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THIS AGREEMENT is dated [] and made between:

- (1) **ABU DHABI WATER AND ELECTRICITY AUTHORITY** an organization established in Abu Dhabi and having an office at Al-Salam Street, P.O. Box 6120, Abu Dhabi, United Arab Emirates;
- (2) **THE ELECTRICITY AND WATER AUTHORITY OF THE KINGDOM OF BAHRAIN** having its head office at 2 Diplomatic Area, Manama, Bahrain;
- (3) **SAUDI ELECTRICITY COMPANY** a company incorporated in Saudi Arabia and having its registered office at P.O. Box 22952, Riyadh, 11416, Kingdom of Saudi Arabia;
- (4) **OMAN ELECTRICITY TRANSMISSION COMPANY** a company incorporated in Oman and having its registered office at P.O. Box 1224, Hamriya 131, Sultanate of Oman;
- (5) **QATAR GENERAL ELECTRICITY AND WATER CORPORATION** a Public Corporate Body incorporated in Qatar having its registered office at Dafna Area, Corniche Street 61, State of Qatar;
- (6) **MINISTRY OF ELECTRICITY AND WATER OF THE GOVERNMENT OF THE STATE OF KUWAIT** having its head office at Al Shuhada, Sixth Ring Road, Kuwait;
- (7) **OMAN POWER AND WATER PROCUREMENT COMPANY S.A.O.C.** a company incorporated under the laws of the Sultanate of Oman having its postal address at P.O. Box 1388, Postal Code 112, Ruwi, Sultanate of Oman; and
- (8) **GCC INTERCONNECTION AUTHORITY** (the "Authority") whose articles of association and bylaws were approved by Royal Decree No. M/21 dated 29 July 2001 and whose head office is located in Dammam, Saudi Arabia.

RECITALS:

Whereas:

- (A) The **Member States** have agreed that the interconnection of their national electrical transmission systems through the **Interconnector** will allow:
 - (i) sharing of their **Installed Capacity Resources**;
 - (ii) provision to each other of emergency services;
 - (iii) entry into contracts for the **Provision of Operating Reserve**; and
 - (iv) trading of energy through **Scheduled Energy Transfers**,with the aim of bringing greater service reliability to the Gulf region.

- (B) The Authority has been established by the Member States to carry out The Business.
- (C) By entering into this Power Exchange and Trading Agreement (this "Agreement") the Authority, the TSO Parties and the Procurement Parties agree to be bound by Parts I, II, III, and IV of this Agreement.

NOW IT IS HEREBY AGREED, as follows:

Part I - Common Terms

Definitions and Interpretation

1.1 Definitions

The following capitalised terms when used in this Agreement (including any recitals hereof), shall have the following meanings, unless a different meaning is expressly stated:

"Access Conditions" means those conditions for access to the Interconnector, to be agreed by the Authority, Abu Dhabi Water and Electricity Authority, Oman Electricity Transmission Company, and Oman Power and Water Procurement Company,;

"Actual Energy Transfer" means the actual net exports of a Procurement Party at the Connection Point(s) of that Procurement Party's Transmission Network in a Dispatch Period (measured in MWh);

"Additional Interconnector Usage Rights" means rights that may be granted to a Procurement Party to use the Interconnector for purposes of sharing Installed Capacity Resources, entry into contracts for the Provision of Operating Reserve, and trading of energy through Scheduled Energy Transfers, all as more specifically described in clause 30.1.3, which are additional to the basic interconnector usage rights for emergency services set out in clause 30.1.1;

"Advisory and Regulatory Committee" or "ARC" means the committee established by the Member States, reporting to the GCC Electricity and Water Ministerial Committee in accordance with the terms of the General Agreement;

"Affected Connection Point" means the Connection Point notified by the Authority pursuant to clause 21.4.1(b) (Notification of a Transmission Reduction) as being subject to a Required Transmission Reduction;

"Agreed Tariff" means the energy prices determined by the ARC for any Dispatch Period as applying to any energy provided for Type 2 Unscheduled Deviations, in accordance with clause 27.4.3;

“Anti-Competitive Behaviour” means any behaviour by the **Authority** or any **Party**, including any scheme or arrangement between any of them, that has as its objective or effect the prevention, restriction or distortion of competition among all or any of the **Parties**, in respect of the bidding for **Additional Interconnector Usage Rights** at the auctions held pursuant to clause 30 (*Allocation and Pricing of Interconnector Capacity*) and Annex 7 of this **Agreement**, or any further sale or purchase of such rights whether such scheme or arrangement was made before, or is made after, this **Agreement** came into force and whether or not such scheme or arrangement relates expressly or exclusively to bidding;

“Apparatus” means all equipment in which electrical conductors are used, supported or of which they form part;

“Authority’s Connection Assets” means, in respect of each **Connection Point**, the **Apparatus** owned by the **Authority** which is necessary to connect the relevant **TSO Party’s Equipment** to the **Interconnector** at such **Connection Point**;

“Available Transfer Capacity” is a measure of the **Net Transfer Capacity** remaining for allocation by way of **Interconnector Rights for Operations**, over and above that which has already been allocated pursuant to the auction procedure contained in paragraph 10 of Annex 7;

“Average Interconnector Loss Factor” means the expected average rate of transmission losses on the **Interconnector** in a **Dispatch Period**, as more specifically described in clause 26.1.8 (*Notification of Scheduled Exchanges*);

“Board” means the board of directors of the **Authority**;

“Business Day” means any day on which banks are open for general business in the country of domicile of the **Authority**;

“Bylaws” means the bylaws of the **Authority**;

“Charter” means the Charter of the Commercial Arbitration Centre for the States of the Gulf Cooperation Council for the Arab Gulf States;

“Coincident Peak Load” means the load of the **Procurement Party**, measured in MW, during the hour in which the aggregate load of all **Procurement Parties** is at its maximum within a **Planning Period**, **Obligation Period**, or other annual period;

“Combined System” means the **Interconnector** and the **Transmission Networks** of each **TSO Party**;

“**Commencement Notice**” means the notice issued by the **Authority** to a **TSO Party** stating the date and time upon which the **Authority’s Connection Assets** and such **TSO Party’s Equipment** will be energised pursuant to clause 18.3 (*Connection Notice*);

“**Commissioning Programme**” means the commissioning programme for the **Interconnector**;

“**Compensation Period**” means a period of seven (7) days as defined in clause 27.5.2 (*Compensation in Kind*) within which full compensation in kind must be made for **Unscheduled Deviations** made in a specified **Recording Period**;

“**Confidential Information**” has the meaning set out in clause 12.1 (*Confidentiality Obligations*);

“**Connection Conditions**” means those conditions for connection to the **Interconnector** as set out in the **Interconnector Transmission Code**;

“**Connection Point**” means each location more particularly described and shown in the single line diagrams set out in Annex 1 Part II (*Connection Points*) at which a **TSO Party’s Equipment** and the **Authority’s Connection Assets** required to connect that **TSO Party’s Transmission Network** to the **Interconnector** are situated;

“**Control**” shall mean the possession, directly or indirectly, of the power to direct the management or policies of any entity and unless the contrary is demonstrated to the satisfaction of the **ARC**, **Control** shall be presumed to arise from the ownership of or the power to vote, directly or indirectly, fifty per cent (50%) or more of the voting securities of such entity;

“**Cost Savings**” has the meaning set out in clause 4.1;

“**Critical Incident**” has the meaning set out in the **Interconnector Transmission Code**;

“**Curtailment Schedule**” has the meaning set out in the **Interconnector Transmission Code**;

“**Daily Account**” means the daily account of all **Unscheduled Deviations** for each **Procurement Party** produced by the **Authority** as more specifically defined in clause 27.6.2 (*Accounting and Verification of Unscheduled Deviations*);

“**Daily Compensation Rate**” means the rate of compensation approved from time to time by the **ARC**;

“**Decision**” has the meaning given in clause 7.3.3 (*Consequences of an Event of Default*);

“Decommission” means permanent cessation of use by a TSO Party of Equipment at any given Connection Point;

“Defaulting Party” has the meaning given in clause 7.2 (*Notification of an Event of Default*);

“Designated Date 1” means the date of the completion of the Phase III Works;

“Designated Date 2” means the date of the completion of the later of the Phase II Works and the Phase III Works;

“Disconnect” or “Disconnection” means the temporary or permanent physical disconnection, as the context requires, of Equipment at any given Connection Point or removal of all the Authority’s Connection Assets from that Connection Point;

“Dispatch Period” means a period of one (1) hour, commencing at the beginning of an hour, by which reference to which Actual Energy Transfers and Scheduled Energy Transfers are determined;

“Dollar” or “\$” means the lawful currency of the United States of America;

“Due Date” means any date specified in this Agreement for payments to be made by the Authority or by a Party;

“Energise” or “Energised” means the movement of any isolator, breaker or switch or the removal of any fuse whereby electricity can flow to or from the Interconnector through the Equipment and/or Apparatus and “De-energise” and “De-energisation” and “Re-energise” shall be construed accordingly;

“Energy Transfer” means a transfer of energy between the Connection Points of two Transmission Networks;

“Equipment” means the Plant and Apparatus owned by a TSO Party on the Connection Point which is connected to the Authority’s Connection Assets;

“Event of Default” means an event set forth in clause 6 (*Events of Default, Suspension*);

“Excessive Imbalance Receiver Factor” means the factor to be applied pursuant to clause 27.4.5(b), as approved by the ARC and published by the Authority from time to time, and until such value is published, it shall be zero;

"Excessive Imbalance Sender Factor" means the factor to be applied pursuant to clause 27.4.5(a), as approved by the ARC and published by the Authority from time to time, and until such value is published, it shall be zero;

"Exporting Party" means the Procurement Party to a Scheduled Energy Transfer that is the exporter of the energy;

"Final Account" has the meaning set out in clause 27.6.4 (*Accounting and Verification of Unscheduled Deviations*);

"Final Date" means the date falling twenty five (25) years from the date of completion of the commissioning of the Interconnector Phase I;

"Final Trade Confirmation" means the last Trade Confirmation issued in respect of a Scheduled Energy Transfer no later than one (1) hour prior to the start of the physical delivery of the Scheduled Energy Transfer;

"Fiscal Year" means fiscal year of the Authority being the twelve (12) month period commencing on the 1st of January and ending on the 31st of December of each Gregorian calendar year;

"Force Majeure Event" means in relation to the Authority or any Party any event or circumstance which is beyond the reasonable control of the Authority or such Party and which results in or causes: (i) a failure to perform, or (ii) a delay in performance of part or all of its obligations under this Agreement including without limiting the generality of the foregoing, any Transmission Reduction (other than a Required Transmission Reduction) or failure of facilities which could not have been prevented by Good Industry Practice, flood, earthquake, storm, lightning, fire, explosion, epidemic, war, riot, civil disturbance, labour trouble, other industrial action or strike primarily or substantially aimed at the Authority or a Party or its suppliers, subcontractors, agents or employees (provided that the settlement of strikes and labour disturbances is not wholly within the discretion of the Authority or the Party having the difficulty), sabotage and restraint by court or public authority but does not include (a) lack of funds (b) inability of the Authority or a Party to pay (c) events affecting a contractor or supplier of the Authority or the Party that would not have constituted a Force Majeure Event under this Agreement or (d) mechanical or electrical breakdown or failure of machinery, Apparatus, Equipment or Plant owned or operated by the Authority or the Party other than as a result of the circumstances identified in paragraph (ii) above;

"Gate Closure" means in relation to any Dispatch Period the deadline before which any Valid Trade Notifications must be submitted to the Authority by a TSO Party. This deadline is set initially at three (3) hours before the start of the Dispatch Period in which

the **Energy Transfer** referred to in the **Valid Trade Notification** is to take place, but may be revised in accordance with a decision made by the **ARC**;

"**GCC Electricity and Water Ministerial Committee**" means the committee established by the **Member States** for the purpose of co-operation in the fields of electricity and water, where each **Member State** is represented by a government minister, and agreed by the **Member States** to be the body to which the **ARC** reports;

"**General Agreement**" means the general agreement entered into between the **Member States** prior to the execution of this **Agreement**;

"**Generator Forced Outage**" has the meaning set out in the **Interconnector Transmission Code**;

"**Generator Maintenance Outage**" has the meaning set out in the **Interconnector Transmission Code**;

"**Good Industry Practice**" means in relation to any undertaking and any circumstances, the exercise of that degree of skill, diligence, prudence and foresight which would reasonably and ordinarily be expected from a skilled and experienced operator engaged in the same type of undertaking under the same or similar circumstances;

"**Importing Party**" means the **Procurement Party** to a **Scheduled Energy Transfer** that is the importer of the energy;

"**Independent Expert**" means the expert chosen by unanimous decision of the **Planning Committee**, provided that:

- (a) where the **Planning Committee** fails to reach a unanimous decision on a suitable expert within seven (7) days; or
- (b) where any independent expert chosen refuses or ceases to act in the capacity set out herein and no substitute expert of suitable standing and qualification can be chosen by the **Planning Committee** within thirty (30) days by unanimous decision;

then such expert as the Institution of Engineering and Technology, London, UK, shall, on the application of the **Authority**, nominate as the independent expert;

"**Insolvency Event**" means in respect of the **Authority** or a **Party** the occurrence of any of the following:

- (a) the passing of a resolution for the bankruptcy, insolvency, winding up, liquidation of, or similar proceeding against or relating to the **Authority** or that **Party**; and/or

- (b) the appointment of a trustee, liquidator, custodian or similar person in connection with any matter or proceeding referred to at (a) above, where the appointment is not set aside or stayed within sixty (60) days of such appointment; and/or
- (c) a court which has jurisdiction making an order to wind up or otherwise confirming the bankruptcy or insolvency of any **Party** or the **Authority**, where the order is not set aside or stayed within sixty (60) days;

"Installed Capacity Interconnector Rights" means the rights offered for sale by the **Authority** to the **Procurement Parties** in accordance with Annex 7, paragraphs 4 to 8 (inclusive), pursuant to which a **Procurement Party** may use **Installed Capacity Resources** located in another **Procurement Party's Transmission Network** for the purposes of contributing towards meeting its **Installed Capacity Obligation**;

"Installed Capacity Obligation" means the quantity of **Installed Capacity Resources** that a **Procurement Party** is obliged to maintain in an **Obligation Period**, as determined by the **ARC** pursuant to clause 29.1 (*The Installed Capacity Obligation*);

"Installed Capacity Resource" means those megawatts of net capacity, rated at summer conditions, which are not on average experiencing a **Generator Forced Outage** or forced derating (such average to be calculated over a twelve (12) month period) and which are accredited to a **Party** pursuant to clause 29.7 (*Nature of Resources*);

"Installed Reserve Margin" means the **Installed Capacity Obligation** of a **Procurement Party** expressed as the percentage by which that **Installed Capacity Obligation** exceeds the **Coincident Peak Load** of the **Procurement Party**;

"Intellectual Property" means patents, trade marks, service marks, rights in designs, trade names, copyrights and topography rights (whether or not any of the same are registered and including applications for registration of any of the same) and rights under licences and consents in relation to any of the same and all rights or forms of protection of a similar nature or having equivalent or similar effect to any of the same which may subsist anywhere in the world;

"Interconnector" means:

- (a) prior to the **Designated Date 1**, the **Interconnector Phase I**; and
- (b) on and from the **Designated Date 1**, the **Interconnector Phase I** and the **Interconnector Phase III**;

"Interconnector Phase I" means the electrical transmission system, consisting mainly of high voltage lines and connection equipment, developed by the **Authority** which connects to the high voltage electrical transmission systems of the Kingdom of Bahrain, the Kingdom of Saudi Arabia, the State of Qatar and the State of Kuwait at the connection sites as shown in the map set out in Annex 1 Part I (*Map of the Interconnector*);

"Interconnector Phase III" means the electrical transmission system consisting mainly of high voltage lines and connection equipment developed by the United Arab Emirates and the Sultanate of Oman which connects the high voltage electrical transmission systems of those States at the connection sites as shown in the map set out in Annex 1 Part I (*Map of the Interconnector*);

"Interconnector Rights for Operations" means the rights offered for sale by the **Authority** to the **Procurement Parties** in accordance with Annex 7, paragraphs 9 to 16 (inclusive), pursuant to which a **Procurement Party** may use the **Interconnector** for **Energy Transfers** with another **Procurement Party** and use **Operating Reserves** located in another **Procurement Party's Transmission Network** for the purposes of contributing towards meeting its **Operating Reserves** obligations under the **Interconnector Transmission Code**;

"Interconnector Transmission Code" means the most recent version of the interconnector transmission code approved by the **ARC** and published by the **Authority** setting out the technical provisions which the **Authority**, the **TSO Parties** and the **Procurement Parties** will observe when operating and using the **Interconnector**, and prior to approval of the interconnector transmission code, Version 1.00 attached at Part IV of the **PETA**, which shall be used for guidance purposes only;

"Loss of Load Expectation" has the meaning set out in Section 3.3.1 of the **Updated Techno-Economic Analysis Report**;

"Metering Code" means the **Metering Code** set out in the **Interconnector Transmission Code**;

"Member States" means all of:

- (a) the United Arab Emirates;
- (b) the Kingdom of Bahrain;
- (c) the Kingdom of Saudi Arabia;
- (d) the Sultanate of Oman;

(e) the State of Qatar; and

(f) the State of Kuwait,

which have entered into the **General Agreement**, and "**Member State**" means any one of them;

"**Minimum Compensation In Kind Threshold**" means a threshold measured in MWh to be applied pursuant to clause 27.8 (*Failure to Provide Compensation in Kind*), as approved by the ARC and published by the Authority from time to time, and until such value is published, it shall be zero MWh;

"**Net Sum of Scheduled Energy Transfers**" means the scheduled net exports of a **Procurement Party** at the **Connection Point(s)** of that **Procurement Party's Transmission Network** in a **Dispatch Period** (measured in MWh) and is calculated as follows:

- (a) the sum of all **Scheduled Energy Transfers** for which that **Procurement Party** is the **Exporting Party**, minus
- (b) the sum of all **Scheduled Energy Transfers** for which that **Procurement Party** is the **Importing Party**;

"**Net Transfer Capacity**" means the maximum exchange measured in MW per hour, between two or more **Transmission Networks** compatible with security standards applicable to both **Transmission Networks** and taking into account the technical uncertainties on future network conditions and is calculated as follows:

TTC - TRM

Where:

TTC is the **Total Transfer Capacity**; and

TRM is **Transmission Reliability Margin**;

"**New Legislation**" means any legislation, rule, regulation, direction or order which is brought into effect in any **Member State** after the date of execution of this **Agreement**;

"**New Party**" means a **New TSO Party**, or **New Procurement Party**;

"**New Procurement Party**" has the meaning given to it in clause 11.1 (*New Legislation and Notice*);

"**New TSO Party**" has the meaning given to it in clause 11.1 (*New Legislation and Notice*);

"**Non-Defaulting Parties**" has the meaning given to it in clause 7.2 (*Notification of an Event of Default*), and "**Non-Defaulting Party**" shall be construed accordingly;

"**Notice of Default**" has the meaning given to it in clause 7.2 (*Notification of an Event of Default*);

"**Obligation Period**" means a period of one (1) year, commencing five (5) years after the start of the corresponding **Planning Period**;

"**Operations Committee**" means a committee of this name set up by the **Board** in accordance with the **Byelaws**;

"**Operating Reserves**" has the meaning set out in the **Interconnector Transmission Code**;

"**Operating Reserves Default Charge Factor**" means the factor to be applied pursuant to clause 7.3.4, as approved by the **ARC** and published by the **Authority** from time to time, and until such value is published, it shall be zero;

"**Parties**" means:

- (a) **TSO Parties**; and
- (b) **Procurement Parties**;

and "**Party**" means any one of them;

"**Parties in Dispute**" has the meaning set out in clause 13.1 (*Alternatives to Arbitration*);

"**Performance Standards**" means the performance standards approved by the **ARC** and used to measure and assess the services the **Authority** provides to the **Parties** in carrying on **The Business**;

"**Phase II Works**" means the construction works to be carried out by the United Arab Emirates to reinforce its **Transmission Network** as described in the **Updated Techno-Economic Analysis Report**;

"**Phase III Works**" means the construction works to be carried out at the direction of the United Arab Emirates and the Sultanate of Oman to connect their electrical transmission systems for the purposes of interconnection that is intended to form part of the **Interconnector** and the construction works to be carried out by the **Authority** which will extend the **Interconnector Phase I** from Salwa to Silaa;

“**Planning Committee**” means a committee of this name set up by the **Board** in accordance with the **Bylaws**;

“**Planning Period**” means a period of one (1) year, starting on 1 April and ending on 31 March, or such other period as determined by the **Planning Committee**;

“**Plant**” means fixed and moveable items used in the generation and/or supply and/or transmission of electricity other than **Apparatus**;

“**Power Exchange and Trading Agreement**” means this **Agreement**;

(a) “**Procurement Party**” means the person within each **Member State** that is designated to be responsible for the planning and procurement of new generating capacity and for the sale and purchase of power and/or energy across the Interconnector prior to the **Designated Date 1**:

- (i) The Electricity and Water Authority of the Kingdom of Bahrain;
- (ii) Saudi Electricity Company;
- (iii) Qatar General Electricity and Water Corporation;
- (iv) Ministry of Electricity and Water of the Government of the State of Kuwait;

(b) on and following the **Designated Date 1** but prior to the **Designated Date 2**:

- (i) The Electricity and Water Authority of the Kingdom of Bahrain;
- (ii) Saudi Electricity Company;
- (iii) Qatar General Electricity and Water Corporation;
- (iv) Ministry of Electricity and Water of the Government of the State of Kuwait;
- (v) Abu Dhabi Water & Electricity Authority; and

(c) on and following the **Designated Date 2**:

- (i) The Electricity and Water Authority of the Kingdom of Bahrain;
- (ii) Saudi Electricity Company;
- (iii) Qatar General Electricity and Water Corporation;

- (iv) Ministry of Electricity and Water of the Government of the State of Kuwait;
- (v) Abu Dhabi Water & Electricity Authority; and
- (vi) Oman Power and Water Procurement Company;

"Procurement Party's Transmission Network means, in respect of:

- (a) Abu Dhabi Water & Electricity Authority the **Transmission Network** owned and operated by Abu Dhabi Transmission & Despatch Company; and
- (b) Oman Power and Water Procurement Company the **Transmission Network** owned and operated by Oman Electricity Transmission Company; and
- (c) any other **Procurement Party** the **Transmission Network** owned and operated by that **Procurement Party**,

and **"Procurement Parties' Transmission Networks"** shall be construed accordingly;

"Proposed Amendments" means the amendments as described in clause 11.1.1 (*New Legislation and Notice*);

"Provision of Operating Reserve" means the arrangements between **Procurement Parties** and the **Authority** for the transfer of **Operating Reserves** between the **Procurement Parties' Transmission Networks** as more specifically defined in clause 25.1(e) (*Purpose of the Terms applicable to Trading*);

"Receiver of Unscheduled Energy" means a **Procurement Party** with an **Unscheduled Deviation** in the form of an import of energy from the **Interconnector**, relative to their **Net Sum of Scheduled Energy Transfers**;

"Recording Period" means a period normally of seven (7) days, as defined in clause 27.3 (*Recording of Unscheduled Deviations*);

"Registered Capacities" means the electrical import capacity and/or the electrical export capacity of each **Connection Point** as set out in Annex 2 (*Registered Capacities*), or as may be amended by the **Planning Committee** from time to time and notified in writing to the **Parties**;

"Required Transmission Reduction" means any reduction or restriction of the **Net Transfer Capacity** which results from circumstances set out in clauses 21.1 (*Emergencies*), 21.2 (*Interruption by Protective Devices*) and/or 21.3 (*Maintenance*);

"Scheduled Energy Transfer" means an **Energy Transfer** that has been scheduled to take place in accordance with the **Interconnector Transmission Code**;

"Sender of Unscheduled Energy" means a **Procurement Party** with an **Unscheduled Deviation** in the form of an export of energy onto the **Interconnector**, relative to their **Net Sum of Scheduled Energy Transfers**;

"Shares" means the ordinary shares of one thousand **Dollars** (\$1,000) each in the capital of the **Authority**;

"Specified Date" means the date set by the **ARC** on which the **Performance Standards** shall take effect;

"Step-Out Date" means the date designated by the **Authority** with the **ARC's** approval in accordance with clause 7.3.5 (*Consequences of an Event of Default*) upon which the applicable **Member State** must assume the obligations of a **Defaulting Party** in accordance with clause 7.3.8;

"Step-Out Notice" means the notice given to a **Defaulting Party** by the **Authority** setting out the **Step-Out Date** as described in clause 7.3.5 (*Consequences of an Event of Default*);

"Step-Out Payment" means the payment following a **Step-Out Date** determined by the **Authority** in accordance with the methodology and calculations recommended by the **ARC** pursuant to clause 7.3.10 (*Consequences of an Event of Default*);

"Suspended Party" means a **Party** which has committed an **Event of Default**, as more specifically defined in clause 6.2.1 (*Suspension*);

"Suspension Period" means the period of time set by the **Authority** in accordance with clause 6.2.3 (*Suspension*);

"System Stress" has the meaning set out in the **Interconnector Transmission Code**;

"Tariff Period" means a time interval fixed according to the provisions of clause 27.2 (*Measurement of Unscheduled Deviations*), during which **Unscheduled Deviations** are attributed the same value for offsetting by compensation in kind;

"Updated Techno-Economic Analysis Report" means the report entitled: "Gulf Cooperation Council Interconnection Authority – GCCIA, GCC Electrical Interconnection Grid, Update of Techno Economic Analysis Report, Final, Volume 1 – Main Report, March 2004, Gulf Investment Corporation, SNC Lavalin International, White & Case";

“**The Business**” means the construction, operation and maintenance by the **Authority** of the **Interconnector** for the purpose of allowing the **Procurement Parties** to: (i) enter into contracts for the provision of sharing of **Installed Capacity Resources**; (ii) provide emergency services; (iii) enter into contracts for the **Provision of Operating Reserves**; and (iv) trade energy; and all matters incidental thereto, in accordance with the terms of this **Agreement**;

“**Total Transfer Capacity**” or “**TTC**” means the maximum exchange program between two or more **Transmission Networks** compatible with security standards applicable to those **Transmission Networks** if future network conditions, generation and load patterns are perfectly known in advance;

“**Trade Confirmation**” means a notice confirming that the proposed **Energy Transfer** set out in a **Valid Trade Notification** is a **Scheduled Energy Transfer**;

“**Transit System**” means a **Procurement Party’s Transmission Network** that is utilised for a **Scheduled Energy Transfer**, where that **Procurement Party** is neither the **Importing Party** nor the **Exporting Party**;

“**Transmission Network**” has the meaning set out in the **Interconnector Transmission Code**;

“**Transmission Reduction**” means an event or occurrence which:

- (a) reduces or restricts the **Net Transfer Capacity**; or
- (b) reduces or restricts the transmission capacity in a **Procurement Party’s Transmission Network**;

“**Transmission Reliability Margin**” means a security margin that copes with uncertainties on the computed **TTC** values arising from:

- (a) **Unscheduled Deviations** of physical flows during operation, including those due to the physical functioning of **Operating Reserves**;
- (b) emergency exchanges between the **TSO Parties** to cope with unexpected unbalanced situations in real-time; and
- (c) inaccuracies, for example in data collection and measurements;

“**TSO Party**” means the person within a **Member State** that is designated to be responsible for the operation of the transmission Network of that **Member State** :

- (a) prior to the **Designated Date 1**:

- (i) The Electricity and Water Authority of the Kingdom of Bahrain;
 - (ii) Saudi Electricity Company;
 - (iii) Qatar General Electricity and Water Corporation; and
 - (iv) Ministry of Electricity and Water of the Government of the State of Kuwait;
- (b) on and following the **Designated Date 1** but prior to the **Designated Date 2**:
- (i) The Electricity and Water Authority of the Kingdom of Bahrain;
 - (ii) Saudi Electricity Company;
 - (iii) Qatar General Electricity and Water Corporation;
 - (iv) Ministry of Electricity and Water of the Government of the State of Kuwait; and
 - (v) Abu Dhabi Transmission & Dispatch Authority; and
- (c) on and following the **Designated Date 2**:
- (i) The Electricity and Water Authority of the Kingdom of Bahrain;
 - (ii) Saudi Electricity Company;
 - (iii) Qatar General Electricity and Water Corporation;
 - (iv) Ministry of Electricity and Water of the Government of the State of Kuwait;
 - (v) Abu Dhabi Transmission & Dispatch Authority; and
 - (vi) Oman Electricity Transmission Company,

"Type 1 Unscheduled Deviations" of a **Procurement Party** means the following **Unscheduled Deviations**:

- (a) the whole of any **Unscheduled Deviations** of that **Procurement Party** occurring in any **Dispatch Period** in respect of which the **Authority** has declared there to be an emergency in relation to the operation of the **Interconnector** under the terms of the **Interconnector Transmission Code**;

- (b) the whole of any **Unscheduled Deviations** of that **Procurement Party** occurring in a **Dispatch Period** when the absolute difference between the total **Actual Energy Transfer** of that **Procurement Party** in the **Dispatch Period** and its **Net Sum of Scheduled Energy Transfers** is no more than twenty five (25) MWh; and
- (c) any **Unscheduled Deviations** of that **Procurement Party** occurring in a **Dispatch Period** in respect of which the **Procurement Party** or the relevant **TSO Party** has declared to the **Authority** an emergency situation in its system under the terms of the **Interconnector Transmission Code**, but subject to the following limits, so that any such **Unscheduled Deviations** outside of these limits shall not be regarded as **Type 1 Unscheduled Deviations**:
- (i) not more than six (6) **Dispatch Periods** occurring in a day; and
 - (ii) not more than a total of eighteen (18) **Dispatch Periods** occurring in any calendar year.

Further, for each **Dispatch Period**, if the total **Type 1 Unscheduled Deviations of Receivers of Unscheduled Energy** calculated pursuant to these sub-clauses (a), (b) and (c) is different than the losses-adjusted total **Type 1 Unscheduled Deviations of Senders of Unscheduled Energy**, then extra **Type 1 Unscheduled Deviations** shall exist in that **Dispatch Period**. The extra **Type 1 Unscheduled Deviations** shall be in the amount of this difference. If the total **Type 1 Unscheduled Deviations of Receivers of Unscheduled Energy** calculated pursuant to these sub-clauses is greater than the loss-adjusted total **Type 1 Unscheduled Deviations of Senders of Unscheduled Energy**, then the extra amount will apply to **Senders of Unscheduled Energy** and shall apply on a pro-rata basis to those MWh of **Unscheduled Deviations of Senders of Unscheduled Energy** in the **Dispatch period** which did not fall within the categorisations of sub-clauses (a), (b) and (c). If the total **Type 1 Unscheduled Deviations of Receivers of Unscheduled Energy** calculated pursuant to these sub-clauses is less than the loss-adjusted total **Type 1 Unscheduled Deviations of Senders of Unscheduled Energy**, then the extra amount will apply to **Receivers of Unscheduled Energy** and shall apply on a pro-rata basis to those MWh of **Unscheduled Deviations of Receivers of Unscheduled Energy** in the **Dispatch Period** which did not fall within the categorisations of sub-clauses (a), (b) and (c);

“**Type 2 Unscheduled Deviation**” of a **Procurement Party** means the **Unscheduled Deviations** of that **Procurement Party** which are not **Type 1 Unscheduled Deviations**;

“**Unscheduled Deviations**” means deviations of the **Actual Energy Transfer** from the **Net Sum of Scheduled Energy Transfers**, calculated in accordance with clause 27.1 (*Definition of Unscheduled Deviations*); and

“Valid Trade Notification” means a written notice in the form set out in Annex 3 containing details of a proposed Energy Transfer in respect of which the Interconnector Rights for Operations of the Export Party are equal to or greater than the MWh of the proposed Energy Transfer from the Exporting Party to the Importing Party.

1.2 Interpretation

In this Agreement, save where the context otherwise requires:

- 1.2.1 the singular includes the plural and vice versa and reference to any gender includes a reference to all other genders;
- 1.2.2 the table of contents, headings and use of bold typeface shall be ignored for the purposes of construction;
- 1.2.3 references to any agreement, code or instrument shall include references to such agreement, code or instrument as amended, supplemented or re-enacted;
- 1.2.4 a reference to a person includes a reference to an individual, a partnership, a firm, a body corporate, an unincorporated association or body of persons and any agency or other instrumentality of a Member State;
- 1.2.5 references to “including” and “include” are to be construed without limitation to the generality of the preceding words;
- 1.2.6 except to the extent that the context otherwise requires any reference to this “Agreement” or the “Interconnector Transmission Code” or any other agreement or document is a reference to it as amended, supplemented or novated from time to time and includes a reference to any document which amends, is supplemental to, novates or is entered into, made or given pursuant to or in accordance with any terms of it;
- 1.2.7 any reference to a clause or sub-clause is, unless indicated to the contrary, a reference to a clause or sub-clause of this Agreement; and
- 1.2.8 except as expressly provided elsewhere in this Agreement or the Interconnector Transmission Code, times specified in this Agreement or the Interconnector Transmission Code shall be interpreted by reference to the time in the Kingdom of Saudi Arabia.

2 Warranties

The Authority and each of the Parties represent and warrant to each other that:

- (a) it has the power to enter into and perform its obligations under this **Agreement**;
- (b) the execution on its behalf of this **Agreement** has been validly authorised;
- (c) the obligations expressed as being assumed by it under this **Agreement** constitute its valid, legal and binding obligations enforceable against it in accordance with its terms; and
- (d) its entry into this **Agreement**, and performance of its obligations thereunder, will not violate or conflict with or exceed any limit imposed by any law or regulation to which it is subject or any other agreement, instrument or undertaking binding upon it.

3 Compliance with Parts I, II, III and Changes Required by the Authority

3.1 Compliance with Parts I, II and III of the Agreement

The **Authority** and each of the **TSO Parties** and the **Procurement Parties** hereby undertake to comply with and to perform their obligations in accordance with, and subject to, Parts I, II and III of this **Agreement**.

3.2 Implementation of this Agreement

- 3.2.1 All parties to this **Agreement** shall procure the exercise of its rights and the performance and discharge of its obligations under this **Agreement** by itself or by persons who are duly authorised by the laws of the **Member State** to exercise such rights and perform and discharge such obligations.
- 3.2.2 All parties to this **Agreement** shall at all times remain responsible for the due and punctual performance of its obligations under this **Agreement** and the proper exercise of its rights under this **Agreement** by persons who are duly authorised by the laws of the **Member State** to exercise such rights and perform and discharge such obligations.
- 3.2.3 If, at any time, it ceases to be lawful for any party to this **Agreement** to procure the exercise by persons who are duly authorised by the laws of the **Member State** to exercise such rights and perform and discharge such obligations under this **Agreement** in accordance with this clause, that party shall serve a notice on the **Authority** and the other Parties:

describing the effect of such **New Legislation**;

if applicable, nominating persons who are responsible for the planning and procurement of new generation capacity and the sale and purchase of power or

energy across the Interconnector, and/or for operating the **Transmission Network**; and

providing a blackline version of this **Agreement** showing the minimum amendments required to take account of the **New Legislation**,

following receipt of which the **Authority** and the **Parties** shall comply with provisions of clause 11.1.2.

3.3 **Changes to the Agreement**

3.3.1 The **Authority** may, from time to time, require changes to be made to this **Agreement** to implement amendments to the **General Agreement**. The **Authority** shall notify the **Parties** in writing of any changes that it proposes to make to this **Agreement**, setting out:

- (a) the nature of the amendment made to the **General Agreement** and the rationale for such amendment;
- (b) the text of the corresponding changes that the **Authority** proposes to make to this **Agreement**; and
- (c) a statement of the **ARC's** recommendations with respect to the proposed changes.

3.3.2 The **Parties** and the **Authority** shall consult for a period of up to forty five (45) days (the "**Consultation Period**") with respect to the proposed changes and shall endeavour to agree any alterations to such proposed changes so as to take into account any legitimate concerns of the **Parties**'. Each **Party** and the **Authority** shall promptly nominate appropriately skilled and qualified individuals to represent their interests and shall attend meetings and participate in workshops as may be reasonably required by the **Authority**.

3.3.3 Within seven (7) days following the expiry of the **Consultation Period** the **Authority** shall request the **ARC's** approval to the proposed changes to this **Agreement** and shall provide the **ARC** with written comments on the proposed changes by the **Authority** and the **Parties**. If the **Authority** and the **Parties** have been unable to agree upon the necessary changes during the **Consultation Period**, the **ARC** shall determine the changes that are required to be made to this **Agreement**.

3.3.4 Upon approval or determination of the changes by the **ARC**, the **ARC** shall issue a written change order (a "**Change Order**") specifying the amendments to this **Agreement**. This **Agreement** shall be deemed to be amended in the terms set out in the **Change Order** on and from the date of such **Change Order**.

4 Obligations in Respect of Installed Capacity and Operating Reserves

4.1 Acknowledgement

The Authority and the Parties acknowledge that:

- (a) the primary benefit derived from the interconnection of each Procurement Party's Transmission Network through the Interconnector will be the cost savings (set out in the Updated Techno-Economic Analysis Report) which will be realised through the sharing of Installed Capacity Resource over a period of twenty five (25) years from the commissioning of the Interconnector Phase I (the "Cost Savings"); and
- (b) the Member States are contributing to the cost of the Interconnector on the basis of the expected benefits they will achieve through this sharing of Installed Capacity Resources.

4.2 Obligations

In order to ensure:

- (a) that each Member State both contributes towards and has the opportunity to benefit from the sharing of Installed Capacity Resources:
 - (i) each Procurement Party is obliged to meet its Installed Capacity Obligation in accordance with clause 29.1 (The Installed Capacity Obligation); and
 - (ii) each Procurement Party must notify the Authority of any plans for some portion of its Installed Capacity Obligation to be satisfied by Installed Capacity Resources located in another Procurement Party's Transmission Network in accordance with clause 29.3 (Capacity Plans and Deliverability);
- (b) greater service reliability on the Combined System, the Procurement Parties and the TSO Parties (where applicable) are obliged:
 - (i) to provide sufficient Operating Reserves in accordance with Planning Code and Operating Code No. 3 (Operational Reserves) of the Interconnector Transmission Code; and
 - (ii) to notify the Authority, in accordance with clause 28 (Notification of Operating Reserves Arrangements) when some proportion of the Operating Reserves nominated is located in another Transmission Network.

5 Force Majeure

5.1 Force Majeure affecting a Party

The terms set out in clauses 5.2 to 5.5 (inclusive) shall apply where a **Force Majeure Event** affects any **Party**.

5.2 Notification of Force Majeure Event

5.2.1 If by reason of a **Force Majeure Event** a **Party** is wholly or partially unable to exercise its rights and/or carry out its obligations under this **Agreement**, the affected **Party** (in this clause 5 the "**Affected Party**") shall:

(a) give the **Authority** notice of the **Force Majeure Event** as soon as practicable, but in any event, not later than five (5) **Business Days** after the **Affected Party** becomes aware of the occurrence of the **Force Majeure Event**; and

(b) such notice shall:

(i) describe the circumstances or events which have caused the **Force Majeure Event** and estimate the period of time that the **Force Majeure Event** is likely to subsist; and

(ii) any other information which the **Affected Party** considers necessary.

5.2.2 When appropriate, or when reasonably requested to do so by the **Authority**, the **Affected Party** shall provide further notice to the **Authority** more fully describing the **Force Majeure Event** and its cause and providing, or updating, the information relating to the efforts of the **Affected Party** to avoid and/or to mitigate the effect thereof and estimates, to the extent practicable, of the time that the **Affected Party** reasonably expects the **Force Majeure Event** to end.

5.2.3 Following receipt of a notice pursuant to clause 5.2.1(a) the **Authority** shall:

(a) give each of the **Parties** notice of the **Force Majeure Event** as soon as is reasonably practicable; and

(b) such notice shall:

(i) describe the circumstances or events which have caused the **Force Majeure Event** in reasonable detail and specify which rights and/or obligations of the **Affected Party** under this **Agreement** are affected by the **Force Majeure Event**;

- (ii) provide a preliminary estimate of the period of time that the **Force Majeure Event** will subsist; and
- (iii) any other information which the **Authority** considers necessary.

5.2.4 When appropriate, or when reasonably requested to do so by a **Party**, the **Authority** shall provide further notices to each of the **Parties** more fully describing the **Force Majeure Event** and its cause and providing or updating the information relating to the efforts of the **Affected Party** to avoid and/or to mitigate the effect thereof and estimates, to the extent practicable, of the time that the **Affected Party** reasonably expects the **Force Majeure Event** to end.

5.2.5 Following the cessation of any ongoing **Force Majeure Event**, the **Affected Party** shall notify the **Authority** of the same, together with an approximate date upon which the **Affected Party** will be able to recommence the exercise of its rights and performance of its obligations under this **Agreement**.

5.2.6 The **Affected Party** shall also notify the **Authority** of the date and time when it recommences the exercise of its rights and performance of its obligations under this **Agreement**.

5.3 Failure to Give Notice

Failure by the **Affected Party** to give notice of a **Force Majeure Event** as required by clause 5.2.1 (*Notification of Force Majeure Event*) shall not prevent the **Affected Party** from giving such notice at a later time; provided however, that in such case, the **Affected Party** shall not be excused pursuant to clause 5.5 (*Delay caused by Force Majeure*) for any failure or delay in exercising its rights or carrying out its obligations under this **Agreement** until the notice required by clause 5.2.1 (*Notification of Force Majeure Event*) has been given.

5.4 Duty to Mitigate

5.4.1 Any event or circumstances, or combination of events or circumstances shall not constitute a **Force Majeure Event** affecting a **Party** if its effects could have been prevented by that **Party** through **Good Industry Practice**.

5.4.2 The **Affected Party** shall at its own cost, take all steps reasonably required to restore its ability to exercise those rights and/or perform those obligations under this **Agreement** which are affected by a **Force Majeure Event** and shall continue to perform its obligations under this **Agreement** insofar as they are not so affected.

