

Electricity system

Chapter One Definitions

Article one

The following words and expressions - wherever they appear in this system - shall have the meanings indicated in front of each of them, unless the context requires otherwise:

Ministry:Ministry of Energy.

Minister:Minister of Energy.

Commission:Water and Electricity Regulatory Authority.

the Council:Authority's Board of Directors. **Governor:**

Governor of the Authority.

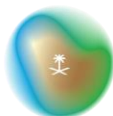
the system:Electricity system.

Organization:Organization of the Authority.

Regulations:Regulations issued by the Authority necessary to carry out its regulatory duties in accordance with the provisions of the system. **Electricity activity:**An activity carried out or intended to be carried out by a person in the field of electricity, including: generation Electricity and co-production from any energy source, electricity transmission, distribution, trading, retail sale, main buyer activity, and district cooling.

energy:All types of hydrocarbon energy and electrical energy produced from traditional sources And renewable and atomic.

Trading:Purchasing electricity in bulk from a licensee in order to sell it to another licensee or to a large consumer. Or import it from outside the Kingdom or export it from it. **Retail:**Retail sale of electricity to consumers.



District cooling:Central production of thermal energy and its distribution using chilled water or any other medium Another is through insulated pipes to cool or warm the air in buildings and facilities. **Double production:**Simultaneous production of electricity, desalinated water, steam, or both. **Dominant position:**Having the ability to influence the fairness of decision-making or legitimate competition. **Main Buyer:**The person licensed to purchase energy, or any successor determined by the Authority, carries out trading activity And offering generation projects in accordance with what the Authority specifies in the license. **Consumer:**Each person is provided with electrical service for his own consumption.

Big consumer:A consumer whose electricity consumption is higher than the limit determined by the Authority From time to time and in accordance with the regulations issued by it.

License:A document issued by the Authority to a person to carry out electrical activity.

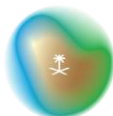
Exemption:A document issued by the Authority to a person to carry out electrical activity without obtaining a license, or Exemption from one or more of the license conditions. **licensee:**Who holds a valid license or exemption.

Tariff:An approved financial consideration for providing a service or selling a commodity within the electricity business.

the price:A financial or in-kind consideration agreed upon between two or more licensees or a licensee and a large consumer To provide a service or sell a commodity within the electricity business.

Electricity market:A situation in which the sale and purchase of electricity is based on free market factors The price is subject to the law of supply and demand.

Transfer station:The station that converts the transmission voltage to another transmission voltage or to medium voltage. **Main distribution station:**The station that converts medium voltage to another medium voltage. **Distribution substation:**The station that converts medium voltage to low voltage.

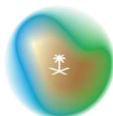


Chapter Two General Provisions

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The system aims to do the following:

1. Improving the electricity service provided to the consumer and protecting his rights, including his right to obtain electrical service with high reliability and efficiency, and choosing between competitors licensed for electrical activity, at reasonable competitive prices, that achieves justice among consumers.
2. Work to create an appropriate environment to encourage legitimate competition in electrical activities.
3. Ensuring that the electricity sector adheres to the state's policies and directives, in order to achieve economic growth and community well-being.
4. Facilitating consumers' access to electrical supplies, and working to deliver electrical services to areas that have not been served by electrical service.
5. Providing safe, reliable, reliable, and highly efficient electricity supplies at the lowest possible cost.
6. Protecting the rights and interests of licensees, and providing a regulatory framework for electrical activities for the public and private sectors that is clear, stable, and without discrimination.
7. Encouraging the private sector to contribute and participate in the systematic expansion of electrical activities, so that it can achieve a fair economic return according to commercial principles.
8. Developing the structure of the electricity sector in the Kingdom by following a fair and effective process that enhances competition in electricity activities.
9. Encouraging research and development work, and localizing technology, jobs and services in this field.



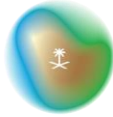
10. Ensure that the electricity sector adheres to the environmental and safety regulations, standards, and standards approved in Electricity activity.

