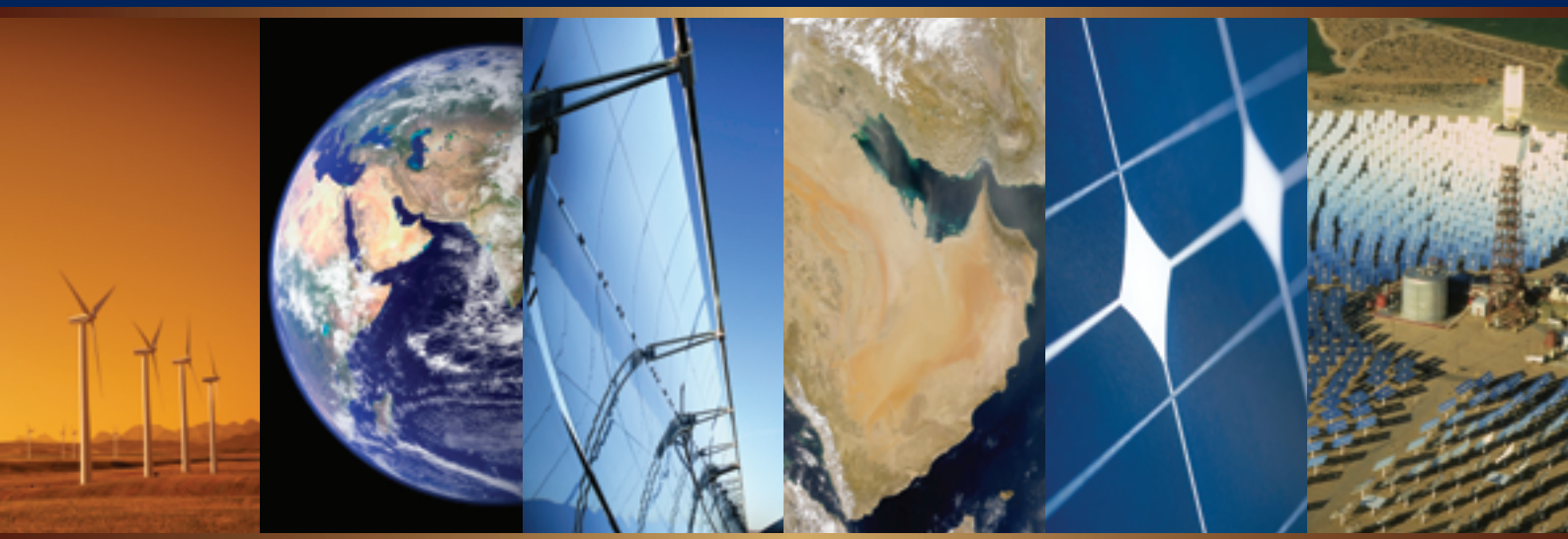
ANNUAL REPORT 2008



هيئة تنظيم الكهرباء - عمان
AUTHORITY FOR ELECTRICITY REGULATION, OMAN

The Authority established puesuant to
Article (19) of Royal Decree 78/2004
www.aer.oman.org

His Majesty

Sultan Qaboos bin Said

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GLOSSARY OF TERMS

Cost-Reflective Tariff	Amounts charged by a Licensed Supplier for Supply where no Permitted Tariff exists, and where such tariffs are calculated each year on the basis and rules prescribed by the Authority;
CCGT	Combined Cycle Gas Turbines
CSP	Concentrated Solar Power
DPC	The Dhofar Power Company SAOG
EHC	The Electricity Holding Company SAOC
GCCIA	Gulf Cooperation Council Interconnection Authority
IPO	Initial Public Offering
Main Interconnected System or MIS	The interconnected systems of OETC, and the Muscat, Majan and Mazoon Discos
Majan	The Majan Electricity Company SAOC
Mazoon	The Mazoon Electricity Company SAOC
MAR	Maximum Allowed Revenue
MHEW	The Ministry of Housing, Electricity and Water
Muscat	The Muscat Electricity Distribution Company SAOC
OETC	The Oman Electricity Transmission Company SAOC
Omanisation	The policy for the employment of Omani nationals as issued from time to time by the Government of Oman
Permitted Tariff	Tariffs Customers are obliged to pay in consideration for Supply of electricity or for Connection to a Distribution System or a Transmission System, which tariff shall be determined in the manner stipulated in Article (9) of the Sector Law
PAEW	The Public Authority for Electricity and Water
PWP	The Oman Power and Water Procurement Company SAOC
RAEC	The Rural Areas Electricity Company SAOC
RO	Rial Omani
ROP	Royal Oman Police
SCRC	Schedule Charge Restriction Condition
Salalah IWPP	The Salalah Independent Power and Water Project
Sector Law	The law for the regulation and privatization of the electricity and related water sector promulgated by Royal Decree 78/2004
Related Water	Desalinated water in the Sultanate of Oman which is combined or co-located with the electricity sector and which is subject to regulation
The Authority	The Authority for Electricity Regulation, Oman, being the authority established pursuant to Article (19) of the Sector Law

CHAIRMAN'S FOREWORD

2008 was a year of further progress and development in the Sultanate's electricity and related water sector. The Authority launched a major renewable energy initiative and faced some unexpected regulatory challenges.

In terms of activity, registered customer accounts in the Sultanate increased by 26,729 to 597,323, 4.7% higher than in 2007. Total Supply to registered accounts Sultanate reached 12.9 TWh, 15% higher than in 2007: MIS Supply recorded an annual increase of 16%, RAEC Supply an increase of 14% and Supply from the Salalah Power System in 2008 was 5% higher than in 2007.

Average electricity supplied per account in 2008 was 21.5 MWh, this is 10% higher than in 2007 and confirms an increasing trend in electricity intensity of economic activity.

All regions benefitted from sector related capital investment in 2008: licensed system operators approved 300 new projects in 2008 with a total value of 115 million RO. Direct employment Omanisation in 2008 reached 80% (78% in 2007). Total (direct and indirect) electricity and related water sector employment increased to 6,239, 2% higher than in 2007 with Omanisation of 67% (2 percentage points higher than the 65% rate reported in 2007).

The commissioning of 363MW of net early power capacity at the SMN Barka production facility increased MIS net contracted capacity to 3,392MW.

The Authority is pleased to report further improvements in efficiency. MIS technical and non technical losses in 2008 were 18.7%, a significant reduction on the 24.6% losses recorded in 2004. New distribution and Supply price controls implemented by the Authority in 2008 provide licensees with incentives to reduce losses further: the Authority expects MIS losses to fall to 14% by 2011 and to 7% to 9% thereafter. The value of 2008 MIS losses reductions is an estimated 4 million RO.

The efficiency with which gas is used to produce electricity and related water continues to improve: the specific gas consumption of MIS connected generation in 2008 was 356 Sm3/MWh, 19% lower than the 1995 rate of 439 Sm3/MWh. Following commissioning of two new CCGT in 2012 (Sohar II and Barka III) and the Ghubrah IWPP CCGT in 2013, specific gas consumption is expected to reduce to 275 Sm3/MWh in 2014, this would be 23% lower than in 2008 and 37% lower than in 1995.

In July 2008 Sohar Power Company completed an initial public offering (IPO) of 35 per cent of the shares of the Sohar IWPP. The IPO was 21 times oversubscribed. This was Oman's most successful electricity related public share offering to date, highlighting the confidence of the Omani public and wider investment community in the electricity privatization program.

Licensed Suppliers received 90.8 million RO of electricity subsidy in 2008 (MIS subsidy was 63.1 million RO and RAEC subsidy 23.7 million RO). In 2009, MIS Subsidy is forecast to increase to 107.5 million RO due to increased payments to new production facilities and significant increases in approved capital expenditure. Despite the increased level of subsidy, underlying MIS subsidy in 2009 of 8.7 baiza/kWh would be lower than the 9.4 baiza/kWh of MIS subsidy in 2006. RAEC subsidy in 2009 is forecast to increase to 28.8 million RO (82.1 baiza/kWh).

In 2007 the Authority commissioned COWI & Silver Circle to assess the Sultanate's renewable energy potential and recommend ways in which this potential could be used in an economic and sustainable manner. The Authority published the results of the Renewable Energy study in May 2008 and was delighted by the positive response it received from both international and local entities. The Authority is working to implement some of the study's key recommendations that are described in this report.

In October 2008 the Authority initiated its first formal Article 147 investigation concerning suspected irregularities in arrangements for handling conflicts of interest on the part of Directors of the PWP, and their possible implications for the Salalah IWPP competition managed by the PWP. During the course of the investigation the concerned Director resigned from the PWP Board thereby removing the conflict.

Regrettably, there were three fatalities in the sector during 2008, two involving Muscat Electricity Distribution Company SAOC and a third involving Majan Electricity Company SOAC. The Authority is concerned by these fatalities and an apparent relaxation in the health and safety standards of certain licensees. The Authority will conduct comprehensive HSE audits of two licensees in 2009 and take enforcement action to improve the safety of electricity sub stations and related equipment.

Further details of the Authority's activities in 2008 are provided in this our fourth Annual Report. The achievements and progress reported herein reflect the significant contributions of electricity and related water sector companies and their staff. The Authority is pleased to acknowledge these contributions and is grateful for the cooperation and support we received in 2008.

On behalf of Members and staff of the Authority I would like to express our sincere gratitude to His Majesty Sultan Qaboos bin Said for his vision, guidance and leadership and to His Majesty's government for their continuing support.

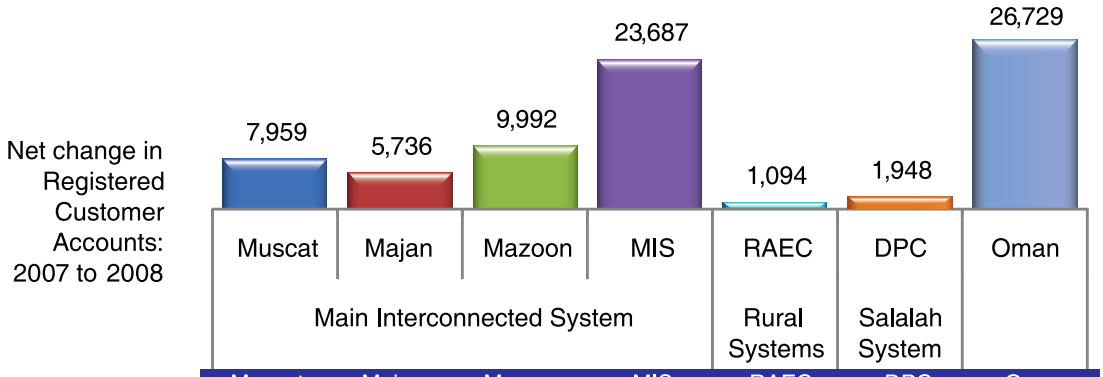
Dr Saleh Al Alawi
Chairman
Authority for Electricity Regulation, Oman

Electricity & Related Water Sector Activity and Statistics

Customer Accounts

Registered electricity customer accounts in the Sultanate increased from 570,594 in 2007 to 597,323 in 2008, an increase of 4.7% (this follows a 4% increase in 2007). MIS customer accounts increased by 4.7% in 2008 (4% in 2007), RAEC customer accounts by 6.2% (7% in 2007) and Salalah system accounts by 3.9% (3% in 2007). Please refer to Figure 1 and Table 1 of Annex C for further details.

Figure 1: Registered Customer Accounts by Company – 2007 & 2008



	Muscat	Majan	Mazoon	MIS	RAEC	DPC	Oman
2007 Accounts	176,114	118,836	208,077	503,027	17,757	49,810	570,594
2008 Accounts	184,073	124,572	218,069	526,714	18,851	51,758	597,323
net change in Accounts	7,959	5,736	9,992	23,687	1,094	1,948	26,729
% change in Accounts	4.5%	4.8%	4.8%	4.7%	6.2%	3.9%	4.7%

Source: Company returns

The MIS contributed to 89% of the increase in total accounts, RAEC 4% and DPC 7%. Mazoon accounted for 42% of the increase in MIS accounts, Muscat 34% and Majan 24%.

Residential accounts contributed to 79% of the 26,729 increase in total accounts, Commercial accounts contributed to 16% of the increase. Government customers accounted for just 4% of new accounts.

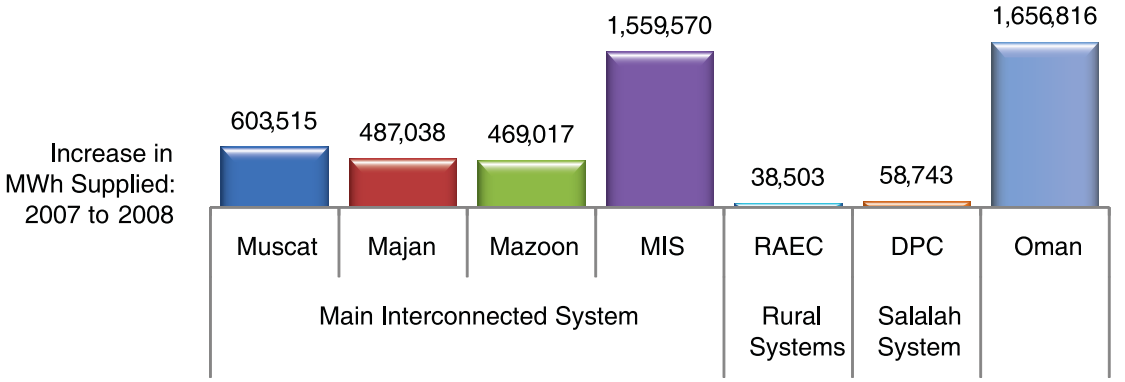
Commercial accounts represent a significant proportion of the increase in accounts of all companies in 2008: ranging from 19% of the increase in Muscat accounts to 13% of the increase in Mazoon accounts.

Electricity Supply

Total electricity Supply to customers in the Sultanate in 2008 reached 12.9 TWh, a 14.8% increase on the 11.2 TWh supplied in 2007.

MIS Supply increased by 16% in 2008 reflecting strong growth in Supply by Muscat (a 12.5% on 2007), Majan (an increase of 22.5%) and Mazoon (an increase of 16.9%). RAEC Supply in 2008 was 14.1% higher than in 2007. Supply from the Salalah Power System was 5.1% higher than in 2007, considerably less than the 13% growth reported between 2006 and 2007. Please refer to Figure 2 and Table 2 of Annex C for further details.

Figure 2: Electricity Supply by Company – 2007 & 2008



	Muscat	Majan	Mazoon	MIS	RAEC	DPC	Oman
2007 MWh	4,819,763	2,163,151	2,774,889	9,757,803	273,039	1,162,447	11,193,289
2008 MWh	5,423,278	2,650,189	3,243,906	11,317,373	311,542	1,221,190	12,850,105
net change in MWh	603,515	487,038	469,017	1,559,570	38,503	58,743	1,656,816
% change in MWh	12.5%	22.5%	16.9%	16.0%	14.1%	5.1%	14.8%

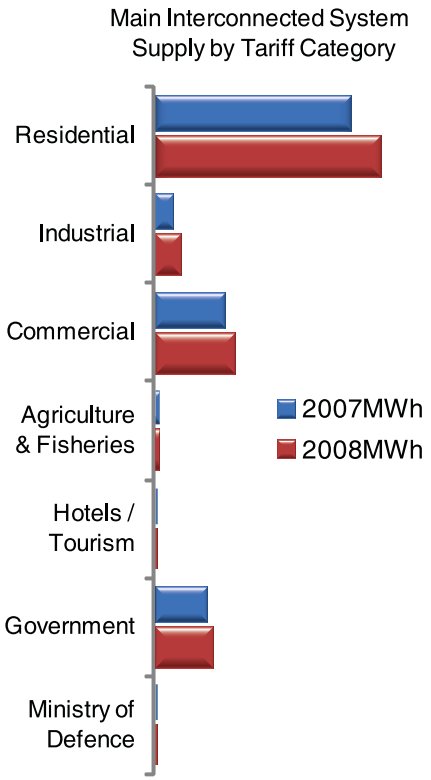
Source: Company returns

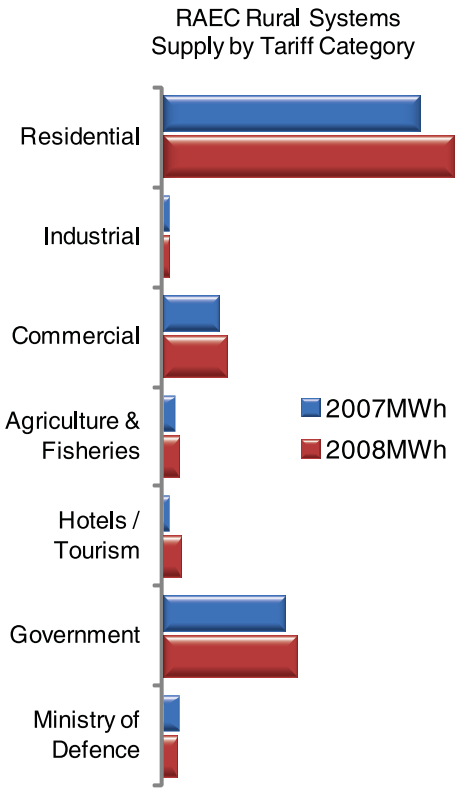
Figure 3 presents electricity Supply by tariff category for each of the three market segments in 2007 and 2008. Residential customers accounted for 55% of total Supply in 2008: 56.4% of MIS Supply, 53.1% of RAEC and 39.1% of Supply from the Salalah Power System.

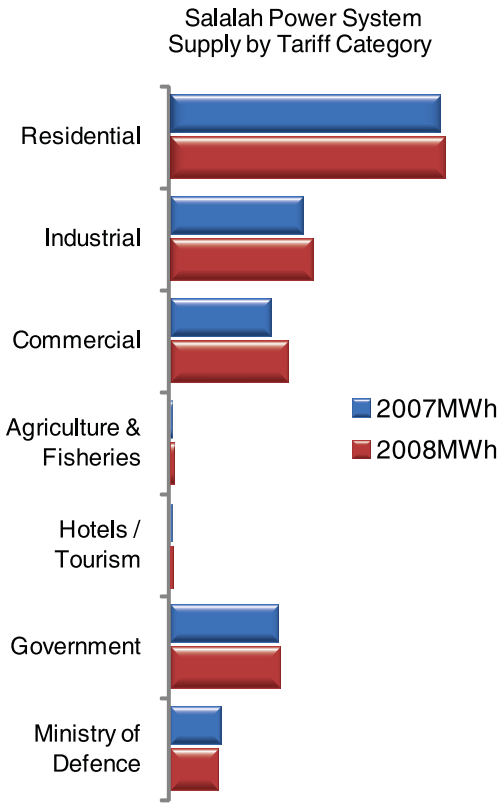
Commercial customers accounted for 19.7% of total Supply in 2008 (compared to 19.5% in 2007). Supply to public sector accounts (Government and Ministry of Defence facilities) accounted for 16.4% of total Supply in 2008, continuing the downward trend noted in previous reports (19.1% in 2006 and 17.3% in 2007). Industrial customers accounted for just 7.7% of total 2008 Supply, although units supplied to Industrial customers was 65% higher than in 2005 underling the rapid growth of this sector.

Figure 3: Electricity Supply by & System – 2007 & 2008

	Main Interconnected System			RAEC Rural Systems			Salalah Power System		
Tariff Category	2007 MWh	2008 MWh	% Change	2007 MWh	2008 MWh	% Change	2007 MWh	2008 MWh	% Change
Residential	5,540,076	6,386,904	15%	146,377	165,400	13%	467,109	477,275	2%
Industrial	526,832	733,970	39%	3,606	3,306	-8%	232,024	246,153	6%
Commercial	1,971,754	2,281,355	16%	31,925	37,072	16%	176,421	206,957	17%
Agriculture & Fisheries	124,512	145,093	17%	7,415	10,053	36%	8,004	13,058	63%
Hotels / Tourism	11,859	17,359	46%	3,949	10,643	170%	1,900	1,731	-9%
Government	1,505,172	1,673,690	11%	69,865	76,219	9%	189,462	190,999	1%
Ministry of Defence	77,598	79,003	2%	9,902	8,849	-11%	87,528	85,017	-3%
Totals	9,757,803	11,317,373	16%	273,039	311,542	14%	1,162,447	1,221,190	5%





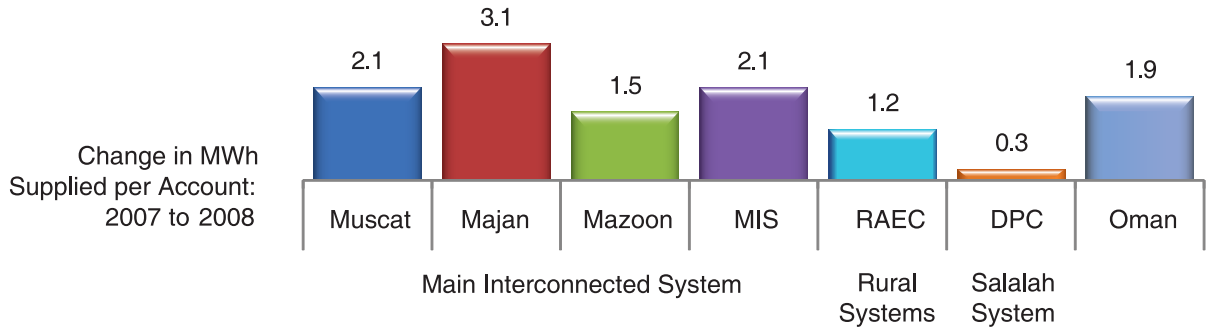


Electricity Supply per Account

For the Sultanate as a whole, electricity intensity (MWh per account) increased by around 10% from 19.6 in 2007 to 21.5 in 2008, please refer to Figure 4 and Table 3 of Annex C for details.

MWh per account registered increases in most tariff categories, market segments and regions, confirming a general increase in the electricity intensity of economic activity.

Figure 4: MWh Supplied per Registered Account – 2007 & 2008



	Muscat	Majan	Mazoon	MIS	RAEC	DPC	Oman
2007 MWh Supply/per Acct	27.4	18.2	13.3	19.4	15.4	23.3	19.6
2008 MWh Supply/per Acct	29.5	21.3	14.9	21.5	16.5	23.6	21.5
net change MWh S/per Acct	2.1	3.1	1.5	2.1	1.2	0.3	1.9
% change in MWh S/per Acct	7.7%	16.9%	11.5%	10.8%	7.5%	1.1%	9.7%

Source: Company returns

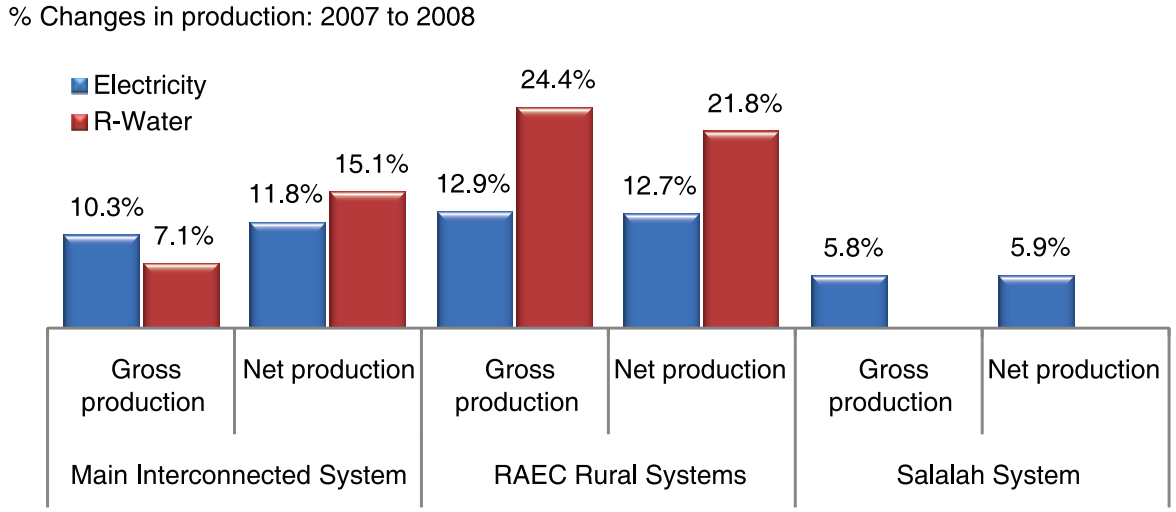
Electricity and Related Water Production – 2007 & 2008

Gross electricity generation in the Sultanate was 9.9% higher in 2008 than in 2007. Net generation (including PWP purchases) was 11.2% higher than in the previous year. Total related water gross production increased by 7.2% in 2008 to 114 million m^3.

Gross MIS generation increased by 10.3% in 2008, RAEC generation for rural systems was 12.9% higher than in 2007 and generation for the Salalah Power System 5.8% higher. MIS related water production was 7.1% higher in 2008 than in 2007, RAEC related water production was 24.4% higher reflecting higher production at 4 of RAEC's 5 cogeneration facilities.

Figure 5 and Table 6 of Annex C present further details of gross and net electricity and related water production in 2008.

Figure 5: Electricity & Related Water Production by System – 2007 & 2008



System	Item	Electricity GWh 2007	Electricity GWh 2008	% chng	Related Water '000 m^3 2007	Related Water '000 m^3 2008	% chng
MIS	Gross production	12,882.5	14,211.6	10.3%	105,623.5	113,174.1	7.1%
	Net production	12,456.7	13,925.4	11.8%	84,350.1	97,078.3	15.1%
Rural Systems	Gross production	309.4	349.3	12.9%	596.9	742.7	24.4%
	Net production	289.2	325.8	12.7%	602.0	733.1	21.8%
Salalah System	Gross production	1,406.5	1,488.6	5.8%	n/a	n/a	
	Net production	1,387.5	1,469.2	5.9%	n/a	n/a	

Source: Company returns

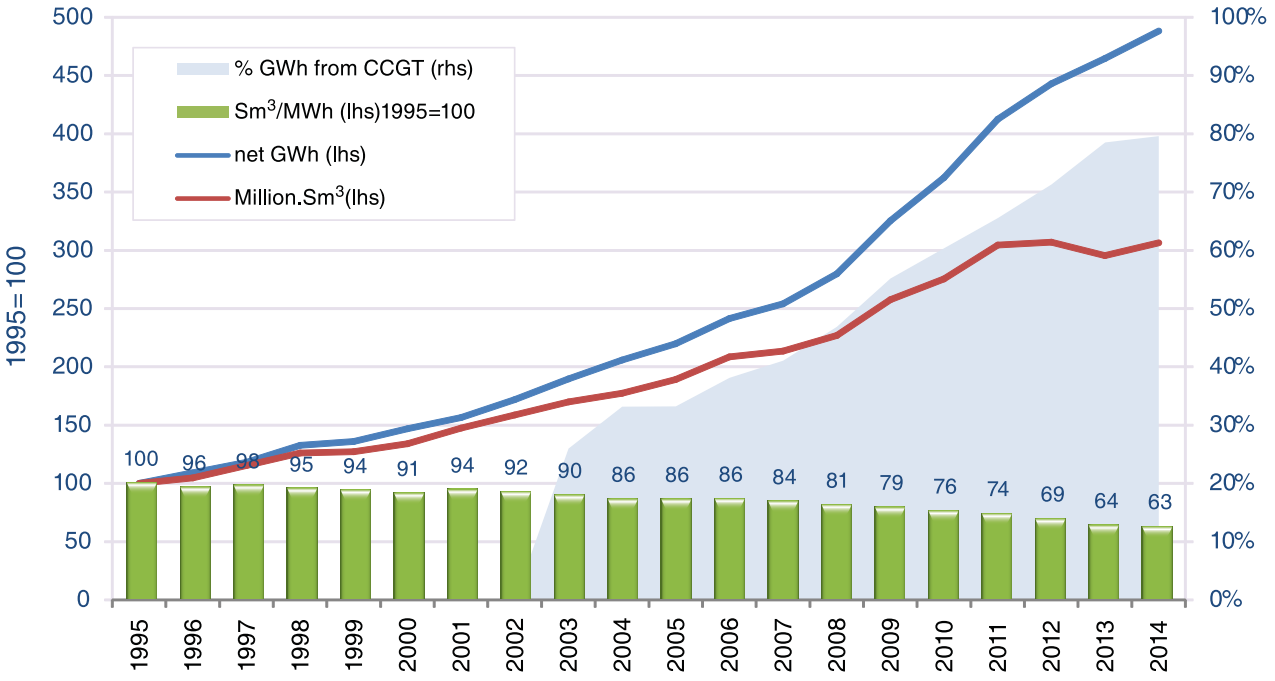
Gas Consumption

The electricity and related water sector consumes a significant share of the Sultanate's gas reserves: reserves that are subject to competing demands and supply constraints.

