Regulatory Accounting Guidelines

T1640G

Final Decision

Date: 1 April 2026

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1. Summary

1.1 In its 2025 Work Programme, the Guernsey Competition and Regulatory Authority ("**GCRA**") identified the development of enhanced financial telecommunications and performance reporting as a key priority for the year. In recent years, the GCRA has relied primarily on high-level reporting such as the annual Telecommunications Statistics Report and has adopted a more limited approach to financial reporting obligations.

1.2 In late 2024, the GCRA conducted an audit of the financial systems used by Sure (Guernsey) Limited ("**Sure**"). The audit highlighted the importance of robust regulatory reporting systems in ensuring that entities which hold a dominant position operate fairly, comply with their regulatory obligations, and support the effective functioning of the markets they serve. The review indicated that the systems currently used to support regulatory reporting do not include certain elements typically associated with regulatory accounting frameworks, including:

a. An activity-based costing (ABC) system; and
b. Management accounting information beyond the gross-margin level.

These observations informed the Authority's view that the introduction of updated Regulatory Accounting Guidelines would support more effective regulatory oversight going forward.

1.3 Findings from the 2024 wholesale broadband and wholesale on-island leased lines price investigation indicated that the prices charged for wholesale broadband and on-island leased lines were found to be significantly above levels that could be justified by underlying costs. This highlighted a risk that Sure's financial reporting systems were no longer able to appropriately facilitate for cost accounting and accounting separation obligations in markets where it holds a dominant position.

1.4 Regulatory accounting, in the form of accounting separation, is widely used by regulators across jurisdictions. It is a standard regulatory tool that enables the separation of costs, revenues, assets and liabilities across different activities or markets, thereby supporting transparency and facilitating the assessment of cost-based pricing where required. Accounting separation is typically imposed as a regulatory remedy on operators found to hold a dominant position, allowing regulators to monitor compliance with regulatory obligations and assess whether prices and internal transfers between activities are consistent with regulatory requirements. The approach is therefore in response to particular conditions and in line with regulatory practice norms. One of the GCRA's 2025 workstreams has developed a new financial reporting framework for Sure. Updating the Regulatory Accounting Guidelines (RAGs) is central to this work. RAGs provide the methodology for producing separated regulatory accounts in a transparent and consistent manner. They underpin the reporting model and ensure that regulated entities apply appropriate cost-allocation and reporting principles necessary to give appropriate transparency.

1.5 The current RAGs were implemented in 2004 and therefore the GCRA considers it necessary and appropriate to update the RAGs to reflect market developments and more modern approaches.

1.6 In preparing the revised RAGs, the GCRA adopted a collaborative approach with Sure, with the aim of developing a separated-accounts framework that is proportionate, reasonable and fit for current regulatory needs.

1.7 The GCRA published the Proposed Decision – Regulatory Accounting Guidelines on 22 December 2025. The consultation period for submitting representations closed on 30 January 2026. The GCRA received representations from Sure (Guernsey) Limited. These representations, together with the GCRA's responses, are set out in Appendix 2 to this Final Decision.

1.8 Full details of the Final RAGs are set out in **Annex 1** to this document.

2. Structure of this document

2.1 This document is structured as follows:

Section 1	Summary and background to this Final Decision - RAGs
Section 2	Structure of this document
Section 3	Legal Background
Appendix A	Regulatory Accounting Guidelines – Final Decision

3. Legal background

3.1 Section 4(1)(c) of the Regulation of Utilities (Bailiwick of Guernsey) Law, 2001 provides that the GCRA is responsible for monitoring and enforcing licence conditions. To perform this function, the GCRA may require licensed operators to provide financial and operational information. This is reflected in the separated accounts obligations set out in Condition 27.1 of the Fixed Telecommunications Licence and Condition 25.1 of the Mobile Telecommunications Licence, which require the Licensee to provide such information as the GCRA may reasonably require to monitor compliance with licence obligations and carry out its statutory functions.

3.2 The Regulation of Utilities (Bailiwick of Guernsey) Law, 2001 Section 4 (1) (c) gives the GCRA the power:

“ to monitor, enforce, modify, suspend, revoke or consent to the surrender of licences in a manner consistent with States' Directions and the provisions of this Law and any relevant Sector Law”.

Condition 27.1 of the Sure (Guernsey) Limited Fixed Telecommunications Licence, requires:

“Within six months of the Licence Commencement Date, the Licensee shall prepare and maintain accounting records in a form that enables the activities specified in any direction given by the GCRA to be separately identifiable, and which the GCRA considers to be sufficient to show and explain the transactions of each of those activities. The GCRA may direct the Licensee as to the basis and timing of such reports as the GCRA may require.”

3.3 Condition 25.1 of the Sure (Guernsey) Limited Mobile Telecommunications Licence, requires:

“Within six months of the Licence Commencement Date, the Licensee shall prepare and maintain accounting records in a form that enables the activities specified in any direction given by the GCRA to be separately identifiable, and which the GCRA considers to be sufficient to show and explain the transactions of each of those activities. The GCRA may direct the Licensee as to the basis and timing of such reports as the GCRA may require.”

3.4 For the reasons set out in the GCRA’s Final Decision on Wholesale Broadband Pricing of 18 December 2023 (Case T1652G) at paragraphs 1.6 – 1.14 of Annex 1, the GCRA considers that the concepts of dominance and Significant Market Power (“**SMP**”) are equivalent.

Appendix A - Final Decision Regulatory Accounting Guidelines

Contents

1. Introduction

The Guernsey Competition & Regulatory Authority ("**GCRA**" or "**the Authority**") regulates the telecommunications market in Guernsey to protect consumers and promote competition.

In those markets in which Sure (Guernsey) Limited ("**Sure**") has been identified as having a dominant position Sure must:

- Prepare separated regulatory accounts ("Regulatory Accounts")
- Submit these accounts to the GCRA
- Publish the Regulatory Accounts reporting on those markets in which it is dominant.

These Guidelines explain how Sure should prepare and present its Regulatory Accounts (also referred to as separated accounts)[1], the purpose of which is to increase transparency and support fair competition.

This document replaces previous guidance and reflects Sure's current services and its designation as holding a dominant position in certain markets. The GCRA will review and update these Guidelines as needed to reflect changes in the market or regulatory requirements.

These Guidelines support the Excel cost accounting model which is being developed by the GCRA and Sure to assist with the preparation of the Sure's Regulatory Accounts.

Regulatory Accounts provide Sure with a framework within which to collect, assess and evaluate information, reducing ad hoc GCRA requests for information and allowing for the more staged planning of the workload involved in their production. They provide the GCRA with predictable and valuable information to carry out its functions. However, the submission of Regulatory Accounts by Sure does not prejudice the GCRA's legal right to seek and obtain any other information it requires to carry out its functions[2].

These Guidelines are as follows:

Section 2: provides context on Sure's dominant position, the purpose of Regulatory Accounts, and why accounting separation is required for monitoring compliance and supporting competition.

Section 3: sets out the core principles Sure must follow when allocating revenues, costs, assets, and liabilities for regulatory accounting and accounting separation.

Section 4: explains the documentation requirements such as methodologies, assumptions, accounting policies, and transfer charges, that must accompany the Regulatory Accounts.

Section 5: defines the standards of relevance, comparability, reliability, and data retention

[1] Regulatory Accounts also referred to as separated accounts provide detailed financial information about regulated activities, allowing the GCRA, industry, and stakeholders to better understand Sure's financial performance, in the markets in which it is deemed to be dominant defined in line with good regulatory practice.
[2] As defined in Condition 4 of Sure's Fixed Telecommunications Licence.

necessary to ensure the Regulatory Accounts are accurate, transparent, and useful for regulatory oversight.

Section 6: outlines the overarching rules for preparing the Regulatory Accounts, including transparency, accepted accounting standards, consistency, and the need for restatements when methodologies change.

Section 7: specifies the level of disaggregation required and identifies the markets in which Sure must produce separated accounts based on its dominance designation.

Section 8: lists the specific reports, statements, reconciliations, and supporting notes Sure must submit, including detailed cost allocation and transfer-charging information.

Section 9: sets the deadlines and timing requirements for annual submission and publication of Regulatory Accounts and notes the regulator's ability to request information on demand.

