



هيئة تنظيم الكهرباء - عمان
AUTHORITY FOR ELECTRICITY REGULATION, OMAN

2013 Forward Work Programme
Consultation Draft

December 2012

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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 2013 Forward Work Programme and invites interested Persons to submit comments or objections on the proposed programme to the following address by **Wednesday 26 December 2012**:

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

The final published 2013 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 to 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 2012 Forward Work Plan, must be conducted in accordance with these statutory duties.

Consultation

The Authority wishes to consult on the draft 2013 Forward Work Programme and invites interested Persons to submit comments and objections by Wednesday 26 December 2012. 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 in the development of the Authority's budget; and
- (iii) Publication of a Forward Work Programme reinforces transparency and accountability by allowing interested Persons, such as licensees and the Government, to ensure work planned for each subsequent year is consistent with Government objectives and aligned to the Authority's statutory functions and duties.

Each Forward Work Programme sets out work the Authority proposes to undertake in the coming year. During the course of the year the Authority may need to reprioritise work in response to events and changing circumstances and may therefore undertake work that was not included in a Forward Work Programme and be unable to undertake or complete items in a published programme.

Context & Content of 2013 Forward Work Programme

The 2013 Forward Work Programme is the eighth programme published by the Authority since its establishment.

The electricity sector deploys significant levels of capital expenditure needed to sustain near double digit growth in demand. The Authority is concerned that the benefits of such expenditures may not be fully realised due to weaknesses in the performance of core functions and activities. During 2013 the Authority will be working to raise awareness amongst customers of what they have a right to expect of their electricity suppliers; working to support the deployment of digital metering and advanced metering systems for large consumers of electricity to improve the accuracy and timeliness of meter reading and billing; and will seek to improve the way licensees perform protection setting and co-ordination functions that are increasingly identified as a cause of supply interruptions.

All of the work items in the 2013 Forward Work Programme are in addition to work undertaken by the Authority in the normal course of business.

2013 Work Priorities

The draft 2013 Forward Work Programme includes a number of 'high priority' areas of work:

HP-GP1 Promoting & Safeguarding the Interests of Customers

Building on initiatives and materials prepared in 2012, the Authority will interact with customers through road shows in different regions of the Sultanate to raise customers' awareness of what they have a right to expect of licensed suppliers.

HP-GP2 Customers with Special Needs Permitted Tariff

The Authority was unable to advance this issue in 2012 due to data issues and other priorities. Proposals are being finalised for presentation to government in 2013. Different tariff structures will be proposed for qualifying customers to better target subsidy to those most in need.

HP-GP3 Advanced Metering Initiative for large consumers of electricity (Commercial, Industrial and Government)

The Authority has agreed a work plan programme with licensees that will see new digital meters and advanced metering systems installed at the premises of large Commercial, Industrial and Government electricity consumers. The new metering systems will facilitate the introduction of cost reflective tariffs and provide for the timely provision of accurate meter readings, billing and settlement.

HP-GP4 Appropriate Person criteria audits of licensees to confirm capability to perform 'protection setting and co-ordination' functions

The Authority is seriously concerned about the number of electricity supply interruptions caused by inadequate and/or poor protection settings and coordination. An audit of licensees will seek to confirm the qualifications and experience of staff responsible for protection related functions, and that sufficient resources have been assigned by licensees to this important work. Any licensee found to have assigned inadequate resources to protection functions or have staff who are not appropriately qualified and experienced, will be considered to be in breach of the Appropriate Person criteria issued by the Authority pursuant to Article (22) of the Sector Law and required to take necessary corrective action.

Other areas of work planned for 2013

In addition to the 'high priority' issues outlined above, the Authority expects to progress other work during 2013, including:

GP-1 Health and Safety Audits

As with previous work programmes the 2013 programme includes actions to improve health and safety standards throughout the sector, including unannounced health and safety audits of electricity installations, full company audits of PWP, OETC, MEDC and follow up audits of RAEC.

GP-2 Advocate change to health and safety legislation to hold company Boards of Directors and executive management accountable and liable for health and safety failures

Following a legal seminar held in December 2012 at which the Authority called for changes to the present legal framework to hold company boards of directors and senior executive management responsible and liable for serious health and safety infractions, including fatalities. The Authority will be working throughout 2013 to secure the introduction of the proposed changes.

