



مكتب التنظيم والرقابة
Regulation & Supervision Bureau



ANNUAL REPORT

Regulation & Supervision Bureau for the water, wastewater and electricity sector in the Emirate of Abu Dhabi

2007

النسخة العربية متوفرة أيضاً

For the period 1 January 2007 – 31 December 2007

The Regulation and Supervision Bureau (the Bureau) publishes this Annual Report in order to discharge its duties under Articles (56) and (58) of Law No (2) of 1998, with respect to the maintenance of a public register.

The Bureau is established in law to exclusively regulate and supervise the Emirate's electricity and water sector. It is an independent body whose functions and responsibilities are described fully in Law No (2) of 1998. Also, the Bureau exercises its powers in the wastewater sector through the application of Law No (17) of 2005. In addition, Laws (18) and (19) of 2007 provide further powers and responsibilities to the Bureau.

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Welcome letter

For 2007, the annual production of electricity increased by almost 20 percent on the previous year, which was driven in part by exports to neighbouring emirates. Currently, we are closing the gap between installed capacity and utilised plant, which has improved our average unit costs considerably. Overall our unit costs for both water and electricity are lower in real terms than when the sector was unbundled in 1999, which is an excellent achievement.

Also, the complexity of our sector continues to grow and this has brought with it an increase in challenges. During the year the sector's fundamental building-block laws were amended to allow for a broader approach regarding the formation of private network companies and a change in reporting structure for the Bureau; this is now orientated more towards the Executive Council, rather than the water and electricity authority. In many ways therefore, 2007 could be regarded as a spring-board year that enabled the Bureau and the sector participants to prepare for meeting the Abu Dhabi Emirate's future vision of expansion.

In order to meet these expansion plans, there was a considerable increase in the workload of our staff. We also engaged a number of consultants to undertake a range of work streams, especially on generation expansion planning and the use of different primary fuels for power stations.

In addition, we have worked closely with a number of external bodies such as the Executive Affairs Authority, Environment Agency and others to produce an integrated generation and demand expansion plan taking us to 2020.

Internally we have bolstered our workforce considerably and taken on a number of professional staff members recruited both locally and from abroad.

We hope you enjoy reading our 2007 Annual Report.

Chairman and Board of Directors



Welcome letter

HIGH LEVEL OVERVIEW

SECTOR STATISTICS

Annual production for 2007

Electricity	34,143 GWh, up 19.8 percent (includes exports).
Water (potable)	190,600 MG [866,468 ML], up 7.4 percent.

Installed capacity

Electricity	8,057 MW
Water (potable)	634 MGD [2,882 MLD]

System demand

Electricity	Hourly peak: 6,193 MW, up 19 percent (2 September 2007). This includes exports of 907 MW.
Water supply	Hourly peak for the Emirate of Abu Dhabi: 5,286 MW, up 10.4 percent. Transmission peak: 568 MGD [2,582 MLD] up 6.1 percent (30 August 2007) including Northern Emirates demand.
Wastewater treatment	116 MGD, average, received at wastewater treatment plants [526,000 m ³ /d]; equivalent annual total of 42,265 MG, up 10 percent.

Average unit costs

Electricity	AED 0.214 per kWh
Water	AED 29.2 per TG

Sector turnover

Electricity	AED 5,190 million
Water	AED 4,778 million
Wastewater	AED 901 million

Customers

Electricity	313,196, up 3.2 percent
Water	231,773, up 3.0 percent
Wastewater	231,800 (estimated)

Water quality

Total tests	161,010 for 68 parameters, including the bromate reduction study.
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Note: The percentage increase is as compared with the previous year, 2006

MW = megawatts; GWh = gigawatt hour

TG = thousand gallons; MG = million gallons; MGD = million gallons (imperial) per day

ML = million litres; MLD = million litres per day; m³/d = cubic metre per day



KEY DEVELOPMENTS

ARABIAN POWER COMPANY (APC)

In 2003, the Bureau issued a licence to Arabian Power Company (APC) for the generation of 2,200 MW of electricity and the desalination of 160 MGD [727 MLD] of water. Of this, 650 MW and 65 MGD [295 MLD] were due to be withdrawn from production by the end of 2008, and this was reflected in the original licensed quantities.

The Bureau, following a period of public consultation, modified APC's licence, extending the older production plants' life (and hence the original licensed quantities) until the end of 2010 in order to meet increased demand.

EMIRATES SEMBCORP (F1)

The 400 kV overhead electricity transmission line between Qidfa (in Fujairah) and Dhaid (Sharjah) was nearing completion by the end of 2007. The link enables SembCorp to supply the Emirate of Abu Dhabi with power via Sharjah and Dubai. As a result, its electricity output could be sold in Abu Dhabi.

Under the law, ADWEC can only sell to the Emirate production purchased from licensed operators. Consequently, following a period of consultation, we extended SembCorp's existing licence to include the generation of electricity, from 2008 onwards.

EXPORTS OF ELECTRICITY

Hourly power exports to Dubai and Sharjah were close to their possible maximums throughout the year, with the Dubai Electricity and Water Authority (DEWA) receiving 700 MW and the Sharjah Electricity and Water Authority (SEWA) 200 MW.

In this connection the Bureau issued a consent to ADWEC (the single buyer) to trade electricity with SEWA, similar to the one issued in respect of DEWA the previous year.

For all exports of power or water, ADWEC has a duty to ensure the application of appropriate cost-reflective tariffs, with no subsidies present. The Bureau's duty in this regard is to ensure that no subsidies or cross-subsidies exist and therefore to advise ADWEC of a minimum price it can charge to export, rather than a maximum one. These activities are known as 'unlicensed' in that they fall outside the licensed activities categories as defined in law.

ADWEC's income from unlicensed activities was in the order of AED 1,779 million. In 2008, the Bureau will consider the treatment of this income with respect to retained earnings and benefits to the sector overall.

FUJAIRAH ASIA POWER COMPANY (FAPC)

In April, four consortia submitted bids for the Fujairah (F2) project located in the Emirate of Fujairah, on the East Coast of the UAE. The project, for 2,000 MW and 130 MGD [590 MLD], was subsequently awarded to Fujairah Asia Power Company, a 50:50 joint venture between International Power and Marubeni. The Bureau issued the new company with a licence on 31 October 2007.

Limitations on the size of the site resulted in the Bureau providing FAPC with consent for off-site storage of 50 MG [228 ML] of potable water, some forty percent of the total produced. Currently all producers are required to provide one day's output as on-site storage.

The planned commercial operational date for the F2 independent water and power producer (IWPP) is mid 2010.

PRIMARY FUELS

In the light of the sector's operating experience in 2006 and the impact of gas restrictions for part of that year, we commissioned a strategic review of primary fuel use in the Emirate, looking forward fifteen years.

In reality Dolphin Gas met their contractual targets regarding gas sufficiency and ADNOC managed to provide much of the remainder, so the use of diesel and crude oil burning in power plants was less than in 2006.



However, the underlying sufficiency of gas in the medium term is still questionable, so the need for the strategic review by NERA/PB Power remained high.

In essence there are at present four primary fuels that, on a large scale, can power turbines and boilers namely: coal, gas, oil and nuclear. It is likely that the sector will make use of a range of primary fuels in the future, including a substantial contribution from renewable energy and non hydrocarbon energy such as nuclear power.

RENEWABLE ENERGY (RE)

A range of RE projects was initiated during the year under the direction of the Abu Dhabi Future Energy Company (ADFEC), established by Law No (22) of 2007. Areas of major interest include the building of an energy from waste site, with a capacity of 85 MW, and a solar energy installation, near Madinat Zayed, with an output of 100 MW. Discussions were also undertaken on the promotion of wind turbine energy.

SHUWEIHAT (S2)

Towards the latter part of the year, ADWEA invited proposals from international developers for the Shuweihat (S2) independent power and water project. The project is for power generation up to 1,600 MW and 100 MGD [455 MLD] to be operational by 2011/2012 and is in line with ADWEC's generation expansion plan for the Emirate. The plant will be gas fired with diesel back-up fuel and bids will be opened in the second quarter of 2008.

SEWERAGE SERVICES MASTER PLAN

Dornier Consulting was commissioned by ADSSC in 2006 to undertake a review of its infrastructure in accordance with anticipated volume flow and population growth. The conclusions of the Master Plan were presented during 2007.

Key outputs from this project included a series of recommendations considering a 25-year design horizon of ADSSC's infrastructure, establishment of a major hydraulic network model for sewerage systems in Abu Dhabi and Al Ain, and an implementation plan with outline costing to allow financial forecasting.

