

ELECTRICITY AUTHORITY OF CAMBODIA

ELECTRICITY LAW OF THE KINGDOM OF CAMBODIA

**DISTRIBUTION LICENSE FOR PROVIDING
ELECTRIC POWER DISTRIBUTION SERVICE
AT KHUM PREKTHMEY AND KHUM CHHEU TEAL,
KEANSVAY DISTRICT, KANDAL PROVINCE**

REECO COMPANY

09 September 2003

PART I

**DECISION TO GRANT THE RIGHT TO PROVIDE
THE ELECTRIC POWER SERVICE**

KINGDOM OF CAMBODIA

Nation Religion King



ELECTRICITY AUTHORITY OF CAMBODIA

LICENSE DOCUMENT No. 050 LD

DISTRIBUTION LICENSE FOR REECO COMPANY

ELECTRICITY AUTHORITY OF CAMBODIA

- In exercise of the powers conferred by Article 7 read with Article 29 and 34 of the Electricity Law promulgated by the Royal Decree NS/RKM/0201/03, dated 02/02/2001.
- In accordance with Letter of Ministry of Industry, Mines and Energy N° 595 dated April 11, 2003.
- In accordance with Power Purchase Agreement signed between Electricite du Cambodge and REECO Company dated June 27, 2003.
- In accordance with the consultations with the applicant, concerned parties and public, made from July 25, 2003 to August 26, 2003.
- In accordance with the decision of Electricity Authority of Cambodia's Session No. 25, dated September 09, 2003.

DECIDES

Article 1

There is hereby granted the Distribution License to REECO Company (herein after referred to as "Licensee") located at No.271Eo, Street Tebphan, Sangkat Teukla-ak II, Khan Tuol Kork, Phnom Penh, registered in the Kingdom of Cambodia under No. Co.1663/03 I dated 15 July, 2003 pursuant to the Commercial and Civil Law for grand the right to licensee to distribution electricity to Khum Prekthmey and Khum Chheu Teal, Keansvay District, Kandal Province under the Power Purchase Agreement (PPA) between Electricite du Cambodge and REECO Company, signing on June 27, 2003.

The above right shall be in accordance with conditions of license specified in part 2 of this license

Article 2

The Conditions of license referred to above are subject to modification or amendment in accordance with their terms or with Article 7 and 44 of the Electricity Law of Cambodia. This license hereby granted is further subject to the terms of revocation specified in Schedule 2 of Part II of this License.

Article 3

This license shall come into force on the date it is signed and, unless revoked earlier, the term of the license shall be 15 years and on the application of the license may be renewed for further period and with such modification as required.

Phnom Penh, September 09, 2003

CHAIRMAN OF ELECTRICITY AUTHORITY OF CAMBODIA

PART II

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CONDITIONS OF LICENSE

1-DEFINITIONS OF TERMS USED IN THE LICENSE

In this or any of the following Parts of this document and in the Schedules below, unless otherwise specified or the context otherwise requires:

