ACCOUNTING SEPARATION GUIDELINES

ISSUED BY

ESWATINI COMMUNICATIONS COMMISSION

2022

Table of Contents

1. DEFINITIONS

For the purpose of these Guidelines unless the contents otherwise require;

Accounting Separation Manual: means a document explaining in detail the methodological principles, main assumptions, internal structure and calculation flows of the Accounting Separation System;

Annual Financial Statements: means the audited financial statements prepared from annual accounts (for example Income Statement, Balance Sheet Statement, Statement of Cash flows) in order to meet financial obligations under applicable legislation of the Kingdom of Eswatini;

Fully Allocated Costs or FAC: means an accounting method to distribute all costs amongst a Licensees various services;

Gross Book Value or GBV: means the undepreciated book value of an asset, which is equal to the historical price paid to buy an asset;

Historical Cost Accounting or HCA: means an accounting convention that preserves the costs from the Annual Financial Statements;

Licensee: has the same meaning assigned to it under Section 2 of the Eswatini Communications Commission Act, 2013;

Management: means, unless otherwise indicated, the Licensees' senior manager(s), responsible of the Accounting Separation information;

Services: means beneficial outcomes provided by a regulated entity to its customers, recipients and interested parties, the services can either be wholesale or retail.

2. INTRODUCTION

2.1 The Eswatini Communications Commission is a regulatory body established in terms of the Eswatini Communications Commission Act No. 10 of 2013 ("the Act"), to regulate the electronic communications sector including electronic communications networks and services, broadcasting services, postal services, the use and allocation of radio frequency spectrum, data protection and e-commerce. One of the functions of the Commission is to administer the Competitions Act, 2007 and the Fair-Trade Act, 2001 in the ICT market.

2.2 In the exercise of its regulatory functions as provided for under the Act, the Commission has developed Accounting Separation Guidelines. These guidelines outline the key principles required for the preparation and submission of Accounting Separation documents.

2.3 Accounting separation requires the preparation of separate accounts for each of the different business units operated by the same licensee, by identifying and allocating the costs and revenues associated with each unit as well as the transactions between them.

3. POWER TO ISSUE GUIDELINES

3.1 The Commission, is mandated by Sections 6, 7 and 38 of the Act, to provide information and issue Guidelines or codes to the public and commercial entities with respect to the matters which the Commission regulates. These Guidelines are issued in accordance with the Commission's functions under Section 27 of the Electronic Communications Act No. 9 of 2013 ("ECA"), to impose obligations for accounting separation in relation to specified activities related to interconnection or access.

4. OBJECTIVES

4.1 The key objectives of implementing the Accounting Separation (AS) framework are to:

4.1.1 Identify and prevent any undue discrimination or practices that substantially lessens competition such as cross-subsidization and margin squeezes, to the detriment of end-users.

4.1.2 Ensure that pricing for interconnection or access activities is cost based, transparent and non-discriminatory.

4.1.3 Assist the Commission in the monitoring of Licensees' compliance with regulatory obligations.

4.1.4 Provide an environment which fosters open and transparent financial reporting within the Electronic Communications sector.

4.2 The Accounting Separation Framework developed by the Commission outlines:

4.2.1 A framework for the disaggregation of revenues across various business units, products and services;

4.2.2 The costing approach to allocate various costs to different products and services and methods to be used for asset valuation; and

4.2.3 Reporting requirements covering the statements to be prepared and periodicity of submissions of the documents.

5. LEGAL BASIS AND REQUIREMENTS FOR ACCOUNTING SEPARATION

5.1 The Commission's functions and duties are set out in the Act. Sections 6(k) and 6(l) provides that the Commission shall administer certain aspects of the Competition Act, 2007 and the Fair-Trading Act, 2001.

5.2 The Commission is further responsible for monitoring competition and pricing in the ICT sector.

5.3 The Commission also monitors and analyses the pricing of products and services of Licensees in the sector to ensure price transparency.

5.4 Empowered by Section 23 of the ECA, the Commission undertakes market reviews of the various markets in the sector, wholesale and retail, to determine the effectiveness of competition, to analyse and review pricing structures and the pricing of electronic communication products and services.

5.5 The Commission may, in accordance with Section 27 (1) of the ECA, impose obligations for accounting separation in relation to specified activities related to interconnection or access.

5.6 The Commission may, in accordance with Section 27 (2) of the ECA, require a vertically integrated Licensee to make transparent its wholesale prices and the internal transfer prices, to ensure compliance where the is a requirement for non-discrimination, where necessary, to prevent unfair cross-subsidy and where the Commission does so the Commission may specify the format and accounting methodology to be used.

In terms of Section 27 (3) of the ECA, the Commission may require that accounting records, including data on revenues received from third parties, are provided on request in order to facilitate the verification of compliance with obligations of transparency and non-discrimination.

6. ACCOUNTING SEPARATION PRINCIPLES

6.1 The principles of Accounting Separation discussed below aim to ensure the robustness, credibility and reliability of Accounting Separation. Accordingly,

they must be adhered to by Licensees when preparing the Accounting Separation Documents required by the Commission.

6.2 Licensees should follow the principles given below for revenue and costs attribution to different products, services and network elements while preparing the Accounting Separation Documents:

6.2.1 **CONSISTENCY:** Information corresponding to the Accounting Separation Documents (ASD) / separated accounts must be reconciled with the reported Annual Financial Statements (AFS) and supporting information that justifies such reconciliation must be provided. The methodology, accounting principles and criteria used for the preparation of Accounting Separation must be applied consistently between accounting periods for comparison and consistency, unless there is a valid and reasoned explanation for the change. Necessary variations due to technological or market changes must be documented, explained and justified in detail explaining why other options are not possible, and describing their impact on accounts and results.

6.2.2 **AUDITABILITY:** The separated accounts must be subject to annual audits, and to standards required by the laws of Eswatini. The separated accounts audit shall coincide with the audit of the Licensees' Annual Financial Statements. Therefore, all information provided must be adequately supported, so that an external or internal reviewer can easily trace its sources and review it.

6.2.3 **MATERIALITY:** This principle may be followed to avoid any complex or cumbersome procedure in case the impact is not significant. Cost and revenue accounts that represent more than 10% of the total costs/revenues under the same level of the Accounting Separation System must be disaggregated.

6.2.4 **NON-COMPENSATION:** There should be no subsidization of any service/ product by another service/product of a subsidiary of the same

company. Revenues and costs must be treated differentially, without engaging in any compensation between them. Accordingly, revenues and costs pertaining to one service must not be compensated with revenues and costs pertaining to another service.

6.2.5 **NON-DISCRIMINATION:** The allocations of costs and revenues to services must reflect, fundamentally:

6.2.5.1 a homogeneous wholesale price-setting towards all counterparts, without unjustified fluctuations; and

6.2.5.2 cost-orientation in the wholesale charges applied to other service providers.

6.2.6 **OBJECTIVITY:** Accounts, allocations, decisions and other information employed in Accounting Separation must be based on objective, quantifiable and verifiable data, which must be maintained and submitted to the Commission for review. Such information may not be designed to favour other service providers, products or services over others. Arbitrary allocation should be limited and/or avoided.

6.2.7 **RELEVANCE:** Information must be prepared in a way that ensures there is no significant omission that may affect regulatory decisions.

6.2.8 **RELIABILITY:** Information must be detailed, accurate, legitimate and error-free.

6.2.9 **RESPONSIBILITY:** Management of the licensee shall be responsible and accountable for the quality and correctness of all the information provided to the Commission in connection with Accounting Separation.

6.2.10 **REVENUE/COST BASIS:** Revenues and costs should be allocated to those services/ products/network elements that cause the cost or revenue to arise. This requires that costs must be attributed to

components, services and businesses strictly in accordance with the activities that cause those costs to be incurred.

6.2.11 **SUFFICIENCY:** The information provided must include all necessary data to fulfil the Accounting Separation objectives.

6.2.12 **TRANSPARENCY:** Accounts, data, reporting and information must be clear, traceable, easy to understand for third parties and self-explanatory. The information must be maintained and submitted for review in a medium and format that can be easily accessed and replicated at any time, without restriction, using standard software and data processing tools.

7.   LICENSEES SUBJECT TO ACCOUNTING SEPARATION

7.1 The Eswatini Communications Commission has determined that Licensees subject to accounting separation shall be as follows:

7.1.1   Licensees subject to Section 23 of the ECA; and

7.1.2   Licensees that have vertically integrated operations, as provided in Sections 27 of the ECA.

8.   SERVICES UNDER ACCOUNTING SEPARATION

8.1   According to Section 27(1) ECA, the Commission may impose obligations for accounting separation in relation to specified activities relating to interconnection or access.

8.2   Activities/Services relating to **Interconnection**.

8.3   Activities/Services relating to **Access.**

9.   BASIS OF SEPARATION

9.1 The Accounting Separation Statements shall be prepared on the basis of service/product-wise separation along with network element-wise cost, support function and department costs and Non-financial reports.

9.1.1 **Service-wise Separation**: Under this reporting, financial reports shall be prepared and submitted to the Commission for different services related to interconnection and access provided by the Licensee mentioned under **Section 7** above, so as to review the financial performance of the Licensees.

9.1.2 **Product/component-wise separation**: Under this reporting, separate accounts are prepared for different products/components in order to make costs and returns/revenue involved in the provisioning of that product/component transparent. The services and products/Components which will be subject to Accounting Separation are outlined in **Appendix_1.**

9.1.3 **Network Element-wise cost**: The separation of Network Elements cost from 'other than network costs' is performed to analyse the costs involved in various network elements within a service/product and to provide a base for allocation of network elements costs amongst services/products. A list of network elements and their sub-components used in different services is prescribed in **Appendix_2.**

10. COST BASIS AND ALLOCATION METHODS FOR ACCOUNTING SEPARATION

10.1 COST BASIS

10.1.1 The Commission prescribes that for the purpose of Accounting Separation, licensees should employ a costing approach that is consistent with the Costing of products and services in the Electronic Communications Sector.

