Regulatory Accounts Guidelines for the Electricity Sector

ES 17/2026

Issue Date: 24 June 2026

Table of Contents

1. Definitions

In these Guidelines and rules, unless the contrary intention appears, the following terms, words and phrases used must have the same meaning as in the Act, the PESL,

For these Guidelines, the following definitions apply:

“Accounts separation” refers to an accounting method that distributes all costs amongst a company's various services. This involves the disaggregation of accounts in a form that enables the expenses and revenues associated with each production and/or service unit to be identified, functional, and allocated appropriately.

“Accounts separation Statements” refers to statements prepared by URCA in accordance with the provisions of Sections 5 and 6 of the Guidelines: the EA and the PESL.

In these Guidelines, “Accounts separation” means the deconstruction and disaggregation of a company's accounts in a form that enables the costs and revenues associated with each production and/or service unit to be identified, functionalized, and allocated appropriately.

“Accounting and Cost Allocation Manual” or “ACAM” means a document prepared by the PES and approved by the URCA that sets out in detail the accounting policies and principles employed in preparing the company’s Accounts Separation Statements.

“Auditor” means a qualified accountant authorized to independently and objectively examine the financial records to ensure they comply with generally accepted accounting principles.

“Board of Directors” means the governing body of the PES, which has the ultimate decision-making authority.

“Business functions” shall be defined as specified in Annex 1 hereof.

“Business segment” refers to the functional component of the utility that provides a single product or service, or a group of related products and services, and is subject to risks distinct from those faced in other functional components of the business.

“Common cost” means costs that cannot be directly assigned to a particular product or service.

“Cost driver” means any factor that causes a change in the cost of an activity.

“Direct cost” means a cost associated with inputs that can be traced directly and unambiguously to a specific good or service and recorded against the relevant product or service in the operator’s accounting system.

“Directly Attributable cost” means a cost that is directly and unambiguously related to a service or product but is not recorded in the financial accounts against the product or service to which it is related.

“Distribution system” means the component of the national grid dedicated to conveying electricity at comparatively low voltage levels and delivering it to end users. It includes poles, transformers, lines, insulators, and other equipment on the national grid that allows for the transportation of power below 69KV.

“Electricity Act” or “EA” means the Electricity Act, 2024, and any subsidiary legislation enacted thereunder and in force, as amended occasionally.

“Electricity Sector” refers to the energy industry, which provides for the economy's electrification needs through the generation, transmission, and distribution of electricity via the national grid.

“Fixed cost” means a cost that remains unchanged irrespective of a firm's output level or sales revenue, although, in the long run, no costs are fixed.

“Fully Distributed cost” means a method in which the cost of a product or service is determined by allocating direct costs, indirect costs, and non-attributable common costs, so that no costs are left unallocated.

“General Information Sheet” means a document submitted along with the Accounting Separation Statements, signed by the Chief Executive Officer of the PES and approved by a resolution of the Board of Directors. It sets out information on the companies within the Corporate Group that owns the utility, along with charts on the ownership structure and relevant transactions within the group.

“Indirectly Attributed cost” means a cost shared by more than one service or product but can be allocated between services on a non-arbitrary basis.

“Joint cost” means a cost that cannot be traced directly to any good or service but can be linked to the cost of inputs associated with a well-defined set of goods and services produced by the firm.

“kWh” means Kilowatt-hour, the unit of energy used to measure electricity consumption.

“MWh” means Megawatt-hours, the unit of energy used for electricity production or consumption. A MWh is the product of electrical power and time.

“Management Responsibility Statement” means a declaration signed by the Chief Executive Officer of PES and approved by a resolution of the Board of Directors indicating that the company's management accepts full responsibility for the accuracy of the information presented in the relevant Accounting Separation Statements.

“MW” means Megawatt, the unit of electrical power equivalent to one million watts.

“National grid” means a network of high, medium, and low voltage power lines and other associated power system equipment that connect major generating plants and end users.

“URCA” means the Utilities Regulation and Competition Authority as defined in the Utilities Regulation and Competition Authority (Amendment) Act, 2015, and amendments thereto.

“URCA Act” means the Utilities Regulation and Competition Authority (Amendment) Act, 2015, and amendments.

“O&M” means the operation and maintenance of the utility plant as a part of the supply process of generating, transmitting, distributing, and supplying electricity.

“Statement of Mean Capital Employed” means a statement that sets out the arithmetic average values of capital over the reporting period for the relevant business segments.

2. Methodological Approach

2.1 General Accounting Policies

2.1.1. The Accounting Separation Statements prepared by the PES for these rules and guidelines must:

(a) Comply with the relevant Accounting and Cost Allocation Manual (ACAM) prepared by the PES under section 2.2 (as amended from time to time per section 2.2) and with the requirements of Annex 2 and Annex 3.
(b) Comply with Generally Accepted Accounting principles unless a particular provision of the Guideline requires non-conformity with those principles.
(c) Result in financial information that is relevant and reliable and that reflects the substance of the underlying transactions and events (see section 2.3); and
(d) Report all material items (see section 2.3)

The accounting Separation Statements prepared for these Rules and Guidelines are in addition to any other statutory financial reporting obligations of PES participants and their Affiliates.

2.2 Documentation of Accounting Policies and Use[1]

2.2.1. PES must prepare an Accounting and Cost Allocation Manual (ACAM) which provides complete proper documentation of the accounting policies and principles used to prepare the Regulatory Accounts Statements per these Guidelines, including:

(a) The allocation methodologies used to allocate costs and revenues to and between business segments, including:
    (i) A description of the basis, formulae, and or methodologies used for each cost and revenue item.
    (ii) The reason for choosing the basis, formulae, or methodologies; and
    (iii) The quantification of any factors applied in allocating unattributable costs or revenues, being in each case an allocation methodology that complies with the principles set out in section 3.4:

(b) Depreciation policies and methodology for each class of assets (depreciation charges must be calculated based on either the appraisal value or the historical cost of the relevant asset (book value), depending on whether those assets have been reappraised, the economic life of that class of assets, and the weighted average remaining life of that class of assets; and

(c) The transfer pricing policies used for transactions between Business Segments or between a Business Segment and another activity conducted by a member of the relevant PES.

