

STAFF PAPER

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Project	Rate-regulated Activities		
Paper topic	Feedback summary—Objective and Scope		
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Objective

1. This paper analyses the feedback from comment letters and outreach events on the proposed objective and scope, set out in the Exposure Draft [Regulatory Assets and Regulatory Liabilities](#) (Question 1 of the Invitation to Comment).

Key messages

2. Most respondents agreed with the objective of the Exposure Draft to provide relevant information that faithfully represents how regulatory income and regulatory expense affect an entity's financial performance and how regulatory assets and regulatory liabilities affect its financial position. Some of these respondents also acknowledged there is a need for a Standard that addresses the accounting for regulatory assets and regulatory liabilities.
3. Many respondents agreed with the proposed scope—that is, to apply the [draft] Standard to all of an entity's regulatory assets and regulatory liabilities. Respondents also said the proposals were clear enough to enable an entity to determine whether a regulatory agreement gives rise to regulatory assets and regulatory liabilities.
4. However, many respondents said the proposed scope may be broader than intended and that there is a risk the final requirements may be applied inappropriately. This perception is mainly caused by:

- (a) uncertainty about which regulatory agreements, arrangements and activities would be within or fall outside the scope of the proposals (paragraph 19(a));
 - (b) uncertainty about the interaction between the proposals and IFRS 15 *Revenue from Contracts with Customers*, IFRS 9 *Financial Instruments*, IFRS 17 *Insurance Contracts* and IFRIC 12 *Service Concession Arrangements* (paragraphs 19(b)–19(d)); and
 - (c) a lack of clarity about:
 - (i) the proposed definition of ‘regulatory agreement’ (paragraph 30); and
 - (ii) whether the existence of a regulator is required for assessing whether a right or obligation meets the definition of regulatory asset or regulatory liability (paragraphs 45–50).
5. The proposals define regulatory assets and regulatory liabilities as enforceable present rights and enforceable present obligations. Many respondents said that assessing whether rights and obligations are enforceable could be very challenging particularly in jurisdictions where the regulatory environment is not fully developed and when entities need to make assessments beyond the current regulatory period (paragraphs 36–38).
6. Many respondents recommended providing further clarity and guidance on the aspects mentioned above to minimise the risk the final Standard:
- (a) unintentionally captures a wide range of regulatory agreements, arrangements and activities.
 - (b) may not be applied consistently.

Structure of the paper

7. The feedback received on the proposed objective and scope is structured as follows:
- (a) Question 1(a)—Objective of the Exposure Draft (paragraphs 8–13);
 - (b) Question 1(b)—Proposed scope (paragraphs 14–20);
 - (c) Question 1(c)—Clarity of the conditions necessary for a regulatory asset or regulatory liability to exist (paragraphs 21–39);

- (d) Question 1(d)—Legal form of the regulatory agreement and regulator (paragraphs 40–50);
- (e) Question 1(e)—Unintended consequences of the proposed scope (paragraphs 51–53); and
- (f) Question 1(f)—Other rights and obligations created by a regulatory agreement (paragraphs 54–57).

Question 1(a)—Objective of the Exposure Draft

Proposed requirements

8. Paragraph 1 of the Exposure Draft sets out the proposed objective: an entity should provide relevant information that faithfully represents how regulatory income and regulatory expense affect the entity’s financial performance, and how regulatory assets and regulatory liabilities affect its financial position.

Summary of comments received

9. The Board asked stakeholders whether they agreed with the objective of the Exposure Draft.
10. Most respondents agreed with the objective of the Exposure Draft. Many of these respondents said that rate-regulated entities operate in an environment that gives rise to rights and obligations that should be reflected in IFRS financial statements. According to these respondents, the reflection of these rights and obligations would enable users of financial statements to understand how rate regulation affects financial performance, financial position and cash flows.
11. Some respondents that agreed with the objective of the Exposure Draft also commented on the current lack of guidance within IFRS Standards on whether and how to reflect these rights and obligations in the financial statements. This intensified their support for a Standard on regulatory assets and regulatory liabilities. According to these respondents, such a Standard would also increase comparability between entities subject to rate regulation and those that are not.

