

The role of regulatory accounts in regulated industries

A final proposals paper by the:

Chief Executive of Ofgem;

Director General of telecommunications;

Director General of water services;

Director General of electricity and gas supply (Northern Ireland);

Rail Regulator;

Civil Aviation Authority; and

Postal Services Commission.

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Introduction and Summary

The Government's Green Paper on utility regulation 'A Fair Deal for Consumers' suggested that there would be benefits if companies were to produce more standardised regulatory accounts. In particular this would facilitate wider understanding of regulatory issues. Following the Green Paper, an inter-regulatory regulatory accounts working group was set up to identify and develop areas of consistency within published regulatory accounts. A consultation paper discussing these issues was published in October 2000. Since the October 2000 consultation paper was published PostCom has joined the working group.

Respondents generally supported more consistency between the regulators. The main difference between the views of respondents was that the regulated companies wanted less information to be made publicly available than consumer or environmental organisations. The other main objection to the suggestions made in the October 2000 consultation paper was in relation to audit where the regulated companies and the accounting profession did not want the regulator to be involved in the appointment of auditors.

The working group's mandate covers the businesses regulated by the members of the working group. These businesses are active in gas, electricity, telecommunications, water and sewerage, rail, airport and air traffic control services and postal services within the UK. Obligations to prepare regulatory accounts are usually only placed on companies with monopoly or market power in these industries.

The members of the working group have agreed to adopt the set of common regulatory accounting principles that are set out in Appendix 2. The main elements of these high-level principles are:

- ◆ regulatory accounts will be prepared and audited using the common regulatory accounting framework. Where there are any conflicts between Regulatory Accounting Guidelines (RAGs) and UK Generally Accepted Accounting Practice (UK GAAP), then the RAGs will take precedence;
- ◆ where practicable there will be consistency between the formats of the regulatory accounts used in the industries regulated by the members of the working group;

- ◆ where appropriate, actual performance will be compared to the assumptions underlying price controls;
- ◆ the requirements for the audit of the regulatory accounts will become more clearly defined and regulators will have the reserve powers described in chapter 5;
- ◆ regulatory accounts will be published no later than four months after the regulatory accounting year end; and
- ◆ where appropriate, the regulatory accounts will include additional information that will enhance understanding of the regulated companies' performance.

In addition:

- ◆ it is not considered appropriate to develop a Statement of Recommended Practice (SORP) for regulatory accounts;
- ◆ there will be no requirement for interim regulatory accounts;
- ◆ there is further scope to identify and spread best practice between regulatory offices; and
- ◆ it is envisaged that the working group will continue to meet in order to discuss matters of common interest and identify issues where collective action would be appropriate.

Bearing in mind the current regulatory reporting regimes and legal constraints each regulator will endeavour to implement these proposals as soon as it is possible for them to do so. Any changes to the regulatory accounting arrangements of the companies concerned as a result of the implementation of these proposals will be made by each member of the working group, if it is practicable and proportionate to do so, in accordance with the regulatory procedures for that industry.

The first chapter of this proposals paper provides background to the key issues. The second chapter considers the main purpose of regulatory accounts. The third chapter examines the common regulatory accounting framework. The fourth chapter looks at the attribution, allocation and the inter-business recharging of costs. The fifth chapter considers the role of the auditors in regulatory accounts and the sixth chapter looks at

publication issues. The appendices include a summary of the responses to the October 2000 consultation paper, the proposal for a set of common regulatory accounting principles, a glossary and a list of useful publications.

Table of contents

1. Background.....	1
2. The purpose of regulatory accounts.....	3
3. A common regulatory accounting framework.....	5
Regulatory Accounting Guidelines.....	5
Basis of Preparation.....	6
Statement of Recommended Practice (SORP).....	8
4. Cost attribution, cost allocation and inter-business recharging of costs.....	9
5. Role of the auditors in regulatory accounts.....	11
Background.....	11
Appointment of Auditors.....	11
Duty of Care, Materiality and the Audit Framework.....	13
6. Publication issues.....	17
Content.....	17
Method of Publication.....	19
Timetable.....	20
Interim Regulatory Accounts.....	21
Appendix 1 Summary of responses to the October 2000 Consultation Paper ..	22
Appendix 2 Proposal for a set of common regulatory accounting principles ...	31
Appendix 3 Glossary.....	36
Appendix 4 Useful publications	38

1. Background

- 1.1 Regulatory accounts are designed to provide information about regulated businesses for use by the regulator, industry, investors, consumers and other stakeholders. They provide information that is more focused than that contained in statutory accounts as they relate to regulated businesses or activities, whereas statutory accounts relate to the regulated company as a whole. Statutory accounts are more focused on the requirements of investors. Where the regulated company is a subsidiary of a larger group the statutory accounting disclosure requirements are not as extensive as those for the ultimate parent company, particularly where the ultimate parent company is listed on a major Stock Exchange.
- 1.2 Each regulator has a different emphasis in developing regulatory accounting arrangements depending on the structure of the industry that it regulates. It is clear from the discussion in the October 2000 consultation paper that the main focus of regulatory accounting arrangements is to provide information to assist in dealing with the monopoly or market power associated with network industries. Where there are significant differences between regulators these derive primarily from the structure of the industry rather than from differences of principle.
- 1.3 For example, in the telecommunications industry, regulatory accounting arrangements are designed to reflect the development of competition and the importance of monitoring and detecting anti-competitive behaviour such as unfair cross-subsidisation and undue discrimination. In areas where there is currently little competition between networks, such as water and sewerage, the focus is on ensuring that regulatory accounting arrangements provide consistent and transparent financial information in order to monitor performance and support the resetting of price controls.
- 1.4 There is scope for developing regulatory accounting arrangements on a sector specific basis, depending on the structure of each industry. Both Ofwat and Oftel have developed, with the relevant licensees, methods and guidelines relating to regulatory accounting principles and Current Cost Accounting (CCA) which are intended to set out in a detailed and transparent way the basis on which regulatory accounts are prepared. These include guidelines on cost

attribution, cost allocation, inter-business recharging of costs and transfer pricing. Ofgem and ORR have recently published consultation papers and final proposals that broadly support this approach. Ofreg and CAA are also considering ways of improving sector specific regulatory accounting arrangements.

- 1.5 The emergence of multi-utility groups has reinforced the importance of close co-operation between certain regulators with the main areas of concern relating to the attribution, allocation and inter-business recharging of costs. At present Ofgem and Ofwat are the regulators most affected by multi-utilities following corporate restructuring involving water and sewerage companies and electricity distribution and supply businesses.
- 1.6 In general, the purpose of the working group is to develop a high-level framework for the preparation and publication of regulatory accounts in the industries that they regulate and to identify areas where best practice can be spread between regulatory offices and where appropriate, develop more consistent approaches.

