

SULTANATE OF OMAN



هيئة تنظيم الكهرباء - عمان
AUTHORITY FOR ELECTRICITY REGULATION, OMAN

DISTRIBUTION AND SUPPLY LICENCE

GRANTED TO

Mazoon Electricity Company S.A.O.C

GRANTED ON: 1 May 2005

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PART I TERMS OF THE LICENCE

1. Grant of the Licence

The Authority for Electricity Regulation, Oman (hereinafter referred to as "the Authority"), in exercise of the powers conferred by Article (2) of the Law for the Regulation and Privatisation of the Electricity and Related Water Sector (hereinafter referred to as the "Sector Law") promulgated by Royal Decree 78/2004, hereby grants to **Mazoon 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, III and IV (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 26.

3. Licence Term

This Licence shall come into force on **1 May 2005** and, unless terminated in accordance with the provisions of Condition 26, 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 Activities

This Licence authorises the Licensee to undertake the following Regulated Activities:

- (a) to Distribute electricity and to finance, develop, own and/or operate and maintain its Distribution System in order to do so;
- (b) to Supply electricity to Premises;
- (c) to the extent permitted by the Sector Law and this Licence, to design, own, operate and maintain International Interconnections;
- (d) to acquire certain assets and businesses of the Rural Areas Electricity Company SAOC in accordance with Article (88) of the Sector Law and this Licence; and
- (e) to carry out any other functions assigned to it by the Sector Law,

in each case, within the Authorised Area.

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;
"Agency Contract"	means a contract between a Licensed Supplier and an Autogenerator, entered into in accordance with Article (91)(d) of the Sector Law and Condition 40 of this Licence for the purchase by the PWP of Output;
"Authorised Area"	means the geographical area determined in this Licence within which the Licensee is authorised to undertake the Licensed Activities pursuant to the Sector Law ;
"Autogenerator"	means a Person who generates electricity primarily for the purposes of Self-Supply;
"Bulk Supply Agreement"	means an agreement for (1) the Bulk Supply of electricity made between the PWP and a Licensed Supplier; or (2) the Bulk Supply of Desalinated water made between the PWP and a Water Department;
"Bulk Supply Tariff"	means the consideration charged by the Oman Power and Water Procurement Company for the Bulk Supply of electricity, or the tariffs charged by each of the Rural Areas Electricity Company and the Oman Power and Water Procurement Company for the Bulk Supply of Desalinated water, which shall be calculated in respect of each calendar year on the basis prescribed by the Authority and be provided for in the Licence granted to any of such companies;
"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"	any unit of the State Administrative Apparatus, and what is considered as such, and the branches and divisions related thereto, which have been assigned with any jurisdiction pursuant to this License;
"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 Transmission System or a Distribution System other than a Distribution System or a Transmission System owned or operated by the Rural Areas Electricity Company SAOC and "Connect" and "Connection" shall be construed accordingly;
"Connection Agreement"	means an agreement between any Person and a Licensed Transmission System Operator and/or a Licensed Distribution System Operator for the Connection of that Person's System or Premises;
"Customer"	means a Person who is Supplied with electricity at Premises for consumption at those Premises;
"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): <ul style="list-style-type: none"> (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;

"Desalination"

means the production of demineralised and / 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 (1) Licensed Generators and/or Licensed Generators/Desalinators as to the operation or cessation of operation of their Production Facilities and (2) 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, which code shall be subject to the approval of the Authority, shall prescribe standard technical rules to be observed for the Connection to, use and operation of that Licensed Distribution System Operator's System, and rules for the maintenance and development of the that System;

"Distribution Code Review Panel" means a panel to be established in accordance with the Distribution Code, which panel shall (1) include representatives of Licence Holders and other Persons who are a party to the Distribution Code and (2) have the functions assigned to it in the Distribution Code, including those referred to in Condition 4;

"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 installations, equipment or appliances used for the Generation, Transmission, Dispatch, Distribution or Supply of electricity, or for purposes connected with the above, other than a meter used for identifying the quantity of electricity Supplied to Premises, or any electrical appliance under the control of a Customer;
"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 and Desalination Licence"	means an authorization to undertake the activity of electricity Generation combined or co-located with the Desalination of water at the same location;
"Generation Licence"	means a Licence to Generate electricity and to operate Production Facilities;
"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, which code shall be subject to the approval of the Authority, shall prescribe standard technical rules to be adhered

	to for the Connection to, use and operation of its Transmission System and for Dispatch, and rules for the maintenance and development of that Transmission System and certain associated matters in relation to the Total System;
"Imported"	means, in relation to electricity, electricity which is Generated outside 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 Generator"	means a Person who is the holder of a Generation Licence;
"Licensed Generator/Desalinator"	means a Person who is the holder of a Generation and Desalination Licence;
"Licensed Transmission System Operator"	means a Person who is the holder of a Transmission Licence;

