



Publication of Separated Regulatory Accounts

Consultation Document

March 2019

1. INTRODUCTION

The Telecommunications Regulatory TRA (the “TRA”) issued the Accounting Separation Regulation (the “AS Regulation”) and the Accounting Separation Guidelines (the “AS Guidelines”) in 2016 under which Omantel and Ooredoo, being dominant licensees, were required to submit their Separated Regulatory Accounts (“SRAs”) to the TRA annually. The SRAs provide information to the TRA to monitor compliance with dominance remedies (including price control, cost orientation, non-discrimination) and enable timely intervention to address the competition problems. SRAs also provides the TRA with relevant and reliable information to support its regulatory decisions.

Since other parties have a legitimate interest in compliance of dominance remedies by dominant licensees and taking into account the transparency requirement, it is appropriate that SRA information is made public subject to certain confidentiality matters.

The TRA, through this consultation, wishes to invite stakeholders, interested parties and the public in general to comment on the issues relating to publication of SRAs as highlighted in this Consultation Document.

1.1 Structure of this Consultation Document

The remainder of this Consultation Document is structured as follows:

Section 2 describes the purpose of SRAs and their publication;

Section 3 explains the required submissions under SRA;

Section 4 presents international practices with regards to publication of SRA information; and

Section 5 contains the TRA’s proposal on the publication of SRA information.

1.2 Status of the Consultation Document

The Consultation Document sets out the TRA’s draft position and does not necessarily represent the final view of the TRA on any of the matters consulted upon herein. The TRA is open to receive and consider the reasoned views and documented comments on all of these matters by respondents to this consultation. As a result of this consultation process, the TRA’s views may or may not vary in relation to some or any matters covered in the Consultation Document. Nevertheless, the respondents are advised that the assumption they should entertain for practical purposes is that, absent any further comment, the TRA is likely to confirm the preliminary view expressed in this Consultation Document. If respondents have a different view of the matter then they should consider submitting that view together with reasons and, if relevant, evidence in support.

1.3 The Consultation Process

Public telecommunications licensees, other stakeholders and members of the public may make submissions in writing in relation to the issues raised in this Consultation Document. All submissions will be published on the TRA's website unless a respondent specify part of its response as confidential along with the reason. The TRA shall consider all the comments received and then publish a Position Statement. Final direction shall be notified accordingly.

This Consultation Document will be available on the TRA's website at <http://www.tra.gov.om>

Respondents who wish to express opinions on this Consultation Document are invited to submit their comments in writing to the TRA. All comments must be received by the TRA no later than **3.00 PM on 7th April 2019.**

Comments filed in relation to this Consultation Document may be submitted to one or more of the following addresses:

a) E-mail to: TRACTU@tra.gov.om

b) Delivery (hard and soft copy in word format) by hand or by courier to:

Telecommunications Regulatory TRA

P.O Box 3555, PC 111, Al Seeb, Muscat, Sultanate of Oman

The TRA welcomes all comments on the Consultation Document. The TRA encourages respondents to support all comments with relevant argument and if relevant, data, analysis, benchmarking studies and information based on the national situation or on the experience of other countries to support their comments. In providing comments, respondents are requested to indicate the section or paragraph to which their comments relate. The TRA may give greater weight to comments supported by appropriate argument and, if relevant, evidence. The TRA is under no obligation to adopt the comments of any respondent.

2. PURPOSE OF SRA AND ITS PUBLICATION

In order to understand the purpose of the SRAs, it is important to first set out the legal basis for the same.

2.1 Legal Framework

The Telecommunications Regulatory Act (the “Act”) obligates the TRA to provide suitable conditions enabling new licensees to compete in order to establish an effective competitive environment and to prepare suitable conditions for competition among the licensees. The TRA is also empowered under the Act to take necessary measures to determine the acts or events which prevent competition in the telecommunications sector.

The Ex-Ante Regulation requires the TRA to conduct regular market assessments in the telecommunications sector in order to identify undertakings with dominance in particular markets, and to impose appropriate ex-ante obligations upon such undertakings. The Ex-Ante Regulation sets out the remedies which can be imposed by the TRA. These, among others, include the following:

- (i) A non-discrimination requirement - to apply equivalent conditions in equivalent circumstances, and not to discriminate in favour of the regulated firm’s own subsidiaries or partners.
- (ii) A transparency requirement - to make public specified information (including accounting information, technical specifications, network characteristics, and prices).
- (iii) A tariff approval requirement - to obtain TRA approval of tariff proposals related to services offered in the Relevant Market prior to implementation.
- (iv) A cost studies requirement - to participate in cost studies undertaken by the TRA through the provision of cost and related data in the form specified by the TRA.
- (v) A price control requirement - the dominant licensee should only charge prices for individual services or for bundles of services in a manner that complies with formulae, constraints and/or criteria determined by the TRA in relation to those services from time to time.
- (vi) An accounting separation requirement - the dominant licensee should provide accounts to the TRA in accordance with specifications of the TRA relating to periodicity, timing, and

content, with all costs and revenues separated into service and other categories outlined by the TRA.

In 2010, the TRA initiated its first market review and issued the Market Definition and Dominance (“MDD”) Decision in 2013 where Omantel and Ooredoo were declared dominant licensees in many retail and wholesale markets and accounting separation obligation was imposed on them besides other obligations. However, the MDD Decision did not impose detailed rules for the application of accounting separation obligation.

2.2 Accounting Separation Regulation and Guidelines

In 2015, the TRA issued its draft Accounting Separation Regulation¹ and Guidelines² for public consultation with the aim of replacing the then existing Accounting Separation Regulation and Framework Document (issued in 2009) which was applicable on Omantel for its fixed segment only. The TRA issued its Position Statement on the said consultation in August 2015 and the final Accounting Separation Regulation and Guidelines were issued in April 2016 through Decision No. 26/2016 and Decision No. 36/2016 respectively.

The AS Regulation 2016, linking accounting separation obligation to the MDD Decision, requires that SRAs shall be prepared, on an annual basis, for each of the relevant markets in which that dominant licensee has been declared by the TRA to have a dominant position and for each of the individual services within that relevant market.

The SRAs are required to be prepared based on FAC using HCA, FAC using CCA and LRIC and are required to be accompanied with the Accounting Separation Methodology Document, Accounting Documents, respective models, Audit Report, the Statement of Responsibility and any other information as required by the Accounting Separation Regulation and Guidelines.

¹ <https://www.tra.gov.om/pdf/draft-accounting-separation-regulation.pdf>

² https://tra.gov.om/pdf/draft_accounting_separation_guidelines.pdf

The SRAs are also subject to an independent audit carried out in accordance with International Standards on Auditing and the regulatory auditor is required to give an audit opinion on FAC using HCA, FAC using CCA based SRAs that:

- the Separated Regulatory Accounts fairly present in accordance with the Accounting Separation Methodology Document the results, mean capital employed and costs incurred by the Company; and
- the Separated Regulatory Accounts were prepared in accordance with the requirements of Accounting Separation Framework.

The audit opinion on SRAs, prepared on LRIC, are required to be provided on “properly prepared in accordance with” (PPIAW) basis.

The AS Guidelines prescribe the regulatory accounting principles which establish the key doctrines to be applied by the licensees when preparing SRAs. These are

- (i) Priority and Proportionality
- (ii) Cost Causality
- (iii) Objectivity
- (iv) Consistency
- (v) Materiality
- (vi) Transparency

The AS Guidelines prescribe in detail the cost allocation methods and cost accounting methodologies including Fully Allocated Cost (FAC) and Long Run Incremental Cost (LRIC). FAC is further segregated on a Historic Cost Accounting (HCA) or Current Cost Accounting (CCA) basis. The formats of the SRA are also provided in the AS Guidelines.

