

## STAFF PAPER

March 2022

**Consultative Group for Rate Regulation meeting**

<b>Project</b>	<b>Rate-regulated Activities</b>
Paper topic	Cover paper
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This paper has been prepared for discussion at a public meeting of the Consultative Group for Rate Regulation. This paper does not represent the views of the International Accounting Standards Board (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® Standards. The IASB's technical decisions are made in public and are reported in the IASB® *Update*.

**Structure of the paper**

1. This paper is structured as follows:
  - (a) purpose of the meeting (paragraphs 4–6);
  - (b) papers for this meeting (paragraph 7); and
  - (c) next steps (paragraph 8).
2. This paper has two appendices:
  - (a) Appendix A—composition of the Consultative Group for Rate Regulation (Consultative Group); and
  - (b) Appendix B—the Consultative Group's operating procedures.
3. The appendices are only for information of the Consultative Group members and not for discussion at this meeting.

**Purpose of the meeting**

4. The Exposure Draft [Regulatory Assets and Regulatory Liabilities](#) was issued in January 2021 with a comment period that ended on 30 July 2021. The IASB discussed the respondents' feedback on the Exposure Draft at its October and November 2021 meetings.

5. The IASB started redeliberating the proposals based on a plan it discussed at its [December 2021](#) meeting.
6. The purpose of this meeting of the Consultative Group is to explore possible courses of action the IASB may consider in responding to the feedback and redeliberating its proposal on regulatory returns on construction work-in-progress (CWIP).

### **Papers for this meeting**

7. This cover paper accompanies Agenda Paper 2 *Regulatory returns on construction work-in-progress* that includes:
  - (a) a high-level summary of the proposal;
  - (b) a high-level summary of the feedback from comment letters and outreach events;
  - (c) an analysis of the application of the proposal to the commonly found regulatory approaches for regulatory returns on CWIP;
  - (d) an analysis of the possible courses of action available to the IASB in responding to the feedback, including the pros and cons of each of the courses of action; and
  - (e) questions for the Consultative Group.

### **Next steps**

8. At a next meeting to be scheduled, the staff is planning to discuss with the Consultative Group possible courses of action the IASB may consider in responding to the feedback and redeliberating its proposal on the accounting for regulatory assets or regulatory liabilities arising from differences between the regulatory recovery period and assets' useful lives (paragraphs B3–B9 of the Exposure Draft and [Illustrative Examples](#) IE2B and IE2C accompanying the Exposure Draft).

## Appendix A Composition of the Consultative Group

- A1. The IASB made limited changes to the composition of the Consultative Group to have an appropriate balance of representation from jurisdictions that are likely to be affected by the proposals, and a balance of perspectives of different stakeholder groups.
- A2. The current composition of the Consultative Group is as follows:

<b>Name</b>	<b>Organisation</b>	<b>Country/Region</b>
Giorgio Acunzo	Ernst & Young	Italy
Lily Ayalon	Israel Accounting Standards Board	Israel
Eric Chan	CLP Power Hong Kong Limited	Hong Kong
Anil Kumar Gautam	NTPC Ltd	India
Leonardo George de Magalhães	Companhia Energética de Minas Gerais (Cemig)	Brazil
Jesús Herranz Lumbreras	Ferrovial SA	Spain
John Leotta	Deloitte Touche Tohmatsu	Australia
Richard McCabe	AltaLink Management Ltd	Canada
Christopher McCusker	National Grid	USA
Sureta Moolman	Eskom Holdings SOC Ltd	South Africa
Pascale Mourvillier	PAM Expertise	France
Tim Murray	RBC Capital Markets, Royal Bank of Canada	Canada
Michel Picard	KPMG	Canada
Christina Scharf	TenneT Holding B.V.	Germany
Michael Timar	PricewaterhouseCoopers	United Kingdom
Stefanie Voelz (observer)	Moody's Investors Service Ltd	United Kingdom
	European Financial Reporting Advisory Group (EFRAG) (observer)	Europe

## **Appendix B**

### **Terms of Reference and Operating Procedures of the Consultative Group for Rate Regulation**

#### **Introduction**

1. Consultative groups are established so that the International Accounting Standards Board (the IASB) and staff can have access to expert advice from constituents. In the early phases of a project, we expect consultative groups to help identify issues, alternative approaches, and priorities. In short, we expect consultative groups to help the IASB and staff brainstorm issues. As a project moves through deliberations, we expect to ask consultative groups to consult on key issues, especially as those issues may raise implementation questions. After the IASB has issued a Discussion Paper and an Exposure Draft, we hope that consultative groups can help us to understand and analyse the comments received.
2. Consultative groups will not be asked to reach consensus views and will not make recommendations as a group. The value of a consultative group comes from the interchange of ideas among members and the ability of IASB members and staff to participate in that interchange. We have designed these operating procedures to give consultative group members the freedom to express personal opinions.
3. We will assign IASB members to attend consultative group meetings, one of whom will be the chair of the consultative group.

#### **Membership**

4. In forming a consultative group, the IASB's goal is to assemble individuals from a variety of professional and geographic backgrounds. The ideal consultative group member would have expertise in the subject area, an open mind to different perspectives, and an ability to participate in a free exchange of ideas.
5. Members of a consultative group serve in their personal capacity. They are not appointed to act as delegates or representatives of any group; the IASB and staff have other means of seeking input from organisations interested in the IASB's work. The

IASB expects that members will provide ideas and advice based on their professional experience, rather than consensus views of an organisation. Members, however, may find that they wish to consult with colleagues about a particular topic, and the IASB encourages such consultations.

6. Because members serve in a personal capacity, substitutions are not accepted. We understand that other commitments make it difficult for members to attend every meeting. However, unless special circumstances exist, any member who misses three consecutive meetings will be asked to make way for a replacement.
7. In addition to the members, the IASB invites regulators and others concerned with a topic to attend consultative groups as official observers. In this capacity, they participate in all consultative group discussions on the same basis as members.

### **Meetings and participation**

8. We recognise that a consultative group member's time is valuable. With that in mind, we hope to use email for much of our communication with the consultative group. We expect an initial meeting on formation of the group, followed by meetings at key points in the life of the project. We expect that meetings will be one day in duration but the number of meetings required will be flexible to react to events as the project progresses. However, we do not expect that there would be more than two meetings per year. Meetings may be supplemented by shorter telephone conference calls, if considered necessary.
9. Consultative groups meet in public and IASB members, directors and members of the IASB's staff assigned to the project, consultative group members, and invited official observers may sit at the table and participate in the discussion. Any other individuals or members of the public may register as observers in advance of the meeting. Observer registration details will be available on the IASB's website once future meeting dates are determined.
10. The IASB's staff will prepare the agenda for consultative group meetings, in consultation with consultative group members. Supporting papers for the meetings will be prepared by the IASB's staff or consultative group members. The agenda and supporting papers will be circulated in advance in order to ensure that consultative

group members are fully prepared and capable of actively and constructively participating in all of the consultative group's discussions and work.

11. Consultative group discussions are conducted in English. Meetings will normally be held in London, utilising the IASB's secretariat and resources, including the meeting venue and relevant catering.
12. Travel and accommodation costs of attending consultative group meetings shall be borne by the members attending the meeting. The IASB does not remunerate consultative group members for their time.
13. Members of the consultative group are recommended to attend all meetings in person. If attendance in person is not possible, members may attend by using teleconferencing, videoconferencing or any other electronic means.