

**Romanian Energy Regulatory Authority**  
**– ANRE –**



# **Financial Regulatory Reporting in Romania**

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# ANRE



- **ANRE – the Romanian Electricity, Heat and Gas Regulatory Authority**
- **ANRE** was established by Government Emergency Ordinance 29/1998, approved and modified by Law 99/2000, as an independent regulator for the electricity and heat sector
- **2007:ANRE** is the regulator for the gas sector, too
- **ANRE** is a public autonomous institution under the co-ordination of the Romanian Prime Minister



# Legal framework

- **The Romanian Accounting Law no.82/1991**
- **2001 – The M.F. Order no.94/2001 for approval of the Accounting Regulations harmonized with the 4-th Directive of EEC and the International Accounting Standards**
- **2005 – The M.F. Order no.1752/2005 for approval of the Accounting Regulations according to the 4-th Directive of EEC and the Accounting Regulation according to the 7-th Directive of EEC**



# Legal framework

- Under the Romanian Accounting Law (no.82/1991), companies are required to submit financial reports (Financial Statements, Auditor's Report etc.) to the M.F. in the format laid down by that Ministry.
- These reports give the financial picture of the entire legal entity



# Legal framework

- The article 17 of the Romanian Energy Law (no.13/2007) specify for all license holders:

*"To keep separate accounts for each activity that is within the object of the license granted by the competent authority for the vertically or horizontally integrated undertaking in the electricity sector, in the same way as it is proceeded when the respective activity is performed by separate sector undertakings and to draw up financial reports as per the standard format issued by the competent authority"*



# Legal framework

- The Energy Law gives ANRE wide authority for all necessary data collection:

*The licence holders have the obligation "to provide the competent authority the information required for the proper unfolding of its activity"*

- Article 11:  
*"Effective separation of accounts, according to Art. 17, in order to avoid cross-subsidies among electricity generation, transmission, distribution and supply"*



# Regulatory framework

- **Regulation concerning the Procedures for Granting Licenses and Authorizations in the electricity sector**  
- approved by **GD no. 540/2004**
- **Licences' conditions:** all the licensees are required to submit to ANRE:
  - The annual (statutory) **Financial Statements**;
  - An annual **Financial Report** regarding each of the regulated activities carried out in the preceding year. The Financial Report must be submitted to ANRE (for each licensed business) in a format laid down by the Authority;
  - An annual **Performance Report**, containing the operational or performance information.



# Regulatory framework

- The licensees should submit to ANRE a copy of their Statutory Financial Statements, semi-annually (30 June) and annually (31 December)
- The licensees should submit the financial reports in accordance with a reporting procedure issued by ANRE
- **ANRE Order 20/2001**, for approval of the Financial Reporting Procedure
- The information contained in licensees' reports is considered to be of public interest, except the confidential/classified information, according to Art.36 of the Regulation for Granting Licenses, issued by GD no. 540/2004



# Regulatory Accounts

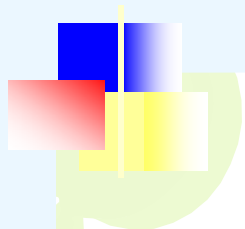
## The financial Reporting Forms

- **A consistent basis for prices and tariffs approval;**
- **Identify the cross-subsidies among the regulated and non-regulated activities;**
- **Electricity markets survey, considering the prices/tariffs evolution, the access on these markets and the financial results of the companies from the energy sector;**
- **Analyzing of the investments values;**
- **Comparison/benchmarking of the financial performances of the companies;**
- **The sector data base, according to the Energy Act;**
- **Suggesting regulatory measures to improve the sector situation.**



# Regulatory Accounts

- Starting 2002, ANRE has required the license holders to complete a proforma set of templates, using regulatory accounts, as part of the tariff setting process.
- These templates included financial and other information, and can be summarized as:
  - Balance Sheet;
  - Income and costs;
  - Regulatory Asset Base (31.12.2004);
  - Depreciation;
  - Investments;
  - Other data.



