

Licence ED/L01/006

Abu Dhabi Water and Electricity Company

Power and Water Procurement Licence

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POWER AND WATER PROCUREMENT LICENCE

Part 1. THE LICENCE

1. Grant of licence

The Bureau hereby grants licence to the Abu Dhabi Water and Electricity Company to carry out the activities referred to in paragraph 4 below. This present licence supersedes any previously issued licences to Abu Dhabi Water and Electricity Company.

This licence is granted in exercise of the powers conferred on the Bureau by Article (82) of Law No (2) of 1998 concerning the Regulation of the Water and Electricity Sector.

2. Conditions of licence

This licence is granted subject to the Conditions in Part II to this licence and for the period referred to in paragraph 3 below.

This licence is subject to modification in accordance with its terms or with Article (98) of the Law.

This licence is also subject to revocation in accordance with Condition 10 below.

3. Licence term

This licence shall come into force on 1 January 2006 and, unless revoked in accordance with the provisions of Condition 10 shall continue until it is terminated by not less than 25 years notice in writing given by the Bureau to the Licensee.

4. Licensed activities

The activities permitted to be carried out by the Licensee pursuant to this licence are:

- (a) the purchase and procurement of production capacity;
- (b) the purchase and procurement of water output;
- (c) the purchase and procurement of electricity output;
- (d) the purchase and procurement of Ancillary Services; and
- (e) the purchase and procurement of water which is not the output of production facilities and which is introduced into the water

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transmission system or water distribution system of a licensed operator,

in each case for the purpose of enabling a supply to be given to any premises, and

- (f) the purchase and procurement of supplies of fuel for delivery to licensed operators.

5. Definitions

The following words and expressions used in this licence shall have the following meanings:

Accounting Standards: accounting standards approved by the Bureau from time to time;

affiliate: in relation to the Licensee means any holding company or subsidiary of the Licensee or any subsidiary of a holding company of the Licensee;

Ancillary Services: services which may be required from time to time for reasons of system security and stability and which are identified in a Transmission Code;

Auditor: the Licensee's auditor from time to time holding office in accordance with the requirements of article 144 of the Commercial Companies Law;

Bureau: the Regulation and Supervision Bureau for the Water and Electricity Sector in the Emirate of Abu Dhabi;

Effective Date: means 1 January 1999;

Electricity Procurement Business: the authorised business of the Licensee or any affiliate or related undertaking in the purchase and procurement of production capacity, electricity output, and fuel for delivery to licensed operators, and in the sale of electricity to licensed distribution operators, in each case for the purpose of enabling a supply of electricity to be given to any premises in the Emirate of Abu Dhabi;

fuel: natural gas and/or back up fuel;

Law: Law No (2) of 1998 concerning the Regulation of the Water and Electricity Sector in the Emirate of Abu Dhabi;

Licensee: the person to whom this licence is granted;

Licensed Activities: the activities permitted to be carried out by the Licensee pursuant to the terms of this licence;

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licensed distribution operator: a person who is authorised by licence granted under the Law to distribute electricity and water;

licensed generation operator: a person who is authorised by licence granted under the Law to generate electricity and desalinate water;

licensed operator: any person (other than the Licensee) who is authorised to desalinate, transmit, store, distribute or supply water or generate, transmit, store, distribute or supply electricity;

licensed transmission operator: a person who is authorised by a licence granted under the Law to transmit electricity and water;

Metering and Data Exchange Code: the code of that name required to be prepared by a licensed transmission operator and approved by the Bureau as from time to time revised with the approval of the Bureau;

power and water purchase agreement: an agreement entered into by the Licensee pursuant to Article (36) of the Law, including those entered into pursuant to the transfer scheme. for the provision to the Licensee of the whole or part of the available production capacity and/or the sale or other disposal to the Licensee of the whole or part of the output of:

- (a) a generation unit or combination of generation units; and/or
- (b) a desalination unit or combination of desalination units; and/or
- (c) a water storage facility; and/or
- (d) well-fields.

related undertaking: is in relation to the Licensee any undertaking in which the Licensee has a participating interest, amounting to 30% or more of such undertaking's share capital or in respect of which the Licensee has the right to appoint a majority of the directors of that undertaking;

Separate Business: each of the Electricity Procurement Business and the Water Procurement Business;

Transmission Code: means a transmission code or codes required to be prepared by a licensed transmission operator and approved by the Bureau as from time to time revised with the approval of the Bureau;

transmission supply point: the point where water or electricity is delivered from the transmission system owned and operated by a licensed transmission operator to a system owned and operated by a licensed distribution operator or by a customer; and

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Water Procurement Business: the authorised business of the Licensee or any affiliate or related undertaking in the purchase and procurement of production capacity, water output, and fuel for delivery to licensed operators, and in the sale of water to licensed distribution operators, in each case for the purpose of enabling a supply of water to be given to any premises in the Emirate of Abu Dhabi.

6. Interpretation

For the purpose of this Licence:

- (a) where any obligation of the Licensee is required to be performed within a specified time limit that obligation shall be deemed to continue after that time limit if the Licensee fails to comply with that obligation within that time limit;
- (b) in construing a Condition, the heading or title of any Condition or paragraph shall be disregarded;
- (c) any reference to a numbered Condition is a reference to the Condition bearing that number or prefix in this licence and any reference to a paragraph is to the paragraph bearing that number or prefix in the Condition in which the reference occurs;
- (d) any reference to the Schedule is to the Schedule of this licence; and
- (e) terms used in this Licence shall unless the context otherwise admits have the same meaning as ascribed to them in the Law.

GRANTED BY

.....

01 January 2006

Zaal Mohammed Al Hameeri
Chairman
Regulation and Supervision Bureau

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**Part 2. POWER AND WATER PROCUREMENT AND FUEL
PURCHASE CONDITIONS**

Condition 1 Part II Conditions

The conditions in this Part II shall apply to all of the Licensed Activities of the Licensee.

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Condition 2 Prohibited activities

1. The Licensee shall not and shall procure that any affiliate or related undertaking of the Licensee shall not, on its own account (or that of the Licensee or of any affiliate or related undertaking of the Licensee as the case may be) except to the extent specifically provided for in the Law:
 - (a) generate electricity and/or produce water by desalination or any other means;
 - (b) engage in the transmission of, or convey by any other means, water or electricity;
 - (c) engage in the business of water storage, except for operational balancing purposes; or
 - (d) engage in the distribution and supply of water and electricity to premises.
2. The Licensee shall not without the prior written consent of the Bureau carry on activities other than the Licensed Activities or those other activities necessary ancillary thereto.
3. The Licensee in carrying on the Licensed Activities shall at all times comply with the Law.

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Condition 3 Health and Safety

1. The Licensee shall, taking due account of any guidance issued to it by the Bureau and applicable health and safety standards prevailing in the Emirate of Abu Dhabi, within 6 months from the Effective Date of this licence establish a written policy designed to protect the health and safety of the general public and persons employed by the Licensee from the effect of the Licensed Activities, together with operational objectives and management arrangements to give effect to such policy. The Licensee shall review the policy, the operational objectives and management arrangements periodically and otherwise as appropriate.
2. The Licensee shall, upon the establishment and any material change of them, promptly send the Bureau a copy of the policy together with a general description of the operational objectives and management arrangements.
3. The Licensee shall act with regard to the policy and operational objectives and use its reasonable endeavours to operate the management arrangements effectively.

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Condition 4 Provision of information to the Regulation and Supervision Bureau for the Water and Electricity Sector

1. Subject to paragraph 3, the Licensee shall furnish to the Bureau, in such manner and at such times as the Bureau may require, such information and shall procure and furnish to it such reports, as the Bureau may consider necessary in the light of the Conditions or as it may require for the purpose of performing:
 - (a) the functions assigned to it by or under the Law; and
 - (b) any functions transferred to it under the Law.
2. Without prejudice to the generality of paragraph 1, the Bureau may call for the furnishing of accounting information, which is more extensive than or differs from that required to be prepared and supplied to the Bureau under Condition 6.
3. In paragraphs 1 and 2, **information** shall include any documents, accounts, estimates, returns or reports (whether or not prepared specifically at the request of the Bureau) of any description specified by the Bureau.
4. In respect of the first financial year and each subsequent financial year the Licensee shall in addition to the requirement to prepare accounting records in accordance with Law No 8 concerning the Commercial Companies Law maintain a record of the costs incurred by the Licensee in respect of the following categories of cost:
 - (a) production capacity payments;
 - (b) payments for water and electricity output;
 - (c) payments for the provision of Ancillary Services;
 - (d) payments made in the discharge of the Licensee's functions in relation to fuel purchase and supply; and
 - (e) payments made to a licensed transmission operator for settlement and despatch.

