
Accounting Standards Advisory Forum meeting

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Project	Rate-regulated Activities
Topic	Redeliberations during Q3 2024
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Purpose of this session

- Provide an update on the redeliberations of the Exposure Draft *Regulatory Assets and Regulatory Liabilities* (Exposure Draft or ED). The IASB completed its redeliberations in July 2024.
- Seek ASAF members' views on whether the IASB's tentative decisions in Q3 2024 help address stakeholders' feedback on the proposals dealing with:
 - extending the measurement and presentation proposals in paragraphs 61 and 69 of the Exposure Draft; and
 - transition and effective date.

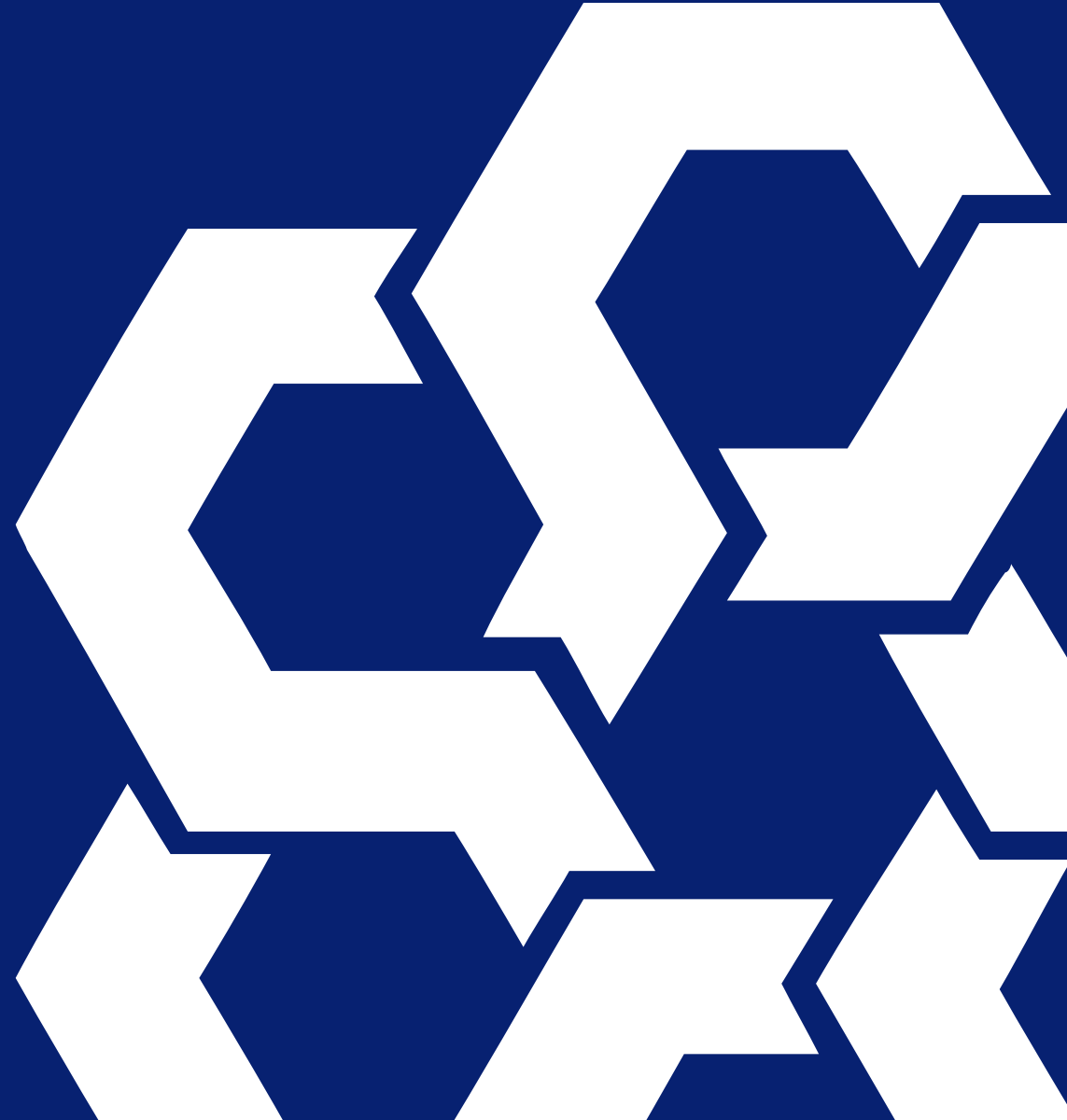
Question for ASAF members

- Slide 15 includes a question for ASAF members.

Appendix

- Appendix A—Summary of tentative decisions previously discussed with ASAF members (slides 17–62).

IASB's tentative decisions Q3 2024



Tentative decisions—Extending the paragraph 61 measurement proposals (1/2)

Extending the measurement proposals dealing with items affecting regulated rates on a cash basis AP9A July 2024

- **Purpose:** discuss requests to extend the measurement proposals in paragraph 61 of the Exposure Draft for items affecting regulated rates only when related cash is paid or received (on a cash basis) to items affecting regulated rates on other bases.
 - **Tentative decision:** the Standard will:
 - a) not extend the application of the measurement requirement proposed in paragraph 61 of the Exposure Draft to items affecting regulated rates on other bases;
 - b) exempt an entity from discounting the estimates of future cash flows arising from a regulatory asset or regulatory liability if:
 - i. the regulatory asset or regulatory liability arises from an item of expense or income that relates to liabilities or assets measured on a present value basis and that affects regulated rates on an accrual basis; and
 - ii. the entity, having considered all reasonable and supportable information that is available without undue cost or effort, is unable to estimate the amount and timing of those future cash flows.
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Tentative decisions—Extending the paragraph 61 measurement proposals (2/2)

