



Staff paper

Agenda reference: DP3

IFRS Foundation Trustees meeting – Due Process Oversight Committee

Date **June 2025**
Project **Rate-regulated Activities**
Topic **Due Process Lifecycle Review**
Contacts Mariela Isern (misern@ifrs.org)
Michelle Fisher (mfisher@ifrs.org)

This document is prepared for discussion of a public meeting of the IFRS Foundation Trustees' Due Process Oversight Committee (DPOC). The Trustees are responsible for governance of the IFRS Foundation, oversight of the International Accounting Standards Board (IASB) and International Sustainability Standards Board (ISSB), and for delivery of the IFRS Foundation's objectives as set out in the IFRS Foundation *Constitution*.

Purpose

1. The purpose of this paper is:
 - (a) to summarise the due process steps completed for the IASB's Rate-regulated Activities project (the project); and
 - (b) to seek confirmation from the DPOC that:
 - (i) all necessary due process steps have been followed, including consideration of whether re-exposure is required; and
 - (ii) its review of the due process on this project is now complete, subject to any due process matters arising during [the balloting process](#).
2. At its July 2024 meeting, the IASB determined that:
 - (a) all mandatory due process steps have been completed in the development of the prospective IFRS Accounting Standard *Regulatory Assets and Regulatory Liabilities* (the prospective Standard); and
 - (b) it has completed sufficient consultation and analysis to begin the process for balloting the prospective Standard.

3. This Due Process ‘lifecycle’ review forms part of the DPOC’s oversight of the development of an IFRS Standard as outlined in paragraph 2.12 of the [Due Process Handbook](#).

Question for the DPOC

Does the DPOC confirm that all the necessary due process steps have been followed and its review of due process on this project is now complete?

Structure of this paper

4. This paper is structured as follows:
- (a) feedback on the 2021 Exposure Draft (paragraphs 5–8)
 - (b) consideration of whether to re-expose the proposals in the 2021 Exposure Draft (paragraphs 9–23);
 - (c) due process summary (paragraphs 24–25);
 - (d) latest developments and next steps (paragraphs 26–32);
 - (e) [Appendix A](#)—background to the project; and
 - (f) [Appendix B](#)—reporting to the Trustees and the DPOC.

Feedback on the 2021 Exposure Draft

5. [Appendix A](#) to this paper sets out the background of the project leading up to the publication of [Exposure Draft Regulatory Assets and Regulatory Liabilities](#) in January 2021 (the 2021 Exposure Draft). The 2021 Exposure Draft set out proposals for the recognition, measurement, presentation and disclosure of regulatory assets, regulatory liabilities, regulatory income and regulatory expense.

-
6. Public meetings were held in April 2021, May 2021, June 2021 and July 2021 prior to the start of the IASB's redeliberations on the 2021 Exposure Draft. These public meetings were held with preparers, users, auditors, regulators and others to test the proposals and to understand concerns.
7. The proposals in the 2021 Exposure Draft were well-received by respondents. Most respondents supported the objective of the 2021 Exposure Draft. However, many respondents said that the proposals worked well for cost-of-service regulation but did not work well for incentive-based regulation. The following four aspects of the proposed model raised most concerns amongst respondents, with aspects (a) and (b) relating to concerns that the proposals did not work well for incentive-based regulation:
- (a) accounting for regulatory assets or regulatory liabilities when the regulatory recovery period differs from the assets' useful lives;
 - (b) regulatory returns on assets not yet available for use;
 - (c) scope—role of a regulator, and interaction with IFRIC 12 *Service Concession Arrangements*, IFRS 9 *Financial Instruments* and IFRS 17 *Insurance Contracts*; and
 - (d) use of a minimum interest rate when the regulated rate for a regulatory asset is insufficient.
8. The IASB discussed its plan for redeliberating the proposals in the 2021 Exposure Draft in December 2021 and undertook those redeliberations between February 2022 to July 2024.¹

¹ [Agenda Paper 9](#) discussed at the IASB meeting in December 2021.

Consideration of whether to re-expose the proposals in the 2021 Exposure Draft

9. In July 2024, the IASB considered whether it should re-expose the proposals in the 2021 Exposure Draft applying the re-exposure criteria in paragraphs 6.25–6.28 of the *Due Process Handbook*. To support that discussion, the IASB considered an analysis of the changes it has tentatively decided to make to the proposals. That analysis is set out in Agenda Paper 9G *Consideration of the re-exposure criteria* discussed at the July 2024 IASB meeting ([attached as background as Agenda Paper DP3\(i\) for this meeting](#)) and covers the four substantial issues that emerged on the 2021 Exposure Draft (see paragraph 7 of this paper). Paragraphs 10–23 of this paper summarise how the IASB responded to the feedback on those issues and reached its conclusion that re-exposure of the proposals was not required.
10. The IASB’s redeliberations on these four issues resulted in:
- (a) introduction of a new concept to address the issue in paragraph 7(a);
 - (b) revised proposals to clarify and provide guidance for the issues in paragraphs 7(b)–(c).
 - (c) removal of the minimum interest rate requirements to address the issue in paragraph 7(d).

New direct (no direct) relationship concept (paragraph 7(a))

11. Many respondents disagreed with the proposal to account for regulatory assets or regulatory liabilities when the regulatory recovery period differs from the assets’ useful lives. According to these respondents, the proposals would not reflect an entity’s rights and obligations, not result in useful information and be costly to implement.

-
12. In response to these concerns, the IASB developed the direct (no direct) relationship concept—an entity recognises a regulatory asset or regulatory liability for differences in timing arising from compensation on the regulatory capital base² (for example, regulatory depreciation) only if an entity’s regulatory capital base has a direct relationship with its property, plant and equipment.
13. The concept was developed during redeliberations on the 2021 Exposure Draft using feedback from the Consultative Group for Rate Regulation (Consultative Group) and from outreach events held with preparers, accounting firms and users from different jurisdictions. To help the IASB further understand whether the concept could be operationalised, the staff developed a survey to gather input from preparers. The IASB received 48 completed surveys from 39 respondents in 16 jurisdictions. The staff contacted 15 of these respondents to better understand their answers and to discuss potential effects of applying the concept. The UK Endorsement Board (UKEB) expressed concerns about the new concept and so the staff also held meetings with the UKEB and other UK stakeholders, including regulators, preparers and users, to understand these concerns.

Clarification and additional guidance (paragraph 7(b)–(c))

14. The IASB made clarifications to its proposals and added guidance to address the two issues in paragraph 7(b)–(c).

Regulatory returns on assets not yet available for use

15. Most respondents, including most users of financial statements, disagreed with the proposal that regulatory returns should be reflected in profit or loss only once an asset is available for use. Respondents said an entity also has rights to regulatory returns

² The regulatory capital base is a regulatory tool that is used to derive compensation that aims to support an entity’s investments in the assets it uses to supply regulatory goods or services. Entities generally receive compensation for the recovery of the investment (regulatory depreciation) and a return on the investment (regulatory returns).

during the construction period. They also stated the proposals would not result in useful information and would be costly to implement.

16. To further understand these concerns the staff undertook targeted outreach with preparers, accounting firms and users and held discussions with the Consultative Group. After considering the feedback, the IASB tentatively decided:
- (a) to specify when an entity has an enforceable present right to regulatory returns on an asset not yet available for use, those returns would be reflected in profit or loss during the construction period of that asset; and
 - (b) to provide guidance to help entities assess whether their rights to these regulatory returns are enforceable.

Scope of the prospective Standard

17. Many respondents were uncertain about the proposed scope of the prospective Standard. Some of these uncertainties were due to the perceived lack of clarity about the role of a regulator and interactions with some other IFRS Accounting Standards. In response to these concerns, the IASB decided:
- (a) to include the existence of a regulator in the conditions necessary for a regulatory asset or regulatory liability to exist; and
 - (b) to clarify the interaction between the scope of the prospective Standard and IFRIC 12, IFRS 9 and IFRS 17.

Removal of the minimum interest rate requirements (paragraph 7(d))

18. Most respondents, including most users of financial statements, did not support the proposal for an entity to use the minimum interest rate as the discount rate when the regulatory interest rate provided for a regulatory asset is insufficient to compensate the entity for the time value of money and for uncertainty in the future cash flows arising from that regulatory asset. The minimum interest rate is the rate that an entity would estimate is sufficient to provide such compensation. These respondents were

concerned about the complexity of the proposals and thought that the cost of applying them would outweigh any benefits.

19. In April 2024, the IASB tentatively decided to retain the minimum interest rate proposals.³ The IASB's tentative decision was motivated by the fact that in a few situations, retaining the requirements could avoid regulatory assets from being significantly overstated. The tentative decision to retain the minimum interest rate requirements triggered the development of an exemption from discounting for specific circumstances.
20. However, in response to ongoing concerns about the complexity of the minimum interest rate requirements and the difficulties associated with drafting the exemption from discounting, the IASB further discussed the minimum interest rate requirements as a sweep issue at its May 2025 meeting.⁴ At this meeting, the IASB concluded that the cost and complexity of keeping the minimum interest rate requirements would outweigh the benefits of the information provided. Consequently, the IASB tentatively decided to remove these requirements and introduce additional disclosure requirements to provide users with information about regulatory assets and regulatory liabilities that do not attract a regulatory interest rate. The IASB noted that although removal of the minimum interest rate requirements might be seen as a big change at this stage of the project:
 - (a) in practice, removal of the requirements is expected to lead to overstatement of regulatory assets in limited circumstances; and
 - (b) most stakeholders, including financial statement users, support removal of the requirements.

³ [Agenda Paper 9A](#) discussed at the IASB meeting in April 2024. [IASB Update](#) April 2024.

⁴ [Agenda Paper 9](#) discussed at the IASB meeting in May 2025.

IASB's conclusion on re-exposure

21. When considering the criteria for re-exposure in July 2024, the IASB concluded:
- (a) its tentative decisions to change the proposals in the 2021 Exposure Draft have been made in response to the feedback received on the 2021 Exposure Draft, feedback on the survey on the direct (no direct) relationship concept (see paragraph 13) and feedback from meetings with the IASB's consultative groups, including the Consultative Group. Therefore, the final requirements do not include any fundamental changes on which stakeholders have not had the opportunity to comment; and
 - (b) given the extensive outreach on the 2021 Exposure Draft and the additional outreach conducted during redeliberations, particularly on the direct (no direct) relationship concept, it is unlikely that re-exposure will reveal significant new concerns or information.
22. Accordingly, at that meeting, the IASB decided that re-exposure of the proposals in the 2021 Exposure Draft with the changes made by its tentative decisions is unnecessary.
23. The tentative decision in May 2025 to remove the minimum interest rate requirements was responsive to feedback received on the Exposure Draft, meaning the prospective Standard is likely to be better accepted by stakeholders. Consequently, this tentative decision did not change the IASB's view on the need to re-expose.

Due process summary

24. At its July 2024 meeting, the IASB confirmed it is satisfied that it has complied with the applicable due process requirements and has undertaken sufficient consultation and analysis to begin the process for balloting the prospective Standard.

-
25. To support that discussion, the IASB considered an analysis of the due process steps that have been followed during the life of the project (see Agenda Paper 9H *Due process requirements*) at its July 2024 meeting which was provided to the DPOC before that IASB meeting (also [attached as Agenda Paper DP3\(ii\) for this meeting](#))).

Latest developments and next steps

26. At its July 2024 meeting, the IASB also discussed:
- (a) **the effective date:** the IASB tentatively decided to require an entity to apply the prospective Standard for annual periods beginning on or after 1 January 2029, with earlier application permitted; and
 - (b) **intentions to dissent:** three IASB members indicated a possible intention to dissent from issuance of the prospective Standard. These IASB members noted that they had not made a final decision.
27. Following the July 2024 meeting, the staff developed a survey to confirm our understanding of the likely effects of the prospective Standard. Participants were entities identified with the help of members of the Accounting Standards Advisory Forum (ASAF). Participants were asked for views on:
- (a) the likely effects on the information reported in financial statements;
 - (b) the likely effects on the quality of financial reporting, by understanding the benefits that users of financial statements would derive from the information prepared applying the prospective Standard; and
 - (c) the likely costs of implementing the prospective Standard.

The IASB received 34 completed surveys representing 30 companies in 22 jurisdictions. The staff plan to discuss the feedback at the July 2025 ASAF meeting.

-
28. The staff have begun the balloting process and aim to provide the pre-ballot drafts of the following documents for review by IASB members (and selected external reviewers for (a)–(c)) in June 2025:
- (a) the standard;
 - (b) the basis for conclusions;
 - (c) the illustrative examples; and
 - (d) the effects analysis.
29. The staff are also preparing a project summary and feedback statement.
30. Review of the pre-ballot draft documents is expected to be completed in July 2025. The staff plan to discuss any sweep issues identified from the pre-ballot with the IASB in September 2025.
31. The staff are developing plans for future activities to support implementation and consistent application of the prospective Standard. To develop these plans, we will consult stakeholders to better understand their needs. Our support activities are likely to include:
- (a) webinars;
 - (b) presentations to IFRS Foundation groups, including the ASAF and the Emerging Economies Group (EEG); and
 - (c) participation in the 2026 IFRS Conference.
32. At this meeting, we are seeking the DPOC’s confirmation that the project has proceeded in a manner consistent with the requirements set out in the *Due Process Handbook* for finalising an IFRS Accounting Standard.

Appendix A—Background to the project

Objective

- A1. The objective of the project is to provide information about the effects of regulatory income, regulatory expense, regulatory assets and regulatory liabilities on an entity's financial performance and financial position. This project will result in a new IFRS Accounting Standard and the interim Standard, IFRS 14 *Regulatory Deferral Accounts*, will be withdrawn.
- A2. In some industries, for example utilities, the amounts that an entity can charge its customers for goods or services supplied is regulated. Regulatory assets and regulatory liabilities arise when the compensation for regulatory goods or services supplied in one period is included in the regulated rates charged to customers in a different period (past or future).
- A3. IFRS Accounting Standards do not currently provide specific accounting requirements for regulatory assets and regulatory liabilities. However, some entities that apply IFRS Accounting Standards recognise regulatory balances because either:
- (a) they apply IFRS 14 (see paragraph A10); or
 - (b) they have developed accounting policies for the recognition of regulatory balances in accordance with IAS 8 *Basis of Preparations of Financial Statements*.
- A4. The lack of specific accounting requirements reduces comparability between entities and means that users of financial statements have difficulty understanding the compensation an entity is entitled to for the regulatory goods or services it supplied in the period and the entity's prospects for future cash flows. The prospective Standard would supplement the information an entity already provides by applying IFRS Accounting Standards by requiring the entity to provide information about the effects

of regulatory income, regulatory expense, regulatory assets and regulatory liabilities in its financial statements.

Project history

- A5. In December 2008, the IASB added the Rate-regulated Activities project to its agenda to answer the question of whether rate regulation creates any rights or obligations that could qualify for recognition as assets or liabilities.
- A6. The IASB published [Exposure Draft Rate-regulated Activities](#) in 2009 (2009 ED), which proposed entities should recognise regulatory balances arising from one type of rate regulation (known as cost-of service regulation or return-on-rate-base regulation).
- A7. Respondents to the 2009 ED expressed divergent views on the proposals. Responses indicated that there are many different types of rate regulation and the scope of the project should be expanded to address a wider variety of rate regulation.
- A8. The IASB's discussions found no clear path to answering the fundamental question: do any regulatory balances meet the definitions of an asset or a liability in the *Framework*?⁵ Because of the diversity in views, and because it seemed unlikely that the fundamental question could be answered in a reasonable time, the IASB suspended the project in September 2010 to focus on other priorities.
- A9. After considering feedback from its [2011 Agenda Consultation](#), in 2012, the IASB decided to restart the project. On restarting the project, the IASB acknowledged that comments received on the 2009 ED raised complex and fundamental conceptual issues that required more research and analysis. Hence, the IASB decided to develop a discussion paper to explore these issues.
- A10. Around the same time, the IASB received requests from some jurisdictions to facilitate the timely adoption of IFRS Accounting Standards by rate-regulated entities.

⁵ The reference is to the *Framework for the Preparation and Presentation of Financial Statements*, in effect when the IASB's discussions were taking place.

In response to those requests, in January 2014, the IASB issued IFRS 14, as an interim Standard that would apply until the completion of the Rate-regulated Activities project. IFRS 14 permitted first-time adopters of IFRS Accounting Standards to continue to account for regulatory deferral account balances using previous generally accepted accounting principles (GAAP), if specified conditions are met.⁶ In developing IFRS 14, the IASB did not make a decision on whether those balances met the definitions of an asset or a liability.

Research phase

- A11. As a first step in the restarted project, the IASB published [Request for Information Rate Regulation](#) (Request for Information) in March 2013. The Request for Information was intended to help the IASB identify the range of rate-regulatory schemes that might give rise to assets or liabilities. The IASB reviewed the responses to the Request for Information and carried out further research.
- A12. In April 2013, the IASB established a Consultative Group for Rate Regulation (Consultative Group) to gather expert perspectives including those of preparers, auditors, users of financial statements and regulators. The IASB decided that a consultative group should be formed for the project because of the specialist nature of the subject and the need for industry expertise.
- A13. In September 2014, the IASB published [Discussion Paper Reporting the Financial Effects of Rate Regulation](#) (Discussion Paper) to consult stakeholders about:
- (a) what features, if any, distinguish the economic environment in which some rate-regulated entities operate; and
 - (b) whether those features would best be reflected in general purpose financial statements by modifying the requirements of IFRS Accounting Standards.

⁶ 'Regulatory deferral account balances' are defined in IFRS 14, which created that term.

Standard-setting phase

- A14. In May 2015, the IASB decided to move the project from the Research programme to the Standards-level programme. Feedback from the IASB's [2015 Agenda Consultation](#) supported the IASB continuing to work on this project. At this time, the IASB decided that a second discussion paper would be the fastest way to progress the project.
- A15. In March 2018, the IASB published the *Conceptual Framework for Financial Reporting* (the Conceptual Framework). The Conceptual Framework provided a stable base for the IASB to make decisions on core aspects of the accounting model.
- A16. At its July 2019 meeting, the IASB decided to publish an exposure draft as the next consultation document, rather than a second discussion paper. In deciding to publish an exposure draft, the IASB considered the following:
- (a) users' demand for this project is strong and users support the overall direction of the project;
 - (b) the financial reporting problem is well defined, and the proposals are sufficiently detailed for publication of an exposure draft;
 - (c) it would be more effective to test drafting of the requirements through an exposure draft (ie draft standard) rather than through a discussion paper; and
 - (d) the IASB has gathered sufficient information from its consultation documents and outreach with stakeholders and understands the problem and potential solutions well enough to proceed directly to an exposure draft.
- A17. Throughout the project, the IASB and its staff held numerous meetings, including public meetings such as discussion forums and round table meetings. These public meetings were held with preparers, users, auditors, regulators and others to test the proposals and to understand concerns.

Appendix B—Reporting to the Trustees and the DPOC

- B1. The Trustees and the DPOC were updated on progress of the project throughout its life cycle. This appendix identifies when the Trustees and the DPOC have been informed on the progress of the project since the IASB added the Rate-regulated Activities project to its workplan in September 2012. Furthermore:
- (a) any significant due process matters have been included in the monthly due process report to the DPOC;
 - (b) before the IASB reviewed and confirmed the due process steps at each stage of the project, the DPOC was provided with the related IASB meeting paper; and
 - (c) the DPOC has considered the ongoing effectiveness of the Consultative Group through its annual review of the IASB’s consultative groups.
- B2. A brief update on the progress of the project was provided at the Trustee and DPOC meetings listed in the following table. The table identifies the main points raised in those updates:

Date	Paper, including main points raised
2012	
October	Update on technical activities (AP3B) : The Update noted that the IASB agreed: <ul style="list-style-type: none"> (a) to start a research project for Rate-regulated Activities in response to the 2011 Agenda Consultation; and (b) to publish a Discussion Paper in advance of developing an IFRS Accounting Standard considering the divergent views and feedback received in the previous Rate-regulated Activities project.
2013	
January	Technical activities update (AP3Ci) : The Update noted that:

Date	Paper, including main points raised
	<p>(a) the IASB decided in December 2012 to form a Consultative Group for the project because of the specialist nature of the subject and the need for industry expertise; and</p> <p>(b) the IASB agreed to develop an exposure draft for an interim Standard for Rate-regulated Activities (as a separate project), but this must not delay the completion of the main project nor prejudice the outcome of that project.</p>
April	Technical Projects—Update (AP3A) : The Update noted that, in March 2013, the IASB published a Request for Information.
July	Technical Projects—Update (AP3B) : The Update noted that a formal Consultative Group was formed for this project in April 2013.
October	Technical Projects—Update (AP3B) : The Update noted that the Request for Information was published to gather more information about the common features of rate regulation. The Update also noted that a summary of the 79 responses received was discussed in July 2013 by the Consultative Group.
2014	
January	<p>Technical Projects—Update (AP3B): The Update noted that:</p> <p>(a) the IASB expects to publish the Discussion Paper in Q2 2014.</p> <p>(b) the IASB concluded in November 2013 its discussions on the interim Standard (IFRS 14) designed to assist those adopting IFRS Accounting Standards prior to completion of the Rate-regulated Activities project. A report summarising the due process steps completed for IFRS 14 was provided for consideration by the DPOC at the January 2014 meeting (AP3C for that meeting).</p>
April	Technical Activities—Update (AP3B) : The Update noted that at its January 2014 meeting the DPOC emphasised to the IASB the importance of the Rate-regulated Activities project being completed as quickly as possible.

Date	Paper, including main points raised
	<p>The Update also noted that, in April 2014, the IASB would consider the due process steps taken so far and the staff would be seeking permission to start balloting the discussion paper. A copy of the due process paper to be considered by the IASB at its April 2014 meeting was provided for this meeting (AP3B(i): Rate-regulated Activities: Discussion paper—due process steps).</p> <p>This due process paper also emphasises the importance of finalising the main project as quickly as possible.</p>
July	<p>Technical Activities—Update (AP3B): The Update noted:</p> <ul style="list-style-type: none"> (a) the IASB considered in April 2014 the due process steps taken so far on the research project. (b) the staff have sought some additional input for the discussion paper and will be seeking permission to commence the balloting process at the IASB meeting in July 2014.
October	<p>Technical Activities—Update (AP3B): The Update noted that the IASB published the Discussion Paper <i>Reporting the Financial Effects of Rate Regulation</i> (Discussion Paper) on 17 September 2014, with a comment period of 120 days, ending on 15 January 2015.</p>
2015	
February	<p>Technical Activities—Update (AP2B): The Update noted that the IASB staff aimed to provide a preliminary analysis of comments on the Discussion Paper to the IASB at its meeting in February 2015 and seek advice from the Consultative Group in March 2015, before asking the IASB to decide on the next steps for the project.</p>
April	<p>Technical Activities—Update (AP3B): The Update noted that the IASB staff provided a preliminary analysis of the comments to the IASB at its meeting in February 2015 and the Consultative Group met in March 2015 for an initial discussion of the issues raised by respondents to the Discussion Paper. The summary of the comment letters and the other feedback (including feedback from outreach with users) was made available on the website.</p>

Date	Paper, including main points raised
June	Technical Activities—Update (AP3B) : The Update noted that in May 2015 the IASB decided that it should undertake standard-setting activity to address the issues identified in this project, but that the form of that standard-setting activity would become apparent as the project progresses. The IASB also decided that the development of a second discussion paper would be the fastest way to progress the project.
October	Technical Activities: Key Issues and Update (AP3B) : The Update noted that in July 2015 discussions were held with both the IASB and the ASAF to identify a possible accounting model that would more faithfully represent the financial effects of rate regulation identified through the Discussion Paper.
2016	
January	Technical activities: Key Issues and Update (AP3B) : The Update noted that the staff are assessing the feedback on the Conceptual Framework project before bringing further analysis to subsequent IASB meetings.
May	Technical activities: Key Issues and Update (AP3B) : The Update noted that at the April 2016 IASB meeting the staff presented a project update, including a summary of responses on the 2015 Agenda Consultation.
October	Technical Activities: Key Issues and Update (AP1B) : The Update noted that the advice of ASAF was sought regularly during 2015 and included an update on ASAF meetings on rate regulation in 2016.
2017	
January	Technical Activities—Key Issues and Update (AP1B) : The Update noted that the advice of ASAF was sought regularly during 2016, including at its December 2016 meeting when the staff presented an overview of their preliminary proposals for a new accounting model for recognising regulatory adjustments (ie, the financial effects of rate regulation).

Date	Paper, including main points raised
May	Technical Activities—Key Issues and Update (AP1B) : The Update noted that at its April 2017 meeting the IASB considered a revised general description of a new accounting model and was not asked to make any decisions.
November	Technical Activities—Key Issues and Update (AP1B) : The Update noted the IASB would obtain feedback from the Consultative Group in October 2017.
2018	
January	Technical Activities—Key Issues and Update (AP1B) : The Update noted that: <ul style="list-style-type: none"> (a) the IASB received an update on: <ul style="list-style-type: none"> (i) the feedback from the October 2017 Consultative Group meeting; and (ii) the plan for developing the next due process document for the project. (b) the project timetable has been revised to reflect the feedback from the Consultative Group and the need to apply the revised Conceptual Framework to the model being developed.
June	Technical Activities—Key Issues and Update (AP1B) : The Update noted that the next due process step is to publish a second discussion paper or an exposure draft in H1 2019.
October	Technical Activities—Key Issues and Update (AP1B) : The Update noted that the next due process step (second discussion paper or an exposure draft) is now expected in H2 2019 because it took longer than expected to discuss and conclude on technical issues.
2019	
January	Technical Activities—Key Issues and Update (AP1B) : The Update showed no changes to the status of the project since the last meeting.

Date	Paper, including main points raised
June	Technical Activities—Key Issues and Update (AP1B) : The Update noted that the IASB discussed the project at six of its meetings held in 2018 and reached numerous tentative decisions. However, discussions about measurement held in December 2018 highlighted a lack of clarity in the description of the model's principles. Therefore, the Update noted that in May 2019, the IASB discussed a refined description of the model that clarified its underlying principles.
October	Technical Activities—Key Issues and Update (AP1B) : The Update noted that: <ul style="list-style-type: none"> (a) the IASB confirmed at its July 2019 meeting that it had completed all necessary steps to commence the balloting process for an exposure draft of a new standard to replace IFRS 14; (b) the reasons for deciding to consult on the project through an exposure draft, instead of a second discussion paper (see also paragraph A16 of this paper); and (c) the exposure draft will have a comment period of 120 days in accordance with paragraph 6.7 of the <i>Due Process Handbook</i> and is expected to be issued in the first half of 2020.
2020	
February	Technical Activities—Key Issues and Update (AP1B) : The Update noted that the exposure draft is currently being drafted.
June	Technical Activities—Key Issues and Update (AP1B) : The Update noted that publication of the exposure draft has been delayed to H2 2020 because of the covid-19 pandemic.
October	Technical Activities—Key Issues and Update (AP1B) : The Update noted that publication of the exposure draft is deferred to Q1 2021 due to time needed to address comments and discuss sweep issues arising during balloting process.
2021	

Date	Paper, including main points raised
March	Technical Activities: Key Issues and Update (AP1B) . The Update noted that the Exposure Draft <i>Regulatory Assets and Regulatory Liabilities</i> (Exposure Draft) was published in January 2021 and outreach activities are taking place. It also noted the consultation period is five months, longer than the four months minimum specified by the <i>Due Process Handbook</i> , to enable stakeholders to respond effectively during the covid-19 pandemic.
June	Technical Activities: Key Issues and Update (AP1B) : The Update noted that the IASB has further extended the comment period on the Exposure Draft from five to six months to assist stakeholders coping with capacity constraints from the covid-19 pandemic (until July 2021).
October	Technical Activities: Key Issues and Update (AP1B) : The Update noted that feedback from outreach activities and comment letters are currently being analysed.
2022	
March	IASB Technical Activities: Key Issues and Update (AP1B) : The Update noted: <ul style="list-style-type: none"> (a) the staff reported in October 2021 a possible need for changes to the membership of the Consultative Group and the process being used to identify new members. The staff would update the DPOC on the Consultative Group at a future date so it can review whether there is an appropriate balance of perspectives, including geographical balance. (b) the IASB discussed the feedback on the Exposure Draft in October and November 2021. The IASB discussed plans for redeliberating the proposals in the Exposure Draft in December 2021 and started redeliberations in February 2022.
June	IASB Technical Activities: Key Issues and Update (AP1B) : The Update noted the process followed to make limited changes to the composition of the Consultative Group.

Date	Paper, including main points raised
October	IASB Technical Activities: Key Issues and Update (AP1B) : The Update showed no changes to the status of the project since the last meeting.
2023	
March	IASB Technical Activities: Key Issues and Update (AP1B) : The Update showed no changes to the status of the project since the last meeting.
June	IASB Technical Activities: Key Issues and Update (AP1B) : The Update noted that the final Standard is expected to be issued in 2025.
October	IASB Technical Activities: Key Issues and Update (AP1B) : The Update showed no changes to the status of the project since the last meeting.
2024	
February	IASB Technical Activities: Key Issues and Update (AP1B) : The Update showed no changes to the status of the project since the last meeting.
June	IASB Technical Activities: Key Issues and Update (AP1B) : The Update showed no changes to the status of the project since the last meeting.
October	IASB Technical Activities: Key Issues and Update (DP2) : The Update noted that during the period, the IASB completed redeliberations of the proposals in the Exposure Draft, confirmed it was satisfied that applicable due process requirements have been complied with and sufficient consultation and analysis have been undertaken to begin the process for balloting the new Standard. The IASB expects to issue the new Standard in H2 2025. The Update also noted that the DPOC will conduct its life-cycle review of this project at a future meeting.
2025	
March	IASB Technical Activities: Key Issues and Update (DP2) : The Update showed no changes to the status of the project since the last meeting.



Staff paper

Agenda reference: 9G

IASB® Meeting

Date **July 2024**

Project **Rate-regulated Activities**

Topic **Consideration of the re-exposure criteria**

Contacts **Nhlanhla Mungwe (nmungwe@ifrs.org)**

This paper has been prepared for discussion at a public meeting of the International Accounting Standards Board (IASB). This paper does not represent the views of the IASB or any individual IASB member. Any comments in the paper do not purport to set out what would be an acceptable or unacceptable application of IFRS® Accounting Standards. The IASB's technical decisions are made in public and are reported in the IASB® *Update*.

This Agenda Paper was originally posted for the July 2024 IASB meeting as Agenda Paper 9G.

Objective

1. This paper sets out the re-exposure criteria in the [IFRS Foundation Due Process Handbook](#) (the Handbook) and ask the IASB to consider whether it should finalise IFRS X *Regulatory Assets and Regulatory Liabilities* without re-exposing it for another round of public comments.
2. This paper should be read in conjunction with Agenda Paper 9H Due Process requirements.

Staff recommendation

3. We recommend that the IASB finalise IFRS X *Regulatory Assets and Regulatory Liabilities* without re-exposing it for another round of public comments.

Structure of the paper

4. This paper is structured as follows:
 - (a) project overview (paragraphs 6–16):
 - (b) re-exposure criteria in the Handbook (paragraph 17); and
 - (c) staff analysis (paragraphs 18–51).

5. The appendix includes a summary of the proposals in the Exposure Draft, feedback and the IASB's tentative decisions. The summary in the appendix has been included in the cover paper for each IASB meeting at which the project has been discussed.

Project overview

6. The Rate-regulated Activities project (the project) was added to the IASB's agenda in December 2008 because of ongoing differences of views in practice about whether rate regulation creates any rights or obligations that could qualify for recognition as assets or liabilities.
7. The IASB published an Exposure Draft *Rate-regulated Activities* in 2009 (2009 Exposure Draft), which proposed that entities should recognise regulatory balances arising from one type of rate regulation (commonly called cost-of service regulation or return-on-rate-base regulation).
8. Many respondents to the 2009 Exposure Draft agreed with the proposals, but many other respondents disagreed with the proposals. The IASB's subsequent discussions found no clear path to answering the fundamental question: do any regulatory balances meet the definitions of an asset or a liability in the *Framework*? Because of the diversity in views, and because it seemed unlikely that the fundamental question could be answered in a reasonable time, the IASB suspended the project in September 2010 to focus on other priorities.
9. After considering feedback from its 2011 Agenda Consultation, in 2012 the IASB added the Rate-regulated Activities project to its standard-setting agenda.
10. Around that time, the IASB received requests from some jurisdictions to facilitate the timely adoption of IFRS Standards by rate-regulated entities in those jurisdictions by allowing those entities to continue using temporarily the accounting practices they were using then in reporting regulatory balances.
11. In response to those requests, in January 2014, the IASB issued IFRS 14 *Regulatory Deferral Accounts*, as an interim Standard that would apply until the completion of the comprehensive project.

-
12. As the first stage in its more comprehensive project, in March 2013, the IASB published a Request for Information [Rate Regulation](#) to identify the range of rate-regulatory schemes that might give rise to assets or liabilities.
 13. The IASB reviewed the responses to the Request for Information and researched the topic. In September 2014, the IASB published a Discussion Paper [Reporting the Financial Effects of Rate Regulation](#) (Discussion Paper).
 14. Feedback from the IASB's 2015 Agenda Consultation reinforced the IASB's view that the IASB should continue work on this project.
 15. The IASB issued an Exposure Draft in 2021. The Exposure Draft sets out proposals for the recognition, measurement, presentation and disclosure of regulatory assets and regulatory liabilities, and of regulatory income and regulatory expense. If finalised, these proposals would replace IFRS 14 *Regulatory Deferral Accounts*.
 16. The proposals in the Exposure Draft have been generally well-received by respondents. The feedback on the Exposure Draft was discussed by the IASB in October 2021 and November 2021.¹ In December 2021, the IASB discussed its plans for redeliberating the Exposure Draft.²

Re-exposure criteria in the Handbook

17. The Handbook sets out the criteria to be considered with respect to re-exposure:
 - 6.25 In considering whether there is a need for re-exposure, the Board:
 - (a) identifies substantial issues that emerged during the comment period on the exposure draft and that it had not previously considered;
 - (b) assesses the evidence that it has considered;

¹ Agenda papers discussed by the IASB in October 2021 can be found [here](#) and those discussed in November 2021, [here](#).

² [Agenda Paper 9](#) discussed by the IASB in December 2021.

-
- (c) determines whether it has sufficiently understood the issues, implications and likely effects of the new requirements and actively sought the views of interested parties; and
 - (d) considers whether the various viewpoints were appropriately aired in the exposure draft and adequately discussed and reviewed in the basis for conclusions.
- 6.26 It is inevitable that the final proposals will include changes from those originally proposed. The fact that there are changes does not compel the Board to re-expose the proposals. The Board needs to consider whether the revised proposals include any fundamental changes on which respondents have not had the opportunity to comment because they were not contemplated or discussed in the basis for conclusions accompanying the exposure draft. The Board also needs to consider whether it will learn anything new by re-exposing the proposals. If the Board is satisfied that the revised proposals respond to the feedback received and that it is unlikely that re-exposure will reveal any new concerns, it should proceed to finalise the proposed requirements.
- 6.27 The more extensive and fundamental the changes from the exposure draft and current practice the more likely the proposals should be re-exposed. However, the Board needs to weigh the cost of delaying improvements to financial reporting against the relative urgency for the need to change and what additional steps it has taken to consult since the exposure draft was published. The use of consultative groups or targeted consultation can give the Board information to support a decision to finalise a proposal without the need for re-exposure.
- 6.28 The Board should give more weight to changes in recognition and measurement than disclosure when considering whether re-exposure is necessary.

Staff analysis

18. This section is structured as follows:

- (a) substantial issues that emerged during the comment period (paragraphs 19–36);
- (b) assessing the evidence and understanding and consulting on issues (paragraphs 37–44);
- (c) weighing the costs of re-exposure against the benefits (paragraphs 45–50); and
- (d) staff conclusion, recommendation and question for the IASB (paragraph 51).

Substantial issues that emerged during the comment period

19. The appendix contains a summary of the proposals in the Exposure Draft, the feedback received and the IASB's tentative decisions in response to that feedback. We identified the following substantial issues during the comment period on the Exposure Draft:³

- (a) regulatory assets and regulatory liabilities arising from differences between the regulatory recovery pace and the assets' useful lives (paragraphs 20–24). This issue led to the introduction of the direct (no direct) relationship concept;
- (b) regulatory returns on assets not yet available for use (paragraphs 25–28);
- (c) scope including interaction of the proposals with IFRIC 12 *Service Concession Arrangements* (paragraphs 29–31); and
- (d) minimum interest rate (paragraphs 32–36).

³ [Agenda Paper 9](#) discussed by the IASB at its December 2021 meeting.

Regulatory assets and regulatory liabilities arising from differences between regulatory recovery periods and assets' useful lives

20. Many respondents disagreed with the proposal to account for regulatory assets or regulatory liabilities when the regulatory recovery period differed from the assets' useful lives. According to these respondents, the proposal would:
- (a) not reflect an entity's rights and obligations arising from their regulatory agreements;
 - (b) not result in useful information; and
 - (c) be costly to account for or even impracticable in some cases.
21. To respond to concerns raised by respondents in paragraph 20, the IASB considered the extent to which an entity's regulatory capital base and its property, plant and equipment are similar—whether there is a direct (no direct) relationship between an entity's regulatory capital base and its property, plant and equipment.
22. The IASB tentatively decided to use the direct (no direct) relationship concept for some of its tentative decisions. For example, the IASB tentatively decided:
- (a) to retain the proposals to account for regulatory assets or regulatory liabilities when the regulatory recovery period differs from the assets' useful lives if an entity has concluded that its regulatory capital base and its property, plant and equipment have a direct relationship;
 - (b) not to apply the proposals to an entity that has concluded that its regulatory capital base has no direct relationship with its property, plant and equipment. Such an entity would instead be required to provide disclosures to enable users of financial statements to understand the reasons for its conclusions.⁴
23. The IASB also tentatively decided to use the direct (no direct) relationship concept to account for regulatory assets and regulatory liabilities arising from:

⁴ [Agenda Paper 9B](#) discussed at the October 2022 IASB meeting. See October 2022 [IASB Update](#).

- (a) allowable expenses or performance incentives that a regulator includes in an entity's regulatory capital base;⁵ and
 - (b) regulatory returns on an asset not yet available for use when an entity capitalises borrowing costs incurred to construct that asset.⁶
24. To develop the direct (no direct) relationship concept, the staff conducted additional research, including outreach with stakeholders—this research is described in paragraphs 40–44.

Regulatory returns on assets not yet available for use

25. The Exposure Draft proposed that regulatory returns on an asset not yet available for use should form part of the total allowed compensation for goods or services supplied once the asset is available for use and over the remaining periods in which the entity recovers the carrying amount of the asset through the regulated rates.
26. Most respondents including users disagreed with these proposals. According to these respondents the proposals would:
- (a) not reflect the economic substance of the regulatory agreements;
 - (b) not result in useful information;
 - (c) be costly to implement; and
 - (d) be inconsistent with US generally accepted accounting principles (GAAP).
27. To understand respondents' concerns the staff undertook outreach, including discussing this matter with the Consultative Group for Rate Regulation (Consultative Group).⁷ The IASB considered the comments from respondents that said that goods or services supplied are not limited to the commodity supplied but encompass the provision of services, such as:

⁵ [Agenda Paper 9C](#) discussed at the December 2022 IASB meeting.

⁶ [Agenda Paper 9A](#) discussed at the November 2022 IASB meeting.

⁷ The Consultative Group met on 4 March 2022 to discuss this matter. The summary notes of this meeting can be found [here](#).

-
- (a) designing, building, maintaining and expanding the infrastructure;
 - (b) making the infrastructure available at all times; and
 - (c) financing—returns represent reimbursement for funding costs incurred during construction.
28. Consequently, the IASB tentatively decided that IFRS X specify that when an entity has an enforceable present right to regulatory returns on an asset not yet available for use, those returns would form part of the total allowed compensation for goods or services supplied during the construction period of that asset. IFRS X will provide guidance for entities to assess whether their rights to these regulatory returns are enforceable.⁸

Scope

29. The Exposure Draft proposed that an entity shall apply IFRS X to all its regulatory assets and all its regulatory liabilities.
30. Many respondents said the proposed scope was not clear mainly due to:
- (a) lack of clarity about whether a regulator must exist for a right or obligation to meet the definition of a regulatory asset or regulatory liability.
 - (b) uncertainty about the interaction between the proposals and IFRIC 12, IFRS 9 *Financial Instruments* and IFRS 17 *Insurance Contracts*.
31. To address respondents' concerns, the IASB tentatively decided:
- (a) to include in IFRS X the existence of a regulator as part of the conditions necessary for a regulatory asset or a regulatory liability to exist.⁹
 - (b) to clarify the intended interaction between IFRS X and IFRIC 12. That is, an entity would apply IFRIC 12 first and then apply the requirements of IFRS X to any remaining rights and obligations to determine if the entity has

⁸ [IASB Update](#) July 2022.

⁹ [Agenda Paper 9C](#) discussed at the February 2022 IASB meeting.

regulatory assets or regulatory liabilities. IFRS X would also include examples to illustrate that interaction.¹⁰

- (c) not to exclude from the scope of IFRS X regulatory assets or regulatory liabilities related to financial instruments within the scope of IFRS 9.¹¹
- (d) to exclude from the scope of IFRS X regulatory assets and regulatory liabilities that might arise when premiums charged in insurance contracts that fall within the scope of IFRS 17 are regulated.¹²

Minimum interest rate

32. The Exposure Draft proposed that an entity should assess whether there is any indication that the regulatory interest rate for a regulatory asset might be insufficient to compensate the entity for the time value of money and for uncertainty in the future cash flows arising from the regulatory asset. If there are indications that the regulatory interest rate may be insufficient, the entity:
- (a) estimates the minimum interest rate sufficient to provide that compensation; and
 - (b) uses, as the discount rate, the higher of the regulatory interest rate and that minimum interest rate.
33. Most respondents—including most users of financial statements—did not support the proposals. They said the complexity and costs of applying the proposals would outweigh any benefits.
34. The IASB tentatively decided to retain the proposals. However, to alleviate the complexity and costs concerns, the IASB decided:
- (a) to clarify that an entity performing the assessment described in paragraph 32 would not be required to calculate the minimum interest rate for the regulatory

¹⁰ [Agenda Paper 9A](#) discussed at the September 2022 IASB meeting.

¹¹ [Agenda Paper 9E](#) discussed at the May 2022 IASB meeting.

¹² [Agenda Paper 9B](#) discussed at the April 2024 IASB meeting.

asset or carry out an exhaustive search for indications that the regulatory interest rate for the regulatory asset might be insufficient to compensate the entity for the time value of money and for uncertainty in the future cash flows arising from the regulatory asset;

- (b) to provide guidance on the estimation of the minimum interest rate, and to include in that guidance principles used in other IFRS Accounting Standards to help entities carry out that estimation; and
- (c) to exempt an entity from applying the proposals on the minimum interest rate to a regulatory asset that arises from variances between estimated and actual costs or volume, and to require an entity to apply the requirements once the regulator determines the final balance to be included in future regulated rates.¹³

35. The IASB tentatively decided to exempt an entity from discounting the cash flows that arise from a regulatory asset or regulatory liability:

- (a) if the entity expects the period between recognition of that regulatory asset or regulatory liability and its recovery or fulfilment to be 12 months or less.
- (b) for the period between recognition of that regulatory asset or regulatory liability and when regulatory interest starts to accrue, if the entity expects that period to be 12 months or less.

36. If an entity elects to apply any of the exemptions in paragraph 35 to a regulatory asset, then the entity would not apply the proposals on minimum interest rate to that regulatory asset during the period the exemption is applied.

Assessing the evidence and understanding and consulting on issues

37. Paragraph 6.26 of the *Handbook* notes that it is inevitable that the final requirements will include changes from those originally proposed, and that the fact that there are changes does not compel the IASB to re-expose the proposals.

¹³ [Agenda Paper 9A](#) discussed at the April 2024 IASB meeting.

-
38. The staff has assessed the changes against the requirements in paragraph 6.26 of the *Handbook*, as follows:
- (a) the tentative decisions made by the IASB in its redeliberations on the Exposure Draft do not include any fundamental changes on which respondents have not had the opportunity to comment on. Paragraphs 40–44 outline additional work undertaken by the staff to gather comments on the direct (no direct) relationship concept.
 - (b) all significant changes made to the proposals in the Exposure Draft in the appendix were made in response to feedback received on the Exposure Draft, including any changes made in response to the substantial issues that emerged during the comment period discussed in paragraphs 19–36.
 - (c) respondents have had the opportunity to comment on the changes resulting from the IASB’s tentative decisions made during the redeliberations on the Exposure Draft through:¹⁴
 - (i) outreach meetings—the IASB and staff held 133¹⁵ meetings with preparers, users, regulators and auditors from a range of jurisdictions in order to test the proposals, hear views, explore implications and understand concerns raised by affected parties; and
 - (ii) five meetings with the Accounting Standards Advisory Forum (ASAF) to gather ASAF members’ views on whether the IASB’s tentative decisions help address stakeholders’ feedback on the proposals in the Exposure Draft.
39. Paragraph 6.27 of the *Handbook* notes that the use of consultative groups or targeted consultation can give the Board information to support a decision to finalise a proposal without the need for re-exposure. The IASB held five public meetings with the Consultative Group to consult on issues identified during the comment period.

¹⁴ The meetings detailed below took place from September 2021–June 2024.

¹⁵ This number does not include outreach meetings held to discuss the direct (no direct) relationship concept.

The direct (no direct) relationship concept

40. As stated in paragraph 21, the direct (no direct) relationship concept was introduced during redeliberations on the Exposure Draft. Consequently, the IASB did not receive feedback on this concept in the responses to the Exposure Draft. The staff developed this concept considering feedback from the Consultative Group¹⁶ and outreach events held with preparers, accounting firms and users in different jurisdictions.
41. To help the IASB understand the implications of this new concept and to give stakeholders the opportunity to comment on it, the staff developed a survey to gather input from preparers to assess whether they would be able to operationalise the concept. The staff requested assistance from members of ASAF to identify participants from their jurisdictions or regions. The staff also contacted other stakeholders, mainly members of the Consultative Group. The staff received 48 completed surveys from 39 respondents in 16 jurisdictions. The staff also contacted—via meetings or email—15 respondents that completed the survey to better understand answers in the survey and to discuss potential effects of the IASB’s tentative decisions for entities applying the concept.
42. The IASB also considered the advice from the Consultative Group on:¹⁷
- (a) regulatory assets and regulatory liabilities arising from regulatory returns on an asset not yet available for use when an entity capitalises borrowing costs incurred to construct that asset; and
 - (b) inflation adjustments to the regulatory capital base.
43. The UK Endorsement Board (UKEB) expressed concerns on the direct (no direct) relationship concept. Most entities in the UK would have no direct relationship. Regulators in the UK generally adjust entities’ regulatory capital base with items of

¹⁶ The Consultative Group met on 28 March 2022 to discuss the proposals on the accounting for regulatory assets and regulatory liabilities arising from differences between the regulatory recovery pace and the assets’ useful lives. The notes summarising that meeting can be found [here](#).

¹⁷ The Consultative Group met on 4 October 2022 to discuss these topics. The notes summarising that meeting can be found [here](#).

expense, performance incentives and inflation. The IASB's tentative decisions means that these entities will be prohibited from recognising adjustments to the regulatory capital base as regulatory assets or regulatory liabilities. In some cases, these regulatory assets or regulatory liabilities would be significant.

44. In response to concerns expressed by UKEB on the direct (no direct) relationship concept (paragraph 43) the staff held approximately 10 meetings with the UKEB and other UK stakeholders to understand their concerns.

Weighing the costs of re-exposure against the benefits

45. Paragraph 6.27 of the *Handbook* requires the IASB to weigh the costs of delaying improvements to financial reporting against the relative urgency for the need to change and what additional steps it has taken to consult since the Exposure Draft was published. In weighing the costs of re-exposure against the benefits, we have considered:
- (a) stakeholder support for finalising IFRS X (paragraph 46);
 - (b) time required to finalise if IFRS X were to be re-exposed (paragraphs 47–48); and
 - (c) the possibility of obtaining new information by re-exposing IFRS X (paragraphs 49–50).

Stakeholder support for finalising IFRS X

46. Since publishing the Exposure Draft, several stakeholders have urged the IASB to issue IFRS X without delay. For example:
- (a) at the March 2024 ASAF meeting, an EFRAG representative member stated that there is a strong demand for the timely issuance of IFRS X.¹⁸ The same message was conveyed by the representant of the Accounting Standards Committee of Germany (ASCG)) at a IFASS meeting held in April 2024.

¹⁸ [March 2024 ASAF meeting summary](#).

- (b) in April 2023, a group of European electricity and gas transmission system operators requested the IASB to continue to drive forward and, if possible, accelerate the process to issue IFRS X.

Time required to finalise if IFRS X were to be re-exposed

47. We note that there would be a significant delay in publishing IFRS X if the IASB were to decide to re-expose some or all of the proposals and that such a delay would not respond to the feedback from stakeholders who would like the IASB to issue IFRS X as soon as possible.
48. In addition, re-exposing some or all of the proposals would result in a significant delay to the improvements in financial reporting that this project is expected to bring.

Possibility of obtaining new information by re-exposing IFRS X

49. While there is always a possibility that some new information may arise if the IASB were to re-expose the proposals, we think it is unlikely that the IASB will learn anything new by re-exposing the proposals or that re-exposure will reveal new concerns. This is because the IASB conducted extensive outreach, including meetings with its Consultative Group and the survey on the direct (no direct) relationship concept (paragraph 40).
50. We also note that re-exposing the proposals for another round of public comments would result in significant resource commitments both internally and from stakeholders, limiting internal and external resources available to work on other projects that will also result in improvements to financial reporting. Therefore, we think that the benefits of potentially obtaining a small amount of new information are unlikely to exceed the costs of obtaining it.

Staff conclusion, recommendation and question for the IASB

51. Based on our analysis in paragraphs 19–50, we think that there are no fundamental changes on which respondents have not had the opportunity to comment and, thus it is

unlikely that re-exposure will reveal any new information or concerns. Therefore, we recommend that the IASB should finalise IFRS X without re-exposure for another round of public comment.

Questions for the IASB

1. Does the IASB agree with the staff recommendation to finalise IFRS X without re-exposing it for an additional round of public comment?

Appendix—Summary of the proposals in the Exposure Draft, feedback and IASB's tentative decisions

A1. Appendix A summarises the changes to the IFRS X as a result of the IASB's redeliberations in response to feedback in the comment letters to the exposure draft. This summary has been included in the cover paper for each IASB meeting at which the project has been discussed.

Summary of proposals	Summary of feedback	Tentative decisions
Scope (October 2021 AP9A Feedback summary—Objective and Scope and February 2022 AP9A Scope—Overview)		
<p>A1. Paragraph 1 of the Exposure Draft states that the objective of the [draft] Standard is 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.</p> <p>A2. Paragraph 3 of the Exposure Draft proposes that an entity applies the [draft] Standard to all its regulatory assets and all its regulatory liabilities.</p> <p>A3. The Exposure Draft define regulatory assets and regulatory liabilities as enforceable present rights and enforceable present obligations (paragraphs A9 and A10). Paragraph 9 of the Exposure Draft states 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.'</p>	<p>B1. Most respondents agreed with the objective of the Exposure Draft in paragraph A1. Some of these respondents also acknowledged there is a need for a Standard that addresses the accounting for regulatory assets and regulatory liabilities.</p> <p>B2. Many respondents agreed with the proposed scope in paragraph A2. 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.</p> <p>B3. However, many respondents said the proposed scope may be broader than intended and that there is a risk the final requirements may not be applied consistently. This perception is mainly caused by:</p> <ul style="list-style-type: none"> a) uncertainty about which regulatory agreements, arrangements and activities would be within or fall outside the scope of the proposals; b) uncertainty about the interaction between the proposals and IFRS 15 <i>Revenue from Contracts</i> 	<p>Determining whether a regulatory agreement is within the scope of the proposals—AP9B discussed in February 2022</p> <p>C1. The IASB tentatively decided:</p> <ul style="list-style-type: none"> a) to reconfirm the proposals in the Exposure Draft on: <ul style="list-style-type: none"> i) requiring an entity to apply the Standard to all its regulatory assets and regulatory liabilities. ii) requiring the Standard to apply to all regulatory agreements and not only to those that have a particular legal form. iii) the conditions necessary for a regulatory asset or a regulatory liability to exist. b) not explicitly to specify in the Standard which regulatory schemes would be within or outside its scope. c) to clarify in the Standard that: <ul style="list-style-type: none"> i) a regulatory agreement may include enforceable rights and enforceable obligations

Summary of proposals	Summary of feedback	Tentative decisions
<p>A4. Paragraph 6 of the Exposure Draft states that by definition a regulatory asset or a regulatory liability can exist only if:</p> <ul style="list-style-type: none"> 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 (that is, differences in timing arise). <p>A5. The Exposure Draft defines a regulatory agreement as ‘a set of enforceable rights and obligations that determine a regulated rate to be applied in contracts with customers’ (paragraph 7 and Appendix A to the Exposure Draft).</p> <p>A6. The Exposure Draft defines a 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’ (paragraph 10 and Appendix A to the Exposure Draft).</p> <p>A7. 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 characteristics (paragraph BC85 of the Basis for Conclusions on the Exposure Draft).</p>	<p><i>with Customers</i>, IFRS 9 <i>Financial Instruments</i>, IFRS 17 <i>Insurance Contracts</i> and IFRIC 12 <i>Service Concession Arrangements</i>; and</p> <ul style="list-style-type: none"> c) a lack of clarity about: <ul style="list-style-type: none"> i) the proposed definition of ‘regulatory agreement’; and ii) whether the existence of a regulator is required for assessing whether a right or obligation meets the definition of a regulatory asset or a regulatory liability. <p>B4. Some respondents had concerns on the impact that the term ‘customers’ may have on the scope of the proposals and shared application questions.</p> <p>B5. 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. A few respondents asked the IASB to clarify how the assessment of enforceability would interact with the proposals on recognition (paragraph B25) and measurement (paragraph B32).</p> <p>B6. Many respondents recommended providing further clarity and guidance on the aspects mentioned above to minimise the risk the Standard:</p> <ul style="list-style-type: none"> a) unintentionally captures a wide range of regulatory agreements, arrangements and activities. b) may not be applied consistently. 	<p>to adjust the regulated rate beyond the current regulatory period.</p> <ul style="list-style-type: none"> ii) regulatory agreements that create either regulatory assets or regulatory liabilities, but not both, are within its scope. iii) a regulatory agreement that causes differences in timing when a specified regulatory threshold is met creates regulatory assets or regulatory liabilities. iv) a regulatory agreement is not required to determine a regulated rate using an entity’s specific costs for the regulatory agreement to create regulatory assets or regulatory liabilities. <p>Definition of a regulator—AP9C discussed in February 2022</p> <p>C2. The IASB tentatively decided that the Standard will:</p> <ul style="list-style-type: none"> 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 that: <ul style="list-style-type: none"> i) self-regulation is outside the scope of the Standard. ii) a situation in which an entity or its related party determines the rates, but does so in accordance with a framework that is overseen by a body empowered by law or regulation, is

Summary of proposals	Summary of feedback	Tentative decisions
<p>A8. The [draft] Standard would not apply to any other rights or obligations created by the regulatory agreement. Paragraph 20 of the Exposure Draft states that an entity should apply other IFRS Accounting Standards in accounting for the effects of those other rights or obligations.</p>		<p>not self-regulation for the purposes of the Standard.</p> <p>Financial instruments within the scope of IFRS 9 <i>Financial Instruments</i>—AP9E discussed in May 2022</p> <p>C3. The IASB tentatively decided:</p> <ul style="list-style-type: none"> a) not to exclude from the scope of the Standard regulatory assets or regulatory liabilities related to financial instruments within the scope of IFRS 9. b) to explain in the Basis for Conclusions on the Standard 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. <p>Customers—AP9D discussed in May 2022</p> <p>C4. The IASB tentatively decided to clarify in the Standard 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. This is the case even when:</p> <ul style="list-style-type: none"> a) an entity charges the regulated rates to its customers indirectly through another party. b) the origination and reversal of differences in timing occur in different revenue streams through regulated rates charged to different groups of customers.