Article Three

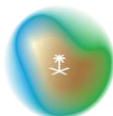
Without prejudice to the powers of other government agencies approved by law, the Ministry - to achieve the objectives of the system -

undertakes the following:

1. Preparing policies and strategies for the electricity sector and submitting them for approval.
2. Supervising all concerned parties regarding the policies and strategies adopted in accordance with Paragraph (1) of this Article.
3. Preparing the necessary plans, studies and development programs for the electricity sector in coordination with the relevant authorities, issuing and updating them, and ensuring their implementation.
4. Preparing a long-term plan for electricity activity - in coordination with the Authority - and approving it in light of the approved policies and strategies, and following up on its implementation, which includes the following:
 - A- Determine the type of fuel available for the electricity sector.
 - B- Determine the contribution percentage of different energy sources within the optimal energy mix for electricity production.
 - C- Connecting the electrical network in the Kingdom, strengthening it, modernizing it, and delivering electrical service to areas that have not been reached.
 - D- Maintaining an appropriate reserve of generation capacity in generation or production stations and an appropriate reserve capacity in the transmission and distribution networks.



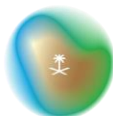
5. Representing the Kingdom and taking care of its interests in local, regional and international organizations and bodies related to the electricity sector, related to the Ministry's responsibilities, including electrical interconnection and the commercial exchange of electricity with other countries. The Ministry may delegate these powers, or some of them, to other government agencies.
6. Take the necessary measures when a situation or threat occurs in the Kingdom that affects fuel or electricity supplies, and it has - temporarily - exceptional powers to control the electricity resources and fuel stocks of licensees, in coordination with the relevant authorities.
7. Develop a long-term program - in coordination with relevant authorities - to support the national supporting industry in the electricity sector, localize modern technology, develop human resources, and work to increase local content by establishing the necessary mechanisms to localize jobs, goods and services in the electricity sector, and ensuring their implementation. And work to create a stimulating investment environment for supply chains for industries related to the electricity sector and their development, especially small and medium enterprises.
8. Conduct studies and research, and support research and development activities related to the electricity sector.
9. Coordination with relevant authorities in following up on the implementation of programs to rationalize and raise the efficiency of production and consumption of electrical energy after their approval.
10. Work to provide, develop and document information bases, statistical data and technical information related to the electricity sector, conduct the necessary surveys, and prepare reports thereon.
11. Proposing amendments to the system in coordination with the Authority.



Article Four

Based on the policies and strategies approved in accordance with Article (Third) of the system, the Authority - in addition to the tasks stipulated in its organization - undertakes the following:

1. Issuing regulations regarding its tasks, provided that they include the following:
 - A- The executive regulations of the system.
 - B- Technical, operational and procedural rules related to electrical activity.
 - C- Performance standards that the licensee must achieve.
 - D- Rules that define the relationship between licensees and between them and consumers.
 - E- Classifying the types of electricity activity and updating them.
 - F - Necessary rules for licenses, exemptions and permits, including the basis for calculating the financial compensation for them.
2. Take the necessary measures to ensure the availability of additional sources of electricity generation in the event that a clear shortage in electricity supply is expected, based on what is required by the public interest, and inform the relevant authority of these measures.
3. Take the necessary measures to manage electricity activity in necessary cases that require this, in accordance with the provisions of the system and in accordance with the rules, procedures and controls it sets.
4. Deciding on complaints related to electricity activity, raised by concerned parties.
5. Taking the necessary measures to implement the provisions of the system and regulations regarding the tasks assigned to it.
6. Monitoring the implementation of the regulations and rules related to management, accounting and investment that the licensee follows.
7. Approving qualification documents and mechanisms and proposing electrical activity projects, in accordance with the rules and procedures it sets.



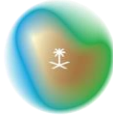
8. Approval of the executive plans prepared by the licensee, in accordance with the long-term plan approved by the Ministry.