[1] This section reflects the standard approach and description on how the ACAM should be documented. The description of the accounting policies is similar in all jurisdictions using similar methodology and this is to ensure uniformity, for comparative purposes, across utilities and across jurisdictions. In this instance this rule may reflect similarity with Accounts Separation Guidelines, from other jurisdictions.

2.2.2. URCA may, from time to time, require the PES to make such changes to the ACAM prepared by the PES as URCA considers appropriate (including replacing that ACAM with one prepared or approved by URCA and the PES must thereupon make such changes and provide a copy of the ACAM to URCA

2.2.3. The PES may, from time to time, change the ACAM it has prepared, in which case it must thereupon provide URCA with a statement that sets out:

(a) The precise details of the proposed change.
(b) The reasons for that change; and
(c) The effect of that change on the Accounting Separation Statements

2.3 Materiality

Regarding Section 2.1.1 (d), an item is considered material if its omission, misrepresentation or non-disclosure has the potential to prejudice the understanding of the financial position and nature of the business activities of a PES

2.4 Information must be verifiable

PES must maintain (or ensure the maintenance of) general record-keeping and accounting arrangements that enable information provided in the relevant Accounting Separation Statements to be verified.

2.5 Management Responsibility Statement

The Accounting Separation Statements prepared by a PES for the purposes of these Guidelines must be accompanied by a statement which evidences the responsibility for the information contained in those Accounting Separation Statements (Management Responsibility Statement) in the form provided in Annex 8. A Management Responsibility Statement:

(a) must be signed and dated by the chief executive officer of the PES or by such person who is specifically authorised in writing by the governing body of that PES for that purpose; and

2.6 Records and audit trails supporting Accounting Separation Statements

2.6.1. A PES must keep (or ensure the keeping of) accounting records that:

(a) Correctly record and explain the events and financial position of each relevant Business Segment.

(b) Enable an Auditor to properly form an opinion on the Accounting Separation Statements prepared by the PES per the requirements of these Guidelines; and

(c) Provide sufficient information about transactions with and between the relevant Business Segments to allow an Auditor to reach an opinion about compliance with these Guidelines.

2.6.2. PES must maintain (or ensure the maintenance of) an audit trail which includes:

(a) All information contained in the Accounting Separation Statements prepared by the PES, including the allocation of costs to Business Segments and information in relation to transactions with related parties; and

(b) All relevant records, including but not limited to copies of contracts or engagements between related parties.

2.7 Audit requirements

2.7.1 These Audit requirements are proposed to be in effect no later than two (2) years after implementation of Accounts Separation and two years of filing such accounts separation information with URCA. Thereafter, the frequency of Audit Requirement will be subject to the efficacy of the regulatory imperatives. All Accounting Separation Statements prepared for these Guidelines, when required, must be accompanied by a report prepared, signed, and dated by an Auditor (Auditor's Report). That:

(a) Contains the Auditor's opinion on whether the Accounting Separation Statements are presented fairly in accordance with the requirements of this Guideline, clearly identifying any exceptions and the effect of each such exception on the Accounting Separation Statements; and

(b) Is in the format provided in Annex 9.

2.7.2 It is the responsibility of the Auditor to understand the requirements of these Guidelines, but URCA is available to consult with the Auditor if necessary to enable the Auditor to obtain a sufficient understanding of these Guidelines to prepare the Auditor's Report referred to in Section 2.7.1

2.7.3 PES must ensure that, under the terms of engagement of the relevant Auditor, that Auditor is obliged (at URCA's request) to meet with URCA and provide it with information regarding the performance of its functions under Section 2.8 as URCA requires.

2.7.4 URCA may appoint an Auditor, or require the Auditor engaged to provide the Auditor's Report under Section 2.7.1, to prepare a new or amended report that complies with 2.7.1 if:

(a) URCA becomes aware that information provided in the Accounting Separation Statements is incorrect or does not comply with the requirements of this Guideline; or

(b) In URCA's view, the Auditor Report prepared under Section 2.8.1 is unsatisfactory or does not comply with the requirements of this Guideline.

2.7.5 PES must bear all of the costs associated with any work done by an Auditor under Section 2.7

2.8 Reporting Cycle

2.8.1 The reporting period for the Accounting Separation Statements prepared for these Guidelines must be the Financial Year of the relevant PES.

2.8.2 Notwithstanding Section 2.8.1, URCA may require a PES to provide interim or additional accounting information as specified occasionally.

2.9 General Information Sheet

2.9.1 If any changes are made during the course of the PES granted its license and the preparation of the Accounting Separation, all Accounting Separation Statements prepared for these Guidelines must be accompanied by a statement (General Information Sheet) that:

(a) Lists the name and company registration number of each PES

(b) Contains an updated organizational chart showing the structure of the company: and

(c) Contains an updated Description of the activities undertaken by each PES

2.9.2 The General Information Sheet:

(a) Must be signed and dated by the chief executive officer of the PES or by such other person who is specifically authorized in writing by the governing body of that PES for that purpose; and

2.10 Compliance Report

2.10.1 All accounting Separation Statements prepared for these Guidelines must be accompanied by a certificate (Compliance Report) that:

(a) The relevant PES has not violated any code of conduct during the period of the Accounting Separation Statements; or

(b) If the relevant PES has violated any code of conduct during the Accounting Separation Statements, a statement of that fact and details of that violation.

2.10.2 The Compliance Report:

(a) Must be signed and dated by the chief executive officer of the relevant PES or by another person who is specifically authorized in writing by the governing body of that PES for that purpose.

2.11 Documents to be delivered to URCA (Reporting Requirements)

Within 5 months of the end of the Financial Year of a PES, that PES must be delivered to URCA:

(a) The Regulatory Accounting Separation Statements prepared by the PES for that period should be prepared in accordance with these Guidelines.

(b) The Management Responsibility Statement that is required to accompany those Accounting Separation Statements in accordance with Section 2.5.

