

SULTANATE OF OMAN



هيئة تنظيم الكهرباء - عمان
AUTHORITY FOR ELECTRICITY REGULATION, OMAN

RURAL AREAS ELECTRICITY COMPANY LICENCE

GRANTED TO

Rural Areas Electricity Company SAOC

Effective: 1 May 2005

Modified: 1 January 2018

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PART I THE LICENCE

1. Grant of licence

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

2. Conditions of licence

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

This Licence is subject to:

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

3. Licence term

This Licence shall come into force on **1 May 2005** and, unless terminated in accordance with the provisions of Condition 15, shall continue in full force and effect until determined by not less than 10 years' notice in writing given by the Authority to the Licensee, such notice not to be served earlier than the 25th anniversary of **1 May 2005**.

4. Licensed activities¹

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

¹ Modification No. I/2005, 10 November 2005

- a) To Generate electricity in the Sultanate of Oman and to finance, develop, own and /or operate and maintain Production Facilities in order to do so;
- b) To produce Desalinated water combined or co-located with electricity generation at the same site in the Sultanate of Oman and to finance, develop, own and /or operate and maintain Production Facilities in order to do so;
- c) to Transmit electricity and to finance, develop, own and /or operate and maintain RAEC Systems of 132 kV and above in its Authorised Area in order to do so;
- d) to Distribute electricity and to finance, develop, own and /or operate and maintain RAEC Systems of less than 132kV in its Authorised Area in order to do so;
- e) to Supply electricity to Premises in its Authorised Area;
- f) to develop and operate a system of central Dispatch of relevant Production Facilities which are Connected to its RAEC Systems or to a System which is Connected to its RAEC Systems;
- g) to the extent permitted by the Sector Law and this Licence, to design, own, operate and maintain International Interconnections;
- h) to the extent that it is permitted to do so by the Sector Law and this Licence, to Import and Export electricity; and
- i) to carry out any other function assigned to it by the Sector Law.

5. Governing Language

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

6. Definitions

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

"Affiliate" in relation to the Licensee, means any Person which Controls (directly or indirectly) the Licensee and any other Person Controlled (directly or indirectly) by such first mentioned

	Person, including where the Licensee is a Company, the ultimate holding Company of the Licensee and any holding Company of the Licensee and any subsidiary of such holding Company;
“Ancillary Services”	means services which Persons connected to a RAEC System may be required to provide in connection with the security and stability of such RAEC Systems;
"Authorised Area"	means the geographical area determined in this Licence within which the Licensee is authorised to undertake a Regulated Activity pursuant to the Sector Law and this Licence;
“Bulk Supply”	means the bulk supply by the Licensee of Desalinated water to a Water Department and Bulk Supplies shall be construed accordingly;
“Bulk Supply Tariff”	means the tariff charged by the Licensee for the Bulk Supply of Desalinated water, which tariff shall, in each case, be calculated as prescribed in Condition of this Licence, and the Sector Law;
"Company"	has the meaning given to it in the Commercial Companies Law, No. 4/74, as amended and "Companies" shall be construed accordingly;
“Competent Authority”	means any unit of the state apparatus and all considered as such and the branches and divisions related thereto and which have been assigned with jurisdiction pursuant to the Sector Law in relation to any matter which is the subject of the Sector Law and/or this Licence;
"Condition"	has the meaning given to it in paragraph 2 of Part I;
"Connected"	means, in relation to any Premises or System, that there is a physical connection between those Premises or that System and a RAEC System, and "Connect" and "Connection" shall be construed accordingly;
"Connection Agreement"	means an agreement between any Person and the Licensee for the Connection of that Person's System or Premises to a RAEC System;
"Controls"	means, in respect of a Person by another, that that other (whether alone or with others and

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

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

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

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

"Cost Reflective Tariff"

means amounts charged by the Licensee in consideration for Connection and use of RAEC Systems, and 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"

means a Person Supplied with electricity at Premises for consumption at those Premises;

"Desalination"

means the production of demineralised or potable water by desalination and "**Desalinate**" "**Desalinated**" shall be construed accordingly;

"Dispatch"

means the general process by which instructions are determined and the issuing of those instructions to Production Facilities and other Persons whose facilities are Connected;

"Distribution"

means, in relation to electricity, the transport of electricity by means of a Distribution System and "**Distribute**" shall be construed accordingly;

"Distribution Business"

means the licensed business of the Licensee as owner and operator of a Distribution System;

"Distribution Code"

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

"Distribution Licence"

means a Licence to Distribute electricity;

"Distribution System"

means electrical lines and apparatus of less than 132kV used for the transport of electricity to Premises and that are not part of a Transmission System;

"Economic Purchase"

means the purchase on the best economic terms reasonably obtainable, having regard to

quality, quantity, the nature of the things to be purchased, the available manner of delivery and the future security, reliability and diversity of supply of the things to be purchased;

"Electricity Holding Company

SAOC"

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

"Electric Line"

means 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.

"Electric Plant"

means any installation, equipment or appliance used for, or for purposes Connected with, the Generation, Transmission, Dispatch, Distribution or Supply of electricity, other than a meter used for ascertaining the quantity of electricity supplied to any Premises, and any electrical appliance under the control of a Customer;

"Exemption"

means an exemption granted pursuant to Article (5) of the Sector Law for the purposes of exempting a Person from the requirement to hold a Licence in relation to a Regulated Activity or from the requirement to comply with a particular Condition or Conditions of a Licence and "**Exempt**", "**Exempted**" and "**Exemption Holder**" shall be construed accordingly;

"Exported"

means, in relation to electricity, electricity which is Generated in the Sultanate of Oman and

	which is transported from the Sultanate of Oman pursuant to a contract or other arrangement and "Export" and "Exporting" shall be construed accordingly;
"Generation"	means the production of electricity by any means and "Generate" and "Generated" shall be construed accordingly;
"Generation Security Planning Standards"	means the standard or standards which shall be established as required in Condition ;
"Government"	means the Government of the Sultanate of Oman;
"Grid Code"	means the code, which each Licensed Transmission System Operator shall be required to prepare and maintain pursuant to the terms of its Transmission Licence;
"Imported"	means, in relation to electricity, electricity that is Generated outside of the Sultanate of Oman and which is transported into the Sultanate of Oman pursuant to a contract or other arrangement and "Import" and "Importing" shall be construed accordingly;
"Interconnected"	means, in relation to the Total System, directly Connected via an International Interconnection or indirectly Connected via an International Interconnection to the Connected electrical systems in one or more other countries and "Interconnection" shall be construed accordingly;
"Interconnector"	means facilities, which Connect two Systems;
"International Interconnector"	means an Interconnector which Connects a System which exists within the Sultanate of Oman with a System which exists outside the Sultanate of Oman and "International Interconnection" shall be construed accordingly;
"Licence"	means a written authorisation to undertake a Regulated Activity issued by the Authority pursuant to the Sector Law and shall, unless the context otherwise requires, include this Licence;

"Licence Holder" or "licensee"	means any Person who is the holder of a licence and shall, where the context permits, include the Licensee;
"Licensed Distribution System Operator"	means the Licensee and each other Person who is the holder of a Distribution Licence;
"Licensed Transmission System Operator"	means the Licensee and each other Person who is the holder of a Transmission Licence;
"Licensee"	has the meaning given in paragraph 1 of Part I;
"Ministry of Finance"	means the Ministry of Finance of the Government;
"Ministry of Housing, Electricity and Water"	means the Ministry of Housing, Electricity and Water of the Government;
"Ministry of National Economy"	means the Ministry of National Economy of the Government;
"Modification"	includes addition, omission, amendment and substitution, and cognate expressions shall be construed accordingly;
"New Capacity"	means Production Capacity, which is not subject to a contract between its owner and the Licensee;
"Omani Content"	means Omani products, suppliers and contractors;
"Omanisation"	means the Government's policy for the employment and training of Omani nationals;
"Output"	means electricity Generated and/or water Desalinated by a Production Facility;
"Permitted Tariff"	means a tariff charged for a Supply of electricity or for Connection to a RAEC System, which tariff shall be established in accordance with regulations promulgated under Article (9) of the Sector Law;
"Person"	means any natural person or public or private legal person or corporations or societies or organisations;

"Premises"	means any land, building or structure occupied or used by a Person;
"Production Capacity"	means electricity Generation capacity or electricity Generation capacity combined with or co-located with water Desalination capacity in the same site or the water Desalination capacity from a Desalination Facility of a Special Nature, as the context so requires;
"Production Facility"	installations used for the Generation of electricity or the Generation of electricity combined with the Desalination of water or the Generation of electricity co-located with the Desalination of water in the same site or the Desalination of water from a Desalination Facility of a Special Nature, including all associated Electric and water lines connected to such installations;
"Regulatory Accounting Guidelines"	means guidelines issued by the Authority from time to time in connection with the preparation of regulatory accounts;
"RAEC Code"	means 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 the use, operation and development of any RAEC System, pursuant to this Licence;
"RAEC Connection and Electrification Funding"	
"RAEC Metering and Data Exchange Code"	means the funding provided by the Government pursuant to Article (87) of the Sector Law for the electrification of Premises in the Authorised Area of the Licensee;
"RAEC System"	means the code of that name, forming part of the RAEC Code, as the same may be revised from time to time with the approval of the Authority;
"Regulated Activity"	means a Transmission System or a Distribution System owned and/or operated by the Rural Areas Electricity Company SAOC;
"Regulated Activity"	means the activities listed in Article (3) of the Sector Law;

"Related Water"	means Desalinated water in the Sultanate of Oman which is combined or co-located with the electricity Generation and which is regulated by the Sector Law;
"Rural Areas Electricity Company SAOC"	
"SAOC"	means the company of that name referred to in Article (66) of the Sector Law;
"Sector Law"	has the meaning given to it in paragraph 1 of Part I;
"Self-Supply"	means, in relation to electricity, the Supply by a Person to themselves, their employees or their business, of electricity otherwise than via a Transmission System or a Distribution System of a Licence Holder;
"Separate Business"	means each of the Distribution Business and the Supply Business and any other separate business of the Licensee as stipulated from time to time by the Authority;
"Security Standards"	means the standards by which the Licensee's performance in maintaining generation security and/or the availability and quality of RAEC Systems or services, may be measured, in the manner prescribed in this Licence;
"Supply"	means, in relation to electricity, the supply of electricity to any Premises and "Supplied" and "Supplies" shall be construed accordingly;
"Supply Business"	means the licensed business of the Licensee as supplier of electricity to any Premises;
"System"	means a Distribution System or a Transmission System, as the context requires;
"The Authority"	has the meaning given to it in paragraph 1 of Part I;
"Total System"	means the entire interconnected electricity Systems of Licensees, including all Production Facilities and all Transmission Systems and Distribution Systems as the same may be modified or developed, and any System that interconnects with another System, within or outside the Sultanate of Oman

"Transfer Scheme"	means the scheme, which is to be determined, implemented and modified, as appropriate, by the Ministry of National Economy in accordance with the provisions of the Sector Law;
"Transmission"	means, in relation to electricity, the transport of electricity by means of a Transmission System, and "Transmit" shall be construed accordingly; "Transmission Licence" means a Licence to Transmit electricity;
"Transmission System"	means a system for the transport of electricity, which system consists (wholly or mainly) of high voltage Electric Lines and Electric Plant (namely, Electric Lines and Electric Plant with a nominal voltage equal to or greater than 132kV) and which is used for transporting electricity from a Production Facility to a sub-station, from one Production Facility to another, from one sub-station to another or to or from any Interconnector, Premises or Distribution System and any Electric Plant used for the purposes of Dispatch;
"Water Department"	means any major division or sub-division responsible for Related Water in the Ministry of Housing Electricity and Water, or any other Competent Authority
"Water Equipment"	means any water plant, water mains, water trunk mains and other water equipment which forms part of a Production Facility; and
"Wholly-owned by the Government"	means, in relation to any Company, that all of the issued shares in that Company are held by the Ministry of Finance or by the Electricity Holding Company SAOC or by another nominee of the Government or by any entity which is itself wholly-owned by the Government.

