

Standard System Operation Licence

Part I

1. Licensee Details :

Name : _____

Legal Description of the Comp

any : _____

Name of Legal Representative : _____

Main Office Address : _____

Telephone Number : _____

Fax Number : _____

E-Mail Address : _____

Commercial Record Number and Date : _____

2. Activity References :

System to be operated: Interconnected transmission system of Jordan

3. Licence Duration :

4. Electricity Regulatory Commission Details

Main Office Address : _____

Telephone Number : _____

Fax Number : _____

E-Mail Address : _____

Duration of this Licence is for 25 years starting from / / 20xx

The Electricity Sector Regulatory Commission of Jordan (hereinafter referred to as the “ERC”), in exercise of the powers conferred by article 7 and 9 of the Temporary General Electricity Law No. (64) of 2002 (hereinafter referred to as the “General Electricity Law”), hereby grants to [NEPCO as System Operator] a company incorporated under the Companies Law and registered with the Ministry of Industry and Trade under registration number [] (hereinafter referred to as the “Licensee”), a licence to carry out System Operation Business as permitted by articles 28 and 34 of the General Electricity Law for the period specified in clause 3 above, subject to the conditions set out in Part II (hereinafter referred to as the “Conditions”) and the information in the attached annexes which are part of this License, and which shall be considered one whole indivisible unit.

**Signed by:
Chairman**

**Regulatory
Commission**

Seal

Part II

Conditions for System Operation Licence

Section 1: General Conditions of the Licence

Section 2: General Provisions for the System Operation Activity

Section 3: Technical and Operation Conditions

Section 4: Commercial and Financial Conditions

Annex 1: Control Centre

Annex 2: Qualifications

Annex 3: Performance Standards

Annex 4: Exemptions

Annex 5: Tariff Methodology

Annex 6: Periodic and Special Reporting Obligations

Section 1:

General Conditions of the Licence

Article (1)

Definitions and Interpretation

Any word or expression defined in the General Electricity Law, and not defined in these conditions shall, unless the contrary intention appears, have the same meaning when used in these conditions or in the annexes.

When applying the provisions contained herein, and unless otherwise specified or the context otherwise requires, the words and phrases stated herein shall have the following meanings:

<p>“Authorized” in relation to an activity means authorized to undertake that activity pursuant to a licence or exemption granted by the ERC under the General Electricity Law;</p>	
<p>“Available” in relation to any generating unit, means a generating unit which is declared by a generation licensee as being available to generate electrical energy in accordance with the Grid Code, and “availability” shall be construed accordingly;</p>	
<p>“Bulk Supply Licensee” means the holder of the licence that authorises bulk supply, pursuant to articles 28 and 35 of the General Electricity Law;</p>	
<p>“Central Dispatch” means the process of scheduling and issuing direct instructions for dispatch of Available generating units by this Licensee in accordance with the Grid</p>	

Code;	
<p>“Change in Control” has the meaning assigned to the term in Article 8;</p>	
<p>“Codes” means the operating codes established or to be established by the ERC and the codes that licensees are responsible to prepare and review and which are approved by the ERC (including but not limited to the Grid Code, the Distribution Code and the Metering Code);</p>	
<p>“Companies Law” means the Companies Law No. 22 of 1997, and any amendments thereto, or any law that replaces the Companies Law in effect;</p>	
<p>“Connection Agreement” means an agreement between the users of the transmission system and the Transmission Licensee for a direct connection (a new connection or a Modification to an existing connection) to the transmission system, and with the System Operation Licensee on matters related to operation and Ancillary Services</p>	

<p>“Demand Control”</p> <p>means one or more manual or automatic mechanisms to achieve a reduction in demand (whether with agreement of the User or not), with the purpose of maintaining the reliability, security and integrity of the transmission system, in accordance with the Grid Code;</p>	
<p>“Dispose of” or “Disposal”</p> <p>includes any sale, gift, lease, licence, loan, security, mortgage, charge or the grant of any other encumbrance or permitting of any encumbrance to subsist or any other disposal to a third party;</p>	
<p>“Distribution Licensee”</p> <p>means a Person licensed to distribute electrical energy pursuant to articles 28 and 36 of the General Electricity Law;</p>	
<p>“Environmental Law”</p> <p>means any law of Jordan for the protection of the environment, including the protection of human health, flora, fauna and the eco-systems on which they depend and all relevant legislation relating to the assessment of environmental impact and the protection of air, land and water;</p>	
<p>“Financial Year”</p> <p>for the purpose of this Licence, means the 12 month accounting period of the Licensee, provided that the first financial year shall run from, and including, the date of the grant of this Licence until the last day of the Licensee’s accounting period for the first year;</p>	
<p>“General Electricity Law”</p> <p>means the General Electricity Law No. 64 of the</p>	

Year 2002 as amended from time to time or any other law that replaces the said law;	
<p>“Generating Unit”</p> <p>means any apparatus that produces electrical energy, which will include the mechanical prime mover (e.g. turbine or engine) in the case of conventional hydro or thermal plant, or the equivalent principle means of converting another form of energy to electricity, in the case of non conventional generation such as wind and solar energy;</p>	
<p>“Grid Code”</p> <p>means the document defined in the General Electricity Law, as modified from time to time and approved by the ERC;</p>	
<p>“Information”</p> <p>shall include any books, documents, records, accounts, estimates, returns or reports (whether or not prepared specifically at the request of the ERC) of any description and in the format prescribed by the ERC;</p>	
<p>“Interim Licence”</p> <p>means an interim licence issued by the ERC in accordance to Article 18 of this Licence for the business regulated by this Licence;</p>	
<p>“Laws of Jordan”</p> <p>means the Jordanian legislations that have been published in the “Official Gazette” which may be amended or replaced from time to time.</p>	
<p>“Licence”</p> <p>means this licence, together with the annexes attached to it;</p>	
<p>"Licensing By-law"</p> <p>means the licensing by-law number 76 of 2001 or</p>	

<p>any amendments thereto or any by-law that replaces the said by-law and any by-law that regulates matters relating to licences pursuant to the General Electricity Law as may be amended from time to time;</p>	
<p>"Merit Order System" means a system, establishing economic precedence, subject to electric system constraints and reliability standards in accordance to the Grid Code, of electrical energy from Available generating units and imports to supply consumers;</p>	
<p>"Metering Code" means the code approved by the ERC that sets out the standards and procedures for the metering system at the boundaries between different transmission users;</p>	
<p>"Modification" includes change by addition, omission, amendment or substitution, and like expressions shall be construed accordingly;</p>	
<p>"National Control Centre" (NCC) means the national control centre of the Licensee, responsible for the monitoring and control of the operation of the transmission system, the issuing of Central Dispatch and Demand Control instructions and the coordination between the various components of the electric system, as well as the co-ordination of the transmission system in Jordan with interconnected systems of other countries;</p>	
<p>"Operational Control" means possessing the authority to make operational decisions such as connection and</p>	