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Condition 5 Fees

1. The Licensee shall, at the times stated hereunder, pay to the Bureau fees of the amount specified in, or determined under, the following paragraphs of this Condition.
2. In respect of the year beginning on the Effective Date and in each subsequent year, the Licensee shall pay the Licensee fees to the Bureau in accordance with its current Scale of Charges and Services publication, as determined, prepared and published by the Bureau, from time to time.
3. The fee shall be paid by the Licensee to the Bureau within one month of the Bureau giving notice to the Licensee of its charges, in writing.
4. In this condition:

Current Scale of Charges and Services means the publication prepared and issued by the Bureau to all licensed operators, identifying the fee structure and charges for all licence holders, as from time to time revised and amended by the Bureau.

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Condition 6 Separate accounts for separate businesses

1. The first financial year of the Licensee shall run from 1 January 1999 to 31 December 1999 and thereafter each financial year of the Licensee shall run from 1 January to the following 31 December.
2. The remaining paragraphs of this Condition apply for the purpose of ensuring that the Licensee (and any affiliate or related undertaking) maintains accounting and reporting arrangements which enable:
 - (a) separate accounts to be prepared for each Separate Business showing the financial affairs of each such Separate Business; and
 - (b) those accounts to be prepared in accordance with accounting standards approved from time to time by the Bureau.
3. The remaining paragraphs of this Condition shall apply from a date determined by the Bureau and specified in a notice given to the Licensee specifying:
 - (a) the date from which the following paragraphs shall apply, being a date no less than six months after service of the notice;
 - (b) the Separate Businesses to which this Condition shall apply; and
 - (c) any modifications which the Bureau may require to this Condition in relation to the subject matter of the notice.
4. The Licensee shall in respect of each Separate Business:
 - (a) keep or cause to be kept for the periods referred to in paragraph 1 and in the manner referred to in this Condition such accounting records in respect of each Separate Business as would be required to be kept in respect of each such business if it were carried on by a separate company, so that the revenues, costs, assets, liabilities, reserves and provisions of, or reasonably attributable to, each Separate Business are separately identifiable in the books of the Licensee (and any affiliate or related undertaking) from those of any other business; and
 - (b) prepare on a consistent basis from such accounting records in respect of:
 - (i) each financial year, accounting statements comprising a profit and loss account, a balance sheet and a statement of cash flow, together with notes thereto, and showing separately in respect of each Separate Business and in

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appropriate detail the amounts of any revenue, cost, asset, liability, reserve or provision which has been either:

- (A) charged from or to any other business (whether or not a Separate Business) together with a description of the basis of that charge; or
 - (B) determined by apportionment or allocation between any Separate Business and any other business (whether or not a Separate Business) together with a description of the basis of the apportionment or allocation; and
- (ii) the first six months of the financial year an interim profit and loss account;
- (c) procure, in respect of the accounting statements prepared in accordance with this Condition in respect of a financial year, a report by the Auditors and addressed to the Bureau stating whether in their opinion those statements have been properly prepared in accordance with this Condition and give a true and fair view of the revenues, costs, assets, liabilities, reserves and provisions of, or reasonably attributable to, and the Separate Business to which the statements relate; and
- (d) deliver to the Bureau:
- (i) a copy of the account referred to in sub-paragraph (b)(ii) above;
 - (ii) the Auditors' report referred to in sub-paragraph (c) above; and
 - (iii) the accounting statements referred to in sub-paragraph (b)(i) above,
- as soon as reasonably practicable, and in any event not later than:
- (iv) three months after the end of the period to which it relates in the case of the account referred to in sub-paragraph (b)(ii); and
 - (v) six months after the end of the financial year to which they relate in the case of the accounting statements.

5. (a) Unless the Bureau so specifies in directions issued for the purposes of this Condition or with its prior written approval the Licensee shall not in relation to the accounting statements in respect of a financial year change the basis of charge or apportionment or allocation referred to in paragraph 4(b)(i) from those applied in respect of the previous financial year.

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- (b) Where, in relation to the accounting statements in respect of a financial year, the Licensee has changed such bases of charge or appointment or allocation from those adopted for the immediately preceding financial year, the Licensee shall, if so directed in directions issued by the Bureau, in addition to preparing accounting statements on those bases which it has adopted in respect of that financial year, prepare accounting statements on the bases which applied in respect of the immediately preceding financial year.
6. Accounting statements in respect of a financial year prepared under paragraph 4(b)(i) shall, and unless otherwise approved by the Bureau having regard to the purposes of this Condition:
 - (a) have the same content and format (in relation to each Separate Business) as the annual accounts of the Licensee prepared under relevant law;
 - (b) conform to the best commercial accounting practices and to the Accounting Standards or such other standards as may be notified to the Licensee by the Bureau from time to time;
 - (c) state the accounting policies adopted; and
 - (d) (with the exception of the part of such statement which shows separately the amounts charged, apportioned or allocated and describes the bases of charge or apportionment or allocation respectively), be published with the annual accounts of the Licensee.
 7. References in this Condition to costs or liabilities of, or reasonably attributable to, any Separate Business shall be construed as excluding taxation, capital liabilities which do not relate principally to a particular Separate Business, and interest thereon and references to any profit and loss account shall be construed accordingly.
 8. This Condition shall not require the Licensee to maintain accounting and reporting arrangements for each Separate Business until such time as the Bureau directs.

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Condition 7 Prohibition of cross-subsidies

The Licensee shall procure that:

1. until the date specified in a notice served by the Bureau pursuant to paragraph 3 of Condition 6, the business of conducting the licensed activities shall not; and
2. thereafter no Separate Business shall, give any cross-subsidy to, or receive any cross-subsidy from:
 - (a) any other business of the Licensee or an affiliate or related undertaking of the Licensee (whether or not a Separate Business); or
 - (b) any licensed operator for the time being holding (directly or indirectly) any shares in the Licensee or any affiliate or related undertaking of the Licensee.

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Condition 8 Insurance against third party liability

1. The Licensee shall, in respect of its Licensed Activities, maintain insurance (including self insurance) against third party liabilities on terms approved by the Bureau (including but without limitation, with respect to type, cover, level and identity of insurer) with any modification as may be required pursuant to paragraph 3.
2. The Licensee shall, except as the Bureau may otherwise consent, procure that every insurance policy maintained pursuant to paragraph 1 shall bear an endorsement to the effect that 30 days notice shall be given to the Bureau by the insurer or insurance broker of any lapse or cancellation of, or material change to, the policy.
3. Where the Bureau notifies the Licensee that the Bureau requires any modification of the insurance approved by the Bureau pursuant to paragraph 1 the Licensee shall, no later than 60 days (or such longer period as the Bureau may approve) from the date of the notice, procure that such modification is made.

4. In this Condition:

self insurance means the Licensee's financial capacity to meet any liability to a third party in respect of which the Licensee does not otherwise have insurance.

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Condition 9 Environmental Matters

1. The Licensee shall, taking due account of any guidance issued to it by the Bureau and applicable environmental standards prevailing in the Emirate of Abu Dhabi within 6 months from the Effective Date of this licence establish a written policy designed to protect the environment from the effect of the Licensed Activities, together with operational objectives and management arrangements to give effect to such policy. The Licensee shall review the policy, the operational objectives and management arrangements periodically and otherwise as appropriate.
2. The Licensee shall, upon the establishment and any material change of them, promptly send the Bureau a copy of the policy together with a general description of the operational objectives and management arrangements.
3. The Licensee shall act with regard to the policy and operational objectives and use its reasonable endeavours to operate the management arrangements effectively.

