

The Law for the Regulation and Privatisation of the Electricity and Related Water Sector

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Royal Decree No.78/2004 promulgating The Law for the Regulation and Privatisation of the Electricity and Related Water Sector

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Part I : Definitions and General Provisions

Article 1: In the application of the provisions of this Law the following expressions and words shall have the meanings assigned to each of them unless the context otherwise requires:

The Authority the electricity and Related Water sector Authority established pursuant to Article (19) of this Law;

Competent Authority any unit of the State Administrative Apparatus, and what is considered as such, and the branches and divisions related thereto, which have been assigned with any jurisdiction pursuant to this Law;

Cost-Reflective Tariff amounts charged by the Licensed Transmission System Operator and the Licensed Distribution System Operator in consideration for

Connection and use of their Systems, and amounts charged by a Licensed Supplier in consideration for Supply where, all being in cases, no Permitted Tariff exists, and such tariff shall be calculated in respect of each calendar year on the basis and rules prescribed by the Authority;

Customer a Person who is Supplied with electricity at Premises for consumption at those Premises;

Licence a written authorization issued by the Authority to undertake any of the regulated activities pursuant to the provisions of this Law;w;

Exemption a written authorization issued by the Authority to undertake any of the regulated activities pursuant to the provisions of this Law without obtaining a Licence or Exemption from one or more conditions of a Licence;

Distribution System electrical lines and installation of less than 132kV used for the distribution of electricity to any Premises, which are not part of a Transmission System;

Export electricity, Generated in the Sultanate of Oman and which is exported from the Sultanate of Oman pursuant to a legal transaction in accordance with the provisions of this Law;

Generation the production of electricity by any manner;

Distribution the transport of electricity by means of a Distribution System;

Desalination the production of demineralised and/or potable water by desalination;

Distribution Licence an authorization to undertake the activity of electricity Distribution;

Generation Licence authorization to undertake the activity of electricity Generation and operation of Production Facilities;

Supply Licence authorization to undertake the activity of electricity Supply;

Supply the supply of electricity to any Premises;

Generation/Desalination Licence an authorization to undertake the activity of electricity Generation combined or co-located with the Desalination of water at the same location;

Eligible for Connection Premises not Connected at the relevant time, which

according to Article (85) of this Law are within the class of Premises, which are required to be Connected by a Licensed Distribution System Operator or a Licensed Transmission System Operator;

Electric Plant any installations, equipment or appliances used for the Generation, Transmission, Dispatch, Distribution or Supply of electricity, or for purposes connected with the above, other than a meter used for identifying the quantity of electricity Supplied to Premises, or any electrical appliance under the control of a Customer;

Bulk Supply the bulk supply of electricity to any Licensed Supplier, or desalinated water to the Water Department, or the bulk supply of demineralised water to other Persons;

Connected any Premises or System, connected by any means of electrical connection for Transmission, Distribution or Supply of electricity between those Premises or that System and a Transmission System or Distribution System other than a Transmission System or Distribution System owned or operated by the Rural Areas Electricity Company;

Import electricity which is Generated outside the Sultanate of Oman and imported into the Sultanate of Oman pursuant to a legal transaction in accordance with the provisions of this Law;

Production Capacity electricity Generation capacity or electricity Generation capacity combined or co-located with water Desalination capacity in the same site, as the context so requires;

Dispatch the manner by which instructions are determined and issued to Licensed Generators or Licensed Generators/Desalinators as to the operation or cessation of operation of their Production Facilities or to other Persons whose facilities are Connected;

Authorised Area a geographical area specified in the Licence within which a Licensee is authorized to undertake any of the regulated activities stipulated in this Law;

Transfer the transfer of any or all of the assets and liabilities from the Ministry of Housing, Electricity and Water to a Successor Entity in the manner specified in the Transfer Scheme;

Transfer Date the date fixed for the enforcement of the Transfer Scheme;

Successor Entity any Person to which Transfer is affected in accordance with

the Transfer Scheme and shall include the companies stipulated in Article (66) of this Law;

System a Distribution System or a Transmission System, as the context requires;

Street-works any kind of works conducted under, over, across or above any highway;

Self Supply the Supply by a Person of electricity to himself, his employees or commercial business, other than via a Transmission System or a Distribution System of a Licence Holder;

Related Water Desalinated water in the Sultanate of Oman which is combined or co-located with the electricity sector and which is subject to regulation in accordance with this Law;

Relevant Assets and Liabilities all of the physical assets, contracts, rights and liabilities of the Ministry of Housing, Electricity and Water on the Transfer Date including the contracts of employment of Transferring Employees and other employees which are used for the purpose of, or in connection with the Generation, Transmission, Dispatch, Distribution, or Supply of electricity, or Related Water, but shall not include matters relating to the purpose of Housing or non-related water;

RAEC Connections a physical connection existing between any Premises or System and a System owned or operated by the Rural Areas Electricity Company;

RAEC Connection and Electrification Funding the funding provided by the Government for RAEC Connections, expansion of the Systems of the Rural Areas Electricity Company and electrification of Rural Premises;

Premises any plot of land, building, or structures occupied or used by any Person;

Permitted Tariff the tariff a Customer is obliged to pay in consideration for Supply of electricity or for Connection to a Distribution System or a Transmission System, which tariff shall be determined in the manner stipulated in Article (9) of this Law;

Person any natural person or public or private legal person, corporations or societies or organisations;

Output electricity Generated and/or water Desalinated by a Production Facility;

Merit Order an order for ranking available Production Facilities aiming at the achievement of optimal economy, security, and stability for the Total System and Desalinated water capacity determined by each Licensed Transmission System Operator in accordance with the Transmission Licence issued to them;

Water Equipment any installations, water mains, and other water installations forming part of a Production Facility;

Transferring Employee each Omani employee working in the service of the Ministry of Housing, Electricity and Water on the date preceding the Transfer Date to be Transferred to any Successor Entity pursuant to the Transfer Scheme;

Transfer Scheme the scheme determined, implemented and modified by the Ministry of National Economy in accordance with the provisions of this Law, for the purposes of Transfer to the Successor Entity;

Transmission the transport of electricity by means of a Transmission System;

Transmission Licence an authorization to undertake the activity of electricity Transmission;

Transmission System lines and electrical installations, with voltage equal to or greater than 132kV used for transporting electricity from a Production Facility to sub-stations, or from Production Facilities to other Production Facilities, or from sub-stations to other sub-stations, or to or from any Interconnector, Premises, or Distribution System and any Electric Plant used for the purposes of Dispatch;

Electric Line any line, whether underground or overground, which is used to transport or Distribute electricity for any purpose and includes, unless the context otherwise requires:

(a) Any support for any such line, including any structure, pole, pylon or other thing in, on, by or from which any such line is supported, carried or suspended;

(b) Any apparatus connected to any such line for the purpose of carrying or Distributing electricity;

(c) Any wire, cable, tube, pipe or other similar thing (including its casing, insulator or coating) which surrounds or supports any such line, or is surrounded or supported by, carried or suspended, in association with, any

such line.

RAEC System a Transmission System or a Distribution System owned and operated by the Rural Areas Electricity Company;

Total System the entire interconnected electricity Systems of Licensees, including all Production Facilities and all Transmission Systems as the same may be modified or developed, and any System that interconnects with another System, within or outside the Sultanate of Oman;

Bulk Supply Tariff the consideration charged by the Oman Power and Water Procurement Company for the Bulk Supply of electricity, or the tariffs charged by each of the Rural Areas Electricity Company and the Oman Power and Water Procurement Company for the Bulk Supply of Desalinated water, which shall be calculated in respect of each calendar year on the basis prescribed by the Authority and be provided for in the Licence granted to any of such companies;

Production Facility installations used for the Generation of electricity or the Generation of electricity combined or co-located with the Desalination of water in the same site, including all associated Electric Lines, Electric Plant and Water Equipment;

Performance Security Standards the standards by which a Licensee's performance in maintaining generation security and/or the availability and quality of a System or services, may be measured, in the manner prescribed in its Licence;

Economic Purchase procurement of all required goods and services on the best economic terms taking into account quality, quantity, the nature of the items intended to be purchased, the available manner of delivery and the future security, reliability and diversity of supply of the items to be purchased;

Ancillary Services services which Licensed Generators, Licensed Generators/Desalinators or other Persons connected to a Transmission System or Distribution System may be required to provide in connection with the security and stability of such Transmission System or the Total System, whether by an agreement to be concluded between a Licensed Transmission System Operator or a Licensed Distribution System Operator and any Person, or an agreement between a Licensed Generator or a Licensed Generator/Desalinator and the Oman Power and Water Procurement Company;

Autogenerator a Person who generates electricity for the purposes of Self-Supply;

Distribution Code the rules which each Licensed Distribution System Operator is obliged to prepare and maintain after the approval of the Authority, which

shall include standard technical criteria to be complied with in respect of Connection to the System of such Licensee, and in relation to the use and operation of such System, and shall also include the relevant criteria for the maintenance and development of the abovementioned System, all being in accordance with the Licence;

Grid Code the rules which each Licensed Transmission System Operator shall prepare and maintain after the approval of the Authority, and shall include standard technical criteria to be complied with in respect of Connection to the System of such Licensee, and in relation to the use and operation of the above mentioned System and in respect of Dispatch, in addition to the relevant matters relating to the Total System, all being pursuant to the Licence;

New Capacity the Production Capacity, which is not subject to a contract between its owner and the Oman Power and Water Procurement Company;

