

Summary of Stakeholders' Comments and Impact/Adjustments Made to Draft RRM in Response								
1 July 2008								
#	Company	Issue	Vol	Sec	Query	Response	Impact on draft 3	
1	Sasol	Preamble		1	1.3 The RAM states that it has been implemented "for purposes of recording and submitting to the Energy Regulator, its accounting information both regularly and in a systematic and consistent way". It is unclear what the above reference to "recording" involves. Also, the above statement implies that the regulatory accounts will be required on a monthly basis. This contradicts the requirement for bi-annual submissions to be made, stated later in the document.	"Recording" implies maintaining regulatory reporting records. The regulator only requires two submissions (half year and year-end) as indicated in Sec7 of RRM.	None	
2	Sasol	NERSA mandate		1	1.4 Sasol Gas does not believe that NERSA has a legal mandate to prescribe accounting principles to a regulated business. While we are committed to providing the information NERSA requires to implement regulations in an agreed format, we do not believe that prescribing an accounting standard will further industry, customer or business interests. In addition, detail should be provided on what information should take priority and how that data is relevant to the current business activities and regulatory priorities.	Regulated entities are required, as a licence condition, to provide information required by the Energy Regulator to perform its functions. RRM's prescribe the content and format of the information to meet its requirements. In asking for this information, the Regulator does not purport to be prescribing accounting standards.	None	
3	Petroline	NERSA mandate		1	1.4 The Cross Border Agreement will have to include the petroleum pipeline from Maputo in Mozambique and NERSA will also be responsible for that administration. (paragraph 6 page 6) – Any entry granted by the Regulator to a regulated entity's premises will have to abide by the Health and Safety rules of that entity according to the Health and Safety Act.	Abiding by the Health and Safety rules of that entity according to the Health and Safety Act will be indicated in the Letter of Appointment, to the appointee specified in S 6.2 and/or rules promulgated NERSA as may be updated from time to time.	None	
4	Shell / Petroline	NERSA mandate		1	1.4 / 1.5 Do these RAMs also apply to storage and handling plus loading and off-loading facilities?	Yes. Refer volume 1 sec. 1.4 and 1.5.	None	
5	Eskom	Comparability		1	1.6 Transmission will remain a monopoly, thus comparability is questionable. Comparison between distribution businesses/REDs may be problematic.	Comparability issues on Transmission- NERSA seeks to achieve comparability not only between entities, but also from one period to another within one entity as well as between actuals and estimates used during tariff application/approval. Where there is monopoly, RRM's will enable NERSA benchmark performance against international best practices and/or other Regulators in South Africa.	None	
6	Petroline	Purpose of the RAM		1	1.6 Is compliance monitoring an auditor function or a Regulator function	The RRM is used by the Regulator to monitor compliance of the regulated entity to its licence conditions	None	
7	Sasol	Purpose of the RAM		1	1.6 The proposed RAM involves a significant deviation from existing South African and international accounting standards. Sasol Gas has a statutory obligation to consolidate financial accounts with Sasol Limited, and cognisance should be taken of the potential impact on corporate consolidation.	The RRM's are not intended to replace the regulated entity's financial reports and consolidation required per the Companies Act, as those statutory requirements are aimed to serve different purposes. The RRM prescribes the content and format of information required by the Energy Regulator in order to perform its functions	None	

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8	Sasol	Purpose of the RAM		1	1.6 Sasol believes that consistent financial information can be obtained through a conversion process rather than changing systems, processes and statutory chart of accounts.	Energy Regulator allows a regulated entity to map, through a reconciliation of its own accounting systems to the account numbering and format prescribed in RRM- Refer volume 1 sec 7.9 paragraph 3, regarding RRM implementation cost estimates and implementation plan. Vol 1 sec 7.5 also allows an alternative to a separate set of accounts whereby a regulated entity reconciles its own accounts to Regulated Accounting Financial Statements - one stakeholder indicated the written public consultation comments to NERSA that stakeholder's own SAP consultant confirmed that mapping the current reporting to RRM was not a problem.	None
9	Sasol	Purpose of the RAM		1	1.6 Sasol Gas is physically and commercially integrated into the Sasol natural gas value chain. The vertically integrated nature of our business raises specific concerns regarding the treatment of affiliates and inter-group transfer pricing.	The Regulator requires, as contemplated in the enabling legislations, the segregation between regulated activities / products / services in a vertically integrated business. The regulated entity should indicate in its implementation plan how it intends to comply with the account separation requirement	None
10	Eskom	Consistency		1	1.7 The changing structure of the Electricity Industry will see the roll out of REDS (Regional Electricity Distributors) and Independent Power Producers (IPPs) entering the Generation sector in the near future. Eskom would like NERSA to clarify if the Municipalities are also requested to comply with RAM, because if they are excluded, it means that only about 40% of Distribution will comply. Similarly the IPPs will constitute 30% of Generation and compliance to RAM will be essential if the desired benefits are going to materialise.	RRMs will be applicable to all existing and future entities regulated by NERSA. Compliance to RRM will specifically be required as a licence condition	None
11	Petroline	Accounting Policies		1	2.2 Inconsistencies between GAAP and RAM will have to be addressed as addendums to the GAAP requirements. According to the Companies Act and SAICA guidelines financial statements needs to be prepared according to GAAP.	IFRS only provides for "minimum disclosure" requirements, and that does not address the information asymmetry problem faced by the Energy Regulator. IFRS are still evolving and do have other limitations as they are, even for statutory accounting purposes. In view of these,	Section has been redrafted and is referred to as "Basis of Preparation..." Also removed "RAM supersedes IFRS"
12	Transnet	Accounting Policies		1	2.2 Application of RAM supersedes provision of IFRS	NERSA deems IFRS insufficient to meet its regulatory needs, which then introduces the very uncertainty on what the Regulator will do in those areas where IFRS does not provide	Section has been redrafted and is referred to as "Basis of Preparation..." Also removed "RAM supersedes IFRS"
13	Sasol	Accounting Policies		1	2.2 Sasol Gas currently complies with the reporting rules and regulations set out in the International Financial Reporting Standards. These standards are frequently and regularly amended by the Accounting Practices Board in order to keep up to date with international practice. The diversion of IFRS to RAM brings about a number of concerns.	the required information in workable details. RRM addresses this problem by setting a predictable and stable way of reporting for tariff setting/approval purposes and compliance monitoring. In the RRM, NERSA has to the	Section has been redrafted and is referred to as "Basis of Preparation..." Also removed "RAM supersedes IFRS"

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14	Eskom	Accounting Standards		1	2.2	Consideration to IFRS should be given as an option to RAM to avoid high cost and skills repercussions.	maximum extent possible, minimized requirement for adjustments from IFRS and instead focus on Regulatory Accounts highlighting items on which to debate as to whether or not they are allowable in tariffs.	Section has been redrafted and is referred to as "Basis of Preparation..." Also removed "RAM supersedes IFRS"
15	Transnet	Accounting Convention		1	2.3	Revaluation of non current assets not considered in RAM	The Regulator is adopting historic cost value with a provision for a once-off vesting Regulatory Asset Value. The Energy Regulator would use the historical costs (or vesting regulatory value) as the basis to make any adjustment/calculations required in the pricing methodology to determine/approve tariffs.	Section heading changed to correct the misconception that the Regulator is setting accounting standards
16	Petroline	Accounting Convention		1	2.3	In the event of a once-off valuation does the Regulator need a certified valuation by a qualified third party? Will there be specific guidelines?	When required the Regulator will issue valuation guidelines including use of valuers	None
17	Transnet	Accounting Convention		1	2.3	The RAMS are not aligned to the NERSA Draft Tariff Methodology document (which states that revaluation of assets is based on TOC methodology-RAM proposes historical cost basis of accounting)	The formula for Trended Original Cost (TOC) uses historical cost as the basis. This original (historical) cost is indexed by defined elements of inflation to determine the TOC. Therefore there is no inconsistency.	None
18	Dr Eilman	Accounting Convention		1	2.3	Why has NERSA chosen to stick to Historic cost method when there are other more accurate accounting methods that you can use?	Historic cost sets out the base on which the regulator can work from for any methodology that they use to get to the level that they want. Indexation method of assets can only be done from historical cost base. As the process involves conducting of comparative study on number of countries, when coming to tariff setting, you can either use historical cost and give a real rate of return, or can use a nominal value of an asset and give a real rate of return, you cannot use nominal and nominal, so with historical cost it is easier because the records are already maintain on historical cost.	None
19	Shell	Cost Attribution and Separation		1	3 / 4	Clear and transparent regulations for costs (whether direct or allocated) and other methodologies (eg clearing accounts) needs to be developed to ensure that all parties have an accurate understanding on which costs and other financial data are eligible for inclusion in RAMs	RRMs prescribe those procedures and methodologies. To further facilitate standardization, NERSA will provide a Cost Allocation Manual template to be customized by each regulated entity and submitted to NERSA for approval, before use.	None
20	Eskom	Cost Allocation		1	4	Eskom does not have the resources at hand to implement ABC given the time lines provided.	Regulated entity provide an Implementation timeline that clearly shows all these limitations, mitigation measures and expected timeline to attainment of full compliance	None
21	BP	Cost Allocation		1	4 / 7.2	Cross-subsidization should be treated with greater caution as its intention is to support one part of the business by transferring costs/income to/from another part of the business.	Accounting separation is required and cross-subsidies, if not allowed by the	None