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Condition 10 Revocation

1. The Bureau may at any time revoke this licence by not less than 30 days' notice in writing to the Licensee:
 - (a) if the Licensee agrees in writing with the Bureau that this licence should be revoked;
 - (b) if any amount payable under Condition 5 is unpaid 30 days after it has become due and remains unpaid for a period of 30 days after the Bureau has given the Licensee notice that the payment is overdue;
 - (c) if the Licensee fails to comply with a preliminary order (within the meaning of Article (107) of the Law) or with a final order (within the meaning of Article (106) of the Law) or an order which has been confirmed under Article (109) of the Law and (in any such case) such failure is not rectified to the satisfaction of the Bureau within 3 months after the Bureau has given notice to the Licensee provided that no notice shall be given by the Bureau before the expiration of the period within which an application under Article (121) of the Law could be made questioning the validity of the final or preliminary order or before the proceedings relating to any such application are finally determined;
 - (d) if the Licensee ceases to carry on the Licensed Activities;
 - (e) if the Licensee:
 - (i) has been adjudicated insolvent or if the general assembly passes a resolution to wind up the Licensee or if the Licensee suffers a loss of 50% of the share capital and a resolution to wind up the Licensee is passed by the shareholders representing at least 25% of the share capital of the Licensee;
 - (ii) suffers a change in its control;
 - (f) if the Licensee is convicted of having committed an offence under Article (135) of the Law in making its application for this licence;
 - (g) on expiry of the duration of the existence of the Licensee as specified in its memorandum and articles of association; or
 - (h) on the dissolution of the Licensee by operation of law on its merger with another entity.

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2. For the purpose of paragraph 1(e)(ii) of this Condition:
- (a) there is a change in the control of the Licensee whenever a person obtains control of the Licensee who did not have control of the Licensee when this licence was granted; and
 - (b) **control** means in respect of a person by another, that that other (whether alone or with others and whether directly or indirectly and whether by the ownership of share capital, the possession of voting power, contract or otherwise):
 - (i) has the power to appoint and/or remove all or the majority of the members of the board of directors or other governing body of that person or of any other person; or
 - (ii) controls or has the power to control the affairs and policies of that person or of any other person which controls that person; or
 - (iii) is the parent undertaking of that person or of any other person which controls that person; or
 - (iv) possesses or is, or will be at a future date, entitled to acquire:
 - (A) 30% or more of the share capital or issued share capital of, or of the voting power in, that person or any other person which controls that person; or
 - (B) such part of the issued share capital of that person or any other person which controls that person as would, if the whole of the income of such person were in fact distributed, entitle him to receive 30% or more of the amount so distributed; or
 - (C) such rights as would, in the event of the winding-up of that person or any other person which controls that person or in any other circumstances, entitle him to receive 30% or more of the assets of such person which would then be available for distribution,

and, for those purposes, there shall be attributed to any person the rights or powers of any nominee of his and the rights and powers of any one or more persons which he, or he and associates of his, controls and of any one or more associates of his.

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Condition 11 Non-discrimination

In the conduct of the licenced activities, the Licensee shall not unduly discriminate as between any persons or class or classes of persons.

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Condition 12 Bulk Supply Tariff

1. The Licensee, shall, as soon as practicable after the Effect Date of this licence and, in any event, not later than such date as the Bureau shall specify in directions issued to the Licensee for the purposes of this Condition, and from time to time thereafter, draw up a bulk supply tariff for sales of water and electricity to distribution companies metered at transmission supply points.
2. Without prejudice to the Schedule, the bulk supply tariff shall:
 - (a) be in a form which shall require to be approved by the Bureau;
 - (b) contain such detail as shall be necessary to enable licensed distribution operators to make a reasonable estimate of the charges to which they would become liable for purchases of water and electricity;
 - (c) reflect the costs of the Licensee in providing water and electricity;

(without prejudice to the foregoing generality):

 - (i) separately in respect of water and electricity, identify the charges to licensed distribution operators for supplies at specified times of the year, days of the week, and times of the day and night; and
 - (ii) include a schedule of adjustment factors in respect of supplies of electricity, (depending on the voltage at which the connection is made) to be made in respect of transmission losses.
3. The Licensee shall (subject to paragraph 7) offer to enter into an agreement with any licensed distribution operator or person seeking to become a licensed distribution operator who requests the same, to provide bulk supplies or sales of water and electricity, such offer to make provision for the charges to be made in respect of such bulk supplies or sales of water and electricity, such charges to be presented in such a way as to be referable to the bulk supply tariff or any revision of the bulk supply tariff.
4. The Licensee shall offer terms for agreements in accordance with paragraph 5 as soon as practicable and (save where the Bureau consents to a longer period) in any event not more than 28 days after receipt by the Licensee of an application containing all such information as the Licensee may reasonably require for the purpose of formulating the terms of the offer.

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5. The Licensee shall not be obliged pursuant to this Condition to offer to enter or to enter into any agreement:
 - (a) if to do so would involve the Licensee:
 - (i) in a breach of its duties under the Law; or
 - (ii) in a breach of any Conditions; or
 - (iii) in a breach of the Transmission Code; or
 - (b) if the licensed distribution operator or person seeking to become a licensed distribution operator does not undertake to be bound by the terms of such parts of the Transmission Code and to such extent as the Bureau shall from time to time specify in directions issued to the Licensee for the purposes of this Condition.
6. The Licensee shall give or send a copy of the bulk supply tariff (as from time to time revised) to the Bureau not later than 14 days before it is to be made available to any other person.
7. The Licensee shall (subject to paragraph 10) give or send a copy of the bulk supply tariff (as from time to time revised) to any person requesting the same.
8. The Licensee may make a charge for any copy of the bulk supply tariff (as from time to time revised) given or sent pursuant to paragraph 9 of an amount which will not exceed any amount specified for the time being for the purposes of this Condition in directions issued from time to time by the Bureau.
9. The Licensee shall not in setting the bulk supply tariff restrict, distort or prevent competition in the generation, transmission, distribution or supply of water or electricity or the storage of water.
10. The Bureau may give to the Licensee directions requiring the Licensee to alter the form of the bulk supply tariff in such manner as shall be specified in the directions, or so as to attain such objectives as may be specified in the directions and the Licensee shall forthwith comply with any such directions.
11. In this Condition:

metered means as measured by metering required pursuant to and defined in the Metering and Data Exchange Code or (where no such meter is installed) as otherwise reasonably calculated.

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Condition 13 Charge Restriction Conditions

1. The licence is subject to the conditions in the schedule.

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Condition 14 Economic purchasing of water, electricity and production capacity

1. Subject to paragraph 3 below, the Licensee shall contract for water and electricity at the best effective price reasonably obtainable having regard to the sources available.
2. In determining the effective price at which water and electricity is contracted for by the Licensee regard shall be had to any payments made or received or to be made or received for the grant of or pursuant to any power and/or water purchase agreement.
3. In the discharge of its obligations under paragraph 1 above, the Licensee may additionally have regard to any considerations liable to affect its ability to discharge its obligations under this licence in the future, including the future security, reliability and diversity of sources of water and electricity, and the quality of such sources of water, available for purchase.
4. The Licensee shall keep under review the effective prices, which it shall be liable to pay under the contracts, referred to in paragraph 1. Paragraphs 1, 2 and 3 shall apply mutatis mutandis where, as a result of any such review, the Licensee:
 - (a) amends or seeks to amend or fails to amend or seek to amend;
 - (b) exercises a discretion or fails to exercise a discretion under; or
 - (c) terminates or seeks to terminate or fails to terminate or seek to terminate an existing agreement in such a manner as to alter or not to alter the effective price under such agreement.
5. The Licensee shall provide the Bureau with all relevant information in relation to any amendment or termination of any power and water purchase agreement.

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Condition 15 Economic purchasing of Ancillary Services

1. The Licensee shall contract for the provision of such quantities and types of Ancillary Services at any time available as may be appropriate to enable the Licensee to discharge its obligations under the Law and this Part II.
2. In contracting for the provision of Ancillary Services pursuant to paragraph 1, the Licensee shall purchase or otherwise acquire Ancillary Services from the most economical sources available to it having regard to the quantity and nature of the Ancillary Services required to enable discharge of its obligations under the Law and this Part III and to the diversity, number and reliability of such Ancillary Services at that time available for purchase or other acquisition.
3. Before contracting for the provision of Ancillary Services pursuant to paragraph 1, the Licensee shall consult licensed transmission operators.
4. This Condition shall not extend to prescribing the manner or circumstances in which the Licensee shall at any time call for the delivery of Ancillary Services under any contract entered into pursuant to paragraph 1.