<p>scheduling of generation units subject to Central Dispatch, connection and utilisation of the transmission system and of lines and electrical installations connected to transmission;</p>	
<p>“Performance Standards” means any standards (including performance indicators and targets) issued by the ERC, in a directive or Code or in another Regulation, to assess the performance of licensees, and applicable to the Licensee subject to Annex 3, and modified from time to time by the ERC;</p>	
<p>“Person” means a natural or juridical person.</p>	
<p>“Power Purchase Agreement” means during the single buyer model a contract of a generation licensee with the Bulk Supply Licensee for the provision and sale of the whole or any part of the installed capacity and electrical energy (to the extent specified therein) of its Generating Units, and that may include also the sale of Ancillary Services.</p>	
<p>“Regulation” means the ERC instructions, regulatory decisions, orders, rules, directives and any determination of the ERC;</p>	
<p>“Significant Incident” means an event that had or may have had a</p>	

<p>significant effect on bulk supply or caused significant outages in the transmission system or User equipment, or that leads to the Licensee operating the transmission system outside its normal operation parameters;</p>	
<p>“System Emergency” has the meaning defined in Article 31;</p>	
<p>“System Operation Business” means the business of the Licensee authorized by this Licence, in the provision of services related to system operation and ancillary services;</p>	
<p>“Tariff Methodology” means the principles and methods for tariff calculation and review issued by the ERC and applicable to the Licensee as described in Annex 5 and modified from time to time by the ERC, in accordance to articles 9 B and 47 of the General Electricity Law;</p>	
<p>“Transmission Licensee” means the holder of the transmission licence pursuant to articles 28 and 33 of the General Electricity Law, and that during the single buyer model is also the System Operation Licensee and the single Bulk Supply Licensee,</p>	
<p>“User” means any party to whom the Licensee provides system operation services pursuant to Article 3.</p>	

INTERPRETATION:

- (1) Unless otherwise specified:
 - (a) any reference to a numbered article, or to an annex is respectively a reference to the article, or the annex bearing that number in this Licence;
 - (b) any reference to a numbered paragraph in an article or annex is a reference to the paragraph bearing that number in the article or annex; and
 - (c) without prejudice to any provision which restricts such variation, supplement or replacement, any reference to any agreement, code or other Regulation shall include a reference to such agreement, code or other Regulation as varied, supplemented or replaced from time to time.
- (2) The heading or title of any part, section, article, annex or paragraph shall not affect the construction thereof.
- (3) Where any obligation of the Licensee is expressed to require performance within a specified time limit, that obligation shall continue to be binding and enforceable after that time limit if the Licensee fails to perform that obligation within that time limit. The extension of the time limit for performance shall be without prejudice to all rights and remedies available against the Licensee by reason of the Licensee's failure to perform within the time limit.
- (4) In the articles and annexes, the word "include" shall be construed without limitation.
- (5) A reference to a law, by-law, ERC Regulation, Code or other document issued by the ERC shall be construed to refer to such law, by-law, ERC Regulation, Code, document issued by the ERC as may have been modified or replaced from time to time.
- (6) In the event of any inconsistency between the Arabic text and the English text of this Licence, the Arabic text shall prevail to the extent of such inconsistency.
- (7) In the event of any inconsistency between any terms of this Licence and Laws of Jordan, in particular the General Electricity Law, the law shall prevail to the extent of such inconsistency.
- (8) IF, any article of this license is declared invalid or contravention of any Laws of Jordan, the other articles hereof which are not affected thereby shall continue to be in full force and effect.

Article (2)

Applicability and Exemptions

The articles and the annexes to this Licence are integral and indivisible and shall be binding on the Licensee, except to the extent specified in Annex 4.

Article (3)

Scope of Licence

The purpose of this Licence is to authorise the Licensee to engage in providing services for the reliable operation of the transmission system, the dispatch and scheduling of generation, Operational Control, the coordination of planned outages, the carrying out of necessary studies for the operation of the transmission system and the assurance of its continuity and reliability, and the procurement and scheduling of ancillary services, within The Kingdom and in international interconnectors with other countries, using the system operation installations and equipment specified in Annex 1.

Article (4)

Compliance

1. The Licensee shall comply with the laws of Jordan applicable to it, including the General Electricity Law, the Environmental Law and Licensing By-Law.
2. The Licensee shall comply with the ERC Regulations, insofar as applicable to it.
3. The Licensee shall comply with all Codes and the safety, security and reliability standards established or approved by the ERC, to the extent that such Codes and standards are applicable to its System Operation Business.
4. The ERC on reasonable grounds and after consultation with the other licensees and any electricity undertaking liable of being materially affected, may issue Regulations relieving the Licensee of its obligations in respect to such parts of a Code or standards and to such extent as may be specified in those Regulations.
5. The Licensee shall not enter into any agreement with any Person if to do so would be likely to involve the Licensee in breach of the General Electricity Law or

other applicable laws, by-laws, ERC Regulations, Codes, standards or this Licence.

Article (5)

Term of Licence

The duration of this Licence shall be xxxxxxxx years commencing from the date of issuance of this Licence, unless revoked earlier in accordance with Article 17.

Article (6)

Renewal

1. If the Licensee wishes to renew this Licence after this Licence expiration date, the Licensee shall submit to the ERC an application for renewal not later than thirty six (36) months prior to the expiration of this Licence.
2. The ERC shall have the right to accept or reject the Licensee's application for renewal in light of the Licensee's performance during the period preceding the Licensee's renewal application, in relation to the applicable Performance Standards and to compliance with applicable laws, by laws, ERC Regulations, Codes and this Licence.
3. The ERC may require that the renewed licence conform in all or some respects to the terms of the standard system operation licence applicable at the relevant time.

Article (7)

Prohibited Activities

1. The Licensee shall not and shall procure that any affiliate company of the Licensee shall not
 - (a) engage in, own or acquire or have an accountable interest in the generation of electricity in the Kingdom; or
 - (b) hold any share in a generation licensee or its affiliate company; or

- (c) enter into an arrangement which brings about sharing of benefits with a generation licensee or its affiliate company.
2. The Licensee shall not on its own account (or that of the Licensee or of any affiliate company or related undertaking of the Licensee as the case may be except during the single buyer model for the Bulk Supply Licensee), purchase or otherwise acquire electricity for the purpose of sale or other disposition to third parties, provided that
 - (a) the Licensee shall procure ancillary services pursuant to article 34 B- of the General Electricity Law; and
 - (b) during the single buyer model, this inhibition does not apply to purchases and sales of the Bulk Supply Licensee.
 3. The Licensee shall ensure that a regulated business does not give any direct or indirect cross-subsidy to, nor receive any direct or indirect cross-subsidy from, any other business of the Licensee or of an affiliate company of the Licensee.

