



DRAFT DECISION

Regulatory Reporting Requirements

ELECTRICITY SECTOR

March 2013

**UTILITIES
REGULATORY
AUTHORITY**



A letter from the Chairman

In the exercise of regulation, reliable information is the key towards a fair decision making process balancing stakeholders interests in virtue of the powers conferred to the regulator. Whether it is a matter of setting the tariff for electricity or reviewing the quality of service and operations, the regulator relies on information provided through the reporting requirement established in consequence and allowing for proper monitoring.

The regulation of utility services in Vanuatu has crossed many capes since its inception by the government through the URA Act in 2007, and the regulator has grown its own experience and established its decision making process while adapting to a contractual and legal framework heritage designed to produce some mandatory information for individual project at time, but with limited or no capacity to capture and cope with market evolution, stakeholders' interactions and utilities competitiveness.

As a result highlighted in our issues paper, the Authority has compiled evidences calling for a review of the financial and technical reporting material provided by the utilities, and I have endorsed the Authority's aim to improve the framework in which the data and information are collected for regulatory purposes, relying on transparency, consistency and accuracy principles to achieve a standardised and comparable reporting across the players and reflecting the market conditions for electricity supply in Vanuatu.

The following draft decision is the result of investigations, research and advanced consultation to scan the existing material and requirement and propose improvement and adapted templates for harmonised reporting to be produced by electricity utilities in first instance, and followed by the water utilities in an upcoming review. The aim of the report is to set a base for discussions in a final round of consultations with the stakeholders, to reflect the Authority's position in response to the issues raised and in line with the proposed approach, and to come up with a final decision taking everyone's view into consideration.

Yours sincerely,

Johnson Naviti Matarulapa Marakipule

Chairperson

Executive summary

In order to capture the right picture and design the appropriate regulatory framework, information has to be identified, recorded, decrypted and formatted for regulatory purposes, which may differ from data collected for statutory reporting. The draft decision paper summarised in this section aims to provide the electricity utilities with the Authority's position on when and how information has to be treated according to certain principles to grant the quality and usability, together with proposed templates annexed to the paper to achieve standardised reporting across all utilities.

The following table is presented in section 7 of the report and set an exhaustive list of documents to be provided in the context of regulation to the Authority with appropriate frequency:

Document	Frequency
Tariff adjustment spreadsheet	Monthly
Electricity outage report	Monthly
Technical performance report	Annual
Profit and loss statement	Annual
Cash-flow statement	Annual
Balance sheet	Annual
Capital expenditures and regulatory asset base statement	Annual
Debt management summary	Annual
Report supporting the use of funds under Art 6 of PV concession ¹	Annual
Customer complaint records	Annual
Copies of power purchasing agreements	On signing
Statutory accounting material including invoices, quotations and general ledger	For tariff review

In addition to the list above, the Authority provides specifications related to the formats of the data, the appropriate templates to use for reports and spreadsheets, key inputs for financial models as well as the timeframe and delivery of the regulatory reporting material.

A separate section is dedicated to the key requirements for financial reporting, with a focus on accountancy practices and the methodology used to prepare the reporting material. Amongst key subsections, the Authority underlines the appropriate rules for disaggregation, cost allocation, recording of third party contributions and work in progress, as well as the recording of transactions and asset transfers.

¹ If additional funds are provided by donors or third parties to promote access to electricity, reduce connection costs or develop and improve distribution, then similar templates will be developed to monitor these schemes.

In line with international best practice and regulatory benchmark, the Authority has established reporting principles presented in section 8 of the report and summarised thereafter:

- **Responsibility**

Managements of electricity utilities are responsible for the technical and financial documents produced in the context of regulatory reporting. Technical material and regulatory accounting have to be certified and directors are responsible for the forecasts and inputs provided to set the tariff for regulated services, and accountable for the books.

- **Consistency**

The consistency principle relies on the methodology to be adopted and applied by a company or public service to track, classify, record and monitor its operations. In accounting and for technical reporting, consistency is achieved when the method and reporting formats are kept identical from one fiscal year to the next one and, for any reason, when a modification is required, details are provided to make a correct interpretation of the rules to apply and trace the changes in scope and organisation looking forward.

- **Accuracy**

For financial statements, accuracy is achieved when main stream lines are justified by corresponding source accounts, being correct in value and respecting the format requirements. Substantial information has to be disclosed when unusual operations occur.

For technical reports, accuracy is achieved when the data measured is corresponding in unit, timing and variation when compared to the definition of the data set in the reporting requirements, or to the specifications of the equipment involved in the generation of such data.

- **Transparency and traceability**

Transparency is the global outcome of a combination of consistency and accuracy. The availability of full information required for regulatory reporting matters will be monitored, and a satisfying degree of disclosure will be expected wherever it is required. Hidden transactions, conditions or motivations to bypass regulatory reporting requirements will be contrary to the principle of transparency.

The Final section of the report addresses the needs for the Authority to access information required for regulatory purposes with the support of the regulated entities. Amongst other rules, the regulated entities must acknowledge that the Authority, or a qualified professional appointed by the Authority, may access and review the statutory and regulatory accounting and technical material at any time. In order to facilitate the process of a review, the regulated entity is required to prepare the requested material (and required copies) in advance, provide any information required and provide reasonable assistance to the Authority.

How to respond to this paper

All stakeholders, including the government, the utilities, the private sector, electricity customers and members of the public, are invited to discuss and comment on the topics set out in this paper. Responses and information received will be considered in the formulation of a “Final decision paper” setting out the Authority’s position regarding the provision of regulatory reporting material by the utilities, in line with the relevant contracts and legislation.

The Authority will be seeking responses as part of its public consultation process which will include visits to stakeholders. In addition to these public consultations, stakeholders can file submissions directly with the Authority.

Submissions can be made until

DAY MONTH 2012

and they can be made in person at the
Office of the Utilities Regulatory Authority
in the VNPF Building in Port Vila
on the Ground Floor

mailed to

Discussion Paper: “Generation and Distribution of Electricity in Vanuatu”
Utilities Regulatory Authority
P.M.B 9093
Port Vila, Vanuatu

emailed to

Olivier Fernandez
Regulatory Analyst
Utilities Regulatory Authority
ofernandez@ura.gov.vu

or called in by telephone to the

Utilities Regulatory Authority at
+678 23335

Submissions will be made available on the Authority’s website in accordance with the Authority’s submission policy. Any material that is confidential should be clearly marked as such.

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1. Introduction

1.1 Purpose of this paper

In order to address issues underlined in earlier stage, and following the review of the reporting material as set by the methodology presented in the framework paper, the Authority's draft decision is to carry on existing rules enhancement and new regulatory requirements to be adopted to comply with reporting principles and for monitoring purposes.

Through its Draft Decision paper, the Authority also seeks stakeholders' comments and will consider all the submissions to support its Final Decision paper.

1.2 Structure of this paper

Introduction chapters 1 to 6 will drive the reader through the legal background, the purpose and scope of the regulatory reporting requirements while providing the details and options to respond to this paper and make submissions to the authority.

Chapter 7 sets the required documents to be provided to the Authority and formats to be adopted by the regulated entities to be compliant with the regulatory reporting requirements described therein.

Chapter 8 defines the key principles to be applied by the regulated entities when compiling information and reporting activities to the Authority.

Chapter 9 describes the recommended process starting from statutory accounts to set and release compliant financial regulatory reporting material to be provided annually or in a context of tariff review.

Last chapter 10 defines the rules to grant access to regulated entities books and to appoint independent experts and auditors to advice on regulatory reporting accounts at the discretion of the Authority.

1.3 Review process

In order to maximise interactions with stakeholders and improve the consultative approach proposed in the framework paper, the Authority has considered an additional step to be inserted post draft decision, which consist in consecutive meetings with the Utilities to present, discuss and capture all feedback on the proposed draft and assess the needs to modify existing contractual agreements to reflect improvements made on the reporting and templates. A consultation report will then summarise the findings and feed into the final decision report.

Step 1 – “Regulatory Reporting Requirements, Issues Paper”: the Authority has released a document to summarize general issues outlined while reviewing existing material, legal and contractual obligations.

