

**Public consultation on draft IRG Principles of
Implementation and Best Practice regarding the
use of current cost accounting methodologies as
applied to electronic communication activities**

30 November 2005

1. Introduction

Article (7) and 8(3)d of the Framework Directive¹ require the NRAs and the Commission to cooperate in a transparent manner on the consistent application of the provision of the new regulatory framework for electronic communications networks and services and, in particular, to seek agreement on the instruments and remedies best suited to address specific types of situations in the market place or to ensure the development of consistent regulatory practice and application of the regulatory framework.

In line with this obligation to promote a consistent regulatory approach, the IRG has prepared a draft document on Principles of Implementation and Best Practice regarding the use of current cost accounting methodologies in order to provide guidance and assistance to NRAs and other interested parties in the context of regulation of communication activities.

The IRG is publishing this draft document for comments prior to finalising its PIBs. The final version of the document may differ from the present one and will take account of the submissions received where appropriate, after which it will be published as IRG PIBs.

In order to ensure the maximum transparency of the process involved, interested parties are hereby invited to submit their views in electronic form, before close of business on the 30 of December 2005, to the following addresses:

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|--------------------|-------------------|----------------------------|
| - Alberta Corona | (AGCOM) | a.corona@agcom.it |
| - Marco Gatti | (BAKOM) | Marco.Gatti@bakom.admin.ch |
| - Annegret Groebel | (IRG Secretariat) | Annegret.Groebel@BnetzA.de |

Comments will be made available to the IRG members and unless marked as confidential, will be published on the ERG website (<http://irgis.anacom.pt>). Comments should preferably be sent in English.

2. Structure of the draft document

The draft document is comprised of the following main sections:

- Introduction and scope
- The Regulatory Context
- The Mechanics of CCA
- Valuation basis
- Valuation methodologies
- Calculating gross/net replacement values and depreciation profiles

¹ Directive 2002/21/EC of the European Parliament and of the Council of 7 March 2002 on a common regulatory framework for electronic communications networks and services (Framework Directive), OJ L 108, 24.4.2002, p.33

- Capital maintenance
- Presentation and disclosure
- Validation and audit
- Transition and other issues

3. Areas where submissions are particularly invited

In order to focus responses the IRG would particularly welcome views on the following:

Scope of the PIBs

- Do you agree on the general scope and concept of the PIB or do you think that it should be expanded or reduced? If so, please provide details.

The Regulatory context

- Do you agree on the relationship between the CCA PIBs and other regulatory documents? If so, please provide details.
- Do you think that the reason why general accepted accounting rules not always satisfy the need of NRAs is well explained or do you think that this section should be expanded or reduced or modified? If so, please provide details.

The mechanism of CCA

- Do you think that the basic model provides a good simplification of the effects of CCA on asset values and depreciation charges? If no, please provide details on how to improve the section.

Valuation basis

- Do you think that this section provides an exhaustive explanation of the various valuation methodologies that can be used when implementing CCA? If no, please provide details on how to improve the section.

Capital maintenance

- Do you think that this section provides a clear explanation of the concepts of operating capital maintenance and financial capital maintenance? If no, please provide details on how to improve the section.

Presentation and disclosure

- Do you agree on the fact that published regulatory financial statements should contain full disclosure of CCA adjustments in cases where CCA is used as the basis of preparation? If no, please provide details.

Validation and audit

- Do you think that, in order for CCA to be acceptable, independent audit or validation should be undertaken? If no, please provide details.

Transition and other issues

- Do you think that this section provides a clear explanation of the transition issues? If no, please provide details on how to improve the section.
- Do you think that there are other important issues to consider? Please provide detail.

4. Other comments

Please provide a concise description of any other issues that you believe the document should address or a critique of any other aspects of the document that you consider relevant. In doing so please refer to actual or potential problems encountered in electronic communications markets, as well as to any relevant case law and/or other precedents.