Article (8)

Disposal of Assets, Change in Capital or Change in Control

1. The Licensee shall be required, for the duration of the Licence, to notify the ERC of any of the following:
 - (a) any action that may lead to a decrease of the Licensee's share capital existing on the date of this Licence was issued;
 - (b) any acquisition by a third party of more than 25% of the Licensee's share capital
 - (c) a Change in Control of the Licensee;
 - (d) the intention of the Licensee to increase or decrease its authorized capital or its paid up capital.
2. The Licensee shall be required, for the duration of the Licence, to obtain the prior written approval of ERC of any of the following:
 - (a) Subject to paragraph 4, Disposal of any part of the Licensee's System Operation Business (including any of the assets forming part of the National Control Centre as specified in Annex 1); and

- (b) Any action that may lead to a decrease of the Licensee's share capital existing on the time this Licence was issued that may affect the financial or operational qualifications on which the granting of this License was based.
3. For the purposes of paragraph 1 (c) above and notwithstanding anything to the contrary contained in this Licence, a Person shall be considered to have control of the Licensee if the Person exercises, or is able to exercise or is entitled to acquire, direct or indirect control over the Licensee's affairs, and in particular, but without prejudice to the generality of the foregoing, if the Person possesses or is entitled to acquire a majority of the issued share capital of the Licensee or to exercise a majority of the voting rights in the Licensee.
 4. For the purpose of paragraph 2 (a), the Licensee shall have the right to Dispose of an asset or part of its System Operation Business without the prior approval of the ERC if the ERC has issued a directive granting a general consent for the Disposal of the system operation assets of a specified description or below a specific cost, and the Licensee has provided, prior to the Disposal, the ERC with evidence that the asset or part of System Operation Business to be Disposed of falls within the provisions of such directive.
 5. Without prejudice to paragraph 4, the Licensee may apply by note to the ERC for permission of Disposal of assets, specifying assets to be disposed and the reasons, or for the approval of any of the actions set out in paragraph 2 (b) above.
 6. The Licensee may Dispose of the relevant assets, or may undertake any of the actions set out in paragraph (b) of paragraph 2 above, as specified in the notice referred to in paragraph 5, if:
 - (a) the ERC confirms in writing that it consents to such Disposal or action; or
 - (b) the ERC does not inform in writing of any objection to such Disposal or action within thirty (30) days of the notice
 - (c) if paragraph 4 above applies; or
 - (d) in cases where the Licensee is obliged by law or final order of a competent court to Dispose of the relevant asset or part of its System Operation Business, but without prejudice to the ERC's power to apply Article 18 of this Licence as a result of such Disposal.

Article (9)

Assignment

The Licensee shall not, without the prior written consent of the ERC, assign this Licence. The ERC shall not refuse its consent if the prospective assignee complies with all legal and regulatory requirements and fulfils the then prevailing technical and financial qualifications prescribed by the ERC for granting of a system operation licence.

Article (10)

General Provisions

1. Any correspondence between the ERC and the Licensee shall be in writing, and may be hand-delivered or mailed at the addresses set forth in Part 1 of this Licence. In addition, if agreed with the ERC, correspondence may be sent by fax or electronic mail at the address indicated in Part 1.
2. The Licensee shall notify the ERC of a change in any of its addresses specified in Part 1 and such change shall be effective seven (7) days after it is notified.

Article (11)

Information and Reporting Obligations

1. The Licensee shall furnish to the ERC, in such manner and at such times as the ERC may prescribe in directives issued from time to time such Information and such reports relating to the system operation activities and System Operation Business as the ERC may consider necessary in light of the terms of this Licence, to monitor compliance (including maintenance of Licensee qualifications) or as it may require for the purpose of performing the functions assigned to it by or under the General Electricity Law. The Licensee shall also submit to ERC all such Information and reports established in the Licensing By-law and the Codes that are applicable to the Licensee.
2. The Licensee shall report to the ERC with reasonable details and as soon as reasonably practical, if the Licensee experiences a significant change in its circumstances that materially affects the Licensee's ability to meet its material obligations under this Licence.

3. The Licensee shall submit an annual report in respect of its System Operation Business. The report shall include all the financial, administrative and technical aspects relating to the Licensee's System Operation Business requested by the ERC.
4. Without prejudice to paragraphs 1 to 3, the Licensee shall provide the ERC the reports set out in Annex 6 of this Licence.
5. In all cases the Information provided by the Licensee shall be, to the best of the available Information, accurate, complete and not misleading.

Article (12)

Confidentiality and Use of Information

1. The Licensee shall maintain the confidentiality of the Information and data it possesses on other licensee or consumers, in accordance with the agreements with such licensee or consumers, where applicable, and may not disclose such Information to third parties (other than the ERC) except when requested by laws or relevant authorities, or to the extent authorised by the concerned licensee or consumer or the ERC or required in relevant Codes or ERC Regulations.
2. The Licensee shall ensure (and shall procure that its Affiliates shall also ensure) that all Information received by it relating to the System Operation Business
 - (a) is not used by the Licensee or its Affiliates for any purpose other than that for which it was provided or for a purpose permitted by this Licence or a Code; and
 - (b) is not used by the Licensee or its Affiliates for any commercial advantage in the provision of any service other than a service comprised in the System Operation Business.
3. The Licensee may request the ERC not to circulate commercially sensitive Information provided by the Licensee to the ERC pursuant to this Licence. Upon satisfaction of the ERC that the Information is commercially sensitive, the ERC shall not circulate any part of or all of such Information as applicable, without the prior approval of the Licensee. These restrictions do not apply to:
 - (c) Information which is in the public domain; or

(d) Information which is, or becomes, publicly known or available otherwise than through the action of the ERC; or

(e) Information relating to performance and the level of compliance of the Licensee with the Performance Standards.

4. Only for the purpose of this Article:

“**Affiliate**” in relation to the Licensee, means any and all Holding Companies or Subsidiaries of the Licensee and any and all Subsidiaries of the Holding Companies of the Licensee;

“**Holding Company**” means a company directly and indirectly controlling another company by holding at least 25% of its shares or of the shares of its holding company;

“**Subsidiary**” means a company in which another company holds more than 25% of its voting shares or in which the other company enjoys the ability of appointing more than half of the management board of that company.

Article (13)

Health and Safety

1. The Licensee shall comply with all Jordanian laws and regulations relating to the health and safety of its employees and of the public.
2. The Licensee shall use its best endeavours to protect persons and property from injury and damage that may be caused by the Licensee when carrying out the System Operation Business.

Article (14)

Dispute Resolution

Pursuant to article 18 of the General Electricity Law, the Licensee may petition the ERC, in accordance with any procedures issued by the ERC, to resolve any disputes arising between it and any other licensee if the contract with the other licensee permits it or if both licensees agree to refer such dispute, and shall refer to the ERC disputes between the Licensee and consumers.

Article (15)

Monitoring of Compliance

Without prejudice to the rights of the ERC in article 21 of the General Electricity Law, the Licensee shall permit the ERC authorised representatives, including auditors and inspectors, to visit its premises and sites and allow them to inspect all documents, records, procedures, systems, equipment and facilities related to the System Operation Business in order to verify the Licensee's compliance with this Licence.

Article (16)

Amendment

1. The Council may amend this Licence, subject to the conditions established in article 38 of the General Electricity Law, and any amendment procedures issued through a directive of the Council.
2. The ERC shall notify the Licensee of the Council's decision to amend this Licence and the date on which the amendment shall take effect.