In 2008, total gas used for electricity and related water production at major production facilities was 5,311 million Sm^3, some 6% higher than in 2007. The increase in gas use should be viewed against increases in gross electricity and related water production of 10% and 7%, respectively.

The efficiency of gas used to produce electricity and related water has been steadily improving, and is expected to improve further. Between 1995 and 2008 net MIS electricity generation increased by 180% compared to a 127% increase in gas consumption (for both electricity and related water production). The specific gas consumption of MIS connected generation in 2008 was 356 Sm^3/MWh around 19% lower than the 1995 rate of 439 Sm^3/MWh. Figure 6 presents indices of net generation, gas consumption and Sm^3/MWh between 1995 and 2008 and projections to 2014 (1995=100).

Figure 6: MIS net Generation, Gas consumption and Sm3/MWh: 1995 to 2014



Notes: 1: Sources; historic data from PWP, from 2009 PWP 7-yr statement (2009 - 2015) & Authority calculations
2: MIS gas fired generation only (excludes Salalah and other PWP purchases)
3: From 2003 50% of Al Ghubrah production is assumed CCGT
4: Non CCGT includes Al Kamil, Wadi Jizzi, Rusail, Manah, and 50% of total Ghubrah GWh
5: New capaicty assumptions : Sohar II & Barka III (both in 2012) Ghubrah IWPP (in 2013)
6: MIS Gas consumption for both electricity and related water production

The projected improvement in gas use efficiency by 2014 anticipates two new CCGT facilities in 2012 (Sohar II and Barka III) and the Ghubrah IWPP in 2013 that will also be CCGT. As shown in Figure 6 by 2014 around 80% of total MIS net generation is expected to be sourced from CCGT facilities.

Specific gas consumption in 2014 is expected to reduce to 275 Sm^3/MWh, this would be 23% lower than in 2008 and 37% lower than in 1995. These figures confirm the electricity and related water sector's commitment to ensuring gas used for electricity and related water production is used as efficiently as possible.

The principal drivers of improved gas use efficiency are increased use of CCGT, improvements in the heat rates of new facilities and the use of larger unit set sizes in new production facilities. The Authority believes improvements in economic dispatch will also contribute to gas use efficiency.

The sector is researching the availability, cost and security of supply of alternatives to gas fired generation. Initiatives being taken by the Authority (renewable energy pilot projects in RAEC systems) and the Public Authority for Electricity and Water (a feasibility study for a large scale solar plant) should accelerate the contribution of renewable energy to the Sultanate's fuel mix.

It is likely however, that future IWPP in Oman will be fuelled by coal, imported gas, or LNG. These fuels will increase electricity and related water production costs, and electricity subsidy.

The Authority will initiate public consultation in 2009 on the introduction of Cost Reflective Tariffs for large consumers of electricity to mitigate the impact on electricity subsidy of using higher cost alternatives to domestic natural gas.

Production & Supply by Region - 2008

Figure 7 presents details of the regional distribution of electricity and related water sector activity in 2008.

Muscat Governorate continues to account for a significant share of the Sultanate's electricity and related water sector activity, although its shares of activity in 2008 were marginally lower than in 2007: 35% of gross electricity production (37% in 2007), 49% of related water production (51% in 2007), and 42% and 31% of Supply and customer accounts, respectively (compared to respective shares of 43% and 31% in 2007).

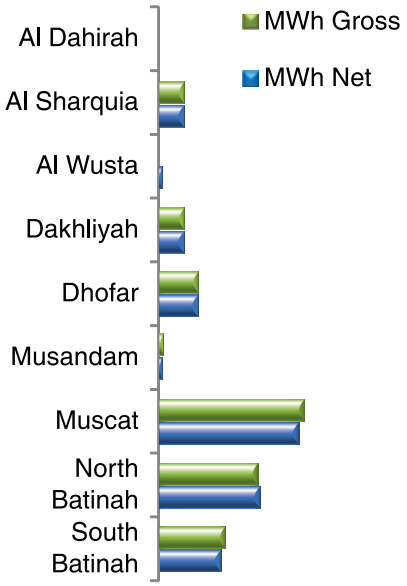
Reductions in the share of activity of Muscat Governorate reflect increased activity in other regions. For example, gross electricity and related water production in North Batinah was 22% higher in 2008 than in 2007, electricity generation in Mussandam was 13% higher than in 2007 and 18% higher in Al Wusta region.

Increases in electricity and related water sector activity across regions reflect the success of government economic policies to promote economic development in all regions of the Sultanate. The electricity and related water sector has a responsibility to ensure electricity is available to sustain and support these economic policies and facilitate economic growth.

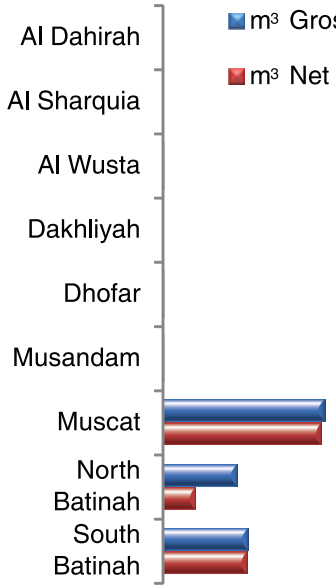
Figure 7: Activity by Region (Production, Supply, Accounts and MWh per Account) - 2008

	Electricity Production		Related Water Production		Electricity Supply & Accounts		
Regions	MWh Gross	MWh Net	m3 Gross	m3 Net	MWh Supplied	Accounts	MWh per Account
Al Dahirah	516	476			873,316	54,870	15.9
Al Sharquia	1,181,255	1,163,079	617,818	612,760	950,582	77,372	12.3
Al Wusta	43,372	96,420	57,346	55,321	87,305	6,281	13.9
Dakhliyah	1,024,426	1,012,819			968,937	65,965	14.7
Dhofar	1,556,137	1,535,909	22,118	21,918	1,283,114	54,974	23.3
Musandam	205,219	191,537	45,369	43,092	162,313	9,354	17.4
Muscat	5,612,860	5,363,864	56,111,138	55,034,935	5,423,278	184,073	29.5
North Batinah	3,794,910	3,919,474	26,619,384	11,893,529	1,776,873	69,702	25.5
South Batinah	2,630,751	2,436,837	30,443,578	30,149,824	1,324,387	74,732	17.7
Totals	16,049,446	15,720,413	113,916,751	97,811,379	12,850,105	597,323	21.5

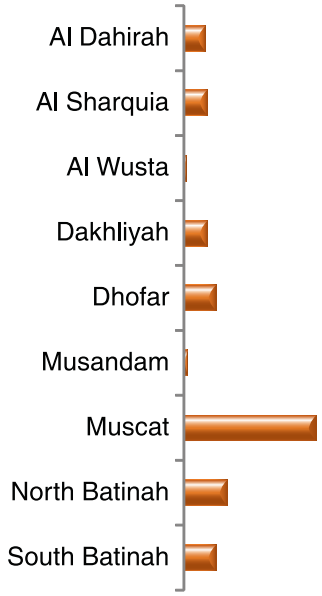
Electricity Production-2008



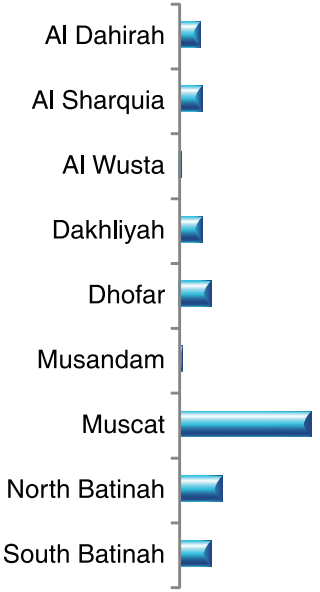
Related Water Production-2008



Electricity Supply: MWh 2008



Electricity Accounts 2008

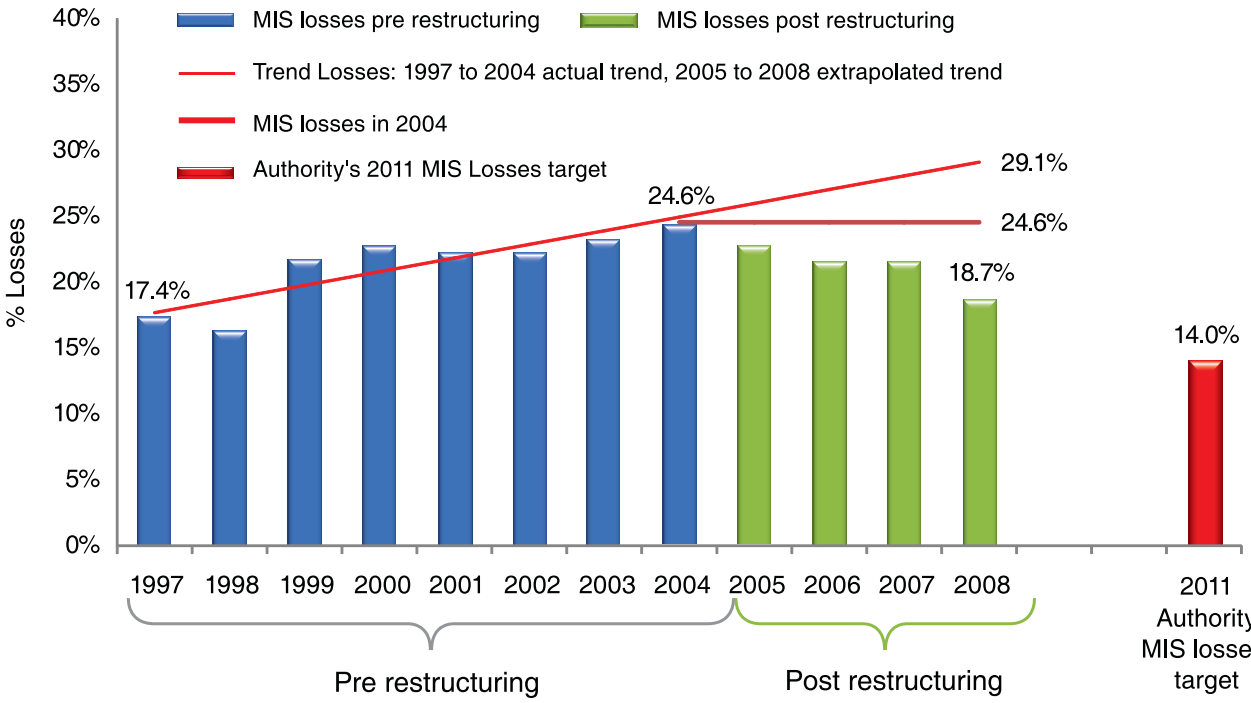


System Losses

Technical and non-technical losses accounted for 18.4% of total units entering electricity systems in the Sultanate in 2008, a significant improvement on the 20.9% losses reported in 2007. 2008 MIS losses fell to 18.7% from 21.7% in 2007, 2008 RAEC losses at 14.2% were marginally lower than the 14.3% losses in 2007. Losses from the Salalah Power System increased from 16.2% in 2007 to 16.9% in 2008.

The Authority views system losses as a performance indicator of efficiency. Figure 8 places the reduction in 2008 MIS losses in context by showing annual MIS losses between 1997 and 2008.

Figure 8: MIS (technical and non-technical) Losses 1997 to 2008, 2011 Losses Target



Source: Pre restructuring data from MHEW reports, post restructuring data from the Authority

Between 1997 and 2004 (pre-restructuring) MIS equivalent losses increased steadily from 17.4% to 24.6%. Over the same period, there was a 70% increase in electricity purchases (net MWh entering systems) and a 55% increase in Supply to customers. Had the trend increase in MIS losses between 1997 and 2004 continued through to 2008, MIS losses in 2008 would have reached 29.1%, more than ten percentage points higher than actual MIS losses in 2008. Between 2004 and 2008 MIS losses fell from 24.6% to 18.7%, a 24% reduction in the losses rate. Over the same period, electricity purchases increased by 35% and Supply to customers increased by 45%. Figure 9 summarises these performance measures pre and post electricity sector restructuring.

Figure 9: Change in MIS Purchases, Supply and Losses rate pre and post restructuring

Source: Pre restructuring data from MHEW reports, post restructuring data from the Authority

The Authority considers the losses reductions to be a direct result of the electricity sector restructuring, an indication of improved efficiency and a source of significant cost savings. The cost savings of lower losses can be measured in a number of ways: one approach would be to focus on marginal cost savings referenced to avoided fuel and operating costs, an alternative approach would be to add estimates of avoided network investment to avoided fuel and operating costs.

The Authority has estimated the costs savings of losses reductions assuming marginal generation costs of 10 RO per MWh:

(i) had the trend increase in MIS losses observed between 1997 and 2004 continued through to 2008, the aggregate value of savings resulting from MIS losses reductions between 2005 and 2008 is an **estimated 32 million RO**;

(ii) compared to the 2004 level of MIS losses, the aggregate value of savings resulting from MIS losses reductions between 2005 and 2008 is an **estimated 17 million RO**;

(iii) the value of savings resulting from MIS losses reduction secured between 2007 and 2008 is an **estimated 4 million RO**. Assuming this reduction in costs is secured on a permanent basis, the present value of losses reductions secured between 2007 and 2008 is an **estimated 51 million RO** (at a discount rate of 8%).

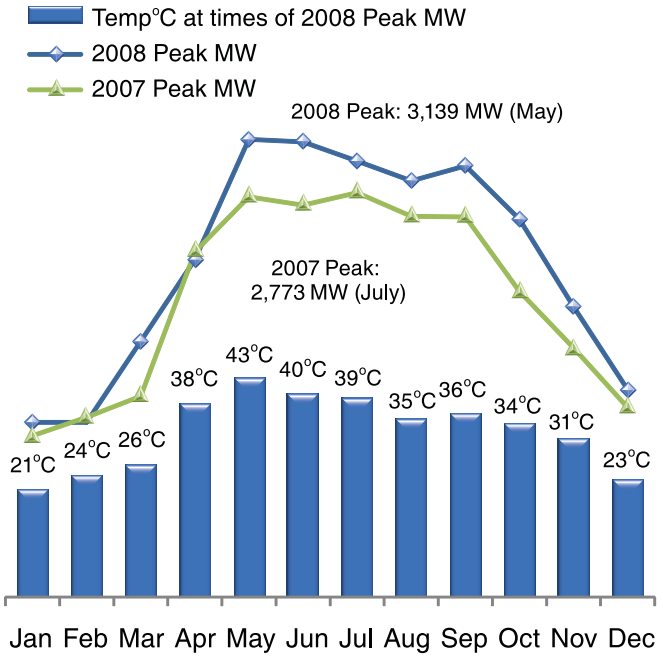
The Authority has set an intermediate 2011 MIS losses target of 14%, this is shown in Figure 8. From 2009 the new price controls of Muscat, Majan and Mazoon will not provide subsidy for actual losses above agreed benchmarks. Licensees have a clear and strong incentive to reduce losses as they retain the financial benefits of reducing actual losses by more than the benchmark amounts.

The Authority has a long term target for MIS technical losses of 7% to 9%.

System Peak Demands: MIS and Salalah Power System

Figure 10 presents monthly MIS peak demands in 2007 and 2008.

Figure 10: Main Interconnected System Peak Demand - 2007 & 2008

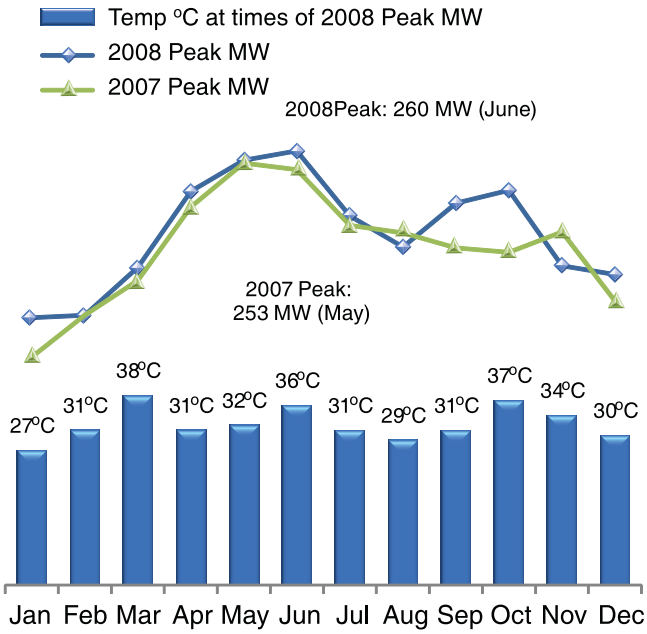


	2007 Peak MW	2008 Peak MW	% change	Temp°C at times of 2008 Peak MW
Jan	1,108	1,198	8%	21
Feb	1,234	1,199	-3%	24
Mar	1,378	1,755	27%	26
Apr	2,368	2,316	-2%	38
May	2,744	3,139	14%	43
Jun	2,689	3,122	16%	40
Jul	2,773	2,989	8%	39
Aug	2,611	2,855	9%	35
Sep	2,606	2,958	14%	36
Oct	2,096	2,592	24%	34
Nov	1,708	1,991	17%	31
Dec	1,299	1,421	9%	23
Max MW	2,773	3,139	13%	

Source: OETC

Figure 11 presents Salalah Power System monthly peak demands in 2007 and 2008.

Figure 11: Salalah Power System Peak Demand - 2007 & 2008



	2007 Peak MW	2008 Peak MW	% change	Temp °C at times of 2008 Peak MW
Jan	137	160	17%	27
Feb	162	162	0%	31
Mar	183	191	4%	38
Apr	227	236	4%	31
May	253	255	1%	32
Jun	249	260	4%	36
Jul	216	221	3%	31
Aug	211	203	-4%	29
Sep	202	229	13%	31
Oct	200	237	19%	37
Nov	212	192	-10%	34
Dec	170	186	9%	30
Max MW	253	260	3%	

Source: DPC SAOG

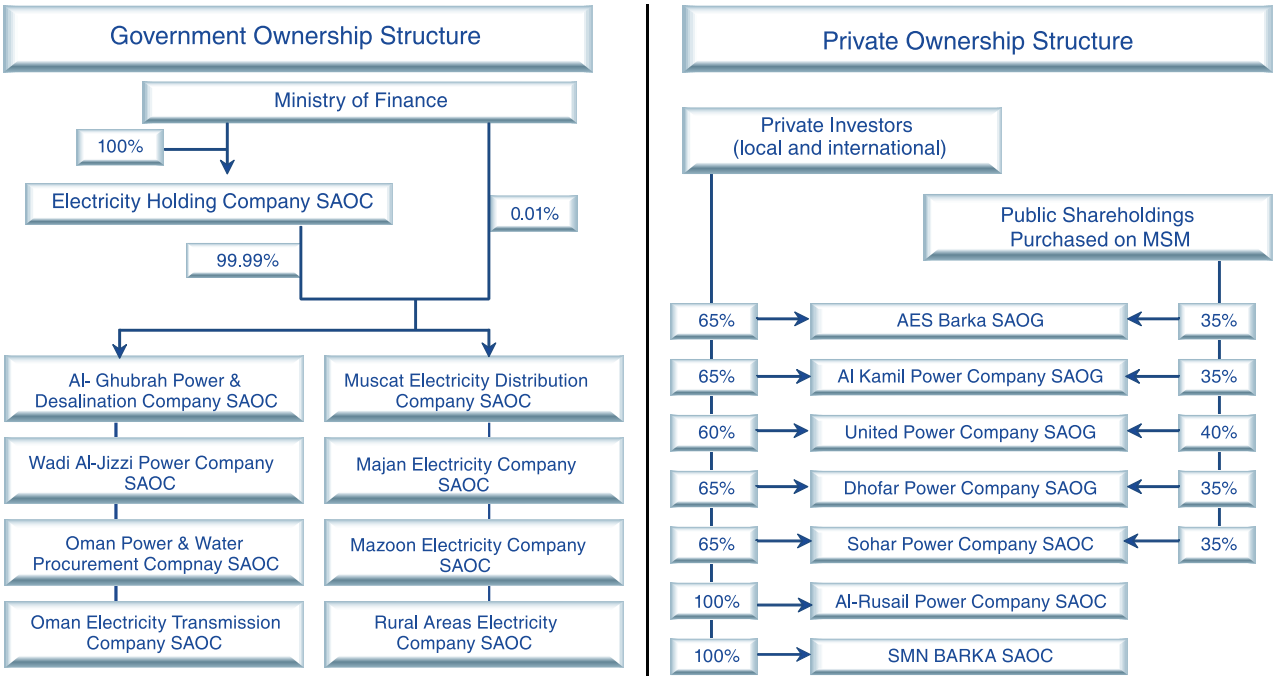
New Capacity in 2008

MIS net electricity generating contracted capacity increased to 3,392MW in 2008 following the commission of 363MW of early power capacity at the SMN Barka facility. The SMN Barka facility will provide a total of 680MW of net power capacity and 120,000 m3 per day of desalination capacity in 2009 when it enters full commercial operation.

Electricity & Water Sector Ownership

In July 2008 the Sohar Power Company completed an initial public offering (IPO) of 35 per cent of shares of the Sohar IWPP, majority owned by GDF Suez. The IPO was 21 times oversubscribed confirming the confidence of the Omani public and the wider investor community in electricity sector privatisation. The IPO was Oman's most successful electricity related public share offering to date: investors were offered 9,730,000 shares at 1.37 RO per share.

Figure 12: Electricity & Related Water Sector Ownership - 2008



Following the Sohar IWPP IPO the ownership structure of the electricity and related water sector is as shown in Figure 12.

Approved Projects and Capital expenditure

Licensed system operators (OETC, Muscat, Majan, Mazoon and RAEC) approved 302 new projects in 2008, with a total value of 115 million RO. Figure 13 presents details of the approved projects by company, region and value.

Figure 13: Project Approvals by Licensees in 2008

		Company						
Region		OETC*	Muscat	Majan	Mazoon	RAEC	Totals	% Total
Al Dahirah	RO	8,168,000		2,277,099			10,445,099	9.1%
Al Sharqiya	RO				5,254,331	244,839	5,499,170	4.8%
Al Wusta	RO	97,000				6,937,270	7,034,270	6.1%
Dakhiliya	RO				3,415,855		3,415,855	3.0%
Dhofar	RO					2,868,554	2,868,554	2.5%
Musandam	RO					1,096,678	1,096,678	1.0%
Muscat	RO	38,729,000	10,006,864				48,735,864	42.4%
North Batinah	RO			4,773,818			4,773,818	4.2%
South Batinah	RO	10,413,000			4,856,005		15,269,005	13.3%
Other**	RO	3,521,000		5,094,864	6,989,468	167,373	15,772,705	13.7%
Total Value:		60,928,000	10,006,864	12,145,781	20,515,660	11,314,714	114,911,019	
% of Total		53.0%	8.7%	10.6%	17.9%	9.8%		
Number of Projects		11	54	78	130	29	302	

Source: Company returns
** Projects are categorised in the region where the project will commence*
*** Other: includes material costs and any other costs that are not specific to one region*

OETC accounts for 53% of projects by value, the highest share of all licensees, followed by Mazoon (17.9%), Majan (10.6%), RAEC (9.8%) and Muscat (8.7%).

In terms of regional investment, the 48.7million RO of investment in the Muscat region accounts for 42.4% of total approved projects by value. All regions will benefit from electricity sector investment reflecting the widespread scope of electricity related activities throughout the Sultanate.

Employment & Omanisation

The Authority undertakes an annual survey of electricity and related water sector (ERWS) employment and Omanisation. The 2008 survey provided information on direct and indirect (contractor) employment by entity, by grade, by regulated activity and region, and nationality (Omani nationals and expatriates).

Total sector employment (direct and contractor) is increasing in line with demand and output and has risen from 5,101 in 2005 to 6,239 in 2008, a 22.3% increase. Total sector employment was 2% higher in 2008 than in 2007, please refer to Figure 14.

Figure 14: Total ERWS Employment by Type and Function – 2007 & 2008

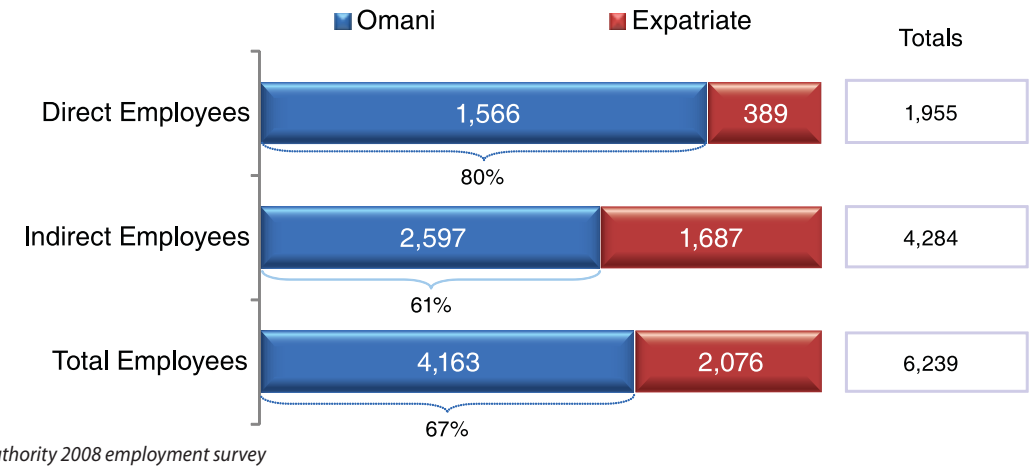
		2007			2008		
Type	Function	Omani	Expatriate	Total	Omani	Expatriate	Total
Direct	Admin & Supervisory	390	44	434	419	44	463
	Managerial	79	37	116	120	46	166
	Operations	251	184	435	310	117	427
	Technical	592	123	715	626	178	804
	Others	102	3	105	91	4	95
Direct Total		1,414	391	1,805	1,566	389	1,955
Contractor	Admin & Supervisory	506	95	601	494	175	669
	Managerial	36	45	81	39	85	124
	Operations	1,126	385	1,511	905	214	1,119
	Technical	684	180	864	466	1,100	1,566
	Others	224	1,054	1,278	693	113	806
Contractor Total		2,576	1,759	4,335	2,597	1,687	4,284
Total Employment		3,990	2,150	6,140	4,163	2,076	6,239
% Change on 2007					*0.8%*	*-4.1%*	*1.6%*

Source: Authority 2008 employment survey

Figure 15 shows the Omanisation share of direct and indirect employment in 2008.

