
Project	<i>Rate-regulated Activities</i>
Topic	Analysis of Scope (required application of RRA to non-utility entities)

Purpose of this agenda paper

1. This paper provides information on non-utility entities that are regulated in many jurisdictions around with world often with prices (ie rates) determined with some relationship to the costs of the entity.
2. This paper should be read in conjunction with the other agenda papers 11–11H of the July 2010 Board meeting to assist the Board in its deliberations of the *Rate-regulated Activities* project.
3. At the February 2010 meeting, the Board indicated a strong preference in ensuring that this project (and all IASB projects) was not industry specific, but instead appropriately addressed the general purpose financial statement reporting for the economic impacts resulting from the regulation of the activities of the reporting entity.
4. To address the Board's concerns, the staff has performed significant outreach to determine other entities that are not considered to be in the utility industry that have the potential to be within the scope of this RRA project. That is, what non-utility entities are regulated with prices determined with some relationship to the costs of the entity.
5. The outreach performed by the staff included requests for direct assistance from each Board member; correspondence with national standard setters, international accounting firms, preparers and regulatory authorities; and review of commonly regulated industries.

This paper has been prepared by the technical staff of the IFRS Foundation for discussion at a public meeting of the IASB.

The views expressed in this paper are those of the staff preparing the paper. They do not purport to represent the views of any individual members of the IASB.

Comments made in relation to the application of an IFRS do not purport to be acceptable or unacceptable application of that IFRS—only the IFRS Interpretations Committee or the IASB can make such a determination.

The tentative decisions made by the IASB at its public meetings are reported in *IASB Update*. Official pronouncements of the IASB, including Discussion Papers, Exposure Drafts, IFRSs and Interpretations are published only after it has completed its full due process, including appropriate public consultation and formal voting procedures.

List of regulated entities

6. The purpose of this paper is to inform the Board of the potential that many different types of entities (ie non-utilities) may be subject to this RRA project. However, this paper also provides insight into the difficulties that many utility entities may have in determining whether certain activities of a utility entity are within the scope of this RRA project.
7. Many entities provide multiple different goods and services crossing multiple product offerings. For example, E.on (a utility company with activities primarily in Europe) provides power generation, gas supply and production, gas storage and transport, trading, carbon sourcing, distribution and sales. Additionally, many of the 'entities' that are listed below are often subdivided into multiple components of the delivery chain. For example, electricity is commonly divided into the generation, transmission (ie transportation) and distribution (ie sales/ retail) components. Even within just the generation activities, E.on has major asset positions in Germany, Great Britain, Sweden, Russia, the U.S., Italy, Spain, France and in the Benelux countries and the generation capacity comes from multiple sources: gas and oil-fired, coal-fired, nuclear, hydro, wind and other renewables such as solar energy and bio energy. Some of E.on's generation activities are regulated and while others are not regulated.
8. One consolidated reporting entity that operates multiple aspects (listed above) of regulated activities either through vertical, horizontal or geographical integration will likely have multiple variations of regulatory mechanisms. That is, an entity may have generation and transmission that are both incentive based in one jurisdiction, transmission services only that are pure cost-of-service in another jurisdiction and transmission services only that have a total revenue cap in a third jurisdiction.
9. Following is a list of regulated entities that may potentially be within the scope of this RRA project. Hyperlinks have been provided for some entities to provide illustrative examples. This list is not intended to be exhaustive, but rather it is intended to provide the Board with additional insight for consideration of this RRA project:

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- (a) Utility entities [[Berliner Verkehrsbetriebe](#), [ConEd](#), [Deutsche Telekom AG](#), [Enbridge](#), [E.on](#), [Fortis Alberta](#), [NationalGrid](#), [RWE](#), [TransCanada](#), [Veolia](#),]:
 - (i) Electricity
 - (ii) Natural gas
 - (iii) Water
 - (iv) Sewer/ waste water
 - (v) Garbage collection
 - (vi) Telecommunication
- (b) Transportation authorities [[British Columbia Ferry Services Inc](#), [Deutsche Bahn AG](#), [DFS Deutsche Flugsicherung GmbH](#), [Fraport AG](#), [Metropolitan Transportation Authority](#), [NAV CANADA](#), [Transport for London Group](#)]:
 - (i) Toll ways
 - (ii) Ferry services
 - (iii) Air traffic control authorities
 - (iv) Water port authorities
 - (v) Airport authorities
 - (vi) Railway authorities
 - (vii) Local public transport authorities (subway, bus, etc)
- (c) Postal services [[Deutsche Post AG](#), [Royal Mail Group](#)]
- (d) Financial institutions [[New Zealand Accident Compensation Corporation](#)]:
 - (i) Depository institutions
 - (ii) Insurance companies
 - (iii) Credit institutions

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- (e) Others [[New Zealand Institute of Chartered Accountants](#)]:
 - (i) Petroleum distributors/ retailers
 - (ii) Operation of prisons
 - (iii) Operation of car parks
 - (iv) Airlines
 - (v) Food sales
 - (vi) Professional bodies established under statute
- (f) Potentially any entity within the scope of IFRIC 12.

Staff summary

10. In the staff's opinion, the RRA project will be applicable to traditional 'utility' entities and will also likely have an impact on a limited, but measurable amount of entities beyond the utility industry.