



**هيئة تنظيم الكهرباء - عمان**  
**AUTHORITY FOR ELECTRICITY REGULATION, OMAN**

## **2015 Forward Work Programme**

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## Foreword

The Authority for Electricity Regulation, Oman (“the Authority”) is responsible for regulating the electricity and Related Water sector in the Sultanate of Oman. The Authority was established pursuant to Article (19) of the law for the regulation and privatization of the electricity and Related Water sector (the “Sector Law”) promulgated by Royal Decree 78/2004 as amended by Royal Decree 59/2009 and Royal Decree 47/2013.

Article (34) of the Sector Law requires the Authority to publish a Forward Work Programme before the commencement of each Financial Year (1 January to 31 December) setting out the principal areas of work for the coming year.

Further information about the Authority and the structure and regulation of the electricity and Related Water sector in Oman is available for review on the Authority’s website: [www.aer-oman.org](http://www.aer-oman.org).

## Statutory Functions and Duties

The Authority has a range of statutory functions and duties that are set out in various sections of the Sector Law. The Authority's principal duties (see Article (22) of the Sector Law) require the Authority to:

- secure the provision of electricity and Related Water services in Oman;
- promote competition in the electricity and Related Water sector;
- secure the safe, effective and economic operation of the electricity and Related Water sector in the public interest;
- protect the interests of customers, in particular those with limited income, the elderly and sick; to prepare criteria relating to the welfare of customers and to act in accordance with such criteria;
- secure compliance with Government policy relating to the protection of the environment, Omanisation and Omani Content;
- ensure the financial and technical capabilities of licensees and ensure companies operating efficiently can finance their activities;
- secure the conduct of fair and transparent competitions for new capacity by the Oman Power and Water Procurement Company SAOC;
- facilitate the privatisation of the electricity and Related Water sector;
- review on an annual basis the scope for further liberalisation of the electricity and Related Water sector; and
- prepare and maintain a Public Register of all matters relating to licenses and exemptions.

The Authority is also subject to important governance duties including a duty not to discriminate against or unduly prefer any Person; to act consistently treating like cases alike and, in particular, to ensure, so far as it is appropriate, that all Licenses and Exemptions for the same Regulated Activities are granted in substantially the same form; a duty to minimise, insofar as it is able to do so, the regulatory burden on licence holders and exemption holders; and to give written reasons for its decisions.

All of the Authority's work, including that envisaged in the 2015 Forward Work Plan, must be conducted in accordance with these statutory duties.

## Consultation

The Authority consulted on the draft 2015 Forward Work Programme and invited interested Persons to submit comments and objections. The Authority responded to all comments and objections received in response to this consultation within thirty days of receipt as described above.

## **Purpose of Forward Work Programme**

The Authority's Forward Work Programme serves a number of purposes:

- (i) Publication of each Forward Work Programme provides notice to Persons who may be affected by the programme thereby affording them the opportunity to comment on what is proposed;
- (ii) The Forward Work Programme is an important determinant of the Authority's costs (and licensees' fees) and as such is an important input in the development of the Authority's budget; and
- (iii) Publication of a Forward Work Programme reinforces transparency and accountability by allowing interested Persons, such as licensees and the Government, to ensure work planned for each subsequent year is consistent with Government objectives and aligned to the Authority's statutory functions and duties.

Each Forward Work Programme sets out work the Authority proposes to undertake in the coming year. During the course of the year the Authority may need to reprioritise work in response to events and changing circumstances and may therefore undertake work that was not included in a Forward Work Programme and be unable to undertake or complete items in a published programme.

## **Context & Content of 2015 Forward Work Programme**

Newly appointed Members assumed their responsibilities on 1 May 2014. When drafting the 2015 Forward Work Programme, Members were keen to continue the work undertaken by previous Members and pursue a number of priority areas including raising customer awareness, promoting the deployment of renewable energy, improving the efficiency of capital expenditure undertaken by licensees needed to sustain growth in demand and assessing the economic effectiveness of sector subsidy.

The 2015 Forward Work Programme includes work started in 2014 and work undertaken by the Authority in the normal course of business.

## 2015 Work Priorities

The 2015 Forward Work Programme includes a number of 'high priority' areas of work:

### **GP1 Customer Related KPIs**

The Authority will review the data provided by supply licensees on their performance against customer related KPIs incorporated in the Distribution and Supply Price Controls introduced from January 2015. This will include both analysis of reported performance levels, including benchmarking analysis and an assessment of the robustness of the data provided. The review will form a basis for future implementation of an incentive/penalty mechanism.