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Condition 16 Economic purchasing of fuel

1. The Licensee shall contract for the provision of such quantities of fuel at any time available as may be appropriate to enable the Licensee to discharge its obligations under the Law.
2. In contracting for the provision of supplies of fuel pursuant to paragraph 1, the Licensee shall purchase or otherwise acquire fuel from the most economical sources available to it, having regard to the quantity and nature (including quality and pressure) of the supplies required by it and the interests of licensed generation operators, to enable discharge of its obligations under the Law.
3. This Condition shall not extend to prescribing the manner or circumstances in which the Licensee shall at any time call for the delivery of fuel under any contract entered into pursuant to paragraph 1.

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Condition 17 Desalination and generation security standards

1. The Licensee shall make arrangements sufficient to meet the generation and desalination security planning standards.
2. The generation security planning standard is such standard of generation security as will ensure that the supply of electricity to customers will not be discontinued for a total of more than 1 day in any period of 10 years.
3. The Licensee shall, as soon as practicable after the Effective Date of this licence and in any event not later than such date as the Bureau shall specify in directions issued to the Licensee for the purposes of this Condition and from time to time thereafter prepare security standards for the desalination of water and the Licensee shall send the security standards to the Bureau for its approval.
4. The Licensee shall upon request by the Bureau provide to the Bureau such information as the Bureau may require for the purpose of monitoring compliance with this Condition and to enable the Bureau (having regard to its statutory duties) to review the operation of the generation and desalination security planning standards.
5. The Bureau, after consultation with the Licensee, may at any time and from time to time by directions issued to the Licensee for the purpose of this Condition make such modifications to this Condition or any other Condition to which this Licence is subject as, in the opinion of the Bureau, are the most appropriate to ensure that, in circumstances where the Licensee fails to meet demand from relevant suppliers (by reason of a failure of the Licensee to make arrangements on appropriate terms with suitable persons for a sufficient amount of water desalination and electricity generation to be available to it in good time) that the desalination and generation security planning standard shall be met.
6. A person shall be a suitable person for the purposes of paragraph 4 if the Licensee, at the time that it entered into the arrangements in question, was satisfied on reasonable grounds, having made all necessary enquiries, that the person with whom the arrangements were made was and would continue to be a person with the necessary capability and qualifications so to provide the water desalination and electricity generation in question.
7. The duty of the Licensee under paragraph 1 may, in relation to licensed distribution companies whose customers are located in isolated areas and whose premises are located in isolated areas, be

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discharged by the making of arrangements sufficient to meet the standard of desalination and generation security agreed between the Licensee and the Bureau.

8. The Licensee shall provide to the Bureau such information as it may request from time to time, in relation to each power and water purchase agreement into which it proposes to enter, shall fully consult with the Bureau in relation to the duration of such agreement and shall take into account such representations as the Bureau may make before entering into any such agreement.

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Condition 18 Statement of future capacity requirements

1. The Licensee shall once every year (and not later than such date as the Bureau shall specify), and after consultation with other licensed operators, prepare and publish, in accordance with such requirements as the Bureau shall from time to time specify, a statement (in a form approved by the Bureau) showing in respect of each of the seven succeeding financial years:
 - (a) its projections of the amount of demand for relevant capacity in the Emirate of Abu Dhabi in that year;
 - (b) the amount and nature of relevant capacity available to it that it expects will be taken out of service permanently in those years;
 - (c) the amount and nature of relevant capacity it expects it shall require to be available to it in order to ensure that the desalination and generation security planning standards shall be met; and
 - (d) in respect of the first five financial years only, general details of its then current plans for securing that additional relevant capacity shall be so available to it,
together with:
 - (i) such further information as shall be reasonably necessary to enable any person seeking opportunities to provide any such additional relevant capacity to identify and evaluate such opportunities;
 - (ii) a commentary prepared by the Licensee indicating its views as to those parts of the Emirate of Abu Dhabi where such additional relevant capacity would be most appropriately located and the nature of the relevant capacity required in such places; and
 - (iii) such other matters as shall be specified in directions issued by the Bureau from time to time for the purposes of this Condition.
2. The Licensee may with the prior consent of the Bureau omit from any such statement any details as to its current plans for securing additional relevant capacity disclosure of which would, in the view of the Bureau, seriously and prejudicially affect the commercial interests of the Licensee or any third party.
3. The Licensee may periodically revise the statement prepared in accordance with paragraph 1 and shall revise such statement in order

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that the information set out in the statement shall continue to be accurate in all material respects.

4. The Licensee shall send a copy of the statement prepared in accordance with paragraph 1 and of each revision of such statement in accordance with paragraph 3 to the Bureau.
5. The Licensee shall give or send a copy of the statement prepared in accordance with paragraph 1 or (as the case may be) of the latest revision of such statement in accordance with paragraph 3 to any person who requests a copy of such statement.
6. The Licensee may make a charge for any statement given or sent pursuant to paragraph 5 of an amount reflecting the Licensee's reasonable costs of providing such statement which shall not exceed the maximum amount specified in directions issued by the Bureau from time to time for the purposes of this Condition.
7. The Bureau may (following consultation with the Licensee and other licensed operators and persons whom he considers may be likely to seek to become licensed operators) from time to time issue directions (which may be subject to conditions) relieving the Licensee of its obligations under this Condition to the extent specified in the directions.

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Condition 19 Demand Forecasts and Customer Research

1. The licensee shall cooperate with licensed operators in researching the demand for water and electricity, including
 - (a) The characteristics of the demand for water and electricity of different classes of customers, including
 - (i) The relationship between the maximum demand of such customers and the maximum demand of customers as a whole
 - (ii) The factors affecting the growth in demand of such customers
 - (iii) The profile of demand of such customers over the course of a day and over the course of a year
 - (iv) The response of the demand of such customers to such factors as temperature, humidity, daylight hours
 - (v) The response of the demand of such customers to changes in the price of water and electricity
 - (b) The factors that affect the growth of demand as a whole, including
 - (i) Economic and demographic trends
 - (ii) Industrial policy
 - (iii) Social policy
 - (iv) Changes in land use
2. Where the licensee is required, as a condition of its licence or of the transmission or distribution codes, to make a forecast of the demand for water and/or electricity, it shall use its best endeavours to ensure that such forecast is accurate and unbiased.
3. When requested by the Bureau, the licensee shall report on the results of its research into the items referred to in paragraph (1) of this condition.

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SCHEDULE CHARGE RESTRICTION CONDITIONS

Unless the context herein requires otherwise, for the calendar years from 1999 to 2005 inclusive, the Schedule to the previous licence issued to the Licensee, which was in force at the time, shall apply.

Basic Formula: Electricity Procurement Business Revenue

1. The Licensee shall in setting charges for the provision of bulk electricity supplies and ancillary services use its best endeavours to secure that in any relevant year the Regulated Electricity Bulk Supply Revenue shall not exceed the maximum allowed electricity revenue calculated according to the following formula:

$$MRE_t = PWPA_{Et} + F_{Et} + A_{Et} + QE_t - KE_t$$

Where:

MRE_t means the maximum allowed electricity revenue relating to charges for the provision of bulk supplies of electricity and for the provision of ancillary services to enable supplies of electricity to premises in the Emirate of Abu Dhabi in relevant year t;

$PWPA_{Et}$ means the aggregate of all amounts due (save any amounts due in respect of damages, claims, late payments or events of default) measured on an accruals basis under Power and Water Purchase Agreements in relation to the supplies of electricity to premises in the Emirate of Abu Dhabi in year t;

F_{Et} means amounts due (measured on an accruals basis) in respect of fuel purchases pursuant to Article (33) of the Law in relation to the supplies of electricity to premises in the Emirate of Abu Dhabi in year t;

A_{Et} means, for the first relevant year, AED 11.80 million and, for any subsequent relevant years, as calculated according to the formula in paragraph 2 below;

QE_t means the amount of revenue (which can be positive or negative) in relevant year t for performance of the Licensee in relevant year t-1 or t-2, as the case may be, calculated according to the formula in paragraph 3 below; and

KE_t is the correction factor in year t, calculated in accordance with the following formula:

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$$KE_t = (ARE_{t-1} - MRE_{t-1}) \times \left[1 + \left(\frac{i_t}{100} \right) \right]$$

Where:

ARE_{t-1} means the Regulated Electricity Bulk Supply Revenue in year t -1;

MRE_{t-1} means the maximum allowed electricity revenue relating to charges for the provision of bulk supplies of electricity and for the provision of ancillary services to enable supplies of electricity to premises in the Emirate of Abu Dhabi in relevant year t-1;

i_t means that interest rate in relevant year t which is equal to, where KE_t (taking no account of i for this purpose) has a positive value and ARE_{t-1} exceeds MRE_{t-1} by more than 2 per cent, the average specified rate plus 3 or, where K_t (taking no account of i for this purpose) has a negative value, or ARE_{t-1} does not exceed MRE_{t-1} by more than 2 per cent, the average specified rate;

but where in the first relevant year the value of KE_t shall be equal to 0.5 times the value of K_t as calculated from the relevant values for the calendar year 2005 in accordance with the Schedule to the previous licence issued to the Licensee.