2.3 Linkage of Accounting Separation with Other Remedies

There is a close link between the accounting separation and other dominance remedies. The TRA considers that a key aim of the SRA is to provide information in order to allow the TRA to effectively

monitor compliance with other dominance remedies (including cost orientation and non-discrimination) and to enable timely intervention to ensure that those other dominance remedies continue to effectively address the underlying competition problems.

The TRA also believes that SRA supports investigations of potential breaches of dominance obligations and anti-competitive practices generally and may be used in resolving disputes. SRA also constitutes a useful source of information, such as to assist in conducting market reviews, reviewing the prices and reconciling data received from other sources.

2.4 Status of SRAs in Oman

After the issuance of AS Regulation and Guidelines, Omantel and Ooredoo were required to submit their SRAs to the TRA.

2.4.1 Omantel

As indicated earlier, Omantel was obliged to submit its SRA for fixed segment since 2009 under the old AS Regulation. Omantel submitted its SRA 2016 and 2017 (using SAS ABM and LRIC model) under new AS Regulation which comprised the following:

- (i) Accounting Separation Methodology Document
- (ii) Separated Regulatory Accounts for FAC-HCA, FAC-CCA and LRIC
- (iii) Accounting Documents for FAC-HCA, FAC-CCA and LRIC
- (iv) Detailed Attribution Methodology (DAM)
- (v) Cost Model
- (vi) Audit Report (with unqualified opinion)

Omantel submitted its SRA for following relevant markets being the dominant licensee:

Retail Markets:

- Market 1 - Retail access to the public telephone network at a fixed location
- Market 2 - Retail local and national voice call service from a fixed location
- Market 4 - Retail broadband internet access from a fixed location

Market 6 - Retail mobile services market

Market 7 - Retail national leased line services and business data services at a fixed location

Market 8 - Retail international leased lines

Wholesale Markets:

Market 10 - Wholesale voice call origination on the public telephone network provided at a fixed location

Market 11 - Wholesale voice call termination on individual public telephone networks provided at a fixed location

Market 12 - Wholesale network infrastructure access at a fixed location

Market 13 - Wholesale broadband access at a fixed location

Market 14 - Wholesale terminating segments of leased lines

Market 15 - Wholesale trunk segments of leased lines

Market 16 - Wholesale IP international bandwidth capacity

Market 17 - Wholesale voice call termination on individual mobile networks

Market 18 - Wholesale access and call origination on public mobile

2.4.2 Ooredoo

Ooredoo submitted its SRA 2016 (using MS-Excel) under FAC-HCA basis only, as provided in the AS Regulation for the first year. Ooredoo submitted SRA 2017 using 'CostPerform' (which is an activity based costing and modelling software) and the submission comprised the following:

- (i) Accounting Separation Methodology Document
- (ii) Separated Regulatory Accounts for FAC-HCA, FAC-CCA and LRIC
- (iii) Accounting Documents for FAC-HCA, FAC-CCA and LRIC
- (iv) Cost Model
- (v) Audit Report (with unqualified opinion)

Ooredoo submitted its SRA for following relevant markets being the dominant licensee:

Retail Markets:

Market 4: Retail broadband Internet access from a fixed location

Market 6: Retail mobile services market

Wholesale Markets:

Market 11: Wholesale voice call termination on fixed networks

Market 13: Wholesale broadband access at a fixed location

Market 15: Wholesale trunk segments of leased lines

Market 16: Wholesale IP international bandwidth capacity

Market 17: Wholesale voice call termination on individual mobile networks

Market 18: Wholesale access and call origination on public mobile telephone networks

Market 20: Wholesale fixed transit

2.5 Purpose of SRA

Since SRAs have more detailed information about costs and revenues than statutory accounts, they are designed to provide information about regulated companies at market and service level, which assist in carrying out many tasks.

2.5.1 Retail Tariff Application and Approval

Under the Retail Tariff Regulation, the licensees are required to seek approval of the TRA for the tariff of services if they have been declared to have dominant position. In this regard, the tariff application is required to include the following information:

- (i) cost data and calculations which show the average avoidable cost and average total costs associated with the proposed tariff in sufficient detail and which enable the TRA to be satisfied that the proposed tariff shall not result in predatory pricing or excessive pricing by the dominant licensee;

- (ii) cost data and calculations which show the margin that will be achieved for the proposed Tariff in sufficient detail and which enable the TRA to undertake an imputation assessment to ensure that a margin squeeze shall not result after taking account of the regulated charges that apply to wholesale service inputs needed to provide the retail service; and
- (iii) where the proposed tariff is a bundle or tie, cost data and calculations of the component services that make up the bundled or tied tariff in sufficient detail to enable the TRA to undertake, as appropriate:
 - (a) a predatory bundle or tie assessment to test whether the bundle or tie can be economically replicated by other licensees; and
 - (b) an exclusionary bundle or tie assessment in circumstances where the bundle or tie is not replicable by other licensees.

Retail Tariff Regulation also provides that the TRA, while approving the tariff of dominant licensees, shall assess whether there is an appreciable risk of abuse of dominance or other anti-competitive behaviour such as, but not limited to, the following:

- (i) price discrimination;
- (ii) predatory pricing;
- (iii) margin squeeze;
- (iv) excessive pricing; and
- (v) bundling or tying of services where the terms on which the bundle or tie is offered are anti-competitive, or the components of the bundle or tie are not available separately to consumers, or the bundle or tie cannot be replicated by other competing licensees.

SRA information play key role in submission of tariff proposals by dominant licensees. In particular, basic cost data stems from the SRA. Although, SRA provides service-level cost information without further disaggregation to package-level, yet SRA serves to provide reference data for many cost items.

Similarly, the TRA, while reviewing the supporting cost models provided along with tariff proposals, authenticates the data from the latest SRA submission by taking into account expected changes in costs/volumes after such submission. The assessment of anti-competition in a tariff proposal (such as

predatory pricing, margin squeeze, excessive pricing etc.) is also carried out by the TRA by using the SRA data.

2.5.2 Review of Wholesale Prices

Under the A&I Regulation, the prices charged by a dominant operator for wholesale services, with the exception of fixed broadband resale, national roaming and mobile access services, are required to be fair, reasonable and based on forward looking long run incremental cost (LRIC) of efficient service provision. The Regulation also provides that while reviewing and determining such prices, the TRA may choose to:

- (i) Use the top-down LRIC model prepared by the operator after making necessary changes, if required; or
- (ii) Use both the operator top-down LRIC and its own bottom-up LRIC models in the manner it deems appropriate; or
- (iii) Use its own bottom-up LRIC models in case no charge is proposed or no top-down LRIC model is provided by the operator.

For fixed broadband resale, national roaming and mobile access services, the A&I Regulation prescribes that wholesale pricing shall be based on retail minus discount.

$$\text{where discount} = \frac{1 - \text{avoidable cost per subscriber}}{\text{average revenue per subscriber}}$$

The discount is required to be updated on an annual basis. The Regulation requires that avoidable costs shall be calculated on a per subscriber basis for the past year and shall be based on the costs incurred by the providing party.