12. A few respondents that expressed support for the objective of the Exposure Draft were, however, of the view that some aspects of the proposals might not meet the stated objective:
- (a) a European national standard-setter and a few preparers in Europe said the proposed requirement for entities to reflect returns on an asset not yet available for use in profit or loss during the operating phase of the asset contradicted the objective of the proposals because the proposed requirement:
 - (i) fails to reflect the substance of regulatory agreements; and
 - (ii) would not enhance users' understanding of the relationship between an entity's revenue and expenses or allow them to better assess an entity's prospects for future cash flows. See Agenda Paper 9C.
 - (b) a few preparers in Europe and a regulator in Asia-Oceania disagreed with the proposals for allowable expenses (paragraphs B3–B9 of the Exposure Draft). According to these respondents, the proposals artificially link the timing of recognition of regulatory compensation with that of IFRS expenses. These respondents thought the proposals fail:
 - (i) to reflect the economics of the regulatory agreements—particularly allowance-based regulatory schemes—and;
 - (ii) to provide users of financial statements with information to better assess an entity's prospects for future cash flows. See Agenda Paper 9C.
13. A few respondents—an accountancy body in Africa and a preparer in Europe—disagreed with the objective of the proposals. The main reasons for their disagreement are as follows:
- (a) a lack of clarity about what makes regulatory agreements different to any other agreement.
 - (b) their interpretation of the proposals as requiring expenses incurred in a period to be recognised in later periods.

Question 1(b)—Proposed scope***Proposed requirements***

14. Paragraph 3 of the Exposure Draft proposes that an entity applies the [draft] Standard to all its regulatory assets and regulatory liabilities.

Summary of comments received

15. The Board asked stakeholders:
 - (a) whether they agree with the proposed scope; and
 - (b) if they disagree, what scope they would suggest.
16. Many of the respondents—mainly preparers, accountancy bodies and academics in Latin America, Africa and Europe—agreed with the proposed scope. According to these respondents, all regulatory assets and regulatory liabilities need to be accounted for to enable users of financial statements to better understand rate-regulated entities' financial performance, financial position and cash flows. In addition, they found the scope proposals were clear.
17. A few of these respondents identified a few advantages in focusing the scope of the proposals on the creation of regulatory assets and regulatory liabilities:
 - (a) it is an efficient approach as it ensures the inclusion of different types of regulatory schemes without needing to identify and define them; and
 - (b) it helps avoid sector specific accounting.
18. However, many other respondents had concerns about the proposed scope as they were uncertain about whether specific arrangements, activities, fact patterns or situations would be within the scope of the proposals. These uncertainties led to some respondents expressing concerns that the proposed scope may be broader than intended.
19. These respondents recommended that the Board:
 - (a) clarify the regulatory agreements, arrangements and activities that would be affected, or that would not be affected, by the final Standard, for example by

including in the final Standard more guidance and examples. Clarifying the scope in this way would help minimise the risk that the requirements are inappropriately applied.

- (b) clarify the interaction between the proposals and IFRS 15 *Revenue from Contracts with Customers*. A few respondents, including a few representative bodies of preparers in the banking sector in Europe, suggested this could be done by specifying that regulatory assets and regulatory liabilities exist if they give rise to future adjustments to revenue from contracts with customers as defined in IFRS 15. These respondents thought that such an approach would remove uncertainty as to whether banking services or insurance contracts would be in the scope of the proposals.
- (c) scope out agreements, arrangements and activities that would be within the scope of IFRS 9 *Financial Instruments* and IFRS 17 *Insurance Contracts*:
 - (i) a few national standard-setters in North America, Europe and Asia-Oceania suggested the Board could exclude from the scope agreements, arrangements and activities within the scope of IFRS 9.
 - (ii) a few national standard-setters in Asia-Oceania, North America and Europe and a body of preparers in the insurance industry in Asia-Oceania recommended a scope exclusion for insurance contracts that could be subject to rate regulation.
- (d) clarify the interaction between the proposals and IFRIC 12 *Service Concession Arrangements*:
 - (i) many respondents are of the view the final Standard should provide further clarification about the interaction between the proposals and IFRIC 12. Specific comments on this matter are included in Agenda Paper 9H.
 - (ii) a national standard-setter and a preparer in Europe recommended that arrangements in the scope of IFRIC 12 be excluded from the scope of the final Standard. This is because they did not gather evidence that users of financial statements would gain additional information by applying the proposals in addition to the requirements of IFRIC 12.

