

## STAFF PAPER

June 2019

IASB<sup>®</sup> meeting

Project	Rate-regulated activities		
Paper topic	Cover note		
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**Purpose of the session**

1. The purpose of this meeting is:
  - (a) to provide additional analysis in response to questions raised by Board members on matters presented in the May 2019 education session and on additional areas identified in the agenda papers for that meeting;
  - (b) to ask the Board for decisions on revised and new recommendations arising from the analysis in (a); and
  - (c) to ask Board members whether they have any concerns about the package of proposals presented in this meeting that may cause them to vote against a future staff request to begin drafting the planned consultation paper.
2. In this meeting, we will discuss the following agenda papers and ask the Board for decisions about the aspects of the model presented in them:
  - (a) **Agenda Paper 9A** *Principles of the model: a summary* provides a summary description of the refined principles underlying the model and asks for a decision about the description of the unit of account.
  - (b) **Agenda Paper 9B** *Scope, definitions of regulatory assets and liabilities, recognition and derecognition* asks for decisions about updating the scope

and asset/ liability definitions to reflect the refined description of the model, retaining the recognition criteria and confirming no further requirements need to be developed for derecognition.

- (c) **Agenda Paper 9C *Measurement principles*** provides a summary of the model’s refined measurement principles and asks for three decisions confirming aspects of these principles, including three questions which represent a change of a previous tentative decision.
  - (d) **Agenda Paper 9D *Measurement: discounting estimated cash flows*** asks for decisions about how an entity applying the model would assess the adequacy of the regulatory interest rate or return rate and how to identify what discount rate to use when applying the cash-flow-based measurement technique.
  - (e) **Agenda Paper 9E *Presentation and disclosure*** asks the Board to reconsider its tentative decision about the presentation of regulatory income/ (regulatory expense) related to items of expense or income presented in other comprehensive income (OCI) and to decide about proposed additional disclosures for regulatory interest and regulatory return income or expense.
3. In a separate education session that will be held before we ask the Board for decisions on agenda papers 9A-9E, staff will present the following paper:
- Agenda Paper 9F *US GAAP comparison***, which provides a high-level summary of key differences between the proposed model and US GAAP requirements.
4. In addition, the following paper is provided for information purposes only:
- Agenda Paper 9E *Summary of tentative decisions made to date*** summarises the Board’s tentative decisions to date and outlines staff views on the consistency of those decisions with the refined description of the model and further analysis in Agenda Papers 9A-9E.
5. Much of the content of Agenda Papers 9A-9C is based on the equivalent paper presented in May 2019. In these papers, staff have highlighted additional and amended material by placing it in boxes for ease of distinguishing this from the

material carried forward from May 2019. Although much material in Agenda Paper 9D builds on Agenda Paper 9C discussed in May 2019, it has been restructured and edited to aid flow with the new material. Consequently, staff have not distinguished between unchanged and new material in this paper. Agenda Papers 9E and 9F present new material.

## Next steps

6. Staff consider that the package of materials in the agenda papers for this meeting provide sufficient content for the staff to begin planning for drafting an exposure draft consultation, rather than a discussion paper. Before asking for permission to begin the balloting process for an exposure draft, which we aim to do in July or September 2019, we aim to bring further analysis for decisions about:
  - (a) interaction of the model with IFRS 3 *Business Combinations*;
  - (b) recognition issues specific to:
    - (i) performance incentives provided by the regulatory agreement; and
    - (ii) uncertainty caused by renewal clauses in the regulatory agreement;
  - (c) transition guidance; and
  - (d) consequential amendments.
  
7. Prior to the December 2018 Board meeting, staff planned to bring in early 2019 a summary of the model covering the issues contained in the package of materials brought to this meeting, with the aim of publishing the consultation document in late 2019. The discussions in the December meeting resulted in staff spending longer than anticipated in developing this package. Although we are not yet ready to ask for permission to begin the balloting process, we are confident that the refinements to the description of the model will aid significantly in drafting the consultation document and we now anticipate publication of the consultation document in Q1 2020.

**Question for the Board**

1. Do Board members have any concerns about the package of materials presented in this meeting that may cause them to vote against a request to begin the balloting process for an exposure draft?