- **Regulatory reporting material assessment:** the Authority has applied a financial auditing methodology (detailed in section 5) set to track the consistency, the accuracy and the transparency across the multiple reporting statements and levels of detail in the material provided by the utilities.

- **Stakeholders and public consultation:** the Authority share its findings and views on issues and try to get a better understanding of the respective internal reporting process through its consultation. The issues paper will be subject to comments and submissions by the regulated entities.

Step 2 _ “Regulatory Reporting Requirements, Framework Paper”: the Authority proposed a framework to review existing requirements and material. The methodology relies on reporting principles to be matched and is set to test the compliance of existing material.

- **Set a framework to review existing material** provided by the regulated entities.
- **Set a methodology** to test the compliance of existing material with reporting principles to be endorsed by all stakeholders.
- **Stakeholders and public consultation:** the Authority raised issues and try to get a better understanding of the respective internal reporting process through its consultation. The framework paper will be subject to comments and submissions by the regulated entities.

Step 3 _ “Regulatory Reporting Requirements, Draft Decision Paper”: the Authority took into account the submissions made by all stakeholders before releasing this paper. The final step set guidelines for reporting requirement applying to utilities operating under the scope of the regulatory body.

- **Comparison to international standards & benchmark approach:** the Authority sought international regulatory reporting standards to compare existing rules, set extended requirements and support its Decision Paper.

Step 4 _ “Regulatory Reporting Requirements, Draft Decision Consultation Report”: following the publication of the draft decision, the Authority will initiate a series of meetings with the Utilities to present, discuss and capture all feedback related to the draft decision. In addition, the Authority together with the Utilities will assess the needs to modify existing contractual agreements to reflect improvements made on the reporting requirements and templates. A consultation report will be released to summarise the findings and feed into the final decision paper.

Step 5 _ “Regulatory Reporting Requirements, Final Decision Paper”: the Authority will take into account the submissions made by the utilities before releasing its final decision. It will set guidelines for reporting requirement applying to Utilities operating in Vanuatu under the scope of the Authority.

Gazette the Final Decision Paper once approved by the Authority’s commission.

1.4 About the Utilities Regulatory Authority

The Utilities Regulatory Authority was established on the 11 February 2008 under the *Utilities Regulatory Authority Act No 11 of 2007* (the URA Act). The URA Act established the Authority as an independent economic regulator for pricing, access, standards and monitoring of concession agreements. The regulated services defined in the URA Act are the supply of electricity or water services.

The Authority provides continued and expanded support to the Vanuatu Government’s microeconomic reform program. This program was designed to improve the efficiency and competitiveness of Vanuatu’s

economy through the reform of the electricity, water and other current and former government business enterprises.

The Government perceived the establishment of an independent regulatory body as necessary to ensure that the benefits of the industry structuring and concession arrangements were passed on to household, commercial and industrial customers.

The primary objective of the Authority is to ‘improve access to electricity and water services and to protect the long-term interests of Vanuatu’s consumers with regards to the price, quality and reliability of electricity and water services.’

This objective is central to the framework of economic regulation that facilitates the efficiency and financial viability of regulated utilities, prevents misuse of monopoly power and ensures that customers benefit from quality improvements and efficiency gains over the longer term.

The functions of the Authority, as expressed in the URA Act under which it is mandated, are:

- to exercise the functions and powers conferred by the URA Act or by any other Act in furtherance of the purpose of the Act;
- to provide advice, reports and recommendations to the Government relating to utilities;
- to inform the public of matters relating to utilities;
- to assist consumers to resolve grievances;
- to investigate and act upon offences under the URA Act ;
- to advise the Minister on any other matter referred to the Authority by the Minister; and
- to administer and monitor compliance of Concession Agreements under the URA Act.

In accordance with its Charter of Consultation and Regulatory Practice the Authority aims to be:

- independent, balanced and fair by ensuring its advice does not reflect undue influences and is consistent with its statutory objectives; and
- open and transparent by publishing its findings and conclusions.

1.5 Useful documents and links

Readers of this report may also find it useful to review the additional reports and documents.

The following documents available on the Authority’s website: www.URA.gov.vu

- Utilities Regulatory Authority Annual Report 2011
- [Utilities Regulatory Authority Act No. 11 of 2007 and Amendment \(2010\)](#)
- [Electricity Supply Act \(amendment\) #13 of 2010](#)

Concession contracts:

- [Port Vila](#) (Efate)
- [Malekula](#)
- [Tanna](#)

2. The legal framework

In a market qualified as natural monopoly, perceived as a non-competitive environment by definition, regulatory reporting requirements aim at providing the contractor with information it can rely on to:

- Monitor services contracted to private companies in a transparent manner
- Control the financial health of the licensees and service providers to ensure the sustainability of operations
- Set the tariff in the event of tariff reviews
- Support investigation and assist in the detection of corruption and anti-competitive behaviours or collusion.

The following section depicts the legal framework and policy environment in which these reporting requirements are established and enforced.

2.1 Provisions of the Act and relevant contracts regarding reporting requirements

Table 1 Relevant articles and sections identified in the legal framework

Contract / Corresponding actions	URA Act	Concession Port Vila	Concession Malekula	Concession Tanna	MOU/Concession deed Luganville
Powers conferred to the Authority related to reporting requirements	S.20, S.13				
Documents, data and information to be produced		Art.74, Art.75	Art.160	Art.159	Art.17.2, Art.17.9, Art.17.10 and S.5 (1.1 to 1.5)
Templates to be used for reporting		Annexe 1			
Failure to comply with reporting requirements	S.21, S.24, S.25				

*Above references were selected according to their relevance to the topic *regulatory reporting requirements*. Other articles, texts and sections may be directly or indirectly related.

2.1.1 The Utilities Regulatory Authority Act

It is required for each utility service supplier operating in Vanuatu to maintain accounting records and prepare statutory accounts in respect of the IFRS.

Section 20 of the **Act** sets out the rights exercisable by the Government in the concession contracts described in Part A of Schedule 1 that are assigned to the Authority. The subsection (4) of s20. states *“The Authority may, if necessary or convenient to administer any contractual right assigned to it pursuant to subsection (1) or (2), or the regulations, require a utility to:*

- (a) Answer any question; or*
- (b) Provide any document.”*

In addition to the previous, the section 13 (2 a) of the **Act** empowers the Authority to: *“require a utility to furnish the Authority with specified information or documents of a specified kind, relating to a regulated service or to the corporate structure accounts or finances of the utility”*

2.1.2 Electricity concession contracts

Concession contracts for the provision of electricity services regulated under the scope of the Act are established between the Government of Vanuatu and the concessionaires, with specific provisions related to the technical and financial reporting requirements. These are described in the following subsection.

In relation to the “Convention Relating to the Concession for the Generation and Public Supply of Electric Power in Port Vila” (1986), the concessionaire, UNELCO, is required to provide the Authority with a separate set of certified accounts for each of its operations in Vanuatu over the years elapsed since the last tariff revision.

In the section 17, articles 74 and 75 are setting a list of documents to be provided to the Authority. The contract also sets out the required time frame in which UNELCO is to provide the information.

Providing extensive details, Article 74 of the Port Vila electricity concession states that:

“Every time a revision must be carried out, under the provisions of section 5, and upon expiry of the Concession, the CONCESSIONAIRE shall provide the department of the Ministry in charge of Energy with the certified accounts for each of the years which have elapsed since the last revision and at least for the past five years. Separate certified sets of accounts shall be drawn up for each of the Concessionaire's operations in VANUATU. They shall include:

- *A trading accounts,*
- *An analytical operating account for electricity generation and distribution,*
- *An analytical operation account for extension and connection works,*
- *A company fixed assets statements,*
- *A company balance sheet,*
- *A statement of source and application of funds”*

In addition, Article 75 of the Port Vila electricity concession states that: *“The accounts shall indicate revenue, expenditure and the balance with such details as the services of the above-mentioned Ministry shall request. A model of a balance sheet is attached in appendix 1. Such statements shall be provided within three months following the GRANTOR or CONCESSIONAIRE's request for revision.”*

Similarly the “Concession Contract for the Generation and Public Supply of Electric Power in Tanna Island” (2000) and the “Concession Contract for the Generation and Public Supply of Electric Power in Malekula Island” (2000) set the mandatory documents to be provided by the concessionaire for tariff review purposes, in Articles 159 and 160 respectively.

Article 159 of the Tanna electricity concession and Article 160 of the Malekula electricity concession state that:

“Every time a tariff revision must be carried out, under the provisions of Section 31.07 or Section 31.08, the Concessionaire shall provide upon request from the Grantor, in addition to the certified annual accounts (balance sheet and profit and loss statements which must be supplied at the end of each financial year), all technical and financial information either past or provisional which could be useful in justifying a request to review tariffs.

Such information may be requested for the previous 5 years or, at the most, for each of the years passed since the last revision and shall be supplied within three months of the request for revision by the Grantor or Concessionaire.”

2.1.3 The concession deed (draft) attached to the MOU for the provision of regulated electricity services in Luganville

In relation to the concession deed for the generation, transmission, distribution and supply of electric energy in Luganville, VUI is required to furnish technical and financial information to the Authority in the form of an annual business plan detailed therein.

Clause 17.2 of the concession deed states, among other things, that:

“No later than 30 days before the end of each Year, the Concessionaire must submit to the URA for approval, in accordance with clause 17.7 a draft annual business plan that sets out, in the form provided at Schedule 5, details of the Concessionaire’s plans and budgets for the following Year of, as a minimum, the following areas:

- (a) investment;*
- (b) financing (including expected sources of finance);*
- (c) operation and maintenance; and*
- (d) staffing.”*

Clause 17.9 ‘Audited accounts’ states that:

“ (a) the Concessionaire undertakes to comply with the International Financial Reporting Standards and other pronouncements by the International Accounting Standards Board in the preparation of its accounts;

(b) within 6 months of the end of each of its financial years during the term of this deed, the Concessionaire must provide the URA its annual audited accounts (Annual Accounts), covering all activities governed by this deed; and

(c) these Annual Accounts must clearly separate those operations within the concession area and those outside the concession area.”

Further, clause 17.10 ‘Maintenance of records’ states that:

“(a) the Concessionaire must:

(i) until 12 months after the expiry or termination of the Concession keep proper books of account and all other records it has relating to the operation of the Concession at its offices in Vanuatu;

(ii) have its accounts audited annually in accordance with clauses 13.2(a) and 17.9; and

(iii) ensure that the books of account and records referred to in clause 17.10(a)(i) are available to the URA at any time during Business Hours (subject to receiving 2 Business Days notice from the URA (as applicable)).

(b) without limiting its obligations under clause 23, if the deed is terminated, the Concessionaire must immediately give the Grantor and the URA access to and copies of all the books of account and records referred to in clause 17.10(a)(i) which are necessary for the continued operation of the Concession or any successor concession arrangement.”

Schedule 5 of the concession deed sets out the requirements for the annual business plan, financial plan, operation and maintenance plan, environmental statement and staffing plan named “Annual Business Plan”

1.1 Content of Annual Business Plan

The Annual Business Plan must set out details of the Concessionaire’s plans and budgets in respect of the following areas:

- (a) New Connection Commitments or Annual Connection Commitments (as applicable);*
- (b) financials;*
- (a) capital expenditure;*
- (b) operation and maintenance; and*
- (c) staffing.*

1.2 Financial plan

The draft financing plan must set out details of the Concessionaire’s:

- a) plans and budgets for the following relevant Year, including cash flow statement, profit and loss account, balance sheet; and*
- b) sources of loans and equity.*

1.3 Operation and Maintenance Plan

The Concessionaire must include details of the operation and maintenance procedures that will be followed, to include but not be limited to the following:

- a) [to be inserted];*
- b) [to be inserted].*

1.4 Environmental Statement

The Concessionaire must provide a statement in respect of compliance with Environmental, Health and Safety and Security procedures and provisions.

1.5 Staffing Plan

The concessionaire must provide updated details of its personnel, including use of expatriate staff.”

2.2 Applicability of regulatory reporting requirements

These Regulatory reporting requirements apply to electricity service suppliers operating in Vanuatu, under the scope of the Authority and as defined by the Act.

Upon commissioners' endorsement, the final decision will be gazetted by the Authority for enforcement.

A set of regulatory reporting requirements based on the proposed templates will be filled by electricity utilities to familiarise with the process and test the templates. Historical data will be compiled for the last three years and a review performed by the Authority to test and adjust the ergonomics of the proposed templates before the end of the current fiscal year.

By the end of 2013, the first fiscal year will be reported using newly established templates. The Authority will then seek comments and feedback from the electricity utilities.

2.3 Failure to comply with the reporting requirements

Established under the Act through the powers delegated to the Authority, the decision on regulatory reporting requirements will be enforced on the day of gazettal. From this day and forward, a failure to provide information is considered an offence under section 21 of the Act, and a person who commits an offence under this section is liable under the conditions described in subsection 21 (9). In response to an offence, the Authority may issue an infringement notice under the conditions described in subsection 25, and, or, commence a claim under the conditions described in subsection 24, proceedings in respect of offences.

A failure to provide contractual information under a concession contract is considered a breach. Conditions applying are described in the relevant parts ("forfeiture") of the corresponding contracts.

2.4 How to revise the regulatory reporting guideline?

Subject to substantial changes observed at the macro-economic and micro-economic scale, or changes varying international or national accounting practice, or any modification to the legal structure or the legal framework in which regulated entities operate in Vanuatu, the Authority will consider to revise the existing guidelines to ensure that information reported is sufficient, adequate and allows for the best regulatory practice to be performed.

Initiating a revision of the existing guidelines, the Authority will:

- State its position and explain the circumstances to support the revision process
- Invite the relevant parties to comment
- Seek international best practice standards and benchmark comparison
- Set the revised guideline after consideration of the comments received

Once approved by the commissioners, any modification to the regulatory reporting guideline has to be notified by the Authority to the concessionaires at least three months before the annual reporting date.

2.5 The stakeholders

Under the scope of electricity generation and distribution in Vanuatu, above contracts involve the following stakeholders whose responsibilities and rights are defined under the legal framework:

- The Government of Vanuatu, as a policy maker and counterpart to concession contracts;

- The Utilities Regulatory Authority, as an independent body with certain rights to monitor regulated services;
- The Utilities, as regulated services providers and concession contract counterparts. The notion of utility is extended to any related entity (arm length) whether it is related through a financial relation or partial ownership;

2.6 Definitions

Authority means the Utilities Regulatory Authority of Vanuatu, established under Section 4 of the URA Act, and any person performing any function or exercising any power of the Authority.

Concessionaire refers to a person, a private company or public services department, granted with the exclusivity of production of electricity for public distribution within the concession area according to the terms and conditions defined in a concession contract established with the government.

Consumer means a person to whom a regulated service is provided in consideration of a payment.

Customer means a person to whom a service is provided according to the terms of a customer agreement signed with a utility.

Government means the Government of Vanuatu or any office, entity or instrument of the Executive Government including a ministry or a minister.

Legal framework means, for the purpose of this paper, any policy, act, legal document or contract related to the generation or supply of electricity.

Regulated service means, for the purpose of this paper, the supply of electricity to a consumer including any process leading up to that supply.

Technical requirement refers to any norms, rules, standards or contractual requirement that an electrical installation has to comply with.

Utility means a person who supplies a regulated service to a consumer for payment and includes any related entity involved in the process.

2.7 Abbreviations

GPOBA Global partnership output-based aid

IFRS International Financial Reporting Standards

MOU Memorandum of Understanding

P&L Profit and loss statement

RAB Regulatory assets base

3. Reporting requirements

The following chapter presents a list of documents to be provided by the electricity utilities according to the respective timeframes and formats.

3.1 Required documents

Any of the sub-listed documents will include explanatory notes whenever it is required for the comprehensiveness of information displayed or when disaggregation from statutory reporting happened.

Document	Frequency
Tariff adjustment spreadsheet	Monthly
Power cut notice	Monthly
Technical performance report	Annual
Profit and loss statement	Annual
Cash-flow statement	Annual
Balance sheet	Annual
Capital expenditures and regulatory asset base statement	Annual
Debt management summary	Annual
Report supporting the use of funds under Art 6 of PV concession ²	Annual
Customer complaint records	Annual
Copies of power purchasing agreements	On signing
Statutory accounting material including invoices, quotations and general ledger	For tariff review

3.2 Formats

3.2.1 Templates

Templates to be used for regulatory reporting are proposed in annexe to the draft decision. The proposed templates will be revised and adapted over years to match business and regulatory evolutions in consultation with the stakeholders as described in section 6.4.

3.2.2 Reports, mails and papers

Reports will be sent in hard copy and electronic (MS Word) formats to the Authority. PDF documents are subject to review before acceptance, scanned document on a PDF format should be avoided.

² If additional funds are provided by donors or third parties to promote access to electricity, reduce connection costs or develop and improve distribution, then similar templates will be developed to monitor these schemes.

3.2.3 Tariff setting, financial, and back-testing models

Spreadsheets provided to the Authority have to fulfil the following requirements:

- Be in MS Excel format.
- Calculated cells have to show the formula and allow tracing precedent and dependant cells when applicable. All data have to be sourced within the same document. Fixed inputs required for calculation purposes have to be highlighted and justified (adding comments is recommended)
- Use the appropriate functions when required and avoid insertion of hard numbers (manually-keyed) in calculated cells.
- Year on year roll-over has to be traceable, as well as changes in perimeter of operations.

3.2.4 Invoices, quotations and bookkeeping extracts

Copies of receipts and invoices are to be provided to the Authority in a context of tariff review and for regulatory purposes. These are thought to come with a recap spreadsheets provided in hard copies and electronic versions.

3.2.5 Currency

All the documents have to be in Vatu (VUV) currency.

For any quotation or receipt presented in foreign currency, electricity utilities will have to provide the corresponding amount in Vatu at the relevant date (quotation or purchase if applicable) and the exchange rate applied.

3.3 Timeframe

Annual technical reporting has to be prepared and provided to the Authority by the end of the first quarter following the end of the year reported.

Annual financial reporting has to be prepared, approved by independent auditors and provided to the Authority by the end of the quarter following the closing of the statutory accounting period.

It is required that utilities maintain full accounting records for two consecutive tariff periods or at least 8 financial years, starting the fiscal year of release.

3.4 Delivery

Submissions are due on time as set in section 7.3 and to be e-mailed or delivered in person at the Authority's office.

Submissions will be made available on the Authority's web in accordance with the website policy. Any material that is accepted as confidential should clearly be marked as such.

4. Regulatory reporting principles

Principles listed and described below are set to support the electricity utilities in the preparation of the regulatory reporting material.

4.1 Responsibility

Managements of electricity utilities are responsible for the technical and financial documents produced in the context of regulatory reporting. Technical material and regulatory accounting have to be certified and directors are responsible for the forecasts and inputs provided to set the tariff for regulated services.

The directors of the licensed companies are accountable for the books. Endorsements have to be provided to the authority for any of the documents submitted, with signatures from at least two directors required.

4.2 Consistency

The consistency principle relies on the methodology to be adopted and applied by a company or public service to track, classify, record and monitor its operations. In accounting and for technical reporting, consistency is achieved when the method and reporting formats are kept identical from one fiscal year to the next one and, for any reason, when a modification is required, details are provided to make a correct interpretation of the rules to apply and trace the changes in scope and organisation looking forward.

4.2.1 Reporting methodology and formats

The same methodology and reporting formats have to be kept from one fiscal year to the next one. For technical and financial reporting, when a change in scope occurs, a revised set of figures will be provided for the last fiscal year elapsed based on the modifications occurred.

4.2.2 Reporting entity

- Mother company and subsidiary or financially related entity

When subsidiaries or financially related entities intervene in the process of supply of electricity to a consumer together with the mother company (or partner), in order to avoid the risk of coercion, separate statutory accounting material will be provided for the satellites. In addition, explanatory notes will describe the nature of the relation between these entities and their respective contribution in the process.

- Change in perimeter

Any change of perimeter to impact regulated activities or regulatory reporting material has to be supported by the electricity utility concerned to the Authority. A full set of annual regulatory reporting material adjusted on purposes will be provided for the previous year.

Statutory accounting has to be adjusted for any change in scope of the reporting entity. Explanation note and adjusted figures have to be provided for the previous year as well.

4.2.3 Accuracy

Accuracy of the reporting material will be tested by the Authority crosschecking technical data with finance and operating inputs at different levels:

- For financial statements, accuracy is achieved when main stream lines are justified by corresponding source accounts, being correct in value and respecting the format requirements. Substantial information has to be disclosed where unusual operations occur.
- For technical reports, accuracy is achieved when the data measured is corresponding in unit, timing and variation when compared to the definition of the data set in the reporting requirements, or to the specifications of the equipment involved in the generation of such data.

4.3 Transparency and traceability

Transparency is the global outcome of a combination of consistency and accuracy. The availability of full information required for regulatory reporting matters will be monitored, and a satisfying degree of disclosure will be expected wherever it is required. Hidden transactions, conditions or motivations to bypass regulatory reporting requirements will be contrary to the principle of transparency.

According to the principle of traceability, electricity utilities have to provide reporting material to the Authority as:

- Information in the regulatory reporting statements can be verified
- Information is presented in the most understandable manner

4.4 Compliance

Documents derived from the statutory accounts for regulatory reporting have to be compliant with the global accounting standards IFRS (International Financial Reporting Standards).

5. Preparation requirements for financial reporting

The following section describes the preparation rules to follow in the preparation of accounting material for regulatory purposes.

5.1 Disaggregation

5.1.1 Account Headings

Account headings used for regulatory purposes have to be set in the most understandable manner. Neither the relevance nor the traceability of the information reported can be affected by the nature of headings set for regulatory reporting purposes.

The principle of consistency as defined in section 8.2 applies to account heading in a way that, unless the business structure has been modified and the relevant notes are provided to trace the changes, account headings have to be kept identical from year to year.

Where account headings used for regulatory reporting differ from statutory reporting material, corresponding accounts have to be referenced in name and registration #.

5.1.2 Concessions and business segments

Statutory accounts and statements have to be disaggregated by concession and by business segments to produce the regulatory reporting material. Disaggregation has to happen before any adjustments.

Disaggregation notes have to be provided for both the P&L and Balance sheet statements. Those differentiate from the set of notes accompanying statutory accounts. They provide the Authority with the required justifications to retrace inter-concession transfers as well as explanations on how to reconcile regulatory reporting accounts with the statutory ones when the templates differ.

5.1.3 Disaggregation to RAB

Disaggregation applies to the RAB such as each asset forming the RAB are classified by purpose as described therein and presented in gross book value, accumulated depreciations and net book value.

RAB Breakdown:

- Production assets
- Distribution assets

5.2 Cost allocation

5.2.1 Direct and indirect cost allocation

In respect to the principle of disaggregation, items and assets have to be directly attributed to a business segment or concession when accurate. Supporting documentation has to be provided and disclose the amount attributed as well as a description of the corresponding items and the number of units when relevant.

Items or assets that are not directly attributable are deemed to be allocated on a causation basis with sufficient proof to support such allocation. It is acknowledged that allocation will only be allowed when there is no alternative for direct cost attribution. The approval remains within the Authority which is empowered to require an asset to be re-allocated when causation is inappropriate.

The Authority is entitled to investigate on cost allocation and recall at any time for extra information to establish causality.

5.2.2 Shared services and costs

Where the costs are shared between several regulated entities or between regulated and non-regulated entities, the costs or services have to the maximum extent possible to be directly attributed, the remaining shared costs being attributed on the basis of the benefits received by entity.

5.2.3 Customer and third parties contributions

Statutory accounting dealing with customer or third party contribution as revenue and contribution to the asset base have to be adjusted, and the corresponding contribution to be re-allocated for regulatory reporting purposes.

5.2.4 Work in progress

The methodology and timing for the recording of work in progress will be defined and explained by the electricity utilities to the Authority in its financial reporting. Any change in the methodology of recording the work in progress will be explained to the Authority providing justifications and impact assessment in the capital intensiveness of the business.

5.3 Transactions recording

5.3.1 Purchase or selling price

A transaction with a financially related entity³ or a third party cannot be recorded at a price that is less than the fair market value for sales. Similarly purchases cannot exceed the fair market value to avoid excess profits hidden from regulated operations.

5.3.2 Asset transfers

Assets transferred between regulated entities, to or from affiliates or divisions have to be reported at the NBV (Net Book Value).

