

KINGDOM OF SAUDI ARABIA



CHARTER OF THE ELECTRICITY & COGENERATION REGULATORY AUTHORITY

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Disclaimer: This is an unofficial translation of the Charter from the Arabic original. It is provided for the convenience of non-Arabic speakers. The Arabic text is the official reference and shall govern in case of disagreement between the English and Arabic versions.

ARTICLE ONE:

The following terms and phrases, wherever mentioned in this Charter, shall have the meanings expressed next to them, unless the context requires otherwise:

Ministry:	The Ministry of Water and Electricity.
Minister:	The Minister of Water and Electricity.
Authority:	The Electricity & Cogeneration Regulatory Authority.
Governor:	The Governor of the Authority.
Board:	The Board of Directors of the Authority.
Law:	Electricity Law promulgated by Royal Decree No. (M/56) on 20/10/1426 AH.
Charter:	Charter of the Electricity & Cogeneration Regulatory Authority.
Person:	Natural or corporate person.
Electricity and Water Desalination Industry:	Electricity services that Persons undertake or intend to undertake, which include electricity generation, cogeneration, transmission of electricity, its distribution, supply and trading; water desalination, its transportation to points of distribution, and trading in desalinated water.
Cogeneration:	The simultaneous production of electricity and desalinated water (or steam) used in other production processes, or both.
Water Desalination:	Production of desalinated water, through treatment of saline water, without simultaneous generation of electricity.

Electricity Activity:	Any of the activities mentioned under Electricity and Water Desalination Industry.
Consumer:	Any Person supplied with electricity services for his own consumption.
Licence:	An authorisation granted by the Authority to carry out an Electricity Activity pursuant to the Law, its implementing regulations and this Charter and its implementing and procedural regulations issued by the Authority.
Authorization:	A document issued by the Authority relating to preparatory activities (including preparation of plans and performing studies) prior to commencement of actual execution of an Electricity Activity.
Licensee:	Any Person holding a valid Licence issued by the Authority authorizing him to carry out an Electricity Activity.
Trading:	The sale, purchase, import or export of a product or service included in Electricity Activities.
Tariff:	The approved monetary charge for provision of a service or product included in Electricity Activities.
Price:	Monetary or in-kind charge agreed upon between two or more Persons for provision of a service or product included in Electricity Activities.
Electricity Market:	The condition in which the sale and purchase of electricity are subject to free market factors where Price is governed by the law of supply and demand.
Cross Subsidy:	The exchange of financial support between two

or more regions or (entities).

Committee:

The Electricity Industry Dispute Resolution Committee established pursuant to Article Thirteen of the Law.

ARTICLE TWO:

- 1- The Authority shall have an independent corporate identity and shall enjoy financial and administrative autonomy. It shall exercise its responsibilities and duties pursuant to the Law and the Charter.
- 2- The headquarters of the Authority shall be located in Riyadh and it may establish branches or offices at other locations in the Kingdom.

ARTICLE THREE:

The Authority shall regulate and supervise the Electricity and Desalinated Water Industry, monitor its performance, coordinate between the relevant institutions, entities, and Licensees in order to establish a regulatory and procedural framework that is necessary for performing Electricity Activities and water desalination at high levels of quality and reliability with appropriate Prices and Tariffs that support sustainable development.

ARTICLE FOUR:

With due regard to the responsibilities of the Authority prescribed in the Law, and in the context of the policies and general plans for electricity, the Authority shall undertake regulation of the Electricity and Water Desalination Industry throughout the Kingdom and shall issue the rules and procedures to carry out this task. Specifically, it shall:

- 1- Undertake advancement of Consumer-oriented electricity services and protection of Consumer's rights, including right of choice among competing Licensees carrying out an Electricity Activity, at competitively reasonable Prices established on a commercial basis that ensure fairness to Consumers in obtaining reliable electricity services.
- 2- Undertake encouragement of the local and international private sector to invest and participate in the systematic expansion and development of the Electricity and Water Desalination Industry, as well as undertake protecting the investment and enabling the investor to realize a fair economic return taking into account the costs of service through a fair and clear electricity

Price and Tariff structure that is used until an Electricity Market governed by competitive factors is established.

