



الشركة العُمانية لنقل الكهرباء ش.م.ع.م
OMAN ELECTRICITY TRANSMISSION COMPANY S.A.O.C

إحدى شركات مجموعة نماء
Member of Nama Group

Connection and Use of System Charge Methodology Statement ("Condition 25 Statement")

Revised

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Approved by the Authority for Electricity Regulation, Oman

Table of Contents

FOREWORD	3
1 STATUTORY OBLIGATIONS	4
1.1 Sector Law Obligations	4
1.2 Transmission Licence Obligations	5
1.3 Revision / Modification of Condition 25 Statement	5
2 CHARGING PRINCIPLES	7
2.1 Connection Charges	7
2.2 Use of System Charges	7
2.3 Shallow Charging	7
3 CONNECTION CHARGES	8
3.1 Connection Assets	8
3.2 Pre and Post Transfer Date Connections	10
3.3 Connection Charges	10
3.4 Allocation/ Sharing of Connection Assets	14
3.5 Connection Modifications	14
3.6 Termination Charge	15
3.7 User constructed Connection Assets	18
3.8 Example of First Year Connection Charge Calculation	18
4 PROCEDURE FOR CONNECTION APPLICATIONS	21
4.1 General	21
4.2 Indicative Offer to Connect	21
4.3 Feasibility Studies	21
4.4 Technical Data	22
4.5 Application Fees	22
4.6 Assets Operating after their Replacement Period	24
4.7 Connection Charges Credit Policy	25
5 TRANSMISSION USE OF SYSTEM CHARGES	26
5.1 Structure of Transmission Use-of-System Charges	26
5.2 Methodology of Calculation	27
5.3 Invoicing of Transmission Use of System Charges	27
APPENDIX A - TYPICAL CONNECTION SITES EXAMPLES	29
APPENDIX B – ALLOCATION OF COSTS	38
APPENDIX C - GLOSSARY AND ABBREVIATIONS	43

FOREWORD

This Connection and Use of System Charge Methodology Statement ("Condition 25 Statement") has been prepared in accordance with the requirements of the Transmission and Dispatch Licence ("the Transmission Licence") and approved by the Authority for Electricity Regulation, Oman ("the Authority").

The Condition 25 Statement is complimented by charging statements issued in December of each year that provide details of the actual charges for connection and use of the Transmission System that will apply in each subsequent calendar year.

1 STATUTORY OBLIGATIONS

The Oman Electricity Transmission Company SAOC ("OETC") has statutory obligations in respect of charges for connection to and use of the Transmission System. These obligations are set out in:

- a) The Law for the Regulation and Privatisation of the Electricity and Related Water Sector ("the Sector Law") promulgated by Royal Decree (78/2004); and
- b) The Transmission Licence issued by the Authority.

1.1 Sector Law Obligations

Article (82) of the Sector Law sets out the functions and powers of each Licensed Transmission System Operator, including to own finance, develop, operate and maintain its Transmission System in an effective and economic manner, and to undertake not to discriminate in favour of or against any Person, and to offer non-discriminatory terms for connection to or use of the Transmission System.

OETC is also required to charge a Cost-Reflective Tariff to Persons whose Production Facilities, Premises or Systems are connected to the Transmission System, and to Licensed Suppliers and the Oman Power and Water Procurement Company SAOC ("PWP"), for use of the Transmission System.

1.2 Transmission Licence Obligations

Conditions 23 and 24 of the Transmission Licence set out OETC's obligations with regard to connection to and use of the Transmission System, respectively.

Condition 23 places a duty on OETC to offer terms for connection to any Person who applies for Connection, and provides details of the required form of offers to connect and the type of information they should contain.

Similarly under Condition 24, OETC, on application made by the PWP, in the case of exports and/or imports, or any Licensed Supplier in all other cases, has a duty to accept into the Transmission System electricity provided by or on behalf of the PWP or a Licensed Supplier and to deliver such quantities of electricity at such exit points on the Transmission System as the PWP or a Licensed Supplier may specify.

Both Conditions 23 and 24 contain provisions relating to circumstances in which OETC shall not be obliged to offer to enter into any agreement and provisions for the resolution of disputes between OETC and any Person seeking to enter into an agreement for connection or use of the Transmission System.

1.3 Revision / Modification of Condition 25 Statement

Condition 25 of the Transmission Licence requires OETC to keep the Condition 25 Statement under review at all times for the purpose of ensuring that the methodologies remain consistent with OETC's statutory and licence obligations. OETC may modify the Condition 25 Statement if required for the purpose of complying with its statutory and licence obligations. All such modifications require the approval of the Authority, and in addition OETC is required to consult with Users

for a period of at least 21 days on the proposed change and invite written representations.

Following the consultation, OETC will provide the Authority with a report setting out the terms of the proposed modification, representations made, any change to the terms of the modification, how the modification better meets the relevant objectives and a timetable and date for implementation of the modification.

Once a modification is approved by the Authority, OETC will issue a revised statement and that revised statement will supersede all previous statements from the date of its issue or its effective date as stated on the revised document.

2 Charging Principles

In accordance with the terms of the Transmission Licence, OETC levies two types of charges: (i) Connection Charges; and (ii) Transmission Use of System Charges:

2.1 Connection Charges

Connection Charges apply to all parties connected to OETC's Transmission System. Connection Charges cover the capital costs of Connection Assets, ancillary items, and the on-going costs of maintaining the connection. Section 3 below details the methodology for defining Connection Assets, and, therefore, the boundary between Connection Assets and Use of System assets. Section 3 also explains the basis of Connection Charges and Section 4 describes the application procedure for new and modified Connections.

2.2 Transmission Use of System Charges

Transmission Use of System Charges are paid by Licensed Suppliers. Transmission Use of System charges recover the investment, operation and maintenance infrastructure costs of the Transmission System. The methodology for the calculation of Transmission Use of System Charges is set out in Section 5 below.

2.3 Shallow Charging

The Authority has determined that Connection Charges shall reflect Shallow Charging principles. Accordingly, Persons seeking connection will not be asked to meet the cost of any system extension or reinforcement required to facilitate a connection, but would pay a Connection Charge for Connection Assets provided by OETC required to facilitate a connection and the cost of operating and maintaining Connection Assets.

3 Connection Charges

Connection Charges apply to assets classed as Connection Assets under this methodology.

3.1 Connection Assets

In general Connection Assets are defined as:

those assets solely required to connect an individual User to the Transmission System, which are not and would not normally be used by any other connected party (i.e. 'single user assets').

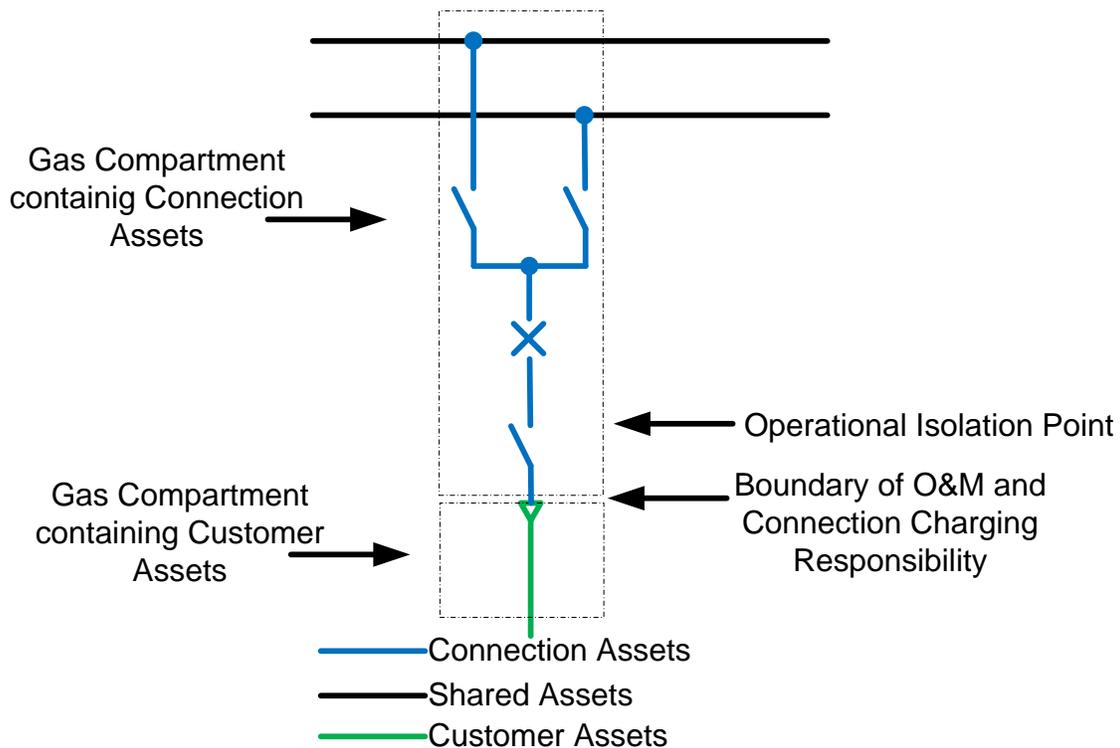
For the purposes of this Condition 25 Statement, all Connection Assets at a given location shall together form a Connection Site.