³ A financially related entity could be a partially or fully owned subsidiary, a company owned or partially owned by the mother company or a shareholder of the local electricity utility reporting, or an independent company subcontracted.

6. Review of the regulatory reporting material

This final section describes the conditions in which the Authority is entitled to access and review (or delegate its power to review) any information provided in a context of regulatory reporting.

6.1 Access to information

Regulated entities must acknowledge that the Authority, or a qualified professional appointed by the Authority, may access and review the statutory and regulatory technical and accounting material at any time and at the discretion of the Authority.

A notification of the review has to be sent to the regulated entity not later than 10 working days before such a review starts. Access to the material should not be restricted to the current fiscal year.

6.1.1 Appointment of auditors

The Authority has the discretion to appoint independent auditors to verify the quality and objectivity of the regulatory material.

In order to avoid conflict of interests and ensure primary duty of care to the Authority, appointed auditor (firm) should be different from the one contracted by the regulated entity to certify its statutory accounts.

6.2 Assistance from regulated entities

In order to facilitate the process of a review, the regulated entity is required to:

- Prepare the requested material (and required copies) in advance
- Provide any information required
- Provide reasonable assistance to the Authority

6.3 Consequences

Consecutively to the review, it could be asked to regulated entity to:

- Adjust its reporting material proved non-compliant
- Modify its internal reporting process proved inefficient or insufficient
- Modify its reporting templates proved non-compliant

Compliance is assessed in regard to the principles and requirements set by the present document.

6.4 Responsibility

In the case of an issue related to the section 10.3, the directors of the regulated entity would be asked to submit a responsibility statement to confirm that the required modifications and adjustments have been processed and to confirm that the statements are now in compliance with the regulatory reporting requirements ruling utility services in Vanuatu.

7. Next steps

This paper outlines the Authority’s proposal to enhance regulatory reporting requirements and achieve improved and standardized monitoring of the regulated services.

The Authority invites all stakeholders to comment on the present document and participate to discussion sessions to be set upon release of this document by the Authority. The Authority will contact the key stakeholders and arrange the venue.

The Authority has set out below an indicative time frame for the discussion and review of the document leading to the release of its final decision upon gazettal.

Approximate date	Activity	Description	Target stakeholder group
Mar 13	Publication of the draft decision.	The Authority published its draft decision paper and meet with the stakeholders to read through and revise the document in a consultative approach.	All stakeholders
Apr 13	Consultation with the Utilities	The authority will present, discuss and capture any feedback regarding its draft decision on regulatory reporting.	The electricity utilities
Apr 13	Review of the comments and feedback provided by all stakeholders	The Authority reviews all the comments and feedback provided by the stakeholders to finalise its decision. A consultation report will be compiled and released by the Authority.	The Authority
May 13	Publication of the final decision and gazettal	The Authority submits its final decision to the commission for final review and approval. Once the decision is endorsed, it is gazetted.	The Authority, the commissioners.

Annexe I. Proposed literature to be used as benchmark

Date	Title	Author	Nature
Mar-11	Electricity distribution and retail - Accounting Ring fencing Guidelines	Office of the Tasmanian Economic Regulator	Guideline
Jan-11	Objectives and priorities of electricity network service providers performance reports	ETSA Utilities	Discussion Paper
Jul-10	Regulatory reporting	Office of the Tasmanian Economic Regulator	Guideline
May-10	Telecom accounting separation information disclosure requirements	Commerce Commission New Zealand	Framework Paper
Aug-08	Electricity distribution network service providers - Annual information reporting requirements	Australian Energy Regulator	Issues Paper
Jul-08	Electricity regulatory information requirements - Transmission and system control	Essential Services Commission Australia	Guideline
Feb-08	Regulatory accounting procedures pertaining to the implementation of the IFRS	Alberta Utilities Commission	Draft Decision
Jan-08	Regulatory accounting guidelines for Trinidad and Tobago electricity commission	Regulated Industries Commission	Draft Decision
Oct-07	Water industry regulatory accounting code	Essential Services Commission Australia	Accounting Code
Jul-07	Regulatory accounting manual Volume 1	National Energy Regulator of South Africa	Draft Decision
Dec-06	Electricity industry guideline No.3 Regulatory Information Requirements Issue No.6	Essential Services Commission Australia	Draft Decision
Oct-00	The role of regulatory accounts in regulated industries	Ofgem and Inter regulatory working group	Discussion Paper

Annexe II. Electricity outage report

Mandatory information

When producing a notice for power cut, electricity utilities are required to provide the following information:

- Location (concession, transformer #, name of area/zone)
- The type of power cut, planned/unplanned
- The justification or reasons for the power cut
- The time and date
- The duration in minutes
- The number of customers affected
- SAIDI and SAIFI measurement
- Undistributed amount of power in kWh
- A description of the damages if any and an estimated amount in VUV
- A description of preventive and corrective actions induced by the power cut

Proposed Template

Individual templates are to be proposed by electricity utilities. Information is not limited to but must include all above. The template retained for each utility will be annexed to the final decision.

Annexe III. Technical performance report

Mandatory information

The technical performance report is a key document reflecting the performance of the utility in operations and allowing the regulator to ascertain the quality of service delivered. The report begins with a summary of the key statistics for the year divided in three main sections, generation, distribution and service (template is provided in the next section) and scans a wide range of indicators summarized below:

Generation metrics

- Installed generation capacity by generation type in kW
- Monthly gross energy generation breakdown by generation type in kWh
- Generator efficiency: for each generator installed of all generation types, the nominal capacity in kW⁴, the total kWh produced, hours of operation/year, total cumulated hours of operations, and use rate in %
- Net energy generated and supplied into the grid in kWh
- Generation efficiency in %: the result of Net energy generated divided by the total growth energy (kWh)
- Monthly energy peak load in kW
- Maximum and minimum daily load curve in kW over 24h
- Load distribution across generator types in hours and kW
- Diesel and assimilated fuels used for generation both in litters and g/kWh
- Other fuels used for generation both in litters and g/kWh
- Oil used for generation both in litters and g/kWh
- Densities of fuels and oils used for generation in grams per litters
- Total planned generation disruption both in hr & min/month and number of disruptions
- Total unplanned generation disruption both in hr & min/month and number of disruptions
- Generation disruption by type in min/customer and number of disruptions: disruption types breakdown as manipulation error, electrical error, mechanical error, accident/fire, force of nature, work/maintenance

Distribution metrics

- HV lines length in km
- LV lines length in km
- A summary table showing the main works/extensions on the distribution network with a short description of the work done, the starting/finishing date, as well as the location/#of transformer
- Energy distributed in kWh/month
- Energy distribution losses in kWh/month
- Distribution efficiency rate in % (energy distributed in kWh/energy supplied in kWh)

⁴ For diesel generators, in the reporting, the electricity utility must differentiate the slow from fast speed generators.

- Global efficiency rate in % (energy distributed in kWh/energy generated in kWh)
- Total planned distribution disruption both in hr & min/month and number of disruptions
- Total unplanned distribution disruption both in hr & min/month and number of disruptions
- Summary table of distribution disruption by type in min/customer and number of disruptions: disruption types breakdown as high voltage network, low voltage network, transformer HV/LV, accident/fire, force of nature, work/maintenance

Sales and customer service metrics

- Number of meters/connections per customer category per month
- Number of new meter/connection subscription per customer category per month
- Number of meter/connection termination per customer category per month
- Number of bills per customer category per month
- Power subscribed in kVa per customer category per month
- Total energy sold in kWh per customer category⁵ per month
- Total amount of kWh not invoiced or for internal use
- Sale efficiency rate in % (energy sold in kWh/energy distributed in kWh)
- Number of complaints per complaint category:

Staff and safety metrics

- Number of employee by category: management, administrative or technical
- Number of working accidents per staff category
- Number of sick hours per staff category
- Sickness rate in % as number of sick hours/number of worked hours
- Records of accidents per date and nature: circulation, electrical, gesture/heavy weight lifting, elevation work, handling, tools, fall on the level, projections, others⁶

⁵ When prepayment metering is available to a customer category, then data must be reported separately

⁶ Should an incident be reported in “other category”, a description of the incident is mandatory

Proposed Template

Technical report templates are to be proposed by electricity utilities. Information is not limited to but must include all above. The template retained for each utility will be annexed to the final decision.

Proposed template for introduction summary spreadsheet:

Technical report summary			
Company name	Previous Year	Current Year	Variation
In VUV	end date	end date	in %
Generation			
Installed capacity in MW with a breakdown between diesel and renewable energy generators			
- Diesel			
- Other fuels (coco)			
- Hydro			
- Wind			
- Solar			
- Other			
Total energy produced in MWh with a breakdown by type of generation			
- Diesel			
- Other fuels (coco)			
- Hydro			
- Wind			
- Solar			
- Other			
Peak demand in MW			
Generation efficiency in %			
Diesel consumption in litters			
Diesel used per kWh in l			
Other fuels and assimilated in litters			
Other fuels used per kWh in l			
Total planned generation disruption in hr & min/customer			
Total unplanned generation disruption in hr & min/customer			
Distribution			
HV lines length in km			
LV lines length in km			
Distribution efficiency in %			
Total planned distribution disruption in hr & min/customer			
Total unplanned distribution disruption in hr & min/customer			
Service			
Total number of customers			
Total energy sold in kWh			
Number of customer complaints			
Number of working accidents			
Total number of employee			
- Management			
- Administrative			
- Technical			

Annexe IV. Profit and loss statement

Mandatory information

The following data are mandatory for the provision of a P&L statement by the electricity utilities:

The revenue

The revenue is distributed across the following categories:

- Revenue from sales of electricity, with a breakdown by customer categories
- Revenue from sales of services and connections including groundwork
- Revenue from other regulated services including penalties for disconnection/reconnection
- Revenue from third party and donors contribution⁷ related to regulated services

Cost of production

- Raw material, with a breakdown between diesel, other fuel including coconut oil, lubricant and other raw material
- Goods and equipment
- Subcontracted work (other than consulting and legal)

Operating and management costs

- Office and administrative expenses
- Wages and salaries, with a separate line for the contributions to VNPF
- Consulting and legal advice
- Stationeries and consumables
- Vehicles and fuel
- Insurances, with a breakdown by categories, cars, premises, production and distribution network, others

EBITDA (earnings before interests, taxes, depreciations and amortizations)

The EBITDA will be expressed in nominal value and margin as a percentage of the total revenue. It is the product of the total revenue being adjusted from the costs of production, operating and management.

⁷ Third party or Government contributions may occur in the normal course of utility service provider's operations. Any contribution received has to be disclosed such as the Authority is made aware of:

- The context and the purpose of the contribution
- The details of the contributor
- The amount of the contribution or its corresponding estimated value when contribution is other than in capital
- Whether it contributes to regulated services only or partly.

Depreciations

Depreciations will breakdown into the following subcategories:

- Depreciations over production assets
- Depreciations over distribution assets
- Depreciations over other operating assets

A separate table in the notes will provide the following additional information, the gross book value, the accumulated depreciations and the net book value, all of them at the beginning and at the end of the exercise. The difference between the gross book value at the beginning and the gross book value at the end of the year corresponds to the capital invested or CAPEX for the year.

Provisions

Provisions will breakdown into the following subcategories:

- Provisions for renewal
- Provisions for severance and retirement
- Provisions for disputes and litigations
- Provisions for doubtful debt
- Provisions for natural disaster or force majeure cases
- Provisions for special funds (including Art.6 of PV concession and any other upcoming agreement)
- Provisions for deferred charges
- Provisions for unrealized exchange losses⁸

Reversals and amounts recovered from provisions passed in previous years will be reported separately following above breakdown and balancing each line for the net amount provisioned at reported fiscal year's end.

EBIT (earnings before interests and taxes)

The EBIT will be expressed in nominal value and margin as a percentage of the total revenue. It is the product of EBITDA being adjusted for the net amount of depreciations and provisions passed for the year.

Financial incomes

The financial incomes related to regulated services only are reported following the breakdown proposed therein:

- Interests and related incomes
- Exchange gains

A separate note will provide detailed explanations of the context in which interests are generated as well as the origin of the funds used to generate interests. In the case where interests are generated through multiple

⁸ Adjusted from unrealized exchange gains

investment supports, these will be described separately showing their individual contribution to the total interest generated.

Financial expenses

The financial expenses related to regulated services only are reported following the breakdown proposed therein:

- Interests and related expenses
- Exchange losses

A separate note will provide detailed explanations of the context in which interests are paid and their correspondence with existing credit lines.

Net result

The Net result will be expressed in nominal value and net margin as a percentage of the total revenue. It is the product of EBIT being adjusted for the balance of financial incomes and expenses.

Exceptional incomes

By definition exceptional incomes are not recurrent. The Authority will be looking at exceptional incomes to be classified in the following categories:

- Proceeds from sales of assets
- Insurance reversal or compensation for covered items destructed or damaged
- Other exceptional incomes⁹

Exceptional expenses

Exceptional expenses will breakdown into the following subcategories:

- Write-off for non-recovered debt
- Write-off for destructed asset or force-majeure related expenses
- Insurance deductibles paid on insurance compensation claimed
- Other exceptional expenses¹⁰

Net profit

The Net profit will be expressed in nominal value and net margin as a percentage of the total revenue. It is the product of the net result adjusted for the balance of exceptional incomes and expenses.

⁹ Any item recorded in the category “Other exceptional incomes” will have to be supported by additional notes providing details about the nature of the income and the conditions leading to its recording and the context in which the transaction happened.

¹⁰ Any item recorded in the category “Other exceptional expenses” will have to be supported by additional notes providing details about the nature of the expense and the conditions leading to its recording and the context in which the transaction happened.

Proposed Template

P&L		
Company name	Previous Year	Current Year
In VUV	end date	end date
(1) Revenue (Total of subcategories)		
Revenue from sales of electricity		
- Cust. Category 1		
- Cust. Category 2		
- Cust. Category 3		
- Cust. Category 4		
- Cust. Category 5		
- Cust. Category 6		
Revenue from sales of services and connections including groundwork		
Revenue from other regulated services including penalties for disconnection/reconnection		
Revenue from third party and donors contribution		
(2) Cost of production (Total of subcategories)		
% of total revenue		
Raw material (total of subcategories)		
- Diesel		
- Other fuel including coconut oil		
- Lubricant		
- Other raw material		
Goods and equipment		
Subcontracted work (other than consulting and legal)		
(3) Operating and management costs (Tot. of subcat.)		
% of total revenue		
Office and administrative expenses		
Wages and salaries		
Contributions to VNPF		
Consulting and legal advice		
Stationeries and consumables		
Vehicles and fuel		
Insurances (total of subcategories)		
- Vehicles fleet		
- Premises		
- Production and distribution network		
- Others		
(4) EBITDA = (1) - (2) - (3)		
% of total revenue		

(5) Depreciations (Total of subcategories)		
Over production assets		
Over distribution assets		
Over other operating assets		
(6) Provisions (Total of subcategories)		
Provisions for renewal		
Provisions for severance and retirement		
Provisions for disputes and litigations		
Provisions for doubtful debt		
Provisions for natural disaster or force majeure cases		
Provisions for special funds (including Art.6)		
Provisions for deferred charges		
Provisions for unrealised exchange losses adjusted from unrealised exchange gains		
(7) EBIT = (4) - (5) - (6)		
% of total revenue		
(8) Financial incomes (Total of subcategories)		
Interest and related incomes		
Exchange gains		
(9) Financial expenses (Total of subcategories)		
Interest and related expenses		
Exchange losses		
(10) Net result = (7) + (8) - (9)		
% of total revenue		
(11) Exceptional incomes (Total of subcategories)		
Proceeds from sales of assets		
Insurance reversal or compensation for covered items destructed or damaged		
Other exceptional incomes		
(12) Exceptional expenses (Total of subcategories)		
Write-off for non-recovered debt		
Write-off for destructed asset or force-majeure related expenses		
Insurance deductible paid on insurance compensation claimed		
Other exceptional expenses		
(13) Net Profit = (10) + (11) - (12)		
% of total revenue		

- Numbers will be displayed using the 1000 separator (,) and no decimal places
- Dates will be displayed as dd/mm/yy

Annexe V. Cash-flow statement

Mandatory information

The cash flow statement presents three distinct sections starting with the cash resources, allocations of resources, and last the changes in working capital, capturing the cash intensiveness evolution of operations. Each subcategory retraces the cash movements making the transition between the previous and current year for balance sheet items.

Cash resources

This section is dedicated to the cash resources available to the electricity utility from its own operations, self-financing, from its contributors, shareholders and third parties, and from finance market and institutions. In line with the disaggregation principles used for the balance sheet, the resources are divided between the following categories:

- Self financing from operations
- Sales of intangible assets
- Sales of tangible assets
- Disposal of financial assets
- Contribution from additional loans and debt
- Contribution from capital increase
- Contribution from third parties
- Other contributions

The cumulated amounts reported in above categories will form the resources available to provide electricity services under the conditions set by the respective contracts.

In order to establish the self financing capacity, electricity utilities must adjust the “Net profit” obtained in the P&L statement from all non-cash operations including provisions and depreciations. A specific note will inform on the retreatment made to adjust the net profit from non-cash operations.

The following subcategories, sales of intangible and tangible assets together with the disposal of financial assets, must be justified by a separate note describing the nature of each asset sold, its selling price and maturity when applicable. Sales related to concession assets must match the transactions captured in the regulatory asset register and follow the balance sheet breakdown between land and constructions, production, distribution and other concession assets. Financial assets will dispatch between the participation in subsidiaries, marketable securities and other financial assets.

In the case of a contribution from capital increase, a separate note will report the amount of capital raised, the cost associated and the number of additional shares emitted.

About the contribution from third parties, a note will provide a breakdown between customers, donors and other third parties.

In order to be eligible under the “Other contributions” subsections, contributions must not qualify for one of the above listed categories. The details of such contributions will be detailed in a separate note.

Cash allocations

All the resources allocated for the production of regulated services are reported in the following section to the exception of operating allocations varying inputs of the working capital reported separately. Allocation of resources splits into the following categories:

- Addition of intangible assets
- Addition of tangible assets
- Addition of financial assets
- Loan and debt repayment
- Cash mobilized for assets under construction
- Severance and retirement contribution

The following subcategories, addition of intangible, tangible and financial assets, must be justified by a separate note describing the nature of each asset, its purchasing price and maturity when applicable. Purchases related to concession assets must match the transactions captured in the regulatory asset register and follow the balance sheet breakdown between land and constructions, production, distribution and other concession assets. Financial assets will dispatch between the participation in subsidiaries, marketable securities and other financial assets.

The cash allocated for the repayment of loan and debt must be in line with the transactions captured in the debt management statement.

A separate note will provide a summary of the projects and assets under construction with the value immobilized, an estimated completion date.

Change in working capital

The last section of the cash flow statement focuses on changes operated at operational level capturing the cash impact of the evolution of the stocks, payables and receivables at the time accounts are closed for annual reporting. The section is divided in two subcategories, the first focusing on the changes in current assets while the second is capturing variations in current liabilities:

- Change in current assets
- Change in current liabilities

The subsection related to current assets differentiates the variation of stocks from the variation of the receivables in the balance sheet.

Changes in current liabilities consequent to cash allocations are reflected in the second subsection and dispatched between payables to suppliers, to third parties and other payables, in line with the proposed template for balance sheet.

- Numbers will be displayed using the 1000 separator (,) and no decimal places
- Dates will be displayed as dd/mm/yy

Proposed Template

Cashflow statement		
Company name	Previous Year	Current Year
In VUV	end date	end date
(1) Cash resources (Total of subcategories)		
Self financing from operations		
Sales of intangible assets		
Sales of tangible assets (total of subcategories)		
- Land and constructions		
- Production (generation)		
- Distribution (network)		
- Others concession assets		
Disposal of financial assets (total of subcategories)		
- Participations in subsidiaries		
- Marketable securities and similar investments		
- Other financial assets		
Contribution from additional loans and debt		
Contribution from capital increase		
Contribution from third parties		
- Customers contribution		
- Donnors contribution		
Other contributions		
(2) Cash Allocations (Total of subcategories)		
Addition of intangible assets		
Addition of tangible assets (total of subcategories)		
- Land and constructions		
- Production (generation)		
- Distribution (network)		
- Others concession assets		
Addition of financial assets (total of subcategories)		
- Participations in subsidiaries		
- Marketable securities and similar investments		
- Other financial assets		
Loan and debt repayment		
Cash mobilised for assets under construction		
Severance and retirement contribution		
(3) Total cash post allocation = (1) - (2)		
% of total revenue		
(4) Change in working capital (Total of subcategories)		
Change in current assets		
Variation of stock (increase)/decrease		
Variation of receivables (increase)/decrease		
Change in current liabilities		
Variation of payables to suppliers (decrease)/increase		
Variation of payables to third parties (decrease)/increase		
Variation of other payables (decrease)/increase		
(5) Cash and equivalent position from previous year		
(6) Cash and equivalent at year's end = (5)+(3)+(4)		

Annexe VI. Balance sheet

Mandatory information

The balance sheet is presented in two main parts relating assets and the way these are financed. As a separate asset register provides the details on the constitution of the asset base and corresponding depreciation and revaluation, for regulatory purposes, assets will be recorded at their net present value in the balance sheet.

Fixed assets

Fixed assets are by definition considered less liquid than current assets and usually for a term that is longer than a fiscal year; these are distributed amongst the following categories or type of assets:

- Intangible assets
- Tangible assets
- Financial assets

For the first category, intangible assets, a difference must be made between assets within the scope of the concession contract and non-concession assets.

Tangible assets will be distributed across five categories, assets outside of the scope of the concession (or non-concession assets), land and constructions (including justified land improvement), assets used in production of electricity, assets used for the distribution and last, other concession assets (regrouping assets not fitting with one of the previous categories but falling under the scope of the concession contract.

Financial assets include participations and investments made by the company in marketable securities and financial products with the aim to generate interests and for a period that is longer than a fiscal year, sorted by level of liquidity.

Current assets

Current assets are sorted according to their level of liquidity starting from the less liquid, work in progress, to the most liquid, cash and equivalent, at the bottom of the section. Stocks and receivables are completing the categories as described below:

- Work in progress
- Stocks
- Trade and other receivables
- Cash and equivalent

The work in progress subsection is a transitory account to value the proportion of investments and disbursement made on projects still under completion at the date the accounting cycle was stopped for a snapshot. Once completed, these investments will be accounted in above categories as fixed assets.

The stocks are recorded in value at the day of closure and splits between the following subcategories: diesel, other fuel including coconut oil, lubricant, other raw material and stock in transit, the last regrouping all paid but not delivered raw and stock constituent.

Trade and receivables summarise the monies advanced by the company to its customers, third parties including employees and other receivables at the date of accounting closure.

Cash and equivalent materialise the cash in bank or in the utilities hands at accounting closure. Short term investments are considered equivalent to cash based on their level of liquidity and length.

Total assets

By definition the total assets is the sum of all above categories in net value and balances the total liabilities (including equity capital).

Equity

The equity section will retrieve all sources of self-financing for the utilities in addition to the funds secured through third parties contribution as described by the following breakdown:

- Shareholder's equity
- Retained earnings
- Provisions
- Third party contribution

Liabilities

The liabilities section relates to the monies borrowed from financial institutions for short and long term, as well as the payables and funds received in advance for the provision of regulated services. The section is distributed amongst the following items:

- Long term debt and loans
- Short term debt and overdraft
- Trade and other payables
- Other liabilities

As a debt management summary is provided separately in the reporting material, there is no need for the breakdown between the credit lines to be displayed in the two sections related to long and short term liabilities. These will however be in line with the total amount borrowed reported in the debt management summary.

The trade and other payables section subdivides in payables to suppliers, payables to third parties, customer deposits and other payables.

Items reported under the other liabilities label will have to be described in a specific note providing a detailed breakdown and maturity whenever it applies.

Total liabilities

By definition the total liabilities is the sum of all above categories in net value and balances the total assets in funding.

