

STAFF PAPER

October 2017

Consultative Group for Rate Regulation Meeting

Project	Rate-regulated Activities		
Paper topic	Overview of papers		
CONTACT(S)	Jane Pike	jpike@ifrs.org	+44 (0)20 7246 6925
	Mariela Isern	misern@ifrs.org	+44 (0)20 7246 6483

This paper has been prepared for discussion at a public meeting of the International Accounting Standards Board's (the Board's) Consultative Group for Rate Regulation and does not represent the views of the Board or any individual member of the Board. Comments on the application of IFRS[®] Standards do not purport to set out acceptable or unacceptable application of IFRS Standards. Technical decisions are made in public and reported in IASB[®] Update.

Purpose of discussions at this meeting

1. In previous meetings, Consultative Group members have provided valuable input to inform the staff's analysis on a form of rate regulation we label 'defined rate regulation'. Our analysis is being used to develop a new accounting model (the model) for rate-regulated activities. The model is focusing on accounting for an entity's rights and obligations arising from the rate-adjustment mechanism set out in regulatory agreements established by defined rate regulation.
2. Board members have, during discussions about the staff's analysis, asked practical questions about the operation of the rate-adjustment mechanism. At this meeting, we ask Consultative Group members to provide further input based on your practical experience that we can use to develop further the model.
3. The meeting will begin with the staff presenting an overview of the Board's discussions about the development of the model so far (agenda paper AP2). The remaining papers each ask Consultative Group members to provide factual information about different aspects of defined rate regulation and the operation of the rate-adjustment mechanism.
4. Each agenda paper contains some detailed questions that Consultative Group members may find helpful to consider when gathering and reporting the

information. However, we do not expect all group members to answer all of these questions in the time available during the meeting—they are intended to guide group members about the type of information we are seeking.

5. The information we are seeking is outlined in the following papers:
- (a) **AP2: Defining the scope**—We ask Consultative Group members whether the description of ‘defined rate regulation’ being used by the Board in its discussions is sufficiently clear to enable entities to identify whether they may have activities within the scope of the model.
 - (b) **AP3: Rights and obligations**—We ask Consultative Group members to provide information about how entities identify rate-adjustment amounts and how individual rate-adjustment balances are tracked through to amounts billed to customers.
 - (c) **AP4: Uncertainty**—We ask Consultative group members to provide information about the sources of uncertainty arising from the rate-adjustment mechanism and how such uncertainty is dealt with in practice, for both regulatory and financial reporting purposes, when recognising and measuring rate adjustments.
 - (d) **AP5: Identifying the interest rate or return rate**—We ask Consultative Group members to provide information about whether, and if so how, rate regulators compensate or charge an entity for the time-lag between the transaction or other event that originates a rate adjustment and the inclusion of that rate adjustment in the amounts billed to customers.
 - (e) **AP6: Presentation and disclosure**—We ask Consultative group members to provide information about how feasible it is to disaggregate information about individual rate-adjustment account balances and to track when the balances are included in amounts billed to customers.