2. The purpose of regulatory accounts

Summary of the October 2000 Consultation Paper

- 2.1 The paper said that in determining the purposes of regulatory accounts the working group had considered the latest published views of the Accounting Standards Board (ASB), in particular its statement of principles for financial reporting. In essence, the main purpose of regulatory accounts should be to provide financial information about regulated businesses for use by the regulator, industry, investors, consumers and other stakeholders. This would enhance the information available within the industry and aid in the assessment of the stewardship of management and informing economic and financial decisions.
- 2.2 The paper also said that applications of regulatory accounts could include:
- ◆ monitoring performance against the assumptions underlying current price controls;
 - ◆ informing future price control reviews and other regulatory decisions that require financial information such as setting determined prices;
 - ◆ in the relevant markets, assisting in the detection of certain anti-competitive behaviour such as unfair cross-subsidisation and undue discrimination at the appropriate level within the business concerned;
 - ◆ assisting in comparative competition;
 - ◆ assisting in monitoring financial health; and
 - ◆ improving transparency in the regulatory process as regulatory accounts are the main source of regular, published and audited financial information about regulated companies.

Views of Respondents, Assessment and Proposals

- 2.3 Most respondents said that they agreed with the main purposes of regulatory accounts as summarised above and it is proposed to use this framework in the

future. Nevertheless, the emphasis each regulator adopts will depend on the specific circumstances prevailing in the industry concerned.

3. A common regulatory accounting framework

Regulatory Accounting Guidelines

Summary of the October 2000 Consultation Paper

- 3.1 The paper said that in the UK statutory accounts are prepared using a set of rules generally referred to as UK GAAP. This is mainly based upon the accounting principles included in accounting standards issued or adopted by the ASB that are currently in force in the UK, and UK company law. Similarly, for regulatory accounts, RAGs provide a set of rules to be used in the preparation of regulatory accounts. It is likely that the majority of accounting policies included in the RAGs will be consistent with UK GAAP.
- 3.2 The paper also said that the proposed common regulatory accounting framework would provide a structure for the preparation of regulatory accounts. Regulatory accounts would be prepared and audited using either the RAGs for that industry or, where a RAG does not cover the issue, UK GAAP. Where there is any conflict between RAGs and UK GAAP, then the RAGs would take precedence.
- 3.3 RAGs should take precedence because they will have been designed specifically to consider the regulatory accounting issues involved in the preparation of regulatory accounts. UK GAAP is designed to apply to the accounts of all UK companies and as such is a general framework of accounting principles, whereas RAGs are designed for the specific purpose of providing accounting information for one type of company. This distinction allows the RAGs to be as detailed as required whereas UK GAAP has to be more broadly based. This means that by having detailed rules in certain specific areas, the RAGs will ensure that there is more consistency between the regulatory accounts of the companies concerned than would be achieved by just complying with UK GAAP.

Views of Respondents, Assessment and Proposals

- 3.4 Respondents views were generally mixed and the debate on this issue was connected to the debate on audit opinion. The majority of respondents thought that RAGs should take precedence over UK GAAP. Respondents who objected to this, largely did so because they said that RAGs could not take precedence

over UK GAAP if a 'true and fair view' audit opinion was required. The accounting profession said that it was more appropriate to use 'presents fairly in accordance with' or 'properly prepared in accordance with' as the audit opinion for the regulatory accounts and in this situation the RAGs should take precedence over UK GAAP because they will be designed specifically for regulatory accounting issues. It is proposed that regulatory accounts should be prepared and audited using either the RAGs for that industry or, where a RAG does not cover the issue, UK GAAP. Where there is any conflict between RAGs and UK GAAP then the RAGs will take precedence over UK GAAP.

Basis of Preparation

Summary of the October 2000 Consultation Paper

- 3.5 With regard to the basis of preparation of regulatory accounts (which refers to the principles involved in the preparation of regulatory accounts) the paper said that the main options are Historical Cost Accounting (HCA), Modified Historical Cost Accounting (MHCA) or Current Cost Accounting. The use of the regulatory asset value (RAV) in the basis of preparation was also discussed. The main differences between these options lie in the area of asset valuation. The majority of companies in the United Kingdom use HCA as the basis of preparation for their statutory accounts, a number of them revalue fixed assets using MHCA principles but not all of them refer to their statutory accounts as being prepared on an MHCA basis.
- 3.6 The valuation of a capital base is usually central to the formulation of price controls. For price control purposes most regulators have not relied upon reported asset valuations, whether based on HCA, MHCA or CCA principles, but instead have used their own estimates of an appropriate valuation for the capital base, which takes account of the circumstances of privatisation. This is commonly known as the regulatory asset base, regulatory capital value or regulatory asset value. Usually the RAV is based on rolling forward an initial privatisation or market valuation by adjusting for depreciation, capital investment, disposals and inflation. The RAV represents a current value basis of measurement which may be closely related to the 'value in use' of the

businesses under a continuing regulatory regime. Increasingly regulators are requiring the use of RAV in regulatory accounting statements.

- 3.7 The basis of preparation issue revolves around the most appropriate way of reflecting in the regulatory accounts of the companies concerned, the assumptions underlying price controls.

Views of Respondents, Assessment and Proposals

- 3.8 Respondents views were generally mixed. Most companies wanted to use the same basis of preparation for their regulatory accounts as they use in their statutory accounts.
- 3.9 The approach adopted by each regulator to the basis of preparation reflects the specific circumstances of the industry concerned. Given this diversity of valuation methods it is not possible to achieve consistency in the basis of preparation of the regulatory accounts and each regulator will use the method that is most appropriate for its industry. Nevertheless it is possible to identify some of the main considerations governing the choice of the basis of preparation by each regulator. These include:
- ◆ transparency;
 - ◆ the method used to set price controls;
 - ◆ how the RAV is determined;
 - ◆ consistency within the industry concerned;
 - ◆ consistency with the statutory accounts of the companies concerned;
 - ◆ views of consumers;
 - ◆ nature of the industry concerned; and
 - ◆ the extent of competition within that industry.
- 3.10 In order to aid understanding of the regulatory accounts, it is proposed that there should be full disclosure in the regulatory accounts or in supporting documentation as appropriate, of the basis of preparation, the determination of

the value of the RAV, the return on the RAV, where appropriate the return on a price control basis and other performance indicators. Whichever approach to the basis of preparation is taken, this disclosure should provide useful information for both the regulator and other stakeholders.