A key recommendation from the study was the construction of a 3.5 metre diameter deep-tunnel sewer running from Abu Dhabi Island to the mainland. This tunnel will relieve the current highly loaded networks and facilitate closure of a number of smaller pumping stations on the island. The tunnel will have an operational life of 80 years and design work will begin during 2008.

TAQA (Abu Dhabi National Energy Company)

During the early part of the year, TAQA purchased CMS Generation, based in Michigan, USA, and in so doing increased their share of the Abu Dhabi IWPP market. Prior to this purchase, TAQA already held a 54 percent stake in all IWPP's. CMS held a 40 percent stake in ECPC and a 20 percent stake in SCIPCO. Therefore, with the acquisition of CMS, TAQA held 94 percent of ECPC and 74 percent of SCIPCO.

During the latter part of the year, TAQA sold all its interests in ECPC to Marubeni; the Bureau approved this sale in November 2007. TAQA is 51 percent owned by an arm of the Abu Dhabi Government and carries international credit ratings of Aa2 from Moody's Investors Service and AA- from Standard & Poor's.

WASTEWATER TREATMENT PLANTS

Bids were opened in April 2007 for the build, own, operate and transfer (BOOT) contract for the provision of two treatment plants at Al Wathba (close to Abu Dhabi city) and Al Saad (in the Al Ain region). The capacity of these two plants is 345,000 m³/d (Al Wathba) and 92,000 m³/d (Al Saad). The successful bidder is a joint venture between UK's Biwater and Al Qudra Holdings who will project manage both plants and provide a 40 percent equity holding in the new company. A wholly owned subsidiary of ADWEA will take the other 60 percent.

CUSTOMER PROTECTION

DELIVERY

PERFORMANCE STANDARDS

Our commitment to protecting the interests of customers in the Emirate of Abu Dhabi continued throughout 2007 (one of the Bureau's key obligations under the law).

Commencing 1 January 2007, the distribution companies have been reporting monthly on performance against a range of Guaranteed Service Standards, and the Bureau has been working with these companies on interpreting their submission. The quality of the data provided, and that of the companies' internal reporting systems, lacked substance and will ultimately come under further scrutiny with an audit during 2008.

Aligned with our obligation under the law to publish information on standards of performance, we produced customer-friendly guidelines on how to make a prospective claim for payment if a Guaranteed Service Standard is not met. We continued to encourage the companies to promote awareness of these performance standards regularly, particularly for new customers.

DEBT INVESTIGATION

During the year, we commenced an investigation into the level of debt owed to distribution companies by customers. The amount of debt is approximately equivalent to a full year's income, which is far in excess of acceptable international benchmarks.

The distribution companies were required to develop an action plan to bring their level of customer debt under control which included a programme of targeted disconnections for non-payment and overall debt levels fell by the end of 2007.

SUPPLY AGREEMENT

Progress on the Domestic and Small Business Customers' Supply Agreement was slower than expected. Discussions were renewed with the distribution companies in the second half of 2007 (with a view to implementation of a Supply Agreement in 2008). Concurrent with this project, we continued to work on the terms and conditions to develop a Connection Agreement for large customers.

METHODS OF PAYMENT

Various initiatives have been introduced by the distribution companies to increase the range of bill payment options available to customers. These include on-line payment through banks (14 banks are participating), entering into agreements in principle with Etisalat to use its systems and networks to pay, along with an increased number of payment outlets in shopping malls.

WASTEWATER SERVICE STANDARDS

We have worked in collaboration with ADSSC to develop a suite of customer service standards for the sewerage services sector. The guiding principles for such standards will be based on the existing water and electricity Guaranteed and Overall Standards.

Consultation on the document will be completed in 2008 with ADSSC aligning its business ready for introduction and reporting against the Standards during 2009.





TARIFFS

TARIFFS FOR LARGE USERS OF ELECTRICITY (ABOVE 1 MW)

Under the terms of the licences of distribution companies, electricity customers with consumption in excess of 1 MW may, in certain circumstances, be entitled to a cost-reflective large-user tariff.

In view of the fact that the standard tariff is set at a subsidised level (15 fils/kWh), such large-user tariffs are only likely to be attractive for customers with relatively low costs resulting from a direct connection to the transmission system and a favourable (flat) load profile.

Given the increase in the number of large-user tariff applications received during 2007, the Bureau agreed with ADDC and AADC that a common large-user tariff may be offered to all customers meeting the above criteria.

Large User Tariff			
		Peak	Off-Peak
		Midday-Midnight	Midnight-Midday
Summer	June-September	15 fils / kWh	10 fils / kWh
Winter	October-May	10 fils / kWh	10 fils / kWh

This structure provides an incentive for customers to manage their demands away from the peak demand period, and thus effectively reduce their tariff. This in turn reduces sector costs incurred in meeting peak demands.

SURVEYS

DOMESTIC CONSUMPTION SURVEY (NON-UAE NATIONALS)

PB Power consultants were appointed to undertake a survey of the levels of electricity and water consumption by expatriate consumers in the Emirate of Abu Dhabi. This followed an earlier survey of consumption patterns of UAE Nationals undertaken in 2005, also for the Abu Dhabi Emirate.

PB undertook site visits to a randomly-selected range of properties in Abu Dhabi and in Al Ain to record relevant property characteristics, such as the type of property (villa or flat), the number of occupants, the type of air-conditioning system, and the approximate garden area.

The overall results by property type are summarised below:

Annual Electricity Consumption by Non-UAE Nationals - kilo watt hours			Annual Water Consumption by Non-UAE Nationals – thousand gallons (thousand litres)		
	Abu Dhabi	Al Ain		Abu Dhabi	Al Ain
Villas	98,000	32,000	Villas	253 (1,151)	91 (417)
Apartments	7,000	12,000	Apartments	59 (269)	n/a
Small commercial	39,000	43,000	Small commercial	50 (229)	n/a

The results will be used to inform the development of future policy towards the sector, particularly in respect of tariffs and the promotion of demand management priorities to conserve water.

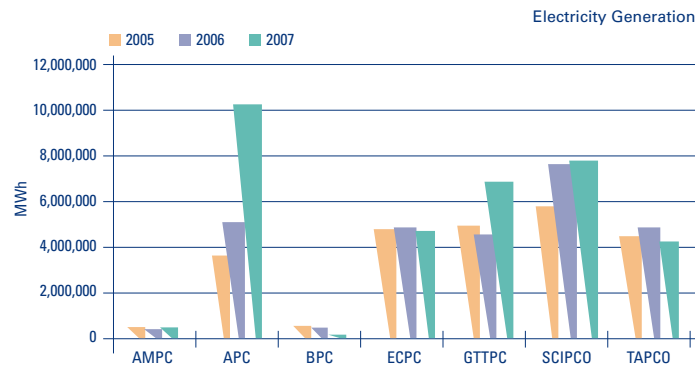
TECHNICAL REVIEW OF ACTIVITIES

PRODUCTION

ELECTRICITY

The sector gross generation in 2007 was 34,142,472 MWh, an increase of almost 20 percent on the previous year. This rise included an export of 5,614,875 MWh to Dubai and Sharjah. The sector imported 814,616 MWh from Takreer, part of the Abu Dhabi National Oil Company (ADNOC). The remote areas company, RASCO, which provides isolated generation to some islands, generated 75,391 MWh.

All Bainounah Power Company (BPC) steam turbines at Mina were decommissioned at the end of the year, which meant the effective shutting down of the station. The existing site is likely to be redeveloped for commercial use.



ELECTRICITY GENERATION PERFORMANCE

Three major generation outage incidents occurred in 2007, but without causing any interruptions to customers.

Two incidents occurred at Arabian Power Company (APC). The first one resulted in the loss of almost 700 MW due to commissioning work being carried out on steam turbines which led to the tripping of two gas turbines. The other incident occurred due to malfunction in the main gas chromatograph (fuel intake analyser) which forced all gas turbines to reduce load by more than 800 MW.

The third incident occurred at the TAPCO plant (Taweelah B), again during commissioning tests, due to the loss of auxiliary supplies. This led to a loss of 300 MW.

Electricity generation and water production plants reported an average availability of 98 percent during the year which is an excellent performance.

The Bureau published a consultation paper seeking to introduce key performance indicators for generation companies, in line with international standards. Licensed companies are to submit monthly data related to reliability and forced outage rate for power and water plant at each site.



