



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

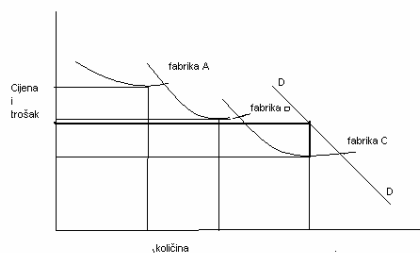
**Regulatory Commission for Electricity of Republika  
Srpska**

26-27 February 2008  
Budapest



# IAS

- International accounting standards as issued by IASC are fully **implemented** in the RS legislation.
- From 2000
- The remaining standards from 2006
- Applicability of IAS is introduced by **Accounting Law**.





# Regulatory jurisdiction and accounting standards

Regulator is not responsible to:

1. manage the regulated company
2. to establish company's policies
3. to asses risks for the company

Regulatory accounting principles apply only in terms of recognition of assets, liabilities, costs and revenues for regulatory purposes.



# Regulatory Accounting Standards in RS

- Regulatory Accounting Standards do not exist as a formal document.
- Manual for implementation of Regulatory Chart of Accounts sets **the rules for disclosure** of data for regulatory purposes.
- These rules are based on existing accounting policies of regulated companies, with specific requirements for **disclosure of items** affecting the tariff rates and regulated charges (such as connection fees).





# Reporting forms

- Reporting Rulebook – adopted in 2007
- Uniform Regulatory Chart of Accounts – adopted in 2007
- Manual for implementation of UR CoA
- Manuals for filling in the reporting forms
- Attachment to Reporting forms Manual  
⇒ Table of reference for URCoA



# Regulatory disclosure rules

## ■ Unbundling of accounts

- distribution (core activity) from other regulated activities
- distribution from other non-regulated (non-core) businesses
- administrative and general services (finance, legal, procurement, management, plan, marketing etc.)
- supporting and ancillary activities (calibration, project design, transport etc.)

## ■ Emphasize on proper charging of internally provided services (transfer charging)

## ■ Audited accounts of unbundled activities



# What was done – what is to be done

- Unbundling of accounts: distribution and supply to captive customers
- Supporting and ancillary activities: unbundled, or assigned to distribution, or to A&G
- Allocation of A&G costs (overheads) / principles of appropriateness and materiality





# Regulatory disclosure rules

## ■ Fixed Assets:

- RCoA includes major groups of distribution assets,
- required assets for operation are listed in the Manual, along with criteria for recognition

**Tangible assets** in three categories: land, building /structure and equipment, include overhead lines, cables, poles, substations, transformers in operation, vital spare parts, connections and meters, equipment for maintenance, special vehicles, freehold land, ancillary equipment;

**Intangible assets:** easement right, leasehold land, patents and other property rights etc, only if respective tangible assets are listed as assets for regulated activity operation.

- **Working capital:** Stocks, Receivables, Cash



# Costs - revenues

## ■ Types of expenditures:

- labor,
- outsourced services,
- material, fuel, spare parts
- taxes and duties
- other miscellaneous exp.
  - *provisions, D&A*

## ■ Types of revenues:

- tariffs for use of network
- connection fees
- grants and donations
- capitalization of incurred expenditures to construct assets





# Cost structure (approved)

Depreciation	36.24%
Labor	40.54%
Services	4.09%
Material	15,80%
Other	3.33%
<b>Total costs</b>	<b>100.00%</b>



# Methodology issues



Purpose of expenditures:

- expenditures related to network (O&M) = use of network charges
- expenditures related to new connections = connection charges
- expenditures in constructed assets = capitalized outputs

**Expenditures should match respective revenues?**

**HOW TO IDENTIFY RELATED REVENUES AND EXPENDITURES IN ACCOUNTING SYSTEM TO HAVE THEM PROPERLY REPORTED**





# Distribution company

## – ELEKTRO BIJELJINA

### ■ About the company:

Legal entity with licences for:

- generation (small HPP),
- distribution and
- supply to tariff customers

Company owns 10500km network, 1900 TS,  
and 100.000 connected customers.



# What has been implemented?

- All IAS implemented from 01.01.2006
- Accounting unbundling from 01.01.2007
  - identified and assigned assets and liabilities
  - Identified and assigned employees
  - Costs and revenues are recorded for each activity



# Outstanding issues

- Accounting unbundling is:
  - a license condition and
  - precondition for tariff application,
- Cooperation of company staff and regulator
  - Discussion about rule before the rule was brought in public hearing
  - Comments on draft rule
  - Arising questions in practise and request for interpretation



## Regulatory Commission for Energy of Republic of

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