Proposed Template

Balancesheet		Previous Year	Current Year
Company name		end date	end date
In VUV			
(1) Fixed assets (Total of subcategories)			
Intangible assets (total of subcategories)			
- Non-concession			
- Concession			
Tangible assets (total of subcategories)			
- Non-concession			
- Land and constructions			
- Production (generation)			
- Distribution (network)			
- Others concession assets			
Financial assets (total of subcategories)			
- Participations in subsidiaries			
- Marketable securities and similar investments			
- Other financial assets			
(2) Current assets (Total of subcategories)			
Work in progress			
Stocks (total of subcategories)			
- Diesel			
- Other fuel including coconut oil			
- Lubricant			
- Other raw material			
- Stock in transit			
Trade and other receivables (total of subcategories)			
- Receivables from customers			
- Receivables from third parties			
- Other receivables			
- Advance on payment			
Cash and equivalent			
(3) Total assets = (1) + (2)			
(4) Equity (Total of subcategories)			
Shareholder's equity			
Retained earnings			
Provisions			
Third parties contribution			
(5) Liabilities (Total of subcategories)			
Long term debt and loans			
Short term debt and overdraft			
Trade and other payables			
- Payables to suppliers			
- Payables to third parties			
- Customer deposits			
- Other payables			
Other liabilities			
(6) Total liabilities = (4) + (5)			

- Numbers will be displayed using the 1000 separator (,) and no decimal places
- Dates will be displayed as dd/mm/yy

Annexe VII. Capital expenditures and regulatory asset base statement

Mandatory information

Capital expenditures

Capital expenditures will divide between production and distribution, then split by concession and by type of investment as detailed therein:

- Replacement of existing assets / Renewal
- Capacity increase and growth related investments
- Quality and reliability enforcement
- Safety and working conditions improvements

For substantial investments, explanatory notes will support the decision and prioritization of the projects according to the investment plan.

Capital expenditures have to feed into one of the above categories. If required, additional categories can be considered by the authority at the request of the utilities when in compliance with the reporting principles set in section 8.

Assets aging schedule

In order to monitor the regulatory asset base, regulated entities will be required to provide the Authority with an asset register as part of the annual reporting material.

The asset register will break down by asset categories and report for each class:

- The corresponding account number
- The number of items recorded
- Their identification code (or #)
- Their remaining life at the end of the fiscal year
- The acquisition cost of the asset
- The cumulated depreciations

Assets write off and adjustments for impairment

Assets write off or adjustments for impairment have to be justified and recorded at their adjusted value (acquisition cost adjusted from provisions) when entered into the asset base.

Proposed Template

To be determined in collaboration with the utilities based on the definition of asset categories and to be incorporated to the final decision.

Annexe VIII. Financing summary report

Mandatory information

The financing summary will provide details on the funding strategy adopted looking at the balance between equity and debt, additional capital issued, the long term and short term borrowings and credit lines contracted, the borrowing rate as well as dividends and contributions paid to the shareholders by the electricity utilities. Information displayed will show the following mandatory information and split into two distinct categories:

Equity

- The number of shares at beginning and end of the year
- The total of new shares emitted, the date of emission, the corresponding capital raised from shareholders and the cost associated
- The total amount of dividends paid for the year and dividend per share ratio

Debt and borrowings

- The contracting date
- The repayment timeframe: frequency and maturity
- The amount borrowed and the currency
- The borrowing rate
- The amount of interests¹¹
- The lender
- A copy of the contract for any new additional line
- The total amount (nominal and interests) repaid at date
- The remaining balance (nominal and interests) at date

The following template will be used to report mandatory information.

¹¹ Or the conditions applying to interest calculation when interests are not fixed

Proposed Template

Financing summary

Company name

Equity

Total # of shares at the beginning of the year

Total # of shares at the end of the year

Total amount of dividends paid in VUV

Dividend/share ratio

Date of emission	# of shares	Capital raised in VUV	Cost of emission in VUV

Debt and borrowings		Repayment timeframe			Total amount repaid at date		Remaining balance at date			
The lender	Contracting date	Frequency of repayment	Maturity	Currency	Amount borrowed	Interests	Nominal (capital)	Interests	Nominal (capital)	Interests

- Numbers will be displayed using the 1000 separator (,) and no decimal places
- Dates will be displayed as dd/mm/yy

Annexe IX. Report supporting the use of funds under Art.6 of PV concession

Mandatory information

This summary spreadsheet will be used to report on the use of the funds as provided under Art.6 of the Port-Vila concession and any future similar arrangement to facilitate access to electricity. The following information are mandatory for each project:

- The project number
- The project description
- The project area or number of transformer
- The number of additional connections
- The start date
- The end date
- The total cost in VUV

Proposed Template

Article 6 Use of funds summary

Company name

Project #	Project description	Area # of transformer	# of additional connections	Start date	End date	Total cost in VUV

- Numbers will be displayed using the 1000 separator (,) and no decimal places
- Dates will be displayed as dd/mm/yy

Annexe X. Customer complaint records

Mandatory information

Records from customer complaints must be kept by the electricity utilities and display the following mandatory information for the year elapsed:

- An identification number
- The date
- The nature of the complaint: billing, connection and related ground work, quality of service (tension/voltage), customer service, other
- The area (# of transformer)
- A summary of the issue
- A summary of the solution proposed
- Any cost induced
- A description of additional measures taken to avoid further issues

Proposed Template

Individual templates are to be proposed by electricity utilities. Information is not limited to but must include all above. The template retained for each utility will be annexed to the final decision.

Annexe XI. Monthly electricity tariff adjustment report

Mandatory information

For electricity concessions ruled by a tariff adjustment formula, the electricity tariff adjustment report will provide the following information:

- The period (start and finish date) covered by the adjusted base tariff
- The base tariff in VUV/kWh
- All technical inputs¹² required to adjust the base tariff according to the formula pre-established by tariff setting decision, including but not limited to:
 - the diesel and other assimilated fuel purchased both in VUV and liters
 - the diesel and other assimilated fuel used in production both in VUV and liters
 - the total energy produced in kWh by generation type
 - the generation efficiency ratio used per generation type
 - the thermal out of total generation ratio in absolute value
 - the total energy distributed in kWh
 - any relevant index used in indexation of the formula or its components (currency, material, human resources...)
- All above technical inputs at their original level as set by decision and applying for the period
- The tariff applying to the different customer categories both in VUV and multiple of the adjusted base tariff, with a breakdown between the cost of electricity consumed, the fixed charge paid per subscribed kVA and the corresponding security deposit¹³
- A breakdown of the security deposit calculation based on subscribed Amperes and kVA for single and three phases connections for the relevant customer categories
- The reconnection fee charged to disconnected customers in VUV

Proposed Template

Individual templates are to be proposed by electricity utilities. Information is not limited to but must include all above. The template retained for each utility will be annexed to the final decision.

¹² Based on data collected over the last relevant period (last month, quarter, rolling year, other...)

¹³ Any additional charge induced by prepayment technology is to be displayed in VUV per item (blank card...)

Annexe XII. Financially related entities summary

Mandatory information

The report will help to identify all entities being financially related and/or supplying or being supplied by electricity utilities for a cumulated amount of transactions (in cash or in kind) of VUV 10,000,000 or more over a year of operations. The financially related entities will be distinguished according to the nature of the relationship with electricity utilities, ownership or independent supplier. The report will include the following mandatory information:

- Name and nature of the financially related entity
- Nature of the relationship (ownership or subcontracted)
- % ownership detained at beginning and at end of the year
- Nature of the services or products supplied
- Cumulated amount of transactions in VUV

Proposed Template

Financially related entities				
Company name				
Related entities by ownership				
Related entity name	Nature of operations/products/services provided	Total transactions in VUV	% shares at beginning of the year	% shares at end of the year
Related entities by subcontracting				
Related entity name	Nature of operations/product/service provided	Total transactions in VUV		

- Related entities by ownership must be understood as companies directly or indirectly fully or partially owned by a local electricity utility and/or, a company detaining a participation in the local electricity utility company reporting.
- Numbers will be displayed using the 1000 separator (,) and no decimal places

Utilities Regulatory Authority

Vanuatu

You can access the Draft decision paper “Regulatory Reporting Requirements” of March 2013 on our website www.ura.gov.vu, or by contacting us by telephone (+678) 23335, email: ofernandez@ura.gov.vu or regular mail at “Regulatory Reporting Requirements”, Utilities Regulatory Authority, PMB 9093, Port Vila, Vanuatu.