Consultative Group for Rate Regulation

Date       November 2023
Project    Rate-regulated Activities
Topic      Disclosure
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         Mariela Isern (misern@ifrs.org)
Purpose of the paper

• The purpose of the paper is:
  – to discuss feedback on the proposals on disclosure in the Exposure Draft *Regulatory Assets and Regulatory Liabilities* (Exposure Draft)—that is, paragraphs 72–85 of the Exposure Draft; and
  – to gather input from members of the IASB Consultative Group for Rate Regulation (Consultative Group) to help develop staff recommendations for the IASB.

Structure of the paper

• The paper is divided into the following sections:
  – overview of the proposals on disclosure (slides 4–5);
  – proposed disclosure requirements:
    • breakdown of regulatory income or regulatory expense (slides 7–12);
    • reconciliation from the opening to the closing carrying amounts of regulatory assets and regulatory liabilities (slides 13–15);
    • maturity analysis, risk, uncertainty and discount rate (slides 16–21); and
    • level of aggregation and disaggregation (slides 22–25);
Purpose of the paper

– potential new disclosure requirements arising from the IASB’s redeliberations on the Exposure Draft:
  • direct (no direct) relationship between an entity’s regulatory capital base and its property, plant and equipment (slides 27–29);
  • unrecognised differences in timing (slides 30–32); and
  • long-term performance incentives (slides 33–34).

The sections above include:
  • a summary of the proposed disclosure requirements and related feedback and the background information of potential new disclosure requirements; and
  • questions for the members of the Consultative Group.
Overview of the proposals on disclosure
Overview of the proposals on disclosure

**Overall disclosure objective**  
*Paragraph 72 of the Exposure Draft (ED)*

Disclose information about regulatory income, regulatory expense, regulatory assets and regulatory liabilities to enable users to understand financial performance and financial position. That understanding will provide insights into an entity’s prospects for future cash flows.

**Specific disclosure objective on financial performance**  
*Paragraph 77 of the ED*

- Breakdown of regulatory income or regulatory expense  
  *(paragraph 78)*
  - Additions of regulatory assets and regulatory liabilities
  - Recovery of regulatory assets and fulfilment of regulatory liabilities
  - Regulatory interest income and regulatory interest expense
  - Changes to regulatory assets or regulatory liabilities due to changes in the boundary of a regulatory agreement
  - Remeasurements of regulatory assets and regulatory liabilities

**Specific disclosure objective on financial position**  
*Paragraph 79 of the ED*

- Maturity analysis, risk, uncertainty and discount rate  
  *(paragraphs 80–81)*
  - Quantitative information, using time bands, on recovery of regulatory assets and fulfilment of regulatory liabilities
  - Discount rates (or range) used
  - Regulatory interest rate IF minimum interest rate used
  - How risks and uncertainties affect recovery of regulatory assets and fulfilment of regulatory liabilities

**Specific disclosure objective on changes in regulatory assets and regulatory liabilities**  
*Paragraph 82 of the ED*

**Reconciliation**  
*Paragraph 83*

Reconciliation from the opening to the closing carrying amounts of regulatory assets and regulatory liabilities.
Proposed disclosure requirements
Breakdown of regulatory income or regulatory expense
Table 1

Proposed requirements

Paragraph 77 of the Exposure Draft states that an entity shall disclose information that enables users of financial statements to understand how the entity’s financial performance was affected because part of the total allowed compensation for the goods or services supplied in one period was (or will be) included in determining the regulated rates, and hence included in revenue, for goods or services supplied in a different period.