(c) The Auditor's Report on the Accounts Separation Statements for the reporting period, in keeping with section 2.7 of these Guidelines.

(d) The General Information Sheet that must accompany the Accounts Separation Statements in accordance with section 2.9 of these Guidelines.

(e) A consolidated copy of the PES's ACAM, where such ACAM has been amended so that it does not correspond with the consolidated copy of the ACAM that has previously been provided to URCA for these Guidelines.

2.12 Additional Information

2.12.1. The PES must also provide to URCA such additional information as URCA may require, supplementing the reporting requirements set out in these Guidelines, including:

(a) supplemental financial and accounting information, as well as information of a non-financial nature, deemed necessary for the determination of the actual cost of the services provided by the company for its tariff review; and

(b) URCA may require Other information from time to time to effectively carry out its regulatory responsibilities.

2.13 Confidentiality[2]

2.12.1. Where commercially sensitive information is provided in compliance with these Guidelines, URCA shall:

(a) restrict the disclosure of such information to its technical staff, legal advisors, and the relevant consultants on a need-to-know basis;

(b) employ the information only regarding its regulatory considerations, statements, and the fulfillment of its statutory duties.

(c) disclose information only if URCA deems it necessary to fulfill statutory obligations and per law governing such information. In such an event, URCA will notify the Licensee before URCA's final decision on the disclosure and allow the PES a reasonable opportunity to present its position.

[2] This is consistent with confidentially guidelines used and adopted in different jurisdictions that developed Accounting Separation. This confidentiality guidelines is adopted from Office of Utilities Regulation (OUR), Jamaica – Accounts Separation Guidelines, Notice of Proposed Rulemaking, 2018.

3. Information Requirements for Accounts Separation[3]

3.1 Financial Statements

3.1.1. PES is required to maintain separate accounts for each business function. Section 4 defines each function.

3.1.2. The accounts maintained under each business function must be treated as if it were a separate company. This ensures that costs and revenues, assets and liabilities, and reserves and provisions of each business function are individually identifiable in the accounts.

3.1.3. PES is required, per these Guidelines, to prepare and submit the following:

(a) Income Statements for each business function;

(b) Statements of Mean Capital Employed (assets and liabilities) for each business function (see Annex 4;

(c) Cash flow Statements for each business function (see Annex 5)

(d) A Consolidated Income Statement aggregates all the individual business functions' income statements in a single statement (see Annex 1). This statement should contain the following reports:

i. a summary of revenues, operating costs, and the return for each business function;

ii. consolidated adjustments, with separate identification of each adjustment item; and

iii. A reconciliation of the Licensee's audited income statement.

(e) A Consolidated Mean Capital Employed Statement aggregates all the individual business function Mean Capital Employed Statements in a single statement (see Annex 2).

3.1.4. The Account Separation Statements must be prepared on the basis that:

(a) Items that are directly attributable to a Business Segment are allocated accordingly:

(b) Items that are indirectly attributable to a business Segment are allocated using an appropriate allocation method; and

(c) Items that are unattributable to a Business Segment are allocated using a fair and reasonable method, per the principles set out in Section 3.2

[3] This section reflects the standard approach and description of the rules governing information requirement for Accounts separation across jurisdiction using similar methodology and this is to ensure uniformity, for comparative purposes, across utilities and across jurisdictions. In this instance this rule is adopted from Office of Utilities Regulation (OUR), Jamaica – Accounts Separation Guidelines, Notice of Proposed Rulemaking, 2018.

3.2 General Principles for Accounts Separation

3.2.1 Cost basis and cost allocation standard

3.2.1.1 The Accounting Separation Statements must be prepared on a historical cost accounting basis, except to the extent any relevant assets have been reappraised, in which case the Accounting Statements must be prepared using the appraisal value of those assets.

3.2.1.2 A fully distributed cost allocation standard must be applied in preparing the Accounting Separation Statements so that all costs, including corporate overhead costs, are apportioned among Business Segments per the principles set out below.

3.2.2 Principles of revenue and cost allocation

Allocation based on causation

3.2.2.1 Revenues and costs must be allocated to Business Segments based on causation to the extent possible. Each cost and revenue must be allocated to the activity that caused the cost or revenue.

3.2.2.2 From a practical standpoint, causation is determined by identifying one of the following relationships:

(a) A directly traceable cause and effect relationship between the revenue or cost and the execution of an activity or provision of a service, or product; or
(b) A verifiable relationship between the revenue or cost and the execution of an activity or provision of a service or product; or
(c) A direct causal relationship between a pool of common costs or revenues and the carrying out of an activity or provision of a service or product, such that allocation of the pool of common costs or revenues can be made using relevant, reliable, and verifiable factors, such as relative use.

Allocation of direct, indirectly attributable, and unattributable costs and revenues

3.2.2.3 **Direct costs/revenues** are costs/revenues that are solely incurred or generated in the undertaking or provision of a particular activity, service, or product, regardless of whether such costs/revenues are recorded in the accounts against the relevant item. Direct costs must be allocated to the relevant Business Segment based on this causal relationship.

3.2.2.4 **Indirectly attributable costs (or revenue**) are costs (or revenue) that are part of a common pool of costs (or revenue) but which can be attributed to a particular activity, service, or product through a non-arbitrary, commercially sustainable, and verifiable cause and effect relationship. Indirectly attributable costs (or revenue) must be allocated to the relevant Business Segment using an activity-based approach, where possible

3.2.2.5 **Unattributable costs (or revenue)** are costs (or revenue) that are part of a common pool of costs (or revenue) and which cannot be attributed to a particular activity, service, or product through a non-arbitrary, commercially sustainable, and verifiable cause-and-effect relationship. Unattributable costs must be allocated on a fair and reasonable basis, which must be documented in the relevant ACAM

3.2.2.6 If a causal relationship cannot be established for a particular cost (or revenue) without undue cost and effort, the cost (or revenue) may be allocated on a fair, reasonable and defensible basis, which must be documented in the relevant ACAM

Disclosure of costs and revenues

3.2.2.7 The Accounting Separation Statements must include a note that separately discloses each cost and revenue heading in the statement of income for each Business Segment.