RAEC Code the rules which the Rural Areas Electricity Company shall prepare, implement and maintain, after the approval of the Authority, and shall include the standard technical criteria to be complied with in respect of RAEC Connection, the use, operation and development of any RAEC System, pursuant to the Licence;

Appropriate Person a Person who has the technical and financial abilities and is otherwise qualified to obtain a Licence or Exemption;

Employment Rights the rights of Transferring Employees from the Ministry of Housing, Electricity and Water, for financial dues and other rights relating to employment, including all rights actually accrued;

Forward Work Programme the programme prepared and published by the Authority before the beginning of each financial year pursuant to Article (34) of this Law;

Industry Participant any Person undertaking a regulated activity;

Interconnector facilities, which Connect two Systems;

International Interconnector an Interconnector, which Connects a System, which exists within the Sultanate of Oman with a System, which existing outside the Sultanate of Oman;

Liberalisation of the Electricity Market one or more of the following:

(1) The disposal by the Government of any economic interest in the Electricity

Holding Company or the Oman Power and Water Procurement Company;

(2) Permitting the sale by Licensed Generators and Licensed Generator/Desalinators of Output to any Person other than the Oman Power and Water Procurement Company;

(3) Permitting the Import or Export of electricity by any Person other than the Oman Power and Water Procurement Company and the Rural Areas Electricity Company;

(4) The creation of competition amongst Licensed Suppliers including those who are not also Licensed Distribution System Operators in relation to the Supply of electricity;

Rural Premises Premises, which are not Connected within the Authorised Area of the Rural Areas Electricity Company;

Appellant any Person who has the capacity and interest in Appealing against any decision, or action issued by the Authority, Government or any other Person pursuant to the provisions of this Law;

Appeal the manner prescribed to protect rights, and oblige with the duties and payment of compensation, and imposition of fines, and cancellation of any decision issued by any authority, or any Person authorized by Law with the specific jurisdiction, all of which may be subject to Appeal pursuant to this Law;

Arbitration an Appeal instituted by any Person who has the capacity and interest pursuant to this Law in any matters which may be referred to Arbitration or which are not within the jurisdiction of the Competent Omani Court pursuant to the provisions of this Law;

Value-test the equivalent to:

(a) 2% of the annual aggregate turnover in case of Appeals instituted by a Licence Holder or Exemption Holder;

(b) 2% of the total annual expected turnover in cases of Appeals instituted by any applicant for a Licence or Exemption.

Competent Omani Court the panel constituted by three judges of the Primary Court in Muscat assigned in accordance with the provisions of the Judiciary Law issued by the Royal Decree 90/1999 and as amended to dispose of commercial matters;

Water Department any major division or sub-division responsible for Related Water in the Ministry of Housing Electricity and Water, or any other Competent Authority;

Oman Electrical Standards the standards issued by the Ministry of Housing, Electricity and Water and the standards approved, reviewed and modified from time to time by electricity regulations made in accordance with Article (38) and Article (39) of this Law, in relation to the safety of equipment and electrical Systems and procedures associated with the operation of electrical Systems;

Wholly-owned by the Government in relation to any company, that all of the issued shares in that company are owned by the Ministry of Finance or the Electricity Holding Company or by other nominees of the Government or by any entity Wholly-owned by the Government.

The term roject Agreements?/b> shall have the same meaning assigned to it pursuant to article 1 of the Law granting the abovementioned Salalah Concession, also the words and expressions used in this Law relating to the Salalah Project Agreements shall have the same meanings assigned to them in the mentioned agreements, and also the words and expressions relating to the Manah Project Agreements shall have the same meanings given to them in those agreements.

Article 2: The Authority shall be competent to regulate the electricity and Related Water sector in the Sultanate of Oman in accordance with the provisions of this Law.

Article 3: Each of the following activities shall be subject to regulation and the provisions of this Law shall apply to them;

- (a) Generation, Transmission, Distribution, Export, Import or Supply of electricity;
- (b) Generation of electricity related with Desalination of Water;
- (c) Generation of electricity co-located with Desalination of Water in the same site;
- (d) Operation of central Dispatch system;
- (e) The development and/or operation of International Interconnections; and
- (f) The functions assigned to the Oman Power and Water Procurement Company provided for in this Law

Article 4: It shall not be permissible for any Person to undertake any of the regulated activities stipulated in the preceding Article without obtaining a

Licence or Exemption from the Authority, and the undertaking of the licensed activity shall be by the licensee in accordance with the terms, periods and rules contained in this law and pursuant to the contents of the Licence or Exemption.

Article 5: The Authority after consultation with the Ministry of Housing, Electricity and Water may grant an Exemption to any Person undertaking or applying to undertake any of the regulated activities from obtaining a Licence or from some of the Licence conditions.

Article 6: The Authority, pursuant to a reasoned decision, may refuse to grant a Licence or Exemption.

Article 7: Save for the Rural Areas Electricity Company or a special provision to the same effect in this law, it is not permissible for any licensee to undertake more than one regulated activity or to acquire any direct or indirect economic interest in any other Licensee.

Article 8: The Authority in performing its functions, exercising its powers, and discharging its duties prescribed in accordance with the provisions of this Law shall not violate any rights which have been determined pursuant to agreements concluded before the date of enforcement of this Law.

Article 9: The Minister of Housing, Electricity and Water shall issue Permitted Tariff regulations which are to be implemented in the Sultanate of Oman including tariffs for Supply and Connection of electricity, and the use of the system of the Salalah Project Company, and such tariffs shall be published in the Official Gazette.

Article 10: The Minister of Housing, Electricity and Water before issuing the regulations mentioned in the preceding article shall:

- (1) Take the opinion of the Authority, which is bound to coordinate with Licensed Suppliers, and Licensed Distribution System Operators, and the Rural Areas Electricity Company, and the Oman Power and Water Procurement Company;
- (2) Submit such proposed regulations to the Council of Ministers for approval.

The amendment or modification of tariffs shall be in the same way.

Article 11: Permitted Tariff regulations may include the following:

- (a) The provision for the payment of Permitted Tariffs by commercial, industrial, and residential and other categories of Customers or specific groups of Customers in the manner provided for in the regulations;
- (b) A provision for the non-application of Permitted Tariffs to specific categories of Customers;
- (c) To distinguish between different categories of Customers on the basis of the level of consumption or the time or geographic location;
- (d) The determination of different structures, levels and times relating to the Permitted Tariffs to be applied as between different categories or groups of Customers or at different times or according to other bases specified by the regulations including the negotiation of Permitted Tariffs in each case with specific categories of Customers;
- (e) All that is related to the cost of providing Connection;
- (f) Exemption of specific categories or groups of Customers from the total or partial payment of Permitted Tariffs;
- (g) Other provisions in respect of Supply and Connection Permitted Tariffs as the Ministry of Housing, Electricity and Water deem to be appropriate.

Article 12: It shall not be permissible for any Person who undertakes Supply and Connection or any of them to obtain any amounts purported to be prescribed to a Permitted Tariff or a Cost-Reflective Tariff if that is not true.

Article 13: The Ministry of National Economy shall be competent after coordinating with the Ministry of Finance to implement the policy of the government in relation to the privatisation of the electricity and Related Water sector in the Sultanate of Oman, and shall in particular have the power to do the following:

- (a) To instruct the Electricity Holding Company whether by selling all or part of the shares owned by it locally or internationally in all or some of the companies stipulated in Article (66) of this Law or in other companies, or to oblige the companies referred to to transfer all or some of their assets, rights and liabilities, and
- (b) Undertake all that is required for the privatisation of the electricity and the Related Water sector in the Sultanate of Oman to allow the private sector to construct, own, operate, maintain, finance or develop projects undertaking regulated activities pursuant to the provisions of this Law, and to invest in them.

All being in the manner determined by the Ministry of National Economy in accordance with the aforementioned.

Article 14: Subject to the stipulations of Article (7) of this Law it is permissible for any Person to purchase shares in any of the companies stipulated in Article (66) of this Law and other companies operating in the electricity and/or Related Water sector except the Oman Power and Water Procurement Company which shall continue to be Wholly-owned by the Government.

Article 15: As an exception from the provisions of paragraph (a) of article 2 of the abovementioned Foreign Capital Investment Law, non Omani shareholders in the companies undertaking regulated activities pursuant to the provisions of this Law may own 100 per cent of the shares of that company.

Article 16: The Electricity Holding Company and all licensees who take the form of Omani companies established in accordance with the provisions of the abovementioned Commercial Companies Law, shall enjoy the taxation and customs treatment prescribed to Omani companies wholly owned by Omanis irrespective of foreign percentage participation, and without prejudice to taxation and custom exemptions prescribed before the commencement of this Law no tax exemption may be granted to any licensee.

Article 17: As an exception to the provisions of the abovementioned Commercial Companies Law:

(a) The founders of any company licensed to undertake any of the regulated activities pursuant to the provisions of this Law may offer their shares in such company for sale notwithstanding that the company has not published two audited balance sheets for two consecutive financial years, and with a value different from the nominal value of such shares, and the proceeds of such shares shall revert to the founders;

(b) A single founder in any company licensed to undertake any of the regulated activities pursuant to the provisions of this Law may subscribe for more than 20 per cent of the share capital of the company. In all cases the participation of the founders shall not exceed the percentage resolved by the Council of Ministers from time to time. The provisions of this paragraph shall apply whether the company is a public joint stock company or a closed joint stock company converted to a public joint stock company.

