including contact details of previous/existing clients;
  3. Details of the project team (including the CVs of each team member) and a description of each member's relevant experience and their expected contribution to specific parts of the assignment;
  4. Sample of written work relating to price control reviews;
  5. The total cost of the assignment, showing separately:
    - Fees: including details of the fee of each team member (the hourly/daily fee and the expected contribution in terms of hours/days of each team member), and
    - Expenses: including flights, hotel costs and other items. Details of the number of days proposed to be spent in Oman by each team member should also be included.
  6. Bid Letter in the form provided in Annex A to this Request for Proposal.
  7. A Bid Bond in the amount of two percent (2%) of the Bid Value valid for forty five (45) days obtained from a Prime Bank. The wording of the Bid Bond shall be as per the prescribed "Form of Bid Bond" in Annex B to this Request for Proposal.
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## 5 APPENDIX A: OMAN ELECTRICITY SECTOR OVERVIEW

### Customer Accounts: 2018 and 2019

The number of registered electricity customer accounts in the Sultanate increased by 4.8% in 2019 from 1,219,156 in 2018 to 1,277,278. Growth in MIS accounts was 4.7% (85.9% of the increase in accounts, compared with 90.2% in 2018). Growth in DPC accounts was 5.5% (11.0% of the increase in accounts, compared with 6.6% in 2018). Growth in RAEC accounts was 4.6% (3.1% of the increase, the same as for 2018). Please refer to the figure and table below.

**Figure 1: Registered Customer Accounts 2018 & 2019**



	Muscat	Majan	Mazoon	MIS	RAEC	DPC	Oman
2018 Accounts	388,548	239,239	436,774	1,064,561	39,773	114,822	1,219,156
2019 Accounts	406,274	250,800	457,428	1,114,502	41,586	121,190	1,277,278
<b>net change in Accounts</b>	<b>17,726</b>	<b>11,561</b>	<b>20,654</b>	<b>49,941</b>	<b>1,813</b>	<b>6,368</b>	<b>58,122</b>
% change in Accounts	4.6%	4.8%	4.7%	4.7%	4.6%	5.5%	4.8%

Source: Company returns

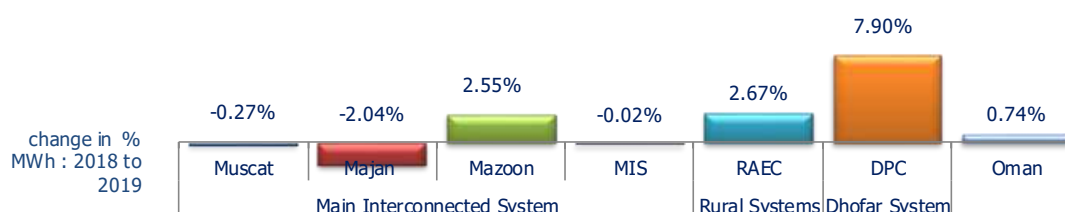
For the Sultanate as a whole, Residential customers accounted for 66% of the 58,122 increase in accounts and Commercial customers for 31% of the increase.

## Electricity Supply: 2018 and 2019

Total electricity supply in the Sultanate increased by around 249 GWh in 2019 from 33,547 GWh in 2018 to 33,796 GWh, an increase of 0.7% (compared with a 3.7% increase in 2018). This reflects both the impact of reduced economic growth and customer reaction to the Cost Reflective Tariffs (CRT) that were introduced for large industrial, commercial and government consumers from January 2017.

As can be seen from the figure below, despite the overall increase of 0.7% across Oman, supply to the MIS decreased by 0.02% (or 5.0 GWh) compared with 2018. Geographically the picture was quite variable, with a 2.04% reduction in supply to Majan (which has a relatively high industrial load) and a 0.27% reduction in supply to Muscat, counterbalanced by a 2.55% increase in supply to Mazoon, a 2.67% increase in supply to RAEC and a 7.90% increase in supply to DPC

**Figure 2: Electricity Supply (MWh) 2018 & 2019**



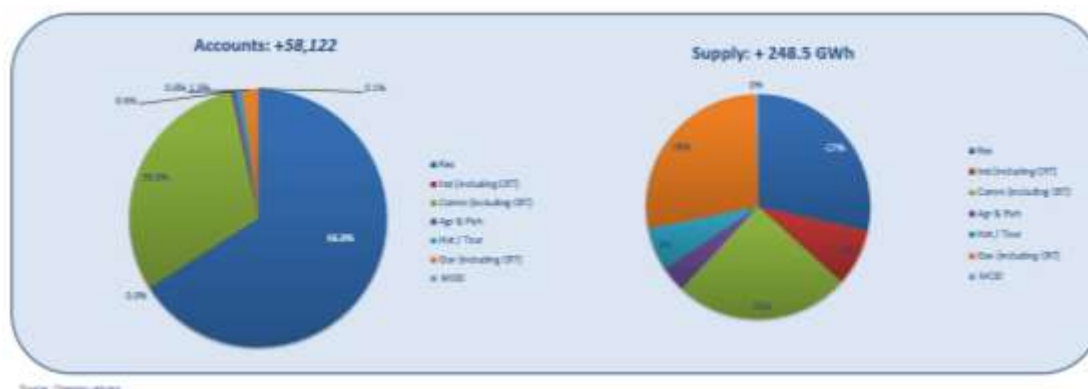
	Muscat	Majan	Mazoon	MIS	RAEC	DPC	Oman
2018 MWh	11,538,036	9,507,184	8,578,761	29,623,982	1,072,950	2,850,557	33,547,489
2019 MWh	11,507,193	9,313,628	8,797,948	29,618,769	1,101,589	3,075,685	33,796,043
net change in MWh	-30,843	-193,556	219,187	-5,213	28,639	225,128	248,554
% change in MWh	-0.27%	-2.04%	2.55%	-0.02%	2.67%	7.90%	0.74%