# The Financial Report



## General Information

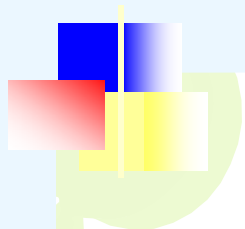
- The RF are issued in electronic format, using Excel software;
- The RF should be completed electronically and the completed forms returned to ANRE on diskette(s), CDs or by e-mail;
- A printed copy of each of the completed RF should be bound together with any supporting explanatory notes;
- The Financial Report shall be submitted to ANRE within 20 working days after the submission of the Statutory Accounts to the regional department of the Ministry of Finance.



# The Financial Report

## The Structure

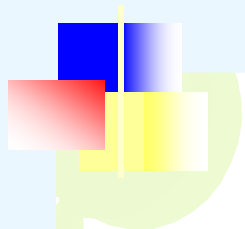
- **First Page**
- **Table of contents**
- **Directors' Responsibility Statement**
- **Auditor's Report**
- **The Statutory Accounting Statements**
- **Annexes - Reporting Requirement Forms (RF)**
  - ⇒ **Annex A – Assets and Liabilities**
  - ⇒ **Annex B – Revenues and Costs**
  - ⇒ **Annex C – Cash flows**



# The Financial Report



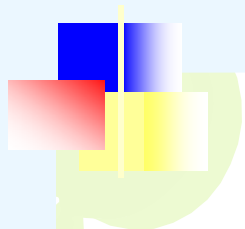
- **First part of the Financial Report is focused on the annual financial results of the companies;**
- **This data is collected in proforma templates which reflect the statutory reporting format;**
- **There is a hierarchy of reports which flow from the Balance Sheet and P&L Accounts;**
- **The annual data covers two years' historic results [year-2] and forecasts for the next three years [year+3];**
- **The analysis is further split between regulated and non-regulated activities.**



# The Financial Report



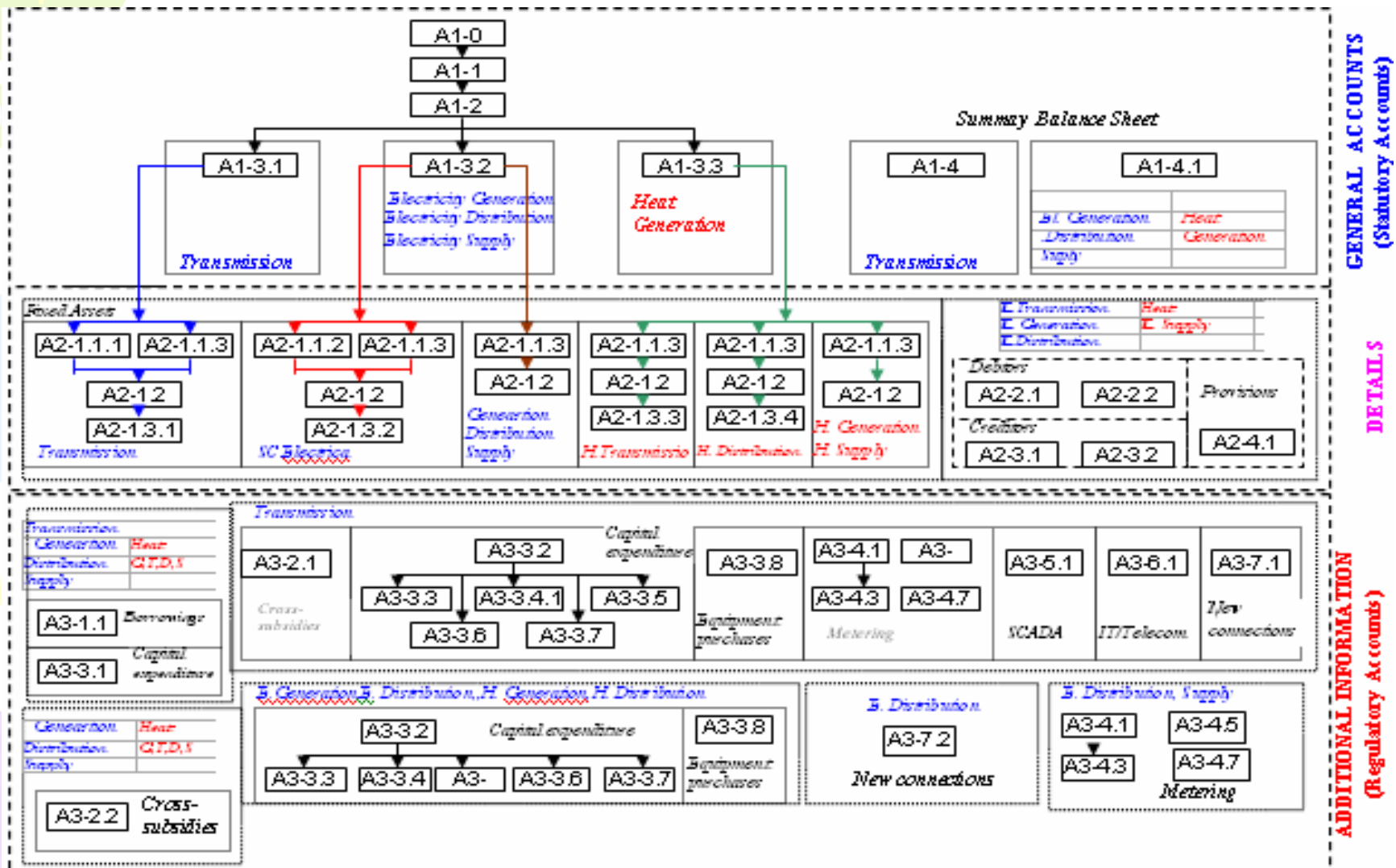
- **Another part of the Financial Report is focused on details and general information, using the regulatory accounts;**
- **The analysis is further split for each regulated business – i.e. subject of one Licence (generation, transmission, distribution etc).**