Figure 15: ERWS Employment & Omanisation - 2008

	Omani	Expatriate	Total	% Omani
Direct Employees	1,566	389	1,955	80%
Indirect Employees	2,597	1,687	4,284	61%
Total Employees	4,163	2,076	6,239	67%



Source: Authority 2008 employment survey

Omani nationals accounted for 80% of total direct employment in 2008 (78% in 2007), and 61% of indirect employment returning an overall Omanisation rate of 67%, 2 percentage points higher than the 65% Omanisation reported in 2007.

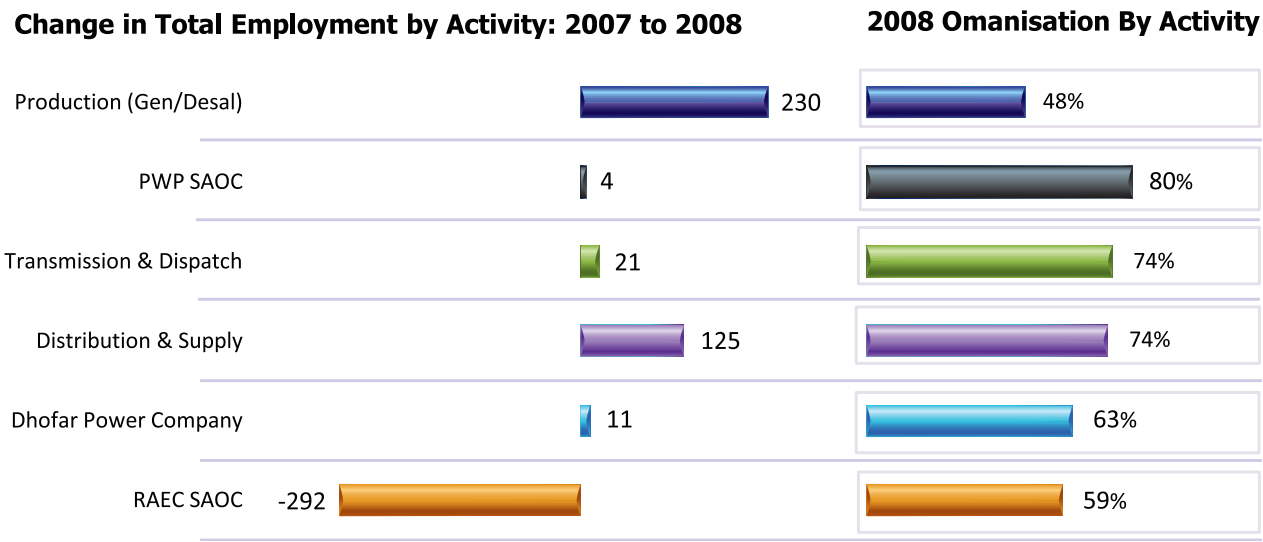
The Authority's employment survey highlighted important changes in the underlying composition of electricity and related water sector employment:

1) The net increase in 2008 employment of 99 employees reflects a reduction in RAEC employment of 292 and an increase of 391 new positions in other activities. RAEC is in the process of closing diesel generation stations in Al Sharquia (an area now supplied from the MIS) and relocating assets to other areas to reinforce existing systems and establish new rural systems;

2) Production facilities accounted for 230 (59%) of the 391 increase in 2008 employment, Distribution & Supply companies accounted for 125 (32%) of the increase.

Figure 16: ERWS Employment & Omanisation by Activity – 2008

Employment by Activity	Omani	Expatriate	Total	% Omani
Production (Gen/Desal)	469	505	974	48%
PWP SAOC	37	9	46	80%
Transmission & Dispatch	440	156	596	74%
Distribution & Supply	2,397	862	3,259	74%
Dhofar Power Company	199	118	317	63%
RAEC SAOC	621	426	1,047	59%
Totals	**4,163**	**2,076**	**6,239**	**67%**



Source: Authority 2008 employment survey

The Authority will undertake an extended employment survey in 2009 to secure additional employment related information on issues such as employee turnover, retention rates, spending on training and development, and recruitment related challenges faced by sector companies.

Electricity & Related Water Sector Issues - 2008

Overseas visits

The Authority participated in a number of overseas visits in 2008:

1: In May 2008 the Authority visited the USA as part of an Oman delegation invited by the United States Department of Energy. The delegation visited Tampa Electric's IGCC power plant in Florida and attended the 7th Annual Conference on Carbon Capture & Sequestration in Pittsburgh, Pennsylvania;

2: Also in May 2008 the Chairman of the Authority attended the Global Renewable Energy Forum in Brazil and made numerous contacts that helped the Authority formulate and implement its renewable energy strategy;

3: In July 2008 Authority representatives visited Spain to learn more about renewable energy policies and initiatives in that country. The delegation visited the National Control Centre of Redelectrica in Madrid and observed the world's first wind energy national dispatch facility. The delegation met with a regional electricity regulator in Andalusia, visited the Solar Research Institute in Almeria, and Abengoa's CSP facilities near Seville; and

4: In November 2008 the Authority was part of an Oman delegation that visited renewable energy installations in Germany as guests of the German government. The delegation visited the Fraunhofer Institute for Solar Energy Systems ISE in Freiburg and travelled to Berlin for meetings with representatives of the German government and companies operating in the renewable energy sector. The delegation also attended the 9th Forum of Solarpraxis in Berlin.

Regulation Seminar – Arab Regulators Forum

In February 2008 the Authority invited the Arab Regulators Forum to a seminar in Muscat to share experience of electricity regulation in Oman. The seminar guest of honour, H.E. Mohammed bin Nasser Al Khasibi, Secretary General of the Ministry of National Economy gave an opening address highlighting the importance of good utility regulation to sector reform. The seminar was extremely well received and helped raise the profile of Oman's electricity restructuring reforms.

Audits

In September 2008 the Authority retained Hobbs International Metering Consultancy Ltd to conduct an audit of OETC's compliance with the Metering and Data Exchange Code of the Grid Code.

Memorandum of Understanding – Sultanate of Oman and Tunisia

In June 2008 Dr. Saleh Al Alawi, Chairman and Member, and Amur Al Kiyumi, Member, led an official Oman delegation to Tunisia for a ceremony to mark the signing of a Memorandum of Understanding between the two countries. The Authority was invited to sign the MOU on behalf of the Sultanate by the government and to coordinate exchanges of electricity related experience, skills and know how contemplated in the terms of the MOU.

Report on 2003 Flood Damage in Wadi Nafa'a (near Bidbid)

In April 2003 heavy rain and flooding in Wadi Nafa'a near Bidbid caused extensive damage to housing in the surrounding area and, very regrettably, loss of life. Bidbid citizens were concerned that the flooding and damage to housing had been caused by protective walls around three Over Head Line (OHL) steel towers located in the wadi. All three towers suffered flood damaged, and in one case a tower collapsed and was damaged beyond repair. Bidbid citizens were concerned about the reoccurrence of flooding and the risk this posed to the health and safety of citizens.

The Bidbid Wali sought the Authority's intervention to secure the removal of the remaining flood wall protection. After an initial site visit the Authority formally investigated the matter pursuant to its duty to safeguard the health and safety of the Public. The Authority retained Lahmeyer International to assess:

1) the extent to which flooding and resulting damage had been caused by flood water diverted by the OHL tower flood protection;

2) the risk to the OHL towers of removing the tower flood protections and to identify alternative means of protecting the towers in ways that would not divert water to local housing; and

3) Evaluate options for relocating the towers away from the wadi and the associated cost of each option.

Following a detailed investigation, Lahmeyer reached the following conclusions:

1) Damage to the houses and property in close vicinity of the OHL towers in 2003 could not be directly and fully attributed to the flood protection. However, analysis indicated that the tower flood protection had reduced the cross-section of the wadi, which increased flow velocity and resulted in intensified scouring and damage to houses. While the OHL tower flood protection may have exacerbated damage to housing and property, they were not the principal or sole cause of the damage; and

2) The OHL tower protection was subject to design flaws that did not take sufficient account of the effects of scouring and did not therefore adequately protect the towers. Lahmeyer recommend the remaining tower flood protection be removed, and the tower foundations reinforced and anchored to solid rock, and clearances below the supporting cross-beam structures heightened.

The Authority provided copies of Lahmeyer's report to the Bidbid Wali, the United Power Company SAOC, the Oman Electricity Transmission Company SAOC and the Public Authority for Electricity and Water. The Authority expects the report's recommendations to be implemented in 2009.

Incidents

Mobaila Fatal Incident - 23rd April 2008

On 23 April 2008 at around 13:00 hrs a Muscat Electricity Distribution Company maintenance team was conducting maintenance work on an 11 kV overhead line. One of the MEDC team members climbed a pole carrying a live circuit. He was electrocuted and fell down the pole sustaining fatal injuries. The Authority commissioned a formal investigation in coordination with the office of the Public Prosecutor. The investigation identified several shortcomings in the implementation of the MEDC Safety Rules. The main causes of the incident were the failure to test the line before commencement of work in accordance with MEDC Safety Rules and procedures and the failure to apply additional earths on the work site. The investigation also identified shortcomings in the management of Health and Safety within MEDC. The investigation report made recommendations to improve the management of Health and Safety in MEDC to prevent the reoccurrence of similar incidents. The Authority issued its Investigation report on 6 July 2008 and submitted copies to MEDC and the Public Prosecutor. On 18 August 2008 the Public Prosecutor decided not to pursue charges against MEDC and closed the case.

Al Kamil Incident - 3rd June 2008

On 3rd of June 2008 following trips of two transmission circuits between Al Wasit and Wadi Jizi in the Buraimi region, a loss of power at Al Kamil power station resulted in Supply interruptions in the Al Sharqyah Region. Approximately 600 MW of demand was shed during the incident. At the request of the Authority OETC engaged a consultant to undertake the investigation. The Technical Directorate worked closely with OETC and the Consultant during the investigation. The investigation recommended changes to protection settings and revised operational procedures that have been implemented by OETC.

Quriyat Fatal Incident - 6th July 2008

On 6th July 2008 MEDC alerted the Authority to an incident that occurred on their system in Quriyat. The Authority initiated a formal investigation into the incident and informed the office of the Public Prosecutor. The investigation found that at around 7:15 AM an emergency contractor working for MEDC was working on an 11 kV overhead line replacing a faulty dropout fuse. At that time the Quriyat Area was subject to planned Load shedding from 33 kV feeders of a Grid Station. The emergency contractor Supervisor instructed one of his linemen to commence work on the dropout fuse without a permit to work. The lineman followed the instructions and did not apply isolation or additional protective earthing on the line. When electricity was restored and the un-isolated 11 kV line charged the electrician was electrocuted and fell from the pole sustaining injuries that caused his death several days later. The Investigation report identified numerous shortcomings in the management of Health and Safety and the Health and Safety Culture within MEDC, and raised concerns relating to the management of Health and Safety of contractor work. The Investigation report included an evaluation of the implementation of recommended actions arising from the Mobaila incident and concluded that a number of recommendations had not been fully implemented with the required degree of urgency. The Authority issued its Investigation report on 18 August 2008 and provided copies to MEDC and the Public Prosecutor. The Public Prosecutor brought charges against the contractor supervisor - the case is ongoing.

MEDC Health and Safety Audit

Investigation of the Mobaila and Quriyat fatal incidents has prompted the Authority to conduct a full Health and Safety Audit of MEDC as part of the Authority's 2009 work programme.

Ibri Fatal Incident - 17 August 2008

At around 13:20 on 17 August 2008 at Ibri on the network of Majan Electricity Company a lineman working for a contractor sustained fatal injuries after being electrocuted. The Authority commissioned a formal investigation in coordination with the office of the Public Prosecutor. The investigation found the lineman had been electrocuted while changing an overhead line to underground cable. The contractor had not executed the work in accordance with MJEC Safety Rules and instructions. The lineman was not wearing suitable gloves as required by the Safety Rules.

The Investigation Report concluded that "if the requirements of the MJEC Safety Rules and the instruction for working on the live overhead lines had been followed there would have been no incident." The Investigation Report made a number of recommendations for immediate implementation.

The Authority issued its Investigation Report on 22 October 2008 and provided copies to MJEC and the Public Prosecutor. The Public Prosecutor did not bring charges against any Persons involved in the incident and closed the case.

Appropriate Person criteria

In December 2008 Members approved a modification to the Appropriate Person criteria published in accordance with Article (22) paragraph 18 of the Sector Law. The Authority can only grant authorisations (licences and licence exemptions) to conduct a regulated activity to Persons who comply with criteria.

In the course of the Salalah IWPP investigation the Authority became concerned that certain entities afforded insufficient consideration to Article (80) of the Basic Law which states that: "No body in the State may issue rules, regulations, decisions or instructions which contravene the provisions of laws and decrees in force … which constitute part of the law …"

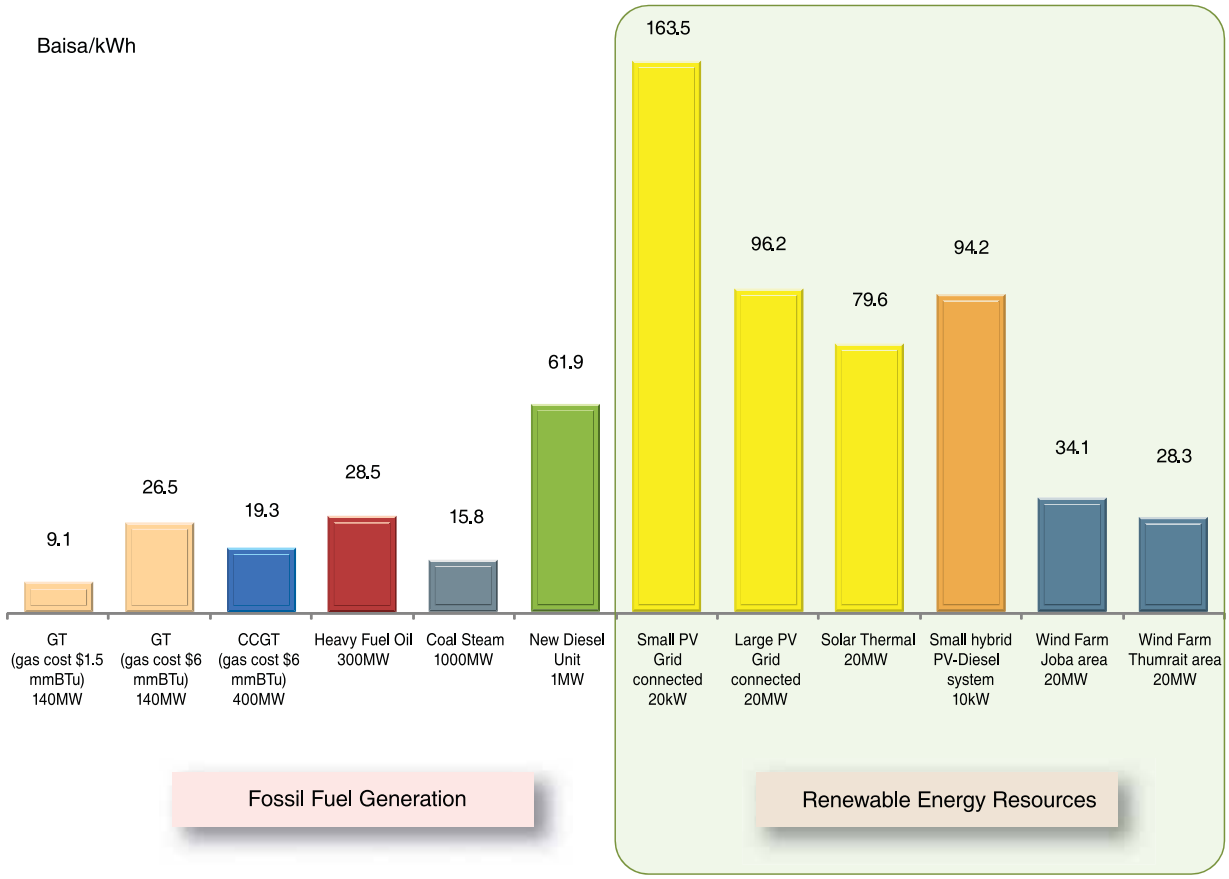
Members approved the following modification to the Appropriate Person criteria:

"Pursuant to Article 80 of the Basic Law of the Sultanate of Oman (promulgated by Royal Decree 101/90), the Authority will not grant a Licence if to do so would result in a contravention of the provisions of any laws and decrees, or any agreements which constitute part of the laws of the Sultanate of Oman."

Regulatory Focus - Renewable Energy

In May 2008 the Authority published a study it had commissioned to assess the Sultanate's renewable energy potential. The Study identified significant potential for electricity production using Solar and Wind based technologies. The Study compared the cost of electricity produced using fossil fuels with the cost of electricity produced using renewable energy, see Figure 17.

Figure 17: Electricity production Costs – Fossil Fuels vs Renewable Energy



Source: Authority Renewable Energy Study – May 2008

Solar electricity production costs are presently higher than the cost of electricity produced using conventional fossil fuel technologies. The cost of Wind based electricity production is similar to fossil fuel generation (Wind costs are lower than diesel generation but higher than electricity produced using natural gas). These comparisons are sensitive to a range of assumptions including fuel and capital costs and do not reflect anticipated reductions in renewable energy production costs (large scale solar in particular) that the Study suggests will see some convergence of costs. The costs presented in Figure 17 do not reflect the environmental costs of fossil fuel use or the environmental benefits of renewable energy, although the Study presented sensitivity analysis showing the increase in fossil fuel costs (and reductions in renewable energy costs) assuming a carbon trading credit of 25.5 US$ per ton of CO^2.

The Study made recommendations to support the widespread implementation of renewable energy projects in Oman:

(1) the establishment of a Designated National Authority to administer the UN clean development mechanism that provides funding for renewable energy investments;

(2) the immediate implementation of pilot projects in rural areas in coordination with RAEC;

(3) Tax Credits and Investment Subsidies to promote renewable related investments;

(4) a quota that would require renewable energy to account for a stipulated percentage of total electricity generation capacity by, say, 2020;

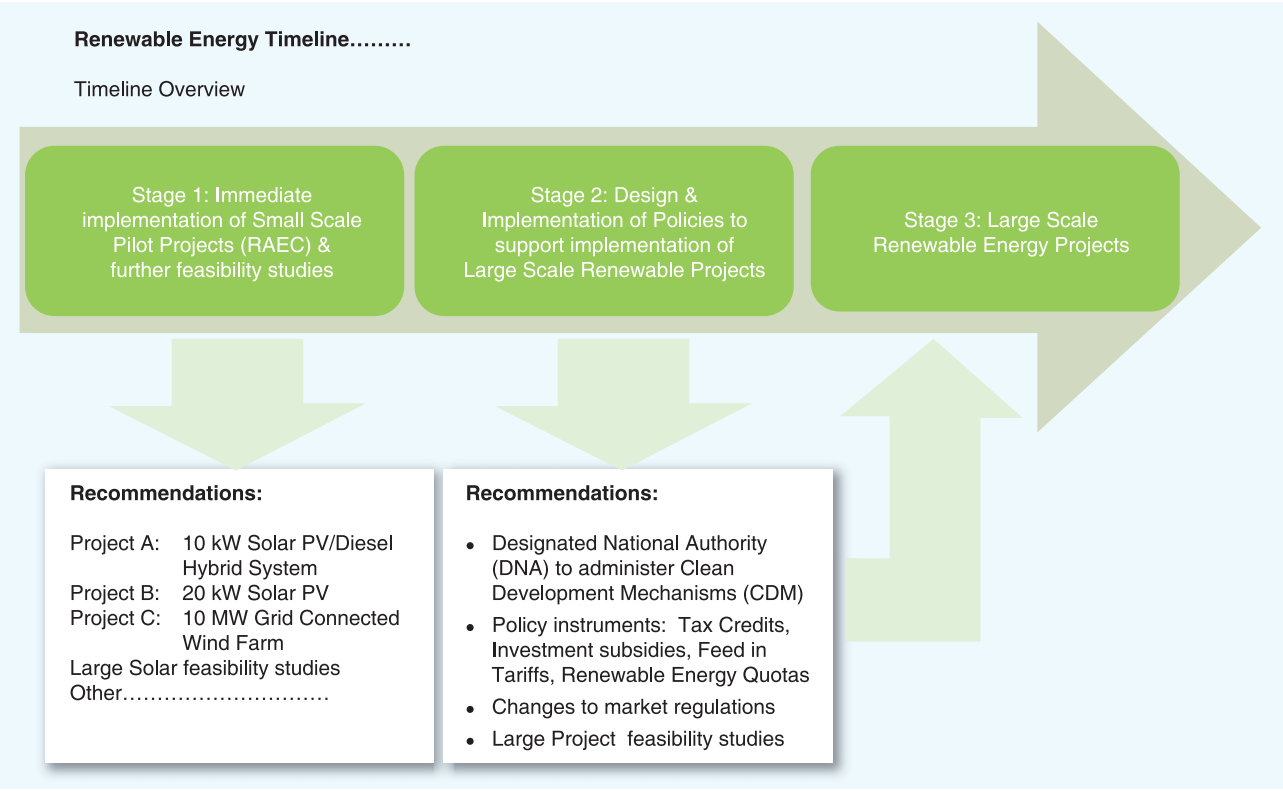
(5) changes to existing electricity market regulations to allow licensed distribution companies to purchase electricity from renewable energy facilities;

(6) the promotion of Oman based manufacturing of renewable energy products and the establishment of renewable energy support services; and

(7) Feasibility studies to confirm potential locations and costs of large scale solar plant, including Concentrated Solar Power.

The Authority supports these recommendations and is working with competent authorities to promote and support their implementation. The Authority views the recommendations as comprising a three stage renewable energy strategy; this is summarized in Figure 18.

Figure 18: Renewable Energy Implementation Strategy



Stage 1: is the immediate implementation of pilot renewable energy projects in rural areas in coordination with RAEC;

Stage 2: is the design and implementation of policies to encourage and support investment in renewable energy so as to ensure projects are developed in a systematic, coordinated, economic and sustainable manner. Stage 2 also involves further studies to confirm the feasibility of large scale solar; and

Stage 3: is the implementation of large scale renewable energy projects in Oman.

The Authority has invited RAEC to identify possible locations for diesel hybrid pilot projects, and make information available to potential developers. Several international and local companies have expressed interest in developing pilot projects within the preliminary framework developed by the Authority and have submitted pilot project proposals to the Authority for approval.

In April 2009 PAEW issued a tender to retain specialist consultants to undertake a full feasibility study for a large scale solar plant in Oman. The feasibility study is expected to be completed in 2009 following which the PWP will initiate a fair and transparent competition for what would be Oman's first large solar power facility.

In May 2009 the Authority hosted Renewable Energy and Energy Efficiency seminars at the Al Bustan Palace Hotel, Muscat. The Seminars included presentations by international experts and brought together policy makers, industry specialists and electricity sector companies for roundtable discussions of various issues (Seminar agendas and copies of presentations are available on the Authority's web site www.aer-oman.org).

Regulatory Focus - Article 147 Investigation

In February 2007 the Tender Board on behalf of the PWP issued documentation inviting interested bidders to pre qualify for a competition for a new IWPP in Salalah. The PWP is required by the Sector Law and the PWP licence, to conduct fair and transparent competitions for new capacity and output. The Sector Law requires the Authority to ensure PWP conducts fair and transparent competitions.

The Salalah IWPP competition documentation envisaged the submission of bids by February 2008. In response to various requests the bid submission deadline was extended and three bids were submitted to the Tender Board on 16 June 2008.

In January 2008 changes to the PWP Board of Directors included the appointment of a full time employee of Bank Muscat (Bank Muscat's General Manager, Wholesale Banking and, in that capacity, head of Corporate Finance and Advisory). The Director in question was also appointed chairman of PWP's internal audit committee.

In February 2008, PWP through the Tender Board awarded Bank Muscat a contract to provide financial advisory services for a new green field IWPP (not the Salalah IWPP).

In May 2008, the Authority sought clarification of what safeguards PWP had in place to manage the conflict of interest arising in relation to Bank Muscat's advisory contract with PWP. In May 2008 PWP reassured the Authority that the financial advisory contract had been awarded before the Director in question was appointed and that the then Chairman of PWP had asked for arrangements to be put in place to avoid any future conflicts of interest.

In June 2008, PWP informed the Authority that it had received three bids for the Salalah IWPP. One bidder, Sembcorp had prequalified in 2007 as a single entity but in February 2008 secured Tender Board approval for the Oman Investment Company (OIC) to join it in a bidding consortium with a 40% share. PWP did not provide any further details on OIC and did not identify its shareholders. When PWP provided this information to the Authority in September 2008, it emerged that Bank Muscat had a 5% shareholding in OIC, and would therefore have an economic interest in the Salalah IWPP if the Sembcorp/OIC consortium were to be awarded the Salalah IWPP project.

In September 2008, PWP informed the Authority that a preferred bidder for the Salalah IWPP had been identified: the Sembcorp/OIC consortium. The Authority wrote formally to PWP to express concern about a potential conflict of interest and requested clarification of safeguards in place to manage the apparent conflicts.

In October 2008, having received insufficient reassurances from the PWP the Authority launched a formal investigation into the Salalah IWPP competition as it was required to do by Article (147) of the Sector Law. The investigation focused on suspected irregularities in the arrangements for handling conflicts of interest on the part of directors of the PWP, and their possible effect on the Salalah IWPP competition. The Authority's investigation established that:

(a) during the course of the Salalah IWPP competition a director of the PWP had an indirect economic interest in the award by PWP of the contract for the Salalah IWPP. The PWP director repeatedly failed to declare this interest as he was required to do and failed also to declare his interest in the green field advisory contract awarded by PWP to the Advisory unit of Bank Muscat in February 2008;

(b) the PWP director and PWP failed to take appropriate steps to neutralise the conflict of interest, a conflict that could have jeopardized the fairness of the Salalah competition;

(c) if the consortium in which the PWP Director's employer had an economic interest were to win the competition for the Salalah IWPP while the director remained on the PWP Board, the Authority would not have granted the consortium the required licence. As the PWP director resigned from the PWP Board during the course of the Authority's investigation, the conflict of interest was removed;

(d) having conducted a rigorous investigation the Authority was able to confirm the Salalah IWPP competition had up to the time of the director's resignation been conducted fairly, and that the conflict of interest did not, in fact, affect the competition, although it could have done so;

(e) the investigation found no evidence of any wrongdoing on the part of Sembcorp or OIC;

(f) the Salalah competition was conducted in accordance with PWP's transparency obligations to bidders; and

(g) the investigation identified serious shortcomings in PWP's approach to sound corporate governance and concluded this was an area in need of significant improvement.

The Authority was disappointed by PWP's attitude to some of its regulatory obligations and on 13 April 2009 issued a formal order under Conditions 6 and 8 of PWP's licence requiring material changes in the nature, amount and quality of information which it provides to the Authority in connection with future competitions and the timeliness with which that information must be provided, including:

(a) the number of bids received in a competition, and the names and addresses of the persons whom it intends to pre-qualify;

(b) the name and address of every bidder whom it intends to shortlist in the competition;

(c) the name and address of every person who has a legal or beneficial interest of 5% or more of the issued share capital of a bidder, or who has the power, in any other way, to control or materially influence the affairs of the company in question;

(d) any proposed change to the composition or economic interests (including roles and obligations) in any group of bidders; the information provided must state the nature and extent of the respective interests and roles of the companies in the group in question;

(e) copies of all written communications between PWP and the Tender Board in relation to the competition; and

(f) information as to any actual, potential or apparent conflict of interest which has arisen or may arise in or in connection with the competition.

On 6th May 2009 a copy of the investigation report was placed on the Authority's Public Register thereby fulfilling one of the transparency obligations placed on the Authority by the Sector Law. Persons with an interest in the electricity and related water sector are allowed access to the Public Register to review all information on it.

The Salalah IWPP investigation was thorough, and concerned a matter of considerable importance to the integrity of the system for the award of contracts for new capacity by PWP. As a result of the Authority's intervention the serious corporate governance failings within PWP identified during the course of the investigation did not adversely affect the conduct of the Salalah IWPP competition.

The reputation of Oman, and in particular of its electricity and related water sector, for fairness, transparency and integrity in business is precious, and the Authority is committed to vigilant compliance monitoring and timely intervention to protect it. The investigatory action taken by the Authority and the regulatory order issued to the PWP concerning the conduct of future competitions for new capacity and output – will reassure industry players and potential participants in the soundness and conspicuous fairness of our system.

ARTICLE (29) REPORTING

Further Market Liberalisation

Figure 19 presents the Authority's assessment of the possible implementation of the four Liberalisation measures identified in the Sector Law.

Figure 19: Further Market Liberalisation

Liberalisation measure	Authority's assessment of market readiness:
1. Disposal of the Government's interest in the Electricity Holding Company SAOC or the Oman Power and Water Procurement Company SOAC	***The Authority does not consider the market ready for this liberalisation measure.*** The Authority does not believe customers, investors or the government would benefit from the implementation of this measure at the present time. ***The Authority does not propose to take steps to prepare the market for the implementation of this measure.***
2. Permitting licensed Production Facilities to sell to persons other than Oman Power and Water Procurement Company SAOC	***The Authority does not consider the market ready for this liberalisation measure.*** Implementation of this measure would imply a significant change to the risk allocation of existing contracts (PPA and PWPA), and require a reassessment of the Generation Security Planning Standard. ***The Authority will consult with interested persons in 2009 to assess interest in and the implications of this liberalisation measure***
3. Permitting persons other than Oman Power and Water Procurement Company SAOC and the Rural Areas Electricity Company SOAC to Import or Export electricity from or to another country	***The Authority does not consider the market ready for this liberalisation measure.*** Preparations for the commissioning of the main Oman – UAE interconnector are at an advanced stage, as are discussions on the establishment of the GCC Interconnection Authority. ***The Authority will consult with interested persons in 2009 to assess interest in and the implications of this liberalisation measure.***
4. Creation of competition amongst Licensed Suppliers	***The Authority does not consider the market ready for this liberalisation measure but believes this would be achievable within 4 years.*** The Authority believes implementation of this measure would have significant benefits for customers and views its implementation as an important and achievable objective. The Authority has implemented separate distribution and Supply price controls from 1 January 2009 that, in conjunction with the further development of separate regulatory accounting requirements, will facilitate the introduction of Supply competition within 4 years. The Authority believes the entry of new Licensed Suppliers will promote competition and raise standards of customers service that, four years after the sector restructuring, remain at unsatisfactory levels.

Electricity Subsidy

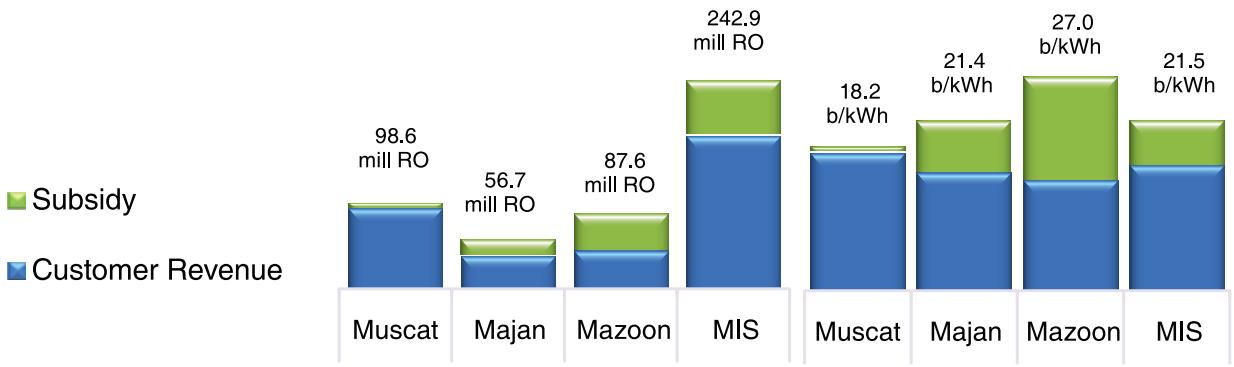
Article (18) of the Sector Law implements a mechanism through which the Ministry of Finance provides electricity subsidy calculated by the Authority to four licensed suppliers (Muscat, Majan and Mazoon and the RAEC) on an annual basis. The Authority undertakes two separate subsidy calculations: the first calculates MIS subsidy required by Muscat, Majan and Mazoon, the second calculates RAEC subsidy.

Subsidy is defined as the difference between the economic cost of Supply (including financing costs) and Permitted Tariff (and other) revenue. Economic Supply costs are derived as the sum of PWP, OETC, and Muscat, Majan and Mazoon and RAEC price control Maximum Allowed Revenues (MAR). Subtracting customer tariff revenue (and other income) from the MAR identifies the electricity subsidy requirement in a particular year.

MIS Subsidy

Figure 20 presents outturn MIS subsidy in 2008 by company.

Figure 20: 2008 MIS Outturn Subsidy by Company



	Revenue & Subsidy million RO				Economic Cost Baiza/kWh Supply			
Item	Muscat	Majan	Mazoon	MIS	Muscat	Majan	Mazoon	MIS
Customer Revenue	94.6	39.7	45.6	179.8	17.4	15.0	14.1	15.9
Subsidy	4.0	17.1	42.0	63.1	0.7	6.4	12.9	5.6
Economic Cost	98.6	56.7	87.6	242.9	18.2	21.4	27.0	21.5
Subsidy % Economic Cost	4%	30%	48%	26%	4%	30%	48%	26%
Company share of Subsidy	6%	27%	67%	100%				

Source: 2008 audited SCRC Statements & Authority calculations

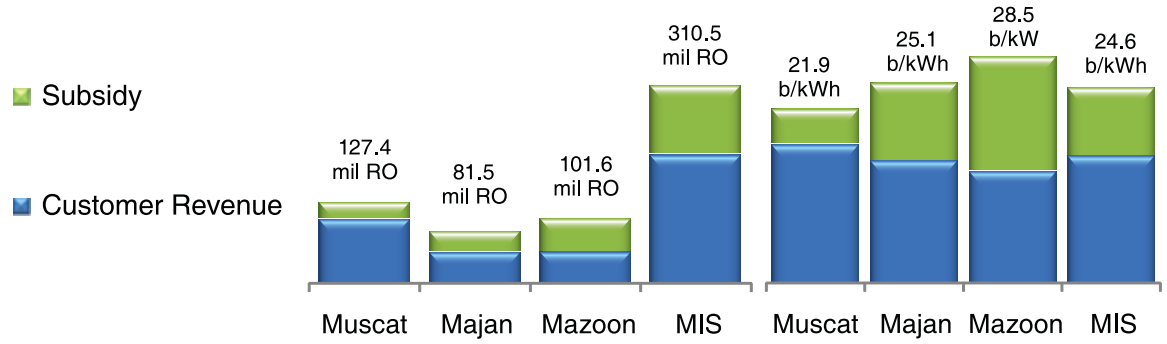
Outturn MIS subsidy in 2008 was **63.1m RO**, this is 8.6 m RO lower than forecast in our 2007 Annual Report. Lower than expected 2008 Subsidy was primarily the result a significant increase in Customer Revenue. The 17% growth in 2008 customer revenue reflects a 16% growth in units supplied and a marginally improved rate of revenue collection.

Total 2008 MIS subsidy (63.1m RO) accounted for 26% of the total economic cost of Supply (242.9m RO). Mazoon, Majan and Muscat accounted for 67%, 27% and 6%, respectively, of the total 2008 MIS subsidy. Mazoon continues to have the highest subsidy requirement per kWh at 12.9 baiza/kWh, while Majan had a requirement of 6.4 baiza/kWh and Muscat a requirement of just 0.7 baiza per kWh. The subsidy required by each company reflects differences in customer mix and differences in the characteristics of their respective distribution systems.

2009 MIS Subsidy Forecast

The Authority expects MIS subsidy of 107.5m RO in 2009, 44.4m RO higher than outturn MIS subsidy in 2008. The increase in MIS subsidy reflects expected increases in economic costs and customer revenues of 28% and 13%, respectively. Figure 21 presents the Authority estimates of 2009 MIS subsidy by company.

Figure 21: Subsidy Forecast - Main Interconnected System 2009



	Revenue & Subsidy million RO				Economic Cost Baiza/kWh Supply			
Item	Muscat	Majan	Mazoon	MIS	Muscat	Majan	Mazoon	MIS
Customer Revenue	102.0	50.3	50.7	203.0	17.5	15.5	14.2	16.1
Subsidy	25.4	31.2	50.9	107.5	4.4	9.6	14.3	8.5
Economic Cost	127.4	81.5	101.6	310.5	21.9	25.1	28.5	24.6
Subsidy % Economic Cost	20%	38%	50%	35%	20%	38%	50%	35%
Company share of Subsidy	24%	29%	47%	100%				

Source: Authority calculations

For further details of 2008 outturn MIS subsidy and the Authority's estimate of MIS subsidy in 2009, please refer to Annex D.

Underlying Movement in MIS Subsidy: 2006 to 2009

Figure 22 presents the Authority's underlying measure of MIS subsidy in 2006, 2007, 2008 and expected MIS subsidy in 2009. The underlying measure assumes revenues, costs and efficiencies were correctly forecast between 2006 and 2008 so as to return zero correction factors. The estimate of MIS subsidy in 2009 reflects the 2009 MAR of PWP, OETC, Muscat, Majan and Mazoon and assumed growth in Supply (regulated units distributed) of 11.7%.

Figure 22: Underlying Movement in MIS Subsidy: 2006, 2007, 2008 and 2009 Forecast

Economic Cost (RO m)	2006	2007	2008	2009 (e)
PWP (MAR excluding K_t)	140.5	144.5	161.2	180.2
OETC (MAR excluding K_t)	26.5	27.9	31.5	38.3
Muscat (MAR excluding K_t)	22.8	23.8	23.9	32.2
Mazoon (MAR excluding K_t)	23.0	24.2	27.6	36.6
Majan (MAR excluding K_t)	16.6	17.8	19.6	26.2
Underlying Economic Cost	**229.6**	**238.2**	**263.8**	**313.5**
Permitted Tariff (& other) Revenue	143.1	153.9	179.8	203.0
Underlying Economic Subsidy Requirement	**86.5**	**84.3**	**84.0**	**110.5**
Regulated Units Distributed (GWh)	9,194	9,778	11,317	12,645
Underlying Economic Cost per kWh Supplied	25.0	24.4	23.3	24.8
Customer Revenue per kWh Supplied (bz/kWh)	**15.6**	**15.7**	**15.9**	**16.1**
Underlying Subsidy per kWh Supplied (bz/kWh)	9.4	8.6	7.4	8.7

Source: Authority calculations

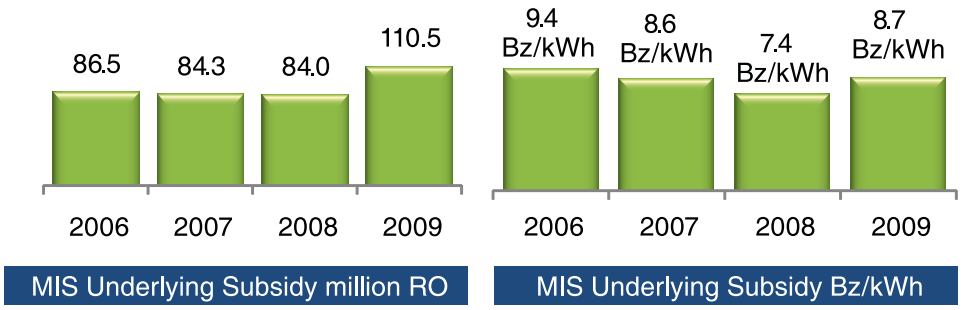


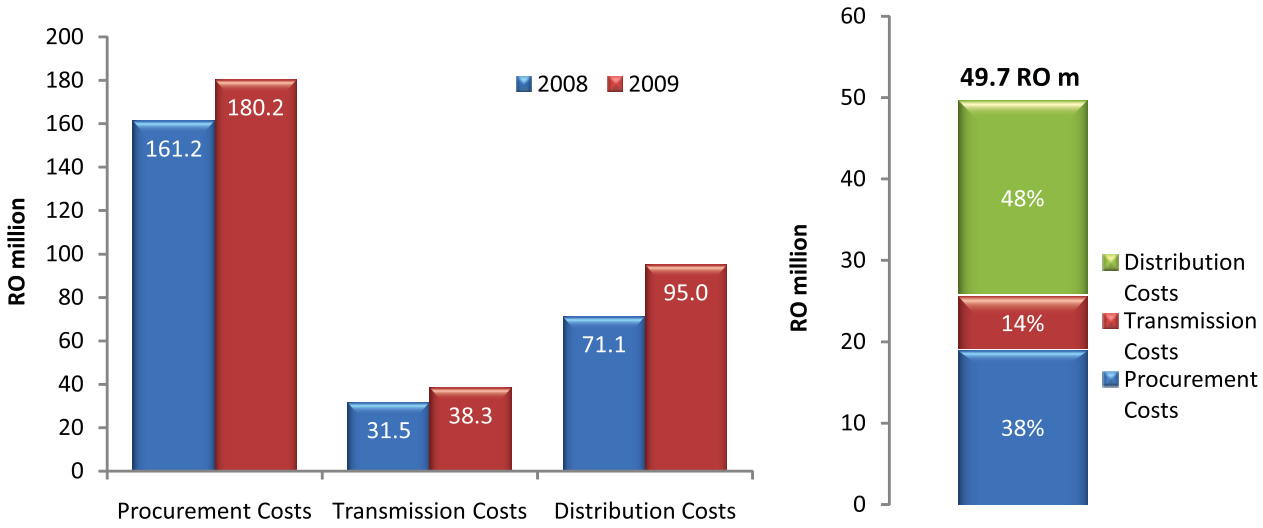
Figure 22 indicates a steady reduction in underlying MIS Subsidy from 86.5m RO (9.4 baiza/kWh) in 2006 to 84.0m RO (7.4 baiza/kWh) in 2008. Over the same period, customer revenue increased by 26% exceeding the 15% increase in economic costs. The Authority believes better management of the Licensed Suppliers' meter, reading, billing and collection (MRBC) functions contributed to increased customer revenue, losses reductions and reduced MIS Subsidy between 2006 and 2008.

The Authority estimates underlying MIS Subsidy in 2009 of 110.5m RO (8.7 baiza/kWh). Although the forecast of 2009 MIS subsidy is higher than outturn 2008 MIS subsidy, underlying MIS subsidy in 2009 of 8.7 baiza/kWh would be lower than the 9.4 baiza/kWh of subsidy in 2006, and marginally higher than 7.4 baiza/kWh of subsidy in 2008.

As anticipated in our 2007 Annual Report, recent policy decisions are exerting upward pressure on economic costs and electricity subsidy: in addition to strong growth in electricity demand, licensees are required to underground a substantial proportion of new electricity lines and are replacing and upgrading their systems to comply with security standards.

Figure 23 presents a breakdown of the expected increase in MIS economic costs between 2008 and 2009, showing the respective contributions of Procurement costs (PWP), Transmission costs (OETC) and Distribution & Supply costs (Muscat, Majan and Mazoon).

Figure 23: Contributions to Increased MIS Economic Costs in 2009



Source: SCRC & Authority calculations

Of the 49.7 million RO increase in 2009 MIS economic costs:

I. PWP procurement costs account for 38% of the total increase. The 19 million RO increase in procurement costs reflects the first year of payments for full power and water capacity and output from the SMN Barka production facility;

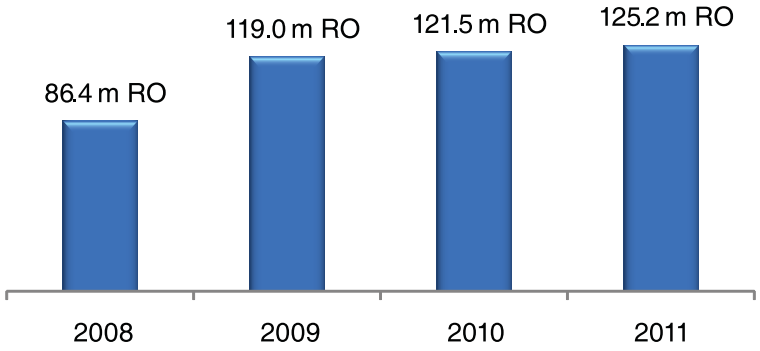
II. Transmission costs account for 14% (6.8m RO) of the increase in economic costs, reflecting increased capital expenditure to ensure the licensed transmission system can accommodate underlying growth, connection of new production facilities and comply with approved security standards; and

III. Distribution and Supply costs account for 48% (23.9m RO) of the increase in economic costs. As with OETC, increased capital expenditure to accommodate underlying growth and secure compliance with approved security standards are the principal drivers of cost.

In 2008 OETC, Muscat, Majan, and Mazoon approved projects totalling 83m RO. Some of this expenditure was incurred in 2008 and some in subsequent years as part of approved price control capital allowances for 2009 to 2011 shown in Figure 24.

Figure 24: Capital Expenditure 2008-2011 – Licensed Networks (MIS)

Company	2008	2009	2010	2011
OETC	40.0	42.0	45.0	45.0
Muscat	13.7	26.9	27.5	28.7
Majan	12.1	19.1	20.2	19.7
Mazoon	20.5	31.0	28.9	31.7
Total	86.4	119.0	121.5	125.2
% annual increase		38%	2%	3%
% increase from 2008		38%	41%	45%



Source: Licensee returns and price control allowances

The 119 million RO of price control capital allowances in 2009 represents a 38% increase on capital allowances in 2008. Total MIS capital expenditure increases further to 122m RO in 2010 and 125m RO in 2011 (45% higher than 2008 allowances). These increases in capital expenditure allowances of transmission and distribution price controls are the principal driver of increased MIS subsidy in 2009.

RAEC Subsidy

Outturn RAEC subsidy in 2008 is higher than forecast due to an additional allocation of subsidy made in response to significant improvements in the quality of RAEC information submissions to the Authority.

RAEC Information Submissions

The Authority's 2005 Annual Report expressed disappointment that the price control mechanisms in the RAEC licence could not be implemented due to limitations in the quality and quantity of RAEC information. The 2006 Annual Report confirmed the implementation of a simplified RAEC subsidy calculation to provide RAEC with strong incentives to improve the quality and quantity of information provided to the Authority. Under this mechanism RAEC subsidy would be based on 2005 costs indexed to increases in customer accounts and MWh supplied. With no assurance that allowed revenue based on estimated costs would remunerate actual costs – the onus was on RAEC to improve the quality of information provided to the Authority and confirm its actual costs. The 2007 Annual Report confirmed the continued application of the simplified RAEC subsidy calculation but anticipated an improvement in RAEC information submissions following changes in RAEC management.

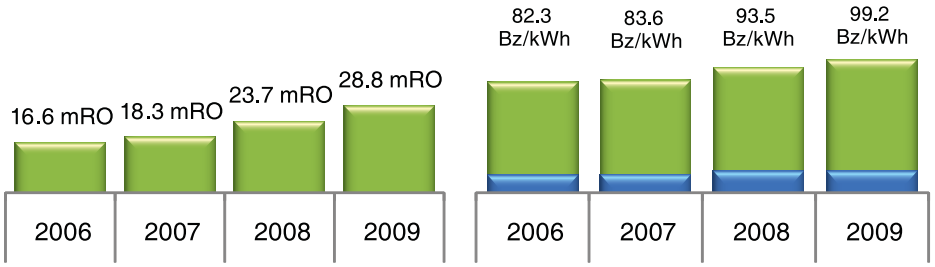
In 2007 and 2008 RAEC and its shareholders requested additional subsidy in light of reported profits being lower than expected (a direct consequence of RAEC's actual costs being higher than assumed in the subsidy calculation). The Authority rejected these requests as there has been no noticeable improvement in the quality of RAEC information submissions.

The Authority is pleased to acknowledge significant and sustained improvements in the quality of RAEC information submissions during 2008. As a result of the improvements the Authority has 'adjusted' 2008 RAEC subsidy to reflect actual costs in that year and is finalizing RAEC price controls for 2009 to 2011 as envisaged in the RAEC licence. The Authority is grateful to the Board and management of RAEC for the improvements made and is pleased that the mechanism implemented to incentivize the provision of robust information has been shown to be effective.

RAEC Subsidy 2006 to 2009

Figure 25 confirms RAEC subsidy in 2008 and forecast RAEC subsidy in 2009.

Figure 25: RAEC Outturn Subsidy - 2009 Subsidy Forecast



	RAEC Subsidy million RO				RAEC Revenue & Subsidy Bz/kWh			
Million RO	2006	2007	2008	2009	2006	2007	2008	2009
Customer Revenue	3.5	3.8	5.4	6.0	14.3	14.5	17.3	17.1
Subsidy	16.6	18.3	23.7	28.8	68.0	69.1	76.2	82.1
Economic Cost	20.1	22.2	29.1	34.8	82.3	83.6	93.5	99.2

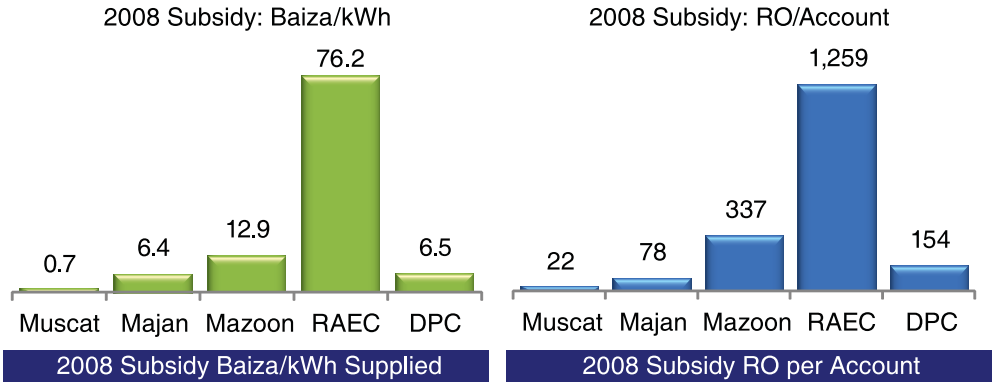
Source: 2005, 2006, 2007 & 2008 audited SCRC Statement, Authority calculations.

Outturn RAEC subsidy in 2008 was 23.7 million RO or 76.2 baiza/kWh, see Annex D for further details. **The Authority is forecasting 2009 RAEC subsidy of 28.8 million RO (82.1 baiza/kWh)**, an increase in subsidy that reflects significant growth of RAEC output. The 2009 estimate of RAEC subsidy is provisional and was derived using a new price control framework being discussed with the company. In determining 2009 subsidy, the Authority has again applied a revenue target of 14.5 baiza/kWh (a target RAEC met in 2008 with average tariff revenue of 17.3 baiza/kWh).

Comparison of 2008 Subsidy by Company

Figure 26 presents a comparison of subsidy provided to Muscat, Majan, Mazoon and RAEC in 2008 and government financial support to DPC in that year. The left hand panel presents subsidy (bazia) per kWh supplied, the right hand panel shows subsidy (RO) per customer account.

Figure 26: 2008 Subsidy Comparisons



	Muscat	Majan	Mazoon	RAEC	DPC	Muscat	Majan	Mazoon	RAEC	DPC
Subsidy per kWh/Account	0.7	6.4	12.9	76.2	6.5	22	78	337	1,259	154
Subsidy mRO	4.0	17.1	42.0	23.7	8.0	4.0	17.1	42.0	23.7	8.0
GWh / '000 Accounts	5,423	2,650	3,244	312	1,221	184	218	125	19	52

Source : 2008 audited SCRC Statements & licensee returns.
Note 1 : Muscat, Majan, Mazoon & RAEC Subsidy as per Article (18) of Sector Law. DPC Salalah CA net allowances.

Two licensees, Mazoon and RAEC, accounted for 76% of total subsidy provided to licensed suppliers in 2008, and for 69% of financial support to all companies. RAEC subsidy per kWh supplied and per account is significantly higher than other companies (and excludes RAEC electrification funding provided in accordance with Article (87) of the Sector Law).

The subsidy requirements of all companies reflect nominal increases in economic costs (in line with higher output) and Permitted Tariffs that in real terms decline year on year. A decision to index Permitted Tariffs to inflation would reduce subsidy. This is a matter for the government. The Authority notes 2008 subsidy would have been higher than the reported amounts had sector companies not secured the improvements in efficiency discussed elsewhere in this report.

Electricity Tariffs

The Sector Law requires all electricity supplied by licensed suppliers to be charged at a Permitted Tariff approved by the Council of Ministers.

Figure 27 presents details of the present Permitted Tariffs for different customer categories, and Permitted Tariff fees for the disconnection and reconnection of customer accounts.