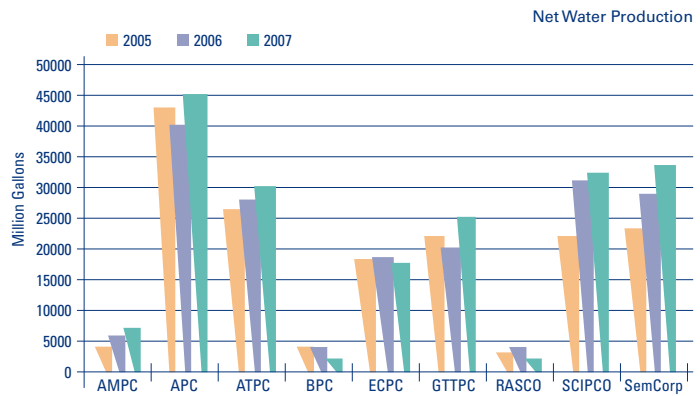


PRODUCTION

WATER

The annual net water production for the year increased by 7.4 percent to 190,600 MG [866,468 ML]. Thermal desalination remains the predominant production technology. However, SembCorp provides a third of its water production by reverse osmosis (RO) and FAPC (F2), due to be commissioned in 2010, will also provide up to 30 MGD [136 MLD] of its production from RO.

Water production capacity has marginally changed in the previous year due to the closure of the 15 MGD [68 MLD] Bainounah Power Company (BPC) desalination plant at the end of the year after completing almost 30 years in service. This reduction was offset by the introduction of additional capacity by Arabian Power Company.



APPROVAL OF ADWEC 2007 SEVEN YEAR CAPACITY PLANNING STATEMENT

ADWEC's 2007 Seven Year Capacity Planning Statement was submitted to the Bureau and approved in mid 2007.

For the Emirate of Abu Dhabi, ADWEC forecasts an increase in peak electricity demand from 5.3 GW in 2007 to over 12 GW in 2014, and an increase in water supply from 560 MGD in 2007 to over 900 MGD over the same period.

To meet this demand, the statement confirmed the need for a second production plant to be constructed in Fujairah by 2010 (F2) and at Shuweihat by 2011 (S2), with further new production plants required in 2012 and subsequent years.



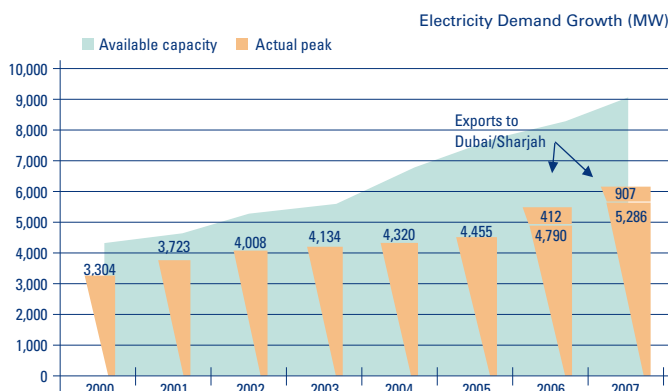


ELECTRICITY

SYSTEM EXPANSION

In 2007, the peak electricity demand in the Emirate of Abu Dhabi was 5,286 MW, on 2 September, which meant a growth of 10.4 percent compared with the previous year. These figures exclude peak exports to Dubai and Sharjah of 907 MW.

Large investments continue to be made in the transmission network as well as in new generating stations. In particular, major 400 kV transmission assets have been added, including transmission lines from the new Shuweihat power station in the Western Region (Al Gharbia), connecting through to Madinat Zayed, Abu Dhabi City, and Al Ain City.



ELECTRICITY WIRING REGULATIONS (2007)

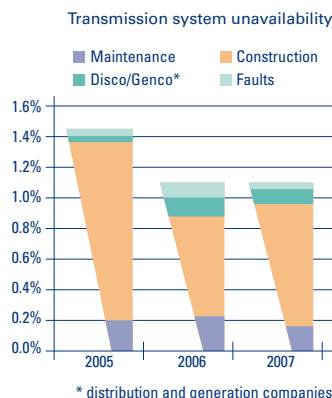
A particular focus area in 2007 was the development of new Electricity Wiring Regulations to govern the safe design and construction of electrical installations in customers' premises. These cover important issues such as the licensing of approved contractors, requirements for regular inspections, and the requirement for earth leakage protection. We carried out a public consultation in late 2006, and the Regulations were issued in December 2007.

TRANSMISSION

In mid 2007, TRANSCO commissioned new 400 kV cable circuits on the east side of Abu Dhabi Island, which improved the security of the Island's 400 kV system and allowed for the closure of the Bainounah Power Station at Mina. In the Western Region, a new 400/220 kV grid substation was commissioned at Madinat Zayed and new primary substations were commissioned at Bu Hasa and Bab to feed the ADCO (Abu Dhabi Onshore Oil Operations) oil production facilities.

The 400 kV Emirates National Grid connection between Abu Dhabi and Dubai H station was extended to Sharjah's Dhaid grid station. This facilitated the first export of power to Sharjah of about 200 MW (peak demand).

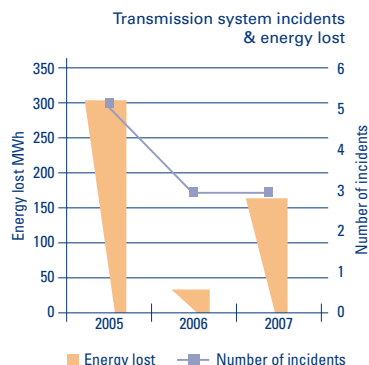
The performance of the electricity transmission system serving the Emirate of Abu Dhabi is of a high standard and comparable with utility companies elsewhere in the world. The two internationally recognised measures of system performance, 'Unavailability' and 'Energy Lost', are used to benchmark TRANSCO's network. Transmission system 'Unavailability' measures the amount of time that parts of the transmission system are not in service as a percentage of the total hours in the year. The chart illustrates system 'Unavailability' being similar to the previous year, but with a higher proportion due to outages required for transmission system construction.





Transmission system incidents which cause loss of power to customers are few in number, but can have a wide-scale impact. There were three incidents in 2007, the same as in the previous year, but this year the consequent energy loss was much higher. This increase was primarily due to an incident at Ramah 220/33 kV grid station on 25 February 2007. The 220 kV overhead line between Ramah and AlWathba tripped whilst a second circuit between Ramah and Sweihan was already shut down for construction work.

In addition, two minor incidents occurred in October, resulting in a loss of 2 MWh of load in each case.



GCC INTERCONNECTION

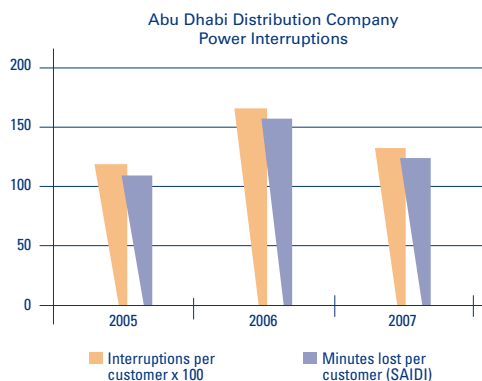
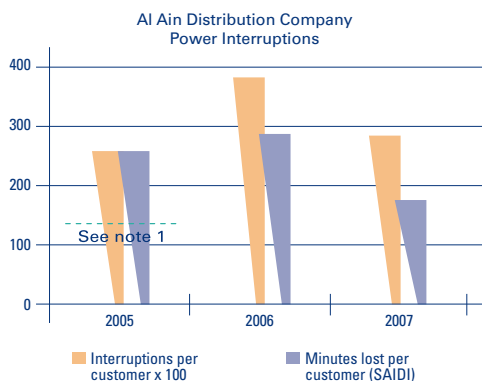
The interconnection of the electricity grids of the Gulf Co-operation Council (GCC) countries (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and UAE) is expected to be commissioned in 2009 or 2010. We are participating actively in working groups, organised by the GCC Interconnection Authority (GCCIA), and attended by representatives of all the Member States, to develop the associated legal, commercial and technical agreements.

These agreements will ensure that each of the GCC Member States benefits from the additional security and reliability, and hence cost reductions, resulting from the ability to share operating and capacity reserves. Furthermore, they facilitate a system of voluntary trading of spare production capacity between Member States.

