
Accounting Standards Advisory Forum meeting

Date	September 2022
Project	Rate-regulated Activities
Topic	Scope and total allowed compensation
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Purpose of this session

- Provide an update on the redeliberations of the Exposure Draft *Regulatory Assets and Regulatory Liabilities* (Exposure Draft).
- Seek your views on whether the tentative decisions to date on scope and total allowed compensation help address stakeholders' concerns about the proposals.

Question for ASAF members

- Slide 8 includes a question for ASAF members.
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Agenda

IASB's tentative decisions made in Q2 2022

Appendix—Topics still to be redeliberated and summary of tentative decisions up to date

IASB's tentative decisions Q2 2022



Tentative decisions—Total allowed compensation

Components of total allowed compensation

AP9A July 2022

- **Purpose:** discuss stakeholders' concerns that the proposed components of total allowed compensation in paragraph B2 of the Exposure Draft did not reflect the economics of incentive-based schemes.
- **Tentative decision:** the application guidance will focus on helping entities to identify differences in timing instead of specifying the components of total allowed compensation. To do so, the application guidance will focus on the most common differences in timing that could arise from various types of regulatory schemes.

Regulatory returns on an asset not yet available for use

AP9B and AP9C July 2022

- **Purpose:** discuss stakeholders' concerns about the proposed treatment of returns on assets not yet available for use (paragraph B15 of the Exposure Draft).
 - **Tentative decision:** the Standard will specify that when an entity has an enforceable present right to regulatory returns on an asset not yet available for use, those returns should form part of the total allowed compensation for goods or services supplied during the construction period of that asset. The Standard will provide guidance for entities to assess whether their rights to these regulatory returns are enforceable.
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Tentative decisions—Scope

Customers

AP9D May 2022

- **Purpose:** to address application questions raised by stakeholders relating to the term ‘customers’ in the Exposure Draft.
- **Tentative decision:** the IASB decided that for a regulatory asset or a regulatory liability to arise, it is necessary that differences in timing originate from, and reverse through, amounts included in the regulated rates that an entity accounts for as revenue in accordance with IFRS 15 *Revenue from Contracts with Customers*.

This would imply that the term ‘customers’ in the Exposure Draft should be understood as defined in IFRS 15.

Financial instruments within the scope of IFRS 9

AP9E May 2022

- **Purpose:** to clarify the interaction between the model and IFRS 9 *Financial Instruments*.
 - **Tentative decision:** the expectation is that regulatory assets or regulatory liabilities would not arise from financial instruments within the scope of IFRS 9. Because of this, the IASB decided not to exclude from the scope of the Standard regulatory assets or regulatory liabilities related to financial instruments within the scope of IFRS 9. Instead the Basis for Conclusions will explain that the regulation of interest rates is typically limited to setting a cap or floor on interest rates. This type of regulation is not expected to give rise to differences in timing.
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Question for ASAF members



Question for ASAF members

Do the tentative decisions on the following topics help address the concerns raised by stakeholders in your jurisdiction:

- total allowed compensation (slide 5); and
 - scope (slide 6)?
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Appendix

Total allowed compensation—topics to be discussed at future IASB meetings

Allowable expenses

- Regulatory assets and regulatory liabilities arising from differences between regulatory recovery period and assets' useful lives.
- Expenses becoming allowable by reference to local GAAP.
- Allowable expenses based on benchmark figures.

Inflation adjustments

Performance incentives

Scope—topics to be discussed at future IASB meetings

Interaction with IFRIC 12 *Service Concession Arrangements*.

Interaction with IFRS 17 *Insurance Contracts*.

Enforceability of rights and obligations—to be discussed when redeliberating recognition and measurement.

Scope—tentative decisions discussed at March 2022 ASAF meeting

Determining whether
a regulatory
agreement is within
the scope of the
proposals

[AP9B February 2022](#)

Purpose: to reconfirm specific aspects of the proposals on the scope and address concerns raised on the difficulty of determining whether a regulatory agreement is within the scope of the Standard.

Tentative decisions:

- a) The IASB decided to reconfirm:
 - i. an entity applies the Standard to all regulatory assets and regulatory liabilities;
 - ii. the Standard applies to all regulatory agreements and not only to those that have a particular legal form; and
 - iii. the conditions necessary for a regulatory asset and regulatory liability to exist.
- b) The IASB decided:
 - i. not explicitly to specify in the Standard which regulatory schemes would be within or outside its scope.
 - ii. the Standard will clarify the relevance of features of some regulatory agreements for entities to determine whether they are in its scope.

Scope—tentative decisions discussed at March 2022 ASAF meeting

Definition of a regulator

AP9C February 2022

Purpose: to address concerns on the lack of clarity of whether a regulator is required for a regulatory asset or regulatory liability to exist.

Tentative decision: the IASB decided the Standard will:

- a) include the existence of a regulator as part of the conditions necessary for a regulatory asset or a regulatory liability to exist.
 - b) define a regulator as ‘a body that is empowered by law or regulation to determine the regulated rate or a range of regulated rates’.
 - c) include guidance to clarify self-regulation.
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