Statement of Recommended Practice (SORP)

Summary of the October 2000 Consultation Paper

- 3.11 The paper considered the development of a SORP for each industry or an overall SORP for all regulated industries. SORPs are designed for statutory accounts and they cannot override an accounting standard. This would mean that a regulatory SORP could not cover certain areas because, where the particular circumstances prevailing in that industry indicate that a different approach should be taken, the RAGs for that industry may differ from UK accounting standards.

Views of Respondents, Assessment and Proposals

- 3.12 Generally, only those respondents from the accounting profession favoured the development of a SORP and then only if UK GAAP took precedence over the RAGs.
- 3.13 As a consequence of the RAGs containing some accounting policies that may differ from UK GAAP, it is not considered appropriate to recommend the development of SORPs for each of the regulated industries or an overall SORP for all regulated industries.

4. Cost attribution, cost allocation and inter-business recharging of costs

Summary of the October 2000 Consultation Paper

- 4.1 The paper said that the issue of the attribution, allocation and inter-business recharging of costs is important to regulators. In order to avoid unfair cross-subsidy it is important that costs are allocated in an appropriate way, where possible on the basis of direct cost drivers, although there may be certain categories of costs where a greater degree of judgement is required. In many cases an appropriate approach to the attribution, allocation and inter-business recharging of costs will also facilitate comparative competition and comparisons with the assumptions made in setting price controls.
- 4.2 The paper also said that the attribution, allocation and inter-business recharging of costs should be based on a set of principles, the main ones being:
- ◆ **cost causality**, with revenues, costs, assets and liabilities attributed in accordance with the activities which cause the revenues to be earned or costs to be incurred or the assets to be acquired or liabilities to be incurred;
 - ◆ **objectivity**, with attributions, allocations and inter-business recharging of costs performed on an objective basis and not unduly benefiting the regulated company or any other company or organisation;
 - ◆ **consistency**, where practicable all attributions, allocations and inter-business recharging of costs should be consistent from year to year, where there are changes to the RAGs the regulated company should restate the previous year's regulatory accounts; and
 - ◆ **transparency**, all the methods used in the attribution, allocation and inter-business recharging of costs should be transparent and the revenues, costs, assets and liabilities separately distinguishable from each other.

Views of Respondents, Assessment and Proposals

- 4.3 Generally respondents agreed that the above principles were appropriate and the proposal is that these principles should form the high-level principles for the attribution, allocation and inter-business recharging of costs.

5. Role of the auditors in regulatory accounts

Background

- 5.1 Each regulated company that is required to prepare regulatory accounts also has to arrange for those accounts to be audited. The provision of an audit report is an important part of the requirements for regulatory accounts as it should enhance the quality, objectivity and credibility of the regulatory accounts, both to the regulator and to other users. At present, the auditors of a regulated company's statutory accounts typically audit its regulatory accounts. This, combined with problems relating to the consistency and quality of information contained in regulatory accounts, raises a number of issues regarding the effectiveness of the existing audit arrangements for regulatory accounts.
- 5.2 Given the increased emphasis on regulatory accounts it is important to ensure that the arrangements for the audit of the regulatory accounts are robust even though most of the problems experienced to date have not been significant. Some examples of the problems that in some situations the regulators have experienced with the audit of regulatory accounts include:
- ◆ there is no disclosure of how materiality is determined;
 - ◆ the approach to materiality applied by the auditor, which would include the criteria necessary to set materiality, did not satisfy the requirements of a regulator; and
 - ◆ no further transaction testing is performed for the audit of regulatory accounts beyond that already done for the statutory accounts.

Appointment of Auditors

Summary of the October 2000 Consultation Paper

- 5.3 The paper said that it is for consideration whether the auditors of a company's statutory accounts should be allowed to perform the audit of its regulatory accounts. In relation to the statutory accounts, statutory auditors are independent of management, but are appointed by and report to the shareholders on the directors' stewardship of the shareholders' interests. In the

circumstances where the regulatory accounts are audited by a company's statutory accounts auditors it is not clear that the needs of the regulators will be met in relation to the audit of the regulatory accounts.

- 5.4 The objectivity and credibility of the regulatory accounts might be improved if the auditor of the regulatory accounts was different to the auditor of the statutory accounts. However, appointing such auditors might increase the costs of the audit if the auditors of the regulatory accounts needed to duplicate some of the work associated with the statutory audit and might also have implications for the timeliness of such reporting.
- 5.5 In the light of these possible extra costs it is appropriate to consider whether other measures might be adopted that would nevertheless enhance the effectiveness of the existing arrangements. These might include modifying existing licence conditions to provide the regulator with the following reserve powers:
- ◆ require the appointment of a different auditor to audit the following years regulatory accounts, if the existing audit arrangements prove unsatisfactory;
 - ◆ require a second audit by the regulated company's auditors;
 - ◆ require a second audit by a different auditor; and
 - ◆ require a second audit of specific areas of concern, perhaps with the same auditors reporting on a number of different companies.

Views of Respondents, Assessment and Proposals

- 5.6 The large majority of the regulated companies and the accounting profession did not want the regulator to have the power to appoint the auditors of regulatory accounts, although there was more support for the use of the reserve powers summarised in paragraph 5.5. The regulated companies and the accounting profession also said that it was more cost-effective for the auditors of the statutory accounts to audit the regulatory accounts and they mentioned that a further advantage of these arrangements is that the auditors of the statutory accounts should have a good understanding of the activities of the company.

One respondent, Energywatch, thought that separate audit arrangements were worthy of further consideration.

- 5.7 The specific approach to the question of audit appointment will depend upon the circumstances prevailing in each industry. Generally the adoption of the reserve powers as outlined above will allow each regulator the flexibility to ensure that the regulated companies are subject to an appropriate audit. Most of the respondents that objected to this approach did so either because they were concerned about possible additional costs or they suggested that the existing audit arrangements were adequate. If the existing arrangements prove to be robust then the reserve powers will impose little or no extra cost on the companies concerned. In the light of these factors there is a persuasive case for regulators to have access to the type of reserve powers described above.