GP-3 Incident reporting regulations

Following consultation in 2012 on proposed new Incident Reporting Regulations, the Authority has determined a need for separate regulations for (i) licensees and (ii) others. New regulations for licensees will be issued in early 2013. Regulations for Exemption Holders and other relevant entities will be issued later in 2013. The Authority will conduct workshops in different governorates of the Sultanate to introduce the Incident Reporting Regulations and explain their purpose, implications and enforcement.

GP-4 Energy Efficiency scoping study into domestic energy use

The Authority in coordination with PassivSystems and the Energy Institute of University College London will undertake a small scoping study on Domestic Energy Use. The scoping study will involve trials at 20 residential premises in Muscat to collect and analyse hourly electricity consumption data that will be correlated with appliance use data collected from in-house monitoring systems and metrological data. Survey information on the characteristics and residents of each premise will also inform the analysis. The principal study objective is to demonstrate the feasibility and usefulness of undertaking survey/quantitative analysis on a nationwide basis to inform and assist the development of energy efficiency policies.

GP-5 Renewable Energy

The Authority will continue to promote the competitive based deployment of renewable energy in Oman, including:

- (i) Supervising and supporting implementation of a recently approved policy for rural areas that requires requests for funding submitted to the Authority by RAEC to include a renewable component; and
- (ii) Approving 'Agency contracts' (as defined in the distribution and supply licence) to facilitate the purchase of electricity from small scale renewable facilities.

GP- 6 Electricity sector Key Performance Indicators

In 2012 the Authority developed a number of performance benchmarks that the government agreed should be collated, audited and published by the Authority on an annual basis from 2013. Starting with an initial set of electricity sector Key Performance Indicators (KPI) additional KPI will be added going forward.

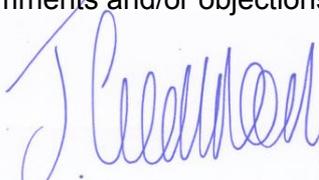
GP-7 Implementation of new electricity market arrangements in Salah

The restructuring of the Salah electricity market is expected to be finalised in early 2013. The Authority will work to ensure the continuity and quality of services to customers is not affected during the transition and grant a Generation Licence and a Distribution and Supply Licence to new companies unbundled from the Dhofar Power Company, and will modify the licenses of OETC and PWP to reflect their amended responsibilities in Salah.

GP-8 Oman Electrical Standards (OES)

The Authority has identified a programme to update OES, including OES1 (11kV/33kV overhead lines), OES2 (power cables), OES11 (general requirements), OES4 (wiring regulations), and OES33 (concrete poles). In addition, new OES will be prepared for (i) indoor substations and associated equipment, (ii) and OES to support the electrical connection of PV cells, and (iii) an OES to define the protection requirements for embedded generation (consistent with guidelines already provided by the Authority).

The Authority has identified a challenging work programme for 2013 and invites comments and/or objections from interested persons on our draft programme for 2013.


Authority for Electricity Regulation, Oman
November 2012



Glossary of Terms

<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>MEDC</i>	Muscat Electricity Distribution Company SAOC
<i>MIS</i>	Main Interconnected System
<i>OETC</i>	The Oman Electricity Transmission Company SAOC
<i>PAEW</i>	The Public Authority for Electricity and Water established by Royal Decree 92/2007
<i>Permitted Tariff</i>	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
<i>Price control</i>	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
<i>PWP</i>	The Oman Power and Water Procurement Company SAOC
<i>RAEC</i>	The Rural Areas Electricity Company SAOC
<i>Regulated Activities</i>	The activities stipulated in Article (3) of the Sector Law
<i>Sector Law</i>	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
<i>Subsidy</i>	The financial support provided to Licensed Suppliers, as calculated by the Authority and paid by the Ministry of Finance, pursuant to Article (18) of the Sector Law
<i>The Authority</i>	The Authority for Electricity Regulation, Oman, being the authority established pursuant to Article (19) of the Sector Law