The TRA's recent decision of approving the reference offers (with wholesale prices) was based on reviewing the top-down model provided by Omantel with its SRA submission and TRA's BULRIC models. The discount factor was also calculated by the TRA using Omantel's SRA data. In future, TRA expects to use SRAs of both Omantel and Ooredoo (along with its bottom-up LRIC models) while reviewing the wholesale prices.

2.5.3 Performance Evaluation of Services

SRA results provide information to the TRA to evaluate performance of regulated services with regards to their usage, revenue and profitability. This in turn provides useful base for many regulatory decisions.

2.5.4 Resolving Ex-post Competition Complaints

The TRA often receives complaints from licensees alleging other licensee involvement in cross-subsidization, undue discrimination, predatory pricing, margin squeeze and other similar practices. In order to address such complaints and to verify their authenticity, one of the main source of evidence, which the TRA relies upon, sourced from SRA information.

2.5.5 Ensuring Non-Discrimination

SRA ensures that the prices paid for wholesale services by competitors and the dominant licensee's retail arm are the same. The purpose of SRA is, in effect, to place the retail arm of the dominant licensee and new entrants in the same position. The alternative way of achieving the same result would be to undertake structural separation of the dominant licensee which is much more complex and difficult.

2.5.6 Management Decisions

With the preparation of SRA, the regulated company also generates information in a format that can be used to inform its own management decisions.

2.5.7 Others

The transparency generated by SRA may also be useful to customers, policy makers and other stakeholders.

2.6 Reliability of SRA

In order to meet the regulatory objectives, the SRA data must be reliable. To achieve this end, currently there are three level of reviews of SRAs: review by the licensee; review by the independent auditor and review by the TRA.

2.6.1 Review by the Licensee

The dominant licensee is responsible to review the SRA for the purpose of ensuring compliance with the AS Regulation and Guidelines before its submission to the TRA. This is covered in the Statement of

Responsibility to be provided by the licensee when submitting its SRA wherein it confirms that the SRAs, under FAC HCA and FAC CCA, as a whole and for each of the Relevant Markets and Individual Services, have been fairly presented in accordance with the Accounting Separation Methodology Document and the Accounting Documents, and comply with the requirements of the Accounting Separation Framework. Similarly, the dominant licensee is required to confirm that SRAs under LRIC, as whole and for each of the Wholesale Markets and Individual Services, have been properly prepared in accordance with the Accounting Separation Methodology Document and the Accounting Documents, and comply with the requirements of the Accounting Separation Framework.

2.6.2 Review by the Independent Auditor

The dominant licensee is also required to obtain an independent audit opinion on the SRAs. Regulatory audit differs from statutory audit as statutory accounts are defined by company law and IFRS, whereas SRAs are defined by regulatory objectives and regulation. Moreover, the relationship between the auditors and who they report to differs. For statutory audits, the auditor reports to the company, whereas for regulatory audits the auditor also owes a duty of care to the regulator.

Two types of opinion are currently being used for the regulatory audit: Fairly Presents in Accordance With (FPIA) and Properly Prepared in Accordance With (PPIA). The PPIA opinion represents a view on whether the rules have been followed while the FPIA opinion provides some additional assurance on whether those rules are reasonable. An FPIA opinion therefore involves a greater degree of judgment (and more work) by the auditor. The audit opinion on SRAs, prepared on FAC-HCA and FAC-CCA, are required to be provided on FPIA basis whereas the audit opinion on SRAs, prepared on LRIC, are required to be provided on PPIA basis.

The TRA also acknowledges that audit opinion cannot confirm that a set of accounts is absolutely correct. Moreover, reasonable assurance provided through audit is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

2.6.3 Review by the TRA

Considering inherent limitations of audit and the role of SRA in regulatory decision making, the audited SRAs along with documentation and cost models are also reviewed by the TRA to ensure compliance

with the regulation. As a result of such review, the TRA conveys its observations to the licensee with direction to address the same.

2.7 Publication of SRA

2.7.1 TRA's Position

During the consultation on the draft AS Regulation and Guidelines, the TRA received different views from the stakeholders on the issue of publication of SRA. Omantel was of the view that the SRA and associated documents, in their complete form, should not be made public as they contain commercially sensitive and confidential information. While Ooredoo acknowledged that there are a few regulators who require the Separated Accounts to be published, most commonly UK and Ireland, to help ensure transparency and allow wholesale access seekers to understand the costs faced by an incumbent, however, in its view, the majority of regulators (including Sweden, Switzerland, Germany, Hungary and Saudi Arabia) do not require publication of separated accounts. OBC suggested that the TRA should agree with the dominant licensee's in advance, the confidential information which will not be published.

The TRA in its Position Statement³ issued in August 2015 took the following position:

"The TRA considers that one of the reasons for developing SRA for a dominant licensee is to demonstrate that it is not discriminating between its downstream operations or affiliated companies and those of competing providers. The TRA is of the view that making SRA publicly available will assist in the detection of anti-competitive behaviour in the relevant retail and wholesale markets. This in turn will help in the development of competitive markets that will ultimately benefit the consumer. Further, publication of dominant operator's accounts is in line with best international practices in both large and small jurisdictions. For instance and by way of further example, the Channel Islands Competition and Regulatory Authority (CICRA which encompasses the former Office of Utility Regulation in Guernsey, together with other organisations) requires publication of the Regulatory Separated Accounts of Cable & Wireless Guernsey Limited.

³ <https://www.tra.gov.om/pdf/position-statement-as-regulation-and-guidelines-final.pdf>

The TRA also observes that in the UK, Ofcom requires that BT publishes its Regulatory Financial Statements together with underlying assumptions set out in its Accounting Documents, as well as full details of the company's Detailed Attribution Methodology. Copies of all these documents are available to download from www.btplc.com. Furthermore, Kingston Communications is required by Ofcom to make its Regulatory Accounts and its Attribution Document available to third parties on request.

In Ireland, eircom is required by ComReg to publish a number of documents on its website including its Regulatory Financial Statements on CCA, LRIC and HCA terms. For each of these accounting bases, eircom is required to publish its supporting Accounting Documents and a Supplementary Document. The eircom's Regulatory Accounts and the supporting documentation are available to download at www.eircom.ie.

The TRA further notes that the European Commission's 8th Report on the Implementation of the Telecommunications Regulatory Package states that:

"The implementation of cost accounting and accounting separation in Ireland and in the United Kingdom can be regarded as best practice in the EU as regards the approach and methodology used, the detail of the verification carried out by the regulators and the availability of information to third parties. All these elements result in greater transparency of the tariff determination process and contribute to establishing confidence in the cost accounting systems of the notified operators and indirectly in the cost orientation of tariffs."

The TRA considers that making SRA publicly available is in line with international best practice and will help to introduce, maintain and promote effective and sustainable competition in the Sultanate's telecommunications market in a number of ways, including;

- helping other operators to understand how the dominant operator's revenues relate to costs,*
- building confidence that the interconnection and access arrangements are equitable and that there is no over or under recovery of the dominant operator's network costs, and*

- *providing supporting evidence that there is no unfair anti-competitive practices taking place.*

In summary, the TRA considers that publication of financial information at a sufficiently detailed level would increase the confidence of operators that there is no undue discrimination between the internal and external provision of services by the dominant operator, and would make transparent the relationship between wholesale charges and costs. This in general is considered to contribute to a competitive telecommunications environment, thus enabling the TRA to meet its duties set out in the Act. The TRA is conscious that commercially confidential information should, in general, not be made publicly available unless this is necessary for the TRA to carry out its functions. As can be seen from the comparisons elsewhere, SRA information has been published in other markets and the TRA is not aware of how the situation with regard to commercial confidentiality in the Sultanate would differ from those situations. In conclusion therefore, the TRA considers that it will retain the right to require SRA and supporting documentation to be made publicly available at its discretion.”