10.1.2 The cost basis, as well as other accounting principles used in preparing the separated financial statements for the different segments of the licensees' business, must be consistent and in conformity with International Financial Reporting Standards (IFRS).

10.1.3 These shall be the same principles used by licensees in preparing their Annual Financial Statements (AFS).

10.1.4 In case of any inconsistency between the data available in the systems listed above, the Annual Financial Statements shall be prioritized over internal reporting systems. Further, the internal reporting systems shall be prioritized in the order in which they appear in the above list.

10.2 ALLOCATION METHODS

10.2.1 Allocation of costs, revenues, assets and liabilities must be on a clear, rational and easily understandable basis.

10.2.2 The methods of allocation and determination should be consistent over time. If changes in allocation are necessary (for example, as a result of technology change, such as the current moves to Next Generation Networks), these should be submitted to the Commission for approval. Additionally, costs and assets should be accumulated into groups or pools for allocation.

10.2.3 To the extent possible, allocations should be made to the service generating the cost or generating the revenue. The Commission deems it appropriate where possible for the allocations to be based on resource usage, which drives costs and revenues. Allocations may be justified by supporting studies, cost information/data, or other methods. These data, if supporting the allocation, may include non-financial information that should separately be disclosed to the Commission.

11. ATTRIBUTION AND ALLOCATION OF REVENUES, COSTS AND CAPITAL EMPLOYED

11.1 ALLOCATION OF REVENUES: Allocation of revenues shall follow a relatively simple process, since the revenues are directly identifiable with the

products/services which generate them, as per the accounting records or the billing system of the licensee. The products/services shall be defined as shown in **Appendix 1**. The revenues of various products/services would be summed together as per **Appendix 1** to arrive at the service-wise revenue.

11.2 There may be situations where products/services are bundled together. Allocations in such a case should be done on a rational and equitable basis. Scenarios may also exist when direct allocation of revenue items may not be possible. in such cases the revenue should be allocated on the basis of the causation principle.

11.3 ALLOCATION OF COSTS

11.3.1 Licensees' cost allocation process should start with allocating costs to various cost pools which are:

a) **Products/services costs:** Costs in this pool are the ones that can be directly identified with a particular product/service where the product/service refers to both retail and wholesale products (**Refer to Appendix 1**).

b) **Network Elements costs:** This pool contains the costs directly generated by various network components that are utilized to rendering a service. The components related to a particular service have been identified in **Appendix 2**. These components cannot be attributed directly to a particular product/service but have to be apportioned to various products/services based on suitable cost drivers.

c) **Support Function costs**

i. **Related Functions:** This pool contains common costs which are the costs of the functions necessary for the provision of services such as billing, maintenance, and customer support services. There may not be a direct relation to any particular service or

product but can be apportioned using a non-arbitrary and verifiable cause and effect relationship. For example, Billing Expenses can be apportioned by the number of bills raised by each product and Office Rent can be apportioned on the basis of the number of employees in each department or space occupied by that department**. (Refer to [Appendix 3](#) for list).**

ii. **Other Functions:** This pool contains the costs of functions that are not related to the provision of particular services but are an important part of the operations of the company. These costs cannot be attributed to a particular service or product using a non-arbitrary and verifiable cause and effect relationship. Examples of such costs include Corporate Expenses and Legal Charges. (Refer Appendix 3 for list). An indicative list of support functions has been provided in **[Appendix 4](#)**

11.4 STEPS IN ALLOCATION PROCESS

11.4.1 Cost allocation is a tiered attribution process where direct costs are identified and then indirect costs are progressively allocated on the basis of cost drivers. This involves two broad steps:

a) Step 1: Allocation of the Support Functions costs to Products/Services and Network Elements.

b) Step 2: Allocation of Network Components costs to Product/Services based on the causation principle. For example: The cost of an international gateway would be allocated directly to international calls and similarly, the cost of a Short Message Service (SMS) server is directly allocable to SMS charges. However, there might be cases where elements may be used for more than one product/service. In such cases, the basis of allocation should be an appropriate cost driver, which would primarily be usage-based such as number of subscribers, minutes of usage and/or bandwidth.

11.5 ALLOCATION / ATTRIBUTION OF CAPITAL EMPLOYED

11.5.1 The capital employed is required to be attributed to each product/service for preparation of working out Return On Capital (ROC) employed. The statement of capital employed should include fixed assets, capital work-in-progress, current assets and current liabilities.

11.5.2 The capital employed in the statement would be the closing value at the accounting year end. However, for the purpose of calculation of ROC employed, average of opening and closing capital employed should be taken.

11.5.3 The attribution of capital employed would involve preparing a consolidated product/service-wise statement followed by product/service-wise attribution.

Basis of apportionment for allocating revenue, cost and capital employed can be found in **Appendix 3**, which exhibits justification for allocating revenue, cost and capital employed.

12. ACCOUNTING SEPARATION ALLOCATION PHASES

12.1 In line with the Accounting Separation System, revenues and costs must be allocated to services through a three (3)-phased (Phase A to C) approach, starting from Phase A:

a) **Phase A** - where the revenues and costs are extracted from the licensees' Annual Financial Statements and are organized and grouped according to their nature.

b) **Phase B** - where costs are distributed to activities and network elements according to their level of utilization, for which the definition of allocation rules will be necessary.

Revenues are not allocated in this phase, as they are not used in the Phase C of the Accounting Separation System.

c) **Phase C** - where both revenues and costs are allocated to retail and wholesale services and transfer charges are applied.

In line with the principle of "Transparency", it must be possible to trace costs and revenues associated with each account at each allocation phase. In particular, all costs must be allocated from one level to the following one, so that a clear direct link (reconciliation) is present between the overall costs (and revenues) included in each level. Appendix 6 includes a set of guidelines for the allocation of revenue and cost accounts across the above-mentioned allocation phases.

13. ADMINISTRATIVE REQUIREMENTS

13.1 Implementation, Monitoring and Supervision

a) After the publication of the Regulatory Framework on Accounting Separation, licensee shall prepare its Accounting Separation Documents which shall include the Annual Financial Statements with a section detailing Accounts Separation for their vertically integrated operations and an Accounts Separation Manual, in accordance with provisions of these Guidelines. The monitoring and supervision process shall follow and comprise three (3) phases, as explained in detail in the following sub-sections:

    i. Submission

    ii. Review

    iii. Decision

13.1.1 **Submission**

a) The licensees shall prepare and submit to the Commission the following Accounting Separation documents:

I. **Annual Financial Statements:** the consolidated Financial Report shall contain a section showing disaggregated accounts for both wholesale and retail operations.

II. **Accounting Separation Manual:** The manual shall explain all assumptions, methods and any other information used in preparing disaggregated accounts for both wholesale and retail operations.

b) The above Accounting Separation Documents shall be reviewed and approved by Management of the licensee. To this end, the "Management Responsibility Statement" included in Appendix_7 shall be signed by the licensees' Authorized Signatory and provided to the Commission along with the Annual Financial Statements.

c) The Annual Financial Statements alongside the Accounting Separation Manual and Management Responsibility Statement shall be submitted to the Commission through the e-mail address "info@esccom.org.sz", as follows:

i. One (1) electronic copy of the Accounting Separation Documents in MS Word/MS Excel format (not protected), depending on the nature of the document.

ii. One (1) electronic copy of the Management Responsibility Statement in PDF format.

iii. One (1) electronic copy of the Annual Financial Statements.

d) The following sub-sections provide details on the specific information to be submitted by the licensees.

I. Accounting Separation Manual

For transparency and ease of implementing Accounting Separation, it is required that every licensee prepare an Accounting Separation Manual containing policies, principles, methodologies and procedures for accounting and cost allocation. Licensees should ensure that the Manual is detailed and transparent for the Commission or an Independent Auditor to understand the specific policies and methodologies used in preparing the Accounting Separation Documents.

The Accounting Separation Manual must be self-explanatory, well-structured, provide a complete overview to a third party and be in full compliance with the provisions of the Regulatory Framework and the Guidelines.

More specifically, the Accounting Separation Manual must include, at a minimum, the following elements:

a) **Group Structure** – list of entities covered by the Annual Financial Statements and the relationships between the entities, where the information relates to more than one entity.

b) **Organizational Overview** – Background information on the structure of the licensees' organization, business activities, broad lines of business and network architecture.

c) **Accounting and Operational Systems** – Details of the financial, accounting and operational systems used by the reporting organization (licensees) for the capture and

generation of the Accounting Separation Documents (overview of functionality).

d) Accounting Principles and Practices

    i. International Financial Reporting Standards (IFRS) – Accounting Principles details the accounting policies used by the licensees in preparing the Accounting Separation Documents. For property, plant and equipment, the policies provide procedures outlining preparation of information on asset lifespan, labour costs, overheads, interest, capitalization and depreciation methods.

    ii. Deviation from International Financial Reporting Standards (IFRS) - If the accounting policies and bases used in the preparation of the Accounting Separation Documents differ from IFRS, full disclosure of the policies and bases adopted should be prominently disclosed. Licensees should also document the reason for adopting accounting policies or bases that differ from IFRS.

e) Related Party Transaction Disclosures: The manual should disclose the part with whom the transaction occurs, description of the related party transactions, allocation of shared services and jointly used assets, the bases of recording the transactions in the accounting books and the bases of revaluing transactions.

f) Accounting Separation principles

i. Products/Services Definition: Definition of various products, services and network elements which shall be treated as separate segments for preparing Accounting Separation Statements.

ii. Accounting Separation Systems – Overview of accounting separation systems used, including inputs, outputs and functionality system.

iii. Allocation Overview – An overview of the revenue, cost, asset and liability allocations adopted by the licensee.

iv. Detailed Allocation Principles and Guidelines - Policies for allocation of revenue, cost, assets and liabilities. Accounting systems followed for recording and generation of Accounting Separation Statements. The detailed allocations adopted by the licensees and a mapping of the Annual Financial Statements and Management Accounts to the initial cost pools. Description of studies, surveys and models, including, sample size, frequency of sampling and sampling methods employed in the cost allocation process. The Accounting Separation Manual should provide clear examples of all of the allocation methods.

g) Administrative Framework

i. Accounting Separation Manual (ASM) Maintenance procedures – details of the procedures for maintaining and updating of the ASM and associated internal controls.

ii.   Glossary – Definition of terms used in the ASM.