(a) The amount of direct costs and revenue
(b) The amount of indirectly attributable costs or revenue allocated to that Business Segment; and
(c) The amount of unattributable costs or revenue allocated to that Business Segment.

Depreciation

3.2.2.8 PES is required to prepare and document in its ACAM the methodology and policy pertaining to the depreciation of each class of assets. Depreciation charges computed based on the stated methodology and policy should be consistent with the Licence.

Transfer Pricing

3.2.2.9 The policies applicable to transfer pricing. These policies must comply with the requirements set out in Section 3.2.5 hereof and inform the allocation of costs and revenues associated with transactions between business segments and activities between companies within the same business group.

3.2.3 Income Statement[4]

3.2.3.1 Each business function listed in Annex 1 shall provide its own Income Statement. Each statement should show the revenues, costs, and operating result (i.e., profit or loss) for the segment (see Annex 3, 6 and 7)

3.2.3.2 The following should be separately identified for reporting revenues:

(a) Revenues from external sources.

[4] Benchmark and adopted from Office of Utilities Regulation (OUR), Jamaica – Accounts Separation Guidelines, Notice of Proposed Rulemaking, 2018.

(b) Revenues from the company’s internal businesses; and

(c) Revenues from entities controlled by PES and/or related entities (including overseas parents and/or subsidiaries, if applicable).

3.2.3.3 A similar treatment should be given to the treatment of costs in each function. The following costs as described in Annex 6 should be clearly identified:

(a) Fixed costs

(b) Variable costs

(c) direct, directly attributable, and indirectly attributable costs

(d) allocated unattributable common costs

(e) Charges paid to the company's internal business

(f) charges paid to the company-controlled entities and/or related entities

(g) Charges paid to other operators

3.2.4 Statement of Mean Capital Employed

3.2.4.1 The Licensee must prepare and submit a Statement of Mean Capital Employed for each business function. This statement must set out the arithmetic average capital values over the reporting period (see Annex 2 & 4). The Mean Capital Employed refers to the total written-down value of non-current assets and working capital. Therefore, the company’s total assets are less than its current liabilities, excluding corporate taxes, dividends payable, and long-term liabilities.

In the Statement of Mean Capital Employed for each business function, PES must clearly identify the following:

(a) Current assets by major line item

(b) Non-current assets by major line item

(c) Current liabilities by major line item

(d) Non-current liabilities by major line item

(e) Total mean capital employed

(f) Return on capital employed

3.2.4.2 The return on the capital for each item in the Statement of Mean Capital Employed for the respective business segment should be consistent with the weighted average cost of capital as defined in the Tariff Guidelines[5].

3.2.5 Transfer Pricing

3.2.5.1 Transfer pricing refers to the process by which accounting values are assigned to a product sold in a transaction between divisions of a company or companies belonging to the same corporate group. This may lead to price distortions that unfairly favor a monopolist provider at the expense of its competitor. To minimize the likelihood of this occurrence, the following principles shall be applied to the pricing of the resources and products associated with transactions between business functions, divisions of the Licensee, or companies belonging to the same corporate group that owns the Licensee.

(a) Electricity services shall be charged at the applicable tariffs specified in the current Rate Schedules.

(b) Competitive services shall be charged at the prevailing market rates.

(c) Shared services within PES shall be valued at the full cost of provision based on usage.

(d) Asset transfers from one division to another shall be valued at the realizable value of the resource.

(e) Allocation of the capitalized value of assets jointly used by two or more divisions within the company shall be based on service usage.

3.2.5.2 The Licensee shall be required to provide a detailed description of the process, cost build-up, and methodology employed to derive transfer prices between divisions within the company or those affecting its costs based on transactions between itself and companies within its Corporate Group.

3.2.6 Accounts Separation Statements for Business Segments

3.2.6.1 Regarding the business segment, the Licensee shall be required to provide the following schedules segment identified in section 4 and Annex 1.

a) Statement of Mean Capital Employed (assets and liabilities) for each business segment.
b) Cost Schedule Statement for each business segment that clearly identifies:
    i. I. Fixed costs.

[5] https://www.urcabahamas.bs/wp-content/uploads/2021/07/Statement-of-Results-and-Final-Decision-Guidelines-and-Procedures-for-PES-Tariff-Review-Framework-ES-06-2021.pdf

ii. Variable costs.
iii. direct, directly attributable, and indirectly attributable costs.
iv. IV. Allocated unattributable common costs.

4. The Relationship between Business Functions and Segments

4.1 Introduction

The business Segments for these Guidelines are set out in this section. A single business Segment may include activities conducted by more than one corporate entity.

4.2 Vertically Integrated Business Segments

The Vertically Integrated Business Segments are described below.

4.2.1 Generation of Electricity and Provision of Ancillary Services Business Segment

4.2.1.1 This segment comprises

i. **The generation** of electricity (that is, the production of electricity, including using generating equipment for the production of electrical energy, including fossil fuel-driven generators, as well as those utilizing waste heat and renewable energy sources, and the provision of Ancillary Services (using generation assets)

ii. Transmission: The assets included in this business segment are the facilities, equipment, and assets used for Transmission services, Transmission connection services, Metering services, and related business. These assets will include substations, and their contents, poles and equipment mounted thereon, service and transmission transformers, and the conductors to deliver electrical energy.

iii. **Distribution:** This business segment includes the facilities, equipment, and assets used for Distribution services, Distribution connection services, Metering services, and related business. These assets will include Substations and their contents, Poles and equipment mounted thereon, service and distribution transformers, and the conductors used to deliver electrical energy.

4.2.1.2 The assets included in this Business Segment are all facilities and assets (including support plant) used for the generation of electricity or the production of Ancillary Services referred to in Section 4.2.1.1 The liabilities included in this Business Segment are all the liabilities incurred directly, or a relevant share of the shared liabilities which are incurred, to provide the services or undertake the activities referred to in Section 4.2.1.1

4.2.1.3 Revenues include all revenues derived from the sale of electricity or the provision of Ancillary Services referred to in Section 4.2.1.1, as well as revenues derived from the sale of related facilities, plant, or assets.