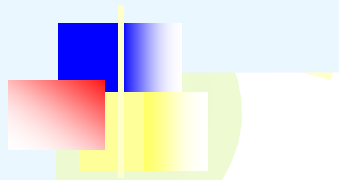


# Annexes

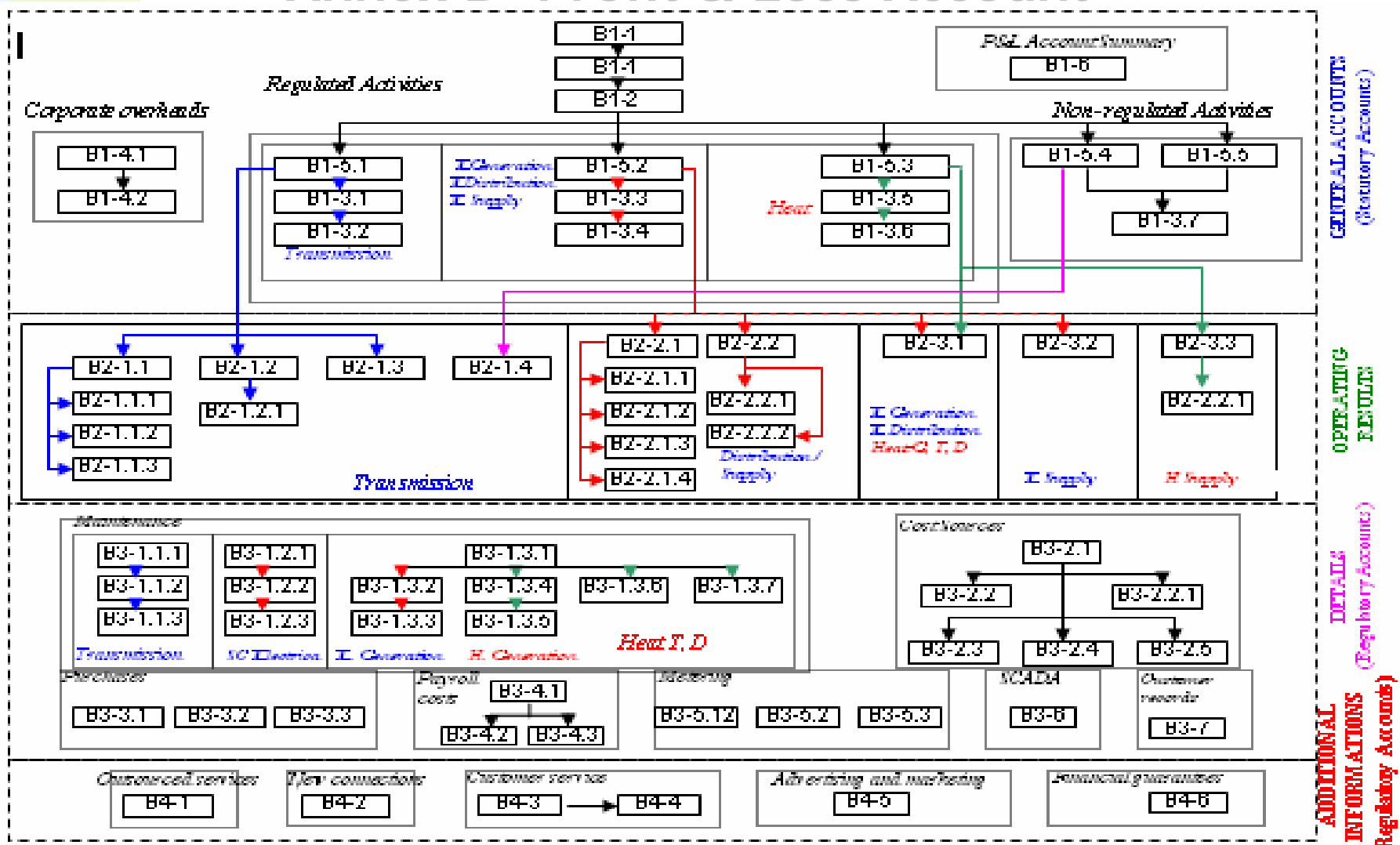
- **The Financial Report contains Annexes A to C:**
  - ⇒ **Annex A – Assets and Liabilities (The Balance Sheet)**
    - ⇒ General Accounts
    - ⇒ Details
    - ⇒ Additional Information
  - ⇒ **Annex B – Revenues and Costs (The P&L Accounts)**
    - ⇒ General Accounts
    - ⇒ Operating Results
    - ⇒ Details
    - ⇒ Additional Information
  - ⇒ **Annex C – Cashflow Statements**

# Annex A- Balance Sheet





# Annex B- Profit & Loss Account

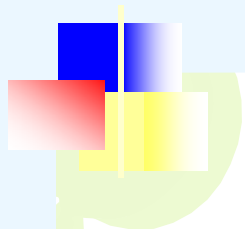




# The Financial Report

- There is a considerable volume of data required in these annual Reporting Forms;
- Not all information is completed by the companies;

| <b>Reporting Forms:</b>        | <b>Transmission</b> | <b>Distribution</b> |
|--------------------------------|---------------------|---------------------|
| <b>Balance Sheet</b>           | <b>48</b>           | <b>38</b>           |
| <b>Profit and Loss Account</b> | <b>32</b>           | <b>41</b>           |
| <b>Total</b>                   | <b>80</b>           | <b>79</b>           |



## ANRE and the licensees



- For additional data, ANRE has the right to require all the useful information it needs; a license condition specify that the licensees are obliged to submit to the *competent authority* all the data/information ANRE needs;
- The ANRE staff – responsible with the Financial reports and regulatory accounts implementation meet the utilities every year, starting with 2001:
  - 2001: ANRE organized 4 workshops with the licensees, for discussions concerning the implementation of Financial Reporting Procedure ;
  - 2007-2008: ANRE organized 3 workshops before adopting the new Financial Reporting Methodology.



## Recommendations

- **For a better way to implement the regulatory charts of accounts:**
  - **Regular 'educational' activities with licence holders: seminars, workshops, conferences;**
    - **Organizing public workshops at popular locations to go through the public aspects of regulatory accounts;**
  - **Creating a better understanding of regulatory processes and purposes; the role of the regulatory charts of accounts;**
  - **Issuing procedures, methodologies, instructions for completions (reporting forms) to implement the regulatory charts of accounts;**
  - **Companies need a period of time (2 to 6 months) to update their accountancy software for regulatory accounts.**



**Thank you for your attention !**

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