Extending the measurement proposals dealing with items affecting regulated rates on a cash basis AP9A July 2024

- **Tentative decision:** the Standard will:
 - c) require an entity that chooses to apply the exemption described in (b) to disclose that fact and also to disclose the carrying amounts at the end of the reporting period of regulatory assets and regulatory liabilities to which the entity has applied that exemption; and
 - d) include—as another example to which the proposed requirement in paragraph 61 of the Exposure Draft can be applied—expected credit losses that affect regulated rates only once the regulator determines that there is no reasonable expectation of the entity receiving the related cash.
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Tentative decisions—Extending the paragraph 69 presentation proposals

Extending the presentation proposals dealing with items affecting regulated rates on a cash basis

AP9B July 2024

- **Purpose:** discuss requests to extend the presentation proposals in paragraph 69 of the Exposure Draft for items affecting regulated rates on a cash basis to items affecting regulated rates on other bases.
 - **Tentative decision:** the Standard will extend the application of the presentation requirement for items affecting regulated rates on a cash basis to items affecting regulated rates on other bases.
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Tentative decisions—Transition and effective date (1/6)

Transition—Analysis of the proposals for retrospective application

AP9C July 2024

- **Purpose:** discuss feedback on the proposals in the Exposure Draft to require retrospective application of the requirements by entities already applying IFRS Accounting Standards and by entities applying IFRS 1 *First-time Adoption of International Financial Reporting Standards*.
 - **Tentative decision:**
The Standard will permit an entity already applying IFRS Accounting Standards to apply the Standard retrospectively either in accordance with *IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors* or by using a modified retrospective approach. Regardless of which transition approach an entity elects, the Standard will:
 - a) require the entity to restate comparative information for the period immediately preceding the period in which the Standard is first applied (the comparative period); and
 - b) permit the entity either to restate comparative information or to present unadjusted comparative information for any earlier periods presented and, if the entity presents unadjusted comparative information, to require the entity to identify clearly the comparative information that has not been adjusted, disclose that the comparative information has been prepared on a different basis and explain that basis.
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Tentative decisions—Transition and effective date (2/6)

Transition—Analysis of the proposals for retrospective application

AP9C July 2024

Tentative decision: the Standard also will:

- a) amend IFRS 1 to permit a first-time adopter to use a modified retrospective approach in applying the Standard;
 - b) retain the proposal in the Exposure Draft to require a first-time adopter to present comparative information in accordance with the requirements in IFRS 1 (and the definition of the date of transition to IFRSs [IFRS Accounting Standards] in IFRS 1); and
 - c) retain the amendments proposed in the Exposure Draft:
 - i. to align the terminology and requirements in the deemed cost exemption in paragraph D8B of IFRS 1 with the Standard; and
 - ii. to delete paragraph 39V of IFRS 1.
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Tentative decisions—Transition and effective date (3/6)

Transition reliefs

AP9D July 2024

- **Purpose:** discuss transition reliefs for entities applying the modified retrospective approach. It considers reliefs for entities already applying IFRS Accounting Standards and for entities applying IFRS 1.
 - **Tentative decision:** the Standard will:
 - a) require an entity using the modified retrospective approach to state that fact, disclose which transition reliefs it has applied and, where appropriate, describe how it has applied them;
 - b) permit an entity using the modified retrospective approach whose regulatory capital base has a direct relationship with its property, plant and equipment to limit the application of the requirements for regulatory returns on assets not yet available for use to assets that are not yet available for use at the beginning of the comparative period; and
 - c) permit an entity using the modified retrospective approach:
 - i. to use hindsight; and
 - ii. to use the regulatory interest rate at the beginning of the comparative period as the regulatory interest rate for the purpose of applying the requirements for discounting estimates of future cash flows, including the minimum interest rate and the uneven regulatory interest rate requirements.
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Tentative decisions—Transition and effective date (4/6)

Transition reliefs

AP9D July 2024

- **Tentative decision:** regardless of which transition approach an entity elects, the Standard will:
 - a) require the entity to disclose the quantitative information required by paragraph 28(f) of IAS 8 for the comparative period; and
 - b) permit, but not require, the entity to disclose the quantitative information required by paragraph 28(f) of IAS 8 for the current period or for any earlier periods presented.
- **Tentative decision:** the Standard will also amend IFRS 1:
 - a) to permit a first-time adopter to apply any of the transition reliefs in the Standard, except that a first-time adopter that applies the exemption in paragraph D8B of IFRS 1:
 - i. is not permitted to apply the transition relief for regulatory returns on assets not yet available for use; and
 - ii. is required instead to apply prospectively the requirement to account for a regulatory asset arising from regulatory returns on assets not yet available for use.
 - b) to require a first-time adopter applying any transition reliefs in the Standard to disclose which reliefs it has applied and, where appropriate, describe how it has applied them.

Tentative decisions—Transition and effective date (5/6)