Paragraph 78 of the Exposure Draft states that to achieve the objective in paragraph 77, an entity shall disclose in the notes the following components of regulatory income or regulatory expense included in profit or loss:

a) the part of the total allowed compensation for goods or services supplied in the current period that will be included in revenue in future periods (creating regulatory assets during the current period).

b) the amount included in revenue in the current period that will provide part of the total allowed compensation for goods or services to be supplied in future periods (creating regulatory liabilities during the current period).

c) the amount included in revenue in the current period that provides part of the total allowed compensation for goods or services supplied in past periods (recovering regulatory assets during the current period).
Breakdown of regulatory income or regulatory expense (2/5)

Table 1

<table>
<thead>
<tr>
<th>Proposed requirements (continued)</th>
</tr>
</thead>
<tbody>
<tr>
<td>d) the part of the total allowed compensation for goods or services supplied in the current period that was included in revenue in past periods (fulfilling regulatory liabilities during the current period).</td>
</tr>
<tr>
<td>e) regulatory interest income on regulatory assets and regulatory interest expense on regulatory liabilities.</td>
</tr>
<tr>
<td>f) changes in the carrying amount of a regulatory asset or regulatory liability caused by a change in the boundary of a regulatory agreement, and the reasons for that change in the boundary.</td>
</tr>
<tr>
<td>g) remeasurements of regulatory assets and regulatory liabilities, and the reasons for the remeasurements.</td>
</tr>
</tbody>
</table>
Table 1

Feedback

- Some respondents explicitly agreed with the proposed specific disclosure objective and disclosure requirement in paragraphs 77 and 78 of the Exposure Draft.

- Some respondents expressed concerns about disclosing the components of regulatory income or regulatory expense. These respondents said:
  
a) the proposal imposes a significant burden on preparers. A regulator typically does not require information at that level of granularity. Consequently, an entity may have to incur undue costs to develop the data and systems to provide such information. A few respondents suggested the IASB permit an entity to aggregate some components of regulatory income or regulatory expense that are currently not separately disclosed in regulatory reports.

  b) tracking of changes at component level in regulatory assets and regulatory liabilities, such as those associated with differences between the regulatory capital base and the carrying amount of property, plant and equipment, over a potentially long period imposes a significant burden on preparers.

  c) separate disclosure of regulatory interest income and regulatory interest expense may have little practical benefit, particularly for entities that operate under several regulatory agreements and apply different regulatory interest rates to measure different regulatory assets and regulatory liabilities.

  d) the proposal may not provide insights into an entity’s current and future performance.
Feedback (continued)

- A European standard-setter said that users of financial statements considered the disclosure of the components of regulatory income or regulatory expense and the reconciliation from the opening to the closing carrying amounts of regulatory assets and regulatory liabilities to be more important than other information proposed in the Exposure Draft.
Table A—Questions for the Consultative Group

Appendix A illustrates the disclosure of components of regulatory income or regulatory expense in accordance with the requirement in paragraph 78 of the Exposure Draft.

1. Given that information about the components listed in paragraph 78 of the Exposure Draft will be required to measure regulatory assets and regulatory liabilities, how difficult or costly will it be for entities to provide the information described in paragraph 78?

2. Could any of the components of regulatory income or regulatory expense listed in paragraph 78 be aggregated without loss of material information?

3. Would a requirement to provide a qualitative explanation of the components of regulatory income or regulatory expense provide useful information to users?
Reconciliation
Table 2

Proposed requirements

Paragraph 82 of the Exposure Draft states that an entity shall disclose information that enables users of financial statements to understand any changes in regulatory assets and regulatory liabilities that were not a consequence of regulatory income or regulatory expense.

Paragraph 83 of the Exposure Draft states that to achieve the objective in paragraph 82, an entity shall disclose in the notes a reconciliation from the opening to the closing carrying amounts of regulatory assets and regulatory liabilities.

Feedback

- Some respondents explicitly agreed with the proposed specific disclosure objective and disclosure requirement in paragraphs 82 and 83 of the Exposure Draft.

- A few respondents suggested the IASB provide examples of significant changes in regulatory assets and regulatory liabilities that were not a consequence of regulatory income or regulatory expense. These respondents also suggested the IASB require an entity to provide qualitative information to explain these changes.
Table B—Questions for the Consultative Group

Appendix B illustrates the disclosure of the reconciliation from the opening to the closing carrying amounts of regulatory assets and regulatory liabilities in accordance with the requirement in paragraph 83 of the Exposure Draft.

1. Such a reconciliation would include changes in regulatory assets and regulatory liabilities that are not reflected in the statement of comprehensive income. Would it be helpful to provide examples of the types of changes to regulatory assets and regulatory liabilities that are not reflected in the statement of comprehensive income? Examples could include changes due to business combinations and disposals of regulatory assets or regulatory liabilities.

2. Would a requirement to provide a qualitative explanation of the changes in regulatory assets and regulatory liabilities that are not reflected in the statement of comprehensive income provide useful information to users?
Maturity analysis, risk, uncertainty and discount rate
Table 3

Proposed requirements

Paragraph 79 of the Exposure Draft states that an entity shall disclose information that enables users of financial statements to understand the entity’s regulatory assets and regulatory liabilities at the end of the reporting period. That understanding will provide insights into how regulatory assets and regulatory liabilities will affect the amount, timing and uncertainty of the entity’s future cash flows.

Paragraph 80 of the Exposure Draft states that to achieve the objective in paragraph 79, an entity shall disclose in the notes:

a) quantitative information, using time bands, about when it expects to recover the regulatory assets and fulfil the regulatory liabilities.

b) the discount rate or ranges of discount rates used in measuring regulatory assets and regulatory liabilities at the end of the reporting period.

c) the regulatory interest rate provided by the regulatory agreement for a regulatory asset, if the entity uses the minimum interest rate as the discount rate for that regulatory asset as a result of applying paragraphs 50–53.

d) an explanation of how risks and uncertainties affect the recovery of regulatory assets or fulfilment of regulatory liabilities.
Paragraph 81 of the Exposure Draft states that in disclosing the information required by paragraph 80(a), an entity shall:

a) specify whether the amounts disclosed in the notes are undiscounted or discounted.

b) use judgement to determine an appropriate number of time bands. For example, an entity might determine appropriate time bands to be:

   i. not later than one year;
   ii. later than one year and not later than three years;
   iii. later than three years and not later than five years; and
   iv. later than five years.
Some respondents explicitly agreed with the proposed specific disclosure objective and disclosure requirements in paragraphs 79–81 of the Exposure Draft.

A few respondents, mainly preparers, suggested the IASB permit an entity to disclose qualitative information about when and how it expects to recover regulatory assets and fulfil regulatory liabilities.

These respondents also said that disclosing quantitative information would be costly because determining the time bands and the amounts to be disclosed would require significant judgement. For example, the amount or timing of recovery or fulfilment may be subject to approval by the regulator, or the fulfilment pattern of a regulatory liability may be indeterminate.

A European preparer suggested the IASB delete the example in paragraph 81(b) of the Exposure Draft specifying the time bands that an entity might determine as appropriate. That respondent said that such an example may become a reference point in practice leading to less useful information.

A few respondents, mainly preparers, said a regulatory agreement may specify that an entity is not entitled to regulatory interest on a few regulatory assets. In such cases, a disclosure that the regulatory interest rate is zero for a minority of regulatory assets may not provide useful information, particularly if the regulatory interest rate on other assets is designed to be sufficient to compensate for the time value of money and for uncertainty in the future cash flows arising from all regulatory assets.

<table>
<thead>
<tr>
<th>Table 3</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Feedback</td>
<td></td>
</tr>
<tr>
<td>• Some respondents explicitly agreed with the proposed specific disclosure objective and disclosure requirements in paragraphs 79–81 of the Exposure Draft.</td>
<td></td>
</tr>
<tr>
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<td></td>
</tr>
<tr>
<td>• These respondents also said that disclosing quantitative information would be costly because determining the time bands and the amounts to be disclosed would require significant judgement. For example, the amount or timing of recovery or fulfilment may be subject to approval by the regulator, or the fulfilment pattern of a regulatory liability may be indeterminate.</td>
<td></td>
</tr>
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</tr>
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<td></td>
</tr>
</tbody>
</table>
Table 3

Feedback (continued)

- A few respondents, mainly preparers, suggested the IASB provide further guidance on aggregation or disaggregation of disclosures clarifying the appropriate level of detail of certain disclosures, such as:
  a) the range of discount rates used in measuring regulatory assets and regulatory liabilities;
  b) the regulatory interest rates if an entity uses minimum interest rates as the discount rates; and
  c) the explanation of how risks and uncertainties affect the recovery of regulatory assets or fulfilment of regulatory liabilities.