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22	BP	Cost Allocation		1	4	Cross-sharing between entities managed by one industry is inevitable unless separated by onerous and inefficient regulation. e.g. 70 facilities of BP regulated by NERSA if regulated on individual basis will be extremely onerous and inefficient. The focus should be on the separation of activities at a consolidated level i.e. Logistics, and not on facility level i.e. Depot	enabling legislation are not permissible	None
23	Sasol	Cost Allocation		1	4	RAM instructs the regulated entities to adopt a fully allocated cost approach. In order to adopt this costing method, a detailed understanding of the impact it may have on the current systems and processes will need to be made.	Regulated entity should provide an Implementation timeline and cost that clearly shows all these limitations, mitigation measures and expected timeline to attainment of full compliance	None
24	Eskom	Cost Allocation Manual	1		7.2	The different classifications of assets and split of assets per activity will similarly require sufficient time for re	Actual details will be determined by working closer between NERSA and stakeholder. NERSA is taking into account the fact that different entities have different approaches; therefore NERSA is providing overall guiding principles. A Provision for Common plant is made for Cost sharing. The most important is that the process should be transparent; therefore the onus is with the entities to provide information to enable NERSA to make reasonable decision.	None
25	Transnet	Cost Allocation		1	4.2	The RAM requirements would result in product reconciliation revenue being allocated to refined product revenue in terms of activity. The converse would be true for an under delivery (i.e. expenses would be allocated to refined product).	The regulated entity should work closely with NERSA in customizing the Cost Allocation Manual and determine what would be permissible in this regard in accordance with the RRM guidelines on cost allocation.	None
26	Shell	Affiliate Transactions		1	5.1 / 5.5	We need further clarity on the need to keep separate accounts for separate business units and the level of detail required for these (section 5.1). The concept of Market Testing (section 5.5) needs to be clarified	In general terms account separation a regulatory requirement, but specific details on how to achieve account separation will be dealt with during implementation. Sec 5.5 - Market testing seeks to confirm that a transaction is done at arms-length, i.e. that an outside party would contract for the same product/service and price	None
27	Transnet	Accounting Standards		1	5.6	The regulated entity can only account for an actual interest charge paid for loans raised as the treasury function cost is a shared service cost allocated based on usage.	The intent is to stop businesses from using regulated businesses to subsidize non-regulated business and/or transferring risk from non-regulated business to the regulated business.	None
28	Eskom	Disclosure of Affiliate Transactions		1	5.7	Eskom supports the overall principles. Our concerns revolve around the level of disclosure required for these transactions, which is quiet onerous.	The disclosure requirements are not meant to be onerous. They represent information required by the Regulator to satisfy itself that only the costs relating to the operation of the licensed activity are allowed for tariff setting/approval and other regulatory purposes. Where the regulated entity has practical solutions to achieve the Regulator's objectives, it should suggest the same.	None

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29	Shell	Confidentiality		1	5.7 / We are concerned that these sections may violate confidentiality provisions under section 29 (4) of the 6.2 / Petroleum Pipelines Act, and will need the regulator to give us assurances that these sections of the 7.8 RAMs will not contravene this.	These sections of the RRM do not violate confidentiality provisions under the Petroleum Pipeline Act. Also, sec 7.8 of the RRM makes provision for the regulated entity to alert the Regulator of information which is to be maintained as strictly confidential	None
30	Petroline	Appointment of Auditor		1	6.2 In the event the Regulator appoints another Auditor it must bear in mind that an Auditor can only be appointed by the shareholders of that company as an auditor. In the event of the appointment of another auditor will the Regulator give reasons why the appointed auditor is not acceptable to it?	The Energy Regulator will only appoint an auditor to verify the Regulatory Financial Reports in accordance with the NERSA enabling legislation, and not for auditing the Statutory Accounts. Such an appointee by the Regulator is therefore not intended to replace existing arrangements between regulated entity and its auditors for statutory accounts	None
31	Sasol	Audit Engagement Letter & Materiality		1	6.3 / The RAM states that the audit of the regulatory accounts is to be performed in the same frequency as, and 6.5 by the same auditors that are auditing, the regulated entity's statutory accounts. Mention is made of the existing audit engagement letter dealing with the relationship between the regulated entity and the auditor. The existing engagement letter does not deal with the RAM, as it only covers IFRS. Thus information should be given on the issue of a new engagement letter detailing the new regulatory requirements. As specific in the proposed RAM, audit materiality is to be set at the same level as the statutory materiality. Consideration should be given to immaterial items or areas where low levels of misstatement would result in unnecessary audit time and expenses.	Wording of Audit Opinion has been changed after consultation with IRBA, OAG and ASB	Section updated
32	IRBA	Audit Standards		1	6.4 Audit should be done in accordance to International Standards on Auditing (ISA) and not SAICA's Generally Accepted Audit Standards as stated in the RAMs.		Update Sec 6.4 to reflect ISA
33	Transnet	Audit Opinion		1	6.6 Is the regulation audit an agreed upon procedure as it does not have the same rating as that of a normal statutory audit.		Audit Opinion reworded to clearly distinguish between an audit opinion for regulatory financial report from that of other statutory accounts
34	Eskom	Audit Cost		1	6.7 The administrative costs of complying with these requirements will be substantial. Eskom is working under the assumption that the RAM audit costs will be allowed as a recovery in the revenue determination awarded by NERSA.	There is a provision for those audit costs to be recovered through tariffs, and the preference to use the same auditors statutory account to audit regulatory financial reports is to mitigate the risk of increasing audit costs as indicated in S6.2	Update Sec 6.7 to reflect response
35	Shell	Audit Cost		1	6.7 As we are obliged as per the RAMs intended regulations to bear the costs of any audits required by the regulator, it is only fair that licensees are able to recover the costs within the regulatory pricing framework.		
36	Petroline	Accounting Standards		1	7.1 We suggest that the audited financial statements reflect the current year and comparative figures of the previous year. Comparison to estimates used for tariff setting / approval should be as an addendum for submission to the regulator. If it forms part of the audited financial statements it needs to be audited before it is submitted to the Regulator for tariff setting / approval.	The objective of the audit is to verify the actual results. Tariff setting/approval estimates, if submitted in the same degree of detail and format at tariff application, will be known to the Regulator by the time of audit and If there are specific areas of the estimates that the Regulator would like verified during the audit, then that will be covered in the Engagement Letter.	Update Sec 7.1 to reflect response
37	Petroline	Regulatory Accounting Financial Statements		1	7.1 NERSA is at risk of setting new accounting rules, leading to dual accounting systems, which may result in disputes. A solution would be to add additional information directly to the Regulator with a reconciliation to the audited financial statements. These can be signed off by the auditors as a specific requirement of the Regulator and that it can only be used for that purpose. This will safe costs to the regulated entity and ultimately the consumer.	Noted. Statements from both the auditors and directors are required given the importance of the matter - the RRM will be used by the Regulator to inform decisions with significant impact.	None

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38	Eskom	Regulatory Accounts Financial Statements		1	7.1 The regulatory financial statements require a full audit similar to statutory audits, but the only difference is that it meets regulatory requirements. Once again resources and time required will be significant. One of the stipulations is that a formal statement is received from Directors, which will entail full corporate governance compliance such as audit committee and Board approval which will lengthen the process.	NERSA is not setting accounting standards. It is prescribing a stable and predictable format of required financial information to enable it fulfil its regulatory mandate. RRM will enable RRM achieve greater regulatory efficiency.	None
39	Eskom	Regulatory Accounting Financial Statements		1	7.1 Why don't NERSA use the templates they've been using currently as a base?	Of the information packs available from Eskom, there is little that needs to be done to align them to the RRM requirements.	None
40	Sasol	Regulatory Accounts Financial Statements		1	7.1 (iv) Extensive commentary is required to be made by the directors regarding regulatory compliance. The rationale behind the commentary request should be made in the RAM as to satisfy the time and costs as well as the effect this exercise may have on year-end deadlines. We interpret this request as part of the revenue requirement application process, which we deem to be separate and distinct from the reporting requirements under discussion.	The Energy Regulator requires a person of sufficient seniority and responsibility to give credibility to the completeness of the information disclosed. RRM will be used for monitoring regulated entity performance, financial health and compliance with licences conditions, hence the need for that information to be given as much seriousness as when applying for the regulated entity licence/tariff application/tariff approval.	None
41	Shell	Cost / Complexity		1	7.1-7.10 ensure compatibility with existing financial and operational activities, especially as some aspects (in addition to being new) will require substantial discussions and work to get alignment on: 1 Reporting regulatory financial information on current, previous and future estimates, i.e. 3 sets of information. 2 Focus 7.3 Agreement of a consistent Cost Allocation Manual for license holders. 3 Depending on the level of detail required in section 7.3 this will be very onerous and administratively complex (especially as this may have to be segregated per business division), so we would need further clarity from the Regulator regarding what is required from license holders under section 7.3	The Regulator is not prescribing a year-end date. Entities are free to use their own year-ends and half year dates. As long as the same reporting period-end is used in tariff applications and therefore Regulatory Financial Statements, for ease of comparison. The Regulator will consider change of tariff application year-end dates. With regards to the reporting required in section 7.3 by business division or/and facility when so specified in the licence condition-The requirement here will be	None
42	Petroline	Accounting Period		1	7.3 When is the ideal financial year end date? Existing companies already have financial year ends approved by the Registrar of Companies and the Receiver of Revenue. Can those dates be used in tariff applications?	Refer last paragraph of sec 7.3. The Regulator is not requesting a monthly submission, only a half-year (un-audited) and full-year (audited) submission.	None
43	Eskom	Accounting Period		1	7.3 The level of detailed requested in the RAM and to be conducted on a monthly basis is far beyond any possible benefits that would ensue. Eskom urges the NERSA to revisit this request and believes a half yearly report seems more practical.	Waiting for 2 years for submission before starting to review compliance within an entity is not efficient.	None
44	BP	Accounting Period		1	7.3 Submission every 2 years should be sufficient	Refer volume 1 sec 7.9 paragraph 3, regarding RRM implementation cost estimates and implementation plan. An alternative to a separate set of accounts may be to map the existing TB and adjusting journal entries to the Regulated Accounting Financial Statements - one stakeholder indicated that their own SAP consultant confirmed that mapping the current reporting to RRM was not a problem.	None
45	Eskom	Account Numbering System		1	7.5 Eskom will most probably have to introduce another set of accounts. For statutory reporting purposes, the existing general ledger can not be changed in line with RAM. This is however not the ideal from a business perspective due the duplication of effort.	The RRM is aligned to the DME's Regulatory Accounts in terms of Chart of Accounts. Outstanding detail is being dealt with via meetings between the Regulator and the DME	None
46	BP / Chevron	Account Numbering System		1	7.5 RAM will need to be aligned with DME accounts		None

