

# Improving your regulatory relationships\*



\*connectedthinking

## Improving your regulatory relationships

There is an EU-wide tendency to introduce sustainable competition into previously monopolistic industries such as telecommunications, energy and transport, through privatization and by introducing ex-ante regulation. For example, for the telecommunications industry this encompasses such regulatory measures as introducing cost-based pricing, reference offers and separated accounts. The increasing complexity of regulatory reporting requires the involvement of extra resources, scrutiny and specialised knowledge. Our role is to provide an international perspective and technical expertise in order to improve the quality of regulatory reporting and ensure greater relevance of the information for both internal decision-making and external monitoring purposes. We also support our clients by protecting their natural economic interests when there is a universal service obligation in place, during discussions with the regulators by providing examples of best practice methodologies and evaluating the overall trends of regulated markets as a result of regulatory decisions. Our mission is to improve the regulatory relationships of our clients and to help them meet their regulatory objectives.

## Our Services

### Regulatory strategy

- Identifying the risks of regulator's interventions based on a review of separated accounts
- Analysing the potential impact of the functional separation and unbundling on the operator's activities, processes and reporting
- Analysing potential future trends in the development of the regulated markets resulting from regulatory decisions
- Supporting licensing procedures

### Developing cost models and separated accounts

- Developing cost models and separated accounts
- Technical assistance in amending cost models and separated accounts
- Analysing selected aspects of cost models and separated accounts (e.g. transfer charges and ROCE) versus regulatory principles
- Helping in the analysis of capital employed value and WACC calculation and benchmarking

### Regulatory audit and accounting

- Mandatory audits of interconnect rates and net cost of universal services
- Project management and technical assistance in planning and performing regulatory audit on the side of the incumbent
- Pre-audit review of the applied methodology and resulting calculations for compliance with the given regulatory framework
- Voluntary audits and technical assistance for mobile operators

### Ad-hoc regulatory assistance

- Benchmarking studies of price setting and costing processes across the EU
- Providing technical argumentation for discussions with regulators in support of tariffs
- Preparing communications and participating in meetings with regulators



## How can you benefit by working with PwC?

We have experience in dealing with a large number of regulatory issues in Poland, one of the most demanding regulatory regimes in Central & Eastern Europe. We work closely with the PwC experts from the UK Centre of Excellence and, as a result, have a very good insight into the most developed regulatory regimes in the EU. We have been involved in a number of regulatory projects; including the development of cost models and separated accounts, project management and technical assistance during regulatory audits, benchmarking studies and functional separation impact analyses. You will save time and receive top quality practical solutions. We will fully support you in implementing these solution, should you decide to work with us.

## Our success stories

### Project management and technical assistance during regulatory audit

Our client, designated as a significant market power operator on interconnection and retail markets is required to have its annual regulatory accounts and cost calculation audited by an independent auditor.

PwC was engaged to support our client in planning and managing the course of the audit, participating in meetings with the auditor and the regulator, as well as providing advice on technical issues relating to the cost models and separated accounts, e.g. network optimization adjustments and changes in the current cost valuation methodology.

#### Result

As a result of our support the client reached agreement with the auditor in respect of the areas in question, such as optimal network structure and current cost valuation. Following the positive completion of regulatory audit, our client gained reliable indicator of its cost-based tariffs, useful for its discussions with the regulator.

### High-level analysis of the BSA cost model

Fixed line operator has been notified as a significant market power operator on the wholesale broadband access market and is required calculate Bit Stream Access tariffs based on the cost model.

We have been engaged to review existing BSA cost model prior to its approval by the regulator and the audit of BSA tariffs based on that model, in order to identify potential inconsistencies with regulatory principles and recommend suitable remedies in advance

#### Result

As a result of our work the client received a set of identified departures from the regulatory principles as well as recommendations on how to address them before the formal regulatory audit process. Our technical arguments were invaluable to the client during the development of its cost model and during the audit process.

### Benchmarking study of MTRs

Mobile operator was discussing with the regulator the level of Mobile Termination Rates.

We have been engaged by the mobile operator to perform a study of MTRs reductions and glide paths implemented across the EU. On this basis, we estimated MTRs and proposed a glide path to be implemented in Poland.

#### Result

As a result of the project our client acquired a better understanding of the MTRs reduction process across EU. Our study, which included a complex analysis from different perspectives, was used by our client as one of the main tools in its discussions with the market regulator.

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