2. The value of A_{Et} in a relevant year t, after the first relevant year, shall be derived from the following formula:

$$A_{Et} = A_{Et-1} \times \left(1 + \frac{CPI_t - X}{100} \right)$$

Where:

CPI_t in relation to a relevant year, is the percentage change in the UAE Consumer Price Index in the previous relevant year as published in the Annual Economic Report of the UAE (Ministry of Planning).

If, when complying with the requirements of paragraphs 16 and 17 and/or paragraphs 36 and 37, the value of CPI_t for the previous relevant year is unavailable, the value of CPI_t shall be the inflation rate forecast for that previous relevant year in the most recent edition of the Annual

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X has a value of 0.0.

3. The value of QE_t (which can be positive or negative) in any relevant year t shall be derived from the following formula:

$$QE_t = QE1_t + QE2_t + QE3_t + QE4_t$$

Where:

$QE1_t$ is the amount of revenue (which can be positive or negative) for timely submission to the Bureau of the separate accounts for the Electricity Procurement Business (referred to in Condition 6 of the Licence) and shall be calculated as described in paragraph 4 below;

$QE2_t$ is the amount of revenue (which can be positive or negative) for timely submission to the Bureau of the Price Control Return for the Electricity Procurement Business and shall be calculated as described in paragraph 5 below;

$QE3_t$ is the amount of revenue (which can be positive or negative) for timely submission of the Annual Information Submission for Electricity Procurement Business and shall be calculated as described in paragraph 6 below; and

$QE4_t$ is the amount of revenue (which can be positive or negative) for the Licensee's performance in relation to the accuracy of the electricity peak demand forecast and shall be calculated as described in paragraph 7 below.

4. The value of $QE1_t$ (which can be positive or negative) in a relevant year t in relation to the submission by the Licensee to the Bureau of the separate accounts for the Electricity Procurement Business (referred to in Condition 6 of the Licence) for the relevant year $t-2$ due to be submitted to the Bureau in the relevant year $t-1$ shall be calculated as follows:

- (a) For the first relevant year, the value of $QE1_t$ shall be equal to:
- (i) Minus AED 11,000 times the number of months by which the submission to the Bureau of the separate accounts for the Electricity Procurement Business for the relevant year $t-2$ is delayed beyond 30 June of the relevant year $t-1$, provided that if such submission is delayed beyond 30

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- June of the relevant year t , the value of $QE1_t$ shall be taken as minus AED 132,000; or
- (ii) AED 66,000 if the submission of such separate accounts for the relevant year $t-2$ to the Bureau is made on or before 30 June of the relevant year $t-1$; and
- (b) For any subsequent relevant year, the value of $QE1_t$ shall be equal to:
- (i) Minus AED 20,000 times the number of months by which the submission to the Bureau of separate accounts for the Electricity Procurement Business for the relevant year $t-2$ is delayed beyond 30 June of the relevant year $t-1$, provided that if such submission is delayed beyond 30 June of the relevant year t , the value of $QE1_t$ shall be taken as minus AED 240,000; or
 - (ii) AED 120,000 if the submission of such separate accounts for the relevant year $t-2$ to the Bureau is made on or before 30 June of the relevant year $t-1$.
5. The value of $QE2_t$ (which can be positive or negative) in a relevant year t in relation to the submission by the Licensee to the Bureau of the Price Control Return for the Electricity Procurement Business for the relevant year $t-2$ due to be submitted to the Bureau in the relevant year $t-1$ shall be calculated as follows:
- (a) For the first relevant year, the value of $QE2_t$ shall be equal to:
 - (i) Minus AED 11,000 times the number of months by which the submission to the Bureau of the Price Control Return for the Electricity Procurement Business for the relevant year $t-2$ is delayed beyond 31 March of the relevant year $t-1$, provided that if such submission is delayed beyond 31 March of the relevant year t , the value of $QE2_t$ shall be taken as minus AED 132,000; or
 - (ii) AED 66,000 if the submission of such Price Control Return for the relevant year $t-2$ to the Bureau is made on or before 31 March of the relevant year $t-1$; and
 - (b) For any subsequent relevant year, the value of $QE2_t$ shall be equal to:
 - (i) Minus AED 20,000 times the number of months by which the submission to the Bureau of the Price Control Return for the Electricity Procurement Business for the relevant year $t-2$ is delayed beyond 31 March of the relevant year

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t-1, provided that if such submission is delayed beyond 31 March of the relevant year t, the value of $QE2_t$ shall be taken as minus AED 240,000; or

- (ii) AED 120,000 if the submission of such Price Control Return for the relevant year t-2 to the Bureau is made on or before 31 March of the relevant year t-1.

6. The value of $QE3_t$ (which can be positive or negative) in a relevant year t in relation to the submission by the Licensee to the Bureau of the Annual Information Submission for the Electricity Procurement Business in the relevant year t-2 shall be calculated as follows:

- (a) For the first, second and third relevant years, the value of $QE3_t$ shall be zero; and
- (b) For any subsequent relevant year, the value of $QE3_t$ shall be equal to:
 - (i) Minus AED 20,000 times the number of months by which the submission to the Bureau of the Annual Information for the relevant year t-2 is delayed beyond 30 September of the relevant year t-2, provided that if such submission is delayed beyond 30 September of the relevant year t-1, the value of $QE3_t$ shall be taken as minus AED 240,000; or
 - (ii) AED 120,000 if the submission of the Annual Information Submission for the relevant year t-2 to the Bureau is made on or before 30 September of the relevant year t-2.

7. The value of $QE4_t$ (which can be positive or negative) in a relevant year t in relation to the Licensee's performance on the accuracy of electricity peak demand in the Emirate of Abu Dhabi for the relevant year t-2 shall be calculated as follows:

- (a) For the first, second and third relevant years, the value of $QE4_t$ shall be zero; and
- (b) For any subsequent relevant year, the value of $QE4_t$ shall be calculated in AED as follows:

$$QE4_t = 1,000 \times (100 - EFE_t)$$

where:

EFE_t means the electricity forecasting error in the relevant year t-2, calculated as the absolute difference in megawatts between (i) the forecast

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submitted by a director of the Licensee on behalf of the Licensee to the Bureau on or before 31 December of the relevant year t-3 for the electricity peak demand in the Emirate of Abu Dhabi in the relevant year t-2 and (ii) the actual electricity peak demand experienced in the Emirate of Abu Dhabi in the relevant year t-2 as confirmed by the Technical Assessor pursuant to paragraph 19(f), in each case the demand being assessed and expressed on the same basis.

8. For the purpose of paragraphs 4, 5 and 6 above, the number of months shall be calculated assuming the date of submission to the Bureau as the last day of the month in which such submission is received by the Bureau.
9. In any case, the value of QE_t for a relevant year t shall not exceed 4 percent of the amount equal to A_{Et} for that relevant year t.

Restriction of Electricity Procurement Business Charges: Adjustments

10. If, in respect of any relevant year, Regulated Electricity Bulk Supply Revenue exceeds the maximum allowed electricity revenue by more than 3 per cent the Licensee shall furnish an explanation to the Bureau and in the next following relevant year the Licensee shall not effect any increase in charges for the provision of bulk supplies of electricity the revenue from which is regulated under this schedule unless it has demonstrated to the reasonable satisfaction of the Bureau that the revenue collected from the increase in charges is not likely to exceed the maximum allowed electricity revenue in that next following relevant year.
11. If, in respect of any 2 successive relevant years, the sum of the amounts by which the Regulated Electricity Bulk Supply Revenue has exceeded the maximum allowed electricity revenue is more than 4 per cent of the maximum allowed electricity revenue for the second of these relevant years, then in the next following relevant year the Licensee shall, if required by the Bureau, adjust its charges for the provision of bulk supplies of electricity so that the revenue collected from these charges would not be likely, in the judgement of the Bureau, to exceed the maximum allowed electricity revenue in that next following relevant year.
12. If, in respect of any 2 relevant years, the Regulated Electricity Bulk Supply Revenue collected is less than 90 per cent of the maximum allowed electricity revenue, the Bureau, after consultation with the

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Licensee, may direct that in calculating KE_t in respect of the next following relevant year, there should be substituted for ARE_{t-1} in the formula set out in paragraph 1 such figure as the Bureau may specify being not less than ARE_{t-1} and not more than 0.9 times MRE_{t-1} .

