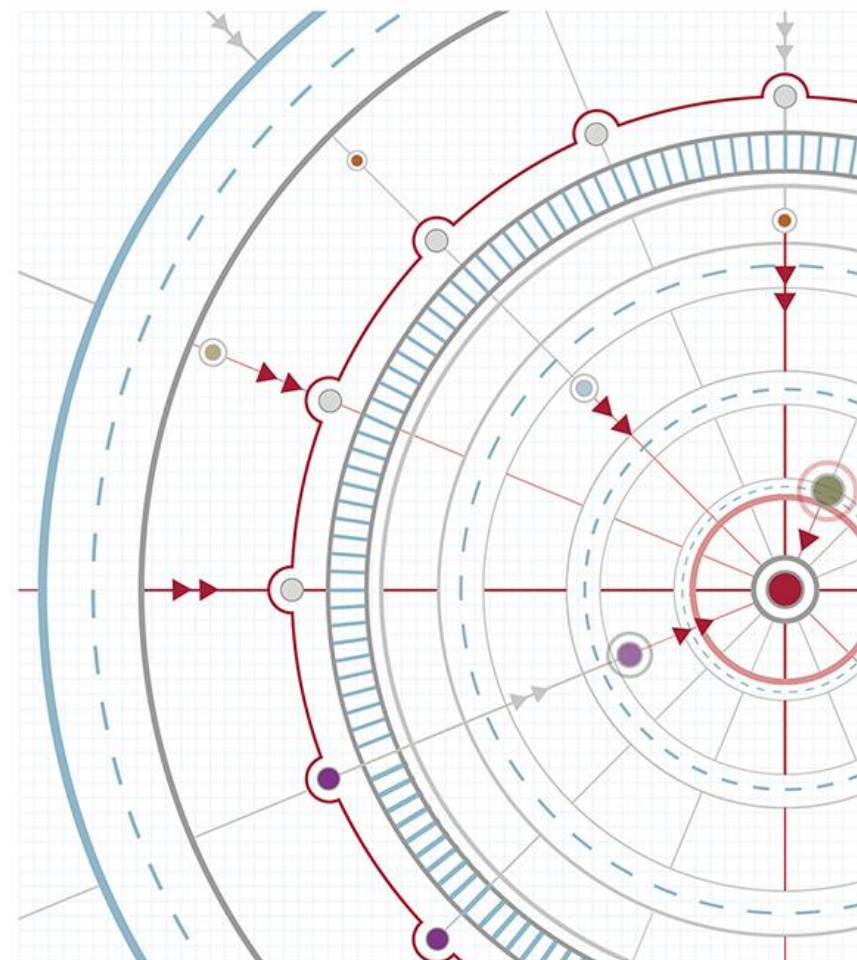



# Rate-regulated Activities

## Disclosure

EEG meeting  
March 2019



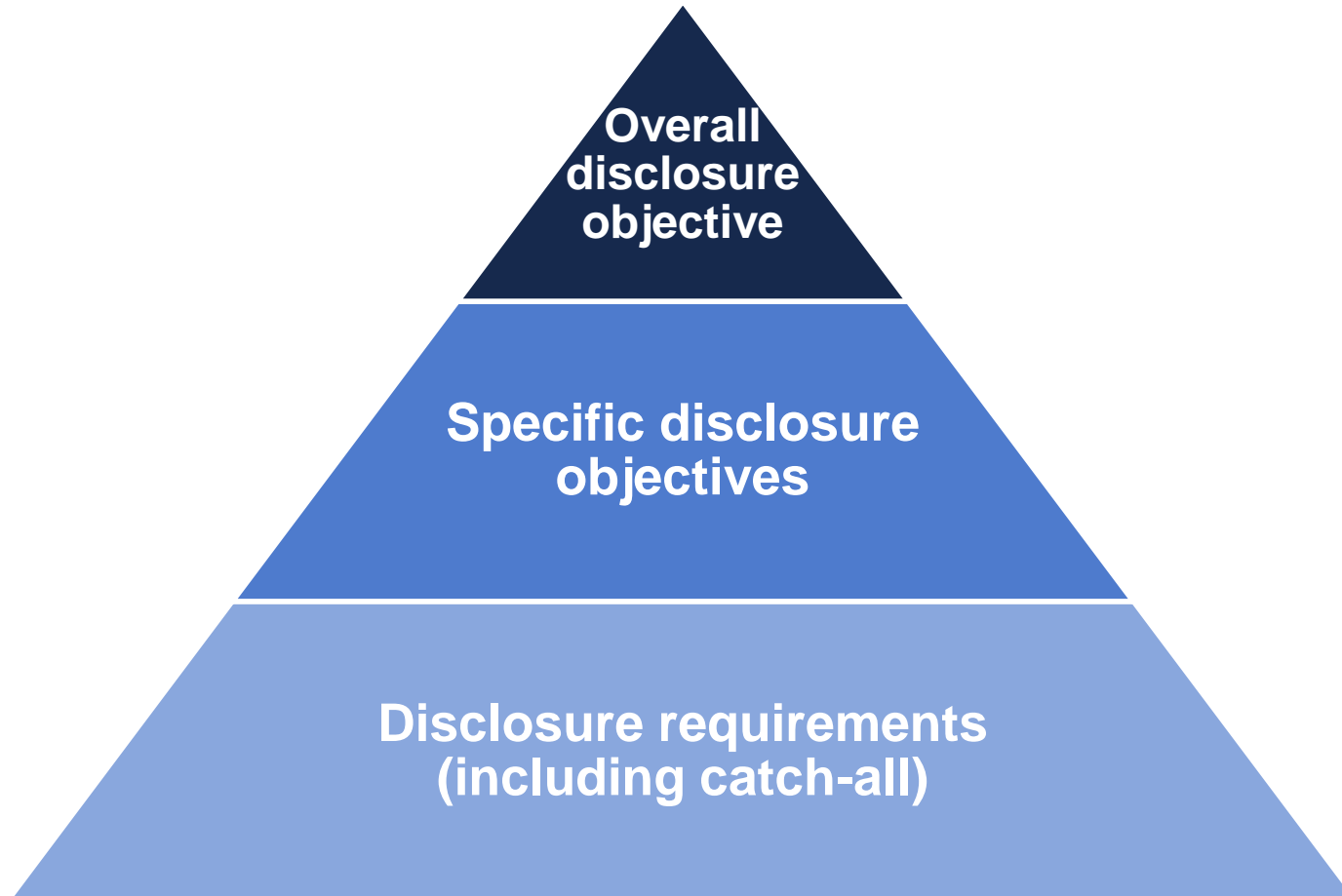
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# Disclosure objectives