7. Interpretation and construction

For the purpose of this Licence:

- (a) where any obligation of the Licensee is required to be performed within a specified time limit that obligation shall be deemed to continue after that time limit if the Licensee fails to comply with that obligation within that time limit;
- (b) in construing a Condition, the heading or title of any Condition or paragraph shall be disregarded; and
- (c) any reference to a numbered Condition is a reference to the Condition bearing that number or prefix in this Licence and any reference to a paragraph is to the paragraph bearing that number or prefix in the Condition in which the reference occurs.

PART II GENERAL CONDITIONS

Condition 1: General

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

Condition 2: Prohibited activities and cross-ownership

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

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

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

Condition 3: Non discrimination

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

Condition 4: Economic Purchase

General

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

Contracts with Affiliates

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

Ancillary Services

3. The Licensee shall procure the provision of such quantities and types of Ancillary Services, which are appropriate to enable the Licensee to discharge its obligations under the Sector Law and this Licence.

Production Capacity and Output

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

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

Condition 5: Provision of information to the Authority

1. Subject to paragraph 3 of this Condition, the Licensee shall furnish to the Authority, in such manner and at such times as the Authority may require, such information and shall procure and furnish to it such reports, as the Authority may consider necessary in the light of the Conditions or as it may require for the purpose of performing the functions assigned to it by or under the Sector Law.
2. Without prejudice to the generality of paragraph 1 above, the Authority may call for the furnishing of accounting information.
3. In paragraphs 1 and 2 of this Condition 5, "information" shall include any documents, accounts, estimates, analysis, returns or reports (whether or not prepared specifically at the request of the Authority) of any description specified by the Authority.

Condition 6: Co-operation with Licence Holders

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

Condition 7: Co-operation with Water Departments

1. The Licensee shall furnish to Water Departments, in such manner and at such times as the Authority may direct, such information, as the Authority may consider necessary to enable a Water Department to perform the functions assigned to them under the Sector Law.
2. The Licensee shall co-operate with Water Departments as provided in the Sector Law, the RAEC Code and the Grid Code to such extent as the Authority may direct, in performing its functions under the Sector Law and this Licence so as to enable Water Departments to perform the functions assigned to them by the Sector Law, the RAEC Code and the Grid Code.

Condition 8: Licence fees

1. The Licensee shall, at the times stated hereunder, pay to the Authority fees of the amount specified in, or determined under, the following paragraphs of this Condition.
2. In respect of the year beginning on 1 January 2005 and in each subsequent year, the Licensee shall pay the aggregate of the following amounts:
 - (a) an amount which is a proportion as determined by the Authority of the amount estimated by the Authority, according to a method which has previously been disclosed in writing to the Licensee, as likely to be its costs during the coming year in the exercise of its general functions under the Sector Law; and
 - (b) the difference (being a positive or a negative amount), if any, between:
 - (i) the amount of the fee paid by the Licensee in respect of the year immediately preceding the year in question; and
 - (ii) the amount which that fee would have been in respect of that year had the amount comprised therein under paragraph (a) been calculated by reference to the total costs of the Authority and the proportion thereof actually attributable to the Licensee (such total costs being apportioned as determined by the Authority according to a method previously disclosed in writing to the Licensee),

and the fee shall be paid by the Licensee to the Authority during the year to which it relates in four equal quarterly instalments, the first such instalment being payable within 30 days of the date upon which the Authority gives notice to the Licensee of its amount. In the First Relevant Year (1 May 2005 to 31 December 2005) the fee shall be paid in the number of instalments determined by the Authority.

Condition 9: Insurance requirements

1. The Licensee shall, in respect of its Licensed Activities, maintain insurance (including Self-Insurance) against third party liabilities on terms approved by the Authority (including, but without limitation, with respect to type, cover, level and identity of insurer) with any Modification as may be required pursuant to paragraph 3 of this Condition.
2. The Licensee shall, except as the Authority may otherwise consent, procure that every insurance policy maintained pursuant to paragraph 1 above shall bear an endorsement to the effect that 30 days' prior notice shall be given to the Authority by the insurer or insurance broker of any lapse or cancellation of, or material change to, the policy.
3. Where the Authority notifies the Licensee that the Authority requires any Modification of the insurance approved by the Authority pursuant to paragraph 1 above, the

Licensee shall, no later than 60 days (or such longer period as the Authority may approve) from the date of the notice, procure that such Modification is made.

4. In this Condition:

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

Condition 10: Environmental matters

1. The Licensee shall, taking due account of guidance issued to it by the Authority and applicable environmental standards prevailing in the Sultanate of Oman, within six (6) months of the grant of this Licence, establish a written policy designed to protect the environment from the effect of the Licensed Activities, together with operational objectives and management arrangements to give effect to such policy. The Licensee shall review the policy, the operational objectives and management arrangements periodically and otherwise as appropriate.
2. The Licensee shall, upon the establishment and any material change of them, promptly send to the Authority a copy of the policy, together with a general description of the operational objectives and management arrangements.
3. The Licensee shall act with regard to the policy and operational objectives and use its reasonable endeavours to operate the management arrangements effectively.
4. The Licensee shall, on an annual basis (or at such other intervals as the Authority may direct from time to time) prepare and submit to the Authority a statement setting out how the Licensee is complying and proposes to continue to comply with the guidance issued by the Authority and applicable environmental standards prevailing in the Sultanate of Oman.

Condition 11: Regulations

The Licensee shall comply with all regulations applicable to it issued by the Authority pursuant to the Sector Law.

Condition 11 (bis): SCADA and DCS Cyber Security

1. The Licensee shall, in carrying out the Licensed Activities, safeguard and protect its SCADA and DCS systems from Cyber Security threats, in all circumstances in accordance with applicable law and relevant regulations from Competent Authorities.
2. The Licensee shall comply with the SCADA and DCS Cyber Security Standards issued by the Authority from time to time in the timescale stipulated by the Authority from time to time requiring the Licensee to:

- a. Establish effective governance of the SCADA/ DCS environment;
 - b. Understand the risk to business of SCADA/ DCS Cyber Security threats;
 - c. Establish and maintain secure SCADA/DCS systems and architecture;
 - d. Implement incident response, business continuity and disaster recovery plans for SCADA/DCS systems;
 - e. Establish a SCADA/DCS cyber security training and awareness programme;
 - f. Manage third party SCADA/DCS cyber security risks ; and
 - g. Ensure security controls are included in SCADA/DCS system changes and projects.
3. The Licensee shall appoint a suitably qualified and experienced person as a Single Point of Accountability (SPoA) responsible for SCADA/DCS Cyber Security in the organisation. The SPoA shall be a member of the senior management team.
 4. The Licensee shall provide the Authority with details of the qualifications, experience and responsibilities of the SPoA and their position in the senior management team, and promptly notify the Authority of a change to the SPoA,
 5. The Licensee shall at all times act in accordance with guidance and directions issued to it by the Authority concerning SCADA and DCS Cyber Security and all applicable laws and regulations, and to take all necessary actions to comply with the Mandatory Standards referred to in paragraph 2 of this Condition.

For the purposes of this Condition:

“Cyber Security”

means the tools, policies, security concepts, security safeguards, guidelines, risk management approaches, actions, training, best practices, assurance and technologies used to protect and safeguard SCADA and DCS systems from threats to the availability and integrity of those systems, and the confidentiality of data held by those systems and/or exchanged with other systems. The general security objectives comprise the following:

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

“SCADA and DCS Systems”

means all Supervisory Control and Data Acquisition (SCADA) and Distributed Control Systems (DCS) which directly or indirectly enable the Licensee to monitor and/or control industrial operational processes when undertaking the Licensed Activities.

Condition 12: Omani Content and Omanisation

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

Condition 13: Languages of Codes

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

Condition 14: Health and safety

1. The Licensee shall be under a duty, in carrying out the Licensed Activities, to give due consideration to the health and safety of the general public and to Persons employed by the Licensee, in all circumstances in accordance with applicable law and any regulations from a Competent Authority.
2. The Licensee shall, taking due account of any guidance issued to it by the Authority and all applicable laws and regulations, within 3 months of the grant of this Licence, establish a written health and safety policy, together with details of the management

arrangements which the Licensee has, or will, put in place to give effect to such policy.

3. The Licensee shall review the policy and the management arrangements periodically and otherwise as appropriate.
4. The Licensee shall, upon the establishment of and following the making of any material change to the health and safety policy, promptly send to the Authority a copy of the health and safety policy and management arrangements which it proposes to put in place to give effect to that policy.
5. The Licensee shall at all times act with regard to the health and safety policy and use reasonable endeavours to operate the management arrangements effectively.

Condition 15: Revocation

1. The Authority may at any time revoke this Licence by not less than 30 days' prior notice in writing to the Licensee:
 - (a) if the Licensee agrees in writing with the Authority that this Licence should be revoked;
 - (b) if the Licensee ceases to undertake the Licensed Activities for a period exceeding 90 days, except where the Authority is satisfied that this has occurred as a result of events beyond the reasonable control of the Licensee, in which case the Authority shall substitute such longer period as it considers reasonable in the circumstances;
 - (c) if any amount payable under Condition 8 is unpaid for 30 days after it has become due and remains unpaid for a period of 30 days after the Authority has given the Licensee notice in writing that the payment is overdue;
 - (d) if the Licensee fails, to any material extent, to perform any of its Licence duties or statutory duties;
 - (e) if the Licensee has been adjudicated insolvent;
 - (f) on expiry of the duration of the existence of the Licensee as specified in its constitutional documentation;
 - (g) if the Licensee suffers a change of Control without the Authority's prior written approval, provided that, in considering whether or not to give such approval, the Authority's primary considerations shall be whether, in all the circumstances, (1) the Person acquiring Control is a fit and proper Person to do so and (2) the change of Control would necessarily cause a breach of the Sector Law or a provision of this Licence; or

- (h) if it is found that the issue of this Licence had been based on inaccurate or incorrect information knowingly provided by the Licensee and the Licensee has been convicted of an offence in respect of such provision of inaccurate or incorrect information pursuant to Article (132) (b) of the Sector Law.
2. For the purpose of paragraph 1(g) of this Condition, there is a change in the Control of the Licensee whenever a Person obtains Control of the Licensee who did not have Control of the Licensee when this Licence was granted.

Condition 16: Prohibition of cross subsidies

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

Condition 17: Separate Businesses and Regulatory Accounts

1. This Condition shall apply to each of the Licensee's Separate Businesses for the purposes of ensuring that the Licensee (and any Affiliate) maintains accounting and reporting arrangements which are prepared with such Regulatory Accounting Guidelines as may be in force from time to time and such other accounting standards as may be approved from time to time by the Authority.
2. The Licensee shall maintain accounting and reporting arrangements, which enable:
- (a) separate accounts to be prepared for each Separate Business, that shall be stipulated by the Authority, showing the financial affairs of each such Separate Business; and
- (b) those accounts to be prepared in accordance with such Regulatory Accounting Guidelines as may be in force from time to time and such other accounting standards as may be approved from time to time by the Authority.
3. The Licensee shall in respect of each Separate Business:
- (a) keep or cause to be kept for each of its financial years and in the manner referred to in this Condition:
- (i) such accounting records in respect of each Separate Business as would be required to be kept in respect of each such business if it were carried on by a separate Company, so that the revenues, costs, subsidy (if applicable), assets, liabilities, reserves and provisions of, or reasonably attributable to, each Separate Business are separately identifiable in the books of the Licensee from those of any other business; and

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

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

4. (a) Unless the Authority so specifies in directions issued for the purposes of this Condition or with its prior written approval, the

Licensee shall not, in relation to the accounting statements in respect of a financial year, change the basis of charge or apportionment or allocation referred to in paragraph 3(b)(i) of this Condition from those applied in respect of the previous financial year;

- (b) Where, in relation to the accounting statements in respect of a financial year, the Licensee has changed such bases of charge or apportionment or allocation from those adopted for the immediately preceding financial year, the Licensee shall, if so directed in directions issued by the Authority, in addition to preparing accounting statements on the bases which it has adopted in respect of that financial year, prepare accounting statements on the bases applied in respect of the immediately preceding financial year.

5. Accounting statements in respect of a financial year prepared under paragraph 3(b)(i) of this Condition shall, unless otherwise approved by the Authority having regard to the purposes of this Condition:

- (a) have the same content and format (in relation to each Separate Business) as the annual accounts of the Licensee prepared under relevant law;
- (b) conform to the best commercial accounting practices and accounting standards or such other standards as may be notified to the Licensee by the Authority from time to time;
- (c) state the accounting policies adopted; and
- (d) (with the exception of the part of such statement which shows separately the amounts charged, apportioned or allocated and describes the bases of charge or apportionment or allocation respectively), be prepared at the same time as the annual accounts of the Licensee.