Article (17)

Revocation

1. Subject to article 39 of the General Electricity Law and to the Licensing By-Laws, the Council may revoke this Licence if the Licensee:
 - (a) does not provide material Information or provides inaccurate or incomplete Information in any material respect, pursuant to this Licence; or
 - (b) commits a material breach of the General Electricity Law, applicable by-laws or ERC Regulations or Codes or the conditions of this Licence; or
 - (c) is declared to be bankrupt or has an administrator appointed over its assets either by arrangement of creditors, voluntarily by the Licensee or in any other way, passes a resolution for winding up or becomes subject to a court order for winding up or suffers any analogous event under Jordanian law; or
 - (d) repeatedly performs below the Performance Standards or repeatedly does not comply with other applicable standards defined in Codes, and this non

- compliance affects significantly the reliability of the electricity system or the quality of its licensed business, or
- (e) loses its technical or financial capabilities as set out in Annex 2, without immediate prospect of replacement, to such a degree that undermines the qualifications on which the granting of the Licence was based; or
 - (f) agrees in writing with the Council that the Licence should be revoked.
2. Subject to the provisions of the General Electricity Law, the grounds stipulated in paragraph 1 above shall be the sole grounds on which this Licence may be revoked by the Council.
3. Subject to article 39 of the General Electricity Law, the procedure for cancelling this Licence shall be:
- (a) if, in the reasonable opinion of the Council, the Licensee has committed a default specified in paragraphs 1(a), 1(b), 1(d) or 1(e), the Council, before taking steps set out below, shall issue a warning notice to the Licensee giving details of such default and its intention to revoke this Licence if such default is not remedied within a specified time period which shall not be less than thirty (30) days;
 - (b) unless the Licensee accepts that it has committed the default stipulated in the Council's notice, the Council shall give reasonable opportunity to the Licensee, in accordance with the procedures prescribed by the ERC, to submit its opinion to the Council;
 - (c) where the Licensee accepts that it has committed the default stipulated in the Council's notice, or where the Council determines pursuant to (b) that the Licensee has committed the default stipulated in its notice, the Licensee shall propose a plan or actions to remedy the default within the time period specified by the Council referred to in paragraph (a);
 - (d) if the Licensee fails to remedy the default in question within the time period stipulated in (a), the Council may by order revoke this Licence with effect from the date indicated in the order;
 - (e) if the Licensee remedies the default in question or causes the default in question to be remedied within the time period stipulated in (a), the notice issued by the Council pursuant to (a) shall lapse as if it had never been issued;

- (f) If paragraph 1 (f) applies, the Council may revoke the Licence with immediate effect.
4. If it is possible for the Licensee to continue its operations despite the occurrence of one or more of the events specified in paragraph 1 above, the ERC may, if it considers such a measure appropriate and in the interest of the consumers, instead of revoking the License, permit it to remain in force subject to such amendments, further terms and conditions as considered fit to impose, and any amendments, further terms or conditions imposed shall be binding upon and be observed by the Licensee, and shall form part of this License.
 5. The ERC shall notify the Licensee of the Council's decision to revoke or amend this Licence and the date on which the revocation or amendment shall take effect and, when applicable, the decision to appoint an entity pursuant to Article 18 to take over the System Operation Business pending the transfer of the Licensee's undertaking to a transferee.

Article (18)

Procedures after Revocation

1. In the event this Licence is revoked by the Council, the Council may in order to protect the consumer's interest, following the revocation of this Licence, appoint for an interim period a corporate entity under an Interim Licence as administrator to operate the System Operation Business and the Control Facilities specified in Annex 1. The transfer of operation to the corporate entity appointed by the Council shall be carried out under the Regulations of the Council. Instead or in addition to the above, the Council may pass such other orders as stipulated by paragraph (D) of article 39 of the General Electricity Law.
2. The corporate entity appointed by the Council pursuant to paragraph 1 shall notify all Users of the System Operation Business and other licensees about its appointment, by publishing it in two or more daily national newspapers.
3. Notwithstanding the revocation of this Licence, the Licensee shall submit to the operator appointed by the Council pursuant to paragraph 1 to operate the National Control Centre under an Interim Licence, and to any transferee to whom the System Operation Business may be transferred by the Licensee, all books, records, Information,

statements as well as the assets that it owns which are necessary for the continuity of the System Operation Business.

4. Upon transfer of the assets, the corporate entity appointed by the Council, as stipulated under paragraph 1, shall exercise all rights and obligations as set forth in the Interim Licence, in addition to any Regulations issued by the Council in this regard and paragraph (D) of article 39 of the General Electricity Law.
5. The Licensee shall be obliged to comply with the provisions of this Article notwithstanding the revocation of the Licence.

Article (19)

