



Salalah Independent Water & Power Project

The purpose of this presentation is to provide major IPP/IWPP participants with an overview of the new project to be competed by the Oman Power and Water Procurement Company (the “**PWP**”) in Salalah, Dhofar Region. The project will consist of an independent water and power project (the “**Project**”) competed and contracted for along the same lines as the previous IPPs and IWPPs recently procured by the Government in Oman. This document includes the rationale for the Project and its main technical specifications, as well as some information related to the Dhofar region.

1. Background

The Government of Sultanate of Oman has privatised the Salalah Power System in the Dhofar region by signing a Concession Agreement in 2001 for the concession period of twenty years with Dhofar Power Company SAOG (the “**DPC**”) on a Build, Own, Operate and Transfer basis. The PWP is responsible for procuring new capacity and output in the Sultanate of Oman in accordance with the requirements of the regulation and privatisation of the electricity and related water sector (the “**Sector Law**”) promulgated by the Royal Decree 78/2004 and the PWP licence. Following the enactment of the Sector Law and the implementation of the transfer scheme on 1 May 2005, the PWP became responsible for managing the Salalah Concession Agreement.

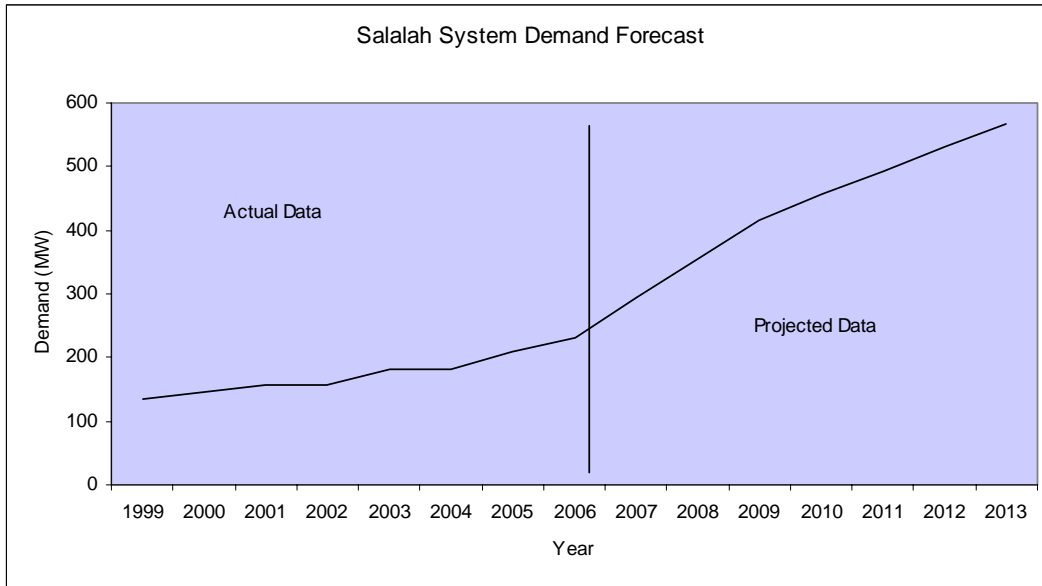
As per the Salalah Concession Agreement, DPC does not have exclusive rights to generate power within the service area. The PWP has identified a need for new electricity generating and water desalination capacity within the Dhofar region to be operational in the summer of 2009. The PWP has therefore decided to initiate a competitive process for increasing generating capacity in the Dhofar region through the implementation of the Project, to meet the increasing demand for electricity and water. The installed capacity of the plant will be around 400 MW and 15 MIGD. One of PWP’s priorities is to ensure the availability of 250 MW of capacity in order to meet demand in the summer peak of 2009.

In order to achieve this objective, the PWP has appointed three advisers: BNP Paribas, as financial adviser and lead role advisor, Fichtner as technical adviser and Denton Wilde Sapte as legal adviser.