5.5 Delay caused by Force Majeure

Subject to clause 5.3 (*Failure to Give Notice*), upon the occurrence and subsistence of the **Force Majeure Event** and the effects thereof, the **Affected Party** shall not be liable for any failure or delay in performing its obligations (other than an obligation to make a payment) under this **Agreement** to the extent that such a failure or delay in performance has been caused or contributed to by a **Force Majeure Event** or its effects, provided however, that no relief including the extension of performance deadlines, shall be granted to the **Affected Party** pursuant to this clause 5.5 to the extent that such failure or delay in performance arises as a result of a failure by the **Affected Party** to comply with its obligations under clause 5.4 (*Duty to Mitigate*) or would have nevertheless been experienced by the **Affected Party** had the **Force Majeure Event** not occurred.

5.6 Force Majeure Affecting the Authority

The provisions of clauses 5.7 to 5.10 (inclusive) shall apply where a **Force Majeure Event** affects the **Authority**.

5.7 Notification of Force Majeure Event

5.7.1 If by reason of a **Force Majeure Event** the **Authority** is wholly or partially unable to exercise its rights and/or carry out its obligations under this **Agreement**, the **Authority** shall:

(a) Give the **Parties** notice of the **Force Majeure Event** as soon as practicable, but in any event, not later than five (5) **Business Days** after the **Authority** becomes aware of the occurrence of the **Force Majeure Event**; and

(b) such notice shall:

(i) describe the circumstances or events which have caused the **Force Majeure Event** and estimate the period of time that the **Force Majeure Event** is likely to subsist; and

(ii) any other information which the **Authority** considers necessary.

5.7.2 When appropriate, or when reasonably requested to do so by any **Party** the **Authority** shall provide further notice to the **Parties** more fully describing the **Force Majeure Event** and its cause and providing, or updating, the information relating to the efforts of the **Authority** to avoid and/or to mitigate the effect thereof and estimates, to the extent practicable, of the time that the **Authority** reasonably expects the **Force Majeure Event** to end.

5.7.3 Following the cessation of any ongoing **Force Majeure Event**, the **Authority** shall notify the **Parties** of the same, together with an approximate date upon which the **Authority** will be able to recommence the exercise of its rights and performance of its obligations under this **Agreement**.

5.7.4 The **Authority** shall also notify the **Parties** of the date and time when it recommences the exercise of its rights and performance of its obligations under this **Agreement**.

5.8 Failure to Give Notice

5.8.1 Failure by the **Authority** to give notice of a **Force Majeure Event** as required by clause 5.7.1 (*Notification of Force Majeure Event*) shall not prevent the **Authority** from giving such notice at a later time; provided however, that in such case, the **Authority** shall not be excused pursuant to clause 5.10 (*Delay caused by Force Majeure*) for any failure or delay in exercising its rights or carrying out its obligations under this **Agreement** until the notice required by clause 5.7.1 (*Notification of Force Majeure Event*) has been given.

5.9 Duty to Mitigate

5.9.1 Any event or circumstances, or combination of events or circumstances shall not constitute a **Force Majeure Event** affecting the **Authority** if its effects could have been prevented by the **Authority** through **Good Industry Practice**.

5.9.2 The **Authority** shall at its own cost, take all steps reasonably required to restore its ability to exercise those rights and/or perform those obligations under this **Agreement** which are affected by a **Force Majeure Event** and shall continue to perform its obligations under this **Agreement** insofar as they are not so affected.

5.10 Delay Caused by Force Majeure

Subject to clause 5.8 (*Failure to Give Notice*), upon the occurrence and subsistence of the **Force Majeure Event** and the effects thereof, the **Authority** shall not be liable for any failure or delay in performing its obligations (other than an obligation to make a payment) under this **Agreement** to the extent that such a failure or delay in performance has been caused or contributed to by a **Force Majeure Event** or its effects, provided however, that no relief including the extension of performance deadlines, shall be granted to the **Authority** pursuant to this clause 5.10 to the extent that such failure or delay in performance arises as a result of a failure by the **Authority** to comply with its obligations under clause 5.9 (*Duty to Mitigate*) or would have nevertheless been experienced by the **Authority** had the **Force Majeure Event** not occurred.

6 Events of Default, Suspension and Rights of Last Resort

6.1 Events of Default

The following circumstances constitute an Event of Default:

6.1.1 Breach of clause 4

Any breach by:

- (a) a **Procurement Party** of its obligation to meet its **Installed Capacity Obligation** as described in clause 4.2 (*Obligations in respect of Installed Capacity and Operating Reserves*);
- (b) a **Procurement Party**, or a **TSO Party** of its obligation to provide sufficient Operating Reserve as described in clause 4.2 (*Obligations in respect of Installed Capacity and Operating Reserves*), providing that such breach has occurred continuously for a period of twenty four (24) hours or has occurred frequently over a period of seven (7) days.

6.1.2 Failure to Provide Compensation in Kind

Any breach by a **Procurement Party** of its obligations under clause 27.8 (Failure to Provide Compensation in Kind) where the **Procurement Party** having failed in two successive **Compensation Periods** to provide in excess of 90% of the compensation in kind then subsequently fails to pay the sums due pursuant to clause 27.8.2, and also fails to make payment within thirty (30) days of a further notice issued by the **Authority** in accordance with clause 27.8.3.

6.1.3 Material breach of Interconnector Transmission Code

Any breach:

- (a) by the **Authority** of any applicable provision of the **Interconnector Transmission Code**; or
- (b) by a **TSO Party** of any applicable provision of the **Interconnector Transmission Code**; or
- (c) by a **Procurement Party** of any applicable provision of the **Interconnector Transmission Code**;

where such breach causes or can reasonably be expected to cause a material adverse effect:

- (i) in respect of clause (a) on the operation of or the condition of a **TSO Party's Transmission Network**; and
- (ii) in respect of clauses (b) and (c) on **The Business** or on the condition of the **Interconnector**.

6.1.4 Execution or Distress

Any execution, expropriation, attachment, sequestration or distress is levied against, or an encumbrancer takes possession of the whole or any part of the property or assets of the **Authority** or a **Party**.

6.1.5 Illegality

At any time it is or becomes unlawful for the **Authority** or a **Party** to perform or comply with any or all of its obligations under any Part of this **Agreement**.

6.1.6 Repudiation

The **Authority** or a **Party** repudiates any part of this **Agreement**.

6.1.7 Insolvency Event

The **Authority** or any **Party** is subject to an **Insolvency Event**.

6.1.8 Representation or Warranty

If any representation or warranty made by the **Authority** or a **Party** in this **Agreement** proves to have been false or materially misleading at the time it was made.

6.1.9 Failure to Pay Charges

A **Party** fails to pay any charges pursuant to clause 7.3.4 within forty five (45) days following the date of the **ARC's Decision** imposing such charges.

6.1.10 Non-Payment

The **Authority** or a **Party** fails to pay any amount when due under this **Agreement** and that failure is not remedied on or before the third (3rd) **Business Day** after the person to whom the payment is due and owing gives notice to the **Authority** or the **Party** of that failure.

6.1.11 **Authority's failure to meet Performance Standards**

If, following the **Specified Date**, the **Authority** fails to meet one (1) or more of the **Performance Standards**.

6.2 Suspension

6.2.1 After the occurrence of an **Event of Default** with respect to a **Party** under clauses 6.1.2 to 6.1.10 inclusive and the service of a **Notice of Default** upon such **Party** pursuant to clause 7.2, the **Authority** shall do one or more of the following in respect of such **Party** (the "**Suspended Party**"):

(a) if the **Party** is a **Procurement Party**, suspend the **Procurement Party's** right to:

- (i) take part in future auctions pursuant to Annex 7 (*Allocation and Pricing of Additional Interconnector Usage Rights*); and
- (ii) make any further use of its **Interconnector Rights for Operations**; unless this will result in adverse consequences on any of the non-defaulting Parties and/or to system security; and

(b) if the **Party** is a **TSO Party**, suspend the **Procurement Party's** right to import energy from the **Interconnector** onto the **TSO Party's Transmission Network**;

in each case for the **Suspension Period** determined by the **Authority**, pursuant to clause 6.2.3 (or clause 7.3.3 as applicable), or until the **Event of Default** is cured, whichever is the earlier.

6.2.2 If a **Suspended Party** has not cured the **Event of Default** that gave rise to its suspension under this clause 6.2 (*Suspension*) by end of the **Suspension Period** then the **Authority** may serve a **Step-Out Notice** on the **Defaulting Party** in accordance with clause 7.3.5 (*Consequences of an Event of Default*).

6.2.3 The **Suspension Period** in respect of any **Events of Default** to which this clause 6.2 (*Suspension*) applies shall be determined by the **Authority**. In determining the duration of any **Suspension Period** that will apply in relation to an **Event of Default** the **Authority** shall take into consideration:

- (a) the cause, or causes, of the **Event of Default**; and
- (b) the amount of time that the **Authority** reasonably expects it will take for the **Suspended Party** to cure the **Event of Default**.

6.2.4 In respect of **Events of Default** under clause 6.1.2 (*Failure to Provide Compensation in Kind*), the **Authority** shall not exercise its rights of suspension under the foregoing

provisions of this clause 6.2 (*Suspension*) unless directed to do the same pursuant to a **Decision** issued in accordance with clause 7.3.3.

6.3 Detailed Methodology for Event of Default and Enforcement Actions

The provisions of clause (6) shall govern and bind the **authority** and all the **parties** until the approval of the methodology for determining and imposing the enforcement procedures with respect to any default from the **GCC Electricity and Water Ministerial Committee** in accordance with the provision of sub-clause A (3) of annexure (2) of the **general agreement**

7 Consequences of Default

7.1 Default by a Party

Clauses 7.2, 7.3 and 7.4 shall apply in relation to any **Event of Default** by a **Party** under this **Agreement**.

7.2 Notification of an Event of Default

If the **Authority** has reasonable grounds to believe that an **Event of Default** has occurred in respect of a **Party** (the "**Defaulting Party**"), then the **Authority** shall:

- (a) serve a notice of default on the **Defaulting Party** (a "**Notice of Default**"), and
- (b) serve a copy of such **Notice of Default** on the other **Parties** (the "**Non-Defaulting Parties**").

7.3 Consequences of an Event of Default

7.3.1 After the occurrence of an **Event of Default** pursuant to clauses 6.1.1 (*Breach of clause 4*) or 6.1.2 (*Failure to Provide Compensation in Kind*) the **Authority** shall refer the **Event of Default** to the **ARC**.

7.3.2 The **ARC** shall carry out an investigation into the causes of the **Event of Default** and the degree of culpability that should attach to the **Defaulting Party** in respect of the **Event of Default**. The **ARC** may, where it considers it appropriate, consult with the **Defaulting Party** and/or any other concerned **Party**, and/or take advice from an **Independent Expert** on any aspect of such investigation.

7.3.3 On completing its investigation pursuant to clause 7.3.2 the **ARC** shall:

- (a) issue a written decision (a "**Decision**") setting out the findings of fact it has made in respect of the causes of the **Event of Default** together with its reasoning on whether:
- (i) in respect of a **Defaulting Party's** breach of clause 4 (*Obligations in respect of Installed Capacity and Operating Reserves*), to impose a charge on the **Defaulting Party** in respect of the **Event of Default**; and/or
 - (ii) in respect of an **Event of Default** pursuant to clause 6.1.2 (*Failure to Provide Compensation in Kind*), the **Event of Default** is capable of remedy, and if so, recommend to the **Authority** the **Suspension Period** to be applied in respect of such **Event of Default**;
- (b) send a copy of the **Decision** to the **Authority** and the **Parties**.
- 7.3.4 If required to do so pursuant to a **Decision**, the **Defaulting Party** shall pay a charge per MW for a breach of clause 4.2(b) (*Obligations in respect of Operational Reserves*), which shall be the estimated cost per MW of procuring **Operating Reserves** for such **Event of Default**, as estimated by the **Planning Committee**, and approved by the **ARC**, multiplied by the **Operating Reserves Default Charge Factor**. If required to do so pursuant to a **Decision**, the **Defaulting Party** shall pay charges for a breach of clause 4.2(a) (*The Installed Capacity Obligation*), which shall be calculated in accordance with Annex 6. Any charges imposed pursuant to this clause 7.3.4 shall be paid to the **Authority** by the **Defaulting Party** within 45 days of the date of the **ARC's Decision** imposing such charges.
- 7.3.5 If an **Event of Default** in respect of a **Defaulting Party** under clauses 6.1.2 to 6.1.10 inclusive (*Events of Default*), has not been remedied by the end of the **Suspension Period** as set by the **Authority** or if an **Event of Default** is not capable of remedy, the **Authority** may designate a day as the **Step-Out Date** (the "**Step-Out Date**") in respect of this **Agreement** between the **Authority** (together with the other **Parties**) and the **Defaulting Party** by giving no less than twenty-one (21) **Business Days** notice (the "**Step-Out Notice**") to the **Defaulting Party**. This notice shall specify the relevant **Event of Default**. The **Step-Out Date** shall be no earlier than the day the notice is effective. The **Authority** shall obtain the approval of the **GCC Electricity and Water Ministerial Committee** through the **ARC** as to the **Step-Out Date**.
- 7.3.6 The right under clause 7.3.5 is in addition to any other remedies available under this **Agreement** or the agreed law pursuant to clause 15.1.

- 7.3.7 If a **Step-Out Notice** is given under clause 7.3.5, the **Step-Out Date** will occur on the date so designated even if the circumstances giving rise to the Event of the Default are no longer continuing.
- 7.3.8 On the **Step-Out Date** the **Member State** in which the **Defaulting Party's Transmission Network** is located shall assume responsibility in accordance with the **General Agreement** for performance of the obligations of the **Defaulting Party** under this **Agreement** in substitution for the **Defaulting Party** and shall propose to the other **Member States** a person to whom the rights and obligations of the **Defaulting Party** may be assigned and novated. The **Authority** shall calculate the **Step-Out Payments** payable by the **Defaulting Party** to each of the **Non-Defaulting Parties**.
- 7.3.9 The **Authority** shall notify the **Defaulting Party** of the **Step-Out Payments** including detailed support for the **Step-Out Payment** calculation.
- 7.3.10 The **Step-Out Payment** to be made to each **Non-Defaulting Party** shall be determined by the **Authority** based on methodology and calculations recommended by the **ARC**.
- 7.3.11 The methodology and calculations for the **Step-Out Payments** to be recommended by the **ARC** shall take account of the total losses and costs, if any, incurred by each of the **Non-Defaulting Parties** in connection with the default of the **Defaulting Party** by reference to the value at the **Step-Out Date** of that part of the **Cost Savings**, if any, that will not be achieved (either temporarily or permanently) as a result of the substitution of the **Defaulting Party**.
- 7.3.12 The **Defaulting Party** shall pay the **Step-Out Payments** to the **Non-Defaulting Parties** within thirty (30) **Business Days** of invoice or notification of the **Step-Out Payment** amounts.
- 7.3.13 If the **Defaulting Party** fails to pay the **Step-Out Payments** by the **Due Date** compensation shall be payable on that amount at a daily rate equal to the **Daily Compensation Rate** from and including the **Due Date** to but excluding the date payment is made.
- 7.4 **Right to Disconnect**
- If:
- (a) the **Event of Default** is incapable of remedy; or
- (b) the **Defaulting Party** fails to remedy such **Event of Default** within the **Suspension Period**,

the Authority may, subject to clause 7.5.2, **Disconnect** the **Equipment** of such **Defaulting Party** if the **Defaulting Party** is a **TSO Party**, or if the **Defaulting Party** is a **Procurement Party**, the Authority may, subject to clause 7.5.2, **Disconnect** the **Equipment** of the **TSO Party** for the **Procurement Party's Transmission Network**, in either case upon the expiry of at least forty-eight (48) hours prior written notice to the **Defaulting Party**, if the **Defaulting Party** is a **TSO Party**, or to the **Defaulting Party** and the **TSO Party** for the **Procurement Party's Transmission Network**, if the **Defaulting Party** is a **Procurement Party**, provided that at the time of expiry of such notice the breach concerned remains unremedied and that neither the **Authority** nor the **Defaulting Party** has referred the matter to discussion or arbitration in accordance with clause 13 (*Disputes*).

7.5 Rights of Last Resort

7.5.1 The **Authority** and the **Parties** acknowledge and agree that the disconnection of a **Defaulting Party's Transmission Network** from the **Interconnector** pursuant to clause 7.4 (*Right to Disconnect*) will deprive the other **Parties** of the **Costs Savings** created by, and the ability to trade energy with, the **Defaulting Party**.

7.5.2 The **Authority** and the **Parties** agree that:

- (a) the **Authority** shall only exercise its rights against a **Defaulting Party** under clause 7.4 (*Right to Disconnect*) as a last resort, after having used other means of encouraging the **Defaulting Party** to cure the **Event of Default**;
- (b) the **Authority** shall only exercise its right under clause 7.4 (*Right to Disconnect*) after it has exercised its rights under clause 6.2 (*Suspension*); and
- (c) the **Authority** shall only exercise its right under clause 7.4 (*Right to Disconnect*) after it has referred its intention to **Disconnect** to the **ARC** for its review and obtaining approval of the **GCC Electricity and Water Ministerial Committee** and accordingly the **ARC** has so directed the **Authority** to **Disconnect** the **Defaulting Party**, which shall only be exercised as a right of last resort.

7.6 Default by the Authority

Clause 7.7 (*Notification of an Event of Default*) shall apply in respect of any **Event of Default** in respect of the **Authority** under this **Agreement**.

7.7 Notification of an Event of Default

7.7.1 If an **Event of Default** occurs in respect of the **Authority**, then the **Authority** shall promptly notify each **Party** of such default in writing, or a **Party** may require the

Authority to provide prompt notification if that **Party** has reason to believe an **Event of Default** has occurred in respect of the **Authority**.

7.7.2 Where:

- (a) the **Authority** notifies the **Parties** that it is subject to an **Event of Default**; or
- (b) a **Party**, having reason to believe that an **Event of Default** has occurred in respect of the **Authority**, requires the **Authority** to provide prompt notification of such **Event of Default** but such notification is not given by the **Authority**;

then any **Party** may refer the matter to the **ARC**.

7.7.3 Following a referral of any matter pursuant to clause 7.7.2 (*Notification of an Event of Default*) the **ARC** shall notify the **Authority** and each of the **Parties** of the date and time on which a hearing will be held to determine:

- (a) where necessary, whether the **Authority** is subject to an **Event of Default**;
- (b) what steps, if any, shall be taken by the **Authority** to cure the **Event of Default**; and
- (c) what measures shall be taken by the **Authority** to minimise the risk of such an **Event of Default** occurring again.

7.7.4 On completion of any hearing carried out pursuant to clause 7.7.3 (*Notification of an Event of Default*) the **ARC** shall write a report setting out the:

- (a) findings of fact it has made in respect sub-clause 7.7.3(a) (*Notification of an Event of Default*);
- (b) steps and measures the **Authority** shall implement pursuant to sub-clauses 7.7.3(b) and (c) (*Notification of an Event of Default*).

7.7.5 The **ARC** shall send a copy of the report to the **Authority** and the **Parties**, and the **Authority** and each of the **Parties** undertake to each other to take any action recommended by the **ARC**.

7.8 Detailed Methodology for Consequences of Default

The provisions of clause (7) shall govern and bind the **authority** and all the **parties** until the approval of the methodology for determining and imposing the enforcement procedures with respect to any default from the **GCC Electricity and Water Ministerial Committee** in accordance with the provision of sub-clause A (3) of annexure (2) of the **general agreement**

8 Termination

This **Agreement** shall continue in full force and effect until an effective resolution is passed or a binding order made for the winding up of the **Authority**.

9 Survival of Rights

Termination of, or any **Party** ceasing to be a party to, this **Agreement** for any cause shall not affect any rights or obligations of any **Party** in relation to:

- (a) any liability of that **Party** which at the time of termination has already accrued to any other **Party** or the **Authority** or which thereafter may accrue in respect of any act or omission prior to such termination, or such **Party** ceasing to be a **Party** to this **Agreement**; or
- (b) any of the provisions of clauses 10 (*Liability*), 12 (*Confidentiality*) and 24.2 (*Disconnection Payments*).

10 Liability

10.1 Relationship Between the Parties

Save as otherwise expressly provided in this **Agreement**:

- (a) the obligations of the **Authority** and each **Party** under this **Agreement** are several;
- (b) a **Party** shall not be responsible for the obligations or liabilities of any other **Party**;
- (c) the failure of the **Authority** or any **Party** to carry out all or any of its obligations under this **Agreement** shall not relieve the other **Parties** or the **Authority** of all or any of their obligations under this **Agreement**.

10.2 General Exclusion

Save where any provision of this **Agreement** imposes a payment obligation on a **Party**, the **Authority** and each **Party** agrees and acknowledges that:

- (a) neither the **Authority** nor any **Party** nor any of their officers, employees or agents shall be liable to any other **Party** or the **Authority** (for the purposes of this clause 10 (*Liability*) only, the "**Claiming Parties**") for loss arising from any breach of this **Agreement** (other than for loss directly resulting from such breach

and which at the date of this **Agreement** was reasonably foreseeable as likely to occur in the ordinary course of events from such breach) in respect of:

- (i) physical damage to the property of the **Claiming Parties** or their respective officers, employees or agents; and/or
 - (ii) the liability (in law) of the **Claiming Parties** to any other person for loss in respect of physical damage to the property or any other person;
- (b) neither the **Authority** nor a **Party** shall, in any circumstances, be liable to the other in respect of any breach of this **Agreement** for:
- (i) any loss of profit, loss of revenue, loss of use, loss of contract, loss of goodwill, or increased cost of working; or
 - (ii) any indirect or consequential loss; or
 - (iii) loss resulting from the liability of the **Authority** or any other **Party** to any other person howsoever and whensoever arising.

10.3 **Death/Personal Injury**

Nothing in this **Agreement** shall exclude or limit the liability of the **Authority** or a **Party** for death or personal injury resulting from the negligence of the **Authority** or that **Party** or any of its officers, employees or agents, and the **Authority** and each **Party** shall indemnify and keep indemnified the other **Parties** (and the **Authority**), and their officers, employees or agents, from and against all such losses or liabilities which the **Authority** and such **Parties** may suffer or incur by reason of any claim on account of death or personal injury as a result of such negligence.

10.4 **Exclusion of Certain Rights and Remedies**

10.4.1 Subject to clause 10.4.7, the rights and remedies of the **Authority** and the **Parties** provided under this **Agreement** are exclusive and not cumulative and exclude and are in place of all substantive rights or remedies express or implied and provided by common law or statute in respect of the subject matter of this **Agreement**, including any rights which the **Authority** or any **Party** may possess in tort (which shall include actions brought in negligence and/or nuisance) or for breach of trust.

10.4.2 Subject to clauses 10.4.5 and 10.4.7, the **Authority** and each of the **Parties** hereby waives to the fullest extent possible all such rights and remedies provided by common law or statute.

- 10.4.3 The provisions of clauses 10.4.1 and 10.4.2 are without prejudice to the **Authority's** or a **Party's** right to any equitable remedies and/or interim relief which may be available to the **Authority** or a **Party**.
- 10.4.4 For the avoidance of doubt, nothing in this clause 10.4 shall apply to any rights and remedies which one **Party** may have against another **Party** pursuant to any bilateral agreement entered into in connection with or in consequence of the arrangements established by this **Agreement**.
- 10.4.5 Without prejudice to clause 10.4.1, where any provision of this **Agreement** provides for any amount to be payable by the **Authority** or a **Party** upon or in respect of the **Authority's** or that **Party's** breach of any provision of this **Agreement**, the **Authority** and each **Party** agrees and acknowledges that the remedy conferred by such provision is exclusive of and is in substitution for any remedy in damages or an account in respect of such breach or the event or circumstance giving rise thereto.
- 10.4.6 For the avoidance of doubt, nothing in this clause 10.4 (*Exclusion of Certain Rights and Remedies*) shall prevent the **Authority** or any **Party** from enforcing any obligation (including suing for a debt) owed to it under or pursuant to this **Agreement**.
- 10.4.7 Nothing in this clause 10.4 (*Exclusion of Certain Rights and Remedies*) shall constitute a waiver by the **Authority** or any **Party** of any right or remedy it may have in respect of a breach by any other **Party** of this **Agreement**.

10.5 General Provisions

- 10.5.1 Each provision of this clause 10 (*Liability*) shall be construed as a separate and severable contract term, and shall remain in full force and effect and shall continue to bind the **Authority** and each **Party** even if the **Authority** or a **Party** ceases to be bound by this **Agreement**.
- 10.5.2 The **Authority** and each **Party** acknowledges and agrees that the provisions of this clause 10 have been the subject of discussion and are fair and reasonable having regard to the circumstances as at the date of this **Agreement**.
- 10.5.3 Where any provision of this **Agreement** provides for any amount to be payable by the **Authority** or a **Party** upon or in respect of the **Authority's** or a **Party's** breach of any provision of this **Agreement**, each **Party** agrees and acknowledges that such provision has been the subject of discussion, and that the amount provided to be payable represents no more than a genuine pre-estimate of the loss of the **Authority** or **Party**.

11 Restructuring of a Member State's TSO Party

11.1 New Legislation and Notice

11.1.1 If, after execution of this **Agreement**, **New Legislation** is brought into effect in any **Member State** which:

- (a) requires a person that is not the **Procurement Party** for that **Member State** to be responsible for the planning and procurement of new generation capacity for use by that **Member State** or for the sale and purchase of power and/or energy across the **Interconnector** from that **Member State** (a "**New Procurement Party**"); or
- (b) requires a person that is not the **TSO Party** for that **Member State** to be responsible for operating the **Member State's Transmission Network** (a "**New TSO Party**");

then the **TSO Party** or the **Procurement Party** for the **Member State** shall serve a notice on the **Authority** and the other **Parties**:

- (i) describing the effect of the **New Legislation**;
- (ii) providing a copy of the articles and bylaws of the **New Party**; and
- (iii) providing a blackline version of this **Agreement** showing the minimum amendments required to make the **New Party** a party to this **Agreement** in order to give effect to the **New Legislation**.

11.1.2 Upon receipt of such notice the **Authority** and **Parties** shall review and negotiate the **Proposed Amendments** and shall use all reasonable endeavours to agree those amendments to this **Agreement** required to ensure that the performance contemplated by this **Agreement** shall be conducted in a manner which is consistent with the effect of the **New Legislation** provided that any such amendments will be of no greater extent than is required in order to implement the **New Legislation**.

11.2 Accession Agreement

The **New Party** shall become a **Party** to this **Agreement** by executing an accession agreement substantially in the form set out in Annex 8.

11.3 Determination by Arbitration

If any amendments set out in the notice served pursuant to clause 11.1.1 have not been agreed by the **Authority** and the **Parties** within three (3) months of being proposed, the

Authority shall refer the **Dispute** to Arbitration under clause 13.2, and the **Authority** and the **Parties** agree to abide by and to give effect to the arbitrator's determination.

11.4 Effective Date of Changes

Such changes shall have effect from the date on which the accession agreement is executed by the **Authority**, the **Parties** and the **New Party**.

12 Confidentiality

12.1 Confidentiality Obligations

Subject to clause 12.2 (*Exceptions*), the **Authority** and each **Party** shall at all times keep confidential and shall not use or disclose to any other person (and shall ensure that all persons under its **Control** shall keep confidential and shall not use or disclose) and not in any event to make use of for its own purposes, any information which it has acquired concerning the business or affairs of the **Authority** or any **Party** or the subject matter of this **Agreement** (whether before or after the date of this **Agreement**), ("**Confidential Information**").

12.2 Exceptions

12.2.1 The undertakings in clause 12.1 (*Confidentiality Obligations*) shall not apply to any information which:

- (a) has been used or disclosed with the consent of the **Authority** or the **Party** to which such **Confidential Information** relates;
- (b) is for the time being in the public domain, otherwise by reason of a breach of any of the undertakings contained in clause 12.1 (*Confidentiality Obligations*);
- (c) is required to be disclosed by any applicable law (including any order of a court of competent jurisdiction);
- (d) is disclosed to the **Authority** or that **Party** by a third party which did not acquire the information under an obligation of confidentiality; or
- (e) is independently acquired by the **Authority** or that **Party** as the result of work carried out by a person under its **Control** to whom no improper disclosure of information had been made.

12.2.2 The **Authority** or a **Party** may disclose **Confidential Information** to its professional advisers, auditors and bankers provided that the **Authority** or that **Party** procures that

any person to whom any such information is disclosed at all times treats that information as confidential in accordance with the provisions of this clause 12 (*Confidentiality*).

12.3 Intellectual Property

All **Intellectual Property** relating to the subject matter of this **Agreement** conceived, originated, devised, developed or created by the **Authority** or a **Party**, its officers, employee, agents or consultants during the duration of this **Agreement** shall vest in the **Authority** or such **Party** as sole beneficial owner thereof save where the **Authority** or and **Parties** otherwise agree in writing.

13 Disputes

13.1 Alternatives to Arbitration

- 13.1.1 If any claim, dispute or difference arises out of or in connection with this **Agreement**, including any question regarding its existence, breach, validity or termination ("**Dispute**") then the aggrieved party shall deliver by hand or send by certified mail to the other **Parties** involved in the **Dispute** (the "**Parties in Dispute**"), a notice of dispute in writing adequately identifying and providing details of the dispute ("**Notice of Dispute**").
- 13.1.2 The **Authority** and/or the **Parties** (the "**Parties in Dispute**") shall each appoint a senior representative with authority to settle the **Dispute** and such representatives will, within sixty (60) **Business Days** of a **Notice of Dispute** from any **Party in Dispute** to the other **Party** or **Parties in Dispute**, meet in good faith to resolve the **Dispute**.
- 13.1.3 If the **Dispute** is not resolved pursuant to clause 13.1.2 the **Parties in Dispute** shall attempt to settle the **Dispute** by mediation and issue a **Mediation Notice** in accordance with clause 13.1.5.
- 13.1.4 The **Authority** shall establish a mediation panel, consisting of three (3) representatives chosen by the **Authority** (provided the **Authority** is not one of the **Parties in Dispute**, in which case the three representatives shall be chosen by the Chairman of the **ARC**) (the "**Mediation Panel**").
- 13.1.5 To initiate a mediation a **Party in Dispute** shall give notice in writing ("**Mediation Notice**") to the other **Parties in Dispute** requesting a mediation and send a copy of the **Mediation Notice** to the **Authority** marked: "care of the **Mediation Panel**". The mediation will commence not later than ten (10) **Business Days** after the date of the **Mediation Notice**.

13.1.6 Where the **Parties in Dispute** fail to resolve their **Dispute** by mediation, any **Party** may provide to the **ARC** the **Notice of Dispute** and ask the **ARC** to decide the matters in **Dispute**.

13.1.7 The **Parties** served with a **Notice of Dispute** may give a written response to the **Notice of Dispute** ("**Notice in Response**"), to the other **Parties** and the **ARC** within twenty (20) **Business Days** of the **Dispute** having been referred to the **ARC**.

13.1.8 The **ARC** shall, within the earlier of:

(a) forty (40) **Business Days** of receiving the **Notice of Dispute**; and

(b) twenty (20) **Business Days** of receiving the **Notice in Response**,

decide the **Dispute** on the papers and provide its written decision to the **Parties in Dispute**, together with reasons for the decision.

13.1.9 If any **Parties in Dispute** are dissatisfied with the decision of the **ARC**, or if the **ARC** fails to give a written decision on the **Dispute** within the time required above, any **Party in Dispute** may apply to resolve the **Dispute** in accordance with clause 13.2 (*Arbitration*).

13.2 Arbitration

13.2.1 Where **Parties in Dispute** are unable to resolve their **Dispute**, or are unable to do so within the timeframes stipulated above, then any **Dispute** shall be finally settled by arbitration in accordance with the **Charter** by a panel of three arbitrators. The **Charter** shall be the procedural law of the arbitration. The aggrieved **Parties** shall together appoint their own arbitrator and the defendant **Parties** shall together appoint their own arbitrator. The two arbitrators so appointed shall together appoint a third arbitrator to preside over the arbitration as Chairman. The seat of arbitration shall be Bahrain. All arbitral proceedings, and communications in respect of the same, shall be confidential. The **Parties** agree that the award shall be final and binding on the **Parties** and the persons claiming under them respectively and the **Parties** herewith agree to waive their rights to object to, apply for the invalidity of, or appeal the arbitration award.

13.2.2 Each **Party** irrevocably submits to the jurisdiction of the arbitral tribunal appointed pursuant to this clause 13 (*Disputes*) and to the courts of any sovereign state in which enforcement of any award made by the said tribunal is sought.

13.3 Service of Documents

13.3.1 Each **Party** and the **Authority** each irrevocably agree that it shall receive for it and on its behalf, service of process (including for the purposes of Article 10 of the **Charter**) in

respect of any dispute arising out of or in connection with this **Agreement** at the following address:

- (a) Abu Dhabi Water and Electricity Authority, shall receive service of process at Al-Salam Street, P.O. Box 6120 Abu Dhabi;
- (b) The Electricity and Water Authority of the Kingdom of Bahrain, shall receive service of process at the Authority's Head Office, 2 Diplomatic Area, Manama, Bahrain;
- (c) Saudi Electricity Company, shall receive service of process at P.O. Box 22952, Riyadh, 11416, Kingdom of Saudi Arabia;
- (d) Oman Electricity Transmission Company, shall receive service of process at P.O. Box 1224, Hamriya 131, Sultanate of Oman;
- (e) the Qatar General Electricity and Water Corporation, shall receive service of process at Dafna Area, Corniche Street 61, State of Qatar;
- (f) Ministry of Electricity and Water of the Government of the State of Kuwait, shall receive service of process at P.O. Box 12, Safat, 13001, Kuwait;
- (g) Oman Power and Water Procurement Company, shall receive service of process at P.O. Box 1388, Postal Code 112, Ruwi, C.R.: 1/71231/4, Sultanate of Oman; and
- (h) the **Authority**, shall receive service of process at its head office located in Dammam, Saudi Arabia.

13.3.2 Nothing contained herein shall affect the right to serve process in any other manner permitted by the agreed law pursuant to clause 15.1 (*Governing Law*).

14 Notices

14.1 Manner of Service

Unless stated elsewhere in this **Agreement** or the Transmission Code to the contrary, any notice or other communication given or made under this **Agreement** shall be in writing and in the Arabic language, with English Translation attached, and, without prejudice to the validity of any other method of service, may be delivered personally or by courier or sent by facsimile transmission or by prepaid recorded delivery letter, addressed as follows:

to: Abu Dhabi Water and Electricity Authority

Address: P.O. Box 6120
Abu Dhabi
United Arab Emirates

to: The Electricity and Water Authority of the Kingdom of Bahrain

Address: The Electricity and Water Authority Head Office
2 Diplomatic Area
Manama,
Kingdom of Bahrain

to: Saudi Electricity Company

Address: P.O. Box 22952
Riyadh, 11416,
Kingdom of Saudi Arabia

to: Oman Electricity Transmission Company

Address: P.O. Box 1224
Hamriya 131
Sultanate of Oman

to: Qatar General Electricity and Water Corporation

Address: Dafna Area
Corniche Street 61
State of Qatar

to: Ministry of Electricity and Water of the Government of the State of Kuwait

Address: Post Office Box 12, Safat,
13001,
State of Kuwait

to: Oman Power and Water Procurement Company

Address: P.O. Box 1388
Postal Code 112
Ruwi
Sultanate of Oman

to: GCC Interconnection Authority

Address: Al-Raja Towers – 4th Floor
P.O. Box 3894
Dammam, 31481
Kingdom of Saudi Arabia

or to such other address or facsimile transmission number as the relevant addressee may hereafter substitute by notice to each other **Party**.

14.2 Validity of Service

Any such notice or other communication shall be deemed to have been duly served, given or made (i) in the case of posting, four (4) **Business Days** after the envelope containing such notice was posted and proof that any such envelope was properly addressed, prepaid, registered and posted shall be sufficient evidence that such notice or other communication has been duly served, given or made; or (ii) in the case of delivery, when left at the relevant address; or (iii) in the case of facsimile transmission, on receipt by the sender of a successful transmission report.

15 Governing Law and Waiver of Immunity

15.1 Governing Law

This **Agreement** shall be governed by and construed in all respects in accordance with English law.

15.2 Waiver of Immunity

The **Authority** and each **Party** irrevocably acknowledges and accepts that this **Agreement** and all agreements entered into in connection therewith (including all appendices thereto) are commercial rather than public or governmental acts. In any

event, the **Authority** and each **Party** irrevocably waives, with respect to itself and its revenues and assets (irrespective of their use or intended use), all immunity on the grounds of sovereignty or other similar grounds from: (i) suit, (ii) jurisdiction of any court, (iii) relief by way of injunction, order for specific performance or the recovery of property, (iv) attachment of its assets (whether before or after judgement) and (v) execution or enforcement of any judgement to which it or its revenues or assets might otherwise be entitled in any proceedings in the courts of any jurisdiction and irrevocably agrees that it will not claim any such immunity in any such proceedings.

16 Miscellaneous

16.1 No Waiver

No failure or delay by the **Authority** or any of the **Parties** in exercising any right, power or privilege under, or pursuant to, this **Agreement**, and no course of dealing between the **Authority** and/or the **Parties** shall operate as a waiver thereof nor shall any single or partial exercise by the **Authority** or any of the **Parties** of any right, power or privilege preclude any further exercise thereof or the exercise of any other right, power or privilege.

16.2 Severability

Each provision of this **Agreement** shall be considered severable and if for any reason any provision is determined by a court, arbitral tribunal or regulatory authority of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions of this **Agreement** shall continue in full force and effect and shall in no way be affected, impaired or invalidated.

16.3 Entire Agreement

This **Agreement** and the documents referred to therein constitute the entire agreement between the **Authority** and the **Parties** relating to their subject matter, and, save as expressly set out in clause 2 (*Warranties*) of this **Agreement**, neither the **Authority** nor any other **Party** has relied on any warranty or representation of any other **Party** (or the **Authority**) to induce it to enter into this **Agreement**.

16.4 Assignment of Interest

Save as otherwise provided in this **Agreement**, the **Authority** and the **Parties** shall not assign, delegate, transfer or otherwise dispose of any interests or rights conferred or arising pursuant to this **Agreement** except with the written consent of each of the other **Parties** (and where applicable the **Authority**) such consent not to be unreasonably withheld or delayed.

16.5 No Variation

No provision of this **Agreement** may be amended, modified, waived, discharged or terminated, otherwise than by the express written agreement of the **Authority** and the **Parties** nor may any breach of any provision of this **Agreement** be waived or discharged except with the express written consent of the **Authority** and the **Parties** not in breach.

16.6 Renegotiation

If any provision of this **Agreement** is held by a court, arbitral tribunal or regulatory authority of competent jurisdiction to be invalid, void or unenforceable, or if it is modified or conditioned by a regulatory authority exercising jurisdiction over this **Agreement**, the **Authority** and the **Parties** shall endeavour in good faith to negotiate such amendments to this **Agreement** as will restore the relative benefits and obligations of the **Authority** and the **Parties** under this **Agreement** immediately prior to such holding, modification or condition.

16.7 Third Party Rights

A person who is not the **Authority** or a **Party** to this **Agreement** shall not have any rights under or in connection with this **Agreement** by virtue of any statute or otherwise under the agreed law pursuant to clause 15.1 (*Governing Law*).

16.8 Counterparts

This **Agreement** may be executed in any number of counterparts, all of which when taken together shall constitute one and the same instrument and any of the signatures hereto may execute this **Agreement** by signing any such counterpart. This **Agreement** will become effective on the date on which it has been executed by the **Procurement Party** and the **TSO Party** (or equivalent signatory) from at least four **Member States**.

Part II Terms applicable to Connection to and Use of the Interconnector

17 Connection

17.1 Rights to Connect

17.1.1 Each TSO Party (other than Oman Electricity Transmission Company) shall have the right:

- (a) for its **Equipment** to be connected to the **Interconnector**, via the **Authority's Connection Assets**, at the **Connection Points** upon satisfaction of the **Connection Conditions** applicable in respect of that TSO Party;
- (b) for its **Equipment** to remain connected to the **Interconnector**, via the **Authority's Connection Assets**, at the **Connection Points**; and
- (c) to require the **Authority** to keep the **Authority's Connection Assets** connected to its **Equipment** at each of that TSO Party's **Connection Points**,

until the earlier of: (i) the termination of this **Agreement** in accordance with clause 8 (*Termination*) and (ii) the **Disconnection** of a TSO Party's **Equipment** in accordance with clause 7.4 (*Right to Disconnect*).

17.1.2 Oman Electricity Transmission Company shall have the right to:

- (a) have access to the **Interconnector**, through the **Connection Points** of Abu Dhabi Water and Electricity Authority upon satisfaction of the **Access Conditions**; and
- (b) continue to have access to the **Interconnector** through the **Connection Point** of Abu Dhabi Water and Electricity Authority until the termination of this **Agreement** in accordance with clause 8 (*Termination*) and (ii) **Disconnection** of Abu Dhabi Water and Electricity Authority in accordance with clause 7.4 (*Right to Disconnect*),

and the Authority and Abu Dhabi Water and Electricity Authority shall grant Oman Electricity Transmission Company access to the Interconnector at the Connection Point of Abu Dhabi Water and Electricity Authority subject to the foregoing conditions.

17.1.3 The Authority shall have the right for the **Authority's Connection Assets** to:

- (a) be connected to each TSO Party's **Equipment** at each **Connection Point**;
- (b) remain connected to such TSO Party's **Equipment**; and

(c) to require each **TSO Party** to keep such **Equipment** connected to the **Authority's Connection Assets** at each of its **Connection Points**,

until the earlier of: (i) the termination of this **Agreement** in accordance with clause 8 (*Termination*) and (ii) the **Disconnection** of a **TSO Party's Equipment** in accordance with either of clauses 24 (*Disconnection and Decommissioning*) and 7.4 (*Right to Disconnect*).