- 3- Undertake to prepare the Electricity and Water Desalination Industry within the Kingdom for gradual transition to the Electricity Market, establish that market when suitable conditions are created, and administer the Electricity Market once it has been created.
- 4- Ensure that the Electricity and Water Desalination Industry conforms with the Government policies, directives and requirements concerning security of electricity supplies, sustainable economic development and the general welfare of society.
- 5- Undertake to increase the opportunities of Consumers to obtain electricity supplies as well as undertake to extend the electricity service to areas not served by the Electricity and Water Desalination Industry.
- 6- Undertake to provide electricity supplies that are safe, secure, reliable, and of high efficiency.
- 7- Undertake to provide a clear, stable, and non-discriminatory regulatory framework for the Electricity and Desalinated Water Industry.
- 8- Undertake to protect the public interest and the rights and interests of Consumers, Licensees, and investors in the development of the Electricity and Water Desalination Industry.
- 9- Coordinate with relevant institutions and entities to create a suitable environment to encourage and support legitimate competition and restrain monopoly in the Electricity and Water Desalination Industry.
- 10- Undertake to complete the development of the fundamental organizational structure of the Electricity and Water Desalination Industry in the Kingdom in a systematic manner – that includes unbundling the various activities into generation, transmission, distribution, and trading that are financially and administratively independent - through a fair and effective process that enhances competition in the Electricity and Water Desalination Industry, and maximizes its financial, technical and administrative performance .
- 11- Undertake promoting the Electricity and Water Desalination Industry in the Kingdom reaching high standards in its operating processes and technologies used, including encouraging research and development in this domain.
- 12- Undertake to meet approved environmental standards and measures in the Electricity and Water Desalination Industry.
- 13- Perform periodic reviews in accordance with scientific and technical principles of the cost of electricity, cogeneration, and water desalination services without allowance for Cross Subsidy between goods produced or services offered, and submit periodic reports of such reviews to the Council of Ministers.

- 14- Perform periodic reviews of the Tariff structure of the Electricity Activities that are offered to Consumers, propose modifications to such structure, and submit recommendations to the Council of Ministers.
- 15- Prepare periodic reports to be submitted to the Council of Ministers on the status and condition of the Electricity and Water Desalination Industry throughout the Kingdom including achievements, impediments, and developments.
- 16- Promote, through specialized institutes, universities and private sector organizations, research and development activities in the Electricity and Water Desalination Industry, and the supporting industry of electrical equipment and tools.
- 17- Extend support and advice to government and private sector organizations regarding development of the capabilities of the Electricity and Water Desalination Industry and the electrical equipment and tools industry.
- 18- Represent the Kingdom and promote its interests in relations with similar foreign regulatory authorities in areas that come under the purview of the Authority.

ARTICLE FIVE:

In order to achieve its responsibilities, the Authority shall:

- 1- Issue implementing and procedural regulations of the Law in areas that are under its purview, as well as issue implementing and procedural regulations of the Charter. Such rules and regulations shall include the following:
 - a. technical, environmental, operational, investment, and procedural regulations;
 - b. standards of performance that the Licensees must meet;
 - c. rules that govern relations among the Licensees, and between them and Consumers;
 - d. specifying, classifying and updating the types of Electricity Activities in a manner that ensures achieving the best means of firmly establishing the principles of legitimate competition and restraining monopoly ; and
 - e. regulations necessary for Licenses and Authorizations including the rules for their fees and the obligations.
- 2- Take necessary measures, as public interest requires, to provide supplemental sources of electricity generation, cogeneration, transmission of electricity and its distribution in the event of expectation of a significant shortage in the supply of electricity.

- 3- Take necessary measures to enforce the provisions of the Law, the Charter and their implementing regulations for matters under its purview.
- 4- Monitor implementation of regulations and rules covering administrative, accounting, and investment activities of the Licensees pursuant to the provisions of the Law, the Charter, and their implementing regulations.
- 5- Work, in coordination with the Ministry, the Ministry of Petroleum & Mineral Resources, and other relevant entities, to ensure the availability of fuel needed for the Electricity and Water Desalination Industry and ensure optimum utilisation of fuel resources and types in order to realize the best return for the national economy, and, to this end, adopt a long term plan that shall include, but not be limited to, the following:
 - a. increasing the efficiency of production and utilization of the Electricity and Water Desalination Industry;
 - b. taking into consideration approved environmental protection standards and measures; and
 - c. encouraging projects for electricity and water cogeneration plants and giving them priority in operation.
- 6- Place under custodianship, in conformity with the provisions of the Law and in accordance with the rules and procedures adopted by the Authority, the activities of any Person who violates provisions of the Law, the Charter, their implementing regulations, or the rules and procedures promulgated by the Authority.
- 7- Issue Licenses and Authorizations to any Person undertaking or intending to undertake an Electricity Activity, and renew or modify such Licenses and Authorizations.
- 8- Monitor the performance of Licensees, and take necessary measures that insure their compliance with the conditions stipulated in their Licenses or Authorizations, including type and quality of service, with a view to reinforcing the principles of legitimate competition and restrict monopoly.
- 9- Take measures that ensure adherence of Licensees and Consumers to the requirements of public interest.
- 10- Enhance efforts concerned with monitoring performance of the Electricity and Water Desalination Industry in accordance with professional rules and practices of the industry, adopt performance standards for services within the Electricity and Water Desalination Industry, and monitor compliance with such standards.