Information to be provided to the Bureau in connection with the Electricity Procurement Business Charge Restriction Conditions

13. Where any change is intended to be made in charges for the provision of bulk supplies of electricity the Licensee shall, 1 month prior to the change in charges, provide the Bureau with:
 - (a) a written forecast of the revenue expected in the relevant year t in which such change is to take effect and in respect of the next following relevant year $t+1$; and
 - (b) a written estimate of the maximum allowed electricity revenue, together with its components, in respect of the relevant year $t-1$ immediately preceding the relevant year in which the change is to take effect unless a statement complying with paragraph 16 in respect of relevant year $t-1$ has been furnished by the Licensee to the Bureau before the publication of the proposed change.

14. If within 3 months of the commencement of any relevant year t , the Licensee has not made any such change in its charges as referred to in paragraph 13, the Licensee shall provide the Bureau with a written forecast of the maximum allowed electricity revenue together with its components in respect of the relevant year t .

15. Any forecast or estimate provided in accordance with paragraph 13 or 14 shall be accompanied by such information as regards the assumptions underlying the forecast or any estimate as may be necessary, in the judgement of the Bureau, to enable the Bureau to be satisfied that the forecast or estimate has been properly prepared on a consistent basis.

16. Not later than 6 weeks after the commencement of each relevant year t , the Licensee shall send the Bureau a statement as to:
 - a) whether or not the provisions of paragraphs 10 to 12 are likely to be applicable in consequence of revenues collected in the preceding relevant year $t-1$ or the 2 preceding relevant years $t-1$ and $t-2$; and
 - b) its best estimate as to the relevant correction factor KE_t calculated in accordance with the formula set out in paragraph

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1 to be applied in calculating the maximum allowed electricity revenue for bulk supplies of electricity and for ancillary services in relevant year t.

17. Not later than 3 months after the end of each relevant year t the Licensee shall send to the Bureau a written statement in respect of that relevant year showing the specified items referred to in paragraph 20. Each such statement shall be referred to as the Price Control Return.
18. The Price Control Return shall be:
 - a) accompanied by a report from the Auditors that in their opinion such Price Control Returns fairly represents each of the specified items in accordance with the requirement of the Electricity Procurement Business charge restriction conditions and that the amounts shown in respect of each of the specified items are in accordance with the accounting records which have been maintained in accordance with Condition 6;
 - b) certified by a director of the Licensee on behalf of the Licensee that, to the best of his or her knowledge, information and belief after having made all reasonable enquires, there is no amount included in its calculations under paragraph 20 which represents other than bona fide considerations for the provision of bulk supplies of electricity and ancillary services, the revenue from which is regulated under this schedule; and
 - c) in the event of an increase in the maximum allowed electricity revenue per unit of electricity procured specified pursuant to paragraph 20(h) as compared to the previous relevant year, accompanied by a report from a director of the Licensee on behalf of the Licensee identifying, and quantifying the effect of, each of the reasons for such an increase.
19. In relation to the Annual Information Submission for Electricity Procurement Business for each relevant year, the Licensee shall procure from the Technical Assessor a report to be submitted to the Bureau with such Annual Information Submission:
 - (a) stating the methodologies, assumptions and systems used in collecting, recording, determining, measuring or estimating the data contained in the Annual Information Submission;
 - (b) stating the Technical Assessor's opinion on the reasonableness of the above methodologies, assumptions and systems and on the results;

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- (c) confirming that the data contained in the Annual Information Submission is reasonably accurate;
 - (d) identifying areas of further improvement in the above methodologies, assumptions and systems for the next year;
 - (e) confirming that further improvements identified in the previous year have been made by the Licensee;
 - (f) stating the actual electricity peak demand experienced in the Emirate of Abu Dhabi in the previous relevant year to be used for the purposes of paragraph 7, together with necessary supporting documentation; and
 - (g) such other items or information as shall be specified in directions issued by the Bureau for the purposes of this schedule.
20. The specified items to be shown in the Price Control Returns in respect of the Licensee's activities shall be the following:
- a) The Regulated Electricity Bulk Supply Revenue in relevant year t;
 - b) the value of $PWPA_{Et}$ as defined in paragraph 1 and for each Power and Water Agreement (PWA):
 - (i) the amounts due (measured on an accruals basis) in respect of availability for electricity capacity in relevant year t;
 - (ii) the amounts due (measured on an accruals basis) in respect of fixed and variable operating and maintenance expenses for electricity in relevant year t;
 - (iii) the amounts due (measured on an accruals basis) in respect of ancillary services in relevant year t;
 - (iv) the amounts due (measured on an accruals basis) in respect of any other expenses for electricity in relevant year t;
 - (v) the amounts due (measured on an accruals basis) in respect of purchases of fuel pursuant to Article (33) of the law for electricity in relevant year t; and
 - (vi) the total electricity units (net kWh) procured in relevant year t.
 - c) the value of F_{Et} as defined in paragraph 1;

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- d) the values of 'i_t' and CPI_t as defined in paragraphs 1 and 2, respectively;
- e) the value of A_{E_t} as defined in paragraphs 1 and 2;
- f) the values of QE1_t, QE2_t, QE3_t, QE4_t and QE_t as described in paragraphs 3 to 9;
- g) the value of KE_t as defined in paragraph 1;
- h) the maximum allowed electricity revenue per unit of electricity procured; and
- i) such other items as shall be specified in directions issued by the Bureau for the purposes of this schedule.

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Basic Formula: Water Procurement Business Revenue

21. The Licensee shall in setting charges for the provision of bulk water supplies use its best endeavours to secure that in any relevant year the Regulated Water Bulk Supply Revenue shall not exceed the maximum allowed water revenue calculated according to the following formula:

$$MRW_t = PWPA_{Wt} + F_{Wt} + A_{Wt} + QW_t - KW_t$$

Where:

MRW_t means the maximum allowed water revenue relating to charges for the provision of bulk supplies of water to enable supplies of water to premises in the Emirate of Abu Dhabi in relevant year t;

$PWPA_{Wt}$ means the aggregate of all amounts due (save any amounts due in respect of damages, claims, late payments or events of default) measured on an accruals basis under Power and Water Purchase Agreements in relation to the supplies of water to premises in the Emirate of Abu Dhabi in year t;

F_{Wt} means amounts due (measured on an accruals basis) in respect of fuel purchases pursuant to Article (33) of the Law in relation to the supplies of water to premises in the Emirate of Abu Dhabi in year t;

A_{Wt} means, for the first relevant year, AED 7.56 million and, for any subsequent relevant years, as calculated according to the formula in paragraph 22 below;

QW_t means the amount of revenue (which can be positive or negative) in relevant year t for performance of the Licensee in relevant year t-1 or t-2, as the case may be, calculated according to the formula in paragraph 23 below; and

KW_t is the correction factor in year t, calculated in accordance with the following formula:

$$KW_t = (ARW_{t-1} - MRW_{t-1}) \times \left[1 + \left(\frac{i_t}{100} \right) \right]$$

Where:

ARW_{t-1} means the Regulated Water Bulk Supply Revenue in year t - 1;

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MRW_{t-1} means the maximum allowed water revenue relating to charges for the provision of bulk supplies of water to enable supplies of water to premises in the Emirate of Abu Dhabi in relevant year t-1;

i_t means that interest rate in relevant year t which is equal to, where KW_t (taking no account of i for this purpose) has a positive value and ARW_{t-1} exceeds MRW_{t-1} by more than 2 per cent, the average specified rate plus 3 or, where K_t (taking no account of i for this purpose) has a negative value, or ARW_{t-1} does not exceed MRW_{t-1} by more than 2 per cent, the average specified rate;

but where in the first relevant year the value of KW_t shall be equal to 0.5 times the value of K_t as calculated from the relevant values for the calendar year 2005 in accordance with the Schedule to the previous licence issued to the Licensee.