DISTRIBUTION

The network performance of AADC indicates a significant improvement over the previous year. This was effected by reducing the number of planned shutdowns through the use of non-intrusive diagnostic testing for maintenance work. In addition, the programme of installing remote control and monitoring on the 11 kV distribution networks is beginning to deliver benefits. The apparent worsening of performance from 2005 to 2006 is understood to be due to the introduction of improved reporting procedures.

The trend in network performance for ADDC indicates an improvement of around 15 percent over the past year. The company has invested heavily in remote control and automation systems on Abu Dhabi Island and is extending this programme into the Eastern Region.



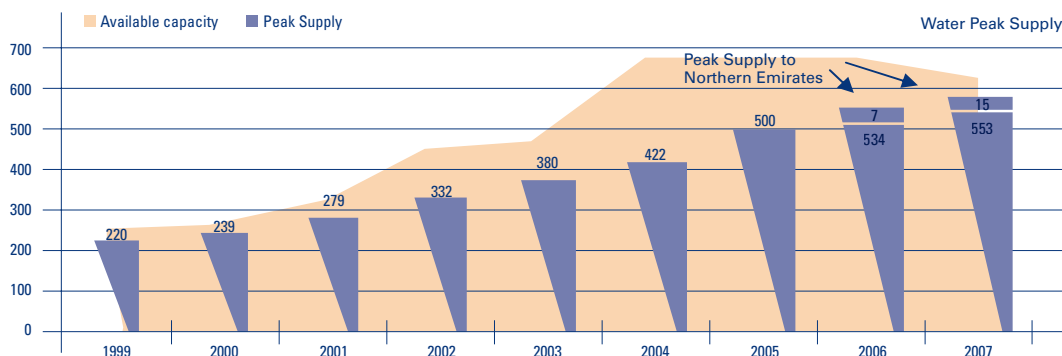
Note 1: 2005 data was adjusted by the Bureau due to incorrect reporting by AADC (unadjusted level shown dotted)



DRINKING WATER

TRANSMISSION

The maximum water supply through the transmission system in a day was 568 MG [2,582 ML] on 30 August 2007, an increase of 6.1 percent over the previous year. The average daily supply to the distribution companies from TRANSCO was 512 MGD [2,328 MLD].



A number of major transmission schemes are planned for completion in the next five years to meet the natural growth in demand and the increasing demand from the major real estate developments such as Al Reem, Saadiyat and Yas Islands and the Al Raha Beach development.

Water supply to Al Ain, the Emirate's second city, remains the main concern as the current capacity of the existing transmission system is restricted to 170 MGD [773 MLD]. This is expected to remain so until 2010, after which the completion of the Fujairah (F2) project and transmission reinforcement schemes will meet most of the projected demand. Transmission system constraints continue to leave 60 percent of Al Ain on restricted (intermittent) supplies which vary from 5 to 18 hours in a day.

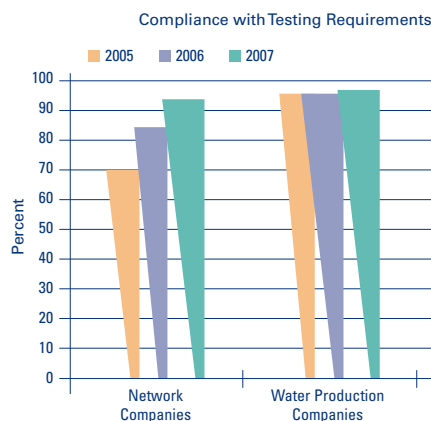
DISTRIBUTION NETWORK

Distribution network pressures improved in 2007 with 100 percent of pressure readings taken showing a minimum of 0.5 bar [5 metres head] and 73 percent above 1.25 bar [12.5 metres head]. Virtually all customers are now connected to the water distribution networks in the Emirate.

WATER QUALITY

Overall compliance with water quality sampling frequency measures, as prescribed in the Water Quality Regulations, rose from 90 to 94 percent. This was a good improvement and most of the failures were due to above prescribed levels of conductivity at the production plants and bromate formation in transmission and distribution systems.

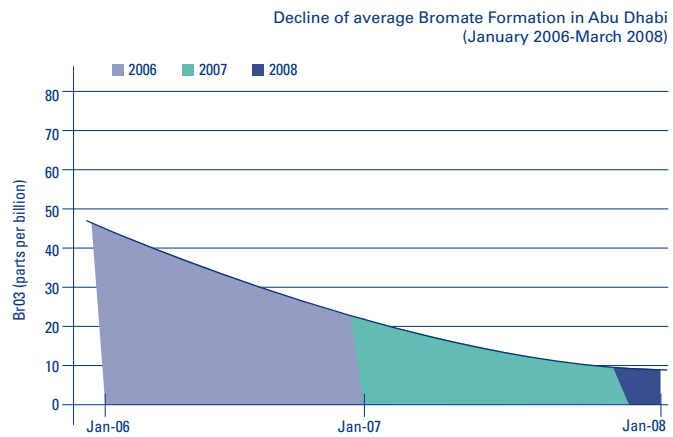
Compliance with water quality testing requirements improved by 19 percent over the previous three years, as illustrated in the chart.



BROMATE

The Bureau and its appointed consultant, CH2M HILL, continued working with licence holders and various government authorities to reduce bromate formation in the networks further.

Studies throughout the year found that bromate formation is a result of complex chemistry depending on chlorine concentration and contact time, pH, alkalinity and phosphate levels. Time of travel, stagnation, blending and other pipeline characteristics may also contribute towards the problem.



We commenced the implementation of short-term recommendations in relation to chlorine control in co-ordination with the network companies across several parts of the transmission and distribution systems. Trials were also conducted on a section of the transmission network in Al Mirfa to assess the correlation between phosphate and bromate levels.

Field studies indicated a predominant correlation in bromate formation due to the level of free chlorine; monitoring of chlorine control, particularly on the transmission system, continues. The recent results have shown a continued improvement, with most of the results in Abu Dhabi’s Central, Eastern and Western regions meeting the prescribed limit of 10 parts per billion.

WATER SUPPLY REGULATIONS

Following the increase in average system pressures available to customers, the need for ground tanks at customers’ premises was reviewed. Ground tanks were required in the past to compensate for intermittent or very low pressure supplies. However, as this is no longer an issue for most areas, we are seeking to promote the building of all new low-rise premises without ground tanks, where there is adequate system pressure. This will improve water quality by providing rising potable mains within the private plumbing system and remove potential waste as a result of overflows.

To promote this view we commenced a consultation process which will review the Water Supply Regulations required to reflect recent water system developments to protect public health.

THIRD PARTY LABORATORY AUDIT

Third-party laboratory services are increasingly used by licence holders to assist with production and water quality monitoring requirements. In 2007, we re-assessed two laboratories and assessed one new laboratory. All the licensees have been made aware of the approved status of these laboratories.



WASTEWATER

COMPLETION OF ADSSC'S FIRST PRICE CONTROL REVIEW

During the year, we completed the price control review for ADSSC, which was subsequently accepted by the company and incorporated into its licence. It is in the form of a single revenue cap, covering all three of ADSSC's businesses (sewage collection, wastewater treatment and disposal).

The control provides for a maximum allowed revenue (MAR) of AED 776.72 million (in 2005 prices) per year from July 2005, when ADSSC was established, until 31 December 2009. Since ADSSC does not presently charge for sewerage services, the MAR can also provide the basis for a reasonable level of subsidy for the company.

A simple performance incentive scheme also accompanies the price control, taking effect from 2008, to encourage ADSSC to improve its performance on various aspects of its service. This includes a new requirement to complete and submit a detailed Annual Information Submission accompanied by a report from an independent Technical Assessor verifying the accuracy of such data.

In addition to the incentive scheme, the proposals assume operating efficiency improvements of 5 percent a year in real terms after allowing for the impact of demand growth. Further, capital expenditure will be subject to an efficiency review upon completion of the projects, similar to that adopted for other licensees.

CUSTOMER REGISTER

ADSSC appointed external consultants to undertake work on developing a detailed customer register. This is a key project as the organisation seeks to understand its customer base, introduce customer service standards and ultimately charge cost-reflective tariffs for sewerage services.

A major part of the project was to develop a working relationship with the electricity and water distribution companies to adapt existing customer data for development of the wastewater-specific customer register. This project will ultimately lead to the initiation of a customer service call centre for handling wastewater enquiries.