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47	Petroline	Reporting Timeframe		1	7.6 In the event the Regulator appoints another auditor after the presentation of the Annual Regulatory Financial Reports and the 4 months has lapsed, what will the additional period be to enable the regulated entity to complete the additional audit? We assume the signed Annual Regulatory Financial Reports will be the "master" reference in relation to the electronic copies filed. What will the procedures be in the event of a qualified audit report in relation to GAAP and RAM respectively?	IRBA contends that NERSA cannot appoint an auditor to re-audit the same work.	Reworded
48	Eskom	Reporting Timeframe		1	7.6 The Eskom approval process and timetable will have to be reviewed i.e. the audited regulated accounts will most probably not be available in time for the Exco and Audit Committee in May and the Board in June. RAM requires that a suitable official that normally signs the accounts required by the Companies Act, of the regulated entity should sign a declaration that the information presented is complete and accurate and complies with the RAM.	Noted. This may be elaborated on in the Regulated Entity's proposed implementation plan	None
49	BP	Reporting Timeframe		1	7.6 Infrastructure facilities – submission every 2 years should be sufficient	Waiting for 2 years for submission before starting to review compliance within an entity is not efficient. A provision was made to report twice a year: Half-year submission is very light and it requires reporting only those elements used for tariff setting/approval, and there is no need for half-year submission to be audited. Full-year audited regulatory financial statements are required within 4 months of year-end to enable the Energy Regulator to effectively perform its functions.	None
50	Sasol	Reporting Timeframe		1	7.6 / 7.8 We believe that the submission of data in electronic format poses significant risks associated with the manipulation and presentation of sensitive Sasol Gas data, outside of our direct control. Sasol Gas recommends that a hard-copy submission should be made for all financial reporting. Should NERSA require specific data for analysis or modelling purposes, an additional request should be made for electronic data submissions when appropriate.	All data submitted to NERSA will be treated in accordance with the relevant provisions of NERSA legislation on confidentiality referred to in S7.8 of Vol 1. Piecemeal requests for informations will defeat the very intent of RRM's aimed at eliminating the current back and forth between regulated entities and NERSA in search for information. Regulated entity should indicate to NERSA confidential information that should not be disclosed to the public and NERSA will deal with the matter as complemented by the sections of the Acts referenced in this RRM .	None
51	Eskom	Implementation Timetable		1	7.9 With the implementation of the SAP upgrade project running from April 2008 to April 2009, the implementation date will not be able to be met from an Eskom perspective, as changes cannot be made to the system during the course of the SAP upgrade project. Furthermore, it would not be possible to implement regulatory reporting on 1 January 2009, as this date is during the course of the 2009 financial year. It is proposed that the implementation date be set not before 1 April 2010, which is the start of the 2011 financial year, as this will then give Eskom one year from date of completion of the SAP upgrade project to implement the regulatory reporting requirements.	The regulated entity should include details of any such constraints in they implementation plan	None
52	Sasol	Implementation Costs and Timetable		1	7.9 The current Sasol Gas information systems do not make provision for the RAM requirements. To meet the proposed requirements, an entire system change project will have to be put into place, with significant time, financial and business risk implications.	The regulated entity should include details of any such constraints and costs in their implementation plan	None
53	Sasol	Implementation Costs and Timetable		1	7.9 The implementation of a RAM requires a considerable amount of data collected for or converted on, inter alia, the costs,prices,revenues, asset values and service standards. The principles and structures associated with this data have not been agreed, and pose significant risks if left unresolved before implementation.	The regulated entity should include details of any such constraints in their implementation plan	None

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54	Sasol	Implementation Costs and Timetable		1	7.9	The proposed RAM involves a number of changes to the current business model. The specific details regarding the separation of our transmission, distribution and trading business has not been agreed, and could have significant impact on how data is collected, organised and presented.	The regulated entity should include details of any such constraints in their implementation plan	None
55	Sasol	Implementation Costs and Timetable		1	7.9	Sasol Gas is constantly developing ways to improve our business efficiency, and as such do not have additional staff available to manage new project or reporting requirements. Not only does the implementation process of a RAM pose additional workload pressure on the current labour resource, but the maintenance of a RAM will have to be taken into account.	The regulated entity should include details of any such constraints in its implementation plan	None
56	Sasol	Implementation Costs and Timetable		1	7.9	We do not believe that proposed implementation timeframe (Jan 2009) is realistic. In addition to the resource and system concerns raised above, the Sasol financial year end on 30 June implies that our full year's financial data should be converted to the new standards – starting July 2008. This timeframe is not achievable within the current business environment.	The regulated entity should include details of any such constraints in their implementation plan	None
57	Deloitte	Implementation Costs and Timetable		1	7.9	What will be the guideline under which the entities will be regulated until the implementation of RAM, 30 June 2009?	The current regime, subject to the NERSA-approved transition/implementation plan will remain in place.	None
58	Eskom	Review of RAM		1	7.10	NERSA proposes 3 year review. Eskom requests that these reviews don't clash with the revenue application process.	Where practical the Regulator will avoid a clash between regulatory accounting reviews and the review application process	None
59	Transnet	Review of RAM		1	7.10	RAM does not address the impact of significant pronouncements or changes in IFRS/GAAP on the RAM during the effective period of the manuals.	The Regulator will update the RRM at least every three years and sooner if it deems it necessary as stated in Vol 1 sec 7.10 on special circumstances that may arise to necessitate more immediate ongoing changes.	None
60	Sasol	Review of RAM		1	7.10	The deadline date given for the implementation of the RAM has been set as 1 January 2009. Taking into account the extent of work involved, it is highly unlikely that the RAM can be successfully implemented by this date. Also, the "RAM Implementation Cost Estimates and Implementation Plan" is to be submitted to NERSA within three months of the manual being gazetted. Due to the fact that a large scope of the work will be conducted and implemented, the deadline for this submission is also considered to be unrealistic.	The regulated entity should indicate in its Implementation Plan specific envisaged constraints to meeting timelines in the RRM along with mitigation plans for the Energy Regulator's consideration.	None
61	Transnet	Consistency	2 / 4	1.6.5 / 1.5.6		Inconsistencies between the RAM for electricity and petroleum relating to decommissioning asset and provisions.	This has been harmonized by including retirements costs accounts in all manuals	Petroleum Pipelines Manual updated
62	Eskom	Allowance Funds Used During Construction	2	2.1.6.4		'for any part of the plant that is commissioned during the financial period, that portion should be moved to Electric Plant in Service and earn a return'. – The function earn a return should be considered as a function of the tariff setting/revenue determination methodology and should not be on Regulatory Accounts Manual.	Noted as being correct. Consider removing AFUDC from the RRM. The MYPD already allows a return on CWIP and therefore the statement is not consistent with that. Asset value for purposes of earning a return over its life and for purposes of depreciation charge is calculated on a value excluding the interest during construction	Delete the words "and earn a return"
63	Eskom	Chart of Accounts	2	11.6		There will be category gaps and difficulties in switching to RAM	The regulated entity should point such gaps out. Also, the regulated entity should include details of any such constraints with suggested mitigation measures in their Implementation Plan	None
64		Plant	3 / 4	10		R&D costs seem not included in the historic costs per the RAMs	RRM provides for R&D costs to be accounted for in accordance to prevailing GAAP/IFRS	Update Volume 3 and 4 to be consistent with Volume 2. V3 acc 178 and V4 acc 179
65	Transnet	Current Liabilities	3	11		In terms of IFRS, the contract with Sasol for the transportation of gas is deemed an operating lease over the term of the contract resulting in the recognition of income on a straight-line basis over the term of contract. The difference between the revenue recognised and amounts received from the customer meets the definition of a non current asset	Statement noted. No question posed. Account to use would most likely be 212. To be discussed again during implementation	None