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

Condition 18: Guaranteed and Overall Standards of Performance

1. The Licensee shall conduct the Licensed Activities of Supply and Distribution in the manner that it reasonably considers appropriate to achieve guaranteed and overall standards of performance proposed by the Licensee and approved by the Authority from time to time pursuant to this Licence.
2. Within 3 months of the grant of this Licence, the Licensee shall prepare and submit to the Authority guaranteed and overall standards of performance for its approval, and thereafter adhere to the approved performance standards. The performance standards shall:
 - (a) identify the standards of overall performance to which it shall be obliged to adhere from time to time;
 - (b) state the guaranteed standards of performance in relation to specific matters to which it shall be required to adhere from time to time; and
 - (c) specify the financial compensation which it shall make to Customers in the event that the guaranteed standards of performance referred to in subparagraph 2(b) of this Condition are not complied with.
3. The Licensee shall implement the approved guaranteed and overall standards of performance and shall propose to the Authority, for its approval, procedures for monitoring compliance with the same. The Licensee shall comply with the approved procedures.
4. The Licensee shall review and, if appropriate, propose amendments to the guaranteed and overall standards of performance, and/or procedures developed in accordance with this Condition as directed by the Authority.
5. The Licensee shall provide to the Authority such information and analysis as the Authority may require from time to time for the purpose of establishing whether or not the Licensee's overall performance meets the performance standards established pursuant to this Condition.
6. The Licensee shall from time to time publish in such manner as the Authority may direct statistics identifying the extent to which its performance meets, or fails to meet, the performance standards established pursuant to this Condition.
7. This Condition is without prejudice to Condition 35.

Condition 19: Disposal of assets and transfer of Licence

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

4. Notwithstanding paragraph 1 above, the Licensee may dispose of or relinquish operational control over any Relevant Asset as is specified in any notice given under paragraph 2 in circumstances where:
- (a) the Authority confirms in writing that it consents to such Disposal or relinquishment (which consent may be made subject to the acceptance by the Licensee or any third party in favour of whom the Relevant Asset is proposed to be disposed or operational control is proposed to be relinquished of such conditions as to the Authority may specify); or
 - (b) the Authority does not inform the Licensee in writing of any objection to such Disposal or relinquishment of Control within the notice period referred to in paragraph 2.

5. In this Condition:

"Disposal" includes any sale, gift, lease, licence, mortgage, charge or the grant of any encumbrance or any other disposition to a third party and "dispose" shall be construed accordingly; and

"Relevant Asset" means any asset which is necessary to enable the Licensee to undertake the Licensed Activities in accordance with the provisions of the Sector Law and this Licence, including any interest in land upon which any such asset is situated.

Condition 20: Settlement

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

PART III GENERATION/DESALINATION CONDITIONS

Condition 21: General

The Conditions stipulated in this Part III of this Licence apply to the Generation and Desalination activities of the Licensee only.

Condition 22: Production Facilities

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

Condition 23: RAEC Systems Generation Security Standard

1. The Licensee shall, as soon as practicable after the date upon which this Licence is granted and in any event not later than such date as the Authority shall specify in directions issued to the Licensee for the purposes of this Condition and from time to time thereafter, submit to the Authority for its approval details of the Licensee's proposals for Generation Security Planning Standards.
2. The Generation Security Planning Standards shall apply to each of the Licensee's RAEC Systems and the Licensee shall make arrangements, sufficient to meet the Generation Security Planning Standards.
3. The Licensee shall review the Generation Security Planning Standards periodically and otherwise as appropriate.

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

PART IV DISPATCH CONDITIONS

Condition 24: General

The Conditions contained in this Part IV apply to Licensee's Dispatch activities only.

Condition 25: Scheduling and Dispatch

1. The Licensee shall develop and implement arrangements to schedule and issue direct instructions for the Dispatch of Production Facilities which are Connected to any of its RAEC Systems or to a System which is Connected to any of its RAEC Systems and which:
 - (a) are required to be subject to such scheduling and Dispatch instructions under the terms of a Licence or an Exemption, as the case may be; or
 - (b) are required by the RAEC Code to be subject to such scheduling and Dispatch instructions.
2. The Licensee shall, for a minimum period and in such detail as shall be stipulated by the Authority, maintain records of all information issued or received by the Licensee relating to scheduling and Dispatch.
3. The Licensee shall provide to the Authority such information as the Authority shall request concerning the arrangements for scheduling and Dispatch, or any aspect of its operation.

PART V TRANSMISSION AND DISTRIBUTION CONDITIONS

Condition 26: General

The Conditions contained in this Part V apply to the Transmission and Distribution activities of the Licensee only.

Condition 27: RAEC Code

1. The Licensee shall, in consultation with any Licence Holders liable to be materially affected thereby and such other Licence Holders and third parties (including Exemption Holders) as the Authority shall consider appropriate, implement, maintain, comply with, publish, and at all times have in force, in such manner as may be required by the Authority, a RAEC Code.
2. The RAEC Code shall:
 - (a) cover all material technical aspects relating to Connections to and the operation, planning, maintenance and use of the Licensee's RAEC Systems or (insofar as the same is relevant to the operation and use of the Licensee's RAEC Systems) the operation of Electric Lines and Electrical Plant Connected to the Licensee's RAEC Systems and (without prejudice to the foregoing) make express provision as to the matters referred to in paragraph 9 below;
 - (b) be designed so as:
 - (i) to permit the development, maintenance and operation of safe, secure, efficient, co-ordinated and economical systems for the Generation, Transmission and Distribution of electricity and the Desalination of water at Production Facilities Connected to a RAEC System; and
 - (ii) subject to paragraph (i) above, to promote the security and efficiency of RAEC Systems; and
 - (c) include such other things as the Authority may require from time to time.
3. The RAEC Code implemented pursuant to paragraph 1 above shall require to be approved by the Authority.

4. The Licensee shall, in consultation with Licence Holders liable to be materially affected thereby and such other Licence Holders and third parties (including Exemption Holders) as the Authority shall consider appropriate, keep under review (including at the request of the Authority) the RAEC Code as implemented by the Licensee pursuant to paragraph 1 above. The Licensee shall send to the Authority:
 - (a) details of any proposed Modifications to the RAEC Code from time to time as the Licensee (having regard to the outcome of such review) reasonably thinks necessary or appropriate for the achievement of the objectives referred to at paragraph 2 above; and
 - (b) any written representations or objections from any consultees arising during the consultation process, including any Modifications to the RAEC Code proposed by consultees and not accepted by the Licensee, and which have not been withdrawn.
5. Revisions to the RAEC Code proposed by the Licensee and sent to the Authority pursuant to paragraph 4 above shall require to be approved by the Authority before becoming effective.
6. Having regard to any written representations or objections referred to in paragraph 4(b) above and, following such further consultation (if any) as the Authority may consider appropriate, the Authority may issue directions requiring the Licensee to make specific changes to and/or revise the RAEC Code in such manner as may be specified in the directions, and the Licensee shall comply forthwith with any such directions.
7. The Licensee shall give or send a copy of the approved RAEC Code (and any revisions thereto) to:
 - (a) the Authority; and
 - (b) subject to paragraph 8 below, any Person requesting the same.
8. The Licensee may make a charge for any copy of the RAEC Code given or sent pursuant to paragraph 7(b) above of an amount, which shall not exceed any amount specified for the time being for the purposes of this Condition in directions issued from time to time by the Authority.

9. The RAEC Code shall include:
- (a) Connection conditions specifying the technical, design and operational criteria to be complied with by the Licensee and by any Person Connected or seeking Connection to the Licensee's RAEC Systems;
 - (b) an operating code specifying the conditions under which the Licensee shall operate RAEC Systems and in accordance with which Persons shall operate their Production Facilities and/or Systems Connected to the Licensee's RAEC Systems, in so far as necessary to protect the security and quality of supply and safe operation of the Licensee's RAEC Systems under both normal and abnormal operating conditions;
 - (c) a planning code specifying the technical and design criteria and procedures to be applied by the Licensee in the planning and development of the Licensee's RAEC Systems and to be taken into account by Persons whose Premises are Connected or who are seeking Connection to the Licensee's RAEC Systems in the planning and development of their own Production Facilities and/or Systems;
 - (d) procedures governing scheduling and Dispatch which reflects the requirements referred to in Condition 26;
 - (e) procedures for numbering and nomenclature to ensure that any Person's Plant that is Connected to any of the Licensee's RAEC Systems cannot be confused with the Licensee's Plant so as to reduce the risk of incidents and events attributable to human error regarding the identification of Plant;
 - (f) procedures relating to the scheduling of planned outages of Production Facilities;
 - (g) provisions to govern the exchange of data and arrangements for the cooperation of the Licensee and other parties to the RAEC Code necessary to achieve the objectives set out in paragraph 2 of this Condition;
 - (h) procedures for International Interconnection;
 - (i) a RAEC Metering and Data Exchange Code specifying technical rules for the metering of electricity and Desalinated water exiting Production Facilities and entering and exiting the Licensee's RAEC Systems. The RAEC Metering and Data Exchange Code shall stipulate requirements regarding the exchange, storage and provision of metering data required for the purposes of preparing and validating invoices relating to agreements between the Licensee and other Persons.

10. The Licensee shall keep and maintain such records concerning its implementation of and compliance with the RAEC Code and all Modifications made thereto as are in accordance with such guidelines as the Authority shall from time to time have given to the Licensee, and the Licensee shall furnish to the Authority such records (or such of these as the Authority may require) in such manner and at such times as the Authority may require.

Condition 28: Grid Code and Distribution Code

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

Condition 29: Duty to offer terms for Connection

1. On application made by any Person to whom a Permitted Tariff would apply or who agrees to pay a Cost Reflective tariff, the Licensee shall (subject to paragraph 5) of this Condition offer to enter into an agreement for Connection to any of the Licensee's RAEC Systems or for Modification to an existing Connection and such offer shall make detailed provision regarding:
 - (a) the carrying out of works (if any) required to Connect any of the Licensee's RAEC Systems to any other System (whether at any Production Facilities or elsewhere) for the Transmission and/or Distribution of electricity and for the obtaining of any consents necessary for such purpose;
 - (b) the carrying out of works (if any) in connection with the extension or reinforcement of any of the Licensee's RAEC Systems rendered (in the Licensee's discretion) appropriate or necessary by reason of the making the Connection or Modification to an existing Connection and for the obtaining of any consents necessary for such purpose;
 - (c) the installation of appropriate metering equipment (if any) required to enable the Licensee to meter the flow of active and reactive electricity accepted into any of the Licensee's RAEC Systems at the specified entry point or points or leaving such RAEC Systems at the specified exit point or points;

- (d) the date by which any works required to permit access to any of the Licensee's RAEC Systems (including for this purpose any works to reinforce or extend the Licensee's RAEC Systems) shall be completed;
 - (e) the Connection charges to be paid to the Licensee; and
 - (f) containing such further terms as are or may be appropriate for the purpose of the agreement.
2. If requested by any Person in its application, the Licensee's offer made pursuant to paragraph 1 above shall be made on each of the following alternative bases:
- (a) that the Licensee will carry out or procure the carrying out of all works referred to in the offer; and
 - (b) that the applicant will carry out or procure the carrying out of all or some part of the works referred to in the offer that are not necessarily required to be undertaken by the Licensee, as specified by the applicant in its application,
- and, if paragraph 2(b) applies, the Licensee's offer shall contain:
- (c) all such technical specifications of works; and
 - (d) all such other information as may be required (including requirements (if any) for a representative of the Licensee to attend work carried out by the applicant),
- as may be necessary or desirable to enable the applicant to plan, cost and procure the carrying out of the relevant works.
3. For the purpose of determining an appropriate proportion of the costs directly or indirectly incurred in carrying out works under an agreement for making a Connection or Modification to an existing Connection, the Licensee shall have regard to:
- (a) the benefit (if any) to be obtained or likely in the future to be obtained by the Licensee or any other Person as a result of carrying out such works whether by reason of the reinforcement or extension of the Licensee's RAEC Systems or the provision of additional entry or exit points on such RAEC Systems or otherwise; and
 - (b) the ability or likely future ability of the Licensee to recoup a proportion of such costs from third parties.
4. The Licensee shall offer terms for agreements in accordance with paragraph 1 above as soon as practicable and (save where the Authority consents to a longer period) in any event:

- (a) not more than 2 weeks after receipt by the Licensee from any Person of an application which requires no work associated with the requested Connection and contains all such information as the Licensee may reasonably require for the purpose of formulating the terms of the offer;
 - (b) not more than 2 months after receipt by the Licensee from any Person of an application which requires work to be done to affect the Connection and contains all such information as the Licensee may reasonably require for the purpose of formulating the terms of the offer.
5. The Licensee shall not be obliged by this Condition to offer to enter or to enter into any agreement if:
- (a) to do so would be likely to involve the Licensee:
 - (i) in a breach of the Sector Law;
 - (ii) in a breach of regulations made pursuant to the Sector Law;
 - (iii) in a breach of the RAEC Code, the Grid Code or the Distribution Code; or
 - (iv) in breach of the Conditions; or
 - (b) the Person making the application does not undertake to be bound insofar as applicable to it, by the terms of the Grid Code, the Distribution Code or the RAEC Code from time to time in force.
6. The Licensee shall not effect any Connection without first having entered into a Connection Agreement with the applicant.
7. Without prejudice to Article (125) of the Sector Law, any dispute between the Licensee and any Person to whom the Licensee is obliged to make an offer pursuant to paragraph 1 above (and whether as to the making of an offer, the terms offered, the proposed charges or otherwise) may, upon the application of that Person, be determined by the Authority and the Licensee shall comply with and be bound by any such determination.