- (e) clarify that assets and liabilities that are currently required to be recognised in accordance with IFRS Standards are not regulatory assets or regulatory liabilities. This recommendation was made by a few preparers in Europe because they had identified situations in which assets or liabilities that are already required to be recognised may be considered regulatory assets and regulatory liabilities.
- (f) clarify the boundary between financial instruments and regulatory assets and regulatory liabilities. This recommendation was supported by a preparer in Asia-Oceania, and a national standard-setter and a regulator in Latin America. According to these respondents, the nature of some financial assets and financial liabilities accounted for by applying IFRS 9 would be better represented if these assets and liabilities were accounted for as regulatory assets and regulatory liabilities. A European national standard-setter suggested the final Standard should clarify that financial assets arising from applying the financial asset model in IFRIC 12 should *not* be reclassified as regulatory assets.

20. A few respondents disagreed with the proposed scope because:

- (a) according to a preparer from Asia-Oceania, differences in timing giving rise to regulatory assets and regulatory liabilities should be limited to those cases when the regulatory agreement clearly identifies those differences as adjustments to future rates. According to the respondent, the proposals currently capture differences in timing that go beyond those defined within a regulatory agreement, adding operational complexity. Respondents have also provided similar comments when answering questions 2 and 3 to the Invitation to Comment—see Agenda Papers 9B and 9C.
- (b) according to a national standard-setter from Asia-Oceania, the scope should include additional conditions beyond those in paragraph 6 of the Exposure Draft—see paragraph 33(a).
- (c) according to an accountancy body from Asia-Oceania, the scope seems to be based on the assumption that the proposals are applicable to entities with a large number of customers, without explicitly stating so.

Question 1(c)—Clarity of the conditions necessary for a regulatory asset or regulatory liability to exist

Proposed requirements

21. Paragraph 6 of the Exposure Draft lists the conditions that are necessary for a regulatory asset or a regulatory liability to exist:
 - (a) an entity is party to a regulatory agreement;
 - (b) the regulatory agreement determines the regulated rate the entity charges for the goods or services it supplies to customers; and
 - (c) part of the total allowed compensation for goods or services supplied in one period is charged to customers through the regulated rates for goods or services supplied in a different period (past or future).
22. The Exposure Draft defines a **regulatory agreement** as ‘a set of enforceable rights and obligations that determine a regulate rate to be applied in contracts with customers’.
23. The Exposure Draft defines **regulated rate** as ‘a price for goods or services, determined by a regulatory agreement, that an entity charges its customers in the period when it supplies those goods or services’.
24. Paragraph 9 of the Exposure Draft says that ‘whether rights and obligations in a regulatory agreement are **enforceable** is a matter of law. Regulatory decisions or court rulings may provide evidence about the **enforceability** of those rights and obligations’.
25. The alternative view on the Exposure Draft disagreed with the proposed scope. According to this view, the conditions proposed in paragraph 6 of the Exposure Draft are not sufficiently differentiating features to require recognition of an asset for future rate increases. According to the alternative view, for a regulatory asset to exist it is also necessary that:
 - (a) the performance of an entity’s activity is regulated (for example, regarding quality of the service) so that competition is limited; and

- (b) the regulator is committed to supporting the financial viability of the entity through the rate-setting process.¹

