

THE IMPLEMENTATION OF A UNIFORM SYSTEM OF ACCOUNTS BY GEORGIAN GRID COMPANIES



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საქართველოს ენერგეტიკისა და
წყალმომარაგების მარეგულირებელი
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THE NEED TO IMPLEMENT USOA

- The imminence of counting according to each component of the rate/tariff
 - ✓ Separating the grid component from the delivery
 - ✓ Determining the asset base subject to regulation at each voltage level of the grid
 - ✓ Cost allocation



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LEGAL GROUNDS OF USOA IMPLEMENTATION

- Articles 46 and 49⁹ of the Georgian Law on Electricity and Natural Gas
- Memorandum of Understanding signed between GNERC and USAID/Georgia
- Order # 303 of 18 Oct 2013 issued by the Chairman of the Commission



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THE PURPOSE OF USOA IMPLEMENTATION

- Makes it easier for the license holders to prepare reports required by regulatory agencies
- Calculation of rates/tariffs
- License Monitoring
- Market monitoring



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REQUIRED DOCUMENTATION FOR IMPLEMENTING USOA

- Chart of accounts and completion instructions
- Accounting procedures and accounting manual
- Instructions for determining regulated asset base
- Reporting forms and completion instructions
- Regulatory auditing procedures and a manual



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CHART OF ACCOUNTS

- Chart of accounts - detailed and structured as per the requirements of the law
- Detailed list of components of assets used in operations
- Clearly separated regulated and non-regulated revenues and associated costs
- Detailed description of costs according to their type and function



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ACCOUNTING MANUAL

- Policy for the management and accounting of assets from the moment they are added to the company inventory until their removal
 - ✓ Useful life period
 - ✓ Depreciation method
 - ✓ Method for determining the Book Value
 - ✓ Re-evaluation method
 - ✓ Cost capitalization policy



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INSTRUCTIONS FOR DETERMINING REGULATED ASSET BASE

- Separating assets according to whether they are associated with the regulated activities or not
- Identification of useful and unused fixed assets
- Dividing assets according to their function
- Dividing accounts into sub-accounts according to types and technical parameters



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Long-Term Assets

- Machinery and equipment
 - ✓ Machinery and equipment: Electricity Regulated Activity
 - ✓ Machinery and equipment: Electricity Regulated Activity, Transmission
 - ✓ 110 kV Machinery and equipment: Electricity Regulated Activity, Transmission
 - ✓ 110 kV Transmission Substations
 - ✓ 110 kV Transmission Automation and Relay Protection
 - ✓ 110 kV Transmission Metering
 - ✓ 110 kV Transmission Optic Communication
 - ✓ 110 kV Transmission Other Communication
 - ✓ 110 kV Transmission Other

Long-Term Assets

- Machinery and equipment
 - ✓ Machinery and equipment: Electricity Regulated Activity
 - ✓ Machinery and equipment: Electricity Regulated Activity, Distribution (Network)
 - ✓ 110 kV Machinery and equipment: Electricity Regulated Activity, Distribution (Network)
 - ✓ 110 kV Distribution (Network) Substation
 - ✓ 110 kV Distribution (Network) Automation and Relay Protection
 - ✓ 110 kV Distribution (Network) Metering
 - ✓ 110 kV Distribution (Network) Optic Communication
 - ✓ 110 kV Distribution (Network) Other Communication
 - ✓ 110 kV Distribution (Network) Other

Long-Term Assets

- Transferring assets
 - ✓ Transferring assets: Electricity Regulated Activity
 - ✓ Transferring assets: Electricity Regulated Activity, Transmission
 - ✓ 110 kV Transferring assets: Electricity Regulated Activity, Transmission
 - ✓ 110 kV Transmission HVL
 - ✓ 110 kV Transmission Optic Cables
 - ✓ 110 kV Transmission Other Communication Lines
 - ✓ 110 kV Transmission Other Transmission assets

Long-Term Assets

- Transferring assets
 - ✓ Transferring assets: Electricity Regulated Activity
 - ✓ Transferring assets: Electricity Regulated Activity, Distribution (Network)
 - ✓ 110 kV Transferring assets: Electricity Regulated Activity, Distribution (Network)
 - ✓ 110 kV Distribution (Network) OHL
 - ✓ 110 kV Distribution (Network) Cable Lines
 - ✓ 110 kV Distribution (Network) Optic Cables
 - ✓ 110 kV Distribution (Network) Other Communication Lines
 - ✓ 110 kV Other Distribution (Network) assets

COST ALLOCATION

- Structure of the accounts of costs:
 - ✓ The role of operations in the energy sector
 - ✓ Type of operations
 - ✓ Dividing costs according to the functions
 - ✓ Costs according to economic elements
- Structure of the accounts of expenses :
 - ✓ The role of operations in the energy sector
 - ✓ Expenses according to the types of rates/tariffs
 - ✓ Expenses according to the consumers of the types of rates/tariffs



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Cost Allocation

- Cost of Regulated Electricity Services, Transmission Activities
 - ✓ Cost of Regulated Electricity Services, Transmission Activities in 110 kV
 - ✓ Operation Cost, 110 kV
 - ✓ Operation Cost on Personnel, 110 kV
 - ✓ Operation Cost on Materials, 110 kV
 - ✓ Operation Cost on Outsource, 110 kV
 - ✓ Operation Cost on Electricity Consumed and Other Utilities, 110 kV
 - ✓ Operation Cost on Operating Lease, 110 kV
 - ✓ Operation Cost, Depreciation, 110 kV
 - ✓ Operation Cost on Other, 110 kV

Cost Allocation

- Cost of Regulated Electricity Services, Distribution Activities (Network)
 - ✓ Cost of Regulated Electricity Services, Distribution (Network)
110 kV
 - ✓ Operation Cost, 110 kV
 - ✓ Operation Cost on Personnel, 110 kV
 - ✓ Operation Cost on Materials, 110 kV
 - ✓ Operation Cost on Outsource, 110 kV
 - ✓ Operation Cost on Electricity Consumed and Other Utilities, 110 kV
 - ✓ Operation Cost on Operating Lease, 110 kV
 - ✓ Operation Cost, Depreciation, 110 kV
 - ✓ Operation Cost on Other, 110 kV

Cost Allocation

- Operating Expenses for Electricity Regulated Transmission Activity
 - ✓ Tariff Type 1 (t/kWh)
 - ✓ Customer Group 1
 - ✓ Customer Group 2
 - ✓ Customer Group 3
 - ✓ Customer Group 4
- Operating Expenses for Electricity Regulated Distribution (Network) Activity
 - ✓ Tariff Type 1 (t/kWh)
 - ✓ Customer Group 1
 - ✓ Customer Group 2
 - ✓ Customer Group 3
 - ✓ Customer Group 4



REPORTING FORMS AND SUBMISSION PROCEDURES

- Financial report:
 1. Regulated activities
 - ✓ Reporting period
 - ✓ Period prior to the reporting period
 2. Non-regulated activities
 - ✓ Reporting period
 - ✓ Period prior to the reporting period
 3. Total (1+2)
- Submission of annual reports according to the rules and procedures established by the Commission



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REGULATORY AUDIT

- The review of the compliance of the regulated company
- Is carried out to serve the interests of the rate/tariff payers
- Regularly scheduled general audits
- Audit of special items



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REGULATORY AUDIT

- Audit of special items:
 - ✓ Dividing costs of regulated and non-regulated activities
 - ✓ Investment programs and construction contracts
 - ✓ Purchasing
 - ✓ Deals and transactions between interdependant parties
 - ✓ Allocation of costs over various activities



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THE DURATION OF USOA IMPLEMENTATION AND DEADLINES

1.	Chart of accounts	31 Dec 2013
2.	Instructions for completing report forms	29 Apr 2014
3.	Instructions for completing the chart of accounts	06 May 2014
4.	Regulatory audit manual	27 May 2013
5.	Accounting manual	20 Jun 2014
6.	Conversion of reports and reporting	31 Jul 2014



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