Condition 30: Notification of Connection Applications

The Licensee shall, pursuant to Article (85) of the Sector Law notify the Authority of all relevant applications for Connection submitted to it. Procedures for determining which applications shall be relevant applications shall be agreed with and approved by the Authority.

Condition 31: Duty to offer terms for use of System

1. On application made by any Person, the Licensee shall (subject to paragraph 3 below) offer to enter into an agreement for use of System:
 - (a) to accept into the Licensee's RAEC Systems at such entry point or points and in such quantities as may be specified in the application, electricity to be provided by or on behalf of the applicant;
 - (b) to deliver such quantities of electricity (as appropriate) as are referred to in paragraph (a) above (less any technical Transmission and/or Distribution losses) at such exit point or points on the Licensee's RAEC Systems and to such Person or Persons as the applicant may specify;
 - (c) specify the use of System charges to be paid by the applicant; and
 - (d) containing such further terms as are or may be appropriate for the purposes of the agreement.
2. The Licensee shall offer terms for agreements in accordance with paragraph 1 above as soon as practicable and (save where the Authority consents to a longer period) in any event not more than 28 days after receipt by the Licensee of an application containing all such information as the Licensee may reasonably require for the purpose of formulating the terms of the offer.
3. The Licensee shall not be obliged by this Condition to offer to enter or to enter into any agreement if:
 - (a) to do so would be likely to involve the Licensee:
 - (i) in a breach of the Sector Law;
 - (ii) in a breach of regulations made pursuant to the Sector Law;
 - (iii) in a breach of the RAEC Code, the Grid Code or the Distribution Code;
or
 - (iv) in breach of the Conditions of this Licence; or
 - (b) the applicant does not undertake to be bound insofar as applicable by the terms of the RAEC Code, the Grid Code, or Distribution Code from time to time in force.

4. Without prejudice to Article (125) of the Sector Law, any dispute between the Licensee and any Person to whom the Licensee is obliged to make an offer pursuant to paragraph 1 of this Condition (and whether as to the making of an offer, the terms offered, the proposed charges or otherwise) may, upon the application of either party, be determined by the Authority and the Licensee shall comply with and be bound by any such determination.

Condition 32: Charges for Connection and use of System

Connection Charges

1. The Licensee shall charge only Permitted Tariffs or Cost Reflective Tariffs for Connections to its RAEC Systems and shall otherwise comply with such provisions of any regulations made under Article (9) of the Sector Law as regards charges for Connections.

Statement of charges for Connection and use of System

2. The Licensee shall:
 - (a) as soon as practicable and in any event within 3 months after the grant of this Licence, prepare statements in relation to the Licensee's RAEC Systems in a form approved by the Authority, setting out the basis upon which the charges for each of:
 - (i) Connection to any of the Licensee's RAEC Systems; and
 - (ii) use of any of the Licensee's RAEC Systems, will be made, with such detail as shall be necessary to enable any Person to make a reasonable estimate of the charges to which he would become liable for the provision of such services and (without prejudice to the foregoing) including the information set out in paragraphs 3 or 4 below, as appropriate;
 - (b) update the statements referred to in paragraphs 2(a)(i) and 2(a)(ii) above annually or as may otherwise be required by the Authority from time to time; and
 - (c) ensure that the statements prepared as provided at paragraphs 2(a)(i) and 2(a)(ii), any updates thereof prepared in accordance with paragraph (b) and the charges to which each of those statements and/or updates refer are consistent in all respects with the provisions of Schedule 2.

3. The statement referred to in paragraph 2(a)(i) shall:
 - (a) specify the Permitted Tariffs and Cost Reflective Tariffs for Connection to the Licensee's RAEC Systems; and
 - (b) shall include such detail as shall be necessary to enable a Customer of any of the categories identified in regulations made pursuant to Article (9) of the Sector Law (and such classes of Customer which exist within any category of Customer) to determine which level of Permitted Tariff or Cost Reflective Tariff it would become liable to pay.
4. The statement referred to in paragraph 2(a)(ii) shall include:
 - (a) a schedule of charges for the Transmission and/or Distribution of electricity under use of System;
 - (b) the methods by which and the principles on which the charges (if any) for availability of capacity on the Licensee's Rural Systems will be made;
 - (c) a schedule of the charges (if any) which may be made for the provision and installation of any meters or other plant at entry or exit points the provision and installation of which is ancillary to the grant of use of System and for the maintenance of meters or other plant; and
 - (d) the methods by which and principles on which entry and exit charges for Connections in operation before the grant of this Licence shall be calculated.
5. Permitted Tariffs for Connection will be determined in accordance with regulations made under Article (9) of the Sector Law.
6. Use of System charges shall be set at a level which will enable the Licensee to recover:
 - (a) the appropriate proportion of the costs directly or indirectly incurred in carrying out any works, the extension or reinforcement of the Licensee's RAEC Systems or the provision and installation, maintenance and repair or (as the case may be) removal following disconnection of any Electric Lines, Electric Plant or meters (as appropriate); and
 - (b) a reasonable rate of return on the capital represented by such costs.
7. The Licensee may periodically revise the information set out in and, with the approval of the Authority, alter the form of the statement prepared in accordance with paragraph 2(a)(ii) and shall, at least once in every year this licence is in force, revise such statement in order that the information set out in such statements shall continue to be accurate in all material respects.

8. The Licensee shall send a copy of each statement prepared in accordance with paragraph 2, and of each revision of such statements in accordance with paragraph 7, to the Authority.
9. The Licensee shall, subject to paragraph 10 below, give or send a copy of each statement prepared in accordance with paragraph 2, or (as the case may be) of the latest revision of such statement in accordance with paragraph 7 above to any Person who requests a copy of such statement or statements.
10. The Licensee may make a charge for each statement given or sent pursuant to paragraph 9 of an amount reflecting the Licensee's reasonable costs of providing such statement which shall not exceed the maximum amount specified in directions issued by the Authority for the purposes of this Condition.
11. This Condition is without prejudice to Schedule 2.

Condition 33: Ancillary Services

The Licensee shall procure the provision of such quantities and types of Ancillary Services, which are appropriate and necessary to enable the Licensee to discharge its obligations under the Sector Law and this Licence. The Licensee shall when contracting for the procurement of Ancillary Services, comply with the requirements of Condition 4 of this Licence.

Condition 34: Security Standards

1. The Licensee shall, as soon as practicable after the date upon which this Licence is granted and in any event not later than such date as the Authority shall specify in directions issued to the Licensee for the purposes of this Condition from time to time thereafter, prepare Security Standards for the Licensee's RAEC Systems and the Licensee shall send the Security Standards to the Authority for approval.
2. The Licensee shall, within 3 months of the grant of this Licence, draw up and submit to the Authority for its approval a statement setting out criteria by which the performance of the Licensee in maintaining security and availability of its RAEC Systems, and the quality of service it provides, may be measured and assessed by the Authority. The statement shall include:
 - (i) detailed definitions of the indices used, the calculations used to derive them and the procedures put in place to audit their validity; and
 - (ii) criteria relating to at least the following:
 - (a) details of complaints by Customers concerning voltage excursions outside of permitted limits;

- (b) the number and sources of Supply interruptions per 100 Customers in each year (identifying all interruptions including those caused by bad weather, faults on the Licensee's RAEC Systems, or pre-arranged shutdowns for maintenance and construction);
 - (c) the number and sources of minutes lost per Connected Customer;
 - (d) the percentage of Supply interruptions not restored within 3 hours;
 - (e) the percentage of Supply interruptions not restored within 24 hours;
 - (f) number of faults per 100km of the Licensee's RAEC System mains (excluding service cables);
 - (g) technical and non-technical losses for each of the Licensee's RAEC Systems; and
 - (h) such other criteria as the Authority may require.
3. The Licensee shall, at such times and in such form as the Authority may require, produce to the Authority an annual report relating to the performance of the Licensee measured against the criteria established for that purpose pursuant to paragraph 2 above.
4. The Licensee shall:
- (a) plan and develop its RAEC Systems in accordance with the approved Security Standards, the RAEC Code, and where applicable the Grid Code and the Distribution Code and such other standards of planning as the Licensee may, following consultation (where appropriate) with any Licensee liable to be materially affected thereby and with the approval of the Authority, adopt from time to time; and
 - (b) operate and maintain safe, efficient and economic RAEC Systems in accordance with the Security Standards prepared pursuant to paragraph 1 above and the RAEC Code and such other standards of operation and maintenance as the Licensee may, following consultation (where appropriate) with any Licensee liable to be materially affected thereby and with the approval of the Authority, adopt from time to time.
5. The Security Standards applicable to RAEC Systems shall, in respect of each of the criteria established pursuant to paragraph 2 above, be such standards as have been approved by the Authority. The Authority shall, subject to its giving the Licensee

sufficient prior written notice thereof, be entitled to modify the Security Standards applicable to RAEC Systems from time to time.

6. The Licensee shall within 3 months of the grant of this Licence draw up and submit to the Authority for its approval a statement setting out criteria by which the performance of the Licensee in maintaining the security and availability of RAEC Systems and quality of service may be measured.
7. The Authority may (following consultation with the Licensee and, where appropriate, any relevant Licensee) issue directions relieving the Licensee of its obligations under paragraph 1 in respect of the Licensee's RAEC Systems and to such extent as may be specified in the directions.

Condition 35: RAEC Systems capability statement

1. The Licensee shall, within 12 months of the grant of this Licence, and thereafter, on an annual basis, prepare a statement, in a form approved by the Authority, showing, in respect of each of the three succeeding financial years, circuit capacity, forecast power flows and loading on each of RAEC Systems, together with:
 - (a) information on the status of circuit capacity and the anticipated future requirements of such capacity, including applications for new Connections;
 - (b) a commentary prepared by the Licensee indicating the Licensee's views as to those parts of its RAEC Systems most suited to new Connections, and suitable for Connection to the System of a Licensed Transmission System Operator or Licensed Distribution System Operator;
 - (c) information on what constraints are foreseen on the Licensee's RAEC Systems and where these are likely to occur;
 - (d) information relating to progress of ongoing investment in its RAEC Systems;
 - (e) such further information as shall be reasonably necessary to enable any Person seeking to Connect to or use any of the Licensee's RAEC Systems to identify and evaluate the opportunities for so doing;
 - (f) an assessment of technical losses from each of the Licensee's RAEC Systems; and
 - (g) such other matters as shall be specified in directions issued by the Authority from time to time for the purposes of this Condition,

provided that the Authority may, upon application of the Licensee, relieve the Licensee from the obligation to prepare any such statement in respect of any period and any part or one of its RAEC Systems specified in directions issued to the Licensee by the Authority from time to time for the purposes of this Condition.