Section 10: explains how Regulatory Accounts must be made publicly accessible and the circumstances under which the GCRA may publish detailed financial information.

Annex 1: gives detailed guidance on developing cost accounting systems and the cost allocation process.

Annex 2: explains how to apply the principle of cost causality to operating costs, capital costs, capital employed, transfer charging, and revenues.

Annex 3: provides pro forma templates for financial statements and transfer charging reports.

Annex 4: presents Sure's representations to the Proposed Decision – Regulatory Accounting Guidelines and the GCRA's corresponding responses.

2. Background

The telecommunications sector in the Bailiwick is open to competition. As the dominant operator, Sure is required to offer interconnection and access to other licensed operators and to its own downstream arm on a non-discriminatory basis in those markets. Sure is subject to price controls on its wholesale broadband, wholesale on-island leased lines which took effect from 1 April 2024, and in mobile termination market, where a price control was implemented in 2020. Sure holds a dominant position in these markets.

Where Sure is dominant, its fixed and mobile licences require it to keep separated financial accounts ("Regulatory Accounts"). This enables the GCRA to monitor Sure's compliance with its licence obligations, including interconnection and price regulated (price control) obligations.

At present, the GCRA only has sight of Sure's statutory accounts. These statutory accounts are not published, are made available solely to the GCRA, and do not contain sufficient information to enable the GCRA to fulfil its statutory duties and functions.

Accounting separation is a recognised regulatory tool to address concerns about dominance or to prevent that dominance from being exploited. By requiring Sure to split its regulated activities for accounting purposes, the GCRA can:

- Assess how costs and revenues are allocated across the business
- Monitor for unfair cross-subsidy or discrimination
- Ensure transfer charges between Sure's relevant wholesale and retail markets are fair (cost basis or through the use of prescribed wholesale charges at the time of calculation).

These accounts help the GCRA to:

- Detect and prevent anti-competitive behaviour;
- Assess market changes and inform future decisions; and
- Support a level playing field for all providers.

The GCRA may specify the format and timing for these reports which may be amended by the GCRA from time to time. Minor or administrative amendments may be made without formal consultation, while more substantive changes may involve consultation with Sure. The licensee will be informed of any such changes as appropriate.

The Guidelines are reviewed periodically to take account of industry developments and regulatory requirements.

To submit Regulatory Accounts, Sure must develop accounting systems capable of producing the required accounts. While the Regulatory Financial Statements ("Financial Statements") are a key output, Regulatory Accounts also include descriptions of methodologies, accounting policies, and transfer charges. A crucial part of the submission is a clear explanation of the methodologies used, along with the assumptions made and the reasons behind them. These assumptions are to be documented in the Excel model.[3]

Without this supporting documentation, the Financial Statements alone would lack transparency and have limited value for the GCRA and stakeholders, including Sure. Therefore, the accounting systems, Financial Statements, and supporting documentation must be treated as a single, integrated package.

3. Regulatory Accounting Principles

The Regulatory Accounting Principles set out the fundamental rules that must be applied in the preparation of the Regulatory Accounts. These principles govern the attribution and allocation of revenues, costs, assets, liabilities and capital employed across activities and regulated markets. Their purpose is to ensure that the Regulatory Accounts are prepared on a consistent, objective and transparent basis, and that costs and revenues are allocated in a manner that reflects the underlying economic activities from which they arise. The application of these

[3] The GCRA notes that the model will be developed collaboratively with Sure and may evolve as the work progresses. As such, defining the model in detail within the Regulatory Accounting Guidelines at this stage would be premature and could inadvertently constrain its design.

principles supports the robustness and integrity of the regulatory accounting framework and enables the GCRA to monitor compliance with regulatory obligations, including the assessment of cost-oriented pricing, non-discrimination and the potential for cross-subsidisation.
Sure should adopt the following Regulatory Accounting Principles ("Principles") when preparing the Regulatory Accounts:

Priority and Proportionality
Within the Principles, insofar as there is conflict between the requirements of any or all of these Principles, the Principles are to be applied in the same order of priority in which they appear in this document, while at the same time ensuring that a balance is struck between the Principles, that is proportional and appropriate. The GCRA may provide guidance on a case-by-case basis in response to any specific queries that Sure may have on the application of the Principles.

Definitions
Any word or expression used in the accounting documents shall, unless the context otherwise requires, have the same meaning as it has in law and in Sure's licences.

Cost Causality
Revenue (including transfer charges), costs (including transfer charges), assets and liabilities shall be attributed to cost components, services and markets in accordance with the activities which cause the revenues to be earned or costs to be incurred or the assets to be acquired or liabilities to be incurred.

Objectivity
The attribution shall be objective and not intended to benefit Sure or any other operator, product, service, component or market.

Consistency of treatment:
There shall be consistency of treatment from year to year. Where there are material changes to the Principles, the attribution methods, or the accounting policies that have a material effect on the information reported in the Financial Statements of the markets, the parts of the previous year's Financial Statements affected by the changes shall be restated to enable a year on year comparison that indicates the extent of the change/s made. Sure should additionally provide an explanation of the changes which have been made and the impact that these changes have had on the volumes and values reported in the Regulatory Accounts, consistent with the principle of transparency below.

Materiality
The use of a specific allocation basis may not be necessary if the effect of allocation using an alternative is not material to the outcome, either individually or collectively with other cost allocations using the same allocation base. However, it may not be possible to measure the effect without adopting an alternative basis and, in cases of doubt, the most appropriate activity-related cost allocation basis shall be used.

Transparency
The attribution methods used should be transparent. Costs and revenues, which are allocated to activities or markets, shall be separately distinguished from those that are apportioned.

All of the Principles are important and should be fully applied. The Principle of cost causality, in particular, is complex and underpins the development of cost allocation methodologies and systems. Annex 1 offers detailed guidance on building cost accounting systems, while Annex 2 explains the treatment of operating costs, cost of capital, capital employed, and transfer charges (both costs and revenues).

4. Regulatory Accounting Documentation

When preparing Regulatory Accounts, Sure must ensure that all methodologies are fully and transparently documented. Without clear documentation, the accounts will lack transparency and their value for regulatory purposes will be reduced. The Excel model should include notes explaining assumptions and attribution methodologies for revenues, costs, assets, liabilities, and capital employed.

The notes in the model should also describe the basis used to set transfer charges between the relevant markets. This ensures that Sure applies the same charging principles to itself as it does to other operators offering similar services, where required. Further guidance on transfer charges is provided in Annex 2, and a template is included in Annex 3.

Accounting policies should be consistent with those used for statutory accounts and must include details such as depreciation periods for fixed assets and the treatment of research and development costs. The basis for asset valuation (for example, asset lives and depreciation methods) must also be included. Transparent accounting policies are essential for understanding and auditing the Regulatory Accounts.

5. Quality of Data

To ensure the Regulatory Accounts are effective, all supporting data must be transparent, relevant, reliable, and comparable with previous reporting periods. It is also important to maintain a clear audit trail over time to protect the integrity of the data. This is necessary so that Sure and the GCRA can access more detailed financial information, if needed for longer-term analysis.

Relevance
Information is relevant if it could influence the economic decisions of users and is provided in time to influence those decisions. Relevant information has predictive value (if it helps users to evaluate or assess present and future events) or confirmatory value (if it helps users to confirm or correct their past evaluations and assessments) or both. For the Regulatory Accounts to be relevant, they must, *inter alia*, be presented in a timely fashion and be transparent and comply with the Regulatory Accounting Principles.

Comparability over Periods
The value of Sure's Financial Statements increases when they can be compared with similar information from other reporting periods, allowing trends and differences to be identified. This is especially important for the GCRA, which relies on comparable data to assess the impact of competition or other market developments and analyse cost trends for price control purposes.

Comparability is achieved by applying consistent accounting policies and clearly disclosing them. In a regulatory context, this includes transparency around cost attribution methods and other regulatory accounting treatments. Full disclosure of these policies and methodologies is essential for preparing Financial Statements.

According to the principle of consistency of treatment, any material changes should result in the restatement of previous years' results on a comparable basis.