II.   Accounting Separation Results

The licensees shall present the Accounting Separation Results in a format consistent with IFRS.

13.1.2 **Review**

13.1.2.1 The Commission, shall review the Accounting Separation documents submitted by the Licensees. The main objectives of the review are to:

a) Strengthen confidence in the Accounting Separation results, particularly in the first years of implementation. Suggest changes to the systems, reports and documentation to ensure compliance with the applicable Regulatory Framework and the Accounting Separation Guidelines.

b) Ensure compliance with the Accounting Separation principles, criteria and conditions defined in the applicable Regulatory Framework and the Accounting Separation Guidelines.

c) To determine the adequacy of the Accounting Separation Documents.

13.1.2.2 Should need arise, the Commission may require the licensee to provide full support and grant access to its:

a) Premises

b) Accounting and database systems

c) Experts and personnel

d) Comprehensive information and support required in the fulfilment of its tasks.

13.1.2.3 The Licensees shall prepare their systems, personnel and resources to support the Commission's tasks. In particular, the Licensees shall respond, within a maximum of five (5) days, to any question or request posed by the Commission in written or oral form.

13.1.2.4 The Commission shall prepare a Review Report, which will include a decision on either approval or conditional approval.

13.1.3 Decision

13.1.3.1 The Commission shall notify the Licensee its decision on the adequacy of the Accounting Separation Documents. This decision may consist of an approval or conditional approval/resubmission. In the case the Commission deems the documents adequate, the Commission shall grant an approval.

13.1.3.2 Furthermore, the Commission shall grant the Licensee a conditional approval/resubmission in the event the required information is insufficient or requirement have been partially met. The Commission shall advise on outstanding documents, amendments and/or modifications required.

13.1.3.3 The Licensee shall implement the modifications and amendments required by the Commission and resubmit the AS documents for approval. Subsequently, the Commission shall notify the Licensee on the decision.

13.2 Timeframe for Submission, Review and Approval of Accounting Separation Documents

13.2.1 The Licensee shall submit to the Commission its proposed Accounting Separation Documents (Annual Financial Statements and Manual) within four (4) months after the end of its Financial Year.

13.2.2 The Commission shall notify the Licensee of its decision on the adequacy of the Accounting Separation Documents which can be:

a) **Approval** - if the Licensee fully complies with the requirements of the Accounting Separation Guidelines.

b) **Conditional Approval/Resubmission -** if the Licensee only partially complies with the requirements of the Accounting Separation Guidelines.

   i.   In the event of conditional approval, the Licensee shall implement the modifications and amendments required by the Commission in the adequacy notification. The Licensee shall submit a revised Accounting Separation Documents.

   ii. The Commission shall then notify the Licensee on its final decision after the resubmission.

14.   REGULATORY ACTIONS

14.1   In the event the Licensee fails to comply with the requirements of these Guidelines, the Commission may exercise any of the powers conferred upon it under Section 42 of the Act for ensuring compliance with these Guidelines.

14.2   In the exercise of its powers and functions under these Guidelines, the Commission may act of its own accord or upon a complaint from an aggrieved person(s).

15.   REVIEW CYCLE

15.1 As the Electronic Communications sector grows and develops into more efficient and competitive markets with new and innovative telecommunications technology and services, the need will arise for the Commission to revise and update these Guidelines for accounting separation.

15.2 These Guidelines shall be reviewed after every 3-year interval.

15.3 As such, the accounting separation requirements for the sector may be modified in consultation with licensees, stakeholders, interested parties and the public, as the Commission deems appropriate.

16.   APPENDICES

APPENDIX 1: LIST OF PRODUCTS AND SERVICES

Product/Service	Activities/Elements

1. Collocation & infrastructure sharing	1. Infrastructure Sharing
	
	1.1. Rights of way
	
	1.2. Masts
	
	1.3. Poles, Antenna mast and tower structures
	
	    1.3.1. Ground Base Tower
	
	    1.3.2. Ground Based Monopole
	
	    1.3.3. Roof Top Tower
	
	1.4. Roof Top Pole
	
	1.5. Cell on Wheels
	
	1.6. Other Products/Services (please specify)
	
	1.7. Ducts, Trenches
	
	1.8. Space in buildings
	
	1.9. Electric power
	
	1.10. Mobile Switching centre
	
	    1.10.1. Antenna
	
	    1.10.2. Backhaul connectivity
	
	    1.10.3. Radio Access nodes
	
	    1.10.4. Transmission Systems
	
	    1.10.5. Fibre
	
	    1.10.6. Other Products/Services (please specify)
	
	1.11. Collocation Services:

Product/Service	Activities/Elements
	1.12. Physical collocation 1.13. Virtual collocation 1.14. Remote collocation 1.15. Other Products/Services (please specify)
2. Interconnect exchange	1. Interconnect Exchange Switching 2. Interconnect exchange switches 3. Points of presence 4. Private network/VPN 5. Point to point links 6. Lease transmission capacity

3. International
 	
4. Cable Infrastructure
	a) Point to point International Communication
	
	    a. Voice Services
	
	    b. Data Services
	
	    c. Video Services
	
	b) Point to multipoint International Communication
	
	    a. Voice Services
	
	    b. Data Services
	
	    c. Video Services

5. International Data Access	1. One-way a) Voice

Product/Service	Activities/Elements
	b) Data
	c) Messaging
	2. Two-way
	a) Voice
	b) Data
	c) Messaging
	3. Point-to-point
	a) Voice
	b) Data
	c) Messaging
	4. Point-to-multipoint
	a) Voice
	b) Data
	c) Messaging
6. International Gateway	1. International access and gateway services
	a) International gateway
	b) Cross-border data transmission
	c) Terrestrial cable station
	d) VSAT devices

Product/Service	Activities/Elements

Product/Service	Activities/Elements
	e) Other products (please specify) 2. Point-to-point or point-to-multipoint communication a) Voice b) Data. c) Video
7. Internet Services	1. Internet Services a) Internet – Broadband b) Internet – Narrowband c) IPTV d) PSTN/PLMN e) Unified messaging Services f) IP Telephony g) Content Services h) Other Products (please specify)
8. Municipal fibre Cable Network	1. Fibre Services 2. Voice Services 3. Data Services 4. Leased Line Services 5. Access tandems/Fibre optic

Product/Service	Activities/Elements
	6. Microwave/satellite
	7. Inter-city traffic transmission
	8. Interconnect private networks with access providers

9. National Carrier	1. Retail / Enterprise Fixed Voice
	
	  a) Local Voice Calls – On Net
	
	  b) Local Voice Calls – Off Net
	
	  c) International Voice Calls
	
	2. Retail / Enterprise Fixed Internet
	
	  a) Fixed Internet – Broadband
	
	  b) Fixed Internet – Narrowband
	
	  c) Other 'Retail / Enterprise Fixed Internet' Products (please specify)
	
	3. Retail / Enterprise Other Products
	
	  a) Enterprise Data Services
	
	  b) Value Added Services
	
	  c) Other Retail / Enterprise Products (please specify)
	
	  d) Public Payphone
	
	4. Wholesale

Product/Service	Activities/Elements
	a) Interconnection – Termination Voice Calls b) Interconnection – Termination SMS / MMS c) Carriage Charges – Voice d) Carriage Charges – Data e) Other Wholesale Products (please specify) f) Dark Fibre g) Calling Cards

10. National Long Distance	1. Transmission facilities
	
	  a) Voice Services
	
	  b) Data Services
	
	  c) Long distance traffic
	
	  d) Voice Services
	
	  e) Data Services
	
	  f) Interconnection
	
	  g) Interconnect private networks with access providers

11. PMC (Trunk Radio)	1. Fixed trunk
	
	  a) Voice Services
	
	  b) Messaging Services

Product/Service	Activities/Elements

	2. Mobile Trunk
	
	   a) Voice Services
	
	   b) Messaging Services

12. Sales & Installation	1. Cellular and other terminals 2. Sale and installation of telecom equipment

13. Value added Service.
 	
13.1. Special Number Service (SNS)
	1. Special Numbering Services
	
	   a) Toll-free
	
	   b) Short code service
	
	   c) Conference call bridge
	
	   d) Integrated voice messaging
	
	   e) Voice activated dialling
	
	   f) Unified messaging
	
	   g) Automated call distribution

APPENDIX 2: LIST OF NETWORK COMPONENTS

No.	Name of Service	Network Elements
I.	1.1. Access Service – Wireless	**(a)** CORE NETWORK: 1.2. Mobile Services Switching Centre (MSC)/ Gateway Mobile Services Switching Centre (GMSC), MSC Server/ Virtual MSC, Media Gateway (MGW)/ Gateway Media Gateway (GMGW), Visitor location register (VLR), Serving GPRS Support Node (SGSN), Gateway GPRS Support Node (GGSN), EIR (Equipment Identity Register), HLR (Home Location Register), AUC (Authentication Centre), Transponder, Signalling gateway, Others **(b)** RADIO ACCESS NETWORK: 1.3. Node B (RAN-Radio Access Network), BTS (Base Transceiver Station), RNC (Radio Network Controller), BSC (Base Station Controller), Others **(c)** TRANSMISSION MEDIA / EQUIPMENTS: 1.4. Transmission Media Between the Network Element i.e. OFC/Cable/Microwave, Transmission equipment's, Others