9. Working in coordination with the Ministry to ensure the optimal use of energy sources in order to achieve the best return for the national economy. This includes - but is not limited to - the following: A - The licensee's commitment to applying standards for raising the efficiency of electricity generation in accordance with what is issued by the relevant authorities. B- Taking into account the approved measures and standards for environmental protection. C- Encouraging high-efficiency power plant projects, taking into account their economic feasibility.

Chapter Three: The regulatory framework for the license

Article Five

1. The Authority is responsible for preparing a structural framework for the license, issuing it, and everything related to it.
2. It is not permissible to carry out any electrical activity except after obtaining the license.
3. As an exception to Paragraph (2) of this Article, the Authority may issue an exemption for practicing certain electrical activities as determined by the regulations.
4. Applications for obtaining a license shall be submitted to the Authority, and it shall issue the license within a period not exceeding (30) thirty working days from the date of completion of the application, provided that the conditions for issuing the license are met. In the event that the application is rejected, the decision must be reasoned, and anyone whose application is rejected or has passed has the right

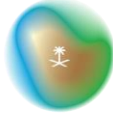


(30) Thirty working days from the date of completion of his application without a decision being made to file a grievance before the Administrative Court in accordance with the statutory procedures.

5. The licensee may not - before obtaining written permission from the Authority - assign his license, or transfer ownership of the licensed assets, whether by sale, mortgage, or any other way. The Authority sets the conditions for this, provided that none of these actions result in a disruption to the performance of the electricity activity.
6. If the licensee is unable to carry out the licensed activity, the Authority must make the necessary arrangements to ensure the continued provision of the service, based on the rules and procedures specified by the regulations.
7. The licensee compensates those affected in the event of his failure to provide the service to them, and the regulations include the standards and conditions related to this.
8. The Authority shall monitor and inspect in order to carry out its regulatory tasks in accordance with Paragraph (6) of Article (Nineteen) of the Law.

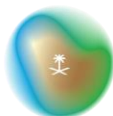
Article Six

1. The licensee may not stop the consumer's electricity service except after notifying him and in accordance with the controls specified by the regulations.
2. The licensee must adhere to the law and regulations, the conditions of the license granted to him, and the instructions and decisions issued by the Authority.



Article Seven

1. The licensee may obtain suitable land for the project or path in order to carry out the licensed activity, or for purposes related to its activity, in accordance with the system of expropriation of real estate for public benefit and temporary seizure of the property.
2. In order to carry out his duties based on the license granted to him, and to the extent and capacity determined by the regulations, the licensee has the right to access his equipment and equipment within the necessary limits up to the point of connecting his electrical system to the electrical system of one of his customers.
3. The authorities responsible for approving the plan and issuing building permits are committed to ensuring that there are designated locations for the main and subsidiary transmission and distribution stations in the new plans when approving the plan and issuing building permits.
4. Any party must coordinate with the transmission and distribution licensee before adopting any amendment - by it and in accordance with its powers - in the controls for building permits according to the existing plans, to ensure securing the necessary locations for the main and subsidiary transmission and distribution stations.
5. The government entity may - for the purposes of providing service to its affiliated sites - assign the assets of electrical activities to the benefit of the licensee, in accordance with the controls established by the Authority.



Chapter Four: Backup sources of electrical energy

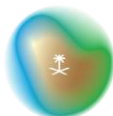
Article Eight

The following establishments must secure a backup source of electrical power at their expense, whose capacity is not less than the minimum necessary in emergency situations, in accordance with the terms of the Saudi Building Code, which are:

1. Health facilities determined by a decision of the Minister of Health in coordination with the Authority, vaccine warehouses, and blood banks.
2. Main sewage pumping and treatment stations for cities.
3. Receiving and transmitting stations, and main exchanges for wired and wireless communications for entities licensed to provide this service, and official radio and television stations.
4. Airports, important and sensitive buildings of government agencies, and places designated by these agencies that are subject to their supervision, in coordination with the Authority.
5. Factories and warehouses for refrigerated and frozen food, which are determined by a decision of the competent minister in coordination with the Authority.
6. Atomic energy facilities and radiation technologies.
7. Other establishments specified by a decision of the Council.