Source: Company returns

**Residential customers accounted for 66% of total supply in 2019, compared to a 55% share in 2005. Figure 1** compares the 2019 increases in accounts and supply by customer category. Residential customers accounted for 66% of the 58,122 increase in accounts, but reduced for 107% of the 2.5 TWh increase in Supply. Commercial customers accounted for 30% of the

accounts increase and for 12% of the Supply increase. Industrial customers accounted for 5.7% of the increase in Supply while the number of accounts witnessed no increase.

**Figure 1: 2019 Increases in Accounts & Supply by Customer Category**



The structure of electricity demand in Oman continues to change as the rate of growth in supply to Industrial and Commercial customers exceeds that to other customer categories. Industrial and Commercial customers including CRT accounted for 64% of total supply in 2019, up from 23% in 2005.

Figure 2 presents electricity Supply by tariff category for each of the three market segments in 2018 and 2019.



Figure 2: Electricity Supply by Tariff Category & System - 2018 & 2019

Category	Main Interconnected System			RAEC Rural Systems			Dhofar Power System			Oman		
	2018 MWh	2019 MWh	% Change	2018 MWh	2019 MWh	% Change	2018 MWh	2019 MWh	% Change	2018 MWh	2019 MWh	% Change
Residential	13,727,744	13,316,183	-3.0%	450,942	451,612	0.1%	1,147,154	1,291,628	12.6%	15,325,840	15,059,422	-1.7%
Industrial	12,684	27,973	120.5%	599	-185	-130.9%	828	480	-42.0%	14,111	28,268	100.3%
Commercial	2,512,476	2,547,142	1.4%	96,370	94,689	-1.7%	310,298	307,159	-1.0%	2,919,143	2,948,990	1.0%
Agriculture & Fisheries	404,485	438,335	8.4%	90,169	91,261	1.2%	25,783	25,722	-0.2%	520,437	555,319	6.7%
Hotels / Tourism	284,104	320,085	12.7%	29,080	29,528	1.5%	25,390	47,160	85.7%	338,574	396,772	17.2%
Government	1,114,804	1,031,039	-7.5%	121,014	102,501	-15.3%	187,480	284,043	51.5%	1,423,298	1,417,583	-0.4%
Ministry of Defence	325,014	330,967	1.8%	41,195	41,329	0.3%	109,498	107,019	-2.3%	475,708	479,315	0.8%
CRT/Commercial	4,507,306	4,696,350	4.2%	52,413	54,688	4.3%	357,640	372,081	4.0%	4,917,359	5,123,119	4.2%
CRT/Government	2,136,701	2,451,287	14.7%	97,516	119,711	22.8%	224,287	152,649	-31.9%	2,458,504	2,723,647	10.8%
CRT/Industrial	4,598,664	4,459,407	-3.0%	93,651	116,455	24.3%	462,200	487,746	5.5%	5,154,516	5,063,609	-1.8%
Totals	29,623,982	29,618,769	0.0%	1,072,950	1,101,589	2.7%	2,850,557	3,075,685	7.9%	33,547,489	33,796,043	0.7%

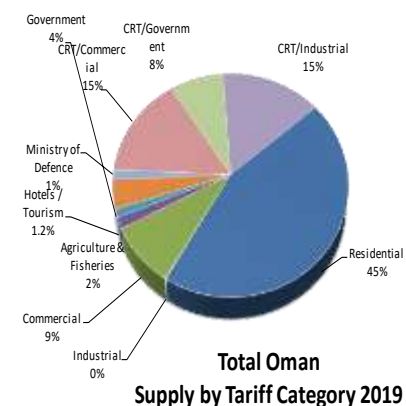
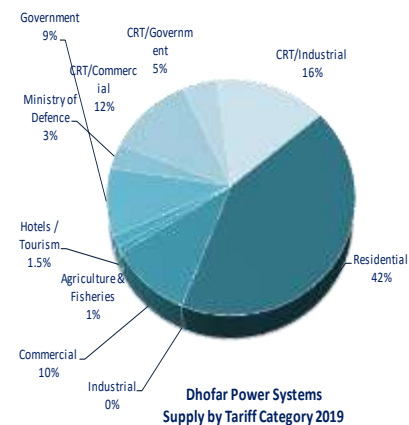
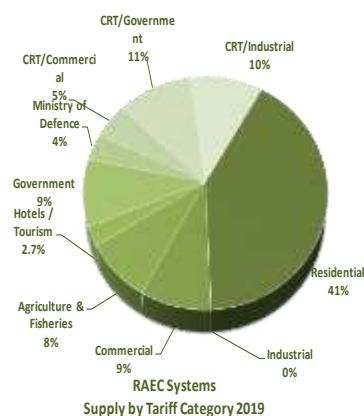
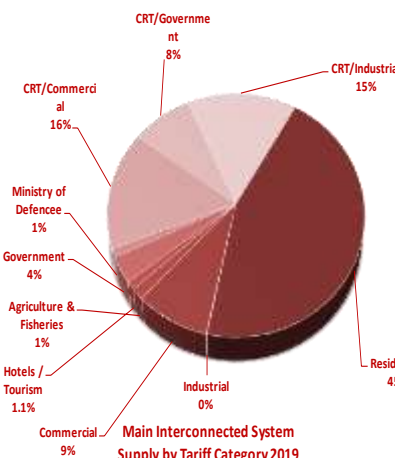
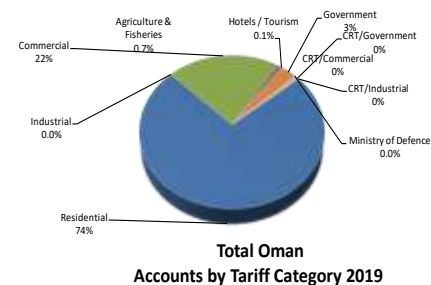
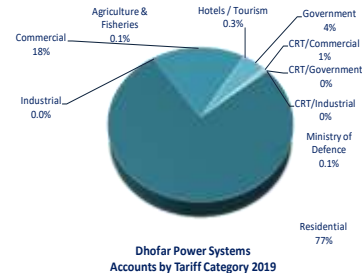
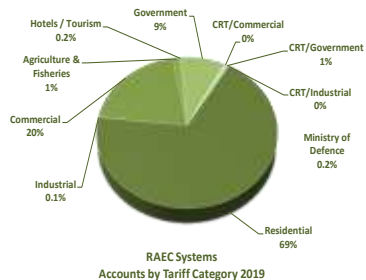
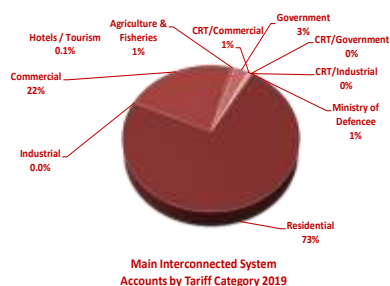