22. The value of A_w_t in a relevant year t, after the first relevant year, shall be derived from the following formula:

$$A_{w_t} = A_{w_{t-1}} \times \left(1 + \frac{CPI_t - X}{100} \right)$$

Where:

CPI_t as defined in paragraph 2; and

X as defined in paragraph 2.

23. The value of QW_t (which can be positive or negative) in any relevant year t shall be derived from the following formula:

$$QW_t = QW1_t + QW2_t + QW3_t + QW4_t$$

Where:

QW1_t is the amount of revenue (which can be positive or negative) for timely submission to the Bureau of the separate accounts for the Water Procurement Business (referred to in Condition 6 of the Licence) and shall be calculated as described in paragraph 24 below;

QW2_t is the amount of revenue (which can be positive or

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negative) for timely submission to the Bureau of the Price Control Return for the Water Procurement Business and shall be calculated as described in paragraph 25 below;

QW3_t is the amount of revenue (which can be positive or negative) for timely submission of the Annual Information Submission for Water Procurement Business and shall be calculated as described in paragraph 26 below; and

QW4_t is the amount of revenue (which can be positive or negative) for the Licensee's performance in relation to the accuracy of the water peak demand forecast and shall be calculated as described in paragraph 27 below.

24. The value of QW1_t (which can be positive or negative) in a relevant year t in relation to the submission by the Licensee to the Bureau of the separate accounts for the Water Procurement Business (referred to in Condition 6 of the Licence) for the relevant year t-2 due to be submitted to the Bureau in the relevant year t-1 shall be calculated as follows:

- (a) For the first relevant year, the value of QW1_t shall be equal to:
 - (i) Minus AED 7,000 times the number of months by which the submission to the Bureau of the separate accounts for the Water Procurement Business for the relevant year t-2 is delayed beyond 30 June of the relevant year t-1, provided that if such submission is delayed beyond 30 June of the relevant year t, the value of QW1_t shall be taken as minus AED 84,000; or
 - (ii) AED 42,000 if the submission of such separate accounts for the relevant year t-2 to the Bureau is made on or before 30 June of the relevant year t-1; and
- (b) For any subsequent relevant year, the value of QW1_t shall be equal to:
 - (i) Minus AED 13,000 times the number of months by which the submission to the Bureau of separate accounts for the Water Procurement Business for the relevant year t-2 is delayed beyond 30 June of the relevant year t-1, provided that if such submission is delayed beyond 30 June of the relevant year t, the value of QW1_t shall be taken as minus AED 156,000; or
 - (ii) AED 78,000 if the submission of such separate accounts for the relevant year t-2 to the Bureau is made on or before 30 June of the relevant year t-1.

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25. The value of $QW2_t$ (which can be positive or negative) in a relevant year t in relation to the submission by the Licensee to the Bureau of the Price Control Return for the Water Procurement Business for the relevant year $t-2$ due to be submitted to the Bureau in the relevant year $t-1$ shall be calculated as follows:
- (a) For the first relevant year, the value of $QW2_t$ shall be equal to:
 - (i) Minus AED 7,000 times the number of months by which the submission to the Bureau of the Price Control Return for the Water Procurement Business for the relevant year $t-2$ is delayed beyond 31 March of the relevant year $t-1$, provided that if such submission is delayed beyond 31 March of the relevant year t , the value of $QW2_t$ shall be taken as minus AED 84,000; or
 - (ii) AED 42,000 if the submission of such Price Control Return for the relevant year $t-2$ to the Bureau is made on or before 31 March of the relevant year $t-1$; and
 - (b) For any subsequent relevant year, the value of $QW2_t$ shall be equal to:
 - (i) Minus AED 13,000 times the number of months by which the submission to the Bureau of the Price Control Return for the Water Procurement Business for the relevant year $t-2$ is delayed beyond 31 March of the relevant year $t-1$, provided that if such submission is delayed beyond 31 March of the relevant year t , the value of $QW2_t$ shall be taken as minus AED 156,000; or
 - (ii) AED 78,000 if the submission of such Price Control Return for the relevant year $t-2$ to the Bureau is made on or before 31 March of the relevant year $t-1$.
26. The value of $QW3_t$ (which can be positive or negative) in a relevant year t in relation to the submission by the Licensee to the Bureau of the Annual Information Submission for the Water Procurement Business in the relevant year $t-2$ shall be calculated as follows:
- (a) For the first, second and third relevant years, the value of $QW3_t$ shall be zero; and
 - (b) For any subsequent relevant year, the value of $QW3_t$ shall be equal to:
 - (i) Minus AED 13,000 times the number of months by which the submission to the Bureau of the Annual Information for the relevant year $t-2$ is delayed beyond 30 September

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of the relevant year t-2, provided that if such submission is delayed beyond 30 September of the relevant year t-1, the value of $QW3_t$ shall be taken as minus AED 156,000; or

- (ii) AED 78,000 if the submission of the Annual Information Submission for the relevant year t-2 to the Bureau is made on or before 30 September of the relevant year t-2.

27. The value of $QW4_t$ (which can be positive or negative) in a relevant year t in relation to the Licensee’s performance on the accuracy of water peak demand in the Emirate of Abu Dhabi for the relevant year t-2 shall be calculated as follows:

- (c) For the first, second and third relevant years, the value of $QW4_t$ shall be zero; and
- (d) For any subsequent relevant year, the value of $QW4_t$ shall be calculated in AED as follows:

$$QW4_t = 4,000 \times (20 - WFE_t)$$

where:

WFE_t means the water forecasting error in the relevant year t-2, calculated as the absolute difference in million imperial gallons per day between (i) the forecast submitted by a director of the Licensee on behalf of the Licensee to the Bureau on or before 31 December of the relevant year t-3 for the water peak demand in the Emirate of Abu Dhabi in the relevant year t-2 and (ii) the actual water peak demand experienced in the Emirate of Abu Dhabi in the relevant year t-2 as confirmed by the Technical Assessor pursuant to paragraph 39(f), in each case the demand being assessed and expressed on the same basis.

28. For the purpose of paragraphs 24, 25 and 26 above, the number of months shall be calculated assuming the date of submission to the Bureau as the last day of the month in which such submission is received by the Bureau.

29. In any case, the value of QW_t for a relevant year t shall not exceed 4 percent of the amount equal to A_{Wt} for that relevant year t.

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Restriction of Water Procurement Business Charges: Adjustments

- 30. If, in respect of any relevant year, Regulated Water Bulk Supply Revenue exceeds the maximum allowed water revenue by more than 3 per cent the Licensee shall furnish an explanation to the Bureau and in the next following relevant year the Licensee shall not effect any increase in charges for the provision of bulk supplies of water the revenue from which is regulated under this schedule unless it has demonstrated to the reasonable satisfaction of the Bureau that the revenue collected from the increase in charges is not likely to exceed the maximum allowed water revenue in that next following relevant year.
- 31. If, in respect of any 2 successive relevant years, the sum of the amounts by which the Regulated Water Bulk Supply Revenue has exceeded the maximum allowed water revenue is more than 4 per cent of the maximum allowed water revenue for the second of these relevant years, then in the next following relevant year the Licensee shall, if required by the Bureau, adjust its charges for the provision of bulk supplies of water so that the revenue collected from these charges would not be likely, in the judgement of the Bureau, to exceed the maximum allowed water revenue in that next following relevant year.
- 32. If, in respect of any 2 relevant years, the Regulated Water Bulk Supply Revenue collected is less than 90 per cent of the maximum allowed water revenue, the Bureau, after consultation with the Licensee, may direct that in calculating KW_t in respect of the next following relevant year, there should be substituted for ARW_{t-1} in the formula set out in paragraph 1 such figure as the Bureau may specify being not less than ARW_{t-1} and not more than 0.9 times MRW_{t-1} .

Information to be provided to the Bureau in connection with the Water Procurement Business Charge Restriction Conditions

- 33. Where any change is intended to be made in charges for the provision of bulk supplies of water the Licensee shall, 1 month prior to the change in charges, provide the Bureau with:
 - (a) a written forecast of the revenue expected in the relevant year t in which such change is to take effect and in respect of the next following relevant year t+1; and
 - (b) a written estimate of the maximum allowed water revenue, together with its components, in respect of the relevant year t-1

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immediately preceding the relevant year in which the change is to take effect unless a statement complying with paragraph 36 in respect of relevant year t-1 has been furnished by the Licensee to the Bureau before the publication of the proposed change.