- “Audit” means audit on the licensee’s financial statement of financial year by an auditor.
- “Condition” means a Condition set out in this License.
- “Connection charges” means charges made for carrying out works and provision and installation of electrical plant, electric lines and meters in constructing or modifying entry and exit points on the Licensee’s Distribution System to give supply to a consumer.
- “Consumer” means a person or his authorized representative that purchases or receives electricity for consumption and not for delivery or resale to others.
- “Small Consumers” mean a consumer supplied power at single phase and low voltage (220 Volts).
- “Medium Consumers” mean a consumer supplied power at three phases and low voltage (380 Volts).
- “Big Consumers” mean a consumer supplied power at medium voltage (above 380 Volts and up to 22.000 Volts).
- “Bulk Consumers” mean a consumer supplied power at high voltage (above 22.000 Volts).
- “Customer” means any person supplied or requiring to be supplied with electricity either for own consumption or for delivery or sales to others.
- “Distribution Business” means the business of the Distribution Licensee including a business ancillary to:
- (a) the distribution of electricity through the Licensee’s Distribution System, including any business in providing connections to such system;
 - (b) the provision of Metering Services; and
 - (c) the supply of electricity to consumers.
- “Distribution Code” means the Distribution Code covering all material technical aspects relating to connections to and the operation and use of the Licensee’s Distribution System and the operation of electric lines and electrical plant connected to the Distribution System of the Licensee or distribution system of any other person authorized to connect with Licensee’s system.
- “Distribution License” means the Distribution License granted in Article 1 of Part I.
- “Distribution System” Means all electric lines of the Licensee within the Licensee’s authorized distribution area and any other electric lines which EAC may specify as forming part of the Licensee’s Distribution System, and includes any electrical plant and meters of the Licensee which are used in connection with the distribution of electricity by the Licensee; and, in relation to any other distributor, it shall have the same meaning as it has in the license held by such distributor.
- “Distributor” means any person who holds a Distribution License.
- “EAC” means the Electricity Authority of Cambodia established by the Electricity Law promulgated by Royal Decree No. NS/RKM/0201/03.
- “License Document” means this document comprising Parts I, Part II and Schedules 1 to 3.
- “Licensee” means **REECO Company**.
- “Metering equipment” includes any meter and associated equipment, which materially affects the operation of that meter.
- “Notice” means (unless otherwise specified) notice given in writing or by any other reasonable means.
- “Representation” includes any objection or any other proposal made in writing.

2-GENERAL OBLIGATION OF LICENSEE

Condition 1: Obligation on compliance with the Laws and Sub-Decrees

1. The Licensee shall comply with the Electricity Law, other Laws and Sub Decrees relating to the Laws.
2. The Licensee is subjected to the environmental obligations as specified in the Law on Environmental Protection promulgated by the Royal Decree NS/RKM/1296/36, dated 24/12/1996 and Other Sub-Decrees on Environmental Protection of the Kingdom of Cambodia

Condition 2: Obligation on compliance with technical standard, Safety and Environment

1. The Licensee shall comply with the standards on technical operation, safety and environment, issued and published by Ministry of Industry, Mines and Energy.

Condition 3: Obligation on compliance with EAC's order in issuing rules and regulations for distribution service

1. The Licensee shall comply with the provisions of the Rules, Regulations and Procedures on the electric distribution service issued by EAC.
2. In specific case and area, EAC may (following consultation with the Licensee) issue directions relieving the Licensee of its obligations under paragraph 1 in respect of such parts of the Rules, Regulations or Procedures and for such areas and for such period as specified in those directions.

Condition4: Obligation on compliance with service conditions of license

1. The Licensee shall comply with the provisions of service Condition stated in this license.

Condition5: Obligation on Financial statement and reports on electric power service required by EAC

1. The financial year of the Licensee shall be reckoned every year from 1st January to the following 31st December.
2. The Licensee shall submit to EAC the copy of its audited financial statement not later than 3 months after the end of financial year to which they relate. The audit can be replaced by the control of EAC in the case that actual situation requires.
3. The Licensee shall provide, in the manner and form and at time determined by EAC, such information as EAC may require from time to time for monitoring the Licensee's compliance with the conditions of this license, provisions of the electricity law and any other legislative or regulatory requirements.
4. Without prejudice to the generality of paragraph 3, EAC may require the Licensee to supply information which is more extensive than or differs from that required to be prepared and supplied to EAC.

Condition6: Obligation on payment of license fee

1. From the effective date to end of the term of license, the Licensee shall pay to EAC “**the monthly license fee**” which is calculated according to the rate of license fee and the formula determined by EAC for each financial years pursuant to Article 27 of the Law and Article 3 of Sub-Decree of the Royal Government of Cambodia fixing the maximum of License fee for the electric power services in the Kingdom of Cambodia.
2. Each invoice of monthly license fee shall be due and payable within 14 days after the day on which Licensee receives it.