2. The Dhofar region

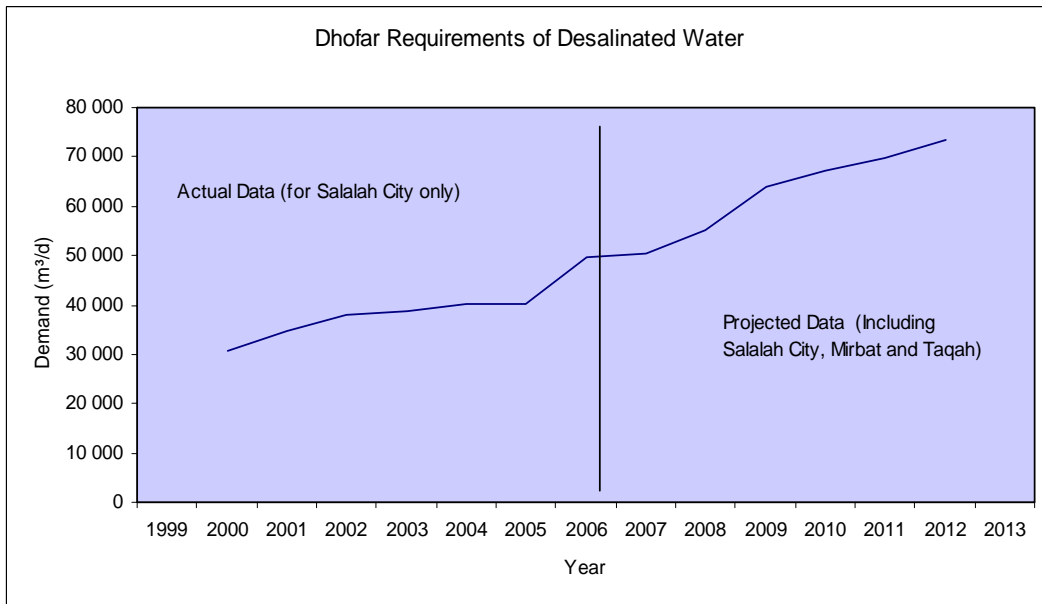
Power demand

The power demand in the Dhofar region in the recent years has been increasing steadily from some 130 MW in 1999 to about 230 MW in 2006. This steady increase is estimated to continue and present forecast figures of about 570 MW of power demand in 2013, including provisions for major development of the Salalah Freezone and various tourism projects.



Water demand

The Water Demand in Salalah City did steadily increase from some 30,000 m³/day in 2000 to some 50,000 m³/d in 2006. For the future demand, the Directorate General of Water (the “**DGW**”) estimates an increase of some 23,000 m³/d reaching a total of about 74,000 m³/d in 2013, the projections also including the Mirbat and Taqah water demand.





Existing Water and Power generation

Under the Concession Agreement DPC operates the following power generation facilities:

- the New Power Station (the “*NPS*”) consisting of 6 GE PG6581(B) engines with a total net capacity of about 180 MW (at 30°C);
- the Raysut C, an Alstom make PG6541(B) type gas turbine of about 30 MW site rating adjacent to NPS will be integrated under the Concession Agreement to be online in April 2007; and
- the LM 2500, which is located in the Salalah Power Station inside the city will be relocated to NPS to be operated under the Concession Agreement by end of 2007.

Raysut A + B Diesel Stations consist of 6 Diesel engines of KHP make and a total capacity of 36 MW (Raysut A) and 8 Diesel generators of different make and a total capacity of 53 MW (Raysut B). The plants are operated by RAEC (Rural Areas Electricity Company S.A.O.C.) and dispatched from DPC under a power purchase agreement between RAEC and PWP. The PPA covers the peak energy demand.

Presently the water demand of the Salalah Region is supplied from fresh groundwater aquifer.

3. The power Sector in Oman

Oman has recently restructured its power industry. A description of the new industry structure, its institutions and regulatory framework and the sector Law which implemented it can be found on the website of the independent economic regulator for the sector, Authority for Electricity Regulation Oman (the “*Authority*”), at www.aer-oman.org.

4. Project Technical Description

The new Salalah IWPP covers the installation and operation of a power station of at least circa 250 MW in 2009 ramping up to circa 400 MW in 2013 and a desalination plant with 15 MIGD (68,190 m³/d) net water generation capacity. The scope of the project shall include not only supply of the main power generation and water production facilities on the Site but all equipment and services necessary for the complete installation and safe and prudent operation and maintenance of the Plant.

Bidders shall be required in their bids to make proposals as to how they will optimise the ramp up of the power station’s capacity from 2009 to 2013 ensuring that (i) at least circa 250 MW is delivered in 2009 (ii) a maximum of circa 400 MW is delivered from 2013 and (iii) the plant contributes most efficiently to meeting the yearly demand requirements of the Dhofar Region. The Bidder shall also be responsible for the Plant configuration and shall propose the configuration that it considers the most suitable to attain high efficiency and a reliable supply of Electrical Energy and Potable Water at competitive cost.