- A European preparer suggested the IASB provide guidance or examples on what information an entity should disclose about risks and uncertainties that affect the recovery of regulatory assets or fulfilment of regulatory liabilities. In some well-established rate-regulatory schemes, there may not be significant risks and uncertainties affecting the recovery of regulatory assets, even if those regulatory assets are yet to be approved by the regulator.
Table C—Questions for the Consultative Group

1. Apart from the disclosure requirements in paragraphs 80 and 81 of the Exposure Draft, are there additional items that an entity should be required to disclose to comply with the proposed specific disclosure objective in paragraph 79 of the Exposure Draft?

2. Could any of the disclosures proposed in paragraphs 80 and 81 of the Exposure Draft be omitted without loss of useful information?

3. Are there any other improvements that could be made to the proposed disclosure requirements in paragraphs 80 and 81 of the Exposure Draft?
Level of aggregation and disaggregation
Paragraph 75 of the Exposure Draft states that an entity shall aggregate or disaggregate disclosures in a manner that does not obscure useful information either by including a large amount of insignificant detail or by aggregating items that have substantially different characteristics. Items whose characteristics may differ substantially include:

a) items subject to substantially different risks or uncertainties; and

b) items relating to the different revenue categories an entity discloses by applying paragraph 114 of IFRS 15 *Revenue from Contracts with Customers*.

Paragraph 76 of the Exposure Draft states that the appropriate level of aggregation or disaggregation may differ for different pieces of information and may depend on the nature of the information and on the disclosure objective that information would contribute to meeting.

**Feedback**

- A few respondents, mainly preparers, suggested the IASB provide further guidance on aggregation or disaggregation of disclosures clarifying whether the information should be disclosed at the level of individual regulatory agreements, or aggregated for regulatory agreements subject to the same regulatory framework or at a higher level.
The IASB could develop guidance to help an entity determine the level of aggregation and disaggregation of information to fulfil specific disclosure requirements. For example, when deciding the level of aggregation for the reconciliation of regulatory assets and regulatory liabilities, an entity could consider these categories for disaggregating regulatory assets and regulatory liabilities:

a) the type of rate-regulated activity—for example, electricity distribution or gas distribution;

b) the geographical location;

c) the type of item the regulatory assets and regulatory liabilities relate to:
   i. recovery of operating cost variances.
   ii. performance incentives.
   iii. recovery of taxes, pension costs etc.

d) the categories used to disaggregate revenue in applying paragraph 114 of IFRS 15.¹

Please note that paragraph 115 of IFRS 15 requires an entity that applies IFRS 8 Operating Segments to disclose sufficient information to enable users of financial statements to understand the relationship between the disclosure of disaggregated revenue in accordance with paragraph 114 of IFRS 15 and revenue information disclosed in accordance with IFRS 8.

¹ Please note that paragraph 115 of IFRS 15 requires an entity that applies IFRS 8 Operating Segments to disclose sufficient information to enable users of financial statements to understand the relationship between the disclosure of disaggregated revenue in accordance with paragraph 114 of IFRS 15 and revenue information disclosed in accordance with IFRS 8.
Level of aggregation and disaggregation (3/3)

Table D—Questions for the Consultative Group

<table>
<thead>
<tr>
<th></th>
<th>Question</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Would providing guidance on categories an entity could consider for determining the level of aggregation and disaggregation of the information disclosed be helpful?</td>
</tr>
<tr>
<td>2</td>
<td>Would the categories listed in slide 24 be possible to implement and would they provide useful information to users of financial statements?</td>
</tr>
<tr>
<td>3</td>
<td>Considering the proposed disclosure requirements, are there any other categories that you would suggest the IASB should consider including in the final Standard?</td>
</tr>
</tbody>
</table>
Potential new disclosure requirements
Direct (no direct) relationship between an entity’s regulatory capital base and its property, plant and equipment
When redeliberating the proposals in the Exposure Draft, the IASB tentatively decided to base some accounting requirements on whether there is a direct (no direct) relationship between an entity’s regulatory capital base and its property, plant and equipment (the direct (no direct) relationship concept).