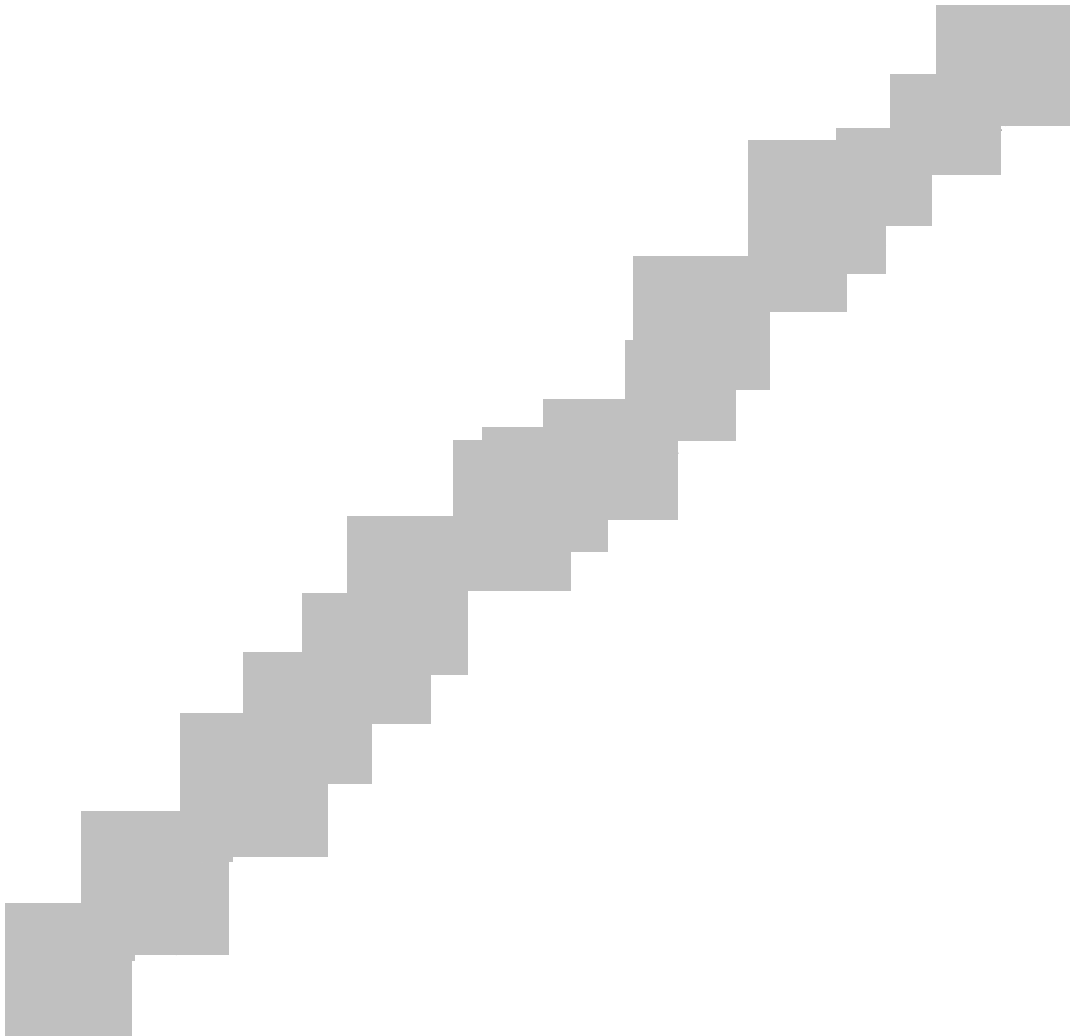
Adherence to Terms of the Licence

1. Without prejudice to the provisions in Article 17, where the Council is satisfied that the Licensee has contravened any of the conditions of the Licence, the Council may issue an notification requiring the Licensee to take specific actions or refrain from taking specific actions in order to rectify the contravention.
2. Prior to issuing such notification, the Council shall inform the Licensee of its intention to issue the notification and the grounds upon which the order will be issued and provide the Licensee an opportunity to make a representation in accordance with the procedure, including time period, specified by the Council in a Regulations.

Article (20)

Review of Council Decisions

1. The Licensee shall have the right to apply to the Council for review of its decisions in relation to revocation or amendment of this Licence or any other decision that affects the Licensee's System Operation Business or its rights under this Licence.
2. If requested by the Licensee, the Council may review its decisions that affect the Licensee's System Operation Business or its rights under this Licence, including its decision in relation to revocation or amendment of this Licence, prior to the revocation or amendment coming into effect.



Section 2:

General Provisions for the System Operation Activity

Article (21)

Non-discrimination

2. In implementing and complying with the Grid Code , or in providing system operation services, the Licensee shall not unduly discriminate against or unduly prefer any one or any group of Users.

Article (22)

Environmental Obligations

1. The Licensee shall comply with the Environmental Law relevant to its operations, to the extent that such law affects the System Operation Business.

Article (23)

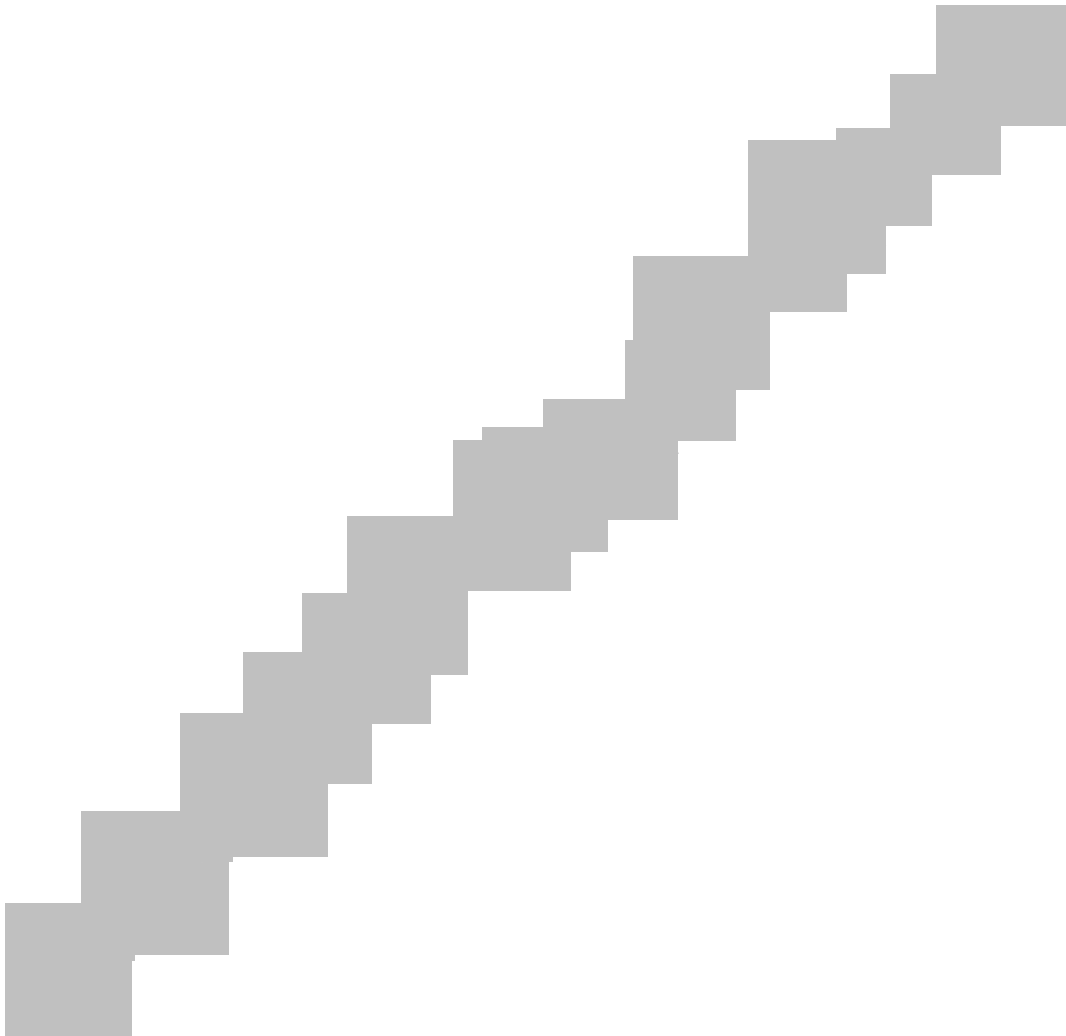
Performance Standards

1. The Licensee shall plan, schedule and operate the transmission system in the manner which achieves any Performance Standards to which it is subject, as may be established by the ERC, or any other applicable standard established in Codes.
2. The Licensee shall not be in breach of its obligations under this Licence if it has failed to meet the Performance Standards or any other standard established in Codes directly due to force majeure, provided that the Licensee has used its reasonable efforts, to the extent reasonably possible, to comply with the Performance Standards or any other applicable operating standard established in Codes, as the case may be.
3. The Licensee shall submit an annual report, as established in the Performance Standards or in ERC monitoring procedures, the Information required to enable the ERC monitoring of performance against the applicable standards.

Article (24)

Insurance

. The Licensee shall adopt and implement reasonable and prudent policies in relation to the management and insurance of risks associated with the System Operation Business.



