

# The Oil & Gas Year 2017



Mohammed Al GHASSANI  
Acting CEO  
RAECO

## Demand and growth

**TOGY talks to** Mohammed Al Ghassani, acting CEO of Rural Areas Electricity Company (RAECO), about the industry's on-going and future developments in renewable energies, the adequacy of current electricity supplies in RAECO for Oman's electricity sector and the gas supplies the sector needs for additional power generation. RAECO is a government-owned company with 34 diesel power stations.



**Is there enough electricity supply in Oman at the moment or does the country need more capacity?**

RAECO is contributing about 2% to the total capacity and demand in Oman. Currently, the company has about a 280-MW generation capacity. The demand at many RAECO areas is less than 500 kW and may reach 60 MW in others. The company is expanding generation capacities in many areas to meet demand. More than 300 MW will be required through the next seven years if no alternative solutions are constructed.

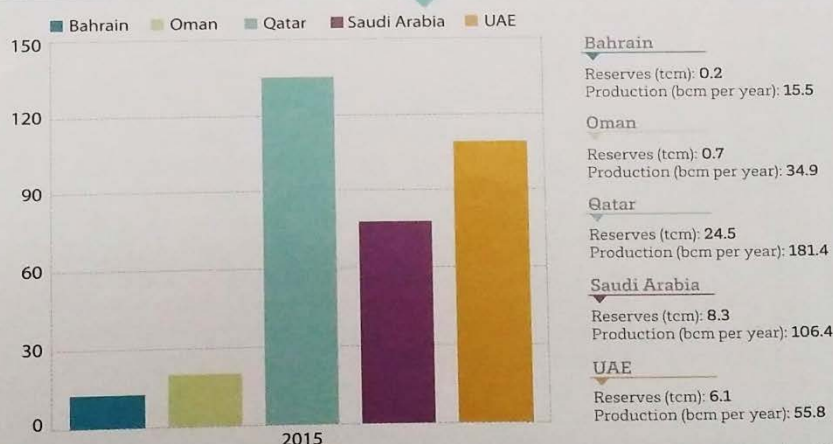
The demand in RAECO's areas is increasing as per growth in macroeconomic factors including the number of customers and demand of each class of account. Last year's growth in supply increased at a rate of about 12%, and we think it will maintain at this rate for the next three to five years.

**Have the low oil prices impacted your activities here?**

The combination of low oil prices and the

deregulation of the fuel market has raised diesel prices and this presents a problem for us. We are using diesel in all of our power stations.

Regional reserves to production ratio, 2015 (years)



Source: BP Statistical Review 2016

The company plans to purchase power from cheaper sources, like the IPP being constructed in Musandam. In such a case, RAECO shall purchase power from the OPWP, which is expected to be lower than the current cost from diesel plants.

The final price of purchased power shall depend on the availability of gas in the area, which may benefit from the Iran gas pipeline or the development of the Khazzan

**"Last year's growth in supply increased at a rate of about 12%, and we think it will maintain at this rate for the next three to five years."**

field where the pipeline is still being studied. It will take time, but it will certainly change some scenarios for us. If we run diesel, the cost of generation alone is about OMR 48 [USD 124] per MWh. If you include other services, like operations and maintenance distribution, transmission networks, administrative activities, etc., the cost may reach OMR 90 [USD 248] per MWh.

#### **What is RAECO's strategy for the next six to 12 months?**

The budget for 2015 was OMR 160 million [USD 414 million]. For 2016, the budget will be lower. It would have been higher, but we postponed a lot of projects because of the oil price. We are now maintaining our business plan and the visions and mission of the company. ■

#### **About Rural Areas Electricity Company**

Charged with electrifying rural parts of Oman, the RAECO is primarily engaged in supplying power to the large developments taking place in and around the Duqm area, as well as in Musandam. RAECO operates in areas that fall outside of the country's two main grids: The Main Interconnected System (MIS) in the north of the country, and the Dhofar Power System in the province of Dhofar. The company operates 34 diesel-power stations, supplying mainly domestic consumers – 70% by number of customers, 46% by MWh consumption – with power. In addition to power generation, transmission and distribution, RAECO also performs desalination at its six plants and is equipped to import and export electricity.



# DELIVERING ELECTRICITY TO RURAL OMAN

Rural Areas Electricity Company s.a.o.c  
Member of Nama Group



P.O. Box: 1166, P.C. : 133 Al Khuwair Sultanate of Oman  
Tel: 24473200 Fax: 24473259 Building NO: 963-Al Khuwair South  
info@reefia.com