The approved site for the development of the Salalah IWPP is a coastal area between Taqah and Mirbat with generally good preconditions for the installation of a combined power and desalination plant due to the vicinity to the shoreline and the flat plot. Detailed site investigations as well as Bathymetric Survey and Geotechnical Investigation are presently being tendered.

Due to its relatively remote location with regard to existing gas, potable water and power transmission infrastructure the construction of new interconnection structures will be required such as an overhead line, a gas supply main and a potable water main.

Extension of the Salalah Power system for integration of the new IWPP will be done by DPC with interconnection to the IWPP taking place at the plant gates.

The Gas Connection Facilities will be constructed by or on behalf of MOG and will be located in the vicinity of the project site.

For tie-in of potable water to the Salalah water supply scheme extension of the present system will be done by DGW, interface between the IWPP and DGW shall be the inlet flange to the onsite storage tanks.

5. Salalah IWPP contractual structure

The contractual and regulatory structure of the Project will closely reflect those for other recent IPPs and IWPPs in Oman. The successful bidder or its investment vehicle will:

- Require a generation and desalination licence, available, on application by Appropriate Persons, from the Authority – please refer to the Authority's website for details;
- Enter into commercial contracts, including the following:
 - a Project Founders Agreement concerning the extent of required equity and investor parent commitments;
 - a Power and Water Purchase Agreement, with PWP as buyer/offtaker;
 - an Electrical Connection Agreement for the connection of the plant to DPC's system;
 - a Water Connection Agreement for the connection of the plant to the water offtake system;
 - Usufruct agreements in relation to land required for the Project;
 - a Government Guarantee of PWP's offtake obligations, pending PWP's establishment of creditworthiness; and
 - a Natural Gas Supply Agreement with the Ministry of Oil & Gas for feedgas for the Project.



A performance bond supplied by a reputable financial institution will be required.

Prequalified Bidders will be supplied with these documents with the Request for Proposals (the “**RFP**”).

6. Prequalification process

Prior to the release of the RFP, the PWP intends to launch a prequalification process. Interested parties are requested to return the letter of interest enclosed in Appendix 1 by email to Ahmed Al Busaidi (ahmed.busaidi@omanpwp.com) with a copy to Vahram Yerikian (vahram.yerikian@bnpparibas.com) by 17 January 2007. A Request for Qualification setting the prequalification criteria will be subsequently issued by the Tender Board. Only the companies and/or consortia that demonstrate to the satisfaction of the PWP their ability to meet the criteria will be entitled to receive the RFP (the “**Prequalified Bidders**”).

7. Tendering process

All information relating to the Project, including Project documentation will be made available to Prequalified Bidder on a secure Internet website. If a Prequalified Bidder has any doubt as to the meaning or intent of any sections of the RFP or requires additional information, the Prequalified Bidder will be able to request clarifications from the Tender Board.

All Proposals will need to be received by the Tender Board and the PWP on an indicated deadline. Respecting the timetable set for the Project will be of utmost importance to meet the power demand in the summer peak of 2009 and therefore granting any extension to such deadline is not anticipated. Bidders will be required to supply a bid bond issued by a registered bank in Oman.

It is the intention of the PWP, in conjunction with the Tender Board, to evaluate and select the Preferred Bidder on a transparent, fair, impartial and commercial basis. To qualify for comparative evaluation, proposals will need first to be determined to conform to all the terms, conditions and requirements of the RFP without material deviation. Thereafter, proposals will be ranked based on criteria set out in the RFP and the Project awarded on such defined criteria.

8. Timetable

The bidding process will proceed in accordance with the following preliminary timetable:

Item	Action	Date
1.	Issue of Request for Qualification	First quarter 2007
2.	Issue of Request for Proposals	End of first quarter 2007 / beginning of second quarter 2007
3.	Bid Submission	Third quarter 2007
4.	Selection of Preferred Bidder & Contract award	Fourth quarter 2007



[On the company's letterhead]

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Sultanate of Oman
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[Date]

Re: Oman - Salalah IWPP - Letter of Interest

Dear Sir,

We, the undersigned, hereby confirm our interest in participating to the upcoming tender for the Salalah IWPP and we therefore shall participate in the prequalification process for such a project.

All correspondence to us in relation to the Project is to be addressed to:

Name:

Address:

Telephone Number:

Fax Number:

Email address:

Yours faithfully,

By:

Name:

Title: