



**Electricity Distribution: Regulatory
Accounting and Information Guidelines**

*Version 3.2
September 2004*

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1. OVERVIEW

The Authority's Final Determination on Regulation of Electricity Distribution (May 2001) and the Electricity Distribution: Ring-Fencing Guidelines (September 2000) require Distribution Network Service Providers (DNSPs) to submit annual audited regulatory accounts for the entire business of the DNSP, including a separate set of accounts for each regulatory DNSP business segment. These accounts are to be submitted in accordance with the Regulatory Accounting and Information Guidelines. The Guidelines were initially released as Appendix D of the Authority's Final Determination on Regulation of Electricity Distribution. Following the release of the Final Determination, the Authority engaged in a consultation process with the DNSPs to work through the practical implementation of the Guidelines. This process identified some amendments.

Following analysis of the DNSP's annual Regulatory Accounting Statements and subsequent consultation between the Authority, DNSPs and the Queensland Audit Office (QAO), further amendments were made to these Guidelines. These amendments largely reflected clarification of terms and requirements set out in the Guidelines.

The Guidelines will continue to be revised from time to time and the Authority welcomes comments, discussion, or suggestions for amendments to these Guidelines, from any interested party. Any contribution in this regard should be addressed to:

The Queensland Competition Authority
Level 19
12 Creek Street
Brisbane 4000
Facsimile: (07) 3222 0599

2. INTRODUCTION

These Guidelines provide for the collection, allocation and recording of business data by the Queensland *DNSPs*. The information collected by the *Authority* pursuant to these Guidelines will provide a comprehensive information base to undertake the necessary financial and economic analysis by the Authority. The *Authority* requires the information to understand the *DNSPs*' businesses and to perform its functions under the *Code*.

To ensure that the information obtained pursuant to these Guidelines is relevant, the *Authority* proposes to amend the Guidelines from time to time to meet the changing needs of the *Authority* and to reflect evolving best practice and experience.

The *Authority* will consult with the *Licensees* and other interested parties in respect of such amendments.

The information provided to the *Authority* pursuant to these Guidelines will enable the *Authority* to:

- ensure the correct allocation of revenue and costs between *DNSP* and *Non-DNSP Entities* and among *DNSP Business Segments*;
- regulate distribution prices;
- measure actual financial performance of *DNSPs* against forecast;
- publish information on financial performance of *DNSPs*;
- generally give effect to the objectives of the *Authority* as stated in the *Code* and the *Electricity Act 1994*; and
- perform other functions under the *Code* and other Acts.

The *Authority* acknowledges that there may be commercial sensitivity attached to the disclosure of information concerning the non-regulated activities of the *DNSPs* and/or *Non-DNSP Entities* and has no present intention of disclosing such information, other than where it is necessary to explain the allocation of common costs. The *Authority* will consult with the *Licensees* in respect of the disclosure of information.

3. THE NATURE OF THE GUIDELINES

3.1 Authority and Purpose

The authority to publish these Guidelines is contained in clause 6.10.6 of the *Code* that provides for the *Authority* to obtain certified financial statements in a form determined by the *Authority* under the *Code* and supports the *Authority's* objectives as stated in Chapter 6 Part D of the *Code*.

Clause 7 of the *Distribution Licences* requires that the *DNSP* must provide the *Authority* with any information the *Authority* requests relating to the *Licensee's* activities conducted under or in connection with this authority granted under the *Distribution Licence*.

Paragraphs 1(c), (d) and (e) of the *Authority's Electricity Distribution: Ring Fencing Guidelines* require that a *DNSP* must:

- establish and maintain a separate set of accounts in respect of its *Prescribed Services*;
- establish and maintain a separate consolidated set of accounts in respect of the entire business of the *DNSP*, including establishing and maintaining a separate set of accounts in respect of *Excluded Services* supplied by the *DNSP*; and
- allocate any costs that are shared between an activity that is covered by a set of accounts for the *Prescribed Services* and any other activity, including any activity performed by another *entity*, in a manner that ensures there is no cross-subsidy, and according to a method for allocating costs that is approved by the *Authority*, is generally consistent with the objectives of the *Code* and is otherwise fair and reasonable.

3.2 The Subject

Regulatory Accounts and *Regulatory Accounting Statements* must be prepared for a *DNSP* by the *Licensee*. The *DNSP* is not defined by legal entity structures but by the activities undertaken to fulfil the obligations set out in the *Distribution Licence* by the *Licensee* and/or a *Related Party* of the *Licensee*, that is, to supply electricity using its supply network within a defined distribution area.

Any revenue earned (including revenue earned by the *Revenue Cap Regulated Services* from the use of *Revenue Cap Regulated Assets* by *Non-Regulated* users), asset utilised or cost incurred in fulfilling a *Distribution Licence* obligation by the *Licensee* and/or a *Related Party* of the *Licensee* must be reported in the *Regulatory Accounts* and the *Regulatory Accounting Statements*. Each revenue, cost element, asset and liability that when combined constitute the sum of the *DNSP's activities*, and any associated adjustment to these, must have its origin in an audited *Statutory Account* although not necessarily all from the same set of *Statutory Accounts*.

3.3 The Authority's Objectives

Chapter 6 Part D of the *Code* sets out the objectives and principles of the economic regulation regime to be administered by the *Authority*.

Clause 6.10.2 defines aspects that the economic regulation of distribution networks must seek to achieve. In particular, it states that, with respect to the form of regulation, and practical implementation, the following outcomes are particularly relevant:

- an efficient and cost-effective regulatory environment;

- an incentive-based regulatory regime which:
 - provides an equitable allocation between distribution network users and distribution network owners of efficiency gains reasonably expected by jurisdictional regulators to be achievable by the distribution network owners;
- reasonable recognition of pre-existing policies of governments which are distribution network owners regarding distribution asset values, revenue paths and prices;
- reasonable and well defined regulatory discretion which permits an acceptable balancing of the interests of distribution network owners, distribution network users and the public interest; and
- promotion of competition in upstream and downstream markets and promotion of competition in the provision of ***Distribution Services*** where economically feasible.

Principles of the ***Code*** with respect to the economic regulation of distribution networks (clause 6.10.3) that are relevant to the definition of regulated activities, form and period of regulation, and practical application of that form, include that the regulatory regime must:

- wherever economically efficient and practicable address concerns over monopoly pricing in respect of the distribution network through the introduction of competition in the provision of ***Distribution Services***;
- provide distribution network owners with incentives and reasonable opportunities to increase efficiency;
- take account of and be consistent with the allocation of risk between network owners and network users;
- provide a fair and reasonable risk-adjusted cash flow rate of return to distribution network owners on efficient investment given efficient operating and maintenance practices on the part of the distribution network owners;
- balance the interests of network users and network owners; and
- take account of relevant previous regulatory decisions made by authorised persons including:
 - the initial revenue setting and asset valuation decisions made by a government at a time at which that government was a distribution network owner in the context of industry reform pursuant to the Competition Principles Agreement;
 - decisions made by jurisdictional regulators and any regulatory intentions previously expressed; and
 - decisions made by Ministers under jurisdictional legislation.

Giving effect to the objectives of clause 6.10.2 involves, among other things:

- providing historical information to inform periodic price reviews;
- providing information to inform the public, at least annually, about the financial performance of the ***DNSP***;

- ensuring correct separation between ***Distribution*** and ***Non-Distribution Services*** costs;
- enabling measurement of actual performance against forecast; and
- assisting in meeting the objectives and performing the functions of the ***Authority*** as stated in the ***Code***.

The Guidelines present minimum requirements. The obligation of a ***Licensee*** to comply with the ***Authority's*** Guidelines:

- is additional to any obligation imposed under any other law applying to the ***Licensee's*** business; and
- does not derogate from such an obligation.

3.4 Definitions and Interpretation

In these Guidelines:

- words and phrases presented in bold italic font ***such as this***, are defined in the glossary to these Guidelines and have the meaning given to them in that glossary; and
- the words “shall” and “must” indicate mandatory requirements, unless the overall meaning of the phrase in which one of these words appears is otherwise.

3.5 Confidentiality

The ***Authority's*** obligations regarding confidentiality and the disclosure of information provided to it by the ***Licensee*** are governed by:

- sections 187, 207 and 239 of the *Queensland Competition Authority Act 1997*; and
- clauses 6.10.7 and 6.18.2 of the ***Code***.

If the ***Authority's*** intention changes, it will consult with the relevant ***Licensee*** to ensure that, as far as possible, the concerns of that ***Licensee*** are taken into account and weighed against the ***Authority's*** objectives.

3.6 Processes for Revision

The ***Authority*** proposes to amend and expand the Guidelines from time to time to meet the needs of ***Licensees***, customers and the ***Authority***, in the context of:

- changing circumstances including changes in the regulatory framework;
- developments at the national level and State level;
- the creation of new services and products by ***Licensees***; and
- changes to organisational structures by ***Licensees***.

In revising these Guidelines the ***Authority*** will, generally:

- state its intention;
- call for input from industry participants and other interested parties;

- have regard to that input, develop a draft and publish it for comment by industry participants and other interested parties; and
- have regard to the comments received on the draft, develop and publish revised Guidelines.

3.7 Input from Interested Parties

The *Authority* welcomes comments, discussion, or suggestions for amendments to these Guidelines from any interested party. Any contribution in this regard should be addressed to:

The Queensland Competition Authority
Level 19
12 Creek Street
Brisbane 4000
Facsimile: (07) 3222 0599

3.8 Version History and Effective Date

Every version of the Guidelines will be identified by an issue number and date of issue.

This is Issue No. 3.2 of these Guidelines.

3.9 Explanations

Explanations in these Guidelines as to why certain information is required are a guide only and should not be taken to limit in any way the *Authority's* objectives, functions or powers.

4. GENERAL PRINCIPLES OF PREPARATION

4.1 Regulatory Accounting Principles and Policies criteria

Regulatory Accounting Principles and Policies must be selected and applied by a *Licensee*:

- such that there is a recognisable and rational economic basis that underlies their utilisation; and
- in a manner which ensures that the resultant financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions and events is reported.

A *Licensee's Regulatory Accounting Principles and Policies* must be disclosed to the *Authority* in a manner which ensures that the *Authority* may understand the resultant *Regulatory Accounting Statements* and can make comparisons between them over time.

Regulatory Accounting Principles and Policies shall conform to the principles set out in these Guidelines.

4.2 Substance to Prevail over Legal Form

Regulatory Accounting Statements shall report the substance of transactions.

Where substance and form differ, the substance rather than the legal form of a transaction or event shall be reported.

In determining the substance of a transaction, all its aspects and implications shall be considered, including the expectations of, and motivations for, the transaction.

For the purposes of determining the substance of a transaction, a group or series of transactions that achieves, or is designed to achieve, an overall commercial effect shall be viewed in aggregate.

4.3 Information Provided shall be Verifiable

A *DNSP* must maintain accounting and reporting arrangements which:

- enable *Regulatory Accounting Statements* to be prepared; and
- provide information in the *Regulatory Accounting Statements* that can be verified by reference to the *Statutory Accounts*.

Information shall be presented in *Regulatory Accounting Statements* in the most understandable manner, without sacrificing relevance or reliability.

4.4 Regulatory Accounting Statements

Regulatory Accounting Statements shall be prepared for the *DNSP*. They shall be derived from the *Statutory Accounts* or their equivalent of the *Licensee* and *Related Parties* of the *Licensee* that contain the entirety of the activities of the *DNSP* by:

- eliminating *Non-Distribution Services* costs from *Prescribed Services*;
- eliminating adjustments not permitted by these Guidelines;

- including adjustments that are required by these Guidelines;
- not consolidating amounts from the *Statutory Accounts* of different *Entities*; and
- consolidating or disaggregating *Statutory Account* amounts within an *Entity* in order to conform to the prescribed form of *Regulatory Accounting Statements*.

Where a *Statutory Account* amount has been consolidated or disaggregated in the *Regulatory Accounting Statements*, a work paper must accompany the *Regulatory Accounting Statements* reconciling the *Statutory Account* amount shown in the *Regulatory Accounting Statement* to the *Statutory Account* amount in the *Statutory Accounts* of the *Entity*.

The movement from the *Statutory Account* to the *Regulatory Account* will be clearly reported in the *Regulatory Accounting Statements*.

If some or all of the activities of a *DNSP* are carried out in an *Entity* that does not have *Statutory Accounts*, all financial representations of *Distribution Services* in such an *Entity* must be audited by the external independent *Auditors* engaged to undertake the *Regulatory Audit* in a manner identical to the auditing of *Statutory Accounts*.

Cost Allocation

The allocation of the *Statutory Accounts* between *DNSP* and *Non-DNSP Entities* and across *DNSP Business Segments* shall be based on the principle that:

- items which are *Directly Attributable* to the *DNSP* and *DNSP Business Segments* are assigned accordingly; and
- items not *Directly Attributable* shall be allocated to the *DNSP* and *Non-DNSP Entities* (where applicable) and across *DNSP Business Segments* using an appropriate allocator, as indicated in the following paragraphs.

An item may be *Directly Attributable* to the *DNSP* but not *Directly Attributable* to a *DNSP Business Segment*. In this circumstance, the allocation across *DNSP Business Segments* will be made using an appropriate allocator as indicated in the following paragraphs.

Items that are not *Directly Attributed* are to be allocated on a *Causation Basis*. Allocation based on avoidable cost is not permitted.

The allocation of costs in the *Regulatory Accounting Statements* shall be in accordance with the *DNSP's Approved Cost Allocation Guidelines*, unless otherwise approved by the *Authority* in writing.

Explanation

Avoidable cost as an allocation base attributes the total cost of a good or service to one cost centre on the basis that the cost will unavoidably be incurred by that cost centre irrespective of whether or not it is now shared with another cost centre. The *Authority* requires that a cost be allocated across all cost centres that benefit from the service or good.

A *Licensee* shall produce for each item that has not been *Directly Attributed* to the *DNSP* and/or a *DNSP Business Segment* a supporting work paper that includes:

- the amounts that have been allocated on a **Causation Basis** to the **DNSP** and **Non-DNSP Entities** (where applicable) and/or **DNSP Business Segments** and amounts that have not been so allocated; and
- the numeric quantity of each allocator.

If an item is **Immaterial** and a **Causal Relationship** cannot be established without undue cost and effort, the **Licensee** shall provide the **Authority** with a separate list of these items indicating a description and amount. The **Licensee** may effect an allocation of these items on a **Non-Causal Basis**, provided it is accompanied by a supporting work paper documenting for each such item:

- a defensible basis of allocation which shall not be avoidable cost;
- the reason for choosing that basis; and
- an explanation why no **Causal Relationship** could be established.

Non-causal Bases of allocation shall only be applied to the extent that the aggregate of all items subject to all **Non-causal Bases** of allocation is not **Material** to the **Regulatory Accounting Statements**. Section 4.7 sets out the **Authority's** standard of materiality.

Non-causal Bases of allocation will be subject to the specific approval of the **Authority**. The **Authority** expects to only accept a **Non-causal Basis** if a **Licensee** can demonstrate that there is likely to be a strong positive correlation between the **Non-Causal Basis** and the actual cause of resource or service consumption or utilisation that those costs represent.

Where it has been necessary for the **DNSP** to use estimates in the preparation of the **Regulatory Accounting Statements** this will be clearly indicated by the **DNSP**. An explanation of the estimation process should also be provided in an accompanying note. The estimate and accompanying explanation are not themselves subject to audit opinion.

4.5 Regulatory Asset Values

The Depreciated Optimised Replacement Cost method shall be used to value fixed asset balances in the **Regulatory Accounts** Regulatory Statement of Financial Position for the **DNSP**.

Asset revaluations are not permitted unless they are specifically agreed to or required by the **Authority**. Revaluations made in **Statutory Accounts** that have not been agreed to by the **Authority** must be eliminated via regulatory adjustments to ascertain the **Regulatory Account** value.

Capital work-in-progress may be shown under a work-in-progress heading.

Goodwill is not permitted in **Regulatory Accounts**. It will be eliminated as an adjustment between **Statutory Accounts** and **Regulatory Accounts**.

4.6 Time consistent application of accounting policies, unless disclosed otherwise

A **Licensee** shall present on a fair and consistent basis, from the accounting records that underlie its **Regulatory Accounts**, the costs, revenues, assets employed and liabilities that may be reasonably attributed to the **DNSP**.

Regulatory Accounting Statements must, in so far as is reasonably practicable, be prepared in accordance with the general rules and format, and subject to the disclosure provisions of Section 4.6 below, use the accounting principles and policies applicable to the **Statutory Accounts**.

A **Licensee** shall provide to the **Authority** full and detailed documentation of:

- any **Regulatory Accounting Principles and Policies** that may be additional to or in place of the accounting principles and policies outlined in these Guidelines; and
- any changes since the preceding **Regulatory Accounting Statements** were prepared, in either the accounting principles and policies used to prepare its **Regulatory Accounts**, or its **Regulatory Accounting Principles and Policies**. Where there is such a change a **Licensee** shall disclose to the **Authority**:
 - the nature of the change;
 - the reasons for the change; and
 - the effect of the change on the **Regulatory Accounting Statements**.

4.7 Materiality

An item is **Material** if:

- its omission, misstatement or non-disclosure has the potential to prejudice the understanding of the financial position and nature of the **DNSP** gained by reading the **Regulatory Accounting Statements**; or
- it may result in the allocation of costs between **Revenue Cap Regulated Services** and **Non-Regulated Services** which is not strictly in accordance with the **DNSP's Approved Cost Allocation Guidelines**.

4.8 Accounting Records

A **Licensee's Directors** are responsible for the preparation and presentation of the **Regulatory Accounts** and **Regulatory Accounting Statements** and the information they contain.

A **Licensee's Directors** shall ensure that a **Licensee** keeps accounting records that:

- correctly record and explain the transactions and financial position of the **DNSP**;
- enable **Regulatory Accounts** and **Regulatory Accounting Statements** to be prepared in accordance with these Guidelines; and
- allow an **Auditor** to conveniently and properly form an opinion on the **Regulatory Accounts** and **Regulatory Accounting Statements** in accordance with the requirements of these Guidelines.

A **Licensee's Directors** shall also ensure that the **Licensee** retains the accounting records from which **Regulatory Accounts** and **Regulatory Accounting Statements** are prepared for a period of no less than seven years after the completion of the transactions to which they relate.

4.9 Directors' Responsibility Statement

A **Directors' Responsibility Statement** shall be attached to a **DNSP's Regulatory Accounting Statements**.

The ***Directors' Responsibility Statement*** shall be signed and dated by a ***Director*** of the ***Licensee***.

Section 8 sets out the format of a ***Directors' Responsibility Statement***.

5. PROCUREMENT OF AN AUDIT OPINION

5.1 Introduction

The information presented in the *Regulatory Accounting Statements* must be adequately and independently audited.

5.2 Duty of Care to the Authority

Audits should be conducted objectively and independently. This is guaranteed in large part by the competence and professionalism of the audit firm. Objectivity and independence are particularly important given that the *Auditors* are paid by the *Licensee*.

An engagement letter, issued to the *Licensee*, will detail the scope of the audit and will establish the auditor's responsibilities in relation to the *Authority* as well as the relationship between the *Auditor*, the *Authority* and the *Licensee*.

While the *Auditor* is engaged by the *Licensee*, the *Auditor* needs to recognise that the audit is conducted at the request of the *Authority* and that the *Authority* is the primary user of the *Audit Report* and the audited *Regulatory Accounting Statements*. In particular, the audited *Regulatory Accounting Statements* provide the basis for the *Authority's* comparison of actual financial outcomes against those forecast at the time of the *Authority's* Final Determination.

5.3 Appointing the Auditor

The audit firm selected by the *Licensee* will require formal approval from the *Authority*.

To obtain approval the *Licensee* must submit an annual request for approval. Satisfactory execution of previous audits will be an important consideration in the *Authority's* decisions on the approval of auditors.

The audit team must be led by a senior member of the audit firm. The team leader must sign and take responsibility for the *Audit Report*.

The audit team must comprise qualified, experienced personnel possessing no less a standard of expertise than would be required to conduct *Statutory Account* audits acceptable to the Australian Securities and Investments Commission.

The Guideline's requirements, including those for independence, extend to any sub-contractors engaged by the audit firm.

5.4 Audit Objectives

The *Auditor's* primary objective is to ensure that *Regulatory Accounting Statements* accurately present the financial performance and results of the licensee in accordance with these Guidelines and the *DNSP's Approved Cost Allocation Guidelines*.

Regulatory Accounting Statements for *Regulatory Accounting Periods* from 1 July 2001 shall be subject to an *Auditor's* opinion in accordance with the requirements of these Guidelines. The following items are required to be provided by the DNSPs as part of the *Regulatory Accounting Statements* but are not subject to audit opinion:

- estimates used by the DNSPs in the preparation of the *Regulatory Accounting Statements*; and

- work papers requested in these Guidelines and notes (including explanations of any estimates used and explanations of variances between forecast and actual amounts in the *Regulatory Accounting Statements*).

Licensees are responsible for ensuring that a signed *Regulatory Audit Report* and a *Report to the Authority and the Licensee* (where appropriate) are delivered to the *Authority* by the end of the fifth calendar month following the end of the *Regulatory Accounting Period*.

Section 9 shows the form of the *Regulatory Audit Report*.

Where the audit process is critical of or highlights deficiencies in *Regulatory Accounting Statements*, the *Authority*, *Licensee* and *Auditor* shall meet to discuss those issues prior to the *Audit Report* being issued.

Specific note must be taken of the definition of a *DNSP* and the scope of the *Regulatory Accounting Statements* as defined by these Guidelines in Sections 3.2 and 4.4.

5.5 Audit of Costs Allocated in Accordance with the Shared Cost Section of the DNSP's Approved Cost Allocation Guidelines

Where costs are allocated in accordance with the shared cost section of the *DNSP's Approved Cost Allocation Guidelines*, the *Auditor* will check that each and every allocation of costs is in accordance this section of the *Approved Cost Allocation Guidelines* unless an alternate treatment has been agreed in writing by the Authority.

6. INFORMATION REQUIREMENTS

6.1 Regulatory Accounting Statements

Regulatory Accounting Statements shall be prepared in accordance with these Guidelines.

A *Licensee* shall also deliver to the *Authority*:

- the section/s of the *Statutory Accounts* of the *Entity* or Entities that have been aggregated to provide the *Regulatory Accounting Statements*;
- a *Regulatory Audit Report* and *Report to the Authority and the Licensee* (where appropriate) on *Regulatory Accounting Statements* for *Regulatory Accounting Periods* from 1 July 2001, in the form specified in Section 5 of these Guidelines;
- a *Directors' Responsibility Statement* for the *Regulatory Accounting Statements*; and
- details of any accounting principles and policies that may be additional to or in place of the accounting principles and policies outlined in these Guidelines.

Section 7 to these Guidelines defines a mandatory schedule of *Regulatory Accounting Statements*.

Section 7 to these Guidelines also broadly defines how *Regulatory Accounting Statements* and certain supporting notes and work papers shall be set out. More specific guidance has been provided by the *Authority* through the Regulatory Accounting Templates.

6.2 Timing

A *Licensee* shall deliver to the *Authority* *Regulatory Accounting Statements*, including a *Directors' Responsibility Statement*, signed *Regulatory Audit Report* and a *Report to the Authority and the Licensee* (where appropriate) within four calendar months of the end of the *Regulatory Accounting Period* to which the *Regulatory Accounting Statements* relate.

6.3 Regulatory Accounting Periods

A *Regulatory Accounting Period* shall be a financial year unless the *Authority* should specify otherwise.

A *Regulatory Accounting Period* shall cover a continuous period.

6.4 Disaggregation

DNSP and Non-DNSP

Any allocation of *Statutory Account* amounts between the *DNSP* and *Non-DNSP Entities* must be made in accordance with the allocation principles detailed in Section 4.4 of these Guidelines.

DNSP Business Segment Allocation

After the allocation of *Statutory Account* amounts between the *DNSP* and *Non-DNSP Entities*, a further allocation across *DNSP Business Segments* may be necessary. This allocation must also be made in accordance with the allocation principles detailed in Section 4.4 of these Guidelines.

Inter Segmental Transactions

Transactions among **Business Segments** of the **Licensee** and/or **Related Parties** of the **Licensee** to which **Prescribed Services** of the **DNSP** are a party must not be netted off. They shall be recorded in the regulatory statement of financial returns of the **DNSP Business Segments** in which they arise and must be separately disclosed.

6.5 Revenue

All revenue items are to be identified, including revenue earned by the **Revenue Cap Regulated Services** from the use of **Revenue Cap Regulated Assets** by **Non-Regulated** users.

Revenue shall be either **Directly Attributed** to the **DNSP** and **Non-DNSP Entities** and/or **DNSP Business Segments**, or allocated on a **Causation Basis** in accordance with the principles set out in Section 4.4 of these Guidelines. Revenue may be allocated between the **DNSP** and **Non-DNSP Entities** (where applicable) and among more than one **Business Segment**. For the **Non-DNSP Entity**, only revenue which is common or shared between the **DNSP** and **Non-DNSP Entities** are required to be reported. Revenue from the use of **Revenue Cap Regulated Assets** by **Non-Regulated** users shall reflect the full cost of that asset, including **Operating** and **Maintenance Costs**, depreciation and return on asset associated with the asset.

The **Regulatory Accounting Statements** shall include a work paper that discloses for each revenue item:

- the amount of revenue within the activity area or asset category that can be **Directly Attributed** to the **DNSP** and its **Business Segments**; and
- the total revenue allocated and:
 - a description of the basis of allocation used;
 - a quantification of the allocators applied; and
 - the corresponding amount of revenue allocated.

6.6 Operating and Maintenance Costs

Disclosure

The **Regulatory Accounting Statements** shall:

- disclose **Maintenance Costs** separately from **Operating Costs**;
- disclose **Operating Costs** in a manner defined in Section 7;
- disclose **Maintenance Costs** in a manner defined in Section 7;
- disclose **Operating Costs** and **Maintenance Costs** associated with the use of **Revenue Cap Regulated Assets** by **Non-Regulated** users;
- disaggregate the **Operating Costs** and **Maintenance Costs** in a manner defined in Section 7; and

- provide or explain the link to the **Statutory Accounts** that is the source for amounts allocated to each activity associated with **Operating Costs** and each activity or asset category associated with **Maintenance Costs**.

Cost Attribution or Allocation

Operating Costs and **Maintenance Costs** shall be either **Directly Attributed** to the **DNSP** and **Non-DNSP Entities** and/or **DNSP Business Segments**, or allocated on a **Causation Basis** (except for some immaterial costs) in accordance with the principles set out in Section 4.4 of these Guidelines. Costs may be allocated between the **DNSP** and **Non-DNSP Entities** (where applicable) and among more than one **Business Segment**. For the **Non-DNSP Entity**, only costs which are common or shared between the **DNSP** and **Non-DNSP Entities** are required to be reported.

The allocation of a cost should reflect the consumption, or utilisation, of a resource or service as referred to in Section 4.4 of these Guidelines.

Disclosure of Bases Of Cost Allocation

In disaggregating **Operating Costs** and **Maintenance Costs** between **DNSP** and **Non-DNSP Entities** (where applicable) and across **DNSP Business Segments**, a cost may be considered to be either:

- a cost that can be **Directly Attributed** wholly and exclusively; or
- an indirect cost that needs to be allocated on the bases of the principles set out in Section 4.4 of these Guidelines.

The **Regulatory Accounting Statements** shall include a work paper that discloses for each **Operating Cost** activity area and each **Maintenance Cost** activity area or asset category:

- the amount of costs within the activity area or asset category that can be **Directly Attributed** to the **DNSP** and its **Business Segments**; and
- the total costs allocated and:
 - a description of the basis of allocation used;
 - a quantification of the allocators applied; and
 - the corresponding amount of cost allocated.

The total of the costs for which this information is disclosed shall agree to the total **Operating Costs** and **Maintenance Costs** disclosed by the work paper described in Section 6.5.

6.7 Depreciation

A depreciation charge should be attributed to the **DNSP**, the **DNSP Business Segment** and **Non-Regulated** users which utilise **Revenue Cap Regulated Assets** that gives rise to the charge in accordance with the principles set out in Section 4.4 of these Guidelines.

6.8 Other Revenue and Expenditure

Restatement of Principle

Other revenue and expenditure (including a charge to *Non-Regulated* users to reflect the *Return on Assets* component of *Revenue Cap Regulated Assets* utilised) arising in the regulatory statement of financial returns not specifically addressed elsewhere in Section 6 of these Guidelines shall be disaggregated between the *DNSP* and *Non-DNSP Entities* (where applicable) and among the *DNSP Business Segments* in accordance with:

- the general principles set out in Section 4 of these Guidelines; and
- the disclosure requirements set out in Section 7.

6.9 Individually Significant Items

Where they arise, individually significant items should be disclosed in the *Regulatory Accounts* and attributed or allocated in accordance with Section 4.4.

Tax effect

The income tax attributable to individually significant items shall be separately identified and the total after tax value of individually significant items shall be disclosed.

Explanation

The *Authority* needs to understand the return on capital being earned by the *DNSP* both prior to and after income tax.

Disaggregation

An individually significant item stated prior to related income tax, should be attributed to the *DNSP* and the *DNSP Business Segment* as follows:

- if the item can be *Directly Attributed* to a single *DNSP Business Segment*, or if it has discrete components that can each be so attributed, then the item or the components so identified should be *Directly Attributed* to the relevant *DNSP Business Segments*;
- to the extent that an item cannot be *Directly Attributed*, then it should be allocated to *DNSP Business Segments* in accordance with the requirements of Section 4.4; and
- where it is necessary to separate an item into components to effect *Direct Attribution* or allocation, a work paper should be appended to the *Regulatory Accounting Statements* describing:
 - the monetary amount of each component; and
 - its characteristics that either allow it to be *Directly Attributed* to a *DNSP Business Segment*, or require it to be allocated across *DNSP Business Segments*.

Explanation

Individually significant items should be attributed to *Business Segments* following attribution principles consistent with those applied to other account items.

6.10 Income Tax

The *Authority* requires information about the income tax paid by the *DNSP*.

6.11 Interest and Dividends

The *Authority* does not require information about interest expenses, dividend and dividend payout ratios or any corresponding assets or liabilities that may arise in the Regulatory Statement of Financial Position.

6.12 Disaggregation of Fixed Assets

Fixed Assets shall be either *Directly Attributed* to the *DNSP* and the *Non-DNSP Entities* (where applicable) and *DNSP Business Segments*, or allocated on a *Causation Basis* (except for some immaterial costs) in accordance with the principles set out in Section 4.4 of these Guidelines. Where assets are used in both *DNSP* and *Non-DNSP Entities* and/or in more than one *DNSP Business Segment*, the asset will need to be appropriately apportioned between them. For the *Non-DNSP Entity*, only fixed assets which are common or shared between the *DNSP* and *Non-DNSP Entities* are required to be reported.

Disclosure

The *Regulatory Accounting Statements* shall include a work paper that discloses for each asset category the value of assets that are an allocation rather than whole assets and:

- a description of the basis of allocation used;
- a quantification of the allocators applied; and
- the corresponding amount of cost allocated.

Additions and decrements shall be disclosed separately and not netted off.

Transfers between asset categories shall be disclosed separately and not netted off.

Opening Fixed Asset values in the *Regulatory Accounting Statements* must equal closing Fixed Asset values from the preceding *Regulatory Accounting Period*.

6.13 Capital Contributions

Where a *DNSP* credits capital contributions to asset values, the *DNSP's Regulatory Accounting Statements* shall disclose the amount of customer contributions credited to asset balances in accordance with the allocation principles defined in Section 7 of these Guidelines.

The *Authority* requires an understanding of customer contributions received and their relationship to movements in asset balances.

6.14 Inflation Accounting Adjustments

No adjustments for inflation, unless approved by the Authority, will be made to *Regulatory Accounts*.

6.15 Other Statement of Financial Position and Statement of Financial Returns Items

Restatement of Principles

- Regulatory Statement of Financial Position and Regulatory Statement of Financial Returns items not specifically addressed in Section 6 of these Guidelines shall be disaggregated between the *DNSP* and *Non-DNSP Entities* (where applicable) and among the *DNSP Business Segments* in accordance with the general principles set out in Section 4 of these Guidelines; and
- the disclosure requirements set out in Section 7.

6.16 Movements in Provisions

Work papers shall be added to the *Regulatory Accounting Statements* sufficient to provide a reconciliation and explanation of all provisions disclosed by the *Regulatory Accounting Statements*.

The disaggregation of provisions must follow the principles set out in Section 4.4.

Disclosure

The following information shall be provided for each *Material Provision* and in total for all other provisions in the *Regulatory Accounts* of the *DNSP*:

- the balance at the beginning of the *Regulatory Accounting Period*;
- amounts set aside to provisions;
- expenditure charged to provisions;
- amounts written back from provisions;
- the net movement charged or credited to the regulatory statement of financial returns; and
- the balance at the end of the *Regulatory Accounting Period*.

Explanation

The *Authority* needs to understand the effect of provisions on costs disclosed by the *Regulatory Accounting Statements*.

6.17 Related Party Transactions

The *DNSP* is defined by its activities not by incorporation. Accordingly, prescribed services may, in part, be delivered by *Entities* outside of the *DNSP* structure. Transactions with *Entities* that are a *Related Party* of the *DNSP* are considered part of the *DNSP's* accounts. The principle underpinning such transactions is that the price paid by the *DNSP* to a *Related Party* should be the same as that which would be paid by two companies dealing at arm's length with each other.

Information to be provided in the *Regulatory Accounting Statements* associated with such transactions includes:

- the name of the *Related Party*;

- the amount paid by the *DNISP* to the *Related Party*;
- the services provided;
- demonstration that the price paid is consistent with that which would be paid by two companies dealing at arm's length with each other;
- a description of how the transaction amount was arrived at, including any market testing undertaken;
- a description of the way the transaction amount is reflected in the *Regulatory Accounting Statements* including where the amount is allocated; and
- a description of the allocation.

The disclosure required under this clause shall be a statement attached to the *Regulatory Accounting Statements*.

The *Directors Responsibility Statement* shall include a specific affirmation that either:

- no such transactions arose; or
- the disclosure requirements of this clause have been complied with.

Alternatively, at the *DNISPs'* discretion, all third party transactions can be recorded at cost in the *Regulatory Accounting Statements*.

6.18 Third Party Benefits

Where the *Licensee* or any *Related Party* of the *Licensee* enjoys a material beneficial interest in income, or other value, which is transferred to a third party, the *Licensee* shall disclose for each such arrangement:

- a description of the arrangement;
- its underlying purpose;
- details of the counter party;
- details of the third parties;
- the monetary value of such transactions that arose in the *Regulatory Accounting Period*;
- the basis of charge for the transaction entered into by the *Licensee*;
- the basis of calculation of the corresponding benefit received by the *Licensee* or the *Related Party*; and
- a summary of the associated accounting entries, analysed by *DNISP Business Segment*, that have been recorded in the *Regulatory Accounting Statements*.

The disclosure required under Section 6.17 shall be a statement attached to the *Regulatory Accounting Statements*.

The *Directors' Responsibility Statement* shall include a specific affirmation that either:

- no such transactions arose; or
- the disclosure requirements of Section 6.17 have been complied with.

6.19 Other Information

A *Licensee* shall disclose service quality measures in the manner requested by the *Authority*.

7. REGULATORY ACCOUNTING STATEMENTS

The *Regulatory Accounting Statements* incorporate the:

- Regulatory Statement of Financial Returns;
- Regulatory Statement of Financial Position; and
- associated supporting Schedules and work papers as requested in these Guidelines.

The *Regulatory Accounting Statements* should be prepared in accordance with the allocation principles detailed in Section 4.4 of these Guidelines.

As a minimum disaggregation requirement, the *Authority* requires that the *Regulatory Accounting Statements* be separated to demonstrate reporting on the following *DNBP Business Segments* (as per Figure 1):

- *Revenue Cap Regulated Services, comprising:*
 - *Distribution Use of System (DUOS) Services*; and
 - *Non-DUOS Services*; and
- *Excluded Services-*

The *Authority* has provided specific guidance on the structure and content of the *Regulatory Accounting Statements* to the *DNBPs* through the Regulatory Accounting Templates. To the extent a *DNBP* seeks to deviate from the Regulatory Accounting Templates, the *DNBP* must obtain the *Authority's* approval on the format and structure of the *Regulatory Accounting Statements* prior to their submission.

In addition, in preparing the *Regulatory Accounting Statements*, it is mandatory to provide for each cost or revenue item that has been allocated to the *Prescribed Services* a supporting work paper that includes the following:

- the amounts that have been directly attributed to each *Prescribed Service*; and
- where amounts have been allocated to a *Prescribed Service*, the associated amounts that have been allocated to each *Business Segment* of the *Licensee* and/or *Related Parties* of the *Licensee*, a description of the allocation basis and the numeric quantity of each allocator.

The suggested work paper format applicable to operating and maintenance allocations, fixed asset allocations, causal and non-causal allocations has been provided to the *DNBPs* as part of the Regulatory Accounting Templates. Other work papers and notes as referred to in these Guidelines and the Regulatory Accounting Templates (including explanations of any estimates used in the preparation of the *Regulatory Accounting Statements*) are to be presented by the *DNBPs* as part of the requirements of the *Regulatory Accounting Statements*. These work papers and notes are required by the Authority to facilitate analysis of the *Regulatory Accounting Statements* and to assist in the development of an audit opinion of the *Regulatory Accounting Statements* but are not themselves subject to audit opinion.

8. PRO FORMA DIRECTORS' RESPONSIBILITY STATEMENT

In the opinion of the Director/s of [name of licensee]:

- the Regulatory Accounting Statements set out on pages [] to [] are drawn up so as to present fairly in accordance with the requirements of the “Regulatory Accounting and Information Guidelines” (“the Guideline”) issued by the Queensland Competition Authority, dated [version date];
 - the results of each Business Segment for the Regulatory Accounting Period ended [period end];
 - information concerning the state of affairs at [period end], of each Business Segment;
 - information required by Section 6.16 of the Guideline; and
 - information concerning all Third Party Benefit Transactions required by Section 6.17 of the Guideline; [delete if not applicable].
- no Third Party Benefit Transactions arose during the Regulatory Accounting Period that required disclosure under Section 6.17 of the Guideline [to be deleted only if disclosure is confirmed above]; and
- the terms and definitions used in this statement accord with the definitions set out in the Guideline referred to above.

Signed in accordance with a resolution of Directors:

(name of director) Dated
Director

9. EXAMPLE REGULATORY AUDIT REPORT

(Date)

REGULATORY ACCOUNTING STATEMENTS PERIOD ENDED [period end]

Scope

I have audited the Regulatory Accounting Statements of [name of Licensee] (“Licensee”) for the Regulatory Accounting Period ended [period end], comprising Regulatory Statement of Financial Returns, Regulatory Statement of Financial Position and accompanying Schedules, set out on pages [] to []. As per the Queensland Competition Authority’s (the Authority) directive, estimates (summarised in Schedule T), work papers and notes (including explanations of any estimates used and explanations of variances between forecast and actual amounts in the Regulatory Accounting Statements) provided as part of the Regulatory Accounting Statements are not to be specifically reported upon.

The Licensee’s Directors are responsible for the preparation and presentation of the Regulatory Accounting Statements and the information they contain. I have conducted an independent audit of the Regulatory Accounting Statements in order to express an opinion on them to the Authority and the Licensee on their preparation and presentation.

The Regulatory Accounting Statements have been prepared to meet the needs of the Authority and Licensee as detailed in the *Electricity Distribution: Regulatory Accounting and Information Guidelines* provided by the Authority. This report is prepared for the Authority and the Licensee and is not to be used for any other purpose than those specified herein. We disclaim any assumption of responsibility for any reliance on this report, or on the Regulatory Accounting Statements to which it relates, to any person other than those for whom it was prepared.

The audit has been conducted in accordance with QAO Auditing Standards, which incorporate Australian Auditing Standards. The procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the Regulatory Accounting Statements, and the evaluation of significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects the Regulatory Accounting Statements are presented fairly in accordance with the requirements of the *Electricity Distribution: Regulatory Accounting and Information Guidelines*.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

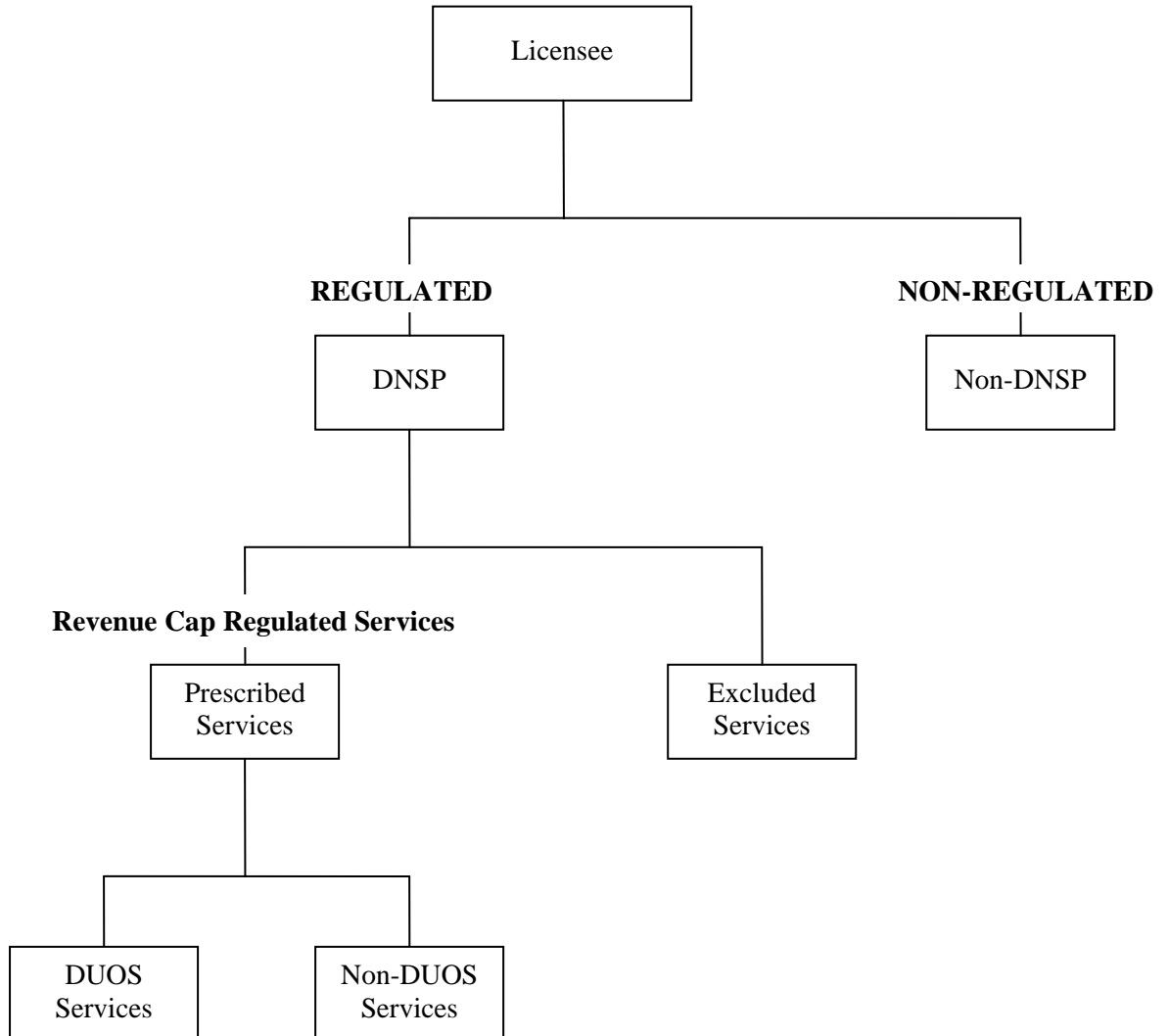
In my opinion, the Regulatory Accounting Statements present fairly in accordance with the requirements of the *Electricity Distribution: Regulatory Accounting and Information Guidelines* the financial position of [name of Licensee] as at [period end] and the results of its operations for the period then ended.

Auditor-General of Queensland

Queensland Audit Office
Brisbane

GLOSSARY

Figure 1: Reporting Structure



Account Heading means either an account heading used in an accounting record such as a general ledger or a higher level summarisation of such headings.

Accounts means a system of financial records and recording that enable revenue earned and costs incurred in meeting the obligations under a *Distribution Licence* to be separately identified from any other business the *Licensee* or its *Related Parties* might be carrying on.

Approved Cost Allocation Guidelines means a current set of cost allocation guidelines approved by the *Authority*.

Audit Report means either a *Regulatory Audit Report* or a *Report to the Authority and the Licensee*.

Auditor means an independent registered company Auditor.

Authority means the Queensland Competition Authority.

Business Segments means the various business activities of a **Licensee** or its **Related Parties**, where each activity is involved in supplying different types of services (notably: **Revenue Cap Regulated Services**, **Excluded Services**, and any **Non DNSP Services**).

Capital Expenditure means expenditure of a capital nature in accordance with relevant Statutory Accounting principles and/or Australian Tax Office requirements and to which at least one of the following rules is applicable:

- the expenditure relates to the purchase, development or construction of a new asset;
- it is expenditure that will increase the capacity or functionality of distribution assets;
- it is expenditure that will significantly reduce the ongoing maintenance of the assets; or
- it is expenditure that will extend the service life of distribution assets beyond that expected when the assets were originally installed.

Causal or **Causation Basis** or **Relationship** means, in relation to a basis of allocation, that the allocation base is the most significant trigger of consumption or utilisation of the resources or services represented by the costs or other account item that is being allocated.

Code means the National Electricity Code.

Directly Attributable or **Directly Attributed** means, in relation to an item, that the item is wholly and exclusively associated with an object such as the **DNSP**.

Director means a director of a **Licensee**. Where a **Licensee** is not a corporation that appoints directors, **Director** shall refer to senior managers of the **Licensee**, whose identities shall be confirmed by the **Licensee** with the **Authority** prior to the delivery of information required by these Guidelines.

Directors' Responsibility Statement means a statement signed and dated by a **Director** of a **Licensee** which states whether, in the **Directors'** opinion, the **Regulatory Accounting Statements**:

- present fairly the regulatory statement of financial returns (and the accompanying schedules) required by these Guidelines;
- present fairly the regulatory statement of financial position (and the accompanying schedules) required by these Guidelines;
- have been made out in accordance with applicable and appropriate accounting principles and policies as specified in these Guidelines;
- comply with the requirements of Section 6.16 "Related Party Transactions"; and
- comply with the requirements of Section 6.17 "Third Party Benefits".

Distribution Licence means a licence to distribute and supply electricity granted under section 195 of the *Electricity Act 1994*.

Distribution Services means the services supplied on an electricity distribution system which are associated with the conveyance of electricity through the distribution system.

DNBP (Distribution Network Service Provider) means the entirety of the activities undertaken by the **Licensee** and/or a **Related Party** of the **Licensee** in order to fulfil the obligations incurred under the **Distribution Licence**, that is, to supply electricity using its supply network within its distribution area as defined in the DNBP's **Distribution Licence**.

DNBP Business Segments comprise the following **Business Segments**:

- **Prescribed Services**, comprising: **Revenue Cap Regulated Services**, including:
 - **DUOS Services**; and
 - **Non-DUOS Services**, and
- **Excluded Services**

DUOS (Distribution Use of System) Services means those prescribed distribution services provided by distribution use of system assets (as defined in the **Code**) and whose revenue is earned from distribution use of system charges.