2. The Licensee shall include in every statement prepared in accordance with paragraph 1 above the information required by that paragraph except with the prior consent of the Authority.
3. The Licensee may periodically revise the information set out in and, with the approval of the Authority, alter the form of the statement prepared in accordance with paragraph 1 and shall, at least once in every year this Licence is in force, revise such statement in order that the information set out in the statement shall continue to be accurate in all material respects.
4. The Licensee shall, when preparing the statement referred to in paragraph 1 of this Condition, ensure that the statement takes due account of information required to be provided to it by Persons bound by the RAEC Code.
5. The Licensee shall send a copy of the statement prepared in accordance with paragraph 1 above and of each revision of such statement in accordance with paragraph 3 of this Condition to the Authority. Each such revision shall require to be approved by the Authority and shall not become effective until approved by the Authority.
6. The Licensee shall, subject to paragraph 7 below, give or send a copy of the statement prepared in accordance with paragraph 1 or (as the case may be) of the latest revision of such statement in accordance with paragraph 3 approved by the Authority pursuant to such paragraph to any Person who requests a copy of such statement.
7. The Licensee may make a charge for any statement given or sent pursuant to paragraph 6 above of an amount reflecting the Licensee's reasonable costs of providing such a statement which shall not exceed the maximum amount specified in directions issued by the Authority from time to time for the purposes of this Condition.

Condition 36: Development of RAEC Systems

The Licensee shall perform the Licensed Activities of Transmission and Distribution, particularly with regard to the development of its RAEC Systems, so as to maximise the potential for:

- (i) Connecting Premises in its Authorised Area to RAEC Systems; and
- (ii) Connecting any of its RAEC Systems to the Systems of other Licence Holders;

having regard to its duties under the Sector Law and the Conditions of this Licence.

Condition 37: Register of Connections

1. The Licensee shall maintain an accurate register of all Premises which are Connected to its RAEC Systems from time to time, including details of each relevant Connection Agreement, the date upon which each Connection was effected and/or, if appropriate, the date of termination of the Connection to such Premises.
2. The register shall also include details of each different class of Customer and within each class of Customer, different groups or types of Customer (as specified in regulations issued in accordance with Article (9) of the Sector Law).
3. Subject to the agreement of the Authority, the Licensee shall be deemed to have complied with this Condition if the information stipulated in paragraphs 1 and 2 is included in the register referred to in Condition 48.

Condition 38: Transfer of assets

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

PART VI SUPPLY CONDITIONS

Condition 39: General

The Conditions contained in this Part VI apply to the Licensee's Supply activities only.

Condition 40: Supply terms

1. Within 6 months of the grant of this Licence, the Licensee shall prepare and submit to the Authority, for its approval, standard terms and conditions of Supply in respect of each category of Customer identified in the register prepared in accordance with Condition 48. The approved standard terms and conditions shall constitute or be included within the terms and conditions of each relevant Supply contract between the Licensee and a Customer.
2. The Licensee may, and shall whenever requested to do so by the Authority, review the standard terms and conditions of Supply established in accordance with this Condition and the manner in which those terms and conditions have been operated, with a view to determining whether any Modifications should be made to them or any of them or the manner of their operation. Any Modifications to the terms and conditions shall require the approval of the Authority.

Condition 41: Supply tariffs

1. The tariff specified in each Supply contract and the tariff, which the Licensee shall be entitled to charge each Customer for electricity Supplied to such Customer by the Licensee, shall be:
 - (i) a Permitted Tariff as specified in regulations issued in accordance with Article (9) of the Sector Law; or
 - (ii) a Cost Reflective Tariff.

Statement of Supply Tariffs

2. The Licensee shall:
 - (a) as soon as practicable after the grant of this Licence and in any event within 28 days of the Permitted Tariffs for Supply by it being established in accordance with Article (9) of the Sector Law, publish a statement setting out the Permitted Tariffs and Cost Reflective Tariffs for Supply;
 - (b) as soon as practicable and in any event within 28 days of any change to any Permitted Tariff for Supply being made in accordance with Article (9) and Article (10) of the Sector Law, publish a statement setting out the revised Permitted Tariffs which are to be applied and the date from which such revised Permitted Tariffs are to apply, together with (if known) details of the date upon which such Permitted Tariffs are to be the subject of a further review.
3. Statements published in accordance with paragraph 2 above shall:
 - (a) be published in a manner which shall be reasonably easily accessible by Persons who are Connected to the Licensee's System; and
 - (b) shall include such detail as shall be necessary to enable a Customer of any of the categories identified in regulations made under Article (9) and Article (11) of the Sector Law (and such classes of Customer which exist within any category of Customer) to determine which level of Permitted Tariff or Cost Reflective Tariff it would become liable to pay.
4. Where the Authority considers that simplified explanatory statements would help Customers understand the detail of a Permitted Tariff or a Cost Reflective Tariff, the Authority may direct the Licensee to draw up such explanatory statements either as part of or separately from the statements referred to and thereafter to publish them in the statement of Supply Tariffs.

Condition 42: Subsidy

The Licensee shall comply with the arrangements for the determination and disbursement of subsidy developed in accordance with Article (18) of the Sector Law.

Condition 43: Metering

1. The Licensee shall comply with the metering requirements specified in the RAEC Metering and Data Exchange Code of the RAEC Code.
2. The Licensee shall, in connection with:
 - (a) any existing Connection and/or any other Connection to be provided by it in accordance with this Licence; and/or
 - (b) any Supply being, or to be made, by it in accordance with this Licence, be entitled to install, and/or maintain metering equipment at each relevant Connection point to enable the Licensee to measure quantities of electricity being accepted into the Licensee's System and/or leaving the Licensee's System at the relevant Connection point.
3. The Licensee shall be entitled to recover an efficient level of costs reasonably incurred in installing, replacing, repairing and/or operating and maintaining metering equipment as provided pursuant to this Condition, as provided for in this Licence and the Sector Law.

Condition 44: Customer late payment code of practice

1. The Licensee shall, within 3 months of this Licence coming into force, prepare a code of practice to be approved by the Authority setting out the methods for dealing with Customers who incur obligations to pay for electricity supplied by the Licensee and who have difficulty in discharging those obligations.
2. The Licensee shall, within 3 months after the code of practice has been put in place, establish procedures for monitoring the general operation of the arrangements set out in the code of practice and the Licensee's compliance with those arrangements. Procedures in the code of practice shall be submitted to the Authority for approval.

Condition 45: Customers with special needs code of practice

1. The Licensee shall make arrangements by which special services for Customers who are disabled, chronically sick or of pensionable age, can be made available, where appropriate, for:
 - (a) providing where practicable special controls and adaptors for electrical appliances and meters (including prepayment meters) and repositioning meters;
 - (b) providing special means of identifying officers authorised by the Licensee;
 - (c) giving advice on the use of electricity; and
 - (d) arrangements to restrict the disconnection of such Customers.
2. The Licensee shall, within 9 months of this Licence coming into force, or within such other time period as may be stipulated by the Authority, prepare a code of practice describing the special services available and any charges made or to be made to such Customers described in paragraph 1 above.
3. The Licensee shall, whenever requested to do so by the Authority, review the code prepared in accordance with paragraph 2, and the manner in which it has been operated, with a view to determining whether any Modification should be made to it or to the manner of its operation.
4. In preparing the code, and in carrying out any review (including in accordance with paragraph 3), the Licensee shall consult with Customers to whom the code applies and shall have regard to any representations made by such Customers about the code or the manner in which it is likely to be or (as the case may be) has been operated.
5. The Licensee shall submit any revision of the code, which, after consulting Customers in accordance with paragraph 4 above, it wishes to make to the Authority for its approval.
6. The Licensee shall:
 - (a) send a copy of the code and of any revision of it (in each case, in the form approved by the Authority) to the Authority;
 - (b) make a copy of the code (as from time to time revised) available for inspection by members of the public at each of the relevant premises during normal working hours; and

- (c) give or send free of charge a copy of the code (as from time to time revised) to any Person who requests it.

Condition 46: Efficient use of electricity code of practice

The Licensee shall, within 6 months of the grant of this Licence, prepare a code of practice setting out the ways in which the Licensee will make available to Customers such guidance on the efficient use of electricity as will, in the opinion of the Licensee, enable them to make informed judgments on measures to improve the efficiency with which Customers use the electricity supplied to them.

Condition 47: Register of Customers

1. The Licensee shall, within 3 months of the date upon which this Licence is granted, prepare and submit to the Authority for its approval a report which:
 - (a) identifies each of the different categories of Customer whose Premises are Connected or are to be Connected to a RAEC System and Supplied or are to be Supplied with electricity by the Licensee. The categories of Customer identified shall include, as distinct categories, at least the following categories of Customer:
 - (i) residential Customers;
 - (ii) Government Customers;
 - (iii) commercial Customers;
 - (iv) industrial Customers;
 - (v) agriculture and fisheries Customers;
 - (vi) hotel and tourism Customers; and
 - (vii) such other categories of Customer as shall be specified in regulations issued for this purpose in accordance with Article (9) of the Sector Law;
 - (b) distinguishes between different classes of Customer and, within categories of Customer, between different groups or types of Customer on the basis of the level of consumption, the pattern of consumption over time, the geographical location of Customers or any other basis specified in regulations issued in accordance with Article (9) of the Sector Law; and

- (c) identifies Customers with special needs.
- 2. The Licensee shall maintain in the register of all Customers and Premises Supplied by it, details of the date upon which the Supply commenced and (if appropriate) ended.
- 3. The Register shall also include details of the category of each such Customer (as specified in regulations issued pursuant to Article (9) of the Sector Law) and as to the other characteristics of such Customer within that category as shall be specified in such regulations.

Condition 48: Transfer of business

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

Condition 49: Sale of Desalinated Water to Water Departments

- 1. The Licensee, shall, as soon as practicable after the date upon which this Licence is granted and, in any event, not later than such date as the Authority shall specify in directions issued to the Licensee for the purposes of this Condition, and from time to time thereafter, draw up Bulk Supply Tariffs for sales of Desalinated water to Water Departments.
- 2. Without prejudice to the provisions of Schedule 2 the Bulk Supply Tariffs shall:
 - (a) be in a form which shall require to be approved by the Authority;
 - (b) contain such detail as shall be necessary to enable Water Departments to make a reasonable estimate of the charges to which they would become liable for purchases of Desalinated water.
 - (c) identify the charges to Water Departments for Bulk Supplies of Desalinated water at specified times of the year, days of the week, and times of the day and night; and
 - (d) include a schedule of adjustment factors in respect of any relevant losses.
- 3. In the provision of Desalinated Water to Water Departments at a Bulk Supply Tariff, the Licensee shall not unduly discriminate between Water Departments.
- 4. The Licensee shall (subject to paragraph 6 below) offer to enter into an agreement with any Water Department who requests the same, to provide Bulk Supplies of Desalinated Water, the offer shall include charges to be made in respect of such Bulk

Supplies of Desalinated Water, such charges to be presented in such a way as to be referable to the Bulk Supply Tariff or any revision of the Bulk Supply Tariff.

5. The Licensee shall offer terms for agreements in accordance with paragraph 4 above as soon as practicable and (save where the Authority consents to a longer period) in any event not more than 28 days after receipt by the Licensee of an application containing all such information as the Licensee may reasonably require for the purpose of formulating the terms of the offer.
6. The Licensee shall not be obliged pursuant to this Condition to offer to enter into any agreement with a Water Department:
 - (a) if to do so would cause the Licensee:
 - (i) to breach its duties under the Sector Law;
 - (ii) to breach any of the Conditions; or
 - (iii) to breach any provision of the RAEC Code or any applicable Grid Code or Distribution Code; or
 - (b) if the Water Department seeking to purchase Desalinated Water does not undertake to be bound by the terms of such parts of the RAEC Code, the Grid Code or any applicable Distribution Code and to such extent as the Authority shall from time to time specify in directions issued to the Licensee for the purposes of this Condition.
7. The Licensee shall give or send a copy of the Bulk Supply Tariffs (as from time to time revised) to the Authority not later than 14 days before it is to be made available to any other Person.
8. The Licensee shall (subject to paragraph 9 below) give or send a copy of the Bulk Supply Tariffs (as from time to time revised) to any Person requesting the same.
9. The Licensee may make a charge for any copy of the Bulk Supply Tariffs (as from time to time revised) given or sent pursuant to paragraph 8 above of an amount, which will not exceed any amount specified for the time being for the purposes of this Condition in directions issued from time to time by the Authority.
10. The Licensee shall not, in setting the Bulk Supply Tariffs, unduly restrict, distort or prevent competition in the Generation, Transmission, Distribution or Supply of electricity or the Desalination of water.
11. The Authority may give to the Licensee directions requiring the Licensee to alter the form or amount of the Bulk Supply Tariffs in such manner as shall be specified in the

directions, or so as to attain such objectives as may be specified in the directions and the Licensee shall forthwith comply with any such directions.