Figure 27: Permitted Tariffs

A: Permitted Tariffs for Electricity Supply

Permitted Tariff Category	Tariff Structure				
Industrial [1]	All Regions except Dhofar			Dhofar Region	
	September to April: 12 Baiza per kWh			August to March: 12 Baiza perkWh	
	May to August: 24 Baiza per kWh			April to July: 24 Baiza per kWh	
Commercial	Flat rate @ 20 Baiza per KWh				
Ministry of Defence	Flat rate @ 20 Baiza per KWh				
Residential	0-3000 kWh	3001-5000 kWh	5001-7000 kWh	7001-10000 kWh	above 10000 kWh
	10 Bz / kWh	15 Bz / kWh	20 Bz / kWh	25 Bz / kWh	30 Bz / kWh
Government	0-3000 kWh	3001-5000 kWh	5001-7000 kWh	7001-10000 kWh	above 10000 kWh
	10 Bz / kWh	15 Bz / kWh	20 Bz / kWh	25 Bz / kWh	30 Bz / kWh
Agriculture & Fisheries	0-7000 kWh			7001 kWh & above	
	10 Baiza per kWh			20 Baiza per kWh	
Tourism [2]	0-3000 kWh	3001-5000 kWh	5001-7000 kWh	above 7001 kWh	
	10 Bz / kWh	15 Bz / kWh	20 Bz / kWh	20 Bz / kWh	

1 Customers require a MOCI letter of recommendation and must maintain a power factor of least 0.9
2 Subject to Ministry of Tourism regulations and approval

B: Permitted Tariff fees for Disconnection & Reconnection of accounts

Disconnection fee (all types of metered accounts): 7.500 Rial Omani
Reconnection fee (all types of metered accounts): 7.500 Rial Omani

No new Permitted Tariffs, or tariff modifications, were implemented in 2008.

REGULATION

Authority for Electricity Regulation, Oman

The Authority was established as an administratively and financially independent entity subject to State Audit Law by Article (19) of the Sector Law. The Authority is competent to regulate the electricity and related water sector pursuant to Article (2) of the Sector Law.

Authority Members are appointed by the Council of Ministers for three year terms. In February 2008 Members were appointed for further three year terms.

The present Members of the Authority are:

- Dr Saleh Mohammed Al-Alawi - non-executive Member (a part time appointment);
- Amur Mubarak Al Kiyumi - non-executive Member (a part time appointment); and
- John Cunneen - Executive Director and Member (a full time appointment).

Members are collectively responsible for managing the Authority's affairs and for ensuring the Authority fulfils all of its statutory functions and duties. Members met regularly throughout 2008 to administer the Authority's affairs, on the dates shown in Figure 28.

Figure 28: Member Meetings in 2008

	Dr Salah Al Alawi Chairman & Member	John Cunneen Executive Director & Member	Amur Al Kiyumi Member
Appointed for second term in: Meeting Dates	February-2008	February-2008	February-2008
13-January-2008	✓	✓	✓
9-February-2008	✓	✓	✓
13-February-2008	✓	✓	✓
8-March-2008	✓	✓	✓
30-April-2008	✓	✓	✓
18-June-2008	✓	✓	✓
19-July-2008	✓	✓	✓
20-July-2008	✓	✓	✓
17-September-2008	✓	✓	✓
15-November-2008	✓	✓	✓
2-December-2008	✓	✓	✓
16-December-2008	✓	✓	✓

As at December 2008 the Authority had 19 full time staff, most of whom are Omani Nationals with professional qualifications.

Funding

The Authority recovers all of its costs through licence fees. Fees are calculated by apportioning costs to each regulated activity on the basis of the time expected to be spent regulating each activity. Figure 29 presents licence fee income by regulated activity and the number of Licence Holders by activity, for 2005 to 2009, inclusive.

Figure 29: Licence Fees: 2005 to 2009

Activity	2005 Licence Fees RO	#	2006 Licence Fees RO	#	2007 Licence Fees RO	#	2008 Licence Fees RO	#	2009 Licence Fees RO	#
Generation	78,200	4	59,700	4	50,776	4	95,284	4	154,351	4
Generation & Desalination	66,726	2	67,239	3	55,854	3	99,087	3	220,501	4
Transmission & Dispatch	117,300	1	104,472	1	177,715	1	320,669	1	514,503	1
Distribution & Supply	336,261	3	292,527	3	399,858	3	474,590	3	782,045	3
RAEC Activities	119,425	1	116,346	1	153,279	1	159,345	1	230,792	1
PWP Activites	132,090	1	142,779	1	273,237	1	232,225	1	547,824	1
PWP: Electricity	93,840		90,543		88,858		192,401		288,122	
PWP: Related Water	12,750		4,749		6,664		10,359		14,700	
PWP: Salalah	25,500		47,488		177,715		29,465		245,002	
Total Fee Income	850,002	12	783,063	13	1,110,719	13	1,381,200	13	2,450,016	14

The increase in 2009 licence fees reflects the implementation of a new organisation structure approved by Members in 2008, and a contribution to the cost of establishing and moving to new offices. Licence fees fund all of the work items identified in the Authority's 2009 forward work programme (available for review at www.aer-oman.org).

2009 Forward Work Programme

Article (34) of the Sector Law requires the Authority to prepare a Forward Work Programme for the coming year, and consult with Persons who may be affected by the proposed work. In December 2008 the Authority consulted on its proposed 2009 Forward Work Programme and is in the process of implementing its constituent tasks. The Authority intends to post periodic updates of progress in implementing the work programme on its web site to further improve regulatory transparency.

Each Forward Work Programme identifies tasks the Authority intends to undertake in a relevant year. It is not always possible to complete a work programme as expected, particularly if priority issues arise unexpectedly during the year. For example, the Tropical Cyclone that hit Oman in June 2007 caused significant disruption to the planned 2007 work schedule. In 2008, the Article 147 investigation into the conduct of the Salalah IWPP competition resulted in the Renewable Energy & Energy Efficiency seminars planned for November 2008 being postponed to 2009.

The 2009 Forward Work Programme approved by Members is presented in Annex E.

Customer Affairs Directorate

The Customer Affairs Directorate is responsible for protecting and promoting the interests of electricity customers and ensuring that the interests of electricity customers are afforded appropriate priority and attention within the Authority.

The Directorate approves and monitors Licensed Suppliers' codes of practice to safeguard interests of electricity customers and takes up complaints on behalf of Customers who have been unable to resolve disputes directly with a Licensed Supplier.

In 2008 the Directorate:

(i) retained a Consultant to assist the development and implementation of Guaranteed and Overall Standards of Performance that are expected to commence in 2009;

(ii) approved amended formats for Electricity Bills to provide greater clarity and transparency of information to Customers; and

(iii) coordinated with the Ministry of Social Development to assist special needs customers.

In 2008, the Authority issued four Customer Complaint Determinations;

(i) the first Determination concerned a Licensed Supplier attempt to recover unbilled revenue attributable to the application of an incorrect tariff between May 2005 and May 2007. The Authority determined that the Customer's liability for unbilled revenue should not exceed 12 months;

(ii) the second Determination related to a Customer's request for compensation for financial loss due to frequent Supply interruptions. The Authority concluded the Licensed Supplier could not have anticipated the Supply interruptions or provided prior notification to the Customer, and had acted quickly to restore Supply. The Authority Determined that no financial compensation was due to the Customer;

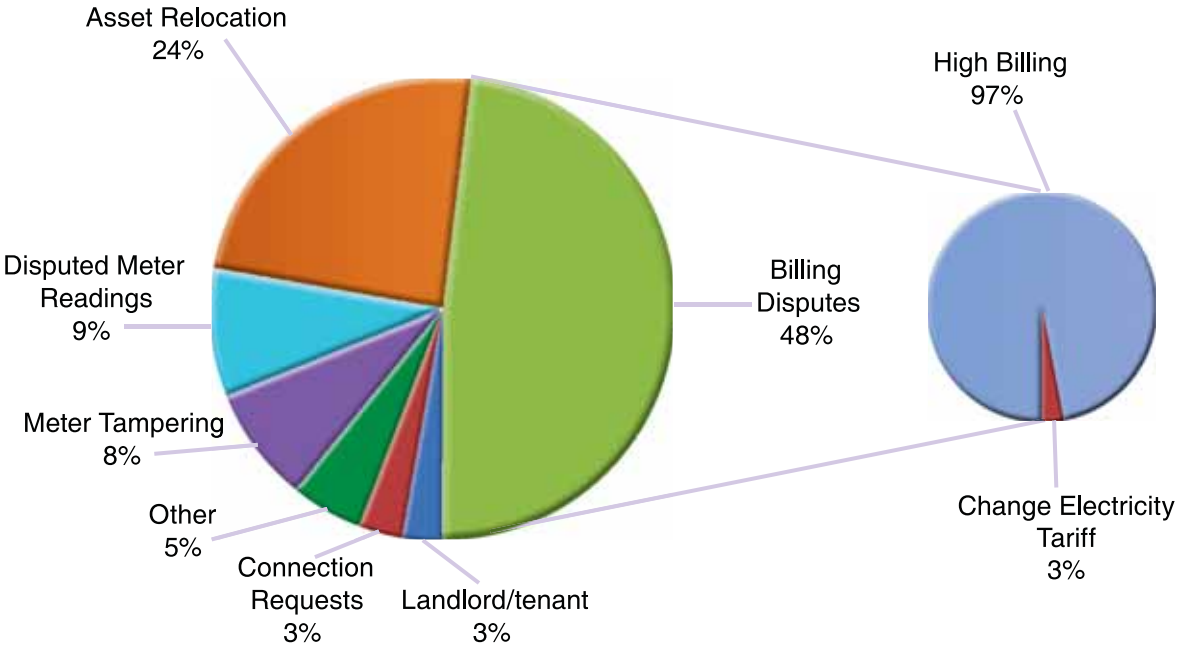
(iii) the third Determination related to a Customer's request for reimbursement of connection charges paid in January 2003. The Customer had an agreement with MHEW that he would be receive compensation for subsequent connected customers benefitting from a line extension funded by him. Licensed Suppliers have a responsibility to honour undertakings given by MHEW. The Authority Determined that the Licensed Supplier should compensate the Customers on the agreed terms; and

(iv) the fourth Determination related to a Customer's request for electricity poles located in close proximity to his land to be relocated and funded by a Licensed Supplier. The Authority Determined that in accordance with new policy directives, the assets should be replaced with underground cables by the Licensed Supplier at no cost to the Customer.

Analysis of Customer Complaints

The Directorate received 65 complaints in 2008, a 30% increase on the number of complaints received in 2007. Figure 30 below presents an analysis of the issues that were the subject of customer complaints in 2008.

Figure 30: Types of Customer Complaint in 2008



Source: Authority Customer Complaints Database

Billing issues accounted for 48% of total customer complaints in 2008, with most Billing complaints relating to concerns about High Billing. Requests to relocate assets (poles, transformers, and substations) accounted for 24% of complaints in 2008, Disputed Meter Readings 9% of complaints, and Meter Tampering issues 8% of complaints.

Economics and Financial Affairs Directorate

The Directorate is responsible for the economic regulation of the electricity and related water sector. This includes setting and monitoring RPI-X price controls, and reviewing and approving electricity and related water bulk Supply tariffs. The approved 2009 PWP Electricity and Water Bulk Supply Tariffs are shown in Figure 31, the 2009 RAEC Water Bulk Supply Tariffs are shown in Figure 32.

Figure 31: 2009 PWP Electricity & Water Bulk Supply Tariffs

A: PWP Electricity Bulk Supply Tariff - 2009

Baiza per kWh	Off Peak	Night Peak	Weekday Day-peak	Friday Day-peak
January to March	7.0	7.0	7.0	7.0
April	8.0	8.0	8.0	8.0
May to July	8.0	20.0	40.0	20.0
August to September	8.0	15.0	30.0	15.0
October	8.0	8.0	8.0	8.0
November to December	7.0	7.0	7.0	7.0

Rate Band	Day(s) / Time(s)
Off Peak	All days : 02:00 to 13:00 and 17:00 to 22:00
Night Peak	All days : 22:00 to 02:00 (following day)
Weekday Day-peak	Saturday to Thursday, 13:00 to 17:00
Friday Day-peak	Friday, 13:00 to 17:00

Source: PWP 2009 Electricity BST Leaflet

B: PWP Water Bulk Supply Tariffs - 2009

	Ghubrah	AES Barka	Sohar
Fixed charge for committed Water Desalination Capacity Based on Minimum Availibility of:	RO 0.353 per day	RO 0.415 per day	RO 0.340 per day
Summer[1]	92.5%	93.0%	98.0%
Winter	77.5%	84.0%	85.0%
Variable charge for Desalinated Water	RO 0.100 per m^3	0.050 per m^3	
1: For the first 50% of daily capacity			RO 0.020 per m^3
2: For the first 50% to 75% of daily capacity			RO 0.045 per m^3
3: For excess over 75% of daily capacity			RO 0.080 per m^3
4: Variable Charge for Distillate Water			RO 1.200 per m^3
PWP service charge (based on committed Water Desalination Capacity)	RO 0.005 per day	RO 0.005 per day	RO 0.005 per day

[1] *Summer months: April-September for Ghubrah & Sohar, May-September for AES Barka*

Figure 32: 2009 RAEC Water Bulk Supply Tariffs

	Production Facility				
Rial/m^3	Al Hallaniyat	Abu Mudabi	Kumzar	Masirah	Sograh
2005	2.643	2.218	1.972	2.963	1.924
2006	3.339	2.331	2.721	2.995	2.928
2007	3.721	2.555	2.792	3.158	3.003
2008	3.934	2.673	2.484	3.182	2.673
2009	4.657	3.203	2.442	1.719	3.480

Source: Rural Areas Electricity Company SAOC

In 2008 the Directorate:

- set new Distribution and Supply price controls for Muscat, Majan and Mazoon each covering the period 2009 to 2011;
- agreed a 1-year extension for 2009 to the OETC price control. The Directorate is working to set a new price control for OETC starting 1 January 2010 that we hope will be of 5 years duration;
- progressed work on the setting of new PWP price controls; and
- contributed to reviews and approval of RAEC requests for Electrification Funding submitted in accordance with Article (87) of the Sector Law. The funding approved in 2008 included funding for a new generation and desalination facility and distribution system in Al Duqm.

Technical Directorate

The Technical Directorate is responsible for approving technical standards and for monitoring compliance with Industry Codes, planning and operating standards, and Oman Electrical Standards. The Directorate represents the Authority on the Grid Code and Distribution Code Review Panels and plays a lead role in technical and health and safety investigations.

During 2008 the Directorate:

- managed Lahmeyer international conduct a review of the effects of a 2007 Tropical Cyclone on electricity infrastructure. The Directorate will be working in 2009 to implement recommendations arising from the review to improve the security and resilience of the electricity networks in Oman;
- assisted a health and safety inspection conducted by an specialist consultant (Advantica) of safety aspects of phase 1 Babcock boilers 4, 5, and 6 at the Al Ghubrah Power and Desalination Company SOAC (GPDC). The Consultant identified unacceptable safety risks and made recommendations for immediate implementation to keep the boilers in operation and safeguard the health and safety of staff. The Authority issued GPDC with a Article 116 notice requiring full refurbishment of phase 1 Babcock boilers 4, 5, and 6 and the installation of a new fit for purpose safety control system. The Authority expects all of required work to be completed in 2009;
- the Directorate established a "Summer 2009 Task Team" with stakeholder representatives to agree actions to minimize the risk of power Supply interruptions during summer 2009;
- assisted international consultants identify the Sultanate's renewable energy potential and the potential use of renewable energy for electricity production;
- worked closely with licensees to formalize and approve Distribution System Security Standards that now apply to all connected customers;
- contributed to reviews of capital and operating cost submissions of licensees as part of reviews to establish new price controls and provided specific input to the formulation of targets for technical and non technical losses that are a feature of new distribution and Supply price controls;
- approved 2008 Capability Statements submitted by transmission and distribution licensees;
- approved new meter testing regulations for fixed and mobile meter testing stations;
- worked with RAEC to finalize and approve RAEC System and Generation Security Standards. The Distribution System Security Standards followed the same principles as those for the MIS. Generation Security Standards were developed on a deterministic (N-1) basis rather than a loss of load hour basis, as applies to the MIS.

Grid Code Review Panel

The Grid Code Review Panel (GCRP) met 3 times during 2008, see Figure 33.

Figure 33: Grid Code Review Panel Meetings in 2008

Meeting	Meeting Date	Chaired by
GCRP 12 & 13	03 June 2008	OETC
GCRP 14	28 October 2008	OETC
GCRP 15	21 December 2008	OETC

No new Contractor or Product Approvals were issued by the GCRP during 2008.

Distribution Code Review Panel

The Distribution Code Review Panel (DCRP) met on 4 occasions during 2008 on the dates shown in Figure 34.

Figure 34: Distribution Code Review Panel Meetings in 2008

Meeting	Meeting Date	Chaired by
DCRP 1/2008	31 March 2008	Majan Electricity Company
DCRP 2/2008	26-July-2008	Rural Areas Electricity Co
DCRP 3/2008	15-November-2008	Rural Areas Electricity Co
DCRP 4/2008	15-December-2008	Rural Areas Electricity Co

During 2008 the DCRP issued 10 new Product approvals and 21 Contractor approvals and renewals.

Licensing & Legal Affairs Directorate

The Directorate acts as legal counsel for Authority Members and acts to ensure Members' decisions comply with the requirements of the Sector Law and other applicable Laws. The Directorate is responsible for monitoring compliance with conditions of authorizations granted by the Authority and for maintaining channels of communication with relevant ministries and competent authorities to ensure the Authority has the information needed to provide requisite advice to License Holders and Exemption Holders. The Directorate is also responsible for maintaining the Public Register.

During 2008 the Directorate:

(i) Reviewed the license exemption application of SMN Barka Power Company SAOC (Exemption Order 1/2008 was granted on 16 March 2008);

(ii) Reviewed two license exemption applications submitted by Muriya Tourism Development. Company - for its concession area in the Governorate of Muscat (Al Sifah) and its concession area in Salalah, (ongoing);

(iii) Participated in the review of the application submitted on behalf of Suez S.A for the change of control of the Generation Licence held by Al Rusail Power Company S.A.O.C and United Power Company S.A.O.G and the Generation and Desalination Licence held by SMN Barka Power Company S.A.O.C and Sohar Power Company S.A.O.C. After satisfying itself that the said Licensees will remain Appropriate Persons after the change of control, the Authority confirmed its approval for the requested change of control;

(iv) Modified the Licence Exemption Order granted to Sohar Aluminum Company LLC to facilitate the sale of electricity and / or related water not required for self Supply to authorized Persons; and

(v) Participated in the review of the documents submitted to the Authority by Al Rusail Power Company S.A.O.C and OPWP regarding the dispute concerning Al Rusail's obligation to conduct Annual Performance Tests pursuant to section 3-2 of Schedule A of the Power Purchase Agreement. The Authority determined the dispute in favour of Al Rusail Power Company S.A.O.C.

Oman-UAE Interconnection

The Sultanate of Oman and the United Arab Emirates signed a bilateral Electricity Interconnection Agreement in June 2004 two months prior to the promulgation of Royal Decree 78/2004 issuing the Sector Law. The Authority proposed changes to the bilateral Electricity Interconnection Agreement to ensure compliance with the Sector Law. The proposed changes were discussed and agreed by representatives of both countries in 2009.

Salalah IWPP

The Directorate participated in the review of the competition documents relating to the new Salalah IWPP. The competition was managed by OPWP. The Authority has statutory duty under the Sector Law to ensure that OPWP has conducted a fair and transparent competition. The purpose of the review is to ensure that prior to the grant of a licence to Salalah IWPP project company the requirements of the Appropriate Person Criteria published by the Authority pursuant to Article (22) of the Sector Law has been complied with by the consortium composed of Sembcorp, OIC and Bank Muscat, the preferred bidder recommended by OPWP. The Authority identified a conflict of interest arising out of the competition process due to the presence of an employee of Bank Muscat on the Board of Directors of OPWP. Finally the conflict of interest is eliminated and the Authority confirmed the consortium as preferred bidder.

GCC Electricity Interconnection

The Authority participated in the review and discussions of the GCC Interconnection Agreements in coordination with the Public Authority for Electricity and Water, Oman Power and Water Procurement Company SAOC, Oman Electricity Transmission Company SAOC and other relevant government entities. There are two main Project Agreements: the General Agreement and the Power Exchange and Trading Agreement (PETA). The first is a multilateral treaty to be signed between the governments of the six GCC countries and the PETA is a commercial Agreement to be signed between entities responsible for power procurement and transmission system operators in the GCC countries.

The Authority participated in a number of meetings and reviewed various drafts of the Agreements. It is planned to sign the General Agreement in the first quarter of 2009.

ANNEX A: AUDITED FINANCIAL STATEMENTS

ANNEX A: AUDITED FINANCIAL STATEMENTS

AUTHORITY FOR THE ELECTRICITY REGULATION, OMAN

Report and financial statements for the year ended 31 December 2008

AUTHORITY FOR THE ELECTRICITY REGULATION, OMAN

Report and financial statements for the year ended 31 December 2008

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Independent auditor's report to the members of Authority for Electricity Regulation, Oman

Report on the financial statements

We have audited the accompanying financial statements of the **Authority for Electricity Regulation, Oman,** which comprise of balance sheet as at 31 December 2008 and the income statement, statement of changes in surplus fund and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 3 to 18.

Management responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and compliance with the relevant requirements of the Law for the Regulation and Privatisation of the Electricity and Related Water Sector ("the Sector Law"), promulgated by the Royal Decree 78/2004. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements. In making those risk assessments; the auditor considers internal control relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Deloitte.

Independent auditor's report to the members of Authority for Electricity Regulation, Oman (continued)

Opinion

In our opinion, the financial statements, present fairly, in all material respects, the financial position of the **Authority for Electricity Regulation, Oman,** as of 31 December 2008, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply, in all material respects, with the relevant requirements of the Law for the Regulation and Privatisation of the Electricity and Related Water Sector ("the Sector Law"), promulgated by the Royal Decree 78/2004.

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Sultanate of Oman
Deloitte & Touche (M.E.) & Co. LLC.

Deloitte & Touche (M.E.) & Co. LLC
Muscat, Sultanate of Oman
6 May 2009

Balance sheet
at 31 December 2008

	Notes	2008 RO	2007 RO
ASSETS			
Non-current assets			
Property and equipment	5	**78,039**	64,051
Current assets			
License fees receivable		**39,550**	33,322
Prepayments and other receivables		**46,868**	48,236
Cash and bank balances	6	**508,966**	617,597
		595,384	699,155
Total assets		**673,423**	763,206
RETAINED SURPLUS AND LIABILITIES			
Retained surplus	7	**444,447**	691,657
Liabilities			
Non-current liabilities			
Provision for employees' end of service benefits	8	**24,831**	18,412
Current liabilities			
Accruals and other payables	9	**204,145**	53,137
Total liabilities		**228,976**	71,549
Total retained surplus and liabilities		**673,423**	763,206

Chairman and Member **Member** **Executive Director and Member**

The accompanying notes form an integral part of these financial statements.

Income statement
for the year ended 31 December 2008

	Notes	2008 RO	2007 RO
Licence fees	10	**1,381,201**	1,110,712
Other income		**14,950**	17,990
		1,396,151	1,128,702
Salaries and employee related costs	11	**658,831**	559,345
General and administrative expenses	12	**956,683**	264,133
Depreciation	5	**27,847**	24,343
		1,643,361	847,821
(Deficit) / surplus for the year		**(247,210)**	280,881

The accompanying notes form an integral part of these financial statements.

Statement of changes in surplus fund for the year ended 31 December 2008

	Retained surplus RO
Balance at 1 January 2007	410,776
Surplus for the year	280,881
Balance at 1 January 2008	691,657
Deficit for the year	(247,210)
Balance at 31 December 2008	**444,447**

The accompanying notes form an integral part of these financial statements.

Cash flow statement
for the year ended 31 December 2008

	2008 RO	2007 RO
Operating activities		
Cash receipts from licensees and application fees for license exemptions	**1,377,973**	1,080,390
Cash paid to employees and other suppliers	**(1,456,719)**	(824,734)
Net cash (used in) / from operating activities	**(78,746)**	255,656
Investing activities		
Purchase of property and equipment	**(41,835)**	(2,734)
Interest income	**11,950**	14,990
Net cash (used in) / from investing activities	**(29,885)**	12,256
Net change in cash and cash equivalents	**(108,631)**	267,912
Cash and cash equivalents at the beginning of the year	**617,597**	349,685
Cash and cash equivalents at end of the year	**508,966**	617,597

The accompanying notes form an integral part of these financial statements.

Notes to the financial statements for the year ended 31 December 2008

1. Activities

The Authority for Electricity Regulation, Oman (hereafter referred to as "the Authority"), was established by Article 19 of the Law for the Regulation and Privatisation of the Electricity and Related Water Sector ("the Sector Law") promulgated by the Royal Decree 78/2004 issued on 1 August 2004.

The Authority is primarily engaged in the regulation of the electricity and related water sector in the Sultanate of Oman. Under the Sector Law regulating the Authority's activities, the Authority levies fees on licensee companies that will enable the Authority to recover an amount not more than its expenses. Accordingly, surpluses of income over expenditure are held for the benefit of the licensee companies as explained in Note 7 to the financial statements.

The registered office of the Authority is PO Box 954, PC 133, Al Khuwair, Sultanate of Oman.

2. Adoption of new and revised International Financial Reporting Standards (IFRS)

For the year ended 31 December 2008, the Authority has adopted all of the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for periods beginning on 1 January 2008.

The adoption of these standards and interpretations has not resulted in changes to the Authority's accounting policies and has not affected the amounts reported for the current period.

Notes to the financial statements for the year ended 31 December 2008 (continued)

2. Adoption of new and revised International Financial Reporting Standards (IFRS) (continued)

At the date of authorisation of these financial statements, the following standards and interpretations were in issue but not yet effective:

	Effective for annual period beginning on or after
IFRIC 13 : Customer Loyalty Programmes	1 July 2008
IFRIC 16 : Hedges of a net investment in a foreign operations	I October 2008
IFRS 1 : (Revised) First-time adoption of International Financial Reporting Standards	1 January 2009
IFRS 2 : (Revised) Share-based Payment	1 January 2009
IFRS : 7 Financial Instruments: Disclosures	1 January 2009
IFRS 8 : Operating Segments	1 January 2009
IAS 1 : (Revised) Presentation of Financial Statements	1 January 2009
IAS 16 : (Revised) Property, Plant and Equipment	1 January 2009
IAS 19 : (Revised) Employee Benefits	1 January 2009
IAS 20 : (Revised) Government Grants and Disclosure of Government Assistance	1 January 2009
IAS 23 : (Revised) Borrowing Costs	1 January 2009
IAS 29 : (Revised) Financial Reporting in Hyperinflationary Economies	1 January 2009
IAS 32 : (Revised) Financial Instruments : Presentation	1 January 2009
IAS 36 : (Revised) Impairment of Assets	1 January 2009
IAS 38 : (Revised) Intangible Assets	1 January 2009
IAS 40 : (Revised) Investment Property	1 January 2009
IAS 41 : (Revised) Agriculture	1 January 2009
IFRIC 15 : Agreements for the Construction of Real Estate	1 January 2009
IFRS 3 : (Revised) Business Combinations	1 July 2009
IFRS 5 : (Revised) Non-Current Assets held for Sale and Discontinued Operations	1 July 2009
IAS 27 : (Revised) Consolidated and Separate Financial Statements	1 January 2009
IAS 28 : (Revised) Investment in Associates	1 January 2009
IAS 31 : (Revised) Interests in Joint Ventures	1 January 2009
IAS 39 : (Revised) Financial Instruments: Recognition and Measurement	1 July 2009
IFRIC 17 : Distributions of Non-cash Assets to Owners	1 July 2009
IFRIC 18 : Transfers of Assets from Customers	1 July 2009

The Members anticipate that the adoption of the above standards and interpretations in future periods will have no material impact on the financial statements of the Authority.