Connection Assets are defined as all those single User assets which:

- a) for Double Busbar type connections, are those single User assets connecting the User's assets and the OETC owned substation, up to and including the double busbar bay;
- b) for Teed connections, are those single User assets from the User's assets up to, but not including, the HV disconnector;
- c) for cable and overhead lines at a transmission voltage, are those single User connection circuits connected at a transmission voltage that are not potentially shareable. Cable and overhead line circuits connecting the Connection Site to the existing system which have a length less than 2km would not normally be considered to be potentially shareable.

For connection charging purposes the Connection Assets will include any assets on the customer side of the connection point up to the nearest point where a physical separation of the assets can be made. In the case of GIS switchgear, this would normally be the customers' end of the gas compartment containing the isolator that will provide isolation from the customers system. This is shown diagrammatically in the 3a below:

Figure 1 Example of connection charging boundary definition



The design of some Connection Sites may not be compatible with the basic boundary definitions above. In these instances, a connection boundary consistent with the principles described above will be applied. Typical Connection Sites are illustrated in Appendix A.

3.1.1 Basis of determining the Connection Assets required

The Connection Assets will be determined based on the Minimum Scheme. The Minimum Scheme is the design with the lowest overall cost solely to provide the customers' requested capacity. The Minimum Scheme will be subject to:

- a) accepted industry standards, including the requirements of the Grid Code;
- b) the status and configuration of the network in the area that the connection is to be made;
- c) the standard sizes and types of equipment currently used by OETC on its Transmission System which shall be reasonable in all the circumstances; and
- d) OETC's statutory and licence obligations including the requirement to develop, operate and maintain an efficient and economic Transmission System in accordance with the Transmission Security Standard and the Grid Code and such other standards of operation and maintenance as OETC may adopt from time to time.

Where OETC chooses to install assets in excess of this Minimum Scheme, then the additional costs above the Minimum Scheme will not form part of the Connection Assets for the purpose of determining the Connection Charge.

3.2 Pre and Post Transfer Date Connections

Post Transfer Date Connection Assets are Connection Assets commissioned on or after 1 May 2005. Pre Transfer Date Connection Assets are Connection Assets commissioned before the 1 May 2005.

3.3 Connection Charges

OETC applies Connection Charges for Connections to the Transmission System. The annual Connection Charge includes two components:

Annual Connection Charge = Capital Charge + Transmission Running Charge

The Capital Charge recovers the investment cost (including a return on capital) of providing the Connection Assets. The Transmission Running Charge recovers the cost of operating and maintaining Connection Assets.

3.3.1 Capital Charge

The Capital Charge is the Gross Asset Value (GAV) of connection assets annuitised over the weighted average asset life of the relevant Connection Assets, or any agreed lesser period, at the cost of capital set in the price control in force at the time when the Connection Offer is made. The initial GAV represents the capital element of the actual costs involved in providing Connection Assets. This will include the cost of purchase, transport, installation and interest during construction, together with the costs of designing and engineering the asset and may also include the cost of consents and connection modifications if required. In any Connection Offer, OETC will provide an indication of the expected GAV of Connection Assets on commissioning.

Users may opt to make an up-front capital contribution of all (or part) of the capital cost of providing Connection Assets. In the case where a User makes a full up front capital contribution to the GAV, the Capital Charge component of the annual Connection Charge would be zero.

In providing Connection Assets, OETC commits to a competitive tendering process in accordance with its normal procurement procedures and the Economic Purchase obligation of the Transmission Licence. The actual GAV on commissioning may, therefore, differ from the indicative GAV provided in the indicative Connection Offer.

In order to provide potential Users with an indication of the GAV of Connection Assets, OETC will publish, in the annual Statement of Charges, a table of the most recent GAVs

for assets commonly used in Connections. The table will also include an indication of the first year charge to be levied for a particular asset.

For Pre-Transfer Date Connections, the GAV of Connection Assets is the value of the Connection Assets contained in the Transfer Agreement (net of subsequent depreciation).

3.3.2 Capital Charge Payment Options

The standard terms for a Connection Offer will include the following options:

- a) a capital contribution (either full or in part) based on the GAV at the time of commissioning. Such contributions will reduce the capital charge; and
- b) annuity based charging over periods less than or equal to the weighted average asset life of the relevant Connection Assets.

Should a User wish to negotiate connection terms which vary from the terms set out in the standard Connection Offer, the return elements charged by OETC may vary to reflect the re-balancing of risk between OETC and the User.

3.3.3 Transmission Running Charge

The Transmission Running Charge (TRC) component of the Connection Charge recovers the costs of operation and maintenance of Connection Assets. OETC may have an agreement with a User whereby the Connection Asset is maintained by the User. In such case, no TRC will be recovered from the User of the relevant Connection Asset.

An annual TRC factor is calculated by taking the Connection Asset Operating Expenditure (“Opex”) allowance from latest price control (adjusted for inflation) as a proportion of total Connection Asset GAV (excluding User maintained Connection

Assets) in year t. This TRC factor is therefore expressed as a percentage of an asset's GAV.

TRC factor =

$$\frac{\text{Price Control Annual Connection Asset Opex allowance in year t (inflation adjusted)}}{\text{Relevant Year total Connection Assets GAV in year t} - \text{User maintained Connection Assets GAV in year t}} \times 100$$

To determine the TRC payable by a User, the annual TRC factor will be applied to the GAV of Connection Assets of that User in year t.

Example:

To illustrate the calculation, the example uses the 2016 Connection Asset operating expenditure from the 2016-2018 OETC MIS price control and the 2016 Connection Assets GAV of MIS to arrive at a TRC factor of around 2.09%.

- 2016 MIS Connection Charge operating expenditure in 2014 prices: RO 3,146,000
- CPI 2015: 1.195%, CPI 2016: -0.004%
- 2016 Connection Charge operating expenditure in 2016 prices: RO 3,183,452
- 2016 total OETC Connection Assets GAV after reducing user maintained Connection Assets: RO 152,232,705

$$\text{TRC \%} = \frac{\text{RO } 3,183,452}{\text{RO } 152,232,705} \times 100 = 2.09\%$$

If Company A has GAV of Connection Assets of RO 64,913,705 their TRC would be calculated as follows:

$$\begin{aligned} \text{TRC} &= \text{Company A Connection Assets GAV} \times \text{TRC \%} \\ &= \text{RO } 64,913,705 \times 2.09\% \\ &= \text{RO } 1,357,459 \end{aligned}$$

3.4 Allocation/ Sharing of Connection Assets

Where more than one User is connected at a Connection Site, the use of certain Connection Assets and charges for such Connection Assets will be shared as those assets benefit more than one User. The sharing of Connection Charges between Users at the same site is determined by the principles set out above, and the relevant Connection Charges shared to accord with such asset allocation.

Unless the parties have agreed to the contrary, the allocation of Connection Assets and sharing of relevant Connection Charges may change on the connection or disconnection of another User at the particular Connection Site or due to development of the Transmission System.

If a User connects to a Connection Site at which a capital contribution has been made, the User who made the capital contribution will receive a refund. The refund is based on the change in allocation that results, and the proportion of the Connection Assets for which the capital contribution was made.

3.5 Connection Modifications

Where a modification to an existing Connection occurs at the User's request, the User's annual Connection Charge will be based on the principles described above for any additional Connection Assets required to meet the User's requirements. Total Connection Charge for existing assets that remain in service will be unchanged, although the allocation of Connection Assets and sharing of relevant Connection Charges may alter where Connection Assets are shared. A Termination Charge will be charged for any existing Connection Asset made redundant as a result of the modification.

When a substation is upgraded assets may be removed and/or added. The Capital Charge will be reduced due to the assets that are removed. This reduced Capital Charge will continue to be made until the end of the original weighted average asset life of the substation or until the end of the original agreed period, as applicable. A Termination Charge will be made for any assets that are removed.

The new assets that are installed in the upgrade will start a new Capital Charge for the weighted average asset life of those new assets or the agreed period. Therefore the upgraded substation will have two separately calculated Capital Charge elements plus a Transmission Running Charge calculated from the GAV of the Connection Assets installed i.e. the remaining assets from the original substation plus the new assets.

3.5.1 Temporary Connections

Should a modification require temporary equipment to be installed, for example to meet a customer's short term demand requirement, then a charge will be made reflecting all the costs involved in installing and removing the temporary equipment plus a reasonable charge for the temporary equipment installed reflecting the actual cost of the asset and any refurbishment cost, for the period in use.

Normally temporary works should be for no more than a year. If temporary works are expected to last more than a year then consideration should be given to treating the works as a permanent modification.

3.6 Termination Charge

Where a User wholly or partially disconnects from the Transmission System, the User will pay a Termination Charge. The User may become liable for this charge by a Termination Notice issued by OETC or a Modification Application. The Termination Charge will include the items listed below and be calculated as follows:

- a) for Connection Assets which are made redundant, the User will be liable to pay an amount equal to the inflation-adjusted present value of Connection Charges over the remaining life of the Connection Assets (the indexed present value calculation will include all charges from the date of disconnection and extend to the end of the period of the annuity charge calculation);
- b) the reasonable costs of removing such assets. These costs being inclusive of the costs of making good the condition of the Connection Site;
- c) the User will also be liable to pay an amount which protects the remaining Users from an increase in capital charges on shared assets not rendered redundant;
- d) if a Connection is terminated before the end of a financial year, the Connection Charge for the full year remains payable;
- e) previous capital contributions will be taken into account.