3-SERVICE CONDITIONS**Condition 7: Conditions on electric power service area**

1. This license grants the right to the licensee to distribute electric power in Khum Prekthmey and Khum Chheu Teal, Keansvay District, Kandal Province. The authorized distribution area is clearly indicated in schedule 1 of this license (shown in the attached map).
2. Big consumers and bulk consumers in the distribution area indicated in schedule 1 may have the right to select other supply sources from the transmission line or distribution network of other licensees, if they obtain prior approval from EAC.

Condition 8: Conditions on electric power service utilities

1. To perform the plan and develop of the distribution system, licensee shall be respected to standards issuing by Ministry of Industry, Mines and Energy. If standard are not yet issuing by Ministry of Industry, Mines and Energy, the licensee shall follow such other standard to maintain the availability, safety and quality of service as approved by EAC.
2. The Licensee shall extent and improve its distribution network in accordance with its plan approved by EAC to ensure the electricity supply to all consumers in the area of distribution.

Condition9: Conditions on distribution system operation

1. The Licensee shall conduct its Supply and Distribution Operation to meet the standards of performance determined by EAC pursuant to Article 3 and 7(e) of the Electricity Law of the Kingdom of Cambodia.

2. The Licensee shall make available sufficient electricity for supply to its consumers. Licensee shall ensure the following conditions:
 - (a) Supply will not be discontinued for more than the permissible time approved by EAC; and
 - (b) The voltage or frequency of electricity will not go beyond the operational limits approved by EAC.
3. The Licensee shall comply with the Distribution Code, when approved by EAC.

Condition 10: Condition on electric power business

1. The Licensee shall operate and manage the Services provided under this License in an efficient, qualitative and transparent manner in accordance with the requirement of this License and the regulations issued by EAC.
2. Any dispute or difference between Licensee and third party relating to any agreement for purchase of electricity from third party shall be settled according to the provision in that agreement.
3. The Licensee shall not enter into arrangements with third party for purchase of electricity without prior approval of EAC.
4. The Licensee shall not use the assets of this License's business for the purpose other than the business permitted in this document without prior approval of EAC.
5. The Licensee shall not acquire any additional business, including the business of generating, transmitting, distribution or supply of energy, without the prior approval in writing of EAC.
6. The Licensee shall not, at any time, assign his License or transfer his undertaking, or any part thereof, by sale, mortgage, lease, exchange or otherwise, unless specified in PPA and approved by EAC.
7. Any agreement relating to any transaction of the nature described above at paragraph 3, 4, 5 and 6, unless made with the prior written consent of EAC, shall be void and would constitute violation of Conditions of License.
8. The Licensee shall implement the tariff and charge approved by EAC for the Licensee.

Condition 11: Condition on electric power supply to customer

1. The Licensee shall comply with the EAC's Regulation on general conditions of supply of electricity in the Kingdom of Cambodia.
2. In the provision of electricity, the Licensee shall not discriminate between persons or classes of person.
3. The Licensee shall (and shall ensure that its agents) take all reasonable steps to detect and prevent:
 - (a) the theft of electricity at the point of supply
 - (b) damage to any electrical plant, electric line or electricity meter through which the consumer is supplied; and
 - (c) interference with any electricity meter through which such premises are supplied.
4. The Licensee shall include in the provisions of supply contract with the customer that the customer shall, as soon as is reasonably practicable and possible, inform the Licensee of any incident where it has reason to believe:
 - (a) there has been damage to electrical plant, electric line or meter; or
 - (b) there has been interference with the meter to alter its register or prevent it from duly registering the quantity of electricity supplied.
5. The Licensee shall prepare and submit to EAC its procedure for handling complaint from customers for approval.
6. The Licensee shall establish and operate an information service for use by any customer for the purposes of receiving information, guidance or advice about any matter or incident in its distribution service.