"Licensee"	has the meaning given in paragraph 1 of Part I;
"Metering and Data Exchange Code"	means the code of that name, forming part of a Grid Code, as the same may be revised from time to time with the approval of the Authority;
"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;
"Oman Electrical Standards"	means the standards issued by the Ministry of Housing, Electricity and Water and the standards approved, reviewed and modified from time to time by electricity regulations made in accordance with Article (38) and Article (39) of the Sector Law, in relation to the safety of equipment and electrical Systems and procedures associated with the operation of electrical Systems;
"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 Distribution System or a Transmission 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;
"PWP"	means the Oman Power and Water Procurement Company SAOC referred to in

	Article (66) of the Sector Law, having the functions assigned to it under the Sector Law;
"Premises"	means any land, building or structure occupied or used by a Person;
"Production Facility"	means installations used for the Generation of electricity or the Generation of electricity combined or co-located with the Desalination of water in the same site, including all associated Electric Lines, Electric Plant and Water Equipment;
"Regulatory Accounting Guidelines"	means guidelines issued by the Authority from time to time in connection with the preparation of regulatory accounts;
"Regulated Activity"	means each of 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 sector and which is regulated by the Sector Law;
"Rural Areas Electricity Company SAOC"	means the Rural Areas Electricity Company SAOC 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 identified as such from time to time by notice of the Authority;
"Supply"	means the supply of electricity to any Premises;
"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"	The Authority for Electricity Regulation, Oman, being the Authority established pursuant to Article (19) of the Sector Law;
"Total System"	means the entire interconnected electricity Systems in the Sultanate of Oman of Licence Holders including all Production Facilities and all Distribution Systems and Transmission Systems, as the same may be developed or modified from time to time and includes any such System which interconnects with any System which is 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 the transport of electricity by means of a Transmission System;
"Transmission Licence"	means a Licence to Transmit electricity;
"Transmission System"	means lines and electrical installations, with voltage equal to or greater than 132kV used for transporting electricity from a Production Facility to sub-stations, or from Production Facilities to other Production Facilities, or from sub-stations to other sub-stations, or to or from any Interconnector, Premises, or Distribution System and any Electric Plant used for the purposes of Dispatch;
"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 installations, water mains, and other water installations forming 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 owned by the Ministry of Finance or the Electricity Holding Company SAOC or by other nominees of the Government or by any entity 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;
- (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; and
- (d) terms used in this Licence shall, unless the context otherwise admits, have the same meaning as ascribed to them in the Sector Law.

PART II : GENERAL CONDITIONS

Condition 1: General

1. The Conditions set out in Part II of this Licence shall apply to both the Distribution Business and the Supply Business.

Condition 2: Prohibited activities and cross-ownership

1. The Licensee shall not, and shall procure that any Affiliate of the Licensee shall not, on its own account (or that of the Licensee or of any Affiliate of the Licensee, as the case may be):

- (a) engage in the Generation of electricity;
- (b) engage in the Desalination of Water;
- (c) save as provided in the Sector Law, purchase or otherwise acquire electricity for the purpose of sale or other disposition to third parties from any Person other than the PWP pursuant to the terms of a Bulk Supply Agreement, and the applicable Bulk Supply Tariff;
- (d) purchase or otherwise acquire Desalinated water from Licensed Generators/Desalinators for the purpose of sale or other disposition to third parties;
- (e) engage in the Transmission or Dispatch of electricity; and
- (f) without the consent in writing of the Authority, hold any economic interest, whether direct or indirect, in any other Person who undertakes a Regulated Activity,

in each case, in the Sultanate of Oman and, unless the Authority gives its prior consent thereto, in any other country which has a System which is Interconnected with the Total System, provided that, neither the Government nor any entity which is Wholly-owned by the Government shall be treated as an Affiliate of the Licensee for the purposes of this Condition 2

2. The Licensee shall not, without the prior written consent of the Authority, carry on any activities other than the Licensed Activities or those other activities necessarily ancillary thereto. The operation of emergency Generation equipment for the purposes of voltage support or other Distribution System requirements shall be treated, for the purposes of this Condition 2, as activities which are necessarily ancillary to the Licensed Activities and the Licensee shall undertake such activities in accordance with such rules, including as to the maximum capacity of such equipment, as may be prescribed by the Authority from time to time.
3. The Licensee shall, in carrying out the Licensed Activities, comply at all times with the Sector Law.

Condition 3: Compliance with the Grid Code

1. The Licensee shall become and remain a party to and shall comply with the provisions of the Grid Code.
2. The Authority may (following consultation with any relevant Licensed Transmission System Operator and such other Licence Holders and other third parties (including Exemption Holders) as the Authority shall consider appropriate) issue directions relieving the Licensee of its obligation under paragraph 1 in respect of such parts of the Grid Code and to such extent as may be specified in those directions.