Notes to the financial statements for the year ended 31 December 2008 (continued)

3. Summary of significant accounting policies

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, interpretations issued by the International Financial Reporting Interpretations Committee and the requirements of the Sector Law of the Sultanate of Oman.

The following are the significant accounting policies which have been applied consistently:

Property and equipment

Property and equipment purchased are recorded at cost together with any incidental expenses of acquisition.

The cost of property and equipment is written off in equal installments over their estimated useful economic lives as follows:

	Years
Furniture, fixtures and office equipment	6.67
Vehicles	5
Computers	3 - 4

Impairment

At each balance sheet date, the Authority reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

The loss arising on an impairment of an asset or cash generating unit is determined as the difference between the recoverable amount and carrying amount of the asset or cash generating unit and is recognised immediately in the income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount and the increase is recognised as income immediately, provided that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised earlier.

Notes to the financial statements for the year ended 31 December 2008 (continued)

3. Summary of significant accounting policies (continued)

Financial instruments

Financial assets and liabilities are recognised on the balance sheet when the Authority becomes a party to the contractual provisions of the instrument.

The principal financial instruments are cash and bank balances, license fees receivable, prepayments and other receivables and trade and other payables. License fees receivable are stated at their nominal value as reduced by allowances for doubtful balances, if any. Trade and other payables are stated at their amortised cost.

Provisions

Provisions are recognised when the Authority has a present obligation as a result of a past event, which it is probable, will result in an outflow of economic benefits that can be reasonably estimated.

Staff benefits

Payment is made to the Pension and Gratuities Fund for Omani Government Employees pursuant to the provisions of the Law of Post Service Pensions and Gratuities for Omani Government Employees issued by Royal Decree (26/86) as amended. Provision is also made for amounts payable under the Oman Labour Law applicable to expatriate employees, and is based on current remuneration and accumulated periods of service at the balance sheet date.

Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents consist of cash on hand and bank balances maturing within three months from the date of placement.

Licence fees

Licence fees represent the amounts invoiced to the licensees for the year.

Foreign currencies

Transactions denominated in foreign currencies entered into during the year have been translated into Rials Omani and recorded at the rates of exchange prevailing at the dates of transactions. Foreign currency monetary assets and liabilities at the balance sheet date are translated at the rates of exchange prevailing at the balance sheet date. Exchange differences that arise are taken to the income statement.

Notes to the financial statements for the year ended 31 December 2008 (continued)

3. Summary of significant accounting policies (continued)

Critical accounting judgements and key source of estimation uncertainity

In preparing the financial statements, the Members are required to make estimates and assumptions which affect reported income and expenses, assets, liabilities and related disclosures. The use of available information and application of judgment based on historical experience and other factors are inherent in the formation of estimates. Actual results in the future could differ from such estimates.

The significant estimate in the preparation of these financial statements is primarily in respect of licence fee income to be recovered in respect of regulation by the Authority of the licensed companies.

Depreciation is charged so as to write off the cost of assets over their estimated useful lives. The calculation of useful lives is based on management's assessment of various factors such as the operating cycles, the maintenance programs, and normal wear and tear using its best estimates.

4. Financial risk management

Financial instruments carried on the balance sheet comprise cash and bank balances, license fees receivable, other receivables and trade and other payables.

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been impacted.

The classification of financial assets depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Notes to the financial statements for the year ended 31 December 2008 (continued)

4. Financial risk management (continued)

Financial risk factors

Overview

The Authority's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Authority's financial performance.

Risk management is carried out by finance and administration department under policies approved by the members.

(i) Credit risk

Credit risk is the risk of financial loss to the Authority if a licensee or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Authority's receivables from licensees.

Licence fee and other receivables

The Authority's exposure to credit risk is influenced mainly by the individual characteristics of each licensee. All licensees are based in Sultanate of Oman.

The potential risk in respect of amounts receivable is limited to their carrying values as management regularly reviews these balances whose recoverability is in doubt.

(ii) Liquidity risk

Liquidity risk is the risk that the Authority will not be able to meet its financial obligations as they fall due. The Authority's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Authority's reputation.

Typically, the Authority ensures that it has sufficient cash on demand to meet expected operational expenses. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Notes to the financial statements for the year ended 31 December 2008 (continued)

4. Financial risk management (continued)

Financial risk factors (continued)

(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates affect the Authority's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Foreign currency risk

The Authority's functional and presentation currency is Rial Omani and the Authority's performance is substantially independent of changes in foreign currency rates. There are no significant financial instruments denominated in foreign currency and consequently, foreign currency risk is not significant.

Interest rate risk

The Authority has balances with banks, which are interest bearing and exposed to changes in market interest rates.

Capital management

The Authority's objectives when managing capital are to safeguard the Authority's ability to continue as a going concern and benefit other stakeholders. The Authority is not subject to externally imposed capital requirements (Note 1)

Fair value of financial instruments

Fair value of the financial instruments approximates to their carrying value at the balance sheet date.

Notes to the financial statements for the year ended 31 December 2008 (continued)

5. Property and equipment

	Furniture, fixtures and office equipment RO	Vehicles RO	Computers RO	Total RO
Cost				
At 1 January 2007	63,273	11,750	44,581	119,604
Additions	434	-	2,300	2,734
At 1 January 2008	63,707	11,750	46,881	122,338
Additions	640	20,600	20,595	41,835
At 31 December 2008	**64,347**	**32,350**	**67,476**	**164,173**
Depreciation				
At 1 January 2007	15,387	3,464	15,093	33,944
Charge for the year	9,524	2,350	12,469	24,343
At 1 January 2008	24,911	5,814	27,562	58,287
Charge for the year	9,589	5,104	13,154	27,847
At 31 December 2008	**34,500**	**10,918**	**40,716**	**86,134**
Carrying value 31 December 2008	**29,847**	**21,432**	**26,760**	**78,039**
At 31 December 2007	38,796	5,936	19,319	64,051

6. Cash and bank balances

	2008 RO	2007 RO
Cash on hand	**295**	36
Cash at bank	**508,671**	617,561
	508,966	617,597

Notes to the financial statements for the year ended 31 December 2008 (continued)

7. Retained surplus

The retained surplus represents the cumulative amount of excess or deficit of income over expenditure which will be offset against future funding requirements in accordance with Article (55) of the Sector Law.

8. Provision for employees' end of service benefits

	2008 RO	2007 RO
Balance brought forward	**18,412**	11,094
Paid during the year	**(5,246)**	-
Charge for the year (Note 11)	**11,665**	7,318
Balance carried forward	**24,831**	18,412

9. Accruals and other payables

Accruals	**12,786**	36,893
Other payables	**191,359**	16,244
	204,145	53,137

10. Licence fees

Licence fees represent the amounts invoiced to licensees for the year.

11. Salaries and employee related costs

	2008 RO	2007 RO
Salaries and allowances	**552,430**	480,693
Cost of end of service benefits for expatriate employees (Note 8)	**11,665**	7,318
Contribution to defined contribution retirement plan	**30,693**	24,179
Other employee related costs	**64,043**	47,155
	658,831	559,345

Notes to the financial statements for the year ended 31 December 2008 (continued)

12. General and administrative expenses

	2008 RO	2007 RO
Rent	**41,400**	28,054
Consultancy fees	**765,437**	155,276
Communications	**5,046**	5,031
Advertisement and publicity	**18,367**	6,169
Traveling and conveyance	**37,949**	18,205
Printing and stationery	**23,828**	10,165
Utilities	**1,115**	1,009
Repairs and maintenance	**11,165**	792
Miscellaneous expenses	**52,376**	39,432
	956,683	264,133

13. Taxation

The Authority is exempt from taxation as per Article (56) of the Sector Law.

14. Related party transactions

The Authority enters into transactions in the normal course of business with the Chairman and Members. These transactions are entered into at terms and conditions which the Members believe could be obtained on an arms length basis from independent third parties.

Such transactions comprise compensation to key management personnel and which for the year amounted to:

	2008 RO	2007 RO
Short term employment benefits	**165,061**	145,144
End of service benefits	**6,046**	3,687

Notes to the financial statements for the year ended 31 December 2008 (continued)

15. Credit risk

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The exposure to credit risk at the balance sheet date was on account of:

	2008 **RO**	2007 RO
License fee receivable	**39,550**	33,322
Prepayments and other receivables	**46,868**	48,236
Cash and bank balances	**508,966**	617,597
	595,384	699,155

Licence fees receivable at the balance sheet date represent amount due from Muscat Electricity Distribution Company SAOC. This amount is past due for 92 days (2007 : 92 days) for which Authority has not made any provision for impairment as there has not been a significant change in credit quality and the amount is considered fully recoverable. The Authority does not hold any collateral over this balance.

16. Liquidity risk

The following are the maturities of the financial liabilities.

	2008		2007	
	Carrying amount **RO**	**6 months or less** **RO**	Carrying amount RO	6 months or less RO
Accruals	**12,786**	**12,786**	36,893	36,893
Other payables	**191,359**	**191,359**	16,244	16,244
	204,145	**204,145**	53,137	53,137

Notes to the financial statements for the year ended 31 December 2008 (continued)

17. Interest rate risk

At the balance sheet date the interest rate profile of the Authority's interest bearing financial instruments was:

	2008 RO	2007 RO
Fixed rate instruments		
Financial assets	**508,671**	617,561
Financial liabilities	-	-

18. Commitments

At the balance sheet date, the Authority has outstanding commitments amounting to RO 8,516 (2007 : RO 240,533).

19. Comparative figures

Certain comparative figures have been reclassified to compare with current year presentation.

20. Approval of financial statements

The financial statements were approved by the Members and authorised for issue on 6 May 2009.

Annex B: Authorised Entities

Licence Holders

Majan Electricity Company SAOC Regulated Activities: the Distribution' and Supply of electricity to Premises	
Mazoon Electricity Company SAOC Regulated Activities: the Distribution' and Supply of electricity to Premises	
Muscat Distribution Company SAOC Regulated Activities: the Distribution' and Supply of electricity to Premises	
Oman Electricity Transmission Company SAOC Regulated Activities: the Transmission; and Dispatch of electricity	
Rural Areas Electricity Company SAOC Regulated Activities: Generation and Desalination & Transmission; Dispatch; Distribution; and Supply of electricity & bulk supply of desalinated water	
Wadi Al Jizzi Power Company SAOC Regulated Activity: the Generation of electricity	
Al Rusail Power Company SAOC Regulated Activity: the Generation of electricity	
Al Ghubrah Power and Desalination Company SAOC Regulated Activity: Generation of electricity and Desalination of water	
Al Kamil Power Company SAOG Regulated Activity: the Generation of electricity	
United Power Company SAOG Regulated Activity: the Generation of electricity	
AES Barka SAOG Regulated Activity: Generation of electricity and Desalination of water	
Sohar Power Company SAOC Regulated Activity: Generation of electricity and Desalination of water	
Oman Power and Water Procurement Company SAOC Regulated Activities: Demand forecasting, capacity procurement; bulk supply of electricity and water, & counterparty to the Salalah Concession Agreement	

Licence Exemption Holders

Sohar International Urea Chemical Industries SAOC Regulated Activity: Generation of electricity and Desalination of water	
Sohar Refinery Company LLC Regulated Activity: Generation of electricity and Desalination of water; the Distribution of electricity; the Supply of electricity to Premises	
Oman Mining Company LLC Regulated Activities: the Generation; Distribution; and Supply of electricity	
Oman India Fertiliser Company SAOC Regulated Activities: Generation of electricity and Desalination of water	
Oman Cement Company SAOG Regulated Activities: the Generation; Distribution; and Supply of electricity to Premises	
Barr Al Jissah Resort Company Regulated Activities: the Distribution of electricity	
Oman Refinery Company LLC Regulated Activity: Generation of electricity and Desalination of water; the Distribution; and the Supply of electricity to Premises	
Oman LNG LLC Regulated Activity: Generation of electricity and Desalination of water; the Distribution; and the Supply of electricity to Premises	
Petroleum Development Oman Regulated Activities: the Generation; Distribution, Transmission; and Supply of electricity to Premises	
Occidental of Oman Inc Regulated Activity: the Generation; Distribution of electricity	
Sohar Aluminium Company LLC Regulated Activity: Generation of electricity and Desalination of water; the Distribution; and the Transmission of electricity	
Sharqiyah Desalination Company SAOC Regulated Activity: Generation of electricity and Desalination of water	
Occidental Mukhaizna Regulated Activity: Generation of electricity and Desalination of water; and the Distribution of electricity	
Ministry of Defence Regulated Activity: Generation of electricity for sale to PWP	
SMN Barka Power Company Regulated Activity: Generation of electricity	

Annex C: Electricity & Related Water Sector Statistics

Table 1

Electricity Customer Accounts by System, Company and Tariff Category: 2007 and 2008

	Main Interconnected System (MIS)								Rural Systems		Salalah System			
2007 Accounts	**Muscat**	**% Total**	**Majan**	**% Total**	**Mazoon**	**% Total**	**Total MIS**	**% Total**	**RAEC**	**% Total**	**DPC**	**% Total**	**Total Oman**	**% Total**
Residential	134,261	76.2%	91,088	76.7%	165,916	79.7%	**391,265**	77.8%	12,866	72.5%	37,545	75.4%	**441,676**	77.4%
Industrial	230	0.1%	77	0.1%	42	0.0%	**349**	0.1%	10	0.1%	47	0.1%	**406**	0.1%
Commercial	35,624	20.2%	19,818	16.7%	30,604	14.7%	**86,046**	17.1%	2,834	16.0%	8,973	18.0%	**97,853**	17.1%
Agriculture & Fisheries	120	0.1%	1,504	1.3%	1,608	0.8%	**3,232**	0.6%	139	0.8%	85	0.2%	**3,456**	0.6%
Hotels / Tourism	0	0.0%	267	0.2%	12	0.0%	**279**	0.1%	13	0.1%	85	0.2%	**377**	0.1%
Government	5,806	3.3%	6,063	5.1%	9,861	4.7%	**21,730**	4.3%	1,859	10.5%	2,989	6.0%	**26,578**	4.7%
Ministry of Defence	73	0.0%	19	0.0%	34	0.0%	**126**	0.0%	36	0.2%	86	0.2%	**248**	0.0%
2007 Totals	**176,114**	100.0%	**118,836**	100.0%	**208,077**	100.0%	**503,027**	100.0%	**17,757**	100.0%	**49,810**	100.0%	**570,594**	100.0%
% of Total Oman	30.9%		20.8%		36.5%		**88.2%**		**3.1%**		**8.7%**		**100.0%**	

	Main Interconnected System (MIS)								Rural Systems		Salalah System			
2008 Accounts	**Muscat**	**% Total**	**Majan**	**% Total**	**Mazoon**	**% Total**	**Total MIS**	**% Total**	**RAEC**	**% Total**	**DPC**	**% Total**	**Total Oman**	**% Total**
Residential	140,662	76.4%	95,389	76.6%	174,049	79.8%	**410,100**	77.9%	13,603	72.2%	39,101	75.5%	**462,804**	77.5%
Industrial	244	0.1%	97	0.1%	42	0.0%	**383**	0.1%	11	0.1%	49	0.1%	**443**	0.1%
Commercial	37,149	20.2%	20,812	16.7%	31,859	14.6%	**89,820**	17.1%	2,989	15.9%	9,265	17.9%	**102,074**	17.1%
Agriculture & Fisheries	121	0.1%	1,563	1.3%	1,718	0.8%	**3,402**	0.6%	168	0.9%	86	0.2%	**3,656**	0.6%
Hotels / Tourism	0	0.0%	266	0.2%	20	0.0%	**286**	0.1%	20	0.1%	85	0.2%	**391**	0.1%
Government	5,848	3.2%	6,426	5.2%	10,346	4.7%	**22,620**	4.3%	2,020	10.7%	3,084	6.0%	**27,724**	4.6%
Ministry of Defence	49	0.0%	19	0.0%	35	0.0%	**103**	0.0%	40	0.2%	88	0.2%	**231**	0.0%
2008 Totals	**184,073**	100.0%	**124,572**	100.0%	**218,069**	100.0%	**526,714**	100.0%	**18,851**	100.0%	**51,758**	100.0%	**597,323**	100.0%
% of Total Oman	30.8%		20.9%		36.5%		**88.2%**		**3.2%**		**8.7%**		**100.0%**	
Net Change in Accounts	**7,959**		**5,736**		**9,992**		**23,687**		**1,094**		**1,948**		**26,729**	
Annual % Change	**4.5%**		**4.8%**		**4.8%**		**4.7%**		**6.2%**		**3.9%**		**4.7%**	

Table 2

Electricity Supplied to Customers by System, Company and Tariff Category: 2007 and 2008

	Main Interconnected System (MIS)								Rural Systems		Salalah System			
2007 MWh	**Muscat**	**% Total**	**Majan**	**% Total**	**Mazoon**	**% Total**	**Total MIS**	**% Total**	**RAEC**	**% Total**	**DPC**	**% Total**	**Total Oman**	**% Total**
Residential	2,348,898	48.7%	1,282,186	59.3%	1,908,992	68.8%	**5,540,076**	56.8%	146,377	53.6%	467,109	40.2%	**6,153,562**	55.0%
Industrial	307,063	6.4%	156,478	7.2%	63,291	2.3%	**526,832**	5.4%	3,606	1.3%	232,024	20.0%	**762,463**	6.8%
Commercial	1,227,611	25.5%	416,237	19.2%	327,906	11.8%	**1,971,754**	20.2%	31,925	11.7%	176,421	15.2%	**2,180,099**	19.5%
Agriculture & Fisheries	1,881	0.0%	48,124	2.2%	74,507	2.7%	**124,512**	1.3%	7,415	2.7%	8,004	0.7%	**139,931**	1.3%
Hotels / Tourism	0	0.0%	8,563	0.4%	3,296	0.1%	**11,859**	0.1%	3,949	1.4%	1,900	0.2%	**17,708**	0.2%
Government	915,308	19.0%	235,270	10.9%	354,594	12.8%	**1,505,172**	15.4%	69,865	25.6%	189,462	16.3%	**1,764,499**	15.8%
Ministry of Defence	19,002	0.4%	16,293	0.8%	42,303	1.5%	**77,598**	0.8%	9,902	3.6%	87,528	7.5%	**175,028**	1.6%
2007 Totals	**4,819,763**	100.0%	**2,163,151**	100.0%	**2,774,889**	100.0%	**9,757,803**	100.0%	**273,039**	100.0%	**1,162,447**	100.0%	**11,193,289**	100.0%
% of Total Oman	43.1%		19.3%		24.8%		**87.2%**		**2.4%**		**10.4%**		**100.0%**	

	Main Interconnected System (MIS)								Rural Systems		Salalah System			
2008 MWh	**Muscat**	**% Total**	**Majan**	**% Total**	**Mazoon**	**% Total**	**Total MIS**	**% Total**	**RAEC**	**% Total**	**DPC**	**% Total**	**Total Oman**	**% Total**
Residential	2,680,377	49.4%	1,465,931	55.3%	2,240,596	69.1%	**6,386,904**	56.4%	165,400	53.1%	477,275	39.1%	**7,029,579**	54.7%
Industrial	365,057	6.7%	300,022	11.3%	68,891	2.1%	**733,970**	6.5%	3,306	1.1%	246,153	20.2%	**983,429**	7.7%
Commercial	1,371,696	25.3%	511,581	19.3%	398,078	12.3%	**2,281,355**	20.2%	37,072	11.9%	206,957	16.9%	**2,525,385**	19.7%
Agriculture & Fisheries	2,252	0.0%	53,916	2.0%	88,925	2.7%	**145,093**	1.3%	10,053	3.2%	13,058	1.1%	**168,204**	1.3%
Hotels / Tourism	0	0.0%	10,287	0.4%	7,072	0.2%	**17,359**	0.2%	10,643	3.4%	1,731	0.1%	**29,733**	0.2%
Government	985,450	18.2%	292,371	11.0%	395,869	12.2%	**1,673,690**	14.8%	76,219	24.5%	190,999	15.6%	**1,940,907**	15.1%
Ministry of Defence	18,446	0.3%	16,080	0.6%	44,477	1.4%	**79,003**	0.7%	8,849	2.8%	85,017	7.0%	**172,869**	1.3%
2008 Totals	**5,423,278**	100.0%	**2,650,189**	100.0%	**3,243,906**	100.0%	**11,317,373**	100.0%	**311,542**	100.0%	**1,221,190**	100.0%	**12,850,105**	100.0%
% of Total Oman	42.2%		20.6%		25.2%		**88.1%**		**2.4%**		**9.5%**		**100.0%**	
Change in MWh	**603,515**		**487,038**		**469,017**		1,559,570		**38,503**		**58,743**		1,656,816	
Annual % Change	**12.5%**		**22.5%**		**16.9%**		**16.0%**		**14.1%**		**5.1%**		**14.8%**	

Table 3

Customer Accounts, MWh Supplied and MWh per Account by System, Company and Tariff Category 2008

2008		Main Interconnected System (MIS)				Rural Systems	Salalah System	
Tariff Category	**Item**	**Muscat**	**Majan**	**Mazoon**	**Total MIS**	**RAEC**	**DPC**	**Total Oman**
Residential	Accounts	140,662	95,389	174,049	410,100	13,603	39,101	462,804
Residential	MWh Supplied	2,680,377	1,465,931	2,240,596	6,386,904	165,400	477,275	7,029,579
Residential	**MWh Supplied per Account**	**19**	**15**	**13**	**16**	**12**	**12**	**15**
Industrial	Accounts	244	97	42	383	11	49	443
Industrial	MWh Supplied	365,057	300,022	68,891	733,970	3,306	246,153	983,429
Industrial	**MWh Supplied per Account**	**1,496**	**3,093**	**1,640**	**1,916**	**301**	**5,024**	**2,220**
Commercial	Accounts	37,149	20,812	31,859	89,820	2,989	9,265	102,074
Commercial	MWh Supplied	1,371,696	511,581	398,078	2,281,355	37,072	206,957	2,525,385
Commercial	**MWh Supplied per Account**	**37**	**25**	**12**	**25**	**12**	**22**	**25**
Agriculture & Fisheries	Accounts	121	1,563	1,718	3,402	168	86	3,656
Agriculture & Fisheries	MWh Supplied	2,252	53,916	88,925	145,093	10,053	13,058	168,204
Agriculture & Fisheries	**MWh Supplied per Account**	**19**	**34**	**52**	**43**	**60**	**152**	**46**
Hotels / Tourism	Accounts	0	266	20	286	20	85	391
Hotels / Tourism	MWh Supplied	0	10,287	7,072	17,359	10,643	1,731	29,733
Hotels / Tourism	**MWh Supplied per Account**		**39**	**354**	**61**	**532**	**20**	**76**
Government	Accounts	5,848	6,426	10,346	22,620	2,020	3,084	27,724
Government	MWh Supplied	985,450	292,371	395,869	1,673,690	76,219	190,999	1,940,907
Government	**MWh Supplied per Account**	**169**	**45**	**38**	**74**	**38**	**62**	**70**
Ministry of Defence	Accounts	49	19	35	103	40	88	231
Ministry of Defence	MWh Supplied	18,446	16,080	44,477	79,003	8,849	85,017	172,869
Ministry of Defence	**MWh Supplied per Account**	**376**	**846**	**1,271**	**767**	**221**	**966**	**748**
Total Customer Accounts in 2008		**184,073**	**124,572**	**218,069**	**526,714**	**18,851**	**51,758**	**597,323**
Total MWh Supplied in 2008		**5,423,278**	**2,650,189**	**3,243,906**	**11,317,373**	**311,542**	**1,221,190**	**12,850,105**
MWh Supplied per Account in 2008		**29.5**	**21.3**	**14.9**	**21.5**	**16.5**	**23.6**	**21.5**
% change MWh per Account from 2007		**7.7%**	**16.9%**	**11.5%**	**10.8%**	**7.5%**	**1.1%**	**9.7%**

Table 4

Electricity Supply & Registered Accounts by Region & Company

2007

Region	Company	MWh Supplied	% Oman	Accounts	% Oman	MWh Supply per Account
Al Dahirah	Majan	776,493	6.9%	52,875	9.3%	14.7
Al Sharquia	Mazoon	818,619	7.3%	73,446	12.9%	11.1
Al Wusta	RAEC	77,096	0.7%	5,558	1.0%	13.9
Dakhliyah	Mazoon	853,277	7.6%	63,338	11.1%	13.5
Dhofar	DPC SAOG	1,162,447	10.4%	49,810	8.7%	23.3
Dhofar	RAEC	55,968	0.5%	3,027	0.5%	18.5
Musandam	RAEC	139,975	1.3%	9,172	1.6%	15.3
Muscat	Muscat	4,819,763	43.1%	176,114	30.9%	27.4
North Batinah	Majan	1,386,658	12.4%	65,961	11.6%	21.0
South Batinah	Mazoon	1,102,993	9.9%	71,293	12.5%	15.5
Sultanate Totals 2007		**11,193,289**		**570,594**		**19.6**

2008

Region	Company	MWh Supplied	% Oman	Accounts	% Oman	MWh Supply per Account
Al Dahirah	Majan	873,316	6.8%	54,870	9.2%	15.9
Al Sharquia	Mazoon	950,582	7.4%	77,372	13.0%	12.3
Al Wusta	RAEC	87,305	0.7%	6,281	1.1%	13.9
Dakhliyah	Mazoon	968,937	7.5%	65,965	11.0%	14.7
Dhofar	DPC SAOG	1,221,190	9.5%	51,758	8.7%	23.6
Dhofar	RAEC	61,924	0.5%	3,216	0.5%	19.3
Musandam	RAEC	162,313	1.3%	9,354	1.6%	17.4
Muscat	Muscat	5,423,278	42.2%	184,073	30.8%	29.5
North Batinah	Majan	1,776,873	13.8%	69,702	11.7%	25.5
South Batinah	Mazoon	1,324,387	10.3%	74,732	12.5%	17.7
Sultanate Totals 2008		**12,850,105**		**597,323**		**21.5**