34. If within 3 months of the commencement of any relevant year t, the Licensee has not made any such change in its charges as referred to in paragraph 33, the Licensee shall provide the Bureau with a written forecast of the maximum allowed water revenue together with its components in respect of the relevant year t.
35. Any forecast or estimate provided in accordance with paragraph 33 or 34 shall be accompanied by such information as regards the assumptions underlying the forecast or any estimate as may be necessary, in the judgement of the Bureau, to enable the Bureau to be satisfied that the forecast or estimate has been properly prepared on a consistent basis.
36. Not later than 6 weeks after the commencement of each relevant year t, the Licensee shall send the Bureau a statement as to:
 - a) whether or not the provisions of paragraphs 30 to 32 are likely to be applicable in consequence of revenues collected in the preceding relevant year t-1 or the 2 preceding relevant years t-1 and t-2; and
 - b) its best estimate as to the relevant correction factor KW_t calculated in accordance with the formula set out in paragraph 21 to be applied in calculating the maximum allowed water revenue for bulk supplies of water in relevant year t.
37. Not later than 3 months after the end of each relevant year t the Licensee shall send to the Bureau a written statement in respect of that relevant year showing the specified items referred to in paragraph 40. Each such statement shall be referred to as the Price Control Return.
38. The Price Control Return shall be:
 - a) accompanied by a report from the Auditors that in their opinion such Price Control Returns fairly represents each of the specified items in accordance with the requirement of the Water Procurement Business charge restriction conditions and that the amounts shown in respect of each of the specified items are in accordance with the accounting records which have been maintained in accordance with Condition 6;

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- b) certified by a director of the Licensee on behalf of the Licensee that, to the best of his or her knowledge, information and belief after having made all reasonable enquires, there is no amount included in its calculations under paragraph 40 which represents other than bona fide considerations for the provision of bulk supplies of water, the revenue from which is regulated under this schedule; and
 - c) in the event of an increase in the maximum allowed water revenue per unit of water procured specified pursuant to paragraph 40(h) as compared to the previous relevant year, accompanied by a report from a director of the Licensee on behalf of the Licensee identifying, and quantifying the effect of, each of the reasons for such an increase.
39. In relation to the Annual Information Submission for Water Procurement Business for each relevant year, the Licensee shall procure from the Technical Assessor a report to be submitted to the Bureau with such Annual Information Submission:
- (a) stating the methodologies, assumptions and systems used in collecting, recording, determining, measuring or estimating the data contained in the Annual Information Submission;
 - (b) stating the Technical Assessor’s opinion on the reasonableness of the above methodologies, assumptions and systems and on the results;
 - (c) confirming that the data contained in the Annual Information Submission is reasonably accurate;
 - (d) identifying areas of further improvement in the above methodologies, assumptions and systems for the next year;
 - (e) confirming that further improvements identified in the previous year have been made by the Licensee;
 - (f) stating the actual water peak demand experienced in the Emirate of Abu Dhabi in the previous relevant year to be used for the purposes of paragraph 27, together with necessary supporting documentation; and
 - (g) such other items or information as shall be specified in directions issued by the Bureau for the purposes of this schedule.

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40. The specified items to be shown in the Price Control Returns in respect of the Licensee's activities shall be the following:
- a) The Regulated Water Bulk Supply Revenue in relevant year t;
 - b) the value of $PWPA_{Wt}$ as defined in paragraph 21 and for each Power and Water Agreement (PWPA):
 - (i) the amounts due (measured on an accruals basis) in respect of availability for water capacity in relevant year t;
 - (ii) the amounts due (measured on an accruals basis) in respect of fixed and variable operating and maintenance expenses for water in relevant year t;
 - (iii) the amounts due (measured on an accruals basis) in respect of any other expenses for water in relevant year t;
 - (iv) the amounts due (measured on an accruals basis) in respect of purchases of fuel pursuant to Article (33) of the law for water in relevant year t; and
 - (v) the total water units (net imperial gallons) procured in relevant year t.
 - c) the value of F_{Wt} as defined in paragraph 21;
 - d) the values of 'i_t' and CPI_t as defined in paragraphs 21 and 22, respectively;
 - e) the value of A_{Wt} as defined in paragraphs 21 and 22;
 - f) the values of $QW1_t$, $QW2_t$, $QW3_t$, $QW4_t$ and QW_t as described in paragraphs 23 to 29;
 - g) the value of KW_t as defined in paragraph 21;
 - h) the maximum allowed water revenue per unit of water procured; and
 - i) such other items as shall be specified in directions issued by the Bureau for the purposes of this schedule.

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Duration of Charge Restriction Conditions

- 41. The charge restriction conditions in this schedule shall apply so long as the ADWEC Licence continues in force but shall cease to have effect (in whole or in part as the case may be) if the Licensee delivers to the Bureau a disapplication request made in accordance with paragraph 42 and:
 - (a) the Bureau agrees in writing to the disapplication request; or
 - (b) their application (in whole or in part) is terminated by notice given by the Licensee in accordance with either paragraph 43 or 44.

- 42. A disapplication request shall:
 - (a) be in writing addressed to the Bureau;
 - (b) specify the charge restrictions (or any part thereof) to which the request relates; and
 - (c) state the date from which the Licensee wishes the Bureau to agree that the specified charge restriction conditions shall cease to have effect.

- 43. Save where the Bureau agrees otherwise, no disapplication following delivery of a disapplication request shall have effect earlier than the date which is the later of:
 - (a) the date occurring 18 months after the delivery of the disapplication request; and
 - (b) 31 December 2009.

- 44. If the Bureau has not proposed a modification of the charge restriction conditions before the beginning of the period of 6 months which will end with the disapplication date, the Licensee may deliver written notice to the Bureau terminating the application of such of the charge restriction conditions as are specified in the disapplication request with effect from the disapplication date or a later date.

- 45. Nothing in paragraphs 41 to 44 above shall be taken to imply any limitation to or restriction of the Bureau's power to modify this Licence in accordance with Article (98) of the Law.

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Definitions

In this schedule

AED	means the lawful currency of the United Arab Emirates; fi shall be interpreted accordingly.
Annual Economic Report	means the Economic Report issued annually by the UAE Ministry of Planning (General Planning Department).
Annual Information Submission	means, in relation to each of the Separate Businesses, the information required to be submitted by the Licensee on annual basis in the form approved by the Bureau, accompanied by the Technical Assessor's report described in paragraph 19 or 39, as the case may be.
average specified rate	means the average of the monthly average one year inter-bank deposits rates published by the Central Bank of U.A.E. (or such other bank as the Bureau shall specify from time to time) during the period in respect of which the calculation falls to be made.
Excluded Income	means, in relation to each of the Separate Businesses, any amounts due in respect of damages, claims, late payments or events of default under the Power and Water Purchase Agreements, and, for the avoidance of doubt, any income from activities other than Licensed Activities for which the Licensee has received the Bureau's consent in accordance with Condition 2.
Price Control Return	means the statement required by paragraph 17 or 37, as the case may be, for the relevant Separate Business of the Licensee
Regulated Electricity Bulk Supply Revenue	means all the revenue derived from the bulk supply of electricity and ancillary services to the licensed distribution

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operators (measured on an accruals basis), including all charges for such supply, fines, penalties, damages and claims from such operators, but excluding any Excluded Income, after deduction of any taxes based directly on the amounts so derived.

Regulated Water Bulk Supply Revenue

means all the revenue derived from the bulk supply of water to the licensed distribution operators (measured on an accruals basis), including all charges for such supply, fines, penalties, damages and claims from such operators, but excluding any Excluded Income, after deduction of any taxes based directly on the amounts so derived.

relevant year

means a calendar year commencing on or after 1 January 2006. Accordingly, the first relevant year means the calendar year commencing on 1 January 2006; the second relevant year means the calendar year commencing on 1 January 2007; the third relevant year means the calendar year commencing on 1 January 2008; and so on.

relevant year t

means that relevant year for the purposes of which any calculation falls to be made; **relevant year t-1** means the relevant year preceding relevant year t or, in respect of the period of 12 calendar months commencing on 1 January 2007, the period of 12 calendar months commencing on 1 January 2006; and similar expressions shall be construed accordingly.

Technical Assessor

means a suitably-qualified independent organization appointed by the Licensee with the prior written approval of the Bureau.

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