Article 18: The Ministry of Finance shall pay the value of the annual financial subsidy to Licensed Suppliers after the calculation of such subsidy in accordance with the following:

(a) The Authority shall assess the level of allowed revenue in the relevant

year the earning of which was available to each Licensed Supplier where he has effectively discharged his obligations specified in this Law and his Licence;

(b) The Authority shall determine the value of revenue represented by the amounts, which have to be collected by the Licensed Supplier in the relevant year where he has effectively discharged his obligations specified in this Law and his Licence;

(c) The Authority shall calculate the difference between the assessments specified pursuant to paragraph (a) and (b) and approve such difference in its Annual Report, and if the assessed value pursuant to paragraph (b) (representing the revenue collected from customers and others) is less than the assessed value pursuant to paragraph (a) (representing the allowed revenue) the Ministry of Finance shall be obliged to pay such difference to the Licensed Supplier and this Ministry shall specify the time and the manner of such payment which shall be, at least, every three months during the relevant year;

(d) The Authority shall calculate any differences between the assessments being prepared for the preceding year and what has been actually available for collection by the licensee in such year in the light of relevant circumstances, and the Authority shall notify the Ministry Of Finance about the methodology of calculating the differences pursuant to the provisions of this Article and shall include such methodology in the Annual Report mentioned in Article (29) of this Law.

Part II : The Electricity and Related Water Sector Regulatory Authority

Chapter I : Establishment of The Authority, Duties and Functions

Article 19: There shall be established pursuant to this Law an Authority to regulate the electricity and Related Water sector. The headquarters of the Authority shall be located in the Governorate of Muscat.

Article 20: The Authority shall have legal personality and financial and administrative autonomy and shall have the right to own the necessary moveable and immovable properties required to achieve its objectives and its property shall be considered as public property.

Article 21: Except as otherwise stipulated in this Law, the Authority shall not be subject to the provisions of the abovementioned Public Authorities and

Institutions Law or other laws and regulations applicable to the public authorities and institutions or government units.

Article 22: The Authority shall:

- (1) Secure the provision of electricity and Related Water services in all parts of the Sultanate of Oman and protect the interests of Customers particularly Customers who have limited income, the sick and elderly.
- (2) Encourage the promotion of competition in the interest of the public in the electricity and Related Water sector conducive to the achievement of public interest.
- (3) Secure and develop the safe, effective and economic operation of the electricity and Related Water sector in the Sultanate of Oman and to enhance the safety of the public.
- (4) Secure the Security of Supply in the Sultanate of Oman.
- (5) Secure that Licensees are undertaking to meet all reasonable demands relating to Connection to the Total System and Supply.
- (6) Secure compliance with the policies of the government in relation to Omanisation and training of Omani content leading to the creation of technical staff capable of undertaking the responsibility.
- (7) Facilitate the privatisation of the electricity and Related Water sector in the Sultanate of Oman.
- (8) Secure the protection of Rural Customers and encourage Supply of electricity to them through Connection or RAEC Connections in accordance with the provisions of Article (85) of this Law.
- (9) Take the necessary measures to enable Licensees to undertake the regulated activities pursuant to this Law and secure the effective operation of their activities in order to attract finance for their licensed activities in an economic manner.
- (10) Ensure the financial and technical capability of Licensees.
- (11) Secure the necessity for taking into consideration the protection of the Environment.
- (12) To meet its obligations regarding the procurement and sale of Imports and Exports of electricity and International Interconnection in accordance with the provisions of Articles (114) and (115) of this Law.
- (13) Secure the conduct of fair and transparent competitions for New Capacity and Output by the Oman Power and Water Procurement Company.
- (14) Undertake not to unduly discriminate without legal justification between Persons and to act consistently in like cases.
- (15) Secure the minimization of regulatory burdens on Licence Holders or Exemptions Holders.
- (16) Secure the preparation of technical specifications and criteria, and Performance Security Standards, for the electricity and Related Water sector, to maintain and review them in accordance with the relevant exigencies of the public interest.

(17) Prepare a Public Register containing all that relates to Licenses and Exemptions and any modifications made therein, and papers and documents relating to any of the above, and the certificates in respect of any Member of the Authority, and to maintain such Public Register.

(18) The preparation of objective criteria to ensure that Licenses and Exemptions are granted to Appropriate Persons and to review, implement, and comply with such criteria and to make them available to relevant Persons to obtain them on request.

(19) Secure the preparation of criteria relating to the welfare of the Customer and to amend, maintain, follow up compliance and implement such criteria.

(20) Monitor the development of the electricity and Related Water market in the Sultanate of Oman.

(21) Provide advice to Ministries in relation to the financing of RAEC Connection and Electrification Funding and the calculation of financial subsidy and tariffs and other functions assigned to it in accordance with the provisions of this Law.

(22) Review the situation of the electricity market in order to assess the scope for further Liberalization and submit reports in this regard, and to assist in the development of criteria to be applied pursuant to the Salalah Project Agreements. The Authority shall take into consideration the provisions of the agreements concluded before the promulgation of this Law in respect of electricity and Related Water sector projects.

Article 23: The Authority may, after coordination with the concerned bodies, and observing all Oman Electrical Standards, issue regulations relating to Street-works.

Article 24: Street-works regulations issued by the Authority in accordance with the provisions of the preceding Article may include the following:

(a) Authorize Licensees to perform Street-works necessary for the undertaking of their licensed activities and to oblige them before undertaking such works to coordinate with other Persons, and to oblige non-licensees undertaking Street-works to coordinate with Licensees, in all matters relating to Street-works.

(b) Oblige those undertaking Street-works referred to above to comply with relevant specifications for Street-works related to electricity and the materials used, and to observe traffic rules and take necessary measures to protect the public, property and other utilities, and to remove unused or excavated material from the public street and to restore the situation as it was before the commencement of the work.

(c) Oblige Persons undertaking Street-works to compensate any Persons affected

by such works, and to abide by the provisions contained in the aforementioned regulations.

Article 25: The Authority shall have the following functions:

- (1) Implementation of the general policy for the electricity and Related Water sector and the policy of the State in relation to regulated activities pursuant to the provisions of this Law.
- (2) Preparation of programmes and plans necessary for the development of the general policy of the electricity and Related Water sector in the Sultanate of Oman.
- (3) Issuance, modification and revocation of Licenses and approval of Exemptions and follow up its compliance and to oblige Licensees and Exemption Holders to discharge their duties prescribed in this Law.
- (4) Determine the form of Licenses in respect of each regulated activity, which is subject to the provisions of this Law.
- (5) Taking measures for the implementation of obligations arising from international agreements in the field of electricity and Related Water to which the Sultanate of Oman is a party, and the resolutions issued by international and regional organizations to which the Sultanate has acceded, or will accede to, all being in coordination with the Competent Authorities in this respect and in a manner not in conflict with the provisions of this Law.
- (6) Determination of the terms, rules, specifications and obligations, which Licensees and Exemption Holders shall comply with.
- (7) Monitoring of the implementation of the terms and rules of Licenses or Exemptions by Licensees and Exemption Holders.
- (8) Examination of complaints submitted by Customers and Licensees and taking prescribed procedures in respect thereof pursuant to the provisions of this Law.
- (9) Preparation of programmes necessary for the creation of awareness about the importance of the electricity and Related Water sector and the effect resulting from the development of the sector on development plans and welfare of the citizens.
- (10) Coordination with the relevant Ministries and government units in all that is required for the development of the sector pursuant to the provisions of this Law.
- (11) Issuance of regulations specifying the manner of expending RAEC Connection and Electrification Funding, monitoring the extent of compliance with such regulations by the Rural Areas Electrification Company, and the Authority shall submit a report in this respect, a copy of which shall be sent to the Ministry of National Economy, the Ministry of Finance, and the Ministry of Housing Electricity and Water.
- (12) Setting out rules to regulate the keeping and maintenance of records by Licensees in the manner specified by the Authority.
- (13) Setting out standard technical criteria to be complied with in relation

to Connection to a transmission or distribution System of a Licensee, and in relation to the use and operation of such Systems, and the criteria relating to the maintenance and development of the Licensee System.

(14) Settlement of disputes arising between Licence Holders or Exemption Holders or between Customers, or any other Persons in accordance with the provisions of a Licence or Exemption pursuant to the provisions of this Law.

(15) Issuance of regulations and decisions authorized by this Law.

Article 26: The Authority shall have the right to oblige the Rural Areas Electricity Company to transfer its assets and Distribution and Supply Business, if the public interest so requires in accordance with the procedures and rules stipulated in Article (88) of this Law, and the Authority shall have the right to oblige Licensed Distribution System Operators and a Licensed Transmission System Operator to acquire any of the assets, and to oblige any Licensed Supplier to acquire a specified Supply Business from this company in accordance with the provisions of this Law.

Article 27: The Authority shall establish a Public Register of the activities relating to the electricity and Related Water sector which shall be available to any Person whose economic interests are connected with this sector for perusal of data and information contained in this register after payment of the fees specified by the Authority as long as the data and information does not divulge secrets of a Licensee or Exemption Holder.

The data and information contained in the Public Register shall include the following:

(i) All Licenses and Exemptions issued in the electricity and Related Water sector.

(ii) Modifications to the Licenses and Exemptions.

(iii) Resolutions and Orders issued by the Authority in relation to the electricity and Related Water sector.

