

SULTANATE OF OMAN



هيئة تنظيم الكهرباء - عمان
AUTHORITY FOR ELECTRICITY REGULATION, OMAN

Licence Exemption Order No 1/2006

GRANTED TO

Sohar Aluminium Company LLC

Commencement Date: 1 July 2007

Modified on: 15 May 2008

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Licence Exemption Order No 1/2006

The Authority for Electricity Regulation, Oman, is the Authority established pursuant to Article (19) of Royal Decree 78/2004 (the "**Sector Law**"). In exercise of the powers conferred on it by the Sector Law the Authority hereby makes the following Order:

ARTICLE (1) Citation and Commencement

- 1.1 This Order shall be referred to as Licence Exemption Order No 1/2006 and shall come into effect on 1 July 2007.

ARTICLE (2) Interpretation

- 2.1 In this order:

- 2.2 Definitions

"Affiliate" in relation to the Exemption Holder means any Person which Controls (directly or indirectly) the Exemption Holder and any other Person Controlled (directly or indirectly) by such first mentioned Person, including where the Exemption Holder is a company, the ultimate holding company of the Exemption Holder and any holding company of the Exemption Holder and any subsidiary of such holding company;

"Commencement Date" means the date on which this Licence Exemption Order becomes effective as set out in Article 1.1;

"Controls" means, in respect of a Person by another, that that other (whether alone or with others and whether directly or indirectly and whether by the ownership of share capital, the possession of voting power, contract or otherwise):

- (i) has the power to appoint and/or remove all or the majority of the

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

or more of the assets of such Person which would then be available for distribution,

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

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

"Exemption"

means an Exemption granted pursuant to the Sector Law for the purposes of exempting a Person from the requirement to hold a Licence in relation to a Regulated Activity or from the requirement to comply with a particular condition or conditions of a Licence and **Exempt, Exempted** and **Exemption Holder** shall be construed accordingly;

"Licence Holder"

means a person granted a Licence by the Authority pursuant to the Sector Law, to undertake one or more of the Regulated Activities listed in Article (3) of the Sector Law;

"Person"

includes an individual, partnership, company, firm, trust, body corporate, government, government body, authority, emanation, agency, instrumentality, unincorporated body or an association;

"Premises"

means any land, building or structure occupied or used by a Person;

"The Authority"

means the Authority for Electricity Regulation, Oman established pursuant to Article (19) of the Sector Law;

“Regulated Activity”	means each of the activities listed in Article (3) of the Sector Law;
“Sector Law”	means Royal Decree 78/2004 governing the Regulation and Privatisation of the Electricity and Related Water Sector;

Terms defined in Law

- 2.3 Words and expressions, other than those defined in this Article (2), which are defined in the Sector Law, shall have the meanings ascribed to them in the Sector Law.

Paragraph references

- 2.4 References to paragraphs and Articles shall be to paragraphs of Articles in this Order and to Articles in this Order and in the Sector Law where indicated.

ARTICLE (3) Exemption

General

- 3.1 **Sohar Aluminium Company LLC** may, to the extent and for the purposes specified in paragraph 3.2, subject to the conditions specified in paragraph 3.3 and for the durations specified in paragraph 3.5, conduct the Regulated Activities specified in paragraph 3.2 without being required to be authorised to do so by a Licence granted by the Authority pursuant to Article (25) of the Sector Law. Accordingly, for those periods, to that extent, for those purposes and subject to compliance with those conditions, **Sohar Aluminium Company LLC** shall not be in breach of Article (4) of the Sector Law.
- 3.2 Subject to the Conditions listed in paragraph 3.3 **Sohar Aluminium Company LLC** (Exemption Holder) shall be Exempt as described in paragraph 3.3 in relation to the following Regulated Activities:
- (i) **The Generation of electricity co-located with the Desalination of Water at the same site;**
 - (ii) **the Distribution of electricity;**
 - (iii) **the Transmission of electricity.**

Conditions

3.3 The conditions referred to paragraph 3.1 in this Article are that:

(a) The Exemption referred to in paragraph 3.2 (i) above in relation to **the Generation of electricity co-located with the Desalination of Water at the same site**, applies:

- (i) to the undertaking of that Regulated Activity by the Exemption Holder (and by no other Person);
- (ii) at and using the Production Facilities listed in Schedule A, and no other Production Facilities;
- (iii) up to but not exceeding, and only for so long as those Production Facilities have no more than, the capacities listed in Schedule A; and
- (iv) for the purpose listed in Schedule A.

(b) The Exemption in paragraph 3.2(ii) above in relation to **the Distribution of electricity** applies:

- (i) to the undertaking of that Regulated Activity by the Exemption Holder (and by no other Person);
- (ii) at and using the Distribution System listed in Schedule A, and no other System;
- (iii) to that System without extension;
- (iv) for the purpose listed in Schedule A; and
- (v) provided that should the Exemption Holder's Distribution System connect to the System of a Licensed Distribution System Operator the Exemption Holder enters into a valid Connection Agreement with the Licensed Distribution System Operator of the System to which the Exemption Holder's System connects.

Moreover, that in accordance with the requirements of a Connection Agreement the Exemption Holder becomes a party to, and abides by, the terms of the Grid Code and the Distribution Code, insofar as it is applicable to them.

(c) The Exemption in paragraph 3.2 (iii) above in relation to the **Transmission of electricity** applies:

- (i) To undertaking of that Regulated Activity by the Exemption Holder;
- (ii) At and using the Transmission System listed in **Schedule A**, and no other System;
- (iii) For the purpose listed in Schedule A; and
- (iv) The Exemption Holder enters into a valid Connection Agreement with the Oman Electricity Transmission Company SAOC, and abides by the terms of the Grid Code in so far as it is applicable to them.