17.2 Energisation

With effect from the date and time set out in the **Commencement Notice**, until the De-energisation of the relevant **Equipment** in accordance with this **Agreement**:

- (a) each **TSO Party** shall ensure that all of its **Equipment** is **Energised**; and
- (b) the **Authority** shall procure that the **Authority's Connection Assets** which are connected to each **TSO Party's Equipment** at each **Connection Point** are **Energised**.

17.3 Data

Data of a technical or operational nature collected, recorded or otherwise generated pursuant to this **Agreement** shall be deemed data lodged pursuant to the **Interconnector Transmission Code**.

18 General Principles

18.1 Principles of Use

18.1.1 Subject to clauses 22 (*Emergency De-energisation*), and 7.4 (*Right to Disconnect*), the **Authority** shall:

- (a) import electricity into the **Interconnector** and/or export electricity from the **Interconnector** at each **Connection Point** up to the **Registered Capacities**; and
- (b) transmit the electricity referred to in paragraph (a) through the **Interconnector**,

except to the extent (if any) that the **Authority** is unable to do so due to a **Transmission Reduction**.

18.1.2 No **TSO Party** shall:

- (a) export any electricity onto the **Interconnector** in excess of the **Registered Capacities**; or

(b) import any electricity from the **Interconnector** in excess of the **Registered Capacities**,

save as expressly permitted or instructed pursuant to any instruction under the **Interconnector Transmission Code** or save as may be necessary or expedient in accordance with **Good Industry Practice**.

18.1.3 Each **TSO Party** shall at all times use **Good Industry Practice** so as to minimise **Unscheduled Deviations**.

18.2 Principles of Ownership

18.2.1 The division of ownership between the **Authority's Connection Assets** and a **TSO Party's Equipment** shall be at the electrical boundary located at the busbar clamp on the busbar side of the busbar isolators in the **TSO Party's Equipment** transformer or feeder circuits at a **Connection Point**.

18.2.2 Nothing in this clause 18.2 shall effect any transfer of ownership in any **Plant** or **Apparatus**.

18.3 Connection Notice

Following:

18.3.1 satisfaction of the **Connection Conditions** or **Access Conditions** (as appropriate);

18.3.2 completion of the **Commissioning Programme**; and

18.3.3 compliance with the relevant provisions of the **Interconnector Transmission Code**,

by a **TSO Party**, the **Authority** shall issue to such **TSO Party** a **Commencement Notice** stating the date and time upon which the **Authority's Connection Assets** and such **TSO Party's Equipment** shall be **Energised**.

19 Compliance with the Interconnector Transmission Code

19.1 Version 1.00 of the **Interconnector Transmission Code** is set out in Part IV (*Interconnector Transmission Code*) of this **Agreement**.

19.2 The **TSO Parties** and the **Procurement Parties** and the **Authority** agree to be bound by and to comply with all the applicable provisions of the most recent version of the **Interconnector Transmission Code** published by the **Authority** from time to time. Until the **Interconnector Transmission Code** is approved by the **ARC** and published by the

Authority, Version 1.00 of the **Interconnector Transmission Code** shall be used for guidance purposes only.

- 19.3 If, following approval of the **Interconnector Transmission Code** by the **ARC** and publication by the **Authority**, there is any conflict between the provisions of this **Agreement** and the provisions of the **Interconnector Transmission Code**, the most stringent requirement shall apply.

20 Delivery and Metering

20.1 Delivery of Electricity

Electricity will be delivered and received at the **Connection Points**.

20.2 Metering

Appropriate metering devices shall be installed as required in the **Metering Code** to provide readings at least hourly of the electricity interchange. The measurements of electricity obtained from the metering equipment shall be adjusted to determine the quantities of electricity delivered at the delivery points.

21 Maintenance and Required Transmission Reductions

21.1 Emergencies

The **Authority** may reduce the **Registered Capacities** of one or more **Connection Points** and/or make a **Required Transmission Reduction** if the **Authority** determines at any time that a **Critical Incident** or **System Stress** exists.

21.2 Interruption by Protective Devices

The **Authority** may utilise protective devices in order to assist in maintaining the integrity and reliability of the **Interconnector**. The **Authority** may reduce **Registered Capacities** of one or more **Connection Points** and/or make a **Required Transmission Reduction** in the event of operation of such devices.

21.3 Maintenance

The **Authority** may reduce the **Registered Capacities** of one or more **Connection Points** and/or make a **Required Transmission Reduction** in order to perform necessary maintenance on the **Interconnector**, provided that such maintenance is consistent with **Good Industry Practice**. The **Authority** shall coordinate such maintenance with each **TSO Party** (as applicable).

21.4 Notification of a Transmission Reduction

21.4.1 The **Authority** shall notify each **TSO Party** as soon as practicable, but in any event, not later than five (5) **Business Days** after the **Authority** becomes aware of either (i) the existence of a **Required Transmission Reduction** or (ii) the need to impose a **Required Transmission Reduction** on any **TSO Party**. Such notification shall:

- (a) describe the reasons for the **Required Transmission Reduction**;
- (b) provide a preliminary evaluation of the effect of the **Required Transmission Reduction** on the **Registered Capacities** of any **Connection Point** (the "**Affected Connection Point**") together with a preliminary estimate of the period of time that the **Required Transmission Reduction** will subsist; and
- (c) any other information which the **Authority** considers necessary.

21.4.2 When appropriate, the **Authority** shall provide further notices to each **TSO Party** more fully describing the **Required Transmission Reduction** and its cause and providing or updating information relating to the efforts of the **Authority** to avoid and/or to mitigate the effect thereof and estimates, to the extent practicable, of the time that the **Authority** reasonably expects the **Required Transmission Reduction** to end.

21.4.3 Following the cessation of any **Required Transmission Reduction**, the **Authority** shall notify each **TSO Party** of the same.

21.5 Restoration of Registered Capacities

In the event of a **Transmission Reduction**, the **Authority** shall promptly restore the **Registered Capacities** of each **Affected Connection Point** in a manner consistent with **Good Industry Practice**.

22 Emergency De-energisation

22.1 Authority's Right to De-energise

If in the reasonable opinion of the **Authority**, the condition or manner of operation of a **TSO Party's Transmission Network**:

- (a) creates a **Critical Incident** or **System Stress**; or
- (b) poses an immediate threat of injury or material damage to any person or to the **Interconnector**,

the **Authority** shall have the right to **De-energise** any **Equipment** as is necessary or expedient to avoid the occurrence of such **Critical Incident, System Stress, injury or damage**.

22.2 TSO Party's Right to De-energise

22.2.1 If in the reasonable opinion of a **TSO Party**, the condition or manner of operation of the **Interconnector**:

(a) creates a **Critical Incident** or **System Stress** on the **TSO Party's Transmission Network**, or

(b) poses an immediate threat of injury or material damage to any person or to the **TSO Party's Transmission Network**,

the **TSO Party** shall have the right to **De-energise** the **Equipment** if it is necessary or expedient to do so to avoid the occurrence of such injury or damage.

22.2.2 The **TSO Party** invoking the right to **De-energise** the **Equipment** pursuant to clause 22.2.1 shall issue a report to the other **Parties** and the **Authority** justifying its action within seven (7) **Business Days** of the date of **De-energisation**.

22.3 Re-energisation

The **Authority** or, as the case may be, a **TSO Party**, shall **Re-energise** the **Equipment** at the **Connection Point** as quickly as practicable after the circumstances leading to any **De-energisation** under clauses 22.1 (*Authority's Right to De-energise*) and 22.2 (*TSO Party's Right to De-energise*).

23 Notice to Change a Connection Point

Without prejudice to clause 22.2 (*TSO Party's Right to De-energise*), a **TSO Party** shall give the **Authority** no less than six (6) months written notice (unless a shorter period is agreed between the **TSO Party** and the **Authority**) of any intention of that **TSO Party** to change a **Connection Point**, and where applicable, **Decommission** any **Equipment** at a **Connection Point**.

24 Disconnection and Decommissioning

24.1 Disconnection After Notice

24.1.1 If notice to change a **Connection Point** is given by a **TSO Party** under clause 23 (*Notice to Change a Connection Point*), that **TSO Party** may upon expiry of the period specified in such notice, **Disconnect** its **Equipment** at a **Connection Point**.

24.1.2 The **Disconnection** from the **Interconnector** of a **TSO Party's Equipment** and any subsequent **Decommissioning** of such **Equipment** shall be carried out in accordance with a programme agreed between the **Authority** and such **TSO Party**.

24.2 Disconnection Payments

Any **TSO Party** who elects to **Disconnect** the **Equipment** pursuant to clause 24.1 (*Disconnection After Notice*) shall indemnify the **Authority** for any costs incurred by the **Authority** as a consequence.

24.3 Decommissioning After Disconnection

Following the **Disconnection** from the **Interconnector** of any of its **Equipment**, pursuant to clause 24.1.2 (*Disconnection After Notice*), a **TSO Party** shall **Decommission** such **Equipment** at the **Connection Point** within two (2) months.

Part III
Terms Applicable to Trading

25 General Conditions

25.1 Purpose of the Terms Applicable to Trading

These terms applicable to trading set out the terms and conditions on which:

- (a) the **Authority** will schedule **Energy Transfers** between the **Procurement Parties**;
- (b) the **Procurement Parties** shall account for and compensate each other for **Unscheduled Deviations** between the **Transmission Networks**;
- (c) the **Authority** shall make available, and **Procurement Parties** may acquire and use **Additional Interconnector Usage Rights**;
- (d) a **Procurement Party** or a **TSO Party** (where applicable) shall notify the **Authority** where some proportion of the **Operating Reserves** nominated by that **Procurement Party** or **TSO Party** is located in another **Procurement Party Transmission Network**;
- (e) the **Procurement Parties** or the **TSO Parties** may make arrangements with the **Authority** for the transfer of **Operating Reserves** between the **Procurement Parties' Transmission Networks** (the "Provision of Operating Reserve");
- (f) the **Authority** shall place an **Installed Capacity Obligation** for each **Procurement Party**; and
- (g) the **Procurement Parties** shall meet their **Installed Capacity Obligations** including where applicable the use of **Installed Capacity Resource** in another **Procurement Party's Transmission Network**.

25.2 Bi-Lateral Contracting

25.2.1 The **Procurement Parties** may negotiate and enter into bi-lateral contracts for **Energy Transfers** or for the **Provision of Operating Reserves** or **Installed Capacity Resources** on such terms as they think fit. The **Authority** shall require the following minimum conditions prior to facilitating the performance of a bi-lateral contract:

- (a) the **Exporting Party** or **Importing Party** must hold appropriate and sufficient **Interconnector Rights for Operations**, or **Installed Capacity Interconnector Rights** as the case may be;
 - (b) in the case of a proposed **Energy Transfer**, the **Procurement Parties** must submit all necessary nominations, **Valid Trade Notifications**, and receive a **Trade Confirmation** in respect of such proposed **Energy Transfer** pursuant to clause 26.1 (*Notification of Scheduled Exchanges*); and
 - (c) in the case of requested **Energy Transfers** or the **Provision of Operating Reserves** it must be technically feasible for the **Authority** to execute the request in accordance with this Part III and with Part IV.
- 25.2.2 As between the **Authority** and the **Parties**, should there be any contradictions or discrepancies between the provisions of a bi-lateral contract and the terms of Part III, the terms of Part III shall prevail. Nothing in this clause 25.2.2 shall prevent the **Parties** from allocating obligations and liabilities among themselves.
- 25.2.3 The **Authority** may, where it believes it efficient to do so, facilitate the arranging of bi-lateral contracts between **Procurement Parties**, for energy, the **Provision of Operating Reserves**, and/or **Installed Capacity Resources**, by use of bulletin boards or other means as agreed by the **Procurement Parties**. Where the **Authority** provides a means of facilitating bi-lateral contracts, **Procurement Parties** shall be under no obligation to arrange any bi-lateral contracts through such means, where they do not wish to do so.
- 25.2.4 The **Authority** shall have:
- (a) no liability in respect of any non-availability of **Additional Interconnector Usage Rights**;
 - (b) no obligations in respect of any payments or other charges payable or due under any bi-lateral contract; and
 - (c) no liability to any **Procurement Party** in respect of any failure to schedule such a bi-lateral contract, other than as provided for in paragraph 13 of Annex 7.
- 25.3 Metering of Interconnector Energy Transfers**
- 25.3.1 References to meters shall refer to metering apparatus specified in the **Metering Code**.
- 25.3.2 When any meters are out of service for testing or repairs or because of failure or malfunction, power and energy flow during the period of outage or malfunction shall be determined in accordance with the provisions of the **Metering Code**.

26 Scheduled Exchanges of Energy

26.1 Notification of Scheduled Exchanges

26.1.1 Where a Party (the "Exporting Party") wishes to give effect to an Energy Transfer on day d (where day d is every calendar day) with any other Party (the "Importing Party") it shall submit a nomination of the proposed Energy Transfer to the Importing Party, and obtain a confirmation of the proposed Energy Transfer from the Importing Party. In all such nominations the Energy Transfer shall be specified as the net energy to be received by the Importing Party – as specified in clause 26.2, the Exporting Party shall accept full responsibility for the related losses, to be determined as specified in clause 26.1.8 or Annex 4 as appropriate.

26.1.2 For all proposed Energy Transfers where the Exporting Party has obtained a confirmation from the Importing Party, the Exporting Party shall:

- (a) if the Exporting Party is not the TSO Party for the Member State in which it is located, send a Valid Trade Notification to the TSO Party of its Member State at any time from 0900hrs on day d-1 up to one (1) hour before the Gate Closure for the Dispatch Period in which the Energy Transfer is to take place; or
- (b) if the Exporting Party is the TSO Party for the Member State in which it is located, send a Valid Trade Notification to the Authority as soon as possible, and in any event not later than the Gate Closure for the Dispatch Period in which the Energy Transfer is to take place.

26.1.3 Where a TSO Party receives one or more Valid Trade Notifications from the Exporting Party located within its Member State, it shall review such Valid Trade Notifications and forward them to the Authority within 1 hour of the time at which it received the Valid Trade Notification, but not later than the Gate Closure for the Dispatch Period in which the Energy Transfer is to take place, providing that it considers the proposed Energy Transfers to be feasible. Where the TSO Party considers that one or more of the proposed Energy Transfers is not feasible, it shall in respect of that proposed Energy Transfer:

- (a) notify the relevant Exporting Party as soon as possible and no later than 1 hour after receiving the Valid Trade Notification that the proposed Energy Transfer will not take place, or will only take place to a revised extent that is detailed in the notification, and such notification shall specify the reason for the cancellation or revision; and
- (b) send a Valid Trade Notification of the revised and feasible proposed Energy Transfer to the Authority within 1 hour of the time at which it received the Valid

Trade Notification from the **Exporting Party**, but not later than the **Gate Closure** for the **Dispatch Period** in which the **Energy Transfer** is to take place.

In determining which proposed **Energy Transfers** are feasible and which are not feasible, the **TSO Party** shall have regard to the need to act in a fair and non-discriminatory way towards the **Procurement Parties**.

- 26.1.4 Where any proposed **Energy Transfer** requires the use of capacity on a **Transit System**, the **Exporting Party** or **Importing Party** shall be responsible for acquiring the necessary capacity on the **Transit System**, including payment of any wheeling charges for use of the **Transit System**.
- 26.1.5 The **Authority** shall examine all **Valid Trade Notifications** received in respect of each **Dispatch Period** no later than one (1) hour prior to the **Dispatch Period**, and shall determine the extent to which the proposed **Energy Transfers** can be implemented, taking account of the provisions of the **Interconnector Transmission Code** and current and expected system conditions.
- 26.1.6 Where the **Authority** determines that some or all of the proposed **Energy Transfers** cannot be implemented, it shall prepare a **Curtailment Schedule**, in accordance with the **Interconnector Transmission Code**, listing those proposed **Energy Transfers** or the portions of the proposed **Energy Transfers** that will be **Scheduled Energy Transfers**. In preparing the **Curtailment Schedule**, the **Authority** shall have regard to the need to act in a fair and non-discriminatory way towards the **Procurement Parties**. As part of a **Curtailment Schedule** the **Authority** shall specify the reason for the curtailment.
- 26.1.7 Where the **Authority** determines that the proposed **Energy Transfers** from **Valid Trade Notifications** can be implemented as **Scheduled Energy Transfers**, and for those **Scheduled Energy Transfers** determined pursuant to clause 26.1.6, the **Authority** shall issue a **Trade Confirmation** to the **Exporting Party** and **Importing Party** no later than one (1) hour prior to the relevant **Dispatch Period(s)**. The **Authority** shall at the same time also issue copies of such **Trade Confirmations** to the **TSO Parties** for the **Member States** in which each **Exporting Party** and **Importing Party** are located (where these **TSO Parties** are different from the relevant **Exporting** or **Importing Parties**).
- 26.1.8 Having established a set of **Scheduled Energy Transfers** in respect of a **Dispatch Period**, the **Authority** shall use that set of **Scheduled Energy Transfers** to determine the **Average Interconnector Loss Factor** ("AILF") for that **Dispatch Period** as follows:

$$AILF = TL/ESA$$

where:

TL is the total estimated losses on the **Interconnector** in the **Dispatch Period**, measured in MWh. TL shall be estimated by one or more load flow simulations of the **Scheduled Energy Transfers**; and

ESA is the gross sum of **Scheduled Energy Transfers** in the **Dispatch Period**, in MWh, and is calculated such that every **Scheduled Energy Transfer** has a positive value.

26.2 **Scheduled Energy Transfers, Transit of Energy and Transmission Losses**

26.2.1 The **Authority** shall publish the **Average Interconnector Loss Factors** regularly on its website and in no case later than one (1) hour prior to the **Dispatch Period(s)** for which they apply. The **Scheduled Energy Transfers** for each **Exporting Party** shall be multiplied by (1+AILF) using the final value of **AILF** for the relevant **Dispatch Period** published as at one (1) hour before the start of that **Dispatch Period**, and notified to all **Exporting Parties**, to ensure that each **Exporting Party** provides sufficient energy to take account of losses. The **Scheduled Energy Transfer** for each **Importing Party** shall remain unchanged.

26.2.2 Where any **Scheduled Energy Transfer** involves transmission across a **Transit System**, the **Exporting Party** shall be responsible for ensuring that the requested scheduled quantities of energy take account of the losses occurring in the **Transit System** in accordance with the **Transit System** transmission loss factor in Annex 4.

26.3 **Modifications to the Scheduled Exchanges**

26.3.1 Where any **Valid Trade Notification** is submitted to the **Authority** after **Gate Closure** for the **Dispatch Period** in which the proposed **Energy Transfer** is to take place, the **Authority** shall reject the **Valid Trade Notification** and not revise any **Scheduled Energy Transfer** based on such **Valid Trade Notification**.

26.3.2 Where any **Procurement Party** or **TSO Party** becomes aware of conditions on its **Transmission Network** that indicate that a **Scheduled Energy Transfer** may not be possible, it shall notify the **Authority** immediately of the relevant circumstances, but this shall not result in any change to the **Scheduled Energy Transfer** for that **Party**, unless a new **Valid Trade Notification** is submitted to the **Authority** by the **Gate Closure** for the **Dispatch Period** in which the **Scheduled Energy Transfer** is to take place.

26.3.3 If, having issued a **Trade Confirmation**, the **Authority** subsequently becomes aware of system incidents or other conditions that indicate that a set of **Scheduled Energy Transfers** may not be possible, it may issue revised **Trade Confirmation(s)** and revise

the set of **Scheduled Energy Transfers** accordingly and shall notify the relevant Exporting and Importing Parties. No such revisions to **Trade Confirmations** or **Scheduled Energy Transfers** shall be issued less than one (1) hour prior to the start of the physical delivery of the **Scheduled Energy Transfer** and the last **Trade Confirmation** issued in respect of a **Scheduled Energy Transfer** shall be deemed to be the **Final Trade Confirmation**. However nothing in this Part III shall prevent the **Authority** from issuing revised instructions to **Procurement Parties** less than one (1) hour prior to the start of physical delivery in the event of system incidents or other conditions that indicate that a set of **Scheduled Energy Transfers** is not possible, but such revisions will not result in revised **Final Trade Confirmations** or **Scheduled Energy Transfers** for the purposes of determining **Unscheduled Deviations** in accordance with clause 27.2 (*Measurement of Unscheduled Deviations*).

26.3.4 The **Authority** shall confirm the **Final Trade Confirmation** in respect of each **Scheduled Energy Transfer** with the relevant Parties within 24 hours of the end of each day and the **Authority** shall have no further role in the settlement or payment for that transaction between the **Procurement Parties**.

26.3.5 Where the **Final Trade Confirmation** is for a lesser quantity than that specified in the **Valid Trade Notification** to which it relates, the **Authority**:

- (a) shall have no liability in respect of a failure to schedule or transmit a **Scheduled Energy Transfer** except as provided for in paragraph 13 of Annex 7; and
- (b) shall record the curtailment or cancellation of the **Interconnector Right for Operations** for the purposes of calculating any compensation payable to the **Party** that holds the relevant rights, as provided for in paragraph 14 of Annex 7.

27 **Unscheduled Exchanges of Energy**

27.1 **Definition of Unscheduled Deviations**

27.1.1 **Parties** shall use their best endeavours to ensure that **Actual Energy Transfers** are as close as possible to the **Net Sum of Scheduled Energy Transfers** at each **Connection Point** at all times, except when the **Authority** has specifically instructed otherwise. Some deviations of **Actual Energy Transfers** from the **Net Sum of Scheduled Energy Transfers** at a **Connection Point** may be unavoidable due to operational reasons, but these should be minimised.