Summary of proposals	Summary of feedback	Tentative decisions
		<p>Interaction with IFRIC 12—AP9A discussed in September 2022</p> <p>C5. The IASB tentatively decided:</p> <ul style="list-style-type: none"> a) to clarify in the Standard the intended interaction between the model and IFRIC 12. That is, an entity would apply IFRIC 12 first and then apply the requirements of the Standard to any remaining rights and obligations to determine if the entity has regulatory assets or regulatory liabilities; and b) to include in the Standard examples to illustrate the interaction between the model and IFRIC 12. <p>Interaction with IFRS 17—AP9B discussed in April 2024</p> <p>C6. The IASB tentatively decided to exclude from the scope of the Standard regulatory assets and regulatory liabilities that might arise when premiums charged in insurance contracts that fall within the scope of IFRS 17 are regulated.</p>
Regulatory assets and regulatory liabilities (October 2021 AP9B Feedback summary—Regulatory Assets and Regulatory Liabilities)		
<p>A9. Paragraph 4 and Appendix A to the Exposure Draft defines a regulatory asset as ‘an enforceable present right, created by a regulatory agreement, to add an amount in determining a regulated rate to be charged to customers in future periods because part of the total allowed compensation for goods or services already supplied will be included in revenue in the future’.</p> <p>A10. Paragraph 5 and Appendix A to the Exposure Draft defines a regulatory liability as ‘an enforceable present obligation, created by a regulatory agreement, to deduct an amount in</p>	<p>B7. Most respondents agreed with:</p> <ul style="list-style-type: none"> a) the proposed definitions of regulatory asset and regulatory liability; b) the focus of the proposals on the concept of total allowed compensation; c) regulatory assets and regulatory liabilities meeting the definitions of assets and liabilities in the <i>Conceptual Framework</i>; and 	<p>C7. For feedback described in paragraphs B8–B9, see redeliberations in paragraphs C10–C12.</p>

Summary of proposals	Summary of feedback	Tentative decisions
<p>determining a regulated rate to be charged to customers in future periods because the revenue already recognised includes an amount that will provide part of the total allowed compensation for goods or services to be supplied in the future’.</p> <p>A11. The proposed definitions of regulatory asset and regulatory liability refer to the concept of total allowed compensation for goods or services. Total allowed compensation would include the recovery of allowable expenses and a profit component.</p> <p>A12. Paragraphs BC37–BC47 of the Basis for Conclusions on the Exposure Draft include the rationale for the IASB’s conclusion that regulatory assets and regulatory liabilities meet the definitions of assets and liabilities in the <i>Conceptual Framework for Financial Reporting (Conceptual Framework)</i>.</p> <p>A13. The Exposure Draft proposes an entity recognises regulatory assets and regulatory liabilities separately from the rest of the regulatory agreement.</p> <p>A14. Paragraphs 18–19 of the Exposure Draft discuss instances in which differences between revenue and total allowed compensation arise but these differences are not differences in timing that would meet the definitions of a regulatory asset and a regulatory liability in the Exposure Draft</p> <p>A15. Paragraphs 21–23 of the Exposure Draft discuss rights and obligations that are not regulatory assets and regulatory liabilities.</p>	<p>d) accounting for regulatory assets and regulatory liabilities separately from the rest of the regulatory agreement.</p> <p>B8. However, some respondents qualified their support for the proposed definitions and the focus of the proposals on total allowed compensation because they disagreed with some of the regulatory assets or regulatory liabilities that would arise when applying paragraphs B3–B9 and B15 of the Exposure Draft, namely:</p> <p>a) regulatory assets or regulatory liabilities arising when the regulatory recovery period is longer or shorter than the assets’ useful lives; and</p> <p>b) regulatory liabilities arising when regulatory returns on an asset not yet available for use are included in regulated rates charged to customers during the period when the asset is not yet available for use (for example, the construction period).</p> <p>B9. According to these respondents, these regulatory assets and regulatory liabilities:</p> <p>a) do not represent enforceable rights and enforceable obligations arising from the regulatory agreements;</p> <p>b) would not meet the definitions of regulatory assets and regulatory liabilities; and</p> <p>c) would not result in useful information for users of financial statements if recognised in the financial statements.</p> <p>B10. No respondents identified other situations, except for those mentioned in paragraphs B8–B9, in which the proposed definitions would result in entities recognising regulatory assets or regulatory liabilities that would fail</p>	

Summary of proposals	Summary of feedback	Tentative decisions
	to provide information that is useful to users of financial statements.	
Total allowed compensation (October 2021 AP9C Feedback summary—Total allowed compensation and May 2022 AP9C Total allowed compensation—Overview)		
<p>A16. Paragraph 11 and Appendix A to the Exposure Draft defines total allowed compensation as ‘the full amount of compensation for goods or services supplied that a regulatory agreement entitles an entity to charge customers through the regulated rates, in either the period when the entity supplies those goods or services or a different period’.</p> <p>A17. Paragraph 16 of the Exposure Draft states that the [draft] Standard adopts the principle that an entity should reflect the total allowed compensation for goods or services supplied as part of its reported financial performance for the period in which those goods or services are supplied.</p> <p>A18. Paragraph B2 of the Exposure Draft states that total allowed compensation comprises:</p> <ul style="list-style-type: none"> a) amounts that recover allowable expenses minus chargeable income; b) target profit, of which main components are: <ul style="list-style-type: none"> i) profit margins that vary with an allowable expense; ii) regulatory returns; and iii) performance incentives; and c) regulatory interest income and regulatory interest expense. <p>A19. The Exposure Draft proposes that:</p>	<p>B11. Some respondents said that the proposed components of total allowed compensation in paragraph B2 of the Exposure Draft do not fit well with the features of incentive-based schemes.</p> <p>B12. A few accounting firms said that further guidance is needed to apply the concept of total allowed compensation to allowance-based regulatory schemes.</p> <p>B13. Respondents expressed mixed views on the proposed guidance on amounts that recover allowable expenses minus chargeable income. While many agreed with the proposals, many others in particular respondents subject to allowance-based regulatory schemes disagreed.</p> <p>B14. These respondents particularly disagreed with the proposed guidance and some illustrative examples on depreciation expense. These respondents said the proposals aim to link the recognition of compensation arising from the regulatory depreciation to the depreciation expense recognised in accordance with IFRS Accounting Standards. The application of the proposals to allowance-based regulatory schemes would lead, according to these respondents, to the recognition of regulatory assets and regulatory liabilities that would:</p> <ul style="list-style-type: none"> a) not reflect an entity’s rights and obligations arising from their regulatory agreements; 	<p>Features of different regulatory schemes—Educational session—AP9A discussed in May 2022</p> <p>Components of total allowed compensation—AP9A discussed in July 2022</p> <p>C8. The IASB tentatively decided that in the Standard, the application guidance focus on:</p> <ul style="list-style-type: none"> a) helping entities to identify differences in timing instead of specifying the components of total allowed compensation; and b) the most common differences in timing that could arise from various types of regulatory schemes. <p>Proposed definition of allowable expense and treatment of allowable expenses based on benchmarks—AP9A discussed in October 2022</p> <p>C9. The IASB tentatively decided that the Standard:</p> <ul style="list-style-type: none"> a) retain the proposed definition of allowable expense; b) clarify that a regulatory agreement may determine the amount that compensates an entity for an allowable expense using a basis different from the basis the entity uses to measure the expense in accordance with IFRS Accounting Standards; and c) clarify the treatment of allowable expenses based on benchmarks and include examples to help entities identify differences in timing in those cases.

Summary of proposals	Summary of feedback	Tentative decisions
<p>a) amounts that recover allowable expenses minus chargeable income should form part of total allowed compensation in the period when an entity recognises the expense or income by applying IFRS Accounting Standards (paragraphs B3–B9 of the Exposure Draft). This is the case even if the recovery of an allowable expense occurs in a period different from that in which the entity incurred the expense (for example, when the regulatory agreement allows an amount that recovers the depreciation expense on an item of property, plant and equipment using a longer or shorter period of recovery than the asset's useful life).</p> <p>b) profit margins on allowable expenses should form part of total allowed compensation in the period when an entity recognises the expense by applying IFRS Accounting Standards (paragraph B12 of the Exposure Draft).</p> <p>A20. Paragraphs B13–B14 of the Exposure Draft propose that regulatory returns applied to a base, such as the regulatory capital base, that a regulatory agreement entitles an entity to add in determining a regulated rate for goods or services supplied in a period should form part of the total allowed compensation for goods or services supplied in the same period.</p> <p>A21. Paragraph B15 of the Exposure Draft proposes that:</p> <p>a) regulatory returns on an asset not yet available for use should form part of total allowed compensation for goods or services</p>	<p>b) meet neither the proposed regulatory asset and regulatory liability definitions in the Exposure Draft nor the asset and liability definitions in the <i>Conceptual Framework</i>;</p> <p>c) not result in useful information; and</p> <p>d) be costly to account for.</p> <p>B15. Most respondents agreed with the proposed requirement for regulatory returns applied to a base, such as the regulatory capital base, to form part of total allowed compensation for goods or services supplied in the same period that a regulatory agreement entitles an entity to add them in the regulated rates charged to customers.</p> <p>B16. A few respondents said it was unclear how the proposals dealt with inflation adjustments reflected in either the regulatory returns or the regulatory capital base.</p> <p>B17. Some respondents agreed with the proposal for an entity to reflect returns on an asset not yet available for use in the period when the asset is being used to supply goods or services to customers. However, most respondents disagreed. According to these respondents, the proposals would:</p> <p>a) not reflect the economic substance of the regulatory agreements;</p> <p>b) not result in useful information;</p> <p>c) be costly to implement; and</p> <p>d) be inconsistent with US generally accepted accounting principles (GAAP).</p>	<p>Regulatory assets and regulatory liabilities arising from differences between the regulatory recovery period and the assets' useful lives—AP9B discussed in October 2022</p> <p>C10. The IASB tentatively decided that the Standard:</p> <p>a) provide guidance to help an entity determine whether its regulatory capital base and its property, plant and equipment have a direct relationship;</p> <p>b) retain the proposals for an entity to account for regulatory assets or regulatory liabilities arising from differences between the regulatory recovery period and the assets' useful lives if the entity has concluded that its regulatory capital base and its property, plant and equipment have a direct relationship; and</p> <p>c) require an entity that has concluded that its regulatory capital base and its property, plant and equipment have no direct relationship to provide disclosures to enable users of financial statements to understand the reasons for its conclusion.</p> <p>Regulatory returns on an asset not yet available for use—AP9B discussed in May 2022 and AP9B and AP9C discussed in July 2022</p> <p>C11. The IASB tentatively decided that the Standard specify that when an entity has an enforceable present right to regulatory returns on an asset not yet available for use, those returns would 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.</p>

Summary of proposals	Summary of feedback	Tentative decisions
<p>supplied once the asset is available for use and over the remaining periods in which the entity recovers the carrying amount of the asset through the regulated rates; and</p> <p>b) an entity uses a reasonable and supportable basis in determining how to allocate the returns on that asset over those remaining periods and it applies that basis consistently.</p> <p>A22. Paragraphs B16–B18 of the Exposure Draft propose that amounts relating to a performance incentive should form part of or reduce the total allowed compensation for goods or services supplied in the period in which an entity's performance gives rise to the incentive. The Exposure Draft proposes the same treatment for construction-related performance incentives.</p> <p>A23. Paragraph B19 of the Exposure Draft proposes that if the performance criteria test an entity's performance over a time frame that is not yet complete, the entity should estimate the amount of the performance incentive and determine the portion of that estimated amount that relates to the reporting period. That portion forms part of or reduces the total allowed compensation for the goods or services supplied in the reporting period. An entity should use a reasonable and supportable basis in determining that portion and apply that basis consistently.</p> <p>A24. The Exposure Draft proposes that regulatory interest income and regulatory interest expense should form part of total allowed compensation as the discount unwinds until recovery of the regulatory asset or fulfilment of the regulatory</p>	<p>B18. In outreach during the comment period, most users of financial statements said entities should reflect regulatory returns on an asset not yet available for use in the statement of financial performance during the construction phase.</p> <p>B19. Most respondents agreed that performance incentives should form part of or reduce the total allowed compensation for goods or services supplied in the period in which an entity's performance gives rise to the incentive. A few accounting firms raised concerns about the practical difficulties that entities may face when measuring regulatory assets or regulatory liabilities associated with performance incentives that test entities' performance across multiple reporting periods.</p> <p>B20. Many respondents agreed with the proposed guidance on profit margins on allowable expenses and regulatory interest income and regulatory interest expense.</p>	<p>Capitalised borrowing costs—AP9A and AP9C discussed in November 2022</p> <p>C12. The IASB tentatively decided when an entity's regulatory capital base and its property, plant and equipment have a direct relationship and the entity capitalises its borrowing costs:</p> <p>a) if the regulatory agreement provides the entity with both a debt and an equity return on an asset not yet available for use—to require the entity to reflect only those returns in excess of the entity's capitalised borrowing costs in the statement of financial performance during the construction period; and</p> <p>b) if the regulatory agreement provides the entity with only a debt return on such an asset—to prohibit the entity from reflecting the return in the statement of financial performance during the construction period.</p> <p>Inflation adjustment to the regulatory capital base—AP9A discussed in December 2022</p> <p>C13. The IASB tentatively decided that the Standard specify that an entity is neither required nor permitted to recognise as a regulatory asset inflation adjustments to the regulatory capital base.</p> <p>Other items included in the regulatory capital base—AP9C discussed in December 2022</p> <p>C14. The IASB tentatively decided that the Standard specify that:</p> <p>a) an entity is required to recognise a regulatory asset or a regulatory liability relating to an allowable expense or performance incentive included in its regulatory capital base when:</p>

Summary of proposals	Summary of feedback	Tentative decisions
liability (paragraphs B21–B27 of the Exposure Draft).		<ul style="list-style-type: none"> i) the entity's regulatory capital base and its property, plant and equipment have a direct relationship; and ii) the entity has an enforceable present right (obligation) to add (deduct) the allowable expense or performance incentive to (from) future regulated rates. <p>b) an entity is neither required nor permitted to recognise a regulatory asset or a regulatory liability relating to an allowable expense or performance incentive included in its regulatory capital base when the entity's regulatory capital base and its property, plant and equipment have no direct relationship.</p> <p>Total allowed compensation—performance incentives— AP9D discussed in February 2023</p> <p>C15. The IASB tentatively decided to reconfirm in the Standard the proposed requirement relating to performance incentives. The requirement would be that amounts relating to performance incentives should form part of or reduce the total allowed compensation for goods or services supplied in the period in which the entity's performance gives rise to the incentive. These amounts would include those that result from an entity's performance of construction work.</p> <p>Long-term performance incentives—AP9A discussed in April 2023</p> <p>C16. The IASB tentatively decided to reconfirm in the Standard the proposal to require an entity to estimate the amount of a long-term performance incentive, and to determine the portion of that estimated amount that relates to the reporting period using a reasonable and supportable basis.</p>

Summary of proposals	Summary of feedback	Tentative decisions
		<p>The direct (no direct) relationship concept—Report on findings from the survey—AP9B and AP9C discussed in September 2023</p> <p>C17. The IASB tentatively decided that the Standard would:</p> <ul style="list-style-type: none"> a) include the direct (no direct) relationship concept to help an entity identify differences in timing arising from the regulatory compensation the entity receives on its regulatory capital base; b) specify that an entity's ability to trace differences between the regulatory capital base and the property, plant and equipment at an asset level is a strong indicator that they have a direct relationship; c) specify that, in the case of service concession arrangements, an entity determines whether the regulatory capital base has a direct (no direct) relationship with the intangible asset that arises from the service concession arrangement; and d) include examples to illustrate how an entity determines the direct (no direct) relationship using specific fact patterns. <p>Survey on the direct (no direct) relationship concept—Additional feedback—AP9A discussed in October 2023</p> <p>C18. The IASB tentatively decided to include in the Standard guidance on how to account for regulatory returns on an asset not yet available for use that compensate for borrowing costs an entity has capitalised. The guidance would illustrate how an entity accounts for such regulatory returns if:</p> <ul style="list-style-type: none"> a) the entity determines the capitalised borrowing costs at a higher level of aggregation than the individual asset level; or