# Board's considerations—disclosure objectives and requirements

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# Board's tentative decision and Board's considerations—overall disclosure objective

## Overall disclosure objective

An entity shall disclose information that helps users of financial statements to understand how the origination and reversal of regulatory timing differences affected the entity's financial performance and financial position.

This information will be useful when it will help users to understand and assess the entity's financial performance, financial performance trends and assess the amounts, timing and uncertainty of (prospects for) its future cash flows.

- The overall disclosure objective focuses on **regulatory timing differences**, not on all effects of defined rate regulation.
- Information about all effects of defined rate regulation on the entity's financial statements would be inconsistent with the objective and scope of the future Standard (ie accounting for regulatory timing differences arising from defined rate regulation) and would question whether all entities subject to other forms of rate regulation should be within the scope of the project.

# Board's tentative decision— specific disclosure objectives (1/3)

## Specific disclosure objective 1—Financial performance

An entity shall disclose information about how regulatory timing differences affected the relationship between the entity's revenue and expenses recognised during the period.

This information will be useful when it helps users of financial statements to understand the effects of regulatory timing differences on the entities' financial performance by distinguishing between:

- (a) fluctuations in revenue and expenses compensated for through rate-adjustment mechanism; and
- (b) fluctuations in revenue and expenses for which there is no compensation.

# Board's tentative decision— specific disclosure objectives (2/3)

## Specific disclosure objective 2—Amount, timing and uncertainty of future cash flows from regulatory assets and regulatory liabilities

An entity shall disclose information about:

- (a) the remaining time bands over which it expects to recover the carrying amounts of the regulatory assets and regulatory liabilities; and
- (b) uncertainties about the amount or timing of future cash flows from regulatory assets and regulatory liabilities.


This information will be useful when it helps users of financial statements to understand and assess the amount, timing and uncertainty of (prospects for) future cash flows that will result from the entity's regulatory assets and regulatory liabilities.

# Board's tentative decision— specific disclosure objectives (3/3)

## Specific disclosure objective 3—Changes in the carrying amounts of regulatory assets and regulatory liabilities

An entity shall disclose information that explains why the carrying amounts of regulatory assets and regulatory liabilities changed from the beginning to the end of each reporting period presented.

This information will be useful when it helps users of financial statements to understand how the entity's financial position has been affected by transactions or other events during the period that caused changes in regulatory timing differences.



# Disclosure requirements



# Board's tentative decisions—disclosure requirements (1/2)

1. **Breakdown of the regulatory income or regulatory expense line item** in profit or loss into the following components:
  - (a) originations of regulatory assets, together with qualitative and quantitative information about the reasons for their amounts;
  - (b) originations of regulatory liabilities, together with qualitative and quantitative information about the reasons for their amounts;
  - (c) recovery of regulatory assets;
  - (d) fulfilment of regulatory liabilities; and
  - (e) changes in the carrying amount of regulatory assets and regulatory liabilities due to changes in estimates, together with qualitative and quantitative information about the reasons for those changes.
2. **Maturity analysis** of the carrying amounts of regulatory assets and of regulatory liabilities at the end of the reporting period, and an explanation of how the future recovery of regulatory assets or the future fulfilment of regulatory liabilities is affected by risks and uncertainty;
3. The **discount rate** or ranges of discount rates used to discount the estimated future cash flows reflected in the carrying amounts of regulatory assets and of regulatory liabilities at the end of the reporting period and, if different, the related regulatory interest or return rate(s) approved by the regulator, together with qualitative and quantitative information for those differences.

# Board's tentative decisions—disclosure requirements (2/2)

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4. **Reconciliation** of the carrying amount of regulatory assets and of regulatory liabilities from the beginning to the end of the period.
5. **Catch-all requirement.** Assess whether the information provided through the disclosure requirements above is sufficient to meet the overall disclosure objective. If not, the entity should disclose any additional information needed to meet that objective.

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