- 11- Propose amendments to the Law in coordination with the Ministry, as well as propose amendments to the Charter, and submit them following approved legal procedures.
- 12- Establish rules and procedures for recording violations of the Law, the Charter and their implementing regulations.
- 13- Without transgressing on the jurisdiction of the Committee stipulated in the Law, deal with matters, issues, and complaints related to the electricity industry and water desalination raised by relevant parties, especially Consumers, Licensees or those dealing with the Licensees, and try to resolve them.
- 14- Cooperate with the Ministry, relevant government agencies, Licensees, universities, and specialized institutes to develop a comprehensive program and a public relations campaign for conservation of electrical energy.
- 15- Undertake any other duties assigned to it by laws and regulations.

ARTICLE SIX:

Firstly: The Authority shall have a board of directors chaired by the Minister and membership of each of the following:

The Governor, who shall serve as vice-chair of the Board.
A representative of the Ministry of Water and Electricity.
A representative of the Ministry of Finance.
A representative of the Ministry of Petroleum & Mineral Resources.
A representative of the Ministry of Commerce and Industry.
A representative of the Ministry of Economy and Planning.
A representative of the Saline Water Conversion Corporation.
Five members at large appointed by a Council of Ministers decision upon recommendation of the Minister.
With the exception of the Minister and the Governor, members are appointed for a three-year term, renewable once for an equal period.

Secondly: Remuneration of members for attending Board meetings shall be set by a decision of the Council of Ministers.

ARTICLE SEVEN:

Supreme governance of the Authority resides with the Board which oversees its management, directs its affairs, establishes master plans for its operations, and follows up implementation of laws, regulations and approved plans concerning

public policies of the electricity sector, cogeneration projects and water desalination. The Board powers include all powers connected with responsibilities of the Authority stipulated in the Law and the Charter. They also include, but are not limited to, the following:

- 1- Approving the organization chart of the Authority.
- 2- Approving the Authority's internal, financial, and administrative bylaws which include the rules and conditions for employment as well as Authority staff rights, responsibilities, and other matters related to employment.
- 3- Approving the implementing regulations of the Law in matters concerning the responsibilities of the Authority, and the implementing regulations of the Charter.
- 4- Approving technical, environmental, operational, and procedural bylaws; procedures, rules and standards.
- 5- Approving the Authority's work plan and its operational plans within the framework of the government overall plan.
- 6- Approving the Authority's proposed budget, its closing accounts, the auditor's report, and the annual report prior to their submittal to higher authorities in accordance with legal requirements.
- 7- Approving rules for Licenses, Authorizations and other services offered by the Authority, and determining their fees.
- 8- Approving the rules of operations and procedures of the Committee.
- 9- Issuing rules concerning imposition of custodianship action on the activities of any Person who violates the provisions of the Law, the Charter, their implementing regulations or the conditions of (*his*) License.
- 10- Approving the purchase, sale, and rental of real estate for the interest of the Authority with the aim of achieving its objectives.
- 11- Constituting committees, and delegating to them the authorities that are necessary to accomplish their mandates.

The Board may also delegate to others some of the tasks listed above as dictated by the work needs of the Authority.

ARTICLE EIGHT:

- 1- Meetings of the Board shall be convened in the headquarters of the Authority, and when needed, may be held at another location within the Kingdom.
- 2- The Board shall hold at least four meetings per year called by the chair and will further convene whenever public interest demands. The call for a meeting shall be accompanied by the meeting agenda. The chair must call

for a meeting if at least four Board members request it. A simple majority of members that includes the chair or his deputy constitutes a proper quorum for a meeting. Board decisions are made by a simple majority of members present in the meeting, and in the case of a tie, the side with which the chair of the meeting votes prevails.

- 3- Board deliberations and decisions shall be recorded in minutes signed by the chair and the members present. Whenever the Board deems it necessary to inform Licensees or Consumers of a decision, such a decision shall be published in the official gazette and any other medium the Authority sees fit, provided such publication does not violate public interest or confidentiality of work. The Authority shall transmit such decisions directly through suitable means to the entities for whom the decisions are relevant.
- 4- A Board member may not abstain from voting, and he may not give a proxy to another member to vote on his behalf in his absence. A member is entitled to record his objection and reasons for the objection in the minutes of the meeting.
- 5- A member shall not divulge any secrets of the Authority that come to his knowledge.
- 6- The Board may invite to its meetings anyone it determines needed to assist it with his knowledge and expertise, but he shall not be eligible to vote.