(iv) Approvals issued to Licence Holders or Exemption Holders from any body relating to the Licence or the undertaking of the licensed activity or the Exemption.

(v) Licenses and Exemptions that have been revoked and reasons for revocation thereof and any matters resulting from the revocation.

(vi) The criteria relied upon by the Authority in the evaluation of the advantages and disadvantages to the public interest in regard to the transfer process and the approach of developing such criteria.

The aforementioned register may contain such data and information deemed necessary by the Authority.

Article 28: The Authority after coordinating with concerned Persons shall have the right to issue regulations if the public interest so requires specifying the following:

(a) The manner of provision of information required to be submitted to the Authority by the Oman Power and Water Procurement Company and other Persons including Licensees and Exemption Holders.

(b) The manner of cooperation between the Rural Areas Electricity Company and the Oman Power and Water Procurement Company, and the manner in which each of them shall exercise its rights against the other and obligations towards the other.

Article 29: The Authority shall prepare an Annual Report that shall contain:

(a) Detailed information relating to its activities and the developments that occurred in the electricity and Related Water sector, and the extent to which the electricity market is prepared for further Liberalisation, and the volume of Imports and Exports of electricity, and the proposals of the Authority in this respect.

(b) The proposals of the Authority in relation to Permitted Tariff regulations and government financial subsidy.

(c) A detailed statement of the achievements in the area of providing electricity to Rural Premises through RAEC Connection or other Licensed Distribution Companies and the possibility of achieving further Connection and the plan of the Authority in respect of RAEC Connection and Electrification Funding.

(d) A statement of the audited financial accounts of the Authority for each financial year in accordance with international accounting standards.

(e) The method of calculating the value of financial subsidy in accordance with the provisions of Article (18) of this Law.

(f) Any other matters the Authority considers should be included in this report.

The Authority shall prepare this report within a period not exceeding 6 months of the end of the relevant Financial year and shall furnish a copy of this report to the Ministry of Housing Electricity and Water, and a sufficient number of copies shall be furnished to the Ministry of National Economy to allow the latter to submit the report to the Council of Ministers.

Article 30: The Authority shall review any proposals referred to it by the Ministry of National Economy in relation to further Liberalisation.

Article 31: If the Authority, in coordination with the Ministry of National Economy, concludes that the market is not so ready for further Liberalisation,

the Authority shall include in its Annual Report the following:

(a) A statement of the conditions which the Authority believes shall be realized, and the measures to be taken by the Authority or by other Persons to realize such conditions, in order that the market could be ready for further Liberalisation, and state the period the Authority deems required during which such measures may be taken, after which the Authority expects the market to be ready for further Liberalisation.

(b) A statement of the kind of Liberalisation that the Authority believes eligible for implementation after the completion of the above mentioned.

Article 32: If the Authority, in coordination with the Ministry of National Economy, concludes that the market is ready for further Liberalisation, it shall include in its Annual Report the following:

(a) The nature and extent of the proposed Liberalisation and the amendments which it deems necessary to be made to this Law, the licenses issued pursuant to its provisions, and the rules of the Grid Code and Distribution Code, and other rules and regulations, and the timing of the proposed Liberalisation, before the Liberalisation could be made.

(b) The outcome of the coordination, which the Authority shall make with Industry Participants and other relevant Persons relating to such proposals.

(c) The Ministry of National Economy shall, after consultation with the Electricity Holding Company, have the right to submit to the Council of Ministers a recommendation to take what it deems necessary to implement the Authority's proposals in respect of further Liberalisation.

(d) The Ministry of National Economy, after the approval of the Council of Ministers, shall issue a decision to implement the abovementioned proposals.

(e) The nature of the Liberalisation its extent and timing shall be in accordance with the resolution of the Council of Ministers.

Article 33: The Authority shall announce the issue of the report referred to in Article (29) of this Law in two daily local newspapers, one of which shall be in the Arabic language, and by any other method the Authority deems appropriate, and any Person shall have the right to obtain a copy of this report after payment of the fee specified by the Authority.

Article 34: The Authority shall before the commencement of each Financial year prepare and publish a Forward Work Programme containing a general description of the main activities the Authority intends to undertake during the subsequent financial year provided such description shall include the

objectives relating to each activity.

Article 35: The Authority shall, by written notice, furnish relevant Persons with the programme referred to in the preceding Article, and the Authority shall have the right to publish the programme by any manner it deems appropriate, and any interested Person may submit comments and objections relating to the content of the programme within one month of the date of notice, and the Authority shall reply to such comments and objections submitted to it during a similar period.

Article 36: The Authority shall send to the Ministry of Finance, the Ministry of National Economy and the Ministry of Housing Electricity and Water a copy of the aforementioned programme and the objections submitted to it, and the replies made to them, and the Ministry of National Economy shall furnish sufficient copies of the above to the Council of Ministers.

Article 37: The Authority shall have the right to issue regulations regarding the implementation of Street-works to facilitate the regulated activities, or relating to determining the manner of coordinating between Licensees and Persons undertaking the implementation of Street-works as long as such affect the licensed activities. The Authority shall include in such regulations whatever it deems necessary in this respect. The Authority shall, before issuing such regulations, follow the procedures stipulated in this Law, and all Persons addressed by the provisions of such regulations shall comply with it.

Article 38: The Authority after consultation with the Ministry of Housing, Electricity and Water, shall issue regulations for the following purposes:

- (a) Secure the provision of regular supplies of electricity and related desalinated water.
- (b) Protection of the public from the risks relating to works and installations whether in relation to electricity or Related Water and to eliminate or reduce the risk of physical injury.
- (c) To encourage the efficient use of electricity.

Article 39: The regulations stipulated in the preceding Article may include the following:

- (a) Prohibition of Transmission, Distribution or Supply in specified circumstances.
- (b) The requirement of notification of accidents, breakdowns of Supply or

Transmission and Distribution infrastructure or the occurrence of incidents affecting the Total System.

(c) The requirement to maintain designs, maps, drawings and other documentation and make them available for inspection and copying by any concerned Person.

(d) Exempt certain categories of Licensees in specific circumstances from the obligation to Supply electricity.

(e) The requirement to provide specific information by Licensees to specific Persons and to cooperate with them.

(f) To provide for the issuance of new Oman Electrical Standard by the Authority exclusively or to modify existing ones and the requirement to comply with such standards and what may be considered as compliance with the technical standards.

(g) To specify the conditions relating to earthing of electrical installations, electrical voltage and frequency.

(h) The requirement to comply with the announcements issued by the Authority to eliminate or reduce risk of physical injury or damage or interference with property.

(i) Exceptions from the regulations stipulated in the preceding Article and this Article.

(j) Any other matters determined by the Authority.

Part III : Regulation and Privatisation of the Electricity & Related Water Sector

Chapter I : Successor Entities: Ownership and Legal Form

Article 63: Except as otherwise provided for in this Law, the abovementioned Commercial Companies Law shall apply to the closed Omani joint stock company named the Electricity Holding Company.

Article 64: The Articles of Association of the Electricity Holding Company shall be made pursuant to the provisions of the abovementioned Commercial Companies Law and in a manner not in conflict with the provisions of this Law.

Article 65: Subject to the provisions of Article (13), the Electricity Holding Company shall undertake to implement the policies of the government approved by the Council of Ministers in respect of the privatisation of the electricity and Related Water sector and shall encourage electricity or electricity and

Related Water projects in the Sultanate of Oman, to be financed from private sources. The Electricity Holding Company shall in particular undertake the following:

- (a) To perform the functions assigned to it pursuant to the provisions of this Law;
 - (b) To implement the policy of the government in respect of the financing of companies Wholly-owned by the Government in the electricity and Related Water sector and to safeguard and maintain the interest of the government in these companies;
 - (c) To hold or dispose of the shares of the government in the companies stipulated in Article (66) of this Law and also the companies referred to in paragraph (e) of this Article, and to take measures and conclude contracts and agreements required in respect thereof;
 - (d) To take necessary measures to achieve its objectives or measures connected to these objectives;
 - (e) To establish new companies, or appoint existing companies undertaking activities relating to, or complimentary to, its activities, particularly for the purposes of securing New Capacity pursuant to this Law, and also to establish a new company or entrust an existing company whether to undertake ownership, operation and maintenance of any of the assets or operation of any Electric Plants, Systems, or Production Facilities whenever it reverts to the Oman Power and Water Procurement Company, or to undertake the ownership, operation and maintenance of any of the assets that revert to the government in accordance with Article (122) of this Law;
 - (f) To provide central accounting services for the companies Wholly-owned by the Government operating in the electricity and Related Water sector.
- It shall be prohibited for the Electricity Holding Company to undertake any of the regulated activities or any activity not provided for in this Law.

Article 66: The Electricity Holding Company shall undertake to hold the shares of the government in the following companies:

- (a) The Oman Power and Water Procurement Company SAOC;
- (b) The Oman Electricity Transmission Company SAOC;
- (c) The Al-Rusail Power Company SAOC;
- (d) The Wadi Al Jizzi Power Company SAOC;
- (e) The Al Ghubrah Power and Desalination Company SAOC;
- (f) The Mazoon Electricity Company SAOC;
- (g) The Majan Electricity Company SAOC;
- (h) The Muscat Electricity Distribution Company SAOC; and
- (I) The Rural Areas Electricity Company SAOC.

