



هيئة تنظيم الكهرباء - عمان
AUTHORITY FOR ELECTRICITY REGULATION, OMAN

2010 Forward Work Programme
Consultation Paper

November 2009

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Foreword

The Authority for Electricity Regulation, Oman (“the Authority”) is responsible for regulating the electricity and related water sector in the Sultanate of Oman. The Authority was established pursuant to Article (19) of the law for the regulation and privatization of the electricity and related water sector (the “Sector Law”) promulgated by Royal Decree 78/2004 and amended by Royal Decree 59/2009.

Article (34) of the Sector Law requires the Authority to publish a Forward Work Programme before the commencement of each Financial Year (1 January to 31 December) setting out the principal areas of work for the coming year. This document presents the Authority’s draft 2010 Forward Work Programme and invites interested Persons to submit comments or objections on the proposed programme to the following address by Monday 21 December 2009:

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

The final published 2010 Forward Work Programme will be presented to the Government in accordance with the requirements of Article (36) of the Sector Law.

Further information about the Authority and the structure and regulation of the electricity and related water sector in Oman is available for review on the Authority’s website: www.aer-oman.org.

Statutory Functions and Duties

The Authority has a range of statutory functions and duties that are set out in various sections of the Sector Law. The Authority's principal duties (see Article (22) of the Sector Law) require the Authority to:

- secure the provision of electricity and related water services in Oman;
- promote competition in the electricity and related water sector;
- secure the safe, effective and economic operation of the electricity and related water sector in the public interest;
- protect the interests of customers, in particular those with limited income, the elderly and sick; to prepare criteria relating to the welfare of customers and to act in accordance with such criteria;
- secure compliance with Government policy relating to the protection of the environment, Omanisation and Omani Content;
- ensure the financial and technical capabilities of licensees and ensure companies operating efficiently can finance their activities;
- secure the conduct of fair and transparent competitions for new capacity by the Oman Power and Water Procurement Company SAOC;
- facilitate the privatisation of the electricity and related water sector;
- review on an annual basis the scope for further liberalisation of the electricity and related water sector; and
- prepare and maintain a Public Register of all matters relating to licenses and exemptions.

The Authority is also subject to important governance duties including a duty not discriminate against or unduly prefer any Person; to act consistently treating like cases alike and, in particular, to ensure, so far as it is appropriate, that all Licenses and Exemptions for the same Regulated Activities are granted in substantially the same form; a duty to minimise, insofar as it is able to do so, the regulatory burden on licence holders and exemption holders; and to give written reasons for its decisions.

All of the Authority's work, including that envisaged in the 2010 Forward Work Plan, must be conducted in accordance with these statutory duties.

Consultation

The Authority wishes to consult on the draft 2010 Forward Work Programme and invites interested Persons to submit comments and objections by Monday 21 December 2009. The Authority intends to respond to all comments and objections received in response to this consultation within thirty days of receipt.

Purpose of Forward Work Programme

The Authority's Forward Work Programme serves a number of purposes:

- (i) publication of each Forward Work Programme provides notice to Persons who may be affected by the programme thereby affording them the opportunity to comment on what is proposed;
- (ii) the Forward Work Programme is an important determinant of the Authority's costs (and licensees' fees) and as such is an important input to the development of the Authority's budget; and
- (iii) publication of a Forward Work Programme reinforces transparency and accountability by allowing interested Persons, such as licensees and the Government, to ensure work planned for each subsequent year is consistent with Government objectives and aligned to the Authority's statutory functions and duties.

Context & Content of 2010 Forward Work Programme

The 2010 Forward Work Programme is the fifth programme published by the Authority. All of the work items in the 2010 Forward Work Programme are in addition to work undertaken by the Authority in the normal course of business.

Public Authority for Electricity & Water

Royal Decree (92/2007) promulgated on 9 September 2007 established a new Public Authority for Electricity and Water (PAEW) and assigned to PAEW the electricity and related water responsibilities of the Ministry of Housing, Electricity and Water. PAEW is the competent authority for unrelated water in the Sultanate of Oman.

In 2009 two further laws were promulgated that are relevant to PAEW and its relationship with the Authority:

1. Royal Decree 58/2009 confirms the rules applicable to PAEW, its objectives, management structure and financial system; and
2. Royal Decree 59/2009 amends certain provisions of the Sector Law, including:
 - I. A new definition of Strategic Investment Decision being a decision issued by PAEW requiring investment in the regulated activities in cases where there is no reasonable demand for the services of such activities, and that are determined to be in the public interest;
 - II. A new definition of Research and Development Project being experimental research projects related to any of the regulated activities that will assist the introduction of new methods or technologies;
 - III. Article (25) of the amended Sector Law requires the Authority to respond to PAEW requests for consultation and support with the restructuring of the unrelated water sector. The amendment allows the Authority to contract with consultants, experts, technicians and specialists and provides a mechanism for the Authority to recover the related costs of this work from PAEW; and

- IV. An amendment confirming PAEW's right to approve and publish criteria for projects designated as Research and Development Projects after coordination with the Authority. If a Research and Development Project approved by PAEW relates to new Production Capacity, the Authority is required to consult with licensees and exemption holders whose interests may be affected by the project and take actions and decisions to assist and facilitate the implementation of the project (see Article (122) of the amended Sector Law).