Reliability

The GCRA, Sure, and other stakeholders must be able to rely on the information presented in the Regulatory Accounts. To be considered reliable, information should:

- Faithfully represent what it is intended to show
- Be free from deliberate or systematic bias
- Be free from material error
- Be complete, subject to materiality thresholds (and appropriate use of sampling)
- Demonstrate appropriate caution and sound judgement in estimates

Sure is responsible for ensuring the accuracy and reliability of all information included in its Regulatory Accounts. Confidence in the data shall be reinforced by formal approval from a Director of the company.[4]

When developing the Excel model for preparing Regulatory Accounts, both the GCRA and Sure will arrange for an external review to confirm that the model is fit for purpose. This external review will serve as a quality assurance measure for the initial version of the accounts and may be required for future updates. It will serve as an independent validation of the model which will focus on methodology, internal consistency, and alignment with regulatory requirements. The review is meant to check whether Sure has appropriately treated the costs, revenues, and allocation methodologies within its model, in addition to whether the formulas work. This external review will replace the need for an independent annual audit of Sure's regulatory accounts.

Data Retention

The GCRA may require financial information over a time series in order to carry out its statutory functions. Therefore, financial information should be kept for a period of five years, making it possible to trace significant evolutions of costs, revenues and outputs and evaluate the effects on costs of applying possible different criteria and methods.

6. Guiding Principles

The Guiding Principles set out the overarching requirements governing the preparation and presentation of the Regulatory Accounts. It defines the broader framework within which the Regulatory Accounts must be prepared. This includes the application of appropriate

[4] For clarity, this refers to a Director of the company, meaning a member of the Board of Directors, rather than a director of a department or business unit.

accounting conventions, the transparent treatment of transfer charges, the consistent application of methodologies across reporting periods, and the disclosure of material changes affecting the reported information.

The preparation of the Regulated Accounts should follow these guiding principles:

a) The Regulatory Accounts shall be based on a transparent cost apportionment methodology, using an historical cost accounting convention.

b) The Regulatory Accounts shall include transfer charges between the relevant markets for services the organisation provides to itself. All accounts should, therefore make explicit any transfer charges to or from other markets. They shall also summarise the equivalent transactions with competing operators.

c) The Regulatory Accounts shall be prepared in accordance with accepted accounting standards as agreed by the parties, insofar as they are relevant.

d) The Regulatory Accounts shall be prepared in accordance with the Regulatory Accounting Principles, which set out the general rules by which the Financial Statements are prepared.

e) Details of significant changes that impact on the Financial Statements and prior year restatements shall be given.

f) Regulatory Accounts shall be submitted annually to the GCRA and contain comparative information. Where there are material changes (to Regulatory Accounting Principles, Cost Allocation Methodology, Attribution Methods, the Transfer Charging System Principles, or to Accounting Policies) that have a material effect on the information reported in the regulatory Accounts of a main business area or a disaggregated activity, the parts of the previous year's Regulatory Accounts affected by the changes shall be restated.

g) The Regulatory Accounts shall make explicit, any differences between costs allocated to different activities by the operator and the costs that the GCRA allowed for the purpose of determining charges. Regulated accounts should be based on wholesale charges.

7. Application of Accounting Separation

The requirement to prepare separated Regulatory Accounts applies in any market in which Sure has been designated as holding a dominant position and where the GCRA has directed Sure to undertake accounting separation.

The specific markets in which Sure is designated as holding dominant position will be determined through the GCRA's market review processes and associated regulatory decisions. The direction to Sure to prepare and publish Regulatory Accounts in accordance with its licence(s) and these RAGs is contained in this Section 7.

As market definitions, dominance designations and regulatory remedies may evolve over time, the level of accounting separation required of Sure may also change. Where a market review process and regulatory decision identify a change to any of these factors, the GCRA will appropriately amend the RAGs to reflect any changes to the scope of Sure's Regulatory Accounts obligation.

Under Licence Condition 25.1 of Sure's Mobile Telecommunications Licence and 27.1 of Sure's Fixed Telecommunications Licence, "the Licensee shall prepare and maintain accounting records in a form that enables the activities specified in any direction given by the GCRA" and "the GCRA may direct the Licensee as to the basis and timing of such reports as the GCRA may require". The RAGs represent the GCRA's direction to Sure regarding both the scope of the activities to which Licence Condition 25.1 and 27.1 apply, and the basis and timing of how it must prepare and publish the Regulatory Accounts. The GCRA considers the term "basis" to include the methodology which shall be adopted by Sure in the preparation and publication of the Regulatory Accounts.

Regarding the activities to which Licence Condition 25.1 and 27.1 shall apply, the GCRA currently requires Sure to prepare Regulatory Accounts for the following markets:

- Wholesale Line Rental[5];
- Wholesale Broadband Access[6];
- Wholesale On-Island Leased Lines[7]; and
- Mobile Termination[8].

Sure will need to submit Profit and Loss Accounts and Balance Sheets for the markets listed above. Sure will need to provide reconciliations between Sure's statutory accounts and the Financial Statements for the markets listed above. Furthermore, and for the purposes of accounting separation, the costs, revenues and capital employed associated with activities not included in the specified markets will need to be reported separately to allow for the reconciliation with the Statutory Accounts. This category will not be publicly reported.

8. Documentation to be Provided by Sure

Sure's regulatory cost accounting system and Financial Statements must produce financial information with the degree of detail necessary to demonstrate compliance with the principles of non-discrimination and transparency, adequately identifying and attributing revenues and costs for the several activities performed by Sure. Such accounting information should be made available in a prompt manner to the GCRA and should be tied to the timeframe for submission of Sure's Annual Financial Statements.

Good presentation of Financial Statements ensures that the essential messages are communicated clearly and effectively and in as simple and straightforward a manner as possible. The presentation of information in the Financial Statements involves some degree of abstraction and aggregation. If this process is carried out in an orderly manner, greater knowledge will result because such a presentation will satisfy the various regulatory objectives such as demonstrating that certain charges are based on the prevailing wholesale charges, where appropriate, or the absence of undue discrimination.

[5] T1009GJ – Channel Islands Wholesale Access Project – Wholesale Line Rental (WLR) – Final Decision, which can be found here.
[6] T1358GJ – Final Decision – Broadband Market – Market Review and SMP Finding, which can be found here.
[7] T1480GJ - Business Connectivity Market Review - Market Definition & SMP Assessment, which can be found here.
[8] Review of Mobile Termination Rates in Guernsey – Statutory Notice of a Decision, which can be found here.

In this context, accounting reports comprise supporting notes that amplify and explain the Financial Statements and both the Financial Statements and the supporting notes form an integrated whole.

Sure should prepare and publish the following information in respect of each market in which it has been designated as holding a dominant position and where the GCRA has imposed an obligation of accounting separation and/or cost accounting:

- Profit and Loss statement;
- Capital employed statement;
- Consolidation and reconciliation with statutory accounts or other source of costing information;
- Non-discrimination notes (namely, detailing transfer charges, inter-business costs summary); and
- Description of accounting principles, policies, methodologies and procedures used, namely regarding the cost allocation methodologies.

The Authority does not believe it appropriate to require Sure to publish detailed financial information on its unregulated markets that it would not otherwise be required to reveal for statutory reporting purposes. Financial information relating to such activities should instead be shown in total and reported as "Other Activities".

The Authority does, however, reserve the right to request financial and other information regarding these unregulated activities as and when it considers this necessary to exercise its functions and powers in accordance with its statutory duties. The GCRA may request information relating to activities that are not currently subject to accounting separation where this is necessary for the exercise of its statutory functions, including in the context of a market review or investigation. However, the requirement to prepare separated Regulatory Accounts applies only in markets where Sure has been designated as holding a dominant position and where the GCRA has imposed an accounting separation or cost accounting obligation. Where a market review subsequently concludes that Sure holds a dominant position in an additional market, the GCRA may require Sure to develop and provide the relevant regulatory accounting information for that market in accordance with these Guidelines.

The accounts should also make explicit any difference between the costs allocated to different activities by Sure and the costs that the GCRA allowed for the purpose of determining charges which are based on the prevailing wholesale charges. This will provide transparency about the extent of costs excluded by the GCRA for charging purposes and about the reasons for their exclusion.

These Regulatory Accounts should include a signed written statement from at least one of Sure's company directors confirming that the Regulatory Accounts for the year ended 31 December [Year] have been reconciled to the relevant Statutory Accounts and to the best of its knowledge and belief have been prepared in accordance with the requirements of the relevant Conditions of its Fixed and Mobile Telecommunications Licences and to these Regulatory Accounting Guidelines.