Summary of proposals	Summary of feedback	Tentative decisions
		b) a regulator determines the regulatory returns on a real basis.
Unit of account, recognition and derecognition (October 2021 AP9D Feedback summary—Recognition)		
Unit of account A25. Paragraph 24 of the Exposure Draft proposes that: <ul style="list-style-type: none"> a) the right or obligation arising from each individual difference in timing should be accounted for as a separate unit of account. b) the rights, obligations, or rights and obligations arising from the same regulatory agreement may be treated as arising from the same individual difference in timing, if those rights and obligations have similar expiry patterns and are subject to similar risks. 	Unit of account B21. A few respondents expressed concerns that the proposal may be onerous to apply in practice. This is because an entity may need more granular information than that currently used in setting regulated rates.	Unit of account and offsetting—AP9A discussed in December 2023 C19. The IASB tentatively decided that the Standard would: <ul style="list-style-type: none"> a) clarify that the unit of account is the right or obligation arising from a difference in timing or from a group of differences in timing. The differences in timing included in that group would: <ul style="list-style-type: none"> i) be created by the same regulatory agreement; ii) have similar expiry patterns; and iii) be subject to similar risks.
Recognition A26. Paragraph 25 of the Exposure Draft proposes that an entity should recognise: <ul style="list-style-type: none"> a) all regulatory assets and all regulatory liabilities existing at the end of the reporting period; and b) all regulatory income and all regulatory expense arising during the reporting period. A27. Paragraph 27 of the Exposure Draft provides an indicative list of facts and circumstances that an entity may consider in assessing whether a regulatory asset or a regulatory liability exists.	Recognition B22. Most respondents who commented agreed with the recognition proposals in paragraphs A26 and A28. B23. A few respondents disagreed with the recognition proposals. Those respondents did not support the recognition of regulatory assets or regulatory liabilities: <ul style="list-style-type: none"> a) associated with differences between the regulatory capital base and the carrying amount of property, plant and equipment (paragraph B8). Some of these respondents described these regulatory assets and regulatory liabilities as arising from implicit differences in timing. 	The recognition threshold—AP9B discussed in February 2023 C20. The IASB tentatively decided: <ul style="list-style-type: none"> a) to retain the proposal to require an entity to recognise a regulatory asset or a regulatory liability whose existence is uncertain if it is more likely than not that such an asset or liability exists; b) not to set a recognition threshold based on the probability of a flow of economic benefits; c) not to set a recognition threshold based on the level of measurement uncertainty, except for those regulatory assets and regulatory liabilities described in paragraph (e);

Summary of proposals	Summary of feedback	Tentative decisions
<p>A28. Paragraph 28 of the Exposure Draft proposes that if it is uncertain whether a regulatory asset or a regulatory liability exists, an entity should recognise that regulatory asset or regulatory liability if it is more likely than not that it exists. It could be certain that a regulatory asset or a regulatory liability exists even if it is uncertain whether that asset or liability will ultimately generate any inflows or outflows of cash.</p>	<p>b) when there is a significant outcome or measurement uncertainty.</p> <p>B24. A few respondents suggested that an entity, in situations of:</p> <p>a) existence uncertainty—is required to recognise a regulatory asset or a regulatory liability only if it is highly probable that it exists.</p> <p>b) significant outcome or measurement uncertainty—either:</p> <p>i) is required to apply a 'highly probable' recognition threshold; or</p> <p>ii) is precluded from recognising any regulatory asset or regulatory liability.</p> <p>B25. A few respondents asked the IASB to clarify the interaction between the scope and recognition proposals—for example:</p> <p>a) how an assessment of enforceable rights and enforceable obligations would interact with the 'more likely than not' recognition threshold.</p> <p>b) if it is the IASB's intention that the 'more likely than not' threshold should also be applied in determining whether there is a regulatory agreement, a higher threshold should be required to conclude a regulatory asset or a regulatory liability exists.</p> <p>B26. A few respondents asked the IASB to modify some of the facts and circumstances listed in paragraph A27 to strengthen the evidence required for establishing the existence of regulatory assets and regulatory liabilities.</p>	<p>d) to retain the proposed symmetric recognition threshold for regulatory assets and regulatory liabilities; and</p> <p>e) to require an entity to recognise a regulatory asset or regulatory liability—whose measurement depends on a regulatory benchmark determined after the financial statements are authorised for issue—when the regulator determines the benchmark.</p> <p>Timing of initial recognition—AP9A discussed in May 2023</p> <p>C21. The IASB tentatively decided that the Standard would retain:</p> <p>a) the proposal to require recognition of all regulatory assets and all regulatory liabilities existing at the end of the reporting period; and</p> <p>b) the proposal to treat any regulatory assets or regulatory liabilities arising from regulated rates denominated in a foreign currency as monetary items when applying IAS 21 <i>The Effects of Changes in Foreign Exchange Rates</i>.</p> <p>Enforceability and recognition—AP9C discussed in February 2023</p> <p>C22. The IASB tentatively decided:</p> <p>a) to reconfirm and clarify the proposed single assessment of the existence of enforceable present rights and enforceable present obligations in the Standard, for the individual regulatory assets or regulatory liabilities.</p> <p>b) to clarify in the Standard that rights and obligations can be enforceable even if their existence is uncertain.</p>

Summary of proposals	Summary of feedback	Tentative decisions
		<p>c) to consider the principles in paragraph 35(c) of IFRS 15 <i>Revenue from Contracts with Customers</i> that relate to an entity's right to payment for performance completed to date in developing the Standard. These principles would be used to set the requirements for assessing the existence of enforceable present rights for regulatory returns on an asset not yet available for use, and for assessing the existence of enforceable present rights or enforceable present obligations for long-term performance incentives.</p>
<p>Derecognition</p> <p>A29. The Exposure Draft does not contain a separate section on derecognition.</p> <p>A30. Paragraph BC129 of the Basis for Conclusions on the Exposure Draft states that an entity would derecognise part or all of a regulatory asset or a regulatory liability when the entity recovers that part of the regulatory asset, or fulfils that part of the regulatory liability, by adding or deducting an amount in determining future regulated rates. Furthermore, because the measurement proposals would require an entity to update its estimates of future cash flows, the measurement of regulatory assets and regulatory liabilities would be nil if estimated future cash flows were nil. The IASB therefore considers that the Exposure Draft contains sufficient proposals to explain when and how regulatory assets and regulatory liabilities should be derecognised.</p>	<p>Derecognition</p> <p>B27. A few respondents asked the IASB to develop requirements for derecognising regulatory assets and regulatory liabilities.</p> <p>B28. Those respondents also asked the IASB to clarify certain application questions.</p>	<p>Derecognition—AP9B discussed in April 2023</p> <p>C23. The IASB tentatively decided that the Standard:</p> <p>a) require an entity to derecognise:</p> <p>i) a regulatory asset as it recovers part or all of the regulatory asset by adding amounts to future regulated rates charged to customers; and</p> <p>ii) a regulatory liability as it fulfils part or all of the regulatory liability by deducting amounts from future regulated rates charged to customers.</p> <p>b) explain that the derecognition of regulatory assets and regulatory liabilities, as described in paragraph (a), is the most common way in which regulatory assets and regulatory liabilities would be derecognised. Therefore, in applying the recognition and measurement requirements at the end of each reporting period, an entity would not be required to consider explicitly when and how its regulatory assets and regulatory liabilities should be derecognised.</p> <p>c) clarify that an entity would derecognise a regulatory asset or a regulatory liability if the asset or liability</p>

Summary of proposals	Summary of feedback	Tentative decisions
		<p>ceased to meet the 'more likely than not' recognition threshold.</p> <p>d) include guidance on the derecognition of regulatory assets and regulatory liabilities settled by a regulator or another designated body. The guidance would also require an entity to recognise the difference between the derecognised regulatory asset or regulatory liability and any new asset or liability in profit or loss.</p> <p>e) specify that if a regulatory asset or a regulatory liability is added to or deducted from an entity's regulatory capital base and the entity's regulatory capital base has no direct relationship with its property, plant and equipment, the entity would derecognise:</p> <p>i) the regulatory asset and recognise any associated regulatory expense in profit or loss; and</p> <p>ii) the regulatory liability and recognise any associated regulatory income in profit or loss.</p>
Measurement (estimating future cash flows) (October 2021 AP9E Feedback summary—Measurement)		
<p>A31. Paragraph 29 of the Exposure Draft specifies the measurement basis for regulatory assets and regulatory liabilities as historical cost, modified for subsequent measurement by using updated estimates of the amount and timing of future cash flows. An entity would implement that measurement basis by applying a cash-flow-based measurement technique.</p>	<p>B29. Most respondents who commented agreed with the measurement proposals in paragraphs A31–A33.</p> <p>B30. A few respondents who agreed with the proposals suggested the IASB:</p> <p>a) provide more guidance or illustrative examples on certain aspects of the measurement proposals;</p> <p>b) simplify the proposals along the lines of the requirements in IAS 12 <i>Income Taxes</i>;</p>	<p>Estimating uncertain future cash flows—AP9B discussed in June 2023</p> <p>C24. The IASB tentatively decided that the Standard:</p> <p>a) retain the requirement proposed in the Exposure Draft that an entity estimate uncertain future cash flows using whichever of the two methods—the 'most likely amount' method or the 'expected value'</p>

Summary of proposals	Summary of feedback	Tentative decisions
<p>A32. Paragraph 30 of the Exposure Draft proposes that a cash-flow-based measurement technique would involve:</p> <ul style="list-style-type: none"> a) estimating future cash flows that are within the boundary of a regulatory agreement—including future cash flows arising from regulatory interest—and updating those estimates at the end of each reporting period to reflect conditions existing at that date; and b) discounting those estimated future cash flows to their present value. <p>A33. Paragraph 34 of the Exposure Draft proposes that cash flows are within the boundary of a regulatory agreement only if:</p> <ul style="list-style-type: none"> a) those cash flows would result from an enforceable present right or an enforceable present obligation that the entity has at the end of the reporting period to add or deduct amounts in determining a future regulated rate; and b) that addition or deduction would occur on or before the latest future date at which that right or obligation permits the addition or requires the deduction. <p>A34. Paragraphs B28–B40 of the Exposure Draft provide guidance to help entities to determine the boundary of a regulatory agreement and to reassess and account for changes to the boundary.</p> <p>A35. If cash flows arising from a regulatory asset or regulatory liability are uncertain, the Exposure Draft proposes that an entity estimate those cash</p>	<ul style="list-style-type: none"> c) require an entity to change the method used to estimate uncertain cash flows when circumstances change and the method selected at initial recognition does not better predict the cash flows; and d) impose a constraint similar to the constraint on variable consideration imposed by IFRS 15, especially on regulatory assets associated with performance incentives. <p>B31. A few respondents, mainly European preparers with rate-regulated activities in the United States, disagreed with the cash-flow-based measurement technique mainly due to concerns about the cost of applying the proposals. They preferred the requirements in US GAAP.</p> <p>B32. Some respondents said that the proposals could lead entities to different conclusions about whether an entity has enforceable rights and enforceable obligations only in the periods for which the regulator has determined the basis for rate-setting and approved the regulated rates, or whether the boundary of a regulatory agreement goes beyond those periods.</p> <p>B33. Respondents expressed alternative views to the proposal to estimate uncertain future cash flows using the expected value method:</p> <ul style="list-style-type: none"> a) a few respondents disagreed with using the expected value method to estimate uncertain future cash flows mainly due to concerns about the complexity in applying the method. They suggested the IASB require an entity to use the most likely amount method combined with the constraint described in paragraph B30(d). 	<p>method—the entity expects would better predict the cash flows;</p> <ul style="list-style-type: none"> b) require an entity to reassess the method of estimating uncertain cash flows only if there is a significant change in facts and circumstances such that the entity no longer expects the method to better predict the cash flows; c) clarify that when an entity uses the ‘expected value’ method to estimate uncertain future cash flows the entity should consider the entire range or outcomes, including those outcomes in which a regulatory asset or a regulatory liability would not exist, or would exist but produce no future cash flows; and d) retain the proposal in the Exposure Draft not to require a separate impairment test for regulatory assets. <p>C25. The IASB also tentatively decided that the Standard would not provide additional guidance on circumstances in which the ‘most likely amount’ method might better predict uncertain future cash flows.</p> <p>Credit and other risks—AP9A discussed in September 2023</p> <p>C26. The IASB tentatively decided that the Standard:</p> <ul style="list-style-type: none"> a) retain the requirement proposed in the Exposure Draft that an entity estimating future cash flows arising from a regulatory asset or a regulatory liability: <ul style="list-style-type: none"> i) reflects in the estimates the uncertainty about the amount or timing of future cash flows; and ii) assesses whether the entity or its customers bear this uncertainty in future cash flows.

Summary of proposals	Summary of feedback	Tentative decisions
flows applying whichever of two methods—the 'most likely amount' method or 'expected value' method—better predicts the cash flows (paragraph 39 of the Exposure Draft). The entity should apply the chosen method consistently from initial recognition to recovery or fulfilment (paragraph 42 of the Exposure Draft).	b) a few respondents suggested the IASB require the use of the expected value method for all regulatory assets and regulatory liabilities.	<p>b) specify that if an entity bears credit risk, the entity:</p> <ul style="list-style-type: none"> i) estimates uncollectible amounts considering the net cash flows that will arise from the recovery of regulatory assets and the fulfilment of regulatory liabilities; and ii) allocates the estimates of uncollectible amounts to regulatory assets only. <p>c) provide no additional guidance on how an entity accounts for:</p> <ul style="list-style-type: none"> i) credit risk if the entity is compensated for this risk; and ii) demand risk; and <p>d) retain the requirement proposed in the Exposure Draft that an entity's estimates of future cash flows arising from a regulatory liability do not reflect the entity's own non-performance risk.</p> <p>Boundary of a regulatory agreement—AP9B discussed in October 2023</p> <p>C27. The IASB tentatively decided that the Standard would:</p> <ul style="list-style-type: none"> a) retain the proposed guidance in the Exposure Draft on rights to renew or cancel a regulatory agreement. The IASB would clarify in the Standard that those rights might be explicit or implicit. b) retain the proposed guidance in the Exposure Draft on compensation for cancellation of a regulatory agreement. The IASB would clarify in the Standard that the guidance also applies to other circumstances in which termination occurs.

Summary of proposals	Summary of feedback	Tentative decisions
		<p>c) include the principles in paragraph 35(c) of IFRS 15 <i>Revenue from Contracts with Customers</i> that relate to an entity's right to payment for performance completed to date. An entity would use those principles to help it assess whether there exists an enforceable present right to receive, or an enforceable present obligation to pay, compensation on termination of a regulatory agreement for an amount comprising unrecovered regulatory assets and unfulfilled regulatory liabilities.</p> <p>d) retain the proposed requirements in the Exposure Draft on reassessment of and changes to the boundary of a regulatory agreement.</p> <p>C28. The IASB also tentatively decided not to add more guidance on how an entity assesses its practical ability to renew, and other parties' practical ability to cancel, a regulatory agreement.</p> <p>Boundary of a regulatory agreement—AP9A discussed in February 2024</p> <p>C29. The IASB tentatively decided:</p> <p>a) to acknowledge that a right to supply goods or services might exist for an undefined period; and</p> <p>b) to include a requirement that an entity that has an enforceable right to supply goods or services include unrecovered or unfulfilled cash flows in the measurement of a regulatory asset or regulatory liability for which the entity has either:</p> <p>i) an enforceable right to recover or enforceable obligation to fulfil by adding amounts to or deducting amounts from future regulated rates charged; or</p>

Summary of proposals	Summary of feedback	Tentative decisions
		<p>ii) an enforceable right to receive or enforceable obligation to pay compensation on termination of the agreement.</p> <p>C30. For feedback described in paragraph B32, see redeliberations in paragraph C1(c)(i).</p>
Discount rate (October 2021 AP9F Feedback summary—Discount rate)		
<p>A36. Paragraphs 46–49 and 55 of the Exposure Draft propose that an entity:</p> <ul style="list-style-type: none"> a) measures a regulatory asset or a regulatory liability by discounting to their present value the future cash flows; b) uses the regulatory interest rate for a regulatory asset or a regulatory liability as the discount rate for that regulatory asset or regulatory liability, except in specified circumstances; and c) continues to use the discount rate at initial recognition, except when the regulatory agreement changes the regulatory interest rate subsequently. In that case, the entity would use the new regulatory interest rate as the new discount rate. <p>A37. The Exposure Draft defines regulatory interest rate as ‘the interest rate provided by a regulatory agreement to compensate an entity for the time lag until recovery of a regulatory asset or to charge the entity for the time lag until fulfilment of a regulatory liability’ (Appendix A to the Exposure Draft).</p>	<p>B34. Most respondents agreed with the proposed requirement to use the regulatory interest rate for a regulatory asset or a regulatory liability as the discount rate for that regulatory asset or regulatory liability.</p> <p>B35. A few respondents did not support the proposal. Many of these respondents supported instead a discount rate that would be determined using principles similar to those in other IFRS Accounting Standards.</p> <p>B36. Many respondents said that an entity should be exempted from discounting the future cash flows arising from a regulatory asset or a regulatory liability, if the effect of discounting is not significant, or the regulatory asset or the regulatory liability is expected to be recovered within a specified period, for example one year.</p> <p>B37. Most respondents did not support the minimum interest rate proposal described in paragraph A38. These respondents were concerned the costs to implement the proposal would outweigh any benefits. Some also raised concerns about the asymmetric treatment of regulatory assets and regulatory liabilities. Most of these respondents supported instead using the regulatory interest rate as the discount rate for all regulatory assets and regulatory liabilities in all circumstances.</p>	<p>Discounting estimated future cash flows—AP9A discussed in March 2024</p> <p>C31. The IASB tentatively decided:</p> <ul style="list-style-type: none"> a) to retain the proposal that an entity be required to discount estimates of future cash flows that arise from a regulatory asset or regulatory liability; b) to retain the proposal that an entity be required to use the regulatory interest rate for a regulatory asset or regulatory liability as the discount rate for that regulatory asset or regulatory liability; c) to retain the definition of a regulatory interest rate proposed in the Exposure Draft; d) to exempt an entity from applying the proposed requirement described in (a) to discount estimates of future cash flows from a regulatory asset or regulatory liability, if the entity expects the period between recognition of that regulatory asset or regulatory liability and its recovery or fulfilment to be 12 months or less; e) to require an entity that elects to apply the exemption described in (d) to disclose that fact and disclose the carrying amount of regulatory assets and regulatory