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66	Deloitte	Accounting Standards		4	1.1 Is there any indication where there misalignment between legislative/regulations and NERSA processes going to be resolved? This specifically relates to pipelines and apparent lack of regulations in which this document are being issued	There is already a process in progress coming up with a pricing methodology for petroleum pipeline. There is no misalignment, regulations have already been issued for petroleum pipeline. This is work in progress and 2 processes are running in parallel, there are comparatives of all these documents to ensure harmonization	None
67	Transnet	Accounting Standards		4	1.1 Regulatory reporting includes "Extraordinary Items" in the reporting formats. This line item has been eliminated in terms of GAAP/IFRS. Further, the RAM table of accounts does not include fair value adjustment and impairment losses.	Fair value adjustments would not be permitted under the historic cost convention adopted by the Regulator. Where there are impairments, approval must be sought from the Regulator.	RRM will replace "Extraordinary" with "Unusual or Infrequent"
68	Transnet	Terminology		4	1.3 Definition of the operation of pipeline activities excludes decommissioning. In terms of the legal requirements a pipeline operator is obliged to decommission a pipeline if it is removed from use.	This decision to be made be NERSA on whether these can be allowed in to the tariffs now as provisions or when the cost are actually incurred. NERSA is still to determine if provisions that have not been spent can be allowed into tariffs; And if those provisions for decommissions were to be allowed, how would those funds be secured to ensure they are not diverted to unintended purposes.	None
69	Chevron	Terminology		4	1.3 Joint Depot	Regulatory reporting shall be in accordance with the licence condition. Practical applications will be discussed and agreed upon during implementation	None
70	Transnet	General Instructions		4	1.4 Taxation does include the accounting for deferred taxation on temporary differences between carrying amounts of assets and liabilities for financial reporting purposes.	No question. But in any case, only taxes actually paid are of interest for tariff setting/approval	None
71	Petroline	General Instructions - Income Tax		4	1.4(4) Paragraph 4 – Income Taxes (page 10) – - When the Regulator prescribes alternative methodology for calculating income tax it needs to be within GAAP and the Income Tax Act.	The Energy Regulator will only be interested on actual tax paid or if not actual, then computations as per the prevailing tariff methodology	None
72	Transnet	Impairment		4	1.5 RAM does not include the accounting treatment for impairment of assets, if there are indicators of impairment present.	This should get prior approval from the Energy Regulator. With the approval the regulator will direct on whether the impairment is to be accounted for as an "Unusual/Infrequent event" or carried as a Regulatory Asset to be apportioned into the tariffs over time.	None
73	BP	Plant Instructions		4	1.5 Rewarding of investments for plants used need to be clarified	Plant held for future use – intention is to ensure investments are prudent and are used for regulated activities, as well as to make sure that consumers are not paying for investments that are not used. There is a Provision where the cost for maintaining such investment until when they come of for future use may/may not be allowed for tariff, this will be on a case-to-case basis. There has to be a plant for future use for more assets to be used	None

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74	Transnet	Historical Cost		4	1.5 (2a) IAS recommends the revaluation of long term assets due to the limitations of the application of historical costs with regard to establishing meaningful financial position	The Regulator has not adopted IAS. Historical cost basis required by NERSA	None
75	Transnet	Historical Cost		4	1.5 (2b) Per IAS 16 if a plant is acquired in exchange for other assets, the cost price of the item is measured at fair value	The Regulator has not adopted IAS. Historical cost basis required by NERSA	None
76	BP	Historical Cost		4	1.5 (2b) Historic cost are not available for Depot build many years ago	Historic cost – if entities have no records; there will be a process to be followed in terms of doing the evaluation, as soon as documents are gazetted and legal, implementation will address that	None
77	Transnet	Dismantlement / Removal / Restoration		4	1.5 (3) The cost of asset dismantlement, removal and restoration per IAS 16 should be included as part of the cost of the asset, if there is legal or constructive obligation to dismantle and remove asset after use. Per the legislation Transnet assets has an obligation to restore and rehabilitate sites.	Will create	An account for "Asset retirement obligation" was created
78	Transnet	Funds During Construction		4	1.5 (4) In terms of IFRS are capitalised on qualifying projects at weighted average cost of debt or specific rate, if specific financing is obtained.	Approach prescribed in RRM is preferred	None
79	Petroline	Funds During Construction		4	1.5 (4) These costs need to be allocated as the case with costs during construction.	Energy Regulator prescribes the preferred approach in the RRM	None
80	Transnet	Plant Constructed		4	1.5 (5a) Labour costs capitalized to construction projects are based on hours worked on project multiplied by a labour allocation rate.	The regulated entity can include details of labour cost allocation in its Cost Allocation Manual	None
81	Transnet	Plant Constructed		4	1.5 (5b) The RAM indicates that VAT on material and supplies can be capitalised to the cost of the plant. This is not in compliance with IFRS and the Income Tax Act	New entities without an output tax against which to offset input tax or that are not able to reclaim the VAT from the tax authority can include such VAT on contraction costs in order to allow them to calculate AFUDC.	Update section with clarification
82	Petroline	Plant Constructed		4	1.5 (5bi) - What is the meaning of "...the cost of VAT"? - Can import duties be included here as cost to materials and supplies? - Can forward cover costs for foreign exchange be included here for specific materials? - Can EPC guarantee costs be included here?	-It is the VAT element in the purchases during construction, where input VAT is not claimable or offset against output VAT.; - Customs duties that are not claimable back from the tax authority are includible; -Forward cover expenses for exchange should be reported as specified in the RAM section for Derivative instruments and hedging activities.	None
83	Petroline	Pre-Construction Costs / Financing Costs		4	1.5 (5) / 13.1 No reference on the costs incurred before construction (pre construction costs and financing costs). Usually these costs are incurred to achieve financial close and then get rolled into the debt raised.	Possibly account 301 Intangible Plant / Organizational Start Up	None
84	Petroline	Asset Retirement Costs		4	1.5 (6) What is the meaning of a long lived asset here?	It is now defined in the RRM terminology	Definition of long-lived asset is added to the terminology
85	Petroline	Asset Retirement Costs		4	1.5 (6) Decommissioning of the pipe and storage facilities at the end of the project lifetime needs to be accounted for according to IFRS and GAAP. That is a cost to the regulated entity and plays a role in tariff setting.	This is provided for as account 265 - Retirement obligations. This decision to be made by NERSA on whether these can be allowed in to the tariffs now as provisions or when the cost are actually incurred. NERSA is still to determine if provisions that have not been spent can be allowed into tariffs; And if those provisions for decommissions were to be allowed, how would those funds be secured to ensure they are not diverted for purposes that they were not intended for.	An account for "Asset retirement obligation" was created
86	Transnet	Replacements		4	1.5 (14a) The accounting treatment for replacement of sections of a pipeline does not include derecognition of the original pipeline from the asset register.	Refer sec 3.5 on sold / retired assets	None

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87	Transnet	Replacements		4	1.5 (14b) In terms of IAS 16, if there is a lasting benefit to be performed, the cost can be capitalised and depreciated over the remaining life of assets	The Energy Regulator has not adopted IAS. Assets should be reported on historical cost basis. RAM also defines operation and maintenance activities/expenses.	None
88	Petroline	Replacements		4	1.5 (14) (b) – The cost of reconditioning pipeline not removed is not included in the definition of operation of pipeline activities (point 29 on page 7) under maintenance activities	Agreed	Expand definition point 29 page 7
89	Transnet	Operating & Maintenance Activities		4	1.6 (1) RAM does not discuss the treatment of major inspection of pipeline assets. IAS states that these are capitalised and depreciated over the period to the next inspection.	Refer paragraph 2: "Costs of repairs include (a) the cost of inspection ..." Material inspections costs may be capitalized if they so qualify to the capitalized. Policy adopted in this respect should be disclosed and applied consistently.	None
90	Petroline	Depreciation		4	1.6 (3d) (d) – the depreciation rate should be calculated on the shorter of service life of the asset, or the period of the license/concession or at the rate prescribed by the Receiver of Revenue.	The RAM allows the Regulator to approve alternative rates / methods of depreciation, thus regulated entities may make application to the Regulator in this regard	None
91	Transnet	Petroleum Accounting		4	1.7 The current Transnet product reconciliation process revision will only be completed in 2010 which does not meet the deadline proposed by RAM of June 2009.	The regulated entity should include details of any such constraints in they implementation plan	None
92	Petroline	Allowance Petroleum		4	1.7 (1) Allowance Petroleum Accounting (page 23) - Losses of interface – will it be allocated here? - Duty at source (DAS) – will that be allocated here?	-Losses at interface may be reported here; -Duty at source should be reported as part of the cost of the item on purchase on which it is levied.	None
93	Petroline	General Petroleum		4	1.7 (2) General Petroleum Accounting (page 23) - Unrealised foreign exchange gains and/or losses on line fill and inventory – will that be accounted for here?	Only realized gains losses are allowable in tariff setting/approval. Unrealised gains losses should not be reported in this section.	None
94	Sasol	Account Numbering and Groupings		4	2 The extent of work involved for both account numbering options is excessive and would result in unnecessary replications. Consideration should be given to the effect the additional reconciliation or the new set of account numbers will have on the audit process.	In its written submission a stakeholder indicated that its own SAP consultant confirmed that mapping the current reporting to RRM is not a problem. The regulated entity should therefore first consult with ERP experts and then indicate envisaged constraints along with mitigations measures in the implementation plan for consideration by the Energy Regulaor.	None
95	Petroline	Deferred Credits		4	3.2 Paragraph 3.2 – Deferred Credits (page 27) - Will Environmental and Decommissioning reserves be allocated here or will it form part of Non-Current Liabilities? - Will shareholder loans form part of equity?	A separate account has been created for Asset Retirement Obligations to record Decommissioning Costs Report shareholder loans in accordance with IFRS/GAAP	New account has been added in the RRM
96	Petroline	Plant Accounts		4	4.2 Paragraph 4.2 – Pipeline, Storage, Loading and General Plant (page 28) - Meaning of "Station petroleum lines" and "other station equipment"? - Where will rail facilities be included (sidings etc)?	Station petroleum line = refer to page 43 account 353 for details; Other station equipment- ref to page 47 account#354. Rail facilities use a sub-account under Account # 360 and name it appropriately	None
97	Petroline	Income Statement		4	5.4 Paragraph 5.4 – Extraordinary Items (page 31) - Will Environmental and Decommissioning reserves be allocated here?	A separate account has been created for Asset Retirement Obligations to record Decommissioning Costs	New account has been added in the RRM
99	Chevron	Inventory		4	9 Inventory across activities - where will the inventory be included or split across activities?	Should be split in accordance with RRM provisions on Common Plant or Shared Costs	None