Financial Statements on their own are produced and published at too consolidated a level. Consequently, Financial Statements do not enable the GCRA to fulfil its obligations and do not satisfy the requirements of transparency and aid competition. The additional information to be submitted will include:

a) a statement of the accounting policies used in the preparation of the accounts;
b) a matrix summarising the total transfer charges between the different Accounts (see proforma in Annex 3);
c) a statement describing the basis on which unattributable costs have been allocated between different accounts;
d) information about the cost allocation methodologies employed in order to prepare the Regulatory Accounts. This should be at a level of detail that makes clear the relationship between costs and interconnection and access charges.

9. Reporting Period

For Sure's Regulatory Accounts to be effective, the information submitted to the GCRA should be timely. Any unnecessary delay in the submission of the accounts and the additional financial information would reduce the positive effects of accounting separation.

Sure is required to publish its regulatory accounts on an annual basis, and as soon as possible after the end of the accounting year and no later than within six months of the end of the company's financial year end. For the first year of Sure's submission of the regulatory accounts, the GCRA requires Sure to publish its regulatory accounts as soon as possible after the end of the previous accounting year and no later than within nine months of the end of the company's financial year end.

However, Sure should be capable of reporting on-demand or within a stricter timeframe, when required by the GCRA for specific circumstances, in particular for investigations regarding compliance with specific licence conditions.

10. Publication of Information

Regulatory accounting information is an important element in enabling the GCRA to carry out its statutory functions. Others that may be affected by regulatory decisions based on that information, such as competitors, investors and consumers will also have an interest in Sure's Regulatory Accounts. Publication of this information will contribute to an open and competitive market whilst also making the regulatory regime transparent.

Publication of Sure's Regulatory Accounts should be in a form easily accessible by interested parties, such as on Sure's website. Sure is required to inform interested parties on how to access its regulatory accounts.

The Authority may request detailed financial information at any time from Sure and this information may be published if it would contribute to an open and competitive market subject to the consideration of its commercial confidentiality.

Annex 1: Cost Accounting Systems

This section provides generic guidance on the development of cost accounting separation systems.

Steps in Developing an Accounting Separation System

A cost accounting system in essence is a set of rules to ensure the attribution and allocation of revenues, costs, assets, liabilities and capital employed to individual activities and services. This involves particular emphasis in considering direct and indirect operating costs of services as well as past and future expenses.

More precisely, a cost accounting system will involve establishing a record-keeping mechanism, keeping track of costs and identifying operational expenditures such as equipment maintenance. The principal benefit of this system should be a transparent illustration of the relationship between costs and prices, as the system should be able to disaggregate costs to ensure that costs allocated to regulated services do not result in cross subsidies, excessive prices and that prices reflect efficiently incurred costs.

Development of a cost accounting system will involve the following steps:

- Identification of the directly attributable costs;
- Identification of indirectly attributable costs;
- Evaluation of capital employed;
- Development of rules of allocation of common and joint cost to services; and
- Definition of transfer charges.

The distinction between direct and indirect cost is well established in the accounting practice. These concepts were also mentioned in the regulatory framework of 1998[9] and in a respected recent cost[10] study which clearly states a distinction between directly attributable, indirectly attributable, and unattributable costs along the following lines:

Identification of Directly Attributable Costs

Directly attributable costs are those costs that can be directly and unambiguously related to a particular product or service without the need for apportionment. These costs can include the following:

- (annualised) costs of equipment specific to the service and directly related costs such as installation; and
- network related operating costs (such as maintenance).

Identification of Indirectly Attributable Costs

Indirectly attributable costs are those costs that can be apportioned to products or services on a measured non-arbitrary basis reflecting the relationship of the costs with directly attributable costs. They include many network costs such as transmission equipment which

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[9] See for example Directive 98/10/EC of the European Parliament and of the Council, Article 18; Commission Recommendation of 8 April 1998 on interconnection in a liberalised environment (Part 2 – Accounting separation and cost accounting.

[10] Study on the preparation of an adaptable bottom-up costing model for interconnection and access pricing in European Union countries – A final report for Information Society Directorate-General of the European Commission by Europe Economics, April 2000.

will be shared by services using cost-building parameters, like the appropriate routing factors.

Both directly and indirectly attributable costs can fall into one of two categories. First, costs of inputs that vary with the level of output, so that even if the output of more than one service requires this input, the extent to which a single service causes the costs can be calculated. Second, there are assets and operating costs which are fixed with respect to the level of output but which are service specific.

Residual costs (that are not clearly directly or indirectly attributable) are known as "unattributable costs" and comprise those costs which can only be attributed on an arbitrary basis.

Evaluation of Capital Employed
The evaluation of capital employed should be done at historical cost.

Rules for Cost Allocation of Common/Joint Costs
A clear methodology must be used for allocating costs between regulated activities and "other" (non-regulated) activities of the notified operator and to allocate costs to each activity in a proportionate and objective way. Typically, costs which cannot be directly assigned to specific services within either regulated or non-regulated activities will be described as common costs.

Common costs shall be grouped into homogeneous cost categories designed to facilitate the proper allocation of costs to specific services between an operator's regulated and non-regulated activities. Each cost category should be allocated between regulated and non-regulated activities in accordance with the following hierarchy:

(i) Whenever possible, common cost categories shall be allocated based upon direct analysis of the origin of the cost themselves.
(ii) When direct analysis is not possible, common cost categories shall be allocated based upon an indirect, cost-causative linkage to another cost category (or group of cost categories) for which a direct assignment or allocation is available.
(iii) When neither direct nor indirect measures of cost allocation can be found, the cost category shall be allocated based upon a cost driver computed by using the ratio of all expenses directly assigned or attributed to regulated and non- regulated activities (i.e. Equi Proportional Mark Up).

Definition of Transfer Charges
The methodologies applied by Sure to take into account the costs of products or services used internally should be transparent and satisfactory. A system of transfer charges should be applied to services and products provided from one business (for example, in the fixed network, Local Access-Network, Core Network and Retail) to another. The transfer charges for internal usage should be determined as the product of usage and unit charges. The charge for internal usage should be equivalent to the charge that would be levied if the product or service were sold externally rather than internally.

For accounting separation purposes, it should be assumed that Sure's Retail business pays the same charge for the same service. There should be a clear rationale for the transfer charges used and each charge should be justifiable. Charges should be non-discriminatory and there should be transparency of transfer charges in the separate accounts. There shall be consistency of treatment of transfer charges from year to year and any change in methodology should be transparent and satisfactory to the GCRA.

Annex 2 provides more detailed information on how transfer charges should be treated.

Cost Allocation Process

This section sets out the process, based on best practice, which Sure should follow in order to allocate costs, capital employed and revenues for the purposes of preparing separate accounts.

Figure 1.1 illustrates a typical cost allocation process. It should be noted that actual allocation processes may vary depending on the entity's organisational structure and the way(s) in which financial/operating data are captured, and may be more complex and involved than Figure 1.1 implies. It is important to note, however, that in order to ensure that the GCRA has confidence that the company's regulatory accounts are fit for purpose that the costs are allocated in a transparent manner and that the supporting documentation and assumptions are both comprehensive and auditable.

The process starts from information and data captured by the general ledger or other costing or financial systems operated by the company. Regardless of the source, a key factor, which will influence the ultimate usefulness of the costing information, is the level of detail at which costs are initially captured. A high level of disaggregated detail, without prejudice to principles of transparency, proportionality and materiality, should be applied. The initial costing information should also refer to all relevant services / products provided by Sure. The costing information held by these systems may be divided between operating costs, capital costs and accounting entries such as depreciation.

Costs may be attributed either directly to services or to cost pools called network components, related functions or other functions. These are defined as follows:

Markets

These are the costs that can be directly identified with a particular market.

Network components

This pool contains the costs relating to the various components of transmission, switching and other network plant and systems. The costs will be in respect of network components that cannot be attributed directly to a particular service as they are utilised in the provision of a number of services.

Related functions

This pool contains the costs of functions necessary for the provision of services to the customer such as billing, maintenance, and customer services.

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. Examples of such costs include planning, personnel and general finance.