Summary of comments received

- 26. The Board asked stakeholders:
 - (a) whether the proposals in the Exposure Draft are clear enough to enable an entity to determine whether a regulatory agreement gives rise to regulatory assets and regulatory liabilities; and
 - (b) if the proposals are not clear enough, what additional requirements should the Board consider providing.
- 27. Many respondents said the proposals were clear enough for an entity to determine whether a regulatory agreement gives rise to regulatory assets and regulatory liabilities.
- 28. A few respondents disagreed the proposals were clear enough to enable an entity to determine whether a regulatory agreement gives rise to regulatory assets and regulatory liabilities:
 - (a) a national standard-setter in Asia-Oceania said the proposals may not fit different legal and regulatory environments. In particular, this respondent was concerned the proposals are not sufficiently clear, which may lead to entities:
 - (i) misusing the proposals (for example, commercial agreements set up between entities meeting the definition of ‘regulatory agreement’); and
 - (ii) incurring high costs to assess whether enforceable rights and enforceable obligations exist in a regulatory agreement.
 - (b) a European preparer and an accountancy body in Asia-Oceania said that, as drafted, the proposals seem to be broader than intended and requested the final Standard clarifies what contracts and agreements would be in and/or out of its scope.

¹ Paragraph AV9 of the alternative view on the Exposure Draft.

- (c) a regulator in Asia-Oceania said that the proposals are not sufficiently clear for many entities in their jurisdiction to realise entities would be required to account for regulatory assets and regulatory liabilities arising from differences between assets' regulatory recovery periods and assets' useful lives.
 - (d) a European national standard-setter said that the main areas that trigger uncertainty when assessing whether a regulatory agreement would give rise to regulatory assets or regulatory liabilities relate to the role of the regulator (paragraphs 45–50), the assessment of enforceability (paragraphs 36–38) and the interaction between the proposals and IFRS 15 (paragraph 19(b)).
29. Many respondents found that the proposals unclear in one or more of the following areas:
- (a) the definition of regulatory agreement—paragraph 30;
 - (b) the conditions for regulatory assets and regulatory liabilities to exist—paragraphs 31–35;
 - (c) the assessment of enforceability—paragraphs 36–38;
 - (d) the term 'customers'—paragraph 39; and
 - (e) the role of the regulator—analysed as part of the comments received for question 1(d) of the Invitation to Comment—paragraphs 45–50.

Regulatory agreement definition

30. Many respondents raised concerns about the definition of 'regulatory agreement':
- (a) some respondents said that it may be difficult to identify the rights and obligations that may constitute a regulatory agreement. These respondents said more specific guidance and examples on *what constitutes a regulatory agreement* would be helpful in identifying arrangements and activities within the scope of the proposals.
 - (b) some respondents considered the definition of 'regulatory agreement' to be too broad, which could:
 - (i) bring into the scope arrangements and activities that the Board did not intend to include in the scope. For example, a few of these respondents

said it was unclear whether the proposals would give rise to regulatory assets and regulatory liabilities in situations when the rate-regulated entity and the regulator were both government-controlled. One of these respondents recommended the final Standard amend the definition of ‘regulatory agreement’ to clarify the types of regulatory agreements that would be within its scope.

- (ii) give rise to regulatory assets and regulatory liabilities in situations when assets or liabilities are already required to be recognised in accordance with IFRS Standards. See paragraph 19(e).
- (c) a few respondents commented that it is unclear whether the term ‘regulatory agreement’ refers to the ‘regulatory period’ (ie the time between regulatory rate resets) or to the broader regulatory framework or longer-term licence. These comments are related to the boundary of the regulatory agreement—see further discussion in Agenda Paper 9E.

Conditions for regulatory assets or regulatory liabilities to exist

- 31. Some respondents commented on the proposed conditions for regulatory assets and regulatory liabilities to exist in paragraph 6 of the Exposure Draft.
- 32. A few national standard-setters in Europe and Latin America expressed support for the conditions for a regulatory asset or regulatory liability to exist to be limited to those in paragraph 6 of the Exposure Draft. This is because, according to these respondents, the inclusion of some of the features of ‘defined rate regulation’² within the scope criteria:
 - (a) would make the assessment of the scope more difficult and could result in inconsistent application of the proposed requirements; and
 - (b) could cause some arrangements not being captured, which would represent a loss of useful information to users of financial statements.

² The Discussion Paper *Reporting the Financial Effects of Rate Regulation* identified common features of a variety of rate-regulatory schemes around the world. These features were thought likely to create a combination of rights and obligations that would support the recognition of assets or liabilities. The Discussion Paper used the term ‘defined rate regulation’ to capture these common features. Paragraph BC79 of the Basis for Conclusions on the Exposure Draft includes the features of ‘defined rate regulation’.

33. A few respondents with different views on the proposed conditions in paragraph 6 of the Exposure Draft—mainly national standard-setters in Asia-Oceania and Europe—said that limiting the scope criteria to the three conditions in paragraph 6 of the Exposure Draft may have led to the impression that the scope may be broader than intended. Two of these respondents suggested the scope of the proposals could be clearer if it was narrowed, either by:
- (a) incorporating requirements, such as a high probability the regulated rate will be increased or decreased in the future and that sufficient demand exists for the regulated goods or services (paragraph 20(b)); or
 - (b) including some features of ‘defined rate regulation’.
34. A few respondents referred to the proposed requirement in paragraph 6(b) of the Exposure Draft that says ‘the regulatory agreement *determines the regulated rate* the entity charges [...]’ and requested the final Standard clarifies whether the following situations would be within its scope:
- (a) the regulatory framework provides a regulated entity with some degree of discretion in the setting of the rates instead of the rates being fully ‘determined by the regulatory agreement’.
 - (b) the rate charged to customers is not regulated, however, that rate is contained between some boundaries (caps and floors) that arise from regulation or legislation. Deviations from these regulatory or legislative caps and floors originate amounts that are recovered from, or repaid to, either the customers or to other parties within the regulatory framework.
35. A few respondents—mainly a standard-setter in Europe and accountancy body in Africa—said the definitions of ‘regulatory agreement’ and ‘regulated rate’ are circular.

The assessment of enforceability

36. Many respondents said that assessing whether rights and obligations are enforceable could be very challenging and requested the final Standard provides further guidance and illustrative examples.

37. Respondents identified two situations in which assessing enforceability is particularly challenging:
- (a) entities operating in jurisdictions where the regulatory environment is not fully developed—national standard-setters, preparers and accounting firms in both emerging and developed jurisdictions said that in such situations, it is difficult for entities to foresee regulatory decisions.
 - (b) assessments that go beyond the current regulatory period—a few preparers and a national standard-setter in Europe said it is difficult to assess enforceability beyond the current regulatory period. These respondents said they would typically only have certainty about rates during the current regulatory period (or current price control period). Beyond that period, there may be an expectation that the pricing structure will be similar, however, this is not certain.
38. An accounting firm and a standard-setter in Europe recommended the final Standard distinguishes clearly between assessing enforceability for determining whether an arrangement is within its scope from assessing whether an enforceable right or enforceable obligation exists so that a regulatory asset or regulatory liability is recognised. See Agenda Paper 9D.

The term ‘customers’

39. The term ‘customers’ is included in the definition of ‘regulatory agreement’, ‘regulated rate’ and in paragraph 6(b) of the Exposure Draft. Some respondents raised concerns about the impact that the term ‘customers’ may have on the scope of the proposals:
- (a) a few standard-setters in Europe and Latin America said that, in some jurisdictions, entities may recover the agreed compensation from the government, an insurance company or any third party or by relieving the entity from fulfilling an obligation. These respondents said that entities subject to these types of arrangement consider that the accounting model should not be dependent on who pays for the goods or services supplied.