Condition 50: Sale of surplus Production Capacity and Output

1. The Licensee shall, pursuant to Article (84) sub-paragraph (j) of the Sector Law, offer for sale to the Oman Power and Water Procurement Company SAOC any surplus Production Capacity and Output that the Licensee has available to it, but does not require, at the relevant time.
2. Other than with the prior written approval of the Authority, the Licensee shall not offer surplus Production Capacity and Output to any Person other than the Oman Power and Water Procurement Company SAOC.
3. The prices and terms on which the Licensee may offer surplus Production Capacity and Output for sale shall be subject to approval by the Authority.

PART VII INTERNATIONAL INTERCONNECTIONS CONDITIONS

Condition 51: General

The Conditions contained in this Part VII apply to the Licensee's International Interconnection activities only.

Condition 52: International Interconnections

1. If the Licensee proposes to:
 - (a) enter into a new contract or arrangement for the Interconnection of any of its RAEC Systems with a System which exists outside the Sultanate of Oman; or
 - (b) develop or make arrangements to develop a new International Interconnection,

and, in either case, the proposed Interconnection will have a capacity of 33kV or more or such other capacity limit as may be determined in accordance with the Sector Law, the following paragraphs shall apply.

2. The Licensee shall not enter into any contract or other arrangement for the Interconnection of any of its RAEC Systems with a System, which exists outside the Sultanate of Oman, nor develop or make arrangements to develop a new International Interconnection:
 - (a) unless the Import or Export of electricity across the relevant International Interconnector has been authorised in accordance with Article (114) of the Sector Law; and
 - (b) without having first:
 - (i) supplied such information to the Authority as it may have requested and as may be required by the Authority to enable it to comply with the requirements of Article (115) of the Sector Law;
 - (ii) notified the Authority in writing that it proposes to do so, providing the Authority with its business plan in respect of the proposed contract or other arrangement, including full details of its proposals for:
 - (aa) the Persons with whom it proposes to contract and details of the direct and indirect economic interests of those Persons and their Affiliates in:

- (xx) Licence Holders or the Affiliates of Licence Holders; and
 - (yy) other Persons with whom the Licensee has contracted for Imports;
 - (bb) the nature and proposed contents of the proposed contracts or other arrangements, including any charges and other terms;
 - (cc) any associated requirements for investment in, or expansion or reinforcement of, any part of the Licensee's RAEC Systems, including details of any agreement reached or to be reached with any other Licence Holder in respect thereof;
 - (dd) its assessment of any risks associated with the International Interconnection, including as to the construction and financing thereof;
 - (ee) its assessment of the technical compatibility of the System outside the Sultanate of Oman with which it proposes to Connect and its proposals for how the International Interconnector will address any risks in relation to the integrity of the Licensee's RAEC Systems; and
 - (ff) any capital expenditure to be incurred by it in relation to the proposals and, if appropriate, a cash-flow forecast for the period of the proposed contract or other arrangement; and
 - (gg) been granted a Licence to develop and/or operate the relevant International Interconnection.
3. Where the Government and the Authority have authorised and approved an International Interconnection in accordance with the Sector Law and this Licence, respectively, the Licensee shall only affect the International Interconnection which is the subject of that approval to the System which is the subject of that approval and with the Persons (the 'Approved Persons') who were the subject of that approval and after the following requirements have been satisfied: the Licensee shall have:
- (a) entered into a Connection Agreement (in a form approved by the Authority) with the Approved Person, which agreement shall:
 - (i) require the Approved Person to comply with the RAEC Code;
 - (ii) specify the point or points of interconnection;
 - (iii) identify responsibilities between the parties for ownership, operation and maintenance of the interconnection;

- (iv) specify operating criteria and maximum operating characteristics in respect of the interconnection; and
 - (v) provide for metering at the Connection point of all Imports and Exports; and
 - (b) certified to the Authority in writing that it is satisfied that its entry into the Connection Agreement and the arrangements contemplated therein are consistent with the performance by the Licensee of its obligations under the Sector Law and this Licence.
4. Any amendment to any Connection Agreement relating to an International Interconnection shall require to be approved by the Authority before being entered into.
 5. If the Licensee proposes to commence discussions or negotiations with any Person in relation to any matter as referred to in paragraphs 1 and/or 2 above, it shall first notify the Authority, providing such of the information referred to in paragraph 2(b) above about the proposals as may be available to it at that time. The Licensee shall keep the Authority fully informed as to the status and progress of any such discussions.
 6. The Licensee shall comply with any instruction of the Authority made in accordance with Article (115) of the Sector Law concerning its designing, financing, owning, developing, constructing, operating and/or maintaining an International Interconnection.

PART VIII IMPORT AND EXPORT CONDITIONS

Condition 53: General

The Conditions contained in this Part VIII apply to the Licensee's Import and Export activities only.

Condition 54: Import and Export of electricity

Reliance on Imports

1. The Licensee shall ensure that, in discharging its duties under Article (84) (a) of the Sector Law:
 - (a) the proportion of the aggregate of all Production Capacity and Imports which it has from time to time contracted to purchase which is the subject of a contract or other arrangement for Import shall at no time exceed 25 per cent; and
 - (b) in any period of 12 months, the proportion of the aggregate Output which it purchases which is made up of Imports does not exceed 25 per cent, without the prior written consent of the Authority.

Market share restrictions

2. The Licensee shall ensure that, unless the prior written consent of the Authority to the same has been obtained, at no time shall the aggregate of:
 - (a) Production Capacity within the Sultanate of Oman which it has contracted to purchase; and
 - (b) capacity which is the subject of a contract or arrangement entered into by it in relation to Imports,

in respect of which any Person (including the Affiliates of such Person) has a direct or indirect economic interest, exceeds 25 per cent of the aggregate of all Production Capacity and Import capacity which are the subject of contracts or other arrangements with it, provided that, neither the Government nor any entity which is Wholly-owned by the Government at the relevant time shall constitute an Affiliate of any Person for the purposes of this Condition.

Import arrangements

3. The authorisation contained in Part I of this Licence in relation to Imports of electricity shall extend only to those contracts or other arrangements for the Import of electricity identified in Schedule 3, up to the limits specified in that Schedule and in respect only of Imports across the International Interconnectors specified.

Export arrangements

4. The authorisation contained in Part I of this Licence in relation to Exports of electricity shall extend only to those contracts or other arrangements for the Export of electricity identified in Schedule 3, up to the limits specified in that Schedule and in respect only of Exports across the International Interconnectors specified.

Procedure for new Imports/Exports

5. If the Licensee proposes to:
 - (a) extend, renew or replace any contract or other arrangement for the Import or Export of electricity; or
 - (b) enter into a new contract or other arrangement for the Import or Export of electricity, whether or not across an existing International Interconnector;

the following paragraphs shall apply.

6. The Licensee shall not enter into any contract or other arrangement for the Import or Export of electricity of any of the types referred to in the foregoing paragraph without first having:
 - (a) been granted a Licence to Import or Export.
 - (b) supplied such information to the Authority as it may have requested and as may be required by the Authority to enable it to comply with the requirements of Article (114) of the Sector Law;
 - (c) notified the Authority in writing that it proposes to do so, providing the Authority with its business plan in respect of the proposed contract or other arrangement, including full details of its proposals for:
 - (i) the Persons with whom it proposes to contract and details of the direct and indirect economic interests of those Persons and their Affiliates in:
 - (aa) Licence Holders or the Affiliates of Licence Holders; and
 - (bb) other Persons with whom the Licensee has contracted for Imports;

- (ii) the International Interconnector or International Interconnectors across which electricity is proposed to be Imported or Exported;
 - (iii) the nature and contents of the proposed contracts or other arrangements, including the price and other terms and whether the sale or purchase is to be interruptible;
 - (iv) the quantities of electricity to be contracted for, together with any proposals in relation to the purchase of capacity for Import or the sale of Production Capacity for Export;
 - (v) any associated requirements for investment in, or expansion or reinforcement of, any part of the Total System, including details of any agreement reached or to be reached with any other Licence Holder in respect thereof;
 - (vi) and its assessment of:
 - (aa) the creditworthiness of the proposed purchaser of any proposed Exports; and
 - (bb) any risks associated with any proposed Imports, including as to the construction and financing of any new capacity;
 - (vii) any expenditure to be incurred by it in relation to the proposals and a cash-flow forecast for the period of the proposed contract or other arrangement; and
 - (viii) which shall be accompanied by a commentary explaining in detail the Licensee's proposals as to how the proposed Import or Export of electricity is compatible with, and would better enable it to perform, its duties under the Sector Law, in particular those under Article (74) and its Economic Purchase duty, and this Licence, in particular this Condition; and
7. If the Licensee proposes to commence discussions or negotiations with any Person in relation to any matter as referred to in paragraph 5 above, it shall first notify the Authority, providing such of the information about the proposals listed in paragraph 6(c) above as may be available to it at that time. The Licensee shall keep the Authority fully informed as to the status and progress of any such discussions.

PART IX RAEC CONNECTION AND ELECTRIFICATION FUNDING

Condition 55: General

The Conditions in this Part IX apply to the Licensee's RAEC Connection and Electrification Funding activities only.

Condition 56: RAEC Connection and Electrification Funding

1. The Licensee shall undertake the functions assigned to it in the Sector Law and this Licence relating to RAEC Connection and Electrification Funding:
 - (a) efficiently and economically; and
 - (b) in accordance with arrangements approved from time to time by the Authority and in accordance with any directions issued by the Authority.

Business plan

2. The Licensee shall within 6 months of the date upon which this Licence is granted prepare and submit to the Authority for approval a business plan setting out in detail its proposals as to how it will manage its RAEC Connection and Electrification Funding responsibilities and in particular how it proposes to comply with directions issued by the Authority pursuant to this Condition.
3. The business plan provided for in paragraph 2 above shall be prepared in such detail, be in such form, have such structure and be prepared to such a standard as may be required by the Authority for the purpose of enabling the Authority to perform its functions pursuant to the Sector Law. The business plan shall contain as a minimum:
 - (a) the Licensee's estimate of RAEC Connection and Electrification Funding required in each of the five succeeding years;
 - (b) details of the criteria used to prioritise the areas and systems for which RAEC Connection and Electrification Funding is sought;
 - (c) a statement of any material changes to the business plan compared to the business plan for the immediately preceding year; and
 - (d) such further information as the Authority may require.
4. The Licensee shall keep the business plan under review and up to date at all times and shall supply a copy of each updated document to the Authority by no later than

October in each year for its approval, the Licensee shall provide to the Authority an updated version of the business plan.

Information

5. The Licensee shall provide to the Authority such information as the Authority may require to enable it to perform its functions pursuant to the Sector Law relating to RAEC Connection and Electrification Funding.

Records

6. The Licensee shall maintain adequate information and records as to how it has complied with its obligations under this Condition.

Approval of Budgets

7. The Licensee shall ensure that RAEC Connection and Electrification Funding budgets presented to the Authority for approval, pursuant to Article (87)(a) of the Sector Law:
 - (i) are consistent with and incorporate all relevant information in business plans required by this Condition; and
 - (ii) any consultation with a Licensed Transmission Systems Operator or Licensed Distribution System Operator, required pursuant to Article (86)(d) of the Sector Law, has been completed.

PART X SALALAH

Condition 57: Salalah obligations

The Licensee shall fulfil any obligations allocated to it pursuant to the Sector Law, and shall comply with any directions issued to it by the Authority, pertaining to the Salalah Project Agreements and/or the Salalah Concession Area.