Article 67: The companies stipulated in Article (66) of this Law shall take

the form of Omani closed joint stock companies, and the Ministry of Finance in coordination with the Ministry of National Economy shall have the right to modify the legal form of any such companies, and the Ministry of Finance shall secure the availability of adequate finance to enable such companies to undertake the activity assigned to them pursuant to this Law whether such Finance is from the Ministry of Finance or from any other source, provided the Ministry of Finance approves such finance, all being for as long as the companies are Wholly-owned by the Government.

Article 68: Each of the companies stipulated in Article (66) of this Law shall have a Board of Directors constituted by a decision of the Minister Supervising the Ministry of Finance after the approval of the Council of Ministers.

Article 69: The Articles of Association of each of the companies stipulated in Article (66) of this Law shall be in accordance with the above-mentioned Commercial Companies Law and in a manner not in conflict with the provisions of this Law.

Article 70: The provisions of the above-mentioned Government Tender Law and Regulations shall apply to the transactions made by the Electricity Holding Company and the companies stipulated in Article (66) of this Law for as long as those companies are Wholly owned by the Government, without prejudice to any specific provision in this Law and in a manner not in conflict with its provisions.

Article 71: The Electricity Holding Company and all the companies stipulated in Article (66) of this Law shall be subject to the provisions of the above-mentioned Financial Law and State Financial Audit Law for as long as these companies are Wholly-owned by the Government.

Article 72: The provisions of the above-mentioned Commercial Companies Law shall apply to the companies stipulated in Article (66) of this Law without prejudice to any specific provision in this Law and in a manner not in conflict with its provisions.

Article 73: The Electricity Holding Company shall submit its annual budget and the budgets of companies stipulated in Article (66) of this Law in a timely

manner to the Ministry of Finance for review and approval, all this for as long as those companies, or any of them, are Wholly-owned by the Government.

Part IV : Conversion to Companies and the Transfer Scheme

Article 92: The Ministry of National Economy shall implement the Transfer Scheme within a period not exceeding six months from the date of the publication of this Law in the Official Gazette, and it may extend such period for not more than three months.

Article 93: The Minister of Housing, Electricity and Water shall have the right to grant the companies established pursuant to Article (66) of this Law a usufruct right on the lands used for the projects to be Transferred to such companies in the manner specified in the Transfer Scheme or the lands required in future to implementing such projects, and the area of the usufruct shall be determined in accordance with the actual requirements of the project and in accordance with lands in the Sultanate of Oman available to the Ministry, and the grant of a usufruct right shall be in accordance with the procedures, rules, and fees specified in the abovementioned Law Organizing the Usufruct of the Sultanate Lands.

Article 94 : As an exception from the provisions of articles (18) and (19) of the abovementioned Financial Law all Relevant Assets and Liabilities shall be subject to Transfer.

The procedures taken pursuant to the Transfer Scheme, including those relating to all Relevant Assets and Liabilities or any of them, shall be binding on all Persons without the need for the consent of any other Person.

Article 95: The date of the commencement of Transfer shall not exceed 30 days from the date of enactment of the Transfer Scheme and each Transfer shall be effective as from the date of Transfer prescribed pursuant to the Transfer Scheme, as amended in accordance with the provisions of Article (98) of this Law.

The Transfer Scheme may include determination of the regulations and dates for the implementation of the accounts relating to the Electricity Holding Company and the other companies stipulated in Article (66) of this Law, other than the dates fixed pursuant to the provisions of this Article, and other items relating to such accounts.

Article 96: The Ministry of Housing, Electricity and Water shall within a period not exceeding 28 days after the completion of any Transfer notify any Person who has rights or liabilities which thereby become enforceable all or in part against or in favour of the successor transferee.

This Ministry and other Ministries and any of the Transferees shall conclude the required agreements and contracts and take all measures necessary to identify the properties, rights, and liabilities including interests in land Transferred pursuant to the Transfer Scheme.

Article 97: The provisions of the agreements and contracts relating to the Transferred property, or rights or liabilities which were concluded by the Ministry of Housing Electricity and Water before the Transfer Date shall apply to the Successor Entity with the same terms, measures, and conditions vested in the Principal. And the Transfer pursuant to the Transfer Scheme shall not affect the treatment prescribed in respect of the subject matter of the Transfer as regards taxes and fees.

Article 98: The Ministry of National Economy may after consultation with the Ministry of Housing, Electricity, and Water modify the Transfer Scheme within a period not exceeding 12 months from the Transfer Date.

The Modifications may not include the Transfer of assets or liabilities except between a Successor Entity and another who are both Wholly-owned by the Government at the time of making the modifications, or may not have an adverse effect on other Persons, and any modification as above mentioned shall be deemed an integral part of the Transfer Scheme.

The Ministry of National Economy shall coordinate with the Ministry of Housing, Electricity, and Water if the modifications include the Transfer of any assets or liabilities of the Ministry of Housing, Electricity, and Water.

Part V : Licenses and Exemptions

Article 99: The Authority wherever the public interest requires shall have the right to grant combined Licenses for different regulated activities within the limits prescribed in this Law.

Article 100: The grant of Licenses or Exemptions shall be on the basis of an

application to be submitted to the Authority, which shall specify its form and procedures for submitting it, and the application shall be accompanied by such documents, information, and particulars required for the issue of the Licence or Exemption and the evaluation of the application, and the application fees fixed by the Authority shall be paid, and the Authority shall comply with the technical and objective criteria required for the issue of a Licence or grant of an Exemption to Appropriate Persons.

Article 101 : The grant of a Licence or Exemption to undertake any of the regulated activities shall not be in lieu of obtaining the approval or authorizations imposed by prevailing laws, and the Authority is obliged to furnish the necessary particulars or information to the official authorities to enable them to issue such approvals or authorizations.

Article 102: The Authority shall at least 30 days before issuing any Licence or approving any Exemption publish in two local daily newspapers, one of which is in the Arabic language, and in any manner deemed reasonable by the Authority, a Notice concerning:

- (a) The Person to whom the issue of Licence or grant of Exemption is intended;
- (b) The reasons for issuing the Licence or granting the Exemption;
- (c) The period within which remarks and objections in relation to the issue of the Licence or grant of the Exemption may be submitted, which period shall not be less than 28 days from the date of publication of the Notice;
- (d) The particulars and conditions of the Exemption proposed to be granted.

The provisions of paragraphs (a), (b), (c), (d), shall not apply to the Licenses issued to the companies stipulated in Article (66) of this Law.

It shall also not apply to the Licenses issued to the following companies:

- (i) United Power Company SAOG;
- (ii) Al Kamil Power Company SAOC;
- (iii) AES Barka Company SAOC.

And it shall also not apply to any Exemption granted on the Transfer Date.

Article 103: The Authority shall publish a Notice stating the particulars of any Licence granted in two daily newspapers, one of them in the Arabic language, and any other manners deemed reasonable by the Authority.

Article 104: The Licence or Exemption shall be in the form prepared by the

Authority for this purpose, which shall include the period during which the Licence and Exemption shall be valid, and the conditions stipulated in this Law.

Article 105: It shall not be permissible to transfer the Licence or Exemption unless otherwise provided for in the Licence or Exemption, the written approval of the Authority is a condition precedent to make such transfer according to the conditions specified by the Authority.

Article 106: It shall not be permissible for any of the Licensees, without obtaining the prior written approval of the Authority:

- (a) To create or agree to create any security over any of its assets or liabilities;
- (b) To create or agree to create, or relinquish or agree to relinquish, any interest used by it in relation to the Licensed Activity.

Article 107: Any transaction made in violation of the provisions of the two preceding Articles shall be null and void.

Article 108: Each of the following shall be Exempt:

- (a) The Ministry of Defence, Royal Omani Police, and government Security Forces from obtaining a Licence as long as the regulated activity is undertaken for the purposes of Self-Supply;
- (b) Autogenerators from obtaining a Licence as long as the activity undertaken is for the purposes of Self-Supply.

In order to Exempt an Autogenerator the following conditions shall be satisfied:

- (a) The aggregate of installed Generation Production Capacity shall not exceed 25 Megawatts, and for Desalination Production Capacity 4,545 cubic metres per day;
- (b) The System of such Autogenerator or its Production Facilities are not Connected to the System of any Licensee or if Connected the Connection and the Production Facilities of such Autogenerator or his System are incapable of delivering electricity to the Licensee System to which it is Connected;
- (c) The Production Facilities for water Desalination of such Autogenerator and his other related equipment are not connected with any water equipment owned or operated by the Ministry of Housing, Electricity and Water or the Rural Areas Electricity Company.

Article 109: The Authority shall have the right to modify the conditions of

any Licence when the public interest so requires according to the following procedures:

- (a) The Authority shall publish a Notice for making the proposed modification at least 30 days before making such modification stating the reasons and effects of such modification and determining a period not less than 28 days for the submission of objections in respect of the modification, and the Authority shall take into consideration objections submitted to it;
- (b) If the Licensee agrees to the modification intended to be made the Authority shall make the modification provided that the modification shall have effect in a period not exceeding 30 days of the publication of the Notice in accordance with the above, and if the Licensee objects to the making of the modification the Appeal shall be settled pursuant to the provisions of this Law, and if the Appeal determines that the modification shall be made, it shall be made and come into force on the day following the settlement of the Appeal;
- (c) The Authority shall publish the modification intended to be made to any Licence in two local daily newspapers, one of them in the Arabic language, and the Authority shall have the right to publish such Notice in any other reasonable manner, and shall publish the modification made in the same manner.