Duty of Care, Materiality and the Audit Framework

Summary of the October 2000 Consultation Paper

- 5.8 In the absence of an explicit duty of care to the regulator, the auditors may make judgements and issue an audit opinion on the regulatory accounts which reflects a reasonable position from the shareholders' point of view, even where this does not coincide with the interests of the regulator. In these situations the accounting treatments or disclosures adopted may not provide the regulator with the information it might expect or require. This lack of clarity over the rights and responsibilities associated with the audit process needs to be resolved.
- 5.9 At present it appears that the materiality level used for the audit of group level statutory accounts is sometimes used as the materiality level for the audit of the regulatory accounts. For some companies the group may be significantly larger than its regulated activities. In these circumstances the appropriate level for an issue to be material to the audit of the group may be significantly in excess of the appropriate materiality level for a regulated activity or business. Therefore, it may be more appropriate for the regulator to either set or approve the approach to materiality for the audit of the regulatory accounts. Transparency could also be improved by disclosing, either in the audit opinion or on the face of each accounting statement, the approach to materiality used in the audit, including the criteria used to set materiality.

- 5.10 Although audit reports are already addressed to the regulator, the wording of the audit opinion could be rationalised. Reflecting the fact that RAGs will take precedence over UK GAAP in the preparation of regulatory accounts, then it may be appropriate to use 'presents fairly in accordance with', which is already used in some other similar regulatory situations.
- 5.11 Some of the issues identified above could be dealt with in the engagement letters agreed with the auditors. The existing engagement letters deal with the relationship between the regulated company and the auditor. These could be modified to include the regulator or there might be a separate engagement letter between the regulator and the auditor. The intention would be to place the relationships between all three parties on a more formal basis.

Views of Respondents, Assessment and Proposals

- 5.12 The large majority of respondents said that the auditor should owe the regulator a duty of care and most respondents said that this should be explicitly mentioned in the engagement letter. Therefore it is proposed to develop arrangements on this basis. It is also possible that in some industries the duty of care may need to be extended to other stakeholders.
- 5.13 The regulated companies and the accounting profession did not want the regulator to be involved in determining materiality although one respondent, Transco, suggested that it would be reasonable for the regulators to publish general guidance on what is expected from an audit of regulatory accounts. While materiality is an accounting and auditing issue, it is clear that it should relate directly to the regulated business. In addition as the regulatory accounts are prepared at the direct request of the regulator it will be reasonable for the regulator to have a reserve power to determine materiality where the regulator decided that the approach adopted by the auditor was not appropriate. Including an explanation of materiality in the audit report would be informative for those users of the accounts that want to gain an appreciation of the approach taken by the auditors to the audit of regulatory accounts.
- 5.14 With regard to the audit opinion, the responses mostly followed the debate on the common regulatory accounting framework. Most companies that wanted UK GAAP to prevail over RAGs preferred the use of 'true and fair view' whereas

most companies that wanted RAGs to take precedence over UK GAAP preferred the use of 'properly prepared in accordance with' or 'presents fairly in accordance with'.

5.15 Given that the RAGs are going to take precedence over UK GAAP and they may contain accounting policies that would not comply with UK GAAP, then it is not appropriate to use 'true and fair view' in the audit opinion. The audit opinion 'properly prepared in accordance with' is relatively mechanistic and does not allow the use of judgement on issues not covered in the RAGs. It is proposed that the audit report will be addressed to the regulator and the audit opinion for regulatory accounts would be 'presents fairly in accordance with'. This audit opinion is already used by BT in its regulatory accounts, is used by UK companies that prepare accounts using International Accounting Standards, is internationally widely used and is also used in some other similar regulatory situations.

5.16 Most respondents thought that some aspects of the regulator's interest in the audit process should be included in the engagement letter. There is general agreement that the approach set out above is acceptable. It is proposed that there should be a tripartite engagement letter between the regulator, the regulated company and the auditor that would include the following issues:

- ◆ the duty of care owed by the auditor to the regulator and the damages in the event of a breach of the duty of care. The aim will be to try to ensure that the auditors carry out the audit with due consideration of the objectives of the regulator. Given the nature of regulatory accounting arrangements it is not thought likely that damages would be significant;
- ◆ the disclosure of sensitive information to the regulator;
- ◆ the process for holding tri-partite meetings and written communication between the auditor, regulated company and the regulator and bi-lateral communications between the auditor and the regulator; and
- ◆ materiality levels.

5.17 The general principles that are suitable for use by the members of the inter-regulatory regulatory accounts working group have been set out above. It is this working group's intention to develop further more detailed guidance in some of these areas in due course, including:

- ◆ materiality;
- ◆ engagement letters;
- ◆ determining the adequacy of an audit; and
- ◆ audit of items that are not UK GAAP compliant.

5.18 The form of this guidance has not yet been determined but it will be developed following discussions with the accounting profession.

6. Publication issues

Content

Summary of the October 2000 Consultation Paper

- 6.1 The paper said that following corporate restructuring in some industries, there has been a consequent reduction in the amount of information available in statutory accounts, therefore the issues surrounding the publication of regulatory accounts have assumed greater importance. The current requirements vary across the regulated industries. The paper also said that where practicable there should be consistency between the formats of the regulatory accounts used in each of the industries regulated by members of the working group.
- 6.2 At present, certain regulatory accounts lack a detailed commentary that would explain the figures included in them. Some aspects of such commentaries are usually required in the accounts of companies listed on major stock exchanges. This deficiency can be resolved by requiring the following descriptive analysis, where relevant, to be included:
- ◆ a commentary discussing the results (where appropriate this commentary should be structured to take account of the ASB's statement on operating and financial review);
 - ◆ where appropriate, a comparison of actual results to the assumptions made in setting price controls;
 - ◆ an explanation of the variances between the actual results, the results of the previous year and the assumptions made in setting price controls;
 - ◆ where appropriate, a discussion of the results against plan and an outline of the forward plans for key business drivers such as principal capital expenditure projects, financing arrangements, organisational shape, operational performance and so on; and
 - ◆ a formal statement from the directors of the licensee that the licensee has complied with licence obligations such as charges being cost-orientated

or that the licensee has not unfairly cross-subsidised or unduly discriminated.

6.3 The paper also said that it will be for consideration what information should be included in the published regulatory accounts. In addition to the primary accounting statements, the associated notes, the directors report and the auditors report it may be appropriate to include in the published regulatory accounts the information described in 6.2 and:

- ◆ detailed disclosure of the basis of preparation of the regulatory accounts;
- ◆ a note setting out the regulated company's estimate of its RAV, how the RAV was determined, the return on the RAV, where appropriate the return on the price control basis and other performance indicators;
- ◆ a detailed statement of cost attributions, cost allocations and inter-business recharges;
- ◆ where appropriate, the additional information normally only required as part of a listed company's statutory accounts;
- ◆ a reconciliation between the information in the regulatory accounts and other relevant information, such as the statutory accounts, the RAV or data on capital expenditure; and
- ◆ any other information that the regulator deems relevant such as references to licence conditions or RAGs.