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100	Chevron	Regulatory Assets / Liabilities		4	9 / 11	What is the guideline trying to explain?	Regulatory assets and regulatory liabilities means deferred assets/liabilities arising from NERSA decision e.g. revenue claw-back or refundable to be made (i.e. liability to the entity). This will then be amended to deferred assets/liabilities	None
101	Transnet	Non-Current Assets		4	10-Jan	Accumulated Future Income Taxes- relates to deferred tax assets should be classified as a non current asset	It is a deferred liability	None
102	Transnet	Non-Current Assets		4	10	Line fill account-Transnet pipelines do not own line fill associated with the operation of the pipeline.	Noted.	None
103	Transnet	Non-Current Liabilities		4	12	Deferred taxation Liability is not included in the list of accounts	It is included as Accumulated Future Income Taxes	None
104	Transnet	Non-Current Liabilities		4	12	Decommissioning liability- The exclusion of decommissioning provisions is contrary to IRFS	Account for Asset Retirement Obligations will be created	Account created
105	Petroline	Environmental Reserves		4	12.2	Environmental reserves need to be accounted for and plays a roll in tariff setting.	This decision to be made by NERSA on whether these can be allowed in to the tariffs now as provisions or when the cost are actually incurred. NERSA is still to determine if provisions that have not been spent can be allowed into tariffs; And if those provisions for decommissions were to be allowed, how would those funds be secured to ensure they are not diverted for purposes that they were not intended for.	Account for Carbon Credits/ Emissions or Waste Management will be created. Also an account for Asset Retirement Obligations has been created
106	Transnet	Operating Revenue Accounts		4	16	Revenue accounts to be disclosed per product rather than domestic and export.	That is fine so long as it is reported in the appropriate accounts under domestic sales and product categories as provided in the RAM account numbering.	Sub-accounts will be created in the Manuals for disclosing revenues by products
107	Transnet	Operating Maintenance Expenses		4	17	Transnet suggests that the following accounts also be disclosed separately: Electricity, Depreciation, Maintenance expenditure.	Entity can create a sub-account to record electricity expense. Account # 452 is for depreciation and can be divided into sub-accounts. Sec 17 allows creating sub-accounts as to separate between operating and maintenance expenses.	None
108	Sasol & ROMPCO	Conversion Reporting - not possible with level of detail required.		1	3.4; 7.4; 7.7 and 8.1	Level of detail more than what currently exists in ROMPCO systems. Not possible to do conversion reporting if more detail required than what currently exists. Please provide a definition and details for Conversion Reporting to enable ROMPCO to understand NERSA's interpretation of this reporting solution.	This refers to transition of the current chart of accounts to the RRMS.	None
109	Sasol & ROMPCO	Tax		3	1.4.4	Tax calculated differently than prescribed in Income Tax Act.	Only tax actually paid is of interest to the regulator, irrespective of how it is calculated. This allows the regulated entity flexibility to calculate the Actual Tax to be paid to the tax authority in accordance with prevailing tax statutes	None
110	Sasol & ROMPCO	Inconsistencies with GAAP/IFRS.				RAMS CoA not compliant with GAAP/IFRS.	RAMS reflect NERSA requirement of the content and format of regulatory reporting of information needed to perform its regulatory duties. RAMS will be used for purposes other than that of normal statutory reporting.	
111	Sasol & ROMPCO	Cost attribution		1	3	Please provide guidance on cost allocation principles when direct assignment and cost drivers are not feasible or appropriate (e.g. corporate overheads for support services).	The CAM template will provide guidance.	None

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112	Sasol & ROMPCO	Operating and Maintenance	3	1.6.1	The RAM states: "The cost of operation and maintenance chargeable to the various operating expense and clearing accounts includes labour, materials, overheads and other expenses incurred in operating and maintenance work". ROMPCO have Service Level Agreements (SLAs) with sub-contractors to provide operations and maintenance support. The sub-contractors do not provide or submit the detailed components of their fee. Please provide guidance as to how this should be managed where the detailed components of the fee for the sub-contractors are not provided.	The cost should be allocated based on the fully allocated cost approach. This approach should be applied and documented in the CAM.	None
113	Sasol & ROMPCO	Previous year	1	7.1	Please provide details on whether NERSA requires ROMPCO to report on the prior year in its first year of submission.	The regulated entity has the option to report on the previous year in the first year of implementation, but it is not required.	None
114	Sasol & ROMPCO	Transfers of property	3	1.5.10	Please provide details on whether prior years' depreciation affecting the Income Statement would require restatement should ROMPCO transfer an asset.	Regulated entity will have to provide the Energy Regulator with more details in order to make a proper determination of this situation. Where it is not possible to determine an historical cost, the Energy will apply the provision of Regulatory Asset Value at the commencement of economic regulation	None
115	Sasol & ROMPCO	RAM Implementation date	1	7.9	Please confirm the full compliance date of the RAM as there is a conflict between RAMS and Key milestones document.	The dates in the RRM remain as the primary reference point. If a regulated entity has different ey milestones, then they should state that in its Implementation Plan for consideration by the Energy Regulator	None
116	Sasol & ROMPCO	Cost Allocation Manual (CAM)	1	7.2	Please provide clarity on the date for submission of the CAM.	As soon as the RRM is approved for implementation and before the licensee makes its first filing to the Energy Regulator under the RRM. Preferably, this should be within 3 months of the RRM being approved and gazetted for implementaiton.	None
117	Sasol & ROMPCO	Reporting Timeframe for audited AFS	1	7.6	The RAM states: "Annual Regulatory Financial Reports – Should be submitted within 4 months of financial year end of the licensee" Piped Gas Regulations states: "Information provided in terms of this regulation must be submitted annually to the Gas Regulator within three months of the licensee's financial year end, except in the case of information provided in terms of sub-regulation (1)(a) that must be submitted annually within six months of the licensee's financial year end." Please confirm the submission dates as there is a conflict between the two documents.	The regulations are specific on the peridic information to be submitted to the Energy Regulator. The RRM sets the framework to enable regulated entity to submit information in a certain format and content to enable the Energy Regulator perform its functions on an ongoing basis. Information mentioned in the Regulations contemplated statutory accounts, which will only constitute one of the two columns for comparatives in the RRM. Information requested under RRM contemplate complete regulatory financial reporting. If there are situations where a regulated entity is unable to submit full year audited regulatory financial report, then the Energy Regulator may require it to submits within 60 days the "light" un-audited regulatory financial information for second 6 months pending submission of audited full-year regulatory financial reports within determined timelines.	None

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118	Sasol & ROMPCO	Facility vs. Activity, Location. Operating Revenue and Plant		1	1.4	The RAM states: "Pursuant to Gas Regulation 7(1)(a), a licensee must submit to the Gas Regulator, in addition to any other information required, detailed audited annual accounts consisting of a balance sheet, income statement and cash flow statement for each licensed gas facility and activity." Please clarify the difference between a facility and an activity.	At one facility there could be two activities e.g. storage, liquification and regasification all being carried out at that facility/plant/physical location.	None
119	Sasol & ROMPCO	Facility vs. Activity, Location. Operating Revenue and Plant		3	1.5.1	The RAM states: "Plant accounts should be supported by sub-accounts that record the costs, by location" Please define location. Please confirm that Reporting on Revenue (excluding tariff settings) needs to be done on a provincial level rolling up into licence units; and Reporting on Assets needs to be done by location rolling up into a provincial level rolling up into licence units.	Location is the physical place the asset is situated Yes, confirmed and as may be required in a licence condition	None
120	Sasol	Cash Flow statement		1	1.4 and 1.7	Please confirm whether RAM requires a cash-flow statement	Yes, the statement of changes in financial position is the cash-flow statement.	None
121	Sasol	Income Taxes		3	1.4.4	Please provide a definition or additional information on tax methodology.	Only taxes actually paid to the tax authority are of interest for tariff setting/approval, irrespective of how it is calculated. But an example of tax methodology would be the Notional Tax calculation contained in the NERSA's Petroleum Pipelines tariff methodology.	None
122	Sasol	Cost of Materials and Supplies		3	1.5.5	IFRS prohibits inclusion of VAT in Financial Statements. Consider rewording the above reference to ensure no deviation from VAT act	Any taxes paid with purchases that are not claimable or reimbursed by the tax authority should be included.	The reference to VAT is removed.
123	Sasol	Speculative Instruments		3	1.4.5	The RAM states that the regulator will decide on how gains & losses from financial instruments and hedges should be apportioned over time and to customer classes. Please clarify when guidance will be given.	This would also be a regulatory decision rendered during tariff application, based on the facts/accounting circumstances of the application.	None
124	Sasol	Plant Instructions		3	1.5.2(d)	Please indicate when the rate class arrangement will be available and how this will affect the interim application of this arrangement.	Rate classes as indicated in section 16.6 and/or as may be determined by the regulator from time to time.	None
125	Sasol	Impairments and provisions				Please provide additional detail on treatment.	Impairments should be recognised as expense in the year of the impairment, as this is an accelerated depreciation. Provisions will be dealt with on a case to case basis. NERSA is still to determine if provisions that have not been spent can be allowed into tariffs; And if those provisions for decommissions were to be allowed, how would those funds be secured to ensure they are not diverted for purposes that they were not intended for.	None
126	Sasol	Asset Retirement		3	1.5.6	Please provide definition of long lived asset. Please provide clarity on why tariff setting/revenue determination methodology is included in the RAM.	A long lived asset is a fixed asset. The RRMS prescribes the accounting reporting to provide information for NERSA regulating purposes. Identification of these accounts in the prescribed format enables the regulator to make appropriate analysis and adjustments during tariff setting, consistent with tariff methodology.	Definition of long-lived asset is added to the terminology
127	Sasol	Deferred Tax				Please provide guidance on application of deferred tax to changes in asset values.	Only taxes actually paid are of interest for tariff setting/approval	None