Section 3:

Technical and Operation Conditions

Article (25)

Grid Code

1. The Licensee shall fully implement and comply with, the Grid Code.
2. The Licensee shall keep under continuous review the implementation of the Grid Code and propose any amendments the Licensee considers necessary, pursuant to the review process set out in the Grid Code.
3. In case the Licensee finds that it is, or will be, unable to comply with any provision of the Grid at any time, then it shall make such reasonable efforts as are required to remedy such non-compliance as soon as reasonably practicable and notify immediately the ERC.
4. The ERC may, following consultation with the Licensee and for good cause shown, issue directions relieving the Licensee of its obligations to comply with specific provisions of the Grid Code and/or to such extent or duration as may be established in such directions.

Article (26)

System Planning and Connections

1. The Licensee shall participate in transmission and generation expansion planning, including requirements for ancillary services, in accordance to the Grid Code, and provide in time information for the efficient coordination of the generation and transmission master plan.
2. In performing the functions established in paragraph 1, the Licensee has the responsibility of informing the ancillary services required in new generation and any other reliability standard or system constraint that may affect system planning.
3. The Licensee shall agree with Users the operational metering and coordination arrangements for each connection point in the corresponding Connection Agreement.

Article (27)

Tests

1. To ensure that the transmission system operates efficiently and in compliance with the standards defined in the Grid Code, the Licensee may carry out testing and monitoring of the effect of a User's installations directly connected to the transmission system.
2. The Licensee shall coordinate and inform any User that may be affected of all system tests that may have a significant impact on the transmission system or User facilities .

Article (28)

Merit Order, Dispatch and Operation

1. The Licensee shall undertake operational planning in accordance with Codes, having due regard to information provided by Users, agreed schedules in international interconnectors, transmission constraints and transmission system security and reliability standards.
2. The Licensee shall undertake power system studies to determine transmission constraints and reliability standards for the operation of the transmission system, to protect its continuity and security.
3. The Licensee shall operate the Merit Order System and Central Dispatch to schedule generation, and in general shall carry out its System Operation Business in an efficient, reliable, economic and co-ordinated manner, in compliance with the Grid Code.
4. In performing the functions established in paragraphs 1 to 3, the Licensee has the responsibility of demand forecasting and operational planning of the transmission system, including Central Dispatch and generation scheduling, preparation of maintenance plans, coordination of planned outages of generation, transmission,

equipment for voltage control, metering and communication system, and coordination of constraints or maintenance in international interconnectors.

5. If requested by a Distribution Licensee, the Licensee may enter into a control agreement with such Distribution Licensee for the remote operation of its connections point to the transmission system, provided that the Licensee shall request in such agreement the identification of the coordination centre of the Distribution Licensee for the purposes of centralising the instructions and communications with the Distribution Licensee.

Article (29)

Scheduling of Ancillary Services

1. The Licensee shall plan and schedule the provision of such quantities and types of ancillary services as defined in the Grid Code, to meet the reliability and quality of service standards in the operational planning and operation of the transmission system in accordance with the Grid Code.
2. The Licensee shall have the right to instruct the use of operational reserves in power stations or interconnectors.

Article (30)

Demand Control

1. The Licensee has the right to implement Demand Control in accordance with the Grid Code, including automatic under frequency load shedding schemes, demand reductions initiated by the Licensee or agreed in demand management programs, provided that as reasonably practicable and feasible, the Licensee shall provide the affected Users,
 - (a) a warning that Demand Control is planned with sufficient advance notice, informing the amount and duration of the expected demand reduction based on the best available information available at the time; and
 - (b) confirmation, modification or cancellation of the warning as and when appropriate.

2. In case of prolonged shortages or a Significant Incident, the Licensee has the right to implement rotating Demand Control plans, provided that such plans shall be informed and as possible coordinated in advance with the affected Users.
3. The Licensee shall not unduly discriminate in the implementation of Demand Control and shall endeavour that, as far as practicable and reasonable, demand reductions are distributed equitably among Users according with the Grid Code , provided that in case of transmission constraints the Licensee may implement different levels of demand reduction to maintain the reliability and security of the transmission system.
4. The Licensee shall endeavour that under frequency load shedding schemes are such that automatic demand reduction is applied uniformly throughout the transmission system, subject to transmission constraints and priority of special types of consumers.
5. With the purpose of complying with paragraph 3 and 4, the Licensee shall develop, update when necessary and agree with Users the Demand Control guidelines and use such guidelines to develop Demand Control plans for different levels of demand reduction. The Licensee shall inform and send to the ERC copies of the Demand Control guidelines and of any Demand Control plan prior to its implementation.

Article (31)

System Emergencies

1. The Licensee shall declare a System Emergency in case of:
 - (a) widespread communication, hardware or software failure that make it impossible for the Licensee to receive or process information to carry out the Central Dispatch and Operational Control in accordance with the Grid Code; or
 - (b) the transmission system is in imminent danger of instability, voltage collapse or uncontrollable cascading outages and such danger cannot be alleviated by the issuance of dispatch instructions; or
 - (c) the collapse of all or a part of the transmission system.
2. The Licensee shall use its best efforts to eliminate any anticipated System Emergency prior to such condition actually occurring.

3. In case of a System Emergency, the Licensee shall take immediate actions to remedy the condition and shall notify Users and the ERC as soon as practicable, informing the nature, extent and expected duration of the System Emergency.
4. During a System Emergency, the Licensee shall provide to all Users and the ERC periodic updates, as practicable, of successfully remedying the System Emergency.
5. In consultation with Users, the Licensee shall develop, periodically update and implement a “Transmission System Restoration Plan” to facilitate restoration of power supply upon a partial or total system collapse.

Article (32)

System Operation Information

1. The Licensee shall maintain for a minimum period of five (5) years records of its system operation services, including the following daily and hourly Information:
 - (a) availability of generation units and international interconnectors;
 - (b) scheduled and actual energy generated by generation units;
 - (c) scheduled and actual exchanges in international interconnectors;
 - (d) electricity imported from the transmission system by each User; and
 - (e) scheduled and provided ancillary services.
2. The Licensee shall provide to the ERC the reports outlined in Annex 6 and, upon the request of the ERC, shall provide as prescribed in directives issued by the ERC from time to time any other Information that the Licensee should have available in accordance to Codes and this Licence concerning the Central Dispatch, Merit Order System, ancillary services or any other aspect of its System Operation Business.

Article (33)

Operational Audit

1. The Licensee shall undertake operational audits of compliance with this Licence conditions and the Grid Code regarding
 - (a) Central Dispatch, Merit Order System and generation scheduling
 - (b) Procurement and scheduling of ancillary services
2. The Licensee shall conduct an annual operational audit by an external expert person or team, subject to:
 - (a) the person or team to act as operational auditor is independent from the System Operation Licensee and Users, and has proven expertise, provided that the ERC will review that the proposed auditor complies with these requisites;
 - (b) the terms of reference of the operational audit are reviewed and approved by the ERC; and
 - (c) the operational auditor makes a presentation of its results and submits a copy of its operational audit report to the ERC.
3. The ERC may issue directives with guidelines for the operational audits of the Licensee and in case of special circumstances may request special operational audits to verify compliance. .
4. In case of Significant Incidents or system emergencies or other circumstances that may correspond to non compliance with operational and reliability conditions as established in this Licence, the ERC may, name and request a special operational audit of the Licensee.