4.2.1.4 Costs include all operating and maintenance costs of assets associated with the generation, Transmission, and Distribution of electricity or the provision of Ancillary Services referred to in Section 4.2.1.1 and the depreciation of the assets referred to in Section 4,2,1,2

4.3 Supply Services Business Segment

4.3.1.1 This segment comprises the sale of electricity by a Generation company, licensed as Public Electricity Suppliers (PES), to end-users in the PESL and APESL markets. It includes the:

(a) Billing, collection, and the provision of customer services to such end-users in their capacity as electricity customers or to such other customers in their capacity as purchasers of electricity.

(b) Energy trading (include the purchase of electricity and hedging activities undertaken in connection with the sale of electricity to end users who are included in the APESL and PESL markets or to any other customers who are not end-users; and

(c) The sale of electricity to end-users who are included in the APESL and PESL markets or to other customers who are not end-users.

Table B: The Relationship between Business Functions and Segments

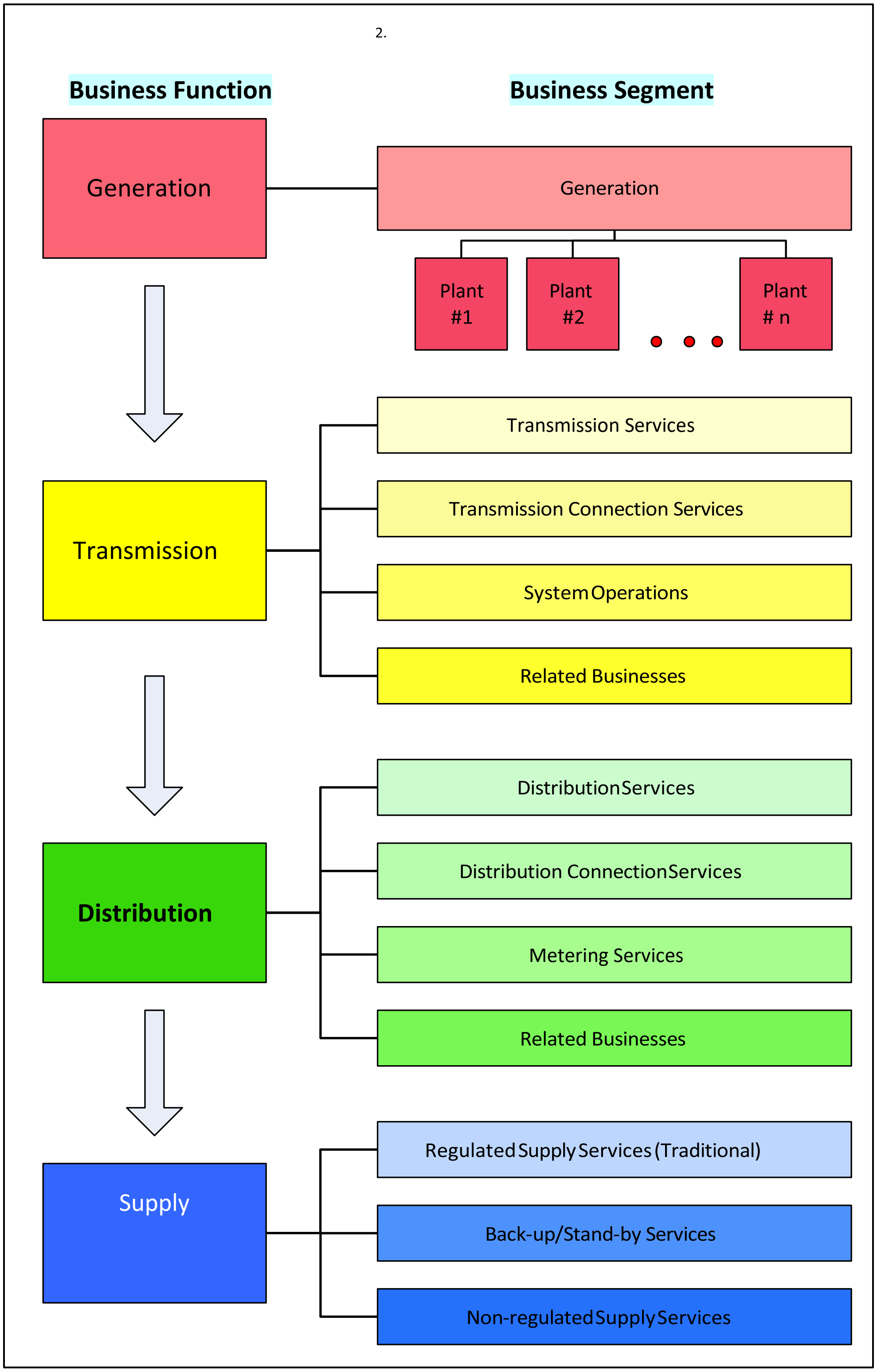


Table C: The Business Functions, Segments and Components

Function	Segment	Components
Generation	**Generation Service**	Generation of Electricity (Rate base)
		Generation of electricity(Utility owned IPPs
		Generation of electricity (purchases)
		Provision of Ancillary Services
Transmission	Transmission Services	Provision of ancillary services Provision of regulated transmission services Planning, maintenance, augmentation and operation of transmision
	Transmission Connection Services	Provision of access services Planning,maintenance, augmentation and operation of transmission connection assets
	System Operations	Provision of system operation services
	Related Businesses	Related businesses that uses transmission assets, facilities and staff
Distribution	Distribution Services	Provision of ancillary services Provision of regulated distribution services Planning, maintenance, augmentation and operation of distribution
	Distribution Connection Services	Provision of access services Planning,maintenance, augmentation and operation of transmission connection assets
	Metering Services	Provision of metering services (i.e> installation, commissioning, testing, repairs and maintenance of meters and meter reading, etc)
	Related Businesses	Related businesses that uses distribution assets, facilities and staff
Supply	Supply Services	Provision of regulated supply services (i.e. billing, collection, customer services, energy exchange etc) Provision of back-up/stand-by services