As noted, there are a series of steps which allocate cost pools in a tiered approach to eventually allocate costs to services. These step allocations are performed using appropriate drivers. Each step is summarised below:

Step 1: The allocation of other functions across related functions, network elements and services.
Step 2: The allocation of the related function costs to services and the network elements.
Step 3: The allocation of network components to services.
Step 4: The grouping of services into businesses (as defined for the purposes of accounting separation).

Each of the allocation steps illustrated above could involve a number of detailed sub- steps, particularly if the initial capture of cost information is at an aggregated level. Where it is possible to perform an allocation via a number of direct or indirect attributions this is preferable to allocation through a single arbitrary step. It is important to emphasise that the attribution methodologies should be comprehensively documented with underlying data so as to be transparent to the GCRA and a description of the attribution methodologies should also be published by Sure to provide transparency to interested parties.

It is anticipated that Sure will need to use sampling techniques and periodic activity reviews in order to allocate costs (including capital costs) to the services that they provide and, subsequently to the businesses defined for the purposes of accounting separation. For example, periodic analysis of the tasks undertaken by staff in customer call centres may be used to determine the amount of time spent by those staff on different tasks. This information may then be used to allocate either directly or indirectly the costs associated with the staff to the services provided. Cost drivers definitions and calculations must be subject to review by the GCRA, and the methodology used for survey and sampling techniques should be made available to the Authority.

The fundamental objective of this process is to arrive at an appropriate basis of attribution to comply with the principle of causation.

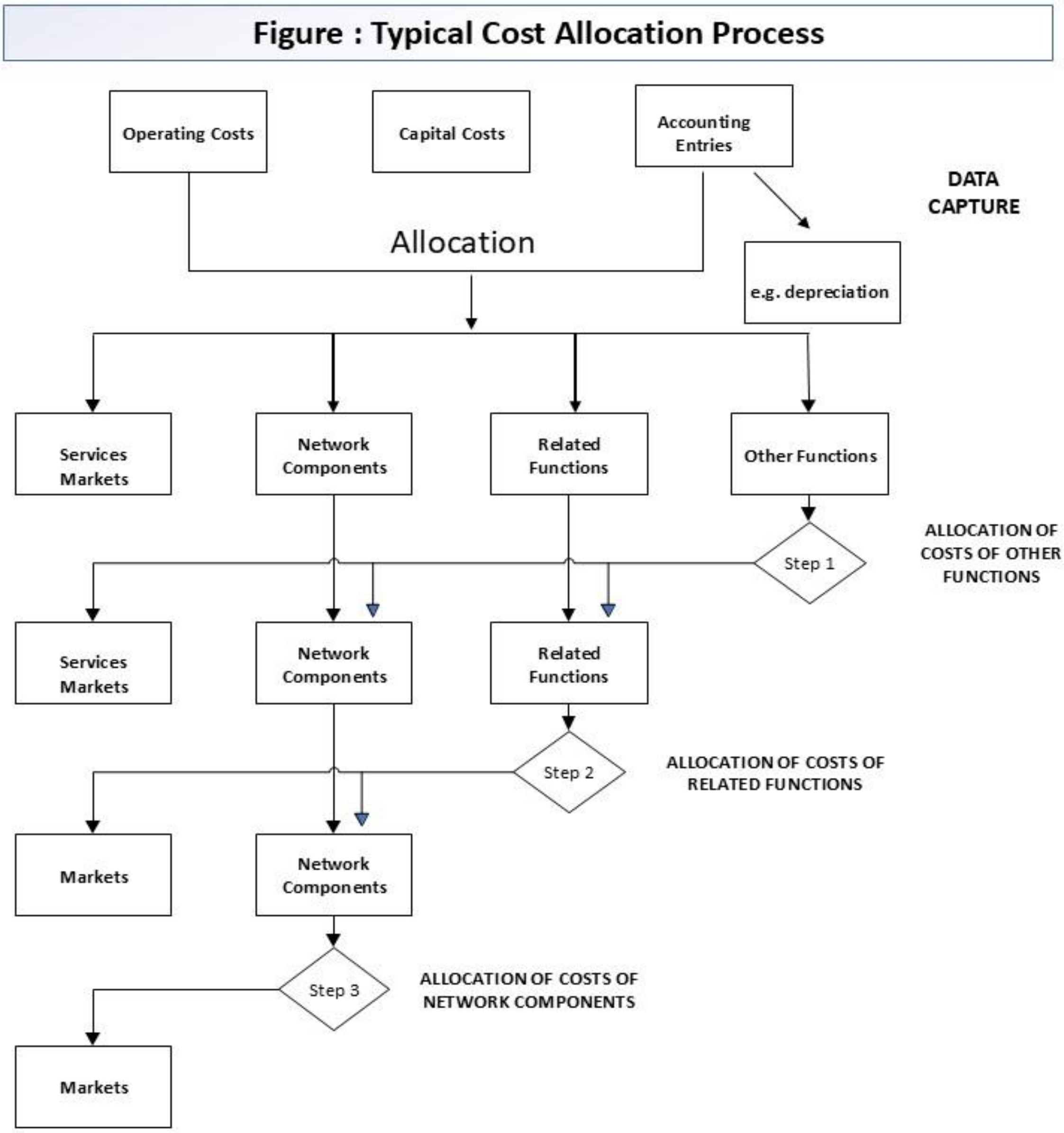
Figure : Typical Cost Allocation Process
Operating Costs
Capital Costs
Accounting Entries
DATA CAPTURE
Allocation
e.g. depreciation
Services Markets
Network Components
Related Functions
Other Functions
Step 1
ALLOCATION OF COSTS OF OTHER FUNCTIONS
Services Markets
Network Components
Related Functions
Step 2
ALLOCATION OF COSTS OF RELATED FUNCTIONS
Markets
Network Components
Step 3
ALLOCATION OF COSTS OF NETWORK COMPONENTS
Markets

Annex 2: Principle of Cost Causality

Identifying different types of costs and attributing these costs to individual markets is an essential and complex issue. It is believed that allocations should be based on cost causality, transparency, objectivity and consistency.

Introduction

The principle of causality implies that costs and revenues are allocated, directly or indirectly, to the markets that "cause" the costs (and revenues) to arise. This requires the implementation of appropriate cost allocation methodologies. In practice, this requires that Sure:

- Reviews and justifies each item of cost, capital employed and revenue;
- Establishes the driver that caused each item to arise;
- Uses the driver to allocate each item to individual activities, network components or markets; and
- Clearly and transparently documents the process and rationale used.

All allocations may be subject to review by the GCRA.

Each item of cost and revenue must be allocated to the markets defined by the GCRA, or where relevant, to Other Activities. In the case of revenues, the GCRA would expect that most can be thoroughly allocated directly to those markets to which they relate. This is not the case for costs, however, because a relatively high proportion of the costs are shared between different markets and Other Activities.

Allocation methodologies, such as activity-based costing (ABC), allow the explicit establishment of stronger causal relations between costs and services or products. ABC views the markets as a series of activities, each of which consumes resources and therefore generates costs. This methodology, based on the cause of costs (cost drivers), traces and allocates costs through the activities performed and establishes a clear cause-and-effect relation between activities, their associated costs and the resulting output from those activities.

ABC introduces an intermediate stage of activities, enabling some costs that would otherwise be allocated in a less direct way to be attributed to the markets that cause them to occur. This enables a higher proportion of indirect costs to be allocated in an objective fashion to outputs. Nevertheless, with ABC it will generally not be possible to allocate all costs to markets via activities, and hence some costs will remain to be apportioned to outputs in a relative arbitrary manner.

Once direct and indirectly attributable costs have been allocated to particular markets on the basis of causality, the remaining costs might be allocated based using several approaches, namely EPMUs or apportionment based on revenues /other costs / input - output share where costs are not assigned to activities to the extent to which they "cause" the cost, although for specific objectives some may be more appropriate than others. In a well-defined costing system these remaining costs should be kept to a minimum, ideally not exceeding

10% of the total costs.

The Cost of Capital and Capital Employed

The Telecommunications (Bailiwick of Guernsey) Law, 2001 and Sure's licence conditions require that certain charges for Sure wholesale services should be cost-oriented, whilst allowing for a reasonable return on investment. The determinants of the level of this return are the cost of capital and a capital value.