Condition 4: Implementation of and Compliance with the Distribution Code

1. The Licensee shall:
 - (a) become and remain a party to the Distribution Code;
 - (b) comply with the provisions of the Distribution Code; and
 - (c) co-operate with other Licensed Distribution System Operators in the maintenance and development of the Distribution Code.
2. The Distribution Code shall:
 - (a) cover all material technical aspects relating to connections to and the operation and use of the Licensee's Distribution System or (insofar as the same is relevant to the operation and use of the Licensee's Distribution System), the operation of Electric Lines and Electric Plant Connected to the Licensee's Distribution System or any Transmission System and (without prejudice to the foregoing) make express provision as to matters referred to in paragraph 9 below; and
 - (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;
 - (ii) subject to (i), to promote the security and efficiency of the Licensee's System and any System Connected to it; and
 - (iii) to facilitate competition in the Generation of electricity and the combined or co-located Generation of electricity and Desalination of water at Connected Production Facilities.
3. The Distribution Code and any amendments to it shall require to be approved by the Authority.
4. 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, periodically review (including at the request of the Authority) the Distribution Code. Following any such review, the Licensee shall send to the Authority:
 - (a) a report on the outcome of such review;
 - (b) any proposed Modifications to the Distribution 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 in paragraph 2; and
 - (c) any written representations or objections from any consultees arising during the consultation process, including any Modifications to the Distribution Code

proposed by consultees and not accepted by the Licensee and which have not been withdrawn.

5. Revisions to the Distribution Code proposed by the Licensee and sent to the Authority pursuant to paragraph 4 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(c) and, following such further consultation (if any) as the Authority may consider appropriate, the Authority may issue directions requiring specific changes to the Distribution Code and/or requiring the revision of the Distribution Code in such manner as may be specified in those directions and the Licensee shall comply forthwith with any such directions.
7. The Licensee shall, subject to paragraph 8, give or send a copy of the approved Distribution Code (and any revisions thereto) developed and implemented pursuant to this Condition to any Person requesting the same.
8. The Licensee may make a charge for any copy of the Distribution Code given or sent pursuant to paragraph 7 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 Distribution Code shall include:
 - (a) a distribution planning code and a connection code containing:
 - (i) 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 Distribution System; or
 - (ii) planning conditions specifying the technical and design criteria and procedures to be applied by the Licensee in the planning and development of the Licensee's Distribution System and to be taken into account by Persons Connected or seeking Connection to the Licensee's Distribution System in the planning and development of their own Production Facilities or Systems, as appropriate;
 - (b) distribution operating codes specifying the conditions under which the Licensee shall operate the Licensee's Distribution System and in accordance with which Persons shall operate their Production Facilities and/or Systems in relation to the Licensee's Distribution System, insofar as necessary to protect the security and quality of supply and safe operation of the Licensee's Distribution System under both normal and abnormal operating conditions; and
 - (c) procedures for International Interconnections.

10. The Authority may (following consultation with the Licensee) issue directions relieving the Licensee of its obligations to implement or comply with a Distribution Code in respect of such parts of the Licensee's Distribution System and/or to such extent as may be specified in any such directions.
11. The Licensee shall keep and maintain such records concerning its implementation of and compliance with the Distribution Code and all Modifications made thereto and the Licensee shall furnish to the Authority such records (or such of those records as the Authority may require) in such manner and at such times as the Authority may require.
12. The Distribution Code shall include provisions for the establishment and operation of the Distribution Code Review Panel whose role shall include:
 - (a) the periodic review of the Distribution Code;
 - (b) making proposals to amend the Distribution Code;
 - (c) the review of certain Oman Electrical Standards;
 - (d) participation in the determination of which contractors should be approved to work on the Distribution System; and
 - (e) participation in the approval of equipment that may be used on or form part of the Distribution System.

Condition 5: Language 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 6: Metering

1. The Licensee shall comply with the metering requirements specified in the Metering and Data Exchange 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 7: 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 Competent Authorities.
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 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 policy, promptly send to the Authority a copy of the 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 policy and use reasonable endeavours to operate the management arrangements effectively.

Condition 8: Disposal of assets

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, 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, 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, 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 9: Provision of information to the Authority

1. 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, the Authority may call for the furnishing of accounting information which is more extensive than, or differs from, that required to be prepared and supplied to the Authority under Condition 14.
3. In this Condition, "information" shall include any documents, accounts, estimates, returns or reports (whether or not prepared specifically at the request of the Authority) of any description and in any format specified by the Authority.

Condition 10: Co-operation with and provision of information to Licensed Transmission System Operators and other Licensed Distribution System Operators

1. The Licensee shall furnish to any Licensed Transmission System Operator and/or other Licensed Distribution System Operator 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 Licensed Transmission System Operator or Licensed Distribution System Operator, as appropriate, 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 Licensed Transmission System Operator and/or any other Licensed Distribution System Operator in performing its functions under the Sector Law and this Licence so as to enable any such Licensed Transmission System Operator and/or Licensed Distribution System Operator to perform its functions under the Sector Law and its Licence.