Schedule 1: Authorised Area

The Authorised Area is the delineated area in **Appendix A** of the Licence Application Form.

Schedule 2: Charge Restriction Conditions²

1- Regulated Revenue: Electricity

The Licensee shall, in setting its charges for the Generation, Transmission, Distribution, and Supply of electricity to Premises and in claiming its Subsidy entitlement from the Government, use its best endeavours to secure that in any Relevant Year the **Actual Regulated Electricity Revenue** (ARER) shall not exceed the **Maximum Allowed Electricity Revenue** (MAER) calculated according to the following formula:

$$MAER_t = MAGR_t + MANR_t + MASR_t + LF_{Et} - K_{Et}$$

Where:

$MAER_t$ means the **Maximum Allowed Electricity Revenue** in Relevant Year t;

$MAGR_t$ means the **Maximum Allowed Generation Revenue** in Relevant Year t;

$MANR_t$ means the **Maximum Allowed Networks Revenue** in Relevant Year t;

$MASR_t$ means the **Maximum Allowed Supply Revenue** in Relevant Year t;

LF_{Et} means the electricity share of the Licence fee payable pursuant to Condition 8 in Relevant Year t; and

K_{Et} is the correction factor in Relevant Year t calculated in accordance with the following formula:

$$K_{Et} = (ARER_{t-1} - MAER_{t-1}) \times (1 + (\frac{i_t}{100}))$$

Where:

$ARER_{t-1}$ means the **Actual Regulated Electricity Revenue** in Relevant Year t-1;

$MAER_{t-1}$ means the **Maximum Allowed Electricity Revenue** in Relevant Year

² Modified on 1 January 2018

t-1; and

i_t means the Specified Rate save that when $ARER_{t-1}$ exceeds $MAER_{t-1}$ by more than 2 per cent, the Specified Rate plus 3 unless otherwise agreed by the Authority;

The **Maximum Allowed Generation Revenue (MAGR)** shall be calculated according to the following formula:

$$MAGR_t = G_t + Fuel_t + PC_t - PT_t$$

Where:

G_t means the Generation revenue in Relevant Year t calculated according to the formula in paragraph 1.1 below;

$Fuel_t$ means Fuel purchases (measured on an accruals basis) used for purpose of electricity Generation in Relevant Year t;

PC_t means amounts due (measured on an accruals basis) in respect of purchases of electricity in Relevant Year t; and

PT_t means the cost pertaining to the production of electricity used for the purpose of water Desalination in Relevant Year t;

The **Maximum Allowed Networks Revenue (MANR)** shall be calculated according to the following formula:

$$MANR_t = TD_t$$

Where:

TD_t means the Transmission and Distribution revenue in Relevant Year t calculated according to the formulae in paragraph 1.2 below; and

The **Maximum Allowed Supply Revenue (MASR)** shall be calculated according to the following formula:

$$MASR_t = SB_t + CS_t + CTC_t$$

SB_t means the Supply revenue in Relevant Year t calculated according to the formula in paragraph 1.3a below;

CS_t means the Customer Satisfaction Incentive Revenue in Relevant Year t calculated according to paragraph 1.4 below; and

CTC_t means expenditure to assist the introduction of a competitive retail electricity supply market in Relevant Year t, approved for recovery by the Authority.

1.1 The value of G_t in a Relevant Year shall be derived from the formula:

$$G_t = G_{t-1} \times (1 + CPI_t - X_{Gt})$$

Where:

G_t in the First Relevant Year is the Notified Value provided by the Authority. In subsequent Relevant Years the value of G_t shall be calculated in accordance to the formula in paragraph 1.1 above;

CPI_t in relation to a Relevant Year is the percentage change in the Omani Consumer Price Index in the twelve-month period ending on 30th June in the previous Relevant Year.

If, when complying with the requirements of paragraphs 12 and 13, the value of CPI_t for the relevant period is unavailable, the value of CPI_t shall be a forecast of the percentage change in the Omani Consumer Price Index for the twelve-month period ending on the 30th June in the previous Relevant Year agreed with the Authority.

X_{Gt} is the Notified Value provided by the Authority.

1.2 The value of TD_t in a Relevant Year shall be derived from the formula:

$$TD_t = a_t + (b_t * RUD_t) + (c_t * CA_t)$$

Where:

RUD_t means the Regulated Units Distributed in Relevant Year t;

CA_t means the number of Customer Accounts registered with the Licensee in Relevant Year t; and

a_t , b_t and c_t in the First Relevant Year are the Notified Values provided by the Authority. In subsequent Relevant Years a_t , b_t and c_t shall be calculated in accordance with the following formulae:

$$a_t = a_{t-1} \times (1 + CPI_t - X_{TDt})$$

$$b_t = b_{t-1} \times (1 + CPI_t - X_{TDt})$$

$$c_t = c_{t-1} \times (1 + CPI_t - X_{TDt})$$

Where:

CPI_t in relation to a Relevant Year is the percentage change in the Omani Consumer Price Index in the twelve-month period ending on 30th June in the previous Relevant Year.

If, when complying with the requirements of paragraphs 12 and 13, the value of CPI_t for the relevant period is unavailable, the value of CPI_t shall be a forecast of the percentage change in the Omani Consumer Price Index for the twelve-month period ending on the 30th June in the previous Relevant Year agreed with the Authority.

X_{TDt} is the Notified Value provided by the Authority.

1.3a The value of SB_t in a Relevant Year shall be derived from the following formula:

$$SB_t = d_t \times CA_t$$

Where:

d_t in the First Relevant Year is the Notified Value provided by the Authority. In subsequent Relevant Years d_t shall be calculated according to the formula in paragraph 1.3b below; and

CA_t means the number of Customer Accounts registered with the Licensee in Relevant Year t.

1.3b The value of d_t shall, after the First Relevant Year, be derived from the following formula:

$$d_t = d_{t-1} \times (1 + CPI_t - X_{St})$$

Where:

CPI_t in relation to a Relevant Year is the percentage change in the Omani Consumer Price Index in the twelve month period ending on 30th June in the previous Relevant Year.

If, when complying with the requirements of paragraphs 12 and 13, the value of CPI_t for the relevant period is unavailable, the value of CPI_t shall be a forecast of the percentage change in the Omani Consumer Price Index for the twelve month period ending on the 30th June in the previous Relevant Year agreed with the Authority.

X_{St} is the Notified Value provided by the Authority.

- 1.4 The value of CS_t in the First Relevant Year shall be equal to zero and in subsequent Relevant Years shall be derived from the following formula:

$$CS_t = (KS_t - 1) \times r_t \times MASR_{t-1} \times (1 / CAP_t)$$

Where:

r_t is a Notified Value in Relevant Year t provided by the Authority;

$MASR_{t-1}$ means the Maximum Allowed Supply Revenue in Relevant Year t-1;

CAP_t is a Notified Value provided by the Authority in Year t; and

KS_t is calculated in accordance with the following formulae:

$$KS_t = 1 + CAP_t \text{ if } (WS_{t-1} / TS_{t-1}) \geq (1 + CAP_t)$$

$$KS_t = 1 - CAP_t \text{ if } (WS_{t-1} / TS_{t-1}) \leq (1 - CAP_t)$$

$$KS_t = WS_{t-1} / TS_{t-1} \text{ if } (1 - CAP_t) < (WS_{t-1} / TS_{t-1}) < (1 + CAP_t)$$

Where:

WS_{t-1} means the Licensee's Weighted Key Performance Indicator Score in

Relevant Year t-1.

TS_{t-1} means the target key performance indicator score in Relevant Year t-1, a Notified Value provided by the Authority.

2- Regulated Revenue: Water

The Licensee shall, in setting its charges for the Bulk Supply of Desalinated water and in claiming its cost entitlement from the Water Department, use its best endeavours to secure that in any Relevant Year the **Actual Regulated Water Revenue (ARWR)** shall not exceed the **Maximum Allowed Water Revenue (MAWR)** calculated according to the following formula:

$$MAWR_t = DES_t + PT_t + LF_{Wt} - K_{Wt}$$

Where:

$MAWR_t$ means the **Maximum Allowed Water Revenue** in Relevant Year t;

DES_t means the Desalination revenue in Relevant Year t calculated according to the formulae in paragraph 2.1 below;

PT_t means the cost pertaining to the production of electricity used for the purpose of water Desalination in Relevant Year t;

LF_{Wt} means the Related Water share of the Licence fee payable pursuant to Condition 8 in Relevant Year t; and

K_{Wt} is the Related Water correction factor in Relevant Year t calculated in accordance with the following formula:

$$K_{Wt} = (ARWR_{t-1} - MAWR_{t-1}) \times (1 + (\frac{i_t}{100}))$$

Where:

$ARWR_{t-1}$ means the **Actual Regulated Water Revenue** in Relevant Year t-1;

$MAWR_{t-1}$ means the **Maximum Allowed Water Revenue** in Relevant Year t-1; and

i_t means the Specified Rate save that when $ARWR_{t-1}$ exceeds $MAWR_{t-1}$ by more than 2 per cent, the Specified Rate plus 3 unless otherwise

agreed by the Authority;

2.1 The value of DES_t in a Relevant Year shall be derived from the formula:

$$DES_t = e_t + f_t \times NWP_t$$

Where:

NWP means the Net Water Production in Relevant Year t, measured in litres; and

e_t and f_t in the First Relevant Year are the Notified Values provided by the Authority. In subsequent Relevant Years e_t and f_t shall be calculated in accordance with the following formulae:

$$e_t = e_{t-1} \times (1 + CPI_t - X_{pt})$$

$$f_t = f_{t-1} \times (1 + CPI_t - X_{pt})$$

Where:

CPI_t in relation to a Relevant Year is the percentage change in the Omani Consumer Price Index in the twelve-month period ending on 30th June in the previous Relevant Year.

If, when complying with the requirements of paragraphs 12 and 13, the value of CPI_t for the relevant period is unavailable, the value of CPI_t shall be a forecast of the percentage change in the Omani Consumer Price Index for the twelve-month period ending on the 30th June in the previous Relevant Year agreed with the Authority.

X_{pt} is the Notified Value provided by the Authority.

Restrictions on Electricity Charges

- 3- If, in respect of any Relevant Year, **Actual Regulated Electricity Revenue** exceeds the **Maximum Allowed Electricity Revenue** by more than 3 per cent the Licensee shall furnish an explanation to the Authority and shall not effect any increase in charges for the services, the revenue from which is regulated under this schedule, unless it has demonstrated to the reasonable satisfaction of the Authority that the revenue collected from the increased charges is not likely to exceed the **Maximum Allowed Electricity Revenue** in that next following Relevant Year.

- 4- If, in respect of any 2 successive Relevant Years, the sum of the amounts by which the **Actual Regulated Electricity Revenue** has exceeded the **Maximum Allowed Electricity Revenue** is more than 4 per cent of the **Maximum Allowed Electricity Revenue** for the second of these Relevant Years, then in the next following Relevant Year the Licensee shall, if required by the Authority, adjust its charges services, the revenue from which is regulated under this schedule, so that the revenue collected from these charges would not be likely, in the judgment of the Authority, to exceed the **Maximum Allowed Electricity Revenue** in that next following Relevant Year.
- 5- If, in respect of any 2 Relevant Years, the **Actual Regulated Electricity Revenue** collected is less than 90 per cent of the **Maximum Allowed Electricity Revenue**, the Authority, after consultation with the Licensee, may direct that in calculating K_{Et} in respect of the next following Relevant Year, there should be substituted for $ARER_{t-1}$ in the formula set out in paragraph 1 such figure as the Authority may specify being not less than $ARER_{t-1}$ and not more than $0.9*(MAER_{t-1})$.