Past business combinations AP9E July 2024

- **Purpose:** discuss feedback on the proposals in the Exposure Draft dealing with past business combinations and proposed amendments to Appendix C of IFRS 1.
 - **Tentative decision:** the Standard will:
 - a) not include the requirement proposed in the Exposure Draft for an entity to apply the retrospective or simplified approach to regulatory assets acquired or regulatory liabilities assumed in a past business combination, but instead require the entity to apply the transition requirements of the Standard to these regulatory assets and regulatory liabilities;
 - b) require an entity applying the transition requirements of the Standard to take the net adjustment to retained earnings (or another category of equity, as appropriate), including in that net adjustment adjustments related to regulatory assets acquired and regulatory liabilities assumed in a past business combination; and
 - c) omit the proposal in the Exposure Draft to amend paragraph C4 of IFRS 1 to specify how a first-time adopter accounts for the derecognition of goodwill-related regulatory balances.
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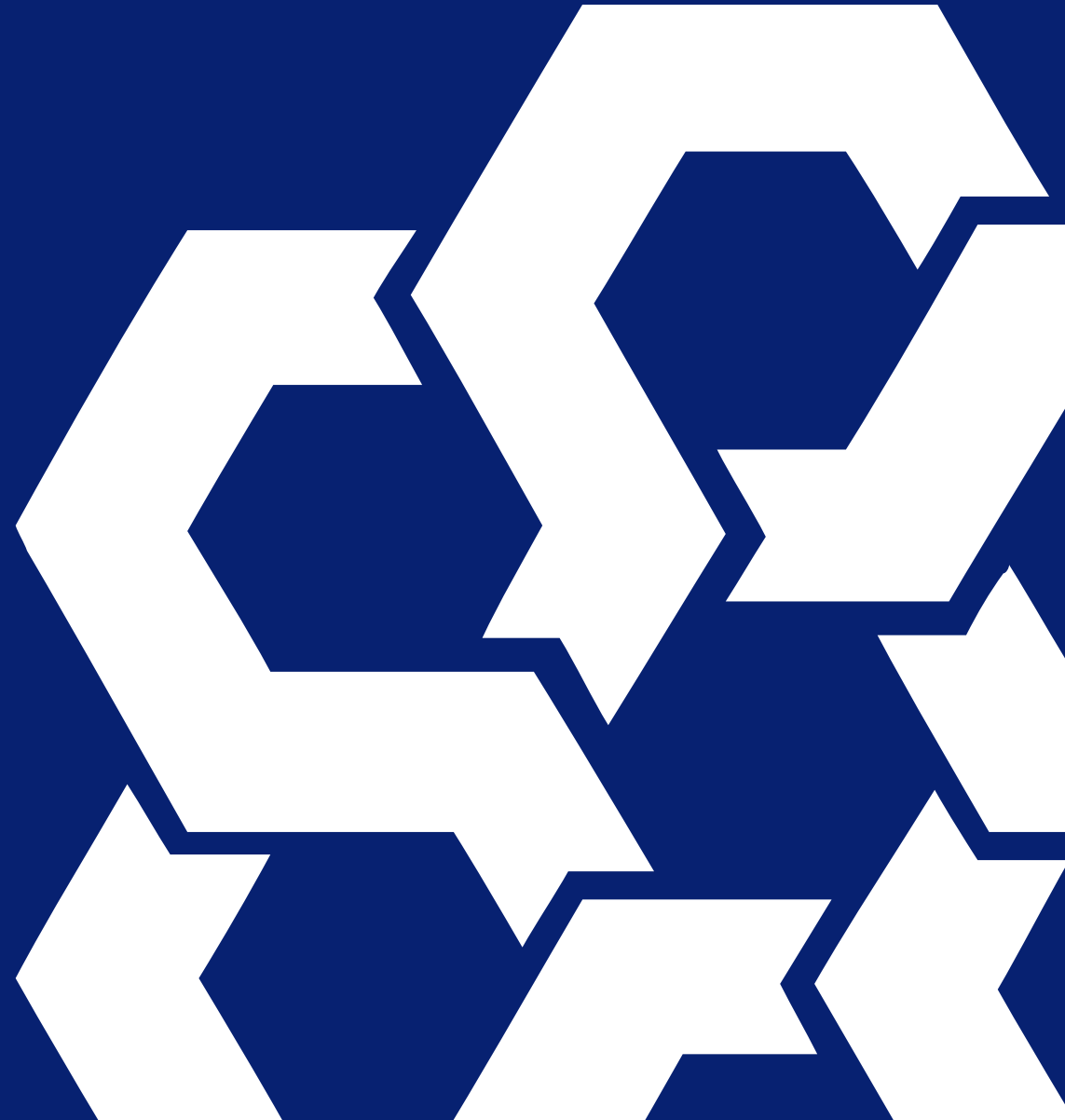
Tentative decisions—Transition and effective date (6/6)

Effective date

AP9F July 2024

- **Purpose:** discuss feedback on the effective date proposals in the Exposure Draft.
 - **Tentative decision:** The IASB decided to require an entity to apply the Standard for annual periods beginning on or after 1 January 2029, with earlier application permitted.
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Question for ASAF members