Views of Respondents, Assessment and Proposals

6.4 The regulated companies generally did not want to release information that they deemed to be commercially sensitive. They also wanted to ensure that the regulatory requirements were appropriate and reflected the state of competition in their particular industries. Consumer and environmental organisations supported the disclosures as described above.

6.5 In some industries the regulator is sent a confidential version of the regulatory accounts and another version of the regulatory accounts is published by the company concerned. In other industries only one set of regulatory accounts is

prepared and published but other additional regulatory accounting information is provided to the regulator on a confidential basis.

- 6.6 It is clear that a version of the regulatory accounts should be published in order to inform stakeholders about the performance of the regulated company. This will usually entail the publication of more information than would be the case for a normal company under UK GAAP. This is because the interests of stakeholders in monopoly activities are wider than the interests of shareholders in normal companies. Where there is monopoly power the development of efficient industrial structures is aided by reducing the information asymmetry that exists between the monopoly and the consumer. The information set out above appears to form an appropriate basis for the disclosures to be included in the published version of the regulatory accounts, although to some extent this will depend on the precise circumstances prevailing in each industry. If there is commercially sensitive information in the regulatory accounts provided to a regulator then each regulator will consider whether this information should be excluded from the published version of the regulatory accounts.
- 6.7 It is also proposed that the published version of the regulatory accounts should contain a note summarising the important features of the attribution, allocation and inter-business recharging of costs. Where appropriate this note will also include details of how the users of the regulatory accounts can obtain copies of the RAGs and supporting documentation.

Method of Publication

Summary of the October 2000 Consultation Paper

- 6.8 The paper said that in terms of the method of publication of the regulatory accounts, it will be at the discretion of each regulator as to how the regulatory accounts will be published, the options include:
- ◆ as a stand alone document;
 - ◆ as a part of the statutory accounts; and
 - ◆ as part of another document.

- 6.9 The paper also said that the availability of the published regulatory accounts should also be properly publicised by the company so that stakeholders and the wider public are made aware that they are available. It would seem appropriate that all companies should be required to make them available on the Internet.

Views of Respondents, Assessment and Proposals

- 6.10 Not many respondents commented on the options for publication, although Energywatch wanted regulatory accounts to be published as stand alone documents. Most respondents agreed that their availability should be properly publicised and that they should be available on the Internet.
- 6.11 It is proposed that it will be at the discretion of each regulator as to how the regulatory accounts will be publicised and published. It is likely that most regulators will prefer that the regulatory accounts are properly publicised, published as stand alone documents and be made available on the Internet.

Timetable

Summary of the October 2000 Consultation Paper

- 6.12 The paper said that publication timetables vary across the regulated industries. The regulatory accounts should be published as soon as possible after the regulatory accounting year end and the publication date should be no more than four months after the regulatory accounting year end. However, the deadline may be relaxed for a particular year, where a regulator consents to a request from the regulated company for additional time. An example of an acceptable delay may be where additional and complex disclosure requirements are added at a late stage in the reporting process.

Views of Respondents, Assessment and Proposals

- 6.13 Most respondents agreed that four months was a reasonable timetable, although some respondents considered that it was unreasonable. With regard to the reasonableness of the timetable it is helpful to consider the following points:
- ◆ the Department of Trade and Industry (DTI) in its November 2000 consultation document 'Company Law Review – Completing the Structure' suggested a timetable of 90 days for the filing of the full annual report and accounts;
 - ◆ the ASB in its February 2000 discussion paper 'Year-End Financial Reports: Improving communication' suggested a 80 day timetable for the distribution of full audited financial statements; and
 - ◆ in the US, the Securities and Exchange Commission require form 10-K to be filed within 90 days of the year end.
- 6.14 In light of the factors above it is proposed that regulatory accounts should be published as soon as possible after the regulatory accounting year end and no later than four months after the regulatory accounting year end. However, the deadline may be relaxed for a particular year, where a regulator consents to a request from the regulated company for additional time.

Interim Regulatory Accounts

Summary of the October 2000 Consultation Paper

- 6.15 The paper said that at present certain companies prepare interim regulatory accounts on a half yearly basis. It is for consideration whether interim regulatory accounts should be prepared and if they are prepared, what information should be included in the published version.

Views of Respondents, Assessment and Proposals

- 6.16 Most respondents said that interim regulatory accounts were not worthwhile and it is proposed that interim regulatory accounts will not be required in the immediate future.

Appendix 1 Summary of responses to the October 2000 Consultation Paper

- 1.1 This appendix provides a summary of the responses to the October 2000 consultation paper on the role of regulatory accounts in regulated industries. There were 28 responses received from a range of interested parties, including 11 Electricity companies, 1 gas company, 6 water companies and organisations, British Telecommunications, 2 airport organisations, 1 consumer organisation, 3 audit firms, the ICAEW and 2 other respondents. A full list of respondents is provided at the end of this summary.

Overview

- 1.2 Most respondents broadly agreed that regulatory accounting in the regulated industries needed reviewing and would benefit from a more consistent approach across the different regulated industries. Most of the concerns of the regulated companies related to audit and the publication of possibly commercially sensitive information. Consumer and environmental organisations particularly welcomed the suggestions regarding the disclosure of RAV information and a more informative narrative.

Summary of Responses by Group

Electricity

- 1.3 Respondents noted that electricity supply is being separated from electricity distribution and that these businesses will be in separate legal entities. As a result of this they will produce separate statutory accounts so these respondents questioned whether it was necessary to also publish a set of regulatory accounts for these businesses.
- 1.4 Most electricity companies agreed that the main purpose of regulatory accounts should be to inform the regulation of companies subject to price control, provided an appropriate balance could be maintained between the volume of information, its usefulness and the cost of providing it. Nevertheless the electricity companies said that commercially sensitive information should not be

disclosed to the public. A number of them also said that it is unlikely that regulatory accounts could meet the needs of all stakeholders.