The calculation and setting of a cost of capital for the purpose of setting interconnection and other cost-based charges and is outside the scope of these Guidelines. However, there should be consistency between the measure of capital employed on which the cost of capital is based and the measure of capital employed reported in the Financial Statements.

Consistency will enable comparison of the actual percentage returns earned by Sure from its relevant markets with the cost of capital allowed by the GCRA when reviewing charges for these activities. The focus of this annex is the need for consistency and its implications for the allocation of items of capital employed.

Cost of Capital

Sure's cost of capital should reflect the opportunity cost of funds invested in network components and other related assets. It conventionally reflects the following:

- The (weighted) average cost of debt for the different forms of debt held by each operator;
- The cost of equity as measured by the returns that shareholders require in order to invest in the network given the associated risks; and
- The values of debt and equity.

This information can then be used to determine the weighted average cost of capital (WACC) using the following formula:

$$WACC = re \,.\, E/(D+E) + rd \,.\, D/(D+E) \,.\, (1-T)$$

where re is the cost of equity, rd is the cost of debt, E is the total value of equity, D is the total value of interest-bearing debt and T is the corporate tax rate. This calculation gives the post tax WACC which needs to be converted to the pretax rate (i.e. WACC post tax divided by (1-T)).

The WACC must be applied to a capital value for network components and other related assets in order to determine the return that needs to be recovered. While it may be easy to identify the values of debt and equity for Sure as a whole, it is not easy to do so for each of its constituent activities. This is because decisions about debt finance are largely corporate decisions determined by a number of factors, such as historical borrowing facilities and tax planning considerations. Hence, the debt position of the corporate organisation may not relate specifically to the funding requirements of individual activities. An alternative approach to determining the capital value for regulated markets is therefore required.

One approach is provided by the following balance sheet identity:

Shareholders' funds (i.e. equity) + Debt = Net Assets excluding debt

It follows that the capital values of regulated activities can be determined by apportioning net assets or capital employed. This apportionment should be carried out on a causal basis and under historical valuation methodologies.

Transfer Charging

This section of the Guidelines sets out the approach to be applied in order to take account of the costs of products or services that are used internally by Sure. This involves the establishment of a system of transfer charges to services and products provided from one market to another.

Transfer charges can be seen as a cost to one part of the Sure's business and a revenue to another part of the business, where they exist in different regulated markets.

For accounting separation purposes, it should be assumed that in any of Sure's retail markets for which it is deemed to hold a dominant position, it pays the same interconnection or access charge for the same service as would apply to wholesale customers.

The approach to transfer charging is set out below:

- Transfer charges (revenues and costs) shall be attributed to cost components, or markets in accordance with the activities, which cause the revenues to be earned, or costs to be incurred.
- The attribution shall be objective in accordance with the principles set out in section 3 and not intended to benefit any market.
- There shall be consistency of treatment of transfer charges from year to year.
- The transfer charging methods used should be transparent. There should be a clear rationale for the transfer charges used and each charge should be supportable.
- The transfer charges for internal usage should be determined as the product of usage and unit charges.
- The charge for internal usage should be equivalent to the charge that would be levied if the product or service were sold externally rather than internally.
- The Regulatory Accounts shall disclose the transfer charges between markets.

Annex 3: Proforma Reporting Formats

Figure 3.1 – Proforma reporting formats for the Wholesale Markets

(a) Profit and Loss

	Current Year	Prior Year	
Turnover			
From Retail			
From other operators			
Total turnover			1
Operating costs			
Total operating costs			2
Return			3 = 1 - 2

The calculation of the return must be consistent with the basis on which the cost of capital is calculated. Therefore, if - as envisaged in the main body of the guidelines – a pre-tax and pre-interest WACC is used, the return shown in the accounts should be equivalent to profit before interest and tax.

Figure 3.1 (cont.) – Proforma reporting formats for the Wholesale Markets

(b) Balance sheet information

	Current Year	Prior Year	
Fixed assets			
Tangible fixed assets Intangible fixed assets Investments			
Total fixed assets			1
Current assets Stocks Debtors Investments			
Cash at bank & in hand			
Total current assets			2
Creditors			3
Provisions for liabilities and charges			4
Mean capital employed			5 = 1 + 2 - 3 - 4

All entries in the "balance sheet" should be prepared on a historical cost basis.

Figure 3.1 (cont.) – Proforma reporting formats for the Wholesale Markets

(c) Return on capital employed

	Current Year	**Prior Year**	
Return			1
Mean capital employed			2
Return on mean capital employed (%)			3 = 1/2

Figure 3.2 – Proforma reporting formats for the Retail Markets

(a) Profit and Loss

	Current Year	Prior Year	
Turnover:			
Connection charges Rental charges			
Other turnover			
Total turnover			1
Operating costs:			
Operating costs specific to Retail Transfer charges from other markets			
Total operating costs			2
Return			3 = 1 - 2

The same formats would apply to separate regulated activities within Wholesale.

(b) Balance sheet information

As for Wholesale Markets.

(c) Return on capital employed

As for Wholesale Markets.

Figure 3.3 – Proforma reporting formats for "Other activities"

(a) Profit and Loss

	Current Year	Prior Year	
Turnover			1
Operating costs			2
	________	________	
Return			3 = 1 - 2

As discussed in the main body of the guidelines there may be a case for disaggregating "Other activities" in order to provide greater transparency of the performance of specific activities. It will be up to the GCRA to specify the extent to which separate accounts for these activities will be prepared.

(b) Balance sheet information

As for Wholesale Markets.

(c) Return on capital employed

As for Wholesale Markets.

Table 3.1 Transfer Charge Statement (£)

Markets / Costs	Market A	Market B	Market C	Total Transfer Charges

Table 3.2 Inter Business Costs Summary (£)

	TO	Market A	Market B	Market C	Market D	Market E	Total
FROM							
Market A			X	X	X	X	**X**
Market B		X		X	X	X	**X**
Market C		X	X		X	X	**X**
Market D		X	X	X		X	**X**
Market E		X	X	X	X		**X**
Total		**X**	**X**	**X**	**X**	**X**	**X**

Annex 4: Representations to Proposed Decision and GCRA Responses

Comment #	Sure Comment	GCRA Response
1	Sure (Guernsey) Limited ("Sure") is pleased to respond to the Guernsey Competition and Regulatory Authority's ("the Authority's") Proposed Decision on its Regulatory Accounting Guidelines[1] in relation to the reintroduction of our annual separated regulatory accounts ("Regulatory Accounts"). Within this response, we refer to pages 1-8 of the GCRA's document as the "Proposed Decision", with the remaining pages (separately numbered 1 to 24) referred to as the "Guidelines".	The GCRA notes Sure's comments regarding the historical evolution of regulatory accounting requirements. However, the purpose of this Decision is to establish a clear and effective regulatory accounting framework going forward. Regardless of prior arrangements, the GCRA considers that an appropriate regulatory accounting framework remains necessary to support the effective monitoring of Sure's dominance obligations.
2	This response is non-confidential and we are happy for it to be published on the GCRA's website.	The GCRA notes Sure's response and will publish it as part of the final decision.
3	Whilst we are generally supportive of the proposals, we note that the GCRA continues to assert that Sure has failed to maintain an appropriate regulatory reporting framework. The GCRA has seemingly sought to sweep aside the history of numerous communications between it and Sure on this matter and we would remind the GCRA that it was Sure, not the GCRA,	The GCRA notes Sure's comments regarding the historical evolution of regulatory accounting requirements. The Authority considers that the purpose of the current consultation is to establish a clear and effective framework going forward. Regardless of prior arrangements, the GCRA