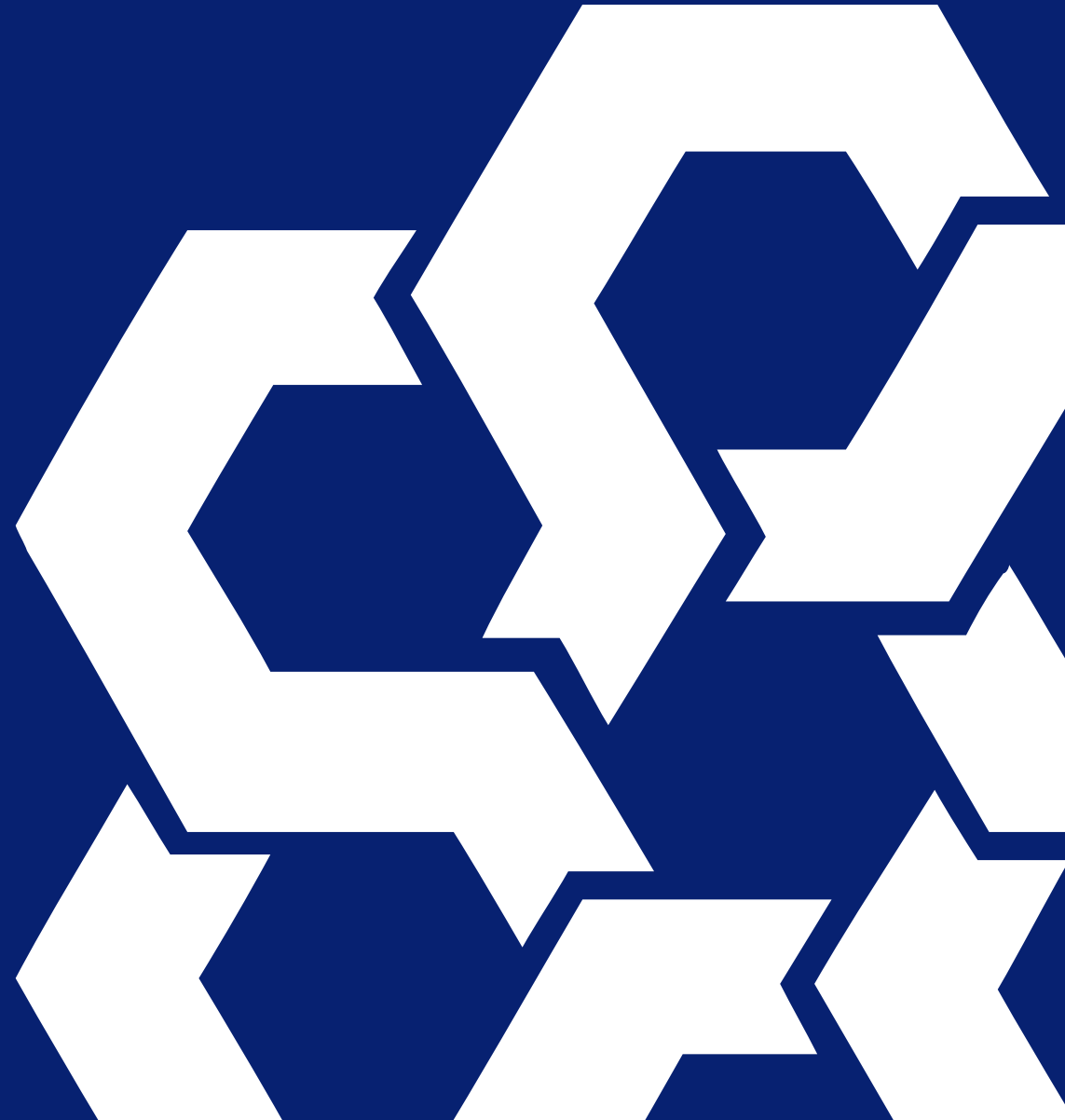


Question for ASAF members

Do the IASB's tentative decisions on the following topics help address feedback from stakeholders in your jurisdiction:

- extending the measurement and presentation proposals in paragraphs 61 and 69 of the Exposure Draft (slides 4–6); and
- transition and effective date (slides 7–12)?

Next steps



Next steps

- At the July 2024 meeting, the IASB completed its redeliberations on the Exposure Draft.
- The staff is currently:
 - drafting the prospective Standard and accompanying documents, including the Basis for Conclusions, Illustrative Examples and Effects analysis report.
 - conducting additional fieldwork on the likely effects of the prospective Standard; and
 - conducting presentations on the main requirements of the prospective Standard—for example, Word Standard-setters Conference and Emerging Economies Group.
- Prospective Standard expected to be issued in H2 2025.

Appendix A—Summary of tentative decisions previously discussed with ASAF members

Total Allowed Compensation (1/8)

Components of total allowed compensation AP9A July 2022¹

- **Purpose:** discuss feedback on the proposed components of total allowed compensation in paragraph B2 of the Exposure Draft.
- **Tentative decision:** the application guidance will focus on helping entities to identify differences in timing instead of specifying the components of total allowed compensation. To do so, the application guidance will focus on the most common differences in timing that could arise from various types of regulatory schemes.

Regulatory returns on an asset not yet available for use AP9B and AP9C July 2022¹

- **Purpose:** discuss feedback on the proposed treatment of returns on assets not yet available for use (paragraph B15 of the Exposure Draft).
- **Tentative decision:** the Standard will specify that when an entity has an enforceable present right to regulatory returns on an asset not yet available for use, those returns should 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.

1. Tentative decisions discussed at the September 2022 ASAF meeting.

Total Allowed Compensation (2/8)

Proposed definition of allowable expense and benchmark expenses AP9A October 2022²

- **Purpose:** discuss feedback on the proposed definition of allowable expense and the treatment of allowable expenses based on benchmarks.
- **Tentative decision:** the Standard will:
 - 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 to identify differences in timing in those cases.

2. Tentative decision discussed at the March 2023 ASAF meeting.

Total Allowed Compensation (3/8)

Regulatory assets and regulatory liabilities arising from differences between the regulatory recovery period and the asset's useful lives AP9B October 2022⁴

- **Purpose:** discuss feedback on the proposed treatment of regulatory assets or regulatory liabilities arising from differences between the regulatory recovery period and the assets' useful lives.
- **Tentative decision:** the Standard will:
 - a) provide guidance to help an entity determine whether its regulatory capital base and its property, plant and equipment have a direct relationship;²
 - 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 there is a direct relationship between its regulatory capital base and its property, plant and equipment; and
 - 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.

3. ASAF members helped the staff identify entities in their jurisdictions or regions to participate in a survey. The input from that survey will be used to develop application guidance on the direct (no direct) relationship concept.

4. Tentative decision discussed at the March 2023 ASAF meeting.

Total Allowed Compensation (4/8)

Capitalised borrowing costs AP9A and AP9C November 2022⁵

- **Purpose:** discuss the accounting for regulatory returns on an asset not yet available for use when an entity capitalises borrowing costs to construct that asset.
- **Tentative decision:** the IASB decided that when an entity's regulatory capital base and its property, plant and equipment have a direct relationship and the entity capitalises its borrowing costs:
 - 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
 - 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.