27.1.2 The deviations of **Actual Energy Transfers** from the **Net Sum of Scheduled Energy Transfers**, termed **Unscheduled Deviations**, will be measured, accounted for, and dealt with as set out in this clause 27 and according to the following categories:

- (a) those **Unscheduled Deviations** that are defined as **Type 1 Unscheduled Deviations** will be dealt with by means of compensation in kind, as described in clause 27.5;
- (b) those **Unscheduled Deviation** that are defined as **Type 2 Unscheduled Deviations** will be dealt with by means of monetary payment, as described in clause 27.4, and may be subject to additional charges in cases where they exceed the criteria published by the **Authority**, as described in clause 27.4.5.

27.2 Measurement of Unscheduled Deviations

27.2.1 The **Unscheduled Deviations (UD)** are measured at the **Connection Points** of the **Procurement Parties' Transmission Networks** on an ex-post basis for each **Dispatch Period** as the difference between the **Actual Energy Transfer** and the **Net Sum of Scheduled Energy Transfers**:

$$UD = AET - NES$$

where:

AET is **Actual Energy Transfer**, in MWh; and

NES is the **Net Sum of Scheduled Energy Transfers**, in MWh.

For the purpose of this calculation of **Unscheduled Deviations**, the **Scheduled Energy Transfers** used shall be those quantities scheduled as at one (1) hour prior to the start of the physical delivery of the **Scheduled Energy Transfers**.

27.2.2 The **Authority** will record all such **Unscheduled Deviations** of each **Procurement Party** for every **Dispatch Period**, distinguishing between the following **Tariff Periods**:

Designation of Tariff Period	Timing of Tariff Period
Tariff Period 1 – Peak	To be determined by the Operations Committee , and may differ by Procurement Party . Will be specified in local time for each Procurement Party , and in GMT to ensure no ambiguity.
Tariff Period 2 – Off-Peak	To be determined by the Operations Committee , and may differ by Procurement Party . Will be specified in local time for each Procurement Party , and in GMT to ensure no ambiguity.

27.3 Recording of Unscheduled Deviations

27.3.1 The Authority shall monitor all **Unscheduled Deviations** in each **Dispatch Period** and shall on an **ex-post** basis separately identify and record **Type 1 Unscheduled Deviations** and **Type 2 Unscheduled Deviations**.

27.3.2 For each **Procurement Party's Transmission Network** the account of **Unscheduled Deviations** maintained by the Authority shall be settled with reference to **Recording Periods** of seven (7) days, with each **Recording Period** beginning at 0000hrs on Saturday mornings and ending at 2400hrs on Friday nights.

27.4 Payment for Type 2 Unscheduled Deviations

27.4.1 In any **Recording Period** where a **Type 2 Unscheduled Deviation** is recorded, the associated **Receiver of Unscheduled Energy** shall be responsible for repayment to the relevant **Sender or Senders of Unscheduled Energy** of the cost of the **Type 2 Unscheduled Deviation** which it has received.

27.4.2 For each **Receiver of Unscheduled Energy**, the Authority shall calculate for the **Type 2 Unscheduled Deviations** it has received in any **Recording Period** the cost of the relevant energy for that **Procurement Party** and the amounts that are payable to the relevant **Senders of Unscheduled Energy** as follows:

- (a) for each **Dispatch Period** in which such **Type 2 Unscheduled Deviations** were recorded for a **Procurement Party**, the net amount of energy for these **Type 2 Unscheduled Deviations** that shall be assumed to have been provided by each **Sender of Unscheduled Energy** shall be pro rata to the total **Type 2 Unscheduled Deviations** for all **Senders of Unscheduled Energy** in that **Dispatch Period**;
- (b) the pro rata net amount of energy calculated for each **Sender of Unscheduled Energy** for each **Dispatch Period** and attributed to a **Procurement Party** shall be adjusted to take account of the **Average Interconnector Loss Factor** in that **Dispatch Period**, to give the pro rate gross quantity of energy that shall be used for the calculation of the payment due;
- (c) the pro rata gross quantity of energy calculated for each **Sender of Unscheduled Energy** for each **Dispatch Period** in accordance with sub-paragraph (b) above and attributed to a **Procurement Party** shall then be multiplied by the **Agreed Tariff** for that **Dispatch Period**, and the resulting amount shall be the amount due to that **Sender of Unscheduled Energy** from

that **Procurement Party** for that **Dispatch Period**. The sum of these amounts due from that **Procurement Party** for that **Dispatch Period** shall be the total cost of **Type 2 Unscheduled Deviations** for that **Procurement Party** for that **Dispatch Period**;

- (d) the total amounts due from and to each **Procurement Party** in respect of **Type 2 Unscheduled Deviations** for a **Recording Period** shall be the sums of the amounts calculated for such **Procurement Party** for all the **Dispatch Periods** in that **Recording Period**, in accordance with sub-paragraphs (a) to (c) above; and
- (e) pending an initial determination of the **Agreed Tariff** by the **ARC**, the **Authority** shall keep a record of the **Type 2 Unscheduled Deviations** for each **Dispatch Period** during each **Recording Period** in question, and shall calculate the total amount due from and to each **Procurement Party** in respect of **Type 2 Unscheduled Deviations** for these **Recording Periods** immediately following the date of publication of the **Agreed Tariff** by the **Authority**, in accordance with sub-paragraphs (a) to (d) above.

27.4.3 The **Agreed Tariff** for any **Dispatch Period** shall be the energy prices determined by the **ARC**, provided that:

- (a) the energy prices specified shall not be revised more frequently than every twenty eight (28) days, and shall be posted on the **Authority's** website at least fourteen (14) days before the date on which such energy prices take effect;
- (b) the energy prices specified may differentiate between the two **Tariff Periods** specified in clause 27.2.2; and
- (c) the **ARC** shall ensure that the energy prices specified reflect the typical total costs (including fixed and variable costs) of the the most expensive power plants expected to run in each of the two **Tariff Periods**.

27.4.4 Each **Procurement Party** that is a **Receiver of Unscheduled Energy** and that is recorded with **Type 2 Unscheduled Deviations** in any **Recording Period** shall pay the **Authority** additional fees for the usage of the **Interconnector** relating to the **Energy Transfers** for the **Type 2 Unscheduled Deviations**, and the additional fees shall be the product of:

- (a) the cost per MW of **Interconnector Rights for Operations** for each **Dispatch Period** (calculated by reference to the most recent relevant price for similar rights in an equivalent **Dispatch Period**, as determined through the auction process specified in Annex 7); and

- (b) the MW capacity required to provide the energy for the **Type 2 Unscheduled Deviations** for the **Receiver of Unscheduled Energy** in each **Dispatch Period** in which that **Procurement Party** is a **Receiver of Unscheduled Energy**;

as calculated in respect of the relevant **Recording Period**.

27.4.5 Where the **Authority** determines, according to criteria approved by the **ARC** and published by the **Authority**, that the **Type 2 Unscheduled Deviations** of a **Procurement Party** in a **Dispatch Period** are excessive, the **Authority** may impose additional charges in respect of that **Procurement Party** and **Dispatch Period**. The amount of these additional charges shall be approved by the **ARC** and published by the **Authority**, and shall be updated when the **ARC** deems it appropriate to do so. Pending an initial determination by the **ARC** these additional charges shall be as follows:

- (a) where the **Procurement Party** is the **Sender of Unscheduled Energy**, a charge shall be made to that **Procurement Party** equal to the amount that the **Procurement Party** would receive in respect of its **Unscheduled Deviations** in the **Dispatch Period** in accordance with clauses 27.4.1 to 27.4.3 (inclusive) multiplied by the **Excessive Imbalance Sender Factor**; and
- (b) where the **Procurement Party** is the **Receiver of Unscheduled Energy**, a charge shall be made to that **Procurement Party** equal to the amount that the **Procurement Party** would pay in respect of its **Unscheduled Deviations** in the **Dispatch Period** in accordance with clauses 27.4.1 to 27.4.3 (inclusive) multiplied by the **Excessive Imbalance Receiver Factor**.

27.4.6 All such additional charges shall be payable to the **Authority**. The **ARC** may review the **Excessive Imbalance Sender Factor** and the **Excessive Imbalance Receiver Factor** from time to time to ensure that they provide appropriate signals to **Member States**. Where it considers it appropriate to do so, the **ARC** may approve variations to the **Excessive Imbalance Sender Factor** and/or the **Excessive Imbalance Receiver Factor**, subject to giving due notice of any proposed change to all **Member States**.

27.5 Compensation in Kind

27.5.1 The compensation of **Type 1 Unscheduled Deviations** is to be paid in kind as **Scheduled Energy Transfers** for the import of energy per **Tariff Period** to the **Sender(s) of Unscheduled Energy** that correspond to such **Type 1 Unscheduled Deviations** that have accumulated in the relevant **Recording Period**. Compensation is to be paid within the relevant **Compensation Period**, as defined in clause 27.5.2.

- 27.5.2 **Compensation Periods** are periods of seven (7) days, beginning at 0000hrs on Saturday mornings and ending at 2400hrs on Friday nights. For any **Recording Period** beginning on day d, the relevant **Compensation Period** will be the **Compensation Period** that begins on day d+14.
- 27.5.3 In case of public holidays or a change of **Tariff Periods**, the **Authority** may make exceptions to the definitions of **Recording Periods** and **Compensation Periods**. Where the **Authority** decides to make such an exception it shall notify the **Procurement Parties** of the amendment it is making to the definition of the **Recording Period** and the **Compensation Period** (and the period of time during which the amendment shall have effect) at least four (4) weeks before the start of the **Recording Period** affected by the exception. In determining any such exceptions, the **Authority** shall take into account that:
- (a) all **Recording Periods** should last at least four (4) days;
 - (b) all **Compensation Periods** should last at least four (4) days; and
 - (c) the **Compensation Period** must start at least seven (7) days after the end of the corresponding **Recording Period**, to allow for the relevant accounting and to enable **Procurement Parties** to schedule accordingly.
- 27.5.4 The **Authority** shall publish its expected **Scheduled Energy Transfers** corresponding to the compensation for **Type 1 Unscheduled Deviations** prior to each **Compensation Period**. In doing so, the **Authority** will account for transmission losses on the **Interconnector**, and for potential differences in **Tariff Periods** between **Procurement Parties**, and will apply the following principles, after taking account of the calculation of the compensation due in respect of **Type 2 Unscheduled Deviations**:
- (a) **Senders of Unscheduled Energy** will receive compensation according to their own definitions of **Tariff Period**;
 - (b) **Receivers of Unscheduled Energy** shall be responsible for the provision of transmission losses relating to compensation energy; and
 - (c) where there are multiple **Receivers of Unscheduled Energy** and one or more has a different definition of **Tariff Period** compared to the **Sender(s) of Unscheduled Energy**, the **Receivers of Unscheduled Energy** should share the compensation responsibility on a pro-rata basis on the days or hours in which the **Tariff Periods** are not aligned.
- 27.5.5 In the case of **Type 1 Unscheduled Deviations**, where a **Sender of Unscheduled Energy** and a **Receiver of Unscheduled Energy** wish to do so, they may agree

bi-laterally on the cancellation of compensation in kind due as between themselves on whatever payment terms they consider appropriate, if they satisfy the **Authority** that the cancellation of compensation imports and compensation exports, relative to the expected **Scheduled Energy Transfers** for compensation energy developed pursuant to clause 27.5.4, matches on a loss-adjusted per MWh basis in each **Dispatch Period** for which the cancellation applies. When such an agreement is reached between two **Procurement Parties**, the **Parties** concerned shall notify the **Authority** of the agreement, so that the **Authority** may assess the treatment of transmission losses and timing of the cancellation so as to make any necessary adjustment to the expected **Scheduled Energy Transfers** in respect of compensation in kind. Such notification shall be made prior to the **Compensation Period** of the corresponding **Recording Period**.

27.6 Accounting and Verification of Unscheduled Deviations

27.6.1 In respect of each day, d, no later than 1200hrs on day d+1,

(a) the **Authority** will collect and record the data from the meters for which it is responsible in respect of **Interconnector** transfers for day d, differentiated by **Dispatch Period**; and

(b) where required to do so by the **Authority**, each **Procurement Party** (or **TSO Party** as applicable) will submit to the **Authority** the data from the meters for which it is responsible, if any, in respect of **Interconnector** transfers for day d, together with estimates of **Unscheduled Deviations** for that day, differentiated by **Dispatch Period**. In the event of meter problems, a **Procurement Party** (or **TSO Party** as applicable) will submit details together with alternative estimates, with any necessary explanations.

27.6.2 The **Authority** will check and process all daily data received, and produce a separate daily account of all **Unscheduled Deviations** for each **Procurement Party**, broken down by **Tariff Period** (each a "Daily Account"). The **Authority** will send each **Procurement Party** its **Daily Account** no later than 1700hrs on day d+2.

27.6.3 Each **Procurement Party** may submit to the **Authority** a request for clarification or objection in respect of its **Daily Account** for day d no later than 1700hrs on day d+4, and this must also be copied to any other affected **Procurement Party**. The **Authority** shall deal with all such requests for clarification or objections and provide a written response to all affected **Procurement Parties** no later than 1700hrs on day d+5. Any continuing objection must be notified to the **Authority** no later than 1700hrs on day d+6. Any **Daily Account** for which the **Authority** has not received any notice of continuing objection by 1700hrs on day d+6 shall be regarded as final and be the basis for compensation.

27.6.4 By seven (7) days after the end of a **Recording Period**, when all data has been finalised in accordance with clause 27.6.3, the **Authority** will calculate for the **Recording Period** a preliminary account showing the net total of **Unscheduled Deviations** for each **Tariff Period** for each **Procurement Party**, and shall prepare the corresponding expected **Scheduled Energy Transfers** for compensation of **Type 1 Unscheduled Deviations** in accordance with clause 27.5.4. The preliminary accounts shall be sent to **TSO Parties** and **Procurement Parties** no later than 1700hrs on the day seven (7) days after the end of the **Recording Period**. Subsequent to the receipt and processing of requests for cancellation of compensation in kind pursuant to clause 27.5.5, the **Authority** shall send a final account (a "**Final Account**") to all **TSO Parties** and **Procurement Parties** no later than 1700hrs on the day ten (10) days after the end of the **Recording Period**.

27.7 Calculation and Timing of Compensation in Kind

27.7.1 **Final Accounts** will form the basis of the compensation in kind that is to be made in the relevant **Compensation Period**.

27.7.2 For any **Sender of Unscheduled Energy**, in any **Compensation Period** the compensation in kind to be made in respect of a **Tariff Period** shall be on a level basis for all hours in that **Tariff Period**. This means that where the total compensation in kind required for **Tariff Period T** in **Compensation Period C** is $COMP_{TC}$, the hourly compensating transfers for that **Tariff Period**, HC_{TC} , shall be determined as follows:

$$HC_{TC} = COMP_{TC} / H_{TC}$$

where:

H_{TC} is the total number of hours of **Tariff Period T** occurring during that **Compensation Period**.

27.8 Failure to Provide Compensation in Kind

27.8.1 Where a **Procurement Party** fails to provide the full compensation in kind in any **Compensation Period**, and where cancellation of that compensation in kind has not been agreed pursuant to clause 27.5.5, the outstanding amount shall be added to its **Final Account** for the next following **Compensation Period**.

27.8.2 Where a **Procurement Party** fails in two successive **Compensation Periods** to provide or cancel in excess of 90% of the compensation in kind due, the **Procurement Party** shall pay to the **Authority** an amount calculated by multiplying the quantity of energy (expressed in MWh) that has not been repaid or cancelled in the two successive **Compensation Periods** (only if that amount is greater than the **Minimum Compensation In Kind Threshold**, otherwise zero) by the **Agreed Tariff** applicable on

the last day of the last of such **Compensation Periods**. All amounts due to the **Authority** under this clause shall be paid within thirty (30) days of it being notified by the **Authority**. Payment of the amounts due to the **Authority** pursuant to this clause is without prejudice to the continuing obligation of such **Procurement Party** to provide or cancel compensation in kind.

- 27.8.3 Where a **Procurement Party** fails to make any payment specified in clause 27.8.2, and also fails to make payment within thirty (30) days of a further notice issued by the **Authority**, and has not invoked the **Dispute** provisions in clause 13 (*Disputes*), such matter shall be an **Event of Default** under clause 6.1.2 of this **Agreement**.

28 Notification of Operating Reserves Arrangements

28.1 Operating Reserves and Use of Operating Reserves

The provisions of this clause 28 (*Notification of Operating Reserves Arrangements*) will apply where some portion of the **Operating Reserves** nominated by a **Procurement Party** or **TSO Party** (where applicable) is located in another **Procurement Party's Transmission Network**.

28.2 Timetable for Notification of Operating Reserve Arrangements

- 28.2.1 Where a **Procurement Party** or **TSO Party** wishes to nominate generating capacity that is located in another **Procurement Party's Transmission Network** to be included as part of its **Operating Reserves** in any day d, the **Procurement Party** or **TSO Party** wishing to make the nomination shall notify the **Authority** of these proposed arrangements for Operating Reserve no later than 1000hrs on day d-1, with:

- (a) identification of the **Procurement Party** or **TSO Party** that will provide the **Operating Reserves**; and
- (b) details of the **Interconnector Rights for Operations** held that will permit the **Procurement Party** or **TSO Party** to utilise these **Operating Reserves** for the purpose of complying with clause 4.2(b) if called.

- 28.2.2 In any such case of **Operating Reserves** arrangements, the **Authority** shall satisfy itself that the **Operating Reserves** concerned can be delivered and utilised if required, including that the notified **Interconnector Rights for Operations** are valid. The MW entitlement of such **Interconnector Rights for Operations** must equal or exceed the MW of aggregate **Operating Reserves** to be provided. Such **Interconnector Rights for Operations** must provide for delivery from the **Transmission Network** in which the external **Operating Reserves** are located to the **Transmission Network** of the **Party** importing.

28.2.3 Where the **Authority's** review of a **Procurement Party's** or **TSO Party's** proposed **Operating Reserves** arrangement indicates that there are circumstances that will prevent the nominated **Procurement Party** or **TSO Party** from fulfilling its proposed role as a provider of **Operating Reserves**, the **Authority** shall notify the **Procurement Party** or **TSO Party** accordingly and request that alternative capacity be nominated to fulfil the required **Operating Reserves** role.

28.2.4 The **Planning Committee** shall establish limits on the MW quantity of each category of **Operating Reserves** that may be arranged between **Procurement Parties** and **TSO Parties** utilising the **Interconnector**. These limits shall be set to levels that ensure continued system reliability within **Transmission Networks**. Where the **Authority's** review of a **Procurement Party's** or **TSO Party's** proposed **Operating Reserves** arrangement indicates that such a limit would be breached, the **Authority** shall notify the **Procurement Party** or **TSO Party** accordingly and request that alternative capacity within the relevant **Transmission Network** be nominated to fulfil the required **Operating Reserves**. The **Procurement Party** or **TSO Party** shall forthwith comply with such request.

28.3 Notification of Operating Reserves as Energy Transfers

28.3.1 Where a **Procurement Party** wishes to schedule energy for import from capacity in another **Procurement Party's Transmission Network**, where that capacity has previously been nominated as providing part of the former **Procurement Party's Operating Reserves**, it shall notify the **Authority** accordingly.

28.3.2 Such notification to schedule the capacity to provide energy on day d shall be submitted to the **Authority** not less than six (6) hours prior to the relevant **Dispatch Period(s)**, and shall be subject to confirmation of the proposed export from the relevant **Procurement Party** in whose **Transmission Network** the capacity is located.

28.3.3 Notifications to the **Authority** of proposed energy imports will otherwise be in the form set out in Annex 3 and in accordance with clause 26 (*Scheduled Exchanges of Energy*). Notifications must include details of the **Interconnector Rights for Operations** held that will enable the transfer to take place.

28.4 Treatment of the Scheduled Exchanges from Operating Reserves Plant

Where the **Authority** accepts under the terms of clause 28.3 the scheduling of capacity in another **Procurement Party's Transmission Network** to generate energy that was previously nominated as **Operating Reserves**, the energy transferred shall be regarded as a **Scheduled Energy Transfer** and will be accounted for under the provisions of clause 27.

29 Installed Capacity Resource Arrangements

29.1 The Installed Capacity Obligation

29.1.1 Within three (3) months of the start of each **Planning Period**, the **ARC** shall, upon the recommendation of the **Planning Committee**, determine the quantity of **Installed Capacity Resources** that each **Procurement Party** is obliged to maintain in the corresponding **Obligation Period**. This quantity shall be the **Installed Capacity Obligation** of the **Procurement Party** for that **Obligation Period** as determined in this clause 29 and in Annex 5, and shall be a single MW value that applies for the entirety of that **Obligation Period**.

29.1.2 Clause 29 is intended to:

- (a) ensure that adequate **Installed Capacity Resources** will be planned and made available to provide reliable service to loads both on the **Interconnector** and within the **Procurement Parties' Transmission Networks** to assist **Procurement Parties** during emergencies; and
- (b) coordinate planning of **Installed Capacity Resources**.