Article 110: The Licence shall contain the conditions specified by the Authority and shall include the following:

- (a) The duty of the Licensee to abide by government policy in respect of Omanisation and the protection of the Environment;
- (b) The duties of Licensees specified in this Law and the manner in which they are to be performed;
- (c) A prohibition on the Licensee to transfer his Licence and create security on its assets or liabilities without obtaining the prior written approval of the Authority;
- (d) A prohibition on the Licensee or any affiliates, other than the government and any entity Wholly-owned by the Government, without the prior written approval of the Authority, to own shares or have an economic interest of whatever kind in any other Licensee or its affiliates. This is with exception to the interests which a Licensed Supplier has in the services of the Licensed Distribution System Operator who uses its System for Supply, or vice versa;
- (e) The obligation of the Licensee to exchange information with other Licensees and to comply with the request of the Authority by virtue of a Notice to submit any documents and any information whether it is in the possession of the Licensee or under its control in the manner and times specified by the Authority in this context.

An Exemption shall include the same obligations prescribed in this paragraph:

- (f) The provision to resort to the competent court to oblige a Licensee or Exemption Holder who does not comply with the obligations prescribed in paragraph (e) above;
- (g) The activities from which the Licensee is prohibited from undertaking.

Article 111: A Licence may contain the following conditions:

- (a) Placing a duty on the Licensee to contract with any Person for the purposes specified in the Licence together with a statement of the manner and procedure and conditions of such contracting;
- (b) Determination of the conditions for Licence suspension or modification and the time and manner stated in such conditions;
- (c) To oblige the Licensee to pay fees payable to the Authority on issuance of the Licence and the annual fees during its validity period;
- (d) All that is relevant to the revocation of the Licence;
- (e) To determine the manner by which the Licensee undertakes the licensed activity, and all specific matters arising from the Licence, and the actions required to be taken according to the Licence for the decision or approval of the Authority or its nominee, and the obligation to submit to such nominee and the Authority the documents, information and studies sought from the Licensee;
- (f) To oblige the Licensee to maintain separate accounts in the manner required by the Authority for the separate businesses of the Licensee.

Article 112: Without prejudice to the provisions of the two preceding Articles:

- (1) The Oman Power and Water Procurement Company Licence shall contain the following conditions:
 - (a) A provision for a prohibition on the company not to undertake any regulated activity except those specified in its Licence;
 - (b) A provision for the calculation of the Bulk Supply Tariff and its review from time to time;
 - (c) A provision to oblige the company to cooperate with the Licensed Suppliers who contract on its behalf with Autogenerators in relation to Output in regard to the conditions of such agency contracts and other contract conditions relating to Supply.
- (2) The Generation Licence and Generation/Desalination Licence shall contain the following conditions:
 - (a) A provision to oblige the Licensee to ensure that his Production Facilities meet all reasonable requirements for central scheduling and Dispatch;

- (b) A provision to oblige the Licensee to offer terms for securing Ancillary Services and to restrict the powers granted pursuant to the Licence to specified Production Facilities and/or specific Production Capacity;
- (c) A provision to permit the imposition of restrictions on the percentage of total market share for Generation and/or Generation/Desalination whether in respect of the Licensee and its affiliates and related commercial projects.
- (3) The Transmission Licence shall contain the following conditions:
- (a) A provision for the manner in which the Authority sets out tariffs for Connection to and use of the Licensee's System and the issue and modification of such tariffs;
- (b) A provision to develop and/or operate International Interconnections if the Law permits him to do so, and a provision for the prohibition on the Licensee from undertaking any activity other than the Transmission of electricity and the operation of a system for the Dispatch of Production Facilities, and also a prohibition on the disposal of assets required for undertaking the regulated activities without obtaining the prior written approval of the Authority;
- (c) Determination of the manner and conditions of the Connection of Rural Premises and the Connection of RAEC Systems and the acquisition of the assets of the Rural Areas Electricity Company.
- (4) The Distribution Licence shall include the following conditions:
- (a) A provision for the prohibition on the Licensee undertaking any regulated activity other than the operation of a Distribution System and the Operation of an International Interconnection, and the transfer of assets which are necessary for the undertaking of the regulated activities without obtaining the prior written approval of the Authority;
- (b) A provision for the manner in which the Authority sets out tariffs for Connection to and use of the Licensee's System and the issue and modification of such tariffs;
- (c) Determination of the manner and conditions of the Connection of Rural Premises and the Connection of RAEC Systems and the acquisition of the assets of the Rural Areas Electricity Company.
- (5) The Supply Licence shall contain the following conditions:
- (a) A provision to oblige the Licensee to prepare Supply conditions to be approved by the Authority and also to offer standard Supply conditions to specified classes of Persons;
- (b) A provision for the determination of Permitted Tariffs to be charged by the Licensee to different classes of Customers;
- (c) A provision to oblige the Licensee to publish the adopted codes of practice containing procedures for the payment of bills by Customers, and the conditions for disconnecting a defaulting Customer, and the services to be provided to the elderly and disabled, and the efficient use of electricity; and the system for handling complaints;
- (d) A provision to oblige the Licensee to provide information relating to electricity demand forecasts to other Licensees in accordance with the Grid

Code and Distribution Code;

(e) A provision to oblige the Licensee to acquire Supply business from the Rural Areas Electricity Company in accordance with the instructions of the Authority in respect thereof;

(f) A provision to oblige the Licensee to contract on behalf of the Oman Power and Water Procurement Company for the purchase of the surplus Output of Autogenerators.

Article 113: Without prejudice to the provisions of this Law the Rural Areas Electricity Company Licence shall contain the following:

(a) A provision to oblige the company to transfer its assets and Supply business in accordance with the instructions issued by the Authority in respect thereof;

(b) A detailed provision for the arrangements required for RAEC Connection and Electrification Funding.

Article 114: The Authority shall when granting a Licence for the Import or Export of electricity observe the following:

(a) The Authority shall not be permitted to grant a Licence to Import and/or Export electricity, or modify an existing Licence in order to include any such Import and/or Export across an International Interconnector with a capacity of 33 kV or more, or such other limit decided by the Council of Ministers, unless after obtaining the approval of the Council in respect of such Import and/or Export based on the recommendation of the Ministry of Housing, Electricity and Water;

(b) The Licence shall exclusively be granted to the Oman Power and Water Procurement Company or the Rural Areas Electricity Company;

(c) The Licence shall contain those conditions (if any) which have to be included pursuant to a recommendation made by the Ministry of Housing, Electricity and Water and approved by the Council of Ministers;

(d) The aforesaid Licence may include other conditions specified by the Authority to deal with the manner in which the Licensee shall observe the relevant arrangements in respect of the performance of his duties pursuant to this Law;

(e) The Authority shall consider the following:

(i) The proposed conditions for Import and Export as to the price and other matters and the creditworthiness of the Person to whom Export of electricity is intended to be made;

(ii) Whether any contracting for Import or Export pursuant to a Licence shall be on an interruptible basis;

(iii) The extent of the effect which the Import or Export may have on the ability of the Oman Power and Water Procurement Company to fulfil its obligations particularly those in respect of ensuring that reasonable demand for electricity is met, and the effect on the fuel supply market in the Sultanate of Oman;

(f) The Ministry of Housing, Electricity and Water shall consult with each of the Authority and the Electricity Holding Company before submitting its recommendations stipulated in paragraphs (a) and (c) to the Council of Ministers.

Article 115: The Authority shall before granting a Licence to make an International Interconnection, consider the following:

(a) The Authority shall not be permitted to grant a Licence to make a new International Interconnection or modify an existing Licence where the proposed International Interconnection will have a capacity of 33 kV or more, or such other limit decided by the Council of Ministers, without the approval of the Council of Ministers for the Import or Export of electricity across means of an International Interconnection pursuant to the provisions of the preceding Article;

(b) The Licence shall exclusively be granted to a Licensed Transmission System Operator, a Licensed Distribution System Operator, or the Rural Areas Electricity Company;

(c) A Licence to develop and/or operate an International Interconnection shall contain such conditions that have been approved by the Council of Ministers on the basis of the recommendation of the Ministry of Housing, Electricity and Water which Ministry shall have consulted with the Authority and the Electricity Holding Company before making and submitting such recommendation to the Council of Ministers;

(d) The aforesaid Licence may include other conditions specified by the Authority to deal with the manner in which the Licensee shall observe the relevant arrangements in respect of his performance of his duties pursuant to this Law;

(e) The Authority shall, when granting the aforesaid Licence, observe the possible effects on the Total System and on the ability of the Licence Holder to fulfil his duties prescribed pursuant to this Law.

Article 116: If it is revealed to the Authority that a Licensee or Exemption Holder is violating or likely to violate a condition of the Licence or Exemption, or any of the duties imposed on him pursuant to the provisions of this Law, the Authority shall serve a written warning on him to cease the violation or not to violate, or to fulfil the duty imposed on him, within a

specified period as the case may be, provided the warning shall include the measures which the Authority will take in case the Licensee does not fulfil the duty imposed on him promptly on the expiry of the warning period, and if the situation is not rectified within the period specified in the warning the Authority shall have the right to take whatever it deems reasonable to ensure compliance with the provisions of this Law and the conditions of a Licence or Exemption.

Article 117: The Authority shall not be permitted to issue the decision abovementioned in the preceding Article if the Licence Holder or Exemption Holder has consented to and commenced to take the measures deemed necessary by the Authority in this respect, or if the Authority considers that the violation is trivial.