The Authority looks forward to working with PAEW and on these important issues.

The Authority has identified possible changes to its organisational structure to accommodate the recruitment of staff needed to undertake work relating to the restructuring and regulation of the unrelated water sector. These changes will be implemented during the course of 2010 following consultation with PAEW.

2010 Work Priorities

The draft 2010 Forward Work Programme includes three 'high priority' areas of work:

1. Supervision of Executive Task Team Actions

2010 and 2011 will be the first years since the electricity sector was restructured in 2004 in which no new IPP / IWPP contracted capacity will be commissioned. As electricity demand growth remains strong, the Authority is concerned that a shortfall of firm generation capacity may have serious implications for system security and electricity supply.

In June 2009 the Authority established an Executive Task Team (ETT) chaired by the Executive Director of the Authority and comprising senior management representatives of licensees and the Public Authority for Electricity and Water. The ETT's principal remit is to identify actions to be taken by licensees to safeguard the security of electricity supply in 2010 and 2011.

The Authority intends to devote significant time in 2010 to ensuring actions identified by the ETT are fully implemented and on a timely basis.

2. Improve processing of Customer Complaints and review Customer Complaint Procedures

The Authority acknowledges that Customer complaint handling procedures are not working as well as had been expected. The time taken to process complaints within the Authority and issue complaint Determinations is too long and needs to be reduced. The Authority acknowledges that its internal procedures have contributed to the delays as has the attitude and approach of certain licensees. Significant improvement is required. The Authority proposes to devote significant time in 2010 to improving the way Customer complaints are processed and to resolving outstanding Customer complaints.

The Authority also proposes to review the approved Customer Complaint Procedures that have been in place since 2005. The Authority will consult with customers, licensed suppliers and interested Persons during the review process;

3. Statutory and Licence compliance

2010 will be the 6th year of operation of the new electricity and related water sector market structure and regulatory framework implemented by the Sector Law. The process of transition to the new market structure and regulatory arrangements must now be considered to be complete.

The Authority intends to conduct a detailed compliance review for each licensee against every condition of their respective licenses and statutory obligations. The Authority has prepared a compliance database and reporting framework and our objective is to publish and place on the Public Register by end 2010 a full compliance status report for each licensee.

The Authority is committed to regulatory transparency and intends to publish the compliance reports to allow interested stakeholders to scrutinise and confirm the extent to which electricity and related water sector companies are complying, or failing to comply, with their statutory and regulatory obligations.

In addition to the three 'high priority' areas of work, other work planned for 2010 includes:

1. Further Health & Safety (HSE) audits of licensees following the two audits conducted in 2009 and follow up of the 2009 audits;
2. Further price control audits;
3. Consolidation of work from previous Work Programmes;
4. Public Consultation on further Market Liberalisation;
5. Introduction of Cost Reflective Tariffs following the 2009 consultation; and
6. Approval and implementation of renewable energy pilot projects for RAEC systems.

The Authority has identified a challenging work programme for 2010 and invites comments and/or objections from interested persons on the draft programme.



Authority for Electricity Regulation, Oman

November 2009

2010 Forward Work Programme

1: High Priority & General Policy Issues

Code ¹	Task	Objective	Target Completion date
HP - GP 1	Executive Task Team 2010/2011	Management, monitoring and follow up of ETT actions	31-Dec-10
HP - GP 2	Review of Customer Complaints and Complaint Procedures	Implementation of more effective mechanisms for handling complaints and review of approved Customer Complaint Procedures	1-Jun-10
HP - GP3	Audits of Licence and Statutory Compliance	Review of compliance with each licence condition and publication of compliance reports	31-Dec-10
GP4	Health & Safety (HSE) audits	The Authority will conduct further Health and Safety audits of licensees in 2010.	1-Sep-10
GP5	Consolidation of work from previous Work Programmes	The Authority will review and bring to completion work items from previous work programmes that are not yet complete.	31-Dec-10
GP 8	Public Consultations	The Authority will initiate Public consultation during 2010 on Further Market Liberalization,	31-Dec-10
GP 9	Cost Reflective Tariffs - Implementation	The Authority will work to prepare and implement proposals for Cost Reflective Tariffs following the consultation conducted in 2009.	31-Dec-10
GP 10	Regulatory seminars and awareness campaigns	The Authority will conduct further regulatory seminars and initiate an awareness campaign to highlight the work of the Authority and improve understanding of regulations.	1-Oct-10
GP 10	OES Revisions & update	The Authority will work to implement updated and improved Oman Electrical Standards.	1-Oct-10