[1] https://www.gcra.gg/sites/default/files/case-document/Proposed%20Decision%20-%20Regulatory%20Accounting%20Guidelines_0.pdf

	that sought for the requirement for annual separated accounts to be maintained. The GCRA has since sought to portray this as a story of perceived deficiency on Sure's part, when it was the GCRA that had removed the requirement. However, it continues to place blame on us for not having maintained our underlying cost accounting system, when there was no obligation or justification for us to have done so.	remains of the view that an appropriate regulatory accounting framework is necessary to support effective monitoring of dominance obligations.
4	It is likely to be a worthless distraction on our part to dwell on the GCRA's erroneous claims and we are therefore prepared to set that disputed matter aside, as long as the GCRA is willing to do the same, to instead beneficially focus on the appropriate collaboration between the parties in relation to the reintroduction of Sure's Regulatory Accounts.	The GCRA welcomes Sure's willingness to focus constructively on the future implementation of regulatory accounting arrangements and considers this approach beneficial to both parties and in the interests of consumers.
5	This response needs to be concise, due to concurrent regulatory commitments on Sure's part, but we have set out below our key areas of interest in relation to the GCRA's Proposed Decision and the Guidelines. In doing so, it must not be misconstrued by the GCRA that we are therefore in agreement regarding all other contents of the document, albeit that we reassert our general support for what the GCRA is trying to achieve through its proposals.	The GCRA notes Sure's statement regarding the scope and conciseness of its response. The Authority has considered the representations provided by Sure and has assessed them on their merits in reaching this Final Decision.
6	In section 3.4 of the Proposed Decision, the GCRA proposes to change the required calculation methodology from Current Cost Accounting (CCA) to Historical Cost Accounting (HCA). We very much support that intention, as not only will this simplify and	The GCRA welcomes this support and confirms that HCA is considered proportionate and suitable for

	speed up the creation and submission of our annual Regulatory Accounts, it will avoid the need for the calculation of our business' capital employed and depreciation to rely on theoretical, rather than actual values. We note that the GCRA's stance aligns with the JCRA's and we welcome the proposed consistency of treatment across the Channel Islands.	Guernsey's market structure, while improving transparency and consistency.
7	We note that on page 12 of the Guidelines the GCRA refers to long-run average incremental cost (LRAIC), but it has since confirmed[2] that this was a typographical error. Likewise, we see on page 18 that reference is made to 'current valuation methodologies'. In both instances, we understand that the GCRA means historical cost/valuation and as such, there is no need for us to express concern over this wording. Obviously, both aspects will need to be corrected in the final version of the Guidelines. However, should the GCRA develop any counter views, we would request that it discusses the matter with us and allows us time to submit a representation on the matter, prior to the finalisation of the Guidelines.	The GCRA confirms these references were included in error and will be corrected in the final Guidelines.
8	We support the GCRA's proposal (in section 3.5 of the Proposed Decision) to remove the requirement for an annual external audit of our Regulatory Accounts. There used to be some merit in an external review of our previous cost models, which were significantly more complex than the GCRA is now proposing, and	The GCRA agrees that removal of the audit requirement is proportionate given the revised framework and the availability of alternative assurance mechanisms.

[2] In an email to Sure of 20/01/26.

	they existed within proprietary software (latterly, CostPerform). As our new, much smaller model will be Excel based, it will inherently provide more visibility to users, and the routing of costs and revenues will be easier to follow as they flow through the allocation and apportionment processes. The absence of an annual audit requirement will also help to speed up the submission timeframe, as once Sure is happy that the model is complete and its appropriate checks have been undertaken, the results will be ready for submission to the GCRA. Again, we note that the GCRA's proposal of not requiring a formal audit aligns with the JCRA's stance and we welcome the proposed consistency of treatment across the Channel Islands.	
9	The cost of the previously required annual audit was borne by Sure, but our clear expectation is that the cost of any future ad hoc reviews will be covered by the GCRA, using funds it receives from telecoms operators, in the form of annual licence fees. After all, any benefits from the outputs of our cost model would be flowed through to other licensed operators.	The GCRA notes this expectation and will consider cost allocation for any reviews on a case-by-case basis.
10	As discussed in section 3.6 of the Proposed Decision and in more detail in the Guidelines, the GCRA is proposing a move from the reporting of products and services to that of markets, with a focus on certain markets in which Sure has been deemed to hold Significant Market Power (SMP). We are supportive of this proposed change and it aligns with the general industry principles applied elsewhere.	The GCRA welcomes this support and confirms that market-based reporting is consistent with regulatory best practice.

11	In section 3.7 of the Proposed Decision, the GCRA refers to products and services as though they were markets, which is not the case. However, in the Guidelines (and as noted above), the appropriate differentiation appears to have been acknowledged by the GCRA.	The GCRA acknowledges this and will ensure consistent terminology in the final Guidelines.
12	Whilst Sure recognises that for markets in which it has been (appropriately) deemed to hold SMP, remedies may be applied by the GCRA, both the GCRA and Sure clearly understand that such remedies do not automatically result in a requirement for the separate reporting of such markets within our Regulatory Accounts. The level of disaggregation, as proposed by the GCRA within Section 7 of its Guidelines, noticeably omits certain markets for which Sure has been deemed to hold SMP. This is to be expected, as to report on all SMP markets separately would be a significant undertaking – one which would require a considerably more complex cost model, with major resource and project duration implications. It could be too unwieldy to manage in an Excel environment, with a risk of data overload, when trying to use the outputs for meaningful regulatory purposes.	The GCRA agrees that reporting requirements must be proportionate and targeted to regulatory need.
13	The GCRA has therefore proposed the reporting of markets that are of specific interest to it. We note that these include Retail Broadband (for which it has recently launched a Market Review) and Retail On-Island Leased Lines (the SMP designation of which was removed by the GCRA in August 2022). This response	The GCRA notes Sure's comments regarding the inclusion of specific markets for which Regulatory Accounts should be prepared.

	document focusses on the current Proposed Decision and the Guidelines themselves, i.e. the reporting framework, rather than our views on the markets that the GCRA is seeking for us to report on. We have strongly opposing views to the GCRA in relation to the appropriateness and relevance of the reporting of any retail markets (and it very much appears that the JCRA shares our views, based on the reporting requirements that it has applied to JT in Jersey). Our formal position will be set out in our separate response to the current Retail Broadband Market Review. Should the GCRA go on to publish a Retail On-Island Leased Lines Market Review, our consistent views and justifications will also be set out in response to that process.	Upon further consideration, the GCRA considers that it is appropriate to remove markets from the RAGs which are currently subject to review. The RAGs will be amended as appropriate following completion of the market reviews into the Retail Broadband and Retail On-Island Leased Lines Market Review (subject to dominance being found and the GCRA concluding it is appropriate and proportionate for separated accounts to be imposed on Sure in those markets).
14	For the avoidance of doubt, Sure does not intend to formally report on any market in which it has not been designated to hold SMP, albeit that once our new cost model has been created, it should assist both the GCRA and us in relation to ad hoc costings.	The GCRA notes this position and confirms that reporting obligations apply only where required by the Guidelines.
15	In the context of Sure's Regulatory Accounts, some minor amendments to the definitions of the GCRA's proposed markets[3] are necessary, to help minimise any ambiguity in interpretation: i. Wholesale On-Island Leased Line Market – Proposed insertion, shown in bold text: '…supplied on a	The GCRA notes that market definitions, dominance designations and the remedies imposed may evolve over time as market conditions change. In light of this, the GCRA has removed the specific market definitions from the RAGs. This approach ensures that the regulatory reporting framework remains

[3] A summary of which is shown on pages 7 &8 of the Guidelines.

	wholesale basis between Sure and other licensed operators[4]…' ii. Mobile Termination Rates – Proposed deletion, shown in bold text: 'The accounts for the retail the MTR market will include…' iii. Retail On-Island Leased Line Market – Proposed changes, shown in bold text: '…using Sure's wholesale products or those of other on-island infrastructure providers. The costs for this market are the cost of providing the retail service (billing, support, sales, marketing, etc.) and the wholesale costs charges of the products sold.'	sufficiently flexible to reflect the outcomes of current and future market review processes without requiring further amendments to the Regulatory Accounting Guidelines.
16	Turning our focus to the proposed requirements for the reporting of markets, for those that are relevant, we are happy to provide a Profit and Loss ("P&L") Account, a Balance Sheet and associated Return on Mean Capital Employed ("ROCE") statement. Whilst the GCRA has provided a pro forma, showing separate reports for each SMP market, we propose that for each financial summary (e.g. P&L, Balance Sheet and associated ROCE) all reported markets are shown in the same table, rather than individually. There would be no impact on the level of detail provided, but presenting all markets together in each table would produce more concise and readily comparable results.	The GCRA agrees this may be acceptable provided transparency and comparability are maintained.