Inflation adjustment to the regulatory capital base AP9A December 2022⁵

- **Purpose:** discuss feedback on the proposals in the Exposure Draft dealing with inflation adjustments to an entity's regulatory capital base.
- **Tentative decision:** the Standard will specify that an entity is neither required nor permitted to recognise as a regulatory asset inflation adjustments to the regulatory capital base.

5. Tentative decisions discussed at the March 2023 ASAF meeting.

Total Allowed Compensation (5/8)

**Other items included
in the regulatory
capital base**
AP9C December 2022⁶

- **Purpose:** discuss feedback on the proposals in the Exposure Draft for the accounting for allowable expenses or performance incentives included in an entity's regulatory capital base.
- **Tentative decision:** the Standard will specify that:
 - 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:
 - 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.
 - 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.

6. Tentative decision discussed at the March 2023 ASAF meeting.

Total Allowed Compensation (6/8)

Total allowed compensation— performance incentives

AP9D February 2023⁷

- **Purpose:** discuss feedback on the proposed accounting treatment for performance incentives, except long-term performance incentives.
- **Tentative decision:** the Standard will retain the proposed requirement relating to performance incentives. 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.

Long-term performance incentives

AP9A April 2023⁷

- **Purpose:** discuss feedback on the proposals dealing with the recognition and measurement of regulatory assets and regulatory liabilities arising from long-term performance incentives.
- **Tentative decision:** the Standard will retain 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.

7. Tentative decisions discussed at the September 2023 ASAF meeting.

Tentative decisions—Survey on the direct (no direct) relationship concept (7/8)

The direct (no direct) relationship concept— Report on findings from the survey

AP9B September 2023

AP9C September 2023⁸

- **Purpose:** discuss how to use the responses to a survey on the direct (no direct) relationship concept to develop guidance in the prospective Accounting Standard.
- **Tentative decision:** the Standard will:
 - 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.

8. Tentative decision discussed at the March 2024 ASAF meeting.

Tentative decisions—Survey on the direct (no direct) relationship concept (8/8)

Survey on the direct (no direct) relationship concept— Additional feedback AP9A October 2023⁹

- **Purpose:** discuss whether to include guidance in the prospective Accounting Standard based on feedback from a survey on the direct (no direct) relationship concept. The feedback relates to capitalised borrowing costs, inflation and other items included in the regulatory capital base.
- **Tentative decision:** the Standard will include 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:
 - a) the entity determines the capitalised borrowing costs at a higher level of aggregation than the individual asset level; or
 - b) a regulator determines the regulatory returns on a real basis.

9. Tentative decision discussed at the March 2024 ASAF meeting.

Scope (1/5)

Determining whether a regulatory agreement is within the scope of the proposals

AP9B February 2022¹⁰

- **Purpose:** to reconfirm specific aspects of the proposals on the scope and address concerns raised about the difficulty of determining whether a regulatory agreement is within the scope of the Standard.
- **Tentative decision:**
 - a) The IASB decided:
 - i. an entity applies the Standard to all regulatory assets and regulatory liabilities;
 - ii. the Standard applies to all regulatory agreements and not only to those that have a particular legal form; and
 - iii. the conditions necessary for a regulatory asset and regulatory liability to exist.
 - b) The IASB decided:
 - i. not explicitly to specify in the Standard which regulatory schemes would be within or outside its scope.
 - ii. the Standard will clarify the relevance of features of some regulatory agreements for entities to determine whether they are in its scope.

10. Tentative decision discussed at the March 2022 ASAF meeting.

Scope (2/5)

Definition of a regulator

AP9C February 2022¹¹

- **Purpose:** to address concerns on the lack of clarity of whether a regulator is required for a regulatory asset or regulatory liability to exist.
- **Tentative decision:** the IASB decided the Standard will:
 - 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 self-regulation.

11. Tentative decision discussed at the March 2022 ASAF meeting.

Scope (4/5)

Customers

AP9D May 2022¹²

- **Purpose:** to address application questions raised by stakeholders relating to the term ‘customers’ in the Exposure Draft.
- **Tentative decision:** the IASB decided 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 *Revenue from Contracts with Customers*.

This would imply that the term ‘customers’ in the Exposure Draft should be understood as defined in IFRS 15.

Financial instruments within the scope of IFRS 9

AP9E May 2022¹²

- **Purpose:** to clarify the interaction between the model and IFRS 9 *Financial Instruments*.
- **Tentative decision:** the expectation is that regulatory assets or regulatory liabilities would not arise from financial instruments within the scope of IFRS 9. Because of this, the IASB decided not to exclude from the scope of the Standard regulatory assets or regulatory liabilities related to financial instruments within the scope of IFRS9. Instead the Basis for Conclusions will explain 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.

12. Tentative decisions discussed at the September 2022 ASAF meeting.

Scope (3/5)

Interaction with IFRIC 12 AP9A September 2022¹³

- **Purpose:** discuss feedback on the interaction between the proposals in the Exposure Draft and IFRIC 12 *Service Concession Arrangements*.
- **Tentative decision:** the Standard will:
 - a) clarify the intended interaction between the Standard 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.
 - b) include examples to illustrate that interaction.

13. Tentative decision discussed at the March 2023 ASAF meeting.

Scope (5/5)

Interaction with IFRS 17 AP9B April 2024¹⁴

- **Purpose:** discuss whether the scope of the Standard should exclude regulatory assets and regulatory liabilities that might arise when premiums charged in insurance contracts within the scope of IFRS 17 *Insurance Contracts* are regulated.
- **Tentative decision:** the IASB 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.

