

**Bhutan Electricity Authority  
- Accounting and Reporting  
Regulations, 2006**

Regulations BEA-002-2006  
Bhutan Electricity Authority

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## **1 Purpose**

- 1.1 This regulation shall be cited as the Bhutan Electricity Authority - Accounting and Reporting Regulations, 2006.
- 1.2 The purpose of this regulation is to provide for an efficient supervision of Licensees by the Authority, including reporting of financial and technical data related to electricity generation, transmission, distribution and supply and system operation.
- 1.3 This regulation shall extend to the whole of the Kingdom of Bhutan.
- 1.4 All Licensees shall comply with the provisions of this regulation.
- 1.5 The Authority may, in particular cases, give dispensation from this regulation and conditions in licences awarded by the Authority pursuant to the Act.
- 1.6 This regulation shall come into force from 1 January 2007.
- 1.7 This regulation includes the schedules attached to it, which shall be updated by the Authority from time to time, and which form an integral part of this regulation.

## **2 Interpretation and Definitions**

- 2.1 For the purpose of this regulation, any word or expression used to which a meaning has been assigned in the Electricity Act of Bhutan, 2001, shall have that meaning, unless explicitly indicated in this regulation.
- 2.2 The following words and expressions shall have the meaning ascribed to them:-

“Act” means the Electricity Act of Bhutan, 2001;

“Authority” means the Bhutan Electricity Authority;

“Bhutan Electricity Authority” means the authority of that name established pursuant to Part 2 of the Act;

“Licence” means a licence issued under the provisions of Part 3 of the Act;

“Licensed Activities” means the activities with the Licensee is permitted to undertake under the terms of his Licence.

“Licensee” means any person issued with a license pursuant to Part 3 of the Act;

“Non-Tariff Revenue” means revenue from Customers that does not arise from the sale of electricity, such as application fees, connection fees and meter test fees;

“Reporting Schedules” means a detailed reporting format for the submission of technical and financial reports;

### **3 General Conditions**

- 3.1 All Licensees are required to submit periodic financial and technical reports to the Authority regarding their Licensed Activities at the frequency as determined by the Authority, which shall be at least annually.
- 3.2 Annual reports shall be submitted within three months of the close of the accounting year, and quarterly or biannual reports shall be submitted within two months of the end of each quarter or half-year.
- 3.3 Reports shall include the information presented in the Schedules to this regulation. The Authority may periodically update these Schedules.
- 3.4 Software and detailed formats developed by the Authority shall be used for submitting financial and technical reports where applicable.
- 3.5 The annual financial accounts shall be presented in accordance with the provisions of the Companies Act or any other relevant legislation. The Authority may set requirements as to further specification.
- 3.6 The Licensee's auditor shall certify that the annual financial accounts are in accordance with the provisions of these regulations.
- 3.7 The Licensee shall not debit its Licensed Activities with costs related to non-Licensed Activities. The transfer of revenues other than declared profits from Licensed Activities to non-Licensed Activities is not permitted unless explicitly approved by the Authority.
- 3.8 The transfer of funds, including such financial and capital as is made available from Licensed Activities to non-Licensed Activities or other companies, shall take place on market terms.
- 3.9 Internal settlement of services between Licensed Activities and non-Licensed Activities or between different Licensed Activities shall take place on market terms.
- 3.10 Internal transactions between Licensed Activities and non-Licensed Activities or between different Licensed Activities shall be documented by agreements in writing. The Authority may order the use of a particular method of cost calculation or cost allocation.
- 3.11 Where joint fixed assets are utilized, settlement shall be at market price. In the absence of a market price, costs of producing the service, including a reasonable return on capital, shall be employed.

### **4 Structure of the Accounts and Supplementary Information**

- 4.1 The Authority may require the Licensee to separate Licensed Activities into independent business segments with separate budgets and accounts. Where this is required by the Authority, the Licensee shall assign revenues and expenses to the respective business segments so that the operating result for the business segments provides as correct a picture as possible of operations for the year.

- 4.2 Licensees are required to report to the Authority even in cases where the owner(s) is (are) also subject to reporting. A Licensee who has ownership interests in companies subject to reporting shall not incorporate such interests under the business segments.
- 4.3 The names of all companies in which the Licensee has ownership interests and the size of such interests shall be stated, as well as the accounting principles employed when incorporating the said interests in the annual accounts.
- 4.4 The Licensee shall have a register of fixed assets encompassing all such assets. The register shall provide an overview of acquisition cost, acquisition date, depreciation schedule, accumulated depreciation and write-downs or revaluations, net book value, investment contributions and the like.
- 4.5 The following supplementary information shall be reported to the Authority:-
- i) Detailed information on electricity purchases and sales;
  - ii) Full details shall be given of the principles used for capitalization;
  - iii) Full details shall be given on the principles for dealing with connection fees, investment contributions, government support etc. Connecting fees shall be taken as Non-Tariff Revenue;
  - iv) All forms of remuneration paid by enterprises of a commercial nature for use of installations or rights associated with the Licensee's Licensed Activities shall be specified;
  - v) The Licensee shall state energy supplied to and revenues collected from each tariff or customer category;
  - vi) In the reports, total electricity sales including losses shall match total electricity received.