Summary of proposals	Summary of feedback	Tentative decisions
<p>A38. Paragraphs 50–51 of the Exposure Draft propose that, on initial recognition of a regulatory asset and then subsequently if the regulatory agreement changes the regulatory interest rate:</p> <ul style="list-style-type: none"> a) an entity assesses whether there is any indication that the regulatory interest rate may be insufficient to compensate the entity for the time value of money and for uncertainty in the amount and timing of future cash flows arising from that regulatory asset; and b) if such an indication exists, the entity estimates the minimum interest rate sufficient to provide that compensation and use the minimum interest rate as the discount rate if it is higher than the regulatory interest rate. <p>A39. Paragraph 52 of the Exposure Draft provides examples of such indications.</p> <p>A40. For a regulatory liability, the Exposure Draft proposes that an entity uses the regulatory interest rate as the discount rate in all circumstances (paragraph 53 of the Exposure Draft).</p> <p>A41. A regulatory agreement may specify a series of different regulatory interest rates for successive periods over the life of a regulatory asset or regulatory liability. Paragraph 54 of the Exposure Draft proposes that an entity, on initial recognition of a regulatory asset or a regulatory liability and subsequently if the regulatory agreement changes the regulatory interest rate:</p> <ul style="list-style-type: none"> a) translates those uneven regulatory interest rates into a single discount rate and use that 	<p>B38. Most of the users of financial statements from whom we received feedback on the topic of discount rate during the comment period of the Exposure Draft said the minimum interest rate proposal would not facilitate comparability amongst entities and would be confusing for users.</p> <p>B39. Fewer respondents commented on the proposal about uneven regulatory interest rates in paragraph A41. Many of these respondents provided mixed views about whether the proposal would simplify or add complexity to the measurement of regulatory assets and regulatory liabilities.</p> <p>B40. Some respondents asked for further clarification and additional guidance on certain aspects of the discount rate proposals—for example, how an entity should determine the discount rate when the regulatory agreement does not stipulate a regulatory interest rate.</p>	<p>liabilities at the end of the reporting period to which the entity has applied that exemption;</p> <ul style="list-style-type: none"> f) not to exempt an entity from applying the proposed requirement described in (a) to discount estimates of future cash flows from a regulatory asset or regulatory liability for which the regulatory agreement does not specify a time frame for recovery or fulfilment; g) to retain the proposal that an entity be required to compute a single discount rate when a regulatory agreement specifies, at initial recognition, different regulatory interest rates over the life of a regulatory asset or regulatory liability; h) not to provide guidance on the computation of the single discount rate described in (g); i) to exempt an entity that measures regulatory assets or regulatory liabilities described in (g) from applying the proposed requirement described in (a) to discount estimates of future cash flows for the period between recognition and the date from which regulatory interest starts to accrue, if the entity expects that period to be 12 months or less; j) to require an entity that elects to apply the exemption described in (i) to disclose that fact and disclose the carrying amount of regulatory assets and regulatory liabilities at the end of the reporting period to which the entity has applied that exemption; and k) to clarify that the proposed requirement described in (g) does not apply to a regulatory asset or regulatory liability that attracts regulatory interest rates that depend on an interest rate benchmark, and

Summary of proposals	Summary of feedback	Tentative decisions
<p>rate throughout the life of the regulatory asset or the regulatory liability; and</p> <p>b) does not consider possible future changes in the regulatory interest rate in determining the single discount rate.</p> <p>A42. Paragraphs 55–58 of the Exposure Draft propose that after its initial recognition, a regulatory asset or a regulatory liability is measured at the end of each reporting period by:</p> <p>a) updating the estimated amounts and timings of future cash flows arising from the regulatory asset or regulatory liability to reflect conditions existing at that date; and</p> <p>b) continuing to use the discount rate determined at initial recognition, except in certain circumstances (paragraph A36(c)).</p>		<p>not to provide further guidance on measuring such a regulatory asset or regulatory liability.</p> <p>Discounting of future cash flows—Minimum interest rate— AP9A discussed in April 2024</p> <p>C32. The IASB tentatively decided:</p> <p>a) to retain the proposals in paragraphs 50–52 of the Exposure Draft that would require an entity to assess whether there is any indication that the regulatory interest rate for a regulatory asset might be insufficient to compensate the entity for the time value of money and for uncertainty in the future cash flows arising from the regulatory asset, and to use the minimum interest rate as the discount rate if it is higher than the regulatory interest rate;</p> <p>b) to clarify in the application guidance that an entity performing the assessment described in (a) would not be required to calculate the minimum interest rate for the regulatory asset or carry out an exhaustive search for indications that the regulatory interest rate for the regulatory asset might be insufficient as described in (a);</p> <p>c) to retain the proposal in paragraph 53 of the Exposure Draft that would require an entity to use the regulatory interest rate as the discount rate for a regulatory liability in all circumstances;</p> <p>d) to provide guidance on the estimation of the minimum interest rate, and to include in that guidance principles used in other IFRS Accounting Standards to help entities carry out that estimation;</p>

Summary of proposals	Summary of feedback	Tentative decisions
		<p>e) to exempt an entity from applying the proposals on the minimum interest rate to a regulatory asset that arises from variances between estimated and actual costs or volume, and to require an entity to apply the requirements once the regulator determines the final balance to be included in future regulated rates; and</p> <p>f) to require an entity that chooses to apply the exemption described in (e) to disclose that fact and the carrying amount of regulatory assets at the end of the reporting period to which the entity has applied that exemption.</p>
Items affecting regulated rates only when related cash is paid or received (October 2021 AP9G Feedback summary—Items affecting regulated rates only when related cash is paid or received)		
<p>A43. In some cases, a regulatory asset or a regulatory liability arises because a regulatory agreement treats an item of expense or income as allowable or chargeable in determining the regulated rates only once an entity pays or receives the related cash, or soon after that, instead of when the entity recognises that item as expense or income in its financial statements by applying IFRS Accounting Standards. For such a regulatory asset or a regulatory liability, its:</p> <p>a) cash flows are a replica of the cash flows arising from the related liability or related asset, except for the effect of any uncertainty present in the regulatory asset or regulatory liability but not present in the related liability or related asset; and</p>	<p>B41. Most respondents agreed with the measurement and presentation proposals described in paragraphs A44 and A46.</p> <p>B42. A few respondents disagreed with the measurement proposals—and consequently the presentation proposal—because the proposals would, according to them:</p> <p>a) result in the recognition of regulatory assets and regulatory liabilities arising from differences in timing that will not represent adjustments to future regulated rates in accordance with the regulatory agreements; and</p> <p>b) create an exception for a subset of items, which may add complexity to the model in the Exposure Draft.</p>	<p>Items affecting regulated rates on a cash basis—AP9D discussed in December 2023</p> <p>C33. The IASB tentatively decided that the Standard would:</p> <p>a) retain the proposed concept that differences in timing that arise from differences between regulatory and accounting criteria represent enforceable present rights or enforceable present obligations. Those rights or obligations meet the proposed definitions of regulatory assets and regulatory liabilities.</p> <p>b) retain the measurement requirements proposed in paragraph 61 of the Exposure Draft for items that affect regulated rates only when related cash is paid or received.</p> <p>c) retain the requirements proposed in paragraph 69 of the Exposure Draft to present specified regulatory</p>

Summary of proposals	Summary of feedback	Tentative decisions
<p>b) regulatory interest rate is not observable from the regulatory agreement because the regulatory agreement does not identify regulatory interest as a separate part of the cash flows arising from the regulatory asset or regulatory liability.</p> <p>A44. Paragraph 61 of the Exposure Draft proposes that, in such cases, the entity measures the regulatory asset and regulatory liability by:</p> <p>a) using the measurement basis used in measuring the related liability or related asset by applying IFRS Accounting Standards; and</p> <p>b) adjusting the measurement of the regulatory asset or regulatory liability to reflect any uncertainty present in it but not present in the related liability or related asset.</p> <p>A45. Paragraph 66 of the Exposure Draft proposes that an entity ceases applying paragraph 61 when the entity pays cash to settle the related liability or receives cash that recovers the related asset. From that date, the entity measures any remaining part of the regulatory asset or regulatory liability by applying the cash-flow-based measurement technique proposed for all other regulatory assets and regulatory liabilities.</p> <p>A46. Paragraph 69 of the Exposure Draft proposes that when an entity remeasures a regulatory asset or regulatory liability applying the proposals in paragraph 61, the entity presents the resulting regulatory income or regulatory expense in other comprehensive income to the extent that the regulatory income or regulatory expense results</p>	<p>B43. Some respondents raised questions and concerns about certain aspects of the measurement proposals, including:</p> <p>a) the proposal to limit this measurement to those cases when a regulatory agreement treats an item of expense or income as allowable or chargeable only once an entity pays or receives the related cash (cash basis); and</p> <p>b) the interaction between the proposals and the boundary of a regulatory agreement (paragraph A33).</p> <p>B44. A few respondents—mainly preparers in North America—supported extending the presentation proposal to all regulatory income and regulatory expense that arise from a remeasurement of the related liability or related asset through other comprehensive income. They supported this approach regardless of whether the regulatory assets or regulatory liabilities from which the regulatory income and regulatory expense arises are remeasured applying the proposals in paragraph 61 of the Exposure Draft. According to these respondents, this would result in a presentation that would be more understandable to users of financial statements and would be consistent with previous conclusions reached by the IASB in IFRS 14 <i>Regulatory Deferral Accounts</i>.</p> <p>B45. A few respondents disagreed with the presentation proposal. They said presenting all regulatory income and regulatory expense in profit or loss instead would help portray better the total allowed compensation for the goods or services supplied to customers during the period. This approach would also avoid the additional complexity that may result from presenting regulatory</p>	<p>income and regulatory expense in other comprehensive income.</p> <p>d) clarify that an entity is required to reclassify regulatory income or regulatory expense presented in other comprehensive income to profit or loss if IFRS Accounting Standards require the entity to reclassify the related expense or income to profit or loss.</p> <p>e) include no additional presentation requirements for other comprehensive income. An entity would apply the requirements in IAS 1 or the prospective IFRS Accounting Standard <i>Presentation and Disclosure in Financial Statements</i>.</p> <p>Extending the measurement proposals dealing with items affecting regulated rates on a cash basis—AP9A discussed in July 2024</p> <p>C34. The IASB will consider requests to extend the measurement proposals in paragraph 61 of the Exposure Draft dealing with items affecting regulated rates on a cash basis to items affecting regulated rates on a different basis.</p> <p>Extending the presentation proposals dealing with items affecting regulated rates on a cash basis—AP9B discussed in July 2024</p> <p>C35. The IASB will consider requests to extend the presentation proposals in paragraph 69 of the Exposure Draft dealing with items affecting regulated rates on a cash basis to items affecting regulated rates on a different basis.</p>

Summary of proposals	Summary of feedback	Tentative decisions
from remeasuring the related liability or related asset through other comprehensive income.	income and regulatory expense wholly or partly in other comprehensive income. B46. A few respondents raised questions about whether and how the cumulative amount of regulatory income or regulatory expense presented in other comprehensive income should be reclassified to profit or loss.	
Presentation (November 2021 AP9A Feedback summary—Presentation)		
<p>A47. Paragraphs 67–68 of the Exposure Draft propose that:</p> <ul style="list-style-type: none"> a) an entity presents in the statement(s) of financial performance all regulatory income minus all regulatory expense in a separate line item immediately below revenue, except as required by paragraph 69 of the Exposure Draft (paragraph A46); and b) regulatory income includes regulatory interest income and regulatory expense includes regulatory interest expense. <p>A48. Paragraphs 70–71 of the Exposure Draft propose that an entity:</p> <ul style="list-style-type: none"> a) presents line items for regulatory assets and regulatory liabilities in the statement of financial position; and b) is permitted to offset regulatory assets and regulatory liabilities that form separate units of account only if the entity: <ul style="list-style-type: none"> i) has a legally enforceable right to offset those regulatory assets and regulatory 	<p>B47. Most respondents agreed with the proposals in paragraph A47.</p> <p>B48. Some respondents suggested the IASB permit, or instead require, an entity to classify all regulatory income minus all regulatory expense as revenue.</p> <p>B49. A few respondents said that regulatory interest income and regulatory interest expense should be included within finance income and finance expenses, respectively.</p> <p>B50. Although the IASB did not ask an explicit question on the proposals in paragraph A48, a few respondents:</p> <ul style="list-style-type: none"> a) explicitly agreed with the proposal to present line items for regulatory assets and regulatory liabilities; and b) disagreed with, or raised questions about, the proposed conditions for offsetting regulatory assets and regulatory liabilities. <p>B51. A European national standard-setter said it is unclear how the proposed conditions for offsetting regulatory assets and regulatory liabilities would interact with the proposed requirements for determining the unit of account (paragraph A25).</p>	<p>Unit of account and offsetting—AP9A discussed in December 2023</p> <p>C36. The IASB tentatively decided that the Standard would omit the proposal in paragraph 71 of the Exposure Draft that would have permitted an entity to offset regulatory assets and regulatory liabilities in the statement of financial position.</p> <p>Presentation—AP9B discussed in December 2023</p> <p>C37. The IASB tentatively decided that the Standard would:</p> <ul style="list-style-type: none"> a) require an entity to classify all regulatory income minus all regulatory expense (regulatory income or regulatory expense) as revenue. b) require an entity to present regulatory income or regulatory expense as a separate line item in the statement(s) of financial performance. c) omit the proposed amendment to paragraph 82 of IAS 1 that would have required an entity to present regulatory income or regulatory expense as a separate line item immediately below revenue. d) retain the proposals to require an entity to include regulatory interest income within regulatory income

Summary of proposals	Summary of feedback	Tentative decisions
<p>liabilities by including them in the same regulated rate; and</p> <p>ii) expects to include the amounts resulting from the recovery or fulfilment of those regulatory assets and regulatory liabilities in the same regulated rate for goods or services supplied in the same future period.</p>	<p>B52. All users of financial statements who commented on the proposed presentation requirements during outreach events agreed with those proposals.</p>	<p>and regulatory interest expense within regulatory expense.</p> <p>e) amend the prospective IFRS Accounting Standard <i>Presentation and Disclosure in Financial Statements</i> to clarify that regulatory interest is classified in the operating category.</p> <p>f) retain the proposal to require an entity to present in its statement of financial position:</p> <p>i) line items for regulatory assets and regulatory liabilities; and</p> <p>ii) current and non-current regulatory assets and current and non-current regulatory liabilities as separate classifications by applying paragraphs 66 and 69 of IAS 1, except when the entity presents all assets and liabilities in order of liquidity.</p>
Disclosure (November 2021 AP9B Feedback summary—Disclosure)		
<p>A49. Paragraph 72 of the Exposure Draft says that the overall objective of the disclosure requirements is for an entity to disclose in the notes information about regulatory income, regulatory expense, regulatory assets and regulatory liabilities.</p> <p>A50. In paragraphs 77–83, the Exposure Draft proposes three specific disclosure objectives that require an entity to disclose information that enables users of financial statements to understand:</p> <p>a) how the entity's financial performance was affected by differences in timing;</p>	<p>B53. Most respondents who commented agreed with the focus of the proposed overall disclosure objective on information about an entity's regulatory income, regulatory expense, regulatory assets and regulatory liabilities.</p> <p>B54. However, some respondents suggested the IASB develop a broader overall objective of providing users of financial statements with information about the nature of the regulatory agreement, the risks associated with it and its effects on an entity's financial performance, financial position or cash flows. These respondents also suggested some pieces of information that the IASB may consider requiring entities to disclose.</p>	<p>Disclosures proposed in Exposure Draft—AP9C discussed in February 2024</p> <p>C38. The IASB tentatively decided:</p> <p>a) to retain the overall disclosure objective proposed in paragraph 72 of the Exposure Draft;</p> <p>b) to retain the proposals on aggregation and disaggregation of disclosures in paragraphs 75–76 of the Exposure Draft;</p> <p>c) to include examples of the characteristics an entity could use to aggregate or disaggregate disclosures in accordance with the principles in the prospective IFRS Accounting Standard <i>Presentation and</i></p>

Summary of proposals	Summary of feedback	Tentative decisions
<p>b) the entity's regulatory assets and regulatory liabilities at the end of the reporting period; and</p> <p>c) any changes in regulatory assets and regulatory liabilities that were not a consequence of regulatory income or regulatory expense.</p> <p>A51. To achieve the specific disclosure objectives in paragraph A50, the Exposure Draft proposes requiring an entity to disclose in the notes, for example:</p> <p>a) specified components of regulatory income or regulatory expense included in profit or loss (paragraph 78 of the Exposure Draft).</p> <p>b) quantitative information, using time bands, about when it expects to recover the regulatory assets and fulfil the regulatory liabilities, and whether the amounts disclosed are undiscounted or discounted (paragraphs 80–81 of the Exposure Draft).</p> <p>c) a reconciliation from the opening to the closing carrying amounts of regulatory assets and regulatory liabilities (paragraph 83 of the Exposure Draft).</p> <p>A52. Regulatory assets and regulatory liabilities relating to an item of expense or income that is allowable or chargeable only once an entity pays or receives the related cash are measured applying paragraph 61 of the Exposure Draft (paragraph A44). In considering the disclosures for those regulatory assets and regulatory liabilities, paragraphs 84–85 of the Exposure Draft propose that the entity also</p>	<p>B55. Some respondents explicitly agreed with the proposed specific disclosure objectives and the disclosure requirements.</p> <p>B56. A few respondents said that the IASB's redeliberation of the disclosure proposals should be informed by its decisions on the project <i>Disclosure Initiative—Targeted Standards-level Review of Disclosures</i>.</p> <p>B57. Some respondents raised concerns that the cost of providing the following information could outweigh the benefits to the users of financial statements:</p> <p>a) the components of regulatory income or regulatory expense; and</p> <p>b) quantitative information about the expected timing of recovery of regulatory assets and fulfilment of regulatory liabilities.</p> <p>B58. A few respondents suggested the IASB explicitly require an entity to disclose significant judgments made in applying specified proposed requirements.</p> <p>B59. A few respondents raised concerns about, or asked for further guidance on, determining the appropriate level of aggregation and disaggregation for some disclosures that require significant judgements.</p> <p>B60. All users of financial statements who commented on the proposed disclosure requirements during outreach events agreed with the proposed overall and specific disclosure objectives and the proposed disclosure requirements.</p>	<p><i>Disclosure in Financial Statements</i> (prospective PFS Standard);</p> <p>d) to retain the specific disclosure objective relating to financial performance proposed in paragraph 77 of the Exposure Draft;</p> <p>e) to retain the proposals in paragraphs 78(a)–(e) of the Exposure Draft requiring that an entity disclose components of regulatory income or regulatory expense relating to the creation of regulatory assets and regulatory liabilities, recovery of regulatory assets, fulfilment of regulatory liabilities, and to regulatory interest income on regulatory assets and regulatory interest expense on regulatory liabilities;</p> <p>f) to require that an entity apply the aggregation and disaggregation principles in the prospective PFS Standard when disclosing other components of regulatory income or regulatory expense, such as those arising from changes in the carrying amount of a regulatory asset or regulatory liability caused by a change in the boundary of a regulatory agreement, and those arising from remeasurements of regulatory assets and regulatory liabilities;</p> <p>g) to retain the specific disclosure objective relating to financial position proposed in paragraph 79 of the Exposure Draft;</p> <p>h) to retain the proposals in paragraphs 80(a) and 81 of the Exposure Draft requiring that an entity disclose quantitative information, using time bands, about when it expects to recover regulatory assets and fulfil regulatory liabilities;</p> <p>i) to retain the proposal in paragraph 80(b) of the Exposure Draft requiring that an entity disclose the</p>