No.	Name of Service	Network Elements
		(d) OTHER NETWORK ELEMENTS: 1.5. SMSC (Short Message Service Centre), MMSC
II.	1.6. Access Service - Wireline	(a) Equipment at Subscriber's end – POTS, ISDN, PABX, VPT Equipment etc. (b) Access Media between Local Switches & 1.7. Subscriber's end – Copper loop/ Optical Fibre (c) Local Switches – Local switch (including NGN and IP), Remote Switching Unit, Remote Logical Unit etc. (d) Tandem/TAX switches (e) Media Gateway (MGW) (f) Transmission Media / Equipment (g) Other (please specify)
III.	1.8. Internet Service	(a) Customer Premises Equipment (CPE)

No.	Name of Service	Network Elements
		(b) Access Media (Copper Loop/Optical/Fibre, Cables/Wireless network etc.) (c) DSLAM (d) Router (EDGE/ PE/ CORE) (e) Mux / Switches (f) Transmission media/systems between networking elements (g) Dedicated Servers (h) Fibre (i) Other (please specify)
IV.	1.9. National Long-Distance Service	a) Switches (including NGN and IP) b) Media Gateway (MGW) c) Transmission Media and Equipment d) Fibre e) Other (please specify)
V.	1.10. International Long-Distance Service	(a) Switches (including NGN and IP) (b) Media Gateway (MGW)

No.	Name of Service	Network Elements
		(c) Transmission –Domestic (d) Transmission –International (e) Transmission line from Cable Landing Station
VI.	1.11. Mobile Number Portability Service (MNP)	(a) Server (b) Router/Switch (c) Transmission Media (d) Gateway (e) Other (please specify)
VII.	1.12. Very Small Aperture Terminal Service (VSAT)	(a) Space Segment Transponder (b) Ground Segment (c) Other (please specify)

APPENDIX 3: COST DRIVERS

a) Common/shared assets (network elements)

Operating Costs on	Basis of Apportionment
1. Telephony Switches/Mobile Switching Centre	To user services in the ratio of traffic handled
2. Leased circuit/bandwidth	To user services in the ratio of bandwidth used in kilometres
3. Router/switch	To user services in the ratio of data traffic handled
4. Copper Loops	To user services in the ratio of number of connections
5. Dark Fibre	To user services on the basis of fibre strands
6. SMS server	To user services in the ratio of outgoing SMS
7. Mobile Switch Service	To user services in the ratio of subscribers
8. IN server	To user services in the ratio of number of prepaid subscribers

9. Billing Server	To user services in the ratio of number of post- paid subscribers
10. Home Location register	To user services in the ratio of subscribers
11. SGSN/GGSN	To user services in the ratio of data traffic (in MBs) handled

b) Common shared assets (other than network elements)

Common/shared fixed assets (other than network	Basis of Apportionment
1. Buildings	To services on the basis of the space occupied
2. Computers	Number of employees of each service
3. Furniture and Fixtures	To services on the basis of the space occupied
4. Vehicles	To services on the basis average usage in last 3 years

5. Office Equipment's	To services on the basis of the space occupied
6. Debtors/Accrued Income	To services on the ratio of gross revenue generated
7. Cash and Cash Equivalents	To services in the ratio of total cost
8. Stock	To services in the ratio of total cost
9. Current Liabilities	To services in the ratio of total cost

c) Common/shared cost (Other than operating cost on asset in case of access license)

Common/Shared Costs on	Basis of Apportionment
1. Employees cost	On the basis of head counts in each service
2. Sales and Marketing Costs	On the basis of gross revenue of each service
3. Administration Costs	On the basis of head counts in each service

List of Departments	Basis of Apportionment
4. Finance and Accounts Department costs	On the basis of total direct identified costs of each service
5. IT and EDP department cost	On the basis of head counts in each service
6. Legal and Regulatory	In the ratio of directly allocated costs to each
7. Rent for Building	Attribute to services on the basis of the space occupied
8. Insurance (other than fixed assets)	On the basis of head counts in each service

d) License level apportionment of common/shared costs to products and network elements of a licensee

List of Departments	Basis of Apportionment
1. Human Resource/Personnel	In the ratio of head counts in Products and Network Elements
2. Information Technology/EDP	
3. Administration	In the ratio of directly allocated costs to Products and Network Elements
4. Repairs and	
5. Maintenance, Legal and Regulatory	

6. Finance & Accounts	
7. Corporate/Circle Office	
8. Other Departments	

APPENDIX 4: INDICATE LIST OF SUPPORT FUNCTIONS/ DEPARTMENTS

No.	Name of Department
1	Human Resource/Personnel
2	Administration
3	Repairs and Maintenance
4	Information Technology/EDP
5	Legal and Regulatory
6	Finance & Accounts
7	Corporate/Circle Office
8	Other Departments

APPENDIX 5: MINIMUM REQUIRED DISAGGREGATION OF THE ACCOUNTING

Separation Levels

This section presents the minimum disaggregation of accounts across the different levels of the Accounting Separation System. Should the Licensee propose any change (e.g. propose new accounts, eliminate certain accounts) to the accounts provided below, detailed justifications must be provided in the Accounting Separation Manual.

Level 1 – Annual Financial Statements

Where the revenues and costs are extracted from the licensees' Annual Financial Statements and are organized and grouped according to their nature.

Level 2 – Accounts by Nature: Revenues

Account	Description
Operating revenues	
1. Connection fees – fixed telephony	Non-recurring retail fees related to the activation of fixed telephony services.
2. Connection fees – fixed internet	Non-recurring retail fees related to the activation of fixed internet services.
3. Connection fees – mobile	Non-recurring retail fees related to the activation of mobile services.

4. Connection fees – IPTV	Non-recurring retail fees related to the activation of IPTV services.
5. Recurring fees – fixed access (stand-alone)	Retail recurring fees related to the fixed access provision service (standalone, i.e. not included in bundles). If this service is provided with any kind of end-user terminal or equipment (e.g. router), the revenues from such terminal or equipment must be included in this account.
6. Recurring fees – fixed telephony (stand-alone)	Retail recurring fees related to fixed telephony services (standalone, i.e. not included in bundles). If this service is provided with any kind of end-user terminal or equipment (e.g. telephone), the revenues from such terminal or equipment must be included in this account.
7. Recurring fees – fixed internet (stand-alone)	Retail recurring fees related to fixed internet services (standalone, i.e. not included in bundles). If this service is provided with any kind of end-user terminal or equipment (e.g. router), the revenues from such terminal or equipment must be included in this account.
8. Recurring fees – mobile (stand-alone)	Retail recurring fees related to mobile services (standalone, i.e. not included in bundles). If this service is provided with any kind of end-user terminal or equipment (e.g. mobile handset),

	the revenues from such terminal or equipment must be included in this account.
9. Recurring fees – IPTV (stand-alone)	Retail recurring fees related to IPTV services (standalone, i.e. not included in bundles). If this service is provided with any kind of end-user terminal or equipment (e.g. TV decoder), the revenues from such terminal or equipment must be included in this account.
10. Recurring fees – Bundle Fixed access + fixed telephony + fixed internet	Retail recurring fees related to bundles of fixed access + fixed telephony + fixed internet. If this service is provided with any kind of end-user terminal or equipment (e.g. router), the revenues from such terminal or equipment must be included in this account.
11. Recurring fees – Bundle Fixed access + fixed telephony + mobile	Retail recurring fees related to bundles of fixed access + fixed telephony + mobile. If this service is provided with any kind of end-user terminal or equipment (e.g. router, mobile handset), the revenues from such terminal or equipment must be included in this account.
12. Recurring fees – Bundle Fixed access + fixed telephony + fixed internet + mobile	Retail recurring fees related to bundles of fixed access + fixed telephony + fixed internet + mobile. If this service is provided with any kind of end-user terminal or equipment (e.g. router, mobile handset), the revenues from such

	terminal or equipment must be included in this account.
13. Recurring fees – Bundle Fixed access + fixed telephony + fixed internet + IPTV	Retail recurring fees related to bundles of fixed access + fixed telephony + fixed internet + IPTV. If this service is provided with any kind of end-user terminal or equipment (e.g. router), the revenues from such terminal or equipment must be included in this account.
14. Recurring fees – other bundles	Retail recurring fees related to other bundles not included in the previous accounts. If this service is provided with any kind of end-user terminal or equipment, the revenues from such terminal or equipment must be included in this account.
15. Traffic – fixed voice	Retail revenues related to the use of fixed voice minutes not included in the fixed telephony recurring fees.
16. Traffic – mobile voice	Retail revenues related to the use of mobile voice minutes not included in the mobile recurring fees.
17. Traffic – mobile data	Retail revenues related to the use of mobile data not included in the mobile recurring fees.

18. Traffic – messaging	Retail revenues related to the use of text messages not included in the mobile recurring fees.
19. Data connectivity	Retail revenues related to national and international connectivity services, including point-to-point or point-to-multipoint, using physical or virtual capacity.
20. Sales of terminals and equipment	Retail revenues related to the sale of terminals (e.g. mobile devices) and equipment (e.g. routers) to end-users that are sold on a stand-alone basis (i.e. without any associated bundles)
21. Wholesale broadband access	Wholesale revenues related to wholesale broadband access services, including bitstream (and ancillary services), line sharing, virtual unbundling (VULA) and broadband resale.
22. Wholesale physical local fixed access	Wholesale revenues related to wholesale physical local fixed access services, including local loop access services and access to passive infrastructure.
23. Wholesale fixed interconnection	Wholesale revenues related to wholesale fixed interconnection services, including call origination, call termination and transit.