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128	Sasol	Land	3	1.5.7	Please clarify and provide classification on land that may not be included as regulated activities.	Account 175.001 Gas plant held for future use relates to regulated operations, not currently in use e.g. previously used or held for future use. Account 190.001 "other plant" relates to plant used in non-regulated operations.	None
129	Sasol	Allowance for funds used during construction	3	1.5.4	The rate base should be a function of the tariff setting/revenue determination methodology and should be included in the RAM. We do not believe that RAM can be finalised until regulatory approach to tariff methodology is finalised.	The two projects are running concurrently. We will ensure that the RRMS and tariff methodology are harmonised.	Will be harmonised.
130	Sasol	Cost of reconditioning pipeline	3	1.3.30	Please clarify the exclusion of the cost of reconditioning pipeline not removed in the definition of operation of pipeline activities under maintenance activities.	Conditioning of a pipeline which is not removed, is a maintenance activity, unless it meets the threshold for capitalisation.	None
131	Sasol	Chart of Accounts - Activity Codes	3	2.1	Please clarify if there is a difference between "unclassified plant" and "non-regulated activity". Please provide clear guidance on a new activity code for non-regulated should these items differ.	Unclassified plant would be the same as "Other - regulated". Non-regulated plant would be plant which is not regulated/non-licensed. Report under the same category as unregulated business.	None
132	Sasol	Chart of Accounts - Gas Codes	3	2.1	Please provide guidance on how revenue and/or cost not linked to a gas type should be treated and allocated	Create a code (CC) for this. CAMS should be provided to NERSA with cost allocation principles. This will be considered and approved.	None
133	Sasol	Extraordinary item	3	15.4	IFRS removed this	Terminology will be replaced by "Unusual/Infrequent"	Replaced terminology "Extraordinary" with "Unusual/Infrequent"
134	Sasol	Pipeline Relocations	3	1.5.13	Please clarify if the treatment of the pipeline relocations should be treated as capital or expense.	If the relocation requires a new licence, or change in licence conditions, it can be capitalised.	None
135	Sasol	RAM Account names	3	3.1.4; 3.9.14 1 and 3.9.14 2	There are instances in the RAM where it is instructed that users debit/credit specific accounts. The account names specified in the RAM appear to be in contradiction to the accounting treatment thereof.	The treatment is correct, and account names consistent with regulatory terminology.	None
136	Transnet	Alignment to Draft Regulations for petroleum pipelines	1	1.6	This regulation excludes any reference to an allowance for funds used during construction ("AFUDC"), yet the RAMS document this in detail. Similarly, the "Tariff methodology for petroleum pipelines" approved by NERSA on 26 February 2008, does not provide for an AFUDC. There is therefore inconsistency between the draft Regulations, the tariff methodology and the RAMS. Transnet supports the inclusion of an AFUDC and therefore recommends that the tariff methodology be amended to include this	The two projects are running concurrently. We will ensure that the RRMS and tariff methodology are harmonised.	RAMS and tariff methodology to be harmonised.
137	Transnet	Inconsistencies between tariff setting methodology and RAMS-Plant Constructed	4		Plant Constructed (Page 14 to 16 of Volume 4) & Pages 17 to 20 of Volume 3) includes the AFUDC as an element of cost which equates to (Average Balance in CWIP + Plus average capital inventory balance - Construction Accounts Payable - Retirement Costs) in the RAMS. The Balance Sheet Chart of Accounts under non-current assets refers to "Plant in Service", the definition of which defers to "Plant Constructed". There appears to be no clear linkage between the "Plant Instructions" section of the manual and the Chart of Accounts.	This is seemingly an application/ interpretation question. It will be explained during implementation workshops with the stakeholder!	None
137	Transnet				Property, Plant & Equipment comprises only non-current assets excluding plants under construction (Page 4). No reference is made to AFUDC	AFUDC is dealt with elsewhere in the Manual. The question above confirms the same	None
137	Transnet				AFUDC be considered for inclusion in the non current assets for the purposes of the tariff determination. The RAMS should provide clarity between "Plant Constructed" and the relevance of the computation/definition of Plant Constructed.	This is a question on what is allowable in tariffs and will be dealt with in a tariff application	None
138	Transnet	Inconsistencies between tariff setting methodology and RAMS-Tax			Allows only "currently payable taxation" to be included as part of operating expenses but do states that NERSA may prescribe an alternative methodology or determine "all-inclusive" allowable revenue (which is not defined). Page 10, Vol 4, Page 12, Vol 3). No reference is made to notional tax.	"All-inclusive" allowed revenue in RRM was specifically meant to cater to the "notional tax" concept in the tariff methodology.	None
138	Transnet				A notional tax expense in the next tariff period is catered for in Allowable Revenue (page 4). Any deferred tax is treated as interest free funding (Page 11)	Comment noted	The two projects are running concurrently. We will ensure that the RRMS and tariff methodology are harmonised.

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138	Transnet				Further clarity is required in respect of tax computation. Clarity is required on which of these options is being proposed by NERSA	Only tax actually paid is of interest to the regulator, irrespective of how it is calculated.	None
139	Transnet	Inconsistencies between tariff setting methodology and RAMS-Accounting Treatments			States that its purpose is to prescribe accounting procedures and requirements in order to achieve uniformity and consistent reporting elements that required for tariff setting, monitoring and/or approval (Page 8, Vol1)	The two projects are running concurrently. We will ensure that the RRMS and tariff methodology are harmonised.	The two projects are running concurrently. We will ensure that the RRMS and tariff methodology are harmonised.
139	Transnet				States that the RAMS is to be used for general financial reporting by licensees and not necessarily tariff applications (footnote 4 page 10)	The two projects are running concurrently. We will ensure that the RRMS and tariff methodology are harmonised.	The two projects are running concurrently. We will ensure that the RRMS and tariff methodology are harmonised.
139	Transnet				The Tariff methodology should influence the accounting treatment per the RAMS. Footnote 4 in the tariff methodology should be removed	RRMS prescribe the format and content of information required for the regulator to execute its mandate. RRMS will be used for purposes other than that of normal statutory reporting.	NERSA to remove this.
140	Transnet	Inconsistencies between tariff setting methodology and RAMS-Assets			States that a once off valuation performed at the start of economic regulation and a form of modified historic cost valuation approach will be applied to determine the vesting of RV .	Convergence will be ensured	The two projects are running concurrently. We will ensure that the RRMS and tariff methodology are harmonised.
140	Transnet				States that all assets will be valued at historic cost and mentions the vesting Regulatory Value (RV)	Vesting Regulatory Asset Value will be prescribed by the Energy Regulator only where there are no historical values	None
140	Transnet				Suggest that MEAV be used as the vesting RV. The (modified) historic cost approach will destroy the value of the asset and not provide a realistic value	Historical basis is the preferred valuation by the energy regulator. This will be the basis from which adjustments will be made to arrive at values prescribed in the tariff methodology.	None
141	Transnet	Accounting Convention			The historic cost convention in the RAMS does not consider the revaluation of non current pipeline assets. Transnet has consistently argued that assets should be valued in replacement cost terms. Using the historic value of the assets, together with a nominal return (WACC) results in higher prices initially and prices decrease at a faster rate than under the approach of using revalued assets and a real return.	Historical basis is the preferred valuation by the energy regulator. This will be the basis from which adjustments will be made to arrive at values prescribed in the tariff methodology.	None
142	Transnet	Auditors Materiality			The materiality level as determined for statutory reporting cannot be used by the auditors as this is based on Group materiality. It is recommended that the materiality be determined for the regulated entity.	RRM Vol 1 Sec 6.5 provides for that. And the Auditors would be expected to exercise their professional judgement to determine and recommend materiality for each licensee being audited.	None
143	Transnet	Reporting Timeframe			Transnet suggests that the timing of reporting the annual results be within 4 months of financial year end provided this is not before a regulated entity's Annual General Meeting ("AGM").	Regulatory Financial Reports need not be approved at an AGM.	None
144	Transnet	Terminology	3	1.3	The definition of the operation of pipeline activities excludes decommissioning. In terms of the legal requirements outlined below (section 3.6) a pipeline operator is obliged to decommission a pipeline if it is removed from use (refer to detailed comments below).	This decision to be made by NERSA on whether these can be allowed in to the tariffs now as provisions or when the cost are actually incurred. NERSA is still to determine if provisions that have not been spent can be allowed into tariffs; And if those provisions for decommissions were to be allowed, how would those funds be secured to ensure they are not diverted for purposes that they were not intended for.	An account for "Asset retirement obligation" was created