- 1.5 The large majority of electricity companies supported the use of HCA as the basis of preparation and most of these respondents also said that the disclosure of information about the RAV was important. A number of the electricity companies said that CCA information should also be included in the regulatory accounts but only one company wanted the inclusion of HCA, CCA and RAV numbers in the regulatory accounts. There was general support for a framework of principles to be used as the basis for the RAGs rather than a detailed set of rules. This was said to be a more flexible and appropriate approach. Most electricity companies also said that UK GAAP should take precedence over RAGs in the preparation of regulatory accounts.
- 1.6 Most electricity companies agreed that regulatory accounts should be prepared using a 31 March year end. Another electricity company said that as most Public Electricity Suppliers have a December year end for their statutory accounts, it would be more appropriate to use a December year end for the regulatory accounts, although it recognised the problems this would cause when comparisons are made to the assumptions underlying price controls.
- 1.7 All the electricity companies said that the regulatory accounts should be audited by the auditor of their statutory accounts. This was said to be the most cost-effective solution and would avoid duplication of work. Most electricity companies agreed that the auditors of the regulatory accounts should have a duty of care to Ofgem and some of them said that the auditors already had such a duty. All electricity companies suggested that materiality levels should be set by the auditors as part of their normal procedures for the audit of regulatory accounts. Generally the electricity companies preferred the use of 'true and fair view' in the audit opinion. Most electricity companies suggested that engagement letters could include issues relating to the audit process such as duty of care. Some electricity companies thought that the regulators specific audit requirements should be included in licence conditions rather than in an engagement letter.

- 1.8 Most electricity companies generally supported the publication of regulatory accounts on the Internet and most of them also agreed that it would be appropriate to produce regulatory accounts within four months of the regulatory accounting year end.
- 1.9 The majority of the electricity companies supported the requirements for additional information, particularly on capital structure, the reconciliation between statutory and regulatory accounts and publication of a detailed narrative. However, the publication of detailed information on cost allocations, cost attributions and inter-business recharging of costs was not supported as this might expose commercially sensitive information to competitors. In addition the electricity companies were reluctant for forecast information to be included in the regulatory accounts. All electricity companies said that they did not see any value in producing interim regulatory accounts.

Gas

- 1.10 Transco said that the most important function of regulatory accounts should be to monitor performance against the assumptions underlying price controls. Typically this will mean that RAGs should be based on the assumptions underlying price controls and will include:
- ◆ reconciliations of key financial numbers to the statutory accounts;
 - ◆ narrative explanation of reported results to the assumptions underlying price controls;
 - ◆ comparison of the actual rate of return to the assumptions underlying price controls; and
 - ◆ a statement of any under or over recoveries of price controlled revenue.
- 1.11 Transco said that a detailed statement of charges and apportionments may disclose commercially confidential information where services are provided on a competitive basis. For cost allocation issues they supported the principles of causality, objectivity, consistency and transparency although they suggested that causality and objectivity should over-ride consistency if there is a conflict between these principles.

- 1.12 Transco also did not want to duplicate information that is available in the statutory accounts. With regard to audit Transco said that having a separate auditor would not be cost-efficient and that the appointment of the auditor is the responsibility of the shareholders and directors.
- 1.13 In general it said that the roles and obligations of the auditor should be established through the licence of the regulated business. They also suggested that it would be reasonable for the regulator to publish general guidance to auditors on what is expected in an audit of regulatory accounts and that it would be inappropriate for the regulator to have uncontrolled direct access to the auditor.

Water

- 1.14 Most of these respondents support the use of RAGs as an attempt to maintain a consistent approach across companies. A number of these respondents also made a case for reporting HCA, CCA and RAV numbers. Although they mentioned that the disclosure of the RAV and the other assumptions made in setting price controls would have to be made by the regulators. For cost allocation issues they supported the principles of causality, objectivity, consistency and transparency.
- 1.15 Some of these respondents were concerned with making comparisons between actual performance and the assumptions underlying price controls, both in terms of the relevance of the comparison and whether it should be published.
- 1.16 One of these respondents said that it did not think that the descriptive analysis would be appropriate as commentary should be at the directors discretion and be based on Companies Act requirements.
- 1.17 With regard to audit issues most of these respondents did not think that it is efficient to appoint a separate firm of regulatory auditors. One of these respondents suggested that the approach taken by Ofwat to reviews of transfer pricing, where additional audits are performed by a common team of auditors, is an effective way of enhancing the work of company appointed auditors. Another one of these respondents said that if a regulator had serious concerns about a particular issue then the regulator should have the power to review

these matters, but at its own cost. If the concerns become frequent then a change of auditor should be discussed with the company. One of these respondents said that bilateral engagement letters would provide the greatest clarity.

- 1.18 A number of these respondents agreed with the four month publication timetable. None of these respondents thought that interim regulatory accounts are useful.

Telecommunications

- 1.19 British Telecommunications plc (BT) said that following the introduction of competition in the telecommunications industry its position as a regulated company is different to that of regulated companies in other industries. Accordingly it restricted comments to two specific areas, the regulators need for information and the audit of reported information.
- 1.20 In order to ensure that the amount of regulatory information prepared is appropriate, BT suggested that a framework should be set up that will assess what information is required. This would aim to ensure that the information provided in the regulatory accounts is proportional with respect to regulatory requirements.
- 1.21 With regard to the audit of reported information BT said that many of the proposals made in the consultation paper are neither feasible or necessary. In particular it suggested that it would be inefficient to appoint a separate firm of regulatory auditors.

Airports

- 1.22 BAA suggested that published regulatory accounts should not include a comparison between the actual performance of the company and the assumptions underlying price controls. BAA also said that they considered that regulatory accounts should be framed in such a way that they could be accepted by the regulator as a true record of performance in order to reduce regulatory risk. Manchester Airport plc (MA) said that additional requirements imposed upon airports as a result of the joint regulators work should apply to all regulated

airports rather than just designated airports. In particular it noted that designated airports already provide transparency statements which include comparisons of actual to predicted numbers.

- 1.23 MA said that in the context of the attribution, allocation and inter-business recharging of costs, the principle of cost causality could apply to certain parts of an airports operations but may cause problems with assets used for short term purposes where development, re-development and re-use of built assets is a constant and dynamic activity. The RAGs would need to address this point.
- 1.24 Both BAA and MA said that with regard to audit issues they do not think that it is efficient to appoint a separate firm of regulatory auditors in addition to the statutory auditors. BAA also considered that interim accounts would not be useful.

Consumer and environmental organisations

- 1.25 Energywatch said that regulatory accounts have an important role to play in enabling companies, regulators and consumer representatives to monitor and compare companies' financial performance. This can only be achieved if the regulatory accounts are produced in a meaningful, transparent, consistent and comparable manner. Obligations to prepare such accounts are appropriate for those companies with monopoly or market power in the provision of the essential services which form the UK's infrastructure; i.e. gas, electricity, rail, telecommunications, water and sewerage and airport and air traffic control. It also said the inter-industry approach will aid consistency and sharing of best practice that should, over time, enhance inter-industry comparability.
- 1.26 Energywatch supported the purposes of regulatory accounts as described in the consultation paper. In relation to the common regulatory framework, Energywatch preferred MHCA. It also recognised that the RAGs will reflect industry-specific circumstances that result in different approaches to determining the RAV. It said that it is particularly important that there is full disclosure of the basis on which regulatory accounts have been prepared and the method by which the RAV has been determined.