ARTICLE NINE:

The Authority shall be administered by a governor, holding the Mumtazah (*ministerial*) rank, appointed by a Royal Order upon recommendation of the Minister. He shall be the chief executive officer of the Authority responsible for administering it and managing its affairs, and shall exercise his responsibilities within the purview of the Law, the Charter, and Board decisions. Specifically, the Governor shall be vested with the following powers and responsibilities:

- 1- Supervise the Authority's staff in accordance with the powers assigned to him by the bylaws.
- 2- Issue orders for Authority expenditures in accordance with the approved annual budget.
- 3- Propose the Authority's financial, administrative, and technical bylaws, submit them to the Board, and oversee their implementation after their adoption.
- 4- Pursue execution of Board decisions.
- 5- Submit reports periodically to the Board regarding the work of the Authority, its accomplishments and its activities.

- 6- Propose the Authority's plans and programs, submit them to the Board, and pursue their implementation after their approval by the Board.
- 7- Submit to the Board proposals and recommendations regarding matters delineated in Articles (Four), (Five), and (Seven) of this Charter.
- 8- Prepare the Authority's budget and annual report, supervise preparation of closing accounts, and submit them to the Board.
- 9- Represent the Authority in dealings with judicial, administrative and other bodies.
- 10- Approve issuance of Licenses and Authorizations that is necessary for undertaking any Electricity Activity pursuant to approved bylaws and procedures.
- 11- Issue decisions that are necessary to implement the provisions of the Law, its implementing regulations (that are related to the responsibilities of the Authority), the Charter, its implementing regulations, and approved rules and procedures according to the powers granted to him.
- 12- Exercise the powers granted to him by Board decisions, and laws and regulations of the Authority.

The Governor may delegate some of his powers and duties to others.

ARTICLE TEN:

The Governor shall have one or more vice-governors appointed by the Board upon his recommendation. The vice-governors shall perform work and exercise powers as delegated to them by the Governor within the purview of the Law, the Charter, and the bylaws and approved procedures of the Authority.

ARTICLE ELEVEN:

The Governor may not be an owner or a share holder in any licensed entity. Similarly, a Board member, a member of the Authority's staff, or a consultant to it may not be a director, an officer, an owner, a significant partner, a board member or a consultant of a licensed entity. The implementing regulations shall describe rules of declaration and conflict of interest.

ARTICLE TWELVE:

The Labor Law and the Social Insurance Law shall apply to all staff members of the Authority, except the Governor.

ARTICLE THIRTEEN:

The financial resources of the Authority shall consist of the following:

- Fees for Licenses and Authorizations issued by the Authority.
- Fees charged by the Authority for services and work it offers to Licensees and others in accordance with the Law and the Charter.
- Revenue from fines imposed pursuant to the Law and the Charter.

ARTICLE FOURTEEN:

A fine or any amount due to the Authority from others shall be considered a debt owed by them to the Authority and shall be collected pursuant to the Collection of Government Funds Law or as provided for in the conditions of the Licenses and Authorizations in accordance with the procedures set in the implementing regulations of the Charter.

ARTICLE FIFTEEN:

The Authority shall have an independent annual budget. Surplus funds collected by the Authority shall be transferred to the Ministry of Finance after deducting all current, capital, and other expenses needed by the Authority. The Authority shall maintain a general reserve equal to double the total expenses shown in its previous annual budget.

ARTICLE SIXTEEN:

The Authority shall deposit its funds in an account bearing its name at the Saudi Arabian Monetary Agency, open accounts at banks licensed to work in the Kingdom, and draw from these accounts for expenditures in accordance with the approved budget.

ARTICLE SEVENTEEN:

The financial year for the Authority shall coincide with that of the Government.

ARTICLE EIGHTEEN:

Without prejudice to the prerogative of the General Audit Bureau to audit the accounts of the Authority, the Board shall appoint one (or more) external auditor(s) from persons licensed to work in the Kingdom and determine his (their) fee(s). In the case of multiplicity of auditors, they shall be jointly and collectively responsible to the Authority for their works. The auditor's report shall be submitted to the Board and a copy shall be sent to the General Audit Bureau.

ARTICLE NINETEEN:

This Charter replaces the Charter issued by the Council of Ministers Decision Number 236 issued on 27/8/1422 AH and its amendments.

ARTICLE TWENTY:

The implementing regulations of the Charter shall be issued within one-hundred-eighty days from the date of its publication.

ARTICLE TWENTY ONE:

This Charter shall come into force from the day of its publication in the official gazette.