Condition 11: Co-operation with and provision of information to PWP

The Licensee shall furnish to the PWP, in such manner and at such times as the Authority may direct, such information as the Authority may consider necessary to enable the PWP to perform the functions assigned to it under the Sector Law or its Licence.

Condition 12: Co-operation with and provision of information to Rural Areas Electricity Company SAOC

1. The Licensee shall furnish to the Rural Areas Electricity Company SAOC, in such manner and at such times as the Authority may direct, such information as the Authority may consider necessary to enable the Rural Areas Electricity Company SAOC 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 the Rural Areas Electricity Company SAOC in performing its functions under the Sector Law and this Licence so as to enable the Rural Areas Electricity Company SAOC to perform its functions under the Sector Law and its Licence.
3. Without prejudice to the provisions of paragraphs 1 and 2, the Licensee shall:
 - (a) provide to the Rural Areas Electricity Company SAOC, at such times and in such manner as the Authority shall direct, information on existing and/or potential future opportunities to interconnect the Licensee's System with a Rural Areas Electricity Company SAOC System; and
 - (b) co-operate with the Rural Areas Electricity Company SAOC in assessing actual interconnection opportunities and opportunities to make new Connections.

Condition 13: 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 in each Relevant Year 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 14: Accounts for Separate Businesses and regulatory accounts

1. This Condition shall apply to each Separate Business 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 which enable:
 - (a) separate accounts to be prepared for each Separate Business showing the financial affairs of each such Separate Business; and
 - (b) those accounts to be prepared in accordance with accounting standards approved from time to time by the Authority.

2. 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, assets, liabilities, reserves and provisions of, or reasonably attributable to, each Separate Business are separately identifiable in the books of the Licensee (and any Affiliate) from those of any other business; and
 - (ii) such other accounting records in respect of such Distribution Business and Supply Business as may be required by the Authority;
 - (b) prepare on a consistent basis from such accounting records in respect of:
 - (i) each financial year, 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, 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, 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); and
 - (ii) the accounting statements referred to in paragraph 2 (b)(i),
- 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) and the auditor's report referred to in paragraph (c).
3. (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 2(b)(i) 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 appointment 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.
 4. Accounting statements in respect of a financial year prepared under paragraph 2(b)(i) 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 and provided with the annual accounts of the Licensee.
 5. 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 15: Prohibition of cross-subsidies

The Licensee shall procure that neither the Distribution Business nor the Supply Business shall give any direct or indirect cross-subsidy to, nor receive any direct or indirect cross-subsidy from, each other or any other business of the Licensee or the business of any Affiliate.

Condition 16: Insurance against third party liability

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.
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 17: Environmental matters

1. The Licensee shall, taking due account of the 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 18: Regulations

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

Condition 19: 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 20: Guaranteed and overall standards of performance

1. The Licensee shall conduct the Supply Business and the Distribution Business in the manner that it reasonably considers appropriate to achieve the guaranteed and overall standards of performance proposed by the Licensee and approved by the Authority from time to time.
2. Within 3 months of the grant of this Licence, the Licensee shall prepare and submit to the Authority for its approval, and thereafter adhere to the approved performance scheme which 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) are not complied with.
3. The Licensee shall implement the approved standards and quality of service 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 standards, quality of service 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 it to provide 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 31.

Condition 21: Economic Purchase

1. The Licensee shall do such things as are necessary to ensure that all goods, assets and services which are purchased by it or are otherwise acquired by it are purchased or otherwise acquired and managed on an Economic Purchase basis.
2. Any contracts or arrangements for the purchase of goods, assets and services from an Affiliate shall be on an arm's length basis.
3. For the purposes of this Condition 21, "an arm's length basis" means a basis on which a Person would, in the normal course of business, do business with an entity which is not an Affiliate of that Person.

Condition 22: 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 23: 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.

Condition 24: Customer complaint handling procedures

1. The Licensee shall, within 3 months of the grant of this Licence, establish and thereafter adhere to procedures for handling complaints from Customers about the manner in which the Licensee conducts the Distribution Business and/or the Supply Business.
2. The Licensee shall, whenever requested to do so by the Authority, review the procedures established in accordance with paragraph 1, and the manner in which the procedures have been operated, with a view to determining whether any Modification should be made to the procedures or to the manner of their operation.
3. In establishing procedures in accordance with paragraph 1, and in carrying out any review (including in accordance with paragraph 2), the Licensee shall consult with all, or a representative sample (approved by the Authority) of, Persons likely to be affected thereby, including Customers Supplied with electricity by the Licensee. The Licensee shall have regard to any representations made about the procedures or the manner in which they are likely to be or have been operated.
4. Any procedure established in accordance with this Condition shall specify the periods within which it is intended that different descriptions of complaints should be processed and resolved.
5. The Licensee shall submit the procedures established in accordance with paragraph 1, and any revision of them which (after consultation in accordance with paragraph 3) is proposed to be made, to the Authority for its approval.
6. The Licensee shall:
 - (a) send a copy of the procedures and any revision of them (in each case, after it has been approved by the Authority) to the Authority;
 - (b) make a copy of the procedures (as from time to time revised) available for inspection by members of the public; and
 - (c) give or send free of charge a copy of the procedures (as from time to time revised) to any Person who requests them.