FIVE YEAR PLANNING STATEMENT

In June 2007, ADSSC submitted its first Five Year Planning Statement, a key document in allowing us to assess the effective planning and justification of capital spend and infrastructure development. The plan was reviewed in detail by the Bureau and was considered a sound first submission on which to build for the future. We have committed to work with ADSSC to develop this area during 2008. ADSSC's licence has an obligation for an annual submission of the Five Year Planning Statement.

GREY WATER

We received a number of enquiries regarding grey water treatment during 2007. The enquiries were from developers interested in the collection and treatment of grey water as a low-cost system for reducing potable water demand.

Grey water is wastewater originating from showers, baths and washing machines. It is generally considered less polluted than conventional wastewater. While grey water treatment is an accepted practice in many countries it is not yet commonplace in Abu Dhabi where ADSSC collects all





WASTEWATER / ENVIRONMENT

wastewater and treats it to a high standard for reuse in irrigation applications as treated sewage effluent (TSE), through the Public Gardens Directorate.

Law No (19) of 2007, amending Law No (2) of 1998, defines the collection, treatment and disposal of wastewater as regulated activities. Since grey water is an integral component of wastewater, this requires us to license developers who wish to carry out grey water treatment in the Emirate.

SEWERAGE SERVICES COST MODEL

Discussions commenced regarding the potential for estimating 'return to sewer' volumes from different property types and customer categories within the Emirate. The aim of this work was to assist in the development of equitable and efficient cost-reflective tariffs for sewerage services.

ENVIRONMENT

During 2007, we compiled and analysed data from production companies with respect to water and air emissions. The data indicates that all licence holders met the required limits.

REGULATIONS FOR ABOVE-GROUND FUEL STORAGE TANKS

During the period we appointed an external consultant to review the proposed regulations for managing above-ground fuel storage tanks at production plants, and a report was submitted to us for review.

Given the high risk associated with fuel storage, the regulations will impose stringent requirements on all licence holders, and will ensure that such storage tanks are constructed and maintained in an environmentally responsible manner.

WASTE MANAGEMENT

Waste reports submitted to us by licence holders have been assessed to ensure that sector companies are in compliance with Law No (21) of 2005 for the Management of Waste in Abu Dhabi. Analysis of the data indicates that most companies have active waste management systems in place, and that hazardous waste materials are generated in minor quantities. Waste generated by sector companies is disposed of through waste service providers licensed by the Environment Agency of Abu Dhabi (EAD).

ENVIRONMENT, HEALTH AND SAFETY MANAGEMENT SYSTEM (EHSMS)

During 2007 an initiative was developed by EAD to introduce an emirate-wide Environment, Health and Safety Management System. The framework is intended to ensure sector entities meet their regulatory and statutory obligations. We are monitoring its development to ensure licence holders are aware of the system and contributing to its implementation.

HEALTH AND SAFETY

During 2007 all licence holders were externally audited to Occupational Health & Safety Accreditation (OHSAS) 18001 standards by an accredited safety auditor and all have an appointed Health and Safety officer with whom the Bureau co-ordinates.

HEALTH AND SAFETY INCIDENTS

In 2007 one sector-related fatality occurred, involving a contractor working for Abu Dhabi Sewerage Services Company (ADSSC). A man died inside a deep trench which had been excavated to install a Treated Sewage Effluent (TSE) pipeline. The death resulted from suffocation and crushing when the sides of the trench collapsed, trapping the worker.

We closely followed the investigation of this incident by ADSSC and also undertook a separate investigation which highlighted a number of recommendations the company is required to implement.

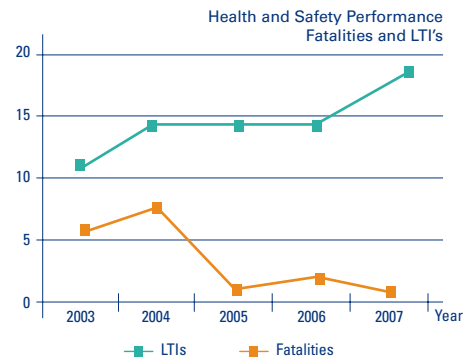
PERFORMANCE TRENDS AND AUDITING

During 2007, we compiled and analysed Health and Safety performance data for network and production companies. This included statistics such as lost time days per million man hours worked (including contractors). In 2007, there were eighteen lost time incidents (LTI's), an increase on the previous year. This was partly due to improved reporting procedures, including the requirement for licence holders to report incidents directly to us as well as their statutory reporting obligations to the Ministry of Labour.

Dangerous occurrences during 2007 which resulted in significant asset damage, but no injury to staff were:

- a flashover occurred on an 11 kV circuit breaker at W13 substation (ADDC) during earthing operations;
- a flashover and internal rupture of a 33 kV circuit breaker at Zayed Military City substation, thought to be due to high fault current;
- a fire on one of the generator sets at Dalma Island causing significant damage to the generating room, owned by RASCO.

The first two of the above incidents were investigated by us to identify root causes and recommendations.



LICENCE HOLDERS

The Bureau grants licences to “Persons” (undertakings, companies, organisations) to carry out certain activities. Collectively these Persons are known as licence holders.

Licences are structures which confer rights and obligations on a licence holder in order for them to undertake regulated activities.

The Bureau’s primary annual funding is derived from licence holders via the application of fees.



ABU DHABI COMPANY FOR SERVICING REMOTE AREAS (RASCO)

Licensed to generate, desalinate, transmit, distribute and sell electricity and water in remote areas, not connected to either of the distribution networks.

However, with major installations of submarine cables connecting islands such as Sir Bani Yas and Dalma, the role of this company is diminishing.



شركة أبوظبي للتوزيع
Abu Dhabi Distribution Co.

ABU DHABI DISTRIBUTION COMPANY (ADDC)

Distributes and sells water and electricity to around 200,000 customers in the old Municipality area of Abu Dhabi.



ADSSC
Abu Dhabi Sewerage Services Company
شركة أبوظبي لخدمات الصرف الصحي

ABU DHABI SEWERAGE SERVICES COMPANY (ADSSC)

ADSSC was founded in 2005 from Al Ain and Abu Dhabi Municipalities and is responsible for the collection, treatment and disposal of wastewater throughout the Emirate of Abu Dhabi



TRANSMISSION AND DESPATCH COMPANY (TRANSCO)

The company is responsible for all transmission voltages at 400, 220 and 132 kV including despatch of generation units, water balancing and the bulk movement of water throughout the Emirate.



شركة أبوظبي للماء والكهرباء
Abu Dhabi Water & Electricity Company

ABU DHABI WATER AND ELECTRICITY COMPANY (ADWEC)

ADWEC is the single buyer of water and electricity output and capacity from producers under various power and water purchase agreements (PWPA) and charges the distribution companies for water and electricity, under a Bulk Supply Tariff (BST).



شركة العين للتوزيع
Al Ain Distribution Company

AL AIN DISTRIBUTION COMPANY (AADC)

Distributes and sells water and electricity to around 100,000 customers in the old Municipality area of Al Ain.



شركة المرفأ للطاقة
Al Mirfa Power Company

AL MIRFA POWER COMPANY (AMPC)

Operates two power stations at Al Mirfa and Madinat Zayed with a total licensed capacity of 380 MW. Water production is at the Al Mirfa station only, with a licensed capacity of 38.7 MGD.



ARABIAN POWER COMPANY (APC)

Fourth IWPP in the Emirate, following the purchase of the Umm Al Nar Power Company's assets located at Sass Al Nakheel. Licensed capacities of 2,200 MW and 160 MGD reducing to 1,550 MW and 95 MGD after 2010.



BAINOUNAH POWER COMPANY (BPC)

Owns two power stations at Mina Zayed (Abu Dhabi) and Al Ain, with a total licensed capacity of 1,001 MW and water production of 16 MGD. The Mina station effectively stopped production before the end of 2007; therefore, from 2008 onwards, only the Al Ain station will be in operation with a licensed capacity of 461 MW.



EMIRATES CMS POWER COMPANY (ECPC)

Located at the old Taweelah A2 site, the first IWPP in the Emirate and is licensed to produce 50 MGD of water and generate 763 MW of electricity.



EMIRATES SEMBCORP WATER AND POWER COMPANY (SEMBCORP)

SembCorp is located at Qidfa in Fujairah, one of the Northern Emirates of the UAE. It is licensed for the production of potable water up to 100 MGD. The majority of this water is delivered to the Emirate of Abu Dhabi via a transmission pipeline owned and operated by TRANSCO. The company is now also licensed for the generation of electricity of up to 861 MW from 2008 onwards.