The Termination Charge paid on assets not rendered redundant by the disconnecting User will be treated as a capital contribution for the remaining Users at the site. This treatment will buffer the remaining Users from increases in Capital Charges on shared assets as a result of the departure of another User. Remaining Users will therefore continue to pay broadly the same Capital Charges as before, with the only increase coming from the Transmission Running Charge.

Examples of reasonable costs of removal of terminated assets and making good the condition of the site include the following:

- i. if OETC removes a bus coupler breaker as a result of a User leaving a site then it is likely that OETC would need to replace the breaker with a section of busbar to

- retain the integrity of the substation. This would also require modifications to the busbar protection; or
- ii. if an asset and its associated civil works are removed to 1m below ground then the levels would have to be made up.

If any assets in respect for which a termination payment was made, are re-used at the same site or elsewhere on the Transmission System including use by OETC as Use of System Assets, OETC will make a payment to the original terminating User to reflect the fact that the assets are being re-used. Arrangements for such repayments will be set out in the Connection Agreements. Re-use will not be deemed to have occurred where assets remain at a site merely to enable the continued connection of those remaining at the site on the date of termination.

Where an existing User issues a Notice to Terminate and satisfies OETC that there is a clear intention to transfer the connection to a new User then the Connection Charge payments will transfer to the new User and no Termination Charge will become due. This arrangement for transferring connection payments is subject to the new User agreeing to a new Connection Agreement covering the Connection Assets within 6 months of the initial User issuing the Notice to Terminate (or another period as agreed with OETC at the time of issuing the Termination Notice).

Should the new User not enter into a Connection Agreement for the connection in the agreed timescale the Termination Charges will become due to the existing User.

Where the new User's requirements are different from the existing User and a modification is required the existing User will pay a Termination Charges based on any assets that become redundant.

3.7 User constructed Connection Assets

Users are permitted to undertake construction of all, or part, of the Connection Assets themselves.

Such works are subject to full approval by OETC of the design, asset specifications and quality of installation. On OETC acceptance that the User constructed Connection Assets meet the required standards; the assets will be transferred to OETC ownership at zero cost.

There will be no Capital Charge for the elements of the Connection Assets that are User constructed.

The User constructed Connection Assets will be subject to Transmission Running Charges based on the value of the assets installed. The User will provide OETC with the final installed asset value of the User constructed Connection Assets in a format specified by OETC to allow OETC to calculate the Transmission Running Charge.

Any elements of the Connections Assets constructed by OETC on a connection where the User is undertaking some of the construction will be subject to the Connection Charges and Transmission Running Charge contained in this document.

3.8 Example of First Year Connection Charge Calculation

Table 1 below is based on Connection Example 2 in Appendix A and provides an example of the costs estimates.

In this example:

- a) The weighted average asset life (in years) of the Connection Assets is based on the different asset lives for each Connection Asset at the site.

The asset lives used are those as used for financial depreciation and are shown below:

- i. transformers and associated ancillaries - 50 years
- ii. Power Cables and Transmission Lines – 60 years
- iii. switchgear and associated ancillaries etc. – 40 years
- iv. buildings and civil works – 30 years and
- v. Other Costs – 40 years

It is calculated as

$$\frac{(\text{Transformer Cost} \times 50 + (\text{Cable and Line Cost} + \text{Switchgear cost} + \text{Other Cost}) \times 40 + \text{Buildings Cost} \times 30)}{\text{Total Costs}}$$

b) The WACC used in calculating the annuity in this example is 4.80%.

c) The TRC % factor used in this example is 2.09%.

d) Capital charge is calculated as:

$$\text{Capital Charge} = \text{Connection Assets GAV} \times \text{WACC} / (1 - (1 + \text{WACC})^{-\text{weighted average asset life}})$$

Table 1 Calculation of Installed Cost and First Year Connection Charge

	Quantity		Cost (inc Prelim & Cont.) R.O.(000)	Capital Charge R.O. (000)	Transmission Running Charge R.O. (000)	First Year Connection Charge R.O. (000)
A						
132 kV transformer feeder bay	2	Bays	262.78	14.52	5.50	20.01
B						
125 MVA 132/33 transformer	2	Units	1093.34	60.41	22.86	83.27
Earthing transformer etc	2	Unit	104.48	5.77	2.18	7.96
C1						
132kV XLPE 3 x 1c Cu 630mm2 Cable	40	in metres	18.16	1.00	0.38	1.38
C2						
33kV XLPE 3 x 1c Cu 630mm2 Cable	80	in metres	2.39	0.13	0.05	0.18
D						
33 kV transformer CB bay	4	Bays	168.59	9.31	3.53	12.84
Others						
Anciliary etc	1	Unit	174.81	9.66	3.66	13.31
Substation and civil costs	1	Unit	445.50	24.61	9.32	33.93
Sub -total cost			2270.04	125.42	47.47	172.89
Transmission Running Cost %						2.09%
Weighted average asset life (in years)						43.3
Weighted Average Cost of Capital						4.80%

It is assumed that the 'Other' costs are identified in sufficient detail to calculate the elements that are classed as Connection Assets and therefore the apportionment outlined in Appendix B is not required.

4 PROCEDURE FOR CONNECTION APPLICATIONS

4.1 General

In accordance with Condition 25 of the Transmission Licence, OETC will offer terms as follows:

- a) for connection to the Transmission System, within three months of the receipt of a valid Application;
- b) for the modification of an existing connection, within three months of the receipt of a valid Application.

OETC will respond within the above timescales by means of an indicative Connection Offer. The indicative Connection Offer will contain technical information on the Connection Assets to be provided, together with an estimate of the likely capital and running costs of the proposed equipment to be provided.

4.2 Indicative Offer to Connect

The standard Connection Agreement offered by OETC is an indicative offer. The User's initial Connection Charge is based on the expected costs of the connection. Once the actual costs are known, actual costs will become the basis for charging. Any difference between charges based on actual and expected costs will be refunded to or paid by the User as appropriate.

4.3 Feasibility Studies

If a User wishes to assess connection options before applying, OETC will carry out feasibility studies at the Users request. These studies will be charged at the rates set out in the annual Statement of Charges for Connection and Use of System.

4.4 Technical Data

Before any connection application can proceed, the User must provide OETC with technical data relating to the proposed connection. The data requirements are those set out in the Grid Code and in the Metering & Data Exchange Code.

4.5 Application Fees

When making an application for Connection, Users will be required to pay an Application Fee in accordance with the table set out in the Annual Statement of Transmission Charges.

OETC will not commence work until the technical data required in the Connection Application has been received and the appropriate Application Fee paid. OETC will confirm the start date of the Connection Application in writing. The Application Fee shall be forwarded to OETC at the time of submitting the Connection Application.

The following conditions will apply to any Connection Application:

- (a) The User has to provide a year-wise projection of his load (Import Capability) for 5 years along with Connection Application. OETC will return the Application Fee without interest in a period of 5 years depending on whether the Import Capability for respective year is realized or not.
- (b) The amount of return of Application Fee is related to the import capability as follows:

Denote Import capability for each year as IC1, IC2, IC3, IC4, and IC5

Total application fee = AF

Application Fee to be returned each year, for five years = AF/5

Import capability reached for the year	Amount of Application fee to be returned for the year
80% or more of ICn	100% of AF/5
60% to 79% of ICn	50% of AF/5
40% to 59% of ICn	20% of AF/5
<40% of ICn	10% of AF/5

(c) As an example, consider an application with annual load (Import Capability)

projected as below:

IC1 = 30 MW

IC2 = 40 MW

IC3 = 50 MW

IC4 = 60 MW

IC5=100 MW

Application Fee (AF) = 100,000

Application Fee to be returned annually = AF/5 = 20,000 (If full Import Capability is realized)

Consider two cases as examples.

Case-1

Year	IC projected (MW)	Actual IC (MW)	% of IC reached	% of AF to be returned	AF/5	Amount of AF returned
1	30	20	66%	50%	20,000	10,000
2	40	30	75%	50%	20,000	10,000
3	50	30	60%	50%	20,000	10,000
4	60	30	50%	20%	20,000	4,000
5	100	40	40%	20%	20,000	4,000

In summary, the User will get only 38,000 back in 5 years (for 100,000 Application Fee)

Case-2

Year	IC projected (MW)	Actual IC (MW)	% of IC reached	% of AF to be returned	AF/5	Amount of AF returned
1	30	28	93%	100%	20,000	20,000
2	40	30	75%	50%	20,000	10,000
3	50	40	80%	100%	20,000	20,000
4	60	55	92%	100%	20,000	20,000
5	100	70	70%	50%	20,000	10,000

In summary, the User will get only 80,000 back in 5 years (for 100,000 application Fee)

- (d) If the Connection does not proceed OETC will retain the full amount of the Application Fee.
- (e) If details of a User's project change after the submission of a Connection Application, OETC will advise on whether the changes are likely to have a material impact on the planned Offer of terms for connection to the Transmission System. If the change is not likely to have a material impact, then OETC will proceed to make the Offer of terms as planned. If the change is likely to have a material impact, then the User has the choice of continuing with the Connection Application as originally submitted or withdrawing the application and submitting a new Connection Application with the new details.
- (f) If a Connection Application is withdrawn before OETC's Offer of terms is made, the Application Fee will not be refunded.