[4] For the avoidance of doubt, both Sure's wholesale and retail activities are performed under the same telecommunications licence, but in the context of accounting separation, Sure's retail on-island leased line market would be treated on an arm's length basis (i.e. in equivalence with Other Licensed Operators).

17	We also acknowledge the GCRA's desire for Sure to provide non-discriminatory notes in the form of transfer charges. With fewer business areas than used to be reported on (previously as products and services) there appears to be no benefit in us providing both a Transfer Charge Statement and an Inter-Business Costs Summary. The former will provide the greater level of detail and therefore the proposed requirement for the latter should be dropped.	The GCRA notes Sure's view that requiring both a Transfer Charge Statement and an Inter-Business Costs Summary may result in duplication. However, Officers considers that the two statements serve different regulatory purposes. The Transfer Charge Statement provides information on internal charges between business units or markets and assists in monitoring non-discrimination and potential margin squeeze. The Inter-Business Costs Summary, by contrast, provides visibility of how costs are allocated across markets and service jurisdictions, enabling the assessment of potential cross-subsidisation, including across Sure's operating jurisdictions. The GCRA therefore considers that both statements remain necessary at this stage. However, if the Transfer Charge Statement is shown in practice to provide sufficient detail on cost allocation, the requirement for a separate Inter-Business Costs Summary may be reviewed in future in line with the principle of regulatory proportionality.
18	With regard to the GCRA's proposed remaining reporting criteria, Sure is amenable to providing reconciliations between its statutory accounts and the Financial Statements of its Regulatory Accounts. We understand, through informal discussions between the GCRA and Sure, that the GCRA is likely	The GCRA confirms reconciliations are required for assurance purposes but do not need to be published.

	to be amenable to Sure not publishing these reconciliations (one relating to our P&L; the other to our Balance Sheet). The reason why this is important to us is that we have no legal obligation to disclose such financial information for any statutory purposes. It would therefore be inappropriate for the GCRA to seek to require us to unnecessarily publish confidential financial information, especially when it has no relevance to the results of the individual markets.	
19	We note that the GCRA is seeking for Sure to be explicit about 'any difference between the costs allocated to different activities by Sure and the costs that the GCRA allowed for the purpose of determining charges which are based on the prevailing wholesale charges'[5]. We would generally term the calculation of such elements 'manual transfer charges', as opposed to those that had been automatically calculated by our model. We also note that 'for accounting separation purposes, it should be assumed that in any of Sure's retail markets in which it is deemed to hold SMP, it pays the same interconnection or access charge for the same service as would apply to wholesale customers[6].' We therefore deduce from this that Sure's accounting policies in this regard will be applied on the same basis as those of our previously submitted Reference Offer Based Statements[7], as opposed to our previously submitted Cost Based Statements	The GCRA welcomes this acceptance as it supports non-discrimination principles.

[5] Page 9 of the Guidelines.
[6] Page 18 of the Guidelines.
[7] Also known as Sure's Published Separated Regulatory Accounts.

	(the latter not having recognised standard wholesale charges). Having considered the matter, we are amenable to the GCRA's proposal.	
20	The GCRA proposes that once Sure's financial calculations have been completed, our Regulatory Accounts would need to be signed off. On page 9 of the Guidelines it states that 'these Regulatory Accounts should include a statement in writing from at least one Director of the company confirming that they are verified and accurate'. However, we believe that it would be more appropriate and robust to use an excerpt of the wording that was previously used by us, as part of our Statement of Responsibility. We propose that the following wording be used instead: 'Sure confirms that the Regulatory Accounts for the year ended 31st December [Year] have been reconciled to the relevant Statutory Accounts and to the best of its knowledge have been prepared in accordance with the requirements of the relevant Conditions of its Fixed and Mobile Telecommunications Licences'.	The GCRA notes Sure's comment regarding the requirement for a Director's written confirmation of the Regulatory Accounts and also further revises the certification requirement to be "These Regulatory Accounts should include a signed written statement from at least one of Sure's company directors confirming that the Regulatory Accounts for the year ended 31st December [Year] have been reconciled to the relevant Statutory Accounts and to the best of its knowledge and belief have been prepared in accordance with the requirements of the relevant Conditions of its Fixed and Mobile Telecommunications Licences and to these Regulatory Accounting Guidelines."
21	We are grateful to the GCRA for having acknowledged that the first year's submission made by Sure will take more time to complete than in future years. The GCRA is proposing a nine month post year-end requirement for the first year and then six months post year-end for future years, which we are amenable to and will do our best to achieve. Looking at the timeframes in more detail has led us to believe that our 2027 Financial	The GCRA acknowledges these challenges and agrees the first year (2026) should be treated as transitional and that the 2027 regulatory accounts that will be submitted to the Authority in 2028 would be the first set of regulatory accounts that will be fit for purpose.

	Statements (which are due to relate to our Year 2 submission) will provide the first reliable results. Our key considerations in this regard are set out below: i. Our new model has not yet been built. It would have been inappropriate and risky for us to have done so, prior to the finalisation of the regulatory framework (including the Guidelines, currently under formal consultation by the GCRA). It will take a number of months to design, create and test our new model, albeit that we are due to start collecting some of the cost driver data next month (February 2026). The remaining driver data cannot be collated until later in 2026, meaning that some of the data will not have been captured from the beginning of 2026. It will instead be necessary to extrapolate certain driver data, rendering some values unreliable. We will use our 2025 statutory accounting data (primarily General Ledger values) as a proxy for our 2026 accounting data, as the latter cannot not be made available until early 2027. Therefore, neither financial nor driver data for 2026 will deliver reliable results. We are amenable to the GCRA's proposed external review (in place of a formal audit, as mentioned in paragraphs 8 and 9 of this response) being undertaken once our 2026 cost model has been built, but it must be recognised that the model will not be	

<table>
<tr><td></td><td>fully fit for purpose until the 2027 version has been created, for the reasons set out above.
ii. The aforementioned 2027 version should be treated as Sure’s formal model, providing the first set of robust data and reliable results. On that basis, it would not be appropriate for us to publish information based on 2026 data, as those ‘test’ results could send incorrect signals to the market – something that would be unnecessarily misleading for stakeholders. Our 2027 results should be suitable for publication, with the caveat set out in paragraph 18 of this response, regarding the inappropriateness of us publishing our P&L and Balance Sheet reconciliations.</td><td></td></tr>
<tr><td>22</td><td>The following table provides a summary of Sure’s logic:
<table>
<tr><th>Activity</th><th>2026 Model</th><th>2027 Model</th></tr>
<tr><td>Design/creation of model</td><td>Will occur during 2026</td><td>Will already exist, prior to Jan 2027 opening period</td></tr>
<tr><td>Financials</td><td>Not all of the necessary GL structures (and sub accounts) will exist for the full accounting period. Model to be built using 2025 values, with a swap-out to 2026, once available in early 2027</td><td>GL structure will have existed prior to Jan 2027 (i.e. will be in place for entirety of 2027)</td></tr>
</table></td><td>The GCRA notes Sure’s proposed timeline summary and is in agreement with the timeline set out.</td></tr>
</table>

<table>
<tr>
<td></td>
<td>
<table>
<tr><td>Driver data collection</td><td>Mostly during/after model build</td><td>Full year data, from Jan 2027, where relevant</td></tr>
<tr><td>Status/quality of model</td><td>Initial results, which should be considered to bring the build and testing phase to completion</td><td>Results fit for purpose</td></tr>
<tr><td>Publication of results</td><td>Unsuitable (with risk of misleading the market)</td><td>Fit for purpose [reconciliations not to be published]</td></tr>
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<td>23</td>
<td>Once the results have been deemed to be fit for purposes (i.e. 2027 results, submitted to the GCRA by June 2028 at the latest), the GCRA should be in a position to rely on them for future price control purposes, amongst other things.</td>
<td>The GCRA notes Sure’s comment that only the 2027 results should be considered suitable for publication and considers this to be appropriate.</td>
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<td>24</td>
<td>In summary, we generally welcome the GCRA’s considerations – set out in its Proposed Decision and its Guidelines – and we look forward to continuing to work constructively with the GCRA to achieve the most appropriate and timely outputs to this refocussed accounting separation process.</td>
<td>The GCRA welcomes Sure’s constructive engagement and looks forward to continued cooperation.</td>
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