

IASB Exposure Draft *Regulatory Assets and Regulatory Liabilities* Cover Note

Objective

- 1 On 28 January 2021, the IASB published its Exposure Draft *Regulatory Assets and Regulatory Liabilities* (the ED) with a comment period ending on 31 July 2021.
- 2 EFRAG Rate-Regulated Activities Working Group (RRAWG) discussed EFRAG's initial draft responses to the ED and the Illustrative Examples accompanying the ED across three meetings held on 16 February, 4 and 11 March 2021. Comments received from EFRAG RRAWG are reflected in the EFRAG initial draft comment letter (agenda paper 01-04).
- 3 The findings from the early-stage effects analysis outreach to preparers and users and feedback from earlier EFRAG RRAWG and EFRAG TEG sessions held in 2019 and 2020- have also been factored into the development of the initial draft comment letter.
- 4 The objective of this session is to:
 - (a) discuss and obtain EFRAG TEG's input on EFRAG's initial draft comment letter; and
 - (b) obtain EFRAG TEG's recommendation of the draft comment letter to the EFRAG Board for approval (EFRAG Board approval session is scheduled for 7 April).
- 5 We note that the EFRAG RRAWG Chairman's report (paper 01-02) complements the analysis in the initial draft comment letter. From the engagement with the RRAWG and other stakeholders, we highlight the following priority areas as those that will need particular attention from the EFRAG TEG members:
 - (a) Scope of the model – **Summary above paragraph 28 & Paragraphs 41 to 67**
 - (b) Total allowed compensation (treatment of regulatory returns for construction work in progress) – **Summary above paragraph 106 & Paragraphs 106 to 117**
 - (c) Measurement requirements (application of a regulatory boundary) – **Summary above paragraph 159 & Paragraphs 166 to 174**
 - (d) Measurement requirements (discounting requirements and the use of minimum adequate rate) – **Summary above paragraph 191 & Paragraphs 191 to 203**
 - (e) Disclosure requirements – **Summary above paragraph 237 & Paragraphs 237 to 248**
 - (f) Interaction with other standards (IFRIC 12- **Paragraphs 274-277**, exemption from IFRS 3, goodwill treatment- **Paragraphs 278-283**) – **Summary above paragraph 273**
- 6 Another point of note is that the RRAWG members proposed that EFRAG recommends the establishment of a transition resource group (TRG) akin to that established for IFRS 15 and IFRS 17- considering the potential for misinterpretation of the model. They also recommended that EFRAG requests for additional illustrative examples on disclosures and the total allowed compensation components.

- 7 The proposed current deadline for responses to EFRAG's draft comment letter is 28 June shortly before the current IASB deadline of 30 June that is expected to be extended. On 23 March, the IASB will be discussing extending its deadline by 30 days to the end of July. Subject to a change in the IASB deadline, EFRAG expects to also extend its deadline to 28 July 2021 to maximise outreach feedback and possible responses to the draft comment letter.

Questions for EFRAG TEG

- 8 Do you agree or disagree with EFRAG initial responses and proposed questions to constituents in the draft comment letter as outlined below:
- (a) Question 1: Objective and Scope (Summary response above Paragraph 28; Detailed response- Paragraphs 28-63); Questions to constituents on self-regulation activities, unintended consequences, and alternative view on scope (Paragraphs 64-67)
 - (b) Question 2: Regulatory assets and regulatory liabilities (Summary response above Paragraph 81; Detailed response- Paragraphs 81-101)
 - (c) Question 3: Total allowed compensation (Summary response above Paragraph 106; Detailed response- Paragraphs 106-114); Questions to constituents on pervasiveness of CWIP with regulatory returns and on arising implementation issues (Paragraphs 115-116)
 - (d) Question 4: Recognition (Summary response above Paragraph 130; Detailed response- Paragraphs 130-138); Questions to constituents on recognition threshold (Paragraph 139)
 - (e) Question 5: Measurement (Summary response above Paragraph 159; Detailed response- Paragraphs 159-176); Questions to constituents on regulatory boundary application (Paragraph 177)
 - (f) Question 6: Discounting (Summary response above Paragraph 191; Detailed response- Paragraphs 191-203)
 - (g) Question 7: Items affecting regulated rates only when related cash is paid or received (Summary response above Paragraph 207; Detailed response- Paragraphs 207-211)
 - (h) Question 8: Presentation in the statement (s) of financial performance and position (Summary response above Paragraph 219; Detailed response- Paragraphs 219-223)
 - (i) Question 9: Disclosures (Summary response above Paragraph 237; Detailed response- Paragraphs 237-247); Questions to constituents on priority disclosures (Paragraph 248)
 - (j) Question 10: Effective Date and Transition (Summary response above Paragraph 252; Detailed response- Paragraphs 252-257)
 - (k) Question 11: Other Standards (Summary response above Paragraph 273; Detailed response- Paragraphs 273-289); Questions to constituents on IFRIC 12 fact patterns and views on proposed goodwill treatment (Paragraphs 290-291)
 - (l) Question 12: Likely effects of the proposals (Summary response above Paragraph 310; Detailed response- Paragraphs 310-323)
 - (m) Question 13: Other comments (Paragraphs 324-326)
- 9 Does EFRAG TEG, subject to its proposed changes, recommend the draft comment letter to the EFRAG Board for approval?

Agenda Papers

- 10 Accompanying this cover note are the following agenda papers:
- (a) Agenda paper 01-02: EFRAG RRAWG Chairman's report;
 - (b) Agenda paper 01-04: Initial Draft Comment Letter;
 - (c) Agenda paper 01-05: ESA-outreach preparer report (for reference);
 - (d) Agenda paper 01-06: ESA-outreach user report (for reference);
 - (e) Agenda paper 01-07: IASB Snapshot of the ED (for background only);
 - (f) Agenda paper 01-08: IASB Exposure draft (for background only);
 - (g) Agenda paper 01-09: IASB - Illustrative examples (for background only);
 - (h) Agenda paper 01-10: IASB Basis for Conclusions (for background only); and
 - (i) Agenda paper 01-11: IASB presentation on rate-regulated activities US GAAP comparison (for background only).