The Authority may cancel any decision issued by it provided that it shall notify the Person to whom the decision has been served in the manner in which the decision was served, and the Authority may also modify the decision provided the modification shall be made by the consent of the relevant Person or after the expiry of the period specified by the Authority for relevant Persons to submit their objections and remarks.

Article 118: The Authority shall include in the warning stipulated in Article (116) the following:

- (a) Particulars of the relevant violation, and the intention of the Authority to issue a decision in this respect together with an explanation of the consequent effects arising from the issue of the decision;
- (b) Determination of the period in which relevant Persons shall submit to the Authority their remarks and objections against the decision in light of the consequences of the violation;
- (c) Any other facts relating to this matter, which the Authority deems necessary, and the Authority shall consider the remarks and objections submitted to it before issuing its decision.

Article 119: The Authority may include in the decision issued by it pursuant to Article (116) of this Law the following:

- (a) The fine considered reasonable by the Authority;
- (b) Compensation to the Persons affected by the occurrence of the relevant violation in the amount and at the times specified by the Authority in the decision.

The total fine and compensation imposed shall be proportionate to the violation and the damages caused by it to Persons or with respect to the

public interest.

Article 120: The Authority shall send to the Licence Holder or Exemption Holder a copy of any decision issued against him or the cancellation or modification of such decisions, as the case may be, and shall publish the decisions or cancellations in the manner it deems reasonable, and the decision issued by the Authority shall be in force with immediate effect and the Licence Holder or Exemption Holder shall comply with it subject to the provisions of this Law.

Article 121: The Authority shall have the right to revoke a Licence or Exemption in case the Holder of a Licence or Exemption abstains from implementing the decisions issued by the Authority in respect of the violations as above mentioned, subject to the following procedures:

- (a) To coordinate with the Ministry of National Economy before notifying the Transmission or Distribution Licence Holder of the revocation within a period specified by the Authority;
- (b) To coordinate with the Ministry of National Economy before notifying the revocation of the Exemption if the relevant circumstances relating to the Exemption have changed whether these circumstances relate to the Exemption Holder or the electricity and/or Related Water sector, as the case may be;
- (c) The Authority shall notify the Licensee of its intention to revoke a Licence or Exemption at least 30 days before the revocation date, provided the notification shall include the reasons for issuing the decision to revoke and the period to be specified by the Authority for the submission of remarks and objections which shall be not less than 28 days from the date of such notification.

The Authority shall decide on the remarks and objections submitted to it and make a reply to the Person submitting them within 30 days of the date of its submission.

Article 122: In the event of a revocation of any Transmission Licence or Distribution Licence pursuant to the provisions of the preceding Article (121):

- (a) The Licensee shall have the right within the nine-months following the receipt of notice revoking the Licence, to dispose of the assets and business relating to the regulated activities after the approval of the Authority, and the government may extend the abovementioned period for not more than a further three months, and also may appoint an Appropriate Person, to operate, manage, and maintain the aforementioned assets and business and to preserve them until the expiry of the period specified for the disposal;

(b) The Licensee shall reimburse the government for all costs and expenses incurred in the appointment of the Appropriate Person to undertake the aforementioned in the preceding paragraph, provided such costs shall include whatever arises from additional investment required to rectify any violation by the Licensee of the conditions of his Licence;

(c) If the assets of the Licensee have not been disposed of within the period specified in paragraph (a) the government shall seize all the assets of the Licensee required for the proper implementation of the conditions of his Licence, and shall appoint an interim operator for such assets; and shall endeavour to sell such assets and business to a private sector entity which shall be an Appropriate Person within a period not exceeding two years from the date of seizure;

(d) If the Licensee disposes of his assets or business in compliance with the provisions of paragraph (a) the Licensee or the government shall have no claim against each other for any amounts pursuant to this Article;

(e) If the government is unable to sell the assets or business seized in accordance with paragraph (c) within the two-year period the Licensee is not entitled to claim any amounts according to this Article;

(f) If the government sells the abovementioned assets and business within the two-year period, it shall pay to the Licensee the proceeds of such sale after deducting 15 per cent and the costs and expenses stipulated in paragraph (b) and the cost of conducting the sale transaction, and also the amounts resulting from the rectification of the violation of the Licence conditions.

Part VI : Disputes and Appeals

Article 123: Without prejudice to a specific provision stipulated in this Law, the Competent Omani Court shall have jurisdiction to decide on disputes arising from the application of the provisions of this Law.

Article 124: It shall not be permissible for any Person to initiate procedures for Judicial claim against any of the Licensees or Exemption Holders by reason of the violation of a condition of the Licence or Exemption or breach of the duties imposed on any of them pursuant to the provisions of this Law except after submitting the claim to the Authority to oblige the Licence Holder or Exemption Holder to perform a duty or take whatever the Authority considers adequate to remedy or eliminate the violation.

Article 125 : The following Persons shall have the right to Appeal against the decisions or measures issued by the Authority before the Competent Authorities pursuant to the provisions of this Law and the legislation enforceable in the Sultanate of Oman:

- (a) Any applicant for, or Holder of, a Licence or Exemption;
- (b) The Salalah Project Company;
- (c) Any Person whose interest is affected by the decision or measure.

Article 126: The judgement, whether issued by the Court or the arbitration tribunal, on the Appeal shall be issued containing its reasons and the Court or arbitration tribunal, as the case may be, shall have the right to order the following:

- (a) To oblige the government to pay the appropriate compensation in the event of a decision issued relating to the seizure of assets pursuant to the provisions of Article (122) of this Law, and the calculation of the compensation shall be in accordance with the principles stipulated in the mentioned Article;
- (b) Oblige the government or the Authority to issue, or abstain from issuing, a decision or measure in conformity with the provisions of this Law, provided if the matter relates to the imposition of a fine by a Court or arbitration tribunal, the value of the fine shall not exceed the maximum limit determined by the Authority.

Article 127: The Competent Omani Court shall have exclusive jurisdiction to consider the following:

- (1) Appeals made by an entity Wholly-owned by the Government;
- (2) Appeals relating to decisions or measures that only affect a company or companies Wholly-owned by the Government;
- (3) Appeals against decisions or measures relating to Street-works.

Article 128: The Competent Omani Court or arbitration tribunal shall have exclusive jurisdiction to consider the following Appeals:

- (1) Appeals relating to decisions and measures issued by the Authority in respect of determining Cost-Reflective Tariffs;
- (2) Appeals relating to the seizure of assets pursuant to Article (122) of this Law, including matters relating to the amount of compensation and/or payment.

The Appellant may not withdraw his decision to resort to the Court or arbitration at his discretion.

The challenge of the jurisdiction of the entity chosen by the Appellate in this case shall not be accepted.

Article 129: Without prejudice to the provisions of Articles (127) and (128) above, the Appellate in Appeals other than those stipulated in the two Articles, may resort to the Competent Omani Court or arbitration tribunals if the Value-test condition is met.

Article 130: The institution of an Appeal against a decision issued by the Authority shall not result in the suspension of the decision unless the Appellate authority decides to suspend the enforcement of the decision.

Article 131: Any arbitration conducted pursuant to the provisions of this Law shall be in the city of Muscat pursuant to the laws of the Sultanate of Oman, and in accordance with the Rules of Arbitration of the International Chamber of Commerce as amended, and the documents submitted to an arbitration tribunal shall be treated as confidential or non-confidential according to the discretion of the Authority. This is without prejudice to the right of the Courts and arbitration tribunals to peruse such documents according to the law.

Part VII : Offences and Punishment

Article 132: It shall be an offence for any Person to commit any of the following acts:

- (a) To tamper with any Electric Plants, Electric Lines or other electrical equipment, including meters, and the deliberate destruction or distortion of any documents or information required to be submitted pursuant to Article (147) of this Law;
- (b) The submission of information or data knowing that they are inaccurate with the intention of misleading the Authority, when applying for the issue of a Licence or grant of an Exemption;
- (c) The violation of the provisions of Article (4) of this Law;
- (d) To undertake alone or in participation with others any matters which result in the prevention or restriction of competition in respect of all or any of the regulated activities, and the electricity and Related Water market, in a manner leading to the causation of considerable damage to the interests of Customers;
- (e) Import or Export electricity and develop or operate any International Interconnection contrary to the provisions of Article (114) and Article (115) of this Law, or in violation of the Street-works regulations;
- (f) The violation of the provisions of Article (12), Article (60) or Article (61) of this Law.

Article 133: Without prejudice to any more severe punishment stipulated by another law, whoever commits any of the acts provided for in the preceding Article shall be punished by imprisonment for a period not exceeding three years and a fine not exceeding 50,000 Omani Rials, or by one of them.

Part VIII : Transitional and Final Provisions

Article 134: The Ministry of Housing, Electricity and Water and any Person undertaking a regulated activity on the date of enforcement of this Law shall continue to undertake the activity until the Transfer Date.