Table 5

Electricity & Related Water Production by System: 2006, 2007 and 2008

2006	Electricity Production				Related Water Production			
System	**Gross MWh**	*% Year*	**Net MWh**	*% Year*	**Gross m3**	*% Year*	**Net m3**	*% Year*
Main Interconnected System	12,121,472	*88.7%*	11,781,999	*88.7%*	83,801,093	*95.1%*	82,104,359	*95.0%*
Rural Systems	272,247	*2.0%*	252,493	*1.9%*	4,285,594	*4.9%*	4,278,981	*5.0%*
Salalah Power System	1,270,544	*9.3%*	1,252,300	*9.4%*				
Total for 2006	**13,664,262**		**13,286,792**		**88,086,687**		**86,383,340**	

2007	Electricity Production				Related Water Production			
System	**Gross MWh**	*% Year*	**Net MWh**	*% Year*	**Gross m3**	*% Year*	**Net m3**	*% Year*
Main Interconnected System	12,882,454	*88.2%*	12,456,749	*88.1%*	105,623,469	*99.4%*	84,350,069	*99.3%*
Rural Systems	309,354	*2.1%*	289,175	*2.0%*	596,858	*0.6%*	601,982	*0.7%*
Salalah Power System	1,406,455	*9.6%*	1,387,520	*9.8%*				
Total for 2007	**14,598,263**		**14,133,444**		**106,220,327**		**84,952,051**	

2008	Electricity Production				Related Water Production			
System	**Gross MWh**	*% Year*	**Net MWh**	*% Year*	**Gross m3**	*% Year*	**Net m3**	*% Year*
Main Interconnected System	14,211,629	*88.5%*	13,925,377	*88.6%*	113,174,100	*99.3%*	97,078,288	*99.3%*
Rural Systems	349,265	*2.2%*	325,839	*2.1%*	742,651	*0.7%*	733,091	*0.7%*
Salalah Power System	1,488,552	*9.3%*	1,469,197	*9.3%*				
Total for 2008	**16,049,446**		**15,720,413**		**113,916,751**		**97,811,379**	

Table 6

Electricity & Related Water Production by System and Company: 2007 & 2008

2007	Electricity Production Gross MWh	% Oman	Net MWh	% Oman	Related Water Production Gross m3	% Oman	Net m3	% Oman
A: Main Interconnected System								
AES Barka SAOG	2,316,891	*15.9%*	2,136,720	*15.1%*	29,775,241	*28.0%*	29,520,516	*34.7%*
Al Ghubrah SAOC	2,807,337	*19.2%*	2,604,094	*18.4%*	53,982,813	*50.8%*	52,887,006	*62.3%*
Al Kamil SAOG	1,102,052	*7.5%*	1,089,399	*7.7%*	0	*0.0%*	0	*0.0%*
Al Rusail SAOC	2,553,217	*17.5%*	2,527,042	*17.9%*	0	*0.0%*	0	*0.0%*
UPC Manah SAOG	993,452	*6.8%*	981,798	*6.9%*	0	*0.0%*	0	*0.0%*
Wadi Jizzi SAOC	1,009,313	*6.9%*	998,751	*7.1%*	0	*0.0%*	0	*0.0%*
Sohar Power Company SAOC	2,100,192	*14.4%*	1,996,454	*14.1%*	21,865,415	*20.6%*	1,942,547	*2.3%*
PWP purchases	0	*0.0%*	122,491	*0.9%*	0	*0.0%*	0	*0.0%*
MIS sub-total	**12,882,454**	***88.2%***	**12,456,749**	***88.1%***	**105,623,469**	***99.4%***	**84,350,069**	***99.3%***
B: Rural Systems								
RAEC SAOC	309,354	*2.1%*	289,175	*2.0%*	596,858	*0.6%*	601,982	*0.7%*
Rural Systems sub-total	**309,354**	***2.1%***	**289,175**	***2.0%***	**596,858**	***0.6%***	**601,982**	***0.7%***
C: Salalah Power System								
RAEC SAOC	15,737	*0.1%*	14,524	*0.1%*				
DPC SAOG	1,390,718	*9.5%*	1,372,996	*9.7%*				
Salalah System sub-total	**1,406,455**	***9.6%***	**1,387,520**	***9.8%***				
Totals for 2007	**14,598,263**	***100%***	**14,133,444**	***100%***	**106,220,327**	***100%***	**84,952,051**	***100%***

2008	Electricity Production Gross MWh	% Oman	Net MWh	% Oman	Related Water Production Gross m3	% Oman	Net m3	% Oman
A: Main Interconnected System								
AES Barka SAOG	2,504,660	*15.6%*	2,312,365	*14.7%*	30,443,578	*26.7%*	30,149,824	*30.8%*
Al Ghubrah SAOC	2,885,070	*18.0%*	2,653,731	*16.9%*	56,111,138	*49.3%*	55,034,935	*56.3%*
Al Kamil SAOG	1,148,682	*7.2%*	1,135,666	*7.2%*	0	*0.0%*	0	*0.0%*
Al Rusail SAOC	2,727,790	*17.0%*	2,701,675	*17.2%*	0	*0.0%*	0	*0.0%*
UPC Manah SAOG	1,024,426	*6.4%*	1,012,819	*6.4%*	0	*0.0%*	0	*0.0%*
Wadi Jizzi SAOC	677,418	*4.2%*	669,799	*4.3%*	0	*0.0%*	0	*0.0%*
Sohar Power Company SAOC	3,117,492	*19.4%*	2,929,854	*18.6%*	26,619,384	*23.4%*	11,893,529	*12.2%*
SMN Barka SAOC	126,091	*0.8%*	124,472	*0.8%*	0	*0.0%*	0	*0.0%*
PWP purchases	0	*0.0%*	384,996	*2.4%*	0	*0.0%*	0	*0.0%*
MIS sub-total	**14,211,629**	***88.5%***	**13,925,377**	***88.6%***	**113,174,100**	***99.3%***	**97,078,288**	***99.3%***
% change from 2007	**10.3%**		**11.8%**		**7.1%**		**15.1%**	
B: Rural Systems								
RAEC SAOC	349,265	*2.2%*	325,839	*2.1%*	742,651	*0.7%*	733,091	*0.7%*
Rural Systems sub-total	**349,265**	***2.2%***	**325,839**	***2.1%***	**742,651**	***0.7%***	**733,091**	***0.7%***
% change from 2007	**12.9%**		**12.7%**		**24.4%**		**21.8%**	
C: Salalah Power System								
RAEC SAOC	2,301	*0.0%*	2,101	*0.0%*				
DPC SAOG	1,486,251	*9.3%*	1,467,095	*9.3%*				
Salalah System sub-total	**1,488,552**	***9.3%***	**1,469,197**	***9.3%***				
% change from 2007	**5.8%**		**5.9%**					
Totals for 2008	**16,049,446**	***100%***	**15,720,413**	***100%***	**113,916,751**	***100%***	**97,811,379**	***100%***
Actual change from 2007	**1,451,182**		**1,586,970**		**7,696,424**		**12,859,328**	
% change from 2007	**9.9%**		**11.2%**		**7.2%**		**15.1%**	

Table 7

Electricity and Related Water Production by Region: 2007 and 2008

2007	Electricity Production				Related Water Production			
Region	MWh Gross	% Oman	MWh Net	% Oman	m3 Gross	% Oman	m3 Net	% Oman
Al Dahirah	445	0.0%	397	0.0%				
Al Sharqiya	1,133,867	7.8%	1,114,175	7.9%	472,245	0.4%	495,916	0.6%
Al Wusta	36,664	0.3%	35,692	0.3%	46,313	0.0%	38,650	0.0%
Dakhliyah	993,452	6.8%	981,798	6.9%				
Dhofar	1,464,390	10.0%	1,444,532	10.2%	20,919	0.0%	20,509	0.0%
Musandam	182,495	1.3%	171,298	1.2%	57,381	0.1%	46,907	0.1%
Muscat	5,360,554	36.7%	5,206,967	36.8%	53,982,813	50.8%	52,887,006	62.3%
North Batinah	3,109,506	21.3%	3,041,865	21.5%	21,865,415	20.6%	1,942,547	2.3%
South Batinah	2,316,891	15.9%	2,136,720	15.1%	29,775,241	28.0%	29,520,516	34.7%
Totals for 2007	**14,598,263**		**14,133,444**		**106,220,327**		**84,952,051**	

2008	Electricity Production				Related Water Production			
Region	MWh Gross	% Oman	MWh Net	% Oman	m3 Gross	% Oman	m3 Net	% Oman
Al Dahirah	516	0.0%	476	0.0%				
Change from 2007 (%)	*15.9%*		*19.8%*					
Al Sharqiya	1,181,255	7.4%	1,163,079	7.4%	617,818	0.5%	612,760	0.6%
Change from 2007 (%)	*4.2%*		*4.4%*		*30.8%*		*23.6%*	
Al Wusta	43,372	0.3%	96,420	0.6%	57,346	0.1%	55,321	0.1%
Change from 2007 (%)	*18.3%*		*170.1%*		*23.8%*		*43.1%*	
Dakhliyah	1,024,426	6.4%	1,012,819	6.4%				
Change from 2007 (%)	*3.1%*		*3.2%*					
Dhofar	1,556,137	9.7%	1,535,909	9.8%	22,118	0.0%	21,918	0.0%
Change from 2007 (%)	*6.3%*		*6.3%*		*5.7%*		*6.9%*	
Musandam	205,219	1.3%	191,537	1.2%	45,369	0.0%	43,092	0.0%
Change from 2007 (%)	*12.5%*		*11.8%*		*-20.9%*		*-8.1%*	
Muscat	5,612,860	35.0%	5,363,864	34.1%	56,111,138	49.3%	55,034,935	56.3%
Change from 2007 (%)	*4.7%*		*3.0%*		*3.9%*		*4.1%*	
North Batinah	3,794,910	23.6%	3,919,474	24.9%	26,619,384	23.4%	11,893,529	12.2%
Change from 2007 (%)	*22.0%*		*28.9%*		*21.7%*		*512.3%*	
South Batinah	2,630,751	16.4%	2,436,837	15.5%	30,443,578	26.7%	30,149,824	30.8%
Change from 2007 (%)	*13.5%*		*14.0%*		*2.2%*		*2.1%*	
Totals for 2008	**16,049,446**		**15,720,413**		**113,916,751**		**97,811,379**	
Change from 2007 (%)	*9.9%*		*11.2%*		*7.2%*		*15.1%*	

Table 8

Electricity & Related Water Production by Region and Company: 2007 and 2008

2007		Electricity Production				Related Water Production			
Region	Company	Gross MWh	% Oman	Net MWh	% Oman	Gross m3	% Oman	Net m3	% Oman
Al Dahirah	RAEC SAOC	445	0.0%	397	0.0%				
Al Sharqiya	Al Kamil SAOG	1,102,052	7.5%	1,089,399	7.7%				
Al Sharqiya	RAEC SAOC	31,815	0.2%	24,776	0.2%	472,245	0.4%	495,916	0.6%
Al Wusta	RAEC SAOC	36,664	0.3%	35,692	0.3%	46,313	0.0%	38,650	0.0%
Dakhliyah	UPC Manah SAOG	993,452	6.8%	981,798	6.9%				
Dhofar	DPC SAOG	1,390,718	9.5%	1,372,996	9.7%				
Dhofar	RAEC SAOC	73,673	0.5%	71,536	0.5%	20,919	0.0%	20,509	0.0%
Musandam	RAEC SAOC	182,495	1.3%	171,298	1.2%	57,381	0.1%	46,907	0.1%
Muscat	Al Ghubrah SAOC	2,807,337	19.2%	2,604,094	18.4%	53,982,813	50.8%	52,887,006	62.3%
Muscat	Al Rusail SAOC	2,553,217	17.5%	2,527,042	17.9%				
Muscat	PWP purchases	0	0.0%	75,831	0.5%				
North Batinah	PWP purchases	0	0.0%	46,659	0.3%				
North Batinah	Sohar Power Company	2,100,192	14.4%	1,996,454	14.1%	21,865,415	20.6%	1,942,547	2.3%
North Batinah	Wadi Jizzi SAOC	1,009,313	6.9%	998,751	7.1%				
South Batinah	AES Barka SAOG	2,316,891	15.9%	2,136,720	15.1%	29,775,241	28.0%	29,520,516	34.7%
Sultanate Totals 2007		**14,598,263**		**14,133,444**		**106,220,327**		**84,952,051**	

2008		Electricity Production				Related Water Production			
Region	Company	Gross MWh	% Oman	Net MWh	% Oman	Gross m3	% Oman	Net m3	% Oman
Al Dahirah	RAEC SAOC	516	0.0%	476	0.0%				
Al Sharqiya	Al Kamil SAOG	1,148,682	7.2%	1,135,666	7.2%				
Al Sharqiya	PWP purchases	0	0.0%	1,953	0.0%				
Al Sharqiya	RAEC SAOC	32,573	0.2%	25,460	0.2%	617,818	0.5%	612,760	0.6%
Al Wusta	PWP purchases	0	0.0%	54,765	0.3%				
Al Wusta	RAEC SAOC	43,372	0.3%	41,655	0.3%	57,346	0.1%	55,321	0.1%
Dakhliyah	UPC Manah SAOG	1,024,426	6.4%	1,012,819	6.4%				
Dhofar	DPC SAOG	1,486,251	9.3%	1,467,095	9.3%				
Dhofar	RAEC SAOC	69,886	0.4%	68,813	0.4%	22,118	0.0%	21,918	0.0%
Musandam	RAEC SAOC	205,219	1.3%	191,537	1.2%	45,369	0.0%	43,092	0.0%
Muscat	Al Ghubrah SAOC	2,885,070	18.0%	2,653,731	16.9%	56,111,138	49.3%	55,034,935	56.3%
Muscat	Al Rusail SAOC	2,727,790	17.0%	2,701,675	17.2%				
Muscat	PWP purchases	0	0.0%	8,457	0.1%				
North Batinah	PWP purchases	0	0.0%	319,821	2.0%				
North Batinah	Sohar Power Company	3,117,492	19.4%	2,929,854	18.6%	26,619,384	23.4%	11,893,529	12.2%
North Batinah	Wadi Jizzi SAOC	677,418	4.2%	669,799	4.3%				
South Batinah	AES Barka SAOG	2,504,660	15.6%	2,312,365	14.7%	30,443,578	26.7%	30,149,824	30.8%
South Batinah	SMN Barka SAOC	126,091	0.8%	124,472	0.8%				
Sultanate Totals 2008		**16,049,446**		**15,720,413**		**113,916,751**		**97,811,379**	
Change from 2007 (%)		9.9%		11.2%		7.2%		15.1%	

Table 9 i

Monthly Production by System: MIS 2007 and 2008

2007		Electricity Production				Related Water Production			
System	Month	Gross GWh	% Year	Net GWh	% Year	Gross '000 m3	% Year	Net '000 m3	% Year
MIS	Jan-07	572.7	4.4%	548.6	4.4%	6,622.5	6.3%	6,508.3	7.7%
MIS	Feb-07	593.8	4.6%	566.2	4.5%	7,111.0	6.7%	6,058.2	7.2%
MIS	Mar-07	742.2	5.8%	707.4	5.7%	10,125.6	9.6%	6,590.5	7.8%
MIS	Apr-07	1,096.7	8.5%	1,071.6	8.6%	8,988.8	8.5%	7,221.8	8.6%
MIS	May-07	1,456.4	11.3%	1,417.0	11.4%	9,978.6	9.4%	7,728.4	9.2%
MIS	Jun-07	1,388.0	10.8%	1,344.3	10.8%	8,802.5	8.3%	6,347.1	7.5%
MIS	Jul-07	1,577.2	12.2%	1,531.9	12.3%	9,825.1	9.3%	7,478.7	8.9%
MIS	Aug-07	1,492.2	11.6%	1,438.9	11.6%	10,121.1	9.6%	7,791.2	9.2%
MIS	Sep-07	1,383.9	10.7%	1,340.8	10.8%	9,503.4	9.0%	7,482.1	8.9%
MIS	Oct-07	1,010.6	7.8%	970.1	7.8%	8,840.4	8.4%	7,496.4	8.9%
MIS	Nov-07	882.0	6.8%	843.3	6.8%	7,928.3	7.5%	6,713.4	8.0%
MIS	Dec-07	686.9	5.3%	676.6	5.4%	7,776.4	7.4%	6,933.9	8.2%
2007 Totals		**12,882.5**		**12,456.7**		**105,623.5**		**84,350.1**	

2008		Electricity Production				Related Water Production			
System	Month	Gross GWh	% Year	Net GWh	% Year	Gross '000 m3	% Year	Net '000 m3	% Year
MIS	Jan-08	613.7	4.3%	600.7	4.3%	7,472.5	6.6%	6,953.9	7.2%
MIS	Feb-08	577.1	4.1%	580.2	4.2%	6,930.4	6.1%	6,555.5	6.8%
MIS	Mar-08	846.6	6.0%	842.8	6.1%	8,769.0	7.7%	7,963.5	8.2%
MIS	Apr-08	1,153.8	8.1%	1,150.9	8.3%	9,669.4	8.5%	7,868.3	8.1%
MIS	May-08	1,608.5	11.3%	1,583.2	11.4%	11,273.0	10.0%	8,668.0	8.9%
MIS	Jun-08	1,607.5	11.3%	1,587.2	11.4%	11,117.1	9.8%	8,514.6	8.8%
MIS	Jul-08	1,627.1	11.4%	1,618.7	11.6%	11,039.8	9.8%	8,522.8	8.8%
MIS	Aug-08	1,561.2	11.0%	1,512.8	10.9%	9,538.4	8.4%	8,149.1	8.4%
MIS	Sep-08	1,592.4	11.2%	1,533.9	11.0%	9,391.6	8.3%	8,184.0	8.4%
MIS	Oct-08	1,378.6	9.7%	1,345.8	9.7%	9,899.3	8.7%	8,353.1	8.6%
MIS	Nov-08	928.9	6.5%	893.6	6.4%	9,107.7	8.0%	8,700.1	9.0%
MIS	Dec-08	716.2	5.0%	675.5	4.9%	8,965.9	7.9%	8,645.5	8.9%
2008 Totals		**14,211.6**		**13,925.4**		**113,174.1**		**97,078.3**	

Table 9 ii

Monthly Production by System: Rural Systems 2007 and 2008

2007		Electricity Production				Related Water Production			
System	Month	Gross GWh	% Year	Net GWh	% Year	Gross '000 m3	% Year	Net '000 m3	% Year
Rural Systems	Jan-07	13.3	4.3%	12.2	4.2%	52.1	8.7%	51.5	8.6%
Rural Systems	Feb-07	13.9	4.5%	12.8	4.4%	49.3	8.3%	47.0	7.8%
Rural Systems	Mar-07	18.3	5.9%	16.9	5.9%	52.8	8.8%	51.5	8.6%
Rural Systems	Apr-07	26.5	8.6%	24.7	8.6%	47.8	8.0%	46.7	7.8%
Rural Systems	May-07	34.1	11.0%	32.0	11.1%	51.7	8.7%	49.4	8.2%
Rural Systems	Jun-07	33.6	10.9%	31.5	10.9%	44.2	7.4%	40.8	6.8%
Rural Systems	Jul-07	34.1	11.0%	32.1	11.1%	43.0	7.2%	40.4	6.7%
Rural Systems	Aug-07	33.8	10.9%	31.7	11.0%	44.1	7.4%	43.0	7.1%
Rural Systems	Sep-07	33.8	10.9%	31.7	11.0%	46.7	7.8%	54.1	9.0%
Rural Systems	Oct-07	28.2	9.1%	26.4	9.1%	44.3	7.4%	60.7	10.1%
Rural Systems	Nov-07	22.2	7.2%	20.8	7.2%	57.6	9.7%	57.1	9.5%
Rural Systems	Dec-07	17.6	5.7%	16.4	5.7%	63.2	10.6%	59.7	9.9%
2007 Totals		**309.4**		**289.2**		**596.9**		**602.0**	

2008		Electricity Production				Related Water Production			
System	Month	Gross GWh	% Year	Net GWh	% Year	Gross '000 m3	% Year	Net '000 m3	% Year
Rural Systems	Jan-08	15.4	4.4%	14.1	4.3%	61.7	8.3%	60.9	8.3%
Rural Systems	Feb-08	14.7	4.2%	13.5	4.2%	54.1	7.3%	53.4	7.3%
Rural Systems	Mar-08	21.8	6.2%	20.4	6.2%	62.4	8.4%	61.5	8.4%
Rural Systems	Apr-08	29.3	8.4%	27.6	8.5%	60.3	8.1%	59.7	8.1%
Rural Systems	May-08	38.3	11.0%	35.9	11.0%	66.5	9.0%	65.7	9.0%
Rural Systems	Jun-08	38.5	11.0%	36.1	11.1%	57.7	7.8%	56.9	7.8%
Rural Systems	Jul-08	38.3	11.0%	35.8	11.0%	51.7	7.0%	50.8	6.9%
Rural Systems	Aug-08	37.7	10.8%	35.3	10.8%	57.7	7.8%	57.0	7.8%
Rural Systems	Sep-08	39.0	11.2%	36.5	11.2%	66.6	9.0%	65.9	9.0%
Rural Systems	Oct-08	34.5	9.9%	32.1	9.9%	71.5	9.6%	71.0	9.7%
Rural Systems	Nov-08	23.9	6.8%	22.2	6.8%	65.5	8.8%	64.7	8.8%
Rural Systems	Dec-08	17.9	5.1%	16.4	5.0%	66.9	9.0%	65.6	9.0%
2008 Totals		**349.3**		**325.8**		**742.7**		**733.1**	

Table 9 iii

Monthly Production by System: Salalah Power System 2007 and 2008

2007		Electricity Production				Related Water Production			
System	Month	Gross GWh	% Year	Net GWh	% Year	Gross '000 m3	% Year	Net '000 m3	% Year
Salalah Power System	Jan-07	79.1	5.6%	77.9	5.6%				
Salalah Power System	Feb-07	89.5	6.4%	88.4	6.4%				
Salalah Power System	Mar-07	106.5	7.6%	105.2	7.6%				
Salalah Power System	Apr-07	127.4	9.1%	125.7	9.1%				
Salalah Power System	May-07	152.2	10.8%	149.6	10.8%				
Salalah Power System	Jun-07	139.0	9.9%	137.0	9.9%				
Salalah Power System	Jul-07	132.2	9.4%	130.6	9.4%				
Salalah Power System	Aug-07	122.9	8.7%	121.3	8.7%				
Salalah Power System	Sep-07	121.8	8.7%	120.3	8.7%				
Salalah Power System	Oct-07	121.5	8.6%	120.0	8.6%				
Salalah Power System	Nov-07	112.8	8.0%	111.3	8.0%				
Salalah Power System	Dec-07	101.6	7.2%	100.2	7.2%				
2007 Totals		**1,406.5**		**1,387.5**					

2008		Electricity Production				Related Water Production			
System	Month	Gross GWh	% Year	Net GWh	% Year	Gross '000 m3	% Year	Net '000 m3	% Year
Salalah Power System	Jan-08	95.5	6.4%	94.2	6.4%				
Salalah Power System	Feb-08	82.0	5.5%	80.8	5.5%				
Salalah Power System	Mar-08	111.8	7.5%	110.2	7.5%				
Salalah Power System	Apr-08	135.5	9.1%	133.8	9.1%				
Salalah Power System	May-08	159.3	10.7%	157.3	10.7%				
Salalah Power System	Jun-08	155.6	10.5%	153.5	10.4%				
Salalah Power System	Jul-08	137.4	9.2%	135.6	9.2%				
Salalah Power System	Aug-08	122.8	8.2%	121.1	8.2%				
Salalah Power System	Sep-08	141.1	9.5%	139.4	9.5%				
Salalah Power System	Oct-08	134.0	9.0%	132.4	9.0%				
Salalah Power System	Nov-08	115.6	7.8%	114.1	7.8%				
Salalah Power System	Dec-08	98.1	6.6%	96.7	6.6%				
2008 Totals		**1,488.6**		**1,469.2**					

Table 10 i

Quarterly Production by System: 2006, 2007 & 2008

		Electricity Production				Related Water Production			
System	Period	Gross GWh	% Year	Net GWh	% Year	Gross '000 m3	% Year	Net '000 m3	% Year
MIS	Qtr 1-06	1,731.7	14.3%	1,653.0	14.0%	19,294.5	23.0%	18,591.8	22.6%
MIS	Qtr 2-06	3,718.5	30.7%	3,621.1	30.7%	21,890.4	26.1%	21,574.3	26.3%
MIS	Qtr 3-06	4,126.0	34.0%	4,036.9	34.3%	22,260.8	26.6%	21,915.8	26.7%
MIS	Qtr 4-06	2,545.4	21.0%	2,471.0	21.0%	20,355.4	24.3%	20,022.4	24.4%
2006 Totals		**12,121.5**		**11,782.0**		**83,801.1**		**82,104.4**	
MIS	Qtr 1-07	1,908.6	14.8%	1,822.2	14.6%	23,859.1	22.6%	19,157.0	22.7%
MIS	Qtr 2-07	3,941.1	30.6%	3,832.9	30.8%	27,769.8	26.3%	21,297.2	25.2%
MIS	Qtr 3-07	4,453.2	34.6%	4,311.6	34.6%	29,449.6	27.9%	22,752.1	27.0%
MIS	Qtr 4-07	2,579.5	20.0%	2,490.1	20.0%	24,545.0	23.2%	21,143.8	25.1%
2007 Totals		**12,882.5**		**12,456.7**		**105,623.5**		**84,350.1**	
MIS	Qtr 1-08	2,037.4	14.3%	2,023.7	14.5%	23,171.9	20.5%	21,472.9	22.1%
MIS	Qtr 2-08	4,369.9	30.7%	4,321.3	31.0%	32,059.5	28.3%	25,050.8	25.8%
MIS	Qtr 3-08	4,780.7	33.6%	4,665.4	33.5%	29,969.9	26.5%	24,855.9	25.6%
MIS	Qtr 4-08	3,023.7	21.3%	2,915.0	20.9%	27,972.9	24.7%	25,698.7	26.5%
2008 Totals		**14,211.6**		**13,925.4**		**113,174.1**		**97,078.3**	