In particular, the IASB tentatively decided that, when an entity has concluded its regulatory capital base and its property, plant and equipment have a direct relationship, the entity would be required to account for regulatory assets or regulatory liabilities arising from:

a) differences between the regulatory recovery period and the assets’ useful lives; and

b) items that a regulator includes in the entity’s regulatory capital base (for example, allowable expenses and performance incentives).

When an entity has concluded there is no direct relationship between its regulatory capital base and its property, plant and equipment, the entity would not account for a regulatory asset or a regulatory liability arising from items (a) and (b) above. Instead, the entity would be required to provide disclosures to enable users of financial statements to understand the reasons for its conclusion.

### Table 5

<table>
<thead>
<tr>
<th>Background</th>
</tr>
</thead>
</table>

When redeliberating the proposals in the Exposure Draft, the IASB tentatively decided to base some accounting requirements on whether there is a direct (no direct) relationship between an entity’s regulatory capital base and its property, plant and equipment (the direct (no direct) relationship concept).

In particular, the IASB tentatively decided that, when an entity has concluded its regulatory capital base and its property, plant and equipment have a direct relationship, the entity would be required to account for regulatory assets or regulatory liabilities arising from:

a) differences between the regulatory recovery period and the assets’ useful lives; and

b) items that a regulator includes in the entity’s regulatory capital base (for example, allowable expenses and performance incentives).

When an entity has concluded there is no direct relationship between its regulatory capital base and its property, plant and equipment, the entity would not account for a regulatory asset or a regulatory liability arising from items (a) and (b) above. Instead, the entity would be required to provide disclosures to enable users of financial statements to understand the reasons for its conclusion.
Table E—Questions for the Consultative Group

1. Do you think the IASB should require an entity to disclose:
   a) whether there is a direct (no direct) relationship between its regulatory capital base and its property, plant and equipment; and
   b) the main reasons why it has concluded that its regulatory capital base has a direct (no direct) relationship with its property, plant and equipment? Why or why not?

2. For an entity that has concluded that its regulatory capital base and its property, plant and equipment have no direct relationship, do you think the IASB should require the entity to disclose:
   a) a description of the items forming part of the regulatory capital base, with an explanation of the main differences between the regulatory capital base and the property, plant and equipment? Why or why not?
   b) a description of the main factors considered in determining the regulatory recovery period that are not considered in the determination of the assets' useful lives? Why or why not?

3. How would users use the information in questions 1 and 2 above in their analysis?

4. Are there any other disclosures that the IASB should require about whether an entity has a direct (no direct) relationship between its regulatory capital base and its property, plant and equipment?

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2 The members of the Consultative Group had an initial discussion on possible disclosures entities with no direct relationship could provide at the meeting on 28 March 2022. The meeting summary can be accessed here.
Unrecognised differences in timing
Some unrecognised differences in timing would arise when an entity’s regulatory capital base and its property, plant and equipment have no direct relationship (see Table 5).

Inflation adjustments to the regulatory capital base may also be another example of unrecognised differences in timing.

Some respondents provided feedback about disclosure of unrecognised differences in timing:

a) a national standard-setter in Europe said that the overall disclosure objective should focus on both recognised and unrecognised differences in timing.

b) a national-standard-setter from Asia-Oceania suggested the IASB clarify whether an entity should apply the disclosure requirements in IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* for contingent assets and contingent liabilities to regulatory assets and regulatory liabilities that do not meet the recognition threshold and hence are not recognised.
### Unrecognised differences in timing (2/2)

**Table F—Questions for the Consultative Group**

1. What information about unrecognised differences in timing should the IASB require an entity to disclose? How difficult or costly would it be to provide that information?

2. With regard to unrecognised differences in timing arising from the inflation adjustments to the regulatory capital base:
   - a) would preparers be able to disclose the profit or loss impact of:
     - i. the inflation adjustment in the reporting period the adjustment arises?
     - ii. inflation adjustments from previous reporting periods in the current reporting period (that is, amounts relating to inflation adjustments from previous reporting periods that have been included in revenue recognised in the current reporting period)?
   - b) would users find these disclosures useful?
Long-term performance incentives
Long-term performance incentives

Table 7

Background

The Exposure Draft proposes that an entity shall estimate the amount of a long-term performance incentive and determine the portion of that estimated amount that relates to the reporting period using a reasonable and supportable basis.