29.2 Procurement Party Obligations and Timing

29.2.1 Each **Procurement Party's Installed Capacity Obligation** shall be recommended by the **Planning Committee** and established by the **ARC** so as to ensure for the corresponding **Obligation Period** a sufficient amount of capacity to meet that **Procurement Party's** forecast load plus reserves adequate to provide for the unavailability of **Installed Capacity Resources**, including planned outages and **Generator Maintenance Outages**, and load forecasting uncertainty. Each **Procurement Party's Installed Capacity Obligation** shall be expressed as the forecast of its **Coincident Peak Load** in the **Obligation Period** multiplied by one plus an **Installed Reserve Margin** figure for that **Procurement Party**.

29.2.2 The forecast of the **Coincident Peak Load** of a **Procurement Party** for an **Obligation Period** shall be established by that **Procurement Party** following the guidelines set out in Annex 5, and shall be provided to the **Planning Committee** within the time window of the **Planning Period** corresponding to the **Obligation Period**. If, subsequent to a **Planning Period**, the **Planning Committee** believes that a forecast of **Coincident Peak Load** is either significantly too high or significantly too low, then:

- (a) each **Procurement Party** shall, if requested to do so by the **Planning Committee**, revise that forecast of **Coincident Peak Load**; and

- (b) the **Planning Committee** and/or the **ARC** may revise that **Procurement Party's Installed Capacity Obligation** accordingly, except that no such revision shall occur more than two (2) years after the end of the **Planning Period**, or less than three (3) years before the start of the **Obligation Period**, unless:
- (i) the **Procurement Party's** forecast of **Coincident Peak Load** differs from actual **Coincident Peak Load** by more than five percent (5%) in any year between the end of the **Planning Period** and the start of the corresponding **Obligation Period**; or
 - (ii) the **Procurement Party** anticipates a significant increase in future load and advises the **Planning Committee** to increase the **Installed Capacity Obligation** accordingly.
- 29.2.3 **Installed Reserve Margins** for each **Procurement Party**, for each **Obligation Period** starting on or after the fifth anniversary of the date of execution of this **Agreement**, shall be determined by the **Planning Committee**, as percentage values, at least five (5) years prior to the start of that **Obligation Period**. Annex 5 sets forth guidelines with respect to the calculation of **Installed Reserve Margins**.
- 29.2.4 **Installed Capacity Obligations** for the first **Obligation Period** with a non-zero **Installed Capacity Obligation** shall:
- (a) be determined by the **ARC**, based on a recommendation from the **Planning Committee**, no later than six (6) months from the execution of this **Agreement**; and
 - (b) take effect no later than the first **Obligation Period** starting on or after the fifth anniversary of the date of execution of this **Agreement**, and shall take effect earlier if an earlier date is recommended by the **Planning Committee** and approved by the **ARC**. In the event an earlier date is recommended and approved the **ARC** may waive, within a **Decision** pursuant to clause 7.3.3 (*Consequences of an Event of Default*), the deficiency charge provisions of Annex 6 for each relevant year prior to the fifth anniversary of the execution of this agreement, if it believes it is efficient to do so.
- 29.2.5 To the extent it deems appropriate, the **Planning Committee** shall:
- (a) consult with one or more **Independent Experts** to support its analysis of forecasts of **Coincident Peak Load** and of **Installed Reserve Margins**;

(b) require that a **Procurement Party** consults with an **Independent Expert** so as to support that **Procurement Party's** calculation of its forecast **Coincident Peak Load** pursuant to clause 29.2.2; and

(c) require that a **Procurement Party** submits a load forecast to the relevant regulatory body under whose jurisdiction that **Procurement Party** operates.

29.2.6 Each **Procurement Party** shall be responsible for the **Installed Capacity Obligation** in respect of all load served on that **Procurement Party's Transmission Network**.

29.3 Capacity Plans and Deliverability

29.3.1 On or prior to the last day of each **Planning Period**, each **Procurement Party** shall send a written report to the **Planning Committee** specifying its plans for satisfying its **Installed Capacity Obligation** through **Installed Capacity Resources**. This report shall set out the progress that such **Procurement Party** is making towards its **Installed Capacity Obligations** for future **Obligation Periods**.

29.3.2 The **Installed Capacity Resource** plans of each **Procurement Party** shall identify specific generating facilities and indicate the nature and current status of commitments with respect to each addition, sale, or retirement of capacity included in its plan. The **Planning Committee** will review the adequacy of the submissions hereunder both as to timing and content.

29.3.3 **Installed Capacity Resources** must be deliverable to the total system load on the **Procurement Party's Transmission Network** for which they are assigned under clause 29.3.1 consistent with the target **Loss of Load Expectation** approved by the **ARC** in accordance with Annex 5.

29.3.4 **Installed Capacity Resources** located outside the metered boundaries of the **Procurement Party's Transmission Network** may be used to contribute to meeting the **Installed Capacity Obligation** of that **Procurement Party**. However, such **Installed Capacity Resources** must be capable of being delivered to the metered boundary of the **Procurement Party's Transmission Network** by the use of **Installed Capacity Interconnector Rights** which are held by the **Procurement Party** and which are verified by the **Authority**. The MW entitlement of such **Installed Capacity Interconnector Rights** must equal or exceed the MW of aggregate **Installed Capacity Resources** delivered. Such **Installed Capacity Interconnector Rights** must provide for delivery from the **Transmission Network** in which the external **Installed Capacity Resources** are located to the **Procurement Party's Transmission Network**. Nothing in this Clause 29.3.4 shall require or permit the **Authority** to consider the availability of capacity on a

Transit System in making a determination as to the deliverability of **Installed Capacity Resources**.

29.3.5 Each MW of **Installed Capacity Resource** within the **Combined System** may only be credited against the **Installed Capacity Obligation** of one **Procurement Party**.

29.4 Responsibility to Meet Installed Capacity Obligation

Each **Procurement Party** shall install or contract for **Installed Capacity Resources** sufficient to satisfy its **Installed Capacity Obligation**.

29.5 Consequences of Failure to Meet Installed Capacity Obligation

A **Procurement Party** that fails to satisfy its obligations to provide sufficient **Installed Capacity Resources** at any time within an **Obligation Period** shall pay the applicable deficiency charge determined pursuant to Annex 6 if required to do so pursuant to a **Decision** made in accordance with clause 7.3.3 (*Consequences of an Event of Default*).

29.6 Prohibition of Transfer

No **Procurement Party** may contract to sell capacity for any time period in respect of which its **Installed Capacity Obligation** has been determined unless it has capacity available to sell in excess of its **Installed Capacity Obligation** net of its other contractual obligations to sell capacity.

29.7 Nature of Resources

29.7.1 Each **Procurement Party** shall provide or arrange for specific, firm **Installed Capacity Resources** that are capable of supplying the energy requirements of its own load on the basis of such characteristics that are necessary to support the reliable operation of the **Procurement Party's Transmission Network**.

29.7.2 The **Planning Committee** may develop such rules and procedures as required to determine and demonstrate the capability of **Installed Capacity Resources**, at appropriate ambient conditions, for the purpose of meeting a **Procurement Party's Installed Capacity Obligation**. The **Authority** shall publish such rules and procedures on its website.

29.7.3 The rules and procedures for determining and demonstrating the capability of generating units to serve load shall be consistent with achieving uniformity for planning, operating, accounting, and reporting purposes.

29.7.4 The rules and procedures shall recognise the difference in types of generating units and the relative ability of units to maintain output at stated capability over a specific period of

time. Factors affecting such ability include, but are not limited to, fuel availability, mechanical limitations, and system operating policies.

29.7.5 The **Authority** shall maintain a database of the **Installed Capacity Resources** of each **Procurement Party**. This database shall include records adding the MW quantity of **Installed Capacity Resources** contracted by the **Procurement Party** from other **Procurement Parties** in accordance with clause 29.3.4. Likewise this database shall include records subtracting the MW quantity of **Installed Capacity Resources** which the **Procurement Party** has contracted to other **Procurement Parties** in accordance with clause 29.3.4. The **Authority** shall also at all times maintain a current list of the **Installed Capacity Obligations** of each **Procurement Party**. The **Authority** shall reject a plan, either in whole or in part, submitted by a **Procurement Party** for satisfying its **Installed Capacity Obligation** where that plan utilises capacity in excess of the net **Installed Capacity Resources** of that **Procurement Party** in that database.

29.8 Compliance Verification

29.8.1 For the thirty six (36) months following the end of each **Planning Period**, each **Procurement Party** shall make available to the **Authority** the records and supporting information related to the performance of clause 29 of this **Agreement** from such **Planning Period** for verification by the **Authority**.

29.8.2 The **Planning Committee** shall evaluate and determine the need for verification of records and supporting information of a **Procurement Party**.

29.9 Nature of Charges

Each **Procurement Party** shall pay any charges duly imposed by the **Authority** (for which it has obtained any necessary approvals) for that **Procurement Party's** failure to satisfy its obligations, including **Installed Capacity Obligations**, under this **Agreement**.

29.10 Review of Charge Amounts

No later than April 1 of each year, the **Planning Committee** shall review the charges applicable under Annex 6 and shall submit any recommended modifications to Annex 6 resulting from this review to the **ARC**. The **ARC** shall update Annex 6 on the basis of this recommendation if and when it deems it appropriate to do so.

29.11 Overall Coordination

The **Authority** shall coordinate between **Procurement Parties** in the planning and operation of their contracted or owned **Installed Capacity Resources**, so as to support

the reliable operation of each **Transmission Network**. In furtherance of such cooperation the **Authority** will:

- (a) coordinate the **Installed Capacity Resource** plans of the **Procurement Parties**, to facilitate reliable service to customers of the **Procurement Parties**;
- (b) cooperate with **TSO Parties** to ensure the reliability of the **Interconnector**;
- (c) ensure **TSO Parties** provide or arrange for sufficient reactive capability and voltage control facilities to meet Good Industry Practice;
- (d) ensure **TSO Parties** implement emergency procedures and take such other coordinated actions as may be necessary, in accordance with the directions of the **Operations Committee**; and
- (e) encourage **Procurement Parties** to arrange for Black Start Capability for a portion of their **Installed Capacity Resources** at least equal to that established from time to time by the **Planning Committee**.

29.12 Generator Planned Outage Scheduling

Each **Procurement Party** shall develop, or cause to be developed by a relevant **TSO Party**, schedules of planned outages of its **Installed Capacity Resources**. Such schedules of planned outages shall be submitted to the **Authority** in accordance with Operating Code 2 (*Operational Planning*) of the **Interconnector Transmission Code** for review in conjunction with the schedules of planned outages of other **Procurement Parties** and anticipated **Interconnector** planned outages.

29.13 Data Submissions

Each **Procurement Party** shall submit to the **Planning Committee** the data and other information necessary for the performance of this **Agreement**, including its plans for addition, modification and removal of **Installed Capacity Resources**, and data and assumptions supporting its forecasts of **Coincident Peak Load**.

30 Allocation and Pricing of Interconnector Capacity

30.1 Basic Rights to Use the Interconnector

30.1.1 Each **Procurement Party** shall be entitled to rely on the use of the **Interconnector** by the **Authority** to provide emergency services in the event of a system incident in that **Procurement Party's Transmission Network**, including the operation of the arrangements in respect of **Unscheduled Deviations** specified in clause 27, subject to:

(a) the compliance by the relevant **Procurement Party** or **TSO Party** with its obligation under clause 4.2(b)(ii) to maintain **Operating Reserves**; and

(b) the deliverability limits of the **Interconnector**.

30.1.2 No **Procurement Party** shall be required to pay any fee or charge for the use of the **Interconnector** for the purposes specified in clause 30.1.1. except as provided for in clause 27.

30.1.3 Where in accordance with Part III this **Agreement** a **Procurement Party** wishes to use the **Interconnector** for:

(a) **Scheduled Energy Transfer(s)** with another **Procurement Party**;

(b) the use of generating capacity located in another **Procurement Party's Transmission Network** for the purposes of meeting its **Operating Reserves** obligations under the **Interconnector Transmission Code**; or

(c) the use of **Installed Capacity Resources** located in another **Procurement Party's Transmission Network** for the purposes of meeting its **Installed Capacity Obligations**;

that **Procurement Party** shall be required to acquire **Additional Interconnector Usage Rights** in accordance with clause 30.2.

30.2 **Method for the Allocation of Additional Interconnector Usage Rights**

30.2.1 The **Authority** shall be responsible for determining the quantities of **Net Transfer Capacity**, and shall modify such determinations as it considers appropriate. The **Authority** shall also ensure that all the **Net Transfer Capacity** shall be made available for allocation to the **Procurement Parties** as **Additional Interconnector Usage Rights**.

30.2.2 Where **Net Transfer Capacity** is available for allocation, the **Authority** shall ensure that the allocation of **Additional Interconnector Usage Rights** among the **Procurement Parties** is carried out so that:

(a) a non-discriminatory market-based approach is used;

(b) the prices determined for **Additional Interconnector Usage Rights** reflect their marginal value(s), in accordance with Annex 7; and

(c) except in cases of Force Majeure, a **Procurement Party** that is allocated **Interconnector Rights for Operations** shall be compensated for curtailment of its use of such rights in accordance with paragraph 13 of Annex 7.

30.2.3 The allocation of **Additional Interconnector Usage Rights** by the **Authority**, including pricing and the terms on which these rights are made available, shall be carried out in accordance with the procedures described in Annex 7.

30.3 **Anti-Competitive Behaviour**

30.3.1 In exercising their rights and/or performing their obligations under Part III of this **Agreement**, the **Authority** and the **Parties** shall not engage in any **Anti-Competitive Behaviour**.

30.3.2 If any **Party** or the **Authority** (the "**Aggrieved Party**") has reasonable grounds to believe that any other **Party** or **Parties**, or the **Authority**, has been engaging in any **Anti-Competitive Behaviour**, then this shall be deemed to be a dispute about the regulation of **The Business** and the **Aggrieved Party** may refer the matter for resolution in accordance with Clause 13 (*Disputes*).

30.3.3 In the event that the **ARC** finds that a **Party** has engaged in any **Anti-Competitive Behaviour**, then any **Additional Interconnector Usage Rights** acquired by that **Party** as a result of the **Anti-Competitive Behaviour** shall be void ab initio.

30.4 The **Authority** and the **Parties** acknowledge that the maximum charge that the **ARC** can impose upon the **Authority** or a **Party** in respect of **Anti-Competitive Behaviour** shall be set by the **ARC** pursuant to the **General Agreement**.

Part IV
Interconnector Transmission Code

Annex 1
Connection Points

Part I
Map of the Interconnector

[Map to be provided by the Authority as agreed with Member States]

The **Interconnector Phase I** is shown in blue.

The **Interconnector Phase III** is shown in green.

The national electrical **Transmission Networks** of the TSO Parties are shown in red.

The **Connection Points** are marked with a cross and numbered.

Part II
Connection Points

[To be agreed subsequently between the Authority and Member States]

Annex 2
Registered Capacities

The Registered Capacities for each Connection Point is as follows:

TSO Party	Registered Import Capacity	Registered Export Capacity
Abu Dhabi Water and Electricity Authority	900 MW	900 MW
The Electricity and Water Authority of the Kingdom of Bahrain	600 MW	600 MW
Saudi Electric Company	1200 MW	1200 MW
Oman Electricity Transmission Company	400 MW	400 MW
Qatar General Electricity and Water Corporation	750 MW	750 MW
Ministry of Electricity and Water of the Government of the State of Kuwait	1200 MW	1200 MW

Annex 3
Form of Trade Notification of Proposed Energy Export

This standard form must be completed by the **Exporting Party** or the **Importing Party** and submitted to the **Authority** with each of the following details provided:

Exporting Party Name and Contact Details: _____

Importing Party Name and Contact Details: _____

Day and Date of proposed Energy Transfer: _____

Start Time of proposed Energy Transfer: _____

Finish Time of proposed Energy Transfer: _____

Level of proposed Energy Transfer (MWh/hr): _____

(within a range of +/- 5% at unity power factor and zero MVars)

Reference details of **Interconnector Rights for Operations** used to support proposed **Energy Transfer** and held by either the **Exporting Party** of **Importing Party**:

Annex 4
Transmission Loss Factors on Transit Systems

Transit Percentage Loss, UAE

[to be provided by UAE as % value or formula and agreed with other Member States]

Annex 5 Guidelines for Determining Installed Reserve Margins

General

- 1 The **Installed Reserve Margin** of each **Procurement Party** shall be determined for an **Obligation Period** as part of establishing the level of **Installed Capacity Obligation** that will provide an acceptable level of reliability in that **Obligation Period**, consistent with the target **Loss of Load Expectation** for each **Procurement Party's Transmission Network**.

Methodology

- 2 The **Planning Committee** and the **Procurement Parties** shall jointly recommend to the **ARC** a single target minimum level of expected system reliability standard across all **Transmission Networks** for planning purposes, measured as **Loss of Load Expectation**. If it deems appropriate, the **Planning Committee** shall appoint an **Independent Expert** to support this process. Until otherwise recommended by the **Planning Committee** and **Procurement Parties** and approved by the **ARC**, the target **Loss of Load Expectation** shall be five (5) hours per year.
- 3 The **Installed Reserve Margins** deemed necessary to achieve the target **Loss of Load Expectations** shall be projected by applying suitable probability methods to the data and forecasts assembled by the **Planning Committee** from its internal analyses, the **Procurement Parties**, and such independent external experts as the **Planning Committee** considers it appropriate to appoint. The data and forecasts shall include the following as necessary:
 - (a) **Coincident Peak Load** forecasts for an **Obligation Period**, reflecting load forecasts with a 50% probability of being too high or too low, and summer peak diversities, as supplied by the **Procurement Parties** pursuant to clause 29.2.2;
 - (b) Forecast aggregate seasonal load shapes of the **Procurement Parties**;
 - (c) Variability of loads within each week, or other time period as appropriate, due to weather and other recurring and random factors, as determined by the **Planning Committee**;
 - (d) Load forecast uncertainty;
 - (e) Generating unit capability and types for every existing and proposed unit;
 - (f) **Generator Forced Outage** data for existing mature generating units, based on data submitted by the **Procurement Parties**, from recent experience, and for immature and proposed units based upon forecast rates related to unit types, capabilities and other pertinent characteristics;

- (g) **Generator Maintenance Outage** data and schedules based on forecasts and historical data submitted by the **Procurement Parties**;
 - (h) Miscellaneous adjustments to capacity due to all causes, as determined by the **Planning Committee**, based on forecasts submitted by the **Procurement Parties**;
 - (i) **Transmission Network** data; and
 - (j) The emergency capacity assistance available as a function of the availability of the **Interconnector**, as limited by its **Available Transfer Capacity**, and the probable availability of generation in excess of load requirements in all **Procurement Parties' Transmission Networks**.
- 4 The **Installed Reserve Margin** of a **Procurement Party i** (IRM_i) shall be calculated as the **Installed Capacity Obligation** of the **Procurement Party i** estimated necessary to achieve the target **Loss of Load Expectation**, divided by the forecast **Coincident Peak Load** of the **Procurement Party i**, minus 1:

$$IRM_i = (ICO_i / FPL_i) - 1$$

where:

ICO_i is the **Installed Capacity Obligation** of the **Procurement Party i**; and

FPL_i is the forecast **Coincident Peak Load** of the **Procurement Party i**, weather normalised, with a 50% probability of being too high or too low.

- 5 **Installed Reserve Margins** shall be calculated for up to five (5) future **Obligation Periods** at a time, with potentially a different **Installed Reserve Margins** in each of those five (5) **Obligation Periods** and for each **Procurement Party** as appropriate. The **Planning Committee** shall review the calculation of **Installed Reserve Margins** at least once every five (5) years.

Transition Periods

- 6 If, in any of the first three (3) **Planning Periods** following the date of the execution of this **Agreement**, the **ARC**, on the recommendation of the **Planning Committee**, deems it technically infeasible for one or more **Procurement Party** to fulfil its **Installed Capacity Obligation** in any of the three (3) corresponding **Obligation Periods**, the **ARC** may declare that **Planning Period** to be a "**Transition Period**".
- 7 Within a **Transition Period**, the **ARC** may set the **Installed Reserve Margin** of the corresponding **Obligation Period** for a **Procurement Party** to be lower than the level determined under clause 3 of this Annex 5. In this case the level of the **Installed Reserve Margin** for the **Procurement Party** shall be based on the level contained in Section 6 (in the "**With Interconnector Case**") of the **Updated Techno-Economic Analysis Report**, for the relevant year concerned.

Data Requirements

- 8 To enable the studies required to determine the **Installed Reserve Margins** under paragraph 3 of this Annex 5, and the associated **Installed Capacity Obligations** of clause 29.2, each **Party** shall submit accurate data to the **Planning Committee** and the data shall be in conformance with the following minimum requirements:
- (a) All data submitted shall satisfy the requirements, as they may change from time to time, of any procedures adopted by the **Planning Committee**;
 - (b) Data shall be submitted in electronic format, or as otherwise specified by the **Planning Committee**;
 - (c) **Actual Generator Forced Outage** data, **Generator Maintenance Outage** data, generator planned outage data, and load forecast data shall be submitted so that it is received by such date specified in the rules and procedures on the **Authority's** website;
 - (d) **Coincident Peak Load** forecasts shall be prepared in accordance with **Good Industry Practice** and each **Procurement Party** is obliged to use all reasonable endeavours to produce **Coincident Peak Load** forecasts with a 50% probability of being too high or too low. **Coincident Peak Load** forecasts shall be prepared in accordance with criteria developed by the **Planning Committee** and published on the **Authority's** website; and
 - (e) Adjustments to any data shall be made on or before the dates specified for that data in the rules and procedures on the **Authority's** website.

Annex 6 Installed Capacity Deficiency Charges

General

- 1 If required pursuant to a **Decision** made in accordance with clause 7.3.3 (*Consequences of an Event of Default*), a deficiency charge shall apply to a **Procurement Party** if it fails to provide sufficient **Installed Capacity Resources** so as to meet its **Installed Capacity Obligation** at any time within an **Obligation Period**.

Methodology

- 2 The deficiency charge shall be proposed by the **Planning Committee** and determined by the **ARC**. Pending an initial determination of the deficiency charge in accordance with clause 29.10 (*Review of Charge Amounts*) the deficiency charge shall be set in accordance with paragraph 3 of this Annex 6, and pending approval by the **ARC** of the value of **CONE**, the initial value shall be zero.
- 3 The deficiency charge to **Procurement Party i** in respect of any **Obligation Period**, where applicable, shall be equal to:

$$\text{CONE} \times \text{Max}(\text{zero}, \text{DEF}_i) \times \text{ICODCF}$$

where:

CONE (the Cost of New Entry) is the estimated annualised fixed cost, measured in US\$/MW, of a new efficient open cycle gas turbine generating plant, or other more efficient peaking plant as the **Planning Committee** shall determine, constructed in a **Member State**. **CONE** shall be calculated on a nominal levelised basis. **CONE** shall be determined by the **Planning Committee** with the support of an **Independent Expert** if the **Planning Committee** deems this support to be appropriate and shall be approved by the **ARC** and published by the **Authority** from time to time. **CONE** shall include representative annualised site procurement costs, engineering, procurement and construction costs, financial and legal costs, transmission interconnection costs, owner engineering, project management, and spares costs, and mobilisation and contingency costs. **CONE** shall also include representative annual operations and maintenance costs, insurance, local taxes, general and administrative costs, transmission charges and fuel storage costs. Until the value of **CONE** is approved by the **ARC** and published by the **Authority** it shall be zero;

DEF_i is the maximum value, measured in MW, over each day *d* in the relevant **Obligation Period** of:

- (a) the **Installed Capacity Obligation** of **Procurement Party i**, minus
- (b) the total **Installed Capacity Resources** of **Procurement Party i** in day d;
and

ICODCF (the **Installed Capacity Obligation Default Charge Factor**) is the factor approved by the **ARC** and published by the **Authority** from time to time, and until such value is published, it shall be zero.

Annex 7

Allocation and Pricing of Additional Interconnector Usage Rights

General

- 1 The Authority shall carry out the allocation of **Additional Interconnector Usage Rights** to **Procurement Parties** in accordance with the procedures described in this Annex 7. For this purpose the Authority shall use such paper or software-based auction systems as it may determine from time to time.
- 2 No person shall be granted any **Additional Interconnector Usage Rights** unless it is a **Procurement Party**.
- 3 The **Additional Interconnector Usage Rights** offered by the Authority shall be in the form of transmission rights, and the Authority shall separately allocate the following types of rights:
 - (a) **Installed Capacity Interconnector Rights**, which provide the **Procurement Party** the right to request the Authority to have owned or contracted **Installed Capacity Resources** located in another **TSO Party's Transmission Network** counted as part of its **Installed Capacity Resources** for the purposes of meeting its **Installed Capacity Obligations**; and
 - (b) **Interconnector Rights for Operations**, which provide the **Procurement Party** the rights to:
 - (i) utilise the **Additional Interconnector Usage Rights** for the purpose of **Scheduled Energy Transfer**; or
 - (ii) request the Authority to have generating capacity located in another **Procurement Party's Transmission Network** to be counted as part of its **Operating Reserves** in order to meet its obligations under clause 4.2(b).

Installed Capacity Interconnector Rights

- 4 The Authority shall invite **Procurement Parties** to bid for blocks of **Net Transfer Capacity** for **Installed Capacity Interconnector Rights** in an annual auction. Each block of this capacity shall be in a unit of 1 MW, differentiating origin and destination. The **Installed Capacity Interconnection Rights** shall apply for a future **Obligation Period**, the year of which shall be specified by the **Planning Committee** at least three (3) months prior to the auction. All **Net Transfer Capacity** determined pursuant to paragraph 5 of this Annex 7 shall be offered in the auction.
- 5 The Authority, in consultation with the **Procurement Parties**, shall determine the quantities of **Net Transfer Capacity** that can be made available for allocation as **Installed Capacity**

Interconnector Rights on an annual basis. In doing so, the **Authority** shall adopt the principles of determining the maximum availability such that:

- (a) system reliability within the **Transmission Networks** would not be materially reduced by the usage of such **Net Transfer Capacity**, or by any subset of such **Net Transfer Capacity**, by way of **Installed Capacity Interconnector Rights**; and
- (b) no increase is required in any **Procurement Party's Installed Capacity Obligation** so as to maintain that level of system reliability.

6 The **Installed Capacity Interconnector Rights** offered shall be valid for the entire **Obligation Period** for which they are defined, regardless of scheduled maintenance of the **Interconnector**, or other temporary changes to the **Net Transfer Capacity** subsequent to the allocation of these rights.

7 Pricing of allocated **Installed Capacity Interconnector Rights** shall be determined by means of bids received in the auction process as specified here, except that the **Authority** may, where it believes it is efficient to do so, specify a minimum price for any **Installed Capacity Interconnector Right** below which bids will not be accepted and which is approved by the **ARC** from time to time. In determining the winning bids in the auction, the **Authority** shall find the set of bids and/or partial bids having the highest aggregate value, which can be feasibly satisfied by the **Net Transfer Capacity**. The aggregate value for this purpose shall be the sum of bid prices multiplied by accepted bid quantities. Bids may be accepted in whole or in part. The **Authority** shall distinguish between the cases where there is no anticipated congestion of the **Interconnector** and where there is potential congestion, as follows:

- (a) Case 1: where all bids submitted can be feasibly satisfied by the **Net Transfer Capacity**, the clearing price for all **Installed Capacity Interconnector Rights** shall be zero or the minimum price set by the **Authority**, where a minimum price has been specified for the relevant rights.
- (b) Case 2: where not all bids submitted can be feasibly satisfied by the **Net Transfer Capacity**, the clearing price(s) shall be determined as the marginal value(s) of **Net Transfer Capacity**, as revealed by the bids. The clearing price determined in this way for a particular **Installed Capacity Interconnector Right** shall be the basis for applying the charges for that **Installed Capacity Interconnector Right**, and shall apply to all **Parties** to which it is sold. Under no circumstance shall a **Party** pay more for an **Installed Capacity Interconnector Right** than it bid for that right.

8 Any holder of **Installed Capacity Interconnector Rights** is not obliged to use the **Installed Capacity Interconnector Rights** purchased in the auctions, but will nevertheless be liable for payment of the relevant clearing price for the capacity that has been purchased.

Interconnector Rights for Operations

- 9 The **Authority**, in consultation with the **Procurement Parties** and after completion of the annual allocation of **Installed Capacity Interconnector Rights**, shall determine the quantities of **Net Transfer Capacity** that can be made available for allocation as **Interconnector Rights for Operations** on an annual basis. In doing so, the **Authority** shall adopt the principles of determining the maximum availability such that:
- (a) system reliability within the **Transmission Networks** would not be materially reduced by the usage of such **Net Transfer Capacity**, or by any subset of such **Net Transfer Capacity**, by way of **Interconnector Rights for Operations**; and
 - (b) no increase is required in any **Procurement Party's Installed Capacity Obligation** so as to maintain that level of system reliability.
- 10 On the basis of this determination of the availability of **Interconnector Rights for Operations**, the **Authority** shall offer for auction blocks or sets of blocks of capacity, differentiating origins and destinations, in units of 1 MW, over the following time scales:
- (a) Yearly auctions in respect of annual **Interconnector Rights for Operations**, differentiating between peak hours and off-peak hours. These auctions shall take place on a year-ahead basis and no later than three (3) months before the end of each **Planning Period**. The **Authority** shall specify the definition of peak hours and off-peak hours for the purpose of each such auction no later than two (2) weeks prior to the auction date. The **Authority** shall adopt a conservative approach in determining the MW volumes to auction on an annual basis, taking into account the **Net Transfer Capacity** determined pursuant to paragraph 9 of this Annex 7, and taking into account the likely demand in monthly and daily auctions;
 - (b) Monthly auctions in respect of monthly **Interconnector Rights for Operations**, differentiating between peak hours and off-peak hours. These auctions shall take place on a month-ahead basis. The **Authority** shall specify the definition of peak hours and off-peak hours for the purpose of each such auction no later than two (2) weeks prior to the auction date. The **Authority** shall determine the MW volumes of **Available Transfer Capacity** to auction, taking into account a revised estimate of **Net Transfer Capacity** it shall prepare for the month ahead, taking into account volumes already committed in the annual auction, and taking into account the likely demand in daily auctions. The **Authority** shall accommodate requests by **Parties** to use the monthly auctions to resell, on those **Parties'** behalf, portions of **Interconnector Rights for Operations** purchased by those **Parties** in the yearly auction, where practical to do so;
 - (c) Daily auctions in respect of daily **Interconnector Rights for Operations**, on the basis of hourly blocks. These auctions shall take place on a day-ahead basis. The **Authority** shall

determine the MW volumes of **Available Transfer Capacity** to auction, taking into account a revised estimate of **Net Transfer Capacity** it shall prepare for the following day including any revised estimates of **Transmission Reliability Margins** for the following day, and taking into account volumes already committed in the annual and monthly auctions. The **Authority** shall accommodate requests by **Parties** to use the daily auctions to resell, on those **Parties'** behalf, portions of **Interconnector Rights for Operations** purchased by those **Parties** in the yearly and/or monthly auctions where practical to do so.

- 11 In allocating **Interconnector Rights for Operations**, the **Authority** will evaluate the overall use of the **Interconnector**, to ensure that its proposed use will remain within its maximum safe capability.
- 12 The **Interconnector Rights for Operations** offered are subject to curtailments that may be necessary due to circumstances that constitute a **Force Majeure Event**, or for scheduled maintenance of the interconnection, or for securing the safety of network operation. The terms on which the **Interconnector Rights for Operations** are offered do not envisage any refund of fees paid to the **Authority** in respect of a **Force Majeure Event**, or for scheduled maintenance outages that are published at the time the corresponding auction takes place.
- 13 Subject to paragraph 12 of this Annex 7, in case of **Interconnector Rights for Operation** curtailments due to:
 - (a) an extension in any published scheduled maintenance period;
 - (b) an unplanned disconnection of the interconnection; or
 - (c) network security reasons,the **Authority** will reimburse to any **Procurement Party** holding **Interconnector Rights for Operations** 100% of the total payments relating to the hours of curtailment of those **Interconnector Rights for Operations**.
- 14 Capacity curtailments shall have as reference a time-period of one hour. In case of a partial curtailment of an **Interconnector Right for Operations**, the time period of such a curtailment shall be re-calculated in hours of full curtailment, as follows:
 - (a) "equivalent full curtailment hours" = "partial curtailment hours" x [capacity curtailment / capacity without curtailments]; and
 - (b) an "equivalent full curtailment" which is less than an hour is considered as one hour of full curtailment.
- 15 Pricing of allocated **Interconnector Rights for Operations** shall be determined by means of bids received in the auction process as specified here, except that the **Authority** may, where it

believes it is efficient to do so, specify a minimum price for any **Interconnector Right for Operations** below which bids will not be accepted and which is approved by the **ARC** from time to time. In determining the winning bids in an auction, the **Authority** shall find the set of bids and/or partial bids having the highest aggregate value, which can be feasibly satisfied by the capacity auctioned. The aggregate value for this purpose shall be the sum of bid prices multiplied by bid quantities accepted. Bids may be accepted in whole or in part. The **Authority** shall distinguish between the cases where there is no anticipated congestion of the **Interconnector** and where there is potential congestion, as follows:

- (a) Case 1: where all bids submitted can be feasibly satisfied by the capacity auctioned, the clearing price for all **Interconnector Rights for Operations** shall be zero or the minimum price set by the **Authority**, where a minimum price has been specified for the relevant rights.
 - (b) Case 2: where not all bids submitted can be feasibly satisfied by the capacity auctioned, the clearing price(s) shall be determined as the marginal value(s) of this capacity, as revealed by the bids. The clearing price determined in this way for a particular **Interconnector Right for Operation** (i.e. having a particular origin and destination) shall be the price charged for that **interconnection Right for Operation**, and shall apply to all **Procurement Parties** to which it is granted. Under no circumstance shall a **Procurement Party** pay more for an **Interconnector Right for Operation** than it bid for that right.
- 16 Any holder of **Interconnector Rights for Operations** is not obliged to use the **Interconnector Rights for Operations** purchased in the auctions, but will nevertheless be liable for payment of the clearing price for that capacity.

Secondary Trading in Additional Interconnector Usage Rights

- 17 **Additional Interconnector Usage Rights** allocated through yearly and monthly auctions may be transferred by a holder (the "**Transferor**") to any other **Party** (the "**Beneficiary**"), provided that a transfer notice is sent by both **Procurement Parties** involved in the transaction to the **Authority**.
- 18 An **Additional Interconnector Usage Rights** holder may transfer a part of or the entire quantity of **Additional Interconnector Usage Rights** it holds, however it may only transfer **Additional Interconnector Usage Rights** in multiples of the block size that was defined in the yearly and/or monthly auctions.
- 19 The **Transferor** remains responsible for payment of the clearing price for the **Additional Interconnector Usage Rights** irrespective of the transfer. In case of curtailment, reimbursement in accordance with clause 30.2 (*Method for the Allocation of Additional Interconnector Usage Rights*) shall be made to the **Beneficiary**.

Payment Terms for Additional Interconnector Usage Rights

- 20 Payment for all **Additional Interconnector Usage Rights** acquired in an auction pursuant to this Annex 7 shall be made to the **Authority** within thirty (30) days of invoicing by the **Authority**.

Annex 8 Accession Agreement

THIS ACCESSION AGREEMENT is made on [] between:

- (1) [Insert name of Party wishing to be admitted to the Power Exchange and Trading Agreement] (the "New Party"), a company incorporated in [] and having its registered office at []; and
- (2) The **GCC INTERCONNECTION AUTHORITY** whose articles of association and bylaws were approved by Royal Decree No. M/21 dated 29 July 2001 and whose head office is located in Dammam, Saudi Arabia (the "Authority"); and
- (3) **ABU DHABI WATER AND ELECTRICITY AUTHORITY** an organization established in Abu Dhabi and having an office at Al-Salam Street, P.O. Box 6120, Abu Dhabi, United Arab Emirates; and
- (4) **THE ELECTRICITY AND WATER AUTHORITY OF THE KINGDOM OF BAHRAIN** having its head office at 2 Diplomatic Area, Manama, Bahrain; and
- (5) **SAUDI ELECTRICITY COMPANY** a company incorporated in Saudi Arabia and having its registered office at P.O. Box 22952, Riyadh, 11416, Kingdom of Saudi Arabia; and
- (6) **OMAN ELECTRICITY TRANSMISSION COMPANY** a company incorporated in Oman and having its registered office at P.O. Box 1224, Hamriya 131, Sultanate of Oman; and
- (7) **QATAR GENERAL ELECTRICITY AND WATER CORPORATION** a Public Corporate Body incorporated in Qatar having its registered office at Dafna Area, Corniche Street 61, State of Qatar; and
- (8) **MINISTRY OF ELECTRICITY AND WATER OF THE GOVERNMENT OF THE STATE OF KUWAIT** having its head office at Al Shuhada, Sixth Ring Road, Kuwait; and
- (9) **OMAN POWER AND WATER PROCUREMENT COMPANY S.A.O.C.** a company incorporated under the laws of the Sultanate of Oman and having its postal address at P.O. Box 1388, Postal Code 112, Ruwi, Sultanate of Oman;

together the "Parties".

WHEREAS:

- (A) by the **Power Exchange and Trading Agreement** dated [] made between the **Authority** and the **Parties** named therein and as now in force, the **Parties** agreed to give effect to and be bound by the **Power Exchange and Trading Agreement**;

- (B) the **New Party** wishes to be admitted as a [**New Procurement Party**] or [**New TSO Party**] to the **Power Exchange and Trading Agreement**.

IT IS HEREBY AGREED as follows:

- 1 In this **Accession Agreement**, unless the context otherwise requires, words and expression shall have the meaning set out in the **Power Exchange and Trading Agreement**.
- 2 The **Authority** and the **Parties** hereby admit the **New Party** as a **Party** to the **Power Exchange and Trading Agreement** [with effect from the date of this **Accession Agreement**] on the terms and conditions hereof.
- 3 The **New Party** hereby accepts its admission as a **Party** and undertakes with the **Authority** and the **Parties** to perform and to be bound by the **Power Exchange and Trading Agreement** as a **Party** as from the date hereof.
- 4 For all purposes in connection with the **Power Exchange and Trading Agreement** the **New Party** shall as from the date hereof be treated as if it has been a signatory of the **Power Exchange and Trading Agreement** from the date hereof, and as if this **Accession Agreement** were part of the **Power Exchange and Trading Agreement** from the date hereof, and the rights and obligations of the **Authority** and the **Parties** shall be construed accordingly.
- 5 This **Accession Agreement** and the **Power Exchange and Trading Agreement** shall be read and construed as one document and references to the **Power Exchange and Trading Agreement** (howsoever expressed) should be read and construed as references to the **Power Exchange and Trading Agreement** and this **Accession Agreement**.
- 6 If any provision of this **Accession Agreement** is or becomes invalid, unenforceable or illegal or is declared to be invalid, unenforceable or illegal by any court of competent jurisdiction such invalidity, unenforceability or illegality shall not prejudice or affect the remaining provisions of this **Accession Agreement**, which shall continue in full force and effect notwithstanding the same.
- 7 This **Accession Agreement** shall be governed by and construed in accordance with English law.
- 8 This **Accession Agreement** may be executed in any number of counterparts, all of which when taken together shall constitute one and the same instrument and any of the signatories hereto may execute this **Accession Agreement** by signing any such counterpart. This **Accession Agreement** will become effective at such time as counterparts hereof have been signed by all of the intended signatories hereto.


AS WITNESS the hands of the duly authorised representatives of the parties hereto the day and year first above written.

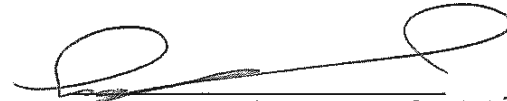
[Note: the execution draft of any Accession Agreement will have to be signed by the New Party, the Authority and all the Parties that are a signatory to the Power Exchange and Trading Agreement at that point in time.]

AS WITNESS the hands of the duly authorised representatives of the parties hereto the day and year first above written.

SIGNED for and on behalf of Abu Dhabi Water and Electricity Authority by its legal representative

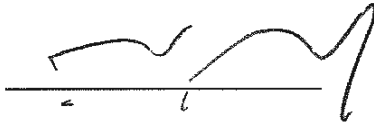
Witness



Abdulla Saif AL NUcimi


AHMED ALMEHRI

SIGNED for and on behalf of The Electricity and Water Authority of the Kingdom of Bahrain by its legal representative

Witness




Khalid A. Burashid

SIGNED for and on behalf of Saudi Electricity Company by its legal representative

Witness

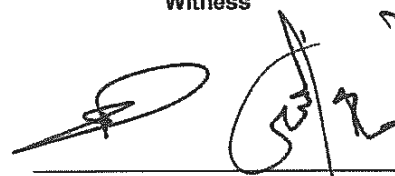

ALI ALBERAK


Saleh M. Alomayjan

SIGNED for and on behalf of Oman Electricity Transmission Company by its legal representative

Witness






SIGNED for and on behalf of
Qatar General Electricity and Water Corporation
by its legal representative



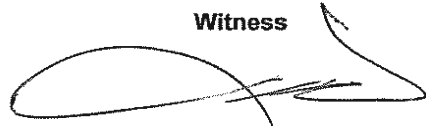
Witness


Yousuf A. Jenzhi


SIGNED for and on behalf of
Ministry of Electricity and Water of
the Government of the State of Kuwait
by its legal representative



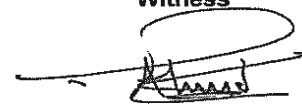
Witness


Yousuf A. Jenzhi


SIGNED for and on behalf of
Oman Power and Water Procurement Company
by its legal representative


أحمد بن صالح الجبري


Witness


أحمد بن سالم بن محمد العبد

SIGNED for and on behalf of
GCC Interconnection Authority
by its legal representative


Yousuf A. Jenzhi

Witness


Aduan I. AL-Mohaisen