Condition 25: Co-ordination of Separate Businesses

1. The Licensee shall, within 3 months of the grant of this Licence propose to the Authority, for its approval, procedures to ensure that:
 - (a) the activities of the Distribution Business and the activities of Supply Business are co-ordinated such that any Persons dealing with both businesses are, in so far as reasonably possible, able to deal with both businesses via one point of contact only; and
 - (b) any Persons wishing to obtain both a Connection and a Supply from the Licensee shall, in so far as reasonably practicable, be able to enter into one agreement with the Licensee which deals with both the Connection and the Supply terms.
2. The Licensee shall implement such procedures as are approved by the Authority for achieving the objectives referred to at paragraph 1(a) and 1(b) and shall review and, as appropriate, modify those procedures as directed by the Authority.

Condition 26: Revocation

1. The Authority may, at any time, revoke this Licence by not less than 30 days' 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 carry on 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 13 of this Licence is unpaid for a period of 30 days after the date 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;
 - (h) if the Licensee suffers a change in the 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
 - (i) if it is found that the issue of this Licence was based on inaccurate and/or incorrect information provided by the Licensee and the Licensee has been convicted of such an offence in respect of the provision of such inaccurate or incorrect information pursuant to Article (132) (b) of the Sector Law.
2. For the purpose of paragraph 1(h), 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.

PART III: DISTRIBUTION CONDITIONS

Condition 27: General

The Conditions stipulated in Part III of this Licence shall apply to the Licensee's Distribution functions only.

Condition 28: Duty to offer terms for Connection to the Licensee's System

1. On application made by any Person, the Licensee shall (subject to paragraph 5) offer to enter into an agreement for Connection to the Licensee's Distribution System 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 the Licensee's Distribution System to any other System (whether at any Production Facilities or elsewhere) for the 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 the Licensee's Distribution System 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 the Licensee's Distribution System at the specified entry point or points or leaving such System at the specified exit point or points;
 - (d) the date by which any works required to permit access to the Licensee's Distribution System (including for this purpose any works to reinforce or extend the Licensee's Distribution System) 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 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 Distribution System or the provision of additional entry or exit points on such System 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 effect 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 Distribution Code or the Grid 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 Distribution Code or the Grid 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 (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 29: Duty to offer terms for use of the Licensee's System

1. On application made by the PWP, in the case of Exports and/or Imports, or any other Person in all other cases, the Licensee shall (subject to paragraph 3) offer to enter into an agreement for use of System:
 - (a) to accept into the Licensee's Distribution System 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 Distribution losses) at such exit point or points on the Licensee's Distribution System 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 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 Grid Code or the Distribution Code; or
 - (iv) in breach of the Conditions; or
 - (b) the applicant does not undertake to be bound insofar as applicable by the terms of the Distribution Code and the Grid Code from time to time in force.
4. Without prejudice 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 (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 30: Charges for Connection to and use of the Licensee's System

Connection Charges

1. The Licensee shall charge only Permitted Tariffs or Cost Reflective Tariffs for Connections to its System 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 a statement in relation to the Licensee's Distribution System in a form approved by the Authority, setting out the basis upon which the charges for each of:
 - (i) Connection to the Licensee's System; and
 - (ii) use of the Licensee's System,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) 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 (a)(i) and (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; 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 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 Distribution System 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 Distribution System 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, 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 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 31: Security standards and efficient and economic System

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 Distribution System 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 its Distribution System security and availability 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 Distribution System, 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 Distribution System mains (excluding service cables);
 - (g) technical and non-technical losses; 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.
4. The Licensee shall:
 - (a) plan and develop its Distribution System in accordance with the approved Distribution System security standards, the Distribution Code and the Grid Code and such other standards of planning as the Licensee may, following consultation (where appropriate) with any Licensed Transmission System Operator or Licensed Distribution System Operator liable to be materially affected thereby and with the approval of the Authority, adopt from time to time; and

- (b) operate and maintain a safe, efficient and economic Distribution System in accordance with the security standards prepared pursuant to paragraph 1 and the Grid Code and such other standards of operation and maintenance as the Licensee may, following consultation (where appropriate) with any Licensed Transmission System Operator or Licensed Distribution System Operator liable to be materially affected thereby and with the approval of the Authority, adopt from time to time.
5. The Distribution System security standard shall, in respect of each of the criteria establishment pursuant to paragraph 2, be such standard as shall be approved by the Authority. The Authority shall, subject to its giving the Licensee sufficient prior written notice thereof, be entitled to modify the Distribution System security standard 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 its Distribution System security and availability and quality of service may be measured.
7. The Authority may (following consultation with the Licensee and, where appropriate, any relevant Licensed Operator) issue directions relieving the Licensee of its obligations under paragraph 1 in respect of such parts of the Licensee's Distribution System and to such extent as may be specified in the directions.