Condition 12: Conditions on public interest

1. The Licensee shall not dispose of or relinquish operational control over any relevant asset prior to the written consent from EAC. "Relevant asset" means any asset for the time being forming part of the Licensee's Distribution System, any control center for use in conjunction therewith and any right, title or interest in land upon which any of the foregoing is situated.
2. The Licensee shall give to EAC written proposal of its intention to dispose of or relinquish operational control over any relevant asset, together with such further information as EAC may request relating to such asset or the circumstances of such intended disposal or relinquishment of control or to the intentions in regard thereto of the person proposing to acquire such asset or operational control over such asset.
3. EAC may (following consultation with the Licensee) give consent or refuse consent to this proposal.

4. The Licensee shall consult with appropriate representatives of persons employed by it in order to establish and maintain an appropriate machinery or forum for the joint consideration of matters of mutual concern in respect of the health and safety of such persons.

Condition 13: Communication

1. All communications relating to this License shall be written in Khmer as official.

Condition 14: Sale Condition of distribution facility in the case it is the required from EAC

1. Within six months after receiving this license, the licensee shall submit the list of its facilities for approval and registering at EAC as relevant asset. The list should also give details on year of commissioning and the original cost of each facility. Thereafter, for revision of the list of relevant asset, the licensee shall submit to EAC by 15th February each year, the list of its facilities as on 31st December of the previous year. The list should indicate the facilities in the beginning of the year, additions made during the year with its cost, deletion made during the year with its original cost and facilities at the end of the year.
2. Under Electricity Law and Sub-decrees, in the case of revocation of license, EAC can require licensee to sale or transfer its facilities registered with EAC as relevant asset to the successor in accordance with financial principle determined by EAC.

SCHEDULE 1

AUTHORIZED DISTRIBUTING AREA

1. The authorized distribution area, where REECO Company has the right to provide the electricity in Khum Prekthmey and Khum Chheu Teal, Keansvay District, Kandal Province.
2. The authorized distribution area is determined by “the boundary map” attached.

SCHEDULE 2

TERM OF LICENSE REVOCATION

1. EAC may at any time consider revocation of any of the licenses granted by this License Document under following circumstance:
 - (a) if the Licensee requests in writing to EAC that that such license may be revoked; or
 - (b) if any amount payable under Condition 6 of General Obligation of Licensee in relation to such license is unpaid 30 days after it has become due or remains unpaid for a period of 14 days after EAC has given the Licensee notice that the payment is overdue provided that no such notice shall be given earlier than the fourteenth day after the day on which the amount payable became due;
 - (c) if the Licensee in the opinion of the EAC has committed a material breach of any of the terms and Conditions of such License and does not comply with a final order of EAC to rectify such breach; or
 - (d) if the Licensee in the opinion of the EAC, is not in a position to fully and efficiently discharge the duties and obligations imposed on Licensee by such License; or
 - (e) if in the opinion of EAC the Licensee has committed a willful or unreasonable default to comply with conditions set forth in the rules and regulations adopted by EAC, and the Laws of the Kingdom of Cambodia, including Laws regarding environmental protection, safety, health, taxes, and electric system performance, protection and standards;
2. EAC may at any time give not less than 3 months notice in writing to the Licensee stating the grounds on which any License is proposed to be revoked.
3. EAC may, instead of revoking any License, permit it to remain in force subject to such further terms and conditions as considered fit to impose and any further terms or conditions imposed shall be binding upon and be observed by the Licensee, and be of like force and effect as if they were contained in the License.

SCHEDULE 3

OWNERSHIP OF LICENSEE

1. The licensee has the following shares:
 - (a) Mrs. Vong Sophon: 100 percent of shares.
2. Refer to Article 45 of the Electricity Law of the Kingdom of Cambodia, the above registered owners shall not own shares in or have any other direct financial interests in any other licensee.