14. Tentative decision discussed at the September 2024 ASAF meeting.

Tentative decisions—Recognition (1/3)

The recognition threshold

AP9B February 2023¹⁵

- **Purpose:** discuss feedback on the proposed recognition threshold for regulatory assets and regulatory liabilities.
- **Tentative decision:** the Standard will:
 - a) 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 include a recognition threshold based on the probability of a flow of economic benefits;
 - c) not include a recognition threshold based on the level of measurement uncertainty, except for those regulatory assets and regulatory liabilities described in paragraph (e);
 - d) retain the proposed symmetric recognition threshold for regulatory assets and regulatory liabilities; and
 - e) 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.

15. Tentative decision discussed at the September 2023 ASAF meeting.

Tentative decisions—Recognition (2/3)

Enforceability and recognition

AP9C February 2023¹⁶

- **Purpose:** discuss feedback on the proposed requirements on the interaction between the assessment of enforceability and the recognition of regulatory assets and regulatory liabilities.
- **Tentative decision:** the Standard will:
 - a) retain and clarify the proposed single assessment for the existence of enforceable present rights and enforceable present obligations at the level of the individual regulatory assets or regulatory liabilities.
 - b) clarify that rights and obligations can be enforceable even if their existence is uncertain.
 - c) include 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. Those requirements will be developed considering the principles in paragraph 35(c) of IFRS 15 *Revenue from Contracts with Customers* that relate to an entity's right to payment for performance completed to date.

16. Tentative decision discussed at the September 2023 ASAF meeting.

Tentative decisions—Recognition (3/3)

Timing of initial recognition

AP9A May 2023¹⁷

- **Purpose:** discuss feedback on the proposed requirements on the initial recognition of regulatory assets and regulatory liabilities.
- **Tentative decision:** the Standard will retain:
 - a) the proposal to require recognition of all regulatory assets and all regulatory liabilities existing at the end of the reporting period; and
 - 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 *The Effects of Changes in Foreign Exchange Rates*.

17. Tentative decision discussed at the September 2023 ASAF meeting.

Tentative decisions—Derecognition (1/2)

Derecognition AP9B April 2023¹⁸

- **Purpose:** discuss feedback on the proposed requirements relating to the derecognition of regulatory assets and regulatory liabilities.
- **Tentative decision:** the Standard will:
 - a) require an entity to derecognise:
 - 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
 - ii. a regulatory liability as it fulfils part or all of the regulatory liability by deducting amounts from future regulated rates charged to customers.
 - 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.
 - c) clarify that an entity would derecognise a regulatory asset or a regulatory liability if the asset or liability ceased to meet the ‘more likely than not’ recognition threshold.

18. Tentative decision discussed at the September 2023 ASAF meeting.

Tentative decisions—Derecognition (2/2)

Derecognition AP9B April 2023¹⁹

- **Tentative decision:** the Standard will:
 - 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.
 - 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:
 - i. the regulatory asset and recognise any associated regulatory expense in profit or loss; and
 - ii. the regulatory liability and recognise any associated regulatory income in profit or loss.

19. Tentative decision discussed at the September 2023 ASAF meeting.

Tentative decisions—Measurement (1/11)

Estimating uncertain future cash flows AP9B June 2023²⁰

- **Purpose:** discuss feedback on the proposals in the Exposure Draft dealing with the estimation of uncertain future cash flows.
- **Tentative decision:** the Standard will:
 - a) retain the proposal that an entity estimate uncertain future cash flows using whichever of the two methods—the ‘most likely amount’ method or the ‘expected value’ method—the entity expects would better predict the cash flows;
 - b) require an entity to reassess the method of estimating uncertain future 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 of 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 not to require a separate impairment test for regulatory assets.

The Standard will not provide additional guidance on circumstances in which the ‘most likely amount’ method might better predict uncertain future cash flows.

Tentative decisions—Measurement (2/11)

Credit and other risks

AP9A September 2023²¹

- **Purpose:** discuss feedback on the proposals relating to credit and other risks affecting the estimates of future cash flows arising from a regulatory asset or a regulatory liability.
- **Tentative decision:** the Standard will:
 - 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:
 - 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.
 - b) specify that if an entity bears credit risk, the entity:
 - 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.

21. Tentative decision discussed at the March 2024 ASAF meeting.

Tentative decisions—Measurement (3/11)

Credit and other risks AP9A September 2023²²

- **Tentative decision:** the Standard will:
 - c) provide no additional guidance on how an entity accounts for:
 - i. credit risk if the entity is compensated for this risk; and
 - ii. demand risk; and
 - 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.

22. Tentative decision discussed at the March 2024 ASAF meeting.

Tentative decisions—Measurement (4/11)

Boundary of a regulatory agreement AP9B October 2023²³

- **Purpose:** discuss feedback on the proposals relating to the boundary of a regulatory agreement in the Exposure Draft.
- **Tentative decision:** the Standard will:
 - 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.

23. Tentative decision discussed at the September 2024 ASAF meeting.

Tentative decisions—Measurement (5/11)

Boundary of a regulatory agreement AP9B October 2023²⁴

- **Tentative decision:** the Standard will:
 - c) include the principles in paragraph 35(c) of IFRS 15 *Revenue from Contracts with Customers* 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.
 - d) retain the proposed requirements in the Exposure Draft on reassessment of and changes to the boundary of a regulatory agreement.

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.

24. Tentative decision discussed at the September 2024 ASAF meeting.

Tentative decisions—Measurement (6/11)

Boundary of a regulatory agreement AP9A February 2024²⁵

- **Purpose:** discuss how the final Accounting Standard could articulate the guidance on the boundary of a regulatory agreement, acknowledging the possibility of both finite and indefinite rights to supply goods or services (rights to operate).
- **Tentative decision:** the Standard will:
 - a) acknowledge that a right to supply goods or services might exist for an undefined period; and
 - b) 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:
 - i. an enforceable right to recover or enforceable obligation to fulfil by adding amounts to or deducting amounts from future regulated rates charged; or
 - ii. an enforceable right to receive or enforceable obligation to pay compensation on termination of the agreement.