Summary of proposals	Summary of feedback	Tentative decisions
<p>considers what information to disclose about the related liabilities and related assets and how to disclose the information.</p> <p>A53. Paragraphs 74–76 of the Exposure Draft propose guidance to help entities to determine the level of aggregation or disaggregation of the information necessary to satisfy the overall disclosure objective and the specific disclosure objectives.</p>		<p>discount rate or ranges of discount rates used in measuring regulatory assets and regulatory liabilities at the end of the reporting period;</p> <p>j) to retain the proposal in paragraph 80(c) of the Exposure Draft requiring that an entity disclose 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;</p> <p>k) to retain the proposal in paragraph 80(d) of the Exposure Draft requiring that an entity disclose an explanation of how risks and uncertainties affect the recovery of regulatory assets or fulfilment of regulatory liabilities;</p> <p>l) to provide no additional guidance on risks and uncertainties that affect the recovery of regulatory assets or fulfilment of regulatory liabilities;</p> <p>m) to combine the proposed specific disclosure objective relating to changes in regulatory assets and regulatory liabilities in paragraph 82 of the Exposure Draft with the specific disclosure objective in paragraph 79 of the Exposure Draft;</p> <p>n) to retain the proposals in paragraph 83 of the Exposure Draft requiring that an entity disclose a reconciliation from the opening to the closing carrying amounts of regulatory assets and regulatory liabilities;</p> <p>o) to include examples of significant changes in regulatory assets and regulatory liabilities that are not a consequence of regulatory income or regulatory expense;</p>

Summary of proposals	Summary of feedback	Tentative decisions
		<p>p) to include a requirement that an entity disclose a qualitative explanation of any significant changes in regulatory assets and regulatory liabilities that are not a consequence of regulatory income or regulatory expense;</p> <p>q) to retain the proposal in paragraph 84 of the Exposure Draft relating to the disclosure of regulatory assets and regulatory liabilities measured applying paragraph 61 of the Exposure Draft; and</p> <p>r) to extend the proposals in paragraph 78 of the Exposure Draft to include a requirement that an entity disclose separately the components of regulatory income or regulatory expense included in other comprehensive income.</p> <p>New disclosures—AP9D discussed in February 2024</p> <p>C39. The IASB tentatively decided:</p> <p>a) to include a specific disclosure objective that an entity be required to disclose information that enables users of financial statements to understand whether the entity's regulatory capital base has a direct or no direct relationship with its property, plant and equipment;</p> <p>b) to include—in order to achieve the specific disclosure objective in (a)—a requirement that an entity disclose:</p> <p>i) whether its regulatory capital base has a direct or no direct relationship with its property, plant and equipment; and</p> <p>ii) the reasons the entity has concluded its regulatory capital base has a direct or no direct relationship with its property, plant and equipment;</p>

Summary of proposals	Summary of feedback	Tentative decisions
		<ul style="list-style-type: none"> c) not to include a requirement that an entity disclose the amount of its regulatory capital base; d) to include a requirement that an entity disclose the nature of unrecognised regulatory assets and unrecognised regulatory liabilities; e) to include a requirement that an entity disclose the regulatory approach (nominal or real) used by the regulator to compensate the entity for inflation; f) not to include a requirement that an entity disclose assumptions used in estimating uncertain future cash flows for the measurement of regulatory assets or regulatory liabilities related to long-term performance incentives beyond those disclosures required by IAS 1 <i>Presentation of Financial Statements</i>; g) to include, for an entity whose regulatory capital base has a direct relationship with its property, plant and equipment and capitalises its borrowing costs, a requirement to disclose whether it receives regulatory returns on an asset not yet available for use; and h) not to include—for an entity whose regulatory capital base has a direct relationship with its property, plant and equipment and capitalises its borrowing costs—a requirement to disclose: <ul style="list-style-type: none"> i) the composition of the regulatory returns between debt and equity returns, and when these regulatory returns are included in regulated rates charged; and ii) the effects of those regulatory returns on changes in the related regulatory assets or regulatory liabilities.

Summary of proposals	Summary of feedback	Tentative decisions
		<p>Reduced disclosures for rate-regulated entities—AP9B discussed in March 2024</p> <p>C40. The IASB tentatively decided:</p> <ul style="list-style-type: none"> a) not to develop reduced disclosures for the Standard now; and b) to include a question seeking stakeholders' views on the decision not to develop reduced disclosures in the 'catch-up' exposure draft the IASB plans to publish after it issues the prospective IFRS Accounting Standard <i>Subsidiaries without Public Accountability: Disclosures</i>.
<p>Interaction with other IFRS Accounting Standards, including amendments to other IFRS Accounting Standards (October 2021 AP9H Feedback summary—Interaction with other IFRS Standards, November 2021 AP9A Feedback summary—Presentation, November 2021 AP9C Feedback summary—Effective date and transition)</p>		
<p>Interaction with other IFRS Accounting Standards</p>		
<p>IAS 12 Income Taxes</p> <p>A54. Paragraphs B42–B46 of the Exposure Draft discuss:</p> <ul style="list-style-type: none"> a) regulatory assets or regulatory liabilities that arise when the regulated rates do not yet fully reflect current tax expense (income), or when an entity has a deferred tax liability or a deferred tax asset (paragraphs B42–B43); b) deferred tax liabilities or deferred tax assets resulting from applying IAS 12 to a regulatory asset or a regulatory liability (paragraph B44); and 	<p>IAS 12 Income Taxes</p> <p>B61. Most respondents who commented supported the proposed guidance. The respondents suggested the IASB provide detailed guidance and examples to illustrate application of the proposed guidance and presentation of regulatory income or regulatory expense associated with income taxes.</p> <p>B62. A few respondents asked the IASB to clarify certain application questions.</p>	<p>Interaction with IAS 12—AP9A discussed in May 2024</p> <p>C41. The IASB tentatively decided to clarify that:</p> <ul style="list-style-type: none"> a) the income tax consequences of a regulatory asset or regulatory liability might give rise to a separate regulatory asset or regulatory liability; and b) an entity would determine the tax base of a regulatory asset or regulatory liability by applying the requirements in IAS 12.

Summary of proposals	Summary of feedback	Tentative decisions
c) how income taxes affect the measurement of regulatory assets and regulatory liabilities (paragraphs B45–B46).		
<p>IFRIC 12 Service Concession Arrangements</p> <p>A55. Paragraph B47 of the Exposure Draft states that:</p> <p style="padding-left: 40px;">IFRIC 12 applies to a public-to-private service concession arrangement if the grantor controls or regulates the price at which the operator must provide services, and if other specified conditions are met. Accordingly, some arrangements within the scope of IFRIC 12 may create regulatory assets or regulatory liabilities within the scope of this [draft] Standard. An entity shall account for those regulatory assets or regulatory liabilities separately from the assets and liabilities within the scope of IFRIC 12.</p>	<p>IFRIC 12 Service Concession Arrangements</p> <p>B63. Most respondents who commented said the proposed guidance is insufficient. The respondents suggested the IASB provide detailed guidance and examples on how the model interacts with IFRIC 12.</p>	<p>C42. For feedback described in paragraph B63, see redeliberations in paragraph C5.</p>
Amendments to other IFRS Accounting Standards		
<p>IFRS 1 First-time Adoption of International Financial Reporting Standards</p> <p>A56. The Exposure Draft proposes amendments to:</p> <ul style="list-style-type: none"> a) the optional exemption from applying IFRS 3 retrospectively to business combinations that occurred before the date of transition to IFRS Accounting Standards; and b) the optional exemption relating to deemed cost for some assets used in operations subject to rate regulation. 	<p>IFRS 1 First-time Adoption of International Financial Reporting Standards</p> <p>B64. An accounting firm suggested the IASB provide guidance on:</p> <ul style="list-style-type: none"> a) how entities that did not previously recognise regulatory balances applying IFRS 1 should identify differences in timing that arose before the date of transition to IFRS Accounting Standards; and b) the interaction with the optional exemptions in IFRS 1 that entities have previously elected to apply on transition to IFRS Accounting Standards. 	<p>First time adoption of International Financial Reporting Standards—AP9C–AP9E discussed in July 2024</p> <p>C43. The IASB will consider transition requirements to entities applying IFRS 1 <i>First-time Adoption of International Financial Reporting Standards</i>.</p>

Summary of proposals	Summary of feedback	Tentative decisions
<p><i>Business combinations</i></p> <p>A57. Some regulatory agreements treat goodwill as an allowable cost to be added in determining the future regulated rates. In some such cases, first-time adopters applying their previous GAAP treated that goodwill as a regulatory balance (goodwill-related regulatory balance). Because such a goodwill-related regulatory balance does not arise from the supply of goods or services, that balance does not give rise to a regulatory asset when a business combination occurs.</p> <p>A58. The Exposure Draft proposes to require a first-time adopter to derecognise goodwill-related regulatory balances in the same way as intangible assets not qualifying for recognition: by increasing the carrying amount of goodwill, rather than by decreasing equity.</p> <p><i>Deemed cost</i></p> <p>A59. IFRS 1 permits a first-time adopter to use carrying amounts determined under a previous GAAP as deemed cost of certain assets used in operations subject to rate regulation. The Exposure Draft proposes to retain the transition relief but to align terminology with that in the Exposure Draft.</p>	<p>B65. Another accounting firm suggested the IASB consider whether additional amendments to IFRS 1 may be necessary for entities that become a first-time adopter at the same time that they initially apply the Standard.</p>	
<p>IFRS 3 Business Combinations</p> <p>A60. The Exposure Draft proposes amendments to require an entity to recognise and measure regulatory assets acquired and regulatory liabilities assumed in a business combination applying the recognition and measurement principles proposed</p>	<p>IFRS 3 Business Combinations</p> <p>B66. A European national standard-setter disagreed with the proposed amendment. In the respondent's view, an acquiring entity may recognise a higher amount of goodwill by not recognising at fair value all regulatory assets acquired and all regulatory liabilities assumed in a business combination.</p>	<p>Amendments to IFRS 3 and IFRS 5—AP9C discussed in April 2024</p> <p>C44. The IASB tentatively decided to retain the proposals in the Exposure Draft to create an exception to the recognition and measurement principles in IFRS 3 for regulatory assets acquired and regulatory liabilities assumed.</p>

Summary of proposals	Summary of feedback	Tentative decisions
in the Exposure Draft, rather than recognise and measure them at fair value.	B67. An accounting firm suggested the IASB further investigate whether the application of the proposed amendments has any unintended consequences, especially affecting subsequent measurement and the interaction with IAS 36 <i>Impairment of Assets</i> .	
IAS 1 Presentation of Financial Statements A61. The Exposure Draft proposes amendments to require entities to present separate line items for regulatory assets and regulatory liabilities in the statement of financial position, and for regulatory income or regulatory expense in the statement(s) of financial performance.	IAS 1 Presentation of Financial Statements B68. A few respondents suggested the IASB provide guidance on the interaction with the requirements in IAS 1 on aggregation and disaggregation of line items, and on classification of liabilities as current or non-current.	C45. For feedback described in paragraph B68, see redeliberations in paragraphs C35(f) and C36(c).
IAS 36 Impairment of Assets A62. The Exposure Draft proposes amendments: <ul style="list-style-type: none"> a) to specify that regulatory assets are outside the scope of IAS 36; and b) to avoid double-counting of estimates of future cash flows when testing an asset or a cash-generating unit for any impairment. 	IAS 36 Impairment of Assets B69. Most respondents who commented on the proposed amendments suggested the IASB provide guidance and illustrative examples. B70. A few respondents said: <ul style="list-style-type: none"> a) it may not always be possible to separate cash flows of regulatory assets and regulatory liabilities from the cash flows of a cash-generating unit; b) regulatory assets and regulatory liabilities should always be included in the cash-generating unit to which they belong because they do not generate largely independent cash flows; and c) applying the proposed amendments may not lead to a meaningful comparison between the carrying amount of the cash-generating unit and its recoverable amount because of different discount rates used in those measurements. 	Amendments to IAS 36 —AP9B discussed in February 2024 C46. The IASB tentatively decided: <ul style="list-style-type: none"> a) to retain the proposal to exclude regulatory assets from the scope of IAS 36; b) to omit the proposed amendments to paragraphs 43 and 79 of IAS 36; and c) to provide no further guidance on applying IAS 36.

Summary of proposals	Summary of feedback	Tentative decisions
Other IFRS Accounting Standards A63. The Exposure Draft proposes amending: <ul style="list-style-type: none"> a) IAS 8 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> to delete paragraph 54G. This paragraph provides a temporary exception that would no longer be needed when applying the proposals in the Exposure Draft. b) IFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i> to exclude regulatory assets from the scope of the measurement requirements of that Standard. 	Other IFRS Accounting Standards B71. An accounting firm and a national standard-setter from North America suggested the IASB include guidance in IAS 7 <i>Statement of Cash Flows</i> on how an entity should consider its regulatory assets, regulatory liabilities, regulatory income and regulatory expense in its statement of cash flows. B72. A few respondents suggested the IASB provide guidance on the interaction with, and amend, a few other IFRS Accounting Standards.	Amendments to IFRS 3 and IFRS 5—AP9C discussed in April 2024 C47. The IASB tentatively decided to retain the proposals in the Exposure Draft to exclude regulatory assets from the scope of IFRS 5. Amendments to IAS 8 and suggested amendments to other IFRS Accounting Standards—AP9B discussed in May 2024 C48. The IASB tentatively decided to retain the proposal in the Exposure Draft to delete the temporary exception in paragraph 54G of IAS 8. This exception requires an entity developing an accounting policy for regulatory account balances to refer to the <i>Framework for the Preparation and Presentation of Financial Statements</i> instead of the <i>Conceptual Framework for Financial Reporting</i> issued in 2018.
Effective date and transition (November 2021 AP9C Feedback summary—Effective date and transition)		
A64. Paragraph C1 of the Exposure Draft proposes that an entity applies the [draft] Standard for annual reporting periods beginning on or after a date 18–24 months from the date of its publication. Earlier application is permitted. A65. Paragraph C3 of the Exposure Draft proposes that an entity applies the [draft] Standard retrospectively in accordance with IAS 8 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> (full retrospective application), except as permitted in paragraph C4. A66. Paragraph C4 of the Exposure Draft proposes that an entity may elect not to apply the [draft]	B73. Most respondents who commented asked for a longer transition period, such as a transition period of at least 24–36 months after the date of publication, with earlier application permitted. B74. Most respondents did not support the proposed requirement to apply the Standard retrospectively in accordance with IAS 8. Respondents were particularly concerned about the cost and complexity of full retrospective application for some regulatory assets and regulatory liabilities. Some respondents suggested the IASB permit a modified retrospective application that:	Effective date and transition—AP9C–AP9F discussed in July 2024 C49. The IASB will consider transition requirements and the effective date of the final Standard.

Summary of proposals	Summary of feedback	Tentative decisions
Standard retrospectively to a past business combination.	<ul style="list-style-type: none"> a) permits the use of hindsight in making the judgements and estimates; b) provides relief from certain recognition and measurement requirements; and c) does not involve restatement of comparative information. <p>B75. Many respondents who commented agreed with the proposals relating to the simpler approach for past business combinations.</p> <p>B76. Almost all users of financial statements who commented on the transition proposals during outreach events agreed with the proposed full retrospective application.</p>	



Staff paper

Agenda reference: 9H

IASB® Meeting

Date **July 2024**
Project **Rate-regulated Activities**
Topic **Due process requirements**
Contacts Nhlanhla Mungwe (nmungwe@ifrs.org)

This paper has been prepared for discussion at a public meeting of the International Accounting Standards Board (IASB). This paper does not represent the views of the IASB or any individual IASB member. Any comments in the paper do not purport to set out what would be an acceptable or unacceptable application of IFRS® Accounting Standards. The IASB's technical decisions are made in public and are reported in the IASB® *Update*.

This Agenda Paper was originally posted for the July 2024 IASB meeting as Agenda Paper 9H.

Objective

1. This paper:
 - (a) sets out the steps in the [*IFRS Foundation Due Process Handbook*](#) (the Handbook) that the IASB has taken to date in developing IFRS X *Regulatory Assets and Regulatory Liabilities* (IFRS X) and asks the IASB to confirm that it is satisfied that all the mandatory due process steps have been taken;
 - (b) requests permission for the staff to begin the balloting process for IFRS X; and
 - (c) asks whether any IASB member intends to dissent from the publication of IFRS X.
2. This paper should be read in conjunction with Agenda Paper 9G *Consideration of the re-exposure criteria*.

Structure of the paper

3. This paper is structured as follows:
 - (a) summary of the due process steps (paragraphs 5–22); and
 - (b) permission to begin the balloting process (paragraphs 23–24).

-
4. This paper has three appendices:
- (a) Appendix A—Due process steps;
 - (b) Appendix B—Summary of meetings with IFRS Foundation bodies and consultative groups; and
 - (c) Appendix C—Outreach.

Summary of the due process steps

5. In this section of the paper, we discuss the due process steps undertaken during the Rate-regulated Activities project (the project).
6. The Handbook highlights the following ‘minimum safeguards’ and ‘comply and explain steps’ to issue an IFRS Accounting Standard. This paper refers to ‘minimum safeguards’ as ‘mandatory’ steps and to ‘comply and explain steps’ as ‘optional’ steps.