If a long-term performance incentive is subject to estimation uncertainty, we expect that an entity would provide disclosures about those uncertainties, the assumptions used in estimating uncertain future cash flows and the changes in estimates. The entity would provide these disclosures either applying the requirements in IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* or applying any specific disclosure requirements that the IASB may develop for those long-term performance incentives.\(^3\)

Table G—Questions for the Consultative Group

1. Are there any specific disclosures about long-term performance incentives that are subject to significant outcome and measurement uncertainty that would be useful for an entity to disclose?

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\(^3\) Paragraphs 125–131 of IAS 1 and paragraphs 39–40 of IAS 8.
Appendix A—Disclosure of components of regulatory income or regulatory expense (paragraph 78 of the Exposure Draft)
Disclosure of components of regulatory income or regulatory expense (paragraph 78 of the Exposure Draft)

**Figure 1—Components of regulatory income or regulatory expense**

<table>
<thead>
<tr>
<th>In CU¹</th>
<th>Year 2</th>
<th>Year 1</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Profit or loss</td>
<td>Other comprehensive income</td>
</tr>
<tr>
<td>Origination of regulatory assets</td>
<td>27,870</td>
<td>17,500</td>
</tr>
<tr>
<td>Origination of regulatory liabilities</td>
<td>(11,470)</td>
<td>-</td>
</tr>
<tr>
<td>Recovery of regulatory assets</td>
<td>(11,110)</td>
<td>(2,100)</td>
</tr>
<tr>
<td>Fulfilment of regulatory liabilities</td>
<td>5,100</td>
<td>-</td>
</tr>
<tr>
<td>Regulatory interest income on regulatory assets</td>
<td>-</td>
<td>570</td>
</tr>
<tr>
<td>Regulatory interest expense on regulatory liabilities</td>
<td>-</td>
<td>(305)</td>
</tr>
<tr>
<td>Changes in regulatory assets caused by a change in the boundary</td>
<td>-</td>
<td>130</td>
</tr>
<tr>
<td>Changes in regulatory liabilities caused by a change in the boundary</td>
<td>-</td>
<td>(45)</td>
</tr>
<tr>
<td>Remeasurement of regulatory assets</td>
<td>-</td>
<td>10</td>
</tr>
<tr>
<td>Remeasurement of regulatory liabilities</td>
<td>-</td>
<td>(250)</td>
</tr>
<tr>
<td><strong>Total regulatory income or regulatory expense</strong></td>
<td><strong>10,500</strong></td>
<td><strong>16,000</strong></td>
</tr>
</tbody>
</table>

¹ All monetary amounts in the examples are denominated in 'currency units' (CU)

Figures 2 and 3

36
Appendix B—Disclosure of reconciliation from the opening to the closing carrying amounts of regulatory assets and regulatory liabilities (paragraph 83 of the Exposure Draft)
Disclosure of reconciliation from the opening to the closing carrying amounts of regulatory assets and regulatory liabilities (1/2)