Section 4:

Financial Conditions

Article (34)

Accounting System

1. In the event of nepco splits its activity as a result of restructuring which may cause the System operation activity to be independent, the Licensee shall:

- a- maintain separate independent books and accounts in respect of the System Operation Business authorized by this Licence from any other business the Licensee is engaged, so that they are completely separate from the accounts relating to other activities undertaken by the Licensee.

- b- The Licensee shall apply an accounting system, consistent with legally certified accounting standards, which will enable the Licensee to submit financial statements containing such Information and in such format as may be required by the ERC.

- c- The Licensee shall provide for an annual independent audit of its books and accounts by a reputable accounting firm.

Article (35)

Financial Data

1. In the event of split nepco activity as a result of restructuring or unbundling which may cause independent of the System operation activity, the Licensee shall submit the following financial data to the ERC when requested by the ERC:

- (a) the Licensee's financial statements for each Financial Year, together with the report of an external auditor and its remarks on such financial statements;

- (b) the Licensee's estimated budget for the following Financial Year including estimates of revenues and the Licensee's capital and operating expenditures;

- (c) financial data required for the Tariff Methodology; and
- (d) any other financial data the ERC may prescribe in directives issued by the ERC from time to time.

Article (36)

Procurement of Ancillary Services

1. the Licensee shall procure or contract for the provision of such quantities and types of ancillary services as defined in the Grid Code, to comply with reliability standards in the operational planning and operation of the transmission system, as established in the Grid Code.
2. Subject to article 34 of the General Electricity Law, the Licensee shall procure ancillary services from licensees through a competitive tender, unless the ERC allows or requires an alternative method. In all cases, the Licensee shall procure and schedule ancillary services from the most economical sources available having regard to the quantity and nature of the ancillary services required for reliability and the system operation standards established in the Grid Code, and the availability of such ancillary services at that time.
3. During the single buyer model, the Licensee shall coordinate with the Bulk Supply Licensee that the required ancillary services are procured economically and efficiently in the Power Purchase Agreements of the Bulk Supply Licensee.
4. The Licensee shall provide to the ERC such Information as the ERC shall request concerning the procurement and scheduling of ancillary services for the ERC to review the Licensee's activities with respect to least cost procurement and least cost scheduling of the ancillary services in accordance to paragraph 2.
5. Prior to the end of each year, the Licensee shall prepare and submit to the ERC an ancillary services statement, in the format approved by the ERC, including

- (a) the actual ancillary services which the Licensee has bought or acquired in the previous 12 months period (or such longer period as the ERC may approve) ending on the date referred to above, indicating quantities and costs;
 - (b) the manner in which and the extent to which the Licensee has, during the period referred in (a), actual procurement was different to forecasted before the start of the corresponding year, and changes made to future assumptions to forecast ancillary services and reflect more closely the practice of the Licensee; and
 - (c) a forecast for the following 12 month period (or such longer period as the ERC may approve) until the next ancillary services statement is due, of the kinds of ancillary services which it expects to purchase, the mechanisms to purchase them and estimated quantities and costs, provided that during such period the Licensee shall notify the ERC any revision to expected ancillary services procurement costs.
6. Where a Power Purchase Agreement of the Bulk Supply Licensee includes the procurement of ancillary services, the Licensee shall pay the Bulk Supply Licensee for the costs of ancillary services provided by the generation in such Power Purchase Agreement.

Annex 1: Control Centre

This Annex will include the geographical location and description of installations and equipment in the National Control Centre, including:

- remote operation equipment
- voice and data communication equipment
- real time operation data and control capability

The data in this Annex shall be updated whenever there is a significant change in the National Control Centre installations or equipment.

Annex 2: Qualifications

This Annex sets out the information provided to the ERC by the Licensee upon the latter's application for this Licence and on which the grant of this Licence by the ERC was based. The Licensee shall be obliged to maintain as a minimum these qualifications throughout the duration of this Licence.

1. Technical qualification as system operator:

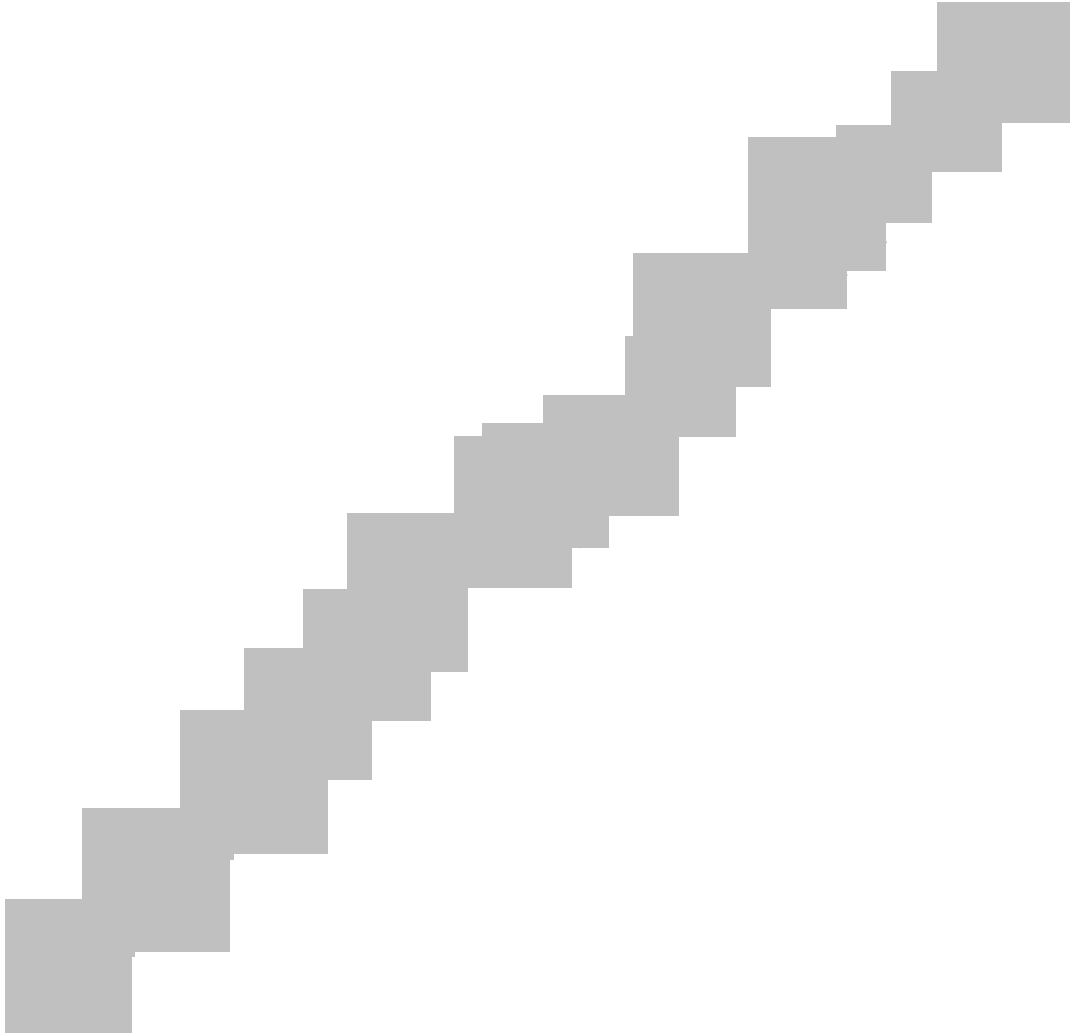
- (a) Information proving sufficient and appropriate managerial and technical capability to ensure that the Licensee can comply with the terms and conditions in the Licence.
- (b) Information on the Licensee's practices regarding qualifications and training requirements for staff involved in system operation functions, to ensure adequate capability