FUJAIRAH ASIA POWER COMPANY (FAPC)

The second Fujairah licensed operator is situated at the Qidfa complex. A joint venture between International Power and Marubeni, the plant is currently under construction, due for completion by 2010. FAPC is licensed to produce up to 2,000 MW of electricity and 130 MGD of desalinated water from thermal (100 MGD) and reverse osmosis (30 MGD) systems.



GULF TOTAL TRACTEBEL POWER COMPANY (GTTPC)

Located at the Al Taweelah complex, GTTPC was the first IWPP in the Emirate to purchase existing assets (Taweelah A1). Licensed capacities of 84.8 MGD of desalinated water and 1,600 MW of electricity.



SHUWEIHAT CMS INTERNATIONAL POWER COMPANY (SCIPCO)

SCIPCO is licensed to produce up to 1,500 MW of electricity and 100 MGD of desalinated water from the Shuweihat S1 Plant, located 260 km west of Abu Dhabi, near Jebel Dhanna.



TAWEELAH ASIA POWER COMPANY (TAPCO)

Situated at the Al Taweelah Complex. TAPCO owns the old Taweelah B and B2 plants. Licensed to produce 160 MGD of water and 2,000 MW of electricity.



UMM AL NAR POWER COMPANY (UANPC)

Owns Baniyas power station with a licensed capacity of 120 MW, currently not in production.

AUDITOR'S REPORT



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**INDEPENDENT AUDITORS' REPORT TO THE BOARD MEMBERS OF
REGULATION AND SUPERVISION BUREAU**

We have audited the accompanying financial statements of Regulation and Supervision Bureau (the "Bureau"), which comprise the balance sheet as at 31 December 2007 and the statements of funding and expenditure and accumulated deficit and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bureau as of 31 December 2007 and the results of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

A handwritten signature in blue ink, appearing to read 'Ernst & Young', with a horizontal line underneath.

10 June 2008
Abu Dhabi

BALANCE SHEET

At 31 December 2007

	Notes	2007 AED	2006 AED
ASSETS			
Non-current assets			
Software and equipment	3	506,880	160,948
Advance to employees		<u>84,992</u>	<u>265,831</u>
		<u>591,872</u>	<u>426,779</u>
Current assets			
Prepayments and other receivables	4	3,000,177	2,143,688
Bank balances and cash	5	1,159,963	19,001,210
		<u>4,160,140</u>	<u>21,144,898</u>
TOTAL ASSETS		<u><u>4,752,012</u></u>	<u><u>21,571,677</u></u>
EQUITY AND LIABILITIES			
Equity			
Accumulated deficit		<u>(363,379)</u>	<u>(287,948)</u>
Non-current liability			
Employees' end of service benefits	7	<u>3,646,418</u>	<u>2,050,526</u>
Current liabilities			
Accounts payable and accruals	6	<u>1,468,973</u>	<u>19,809,099</u>
Total liabilities		<u>5,115,391</u>	<u>21,859,625</u>
TOTAL EQUITY AND LIABILITIES		<u><u>4,752,012</u></u>	<u><u>21,571,677</u></u>



Mohammed Al Bawardi
CHAIRMAN



Nick Carter
DIRECTOR GENERAL

The attached notes 1 to 11 form part of these financial statements.

STATEMENTS OF FUNDING AND EXPENDITURE AND ACCUMULATED DEFICIT

Year ended 31 December 2007

	Notes	2007 AED	2006 AED
STATEMENT OF FUNDING AND EXPENDITURE			
FUNDING			
Licence fees	9	21,173,733	14,249,000
Other income		<u>662,524</u>	<u>257,166</u>
		<u>21,836,257</u>	<u>14,506,166</u>
EXPENDITURE			
Salaries and staff related costs		19,028,451	12,931,168
Depreciation	3	187,349	91,201
Others		<u>2,695,888</u>	<u>1,619,157</u>
		<u>21,911,688</u>	<u>14,641,526</u>
DEFICIT FOR THE YEAR		<u>(75,431)</u>	<u>(135,360)</u>
STATEMENT OF ACCUMULATED DEFICIT			
Balance at 1 January		(287,948)	(152,588)
Deficit for the year		<u>(75,431)</u>	<u>(135,360)</u>
Balance at 31 December		<u>(363,379)</u>	<u>(287,948)</u>

The attached notes 1 to 11 form part of these financial statements.

CASH FLOW STATEMENT

Year ended 31 December 2007

	Notes	2007 AED	2006 AED
OPERATING ACTIVITIES			
Deficit for the year		(75,431)	(135,360)
Adjustments for:			
Provision for employees' end of service benefits		1,764,261	833,045
Interest income		(550,774)	(222,166)
Depreciation		187,349	91,201
		<u>1,325,405</u>	<u>566,720</u>
Working capital adjustments:			
Prepayments and other receivables		(856,489)	(699,118)
Accounts payable and accruals		<u>(18,340,126)</u>	<u>7,149,059</u>
Cash (used in) from operations		<u>(17,871,210)</u>	<u>7,016,661</u>
Employees' end of service benefits paid		<u>(168,369)</u>	<u>(83,949)</u>
Net cash (used in) from operating activities		<u>(18,039,579)</u>	<u>6,932,712</u>
INVESTING ACTIVITIES			
Purchase of software and equipment		(533,281)	(55,077)
Interest received		550,774	222,166
Advance to employees		180,839	(265,831)
Net cash from (used in) investing activities		<u>198,332</u>	<u>(98,742)</u>
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(17,841,247)	6,833,970
Cash and cash equivalents at 1 January		<u>19,001,210</u>	<u>12,167,240</u>
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	5	<u><u>1,159,963</u></u>	<u><u>19,001,210</u></u>

The attached notes 1 to 11 form part of these financial statements.



NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2007

1 ACTIVITIES

Regulation and Supervision Bureau ("the Bureau") was established under Law No (2) of 1998 to regulate the water and electricity sector in the Emirate of Abu Dhabi.

The Bureau is funded by the payment of licence fees by those entities awarded licences and is a not for profit organisation.

The Bureau's registered office is at P O Box 32800, Abu Dhabi, United Arab Emirates.

The financial statements of the Bureau for the year ended 31 December 2007 were authorised for issue by the management on 10 June 2008.

2.1 BASIS OF PREPARATION

The financial statements have been prepared in accordance with International Financial Reporting Standards.

The financial statements have been presented in UAE Dirhams (AED), the functional currency of the Bureau.

The financial statements are prepared under the historical cost convention.

2.2 CHANGE IN AN ACCOUNTING POLICY

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Bureau has adopted the following new IFRS during the year. Adoption of this standard did not have any effect on the financial performance or position of the Bureau. It did however give rise to additional disclosures.

□ *IFRS 7 Financial Instruments: Disclosures*

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Bureau's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results, comparative information has been revised where needed.

2.3 FUTURE CHANGE IN ACCOUNTING POLICY - STANDARD ISSUED BUT NOT YET EFFECTIVE

□ *IAS 1 Presentation of Financial Statements*

The Bureau has not adopted the revised IAS 1 (Presentation of Financial Statements) which will be effective for the year ending 31 December 2009. The application of this Standard will result in amendments to the presentation of the financial statements.



2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Software and equipment

Software and equipment are stated at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight line basis over the estimated useful lives of the assets as follows:

Software and computer equipment	over 3 years
Office equipment and furniture	over 5 years

The carrying values of software and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Expenditure incurred to replace a component of an item of software and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of software and equipment. All other expenditure is recognised in the statement of funding and expenditure as the expense is incurred.

Funding

Licence fees funding from the licensees in respect of the current year is accounted for in the statement of funding and expenditure based on the amount of the cash expenditure incurred during the year. Any funding received in excess of the cash expenditure is deferred and included in accounts payable and accruals. Short funding is included in prepayments and other receivables as licence fees recoverable.

Interest income

Interest revenue is recognised as the interest accrues using the effective interest method, under which the rate used exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Accounts payable and accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Impairment and uncollectibility of financial assets

An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the statement of funding and expenditure. Impairment is determined as the difference between the present value of future cash flows discounted at the current market rate of return for a similar financial asset.

Provisions

Provisions are recognised when the Bureau has an obligation (legal or constructive) arising from a past event, and the cost to settle the obligation is both probable and able to be reliably measured.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2007

Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents consist of cash in hand and bank balances.