Figure 5: Registered Customer Accounts by Tariff Category & System - 2018 & 2019

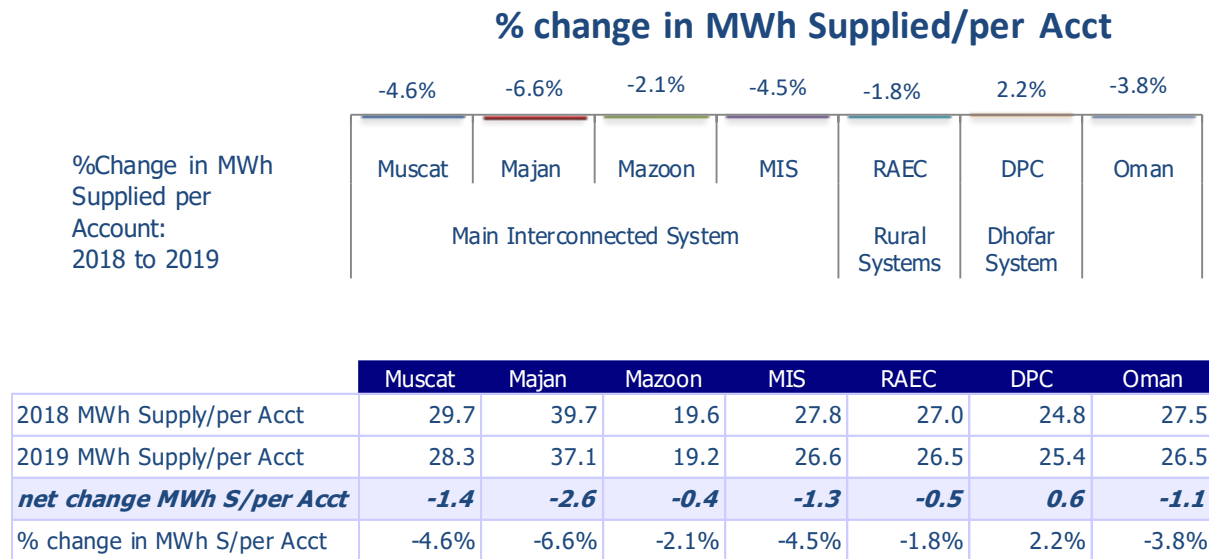
Category	Main Interconnected System			RAEC Rural Systems			Dhofar Power System			Oman		
	2018 Accounts	2019 Accounts	% Change	2018 Accounts	2019 Accounts	% Change	2018 Accounts	2019 Accounts	% Change	2018 Accounts	2019 Accounts	% Change
Residential	786,372	818,781	4.1%	27,266	28,465	4.4%	88,362	93,100	5.4%	902,000	940,346	4.3%
Industrial	394	406	3.0%	33	37	12.1%	12	10	-16.7%	439	453	3.2%
Commercial	229,772	245,713	6.9%	7,921	8,443	6.6%	20,203	21,512	6.5%	257,896	275,668	6.9%
Agriculture & Fisheries	8,403	8,728	3.9%	564	595	5.5%	116	121	4.3%	9,083	9,444	4.0%
Hotels / Tourism	836	1,043	24.8%	68	68	0.0%	155	386	149.0%	1,059	1,497	41.4%
Government	29,302	29,787	1.7%	3,420	3,555	3.9%	4,923	4,959	0.7%	37,645	38,301	1.7%
Ministry of Defence	207	280	35.3%	126	81	-35.7%	108	130	20.4%	441	491	11.3%
CRT/Commercial	6,226	6,208	-0.3%	114	111	-2.6%	573	607	5.9%	6,913	6,926	0.2%
CRT/Government	2,583	3,081	19.3%	237	207	-12.7%	315	309	-1.9%	3,135	3,597	14.7%
CRT/Industrial	466	475	1.9%	24	24	0.0%	55	56	1.8%	545	555	1.8%
Totals	1,064,561	1,114,502	4.7%	39,773	41,586	4.6%	114,822	121,190	5.5%	1,219,156	1,277,278	4.8%



## Electricity Supply per Account: 2018 & 2019

Electricity intensity (MWh per account) decreased by 3.8% in 2019, from 27.5 MWh/account in 2018 to 26.5 MWh/account in 2019, reflecting a 4.8% increase in total registered accounts compared to a 0.74% increase in supply during the year. Please refer to Figure 3 and the Table for further details.

**Figure 3: MWh Supplied per Registered Account: 2018 & 2019**

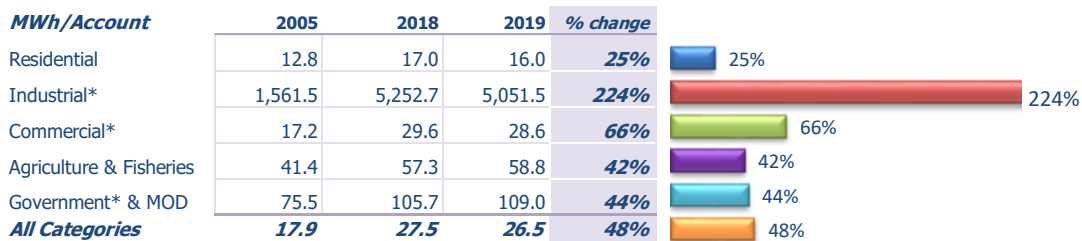


Source: Company returns

The reduction in electricity intensity for a fourth successive year reflects the continued overall slowdown in the rate of supply growth. It is notable that electricity intensity continued to grow in DPC but showed significant reductions in the MIS, especially in Majan, which has a relatively high industrial load.

**Figure 4: Changes in Electricity Intensity between 2005 and 2019**

Change in Electricity Intensity between 2005 and 2019



\* include CRT's customers

The overall growth in intensity since 2005 reduced to 48% in 2019, compared with 54% in 2018. Customer categories with reduced intensity in 2005-2019, compared with 2005-2018 include Industrial (224% compared with 236%) Residential (25% compared with 33%) and Commercial

(66% compared with 75%). On the other hand, Agriculture and Fisheries (42% compared with 38%) Government & MOD (44% compared with 40%) exhibited some increases in energy intensity.

Increasing intensity is an important driver of electricity demand which has implications for costs and subsidy. If the 1,277,278 registered accounts in 2019 had the same average intensity as in 2005, electricity supply in 2019 would have been 32% or 10.9 TWh lower with corresponding reductions in costs and subsidy.

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## 6 ANNEX A: FORM OF BID

SULTAN AL-HABSI  
PROCURENT DEPARTMENT  
AUTHORITY FOR ELECTRICITY REGULATION, OMAN  
PO BOX 954, POSTAL CODE 133  
AL KHUWAIR  
MUSCAT  
SULTANATE OF OMAN

After compliments,

We have examined the Request to Submit a Proposal for Consultancy Services and the Contract Conditions for performance of the Works as described therein. We, the undersigned, offer to perform the assignment in accordance with the bid documents and as stated in the appendices attached, in the sum of:

**Rials Omani ..... (in words)**

**R.O..... (in figures),** being the Bid Value.

We agree to abide by this bid for a period of forty five (45) days from the date fixed for receiving the same and it shall remain binding upon us and may be accepted at any time before the expiration of that period. Our Bid Bond is enclosed.

[Name of Bidder] will be in a position to commence work with a fully available team within fourteen (14) days of being notified of the success of its Bid.

In the event of our Bid being accepted and until a formal Agreement is prepared and executed, this Bid, together with your written acceptance thereof, shall constitute a binding obligation upon us.

We understand that you are not bound to accept the lowest or any Bid you may receive.

All relevant materials will be provided in accessible electronic format such as Word, Excel or another pre-agreed format.

---

Dated the \_\_\_\_\_ day of \_\_\_\_\_ 2013.

Capacity in which signing: \_\_\_\_\_

Signed: \_\_\_\_\_ Witnessed by: \_\_\_\_\_

For: \_\_\_\_\_

---

## 7 ANNEX B: FORM OF BID BOND

SULTAN AL-HABSI  
PROCUREMENT DEPARTMENT  
AUTHORITY FOR ELECTRICITY REGULATION, OMAN  
PO BOX 954, POSTAL CODE 133,  
AL KHUWAIR  
MUSCAT  
SULTANATE OF OMAN

After compliments,

**BID BOND NO:** \_\_\_\_\_

By this bond, we \_\_\_\_\_ whose address is  
\_\_\_\_\_ hereby guarantee  
Messrs. \_\_\_\_\_ of  
\_\_\_\_\_ and hold at your disposal the  
sum of R.O. \_\_\_\_\_ (Rials Omani \_\_\_\_\_  
\_\_\_\_\_ being two (2) percent of the Bid Value  
from \_\_\_\_\_ until \_\_\_\_\_ a total period of forty five (45) calendar days.

This bond shall be free of interest and payable in cash on your first written demand in the event of the Bidder either withdrawing his Bid within a period of forty five (45) calendar days from the date of receipt of Bids or failing to commence work within fourteen (14) days of acceptance of the Bid whichever date is earlier without any reference to or contestation on behalf of the Bidder.

This bond should be returned to us upon its expiry or upon fulfilment of our undertaking whichever is the earlier.

Authorized signatories

(To be issued by a locally registered Bank)

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## 8 ANNEX C: CONTRACT TERMS AND CONDITIONS



**Authority for Electricity Regulation, Oman**

**AND**

[-----]

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**Agreement for Consultancy Services**

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THIS AGREEMENT together with all Appendixes attached hereto, (“Agreement”) is made and entered into in Muscat city, in the Sultanate of Oman on the ----- day of ----- , 2020.

Between

- (1) The Authority for Electricity Regulation, Oman having its postal address at PO Box 954, Postal Code 133, Al Khuwair (**Authority**) and;
- (2) [Insert the name of the appointed consultant] having its postal address at [insert address] (**Consultant**).

Now, for and in consideration of the mutual covenants and agreements herein set forth, the Parties hereto agree as follows:

## 1. Definitions and interpretations

- “Change in Law”** – means a new decree, law, or regulation (or amendments to or new officially approved interpretation of the existing Laws of the Sultanate of Oman) promulgated by the Government from the date hereof;
- “Completion of Consultancy Services”** – means the approval by the Authority of the successful and satisfactory completion of the (Scope of Work) by the Consultant as listed in the Appendices of this Agreement.
- “Consultancy Services”** - means the services for which the Authority has engaged the Consultant to provide in connection with the Scope of Work attached to this Agreement and any other work undertaken under this Agreement.;
- “Deliverables”**- means the work to be prepared, delivered or submitted by the Consultant, and/or its Project Team, in performing the Scope of Work attached to this Agreement.
- “Scope of Work”** - means the description of work to be performed by Consultant as set forth in the Request for Proposal No. (112/2020) issued by the Authority and any amendments or any work or tasks agreed between the Parties thereto.
- “Fixed Fee”** - has the meaning referred to it in Clause 7.3;
- “Force Majeure”**- has the meaning given to it in Clause 13.2;
- “Parties”** – means the Authority for Electricity Regulation, Oman one part, and the Consultant on the other part.
- “RFP”**- the Request For Proposal No. (112/2020) issued by the Authority on 28<sup>th</sup> July 2020;
- “Team Leader”**- has the meaning referred to it in Clause 16.3.

## 2. General Provisions

- 2.1** Unless otherwise expressly provided to the contrary, all references to days, months or years are references to calendar days, months or years;
- 2.2** Words in the singular include the plural and vice versa and words denoting one gender include the other gender without in either case altering the meaning of this agreement;
- 2.3** Reference to “persons” or “Parties” includes natural persons, firms, partnerships, companies, corporations, associations and organisations (in each case whether or not having a separate legal personality);
- 2.4** Any reference in this Agreement to a statute, statutory provision or subordinate legislation includes such legislation as amended and in force from time to time and any legislation which consolidates or re-enacts it;
- 2.5** The table of contents and headings are for convenience only and shall not limit, alter or affect the interpretation of this Agreement;
- 2.6** Any notice required under this Agreement should be given in writing and will be deemed to have been given if delivered by one of the following means:
- 2.6.1** personal delivery to the designated representative of each of the Parties when so delivered;
- 2.6.2** email delivery to the designated representative of each of the Parties when so delivered;
- 2.6.3** by fax upon sending, subject to confirmation of uninterrupted transmission as set out in the transmission report, confirmation by telephone by an employee of the recipient that fax was received and provided that a hard copy is promptly dispatched to the recipients in the manner provided below;
- 2.6.4** by post or courier seven (7) Omani business days after posting or courier subject to proof of delivery;
- 2.7** Unless otherwise provided, reference to clauses, sub-clauses, schedules, annexes and paragraphs are to clauses, sub-clauses, schedules, annexes and paragraphs of this Agreement; and
- 2.8** This Agreement incorporates the recitals of and Appendices to it.

### **3. Validity of Agreement**

**3.1** This Agreement shall come into force upon the Parties authorised signature of the Agreement.

**3.2** Provision of Consultancy Services shall commence in September 2020 and be completed by February 2021, and the Agreement shall continue to be valid until the Completion of the Consultancy Services or until it is terminated pursuant to its conditions, without prejudice to the liability of the Consultant as stated in Clause 18 hereof.

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#### **4. Language**

The ruling language of this Agreement is the English language. All reports, minutes, correspondence, etc. shall be in the English language. In the event of any conflict between the provisions of the documents (including the Agreement) and a translated document, the documents in English language shall prevail.

#### **5. Other Consultants Appointed by the Authority**

The Authority may appoint other consultants for matters relating to Consultancy Services or any other matters of a specialist nature. The remuneration for such consultants will be agreed separately between the Authority and the other appointed consultants, and shall not form part of the overall fee of the Consultant. The Consultant should work with such other consultants appointed by the Authority in line with the Scope of Work as in of the Appendices to this Agreement or as instructed by the Authority.

#### **6. Time Schedule**

The Time Schedule for the Consultancy Services shall be as set out in Appendix (B), with any modifications to the Time Schedule agreed to by the Consultant and the Authority, which should not exceed 90 days from the time the Scope of Work commences. The Consultant shall not be entitled to remuneration for the extended period due to any delay contributed to by the Consultant's failure to complete the Consultancy Services under this Agreement within the agreed time schedule stated in Appendix (B).

#### **7. Remuneration of the Consultant**

##### **7.1 Consultancy Services**

Subject to Clauses 7.2 and 7.5, the remuneration for Consultancy Services shall be the payment on Deliverables as set out in Appendix (C) to this Agreement.

##### **7.2 Remuneration for Additional Services**

Where additional services are required due to a change in the Scope of Work requested by the Authority in writing, the Consultant shall calculate the cost of such additional Consultancy services as may be necessary and the Parties shall mutually agree a Fixed Fee for such additional services on the basis of the man-day/hourly rates or any other basis as per Appendix (C) to this Agreement. The additional services and the remuneration for such services shall be agreed in writing.

##### **7.3 Inclusive Remuneration**

Subject to the provisions of Clauses 7.2 and 7.5 of this Agreement the Fixed Fee (inclusive of the cap regarding expenses) shall be the total remuneration for the Consultant as herein defined and shall be deemed to include all costs, overheads, profits, taxes, duties, charges and all things whatsoever necessary for the performance of the Consultancy Services under the Agreement. No claim will be accepted by the

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Authority due to the Consultant's lack of knowledge in respect of any matter affecting the level of remuneration under this Agreement. The effect of any future Change in Law on the above, which increases the cost of performing the Consultancy Services will only be taken into consideration upon submission of supporting documents by the Consultant.

#### **7.4 Limit of Remuneration**

The total remuneration for the Consultant for Consultancy Service shall constitute their only remuneration in connection with this Agreement and neither they nor their personnel shall accept or benefit from, whether directly or indirectly, any gratuity or commission in respect of any service or article used, or any commission, discount, allowance or indirect payment or other consideration in connection with or in relation to the Agreement or to the discharge of their obligations thereunder.

#### **7.5 Reimbursement**

Provided that the Authority has given the prior written approval for the travel or other reasonable expense requests submitted by the Consultant, the Authority shall reimburse the cost of agreed expenses, subject to the cap as detailed in Appendix (C).

#### **7.6 Delay or Failure**

In case of the Consultant's failure without just cause to provide the Consultancy Services or any part of it, the Authority reserves the right to penalise the Consultant by deducting 1% of the Fixed Fee for each week subject to a maximum of 20% of the Fixed Fee.

### **8. Mode of Payment**

#### **8.1 Invoices**

The Authority shall pay to the Consultant against presentation of invoices of the proportionate remuneration for Consultancy Services and expenses as stated in Appendix (C) to this Agreement.

#### **8.2 Payment**

Remuneration shall be paid to the Consultant within 60 days after submission of the invoices unless the Authority disputes the invoices for material variations or inconsistencies.

### **9. Currency and Account Details**

The remuneration of the Consultant shall be paid either by a cheque drawn on a bank in Oman or directly to the account of the Consultant in accordance with the specific provisions set out in Appendix C to this Agreement. All fees and expenses will be paid in Omani Rials (OMR) as specified in Appendix C. There shall be no adjustment to remuneration due to fluctuations and variations in the rates of exchange between the Omani Riyals and any foreign currencies or due to the external money transfer.

### **10. Consultant's Facilities and Equipment**

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All facilities, equipment and materials required by the Consultant shall be provided by themselves in Muscat and elsewhere as required.

## **11. Copyright**

The Copyright (if any) of all documents and all material prepared by the Consultant in connection with the Agreement rests with the Authority. As the Consultant may have pre-existing copyrights over certain materials and content, the Consultant grants to the Authority a non-exclusive, irrevocable, royalty free licence to use such content used in deliverables created under this Agreement. The Authority will own the Deliverables, documents and any materials created under this Agreement. The Consultant shall not use the Deliverables or other materials prepared or created under this Agreement or resulting from the Consultancy Services without prior written consent of the Authority. In the event the Authority wishes to publish or make available to third parties the content or any part thereof of the Consultant's Deliverables that is not verbatim and/or in a language other than the one in which it was written in, the Authority will endeavour not to associate the contents of such Deliverables, documents and materials or parts thereof with the Consultant without the Consultant's prior written consent which shall not be unreasonably withheld.

## **12. Sub- Advisors**

The Consultant, at their own cost, may engage the services of sub- advisors only in necessary cases and with the prior written approval of the Authority.

## **13. Force Majeure**

### **13.1 Remuneration**

If at any time before the Completion of the Consultancy Services under this Agreement the viability of the Scope of Work shall be affected as a consequence of Force Majeure occurring within the Sultanate of Oman beyond the control of the Consultant and from unforeseen cause, the Consultant will receive the proportionate remuneration for any additional services which may be required to be provided by them as a result of such additional services. In the case of a reduction in the Scope of Work, the Consultant will only receive the proportionate remuneration for the amended Scope of Work.

### **13.2 Default**

Notwithstanding Clauses 3 and 6 neither party shall be considered in default in the performance of its obligations hereunder as the result of Force Majeure, which shall include acts of God, war (declared and undeclared), riots, civil commotion, revolution, hostilities, strikes, epidemics, blockades, nuclear hazards, extreme weather conditions, acts of any government causing a political embargo or other political restraint adversely affecting the freedom to transact business with or in the Sultanate of Oman, and any other cause similar to the kind herein mentioned or of equivalent force occurring within the Sultanate of Oman which is beyond the control of the Parties, unavoidable and which could not reasonably be foreseen and which renders impossible the fulfilment of a particular term of this Agreement.

### **13.3 Circumstances beyond Control**

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The Consultant or the Authority shall as soon as reasonably practical, promptly notify the other in writing of any situation or event occurring within the Sultanate of Oman or elsewhere arising from any circumstance beyond their control, which is unavoidable and which could not reasonably be foreseen and which makes it impossible or illegal for the party to carry out in whole or in part its obligations under this Agreement.