24. Wholesale leased-line services and managed network transmission services	Wholesale revenues related to the provision of wholesale access segment or trunk segment of leased-line services and managed network transmission services.
25. Wholesale termination	Wholesale revenues related to termination services.
26. Wholesale MVNO	Wholesale revenues related to MVNO services.
27. Wholesale National Roaming	Wholesale revenues related to National Roaming services.
28. Other retail revenues	Retail revenues received related to the provision of other retail services to end-users (e.g. content, value-added services, amongst others).
29. Other wholesale revenues	Wholesale revenues related to the provision of other wholesale services to other service providers.
Non-operating revenues	
1. Financial revenues	Revenues related to financial operations.

Account	Description
2. Asset disposal revenues	Revenues related to the disposal of assets.
3. Revenues not relevant for Accounting Separation	Revenues that are not relevant for Accounting Separation.

Level 2 – Accounts by Nature: Costs

Account	Description
Operational costs	
1. Access to international internet	Costs related to access to international internet.
2. Termination to national destinations (fixed)	Costs related to the termination of fixed voice traffic on networks of other national service providers.
3. Termination to national destinations (mobile)	Costs related to the termination of mobile traffic on networks of other national service providers.
4. Termination to international destinations (fixed)	Costs related to the termination of fixed traffic on networks of international service providers.

5. Termination to international destinations (mobile)	Costs related to the termination of mobile traffic on networks of international service providers.
6. National roaming – voice	Costs related to the use of other national service providers' networks for the provision of mobile voice services.
7. National roaming – data	Costs related to the use of other national service providers' networks for the provision of mobile data services.
8. National roaming – messaging	Costs related to the use of other national service providers' networks for the provision of mobile messaging services.
9. International roaming – voice	Costs related to the use of other international service providers' networks for the provision of mobile voice services.
10. International roaming – data	Costs related to the use of other international service providers' networks for the provision of mobile data services.
11. International roaming – messaging	Costs related to the use of other international service providers' networks for the provision of mobile messaging services.

12. Costs of selling terminals and equipment	Costs of terminals (e.g. mobile devices) and equipment (e.g. routers) sold to end-users.
13. Personnel	Costs related to salary payments, incentives, contributions to pension plans, social security.
14. Rental and leasing	Costs related to rental and leasing of buildings, lands.
15. Maintenance	Costs related to the maintenance of network and non-network elements.
16. Energy	Costs related to the use of electricity.
17. Commissions	Costs of commissions paid to distributors associated with the subscription, retention, customer loyalty.
18. Professional services	Costs related to professional services (auditors, consultants, Legal services, among others.
19. Advertising	Costs of advertising activities, advertising campaigns, events, fairs, exhibitions.
20. Supplies	Costs of renting circuits and other supplies.

21. Inventories	Costs related to inventory.
22. Provisions	Costs related to provisions for insolvency.
23. Fees and taxes	Costs related to fees and taxes related to core business activities. Income tax must be not included.
24. Other operational costs	Other operational costs not included in the previous accounts.
Capital-related costs[1]	
Fixed access network	
1. Access copper cabling	Copper cabling in the fixed access network.
2. Access fibre cabling	Fibre cabling in the fixed access network.
3. Access ducts	Ducts containing the network cables of the fixed access network.
4. Access subducts	Subducts containing fibre cables of the fixed access network.

---

[1] These accounts must gather assets' depreciation, amortization and cost of capital.

5.	Trenches	Excavations carried out on the ground for the installation of cables of the fixed access network.
6.	Poles	Masts used for laying aerial copper and fibre optic cables of the fixed access network.
7.	**Mobile Access Network**	
8.	Mobile access sites	Physical space used to install the base stations of the mobile access network.
9.	Towers	Structures used to support transmission antennas and mobile radio access equipment.
10.	2G access equipment	Base stations for the 2G network, as well as their corresponding antennas and transmitters.
11.	3G access equipment	Base stations for the 3G network, as well as their corresponding antennas and transmitters.
12.	4G access equipment	Base stations for the 4G network, as well as their corresponding antennas and transmitters.
13.	Single RAN elements	Access equipment that allows the simultaneous provision of mobile services under 2G, 3G and 4G technologies.

Fixed Switching Network	
1. Main Distribution Frame (MDF)	Frame located in a telephone exchange for the distribution of signals to connect network and telecommunications equipment of the copper network to the cables and equipment of the service provider.
2. Optical Distribution Frame (ODF)	Frame used to interconnect the telephone network with multiple intermediate distribution points of the fibre access network.
3. DSLAM/MSAN	Multiplexers located in the telephone exchange that provide access to telephony and internet services.
4. Remote exchanges	Elements that allow the switching of telephony lines that enable the voice call service.
5. Local exchanges	Elements that allow the aggregation of traffic generated by different remote exchanges, being responsible for their switching.
6. Tandem exchanges	Elements that allow circuit traffic switching of the Time Division Multiple Access (TDM) network.

7.	International exchanges	Elements that allow traffic switching of international circuits.
8.	Edge routers	Elements that allow the traffic management generated in the access network of next generation networks (NGN).
9.	Distribution routers	Elements that allow the traffic management traffic generated in the distribution network of next generation networks (NGN).
Transmission Network		
1.	Fixed-only transmission – Below local exchanges	Transmission links that are exclusive to fixed communications, connecting points below the local exchanges (e.g. local-local, remote-local).
2.	Fixed-only transmission – Above local exchanges	Transmission links that are exclusive to fixed communications, connecting points above the local exchanges (e.g. local-tandem, tandem-core).
3.	Mobile-only transmission	Transmission links that are exclusive to mobile communications.
4.	Fixed and mobile transmission	Transmission links that are used for both mobile and fixed communications.

Core Network	
1. Call Session Control Function (CSCF)	Elements responsible for the management and control of call sessions, including the three components S-CSCF (Serving CSCF), I-CSCF (Interrogating CSCF) and P-CSCF (Proxy CSCF).
2. Home Subscriber Server (HSS)	Element responsible for the storage of subscriber information, including authentication credentials, details of subscribed services and identification of the attributed S-CSCF.
3. Interconnect Border Controller Function (IBCF)	Element responsible for session control in points of interconnection with other NGN networks.
4. Breakout Gateway Control Function (BGCF)	Element responsible for routing calls to destinations outside the service provider's network.
5. Media Gateway Controller Function (MGCF)	Element responsible for the control of the Media Gateways (MGWs) used to interconnect NGN networks with PSTN networks.

6. Access Gateway Control Function (AGCF)	Element that controls Access Gateways (AGWs) and supports SIP signalling for NGN networks. The AGCF has a role similar to the P-CSCF in TDM networks.
7. Media Gateway (MGW)	Element that is responsible for managing the circuit traffic calls between core locations.
8. Access Gateway (AGW)	Element that allows receiving data from TDM access networks.
9. Session Border Controller (SBC)	Element responsible for managing signalling, VoIP calls set-up and other multimedia connections based on IP.
10. Voicemail System (VMS)	System that allows users and subscribers to exchange personal voice messages and manage subscribers' voicemail.
11. Application Server (AS)	Element that enables voice and multimedia services on established sessions.
12. Policy and Charging Rules Function (PCRF)	Element responsible for managing network and billing policies.

13. Billing platform	Systems and functionalities involved in managing all the billing process in the network.
14. DNS Server	Database that contains the information needed to translate internet domain names to their IP addresses.
15. International traffic switching equipment	Equipment responsible for traffic switching with other international networks.
16. Broadband Remote Access Server (BRAS)	Element responsible for the traffic routing of broadband remote access equipment, such as DSLAMs.
17. IPTV platforms	Platforms used to provide IPTV services.
18. 2G controllers	BSC equipment responsible for the control of 2G access equipment.
19. 3G controllers	RNC equipment responsible for the control of 3G access equipment.
20. Mobile Switching Centre Server (MSCS)	Element responsible for the management of voice and video calls in the mobile network.

21. Short Message Service Centre (SMSC)	Element responsible for the management, delivery and storage of short text messages in the mobile network.
22. Multimedia Messaging Service Centre (MMSC)	Element responsible for the management, delivery and storage of multimedia messages in the mobile network.
23. Gateway GPRS Support Node (GGSN)	Element responsible for the provision of data interconnection between the packet core and external packet networks like the Internet.
24. Serving GPRS Support Node (SGSN)	Element responsible for establishing packet data connections with end-users and delivering data packets between them and the GGSN in both directions
25. Home Location Register (HLR)	Central database that contains the details of all the subscribers of the network, including data of the SIM cards and MSISDN numbers associated with each of them.
26. Mobile Management Entity (MME)	Main control point of subscribers and calls on NGN networks.
27. Serving Gateway (SGW)	Element responsible for the routing and delivery of packages.

28. Packet Data Network Gateway (PGW)	Element that connects the Designated Service Provider's network with other external networks.
Other Elements	
1. Industrial property	Trademarks and brand.
2. Software applications	Software of network equipment and the corporate computer systems.
3. Electrical network and air conditioning	Auxiliary elements needed for operations associated with energy and cooling, including electrical sub-station, backup power sources (emergency plant), air conditioning.
4. Land and buildings	Costs related to real estate capital (land and buildings).
5. Accessory elements	Support elements for operations such as furniture, transportation, among others.
6. Other elements	Other elements not included in the previous accounts.
Working Capital[2]	

---

[2] These accounts must represent the working capital associated with current assets and liabilities.