Condition 32: Distribution System 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 part of its Distribution System and fault levels for each transmission node, together with:
 - (a) information on the status of distribution circuit capacity and the anticipated future requirements of such capacity, including (i) applications for new Connections; and (ii) applications to Connect Generation capacity to its Systems;
 - (b) a commentary prepared by the Licensee indicating the Licensee's views as to those parts of its Distribution System most suited to new Connections and Distribution of further quantities of electricity, including the prospective for Connection of Systems operated by the Rural Areas Electricity Company SAOC;
 - (c) information on what constraints are foreseen on the Licensee's Distribution System and where;
 - (d) information relating to progress of ongoing investment in its Distribution System;
 - (e) such further information as shall be reasonably necessary to enable any Person seeking to Connect to or use the Licensee's Distribution System to identify and evaluate the opportunities for so doing;
 - (f) an assessment of technical losses from the Licensee's Distribution System; 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 parts of its Distribution System 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 that the Licensee may with the prior consent of the Authority omit from any such statement any details as to the capacity, flows, loading or other information, disclosure of which would, in the view of the Authority, seriously and prejudicially affect the commercial interests of the Licensee or any third party.
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 Distribution Code.
5. The Licensee shall send a copy of the statement prepared in accordance with paragraph 1 and of each revision of such statement in accordance with paragraph 3 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 6, 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 4 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 33: International Interconnections

1. If the Licensee proposes to:
 - (a) enter into a new contract or arrangement for the Interconnection of its System 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 its System 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 PWP 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 Total System, 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 Total System; 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
- (iii) 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, the Licensee shall only effect 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:
- (a) the Licensee shall have 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 Distribution Code and/or Grid 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) the Licensee shall have 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 of 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) 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.

Condition 34: Acquisition of Rural Areas Electricity Company SAOC assets

The Licensee shall acquire such of the assets of the Rural Areas Electricity Company SAOC, 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 35: Register of Customer Connections

1. The Licensee shall maintain an accurate register of all Premises which are Connected to its System 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 44.

PART IV: SUPPLY CONDITIONS

Condition 36: General

The Conditions set out in Part IV of this Licence shall apply to the Licensee's Supply functions only.

Condition 37: Demand Forecasts and Customer research

1. The Licensee shall cooperate with Licensed Operators in researching the demand for electricity, including:
 - (a) the characteristics of the demand for electricity of different classes of Customers, including:
 - (i) the relationship between the maximum demand of such Customers and the maximum demand of Customers as a whole;
 - (ii) the factors affecting the growth in demand of such Customers;
 - (iii) the profile of demand of such Customers over the course of representative days, over the course of weeks and over the course of a year and during certain periods (such as during National Day celebrations and the Holy month of Ramadan);
 - (iv) the response of the demand of such Customers to such factors as temperature, humidity and daylight hours; and
 - (v) the response of the demand of such Customers to changes in the price of electricity;
 - (b) the factors which affect the growth of demand as a whole, including:
 - (i) economic and demographic trends;
 - (ii) industrial policy;
 - (iii) social policy; and
 - (iv) changes in land use; and
 - (c) such other matters as the Authority may require.
2. Where the Licensee is required, by a Condition of this Licence or of the Grid Code or Distribution Code, to make a forecast of the demand for electricity, it shall endeavour to ensure that such forecast is accurate and unbiased.
3. When, and in the manner, required by the Authority, the Licensee shall report on the results of its research into the items referred to in paragraph (1) of this Condition.

Condition 38: 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 44. 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 Modification which may be made to such terms and conditions, or any of them, shall require the approval of the Authority.
3. 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 a Cost Reflective Tariff or a Permitted Tariff as specified in regulations issued in accordance with Article (9) of the Sector Law.

Condition 39: Tariffs for Electricity Supply

Supply Tariffs

1. The Licensee shall charge Customers a Permitted Tariff or a Cost Reflective Tariff for a Supply of electricity and shall otherwise comply with regulations made under Article (9) of the Sector Law.

Statement of Permitted Tariffs and Cost Reflective 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 Permitted Tariffs and Cost Reflective Tariffs for Supply.
5. 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 40: Agency Contracts