¹ HP = High Priority, GP = General Policy

2: Generation - Generation/Desalination

Code	Task	Objective	Target Completion date
<i>G - GD 1</i>	<i>Licence & Licence Exemption applications</i>	The Authority expects to process the Salalah IWPP licence and other licence exemption applications in 2010 and several applications for Change of Control of authorized persons.	31-Dec-10

3: Power & Water Procurement

Code	Task	Objective	Target Completion date
<i>PWP - 1</i>	<i>ETT Actions</i>	To ensure timely implementation of ETT actions	31-Dec-10
<i>PWP - 2</i>	<i>Article (116) Notice</i>	To monitor compliance with Article (116) notice and audit un-served energy in summer 2010	31-Dec-10

4: Transmission & Dispatch

Code	Task	Objective	Target Completion date
<i>T&D 1</i>	<i>ETT Actions</i>	To ensure timely implementation of ETT actions	31-Dec-10

5: Distribution & Supply

Code	Task	Objective	Target Completion date
<i>D&S 1</i>	<i>ETT Actions</i>	To ensure timely implementation of ETT actions	31-Dec-10
<i>D&S 2</i>	<i>Follow up MEDC HSE audit conducted in 2009</i>	To ensure compliance with findings and recommendations of HSE audit conducted in 2009	31-Dec-10
<i>D&S 3</i>	<i>Regulations and guidance for digital metering installation</i>	To ensure digital meters and properly installed with appropriate coordination with meter reading and billing	1-Apr-10

6: Rural Areas Electricity Company SAOC

Code	Task	Objective	Target Completion date
<i>RAEC 1</i>	<i>ETT Actions</i>	To ensure timely implementation of ETT actions	31-Dec-10
<i>RAEC 2</i>	<i>Follow up RAEC HSE audit conducted in 2009</i>	To ensure compliance with findings and recommendations of HSE audit conducted in 2009	31-Dec-10
<i>RAEC 3</i>	<i>Renewable Energy Pilot Projects</i>	The Authority will be working to approve and monitor the implementation of small scale renewable energy pilot projects for rural systems	1-Jun-10

7: Import and Export

Code	Task	Objective	Target Completion date
<i>I&E 1</i>	<i>Licensing and consents</i>	Ensure authorizations are in place for Import and Export across International Interconnections	As necessary
<i>I&E 2</i>	<i>Contracts and procedures</i>	Ensure licence and Code compliance in respect of agreed commercial and operational procedures (OETC, PWP and RAEC).	As necessary

Glossary of Terms

<i>Cost Reflective Tariff</i>	Amounts charged by the Licensed Transmission System Operator and Licensed Distribution System Operators in consideration for Connection and use of their Systems, and amounts charged by Licensed Suppliers in consideration for Supply where no Permitted Tariff exists, and such tariffs shall be calculated in respect of each calendar year on the basis and rules prescribed by the Authority
<i>Export</i>	Electricity generated in the Sultanate of Oman which is exported from the Sultanate of Oman pursuant to a legal transaction in accordance with the provisions of the Sector Law
<i>Import</i>	Electricity generated outside the Sultanate of Oman and imported into the Sultanate of Oman pursuant to a legal transaction in accordance with the provisions of the Sector Law
<i>International Interconnections</i>	An interconnection between a System within the Sultanate of Oman and a System outside the Sultanate of Oman
<i>I(W)PP</i>	Independent (Water) and Power Project
<i>Licence</i>	An authorization granted by the Authority to undertake one or more of the Regulated Activities stipulated in Article (3) of the Sector Law
<i>Licence Exemption</i>	An authorization granted by the Authority to undertake one or more of the Regulated Activities stipulated in Article (3) of the Sector Law
<i>Oman Electrical Standards or 'OES'</i>	The standards previously 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 the Sector Law, in relation to the safety of equipment and electrical Systems and procedures associated with the operation of electrical Systems
<i>OETC</i>	The Oman Electricity Transmission Company SAOC

PAEW	The Public Authority for Electricity and Water established by Royal Decree 92/2007
Permitted Tariff	The tariffs Customers are obliged to pay in consideration for Supply of electricity or for Connection to a Distribution System or a Transmission System, which tariff shall be determined in the manner stipulated in Article (9) of the Sector Law
Price control	A mechanism for determining the maximum allowed revenue a licensee can recover in each year from users of its services, as stipulated in a schedule charge restriction condition of a Licence
PWP	The Oman Power and Water Procurement Company SAOC
RAEC	The Rural Areas Electricity Company SAOC
Regulated Activities	The activities stipulated in Article (3) of the Sector Law
Sector Law	The law for the regulation and privatization of the electricity and related water sector promulgated by Royal Decree 78/2004 and amended by Royal Decree 59/2009
The Authority	The Authority for Electricity Regulation, Oman, being the authority established pursuant to Article (19) of the Sector Law