4.6 Assets Operating after their Replacement Period

If assets are to remain in service beyond their replacement period, OETC will negotiate with the User to establish an appropriate level of Connection Charges for those assets. If on the expiry of the replacement period, OETC and the User fail to agree on a level of charges, the User will pay Connection Charges equal to those which applied in the last financial year of the original replacement period (the Deemed Charge) and the matter may be referred to the Authority for determination.

4.7 Connection Charges Credit Policy

If a Connection is terminated before the end of a financial year, the charge for the full year remains payable, together with any Termination Charges to which the User is liable. Therefore OETC reserves the right to request appropriate security for all costs and charges estimated to arise in case of this eventuality.

5 Transmission Use of System Charges

Transmission Use of System (TUoS) charges reflect the cost of installing, operating and maintaining the infrastructure of the Transmission System and the costs of carrying out the economic scheduling and dispatch of electricity generation. These activities are undertaken to the standards prescribed by the Transmission Licence, to provide the capability to allow the flow of bulk transfers of power between Connection Sites and to provide Transmission System security.

A Maximum Allowed Revenue (MAR) for these activities is set by the Authority at the time of OETC's price control review for the succeeding price control period. TUoS charges are set to recover the Maximum Allowed Revenue as set by the price control net of the income received from other sources.

In accordance with the Licence, OETC levies TUoS charges on Licensed Suppliers.

Any User directly connected to the Transmission System (non-embedded Customer) is required to have a Supply Agreement with the appropriate Licensed Supplier, and OETC's Transmission Use of System Charges for the directly connected User are deemed to be included within the terms of the Supply Agreement.

5.1 Structure of Transmission Use-of-System Charges

The revenue recoverable in respect of Transmission Use-of-System charges is allocated to Licensed Suppliers according to their contribution to Maximum Transmission System Demand, defined as:

the maximum average electricity demand in an hour (expressed in megawatts) as metered or otherwise measured at exit points on the Transmission System in relevant year t.

5.2 Methodology of Calculation

The Maximum Transmission System Demand is expected to occur in May, June, July or August of each year. Therefore in order to determine the Transmission Use of System Charge for any particular year it will be necessary to estimate, prior to the start of the year, the components that make up the MAR. In December of each year, OETC will estimate its Maximum Allowed Revenue for the following year using forecasts of Maximum Transmission System Demand (MW) and Regulated Units Transmitted (MWh).

From the MAR derived above, OETC will deduct the amount of other regulated income, to give a residual amount to be recovered from Transmission Use of System Charges. This residual amount will then be divided by the maximum demand estimate to give a Transmission Use of System charge in Oman Rials / MW. OETC will publish this tariff in December of each year for the following year.

5.3 Invoicing of Transmission Use of System Charges

OETC will invoice Licensed Suppliers for the Transmission Use of System Charge according to each Licensed Supplier's contribution to Maximum Transmission System Demand. OETC will invoice Transmission Use of System Charges on the following basis:

- a) the share of the Maximum Transmission System Demand attributable to each Licensed Supplier will be estimated and used to estimate the total Transmission Use of System Charge to be recovered from each Licensed Supplier;
- b) the total estimate for each Licensed Supplier will be divided pro-rata across the 12 months of the year and monthly invoices submitted to each Licensed Supplier;

- c) when final values for the Maximum Transmission System Demand and the share attributable to each Licensed Supplier become available, OETC will recalculate the Transmission Use of System Charge for the year to reflect the actual values and invoice each Licensed Supplier accordingly; and
- d) a final reconciliation will take place with the December invoice.

Note that the published Transmission Use-of System Charges will not be updated during the relevant year. Any under or over recovery of revenue during a particular year will be adjusted by application of the 'K_t' factor, as defined in the Transmission Licence, in the subsequent year.

Appendix A – Typical Connection Sites Examples

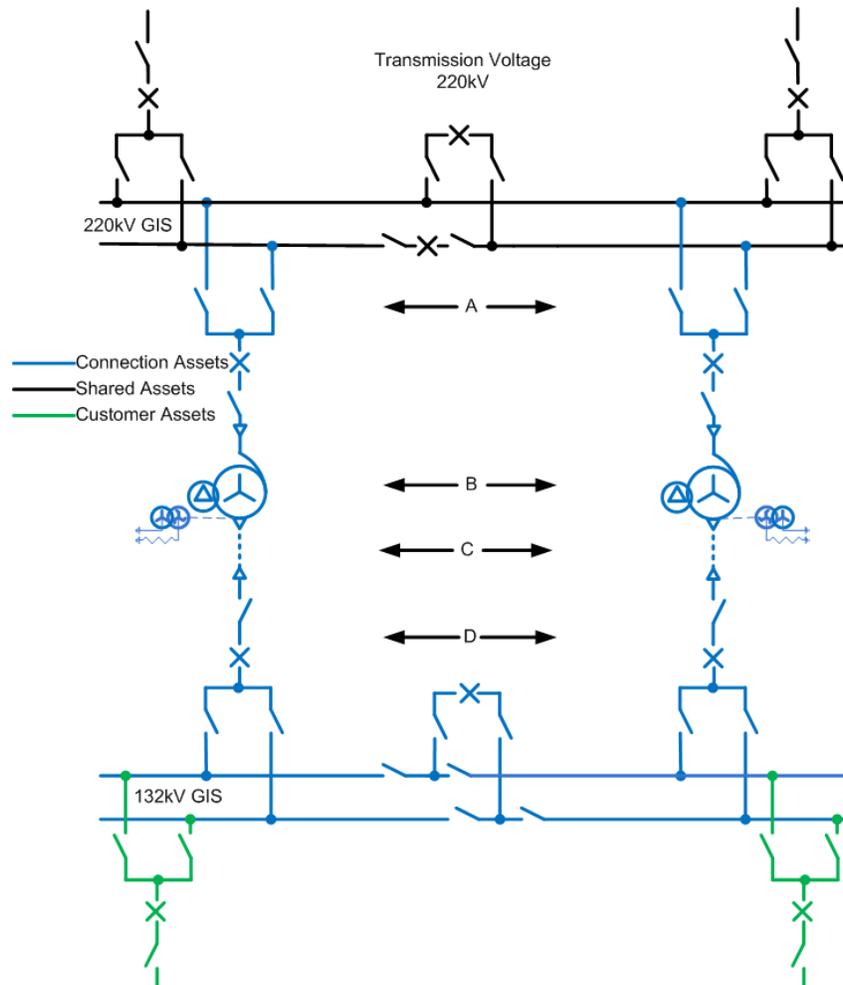
Typical Connection Sites

- 1) Double Busbar Substation 220/132kV
- 2) Double Busbar Substation 132/33kV
- 3) Transformer Feeder Substation 132/33kV
- 4) Double Busbar Substation 220/33kV
- 5) Double Busbar Substation 132/11kV
- 6) Feeder Connections
 - (a) 132kV Connection
 - (b) 220kV Connection
 - (c) 400kV Connection



TYPICAL CONNECTION FOR DOUBLE BUSBAR SECTION (1)

Typical 132kV Busbar connection for large industrial customer requesting a firm 132kV connection.



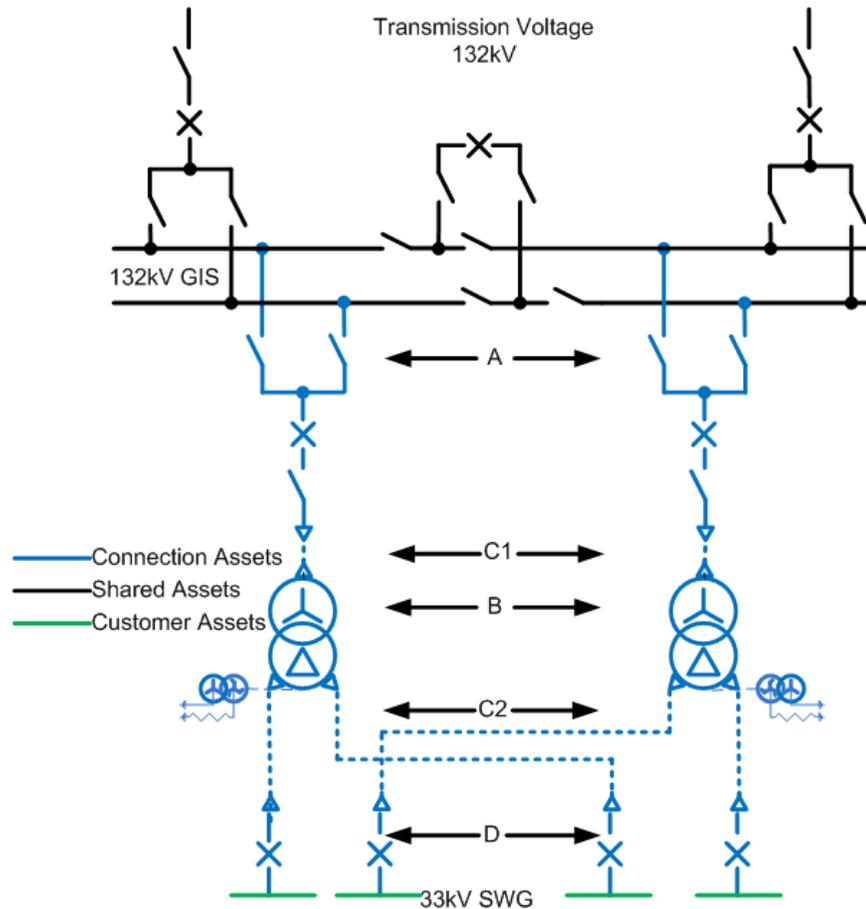
	Quantity		Cost (inc Prelim & Cont.) R.O.(000)	Capital Charge R.O. (000)	Transmission Running Charge R.O. (000)	First Year Connection Charge R.O. (000)
A						
220 kV transformer feeder bay	2	Bays	536.37	29.06	11.22	40.28
B						
500 MVA 220/132 transformer	2	Units	3413.87	184.98	71.39	256.37
Earthing transformer etc	2	Unit	104.48	5.66	2.18	7.85
C						
132kV XLPE 3 x 1c Cu 2500mm2 Cable	40	in metres	18.16	0.98	0.38	1.36
D						
132 kV transformer CB bay	2	Bays	262.78	14.24	5.50	19.73
Bus coupler	1	Bays	85.80	4.65	1.79	6.44
Others						
Anciliary etc	1	Unit	174.81	9.47	3.66	13.13
Substation and civil costs	1	Unit	385.00	20.86	8.05	28.91
Sub -total cost			4,981.27	269.91	104.17	374.08

Notes: (a) Year 1 Charges are based on Annuity option at WACC of 4.80%, TRC Calculated at 2.09%. All costs are indicative (b) It is assumed that the 'Other' costs are identified in sufficient detail to calculate the elements that are classed as connection assets and therefore the apportionment outlined in Appendix B is not required.