1. Subject to paragraph 6, the Licensee shall enter into Agency Contracts as the agent of the PWP, with Autogenerators who:
 - (a) own or operate Systems which are Connected to the Licensee's System;
 - (b) have, in the relevant Connection Agreement, a maximum export capability of 25MW or less and who wish to sell electricity Output of amounts not exceeding 32,850MWh per annum or such other amount as shall be specified for these purposes in directions issued by the Authority from time to time; and
 - (c) are prepared to accept standard terms and conditions developed under paragraph 2.
2. The Licensee shall co-operate with the PWP in developing the standard terms and conditions, including as to price, to be included in all Agency Contracts. In the event that the Licensee and the PWP are unable to agree on any or all of the standard terms and conditions for Agency Contracts, the matters which are in dispute shall be referred to the Authority for determination.
3. The standard terms and conditions for Agency Contracts agreed between the Licensee and the PWP as provided at paragraph 2 above shall be:
 - (a) subject to the approval of the Authority;
 - (b) reviewed and modified by the Licensee in accordance with the directions issued from time to time by the Authority; and
 - (c) consistent with the Economic Purchase obligations of the Licensee and PWP.
4. Subject to the Licensee and the PWP having agreed standard terms and conditions in accordance with paragraph 2 above, and subject to paragraph 6 below, the Licensee shall enter into an Agency Contract with any Autogenerator (a) whose System is Connected to the Licensee's System and (b) who requests the same.
5. The Licensee shall promptly:
 - (a) notify the PWP:
 - (i) of any request it receives from any Autogenerator to enter into an Agency Contract; and
 - (ii) of the date upon which any such contract is entered into; and
 - (b) send to the PWP a copy of each signed Agency Contract.
6. The Authority may, from time to time require that, having regard to the quantities of electricity purchased from time to time by the Licensee under Agency Contracts, no further Agency Contracts should be entered into. The Licensee shall not enter into any Agency Contracts if the Authority issues directions to it and/or the PWP requiring that the Licensee refrain from so doing.

Condition 41: 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 42: 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, 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 43: 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 44: Register of Customers

1. The Licensee shall, within 3 months of the date of this Licence, 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 to be Connected to its System and Supplied or 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 by the Ministry of Housing, Electricity and Water 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 which the Ministry of Housing Electricity and Water may specify in regulations issued in accordance with Article (9) of the Sector Law; and
 - (c) identifies Customers with special needs.
3. 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.
4. 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 45: Acquisition of Rural Areas Electricity Company SAOC business

The Licensee shall acquire the business, or such part thereof, of the assets of the Rural Areas Electricity Company SAOC, 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.

SCHEDULE 1 AUTHORISED AREA

The Authorised Area is the area identified in Annex A14 of the Licence Application form.

SCHEDULE 2 CHARGE RESTRICTION CONDITIONS

Basic Formulae: Distribution and Supply Revenue

- The Licensee shall in setting its charges for the distribution and supply of electricity and in claiming its subsidy entitlement from the Government use its best endeavours to secure that in any Relevant Year the **Actual Regulated Revenue (ARR)** shall not exceed the **Maximum Allowed Revenue (MAR)** calculated according to the following formula:

$$MAR_t = PC_t + C\&UofS_t + MANCSR_t + LF_t - K_t$$

Where:

- MAR_t means the **Maximum Allowed Revenue** in Relevant Year t;
- PC_t means amounts due (measured on an accruals basis) in respect of purchases of electricity in Relevant Year t;
- $C\&UofS_t$ means amounts due (measured on an accruals basis) in respect of charges for the Connection to, and use of, a Distribution system or Transmission System in Relevant Year t;
- $MANCSR_t$ means the **Maximum Allowed Network And Customer Service Revenue** in Relevant Year t calculated according to the formulae in paragraph 2 below;
- LF_t means the Licence fee payable pursuant to Condition 13 in Relevant Year t; and
- K_t is the correction factor in Relevant Year t calculated in accordance with the following formula:

$$K_t = (ARR_{t-1} - MAR_{t-1}) \times (1 + (\frac{i}{100}))$$

Where:

- ARR_{t-1} means the **Actual Regulated Revenue** in Relevant Year t-1;
- MAR_{t-1} means the **Maximum Allowed Revenue** in Relevant Year t-1;
- i_t means the Specified Rate save that when ARR_{t-1} exceeds MAR_{t-1} by more than 2 per cent, the Specified Rate plus 3 unless otherwise agreed by the Authority;

but where in the First Relevant Year the value of K_t shall be zero.

2. The value of $MANCSR_t$ in a Relevant Year shall be derived from the formula:

$$MANCSR_t = a_t + (b_t \times RUD_t) + (c_t \times CA_t)$$

Where:

$MANCSR_t$ means the **Maximum Allowed Network And Customer Service Revenue** in Relevant Year t;

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 according to the formulae in paragraph 3 below;

RUD_t means the Regulated Units Distributed in Relevant Year t; and

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

3. The values of a_t , b_t and c_t shall, after the first Relevant Year, be derived from the following formulae:

$$a_t = (a_{t-1}) \times \left[1 + \frac{CPI_t - X_t}{100} \right]$$

$$b_t = (b_{t-1}) \times \left[1 + \frac{CPI_t - X_t}{100} \right]$$

$$c_t = (c_{t-1}) \times \left[1 + \frac{CPI_t - X_t}{100} \right]$$

Where:

a_t , b_t and c_t in the First Relevant Year are the Notified Values provided by the Authority. In the second Relevant Year the values of a_{t-1} , b_{t-1} and c_{t-1} used to calculate a_t , b_t and c_t shall be the values of a_t , b_t and c_t in the First Relevant Year pro rated to a full calendar year;

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 10 and 11, 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_t is the Notified Value provided by the Authority.