2. Data to prove that the applicant is financially solvent

- (a) Current statements of accounts by the applicant, showing the financial state of affairs of the most recent period
- (b) Latest auditor's report and, if more than three (3) months have passed since the end of the accounting year covered by the report, a certificate from applicant stating that no adverse change has occurred

Annex 3 : Performance Standards

Note: To be prepared by short term expert



Annex 4: Exemptions

The following articles or paragraphs of an article or Annex of this Licence shall not be applicable to the Licensee:

[List of applicable exemptions plus short description of reason for exemption]

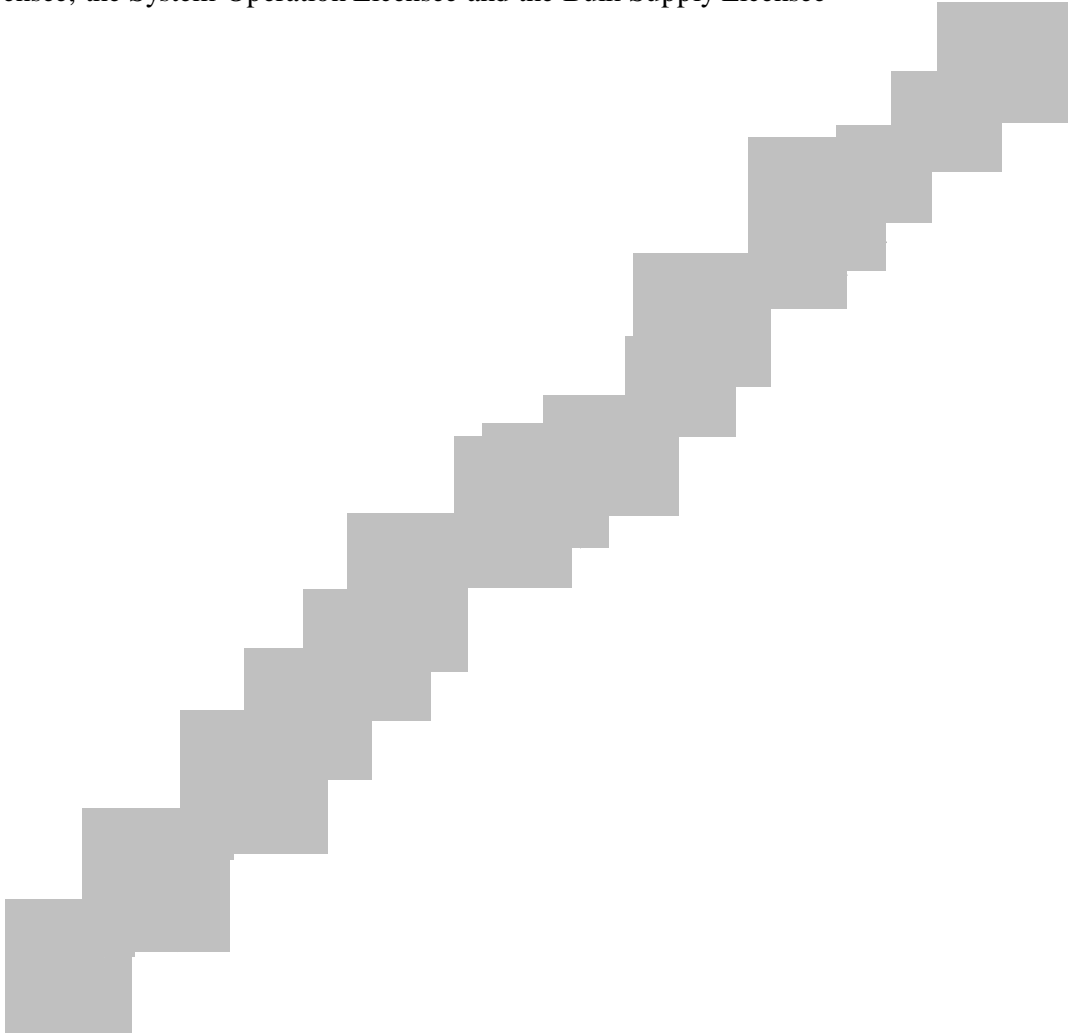
Note: List of exemptions granted when Licence granted. Any additional exemption, if any, granted later by ERC would be added to this Annex

Article or Annex	Paragraph	Exemption

Annex 5: Tariff Methodology

This Annex describes the Tariff Methodology applicable to the Licensee for its system operation activity and shall be automatically amended to include any changes to the applicable Tariff Methodology introduced by the ERC from time to time.

During the single buyer model, a single Tariff Methodology may apply for the Transmission Licensee, the System Operation Licensee and the Bulk Supply Licensee



Annex 5: Periodic and Special Reporting Obligations

1. Periodic Reports:

The Licensee shall submit an annual report and monthly reports in respect of its System Operation Business. The report shall include all the financial, operational and technical aspects relating to the Licensee's System Operation Business, including but not limited to:

- System demand profile
- Annual maintenance plan for the calendar year
- Actual maintenance outages during the calendar year
- Information on generation availability (planned and forced) and power station constraints, including any outage or limitation due to fuel supply constraints or interruption.
- Information on transmission constraints that affected dispatch or supply, if any.
- Transmission system losses
- Information on operational reserves (quantity and allocation in power stations and international interconnectors), differentiated by spinning reserve (primary and secondary reserve), and non spinning reserve (hot standby and cold reserve)
- Information on Demand Control, including automatic load shedding, manual Demand Control and voluntary "consumer demand management" programs agreed with Users.
- Information on any problem or special circumstance on the Merit Order System, Ancillary Services and generation scheduling

2. System Emergencies and Significant Incidents:

- Report on each System Emergency or Significant Incident, including the results of the corresponding investigation and remedial actions proposed to avoid or mitigate the risk that a similar event recurs

3. System restoration Plan

4. Financial Information:

- (a) Next year's revenue requirement and other financial data for the Tariff Methodology
- (b) Auditor's report on financial Information
- (c) Auditor's certificate that the Licensee is financially solvent

The ERC may ask for other reports as needed to fulfil its responsibilities.