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145	Transnet	Operating and Maintenance Expense Instructions (Section 1.6)	3	1.6	Paragraph 1 – The definition of false work and retirement accounting needs to be clarified. Paragraph 3 – sub paragraph (b) to be removed as this relates to the determination of depreciation per the tariff methodology.	Refer to account number 265 for false work and retirement accounting. W.r.t par 3, NERSA will ensure harmonisation between the RRMS and tariff methodology, as these two projects are running concurrently. Paragraph 3(a)(III) also allows for flexibility for the use of other methodology.	None
146	Transnet	Petroleum Accounting	3	1.7	"Allowance Petroleum Accounting" does not encompass the current "Product Reconciliation" process which is unique to Transnet Pipelines. It should be noted however, that the product reconciliation entries are not processed at every financial month end. This is due to the reconciliation period being conducted quarterly in arrears which is dependant on when each slug is closed off. The current product reconciliation process will be revised for the NMPP in order to comply with Statutory and Regulatory requirements. However, the revision will only be completed in 2010 which, does not meet the deadline proposed by RAMS of June 2009.	The regulated entity should work closely with NERSA in customizing the Cost Allocation Manual and determine what would be permissible in this regard in accordance with the RRM guidelines on cost allocation.	None
147	Transnet	Non Current Assets	3	10	Transnet Pipelines does not own line fill associated with the operation of the pipeline. The tank bottoms relating to the storage tanks at Tarlton are included as part of the cost of the asset.	Noted	None
148	Transnet	Non Current Liabilities	3	12	The exclusion of decommissioning provisions is contrary to the legal obligation of Transnet to rehabilitate property on decommissioning or retirement of pipelines.	This is provided for as accoiunt 265 - Retirement obligations. This decision to be made be NERSA on whether these can be allowed in to the tariffs now as provisions or when the cost are actually incurred. NERSA is still to determine if provisions that have not been spent can be allowed into tariffs; And if those provisions for decommissions were to be allowed, how would those funds be secured to ensure they are not diverted for purposes that they were not intended for.	An account for "Asset retirement obligation" was created
149	Transnet	Revenue	3	16	Revenue accounts should be disclosed per product rather than by domestic and export as all our products are domestic.	Agreed	Will create sub-accounts for this purpose. Or RRM will give instructions on where/how to create subaccounts
150	Transnet	Piped Gas (IFRIC 4)	3		In terms of IFRS(IFRIC 4), the contract with SASOL for the transportation of gas is, for example, a deemed operating lease over the term of the contract. The classification results in the income being recognised on a straight line basis over the term of the contract. The difference between the revenue recognised and amount received from the customer meets the definition of a non current asset. NERSA has suggested in its response to our comments in respect of Draft 2 of the RAMS that we should utilise account 212 to record this transaction. Account 212 is for "Obligations under capital leases" and is reflected under Current Liabilities. This is definitely not a current liability nor is it a capital lease. We suggest a separate account for deemed leases be considered under current assets.	The revenue should be recognised accordingly under transmission revenues, while assets should be recognised under account 174.	None
151	Transnet	Comparison RAMS to IFRS	1	2.3	The historic cost accounting convention is prescribed.	RRMS prescribe the format and content of information required for the regulator to execute its mandate. RRMS will be used for purposes other than that of normal statutory reporting.	None
151	Transnet				Fair value and revaluation of financial instruments and assets are acceptable recognition criteria.		
152	Transnet	Comparison RAMS to IFRS	4	1.1 and 5.4	Income and expense accounts include extraordinary items.	Account title will be changed to "Unusual/Infrequent Items"	Replaced terminology "Extraordinary" with "Unusual/Infrequent"

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152	Transnet				Extraordinary items have been removed from statutory reporting.		
153	Transnet	Comparison RAMS to IFRS	4	1.4(5)	The chart of accounts does not include fair value adjustments, despite the RAMS indicating that accounting for derivative instruments and hedging should be in terms of IFRS Further, the commentary by NERSA on the public comments received in respect of Draft 2 of the RAMS indicates that only realised gains and losses should be accounted for in terms of the RAMS	Only realized gains losses are allowable in tariff setting/approval.	None
153	Transnet				Realised and unrealised fair value adjustments on financial instruments should be disclosed.		
154	Transnet	Comparison RAMS to IFRS	4	1.5(2a)	Plant should be recorded at historical cost.	RAMS prescribe the format and content of information required for the regulator to execute its mandate. RAMS will be used for purposes other than that of normal statutory reporting.	None
154	Transnet				In terms of IAS 16, revaluation of long life assets is recommended due to the limitations of the application of historical cost with regard to the measurement of results and the presentation of the financial position.	Historical basis is the preferred valuation by the energy regulator.	None
155	Transnet	Comparison RAMS to IFRS	4	1.5(2b)	Plant should be recorded at historical cost.	Historical basis is the preferred valuation by the energy regulator. This will be the basis from which adjustments will be made to arrive at values prescribed in the tariff methodology.	None
155	Transnet				In terms of IAS 16, revaluation of long life assets is recommended due to the limitations of the application of historical cost with regard to the measurement of results and the presentation of the financial position.	Historical basis is the preferred valuation by the energy regulator.	None
156	Transnet	Comparison RAMS to IFRS	4	1.5(5b)	VAT on materials and supplies can be capitalised to the cost of the plant.	Any taxes paid with purchases that are not claimable or reimbursed by the tax authority should be capitalized.	The word VAT will be removed and replaced by "any taxes unclaimable from tax authority".
156	Transnet				The capitalisation of VAT is only permissible if the company is not a registered vendor.	Any taxes paid with purchases that are not claimable or reimbursed by the tax authority should be capitalized.	The word VAT will be removed and replaced by "any taxes unclaimable from tax authority".
157	Transnet	Comparison RAMS to IFRS	4	1.5(13 c)	The costs of relocation of a pipeline, if the company has no reasonable alternative, can be included in expenses.	Relocation is a capital expense - a new licence is required to relocate. This is also a tariff methodology/ calculation question.	None
157	Transnet				The cost of relocation of a pipeline must be capitalised and the old section of the pipeline to be derecognised.	Yes	None
158	Transnet	Comparison RAMS to IFRS	4	1.5(14 b)	The cost of reconditioning a pipeline that is not removed should be accounted for as repairs.	Reconditioning a pipeline is a maintenance activity, unless the capitalisation threshold is met, in which case it should be capitalised.	None
158	Transnet				In terms of IAS 16, if there is a lasting benefit to the work performed, the costs incurred can be capitalised and depreciated over a period to the next refurbishment or reconditioning.		
159	Transnet	Comparison RAMS to IFRS	4	1.5(14 b)	The costs of reconditioning a pipeline that is not removed should be accounted for as repairs.	Reconditioning a pipeline is a maintenance activity, unless the capitalisation threshold is met, in which case it should be capitalised.	None
159	Transnet				The value of an asset can be impaired, if there are impairment indicators present. This results when the carrying amount is higher than the recoverable amount, necessitating the write down of the value of the asset.	Impairments should be recognised as expense in the year of the impairment.	None
160	Transnet	Comparison RAMS to IFRS	4	1.5(14 b)	Impairment of assets is not considered in the RAMS.	Impairments may only be recognised as expense with the approval of the Energy Regulator and who will determine on how, if the impairment is allowed, such an unusual/ infrequent event should be apportioned over time.	None
160	Transnet				The value of an asset can be impaired, if there are impairment indicators present. This results when the carrying amount is higher than the recoverable amount, necessitating the write down of the value of the asset.	Impairments should be recognised as expense in the year of the impairment.	None
161	Transnet	Comparison RAMS to IFRS	4	1.5(14 b)	The plant does not include dismantlement, removal and restoration	This will be included as an asset retirement obligation.	None

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161	Transnet				Per IAS 16 the cost of the asset should include dismantlement, removal and restoration if there is a legal obligation to dismantle and remove and restoration if there is a legal obligation to dismantle and remove an asset after use.	This will be included.	An account for "Asset retirement obligation" was created
162	Transnet	Comparison RAMS to IFRS	4	1.6(1)	The cost of maintenance includes inspection costs.	Refer paragraph 2: "Costs of repairs include (a) the cost of inspection ..." Material inspections costs may be capitalized if they so qualify to the capitalized. Policy adopted in this respect should be disclosed and applied consistently.	None
162	Transnet				In terms of the technical standards in the pipeline industry , pipelines need to be inspected every five to six years to determine whether the asset is technically compliant. As indicated above, the costs of the inspection and refurbishments conducted must be capitalised and depreciated over the period to the next inspection.	Reconditioning/maintenance of a pipeline is a maintenance activity, unless the capitalisation threshold is met, in which case it should be capitalised.	None
163	Transnet	Comparison RAMS to IFRS	4	3.2	The balance sheet chart of accounts does not include deferred tax liability.	It is included as Accumulated Future Income Taxes	None
163	Transnet				Taxation includes the accounting for deferred taxation on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the taxation basis.		
164	Transnet	Comparison RAMS to IFRS	4	3.2	The balance sheet chart of accounts does not include the provision for decommissioning	Account for Asset Retirement Obligations will be created	Account created
164	Transnet	Comparison RAMS to IFRS			The future cost for dismantling and removing an item of plant should be recognised as a liability.		
165	Transnet	Comparison RAMS to IFRS	4	10	Per the definition of Plant under construction, research and development costs can be included in the cost of the asset.	The RAM allows accounting for this as per GAAP/IFRS.	None
165	Transnet				Research costs are recognised in the income statement as incurred. Development costs are also expensed, except where: -the asset created can be identified -development costs can be reliably measured -development is technically or commercially feasible -the generation of future economic benefits can be demonstrated	The RAM allows accounting for this as per GAAP/IFRS.	None
166	Eskom	Timeframes			Adequate time not given for implementation	An implementation plan should be submitted to the regulator, and all constraints should be highlighted in this plan.	None
167	Eskom	Inconsistencies between RAMS & IFRS	1		Inconsistencies between RAMS & IFRS	RRMS prescribe the format and content of information required for the regulator to execute its mandate. RRMS will be used for only for purposes of Energy Regulation.	None
168	Eskom	Staff Resources	1		Expertise relating to regulating accounting. Training and additional cost required.	Regulated entity should indicate these constraints in the Implementation Plan along with mitigation measures for NERSA consideration	None
169	Eskom	Terminology	1		Inconsistent terminology between RAMS and IFRS. "Allowance for funds" vs. "Capitalization of borrowing cost".	Capitalization of borrowing costs refers to capitalization interest and debt-related expected, Allowance for funds is a calculation based on WACC that takes into account both debt and equity financing.	None
170	Eskom	Inconsistencies between RAMS & IFRS	1		"Plant equipment held for emergency stores" historically referred to as "Strategic Spares" in IFRS. RAMS indicate depreciation standard rate whilst IFRS only depreciates such assets if consumed, and apply impairment to assets that lose value.	This approach prescribed in RRM by the Regulator is aimed at encouraging holding emergency stocks to ensure continuity/security of supplies by allowing regulated entities to finance emergency stores and an immediate pass-through into the Asset Rate Base.	None
171	Eskom	Cost			Cost of setting up different set of accounts will be significant.	Please indicate this in implementation plan to be submitted to NERSA.	None