Employees' end of service benefits

The Bureau provides end of service benefits to its expatriate employees. The entitlement to these benefits is usually based upon the employees' length of service and completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

With respect to its national employees, the Bureau makes contributions to Abu Dhabi Retirement Pension and Benefit Fund calculated as a percentage of the employees' salaries. The Bureau's obligations are limited to these contributions, which are expensed when due.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the statement of funding and expenditure.

Fair values

Fair values of financial instruments are based on estimated fair values using such methods as net present values of future cash flows.

3 SOFTWARE AND EQUIPMENT

	Software AED	Office equipment and furniture AED	Total AED
Cost:			
At 1 January 2006	99,236	424,716	523,952
Additions	7,276	47,801	55,077
At 1 January 2007	106,512	472,517	579,029
Additions	7,276	526,005	533,281
At 31 December 2007	<u>113,788</u>	<u>998,522</u>	<u>1,112,310</u>
Depreciation:			
At 1 January 2006	90,775	236,105	326,880
Depreciation charge for the year	6,787	84,414	91,201
At 1 January 2007	97,562	320,519	418,081
Depreciation charge for the year	6,851	180,498	187,349
At 31 December 2007	<u>104,413</u>	<u>501,017</u>	<u>605,430</u>
Net carrying amount:			
At 31 December 2007	<u>9,375</u>	<u>497,505</u>	<u>506,880</u>
At 31 December 2006	<u>8,950</u>	<u>151,998</u>	<u>160,948</u>

**4 PREPAYMENTS AND OTHER RECEIVABLES**

	2007 AED	2006 AED
Prepaid expenses	2,686,172	1,178,454
Amount due from related parties (note 8)	-	514,730
Other receivables	<u>314,005</u>	<u>450,504</u>
	<u>3,000,177</u>	<u>2,143,688</u>

5 BANK BALANCES AND CASH

Included in bank balances and cash of AED 1,159,963 (2006: AED 19,001,210) are bank deposits of AED 65,451 (2006: AED 25,302) with a commercial bank in Abu Dhabi. These are denominated in UAE Dirhams, short term in nature, with effective interest rate of 3.5% (2006: 4.5%).

6 ACCOUNTS PAYABLE AND ACCRUALS

	2007 AED	2006 AED
Accounts payable	1,011,679	869,391
Accrued expenses	355,881	307,614
Licence fees received in advance	-	18,632,094
Amounts due to related parties (note 8)	<u>101,413</u>	<u>-</u>
	<u>1,468,973</u>	<u>19,809,099</u>

7 EMPLOYEES' END OF SERVICE BENEFITS

Movements in the provision recognised in the balance sheet are as follows:

	2007 AED	2006 AED
Balance at 1 January	2,050,526	1,301,430
Provided during the year	1,764,261	833,045
Employees' end of service benefits paid	<u>(168,369)</u>	<u>(83,949)</u>
Balance at 31 December	<u>3,646,418</u>	<u>2,050,526</u>

An actuarial valuation has not been performed as the net impact of discount rates and future increases in benefits is not likely to be material.



NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2007

8 RELATED PARTY TRANSACTIONS

Related parties represent associated companies, shareholder, directors and key management personnel of the Bureau and companies of which they are principal Owners. Pricing policies and terms of these transactions are approved by the Bureau's management.

Transactions with related parties included in the statement of funding and expenditure are as follows:

	2007 AED	2006 AED
Licence fees (note 9)	21,173,733	14,249,000
Water and electricity charges	90,943	62,531
Others	27,817	16,614

ADWEA also provides to the Bureau, at no cost, certain general and administrative services.

Amounts due from and due to related parties are disclosed in notes 4 and 6, respectively.

Compensation of key management personnel

The remuneration of the members of key management during the year was as follows:

	2007 AED	2006 AED
Short-term benefits	6,745,160	5,087,113
Related to employees' end of service benefits	2,262,451	1,279,852

9 LICENCE FEES

	2007 AED	2006 AED
Licence fees received during the year, net	2,541,639	20,713,754
Licence fees received in advance, net of receivable fees:		
Beginning balance	18,632,094	12,167,240
Ending balance	<u>-</u>	<u>(18,632,094)</u>
	<u>21,173,733</u>	<u>14,249,000</u>



10 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of cash and bank balances and financial liabilities consist of payables.

The fair values of financial instruments are not materially different from their carrying values.

11 RISK MANAGEMENT

Interest rate risk

The Bureau is exposed to interest rate risk on its interest bearing bank deposits.

Interest rate risk table

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Bureau's deficit (through the impact on floating rate deposits).

Assumed change in interest rates	0.50%
Impact on deficit from increase in interest rates:	
2007 (AED)	78,682
2006 (AED)	24,685
Impact on deficit from decrease in interest rates:	
2007 (AED)	(78,682)
2006 (AED)	(24,685)

Credit risk

The Bureau collects licence fees from its related parties. Licence fees are collected based on an annually forecast budget.

The Bureau limits its credit risk with regard to bank deposits by only dealing with reputable banks.

Credit risk is limited to the carrying values of financial assets in the balance sheet.

Liquidity risk

The Bureau limits its liquidity risk by monitoring its current financial position in conjunction with its cash flow forecasts and close communication with ADWEA on a regular basis to ensure funds are available to meet its commitments for liabilities as they fall due. Accounts payable are normally settled within 30 days of the date of purchase. The contractual payment terms of all financial liabilities of the Bureau as at 31 December 2007 were less than three months.

Currency risk

Currency risk is limited since a significant proportion of Bureau's monetary assets, liabilities and transactions are in UAE Dirhams.

AMENDMENTS TO LAW

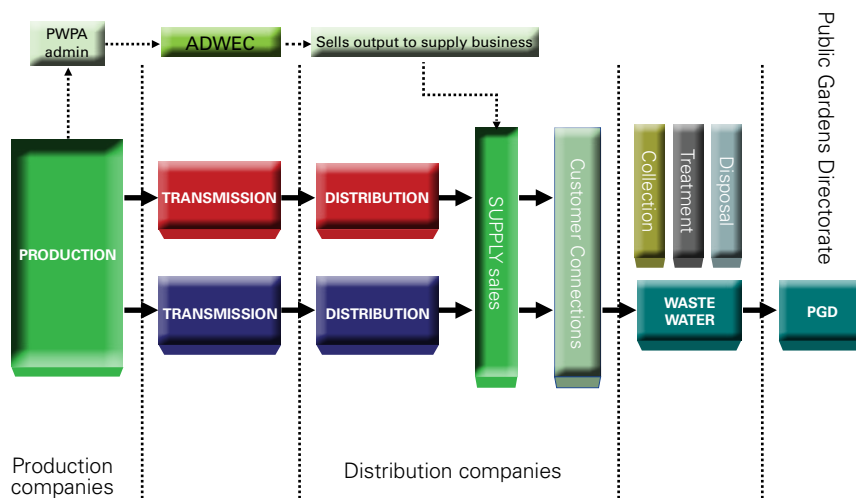
Law No (2) of 1998 concerning the water and electricity sector was modified by the issue of Law No (19) of 2007. The amendments expanded the range of listed regulated activities from 12 to 16 and included for the first time the bulk supply of electricity and the subdivision of wastewater activities.

Further changes allowed for the issue of wastewater licences to persons other than Abu Dhabi Sewerage Services Company. The reporting structure of the Bureau is now through to the Executive Council rather than ADWEA.

Finally, Law No (17) of 2005 concerning the establishment of Abu Dhabi Sewerage Services Company was also modified by the issue of Law No (18) of 2007. This amendment provides for other sewerage services companies, licensed by the Bureau, to connect to Abu Dhabi Sewerage Services Company assets.

REGULATED ACTIVITIES

In order to undertake a regulated activity in the sector, companies must be either licensed or exempted from licence. The range of regulated activities is extensive and the diagram below provides an overview of the sector supply-chain from production to the final reuse of wastewater taken from sewerage services companies.



LICENCE EXEMPTIONS

During 2007, we undertook a review of the Electricity and Water (Licence Exemption) Order No.1 of 1999. This Order exempts ADNOC (the Abu Dhabi National Oil Company), its affiliates and certain other persons (including small producers and Abu Dhabi suppliers of water and electricity) to conduct a range of regulated activities for the periods specified in the Order. Our review was a two phase process. Firstly, to renew those exemptions which had lapsed and, secondly, to consult with all affected parties under the Order for the purpose of considering further modifications and, more particularly, the conditions contained therein. The Bureau will finalise the consultation phase in 2008 and further modify the Order (which will be publicly notified), as appropriate.