1.	Cash and cash equivalents	Working capital related to the assets that provide immediate liquidity to carry out its daily operations.
2.	Accounts receivable	Working capital related to the balance of money due for goods or services delivered or used but not yet paid for by customers.
3.	Inventories	Working capital related to the goods that are ready for sale.
4.	Other current assets	Working capital related to other current assets associated with core business activities.
5.	Short term debt to suppliers	Working capital related to short-term debt (less than one year) to suppliers, as well as the portion of long-term debt to suppliers that must be paid during this period.
6.	Deferred revenue	Working capital related to the liabilities associated with revenues that have already been received from customers, but the services for these revenues have not been provided.
7.	Other current liabilities	Working capital related to other current liabilities associated with core business activities.

Costs not relevant for Accounting Separation	
1. Financial costs	Costs, interests and other charges involved in the borrowing of money to build or purchase assets.
2. Depreciation adjustments	Adjustments of the amortization and depreciation costs after the CCA revaluation of assets. These adjustments correspond to the difference between the original costs in the financial statements and the costs under CCA.
3. Other cost items	Other costs not related to the provision of telecommunications services.

Level 3 – Activities and Network Elements

Account	Description
Network components	
Fixed access network	
1. In-building copper cabling	Copper cabling from the Final Drop Point (FDP) to the Network Termination Point (NTP) located inside of the end-user's premises.

2.	In-building fibre cabling	Fibre cabling from the Final Drop Point (FDP) to the Network Termination Point (NTP) located inside of the end-user's premises.
3.	Primary network – copper	Copper cabling between the main distribution frame and the distribution point of the access network.
4.	Secondary network – copper	Copper cabling between the distribution point and the FDP.
5.	Primary network – fibre	Fibre cabling between the optical distribution frame and the distribution point of the access network.
6.	Secondary network – fibre	Fibre cabling between the distribution point and the FDP.
7.	Primary network – ducts	Ducts containing the primary network cables.
8.	Secondary network – ducts	Ducts containing the secondary network cables.
9.	Subducts	Subducts containing fibre cables.

10. Trenches	Excavations carried out on the ground for the installation of cables.
11. Poles	Masts used for laying aerial copper and fibre optic cables.
12. Other elements of the fixed access network	Other elements of the fixed access network not included in the previous accounts.
Mobile Access Network	
1. Mobile access sites	Physical space used to install the base stations of the mobile access network.
2. Towers	Structures used to support transmission antennas and mobile radio access equipment.
3. 2G access equipment	Base stations for the 2G network, as well as their corresponding antennas and transmitters.
4. 3G access equipment	Base stations for the 3G network, as well as their corresponding antennas and transmitters.
5. 4G access equipment	Base stations for the 4G network, as well as their corresponding antennas and transmitters.

6. Single RAN elements	Access equipment that allows the simultaneous provision of mobile services under 2G, 3G and 4G technologies.
7. Mobile access sites	Physical space used to install the base stations of the mobile access network.
8. Other elements of the mobile access network	Other elements of the mobile access network not included in the previous accounts.
Fixed Switching Network	
1. Main Distribution Frame (MDF)	Frame located in a telephone exchange for the distribution of signals to connect network and telecommunications equipment of the copper network to the cables and equipment of the service provider.
2. Optical Distribution Frame (ODF)	Frame used to interconnect the telephone network with multiple intermediate distribution points of the fibre access network.
3. DSLAM/MSAN	Multiplexers located in the telephone exchange that provide access to telephony and internet services.

4. Remote exchanges	Elements that allow the switching of telephony lines that enable the voice call service.
5. Local exchanges	Elements that allow the aggregation of traffic generated by different remote exchanges, being responsible for their switching.
6. Tandem exchanges	Elements that allow circuit traffic switching of the Time Division Multiple Access (TDM) network.
7. International exchanges	Elements that allow traffic switching of international circuits.
8. Edge routers	Elements that allow the traffic management generated in the access network of next generation networks (NGN).
9. Distribution routers	Elements that allow the traffic management traffic generated in the distribution network of next generation networks (NGN).
10. Other switching equipment	Other elements of the switching network not included in the previous categories.
Transmission Network	

1. Fixed-only transmission – Below local exchanges	Transmission links that are exclusive to fixed communications, connecting points below the local exchanges (e.g. local-local, remote-local).
2. Fixed-only transmission – Above local exchanges	Transmission links that are exclusive to fixed communications, connecting points above the local exchanges (e.g. local-tandem, tandem-core).
3. Mobile-only transmission	Transmission links that are exclusive to mobile communications.
4. Fixed and mobile transmission	Transmission links that are used for both mobile and fixed communications.
Core Network	
1. Call Session Control Function (CSCF)	Elements responsible for the management and control of call sessions, including the three components S-CSCF (Serving CSCF), I-CSCF (Interrogating CSCF) and P-CSCF (Proxy CSCF).
2. Home Subscriber Server (HSS)	Element responsible for the storage of subscriber information, including authentication credentials, detail of subscribed services and identification of the attributed S-CSCF.

3.	Interconnect Border Controller Function (IBCF)	Element responsible for session control in points of interconnection with other NGN networks.
4.	Breakout Gateway Control Function (BGCF)	Element responsible for routing calls to destinations outside the service provider's network.
5.	Media Gateway Controller Function (MGCF)	Element responsible for the control of the MGWs used to interconnect NGN networks with PSTN networks.
6.	Access Gateway Control Function (AGCF)	Element that controls AGWs and supports SIP signalling for NGN networks. The AGCF has a role similar to the P-CSCF in TDM networks.
7.	Media Gateway (MGW)	Element that is responsible for managing the circuit traffic calls between core locations.
8.	Access Gateway (AGW)	Element that allows receiving data from TDM access networks.
9.	Session Border Controller (SBC)	Element responsible for managing signalling, VoIP calls set-up and other multimedia connections based on IP.

10. Voicemail System (VMS)	System that allows users and subscribers to exchange personal voice messages and manage subscribers' voicemail.
Application Server (AS)	Element that enables voice and multimedia services on established sessions.
Policy and Charging Rules Function (PCRF)	Element responsible for managing network and billing policies.
Billing platform	Systems and functionalities involved in managing all the billing process in the network.
DNS Server	Database that contains the information needed to translate internet domain names to their IP addresses.
International traffic switching equipment	Equipment responsible for traffic switching with other international networks.
Broadband Remote Access Server (BRAS)	Element responsible for the traffic routing of broadband remote access equipment, such as DSLAMs.
IPTV platforms	Platforms used to provide IPTV services.

2G controllers	BSC equipment responsible for the control of 2G access equipment.
3G controllers	RNC equipment responsible for the control of 3G access equipment.
Core sites (buildings)	Physical space (buildings) used to accommodate elements of the core network.
Mobile Switching Centre Server (MSCS)	Element responsible for the management of voice and video calls in the mobile network.
Short Message Service Centre (SMSC)	Element responsible for the management, delivery and storage of short text messages in the mobile network.
Multimedia Messaging Service Centre (MMSC)	Element responsible for the management, delivery and storage of multimedia messages in the mobile network.
Gateway GPRS Support Node (GGSN)	Element responsible for the provision of data interconnection between the packet core and external packet networks like the Internet.
Serving GPRS Support Node (SGSN)	Element responsible for establishing packet data connections with end users and delivering data packets between them and the GGSN in both directions
Home Location Register (HLR)	Central database that contains the details of all the subscribers of the network, including data of the SIM

	cards and MSISDN numbers associated with each of them.
Mobile Management Entity (MME)	Main control point of subscribers and calls on NGN networks.
Serving Gateway (SGW)	Element responsible for the routing and delivery of packages.
Packet Data Network Gateway (PGW)	Element that connects the licensee's network with other external networks.
Other elements of the core network	Other elements of the core network not included in the previous categories.
Other Network Elements	
Electrical network and air conditioning	Auxiliary elements needed for operations associated with energy and cooling, including electrical sub-station, backup power sources (emergency plant), air conditioning.
Non-Network Elements	
Commercial	Commercial functions such as gain and retention of customers, advertising, brand, product development.
Billing	Control and management of billing to retail end-users.
Charging	Control and management of billing to other service providers.
Collection	Control and management of the payment collection from end-users.
Fees and taxes	Costs related to fees and taxes related to core business activities. Income tax must be not included.

Loyalty programs	Customer loyalty management.
Direct Costs of Sales	
Access to international internet	Costs related to access to international internet.
Termination to national destinations (fixed)	Costs related to the termination of fixed voice traffic on networks of other national service providers.
Termination to national destinations (mobile)	Costs related to the termination of mobile traffic on networks of other national service providers.
Termination to international destinations (fixed)	Costs related to the termination of fixed traffic on networks of international service providers.
Termination to international destinations (mobile)	Costs related to the termination of mobile traffic on networks of international service providers.
National roaming – voice	Costs related to the use of other national service providers' networks for the provision of mobile voice services.
National roaming – data	Costs related to the use of other national service providers' networks for the provision of mobile data services.
National roaming – messaging	Costs related to the use of other national service providers' networks for the provision of mobile messaging services.
International roaming – voice	Costs related to the use of other international service providers' networks for the provision of mobile voice services.