Article 135: The Ministry of Housing, Electricity and Water shall have the following duties and functions:

(a) To cooperate with the Ministry of National Economy in the implementation of the Transfer Scheme in order to distribute and Transfer the Relevant Assets and Liabilities pursuant to the provisions of this Law;

(b) To identify its forecasts in respect of demand for Desalinated water on a short, medium and long term basis and to provide the Oman Power and Water Procurement Company and the Rural Areas Electricity Company with such forecasts, and with any information about the demand for New Capacity for Desalinated water required by either company to enable them to fulfil their duties in respect of the procurement of New Capacity for Desalinated water;

(c) To coordinate with the Ministry of National Economy in respect of its forecasts in relation to the required amount of new Production Capacity for Desalinated water;

(d) To pay the Bulk Supply Tariff to the Oman Power and Water Procurement Company and/or the Rural Areas Electricity Company, as appropriate, in consideration of the new Desalinated water Production Capacity procured on behalf of the Ministry of Housing, Electricity and Water and in consideration of the sale of Desalinated water Output by the Oman Power and Water Procurement Company and the Rural Areas Electricity Company to this Ministry;

(e) To cooperate with the Oman Power and Water Procurement Company and the Rural Areas Electricity Company to decide whether there is a duty to procure New Capacity for Desalinated water, whether by the Oman Power and Water Procurement Company pursuant to Article (79) of this Law, or independently by the Ministry of Housing, Electricity and Water, or there is a duty to procure New Capacity for Desalinated water in rural areas pursuant to Article (84) of this Law by the Rural Areas Electricity Company whether connected with electricity Production Capacity, or independently by the Ministry of Housing, Electricity and Water;

(f) To comply with the duties prescribed to it pursuant to the provisions of

this Law;

- (g) To furnish the Licensed Transmission System Operators with the following:
 - (i) Sufficient information to enable each of them to operate his System in order to discharge his duties pursuant to Article (82) of this Law;
 - (ii) Sufficient information in respect of the Ministry requirement for Desalinated water from Production Facilities that are Connected to the System of any Licensed Transmission System Operator being the subject matter of a contract with the Oman Power and Water Procurement Company;
- (h) To provide the Authority with such information required by it to enable it to perform its functions and duties pursuant to this Law;
- (i) To become and remain as a party to and comply with the Grid Code;
- (j) To conduct researches and development in relation to the electricity Supply sector and to submit its recommendations (if any) in this respect to the Council of Ministers;
- (k) To submit recommendations to the Council of Ministers in respect of International Interconnections and to cooperate with the Authority and Successor Entities pursuant to the provisions of this Law.

Article 136: This Law shall not affect the functions and duties of the Ministry of Housing, Electricity and Water relating to Housing and the water supply sector, this is without prejudice to the duties and functions prescribed to this Ministry in relation to Related Water pursuant to the provisions of this Law.

Article 137: The Employment Rights of each Transferring Employee shall Transfer to the Successor Entity specified in the Transfer Scheme as from the Transfer Date and such employees shall comply with the employment regulations issued by the Successor Entity.

Article 138: Without prejudice to the rights and privileges prescribed by the regulations relating to personnel affairs issued by the Electricity Holding Company or any of the companies stipulated in Article (66) of this Law, the Employment Rights and privileges of Transferring Employees to any of such companies shall not be less than their Employment Rights and privileges received by them at the Ministry of Housing, Electricity and Water, including their salaries and allowances, on the day preceding the Transfer Date.

Article 139: As an exception from the provisions of the abovementioned Social Security Law, the treatment of the employees mentioned in the preceding Article shall continue to be subject to the provisions of the abovementioned law of Post Service Pensions and Gratuities for Omani Government Employees,

and their contributions be paid and pension rights settled pursuant to its provisions, and the Successor Entity shall be obliged to pay pension contributions of the Transferring Employees to the pensions and gratuities fund, which shall include the part payable by the Transferring Employee and the part payable by the Successor Entity.

Article 140: The companies shall be obliged not to terminate the service of the Transferring Employees transferred to them for a period of 5 years from the date of privatisation of the company, on condition that the employees shall comply with the company regulations and the Labour Law and provided that the provisions of the law for Post Service Pensions and Gratuities for Omani Government Employees shall be taken into account in case of the termination of their services.

Article 141: It shall be a condition to benefit from the provisions of the preceding Articles (138), (139) and (140) that a Transferring Employee shall continue to be in the service of any Successor Entity until the date of the end of his service.

Article 142: The Ministry of Housing, Electricity and Water shall on the Transfer Date compensate each Transferring Employee for his accrued leave in accordance with the provisions of the legislation in force in the Sultanate of Oman, and shall also pay all amounts of salaries and allowances due up to the Transfer Date.

Article 143: The abovementioned Labour Law shall apply to the Transferring Employees as from the Transfer Date, and its provisions shall be applied in respect of their affairs including Labour disputes, except disputes relating to the Transferring Employee pension rights, which shall be subject to the jurisdiction of the Administrative Court.

Article 144: The difference between the wage of the Transferring Employee at the end of the last five years of his service, and his wage at the beginning of these years, shall not exceed 40 per cent, and if the difference exceeds this percentage, such increase shall not be included in the wage taken as the basis for the calculation of his pension dues.

Article 145: The Pensions and Gratuities fund shall be obliged to receive the

contributions of the Transferring Employees, and shall also be obliged to settle their pension rights at the end of their service pursuant to the provisions of the law of Post Service Pensions and Gratuities for Omani Government Employees, taking into consideration the provisions of this Law.

Article 146: The Successor Entity shall offer the Transferring Employee his right to be employed pursuant to the employment conditions adopted by the Successor Entity in respect of non-Transferring Employees. It may be agreed between the Transferring Employee and the Successor Entity that these conditions shall apply to him, in which case the provisions of such agreements shall be applied with all effects resulting therefrom.

Article 147: The Authority shall, where it has been revealed to it that a breach of the conditions of the Licence or Exemption or non-compliance with the duties prescribed pursuant to this Law has been or is likely to be committed, by any of the Licence Holders or Exemption Holders, conduct the necessary investigation in this regard.

The Authority in order to achieve the above shall have the following powers:

- (a) To notify any relevant Person to submit the documents and information specified by the Authority in the notification, which are in the possession or under the control of that Person, in the time, place and manner as shall be reasonably specified in the notification;
- (b) To seek issuance of an order from the Competent Omani Court to oblige any Person who abstains from providing the documents and information pursuant to the provisions of paragraph (a), and the Court shall decide on the request of the Authority for the issuance of the order on an expedited basis.

Article 148: The Minister of Justice shall, on the basis of a request from the Minister of National Economy, issue a decision to grant the employees of the Authority nominated by it the capacity of judicial authority to implement the provisions of this Law and its implementing regulations and decisions.

Article 149: When the rights and liabilities of the government are transferred pursuant to the relevant Salalah Project Agreements the following shall result:

- (a) The rights of the government in any assets owned by it, with the exception of the ownership of the project lands, shall be transferred to the Rural Areas Electricity Company;
- (b) The Oman Power and Water Procurement Company shall exercise its rights and

comply with its responsibilities in accordance with the provisions of the relevant Salalah Project Agreements. The rights and liabilities of the government reverting to it on expiration of the relevant Salalah Project Agreements, or its early termination shall, in accordance with the provisions of such agreements, be transferred to the Electricity Holding Company, which shall be responsible for the operation and maintenance of all or relevant parts of such System;

(c) The Electricity Holding Company shall either appoint one of the companies stipulated in Article (66) of this Law, or establish a new company, to undertake the obligations imposed on it pursuant to the provisions of this Article.

Article 150: Without prejudice to any obligations or rights of any Person, other than the Oman Power and Water Procurement Company, pursuant to the relevant Salalah Project Agreements, the Salalah Project Company as from the Transfer Date shall have no right of recourse to any Person other than the Oman Power and Water Procurement Company in case of a breach of the obligations of such company pursuant to the relevant Salalah Project Agreements. Also, no Person other than the Oman Power and Water Procurement Company may claim against the Salalah Project Company in case of a breach of its obligations pursuant to such agreements, and no compensation for costs, expenses, losses, and damages resulting from the non fulfilment of the obligations pursuant to the relevant Salalah Project Agreements shall be paid other than to the Oman Power and Water Procurement Company, which shall take the necessary measures to fulfil its obligations and obtain its rights after consultation with the Authority.

Article 151: The Salalah Project Company may undertake one or more of the regulated activities pursuant to this Law without obtaining a Licence or Exemption within the Salalah Concession Area pursuant to the relevant Salalah Project Agreements, and during the period from the Transfer Date till the date of expiration of the relevant Salalah Project Agreements, in accordance with the stipulations made by such agreements.

Article 152: It shall not be permissible for any Person who has an economic interest in the Salalah Project Company, without obtaining the prior written approval of the Authority, to have an economic interest in any Person undertaking any of the regulated activities outside the Salalah Concession Area.

Article 153: The Oman Power and Water Procurement Company shall not during the Salalah Concession Period have the right of monopoly, or obligation, in respect of contracting for Production Capacity and Output in relation to the Salalah Production Facilities.

As an exception from the above, the Oman Power and Water Procurement Company shall have the right to purchase any surplus Production Capacity and/or Output from the Salalah Project Company pursuant to an agreement between the Oman Power and Water Procurement Company and the Salalah Project Company as long as such purchase is consistent with the Economic Purchase duty imposed on the Oman Power and Water Procurement Company.

Article 154: A Generation Licence issued by the Authority shall permit the Manah Project Company to have interests in the Interconnection and Transmission Facilities, as long as the company retains its interests in the Interconnection and Transmission Facilities to the extent stipulated in the Manah Project Agreements and in accordance with them.

Article 155: As from the Transfer Date, any securities created by the Manah Project Company over its assets or liabilities shall not be recognized without the prior written approval of the Authority.



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