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Objective

- 1 To seek preliminary views from EFRAG TEG on the IASB tentative decisions on the accounting model for regulatory assets and liabilities (RRA project) with respect to:
 - (a) interaction with IFRS Standards;
 - (b) presentation and disclosures; and
 - (c) transition requirements.
- 2 EFRAG TEG discussed the scope of the RRA project, recognition and measurement of regulatory assets and liabilities at its meeting in November 2019.

Background

- 3 The model will apply to activities subject to 'defined rate regulation', established through a formal regulatory framework that (i) is binding on both the entity and the regulator; (ii) defines a basis for setting the rate to be charged to the entity's customers for goods or services; and (iii) gives rise to enforceable rights and obligations. It is therefore necessary that a tripartite relationship exists (regulator, entity and customer) for an activity to be within the scope of the RRA project.
- 4 The aim of the RRA project is to provide users of financial statements of entities with activities within its scope with a more complete set of information regarding the entity's statement of financial performance and financial position, by recognising rights and obligations stemming from the regulatory agreement that are not covered by existing IFRS Standards.
- 5 The model is a 'supplementary approach', which will integrate the requirements of existing IFRS Standards: an entity will apply the requirements of other IFRS Standards without modification, such as IFRS 15 *Revenue from Contracts with Customers*, IFRIC 12 *Service Concession Arrangements* and IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*, when applicable, before applying the model being developed.
- 6 The EFRAG Rate-regulated Working Group (RRAWG) met on 23 October 2019 to discuss the various aspects of the RRA project and how it might be applied in practice. EFRAG TEG received a summary of the outcome of the RRAWG meeting at its meeting in November 2019.

Next steps

- 7 In December EFRAG launched a call for candidates to renew the membership of the RRAWG, with a deadline of 20 January 2020. EFRAG plans to meet with the

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renewed RRAWG once the IASB publishes its exposure draft on the accounting for rate-regulated activities. At this stage, publication is expected in the second quarter of 2020. The comment period is expected to be 120 days.

- 8 The EFRAG Secretariat plans to undertake outreach activities once there is a clearer understanding of the wording of the scope and the application guidance to be included in the exposure draft. The purpose of the outreach would be to gather more-in-depth insight on:
 - (a) Which rate-regulated activities and accompanying fact patterns, other than activities of utility companies, might be affected by the scope of the project. Discussions so far have stressed that the current definition of defined rate regulation may be too broad and include a wider range of activities/fact patterns than initially anticipated.
 - (b) Whether the proposals pose any significant application issues or raise other questions given the regulatory framework for which they are intended. Discussions so far have identified potential concerns regarding the complexity of applying the recognition criteria and measurement principles.
- 9 The EFRAG Secretariat will also communicate with the IASB staff to understand the level of outreach the IASB plan to schedule on this project and whether outreach might be undertaken jointly with EFRAG and other interested parties in order to avoid duplication of efforts.

Agenda Papers

- 10 In addition to this cover note, agenda papers for this session are:
 - (a) Agenda paper 07-02 – Issues paper – Interaction with IFRS Standards;
 - (b) Agenda paper 07-03 – Issues paper – Presentation and disclosures; and
 - (c) Agenda paper 07-04 – Issues paper – Transition requirements.