TYPICAL CONNECTION FOR DOUBLE BUSBAR SECTION (2)

Typical 33kV connection from a 132kV source where the 132kV busbar forms part of the interconnected system. The diagram does not show the customers 33kV circuits.



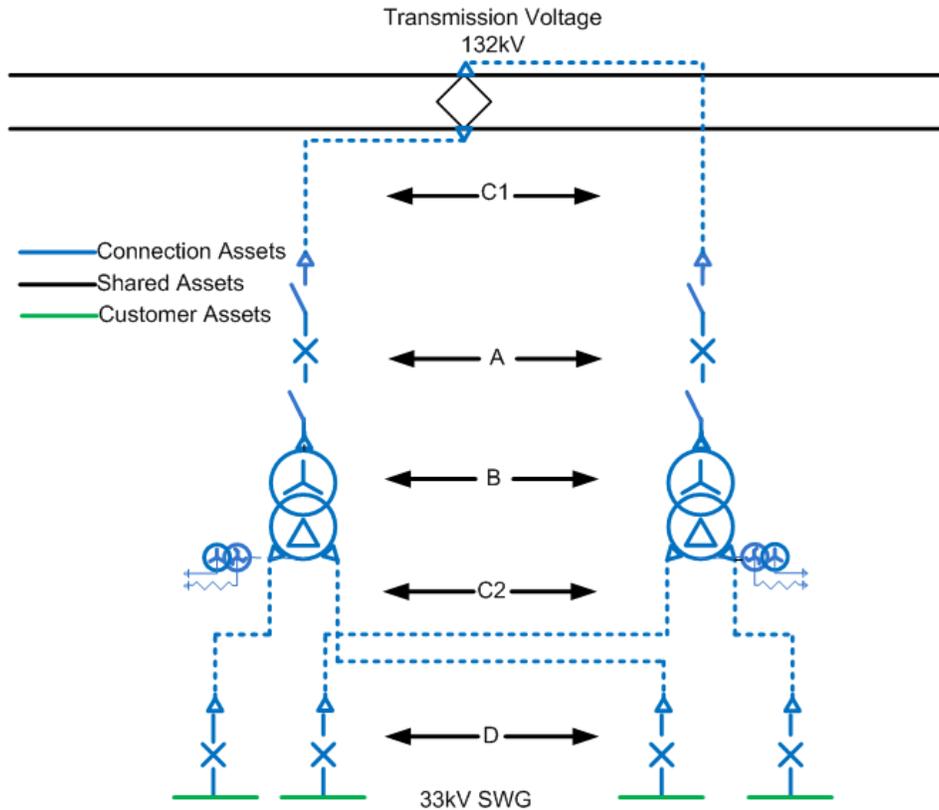
	Quantity		Cost (inc Prelim & Cont.) R.O.(000)	Capital Charge R.O. (000)	Transmission Running Charge R.O. (000)	First Year Connection Charge R.O. (000)
A						
132 kV transformer feeder bay	2	Bays	262.78	14.52	5.50	20.01
B						
125 MVA 132/33 transformer	2	Units	1093.34	60.41	22.86	83.27
Earthing transformer etc	2	Unit	104.48	5.77	2.18	7.96
C1						
132kV XLPE 3 x 1c Cu 630mm2 Cable	40	in metres	18.16	1.00	0.38	1.38
C2						
33kV XLPE 3 x 1c Cu 630mm2 Cable	80	in metres	2.39	0.13	0.05	0.18
D						
33 kV transformer CB bay	4	Bays	168.59	9.31	3.53	12.84
Others						
Anciliary etc	1	Unit	174.81	9.66	3.66	13.31
Substation and civil costs	1	Unit	445.50	24.61	9.32	33.93
Sub -total cost			2270.04	125.42	47.47	172.89

Notes: (a) Year 1 Charges are based on Annuity option at WACC of 4.80%, TRC Calculated at 2.09%. All costs are indicative (b) It is assumed that the 'Other' costs are identified in sufficient detail to calculate the elements that are classed as connection assets and therefore the apportionment outlined in Appendix B is not required.



TYPICAL CONNECTION FOR TRANSFORMER FEEDER SUBSTATION (3)

Typical 33kV connection from a 132kV transformer feeder which is teed off an existing 132kV Transmission line. The tee off is short (<2km) and therefore is not considered to be potentially used as shared assets and the length makes cable cost comparable with a short tower line with multiple termination towers.

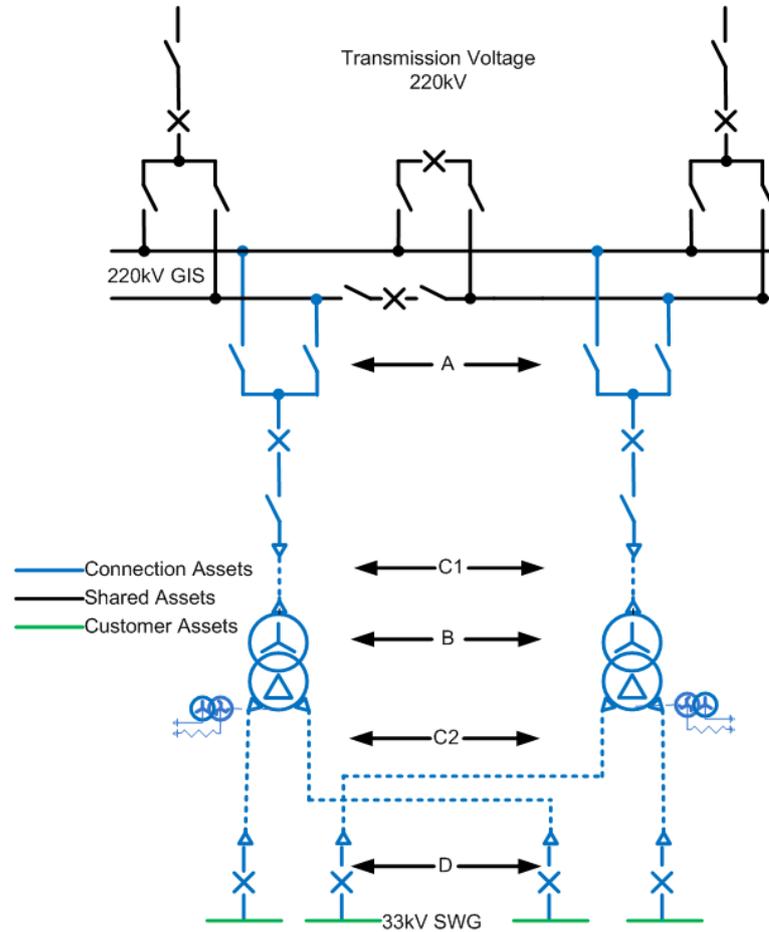


	Quantity		Cost (inc Prelim & Cont.) R.O.(000)	Capital Charge R.O. (000)	Transmission Running Charge R.O. (000)	First Year Connection Charge R.O. (000)
A						
132kV Transformer CB	2	Units	262.78	14.68	5.50	20.18
B						
125 MVA 132/33 transformer	2	Units	1093.34	61.08	22.86	83.94
Earthing transformer etc	2	Unit	104.48	5.84	2.18	8.02
C1						
2 x 132 kV XLPE 3 x 1c Cu 630mm ² Cable (1k route)	2000	in metres*	1202.74	67.19	25.15	92.34
C2						
33kV XLPE 3 x 1c Cu 630mm ² Cable	80	in metres	2.39	0.13	0.05	0.18
D						
33 kV transformer CB bay	4	Bays	168.59	9.42	3.53	12.94
Others						
Anciliary etc	1	Unit	174.81	9.77	3.66	13.42
Substation and civil costs	1	Unit	550.00	30.72	11.50	42.23
Sub-total cost			3,559	198.83	74.43	273.25

Notes: (a) Year 1 Charges are based on Annuity option at WACC of 4.80%, TRC Calculated at 2.09%. All costs are indicative (b) It is assumed that the 'Other' costs are identified in sufficient detail to calculate the elements that are classed as connection assets and therefore the apportionment outlined in Appendix B is not required. (c) The whole of the civil works are allocated to the customer (d) Example assumes the Tee off the existing line is 1km.

TYPICAL CONNECTION FOR 220/33 kV CONNECTION (4)

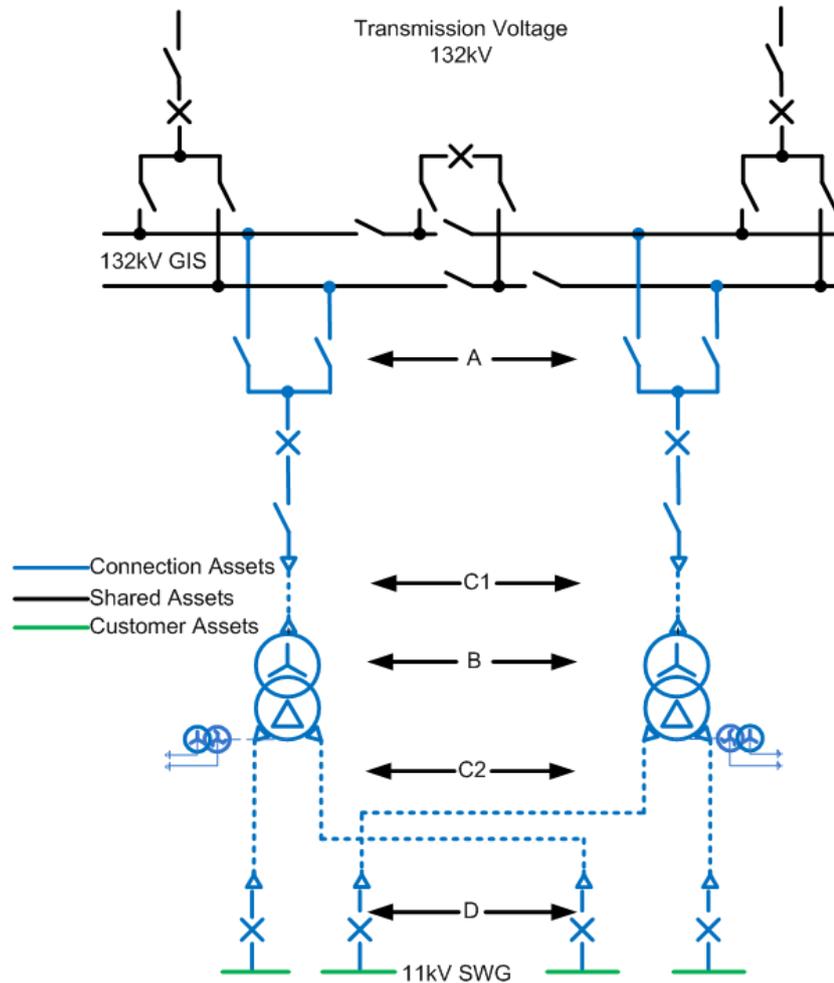
Typical 33kV connection from a 220kV source where the 220kV busbar forms part of the interconnected system. The diagram does not show the customers 33kV circuits.



	Quantity		Cost (inc Prelim & Cont.) R.O.(000)	Capital Charge R.O. (000)	Transmission Running Charge R.O. (000)	First Year Connection Charge R.O. (000)
A						
220 kV transformer feeder bay	2	Bays	536.37	29.50	11.22	40.71
B						
220/33 kV transformer	2	Units	1575.83	86.65	32.95	119.61
Earthing transformer etc	2	Unit	104.48	5.75	2.18	7.93
C1						
220kV XLPE 3 x 1c Cu 2500mm ² Cable	40	in metres	37.71	2.07	0.79	2.86
C2						
33kV XLPE 3 x 1c Cu 630mm ² Cable	80	in metres	2.39	0.13	0.05	0.18
D						
33 kV transformer CB bay	4	Bays	168.59	9.27	3.53	12.80
Others						
Anciliary etc	1	Unit	174.81	9.61	3.66	13.27
Substation and civil costs	1	Unit	458.33	25.20	9.58	34.79
Sub-total costs			3,058.506	168.2	63.96	232.15

Notes: (a) Year 1 Charges are based on Annuity option at WACC of 4.80%, TRC Calculated at 2.09%. All costs are indicative (b) It is assumed that the 'Other' costs are identified in sufficient detail to calculate the elements that are classed as connection assets and therefore the apportionment outlined in Appendix B is not required.

TYPICAL CONNECTION FOR 132/11 kV SUBSTATION CONNECTION (5)
 Typical 11kV connection from a 132kV source where the 132kV busbar forms part of the interconnected system. The diagram does not show the customers 11kV circuits.

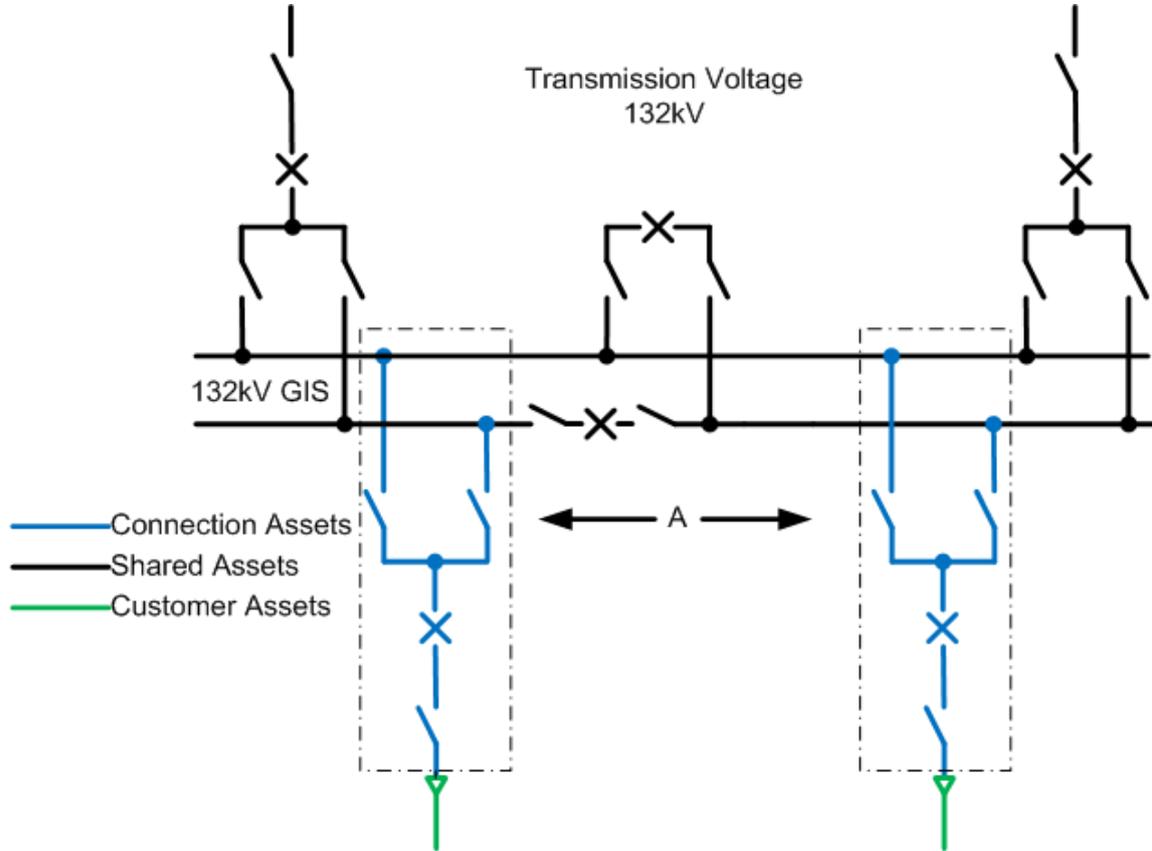


	Quantity		Cost (inc Prelim & Cont.) R.O.(000)	Capital Charge R.O. (000)	Transmission Running Charge R.O. (000)	First Year Connection Charge R.O. (000)
A						
132 kV transformer feeder bay	2	Bays	262.78	14.75	5.50	20.25
B						
132/11 kV transformer	2	Units	550.00	30.88	11.50	42.38
Earthing transformer etc	2	Unit	104.48	5.87	2.18	8.05
C1						
132kV XLPE 3 x 1c Cu 630mm ² Cable	40	in metres	18.16	1.02	0.38	1.40
C2						
11kV XLPE 3 x 1c Cu 630mm ² Cable	80	in metres	2.20	0.12	0.05	0.17
D						
11 kV transformer CB bay	4	Bays	88.00	4.94	1.84	6.78
Others						
Anciliary etc	1	Unit	174.81	9.81	3.66	13.47
Substation and civil costs	1	Unit	458.33	25.73	9.58	35.32
Sub-total costs			1658.76	93.13	34.69	127.81

Notes: (a) Year 1 Charges are based on Annuity option at WACC of 4.80%, TRC Calculated at 2.09%. All costs are indicative (b) It is assumed that the 'Other' costs are identified in sufficient detail to calculate the elements that are classed as connection assets and therefore the apportionment outlined in Appendix B is not required.

TYPICAL CONNECTION FOR 132 kV CONNECTION (6a)

Typical 132kV feeder connection for large industrial customer requiring a 132kV connection. The customers assets begin at the cable connection to the 132kV GIS CB and Isolator section as described in section 3.1.

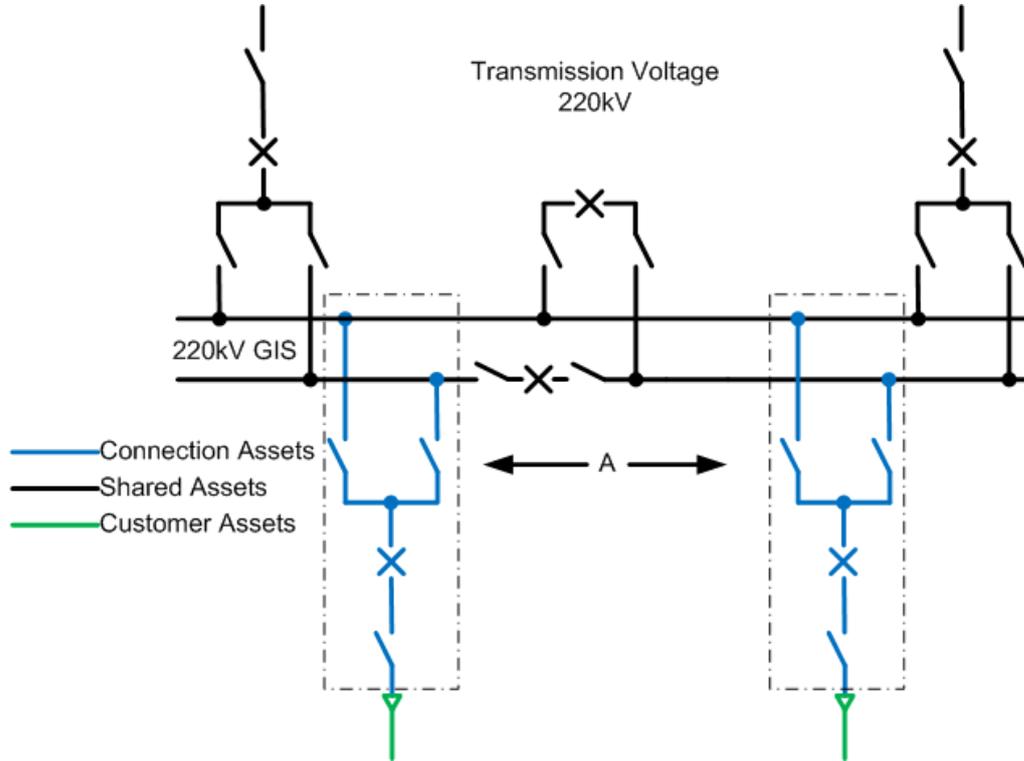


	Quantity		Cost (inc Prelim & Cont.) R.O.(000)	Capital Charge R.O. (000)	Transmission Running Charge R.O. (000)	First Year Connection Charge R.O. (000)
A						
132 kV GIS Transformer CB Bay	2	Bays	262.78	14.90	5.50	20.39
Sub-total cost			262.78	14.90	5.50	20.39

Notes: (a) Year 1 Charges are based on Annuity option at WACC of 4.80%, TRC Calculated at 2.09%. All costs are indicative. (b) As this is an extension to an existing switchboard all Civils and ancillaries are included in the unit cost. All costs are indicative

TYPICAL CONNECTION FOR 220 kV CONNECTION (6b)

Typical 220kV feeder connection for large industrial customer requiring a 220kV connection. The customer's assets begin at the cable connection to the 220kV GIS CB and Isolator section.

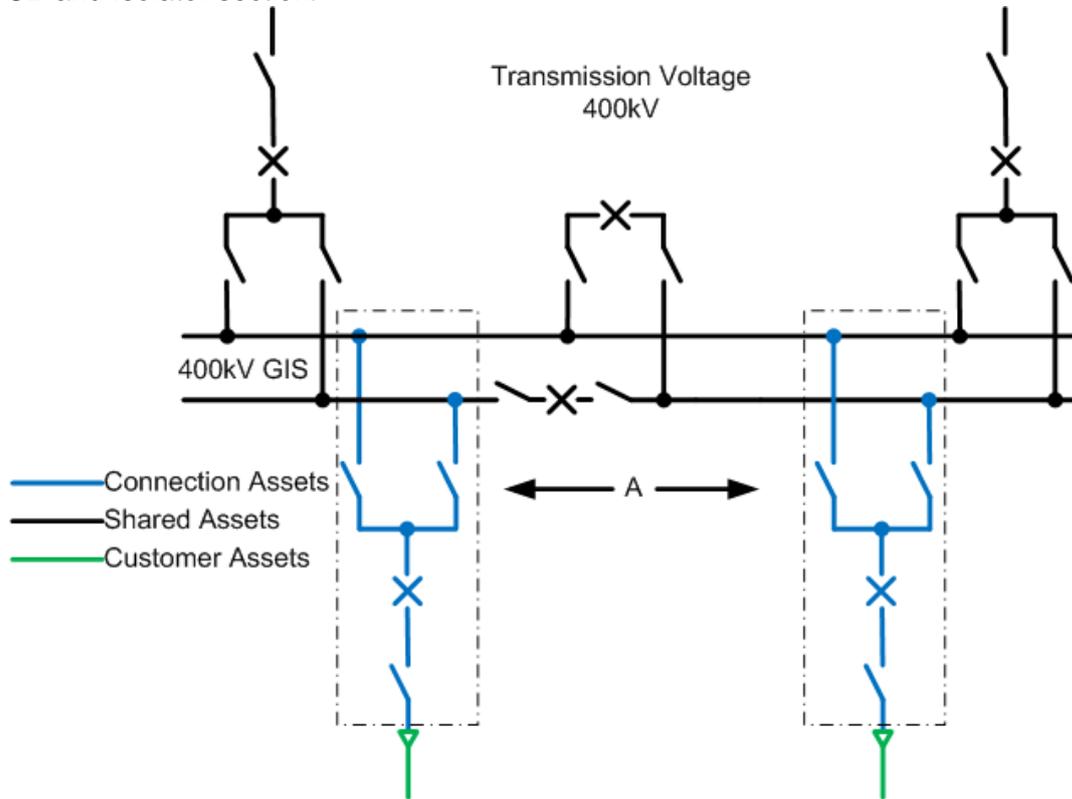


	Quantity		Cost (inc Prelim & Cont.) R.O.(000)	Capital Charge R.O. (000)	Transmission Running Charge R.O. (000)	First Year Connection Charge R.O. (000)
A						
220 kV transformer feeder bay	2	Bays	536.37	30.41	11.22	41.62
Sub-total cost			536.37	30.41	11.22	41.62

Notes: (a) Year 1 Charges are based on Annuity option at WACC of 4.80%, TRC Calculated at 2.09%. All costs are indicative. (b) As this is an extension to an existing switchboard all Civils and ancillaries are included in the unit cost. All costs are indicative

TYPICAL CONNECTION FOR 400 kV CONNECTION (6c)

Typical 400kV feeder connection for large industrial customer requiring a 400kV connection. The customer's assets begin at the cable connection to the 400kV GIS CB and Isolator section.



	Quantity		Cost (inc Prelim & Cont.) R.O.(000)	Capital Charge R.O. (000)	Transmissio n Running Charge R.O. (000)	First Year Connection Charge R.O. (000)
A						
400 kV transformer feeder bay	2	Bays	716.88	40.64	14.99	55.63
Sub-total cost			716.88	40.64	14.99	55.63

Notes: (a) Year 1 Charges are based on Annuity option at WACC of 4.80%, TRC Calculated at 2.09%. All costs are indicative. (b) As this is an extension to an existing switchboard all Civils and ancillaries are included in the unit cost. All costs are indicative

Appendix B – Allocation of Costs

This Appendix B provides guidance on how the assets at a Connection Site are allocated. The main items of plant and apparatus that carry the customers Load/Generation power are allocated as Shared Assets or Connection Assets on the shallow connection charge basis as described in this Condition 25 Statement.

The basic principles applied are:

- a) Where assets are associated with the main plant items such as relays they are generally apportioned in line with the main plant items.
- b) For common assets that cannot be directly allocated to individual main plant items e.g. the site security system or substation buildings; these allocated on an equitable basis.

The table below uses Typical Connection (2) from Appendix A – Typical 132/33kV Connection for Double Busbar Substation for illustration. However, the principles can and should be applied to all connections.