Resultantly, section Seven of the AS Regulation provides that the TRA may, at its discretion, publish or require the dominant licensee to publish Accounting Separation Methodology Document, Separated Regulatory Accounts and Accounting Documents and may specify the manner and such other issues as it considers appropriate relating to the publication of Accounting Separation Methodology Document, Separated Regulatory Accounts and Accounting Documents.

The TRA, under the Regulation, may ask the dominant licensee to prepare separate versions of Accounting Separation Methodology Document, Separated Regulatory Accounts and Accounting Documents, or any information contained therein, for publication purposes. In this regards, the dominant licensee may submit a written request to the TRA for not publishing particular information along with properly reasoned justifications for such request, although the TRA may determine that the publication of such information is in the public interest if the advantages of such publication outweigh any harm to the dominant licensee. In its determination on the merits of such disclosure, the TRA may consider, among other factors, the extent to which:

- this confidential information is important for the purposes of transparency and verification of the dominant licensee’s compliance with the Regulation; and

- the publication of a summary or redacted version of the information concerned, prepared by the TRA or proposed as an alternative by the dominant licensee, would be sufficient under the circumstances.

2.7.2 TRA's View

The TRA considers that other parties have a legitimate interest in the SRA information and monitoring of regulatory compliance. Published information supports stakeholders' contribution to an informed regulatory framework, as stakeholders (who may have a better understanding of the relevant activities and costs than TRA) can review and comment on the data that might otherwise only be seen by the TRA.

The TRA considers that a regulatory environment where stakeholders are simply informed that the regulator is satisfied that the obligations have been met is likely to be less effective than one where the industry is better informed. Specifically, the TRA considers that relying solely on the regulator's assessment of whether compliance has been demonstrated carries the risk that either important issues that may have been identified by stakeholders will remain unnoticed or TRA's allocation of scarce resources to important issues will be reduced as it is obliged to consider an increased number of complaints raised by less well informed stakeholders.

The TRA is of the view that publication of SRA information will:

- (i) demonstrate to other licensees about dominant licensee's compliance with price controls, cost-orientation and non-discrimination obligations;
- (ii) provide assurance to other licensees that the services they are buying from dominant licensees are genuinely cost-oriented and non-discriminatory;
- (iii) provide assurance to other licensees that the TRA has sufficient information to monitor and enforce these obligations;
- (iv) enable other licensees to reach their own judgements on whether they are, for example, being discriminated against by a dominant licensee and provide them with information to make an evidence-based and well-argued complaint to the TRA.

Having said above, the TRA also acknowledges that the issue of confidentiality needs to be addressed in order to assure dominant licensee that sensitive information provided to the TRA will remain



confidential and not made public, potentially putting the dominant licensees at a competitive disadvantage.

3. REQUIRED SUBMISSIONS UNDER SRA

The dominant licensee is required to make following submissions to the TRA as provided under the AS Regulation and Guidelines:

3.1 List of Individual Services

The dominant licensee is required to submit list of Individual Services not later than fifteen (15) working days after end of each financial year. The list is required to contain those regulated retail and wholesale services which were offered by the licensee anytime during the last financial year. The list is also required to contain a brief description of each service, respective customer category (i.e. internal or external) and the reference average unit price of that service. If the TRA takes no action within 15 working days following the submission, then the list of Individual Services submitted shall be automatically deemed to have been approved by the TRA. If the TRA decides not to approve the list of Individual Services, the TRA may request the dominant licensee to make specific amendments to the list of Individual Services within a given timeframe. The list of relevant markets and individual services for which SRAs are required to be prepared under the AS Guidelines is provided in Annex-1.

3.2 Accounting Separation Methodology Document

The dominant licensee is required to submit the Accounting Separation Methodology Document on an annual basis not later than two (2) months after the end of each financial year. The annual submission of the Accounting Separation Methodology Document is required to be accompanied by an additional documentation that provides details of changes, if any, made to the previously approved version of the Accounting Separation Methodology Document and the reasons for, and impact of, such changes on Separated Regulatory Accounts. The Accounting Separation Methodology Document contains, at a minimum, the following information:

- Regulatory Accounting Principles
- Accounting Policies
- Overview of Cost Allocation Process
- Allocation Methodologies
- Transfer Charges Methodology

- Assets Valuation Methodologies
- LRIC Methodology
- Cost of Capital Methodology

3.3 Tri-partite Agreement with the Auditors

The dominant licensee is required to submit to the TRA, at least six (6) months before the Separated Regulatory Accounts are required to be submitted, the following:

- The name of the proposed Regulatory Auditor together with its business address;
- A confirmation of the Regulatory Auditor's independence;
- The proposed audit scope and detailed audit plan; and
- The draft tri-partite agreement with the Regulatory Auditor including its obligations and responsibilities towards the Authority.

The TRA may convey to the dominant licensee its objections and reasons for such objections, in writing and may direct the dominant licensee to implement necessary changes in the agreement.

3.4 Separated Regulatory Accounts

The dominant licensee is required to submit its Separated Regulatory Accounts to the TRA based on FAC using HCA, FAC using CCA and LRIC not later than six (6) months after the end of dominant licensee's financial year. The Separated Regulatory Accounts include the following:

- (i) Profit and Loss Statement - A statement of revenues (including Transfer Charges), operating costs (including Transfer Charges) and depreciation for all Relevant Markets and Individual Services.
- (ii) Statement of Mean Capital Employed - A statement of average non-current assets (fixed and intangible) and average working capital (separated into current assets and current liabilities). The Statement of Mean Capital Employed shall be reported for all Relevant Markets and Individual Services.

- (iii) Reconciliation Statements:
- a. For the Separated Regulatory Accounts based on FAC using HCA, between the HCA Profit and Loss Statement as well as Statement of Mean Capital Employed and the dominant licensee's audited statutory accounts;
 - b. For the Separated Regulatory Accounts based on FAC using CCA, between the CCA Profit and Loss Statement as well as Statement of Mean Capital Employed and the Separated Regulatory Accounts based on FAC using HCA;
 - c. For the Separated Regulatory Accounts based on LRIC, between the LRIC Profit and Loss Statement as well as Statement of Mean Capital Employed and the Separated Regulatory Accounts based on FAC using CCA.
 - d. Between each consolidated Profit and Loss Statement as well as Statement of Mean Capital Employed with the respective detailed Profit and Loss Statement as well as Statement of Mean Capital Employed.
- (iv) Statement of Transfer Charges – highlighting the transfer charges between each Relevant Market and between each Individual Service reflecting the quantities and prices of services provided.
- (v) Statement of Average Unit Revenue – showing average unit revenue from external and internal sales.
- (vi) Statement of Network Component Unit Cost – showing total cost, total volume and average unit cost for each network component.
- (vii) Statement of Routing Factors and Network Unit Cost of Services – showing average unit cost for components, routing factors and service unit costs.
- (viii) Notes to the Separated Regulatory Accounts.

3.5 Statement of Responsibility

The Separated Regulatory Accounts are required to be accompanied with the Statement of Responsibility to be signed by the Chief Executive Officer of dominant licensee. The statement contains confirmation by

the dominant licensee that the Separated Regulatory Accounts are prepared in accordance with the requirements of Accounting Separation Framework.

3.6 Accounting Documents

The Separated Regulatory Accounts are required to be accompanied with the Accounting, which shall contain, at minimum, the following:

3.6.1 For FAC / Historic Cost Accounting

- A Description of Accounting Principles and Policies - with a description of each of the Accounting Principle that applies in the preparation of Separated Regulatory Accounts, along with a description of each of the Accounting Policies used to prepare the Separated Regulatory Accounts;
- A Description of the Relevant Markets and Individual Services - with a description of each of the Relevant Markets and Individual Services contained in the Separated Regulatory Accounts;
- Mapping of Services - description of each service provided by the licensee as well as the mapping of the service to:
 - the Relevant Markets, for which the licensee shall provide Separated Regulatory Accounts; and
 - the Individual Services, for which the licensee shall provide Separated Regulatory Accounts.
- A Description of Transfer Charges – (where applicable), a summary of the transfer charges, and a description of the methodologies applied, between each of the Relevant Markets and Individual Services;
- A Description of Asset Categories - for each network asset/asset class, an asset description including specification of its useful life and current asset age together with the historical gross book value (GBV) and historical net book value (NBV) at the year-end date;
- Allocation Methodology – a description of revenue and cost allocation methodologies and cost items including source data, cost centres, cost centre classifications and an overview of the cost allocation processes; and

- Detailed Allocation Methodology (DAM) Document – the DAM document shall be sufficiently detailed to enable the TRA to develop a complete process map of all the allocations in the licensee’s accounting separation system. As such, it shall include, at a minimum, a description of:
 - The allocation methodologies used to prepare Separated Regulatory Accounts;
 - All costs (underlying General Ledger (GL) accounts/codes or cost centres) that are inputted into the model;
 - All cost centres;
 - Cost accounts/cost types; and
 - Activities as well as the detailed allocations from cost centres to cost centres and/or activities and from activities to both Relevant Markets and Individual Services.

3.6.2 For FAC / Current Cost Accounting

- CCA documentation - to ensure consistency, the licensee shall develop FAC/CCA Separated Regulatory Accounts using the same allocation principles as applied to its FAC/HCA Separated Regulatory Accounts. In case of any differences, the licensee is required to detail all differences clearly in its Accounting Documents.
- Valuation Methods – a description of the approaches used by the licensee to derive gross replacement cost (GRC) and net replacement cost (NRC - at the year-end date); as well as all adjustments made under CCA Financial Capital Maintenance (FCM).
- Detailed Valuation Methodology (DVM) Document - For each asset class in the licensee’s Accounting Separation system, the DVM document shall provide detailed information on the underlying data and methodology used to prepare the FAC/CCA Separated Regulatory Accounts. This shall include, at a minimum:
 - An asset description including useful life and current asset age together with historical GBV, historical NBV, GRC and NRC. The methods used to derive GRC together with the NRC shall also be provided and justified, including, but not limited to:
 - The revaluation methodologies and sources of GRCs for all assets;

- For all assets revalued using absolute valuation or modern equivalent asset (MEA) valuation, quantity and unit price information underlying the GRCs for asset categories;
 - For all assets revalued using indexation, detailed unit price information used to derive the price indices applied in the revaluation; and
 - Depreciation concepts and assumptions, including methodology, assets lives, price trends for all assets and treatment of holding gains and losses.
- Asset category (for assets other than network assets) descriptions including asset category useful life and asset category age, together with GBV and NBV. The methods used to derive GRC and NRC shall also be provided and justified, including, but not limited to:
 - The revaluation methodologies and sources of GRCs for all assets;
 - For all assets revalued using absolute valuation or modern equivalent asset (MEA) valuation, quantity and unit price information underlying the GRCs for asset categories;
 - For all assets revalued using indexation, detailed unit price information used to derive the price indices applied in the revaluation; and
 - Depreciation concepts and assumptions, including methodology, assets lives, price trends for all assets and treatment of holding gains and losses.
 - In the DVM document, where a MEA methodology has been used, the licensee is required to provide a complete and detailed comparison of the characteristics and functionality of the chosen MEA against those of the asset actually in place.

3.6.3 For Long Run Incremental Costing

- LRIC Methodology – a description of the methodologies associated with the calculation of LRIC including, at a minimum:
 - A definition of all terms used in the LRIC Methodology, a description of the underlying increments (and the rationale for the chosen increment structure), cost definition, and a

- description of the methodologies relating to the measurement and recovery of fixed common and joint costs;
- The approach used;
 - All CVRs used within the LRIC model; and
 - An outline of all dependent and independent cost categories.
- Detailed LRIC Methodology (DLRICM) Document – the DLRICM Document shall be sufficiently detailed to enable the TRA to develop a complete process map of all the allocations in the licensee’s LRIC model. It shall include, at a minimum:
 - A step-by-step description of the methodology used to derive the costs of relevant services;
 - A detailed description of all costs (underlying GL accounts/codes or cost centres) that go into the LRIC model developed by the licensee;
 - Route factors and description of the methodology used to derive those route factors;
 - The number of network nodes;
 - A description of the type and function of equipment deployed in each network node;
 - Definitions and descriptions of methodologies, assumptions, and sampling techniques used for data gathering;
 - A list of homogenous cost categories (HCCs) and network components, together with documentation demonstrating that HCCs have been properly defined. This shall include, for all HCCs: cost centre-to-HCC mappings, HCC to cost-volume relationship (CVR) mappings and, for all dependent HCCs, a list of the dependency hierarchy;
 - A description of the cost driver(s) for each HCC, together with the chain of dependencies through which dependent cost categories are modelled. In all cases, the licensee shall provide justification for the cost driver(s) selected for each HCC. This justification shall be sufficiently detailed to enable the TRA to review the appropriateness of the chosen driver(s);

- A description of operating costs and their allocation methodologies used in the LRIC model;
- Evidence demonstrating that only efficient and appropriate working capital balances have been included in the model;
- Utilization rates of switching equipment and transmission equipment (existing as well as modelled);
- Documentation of all efficiency adjustments used, in particular:
 - A description of the existing network structure of the licensee, and its network structure after any efficiency adjustments have been made, together with an explanation of the efficiency adjustments made; or
 - In the absence of any efficiency adjustments, an explanation as to why the licensee considers its cost base to be reflective of an efficient licensee.
 - An identification of spare network capacity i.e. specific network components and associated levels of spare capacity. Technical and economic justifications for inclusion of any costs associated with spare network capacity.
- CVR Methodology (CVRM) Document - For each HCC in the licensee's LRIC system, the CVRM Document shall provide a detailed specification of all CVRs used in the model. This shall include for each HCC, a description of how each CVR used is constructed, including at a minimum:
 - The underlying cost driver;
 - The shape of the CVR;
 - A definition of the level of network coverage used to generate a CVR; and
 - The process by which an underlying cost driver volume has been reduced from the licensee's existing network to its minimum point.

3.7 Auditor's Report

The Separated Regulatory Accounts are required to be accompanied with the auditor's report having an audit opinion that:

- the Separated Regulatory Accounts fairly present in accordance with the Accounting Separation Methodology Document the results, mean capital employed and costs incurred by the company; and
- the Separated Regulatory Accounts were prepared in accordance with the requirements of Accounting Separation Framework.

3.8 Compliance Report by the Auditor

The Separated Regulatory Accounts are required to be accompanied with the Compliance Statement by the Regulatory Auditor, which shall at least include:

- the work done by the Regulatory Auditor;
- the scope and limitations of the audit;
- the existence of any relationship, other than that of Regulatory Auditor, which the Regulatory Auditor has with, or any interests which the Regulatory Auditor has in, the Dominant Licensee or any of its affiliates or subsidiaries;
- the conclusions of the Regulatory Auditor;
- all identified irregularities;
- whether the Regulatory Auditor has obtained all information and explanations that he has required;
- whether, in the Regulatory Auditor's opinion, as far as appears from an examination of them, proper accounting records have been kept by the Dominant Licensee so as to enable the complete and accurate compilation of required information;
- whether, in the Regulatory Auditor's opinion, the Separated Regulatory Accounts are prepared, in all material respects, in accordance with the Accounting Separation Methodology Document;

- whether the Regulatory Auditor has audited, on a sample basis, the information and processes required to complete the Separated Regulatory Accounts, to the extent such information and processes are not audited as part of the Dominant Licensee's statutory reporting processes;
- whether the Regulatory Auditor has reviewed the WACC methodology and its calculations and found them appropriate; and
- whether the Regulatory Auditor has audited the accounting system and models, to the extent they are relevant to the Separated Regulatory Accounts, and found them compliant with the requirements.

3.9 Cost Models

The Separated Regulatory Accounts are required to be accompanied with the models. In this regard, the licensee must provide adequate and detailed documentation to support their model submission. The models submitted by the licensee under FAC HCA, FAC CCA and LRIC must be supported by the following documentation:

- (i) User Manual containing:
 - a. Methodological overview (including input/output flowchart of the model);
 - b. Opening the model;
 - c. Dataset selection;
 - d. Editing data;
 - e. Model run options; and
 - f. Model output.
- (ii) Detailed explanations for each engineering sub-model including planning rules used (i.e. busy hour traffic per urban residential subscriber, equipment utilization, etc.).
- (iii) A Non-Technical Functional Specification (NTFS). The NTFS must contain a complete logical description of the business layer including numerical examples.
- (iv) A detailed description and results of the test of the model.

- (v) If the model was developed by an independent third party, then a written third party consent allowing the TRA and the TRA's third party advisors access to the model.

3.10 Other Information

The TRA may also require the dominant licensee to provide further information and clarifications relating to Separated Regulatory Accounts, Accounting Documents and models within a given timeframe and in the manner as directed by the Authority.

4. International Practices

This section highlights the practices of other jurisdictions on the issue of publication of regulatory accounts.

4.1 European Commission

European Commission (EC) in its *“Commission Recommendation of 19 September 2005 on accounting separation and cost accounting systems under the regulatory framework for electronic communications”* stated that the purpose of imposing an obligation regarding accounting separation is to provide a higher level of detail of information than that derived from the statutory financial statements of the notified operator, to reflect as closely as possible the performance of parts of the notified operator’s business as if they had operated as separate businesses, and in the case of vertically integrated undertakings, to prevent discrimination in favour of their own activities and to prevent unfair cross-subsidy. EC recommended that the cost accounting and accounting separation systems of the notified operators need to be capable of reporting regulatory financial information to demonstrate full compliance with regulatory obligations.

With regards to publication of regulatory accounts, EC recommended that the publication by the notified operator of sufficiently detailed cost statements will increase transparency and raise confidence on the part of competitors that there are no anti-competitive cross-subsidies, which is considered to be particularly important for wholesale services. EC recommended to national regulatory authorities to make relevant accounting information from notified operators available on request to interested parties at a sufficient level of detail to ensure that there has been no undue discrimination between the provision of services internally and those provided externally and allow identification of the average cost of services and the method by which costs have been calculated.

EC acknowledged that regulatory accounting information serves national regulatory authorities and other parties that may be affected by regulatory decisions based on that information, such as competitors, investors and consumers. In this context, publication of information may contribute to an open and competitive market and also add credibility to the regulatory accounting system. EC also recognizes that in providing information for these purposes, national regulatory authorities should have due regard for commercial confidentiality.

4.2 United Kingdom

In UK, regulatory financial statements are published by BT on its website⁴ and it is required to send a copy of the relevant information to any person upon written request. The published regulatory financial statements contains the following information:

Document Name	Contents
Regulatory Financial Statements	<ul style="list-style-type: none"> • Basis of Preparation • Statement of Responsibility • Audit Report • Summary of Market Performance • Openreach Information • Review of Regulated Markets • Attribution of Wholesale Current Costs and Mean Capital Employed • Reconciliation Statements
Change Control Notification	<p>Details all methodology changes that were implemented between the previous year and current year.</p> <p>Provides the estimated impact of methodology changes at the level of the Markets and Technical Areas (as applicable) by setting out the figures which were presented in the previous Financial Year alongside the figures that would have been presented had such changes been made in the previous Financial Year.</p> <p>Provides an explanation of the reported methodology changes, including the reasons for making each change.</p>
Accounting Methodology Document	The AMD lays out the basis on which we prepare the RFS, and acts as a guide to the framework, methodologies, principles and systems that relate to it.

⁴ <https://www.btplc.com/Thegroup/Policyandregulation/Governance/Financialstatements/index.htm>

	<p>The AMD is used to describe:</p> <ul style="list-style-type: none"> • The legal and accounting frameworks under which the RFS are prepared; • The costing principles used by BT to prepare the RFS on a Fully Allocated Cost (FAC) basis; • The methods used in the Accounting Separation (AS) process to attribute revenue, costs and capital employed to the Markets and Technical Areas in the RFS; • The systems and processes used by BT to support AS; and • The valuation principles employed to value assets on a current cost basis.
Wholesale Catalogue	<p>The Wholesale Catalogue identifies and describes the Wholesale services included in the markets for which BT has a regulatory financial reporting obligation. The Wholesale Catalogue contains descriptions of BT service offering, identifies whether services are internally or externally supplied.</p>
LRIC Model Relationship and Parameters	<p>LRIC Model Relationship and Parameters (R&P) contains the principles that are applied in the production of Long Run Incremental Cost (LRIC) Statements, and describes in detail how BT applied these principles to construct Cost Volume Relationships (CVRs) and to calculate LRIC.</p> <p>The R&P:</p> <ul style="list-style-type: none"> • describes the key parts of the production of LRIC Statements. • presents information on the various definitions of LRIC terms and the principles used in the LRIC calculation. • describes the process and calculation types behind the LRIC values. • provides more detail on how CVR information is obtained and used. • provides detailed examples of LRIC calculations. • explains the changes BT has made to LRIC modelling / methodologies.
Additional Financial Information	<p>Provides cost data of plant groups to services.</p>
Compliance Statements	<p>Shows compliance of BT wholesale services with price controls set by Ofcom.</p>

System Reconciliation Report	Since BT is considering replacing its current Regulatory Accounting System (REFINE with CostPerform) it is required to publish and deliver the Systems Reconciliation Report which sets out the differences between the two systems (REFINE and CostPerform) and provides an explanation of the material differences.
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Like BT, KCOM plc also publishes its regulatory accounts on its website⁵.

4.3 Ireland

ComReg requires *eircom* to produce Regulated Accounts comprising of:

- Separated Accounts to the market level;
- Additional Financial Statements (“AFS”) for material services and products;
- Additional Financial Information (“AFI”) for other financial data; and
- Accounting Documentation (Primary and Secondary)

The Primary Accounting Documentation comprises the following:

- Regulatory Accounting Principles, which sets out the general rules by which the Financial Statements are prepared, for example, all balances should be attributed with reference to cost causality;
- Market Definitions, which provides full definitions of the market groups and individual markets included within the Separated Accounts;
- Attribution Methods, which explains how revenue, costs (including transfer costs), assets and liabilities are attributed on a fully allocated basis to the Network Elements and Activities, within the markets, in line with the Regulatory Accounting Principles;
- Transfer Charges, which explains how charges are raised from the Wholesale Markets to the Wholesale and Retail markets for their use of the network;

⁵ <https://www.kcomplc.com/regulatory/regulatory-accounts/>

- Accounting Policies, which detail the accounting policies adopted in preparing the underlying financial information.

The Primary Accounting Documentation contains the high-level principles of attribution. The procedures describing how these principles are applied in detail are contained in the Secondary Accounting Documentation. The Secondary Accounting Documentation is provided privately to ComReg. Comreg can require that cost accounting at product and service level (from the AFS and AFI) be published.

Keeping in view the status of publication of accounting separation information in UK and Ireland, European Commission in its 8th Report on the Implementation of the Telecommunications Regulatory Package states that *“The implementation of cost accounting and accounting separation in Ireland and in the United Kingdom can be regarded as best practice in the EU as regards the approach and methodology used, the detail of the verification carried out by the regulators and the availability of information to third parties. All these elements result in greater transparency of the tariff determination process and contribute to establishing confidence in the cost accounting systems of the notified operators and indirectly in the cost orientation of tariffs.”*

4.4 France

ARCEP requires France Telecom to submit list of network elements annually and produce a table of costs of network elements. ARCEP may request more detailed cost data for specific network elements on a case-by-case basis. France Telecom must also report a table detailing the quantity of network elements used by each wholesale and retail offer. France Telecom publishes the criteria by which it allocates costs. France Telecom is required to define the assumptions and methods behind its accounting model. These methods and results are published annually and are audited. The list of network elements is also published. Both the auditor’s report and ARCEP’s reports are publicly available using CCA based financial accounts.

4.5 Spain

The Spanish regulator requires Telefonica to submit highly detailed reports. For instance, for fixed segment, costs are reported for more than 250 services, 200 network elements and 150 equipment devices. The regulator publishes a statement of approval of the accounts with HCA and CCA based cost aggregated at service level.

4.6 Channel Islands

Office of Utility Regulation (OUR), which is now part of the Channel Islands Competition & Regulatory Authorities (CICRA), in its Regulatory Accounting Guidelines to Cable & Wireless Guernsey Limited⁶ issued in December 2004 acknowledged that regulatory accounting information is an important element in enabling the OUR to carry out its statutory functions and other parties that may be affected by regulatory decisions based on that information, such as competitors, investors and consumers will also have an interest in C&W Guernsey's Regulatory Accounts. In OUR's views, publication of this information will contribute to an open and competitive market whilst also making the regulatory regime transparent.

OUR requires that publication of C&W Guernsey's Regulatory Accounts should be in a form easily accessible by interested parties, such as paper form and on C&W Guernsey's website. C&W Guernsey is required to issue a notice in the Gazette Official informing the market of the publication of its Regulatory Accounts and alerting interested parties on how to obtain copies of the documentation.

The Cost Attribution Methodology document submitted to the OUR contains the actual data used for deriving apportionment percentages for the drivers. This version of the Cost Attribution Methodology does not need to be made available to third parties.

4.7 Croatia

Croatian Post and Electronic Communications Agency in its Instructions on Accounting Separation and Cost Accounting⁷ issued in November 2008 requires publication of Accounting Document and Allocation Methodology Document in the form referring to general description, while specific description of the system shall be prepared only for the regulator. In addition, regulatory financial statements containing profit and loss statement, mean capital employed statements, reconciliation statements, statement of responsibility and auditors' opinion are also need to be published.

⁶ <https://www.cicra.gg/media/3572/t04g-guidelines-accounting-separation-regulatory-accounting-guidelines-to-cable-wireless-guernsey-ltd.pdf>

⁷ <https://www.hakom.hr/userDocs/Images/dokumenti/Instructions%20On%20Accounting%20Separation%20And%20Cost%20Accounting.pdf>

4.8 Bahrain

As per the Accounting Separation Regulation issued by the TRA Bahrain in 2004⁸ the regulatory accounts are to be treated as confidential and not published by the TRA until such time when a consultation on market information requirements has been conducted and agreement reached on the necessity of making such material available to the public or unless the TRA considers it appropriate for the proper exercise of its functions. The accounting procedures manual is to be made public by the TRA.

Lately, the TRA Bahrain through its '*Consultation Document on Regulatory Accounting Regulation*' issued in July 2016⁹ proposed the draft New Regulation which provides the TRA Bahrain with the ability to require a licensee to publish its regulatory accounts, if such publication would be likely to be beneficial for improving the transparency of the sector and the economic regulation underpinning the sector. The TRA Bahrain recognized that published regulatory accounts can improve the submissions the TRA Bahrain receives from other licensees in the market, leading to a more informed and efficient regulatory decision making process for the licensees and the TRA.

4.9 UAE

The TRA UAE in its Instructions on Cost Accounting, Accounting Separation and LRIC Modelling issued on 29th December 2011¹⁰ states that it may publish or require a licensee to publish any Regulatory Accounting Documentation and/or Regulatory Financial Statements. The TRA may specify the manner and such other issues as it considers appropriate relating to the publication.

⁸ http://www.tra.org.bh/media/document/Final_AS_en1.pdf

⁹ <http://www.tra.org.bh/media/document/Regulatory%20Accounting%20Regulation%20consultation%20document3.pdf>

¹⁰ <https://www.tra.gov.ae/assets/pkiwgsez.pdf.aspx>

4.10 Conclusion

The international practice indicates that as the quality of regulatory accounts improves, the regulators tend to publish the accounting separation information for the benefit of other stakeholders keeping in view the issue of confidentiality.

5. TRA'S PROPOSAL ON PUBLICATION OF SRA INFORMATION

This section lists TRA's initial proposal as to which of SRA submission, in its views, should be published and which should remain confidential to the TRA. The publication of SRA information should be carried out by the dominant licensee by uploading the material on its website for the last five years. The stakeholders, who propose to keep any of the below-mentioned SRA submission as confidential, are requested to demonstrate as to how the publication of such SRA submission will result in undue competitive advantage to other licensees.

5.1 List of Individual Services

The TRA is of the view that the list of Individual Services should be published by the dominant licensee once approved by the TRA. Such publication will enable other licensees to see the granularity of dominant licensees' SRA which help them to gain confidence in the SRA and, at the same time, acknowledge the limitations, if any. Although, in TRA's views, there is nothing confidential in this list, the TRA would like to see views of stakeholders on the publication of average unit price of each service which is derived by dividing the service revenues by the service volumes for the respective year.

5.2 Accounting Separation Methodology Document

The TRA is of the view that the Accounting Separation Methodology Document along with additional documentation that provides details of changes, if any, made to the previously approved version of the Accounting Separation Methodology Document. This will help other stakeholders in assessing the reasonability or otherwise of a given methodology and as a result, further improvements can be made in this document to enhance the accuracy of SRAs. As this document only provides the accounting separation methodology at higher level, there is nothing confidential in this document in TRA's views.

5.3 Tri-partite Agreement with the Auditors

The TRA is of the view that the tri-partite agreement should not be made public since it does not contain any information directly relating to SRA, rather it contains rights and obligations of all parties to each other including dominant licensee, the regulatory auditor and the TRA. Moreover, the TRA sees no benefit in making such agreement public since the scope of work of regulatory auditor is already provided in the AS Regulation and Guidelines.