25. Tentative decision discussed at the September 2024 ASAF meeting.

Tentative decisions—Measurement (7/11)

Discounting estimated future cash flows

AP9A March 2024²⁶

- **Purpose:** discuss feedback on the proposals dealing with discounting estimated future cash flows arising from a regulatory asset or a regulatory liability.
- **Tentative decision:** the Standard will:
 - a) 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) 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) retain the definition of a regulatory interest rate proposed in the Exposure Draft;
 - d) 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;

26. Tentative decision discussed at the September 2024 ASAF meeting.

Tentative decisions—Measurement (8/11)

Discounting estimated future cash flows

AP9A March 2024²⁷

- **Tentative decision:** the Standard will:
 - e) require an entity that elects to apply the exemption described in (d) in slide 13 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;
 - f) not exempt an entity from applying the proposed requirement described in (a) in slide 13 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) 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 provide guidance on the computation of the single discount rate described in (g);

27. Tentative decision discussed at the September 2024 ASAF meeting.

Tentative decisions—Measurement (9/11)

Discounting estimated future cash flows

AP9A March 2024²⁸

- **Tentative decision:** the Standard will:
 - i) exempt an entity that measures regulatory assets or regulatory liabilities described in (g) in slide 14 from applying the proposed requirement described in (a) in slide 13 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) 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) clarify that the proposed requirement described in (g) in slide 14 does not apply to a regulatory asset or regulatory liability that attracts regulatory interest rates that depend on an interest rate benchmark, and not to provide further guidance on measuring such a regulatory asset or regulatory liability.

28. Tentative decision discussed at the September 2024 ASAF meeting.

Tentative decisions—Measurement (10/11)

Discounting of future cash flows— Minimum interest rate

AP9A April 2024²⁹

- **Purpose:** discuss feedback on the proposals dealing with the minimum interest rate in paragraphs 50–53 of the Exposure Draft.
- **Tentative decision:** the Standard will:
 - a) 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;
 - b) 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);

29. Tentative decision discussed at the September 2024 ASAF meeting.

Tentative decisions—Measurement (11/11)

Discounting of future cash flows—Minimum interest rate

AP9A April 2024³⁰

- **Tentative decision:** the Standard will:
 - c) 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;
 - d) 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;
 - e) 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
 - f) 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.

30. Tentative decision discussed at the September 2024 ASAF meeting.

Tentative decisions—Items affecting regulated rates when related cash is paid or received (1/2)

Items affecting regulated rates only when related cash is paid or received
AP9C December 2023
AP9D December 2023³¹

- **Purpose:** discuss feedback on the proposals relating to the measurement and presentation of items affecting regulated rates only when related cash is paid or received.
- **Tentative decision:** the Standard will:
 - 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.
 - 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.
 - c) retain the requirements proposed in paragraph 69 of the Exposure Draft to present specified regulatory income and regulatory expense in other comprehensive income.

31. Tentative decision discussed at the March 2024 ASAF meeting.

Tentative decisions—Items affecting regulated rates when related cash is paid or received (2/2)

Items affecting regulated rates only when related cash is paid or received

AP9C December 2023

AP9D December 2023³²

- **Tentative decision:** the Standard will:
 - 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.
 - e) include no additional presentation requirements for other comprehensive income. An entity would apply the requirements in IAS 1 *Presentation of Financial Statements* or the prospective IFRS Accounting Standard *Presentation and Disclosure in Financial Statements* (prospective PFS Standard).

32. Tentative decision discussed at the March 2024 ASAF meeting.

Tentative decisions—Presentation (1/2)

Presentation AP9B December 2023³³

- **Purpose:** discuss feedback on the presentation proposals set out in paragraphs 67–68 and 70 of the Exposure Draft and the proposed amendments to IAS 1.
- **Tentative decision:** the Standard will:
 - 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 and regulatory interest expense within regulatory expense.

33. Tentative decision discussed at the March 2024 ASAF meeting.

Tentative decisions—Presentation (2/2)

Presentation AP9B December 2023³⁴

- **Tentative decision:** the Standard will:
 - e) amend the prospective PFS Standard to clarify that regulatory interest is classified in the operating category.
 - f) retain the proposal to require an entity to present in its statement of financial position:
 - i. line items for regulatory assets and regulatory liabilities; and
 - 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.

34. Tentative decision discussed at the March 2024 ASAF meeting.

Tentative decisions—Unit of account and offsetting

Unit of account and offsetting AP9A December 2023³⁵

- **Purpose:** discuss feedback on the proposals on the unit of account and on offsetting of regulatory assets and regulatory liabilities for presentation purposes.
- **Tentative decision:** the Standard will:
 - 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:
 - i. be created by the same regulatory agreement;
 - ii. have similar expiry patterns; and
 - iii. be subject to similar risks.
 - b) 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.