Duration

- 3.4 The Exemptions conferred by paragraph 3.2 in this Article shall last for the following periods:
- (a) For the **Generation of electricity co-located with the Desalination of Water at the same site**: 15 years from the Commencement Date, or until revoked by regulations issued by the Authority pursuant to Article (38) of the Sector Law;
 - (b) For the **Distribution of electricity**: 15 years from the Commencement Date, or until revoked by regulations issued by the Authority pursuant to Article (38) of the Sector Law; and
 - (c) For the **Transmission of electricity**: 15 year from the Commencement Date, or until revoked by regulations issued by the Authority pursuant to Article (38) of the Sector Law.

ARTICLE (4) Exclusion from PWP Purchase Duty

- 4.1 The Production Capacity and Output of the Production Facilities listed in Schedule A shall be exempt from the exclusive right and purchase duty of the PWP pursuant to Article (76) of the Sector Law, to the extent that such Capacity and Output is used for purposes of Self- supply.

ARTICLE (5) Termination and review

- 5.1 The Authority may review and, if it considers appropriate and, subject to the Sector Law, terminate this Exemption at any time and from time to time should it feel that a change of circumstances has arisen such that it is in the public interest for it to do so. Without prejudice to the generality of the foregoing, the Authority may, in particular, review or terminate this Exemption if any of the following circumstances arises:

- (a) Liberalisation is proposed pursuant to Article (32) of the Sector Law;
- (b) the Authority revokes any relevant Licence or Exemption;
- (c) one or more of the conditions referred to in this Exemption is not complied with by the Exemption Holder;
- (d) on a change of Control of the Exemption Holder which has not been approved in advance in writing by the Authority;
- (e) if it is found that the issue of this Exemption has been based on inaccurate or incorrect information provided by the Exemption Holder or any Affiliate of the Exemption Holder;
- (f) if the Exemption Holder seeks to Connect any System or Production Facility which is the subject of this Exemption Order, or if already Connected seeks a further connection, to the System of a Licence Holder;
- (g) if, after its System has become Connected to the System of a Licence Holder, the Exemption Holder suffers termination of its Connection Agreement with the relevant Licence Holder or fails to comply with the requirements of the Grid Code and/or the Distribution Code, insofar as applicable to it.

5.2 The Authority shall have the right to modify the conditions of this Exemption when the public interest so requires according to the following procedures:

- (a) the Authority shall publish a Notice **(copied to the Exemption Holder on the date of publication)** outlining the proposed modification at least 30 days before making such modification stating the reasons and effects of such modification and determining a period not less than 28 days for the submission of objections in respect of the proposed modification. The Authority shall take into consideration any objections submitted to it;
- (b) if the Exemption Holder agrees to the proposed modification the modification shall be made on expiry of the Notice period stipulated in 5.2 (a) above;
- (c) if the Exemption Holder objects to the proposed modification the matter shall be referred to Appeal in accordance with the provisions of the Sector Law. If the Appeal determines that the modification shall be made, it shall be made and come into force on the day following the settlement of the Appeal;

- (d) the Authority shall publish the proposed modification in two local daily newspapers, one of them in the Arabic language, and the Authority shall have the right to publish such Notice in any other reasonable manner.

Executive Director

On behalf of the Authority for Electricity Regulation, Oman

Schedule A: Technical & Other Details

This Schedule contains details of the Production Facilities that are the subject of the Licence Exemption Order 1/2006:

Location

The location, layout and characteristics of the Production Facilities and Systems that are the subject of this Licence Exemption Order No **1 /2006** are shown in **Appendix 1** of the Licence Exemption application form.

Technology & installed capacities (at Reference Site Conditions (RSC)) : 46°C

Generation

Type of Generator	Number of Turbines	Capacity (RSC) rating (aggregate)
Gas Turbines	4	584 MW
Steam Turbines	2	435.6 MW
TOTAL Capacity	6	1,019.6 MW

Desalination

Type Desalination	Capacity (RSC)
Reverse Osmosis	280 m ³ /h

Primary and Backup fuel

The primary fuel to the power plant will be natural gas (which will be transported to the power plant via a new gas pipeline and a new pressure reducing terminal). Fuel oil will be used as a back up only during interruption of natural gas supply or otherwise in planned outages.

Purposes

The Production Facilities that are the subject of this Licence Exemption Order No **1/2006** will:

- (1) Generate, Transmit and Distribute electricity (**up to a maximum of 1020 MW**) for Sohar Aluminum Company's smelter and port facilities using dedicated transmission lines and the authorised Distribution System. The power generated by the power plant will be exported to the smelter facilities: (i) via a 220 kV substation with indoor gas insulated switchgear and subsequently with two 220 kV circuits, comprising a mix of underground cables and overhead transmission lines to the smelter itself; and (ii) via an 11 kV distribution board and two 11 kV cables to port unloading facilities to be located at the SIP.
- (2) The power plant includes a desalination plant which forms part of the works. The desalination plant has a dual purpose: (i) to supply the power plant internal consumption and (ii) to export water to the smelter (up to a maximum of 300 m³/h).
- (3) Produce (i) electricity for sale to the Oman Power Procurement Company SAOC and/or (ii) related water for sale to the Oman Power Procurement Company SAOC or to a Person approved by the Authority, should the Exemption Holder wish to do so.

Authority for Electricity Regulation, Oman