International roaming – data	Costs related to the use of other international service providers' networks for the provision of mobile data services.
International roaming – messaging	Costs related to the use of other international service providers' networks for the provision of mobile messaging services.
Costs of selling terminals and equipment	Costs of terminals (e.g. mobile devices) and equipment (e.g. routers) sold to end-users.
Provisions	Costs related to provisions for insolvency.
Common Costs	
General and Administrative Costs – retail	General and administrative expenses related to the provision of retail services.
General and Administrative Costs – network	General and administrative expenses related to the planning, management, monitoring, etc. of the network.
General and Administrative Costs– business	General and administrative expenses related to the general functioning of the business.
Costs Not Relevant for Accounting Separation	
Costs not relevant for Accounting Separation	Costs not relevant for Accounting Separation

Level 4 – Services

Account	Description
Retail services	
Activation services	
1. Mobile activation	Service related to the activation of mobile telephony services to the end-user (excluding traffic consumption included in mobile services).
1. Fixed telephony activation	Service related to the activation of fixed telephony services to the end-user (excluding access line, traffic consumption).
2. Fixed internet activation	Service related to the activation of fixed internet services to the end-user (excluding access line, traffic consumption).
3. IPTV activation	Service related to the activation of IPTV services to the end-user (excluding access line, traffic consumption).

4.	Other activation services	Provision of alternative activation services not included in the previous accounts.

Mobile Retail Services		
1.	Mobile data – National	Provision of mobile data traffic for end-users located in the country.
2.	Mobile data – Roaming Out	Provision of mobile data traffic for end-users located outside the country.
3.	Mobile voice on-net	Provision of mobile voice traffic within the Designated Licensee's network.
4.	Mobile voice off-net – National	Provision of mobile voice traffic from a mobile end-user located in the country to a different service provider in the country.
5.	Mobile voice off-net – International	Provision of mobile voice traffic from a mobile end-user located in the country to an international location.
6.	Mobile voice – Roaming Out	Provision of mobile voice traffic to end-users that are located outside the country.

7. SMS on-net	Provision of mobile SMS within the Designated Licensee's network.
8. SMS off-net – National	Provision of mobile SMS from a mobile end-user located in the country to a different service provider in the country.
9. SMS off-net – International	Provision of mobile SMS from a mobile end-user located in the country to an international location.
10. Mobile SMS – Roaming Out	Provision of mobile SMS to end-users that are located outside the country.
11. MMS on-net	Provision of mobile MMS within the Designated Licensee's network.
12. MMS off-net – National	Provision of mobile MMS from a mobile end-user located in the country to a different service provider in the country.
13. MMS off-net – International	Provision of mobile MMS from a mobile end-user located in the country to an international location.

14. MMS – Roaming Out	Provision of mobile MMS to end-users that are located outside the country.
15. Videocalls on-net	Provision of mobile videocalls within the Designated Licensee's network.
16. Videocalls off-net – National	Provision of mobile videocalls from a mobile end-user located in the country to a different service provider in the country.
17. Videocalls off-net – International	Provision of mobile videocalls from a mobile end-user located in the country to an international location.
18. Videocalls – Roaming Out	Provision of mobile videocalls to end-users that are located outside the country.
19. Other mobile retail services	Provision of other mobile services not included in the previous accounts.
20. Fixed Retail Access Services	
21. Access rental copper	Provision of a copper access line to an end-user.

22. Access rental fibre	Provision of a fibre access line to an end-user.
23. Other fixed retail access services	Provision of alternative access services not included in the previous accounts.
Fixed Retail Voice Services	
1. Fixed voice on-net – Local	Provision of fixed voice traffic from a fixed location to other fixed locations belonging to the same network in the same local area.
2. Fixed voice on-net – National	Provision of fixed voice traffic from a fixed location to other fixed locations belonging to the same network in a different local area.
3. Fixed voice off-net – National	Provision of fixed voice traffic from a fixed location to fixed locations belonging to a different network within the country.
4. Fixed voice off-net – International	Provision of fixed voice traffic from a fixed location to an international location.
5. Fixed voice – Special numbers	Provision of fixed voice traffic from a fixed location to special numbers.

6. Other fixed retail voice services	Provision of other fixed voice services not included in the previous accounts.
Fixed Retail Broadband Services	
7. Fixed retail broadband – ADSL/VDSL	Provision of fixed broadband services to an end-user through ADSL/VDSL technologies.
8. Fixed retail broadband – FTTH	Provision of fixed broadband services to an end-user through ADSL/VDSL technologies.
9. IPTV	Provision of IPTV services to an end-user.
10. Other fixed broadband services	Provision of other fixed broadband services not included in the previous accounts.
11. Retail Leased Lines	
12. Fast Ethernet – National	Provision of Fast Ethernet transmission between a given location within the country to a different location within the country.
13. Gigabit Ethernet – National	Provision of Gigabit Ethernet transmission between a given location within the country to a different location within the country.

14. 10 Giga Ethernet – National	Provision of 10 Giga Ethernet transmission between a given location within the country to a different location within the country.
15. Fast Ethernet – International	Provision of Fast Ethernet transmission between a given location within the country to a location outside of the country.
16. Gigabit Ethernet – International	Provision of Gigabit Ethernet transmission between a given location within the country to a location outside of the country.
17. 10 Giga Ethernet – International	Provision of 10 Giga Ethernet transmission between a given location within the country to a location outside of the country.
18. Other retail leased lines services	Provision of other leased lines services not included in the previous accounts.
Other Retail Services	
1. Sales of terminals and equipment	Provision of terminals (e.g. mobile devices) and equipment (e.g. routers) to end-users.

2. Other retail services	Provision of other retail services not included in the previous accounts

Wholesale Services

Mobile Interconnection Services

1. Mobile voice termination from fixed network – National	Provision of mobile voice termination services in the network originated in another Licensee's fixed network within the country.
2. Mobile voice termination from mobile network – National	Provision of mobile voice termination services in the network originated in another Licensee's mobile network within the country.
3. Mobile voice termination – International	Provision of mobile voice termination services in the network originated in another Licensee's international network.
4. Mobile SMS termination – National	Provision of mobile SMS termination services in the network originated in another Licensee's network within the country.

5. Mobile SMS termination – International	Provision of mobile SMS termination services in the network originated in another Licensee's international network.
6. Mobile MMS termination – National	Provision of mobile MMS termination services in the network originated in another Licensee's network within the country.
7. Mobile MMS termination – International	Provision of mobile MMS termination services in the network originated in another Licensee's international network.
8. Mobile videocalls termination – National	Provision of mobile videocalls termination services in the network originated in another Licensee's network within the country.
9. Mobile videocalls termination – International	Provision of mobile videocalls termination services in the network originated in another Licensee's international network.
10. Other mobile interconnection services	Provision of other mobile interconnection services not included in the previous accounts (e.g. origination, international roaming, among others)
National Roaming Services	

1. National Roaming – Data	Provision of data traffic generated by national roaming users and delivered to their Licensee's network in a core node.
2. National Roaming – Outgoing voice	Provision of mobile outgoing voice traffic originated by national roaming users and delivered to their Licensee's network in a core node.
3. National Roaming – Incoming voice	Provision of mobile incoming voice traffic to national roaming users using the Designated Licensee's network.
4. National Roaming – Outgoing SMS	Provision of mobile outgoing SMS originated by national roaming users and delivered to their Licensee's network in a core node.
5. National Roaming – Incoming SMS	Provision of mobile incoming SMS to national roaming users using the Designated Licensee's network.
6. Other national roaming services	Provision of other national roaming services not included in the previous accounts.
MVNO Services	
1. MVNO – Data	Provision of data traffic to MVNO users.

2. MVNO – Outgoing voice	Provision of mobile outgoing voice traffic to MVNO users.
3. MVNO – Incoming voice	Provision of mobile incoming voice traffic to MVNO users.
4. MVNO – Outgoing SMS	Provision of mobile outgoing SMS to MVNO users.
5. MVNO – Incoming SMS	Provision of mobile incoming SMS to MVNO users.
6. Other MVNO services	Provision of other MVNO services not included in the previous accounts.
Fixed Wholesale Access Services	
1. Wholesale Line Rental (WLR)	Provision of telephony services to other Licensee's end-users without requiring the Licensee's presence to the access node.
2. Local Loop Unbundling (LLU)	Provision of services in which an end user's local copper loop in the Designated Licensee's network is disconnected from the rest of the Designated Licensee's network and connected via a co-located Point of Access to the requesting Licensee's

		network, from which services are provided to the end-user.
3.	Local Sub Loop Unbundling (LSLU)	Provision of services in which an end user's local copper loop in the Designated Licensee's network is disconnected from the rest of the Designated Licensee's network at the Distribution Point (DP) and connected via a co-located point to the requesting Licensee's network, from which services are provided to the end user.
4.	Shared Local Loop Unbundling (SLLU)	Provision of a service similar to the LLU but, in this case, the requesting Licensee is only granted the high frequencies of the local loop, which allows it to provide only broadband services to the end user.
5.	Naked Bitstream Line	Provision of access to an end user's line which is not using Designated Licensee's voice services.
6.	Virtual Unbundling of the Local Access (VULA)	Provision of a service through which the requesting Licensee can make use of the fibre access infrastructure of the Designated Licensee to provide services to the end user.

7. Fibre Bitstream Line	Provision of fibre access line to the requesting Licensee, over which a bitstream service will be provided.
8. Copper Resale Line	Provision of copper access line to the requesting Licensee, over which a broadband resale service will be provided.
9. Fibre Resale Line	Provision of fibre access line to the requesting Licensee, over which a broadband resale service will be provided.
10. Other fixed wholesale access services	Provision of other fixed wholesale access services not included in the previous accounts.
Fixed Interconnection Services	
1. Fixed voice termination from fixed network – National	Fixed voice termination from fixed network – National
2. Fixed voice termination from mobile network – National	Fixed voice termination from mobile network – National

3.	Fixed voice termination – International	Fixed voice termination – International
4.	Fixed voice termination – directory enquiries	Through this service, a Licensee delivers a voice communication from an end user in a different network to a directory enquiry service residing in the network of the Designated Licensee.
5.	Fixed voice termination – non-geographic numbers	Through this service, a Licensee delivers a voice communication from an end user in a different network to a non-geographic number residing in the network of the Designated Licensee.
6.	Fixed voice termination – emergency services	Through this service, a service Licensee delivers a voice communication from an end user in a different network to an emergency services number residing in the network of the Designated Licensee.
7.	Fixed voice origination – CS/CPS	Provision of the service that enables end-users connected to one service provider to choose to have some of their telephone calls carried by that Licensee or by another Licensee.