- 1.27 Energywatch supported the use of the principles of causality, objectivity, consistency, and transparency in the attribution, allocation and inter-business recharging of costs in order to ensure that the regulatory accounts are consistent and comparable. It favoured the development of a consistent framework of principles incorporating a standardised cost analysis because of the probable resource implications that a more detailed approach might require and that it may lead to perverse incentives on companies.
- 1.28 It advocated active consideration of separate audit arrangements and that the auditor should have a duty of care to the regulator. Energywatch also mention that separate audit arrangements can only be properly evaluated with a cost-benefit study.
- 1.29 Energywatch supported the proposals for the provision of descriptive analysis in the regulatory accounts and it wanted the published regulatory accounts to be comprehensive stand alone documents that are cross referenced to the companies statutory accounts. It agreed that companies should properly publicise the availability of regulatory accounts, that they should be available on the Internet and that there should be a four month publication timetable. Any delays to the timetable should only occur in exceptional circumstances.
- 1.30 The Environment Agency's primary concern was that expenditure for environmental purposes should be identified. This expenditure should be analysed between expenditure incurred for statutory reasons and for non-statutory reasons. This will enable environmental and economic regulators to be better able to monitor the compliance of firms with regulatory requirements and provide more accurate information on the contribution of utilities to environmental protection.
- 1.31 Another respondent thought that the proposals in the paper formed a sensible basis for progressing the arrangements for the production and audit of regulatory accounts. This respondent also questioned the relevance of using CCA for calculating the replacement cost of capital equipment as used in regulated industries. In terms of audit it suggested examining the arrangements in the financial services industry, where the auditor has a specific duty of care to the

regulator and also has a duty to report systems and accounting failures to the regulator. The auditor also meets with the regulator on a regular basis.

Auditing profession

- 1.32 All of these respondents said that the regulatory accounts should be audited by the auditor that audits the company's statutory accounts. This was said to be the most cost-effective solution.
- 1.33 The accounting profession indicated that the current position regarding duty of care was unclear and agreed that the engagement letter should clearly identify the duty of care that the auditor owes the regulator for regulatory accounting purposes.
- 1.34 All of these respondents said that the auditors should set the approach to materiality as this is solely an accounting and auditing concept, although some welcomed the regulator issuing guidance on the accuracy expected in the regulatory accounts. Generally the accounting profession preferred the use of 'presents fairly in accordance with' or 'properly prepared in accordance with' in the audit opinion. The engagement letter could also clarify the position on other issues related to the audit e.g. liability and the scope of testing.
- 1.35 A number of the respondents from the accounting profession supported the publication of regulatory accounts via the Internet, provided they did not include any price sensitive information. The publication of regulatory accounts within four months of the year end was supported by a number of the respondents while others said that it would cause difficulties for the businesses concerned.

LIST OF RESPONDENTS

Electricity

Eastern Electricity (TXU Europe)
London Electricity
Northern Electric
Scottish Power
Seeboard
South Wales Electricity (Infralec)
South Western Electricity (Western Power Distribution)
Yorkshire Electricity – distribution business
Powergen (including the response of East Midlands Electricity)
Innogy
BNFL Magnox Generation

Gas

Transco (Lattice Group)

Water

Water UK
Bristol Water
South Staffordshire Water
Thames Water Utilities
United Utilities (including Norweb and North West Water)
Yorkshire Water

Telecommunications

British Telecommunications

Airports

BAA
Manchester Airport

Consumer and environmental organisations

Energywatch
Environment Agency
John Mordy

Auditing profession

Arthur Andersen
Deloitte & Touche
KPMG
The Institute of Chartered Accountants in England & Wales

Appendix 2 Proposal for a set of common regulatory accounting principles

2.1 This appendix sets out the proposal for the main high-level principles that the members of the inter-regulatory regulatory accounts working group have agreed to adopt as common regulatory accounting principles.

Purpose of regulatory accounts

2.2 Regulatory accounts are prepared to aid regulation and inform stakeholders who have a number of information requirements that are different to those of the users of statutory accounts. These stakeholders will include the regulator, industry, investors, consumers and other stakeholders.

2.3 Regulatory accounts aid regulation, depending on market structure and regulatory emphasis, by:

- ◆ monitoring performance against the assumptions underlying current price controls;
- ◆ informing future price control reviews and other regulatory decisions that require financial information such as setting determined prices;
- ◆ in the relevant markets, assisting in the detection of certain anti-competitive behaviour such as unfair cross-subsidisation and undue discrimination at the appropriate level within the business concerned;
- ◆ assisting in comparative competition;
- ◆ assisting in monitoring financial health; and
- ◆ improving transparency in the regulatory process as regulatory accounts are the main source of regular, published and audited financial information about regulated companies.

Common regulatory accounting framework

- 2.4 Regulatory accounts should be prepared and audited using either the RAGs for that industry or, where a RAG does not cover the issue, UK GAAP. Where there is any conflict between RAGs and UK GAAP, then the RAGs will take precedence.
- 2.5 The approach adopted by each regulator to the basis of preparation reflects the specific circumstances of the industry concerned. Given this diversity of valuation methods it is not possible to achieve consistency in the basis of preparation of the regulatory accounts and each regulator will use the method that is most appropriate for its industry. Nevertheless it is possible to identify some of the main considerations governing the choice of the basis of preparation by the regulator, these include:
- ◆ transparency;
 - ◆ the method used to set price controls;
 - ◆ how the RAV is determined;
 - ◆ consistency within the industry concerned;
 - ◆ consistency with the statutory accounts of the companies concerned;
 - ◆ views of consumers;
 - ◆ nature of the industry concerned; and
 - ◆ the extent of competition within that industry.

Cost attribution, Cost allocation and inter-business recharging of costs

- 2.6 The attribution, allocation and inter-business recharging of costs for the different activities of the business in the regulatory accounts must follow the principles set out in the RAGs.
- 2.7 Attributions, allocations and inter-business recharging of costs should be based on a set of principles, the main ones being:

- ◆ cost causality;
- ◆ objectivity;
- ◆ consistency; and
- ◆ transparency.

