

SULTANATE OF OMAN



هيئة تنظيم الكهرباء - عمان
AUTHORITY FOR ELECTRICITY REGULATION, OMAN

Licence Exemption Order No 2/2007

GRANTED TO

OCCIDENTAL MUKHAIZNA

Effective From: 31 March 2007

CONTENTS

ARTICLE (1) Citation and Commencement	3
ARTICLE (2) Interpretation	3
Terms defined in Law	5
Paragraph references.....	5
ARTICLE (3) Exemption	6
General	6
Conditions	6
Duration	7
ARTICLE (5) Termination and review	8
Schedule A: Technical & Other Details	9

Licence Exemption Order No 2/2007

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 **2/2007** and shall be effective from **31 March 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 grant date of this Licence Exemption Order;

"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.
"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;
"Water Department"	any major division or sub-division responsible for Related Water in the Ministry of Housing Electricity and Water, or any other Competent Authority;

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 **OCCIDENTAL MUKHAIZNA** 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 **OCCIDENTAL MUKHAIZNA** shall not be in breach of Article (4) of the Sector Law.
- 3.2 Subject to the Conditions listed in paragraph 3.3 **OCCIDENTAL MUKHAIZNA** shall be Exempt as described in paragraph 3.3 in relation to the following Regulated Activities:
- (i) the combined Generation of electricity and Desalination of water;
 - (ii) the Distribution 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 combined Generation of electricity and Desalination of water**, 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 the Exemption Holder enters into a valid connection agreement with the Licensed System Operator of a System to which the Exemption Holder's System(s) connect.

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, and / or the Rural Areas Code insofar as such codes are applicable to it.

- (c) The Exemption Holder complies at all relevant times with regulations issued by the Authority pursuant to Article (38) of the Sector Law, so far as applicable to it;
 - (d) The Exemption Holder shall from time to time as and when required by the Authority, provide to the Authority all such information concerning:
 - (i) the matters contemplated by the regulations referred to in the foregoing paragraph; and
 - (ii) the Regulated Activities which are the subject of this Exemption, as may be required by the Authority.
- 3.4 The Exemption Holder affording Persons appointed by the Authority pursuant to Article (148) of the Sector Law, unrestricted access to all plant and equipment and Premises used for the purpose of the Regulated Activities listed in paragraph 3.2 above.

Duration

- 3.5 The Exemptions conferred by paragraph 3.2 in this Article shall last for the following periods:
- (a) For the **combined Generation of electricity and Desalination of water**: 15 years from the Commencement Date, or until revoked by regulations issued by the Authority pursuant to Article (38) of the Sector Law; and
 - (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;

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 the 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 or modify 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 and modify 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 the Exemption Holder fails to cooperate with and, to the extent that it may be a legal requirement that it should do so consent to and approve the Transfer of all relevant contracts to which it is a party with MHEW pursuant to the Transfer Scheme without challenge or objection; or
 - (h) 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.

Executive Director

On behalf of the Authority for Electricity Regulation, Oman

Schedule A: Technical & Other Details

This Schedule will contain the following details relating to the Regulated Activities:

Location

The location, layout and characteristics of the Production Facilities and System that are the subject of this Licence Exemption Order No **2/2007** shown in Attachments **Annex 1 to 5** of the Licence Exemption application form.

Technology & installed capacities

Type of Generator	Capacity (ISO) rating	Number
Gas Turbine generator	10MW	5
Gas Turbine generator	10MW	4
Gas Turbine generator	10MW	4
Type of Desalination	Capacity	Number
Reverse osmosis	165.612 M ³ /h	3
Mechanical Vapour Compression	1,987.342 M ³ /h	2

Primary fuel

The Gas Turbine Generators are fueled by natural gas from an OCCIDENTAL MUKHAIZNA terminal. The Diesel generators will be fueled by diesel.

Purposes

The Production Facilities that are the subject of this Licence Exemption Order No **2/2007** will:

- (1) Provide electricity to **OCCIDENTAL MUKHAIZNA** for the purposes of Self Supply for the duration stipulated in this Licence Exemption Order at the location detailed in the plot plan up to a Maximum Capacity of 150 MW as in Attachments [1 to 5] of the Licence Exemption application form;

- (2) Provide **Desalinated water** up to a maximum of [4,500 M³/h] for the duration stipulated in this Licence Exemption Order to supply portable water and water to support drilling activities;

The Distribution System that is the subject of this Licence Exemption Order No **2/2007** will distribute electricity generated at the Exemption Holder's Production Facilities and electricity purchased from Petroleum Development Oman generated pursuant to a relevant Licence Exemption Order.

Authority for Electricity Regulation, Oman