Entity means a business unit, whether or not a legal entity.

Excluded Services means those **Distribution Services** undertaken by the **DNBP** in respect of which, in the opinion of the **Authority**, the **DNBP** does not possess substantial market power and as a consequence could be subject to more light-handed regulation.

Immaterial item means an item that is not **Material**.

Licensee means the holder of a **Distribution Licence**.

Maintenance Costs means those costs associated with the repair and maintenance of property, plant and equipment that are not **Capital Expenditure**. **Maintenance Costs** can be separated into those costs which are directly and specifically attributable to a **Business Segment** and those costs which are common or shared among a number of **Business Segments**.

Material has the meaning set out at Section 4.7.

Material Provision means a provision other than a provision for:

- income tax;
- deferred taxation;
- dividends payable or receivable; or
- interest payable or receivable.

Provisions reported in the **Regulatory Accounting Statements** are those which, either at the beginning or end of an accounting period, have a balance of either:

- \$0.5 million or more; or
- 10 per cent or more of the total provisions in the balance sheet of a **DNBP Business Segment**.

For the purposes of determining a **Material Provision**, all provision accounts for expenses of a similar nature or brought about by a similar cause, within a **DNSP Business Segment** shall be aggregated and treated as if they are components of a single provision.

Non-Causal or Non-Causation, Basis or Relationship in relation to a basis of allocation, is one that is other than a **Causal or Causation, Basis or Relationship**.

Non-DNSP Entity means the entirety of the activities undertaken by a **Related Party** or parties of the **Licensee** not subject to the **Distribution Licence** and so not involved in the activities of a **DNSP**. The **Non-DNSP Entity** includes **Retail Activities**.

Non-Distribution Services means services provided by the **Licensee** which either do not involve the conveyance of electricity on an electricity distribution network or involve services on the end-use customer's side of a connection/supply point.

Non-Regulated means not subject to regulation by the Authority.

Non-Regulated Services means those services not subject to regulation by the Authority.

Not Allocated means the content of those **Account Headings** that are not required by these Guidelines to be allocated or attributed to specific **DNSP Business Segments**.

Operating Costs means those costs which relate to the day to day operations of the business and are not **Maintenance Costs**. **Operating Costs** can be separated into those costs which are directly and specifically attributable to a **Business Segment** and those costs which are common or shared among a number of **Business Segments**.

Non-DUOS Services means those prescribed distribution services that are not **DUOS Services** and whose revenue is earned from miscellaneous charges. For Energex these services are: recoverable works not subject to legislative provision; temporary builders services; and subdivision fees. For Ergon these services are: recoverable works not subject to legislative provision; temporary builders services; subdivision fees; and reconnection/disconnection services.

Prescribed Services means those services determined by the **Authority** to be subject to economic regulation in one form or another.

Regulatory Accounting Date means the date on which a **Regulatory Accounting Period** ends.

Regulatory Accounting Period means a period spanned by **Regulatory Accounting Statements**.

Regulatory Accounting Principles and Policies means accounting principles and policies that have been used to prepare **Regulatory Accounting Statements**.

Regulatory Accounting Statements are financial reports revealing the performance and financial situation of the **DNSP**. They show the originating **Statutory Account** amount, its translation into a **Regulatory Account** amount and its disaggregation between the **DNSP** and **Non-DNSP Entities** and among **DNSP Business Segments**. The types of **Regulatory Accounting Statements** required are identified in Section 7.

Regulatory Accounts are financial records derived from the **Statutory Accounts** of the **Licensee** and the **Statutory Accounts** of **Related Parties** of the **Licensee** that are involved in the activities of a **DNSP**.

Regulatory Audit Report means an **Auditor's** report on **Regulatory Accounting Statements** prepared in accordance with Australian Auditing Standard AUS 802 as shown in Section 9.

Regulatory Period means a period subject to a price determination by the **Authority**.

Related Party means, in relation to a **Licensee**:

- (a) any other **entity** that, at any time during the reporting period, has control or significant influence over the **licensee**;
- (b) any other **entity** that, at any time during the reporting period, is subject to control or significant influence by the **licensee**;
- (c) any other **entity** that, at any time during the reporting period, is controlled by the same **entity** that controls the **licensee** — referred to as a situation in which entities are subject to common control;
- (d) any other **entity** that, at any time during the reporting period, is controlled by the same **entity** that significantly influences the **licensee**;
- (e) any other **entity** that, at any time during the reporting period, is significantly influenced by the same **entity** that controls the **licensee**;

but excludes any other where the **related party** relationship results solely from normal dealings of:

- (i) financial institutions;
- (ii) authorised trustee corporations;
- (iii) fund managers;
- (iv) trade unions;
- (v) statutory authorities other than those described in (a) – (e) above;
- (vi) government departments; or
- (vii) local governments.

Remuneration means any money, consideration or benefit, received or due and receivable, in connection with the management of the affairs of the **Licensee**, but does not include:

- amounts in payment or reimbursement of out-of-pocket expenses incurred for the benefit of the **Licensee** or any related business; or
- in relation to a person not resident in Australia who is an Executive emoluments received or due and receivable by the person from a holding company:
 - of which he or she is a **Director** or employee; and
 - that is a corporation formed or incorporated outside Australia; and
 - being emoluments received, or due and receivable, by the person as such a **Director** or employee.

Report to the Authority and the Licensee means a detailed report on the conduct of the audit prepared in accordance with Australian Auditing Standard AUS 710 and shall include:

- discussion of any areas of concern;
- discussion on areas of disagreement with the *licensee*;
- assessment of the clarity and accuracy of the *Regulatory Accounting Statements*;
- assurance that the stated objectives of these Guidelines have been met; and
- commentary on compliance with these Guidelines.

Retail Activities means those activities associated with the business of selling electricity to customers wherever the customers may be located. **Retail Activities** include, but are not necessarily restricted to, those parts of the business that are subject to a **Retail Licence**.

Retail Licence means a licence to sell electricity otherwise than through the market for wholesale trading in electricity operated and administered by the National Electricity Market Management Company, granted under Section 162 of the *Electricity Industry Act 1994*.

Return on Asset means the allowed return on the **Revenue Cap Regulated Asset** base of the **DNSPs** established in the **Authority's** Final Determination on Regulation of Electricity Distribution (May 2001). The allowed return on assets is set at 8.05% in the Final Determination.

Revenue Cap Regulated Asset means an asset required to supply those **Prescribed Services** that the **Authority** has determined are to be subject to economic regulation via a revenue cap arrangement.

Revenue Cap Regulated Services means those **Prescribed Services** that the **Authority** has determined are to be subject to economic regulation via a revenue cap arrangement.

Statutory Accounts means the audited set of accounts prepared in accordance with Australian Securities and Investments Commission (ASIC) requirements submitted to the ASIC by statutory entities.