## **5 Profit and Loss Account**

- 5.1 The Licensee shall report the complete profit and loss account in accordance with the provisions of the Companies Act and generally accepted accounting principles: Provided that depreciation shall be determined in accordance with prevailing regulations concerning tariff determination.
- 5.2 The profit and loss account shall report:-
- i) Revenues from the sale of electricity;
  - ii) Other revenues from the sale of other services;
  - iii) Energy purchases for resale and own consumption;
  - iv) Purchases and sale of other generation, transmission, system operation and distribution services;
  - v) Expenses relating to staff, repairs and maintenance, and other recurrent expenditures;
  - vi) Revenues and expenses related to customer handling, metering and settlement;
  - vii) Interest earned and interest paid;

- viii) Gains and losses upon disposal of fixed assets;
- ix) Taxation and provision for taxation.

## **6 Balance Sheet**

- 6.1 The Licensee shall report the complete balance sheet in accordance with the provisions of the Companies Act and other relevant legislation: Provided that depreciation shall be determined in accordance with prevailing regulations concerning tariff determination.
- 6.2 Fixed assets, trade debtors, inventory and trade creditors shall be distributed on Licensed Activities and non-Licensed Activities.
- 6.3 Book values for fixed assets shall appear as gross acquisition cost less accumulated depreciations, write-downs. Installations under construction shall not be included in acquisition costs until the installation is capitalized. Opening balances in the accounting year shall match closing balances in the preceding accounting year.
- 6.4 Book values for grant funded assets shall be shown separately and in the same format as for all fixed assets.
- 6.5 Gross acquisition costs shall be depreciated on a linear basis in accordance with the depreciation rates in the Schedule attached hereto.
- 6.6 Other assets and liabilities shall be reported at the same values as those on which the annual accounts are based.
- 6.7 The Licensee may request for an upward or downward revaluation of their fixed assets with the requisite justifications to the Authority.

## **7 Reporting Physical Assets, Quality and Reliability of Supply**

- 7.1 Transmission and distribution installations shall be reported in terms of numerical quantities, for example number of kilometres of line, number of transformers, number of kilometres of underground cables etc. as may be required by the Authority.
- 7.2 Licensees engaged in electricity generation shall specify output per power station.
- 7.3 The number of new connections, reconnections and disconnections shall be reported.
- 7.4 The number and duration of outages shall be reported.
- 7.5 The number of complaints and disputes regarding the Licensed Activities shall be reported.
- 7.6 Further technical reporting requirements may be introduced by the Authority when required.

## **Schedule I: Contents of Generation Licensees' Reports**

The reports prepared by Generation Licensees for submission to the Authority shall be in the format specified by the Authority and should contain, amongst other matters, the following information:-

- i) The current installed and available capacity;
- ii) Energy generation, energy purchases, auxiliary consumption, losses and energy sent out, by month;
- iii) Energy exports energy imports by month;
- iv) Availability measures and outages over the preceding twelve months;
- v) Sales revenue to other licensees, by month and by licensee;
- vi) Energy purchased, by source, and cost of energy purchases;
- vii) Income statement, balance sheet and cash flow statement;
- viii) Asset values by asset category showing gross values; accumulated depreciation; depreciation for the year; additions, disposals and revaluations; and net values;
- ix) Auxiliary consumption and transformation losses;
- x) Capital expenditure undertaken over the past 12 months, with comparison to capital expenditure plan for the period;
- xi) Investment plans for the forthcoming five year period, showing a breakdown by asset category, including any plans for asset disposals or revaluations.
- xii) Details of incidents involving accident, injury and fatality.

## **Schedule II: Contents of Transmission and Distribution Licensees' Reports**

The reports prepared by Transmission and Distribution licensees for submission to the Authority shall be in the format specified by the Authority and should contain, amongst other matters, the following information:-

- i) The Distribution Performance Report, as set out in Section 4.5 of the Distribution Code;
- ii) Distribution installations in terms of numerical quantities, for example number of kilometres of line, number of transformers, number of kilometres of underground cables etc.;
- iii) Customer numbers, new connections, disconnections, reconnections, by Customer Category;
- iv) Energy sales and revenue received, in both financial and technical quantities, broken down by customer category;
- v) Energy purchased, by source, and cost of energy purchases;
- vi) Income statement, balance sheet and cash flow statement;
- vii) Asset values by asset category showing gross values; accumulated depreciation; depreciation for the year; additions, disposals and revaluations; and net values;
- viii) Losses, with estimated breakdown by technical losses at each voltage level and commercial losses;
- ix) Capital expenditure undertaken over the past 12 months, with comparison to capital expenditure plan for the period;
- x) Investment plans for the forthcoming five year period, showing a breakdown by asset category, including any plans for asset disposals or revaluations;
- xi) Details of complaints and disputes;
- xii) Details of incidents involving accident, injury and fatality.