Restrictions on Related Water Charges

- 6- If, in respect of any Relevant Year, **Actual Regulated Water Revenue** exceeds the **Maximum Allowed Water Revenue** by more than 3 per cent the Licensee shall furnish an explanation to the Authority and shall not effect any increase in charges for the services, the revenue from which is regulated under this schedule, unless it has demonstrated to the reasonable satisfaction of the Authority that the revenue collected from the increased charges is not likely to exceed the **Maximum Allowed Water Revenue** in that next following Relevant Year.
- 7- If, in respect of any 2 successive Relevant Years, the sum of the amounts by which the **Actual Regulated Water Revenue** has exceeded the **Maximum Allowed Water Revenue** is more than 4 per cent of the **Maximum Allowed Water Revenue** for the second of these Relevant Years, then in the next following Relevant Year the Licensee shall, if required by the Authority, adjust its charges services, the revenue from which is regulated under this schedule, so that the revenue collected from these charges would not be likely, in the judgment of the Authority, to exceed the **Maximum Allowed Water Revenue** in that next following Relevant Year.
- 8- If, in respect of any 2 Relevant Years, the **Actual Regulated Water Revenue** collected is less than 90 per cent of the **Maximum Allowed Water Revenue**, the Authority, after consultation with the Licensee, may direct that in calculating K_{Wt} in respect of the next following Relevant Year, there should be substituted for $ARWR_{t-1}$ in the formula set out in paragraph 2 such figure as the Authority may specify being not less than $ARWR_{t-1}$ and not more than $0.9*(MAWR_{t-1})$.

Provision of Information to the Authority

- 9- Where any change is intended to be made in charges for Electricity and/ or Related Water the Licensee shall 1 month prior to the date of publication of such changes provide the Authority with:
- a) written forecast of the **Actual Regulated Electricity Revenue and/or the Actual Regulated Water Revenue** expected in the Relevant Year t in which such change is to take effect and in respect of the next following Relevant Year t+1; and
 - b) a written estimate of the **Maximum Allowed Electricity Revenue and/or the Maximum Allowed Water Revenue**, together with its components, in respect of the Relevant Year t-1 immediately preceding the Relevant Year in which the change is to take effect unless a statement complying with paragraph 11 in respect of Relevant Year t-1 has been furnished by the Licensee to the Authority before the publication of the proposed change.
- 10- If within 3 months of the commencement of any Relevant Year t the Licensee has not made any such change in its charges as referred to in paragraphs 5 or 8 the Licensee shall provide the Authority with a written forecast of the **Maximum Allowed Electricity Revenue and the Maximum Allowed Water Revenue** together with their respective components in respect of the Relevant Year t.
- 11- Any forecast or estimate provided in accordance with paragraphs 9 or 10 shall be accompanied by such information as regards the assumptions underlying the forecast or any estimate as may be necessary, in the judgement of the Authority, to enable the Authority to be satisfied that the forecast or estimate has been properly prepared on a consistent basis.
- 12- Not later than 6 weeks after the commencement of each Relevant Year t, the Licensee shall send the Authority a statement as to:
- (a) whether or not the provisions of paragraphs 3, 4 and 5 regarding the Electricity charges and/or the provisions of paragraphs 6, 7 and 8 regarding the Related Water charges are likely to be applicable in consequence of revenues collected in the preceding Relevant Years (t-1 and t-2); and
 - (b) its best estimate as to the relevant correction factor K_{Et} calculated in accordance with the formula set out in paragraph 1 to be applied in calculating the **Maximum Allowed Electricity Revenue** in Relevant Year t.

- (c) its best estimate as to the relevant correction factor K_{Wt} calculated in accordance with the formula set out in paragraph 2 to be applied in calculating the **Maximum Allowed Water Revenue** in Relevant Year t.
- 13- Not later than 3 months after the end of each Relevant Year t the Licensee shall send to the Authority a written statement in respect of that Relevant Year showing the specified items referred to in paragraph 15.
- 14- The statements referred to in the preceding paragraph shall be:
- (a) accompanied by a report addressed to the Authority from the auditors referred to in Condition 17 that in their opinion such statements fairly represents each of the specified items in accordance with the requirement of this schedule and that the amounts shown in respect of each of the specified items are in accordance with the accounting records which have been maintained in accordance with Condition 17. The Authority may also require certain information of the specified items referred to in paragraph 15 or any information relating to or used for the calculation of these specified items to be subject to further audit by suitably qualified auditors as may be specified in directions issued by the Authority for the purposes of this schedule; and
- (b) certified by a director of the Licensee on behalf of the Licensee that, to the best of his or her knowledge, information and belief after having made all reasonable enquires, that the amounts included in its calculations under paragraph 15 have been prepared in accordance with the Licensee's statutory and Licence obligations.
- 15- The specified items to be shown in the statements referred to in paragraph 13 in respect of the Licensee's activities shall be the following:
- a. the **Actual Regulated Electricity Revenue** in Relevant Year t showing separately (i) electricity customer revenue, and (ii) electricity Subsidy,
 - b. the **Actual Regulated Water Revenue** in Relevant Year t;
 - c. the value of G_t as defined in paragraph 1 in Relevant Year t;
 - d. the value of TD_t as defined in paragraph 1 in Relevant Year t;
 - e. the value of SB_t as defined in paragraph 1 in Relevant Year t;
 - f. the value of CS_t as defined in paragraph 2 in Relevant Year t;
 - g. the value of CTC_t as defined in paragraph 2 in Relevant Year t

- h. the value of PT_t as defined in paragraph 1 in Relevant Year t;
- i. the value of $Fuel_t$ purchases as defined in paragraph 1 in Relevant Year t;
- j. the value of PC_t as defined in paragraph 1 in Relevant Year t
- k. the Regulated Units Distributed in Relevant Year t;
- l. the number of Customer Accounts registered with the Licensee in Relevant Year t;
- m. the value of a_t , b_t and c_t as defined in paragraph 1.2 in Relevant Year t;
- n. the value of d_t as defined in paragraph 1.3 in Relevant Year t;
- o. the value of DES_t as defined in paragraph 2.1 in Relevant Year t;
- p. the cost of Imports, and Export revenue in Relevant Year t; and
- q. such other items as shall be specified in directions issued by the Authority for the purposes of this schedule in Relevant Year t.

Duration of Charge Restriction Conditions

16- The charge restriction conditions in this schedule shall apply so long as this Licence continues in force but shall cease to have effect (in whole or in part as the case may be) if the Licensee delivers to the Authority a disapplication request made in accordance with paragraph 17 and:

- (a) the Authority agrees in writing to the disapplication request; or
- (b) their application (in whole or in part) is terminated by notice given by the Licensee in accordance with either paragraph 17 or 18.

17- A disapplication request shall:

- a) be in writing addressed to the Authority;
- b) specify the charge restrictions (or any part thereof) to which the request relates; and

- c) state the date from which the Licensee wishes the Authority to agree that the specified charge restriction conditions shall cease to have effect, and the date upon which such charge restriction conditions shall cease to have effect shall be the 'disapplication date' provided that, save where the Authority agrees otherwise, the disapplication date shall not be earlier than the date occurring 18 months after the delivery of the disapplication request.
- 18- If the Authority has not proposed a Modification of the charge restriction conditions or has not issued a decision in writing rejecting the disapplication request before the beginning of the period of 6 months which will end with the disapplication date, the Licensee may deliver written notice to the Authority terminating the application of such of the charge restriction conditions as are specified in the disapplication request with effect from the disapplication date or a later date.
- 19- Nothing in paragraphs 16 to 18 above shall be taken to imply any limitation to or restriction of the Authority's power to modify this Licence in accordance with Article (109) of the Sector Law.

Definitions

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

"Actual Regulated Electricity Revenue (ARER_t)"

means the revenue recovered through charges for the provision of Generation, Transmission, Distribution System Services and the Supply of electricity to Premises, Subsidy received from Government, and any other revenue items stipulated by the Authority measured on an accruals basis;

"Actual Regulated Water Revenue (ARWR_t)"

means the revenue recovered through charges for the provision of charges for the Bulk Supply of Desalinated Water and in claiming its cost entitlement from the Water Department, and any other revenue items stipulated by the Authority measured on an accruals basis;

"Customer Accounts (CA_t)"

means the number of customer accounts registered with the Licensee;

"Customer Satisfaction Incentive Revenue (CS_t)"

means the revenue corresponding to the Licensee's Weighted Key Performance Indicator Score (WS_{t-1}) relative to the target key performance indicator score (given by the Notified Value TS_{t-1});

"Distribution System Services"

means all services provided pursuant to the Licensed Activities listed in Paragraph 4(d) of Part I of this Licence and, in respect of International Interconnections of less than 132kV 4(g), of Part 1 of this Licence and the Sector Law;

"First Relevant Year"

means the Relevant Year beginning on 1 May 2018 ending on 31 December 2018;

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

"Maximum Allowed Electricity Revenue (MAER_t)"

means the revenue allowed in relation to the Licensee's direct costs of providing the Licensed Activities listed in Paragraph 4(a), 4(c), 4(d), 4(e), 4(f) of Part I of this Licence and, in respect of International Interconnections of less than 132kV 4(g), of Part 1 of this Licence and the Sector Law. Such costs shall include the cost of Imports, and shall take account of Export revenue and any other revenue items stipulated by the Authority, the revenue from which is regulated under this schedule;

"Maximum Allowed Generation Revenue (MAGR_t)"

means the revenue allowed in relation to the Licensee's direct costs of providing the Licensed Activities listed in Paragraph 4(a) of Part I of this Licence;

"Maximum Allowed Networks Revenue (MANR_t)"

means the revenue allowed in relation to the Licensee's direct costs of providing the Licensed Activities listed in Paragraph 4(c), 4(d) and 4(f) of Part I of this Licence;

"Maximum Allowed Supply Revenue (MASR_t)"

means the revenue allowed in relation to the Licensee's direct costs of providing the Licensed Activities listed in Paragraph 4(e) of Part I of this Licence;

"Maximum Allowed Water Revenue (MAWR_t)"

means the revenue allowed in relation to the Licensee's direct costs of providing the Licensed Activity listed in Paragraph 4(b) of Part I of this Licence and any other revenue items stipulated by the Authority, the revenue

from which is regulated under this schedule;

- "Metered"** means in relation to any quantity, as measured by a meter installed for such purpose pursuant to the RAEC Metering and Data Exchange Code or (where no such meter is installed) as otherwise reasonably calculated;
- "Monthly Statistical Bulletin"** means the Monthly Statistical Bulletin published by the National Centre for Statistics and Information;
- "National Centre for Statistics and Information"** means the centre established pursuant to Royal Decree No. 31/2012;
- "Net Water Production (NWP)"** means the quantities of Desalinated water delivered to the buyer metered in accordance with the WPA;
- "Notified Value"** means, in relation to any term, such value as shall be first ascribed to that term in a written notice given to the Licensee by the Authority as soon as practicable after the date of grant of this Licence or as revised in a written notice given to the Licensee by the Authority;

"Omani Consumer Price Index"

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

1. Foods and non-alcoholic beverages
2. Tobacco
3. Clothing & Footwear
5. Furnishings, household equipment and routine household maintenance
6. Health
7. Transport
8. Communication
9. Recreation and Culture
10. Education
11. Restaurants and Hotels
12. Miscellaneous goods and services

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

"Regulated Units Distributed"

means the aggregate quantity of electricity units distributed through RAEC Systems of less than 132kV in that Relevant Year Metered at exit points on leaving the relevant RAEC Systems or (where no such meter is installed) as otherwise reasonably calculated;

"Relevant Year"

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

"Relevant Year t"

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

"Relevant Year t-1"

means the Relevant Year preceding Relevant Year t or, in respect of the First Relevant Year, the period of 12 calendar months commencing on 1 January 2017; and similar expressions shall be construed accordingly;

"Specified Rate"

means in respect of Relevant Year t the average of the Weighted Average Interest Rates on Deposits (Total Deposits All Sectors: Rial Omani) published in the Monthly Statistical Bulletin of the Central Bank of Oman (or such other banks as the Authority shall specify from

time to time) during Relevant Year t-1;

"Unit Distributed"

means a kilowatt-hour; and

"Weighted Key

Performance

Indicator Score

(WS_{t-1})"

means the Licensee's composite customer key performance indicator score calculated based on the Licensee's audited performance against the Notified Values for the customer key performance indicators in Relevant Year t-1 provided by the Authority.

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

Schedule 3: Import & Export Contracts

IMPORTS

N ^o	Contract or arrangement				Maximum Capacity (or units) purchased	Details of International Interconnection
	Date	Counterparty	Expiry Date	Maximum Import		

EXPORTS

N ^o	Contract or arrangement				Maximum Capacity (or units) sold	Details of International Interconnection
	Date	Counterparty	Expiry Date	Maximum Export		