5.4 Separated Regulatory Accounts

The TRA is of the view that the Separated Regulatory Accounts should be published based on the reasons provided below against each statement:

(i) **Profit and Loss Statement**

This statement containing revenues, operating costs and profit of Relevant Markets and Individual Services is particularly useful for other licensees in assessing the compliance of dominant licensee with obligations of price control, cost-orientation etc.

(ii) **Statement of Mean Capital Employed**

As the results of this statement (i.e. mean capital employed) are fed into Profit and Loss Statement, the publication of this statement will enhance transparency and resultantly improve the accuracy of allocations.

(iii) **Reconciliation Statements**

The publication of all reconciliation statements will increase confidence of readers in the overall accuracy of SRA.

(iv) **Statement of Transfer Charges**

The publication of this statement will be useful for other licensees to check dominant licensee's compliance with the obligation of non-discrimination.

(v) **Statement of Average Unit Revenue**

The publication of this statement will be useful for other licensees to check dominant licensee's compliance with the obligation of non-discrimination by comparing average unit revenue from external and internal sales.

(vi) **Statement of Network Component Unit Cost**

The publication of this statement will be useful for other licensees in assessing the compliance of dominant licensee with the obligation of cost-orientation.

(vii) **Statement of Routing Factors and Network Unit Cost of Services**

The publication of this statement will be useful for other licensees in assessing the compliance of dominant licensee with the obligation of cost-orientation.

(viii) **Notes to the Separated Regulatory Accounts.**

The publication of this statement will be useful for readers to have better understanding of the SRAs and the basis on which they are prepared.

5.5 Statement of Responsibility

The TRA is of the view that the Statement of Responsibility should be published by the dominant licensee. This will help enhance the confidence level of other licensees in the SRAs.

5.6 Accounting Documents

The TRA is of the view that the Accounting Documents should be published in general. The TRA welcomes views of licensees in identifying a particular information which should be redacted from publication owing to confidentiality.

5.7 Auditor's Report

The TRA is of the view that the auditor's report should be published.

5.8 Compliance Report by the Auditor

The TRA is of the view that the Compliance Statement by the Regulatory Auditor should be published.

5.9 Cost Models

The TRA is of the view that the models submitted by dominant licensee along with SRA should not be published since they contain a number of confidential information, the disclosure of which can harm the dominant licensee.

5.10 Other Information

The TRA is of the view that the information which it gathers from dominant licensee while reviewing the SRA should not be published as it often pertains to very specific matter, the publication of which is not required.

Annex – 1

List of Relevant Markets and Individual Services

Retail Markets	Retail Services
Market 1: Retail access to the public telephone network at a fixed location	Line Connections – with further splits into PSTN, ISDN2 and ISDN30
	Line Rental – with further splits into PSTN, ISDN2 and ISDN30
	Others
Market 2: Retail local and national voice call service from a fixed location	Local Calls
	Fixed to Fixed National Calls
	Fixed to Mobile Calls
	Fixed Non-geographic calls – with further splits into: toll free, standard rate, premium rate
	Fixed Internet (dial-up) Calls
	Fixed Directory Enquiry Calls
	Payphone Calls
Market 4: Retail broadband internet access from a fixed location	Asymmetric Broadband Installation and Rental – with further splits into broad bandwidth categories e.g. low, medium and high
	Symmetric Broadband Installation and Rental – with further splits into broad bandwidth categories e.g. low, medium and high
	Double Play Service
	Triple Play Service
	Others
Market 6: Retail mobile services market	Post-paid: Connection
	Post-paid: Rental

	Pre-paid: Connection
	Pre-paid: Renewal
	Mobile to Mobile – on-net
	Mobile to Mobile – off-net
	Mobile to Fixed Calls
	Mobile Non-geographic calls – with further splits into: toll free, standard rate, premium rate
	Mobile Directory Enquiry Calls
	SMS
	MMS
	Mobile Data Services
	Mobile Roaming: Voice
	Mobile Roaming: Data
	Others
Market 7: Retail national leased line services and business data services at a fixed location	Domestic Leased Lines (internet) – with further splits into broad bandwidth categories e.g. low, medium and high
	Domestic Leased Lines (other) – with further splits into broad bandwidth categories e.g. low, medium and high
	IP-VPN National – with further splits into broad bandwidth categories e.g. low, medium and high
	Others
Market 8: Retail international leased lines	International Leased Lines (internet) – with further splits into broad bandwidth categories e.g. low, medium and high
	International Leased Lines (other) – with further splits into broad bandwidth categories e.g. low, medium and high
	IP-VPN International – with further splits into broad bandwidth categories e.g. low, medium and high

	Others
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Wholesale Markets	Wholesale Services
Market 10: Wholesale voice call origination on the public telephone network provided at a fixed location	Fixed Call Origination – Carrier Pre-Selection
	Fixed Call Origination – Call by Call Selection
	Fixed Call Origination – Non-Geographic Calls
	Fixed Call Origination – Prepaid Calling Cards
	Fixed Call Origination - Operator Services
	Fixed Call Origination - Directory Enquiry Services
	Fixed Call Origination - Emergency Call Services
	Fixed Call Origination - Value Added Services
	Fixed Call Origination - Toll Free Services
	Others
Market 11: Wholesale voice call termination on individual public telephone networks provided at a fixed location	Fixed Call Termination
	Fixed Call Termination - Operator Services
	Fixed Call Termination - Directory Enquiry Services
	Fixed Call Termination - Emergency Call Services
	Fixed Call Termination - Value Added Services
	Fixed Call Termination - Toll Free Services
	Others
Market 12: Wholesale network infrastructure access at a fixed location	Local Loop Unbundling
	Line Sharing
	Sub-loop Unbundling
	Colocation

	Others
Market 13: Wholesale broadband access at a fixed location	Wholesale Line Rental
	Bitstream service: broken down by type of service offered (asymmetric/symmetric; Regional/National)
	Bitstream Handover
	Wholesale Transmission
	Others
Market 14: Wholesale terminating segments of leased lines	Terminating segments by broad bandwidth categories e.g. low, medium and high
Market 15: Wholesale trunk segments of leased lines	Trunk segments (National and International) by broad bandwidth categories e.g. low, medium and high
Market 16: Wholesale IP international bandwidth capacity	IP International Bandwidth Capacity – with further splits into broad bandwidth categories e.g. low, medium and high
	Access to Landing Stations
	Access to Earth Stations
	Others
Market 17: Wholesale voice call termination on individual mobile networks	Mobile Call Termination
	Mobile SMS Termination
	Mobile MMS Termination
	Other Mobile Termination
Market 18: Wholesale access and call origination on public mobile telephone networks	Mobile Call Origination – Carrier Pre-Selection
	Mobile Call Origination – Call by Call Selection
	Mobile Call Origination – Non-Geographic Calls
	Mobile Call Origination - Operator Services
	Mobile Call Origination – Prepaid Calling Cards
	Mobile Call Origination - Directory Enquiry Services

	Mobile Call Origination - Emergency Call Services
	Mobile Call Origination - Value Added Services
	Mobile Call Origination - Toll Free Services
	Mobile Call Origination - Others
	National Roaming – Call
	National Roaming – SMS
	National Roaming – MMS
	National Roaming – Data
	Others
Market 20: Wholesale transit	Fixed Call Transit