8. Fixed voice origination – intelligent services	Provision of the service in which the voice call originated by an end-user calling to an intelligent network number residing in another Licensee's network.
9. Other fixed interconnection services	Provision of other fixed interconnection services not included in the previous accounts.
Wholesale Broadband Services	
1. Fixed wholesale broadband Bitstream – ADSL/VDSL	Provision of ADSL/VDSL broadband traffic of a requesting Licensee's end-user from the access node up to an edge router where the traffic is interconnected to the requesting Licensee.
2. Fixed wholesale broadband Bitstream – FTTH	Provision of FTTH broadband traffic of a requesting Licensee's end-user from the access node up to an edge router where the traffic is interconnected to the requesting Licensee.
3. Fixed wholesale broadband Resale –ADSL/VDSL	Equivalent to retail broadband services but resold to another Licensee.

4. Fixed wholesale broadband Resale – FTTH	Equivalent to retail broadband services but resold to another Licensee.
5. Other wholesale broadband services	Provision of other wholesale broadband services not included in the previous accounts.
Wholesale Leased Lines	
1. National trunk – Fast Ethernet	• Provision by the Designated Licensee of Fast Ethernet transmission between a given Designated Licensee • Edge Router location within the country to a different Designated Licensee's Edge Router Location within the country.
2. National trunk – Gigabit Ethernet	• Provision by the Designated Licensee of Gigabit • Ethernet transmission between a given Designated Licensee's Edge Router location within the country to a different Designated Licensee's Edge Router Location within the country.
3. National trunk – 10 Giga Ethernet	• Provision by the Designated Licensee of 10 Gigabit

		• Ethernet transmission between a given Designated Licensee's Edge Router location within the country to a different Designated Licensee's Edge Router Location within the country.
4.	Terminating – Fast Ethernet	Provision to a requesting service provider by the Designated Licensees of Fast Ethernet transmission between a given Designated Licensee's Edge Router location within the country and a specific premise within the country.
5.	Terminating – Gigabit Ethernet	Provision to a requesting service provider by the Designated Licensee of Gigabit Ethernet transmission between a given Designated Licensee's Edge Router location within the country and a specific premise within the country.
6.	Terminating – 10 Giga Ethernet	Provision to a requesting service provider by the Designated Licensee of 10 Giga Ethernet transmission facility between a given Designated Licensee's Edge Router location within the country and a specific premise within the country.

Other wholesale leased lines services	Provision of other wholesale leased lines services not included in the previous accounts.
Wholesale Access to Passive Infrastructure	
7. Access to towers/masts	Service through which a Designated Licensee shares the towers and masts of an access site with a requesting Licensee.
8. Access to buildings and sites – Access	Service through which a requesting Licensee can collocate equipment in the access sites (land, building, shelters) of the Designated Licensee.
9. Access to ducts and trenches – Access	Service through which a requesting Licensee can access the ducts and trenches of the access network of the Designated Licensee.
10. Access to dark fibre – Access	Service through which a requesting Licensee can access the dark fibre in the access network of the Designated Licensee.
11. Access to buildings and sites – Core	Service through which a requesting Licensee can collocate equipment in the core sites (land, building, shelters) of the Designated Licensee.

12. Access to ducts and trenches – Core	Service through which a requesting Licensee can access the ducts and trenches of the backbone network of the Designated Licensee.
13. Access to dark fibre – Core	Fixed wholesale services through which a requesting Licensee can access the dark fibre in the backbone network of the Designated Licensee.
14. Other wholesale access services to passive infrastructure	Provision of other wholesale access services to passive infrastructure.
Other Wholesale Services	
1. Customer sited interconnection link	This service represents the costs of the transmission (backbone) to the Point of Interconnection (measured in Mbps). In this case, the end at third party's side is located within the premises.
2. In-span interconnection link	This service represents the costs of the transmission (backbone) to the Point of Interconnection (measured in Mbps). In this

	case, the end at third party's side is located outside the premises.
3. Transit – national	Through this service, a Designated Licensee carries a communication from another Licensee and delivers it to the network of a different Licensee within the country, using its fixed network to provide transit to such communication. It gathers costs from the transmission network due to its capacity requirements, as well as from the core platforms responsible of handling the call.
4. Transit – transit international	Through this service, a Designated Licensee carries a communication from another Licensee and delivers it to the network of a different Licensee outside the country, using its fixed network to provide transit to such communication. It gathers costs from the transmission network due to its capacity requirements, as well as from the core platforms responsible of handling the call.
5. International capacity – International connectivity	Service comprising the provision by the Designated Licensee of international

	connectivity. This service includes the costs associated to the international links.
6. IP transit	Service by which the Designated Licensee provides the other licensed Licensee the national and/or international bandwidth for Internet (IP) traffic via the reference operator's Internet Gateway.
7. Private peering	Service where the Designated Licensee facilitates the interconnection of its network with that of the other licensed Licensee by creating a direct physical connection, so that both the networks can exchange mutually agreed balanced internet traffic between them. This service is considered to make use of the backbone in order to reach the peering point.
8. International roaming signalling IX	Service where the Designated Licensee provides a port for international signalling transmission to another mobile licensed Licensee for the sole purpose of facilitating international roaming. This service is not included the cost associated to rent of international capacity to reach the destination country.

9. Access to cable landing points	Service comprising the provision of access to cable landing points.
10. Other wholesale services	Other wholesale services not included in the previous accounts.
Services Not Relevant for Accounting Separation	
1. Services not relevant for Accounting Separation	Provision of services not relevant for Accounting Separation

APPENDIX 6: ALLOCATION CRITERIA

1) This section provides certain guidelines that should help Designated Licensees define the most appropriate criteria for the allocation of costs and revenues across the different levels of their Accounting Separation System.

2) The allocation criteria explained in this section are not exhaustive or mandatory. They are presented only as an indication to facilitate the implementation of the Accounting Separation System by the Designated Licensees.

   i. Allocation of revenues from Level 2 to Level 4

      a) The main challenge of this allocation phase consists in the allocation of revenues generated through bundled commercial tariffs (e.g. voice and data packages) to services.

      b) The Commission will not accept an allocation of these revenues to services based on their costs. Neither will the Commission accept the allocation of all the revenues of a bundled package to a single service. On the contrary, the allocation methodology presented by the Designated Licensees must ensure that revenues are allocated to all the services included in the bundled package.

      c) The Commission's preferred approach consists in the development of a statistical model that determines the implicit value of different services, taking into consideration the Designated Licensee's service portfolio and commercial offers. Alternatively, using nominal service prices as the driver for this allocation could also be a valid approach.

   ii. Allocation of costs from Level 2 to Level 3

      a) The following paragraphs contain high-level indications on how to carry out the allocation of some critical cost pools from Level 2 to Level 3:

- **Personnel costs:** these costs must be allocated based on an Activity Based Costing exercise that relates the dedication of the employees to well-defined activities within the organisation. This approach must recognize not only the worker's time commitment, but also their salary to ensure the causality of the cost allocation.

- **Support elements' costs (e.g. leases, buildings, repairs, energy, supplies):** these costs must be allocated to the activities or network elements that cause the costs to arise. For example:

  - For the distribution of the leases and buildings, the usage of the Designated Licensees' premises must be analysed, distributing costs based on the area (square meters) utilized by each activity/network element. For example, if 10% of a building is occupied by Media Gate Way (MGW) equipment, then 10% of cost of that building must be allocated to the MGW account in Level 3.

  - The distribution of energy costs will be based on the electricity consumption of different activities and network elements in Level 3. The Designated Licensees will have to evaluate the electrical consumption of their technical equipment, as well as of their administrative functions.

- **Network asset costs:** these costs will be allocated, in general, directly to the corresponding network elements in Level 3.

iii. Allocation of costs from Level 3 to Level 4

  a) The following information provides guidance on how to perform the allocation of some critical cost pools from Level 3 to Level 4:

  - **Network components:** as a general rule, a matrix of routing factors must be defined, showing the usage of different network

elements by the services defined in the Accounting Separation System. Whenever it is necessary to normalize the volume units of these services to ensure the applicability of this matrix, the conversions should be made based on technical measurements and related information should be shared with the Commission when required. Once the matrix of routing factors is created, it should be multiplied by the volumes of the services to reach the applicable allocation factors.

• **Non-network components:** these costs must be allocated to services through causal allocation criteria. For example, in the case of commercial costs, the degree of commercial attention dedicated to the provision of different services (or groups of services) should be identified to optimize the allocation of costs according to causality. On the other hand, if it is not possible to find a relation between costs and services, such as certain taxes, they can directly be allocated to services by using an equally proportional mark-up.

• **Direct costs of sales:** These costs will be allocated directly to the corresponding service (or services).

• **Common costs:** These costs could be distributed to services by using an equally proportional mark-up**.**

APPENDIX 7: MANAGEMENT RESPONSIBILITY STATEMENT

We, [full names], [Licensee's Authorised Signatory], hereby solemnly declare that, to the best of our knowledge and belief having made all reasonable enquiry, the following attached documents have been prepared in accordance with [reference to the Commission's Decision approving the Regulatory Framework and Guidelines and Rules on Accounting Separation], that they are true and complete, and that nothing relevant for the purposes of Accounting Separation has been omitted:

[Insert list of Accounting Separation Documents submitted]

[Signatures]

[Date]