Staff paper

Agenda reference: 9

IASB® meeting

Date	**April 2024**
Project	**Rate-regulated Activities**
Topic	**Cover note**
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Purpose of this meeting

1. At this meeting, we will continue redeliberating the proposals in the Exposure Draft *Regulatory Assets and Regulatory Liabilities* (Exposure Draft). We have prepared three papers on three topics:

   (a) discount rate:

      (i) Agenda Paper 9A—this paper sets out staff analysis and recommendations on the proposals dealing with minimum interest rate in paragraphs 50–53 of the Exposure Draft.

   (b) scope:

      (i) Agenda Paper 9B—this paper sets out staff analysis and recommendations on whether the scope of the final Accounting 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.

   (c) amendments to IFRS 3 and IFRS 5:

      (i) Agenda Paper 9C—this paper sets out staff analysis and recommendations in relation 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.

Next steps

2. At future IASB meetings, we will continue redeliberating the proposals.

Summary of proposals, feedback and tentative decisions

3. The appendix summarises proposals in the Exposure Draft, feedback received and the IASB's tentative decisions.

Appendix—Summary of proposals, feedback and tentative decisions

The purpose of this appendix is to provide a high-level summary of the proposals in the Exposure Draft, the feedback on these proposals and the tentative decisions made by the IASB during its redeliberations. This appendix should be read together with the Exposure Draft and the relevant agenda papers discussed with the IASB for more detailed information.

Summary of proposals	Summary of feedback	Tentative decisions
Scope (October 2021 AP9A Feedback summary—Objective and Scope and February 2022 AP9A Scope—Overview)		
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. 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. 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.'	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. 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. 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: 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 *Revenue from Contracts with Customers*, IFRS 9 *Financial Instruments*,	**Determining whether a regulatory agreement is within the scope of the proposals—**AP9B discussed in February 2022 C1. The IASB tentatively decided: a) to reconfirm the proposals in the Exposure Draft on: 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: i) a regulatory agreement may include enforceable rights and enforceable obligations

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A4. Paragraph 6 of the Exposure Draft states that by definition a regulatory asset or a regulatory liability can exist only if: 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). 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). 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). 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).	IFRS 17 *Insurance Contracts* and IFRIC 12 *Service Concession Arrangements*; and c) a lack of clarity about: 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. B4. Some respondents had concerns on the impact that the term 'customers' may have on the scope of the proposals and shared application questions. 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). B6. Many respondents recommended providing further clarity and guidance on the aspects mentioned above to minimise the risk the Standard: a) unintentionally captures a wide range of regulatory agreements, arrangements and activities. b) may not be applied consistently.	to adjust the regulated rate beyond the current regulatory period. 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. **Definition of a regulator**—AP9C discussed in February 2022 C2. The IASB tentatively decided that 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 that: 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

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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.		not self-regulation for the purposes of the Standard. **Financial instruments within the scope of IFRS 9 *Financial Instruments*—**AP9E discussed in May 2022 C3. The IASB tentatively decided: 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. **Customers—**AP9D discussed in May 2022 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: 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.

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		Interaction with IFRIC 12—AP9A discussed in September 2022 C5. The IASB tentatively decided: 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.
Regulatory assets and regulatory liabilities (October 2021 AP9B Feedback summary—Regulatory Assets and Regulatory Liabilities)		
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'. 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 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'. A11. The proposed definitions of regulatory asset and regulatory liability refer to the concept of total	B7. Most respondents agreed with: 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 *Conceptual Framework*; and d) accounting for regulatory assets and regulatory liabilities separately from the rest of the regulatory agreement. 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	C6. For feedback described in paragraphs B8–B9, see redeliberations in paragraphs C9–C11.

Summary of proposals	Summary of feedback	Tentative decisions
allowed compensation for goods or services. Total allowed compensation would include the recovery of allowable expenses and a profit component. 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 *Conceptual Framework for Financial Reporting* (*Conceptual Framework*). A13. The Exposure Draft proposes an entity recognises regulatory assets and regulatory liabilities separately from the rest of the regulatory agreement. 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 A15. Paragraphs 21–23 of the Exposure Draft discuss rights and obligations that are not regulatory assets and regulatory liabilities.	liabilities that would arise when applying paragraphs B3–B9 and B15 of the Exposure Draft, namely: a) regulatory assets or regulatory liabilities arising when the regulatory recovery period is longer or shorter than the assets' useful lives; and 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). B9. According to these respondents, these regulatory assets and regulatory liabilities: a) do not represent enforceable rights and enforceable obligations arising from the regulatory agreements; b) would not meet the definitions of regulatory assets and regulatory liabilities; and c) would not result in useful information for users of financial statements if recognised in the financial statements. 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 to provide information that is useful to users of financial statements.	