WORK PLAN ACHIEVEMENTS

The Bureau's published annual work plan cited 45 major work streams to be started and ideally completed within the year. Staff completed 37 of these work streams.

	Total	Completed
Customer Services	9	8
Production	13	9
Networks	11	11
Tariffs	5	3
Wastewater	7	6
	45	37

CONSULTANTS

Given an ever increasing workload, the Bureau needed to use both local and international consultants to undertake a range of work streams. The consultants listed below were employed in 2007.

Alpha Data	IT infrastructure Review
Benchmark Electrical Safety Technology Ltd	Technical review of the Electrical Wiring Regulations
CH2M HILL	Technical evaluation of bromate control solutions (Phase II)
NERA	Abu Dhabi power and water production strategies in co-partnership with PB Power
North American Safety Consultants	Review of Fuel Storage Tank Regulations and Waste Management Regulations Template
Ortus Infosys	Provision of new office telephone system
PB Power	Domestic consumption survey (non-UAE Nationals).
Reed Smith Richards Butler	Legal advice on a wide range of issues
Sinclair Knight Merz (SKM)	Review of PC2 capital expenditure (Electricity) (Completion)
Sofisticato Systems and Solutions Ltd	Production of IT policy document
WS Atkins	Review of PC2 capital expenditure (Water) (Completion)

PUBLIC RECORD OF ACTIVITIES & DOCUMENTS

LICENSING

In Law we have a duty to maintain a Public Register. Part 6 of this Annual Report is constructed so as to list documents which are part of our Public Register.

For the purpose of satisfying the law we maintain our Public Register using our website, where all Public Register documents are available for free view and download.

NEW LICENCES

Fujairah Asia Power Co (FAPC)	31 October 2007	ED/L01/018
Water Desalination and Electricity Generation Licence. Granted to Fujairah Asia Power Company for the generation of 2,000 MW and water production of 130 MGD, located in the Emirate of Fujairah.		

MODIFICATIONS

Modifications to a licence are made subject to agreement by the appropriate licence holder.

Abu Dhabi Sewerage Services Co (ADSSC)	21 February 2007	ED/L01/016
Sewerage, Wastewater Treatment and Disposal Licence. Minor revision to Part 1 of ADSSC's licence, regarding modifications.		

Arabian Power Co (APC)	15 October 2007	ED/L01/013
Water Desalination and Electricity Generation Licence. The period of existing licensed generation and desalination capacities was extended by a further two years.		

GulfTotal Tractable Power Co (GTTPC)	14 February 2007	ED/L01/011
Water Desalination and Electricity Generation Licence. The expansion of generation capacity by a further 250 MW. The additional capacity is due for commissioning during 2009.		

DEROGATION

Abu Dhabi Water and Electricity Co (ADWEC)	01 November 2007	ED/L06/004
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Derogation (Specific) in respect of the maximum allowed revenue for 2008 for the Electricity and Water Procurement Business granted to ADWEC.

Issued to provide for the assignment of certain 'allowed' costs associated with work on the bromate reduction programme and generation strategic reviews.





CONSENTS / CONSULTATION PAPERS

Consents confer rights and obligations on licence holders. Please note revisions or renewal of consents are listed for the sake of completeness.

Abu Dhabi Transmission and Despatch Co (TRANSCO) 07 August 2007 ED/L03/029

Consent for the disposal of assets.

Disposal of surplus and obsolete assets, such as switchgear and overhead lines

Abu Dhabi Transmission and Despatch Co (TRANSCO) 08 October 2007 ED/L03/012

Consent for manpower services.

Renewal of a similar consent for TRANSCO to provide a range of manpower services to other bodies in the sector.

Abu Dhabi Water and Electricity Co (ADWEC) 30 May 2007 ED/L03/027

Consent for ADWEC to trade electricity with Sharjah Electricity and Water Authority (SEWA).

Given to allow ADWEC to sell electricity to SEWA for 2007 onwards.

Al Ain Distribution Company (AADC) 11 June 07 ED/L03/028

Consent for analytical laboratory services.

Issued to allow AADC to provide a range of testing and reporting on samples from third parties.

Arabian Power Company (APC) 27 March 07 ED/L03/009

Consent for the supply and sale of demineralised water to specified customers.

A further renewal of an existing consent to sell demineralised water to a number of third parties
Such parties included TRANSCO so they can undertake live-line working.

Emirates CMS Power Company (ECPC) 15 November 07 ED/L03/030

Consent for the acquisition of assets.

Granted to ECPC for the purchase of equity interests in ECPC from TAQA who held a 40 percent stake in the company following their earlier acquisition of CMS Generation based in the USA.

CONSULTATION PAPERS

Consultation papers are designed to seek views from a range of stakeholders and other interested parties on matters which may have a significant impact on licence holders or customers.

Engineering Recommendation No.4 CD/R01/012
distribution security of supply standards

A review of existing standards carried out in conjunction with distribution and transmission companies.

Water Quality Regulations CD/R01/013

A further revision issued as a consultation exercise prior to a final revision following the completion of the bromate reduction programme.

CONSULTATION PAPERS / REGULATIONS / PUBLICATIONS / REPORTS

Guide to Water Supply Regulations	CD/R01/014
Updated version to allow for changes in the Water Supply Regulations.	
Current scale of charges and services	CR/E01/004
Further consultation with licence holders regarding the recovery of exceptional and allowable costs.	
2007 Price controls review for ADSSC Second consultation paper	CR/E02/027
A positioning paper following responses from ADSSC on earlier review papers.	
2007 Price controls review for ADSSC Draft proposals	CR/E02/028
Issued for response prior to incorporation in ADSSC's licence.	
Treatment of profits from ADWEC's unlicensed activities	ER/T05/001
In the sale of electricity to other emirates, the treatment of profits arising from this activity became an important issue. We consulted with ADWEC and ADWEA on this matter. However, this was a limited consultation and consequently the document is not in the public domain.	

REGULATIONS

The Electricity Wiring Regulations	ED/R01/010
These Regulations, which replace old sector wiring rules, were issued on 1 January 2008 for full implementation by the end of the year. They introduce more stringent requirements for protection against electric shock, but also allow more flexibility in installation design.	
The Electricity Supply Regulations 2007	ED/R01/012
Relate to equipment provided at connection points between a customer and their local distribution company.	

PUBLICATIONS

Annual work plan 2007	ER/P01/011
Arabic annual report for 2006	ER/P02/013
English annual report for 2006	ER/P02/014

REPORTS

Reports, reviews and various studies are produced either by our staff or externally appointed consultants. They are not necessarily in the public domain.

AUDIT REPORTS

Six audits were completed by our staff on production companies in relation to their compliance with the requirements of the Electricity Transmission Code. Areas of investigation included the provision of planning data, frequency trip relay settings and the submission of outage programmes. Overall improvements were sought from all companies, but no serious contraventions were found.

REPORTS

ELECTRICITY TRANSMISSION CODE COMPLIANCE AUDIT FOR:

Al Mirfa Power Company (AMPC)	ER/T03/020
Arabian Power Company (APC)	ER/T03/019
Emirates CMS Power Company (ECPC)	ER/T03/023
Gulf Total Tractebel Power Company (GTTPC)	ER/T03/022
Shuweihat CMS International Power Company (SCIPCO)	ER/T03/018
Taweelah Asia Power Company (TAPCO)	ER/T03/021

REVIEWS

Technical review of the proposed Electricity Wiring Regulations IR/D02/005
Undertaken as a necessary measure to ensure the proposed regulations were fit for purpose.
An independent UK based company – Benchmark Electricity Safety Technology were commissioned to complete this work.

Capital expenditure reviews (water and electricity)

PC2 efficient Capex TRANSCO	IR/D03/008
PC2 efficient Capex ADDC	IR/D03/009
PC2 efficient Capex AADC	IR/D03/010

The above reviews were completed by WS Atkins (for water) and SKM (for electricity).

STUDIES

Abu Dhabi power & water production strategies and technologies, undertaken by NERA and PB Power	IR/D02/004
Survey and analysis of water & electricity consumption of non-UAE Nationals in the Emirate, undertaken by PB Power	IR/D04/002
Bromate source and reduction study II undertaken by CH2M HILL	ER/T03/024
Comparison of licence fees for international regulatory bodies	IR/T05/002
Review of cost, tariff and subsidy in the electricity and water sector of Abu Dhabi for 2006	IR/T05/003



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For the water, wastewater and electricity sector in the Emirate of Abu Dhabi

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