Article Nine

1. The emergency situations mentioned in Article (8) of the system mean any accident that goes beyond the reasonable control of the transportation licensee or the distribution licensee, and results in a power outage - partial or complete - whether for technical or other reasons.
2. The duration of the power outage must not exceed the period specified by the regulations.



Article 10

The establishments mentioned in Article (8) of the system must adhere to the following:

1. Providing the amount of fuel necessary to operate the backup source of electrical energy, and determining its storage location.
2. Conduct periodic maintenance and operation of the backup source of electrical power, ensuring its validity when needed.
3. Fulfilling the environmental requirements in the reserve source, issued by the competent authority.

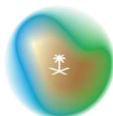
Article Eleven

The person licensed to distribute electrical energy must conduct periodic inspections - in accordance with a program established by the licensee and approved by the Authority - on the backup sources of electrical energy to ensure compliance with the provisions of the system, and prepare a register in which the locations of the backup sources of electrical energy and the entities committed to securing them are recorded, in accordance with what the regulations specify.

Chapter Five: Tariff and Price

Article Twelve

1. The Authority periodically reviews the electricity tariff with all its components and for all categories of consumers in a way that reflects the actual cost price, based on the energy prices approved by the competent authority, and in accordance with the subsidy decided by the competent committee. It is approved by the Council.

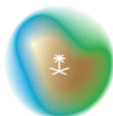


2. The Council approves the amount of the deficit resulting from the difference between the assumed income of electricity activity - which the Authority estimates based on commercial grounds - and the real income achieved from the approved tariff for the year in question, and the Ministry of Finance pays that deficit in agreement with the Council.
3. The licensee may agree - through direct commercial negotiation - with another licensee or a large consumer, on a price for his services that is different from the approved tariff, in accordance with what is determined by the regulations.
4. When determining the tariff, the Authority must take into account the following:
 - A- Enabling the licensee to operate efficiently to recover full costs and achieve a reasonable return on the capital invested in the electricity activity.
 - B- Taking into account the state's policies and instructions.
 - C- Providing incentives to continue improving technical and economic efficiency and the quality of electricity service.
 - D- Providing accurate indicators to consumers about the costs that their consumption patterns impose on the licensee's business.
 - E- Not distinguishing between consumers in one category and between categories of consumers.
 - F- It is permissible for people to agree on a price for the service that is different from the approved tariff in accordance with what is stated in Paragraph (3) of this Article.

Chapter Six: Competition

Article Thirteen

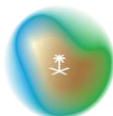
Without prejudice to what is required by the competition law, the Ministry and the Authority must create a stimulating investment environment in electricity activity in a way that enhances the reliability of electricity supply and its availability in various regions of the Kingdom.



It ensures that the private sector is encouraged to invest in it and that the consumer has freedom of choice in obtaining electrical services. The licensee must do the following:

1. To register with the Authority any agreement - concluded with another licensee or between him and consumers - that is related to the price, the tariff, the right to use the transmission network, the distribution network, or the right to use the assets related to electricity activity, as specified by the regulations, and any provision shall be considered invalid. In any agreement - concluded after the entry into force of the law - that conflicts with the provisions of the law, organization or bylaws. The Authority may approve any of these agreements in accordance with what is specified in the regulations.
2. Not to enter into any agreement or act any arrangement that hinders or limits competition in the electricity business, and any such action is considered invalid.
3. He must not violate regulatory instructions and requirements, including those that limit competition, if he enjoys a dominant position in the electricity activity.
4. He must obtain the Authority's approval before merging with other people or owning most of their shares or assets, and they must notify the Authority of any initial agreement reached for the merger.
5. To obtain the Authority's approval before purchasing (5%) five percent or more of the shares of any other licensee, or purchasing its securities - some or all of them - or any other form of ownership rights, or owning a percentage less than that. If it leads to the establishment of a dominant position in any part of the electrical activities, as determined by the regulations.

The regulations specify the controls that must be observed in this article.



Chapter Seven: Developing the structure of electrical activities

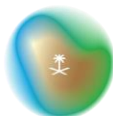
Article Fourteen

1. The Ministry - in coordination with the relevant authorities - develops, reviews and amends the electricity sector structuring plan in light of the policies approved in accordance with Article (Third) of the system; To improve the level of service and disseminate it and achieve the reliability of electricity supply and its availability throughout the Kingdom.
2. The Ministry and the Authority - each in its capacity - will follow up on the implementation of the approved plan to develop the structure of electrical activities in a way that enables legitimate competition, increases private sector participation, reduces monopoly, and transitions to the electricity market.

Article fifteen

When moving to the electricity market, the Authority shall do the following:

1. Protecting the rights of investors developing projects, provided that the investor is not in a dominant position in his field. This protection includes investors achieving the return on their investments agreed upon between them and the party that purchased their products, and fully preserving their rights through the commercial agreement between them and that party, or by excluding them from participating in the market.
2. Protecting the rights of consumers from their exposure to large fluctuations in prices, if any, and ensuring the reliability and supply of electrical energy in all regions of the Kingdom.



Article sixteen

1. Any licensee may, when necessary, have the right to use an electricity transmission or distribution system owned by another licensee

or to connect to it for a fee, without discrimination, in accordance with the provisions of the law and regulations.
2. The owner of the transmission or distribution network issues the network code upon a request from the Authority, and within a period specified

by it. The Authority reviews and approves it, provided that the code is reviewed periodically according to what the Authority deems necessary

to achieve the objectives of the system.

Chapter Eight: Violations and Penalties

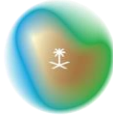
Article Seventeen

It is considered a violation of the provisions of the law to perform any of the following actions:

1. Carrying out electrical activity without obtaining a license or exemption.
2. Failure to comply with any decision issued by the Authority regarding the tasks assigned to it.
3. The licensee's negligence in any of the following:
 - A- Providing the information or data requested by the Authority, according to the method and manner specified

by the law and regulations.
 - B- Providing electricity activity services that are licensed to provide.
 - C- Obtaining the necessary approvals in accordance with the provisions of the law and regulations, and the conditions of

the license or exemption.
4. Providing false or misleading information or statements.
5. Tampering with the electrical service meter or any of its accessories.
6. The licensee's failure to comply with approved fuel efficiency standards.



7. Failure to comply with approved specifications and standards to preserve the environment, safety and public health.

8. Using the electrical system or connecting to it illegally, or helping others to commit any of these violations.

9. Withholding information necessary for electricity activities, provided that the regulations clarify the nature of the information that may not be withheld in each activity, as well as publishing data and information that is prohibited from being circulated or published.

Article eighteen

1. Without prejudice to any more severe penalty stipulated in any other law, anyone who violates any of the provisions of the law, regulations, or conditions of a license or exemption shall be punished with one or more of the following penalties:

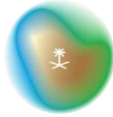
A- Suspension of electricity activity, partially or completely, for a period not exceeding one year. B-

Cancellation of the license.

C- A fine not exceeding ten million riyals.

2. The amount of the fine for each violation is determined within the limit stipulated in the system, according to rules issued by the Council, taking into account the nature and seriousness of each violation, and the aggravating and mitigating circumstances.

3. The committee referred to in Paragraph (2) of Article (Nineteen) of the system has the following: A - Imposing a fine not exceeding (10%) of the value of the original violation for each day that the violator continues to violate it after being notified of the committee's decision.



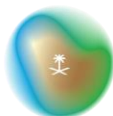
B- Double the fine imposed on the violator in the event of repeating the same violation. The violation is considered a repeat if it occurs within (3) three years from the date of committing the previous violation.

C- The decision issued specifying the penalty shall include a provision for publishing what is said at the expense of the violator in a local newspaper published in his place of residence, and if there is no newspaper in his place of residence, then in the nearest area to him, or publishing it in any other appropriate means, depending on the type of violation committed, its seriousness and its effects, provided that The decision must be published after it has been confirmed by the legally specified period or confirmed by the competent court.

D- Include in the decision determining the penalty a provision requiring the violator to return the amounts he collected as a result of the violation to their owners.

Article Nineteen

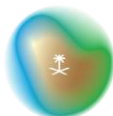
1. When any dispute arises in the electricity sector, the parties to the dispute may submit to the Authority a request to settle it amicably in accordance with what is determined by the regulations, without prejudice to any other means of settling disputes stipulated in the agreements in force between the parties to the dispute.
2. A committee - or more - formed by a decision of the Council for a period of three years, subject to renewal, of five members, provided that two of them are specialists in Sharia or regulations, and an expert in electricity activities. The decision determines who will chair the committee, provided that he is an expert in Sharia or regulations. Its decisions are issued by at least a majority, and are reasoned.



3. The committee's work rules - stipulated in Paragraph (2) of this Article - its procedures and the remuneration of its members shall be determined by a decision of the Council.
4. The Council shall issue controls to control and prove violations of the law, regulations, and conditions of the license or exemption.
5. Objection to the Committee's decisions - stipulated in Paragraph (2) of this Article - shall be made before the Administrative Court - in accordance with the statutory procedures followed in this regard - within sixty (60) days from the date of notification of the decision, and the objection shall not result in stopping the implementation of the decision.
6. Inspectors - appointed by a decision from the governor - shall jointly or individually control, investigate, and prove violations of the provisions of the system. Their powers shall be to review the books and records of the violator and obtain a copy of the relevant supporting documents.
7. The Authority may, when necessary, seek the assistance of the competent authorities, including the security authorities, in the event of an arrest, or to implement any decision issued against the violator.

Article Twenty

1. If a person violates any of the provisions of the law, regulations, or conditions of a license or exemption, or attempts to do so, the Authority has the right, in urgent and necessary cases - by a decision issued by the Governor or his representative - to take one or more of the following against him:
 - A- Obliging him to stop the violation.
 - B- Obliging him to rectify the situation and take the necessary corrective measures to address the consequences of the violation. If he delays, the Authority may do so at his expense.
 - C- Suspension of the electricity activity, partially or completely, for a period not exceeding (6) six months.

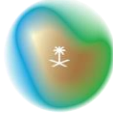


D- Take what is necessary to manage the electricity activity temporarily for a specific period not exceeding (6) six months, renewable once, to ensure the continuation of that activity, in accordance with the rules and procedures specified by the regulations.

2. The decision issued in this regard will be implemented from the date the violator is notified of it, provided that the Authority refers the violation within (10) ten working days from the date of issuance of the decision to the committee - referred to in Paragraph (2) of Article (Nineteen) of the system - for consideration. Therein, the committee must issue a decision in this regard within a period not exceeding (20) twenty working days from the date of its referral to it. If the committee does not decide during this period, or the concerned party does not accept what it decides, he may object before the Administrative Court in accordance with the statutory procedures. followed in this regard.

Article Twenty-One

1. The perpetrator of the violation is tampering with the electrical service meter or any of its accessories.
Responsible for all damages to the licensee's facility or third parties, including the costs of repairing the damage it caused and compensation for the benefit lost by the facility or third parties due to the violation.
2. The Council shall issue the controls for determining repair costs and estimating compensation for the benefit lost by the facility or others due to the violation mentioned in Paragraph (1) of this Article.



Chapter Nine: Final Provisions

Article Twenty-Two

1. The Minister shall issue the executive regulations of the system with regard to the Ministry's tasks within (180) one hundred and eighty days from the date of publication of the system in the Official Gazette, and it shall come into effect from the date of its entry into force.
2. The Council shall issue the executive regulations of the system with regard to the Authority's tasks within (180) one hundred and eighty days from the date of publication of the system in the Official Gazette, and it shall come into effect from the date of its entry into force.

Article Twenty-Three

1. The system will come into effect after (180) one hundred and eighty days from the date of its publication in the Official Gazette.
2. The system replaces the electricity system issued by Royal Decree No. (M/56) dated 10/20/1426 AH, and its amendments, and repeals any provisions that conflict with it.