ANNEX 1. The Consolidated Income Statement Reporting Format

Public Electricity Suppliers

Total Statement of Income for the Year ended_____________

Description	Revenue (BS$'000)	Operating Costs (BS$'000)	Profit before Interest & Tax (BS$'000)	Interest & Tax Costs (BS$'000)	Extraordinary Items (BS$'000)	Operation Profit after Interest, Tax and Extraordinary Items (BS$'000)
<u>Generation</u>*						
<u>Transmission</u>*						
<u>Distribution</u>*						
<u>Supply</u>*						
Elimination of Inter-company Transactions						
Total						
RELATED BUSINESSES[6]						
Total revenue Total costs[2]						

[6] Specify by type of revenue and by type of cost

(Continued from previous page)

Description	Revenue (BS$'000)	Operating Costs (BS$'000)	Profit before Interest & Tax (BS$'000)	Interest & Tax Costs (BS$'000)	Extraordinary Items (BS$'000)	Operation Profit after Interest, Tax and Extraordinary Items (BS$'000)
Other adjustments[7]						
Elimination of Inter-company Transactions						
Total as per audited General Purpose Financial Statements						

[7] Specify by type (account heading)

ANNEX 2. The Consolidated Mean Capital Employed Statement Format

Public Electricity Suppliers

Total Statement of Income for the Year ended___________________________

Description	Total Assets	Total Liabilities	Net Assets (Liabilities)
Generation* **Transmission*** **Distribution*** **Supply*** **Elimination of Inter-company Transactions** Long-term borrowings, Provision for deferred tax, Provision for dividends payable Unallocated dividends receivable, Unallocated interest payable, Unallocated interest receivable Unallocated assets/liabilities[2]			
Total			
RELATED BUSINESSES Assets & Liabilities for Related Businesses			
Shareholders' Equity as per the audited General Purpose Financial Statements			
• **Vertically integrated**			

ANNEX 3. Business Function Income Reporting Formats

Public Electricity Supplier
Total Statement of Income for the year ended___________________

Account code or reference	Description	Generation (BS$'000)
	Revenue from the sale of electricity and provision of ancillary services Revenue from the sale of assets Other revenue (analyzed as appropriate)	
	Total Revenue	
	Maintenance Operating expenses (analyzed as appropriate) Depreciation – Historic cost Depreciation – Appraisal increment	
	Total operating costs	
	Profit before interest and tax	
	Interest	
	Profit before tax and extraordinary items	
	Tax Extraordinary Revenue items[1] Extraordinary Expense items[1]	
	Profit after interest, tax and extraordinary items	

ANNEX 4. Business Functions/Segments Mean Capital Reporting Formats

Name of Public Electricity Supplier
Statement of Mean Assets and Liabilities as at __________

Account code or reference	Description	BS$'000
	NON-CURRENT ASSETS Utility plant and equipment – Historic cost Buildings and improvements – Historic cost Information technology – Historic cost Motor vehicles – Historic cost Other Assets (please specify) – Historic cost **Total Historic Cost** Utility plant and equipment – Accumulated Historic depreciation Buildings and improvements – Accumulated Historic depreciation Information technology – Accumulated Historic depreciation Motor vehicles – Accumulated Historic depreciation Other Assets (please specify) – Accumulated Historic depreciation **Total Accumulated Depreciation** Investments and advances Land and development	
	Total non-current assets	
	CURRENT ASSETS Cash and cash equivalents Receivables Investments Prepayments Materials and supplies Other current assets	
	Total Current Assets	
	TOTAL ASSETS	
	NON-CURRENT LIABILITIES1 Provisions2 Loans	
	Total non-current liabilities	
	CURRENT LIABILITIES Trade payables and accrued expenses Loans Provisions	
	Total current liabilities	
	TOTAL LIABILITIES	
	NET ASSETS/(LIABILITIES)	

ANNEX 5. Business Functions Cash Flow Formats

Name of Public Electricity Supplier____________

Cash Flow Statement for the year ended as at___________

Account code or reference	Description	BSS'000
	Cash Flows from Operating Activities Net income before tax and extraordinary items Adjustments for depreciation – Historic cost Adjustments for depreciation – Appraisal increment Adjustments for foreign exchange loss / (gain) Investment loss (income) Interest expense (income)	
	Operating income before working capital charges	
	Decrease / (increase) in trade and other receivables Decrease / (increase) in inventories Increase / (decrease) in trade payables	
	Cash generated from operations	
	Interest paid Income taxes paid	
	Cash flow before extraordinary items	
	Extraordinary gain / (loss)	
	Net cash from (used in) operating activities	
	Cash flows from Investing Activities Acquisition of subsidiary Purchase of plant and equipment (analyzed as appropriate) Purchase of land and buildings Interest received Dividends received Purchase of Other Investment Activities Sale of Other Investment Activities	
	Net cash used in (from) investment activities	
	Cash Flows from Financing Activities Proceeds from insurance of stock Proceeds from Long Term Debt (analyzed as appropriated) Payment of financial lease liabilities Dividends paid	
	Net cash used in (from) financing activities	
	Net Change in Cash Equivalents	
	Cash and Cash Equivalents at Beginning of Year Cash and Cash Equivalent at End of Year	

ANNEX 6. Business Functions Revenue Schedule Format

Name of Public Electricity Supplier____________
Revenue Schedule for the year ended__________

Account code or reference	Description	BSS'000
	Direct revenue Revenue from the sale of electricity and ancillary services Revenue from the sale of assets Other revenue (analyzed as appropriate)	
	Total direct revenue	
	Indirectly attributable revenue Revenue from the sale of electricity and ancillary services Revenue from the sale of assets Other revenue (analyzed as appropriate)	
	Total indirectly attributable revenue	
	Unattributable revenue allocated Revenue from the sale of electricity and ancillary services Revenue from the sale of assets Other revenue (analyzed as appropriate)	
	Total unattributable revenue	
	Total revenue	