Role of the auditors in regulatory accounts

2.8 The main common areas with respect to audit include:

- ◆ where necessary, the regulator will be involved in the process of appointing the auditor;
- ◆ the auditor will owe a duty of care to the regulator;
- ◆ the regulator will have direct access to the auditor;
- ◆ the regulator will be involved in the process of agreeing the approach to materiality;
- ◆ the audit report will be addressed to the regulator;
- ◆ the form of audit opinion to be included in the audit report will be 'presents fairly in accordance with'; and
- ◆ there will be a tripartite engagement letter between the regulator, the regulated company and the auditor.

Publication issues

2.9 The main common areas with respect to publication include:

- ◆ where practicable there will be consistency between the formats of the regulatory accounts used in each of the industries regulated by the members of the working group;
- ◆ each regulator will decide how the regulatory accounts in its industry should be published;

- ◆ the availability of the published regulatory accounts will be properly publicised;
- ◆ the companies concerned will make the regulatory accounts available on the Internet;
- ◆ the regulatory accounts will be published as soon as possible after the regulatory accounting year end, with the publication date being no later than four months after the regulatory accounting year end. However, the deadline may be delayed in a particular year, where a regulator consents to a request from the regulated company for additional time; and
- ◆ the published regulatory accounts will include the information identified in paragraph 2.10 below.

2.10 In addition to the primary accounting statements, the associated notes, the directors report and the auditors report, the published regulatory accounts will include, where relevant:

- ◆ a commentary discussing the results (where appropriate this commentary should be structured to take account of the ASB's statement on operating and financial review);
- ◆ where appropriate, a comparison of actual results to the assumptions made in setting price controls;
- ◆ an explanation of the variances between the actual results, the results of the previous year and where appropriate the assumptions made in setting price controls;
- ◆ where appropriate, a discussion of the results against plan and an outline of the forward plans for key business drivers such as principal capital expenditure projects, financing arrangements, organisational shape, operational performance and so on;
- ◆ a formal statement from the directors of the licensee that the licensee has complied with licence obligations such as charges being cost-orientated

or that the licensee has not unfairly cross-subsidised or unduly discriminated;

- ◆ detailed disclosure of the basis of preparation of the regulatory accounts;
- ◆ a note in the regulatory accounts or in supporting documentation as appropriate setting out the regulated company's estimate of its RAV, how the RAV was determined, the return on the RAV, where appropriate the return on the price control basis and other performance indicators;
- ◆ a detailed statement of cost attributions, cost allocations and inter-business recharges;
- ◆ where appropriate, the additional information normally only required as part of a listed company's statutory accounts;
- ◆ a reconciliation between the information in the regulatory accounts and other relevant information, such as the statutory accounts, the RAV or data on capital expenditure; and
- ◆ any other information that the regulator deems relevant such as references to licence conditions or RAGs.

Appendix 3 Glossary

'ASB' Accounting Standards Board. The organisation that issues accounting standards in the UK.

'BT' British Telecommunications plc.

'CAA' Civil Aviation Authority. The regulator of the UK 's airports and air traffic control services.

'CCA' Current Cost Accounting. A set of principles for the preparation of accounts that provide for the effect of changing prices, these principles can be found in the publication 'Accounting for the effects of changing prices: a handbook' issued by the Accounting Standards Committee (the ASB's predecessor body). Generally, assets are shown at their current cost which is usually based on replacement values.

'DTI' Department of Trade and Industry.

'HCA' Historical Cost Accounting. A set of principles for the preparation of accounting statements. These are the most widely used set of accounting principles for the preparation of accounting statements. Assets are generally valued at their original purchase price less associated depreciation.

'MHCA' Modified Historical Cost Accounting. Under historical cost rules assets can be revalued, companies that have revalued their assets usually refer to the accounts being prepared on a MHCA basis.

'Ofgem' The Office of Gas and Electricity Markets. The regulator of Great Britain's gas and electricity industries.

'Ofcom' Office of Telecommunications. The regulator of the UK's telecommunications industry.

'Ofreg' Office for the Regulation of Electricity and Gas. The regulator of Northern Ireland's gas and electricity industries.

'ORR' Office of the Rail Regulator. The regulator of Great Britain's rail industry.

'Ofwat' Office of Water Services. The regulator of the Water and Sewerage companies of England and Wales.

'PostCom' Postal Services Commission. The regulator of the postal services industry in the United Kingdom.

'RAV' Regulatory Asset Value. The value of a regulated company's net assets for price control purposes. In the water industry this is more commonly known as Regulatory Capital Value (RCV) but in this document both terms mean the value of a regulated company's net assets for price control purposes.

'RAGs' Regulatory Accounting Guidelines. A set of typical Regulatory Accounting Guidelines would include the principles, policies, methodologies and procedures that are established between the regulated industries and the regulator and which form the basis on which regulated accounts are prepared and audited.

'SORP' Statement of Recommended Practice. A SORP sets out current best accounting practice on accounting issues where it is not considered appropriate to issue an accounting standard. SORPs are issued by ASB recognised bodies and contain a statement from the ASB which they describe as a negative assurance statement.

'Regulatory Accounts' The accounts required by the regulator of a regulated industry.

'Statutory Accounts' The accounts required by UK company law.

'UK GAAP' United Kingdom Generally Accepted Accounting Practice, this is mainly based upon the accounting principles included in accounting standards issued or adopted by the ASB, that are currently in force in the UK and UK company law.

Appendix 4 Useful publications

ASB Accounting Standard FRS 15 Tangible Fixed Assets.

ASB statement of principles for financial reporting.

'Accounting for the effects of changing prices: a handbook' issued by the Accounting Standards Committee (the ASB's predecessor body).

BT's published Financial Statements for the Business and Activities, Accounting Documents and Detailed Attribution Methods, Detailed Valuation Methodology and Long Run Incremental Cost Model: Relationships and Parameters.

CRI Research Report 9 'Accounting requirements for Regulated Industries'.

Inter-regulatory regulatory accounts working group's October 2000 consultation paper on the role of regulatory accounts in regulated industries.

Ofgem's August 2000 regulatory accounts consultation paper.

Ofgem's November 2000 regulatory accounts final proposals paper.

Ofwat's Regulatory Accounting Guidelines.

ORR's Periodic Review of Railtrack's access charges: draft conclusions 27 July 2000.

ORR's Notice of proposed modifications to Railtrack's network licence: reporter, regulatory accounts and annual return March 2001.

The UK Government's Green Paper on utility regulation 'A Fair Deal for Consumers'.

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0121 625 1300

Office for the Regulation of Electricity and Gas
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02890 311 575 or 02890 314 212

Office of the Rail Regulator
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138 - 142 Holborn
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EC1N
020 7282 2000

Civil Aviation Authority
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WC2B 6TE
020 7379 7311

Postal Services Commission
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