



Office of Utility Regulation

# **Update of OUR's Regulatory Accounting Guidelines for C&W Guernsey**

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## **Decision Notice and Report on the Consultation**

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**Office of Utility Regulation**  
Suites B1 & B2, Hirzel Court, St Peter Port, Guernsey, GY1 2NH  
Tel: [0]1481 711120, Fax: [0]1481 711140, Web: [www.regutil.gg](http://www.regutil.gg)

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# 1 Introduction

In August 2004 the Director General (DG) issued a consultation paper on proposed revisions to the Accounting Separation Guidelines (the Guidelines) which had been issued to Guernsey Telecoms (“GT”) in March 2002. At that time the DG had noted that the Guidelines were likely to develop over time and they should not be considered as immutable, and consequently would be reviewed and amended in the light of experience and the needs of the DG in performing her duties.

The August draft of the Guidelines had been updated and revised to take into account developments within the market, C&W Guernsey’s own progress in developing its regulatory accounting system and to reflect changes in international best practice in this area.

Two responses to the consultation paper were received from:

- C&W Guernsey; and
- Newtel.

The Director General wishes to thank respondents for their contributions. In line with OUR standard practice, with the exception of any responses marked as confidential, written comments are available for inspection at the OUR’s office and are also published on the OUR’s website [www.regutil.gg](http://www.regutil.gg).

This paper is structured as follows:

**Section 2** – sets out respondents’ views on the issues raised in the consultation paper together with the DG’s position on each of the points raised;

**Section 3** – contains the Director General’s decision on the matter.

The revised Guidelines have been published as a separate document (Document OUR 04/25) available from the OUR’s website.

## 2 Comments on Proposals

Copies of the respondents' comments on the consultation document are available from the OUR during office hours and on the OUR's website. This section summarises respondents' views on the questions posed in the OUR's consultation paper and sets out the Director General's position on those comments.

### 2.1 General

C&WG raised a number of questions relating to the draft revised Guidelines which are set out in full in their response to the consultation which is available on the OUR's website. A number of these issues have been addressed in the ongoing implementation of the directions set out in document OUR 04/12 by C&WG (e.g. the improving the transparency of company's Accounting Separation model).

The matters raised included, *inter alia*:

- C&WG requested that the Guidelines be updated to reflect that the auditing of the regulatory accounts could be based on appropriate sampling techniques.
- C&WG also requested additional changes to reflect discussions between C&WG and the OUR with respect to the local access network and Table 2.1.
- C&WG believed that the requirement to report Retail National Internet Calls separately to have been removed and requested that the Guidelines be amended accordingly
- C&WG also requested that the definitions of disaggregated retail services be amended to reflect the current agreed definitions between the OUR and C&WG

The DG has noted these comments and has taken the following steps:

- The text in the revised Guidelines have been amended to reflect that appropriate sampling techniques for the audit are acceptable to this Office.
- The revised Guidelines have been amended accordingly to:
  - reflect the agreed wording for local access network; and
  - correct a typographical error in Table 2.1.
- the Guidelines have been amended appropriately to reflect that Retail National Internet Calls do not have to be reported separately;
- the definitions of disaggregated retail services have been updated to reflect discussions between the OUR and C&WG.

### 2.2 Expansion of Guidance on Regulatory Principles

The DG invited views on whether the expanded guidance on the application of the Regulatory Principles is appropriate, useful and in line with international practice.

C&WG considered the revised Guidelines to provide a well-structured and useful framework in which to carry out its accounting separation requirements for the OUR, subject to the additional comments noted above. Newtel supported the DG's proposals

Subject to the specific comments reference elsewhere in this paper the DG will amend the Guidelines and will incorporate the proposed amendments within the latest version of the Guidelines.

### **2.3 Proposed Audit Guidance**

The DG invited views on whether the proposed audit guidance provided interested parties with confidence in C&WG's regulatory accounts.

C&WG had no comment on this matter. Newtel considered that the proposed audit guidance should provide interested parties with greater confidence in C&WG's regulatory accounts, subject to proper adherence to the Guidelines.

The DG has noted Newtel's comments and welcomes the support for the inclusion of audit guidance. This will be incorporated within the latest version of the Guidelines.

### **2.4 Grouping and Expansion of Issues**

The DG invited views on whether the grouping and expansion of issues set out in the proposed Guidelines were appropriate, useful and in line with international practice.

Newtel agreed with the proposed changes. C&WG did not comment on this issue.

The DG has noted the support for the grouping of issues and will adopt this structure within the latest version of the Guidelines.

### **2.5 Grouping and Expansion of Issues in Annexes**

The DG sought comments on whether the grouping and expansion of issues set out in the Annexes in the proposed Guidelines were appropriate, useful and in line with international practice.

Both C&WG and Newtel supported the DG's proposal and the DG will now amend the latest version of the Guidelines to reflect these changes.

## **3 Decision**

The DG will publish the revised Regulatory Accounting Guidelines for C&WG taking into account the responses to the consultation. The Guidelines are published as document OUR 04/25.

The DG will keep the Guidelines under review and monitor developments elsewhere. The Guidelines is a living document and may be subject to change. In any event the DG will expect to review the Guidelines again after another three years.

## **4 Conclusion**

The DG recognises the effort that C&WG have made with respect to the preparation of its regulatory accounts and believes that the company's Regulatory Accounts are now developing into a very useful tool for both OUR, C&WG and industry players.

The dominant incumbent operator's Regulatory Accounts represent a fundamental tool within the regulatory regime and provide an input to a range of regulatory decisions. The DG believes that other parties are now beginning to see the value of these accounts beyond just the use for regulatory purposes.

**/ENDS**