### **GP2 Operational & Financial Benchmarks**

The Authority aims to publish baseline 'operational and financial' benchmarks to be agreed with the Ministry of Finance to increase the transparency and consistency of performance reporting and highlight trends in electricity and Related Water sector efficiency. The Authority was unable to progress this work last year and views the preparation of benchmarks as an important priority.

### **GP3 Renewable Energy**

The Authority will continue to promote the competitive based deployment of renewable energy in Oman and work on finalising and approving 'Agency contracts' (as defined in the distribution and supply licence) to facilitate the purchase of electricity from small scale renewable facilities. The Authority views the structure of agency contracts as an essential tool to facilitate the deployment of small-scale renewable facilities in the Sultanate.

## Other areas of work planned for 2015

In addition to the 'high priority' areas of work outlined above, the Authority expects to progress other areas of work during 2015, including:

### **GP4 Employment Survey**

The Authority intends to undertake a detailed employment survey as was previously conducted in 2009. The scope of the survey will gather information on Direct employment issues such as female participation, staff turnover and employment duration, skill shortages and staff training expenditures.

### **GP5 Permitted Tariffs & Subsidy**

The Authority proposes to undertake a study on sector subsidy, including (i) the distribution of subsidy to various customer categories, and (ii) an assessment of current Permitted Tariffs and their effectiveness in promoting efficient use of electricity.

### **GP6 Price Control Review – Transmission & Dispatch**

Current T&D price controls are due to expire on 31 December 2015. New price controls are therefore required to be set for 1 January 2016.

### **GP7 Price Control Review – PWP**

Current PWP price controls are due to expire on 31 December 2015. New PWP price controls are therefore required to be set for 1 January 2016.

### **GP8 Health and Safety audits of OETC, PWP and DPC**

As with previous work programmes the 2015 programme includes actions to improve health and safety standards throughout the sector, including unannounced health and safety audits of electricity installations, full company audits of PWP, OETC and DPC.

### **GP9 Protection: Appropriate Person Criteria follow-up**

The Authority will conduct a follow-up audit in 2015.

### **GP10 Cyber Security, Undergrounding, and Incident Reporting Regulations**

The Authority will issue new regulatory obligations in 2015. The new requirements will be implemented through new Licence and Licence Exemption Conditions.

### **GP11 Review of Oman Electrical Standards**

The Technical Directorate will re-launch a review of OES and work to update and issue revised and new OES throughout 2015.

#### **GP12 Safety Awareness Campaign**

Following the very successful four week campaign hosted at the Children's museum in Muscat in 2013, the Authority will continue to organise safety campaigns in the Sultanate during 2015.

#### **GP13 Article (106) Consents**

The Legal Directorate expects to receive and process several applications for Article (106) consents during 2015.

#### **GP14 Communication with Customers and Raising Awareness**

The Authority will continue its external liaison programme to raise customer awareness by communicating with local communities and stakeholder organisations and publishing further customer information materials.



**Authority for Electricity Regulation, Oman**

## Glossary of Terms

<b><i>Licence</i></b>	An authorization granted by the Authority to undertake one or more of the Regulated Activities stipulated in Article (3) of the Sector Law
<b><i>MIS</i></b>	Main Interconnected System
<b><i>OES</i></b>	Oman Electrical Standards
<b><i>OETC</i></b>	The Oman Electricity Transmission Company SAOC
<b><i>PAEW</i></b>	The Public Authority for Electricity and Water established by Royal Decree 92/2007
<b><i>Permitted Tariff</i></b>	The 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
<b><i>Price control</i></b>	A mechanism for determining the maximum allowed revenue a licensee can recover in each year from users of its services, as stipulated in a schedule charge restriction condition of a Licence
<b><i>PWP</i></b>	The Oman Power and Water Procurement Company SAOC
<b><i>RAEC</i></b>	The Rural Areas Electricity Company SAOC
<b><i>Regulated Activities</i></b>	The activities stipulated in Article (3) of the Sector Law
<b><i>Sector Law</i></b>	The law for the regulation and privatization of the electricity and Related Water sector promulgated by Royal Decree 78/2004 and amended by Royal Decree 59/2009 and Royal Decree 47/2013
<b><i>Subsidy</i></b>	The financial support provided to Licensed Suppliers, as calculated by the Authority and paid by the Ministry of Finance, pursuant to Article (18) of the Sector Law
<b><i>The Authority</i></b>	The Authority for Electricity Regulation, Oman, being the authority established pursuant to Article (19) of the Sector Law