Note: In addition to the above, it is mandatory to produce for each revenue item that has been allocated to the Business Function a supporting work paper that includes:

(a) The amounts that have been indirectly attributed to the Business Function
(b) The amounts that have been allocated to the Business Function
(c) A description of the allocation basis
(d) The numeric quantity of each allocation factor

ANNEX 7. Business Segments Cost Schedule Format

Name of Public Electricity Supplier___________
Cost Schedule for the year ended_______________

Account code or reference	Description	Generation BSS'000
	Direct costs, Maintenance, Operating expenses Depreciation – Historic cost, Depreciation – Appraisal increment Other costs (analyzed as appropriate)	
	Total direct costs	
	Indirectly attributable costs Maintenance Operating expenses (analyzed as appropriate), Depreciation – Historic cost Depreciation – Appraisal increment	
	Total indirectly attributable costs	
	Unattributable costs allocated Maintenance Operating expenses (analyzed as appropriate), Depreciation – Historic cost Depreciation – Appraisal increment	
	Total unattributable common costs allocated	
	Total operating costs	
	Direct extraordinary items Indirectly attributable extraordinary items Unattributable extraordinary items allocated	
	Total Extraordinary Items	

Note: In addition to the above, for each revenue item that has been allocated to the Business Segment, it is mandatory to produce a supporting work paper that includes:

(a) The amounts that have been indirectly attributed to the Business Segment
(b) The amounts that have been allocated to the Business Segment
(c) A description of the allocation basis
(d) The numeric quantity of each allocation factor

ANNEX 8. Management Responsibility Statement

To: Utilities Regulation and Competition Authority (URCA)

The management of the (name of Public Electricity Supplier) accepts responsibility for all information and representations contained in the Accounts Separation Statements for the year ended [___]. The Accounting Separation Statements have been prepared per the provisions of the Regulatory Accounting Separation Guidelines for the (name of Public Electricity Supplier) dated [_] (the Guidelines) and satisfy the requirements stipulated by the Utilities Regulation and Competition Authority (URCA).

As such, we hereby state that:

(a) The relevant systems of accounting and reporting are maintained to ensure that the necessary internal controls of assets, liabilities, and transactions are recognized and maintained.

(b) Financial activities, transactions, and events are properly recorded; and that costs and revenues are appropriately allocated in accordance with the Guidelines; and

(c) The accounting policies applied strictly conform to the requirements of the Guidelines and the policies and principles set out in the Accounting and Cost Allocation Manual.

This Management Responsibility Statement has been approved by a resolution of the Board of Directors of PES, dated [_]. A certified copy is attached to this Statement.

Signature_____________ Name________ Date __

ANNEX 9. Auditor's Statement

To: Utilities Regulation and Competition Authority

Scope

We have audited the Accounts Separation Statements prepared by {name of PES} in the attached regulatory financial report for the year ended [ ].

Management Responsibility for the Accounts Separation Statements

The management of **(name of PES)** is responsible for the preparation and fair presentation of the Accounts Separation Statements in accordance with Regulatory Accounting Separation Guidelines for the **(name of PES)** (Guidelines) issued by the **Utilities Regulation and Competition Authority** (URCA). The management has determined that the Accounts Separation Statements satisfy the requirements of the Guidelines, including that:

- the system of accounting and reporting maintained by the management, which provides for the necessary internal controls to ensure that assets, liabilities, and transactions are appropriately recorded and recognized, and that revenues and costs are correctly allocated, has been implemented and maintained; and
- The accounting policies are consistent with the Guidelines' requirements and the approved Accounting and Cost Allocation Manual.

Auditors' Responsibility

Our responsibility is to express an opinion on the Accounts Separation Statements based on our audit. In the audit conducted no opinions are expressed on the appropriateness of accounting policies applied by URCA.

These Accounts Separation Statements have been prepared by the **(name of PES)** in keeping with the reporting requirements of the Guidelines established by URCA. We disclaim any assumption of responsibility for any reliance on this report, or on the Accounts Separation Statements to which it relates, to any person other than URCA, or for any purpose other than that which it was prepared.

This audit has been executed in compliance with generally accepted auditing standards in the Bahamas. Our procedures included examining, on a test basis, evidence supporting the amounts and other disclosures in the Accounts Separation Statements and evaluating significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the Accounts Separation Statements are presented fairly in accordance with the requirements of the Guidelines and the approved Accounting and Cost Allocation Manual.

Opinion

[To be completed by Auditors]

Name: Signature: Date:

Audit Opinion

It is our opinion that the Accounting Separation Statements have been correctly constructed in accordance with the Accounting Separation Guidelines, and that the Accounting and Cost Allocation Manual (ACAM) prepared by the **(Name of the Public Electricity Supplier)** and provided to the Utilities Regulation and Competition Authority (URCA) in all material respects, present fairly the following:

(i) The Statements of Income for each Business Function.

(ii) The Total Statement of Income of the **(Name of the Public Electricity Supplier)**;

(iii) The Statement of Assets and Liabilities for each Business Function.

(iv) The Statement of Assets and Liabilities of the **(Name of the Public Electricity Supplier)**; and

(v) The Cash Flow Statement for each Business Function.

Material exceptions and their respective effects on the Accounting Separation Statements are as follows:

[Describe any material exceptions]

Date:_________

Firm:_________

Partner:_____________

Address: _____________

ANNEX 10. The Structure and Allocation of Cost

Type of Costs

Cost in a firm may be broken down into two types of costs, fixed costs and variable costs:

1. *Fixed costs*: refer to costs that are independent of the quantity of output in the production of a product. These costs are not directly attributable to a single product when multiple products are produced in the production process. These costs are generally associated with the infrastructural facilities and are shared by several products in the production process.
2. *Variable costs pertain to costs that vary with the output level. If a company produces a single product, then the variable costs are directly attributable to the product generated. If, on the other hand, the company produces multiple products*, then these costs are indirectly attributable to each product generated.