#### **13.4 Delay in Performance**

If the performance of any obligations or responsibilities of any party is delayed due to Force Majeure for more than sixty (60) days, the terms of this Agreement shall either be extended for such period or this Agreement may be terminated at the Authority's choice. In the event that the performance of the Consultancy Services is prevented in whole or in part due to an occurrence contained in Clause 13.2 hereof, then the Authority shall have the option at any time after the commencement of such occurrence to terminate this Agreement by giving written notice to the Consultant.

#### **13.5 Termination Notice**

If a termination notice is given due to Force Majeure under Clause 13.4 hereof, the termination shall become effective upon seven (7) days following the receipt by Consultant of the Authority's notice to terminate.

### **14. Termination of the Agreement**

#### **14.1 Notice of Termination**

The Authority shall have the right to terminate this Agreement in whole or in part at any time upon the giving of thirty (30) days prior written notice. In the event of a termination and upon the giving or the receipt of such notice the Consultant shall take immediate steps if requested to do so by the Authority to bring the Consultancy Services to a close and to reduce expenditure to a minimum. Upon the expiration of the said period of notice, the Consultant shall stop work, terminate all orders relating to the performance of work and deliver to the Authority all documents relating to the Consultancy Services. Payment by the Authority for termination will be made in accordance with Clause 14.3 hereof.

#### **14.2 Notice of Dissatisfaction**

The Authority shall promptly notify the Consultant in writing, if the Authority considers that the Consultant is not satisfactorily discharging its obligations under this Agreement. The notification shall state the reasons for the Authority's dissatisfaction and set forth the proposed actions of the Consultant necessary to cure the failure. In the event that the Consultant does not respond to such notice or take effective action to rectify such failure within fifteen (15) days, the Authority may terminate this Agreement by written notice to the Consultant with immediate effect.

#### **14.3 Payment for Cancellation**

In the event of the whole or any part of the Consultancy Services being cancelled in accordance with Clauses 14.1, and 14.2 hereof, the Authority shall pay to the Consultant all fees and expenses, whether billed or unbilled, relating to Consultancy

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Services satisfactorily performed by the Consultant and which are accepted by the Authority up to the effective day of termination of the Consultancy Services.

## **15. Dispute Resolution**

### **15.1 Amicable Settlement**

Any dispute arising from or in connection with this Agreement shall be notified in writing by the Party to the other. Both Parties shall use their respective reasonable endeavours to settle the dispute on an amicable basis within 30 days from the date of receipt of notification before commencing legal proceedings.

### **15.2 Law and jurisdiction**

This Agreement shall be governed by the Laws and Regulations in force in the Sultanate of Oman, and the courts of Sultanate of Oman shall have exclusive jurisdiction to settle any dispute which may arise from or in connection with it.

## **16. Duties and Rights of the Consultant**

### **16.1 Care and Diligence**

The Consultant shall exercise all reasonable skill, care and diligence in the performance of the Consultancy Services under this Agreement; it is being understood that the Consultant shall not be responsible for delays, errors or other adverse results directly attributable to the Authority's failure to comply with its obligations under this Agreement, including without limitation of Clauses 17.1, 17.2 and 18.1, provided that the Consultant has brought such failure to comply to the attention of the Authority in a timely manner.

The Consultant and the Project Team of the Consultant are required to work diligently and honestly and use their faithful and professional knowledge and skill in the performance of their professional duties in compliance with the applicable laws in the Sultanate of Oman. They shall act in a manner to afford and enhance the honour, integrity and dignity of the consultancy profession, and they shall respect the laws, regulations and customs of the Sultanate of Oman.

### **16.2 Confidentiality**

The Consultant shall treat the details of this Agreement and all information and documents provided by the Authority, as well as documents prepared hereunder as private and confidential. All confidential information provided by the Authority hereto shall be used by the Consultant solely for the purpose of this Agreement and, except as may be necessary for carrying out this Agreement; the Consultant shall not publish or disclose any confidential information provided by the Authority to any third party without the prior written consent of the Authority.

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The foregoing shall not be applicable to any information that is publicly available when provided or thereafter becomes publicly available other than through a breach of this Agreement.

In Addition, the Authority reserves the right to ask the Consultant and/or the Project Team of the Consultant to sign a Non-Disclosure Agreement.

### **16.3 Project Team**

The Consultant shall identify and nominate a Team Leader. The Team Leader shall be responsible for the co-ordination of all work and activities relating to the Scope of Work. The Project Team shall consist of the personnel as detailed in Appendix D of this Agreement. Other personnel as are required to perform the duties of the Consultant will be nominated by the Consultant in consultation with the Authority as the need arises subject to the approval of the Authority in writing. All inter communications between the Authority and the Project Team will be co-ordinated by the Team Leader who will also be the primary point of contact with the Authority.

### **16.4 Meetings**

**16.4.1** The Authority or their nominated representative shall chair all meetings. The Consultant shall prepare an Agenda and review material required for each meeting in advance of such.

**16.4.2** Minutes of meetings shall be dated and number consecutively all action items discussed and/or agreed during the meeting and shall indicate the party to take the required action by a due date.

**16.4.3** Notwithstanding any specific other arrangement or agreement between the Parties, progress review meetings between the parties will be held weekly, or as requested by the Authority, for the purpose of:

**16.4.3.1** Keeping all parties fully informed of all aspects of the project or works;

**16.4.3.2** Reviewing progress, status, scheduling and other aspects of the project or works.

**16.4.4** Minutes of each meeting shall be prepared by the Consultant and forwarded to the Authority within one (1) working day following the day of the meeting. The minutes shall be reviewed and agreed by both parties.