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172	Eskom	Cost attribution and separation methodology		1	Implementation of ABC prior to January 2009 not feasible.	Please indicate this in implementation plan to be submitted to NERSA.	None
173	Eskom	Affiliate transactions and transfer pricing policies.			Level of disclosure required to onerous.	This is necessary to collect required information for NERSA to execute its mandate. NERSA expects the implementation of the RAMS to reduce the regulatory burden.	None
174	Eskom	Audit			RAMS state that audited entity should bear all the cost. If tariff applications are reviewed, it could have huge implications on audit fees.	The cost of the audit would be allowed for in the tariffs.	None
175	Eskom	Cost Allocation Manuals (CAMS)			RAMS would require regulated entities to implement ABC in order to comply.	The fully allocated cost approach is preferred. Please indicated limitations and mitigation in the implementation plan.	
176	Eskom	Accounting period			The level of detailed requested in the RAM and to be conducted on a monthly basis is far beyond any possible benefits that would ensue. Eskom urges the NERSA to revisit this request and believes a half yearly report seems more practical.	Monthly refers to ongoing recording of accounting transactions as they occur. Reporting is only required two times a year as per the RAM.	None
177	Eskom	Account numbering			Eskom will most probably have to introduce another set of accounts. For statutory reporting purposes, the existing general ledger can not be changed in line with RAM. This is however not the ideal from a business perspective due the duplication of effort.	Section 7.5 of volume 1 provides for options. As long as a reconciliation is done if the existing account numbers are used.	None
178	Eskom	Reporting Timeframe			Half yearly reports for monitoring and Annual Regulatory Financial Statements (RFS), audited within 4 months of financial year-end of licensee. This could be a problem, because statutory audit taking place.	Please indicate this in implementation plan to be submitted to NERSA.	None
179	Eskom	Prior period restatements			Forecasts, prior year and current period actual figures must be reported on a similar basis. This implies that whenever there is a change in either RAM or IFRS, reconciliations and restatements will need to be conducted.	Only if there is changes in the RAM, prior year figures have to be restated for NERSA regulatory compliance purposes.	None
180	Eskom	Income Statement and Balance Sheet	2		Eskom requires additional time be provided to stakeholders to allow for full assessment.	Please indicate this in implementation plan to be submitted to NERSA as well as mitigation measures.	None
181	Eskom	PPE	2		PPE for transmission division be divided into major parts consisting of transmission plant and non-utility property and equipment:	Section 7.5 of volume 1 provides for options. As long as a reconciliation is done if the existing account numbers are used.	None
182	Eskom	Transmission	2		Existing asset categories different from that required by RAMS.	Section 7.5 of volume 1 provides for options. As long as a reconciliation is done if the existing account numbers are used.	None
183	Eskom	Land	2		All land linked to GL 1000, no distinction between land used for transmission and land used for other purposes such as admin.	Shared costs or Common plant should be allocated as prescribed in Volume 1, and regulated entities are required to indicate this will be done in their Cost Allocation Manual	None
184	Eskom	Land rights	2		Linked to GL no. 2000. Only used for transmission operations.	Direct assignment should be applied as prescribed in Vol 1 when the portion of an activity used by a business unit can be reasonably established	None
185	Eskom	Buildings, fixtures and Improvements	2		Linked to GL 4000 but does not only reflect buildings, fixtures and improvements used in transmission operations. It also includes commercial buildings, residential buildings, roads etc. It is also further broken down into asset classes which will have to be analysed.	Shared costs or Common plant should be allocated as prescribed in Volume 1, and regulated entities are required to indicate this will be done in their Cost Allocation Manual	None
186	Eskom	Leasehold improvements	2		Transmission does not have this asset category.	This account is retained for completeness sake, for use as and when required.	None

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187	Eskom	Station equipment and system communication control		2	All transmitting equipment and lines are lumped together into one asset category called transmitting plant, linked to GL acc no. 16000. It is also further broken down into asset classes which will have to be analysed.	Separation is required and timelines to complete the analysis should be provided for in the Implementation Plan	None
188	Eskom	Towers and fixtures; poles and fixtures and overhead conductors and devices		2	All transmitting equipment and lines are lumped together into one asset category called transmitting plant, linked to GL acc no. 16000. It is also further broken down into asset classes which will have to be analysed.	Separation is required and timelines to complete the analysis should be provided for in the Implementation Plan	None
189	Eskom	Underground conduit		2	Eskom does not have this asset category.	This account is retained for completeness sake and for use as and when required.	None
190	Eskom	Underground conductors and devices		2	Eskom does not have this asset category.	This account is retained for completeness sake, and for use when required.	None
191	Eskom	Roads and trails		2	Roads accounted for in buildings and facilities under GL acc 4000. Within this category, roads has a separate asset class which will have to be further analysed.	Separation is required and timelines to complete the analysis should be provided for in the Implementation Plan	None
192	Eskom	Asset retirement cost for transmission plant		2	1.5.5 Eskom does not have this asset category. Does this relate to decommissioning cost?	Yes, this relates to decommissioning cost.	None
193	Eskom	Non-utility property and equipment		2	Not sure what forms part of this part of PPE. Page 36 of RAM 2 does not give clear guidance.	This relates to assets used for non-regulated business or activities.	None
194	Eskom	Common utility plant		2	Page 18 - where plant used by various entities or departments, the operating expenses have to be apportioned to different entities or departments that are using the plant. Can this basis be applied to non-utility property and equipment?	Yes, in accordance with the RRMS on the fully allocated cost approach.	None
195	Eskom	IFRIC 4		2	Government grants and customer contributions received by the division for purposes of constructing or acquiring PPE should be accounted for as a negative asset or deferred income and amortised accordingly.	It is the intent of the RRMs to show grants for capital expenditure as negative assets. Hence the necessary clarification will be made in the RRM	The word "credit" is add to Account #108 i.e. "Gross value of contributions and grants- credit" to show that is should record the grants as credit which in effective reduces the asset base by the amount of the grant
196	Eskom	IFRIC 4		2	IFRIC 4 and IAS 17 requires that where the item of PPE is acquired or constructed specifically for the purposes of distributing electricity to a particular customer, and the division recovers the cost thereof by ways of government grants, customer contributions or connection fees, such arrangement should be accounted for as a lease i.t.o IAS 17. The implicatio thereof is that the related item of PPE as well as the government grant and customer contributions are de-recognised, and a lease receivable is raised in respect of outstanding connection fees.	That can be discussed and resolved during implementation on a case by case basis.	To be revisited during implementation workshop with the individual licensee to ensure consistency with intent of tariff methodology
197	Eskom	Other assets and liabilities		2	1.5.6 and Pages 37 - 47 of RAM vol 2 deal with other assets and liabilities eg cash, A/R, inventory and derivative financial assets.	The regulated entities should propose in their cost allocation manuals how these should be split based on their understanding of their business and their experience.	None
198	Eskom	Other assets and liabilities		1	3 Ensure that there is separation and no cross subsidization between regulated and non-regulated business activities; and the assets and liabilities must be attributed in accordance with business activities which cause them to incurred and acquired.	The regulated entities should propose in their cost allocation manuals how these should be split based on their understanding of their business and their experience.	None
199	Eskom	Distribution of pay and expenses of employees		2	RAMS require that base this on actual time engaged in respective classes of work. In transmission, actual time only charged when employees work on capital, recoverable work or insurance projects. It would be an onerous burden to allocate total manpower cost based on actual time usage.	This indirect expense should be split on the fully allocated cost approach and the basis of allocation should be explained in the cost allocation manual. Additional guidance will be provided during implementaion	None
200	Eskom	Other income statement items		2	Pages 64 - 69 of volume 2 deal with other income statement items such as income tax, forex, interest, insurance and donations.	This indirect expense should be split on the fully allocated cost approach and the basis of allocation should be explained in the cost allocation manual.	None

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201	Eskom	Other income statement items		1	3 Ensure that there is separation and no cross subsidization between regulated and non-regulated business activities; and the assets and liabilities must be attributed in accordance with business activities which cause them to incurred and acquired.	This indirect expense should be split on the fully allocated cost approach and the basis of allocation should be explained in the cost allocation manual.	None
202	Eskom	Other income statement items		2	Does not give any guidance or direction as to how these other income statement items should be split.	This indirect expense should be split on the fully allocated cost approach and the basis of allocation should be explained in the cost allocation manual.	None