- (b) a few preparers and national standard-setters in Latin America and Europe were uncertain as to whether specific fact patterns would be in the scope of the proposals and requested the final Standard clarify further the meaning of the term ‘customers’. Some of the fact patterns shared by these respondents were:
- (i) the case of regulated electricity generating entities that offer electricity to a *wholesale electricity market*, without a direct commercial relationship with the *electricity consumers*.
 - (ii) the case of an agent that charges the regulated rate for goods or services that are supplied by another entity.³
 - (iii) the case of an operator that supplies goods or services to customers with the grantor being the party charging the regulated rate to its customers. The operator would then charge and recover those amounts from the grantor. In this case, the operator would not be charging the regulated rate directly to ‘its customers’.

Question 1(d)—Legal form of the regulatory agreement and regulator

Proposed requirements

40. The Exposure Draft does not restrict the scope of the proposed requirements to regulatory agreements with a particular legal form or to those enforced by a regulator with particular attributes.

Summary of comments received

41. The Board asked stakeholders whether the requirements proposed in the Exposure Draft should apply to all regulatory agreements and not only to those that have a particular legal form or those enforced by a regulator with particular attributes.

³ Respondents shared similar views when answering question 1(f) of the Invitation to Comment—paragraph 56 **Error! Reference source not found.**—and question 2(a) in Agenda Paper 9B.

42. The Board also asked stakeholders who disagreed with the proposed approach, how and why should the Board specify what form a regulatory agreement should have, and how and why should it define a regulator.

Legal form of the regulatory agreement

43. Most respondents agreed that the proposed requirements should apply to all regulatory agreements and not only to those that have a particular legal form. A few respondents commented that given the various regulatory schemes and jurisdictions affected, it is preferable to leave this aspect of the proposals broad.
44. Only a few respondents—a representative body of European banks, a national standard-setter in Asia Oceania and an accounting firm—disagreed that the proposals should apply to all regulatory agreements. The representative body of European banks said that the fact that the regulatory agreement may take various forms—together with the fact that the term ‘regulator’ is not defined in the Exposure Draft—may result in agreements, such as master service agreements or intercompany agreements, creating regulatory assets and regulatory liabilities for an entity with itself or with other entities under common control. This respondent thought that both, the legal form and a regulator that enforces the regulatory agreement, should be explicitly stated in the final Standard.⁴

Regulator

45. Many respondents said that the lack of a definition of ‘regulator’ in the Exposure Draft raises uncertainty about whether a regulator is required for assessing whether a right or obligation meets the definition of regulatory asset or regulatory liability. In particular, the lack of a definition of ‘regulator’:
- (a) creates uncertainty as to the application of the proposals, introducing subjectivity in the determination of the scope;
 - (b) may capture a wide range of activities and arrangements that should not be included in the scope; and

⁴ Respondents shared similar views when answering question 1(e) of the Invitation to Comment—paragraph 53(a).

- (c) may challenge the consistent application of the final requirements.
46. To avoid these consequences, these respondents recommended the final Standard defines ‘regulator’. Some of these respondents highlighted a few features that the definition of regulator would need to include:
- (a) independent—some respondents—mainly preparers, academics and national standard-setters in Europe—said the regulator needs to be a third party that is independent from the entity applying the proposed requirements. These respondents were of the view the term ‘independent’ had the following advantages:
- (i) it ensures cases of self-regulation, such as co-operatives, are not included in the scope; and
- (ii) it reduces structuring opportunities, for example, it would be clearer that transfer pricing agreements are outside the scope.
- (b) governmental body or an entity with delegated authority. A European national standard-setter suggested this feature because rights and obligations from contracts between private entities should generally not be scoped in.
- (c) objective—an accounting firm said that in some jurisdictions there may be government-owned entities, where a regulator may be a related party of the entity, but to be within the scope of the proposals there should be sufficient rules and regulations in place to ensure that the regulator is acting objectively. According to this respondent, the final Standard should be clearer that significant arbitrary actions would indicate that an entity does not have an enforceable regulatory agreement.
47. A national standard-setter in North America said that in their jurisdiction some stakeholders said that the independence of the regulator is important, while other stakeholders disagreed noting it is not uncommon for regulators and rate-regulated entities to be government-owned. Consequently, this national standard-setter was of the view that requiring that rights and obligations created by the regulatory agreement are enforceable is preferable to incorporating an ‘independence’ characteristic in the definition of regulator.