35. Tentative decision discussed at the March 2024 ASAF meeting.

Tentative decisions—Disclosures (1/8)

Disclosures proposed in Exposure Draft

AP9C February 2024³⁶

- **Purpose:** discuss feedback on the proposals relating to the disclosure requirements.
- **Tentative decision:** the Standard will:
 - a) retain the overall disclosure objective proposed in paragraph 72 of the Exposure Draft;
 - b) retain the proposals on aggregation and disaggregation of disclosures in paragraphs 75–76 of the Exposure Draft;
 - c) include examples of the characteristics an entity could use to aggregate or disaggregate disclosures in accordance with the principles in IFRS 18 *Presentation and Disclosure in Financial Statements*;
 - d) retain the specific disclosure objective relating to financial performance proposed in paragraph 77 of the Exposure Draft;
 - e) 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;

36. Tentative decision discussed at the September 2024 ASAF meeting.

Tentative decisions—Disclosures (2/8)

Disclosures proposed in Exposure Draft

AP9C February 2024³⁷

- **Tentative decision:** the Standard will:
 - f) require that an entity apply the aggregation and disaggregation principles in IFRS 18 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;
 - g) retain the specific disclosure objective relating to financial position proposed in paragraph 79 of the Exposure Draft;
 - h) 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;
 - i) retain the proposal in paragraph 80(b) of the Exposure Draft requiring that an entity disclose the discount rate or ranges of discount rates used in measuring regulatory assets and regulatory liabilities at the end of the reporting period;

37. Tentative decision discussed at the September 2024 ASAF meeting.

Tentative decisions—Disclosures (3/8)

Disclosures proposed in Exposure Draft

AP9C February 2024³⁸

- **Tentative decision:** the Standard will:
 - j) 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;
 - k) 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;
 - l) provide no additional guidance on risks and uncertainties that affect the recovery of regulatory assets or fulfilment of regulatory liabilities;
 - m) 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;
 - n) 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;

38. Tentative decision discussed at the September 2024 ASAF meeting.

Tentative decisions—Disclosures (4/8)

Disclosures proposed in Exposure Draft

AP9C February 2024³⁹

- **Tentative decision:** the Standard will:
 - o) include examples of significant changes in regulatory assets and regulatory liabilities that are not a consequence of regulatory income or regulatory expense;
 - p) 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;
 - q) 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
 - r) 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.

39. Tentative decision discussed at the September 2024 ASAF meeting.

Tentative decisions—Disclosures (5/8)

New disclosures AP9D February 2024⁴⁰

- **Purpose:** discuss new disclosure requirements arising from the IASB’s redeliberations on the Exposure Draft.
- **Tentative decision:** the Standard will:
 - a) 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;
 - b) include—in order to achieve the specific disclosure objective in (a)—a requirement that an entity disclose:
 - i. whether its regulatory capital base has a direct or no direct relationship with its property, plant and equipment; and
 - ii. the reasons the entity has concluded its regulatory capital base has a direct or no direct relationship with its property, plant and equipment;

40. Tentative decision discussed at the September 2024 ASAF meeting.

Tentative decisions—Disclosures (6/8)

New disclosures AP9D February 2024⁴¹

- **Tentative decision:** the Standard will:
 - c) not include a requirement that an entity disclose the amount of its regulatory capital base;
 - d) include a requirement that an entity disclose the nature of unrecognised regulatory assets and unrecognised regulatory liabilities;
 - e) 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 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 *Presentation of Financial Statements*;
 - g) 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

41. Tentative decision discussed at the September 2024 ASAF meeting.

Tentative decisions—Disclosures (7/8)

New disclosures AP9D February 2024⁴²

- **Tentative decision:** the Standard will:
 - h) not 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:
 - 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.

42. Tentative decision discussed at the September 2024 ASAF meeting.

Tentative decisions—Disclosures (8/8)

Reduced disclosures for rate-regulated entities

AP9B March 2024⁴³

- **Purpose:** discuss whether to develop reduced disclosures requirements for entities applying the Standard that could be included in IFRS 19 *Subsidiaries without Public Accountability: Disclosures*.
- **Tentative decision:** the IASB decided:
 - 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 IFRS 19 *Subsidiaries without Public Accountability: Disclosures*.

43. Tentative decision discussed at the September 2024 ASAF meeting.

Tentative decisions—Interaction with and amendments to other IFRS Accounting Standards (1/3)

Interaction with IAS 12 AP9A May 2024⁴⁴

- **Purpose:** discuss feedback on the proposed guidance on the interaction between the proposals in the Exposure Draft and IAS 12 *Income Taxes*.
- **Tentative decision:** the Standard will clarify that:
 - 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.

44. Tentative decision discussed at the September 2024 ASAF meeting.

Tentative decisions—Interaction with and amendments to other IFRS Accounting Standards (2/3)

Amendments to IAS 36

AP9B February 2024⁴⁵

- **Purpose:** discuss feedback relating to the amendments to IAS 36 *Impairment of Assets* proposed in the Exposure Draft.
- **Tentative decision:** the Standard will:
 - a) retain the proposal to exclude regulatory assets from the scope of IAS 36;
 - b) omit the proposed amendments to paragraphs 43 and 79 of IAS 36; and
 - c) provide no further guidance on applying IAS 36.

Amendments to IFRS 3 and IFRS 5

AP9C April 2024⁴⁵

- **Purpose:** discuss feedback relating to the amendments to IFRS 3 *Business Combinations* and IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* proposed in the Exposure Draft.
- **Tentative decision:** the Standard will retain the proposals in the Exposure Draft:
 - a) to create an exception to the recognition and measurement principles in IFRS 3 for regulatory assets acquired and regulatory liabilities assumed; and
 - b) to exclude regulatory assets from the scope of IFRS 5.

45. Tentative decision discussed at the September 2024 ASAF meeting.

Tentative decisions—Interaction with and amendments to other IFRS Accounting Standards (3/3)

Amendments to IAS 8 and suggested amendments to other IFRS Accounting Standards AP9B May 2024⁴⁶

- **Purpose:** discuss feedback relating to the amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* that were proposed in the Exposure Draft and discuss feedback about other IFRS Accounting Standards for which the Exposure Draft did not propose any amendments.
- **Tentative decision:** the Standard will 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 *Framework for the Preparation and Presentation of Financial Statements* instead of the *Conceptual Framework for Financial Reporting* issued in 2018.

46. Tentative decision discussed at the September 2024 ASAF meeting.

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