

## **Regional Workshop on Uniform System of Accounts and Regulatory Reporting**

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**Tirana, 17 September 2007**



# Legal basis

- **Primary Legislation (30 June 2004 – promulgated)**
  - Law on Energy Regulator
  - Law on Energy
  - Law on Electricity
- **Law on the Energy Regulator gives ERO:**
  - the right to require from any energy enterprise or public authority information, data and documents, including confidential information, necessary for the fulfilment of its functions, duties and powers
- **Licensees are required to keep separate accounts for the licensed activities and to prepare regulatory accounts annually**
- **The regulatory accounts should comply with Regulatory Accounting Guidelines issued by ERO**



# Regulatory Accounting Guidelines

- **Purpose**
  - set out the process for completing and submitting regulatory accounts by licensees in accordance with these guidelines
  - detail the information that should be contained in regulatory accounts
  - explain how licensees should prepare their regulatory accounts and, in particular, the principles that should govern the allocation of revenues, costs, assets and liabilities between businesses, activities and functions of licensees
- **How principles are applied is determined by auditors**
- **Where possible, accounts should follow the same standards applied for the statutory accounts**



# Obligation – Use of information

- **Information provided in the regulatory accounts is used:**
  - to ensure the correct allocation of revenues, costs and assets between regulated and non-regulated activities
  - to define and exclude non-controllable costs
  - to give relevant information to ERO for the determination of allowed revenues
  - for licensees and the review by ERO of regulated tariffs proposed by licensees
  - to measure actual financial performance of energy enterprises against forecast
  - to obtain and publish information on the financial performance of licensees
  - such other purposes as may be required for the fulfilment of ERO's functions, duties and powers



# Obligation - Timing

- **Licenseses are obliged to prepare and submit regulatory accounts in accordance with the applicable conditions of their licence and guidelines (Article 49.2 of the Rule on Licensing of Energy Activities)**
- **Regulatory accounts shall, unless notified otherwise by ERO, be prepared on a calendar year basis**
- **Regulatory accounts shall be submitted no later than [three] months after the completion of the calendar year to which they apply in electronic form and a hard copy signed by an authorized representative of the licensee and by the licensee's auditor**



# Contents of regulatory accounts

- **Completed pro-forma regulatory accounting statements**
- **A statement of significant regulatory accounting principles and policies used to prepare the regulatory accounts that may be additional to or in place of the accounting principles and policies used to prepare the licensee's statutory**
- **Accounts and the regulatory accounting principles and policies set out in these guidelines**
- **A copy of the licensee's most recent statutory accounts and accompanying auditor's report**
- **An auditor's regulatory report on the regulatory accounts**



# Format of regulatory accounts

- **The regulatory accounts are intended to allow ERO to obtain financial information in a format suitable for, in particular:**
  - reviewing the conformity of revenues earned by licensees from regulated activities with any revenue control set by ERO and with any regulated tariffs approved by ERO
  - ensuring that the licensee is not inappropriately allocating costs, revenues, assets and liabilities between their regulated activities and excluded activities
  - comparing, on a consistent basis, the costs to licensees of providing regulated activities with the costs of providing these activities in other years and the costs to other licensees of providing the same regulated activities



# Format of regulatory accounts

- **The regulatory accounts are presented in a format that allows:**
  - the costs, revenues, assets and liabilities of the licensee's regulated activities and excluded activities to be separately distinguished
  - any charges or transfer prices between the licensee's regulated activities and excluded activities
  - the allocation of costs, revenues, assets and liabilities between categories to be ascertained and the basis of this allocation to be identified
- **The regulatory accounts are also required to provide a reconciliation to the statutory accounts of the licensee, showing the value of adjustments required for the regulatory accounts and statutory accounts to conform.**



# Regulatory accounting statements

- **The specific regulatory accounts items required are:**
  - 1. Cover**
  - 2. Income statement**
  - 3. Balance sheet**
  - 4. Cash flow statement**
  - 5. Analysis of turnover**
  - 6. Analysis of operating and maintenance costs**
  - 7. Regulatory asset base (RAB)**
  - 8. Capital expenditure**
  - 9. Depreciation**
  - 10. Disposals**
  - 11. Additions**
  - 12. Major projects summary**
  - 13. Provisions**
  - 14. Related party transactions**
  - 15. Allocation of joint and common costs**
  - 16. Key financial indicators**



# Accounting requirements in Kosovo

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- **Annual accounts must conform to International Accounting Standards**
- **The Kosovo Trust Agency (KTA) is liable for the system of auditing of regulatory accounts and this is complemented with the evaluation of utility assets conducted by an Independent Agency**



# Relationship to statutory accounts

- **The regulatory accounts shall be prepared in accordance with the accounting principles and policies used to prepare the licensee's statutory accounts and the regulatory accounting principles and policies set out in the guidelines**
- **Annual reporting accounts may be distinct from the accounts used for tariff filings.**
- **Regulatory depreciation and inflation methods may differ from statutory accounting methods:**
  - Regulatory depreciation is straight line method, (which for a new asset results in lower initial depreciation than statutory accounting of the same asset)
  - Regulatory “asset base” includes only assets invested in and after 2006. Previous assets are regarded as subsidies from government and donors



# Report of Opex and Capex

- **OPEX data includes:**

- fuel, maintenance, other, lignite royalties, materials and services, personnel costs, security, other overheads, cost of electricity purchase for regulated tariff regime by generators other than public suppliers or import.

- **CAPEX data includes:**

- operational assets, load-related operational assets, non-operational assets (IT, buildings & land, vehicles), non-load related operational assets, major capital expenditure projects. Inflation and depreciation is also included in the regulatory accounts.



**Thank you for your attention**



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