Costs Attribution

In assigning cost or revenue to a specific business segment, a distinction must be made between the various classes of costs. As such, accounting items should be classified as follows:

a) *Direct cost/revenue* refers to costs incurred, or revenues generated exclusively by a specific product and are recorded in accounts assigned to that particular product.

b) *Directly attributable cost/revenue* refers to costs incurred, or revenues generated by a specific product, but are recorded in accounts not exclusively assigned to the product.

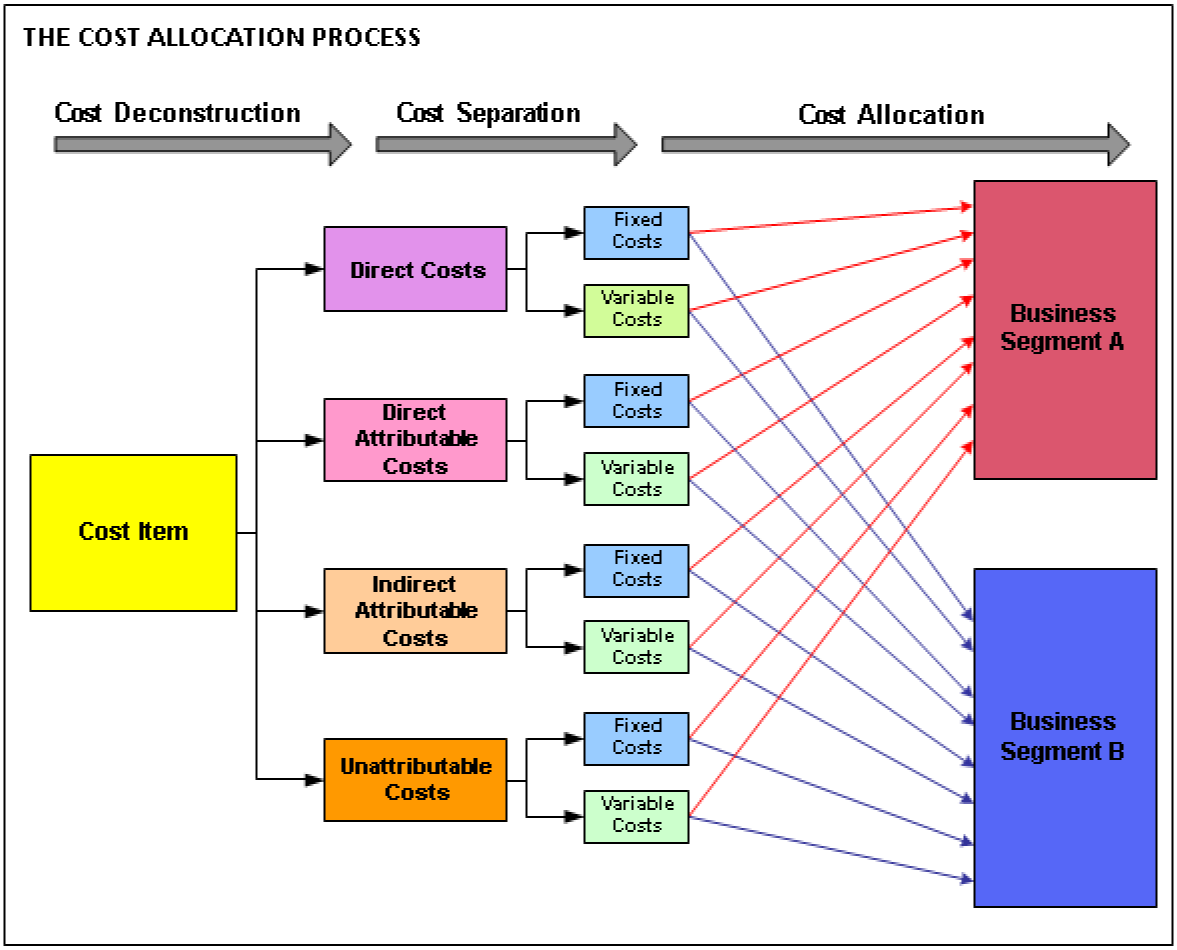
c) *Indirectly attributable cost/revenue* refers to costs incurred or revenues generated collectively by a group of products or services. Still, it can be traced to a particular product by an objective process based on cause-and-effect relationships.

d) *Unattributable cost/revenues:* refers to costs conjointly incurred, or revenues collectively generated that cannot be objectively linked by a causal relationship to a particular product.

Cost Allocation Process

The company shall be required to record the costs incurred and revenues generated in its accounts to be directly allocated to products/services. In situations where direct allocation is not possible, costs and revenues should be attributed based on causation so that assignments can be made to the appropriate business segments.

The allocation of costs/revenues shall be based on clear and rational rules developed in the company's allocation manual. As shown in the Figure below, the cost allocation process starts with deconstructing costs/revenues to facilitate their allocation to their respective business segments.


THE COST ALLOCATION PROCESS
Cost Deconstruction
Cost Separation
Cost Allocation
Cost Item
Direct Costs
Direct Attributable Costs
Indirect Attributable Costs
Unattributable Costs
Fixed Costs
Variable Costs
Fixed Costs
Variable Costs
Fixed Costs
Variable Costs
Fixed Costs
Variable Costs
Business Segment A
Business Segment B

5. References

https://our.org.jm/wp-content/uploads/2021/04/nprm-accounting__separation_final_final_2018-04-18_0.pdf

https://our.org.jm/wp-content/uploads/2021/04/nprm-accounting__separation_final_final_2018-04-18_0.pdf

https://pubs.naruc.org/pub.cfm?id=EE6402E5-155D-0A36-31F8-36FEBB6D4E44

https://www.itu.int/ITU-D/finance/Studies/Regulatory_accounting_guide-final1.1.pdf

https://regulationbodyofknowledge.org/wp-content/uploads/2013/03/Deloitte_Regulatory_Accounting_Guidelines.pdf

https://regulationbodyofknowledge.org/wp-content/uploads/2013/03/Ofgem_Regulatory_Accounts_Final.pdf