Restrictions on Electricity Distribution & Supply Charges

4. If, in respect of any Relevant Year, **Actual Regulated Revenue** exceeds the **Maximum Allowed Revenue** by more than 3 per cent the Licensee shall furnish an explanation to the Authority and in the next following Relevant Year the Licensee shall not effect any increase in charges for the distribution and supply of electricity, 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 Revenue** in that next following Relevant Year.
5. If, in respect of any 2 successive Relevant Years, the sum of the amounts by which the **Actual Regulated Revenue** has exceeded the **Maximum Allowed Revenue** is more than 4 per cent of the **Maximum Allowed 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 for the distribution and supply of electricity so that the revenue collected from these charges would not be likely, in the judgment of the Authority, to exceed the **Maximum Allowed Revenue** in that next following Relevant Year.
6. If, in respect of any 2 Relevant Years, the **Actual Regulated Revenue** collected is less than 90 per cent of the **Maximum Allowed Revenue**, the Authority, after consultation with the Licensee, may direct that in calculating K_t in respect of the next following Relevant Year, there should be substituted for ARR_{t-1} in the formula set out in paragraph 1 such figure as the Authority may specify being not less than ARR_{t-1} and not more than $0.9*(MAR_{t-1})$.

Provision of Information to the Authority

7. Where any change is intended to be made in charges for the distribution and supply of electricity the Licensee shall 1 month prior to the date of publication of such changes provide the Authority with:
 - (a) a written forecast of the **Actual Regulated 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 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 10 in respect of Relevant Year $t-1$ has been furnished by the Licensee to the Authority before the publication of the proposed change.
8. 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 paragraph 7, the Licensee shall provide the Authority with a written forecast of the **Maximum Allowed Revenue** together with its components in respect of the Relevant Year t .

9. Any forecast or estimate provided in accordance with paragraphs 7 or 8 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.
10. 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 5 and 6 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_t calculated in accordance with the formula set out in paragraph 1 to be applied in calculating the **Maximum Allowed Revenue** in Relevant Year t .
11. 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 13.
12. 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 14 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 14; 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 13 have been prepared in accordance with the Licensee's statutory and Licence obligations.
13. The specified items to be shown in the statements referred to in paragraph 11 in respect of the Licensee's activities shall be the following:
 - (a) the Actual Regulated Revenue in Relevant Year t (showing separately (i) customer revenue, and (ii) subsidy);
 - (b) the value of PC_t as defined in paragraph 1 in Relevant Year t ;
 - (c) the value of $C\&UofSt$ as defined in paragraph 1 (showing separately payments for (i) transmission use of system, and (ii) distribution use of system) in Relevant Year t ;
 - (d) the Regulated Units Distributed in Relevant Year t ;
 - (e) the number of Customer Accounts registered with the Licensee in Relevant Year t ;
 - (f) the values of a_t , b_t and c_t as defined in paragraph 3 in Relevant Year t ; and

- (g) 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

14. 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 15 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 15 or 16.
15. 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.
16. 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.
17. Nothing in paragraphs 14 to 16 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

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

"Actual Regulated Revenue"	means the revenue recovered through charges for the provision of Distribution System Services, the Supply of electricity to Premises, subsidy received from Government, and any other revenue items stipulated by the Authority measured on an accruals basis;
"Customer Accounts"	means the number of customer accounts registered with the Licensee;
"Distribution System Services"	means all services provided pursuant to the Licensed Activities listed in Paragraph 4(a) of Part 1 of this Licence and the Sector Law;
"First Relevant Year"	means the Relevant Year beginning on 1 May 2005 and ending 31 st December 2005;
"Maximum Allowed Revenue"	means the maximum amount that can be recovered in a Relevant Year through charges for the provision of Distribution System Services and the Supply of electricity to Premises and any other revenue items stipulated by the Authority, the revenue from which is regulated under this schedule;
"Maximum Allowed Network And Customer Service Revenue"	means the revenue allowed in relation to the Licensee's direct costs of providing the Licensed Activities listed in Paragraph 4 of Part 1 of this Licence and the Sector Law;
"Metered"	means in relation to any quantity, as measured by a meter installed for such purpose pursuant to the 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 Ministry of National Economy;
"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;

"Omani Consumer Price Index"	means the "Consumer Price Index for Some Towns in the Sultanate", Price Index (1-8), as published in the Monthly Statistical Bulletin;
"Regulated Units Distributed"	means the aggregate quantity of electricity units distributed through the Distribution System in that Relevant Year Metered at exit points on leaving the Distribution System or (where no such meter is installed) as otherwise reasonably calculated;
"Relevant Year"	means, other than for the First Relevant Year, a calendar year commencing on or after 1 January 2004;
"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 period to 1 January 2005, the period of 12 calendar months commencing on 1 January 2004; 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; and
"Unit Distributed"	means a kilowatt-hour.

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.