Minimum safeguards

- 3.43 The Board and the Interpretations Committee are required to follow some steps before they can issue an IFRS Standard or an IFRIC Interpretation. These steps are designed to be the minimum safeguards to ensure the integrity of the standard-setting.
- 3.44 The due process steps that are mandatory include:
- (a) debating any proposals in one or more public meetings;
 - (b) exposing for public comment a draft of any proposed new IFRS Standard, proposed amendment to a Standard or proposed IFRIC Interpretation—with minimum comment periods;
 - (c) considering in a timely manner comment letters received on the proposals;
 - (d) considering whether the proposals should be exposed again;
 - (e) consulting the Accounting Standards Advisory Forum (ASAF) and the IFRS Advisory Council (Advisory Council) on the work plan, major projects, project proposals and work priorities; and

- (f) deciding in a public Board meeting whether to ratify an interpretation.

‘Comply or explain’ steps

3.45 Other steps specified in the Constitution are not mandatory. They include:

- (a) publishing a discussion document for major projects (for example, a discussion paper) before an exposure draft is developed;
- (b) establishing consultative groups or other types of specialist advisory groups for major projects;
- (c) holding public hearings; and
- (d) undertaking fieldwork.

3.46 If the Board decides not to undertake those non-mandatory steps, it informs the DPOC of its decision and reasons for not undertaking the steps.

7. Paragraphs 8–22 indicate how the IASB has met the due process requirements described in paragraph 6. This section should be considered in conjunction with Appendix A of this paper, which provides a detailed account of the due process steps undertaken in developing the new Standard.¹

Discussions in public meetings (mandatory)²

8. Throughout the life of the project, all of the proposals have been discussed by the IASB in public meetings. All staff papers have been posted, meetings recorded and the decisions documented in the relevant section of the project’s [website](#).

¹ The due process steps taken in the development of the Exposure Draft *Regulatory Assets and Regulatory Liabilities* are summarised in [Agenda Paper 9F](#) discussed by the IASB in July 2019. The due process steps taken in the development of the Discussion Paper *Reporting the Financial Effects of Rate Regulation* are summarised in [Agenda Paper 9](#) discussed by the IASB in July 2014.

² Paragraph 3.44(a) of the Handbook.

Due process documents published and comment letters considered in a timely manner (mandatory and optional)³

9. The IASB started a project on rate-regulated activities in 2008, publishing the Exposure Draft [Rate-regulated Activities](#) in 2009. However, the IASB suspended that project in 2010 to focus on other projects on its agenda.
10. After considering feedback from its 2011 Agenda Consultation, the IASB added the project on rate-regulated activities to its agenda in 2012. Table 1 includes information relating to all documents published for public comment since then.

Table 1—Public documents					
Date issued	Name of document	End of comment period	Comment letters	IASB votes and dissents	Comment letter summary considered
Jan 2021	Exposure Draft Regulatory Assets and Regulatory Liabilities	30 July 2021 Comment period: 180 days ⁴	128 ⁵	Approved: 10 of 13 Against: 1 Abstained: 2	October 2021 (Agenda Papers 9–9H) and November 2021 (Agenda Papers 9–9D)
Sep 2014	Discussion Paper Reporting the Financial Effects of Rate Regulation	15 Jan 2015 Comment period: 120 days	113	Not applicable	February 2015 (Agenda Paper 9)

³ Paragraphs 3.44(b), 3.44(c) and 3.45(a) of the Handbook.

⁴ The original comment period of 150 days was revised due to the Covid-19 pandemic.

⁵ [Agenda Paper 9](#) discussed at the October 2021 IASB meeting stated that 127 comment letters had been received. This is because the staff was made aware of another comment letter after the paper was posted. This comment letter was sent by post and there were delays in processing correspondence. The staff gave oral feedback to the IASB on this comment letter.

Table 1—Public documents					
Date issued	Name of document	End of comment period	Comment letters	IASB votes and dissents	Comment letter summary considered
Mar 2013	Request for Information Rate Regulation	30 May 2013 Comment period: 90 days	80	Not applicable	July 2013 (Agenda Paper 9)

Consideration of whether the proposals should be re-exposed (mandatory)⁶

11. The re-exposure criteria set out in paragraphs 6.25–6.29 in the Handbook have been considered in Agenda Paper 9G of this meeting. In Agenda Paper 9G, we recommend that the IASB finalise IFRS X without re-exposure for another round of public comment.

Consultations with ASAF and IFRS Advisory Council (mandatory)⁷

12. Appendix B includes the number of meetings with the Accounting Standards Advisory Forum (ASAF) and the IFRS Advisory Council since the project started in 2012.
13. The IFRS Advisory Council has been informed of the progress of the project through technical updates on a regular basis.

Publishing a discussion document (optional)⁸

14. In September 2014, the IASB published the Discussion Paper *Reporting the Financial Effects of Rate Regulation* (Discussion Paper). The IASB received a total of 113

⁶ Paragraph 3.44(d) of the Handbook.

⁷ Paragraph 3.44(e) of the Handbook.

⁸ Paragraph 3.45(a) of the Handbook.

comment letters on the Discussion Paper. A summary of comments received was presented to the IASB in February 2015.

Establishing consultative groups (optional)⁹

15. In April 2013, the IASB established a Consultative Group for Rate Regulation (Consultative Group) to gather expert perspectives including those of preparers, auditors, users of financial statements and regulators.
16. IASB members consulted the Consultative Group in 9 meetings between September 2012 and June 2024, to obtain input on key aspects of the model (see Appendix B of this paper).

Holding public hearings (optional)¹⁰

17. The IASB holds public hearings meeting with interested organisations to listen to, and exchange views on, specific topics. Public hearings include round-table meetings and discussion forums.
18. The IASB and its staff have, throughout the process, held a large number of meetings. Some of these meetings were public hearings that included discussion forum and round table meetings. The public hearings were held in December 2014, April 2021, May 2021, June 2021 and July 2021 prior to the start of the IASB's redeliberations of the Exposure Draft. These public meetings were primarily held with preparers, users, auditors, regulators and others to test the proposals and to understand concerns raised by affected parties. Appendix C includes a breakdown of outreach meetings held with different stakeholders at different phases of the project.

⁹ Paragraph 3.45(b) of the Handbook.

¹⁰ Paragraph 3.45(c) of the Handbook.

Undertaking fieldwork (optional)¹¹

19. During the redeliberations in 2022, 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).
20. The staff developed a survey in 2023 to gather input from preparers to assess whether they would be able to operationalise the concept.¹² The staff received 48 completed surveys from 39 respondents in 16 jurisdictions. The staff also contacted—via meetings or email—15 respondents that completed the survey to better understand answers in the survey and to discuss potential effects of the IASB's tentative decisions for entities applying the concept.¹³
21. The staff plans to conduct additional fieldwork in the second half of 2024 to gather further evidence about the likely effects of the final requirements.

Reporting to the Due Process Oversight Committee (DPOC)

22. In accordance with paragraph 2.9 of the Handbook, the DPOC has been informed of the progress of the project on a regular basis. This has included updates at public DPOC meetings. The DPOC will also conduct a due process life-cycle of the development of IFRS X at a future meeting.

Permission to begin the balloting process

23. At this meeting, the IASB will complete the redeliberations needed to finalise IFRS X, including transition and effective date (Agenda Papers 9C–9F of this meeting). As discussed in paragraphs 5–22, we think that:

¹¹ Paragraph 3.45(d) of the Handbook.

¹² [Agenda Paper 9B](#) discussed by the IASB at its meeting in September 2023.

¹³ [Agenda Paper 9A](#) discussed by the IASB at its meeting in October 2023.

-
- (a) all of the mandatory steps in the Handbook have been complied with. Also, the IASB has complied with all optional due process steps set out in the Handbook; and
- (b) the proposed requirements in IFRS X are sufficiently developed in response to the feedback and therefore, the staff can proceed to begin the balloting process.
24. Accordingly, we are asking for permission to begin the balloting process. As usual, we will consider the need for future IASB discussion of sweep issues that may arise during the balloting process.

Questions for the IASB

1. Is the IASB satisfied that all the mandatory due process steps have been met in this project?
2. Does the IASB grant the staff permission to begin the balloting process for IFRS X?
3. Do any IASB members intend, at this time, to dissent from IFRS X? If so, on what grounds?

Appendix A—Due process steps

A1. Table 2 shows how the IASB has complied to date with the due process steps required to finalise IFRS X in accordance with the *Due Process Handbook*.¹⁴

Table 2—Due process steps			
Due Process Handbook	Step	Required/ Optional	Actions
Consideration of information gathered during consultation			
3.68	The IASB posts all comment letters received in relation to the Exposure Draft on the project page	Required	<p>The Exposure Draft received 128 comment letters. All comment letters and relevant statistics were posted on the website.</p> <p>The comment letters to the Exposure Draft can be accessed here.</p> <p>The staff's overall comment letter summary (see Agenda Paper 9 discussed at the October 2021 IASB meeting) and comment letter summaries by topic (see</p>

¹⁴ The due process steps taken in the development of the Exposure Draft *Regulatory Assets and Regulatory Liabilities* are summarised in [Agenda Paper 9F](#) discussed by the IASB in July 2019. The due process steps taken in the development of the Discussion Paper *Reporting the Financial Effects of Rate Regulation* are summarised in [Agenda Paper 9](#) discussed by the IASB in July 2014.

Table 2—Due process steps			
Due Process Handbook	Step	Required/ Optional	Actions
			Agenda Papers 9A–9H discussed at the October 2021 IASB meeting and Agenda Papers 9A–9D discussed at the November 2021 IASB meeting) are available in the relevant section of the project’s website .
3.2–3.13	IASB meetings are held in public, with papers being available for observers. All decisions are made in public sessions	Required	<p>IASB meetings</p> <p>The IASB discussed the project at 61 IASB meetings between September 2012 and June 2024. Thirty nine of those meetings were held prior to publishing the Exposure Draft. All staff papers are posted, meetings were recorded and the decisions documented in the relevant section of the project pages of the IFRS Foundation website.</p> <p>In addition, there is also an IASB podcast that summarises the key points of IASB meetings, including any substantial or important discussions on IFRS X.</p>

Table 2—Due process steps			
Due Process Handbook	Step	Required/ Optional	Actions
			<p>Project website</p> <p>The project page on the IFRS Foundation website contains up-to-date information on the project.</p> <p>DPOC</p> <p>The DPOC has been informed of the progress of the project on a regular basis. Papers that had been posted late were reported to the DPOC together with the reasons for the late posting.</p>
3.44(e)	The IASB consults with ASAF and the IFRS Advisory Council	Required	<p>IASB members and staff provided project updates to and discussed project proposals with ASAF members in 20 meetings between September 2012 and June 2024 (see Appendix B).</p> <p>IASB members discussed the project with the IFRS Advisory Council. The IFRS Advisory Council has received regular updates on the progress of the project (see Appendix B).</p>

Table 2—Due process steps			
Due Process Handbook	Step	Required/ Optional	Actions
3.59– 3.66	Consultative groups used, if formed	Optional	<p>In April 2013, the IASB established a Consultative Group for Rate Regulation (Consultative Group) to gather expert perspectives including those of preparers, auditors, users of financial statements and regulators.</p> <p>IASB members consulted the Consultative Group in 9 meetings between September 2012 and June 2024, to obtain input on key aspects of the model (see Appendix B).</p> <p>IASB members and staff provided project updates and discussed project proposals with the Capital Markets Advisory Committee (CMAC) in 6 meetings, with the Emerging Economies Group (EEG) in 3 meetings and with the Global Preparers Forum (GPF) in 3 meetings between September 2012 and June 2024 (see Appendix B).</p>

Table 2—Due process steps			
Due Process Handbook	Step	Required/ Optional	Actions
3.76– 3.81	Analysis of likely effects of forthcoming Standard or major amendment, for example, costs or on-going associated costs	Required	<p>Information relating to the potential costs and benefits of IFRS X was included in the Exposure Draft, including questions for stakeholders to provide comments (see question 12 of the Invitation to Comment on the Exposure Draft).</p> <p>During the redeliberations, the staff have met with stakeholders including the Consultative Group, ASAF, preparers and users of financial statements, to understand the effect of the proposals, including the cost of implementing the proposals and the benefits from improved financial reporting (see Appendix C). Feedback from those meetings has been used in the staff analysis and recommendations included in the relevant IASB agenda papers.</p> <p>The IASB will publish an Effects Analysis report when IFRS X is issued.</p>
3.69, 3.75	Outreach meetings to promote debate and hear views on	Optional	Appendix C includes a breakdown of outreach meetings held with different stakeholders at different phases of the project.

Table 2—Due process steps			
Due Process Handbook	Step	Required/ Optional	Actions
	proposals that are published for public comments		
N/A	Email alerts are issued to registered recipients	Optional	Interested parties have been notified when updates to the project website have been made using the News section of the project page and subscriber email alerts.
3.70–3.74	Fieldwork	Optional	The staff developed a survey in 2023 to gather input from preparers to assess whether they would be able to operationalise (the direct (no direct) relationship concept). ¹⁵ The staff received 48 completed surveys from 39 respondents in 16 jurisdictions. The staff also contacted—via meetings or email—15 respondents that completed the survey to better understand answers in the survey and to

¹⁵ [Agenda Paper 9B](#) discussed by the IASB at its meeting in September 2023.

Table 2—Due process steps			
Due Process Handbook	Step	Required/ Optional	Actions
			<p>discuss potential effects of the IASB’s tentative decisions for entities applying the concept.¹⁶</p> <p>The staff plans to conduct additional fieldwork in the second half of 2024 to gather further evidence about the likely effects of the final requirements.</p>
Finalisation			
2.12	Due process steps are reviewed by the IASB	Required	<p>This table provides an overview of the due process steps followed and will be reviewed by the IASB at this meeting.</p> <p>This paper will also be presented to the DPOC at a future meeting as part of the lifecycle review of the due process for the project.</p>
6.25–6.29	Need for re-exposure of a	Required	The IASB will consider if there is a need to re-expose any of its proposals at this meeting (see Agenda Paper 9G).

¹⁶[Agenda Paper 9A](#) discussed by the IASB at its meeting in October 2023.

Table 2—Due process steps			
Due Process Handbook	Step	Required/ Optional	Actions
	Standard is considered		In Agenda Paper 9G of this meeting we are recommending that the IASB does not re-expose IFRS X for another round of public comment.
6.35– 6.36	The IASB sets an effective date for the Standard, considering the need for effective implementation, generally providing at least 18 months	Required	The IASB will consider transition requirements and the effective date of IFRS X and whether amendments to IFRS 1 <i>First-time Adoption of International Financial Reporting Standards</i> are required at this IASB meeting (see Agenda Papers 9C–9F). We recommend an effective date of 1 January 2029 for IFRS X which will be at least 36 months after the issue of IFRS X. ¹⁷

¹⁷ This assumes IFRS X is issued in the second half of 2025.

Table 2—Due process steps			
Due Process Handbook	Step	Required/ Optional	Actions
Drafting			
3.28, 3.31–3.33	Drafting quality assurance steps are adequate	Required	<p>This step will be completed towards the end of the project.</p> <p>The Translation team, Editorial team and the Taxonomy team will be involved in the review process. We intend to send a draft of IFRS X to external parties for review before finalisation. This process allows external parties to review and report back to the staff on the clarity and understandability of the draft, mainly with editorial comments.</p> <p>The IFRS Accounting Taxonomy for IFRS X is expected to be available 12 months after the publication of IFRS X.</p>
Publication			
6.37	Press release to announce final Standard	Required	This step will be completed towards the end of the project.

Table 2—Due process steps			
Due Process Handbook	Step	Required/ Optional	Actions
6.38	A Feedback Statement is provided which provides high level executive summaries of the Standard and explains how the IASB has responded to the comments received	Required	This step will be completed towards the end of the project.
6.38	Podcast to provide interested parties	Optional	This step will be considered towards the end of the project.

Table 2—Due process steps			
Due Process Handbook	Step	Required/ Optional	Actions
	with high level updates or other useful information about the Standard.		
N/A	Standard is published	Required	This step will be completed towards the end of the project.

Appendix B—Summary of meetings with IFRS Foundation bodies and consultative groups

B1. Table 3 includes the number of the meetings with IFRS Foundation bodies and consultative groups up to June 2024 and expected to take place up to the publication of IFRS X.

Table 3—Number of meetings with IFRS Foundation bodies and consultative groups				
Description	Prior to the publication of the Exposure Draft¹⁸	Post publication of the Exposure Draft up to posting of this paper	Expected up to publication of IFRS X	Total
Accounting Standards Advisory Forum (ASAF)	14	6	2 ¹⁹	22
Consultative Group for Rate Regulation	4	5	1 ²⁰	10
Capital Markets Advisory Committee (CMAC)	5	1	1 ²¹	7
Emerging Economies Group (EEG)	2	1	1 ²²	4

¹⁸ Information about meetings held before the publication of the Exposure Draft can be found in [Agenda Paper 9F](#) and [Agenda Paper 9](#) discussed by the IASB at its July 2019 and October 2021 meetings.

¹⁹ We expect to have a meeting with ASAF members in September 2024 to discuss the IASB's tentative decisions from January 2024–July 2024 and another meeting to discuss the effect analysis.

²⁰ We expect to have a meeting with the Consultative Group for Rate Regulation to discuss the effect analysis.

²¹ We expect to have a meeting with CMAC members to provide them with an overview of IFRS X.

²² We expect to have a meeting with EEG members to provide them with an overview of IFRS X.

Table 3—Number of meetings with IFRS Foundation bodies and consultative groups

Description	Prior to the publication of the Exposure Draft¹⁸	Post publication of the Exposure Draft up to posting of this paper	Expected up to publication of IFRS X	Total
Global Preparers Forum (GPF)	2	1	-	3
IFRS Advisory Council	1	-	-	1
Total	28	14	5	47

Appendix C—Outreach

Table 4—Number of outreach meetings			
Description	Prior to redeliberations of the Exposure Draft²³	Redeliberations of the Exposure Draft up to posting of this paper²⁴	Total
Users	10	16	26
Other stakeholders	44	128	172
Conferences	6	-	6
Webinars	-	7	7
Discussion forums/ roundtables	8	-	8
Total	68	151	219

²³ Information about meetings held before the publication of the Exposure Draft can be found in [Agenda Paper 9F](#) discussed by the IASB at its July 2019. Information about meetings held during the comment period of the Exposure Draft can be found in [Agenda Paper 9](#) discussed by the IASB at its October 2021 meeting.

²⁴ The meetings took place between September 2021 to June 2024.