**16.4.5** The Consultant shall maintain a record of all meetings and their minutes.

### **16.5 Assignment**

The Consultant shall not assign or transfer the benefit or obligations of this Agreement or any part thereof without the prior written approval of the Authority. However, the Consultant shall be entitled at any time to take into partnership another partner or partners (or directors) and he or they shall be deemed to be included in the expression “the Consultant” subject to the Authority’s approval.

### **16.6 Taxes**

The Consultant shall be responsible for the payment of all taxes including income tax, customs or import duties, and all other levies that are enforced within the Sultanate of

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Oman. Any effect of a Change in Law promulgated after the signing of this Agreement on the above will only be considered by the Authority on presentation of supporting documents by the Consultant and verification of the same by the Authority.

#### **16.7 Visas and Permits**

The Consultant shall be responsible for obtaining all visas and permits required in the performance of this Agreement. The Authority may assist in obtaining such visas and permits. The cost of such visas, permits and arrangements shall be borne by the Consultant.

#### **16.8 Omani Nationals**

The Consultant shall appoint, where and when available, qualified Omani nationals for the execution of this Agreement.

### **17. Duties and Rights of the Authority**

#### **17.1 Information to Consultant**

The Authority shall furnish all pertinent data and information available to them and shall give such assistance as shall reasonably be required by the Consultant for the carrying out of their duties and obligations under this Agreement. The Authority will handle all arrangements for liaison with concerned government parties. Target dates are based on receipt by the Consultant of necessary information from the Authority in a timely manner.

#### **17.2 Decisions**

The Authority shall give its decision in writing on all relevant reports, recommendation and documents properly referred to it in writing by the Consultant and in such reasonable time as agreed so as not to delay the performance by the Consultant of their Consultancy Services under this Agreement.

#### **17.3 Incompatibility of Agreement**

The Authority shall safeguard the Consultant against the consequences of any incompatibility between the provisions of this Agreement and such Laws of the Sultanate of Oman issued after signature of the Agreement and have a retrospective effect unless such provisions had been accepted in writing by the Consultant.

#### **17.4 Replacement of Personnel**

Should the Authority request, the Consultant shall arrange to suspend the employment of, or repatriate any of the staff employed by the Consultant under the provisions of this Agreement, if in the opinion of the Authority such suspension or repatriation is desirable for any reason whatsoever. All such costs, charges, expenses, financial consequences or liability arising from such suspension or repatriation shall be the responsibility of the Consultant.

#### **17.5 Authority's Approval**

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The Authority's approval in writing is required prior to any increase in the Scope of Work for the Consultancy Services or disbursements which the Consultant believe will create a liability for the Authority to pay over and above the remuneration agreed, or to incur any liability to pay.

## **18. Liability of the Consultant**

### **18.1 Errors and Omissions**

The Consultant is liable for all the consequences of negligent acts, errors and omissions on their part or on the part of their employees, agents, sub-advisors or assignees or any other Persons, in respect of the Consultancy Services. Nevertheless, the Consultant disclaims any liability for errors or omissions in information provided to them or their employees, representatives or agents by the Authority.

### **18.2 Insurance Cover**

The Consultant shall provide to the Authority a certificate of insurance relating to professional indemnity to cover the Consultant's liability in the minimum amount of 500,000 Omani Riyals and such certificate shall be issued in accordance with the laws of Sultanate of Oman. The provision of such certificate shall not lessen or reduce the liability of the Consultant hereunder.

### **18.3 Performance Bond**

The Consultant shall also provide to the Authority a bank guarantee (performance bond) in the amount of not less than 10% of contract value RO ----- (Riyals Omani) as a guarantee to the proper execution of this Agreement.

## **19. Communication**

Any communications, including provisions of notice, instruction, request, demand, waiver, consent, approval, or other communications which are required or permitted to be given to any party under this Agreement shall be in writing and treated confidentially. Such communications shall be made to the addresses, fax numbers or e-mails, as set forth below:

### **If to the Authority:**

P.O.BOX 954, Postal Code 133, Al Khuwair, Sultanate of Oman

Attention [Representative Name] holding the position of [Position Held] (as confidential)

Phone: [●]

Fax No: 24609701

E-mail: [●]

### **If to the Consultant:**

---

P.O.BOX [●]

Attention [●].

Phone: [●]

Fax No: [●]

E-mail: [●]

Notices shall be deemed given on receipt if delivered to the representative appointed by each party for the purpose of this agreement. Approval of Deliverables and instruction and/or approval of any additional services or payments shall be done by the Authority's representative stipulated below.

The Authority appoints [Representative] holding the position of [●] as its representative and point of contact. The Consultant appoint [●] holding the position of [●] as its representative and point contract.

## **20. Entire Agreement**

This Agreement together with its appendices thereto constitutes the entire understanding and agreement between the Parties in relation to the Consultancy Services and it shall supersede any earlier agreements, representations or discussions.

## **21. Survival**

Any clause that is meant to continue to apply after the termination of the Agreement will do so including, but not limited to Clauses (3), (10), (16.2) and (18).

IN WITNESS WHEREOF the Parties have executed this Agreement on the day and year first above written.

Signed:

For and on behalf of the AUTHORITY FOR ELECTRICITY REGULATION, OMAN:

\_\_\_\_\_

Witness: \_\_\_\_\_

For and on behalf of [CONSULTANT]

\_\_\_\_\_

Witness: \_\_\_\_\_

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