Table 10 ii

Quarterly Production by System: 2006, 2007 & 2008

		Electricity Production				Related Water Production			
System	Period	Gross GWh	% Year	Net GWh	% Year	Gross '000 m3	% Year	Net '000 m3	% Year
Rural Systems	Qtr 1-06	40.3	14.8%	36.8	14.6%	993.5	23.2%	991.2	23.2%
Rural Systems	Qtr 2-06	81.3	29.9%	75.6	30.0%	1,092.1	25.5%	1,087.8	25.4%
Rural Systems	Qtr 3-06	89.1	32.7%	83.0	32.9%	1,097.9	25.6%	1,094.1	25.6%
Rural Systems	Qtr 4-06	61.6	22.6%	57.1	22.6%	1,102.1	25.7%	1,105.8	25.8%
2006 Totals		**272.2**		**252.5**		**4,285.6**		**4,279.0**	
Rural Systems	Qtr 1-07	45.5	14.7%	41.9	14.5%	154.1	25.8%	150.0	24.9%
Rural Systems	Qtr 2-07	94.2	30.4%	88.3	30.5%	143.7	24.1%	136.9	22.7%
Rural Systems	Qtr 3-07	101.7	32.9%	95.4	33.0%	133.9	22.4%	137.5	22.8%
Rural Systems	Qtr 4-07	68.0	22.0%	63.6	22.0%	165.2	27.7%	177.6	29.5%
2007 Totals		**309.4**		**289.2**		**596.9**		**602.0**	
Rural Systems	Qtr 1-08	51.9	14.9%	48.0	14.7%	178.2	24.0%	175.8	24.0%
Rural Systems	Qtr 2-08	106.1	30.4%	99.6	30.6%	184.5	24.8%	182.3	24.9%
Rural Systems	Qtr 3-08	115.0	32.9%	107.6	33.0%	176.0	23.7%	173.6	23.7%
Rural Systems	Qtr 4-08	76.2	21.8%	70.7	21.7%	203.9	27.5%	201.4	27.5%
2008 Totals		**349.3**		**325.8**		**742.7**		**733.1**	

Table 10 iii

Quarterly Production by System: 2006, 2007 & 2008

		Electricity Production				Related Water Production			
System	Period	Gross GWh	% Year	Net GWh	% Year	Gross '000 m3	% Year	Net '000 m3	% Year
Salalah Power System	Qtr 1-06	246.5	19.4%	243.2	19.4%				
Salalah Power System	Qtr 2-06	397.4	31.3%	391.1	31.2%				
Salalah Power System	Qtr 3-06	320.0	25.2%	315.5	25.2%				
Salalah Power System	Qtr 4-06	306.6	24.1%	302.5	24.2%				
2006 Totals		**1,270.5**		**1,252.3**					
Salalah Power System	Qtr 1-07	275.0	19.6%	271.5	19.6%				
Salalah Power System	Qtr 2-07	418.6	29.8%	412.3	29.7%				
Salalah Power System	Qtr 3-07	376.8	26.8%	372.2	26.8%				
Salalah Power System	Qtr 4-07	336.0	23.9%	331.6	23.9%				
2007 Totals		**1,406.5**		**1,387.5**					
Salalah Power System	Qtr 1-08	289.2	19.4%	285.3	19.4%				
Salalah Power System	Qtr 2-08	450.4	30.3%	444.5	30.3%				
Salalah Power System	Qtr 3-08	401.3	27.0%	396.2	27.0%				
Salalah Power System	Qtr 4-08	347.7	23.4%	343.2	23.4%				
2008 Totals		**1,488.6**		**1,469.2**					

Table 11

Technical and non-technical Losses by System: 2006, 2007 and 2008

	Main Interconnected System				Rural Systems (note 2)				Salalah System			
GWh	**2006**	**2007**	**2008**	**% Change**	**2006**	**2007**	**2008**	**% Change**	**2006**	**2007**	**2008**	**% Change**
Sent out Generation:	11,753.1	12,334.3	13,540.4	*9.8%*	252.5	289.2	325.8	*12.7%*	1,224.3	1,373.0	1,467.1	*6.9%*
'Other' Purchases (note 1):	28.9	122.5	385.0	*214.3%*	25.3	29.5	33.5	*13.5%*	28.0	14.5	2.1	*-85.5%*
GWh entering systems:	11,782.0	12,456.7	13,925.4	*11.8%*	277.8	318.7	359.3	*12.8%*	1,252.3	1,387.5	1,469.2	*5.9%*
GWh Suppy to Customers:	9,219.8	9,757.8	11,317.4	*16.0%*	246.1	273.0	308.8	*13.1%*	1,029.4	1,162.4	1,221.2	*5.1%*
Total Losses %	**21.7%**	**21.7%**	**18.7%**	***-13.6%***	**11.4%**	**14.3%**	**14.1%**	***-1.8%***	**17.8%**	**16.2%**	**16.9%**	***4.1%***

Note 1: Main Interconnected System Other purchases are PWP purchases from MIS connected entities
Rural Systems Other purchases are purchases from PDO
Salalah Other purchases are units purchased by PWP from RAEC for sale to DPC SAOG

Note 2: Total RAEC GWh Supplied to Customers in 2008 in Table 11 is 2.747 GWh lower than RAEC Supply reported in other tables. The 308.8 GWh figure was included in RAEC's 2008 SCRC statement and reflects an adjustment applied to monthly Supply at the Company level. RAEC was unable to allocate the adjustment across tariff categories or region.

Table 12

RAEC Capacity, System Peak demands, Electricity and Water Production, and Fuel consumption by Region

2008

RSNum	Facility	Type	Start Year	Generating Capacity: Installed kW	Generating Capacity: Derated kW	Generating Capacity: Num units	Water Capacity: Installed m3/day	Water Capacity: Num units	@ Ref SC	System Peak Demands, Production & Fuel Consumption: System Peak kW	Demand margin	Gross MWh	Net MWh	Gross 000'm3	Net 000'm3	Diesel 000'Ltrs
Al Dahirah																
02/020	Masrooq	Electricity	1994	637	509	6	0		50oC	299	41.3%	516	476	0	0	210
Totals for 1 Systems in Al Dahirah				**637**	**509**	**6**	**0**					**516**	**476**	**0**	**0**	**210**
Al Sharqiya																
02/019	Masirah	Cogen	1976	10,597	9,200	10	1,900	5	50oC	7,500	18.5%	32,573	25,460	618	613	8,930
04/001	Al Kamil	Electricity	1980	2,200	1,760	3	0		50oC			0	0	0	0	0
04/002	BBB Hassan	Electricity	1980	20,836	16,668	4	0		50oC			0	0	0	0	0
04/003	Mudhaibi	Electricity	1980	24,000	19,277	7	0		50oC			0	0	0	0	0
04/004	Mudhairib	Electricity	1980	35,938	28,750	12	0		50oC			0	0	0	0	0
04/005	Sur 1	Electricity	1980	49,200	40,900	14	0		50oC			0	0	0	0	0
Totals for 6 Systems in Al Sharqiya				**142,771**	**116,555**	**50**	**1,900**	**5**				**32,573**	**25,460**	**618**	**613**	**8,930**
Al Wusta																
02/001	AbuMudabi	Cogen	1985	761	608	7	100	2	50oC	350	42.4%	491	260	25	24	180
02/027	Sawgrah	Cogen	1998	724	579	3	100	1	50oC	160	72.4%	9	7	32	31	5
02/004	Al Kahal	Electricity	1999	2,378	1,902	4	0		50oC	950	50.1%	3,517	3,434	0	0	1,265
02/005	Al Khaluf	Electricity	2007	2,000	1,600	2	0		50oC	322	79.9%	1,021	903	0	0	488
02/006	Al Khuiaima	Electricity	2004	1,168	936	4	0		50oC	750	19.9%	3,729	3,613	0	0	1,220
02/007	Al Lakbi	Electricity	1999	1,772	1,400	5	0		50oC	1,245	11.1%	5,808	5,474	0	0	2,065
02/008	Alajaiz	Electricity	2006	1,130	1,000	4	0		50oC	410	59.0%	1,258	1,082	0	0	639
02/010	AlNajdah	Electricity	2007	2,200	1,800	3	0		50oC	255	85.8%	461	392	0	0	198
02/012	AlZhaiah	Electricity	2003	400	320	2	0		50oC	242	24.4%	791	755	0	0	297
02/016	Hij	Electricity	1999	10,500	8,800	7	0		50oC	3,425	61.1%	15,007	14,863	0	0	5,203
02/017	Hitam	Electricity	2007	1,330	1,064	5	0		50oC	240	77.4%	874	693	0	0	535
02/025	Ras Madraka	Electricity	2000	1,071	863	5	0		50oC	845	2.1%	3,432	3,373	0	0	1,277
02/030	Surab	Electricity	2006	2,200	1,800	3	0		50oC	385	78.6%	1,072	975	0	0	411
02/031	Al Duqm	Electricity	1999	1,331	1,060	5	0		50oC	1,420	-34.0%	5,902	5,830	0	0	2,070
Totals for 14 Systems in Al Wusta				**28,965**	**23,732**	**59**	**200**	**3**				**43,372**	**41,655**	**57**	**55**	**15,853**

Table 12

RAEC Capacity, System Peak demands, Electricity and Water Production, and Fuel consumption by Region

2008

				Generating Capacity			Water Capacity			System Peak Demands, Production & Fuel Consumption						
RSNum	Facility	Type	Start Year	Installed kW	Derated kW	Num units	Installed m3/day	Num units	@ Ref SC	System Peak kW	Demand margin	Gross MWh	Net MWh	Gross 000'm3	Net 000'm3	Diesel 000'Ltrs
Dhofar																
01/001	Al Halaniyat	Cogen	1987	544	435	4	136	2	50oC	320	26.4%	1,303	922	22	22	422
01/002	Al Mathfa	Electricity	2002	340	272	3	0		50oC	60	77.9%	129	123	0	0	70
01/005	Ayboot (1)	Electricity	2002	460	368	3	0		50oC	109	70.4%	372	360	0	0	197
01/006	Ayboot (2)	Electricity	2006	540	384	3	0		50oC	190	50.5%	394	371	0	0	200
01/007	Ayun	Electricity	2000	715	572	3	0		50oC	180	68.5%	296	285	0	0	116
01/008	Barbazum	Electricity	2000	888	710	3	0		50oC	270	62.0%	1,073	1,060	0	0	389
01/010	Dalkut A	Electricity	1992	1,480	1,184	4	0		50oC	880	25.7%	2,323	2,318	0	0	741
01/011	Dalkut B	Electricity	1997	3,128	2,502	5	0		50oC	1,630	34.9%	5,467	5,445	0	0	1,784
01/012	Dhahabun	Electricity	2000	879	703	3	0		50oC	460	34.6%	1,352	1,343	0	0	462
01/014	Fatkhat	Electricity	2002	426	341	3	0		50oC	115	66.3%	350	343	0	0	137
01/015	Hasik	Electricity	1992	1,196	957	3	0		50oC	790	17.5%	3,372	3,353	0	0	1,044
01/016	Hirweeb	Electricity	2001	775	620	3	0		50oC	335	46.0%	1,069	1,051	0	0	444
01/017	Horaat	Electricity	2002	468	374	3	0		50oC	173	53.7%	438	420	0	0	219
01/019	Mahwice	Electricity	2002	372	298	3	0		50oC	119	60.1%	316	307	0	0	145
01/020	Maqshan	Electricity	2001	1,290	1,032	4	0		50oC	400	61.2%	1,411	1,369	0	0	462
01/021	Mazyunah	Electricity	2000	2,408	1,926	5	0		50oC	1,720	10.7%	7,329	7,271	0	0	2,277
01/023	Mitan	Electricity	2001	887	676	3	0		50oC	530	21.6%	1,922	1,903	0	0	718
01/024	Mothorah	Electricity	2006	440	352	2	0		50oC	161	54.3%	447	436	0	0	205
01/025	Mudhai	Electricity	1993	1,084	867	4	0		50oC	557	35.8%	1,695	1,677	0	0	823
01/026	Rabkut	Electricity	2000	720	576	3	0		50oC	250	56.6%	738	725	0	0	255
01/027	Raysut A	Electricity	1983	36,000	30,000	6	0		50oC			1,210	1,101	0	0	329
01/028	Raysut B	Electricity	1988	53,000	45,000	8	0		50oC			1,091	1,001	0	0	311
01/032	Saih Alkirat	Electricity	2006	8,000	6,400	8	0		50oC	4,580	28.4%	23,458	23,432	0	0	6,002
01/035	Shahb Asayb	Electricity	2000	3,569	2,414	5	0		50oC	2,260	6.4%	8,659	8,566	0	0	2,683
01/037	Sharbatat	Electricity	1998	2,728	2,182	5	0		50oC	620	71.6%	2,857	2,836	0	0	981
01/038	Shasir	Electricity	2000	426	341	4	0		50oC			0	0	0	0	0
01/040	Tushnat	Electricity	2001	850	680	3	0		50oC	175	74.3%	816	797	0	0	329
	Totals for 27 Systems in Dhofar			**123,613**	**102,166**	**106**	**136**	**2**				**69,886**	**68,813**	**22**	**22**	**21,745**

Table 12

RAEC Capacity, System Peak demands, Electricity and Water Production, and Fuel consumption by Region

2008

RSNum	Facility	Type	Start Year	Generating Capacity Installed kW	Generating Capacity Derated kW	Generating Capacity Num units	Water Capacity Installed m3/day	Water Capacity Num units	@ Ref SC	System Peak Demands, Production & Fuel Consumption System Peak kW	Demand margin	Gross MWh	Net MWh	Gross 000'm3	Net 000'm3	Diesel 000'Ltrs
Musandam																
03/006	Kumzar	Cogen	1984	936	800	2	250	2	50oC	840	-5.0%	851	442	45	43	315
03/001	Al Rawda	Electricity	1996	275	220	3	0		50oC	135	38.6%	383	343	0	0	184
03/002	Dibba	Electricity	1978	17,702	14,161	8	0		50oC	11,200	20.9%	53,053	49,341	0	0	14,902
03/004	HB Hameed	Electricity	1994	100	80	2	0		50oC	55	31.3%	208	159	0	0	119
03/005	Khasab	Electricity	1982	33,500	29,000	9	0		50oC	30,000	-3.4%	135,574	126,780	0	0	36,331
03/007	Madha	Electricity	1982	7,516	6,100	7	0		50oC	3,420	43.9%	15,151	14,472	0	0	4,248
Totals for 6 Systems in Musandam				**60,029**	**50,361**	**31**	**250**	**2**				**205,219**	**191,537**	**45**	**43**	**56,099**
Totals for 54 RAEC Production Systems				**356,015**	**293,323**	**252**	**2,486**	**12**				**351,566**	**327,941**	**743**	**733**	**102,837**

2008 Regional Summary	Generating Capacity Installed kW	Generating Capacity Derated kW	Generating Capacity Num units	Water Capacity Installed m3/day	Water Capacity Num units	Production & Fuel Consumption Gross MWh	Net MWh	Gross 000'm3	Net 000'm3	Diesel 000'Ltrs
Totals for 1 RAEC System in Al Dahirah	637	509	6	0		516	476	0	0	210
Totals for 6 RAEC Systems in Al Sharqiya	142,771	116,555	50	1,900	5	32,573	25,460	618	613	8,930
Totals for 14 RAEC Systems in Al Wusta	28,965	23,732	59	200	3	43,372	41,655	57	55	15,853
Totals for 27 RAEC Systems in Dhofar	123,613	102,166	106	136	2	69,886	68,813	22	22	21,745
Totals for 6 RAEC Systems in Musandam	60,029	50,361	31	250	2	205,219	191,537	45	259	56,099
Totals for 54 RAEC Production System	**356,015**	**293,323**	**252**	**2,486**	**12**	**351,566**	**327,941**	**743**	**733**	**102,837**

ANNEX D: ELECTRICITY SUBSIDY CALCULATIONS

Annex D - A: 2008 MIS Subsidy Summary

Maximum Allowed Revenues

	2008 Outturn				2007 Outturn	
	Muscat	Majan	Mazoon	Total	Total	Variance
PC	73,261,815	36,346,416	49,074,515	158,682,747	132,514,628	20%
C&UofS	13,642,470	7,121,789	11,426,807	32,191,066	26,810,443	20%
MANCSR	23,733,960	19,438,422	27,423,194	70,595,576	65,353,100	8%
LF	158,197	158,197	158,197	474,590	399,864	19%
K	12,184,055	6,331,755	525,992	19,041,803	10,471,371	82%
MAR (2008)	98,612,386	56,733,068	87,556,721	242,902,175	214,606,664	13%

Actual Regulated Revenues

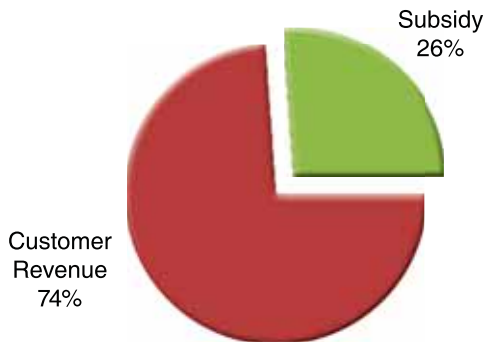
	Muscat	Majan	Mazoon	Total	Total	Variance
Subsidy	10,069,237	18,139,508	43,472,409	71,681,154	79,400,000	-10%
Permitted Tariff (& other) Revenue	94,588,361	39,657,331	45,591,400	179,837,092	153,889,570	17%
ARR (2008)	104,657,598	57,796,839	89,063,809	251,518,246	233,289,570	8%
Outturn Subsidy Requirement	4,024,026	17,075,738	41,965,320	63,065,083		

2008 Economic Cost

(baiza/kWh)	Muscat	Majan	Mazoon	Total	Total	Variance
Economic Cost	18.2	21.4	27.0	21.5	21.9	-2%
Subsidy	1.9	6.8	13.4	5.6	6.2	-10%
Customer Revenue	17.4	15.0	14.1	15.9	15.7	1%

Source: Company returns, Authority Estimates

2008 MIS Revenue & Subsidy



Annex D - B: 2009 MIS Subsidy Estimate

Maximum Allowed Revenues

	2009 Estimate				2008 Outturn	
	Muscat	Majan	Mazoon	Total	Total	Variance
PC	83,121,743	46,886,411	52,651,331	182,659,485	158,682,747	15%
C	1,431,063	882,704	1,075,832	3,389,599	32,191,066	29%
UofS	16,820,000	8,680,000	12,740,000	38,240,000		
DB (Distribution)	26,626,933	22,653,819	31,137,601	80,418,354	70,595,576	33%
SB (Supply)	5,321,611	3,248,810	5,231,537	13,801,958		
LF	260,682	260,682	260,682	782,046	474,590	65%
K	6,161,642	1,084,259	1,536,117	8,782,018	19,041,803	-54%
MAR (2009)	127,420,390	81,528,168	101,560,866	310,509,423	242,902,175	28%

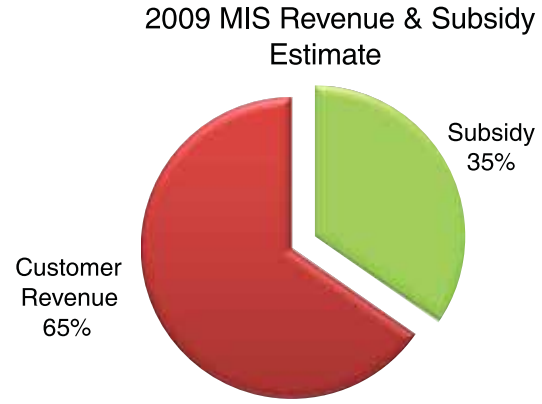
Actual Regulated Revenues

	Muscat	Majan	Mazoon	Total	Total	Variance
Subsidy	25,401,665	31,199,248	50,891,054	107,491,966	71,681,154	50%
Permitted Tariff (& other) Revenue	102,018,726	50,328,920	50,669,812	203,017,457	179,837,092	13%
ARR (2009)	127,420,390	81,528,168	101,560,866	310,509,423	251,518,246	23%

2008 Economic Cost (bz/kWh)

	Muscat	Majan	Mazoon	Total	Total	Variance
Economic Cost	21.9	25.1	28.5	24.6	21.5	14%
Subsidy	4.4	9.6	14.3	8.5	6.3	34%
Customer Revenue	17.5	15.5	14.2	16.1	15.9	1%

Source: Company returns, Authority Estimates



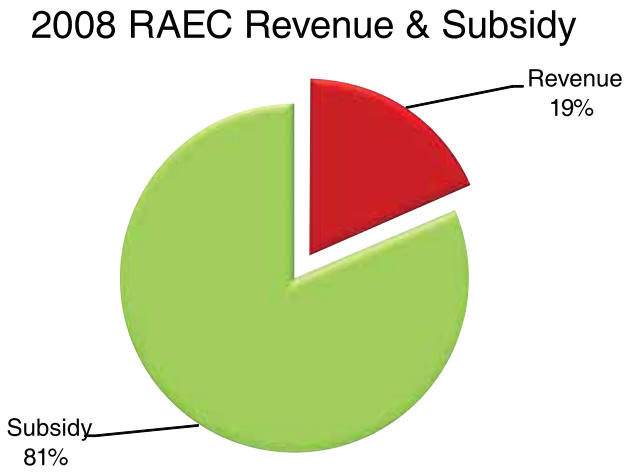
Annex D - C: 2008 RAEC Subsidy (including revision)

Annex A

Item	RO
Total Direct Costs	20,252,433
Total Admin & Other Costs	4,545,838
Total Operating Costs	24,798,271
Generation	
Opening NBV 31 Dec 2007	10,635,873
Closing NBV 31 Dec 2008	10,903,371
Return at 8%	861,570
Distribution	
Opening NBV 31 Dec 2007	20,124,820
Closing NBV 31 Dec 2008	22,802,175
Return at 7.5%	1,620,494
Supply	
Opening NBV 31 Dec 2007	37,390
Closing NBV 31 Dec 2008	45,361
Return at 7.5%	3,124
Total Return	2,485,188
Depreciation	1,840,809
Total Economic Costs	29,124,267
Permitted Tariff Revenue	4,571,929
Other Revenue	816,897
Revenue Excluding Subsidy	5,388,826
2008 Outturn Subsidy [1]	23,735,441
2008 Subsidy Provision [2]	19,937,077
Less 2007 under-recovery [2]	462,711
Additional Subsidy to be provided for 2008	4,261,075

[1] Authority calculations

[2] Authority letter to MoF dated 1 July 2008



Project Name: 2009 Forward Work Programme

ANNEX E: 2009 FORWARD WORK PROGRAMME

هيئة تنظيم الكهرباء - عمان
AUTHORITY FOR ELECTRICITY REGULATION, OMAN

Project Lead:	Executive Director
Today's Date:	1-Jul-09 (vertical gold line)
Start Date:	1-Jan-09
End Date:	31-Dec-09 (vertical red line)

Key	
Planned work	
Completed work	

WBS	Tasks	Task Lead	Start	End	Days
1	General Policy	Lead Section	01-Jan-09	31-Dec-09	365
GP 1	Renewable Energy Seminar	Office of Executive Director	1-Jan-09	1-May-09	120
GP 2	Energy Efficiency Seminar	Office of Executive Director	1-Jan-09	1-May-09	120
GP 3	Renewable Energy Pilot Projects	Techncial Directorate	1-Jan-09	1-Jul-09	181
GP 4	Electricity Undergrounding Regulations	Techncial Directorate	1-Jan-09	1-Apr-09	90
GP 5	Electricity Supply Regulations (Incident Reporting)	Licensing and Legal Affairs	1-Jan-09	1-Jun-09	151
GP 6	GONU Assessment (follow up)	Office of Executive Director	1-Feb-09	1-Dec-09	303
GP 7	Emergency Procedures - Implementation	Techncial Directorate	1-Jan-09	1-Jul-09	181
GP 8	ERWS Employment Survey (extended survey)	Economics and Finance	1-Jul-09	1-Dec-09	152
GP 9	Customer Awareness Programs	Customer Affairs	1-Feb-09	1-Dec-09	302
GP 10	Market Research (surveys & interviews)	Customer Affairs	1-Jul-09	31-Dec-09	182
GP 11	Public Consultations	Office of Executive Director	1-Jan-09	1-Oct-09	272
GP 12	Corporate Governance Audits	Office of Executive Director	1-Jan-09	1-Jul-09	182
GP 13	Legal Seminar - wider issues	Licensing and Legal Affairs	1-Jul-09	1-Dec-09	152
GP 14	Implementation of New Organisation Structure	Office of Executive Director	1-Jan-09	1-Dec-09	365
GP 15	Coordination	Office of Executive Director	1-Jan-09	31-Dec-09	365
2	Generation & Generation/Desalination	Lead Section	01-Jan-09	31-Dec-09	365
G-GD 1	Licence & Licence Exemption Applications	Licensing and Legal Affairs	1-Jan-09	31-Dec-09	365
3	Power & Water Procurement	Lead Section	01-Jan-09	31-Dec-09	365
PWP 1	Price control - further review	Economics and Finance	1-Apr-09	1-Nov-09	215
PWP 2	New IPP/IWPP Approvals (Competition Strategy)	Licensing and Legal Affairs	1-Jan-09	31-Dec-09	365
PWP 3	Salalah Restructuring	Economics and Finance	1-Jan-09	31-Dec-09	365
4	Transmission & Dispatch	Lead Section	01-Jan-09	31-Dec-09	365
T&D 1	OETC Privatisation	Office of Executive Director	1-Jan-09	31-Dec-09	365
T&D 2	Environmental Audits	Techncial Directorate	1-Apr-09	1-Oct-09	184
T&D 3	Price Control audit	Economics and Finance	1-Jun-09	1-Nov-09	153
T&D 4	Regulatory Accounting Guidelines	Economics and Finance	1-Jan-09	1-Jul-09	180
5	Distribution & Supply	Lead Section	01-Jan-09	31-Dec-09	365
D&S 1	Price control audits	Economics and Finance	1-Jun-09	1-Nov-09	153
D&S 2	HSE (MEDC)	Techncial Directorate	1-Jan-09	1-Jul-09	181
D&S 3	Environmental Audits	Techncial Directorate	1-Apr-09	1-Oct-09	183
D&S 4	Audit of Supply & Connection Applications	Customer Affairs	1-Apr-09	1-Oct-09	183
D&S 5	Regulatory Accounting Guidelines	Economics and Finance	1-Jan-09	1-Jul-09	181
D&S 6	Digital Metering - implementaiton	Techncial Directorate	1-Jan-09	31-Dec-09	365
6	Rural Areas Electricity Company SAOC	Lead Section	01-Jan-09	31-Dec-09	365
RAEC 1	HSE	Techncial Directorate	1-Jan-09	1-Jul-09	181
RAEC 2	Digital Metering - implementaiton	Techncial Directorate	1-Jan-09	31-Dec-09	365
RAEC 3	Renewable Energy Pilot projects	Techncial Directorate	1-Jan-09	1-Jul-09	181
RAEC 4	Audit of Supply & Connection Applications	Customer Affairs	1-Apr-09	1-Oct-09	183
RAEC 5	Regulatory Accounting Guidelines	Economics and Finance	1-Jan-09	1-Jul-09	181
7	Import & Export of Electricity	Lead Section	01-Jan-09	31-Dec-09	365
I&E 1	Licensing & consents	Licensing and Legal Affairs	1-Jan-09	31-Dec-09	365
I&E 2	Contracts & procedures	Licensing and Legal Affairs	1-Jan-09	31-Dec-09	365

Jan-09 Feb-09 Mar-09 Apr-09 May-09 Jun-09 Jul-09 Aug-09 Sep-09 Oct-09 Nov-09 Dec-09