48. Some respondents—mainly accounting firms, a few national standard-setter in Asia-Oceania and Europe and a preparer in North America—recommended developing a definition of regulator similar to that in IFRS 14 *Regulatory Deferral Accounts* and IFRIC 12. An accounting firm said the definition could focus on the role entrusted to the regulatory body (ie key functions) instead of focusing on the type of regulatory body or persons.
49. A few respondents recommended the final Standard includes guidance and examples in which:
- (a) the presence of a regulator with or without certain features may affect being within or outside the scope; or
 - (b) actions of the regulator may affect the assessment of rights and obligations being enforceable.
50. A standard-setter in Europe recommended the Board examines how the IFRS 14 definition of regulator has been applied in jurisdictions that decided to adopt that Standard and if it decides not to retain that definition, the Basis for Conclusions of the final Standard explain that decision.

Question 1(e)—Unintended consequences of the proposed scope

Summary of comments received

51. The Board asked if stakeholders had identified any situations in which the proposed requirements would affect activities that they did not view as subject to rate regulation.
52. Most respondents said they had not identified any situations in which the proposed requirements would affect activities that they did not view as subject to rate regulation.
53. A few respondents—mainly representative bodies of preparers in the banking sector in Europe and national standard-setters in Asia-Oceania and Europe—said:
- (a) the proposals could lead to activities and arrangements being in the scope when they should not. For example, master agreements between private

parties and intragroup contracts could fall within the scope of the proposals if they create differences in timing that are enforceable. To avoid this, a respondent recommended the final Standard explicitly states that self-regulation is not in its scope.

- (b) entities particularly in the banking and insurance industries are currently assessing whether they would be affected by the proposals. The proposals may also affect other industries beyond utilities, such as health care, gambling, rail, telecommunications and food products.
- (c) the Board should conduct research on potential impacts outside the utilities industry before a final Standard is published.

Question 1(f)—Other rights and obligations created by a regulatory agreement

Proposed requirements

54. The [draft] Standard would not apply to any other rights or obligations created by the regulatory agreement—an entity would continue to apply other IFRS Standards in accounting for the effects of those other rights or obligations.

Summary of comments received

55. The Board asked whether stakeholders agreed an entity should not recognise any assets or liabilities created by a regulatory agreement other than regulatory assets and regulatory liabilities and other assets and liabilities, if any, that are already required or permitted to be recognised by IFRS Standards.
56. Most respondents agreed with the proposals. There were only a few respondents that qualified their support (paragraph 57) or requested the final Standard provides further clarity on items discussed in paragraphs 19(d)(i), 19(e) and 39(b)(ii) of this paper.
57. A few national standard-setters in Europe and a regulator in Asia-Oceania said that some regulatory assets or regulatory liabilities arising from the application of paragraphs B3–B9 and B15 in the Exposure Draft would not faithfully represent

enforceable rights and enforceable obligations arising from a regulatory agreement, namely (see Agenda Papers 9B and 9C):

- (a) regulatory assets or regulatory liabilities arising when the regulatory recovery period is longer or shorter than the assets' useful lives; and
- (b) regulatory liabilities arising when returns on assets not yet available for use are included in rates charged to customers during the period the asset is not yet available for use (for example, the construction period).

Question for the Board

Does the Board have any questions or comments on the feedback discussed in this paper? Specifically:

- a. Is there any feedback that is unclear?
- b. Are there any points you think the Board did not consider in developing the Exposure Draft but should consider in the re-deliberations?
- c. Are there any points you would like the staff to research further for the re-deliberations?