<table>
<thead>
<tr>
<th>In CU</th>
<th>Opening balance</th>
<th>Profit or loss</th>
<th>OCI</th>
<th>Other changes</th>
<th>Closing balance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Regulatory income (regulatory expense)</td>
<td>Regulatory income (regulatory expense)</td>
<td>Business combination</td>
<td></td>
</tr>
<tr>
<td>Regulatory assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Electricity distribution</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost variances</td>
<td>7,800</td>
<td>6,100</td>
<td>-</td>
<td>780</td>
<td>14,680</td>
</tr>
<tr>
<td>Performance incentives</td>
<td>6,270</td>
<td>11,370</td>
<td>-</td>
<td>-</td>
<td>17,640</td>
</tr>
<tr>
<td><strong>Gas distribution</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pension</td>
<td>9,000</td>
<td>-</td>
<td>16,000</td>
<td>-</td>
<td>25,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>23,070</td>
<td>17,470</td>
<td>16,000</td>
<td>780</td>
<td>57,320</td>
</tr>
<tr>
<td>Regulatory liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Electricity distribution</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost variances</td>
<td>(600)</td>
<td>(3,800)</td>
<td>-</td>
<td>(640)</td>
<td>(5,040)</td>
</tr>
<tr>
<td>Performance incentives</td>
<td>(3,180)</td>
<td>(1,056)</td>
<td>-</td>
<td>-</td>
<td>(4,236)</td>
</tr>
<tr>
<td><strong>Gas distribution</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tax</td>
<td>(6,360)</td>
<td>(2,114)</td>
<td>-</td>
<td>-</td>
<td>(8,474)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>(10,140)</td>
<td>(6,970)</td>
<td>-</td>
<td>(640)</td>
<td>(17,750)</td>
</tr>
<tr>
<td>Total—Regulatory income or regulatory expense</td>
<td></td>
<td>10,500</td>
<td>16,000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
## Alternative method of disclosing the reconciliation, linking the proposed requirements in paragraphs 78 and 83 of the Exposure Draft (2/2)

Figure 3—Reconciliation with disaggregation for Year 2

<table>
<thead>
<tr>
<th>In CU</th>
<th>Electricity distribution</th>
<th>Gas distribution</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cost variances</td>
<td>Performance incentives</td>
<td>Pension / tax</td>
</tr>
<tr>
<td>Regulatory assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Opening balances</td>
<td>7,800</td>
<td>6,270</td>
<td>9,000</td>
</tr>
<tr>
<td><strong>Profit or loss</strong></td>
<td><strong>6,100</strong></td>
<td><strong>11,370</strong></td>
<td>-</td>
</tr>
<tr>
<td>Origination</td>
<td>13,500</td>
<td>14,370</td>
<td>-</td>
</tr>
<tr>
<td>Recovery</td>
<td>(7,710)</td>
<td>(3,400)</td>
<td>-</td>
</tr>
<tr>
<td>Regulatory interest income</td>
<td>250</td>
<td>320</td>
<td>-</td>
</tr>
<tr>
<td>Changes caused by a change in the boundary</td>
<td>50</td>
<td>80</td>
<td>-</td>
</tr>
<tr>
<td>Remeasurements</td>
<td>10</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Other comprehensive income</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Origination</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Recovery</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Regulatory interest income</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Other changes—Business combination</strong></td>
<td>780</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Closing balances</td>
<td>14,680</td>
<td>17,640</td>
<td>25,000</td>
</tr>
</tbody>
</table>

## Regulatory liabilities

<table>
<thead>
<tr>
<th>In CU</th>
<th>Electricity distribution</th>
<th>Gas distribution</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening balances</td>
<td>(600)</td>
<td>(1,180)</td>
<td>(6,360)</td>
</tr>
<tr>
<td><strong>Profit or loss</strong></td>
<td><strong>3,800</strong></td>
<td><strong>1,056</strong></td>
<td><strong>2,114</strong></td>
</tr>
<tr>
<td>Origination</td>
<td>(3,800)</td>
<td>(3,056)</td>
<td>(4,614)</td>
</tr>
<tr>
<td>Fulfillment</td>
<td>400</td>
<td>2,200</td>
<td>2,500</td>
</tr>
<tr>
<td>Regulatory interest expense</td>
<td>(125)</td>
<td>(180)</td>
<td>-</td>
</tr>
<tr>
<td>Changes caused by a change in the boundary</td>
<td>(25)</td>
<td>(20)</td>
<td>-</td>
</tr>
<tr>
<td>Remeasurements</td>
<td>(250)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Other changes—Business combination</strong></td>
<td>(640)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Closing balances</td>
<td>(5,040)</td>
<td>(4,236)</td>
<td>(8,474)</td>
</tr>
</tbody>
</table>

**Total—Regulatory income or regulatory expense (profit or loss)—Figure 1** 10,500

**Total—Regulatory income or regulatory expense (OCI)—Figure 1** 16,000