No.	Asset	Allocation of costs between Shared Assets and Connection Assets
1	132kV GIS Switchgear Feeder bays	The cost for transformer feeder bays will be allocated to Shared Assets or Connection Assets in line with this Connection and Use of System Charging Methodology statement. Cost Group - Reference A of Example 2 In this typical example the two incoming 132kV circuit breakers are Shared Assets, the Bus Couplers are Common Assets and the transformer circuit breakers are Connection Assets. If the costs of each bay are not separately identified then 2/5ths would be allocated to Connection Assets.
2	Local Control panels for 132kV feeders	Allocation and cost group as in item no. 1 above
3	Relays panels for 132kV feeders	Allocation and cost group as in item no. 1 above

No.	Asset	Allocation of costs between Shared Assets and Connection Assets
4	132/33kV 125 MVA transformer	<p>The cost for 132/33kV 125 MVA transformer will be allocated to Shared Assets or Connection Assets in line with this Connection and Use of System Charging Methodology statement.</p> <p>Cost Group - Reference B of Example 2 Allocated to Connection Assets in this typical arrangement.</p>
5	33/.415kV earthing/auxiliary transformer and neutral earthing resistor	<p>Allocation and cost group as in item no. 4 above</p>
6	132kV cables (including cable terminations and structures)	<p>The cost for the 132kV cables will be allocated to Shared Assets or Connection Assets in line with this Connection and Use of System Charging Methodology statement.</p> <p>Cost Group - Reference C1 of Example 2 In this typical connection the only 132kV cables are between the 132kV busbars and the transformers and will be Connection Assets.</p>
7	33kV cables (including cable terminations and structures)	<p>The cost for the 33kV cables will be allocated to Shared Assets or Connection Assets in line with this Connection and Use of System Charging Methodology statement.</p> <p>Cost Group - Reference C2 of Example 2 In this typical connection the only 33kV cables are between the transformers and the 33kV busbars and will be Connection Assets.</p>
8	Cabling systems – High Voltage cable trunking	<p>To be added to the cost of the cables in 6 and 7 above and allocated accordingly.</p> <p>Cost Group – Reference C1 and C2</p>
9	33kV Transformer Circuit Breaker (incomer)	<p>The cost for the 33kV transformer circuit breakers will be allocated to Shared Assets or Connection Assets in line with this Connection and Use of System Charging Methodology statement.</p> <p>Cost Group - Reference D of Example 2 In this typical connection the transformer circuit breakers are Connection Assets.</p>
10	33kV control panels	<p>Allocation and cost group as in item no. 9 above</p>
11	33kV relay panels including Transformer Protection	<p>Allocation and cost group as in item no. 9 above</p>

No.	Asset	Allocation of costs between Shared Assets and Connection Assets
12	Metering panel	<p>The cost for the metering panel will be allocated to Shared Assets or Connection Assets in line with this Connection and Use of System Charging Methodology statement.</p> <p>Cost Group – Reference Common – Others: Ancillary</p> <p>The metering panel is associated with the connection assets and will be allocated as Connection Assets</p>
13	Earthing & Lightning Protection	<p>This will be treated as a Common Asset and will be allocated between Shared and Connection Assets in line with the allocation of the number of Circuit Breakers allocated to each category of asset.</p> <p>Cost Group – Reference Common – Others: Ancillary</p> <p>In this typical connection the costs associated with the 132kV switchboard will be allocated as 2/5 Connection Assets. The 33kV section costs will all be Connection Assets. If the costs are not separated between 132kV and 33kV then the allocation will be 6/9 as Connection Assets. If the customers 33kV circuit breakers are installed by OETC as part of the construction works, say 5 CBs per section (not shown) – 20 total, then the cost would be split:</p> <p>3/29 – Shared Assets 6/29 – Connection Assets 20/29 – Customer Assets</p>
14	Batteries, Chargers & DC Switchboard	Allocation and cost group as in item no. 13 above
15	LVAC Auxiliary Power Supplies	Allocation and cost group as in item no. 13 above
16	SCADA, Substation Control System & Telecommunication Systems	<p>This will be treated as a Common Asset and will be allocated between Shared and Connection assets in line with the allocation of the number of Circuit Breakers allocated to each category of asset.</p> <p>Cost Group – Reference Common – Others: Ancillary</p> <p>In this typical connection the costs associated with the 132kV section will be allocated as 2/5 connection assets. The 33kV switchboard costs will all be Connection Assets. If the costs are not separated between 132kV and 33kV then the allocation will be 6/9 as Connection Assets.</p>

No.	Asset	Allocation of costs between Shared Assets and Connection Assets
17	Cabling systems – LV and Telecommunication trunking and racking	Allocation and cost group as in items no. 15 and 16 above
18	Building and civil works	<p>This will be treated as a Common Asset and will be allocated between Shared and Connection assets in line with the allocation of the number of Circuit Breakers allocated to each category of asset.</p> <p>Cost group – Building and Civil</p> <p>In this typical connection the costs associated with the 132kV section will be allocated as 2/5 connection assets. The 33kV section costs will all be Connection Assets. If the costs are not separated between 132kV and 33kV then the allocation will be 6/9 as Connection Assets.</p> <p>If the customers 33kV circuit breakers are installed by OETC as part of the construction works, say 5 CBs per section (not shown) – 20 total, then the cost would be split:</p> <p>3/29 – Shared Assets 6/29 – Connection Assets 20/29 – Customer Assets</p>
19	Fire Alarms, firefighting equipments, Air Conditioning,	<p>These are Common Assets directly associated with Common – Building and Civil.</p> <p>Allocation and cost group as in items no. 18 above</p>
20	Crane in GIS Room	<p>For fixed cranes these should be apportioned in line with the allocation of the circuit breakers that they service. For example if they serve the 132kV bay with 2 CBs that are connection assets and 3 that are shared then 2/5ths will be allocated to Connection Assets .</p>
21	LDC Modification Works	<p>Charged to Shared Assets as remote from the connection site.</p> <p>Cost group - Others - ancillary costs</p>
22	Optical Fibre Transmission system	<p>If the optical fiber transmission system provides inter-trip to the customer's protection system then it should be treated as a Connection Asset. Otherwise this will be treated as a Common Asset with allocation and cost group as in item no. 13 above</p>
23	OHL Connection and Terminations	<p>Include in the cost of the plant items that are being connected and apportioned with that asset.</p>

No.	Asset	Allocation of costs between Shared Assets and Connection Assets
24	Preliminaries and general requirements – this includes establishment and maintenance of site compound, fencing, site offices, open and covered stores, signed boards, services for engineers etc.	These costs will be allocated between the Switchgear, Transformers, Cables and Overhead lines, Buildings and civil and Other (ancillary costs) in relation to the cost of those assets. The costs will then be allocated to Shared and Connection Assets in line with the treatment of those assets. For example if the Preliminaries amount to 5% of the total cost (excluding preliminaries) then 5% will be added to all the line items in 1 to 23 above prior to apportioning the costs as described in this Appendix.
25	Consultancy Services	Apportion in line with overall cost split of the project between Shared and Connection Assets.
26	OETC Design, Quotation & follow up	Apportion in line with overall cost split of the project between Shared and Connection Assets.
27	Bus couplers and Bus sections	<p>This will be treated as a Common Asset and will be allocated between Shared and Connection assets in line with the allocation of the number of Circuit Breakers allocated to each category of asset.</p> <p>Example: Costs of BC & BS = "A" BC & BS bays = 2 No. of Connection bays = 2 No. of other OETC bays = 6 Total bays = 10 In this typical connection the costs of BC & BS will be allocated as below OETC cost = $6/8 * A$ User cost = $2/8 * A$</p>

Appendix C - Glossary and Abbreviations

AER (The Authority)	The Authority for Electricity Regulation, Oman.
Capital Charge	The Capital Charge as defined in section 3.3.1 of this document.
Common Assets	The ancillary assets at a Connection Site that support both the Connection Assets and the Shared Assets at the site. e.g. common buildings.
Connection Assets	The assets provided for the sole use of the User applying for a Connection as defined in Section 3.1.
Connection Charge	The annual charge levied for the provision of Connection Assets. This is comprised of a capital charge element, usually an annuitized element of the original GAV, and a Transmission Running Charge element.
Connection Offer	An offer to enter into an agreement for Connection to the Licensee's Transmission System or for modification to an existing Connection as defined in Condition 23 of the Licence.
Connection Site	The site at which Connection Assets are installed.
GAV	Gross Asset Value of installed assets. This normally includes the installation and commissioning costs.
GAV _n	The installed Gross Asset Value of an asset inflated by the relevant compounded CPI to give an equivalent asset value in Year n.
Grid Code	The Grid Code pursuant to Condition 3 of OETC's Transmission Licence.
Import Capability	The capacity of the Users Assets at the Connection Site that limit the maximum capacity that can be transferred to, or from, the Users system. The actual Import Capability is the as-built capacity at the time of energisation of the Connection.
Licensed Suppliers	As defined in the Transmission Licence.
MAR	Maximum Allowed Revenue – The revenue allowance as set by the Authority.

Minimum Scheme	The Minimum Scheme is as defined in section 3.1.1 of this document.
Modification Application	As defined in Connection Agreement.
OETC	Oman Electricity Transmission Company SAOC
Omani Consumer Price Index	As defined in Transmission Licence. Means the “Consumer Price Index for Some Towns in the Sultanate”, Price Index (1-8), as published in the Monthly Statistical Bulletin
Person	As defined in the Transmission Licence and Sector Law
Pre-Transfer Date Connection Assets	Connection Assets commissioned before 1 May 2005.
Regulated Units Transmitted	As defined in the Transmission Licence.
Shallow Charging	The principle of only charging connected users for the assets that are provided solely for their use.
Shared Assets	The assets installed in providing the Connection requested by a User that have the potential to be shared by existing or future Users of the Transmission System.
Termination Charge	The Termination Charge as defined in section 3.6 of this document.
Termination Notice	As per the Notice of Intent to Terminate as defined in Connection Agreement.
Transmission Licence	Oman Electricity Transmission Company SAOC Licence granted on 1 st May 2005 as amended up to date.
Transmission Running Charge (TRC)	The element of the Connection Charge that recovers the Operation and Maintenance costs of the Connection Assets.
Transmission Security Standard	As defined in the Transmission Licence
Transmission System	As defined in the Transmission Licence.
User	As defined in the Grid Code.