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Total allowed compensation (October 2021 AP9C Feedback summary—Total allowed compensation and May 2022 AP9C Total allowed compensation—Overview)		
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'. 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. A18. Paragraph B2 of the Exposure Draft states that total allowed compensation comprises: a) amounts that recover allowable expenses minus chargeable income; b) target profit, of which main components are: 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. A19. The Exposure Draft proposes that: a) amounts that recover allowable expenses minus chargeable income should form part of	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. B12. A few accounting firms said that further guidance is needed to apply the concept of total allowed compensation to allowance-based regulatory schemes. 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. 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: a) not reflect an entity's rights and obligations arising from their regulatory agreements; b) meet neither the proposed regulatory asset and regulatory liability definitions in the Exposure Draft nor the asset and liability definitions in the *Conceptual Framework*;	**Features of different regulatory schemes—Educational session—**AP9A discussed in May 2022 **Components of total allowed compensation—**AP9A discussed in July 2022 C7. The IASB tentatively decided that in the Standard, the application guidance focus on: 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. **Proposed definition of allowable expense and treatment of allowable expenses based on benchmarks—**AP9A discussed in October 2022 C8. The IASB tentatively decided that the Standard: 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
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). 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). 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. A21. Paragraph B15 of the Exposure Draft proposes that: a) regulatory returns on an asset not yet available for use should form part of total allowed compensation for goods or services supplied once the asset is available for use and over the remaining periods in which the	c) not result in useful information; and d) be costly to account for. 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. 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. 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: 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). 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.	**Regulatory assets and regulatory liabilities arising from differences between the regulatory recovery period and the assets' useful lives—**AP9B discussed in October 2022 C9. The IASB tentatively decided that the Standard: a) provide guidance to help an entity determine whether its regulatory capital base and its property, plant and equipment have a direct relationship; 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 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. **Regulatory returns on an asset not yet available for use—** AP9B discussed in May 2022 and AP9B and AP9C discussed in July 2022 C10. 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.

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entity recovers the carrying amount of the asset through the regulated rates; and 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. 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. 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. 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 liability (paragraphs B21–B27 of the Exposure Draft).	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. B20. Many respondents agreed with the proposed guidance on profit margins on allowable expenses and regulatory interest income and regulatory interest expense.	**Capitalised borrowing costs—**AP9A and AP9C discussed in November 2022 C11. 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: 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 discussed in December 2022 C12. The IASB tentatively decided that the Standard specify that an entity is neither required not permitted to recognise as a regulatory asset inflation adjustments to the regulatory capital base. **Other items included in the regulatory capital base—**AP9C discussed in December 2022 C13. The IASB tentatively decided that the Standard 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:

Summary of proposals	Summary of feedback	Tentative decisions
		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. **Total allowed compensation–performance incentives—** AP9D discussed in February 2023 C14. 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. **Long-term performance incentives—**AP9A discussed in April 2023 C15. 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.

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		The direct (no direct) relationship concept—Report on findings from the survey—AP9B and AP9C discussed in September 2023 C16. The IASB tentatively decided that the Standard would: 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. **Survey on the direct (no direct) relationship concept—Additional feedback—**AP9A discussed in October 2023 C17. 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: a) the entity determines the capitalised borrowing costs at a higher level of aggregation than the individual asset level; or

<table>
<tr><th>Summary of proposals</th><th>Summary of feedback</th><th>Tentative decisions</th></tr>
<tr><td></td><td></td><td>b) a regulator determines the regulatory returns on a real basis.</td></tr>
<tr><td colspan="3">Unit of account, recognition and derecognition (October 2021 AP9D Feedback summary—Recognition)</td></tr>
<tr><td>Unit of account
A25. Paragraph 24 of the Exposure Draft proposes that:
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.</td><td>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.</td><td>Unit of account and offsetting—AP9A discussed in December 2023
C18. The IASB tentatively decided that the Standard would:
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.</td></tr>
<tr><td>Recognition
A26. Paragraph 25 of the Exposure Draft proposes that an entity should recognise:
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.</td><td>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:
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.</td><td>The recognition threshold—AP9B discussed in February 2023
C19. The IASB tentatively decided:
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);</td></tr>
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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.	b) when there is a significant outcome or measurement uncertainty. B24. A few respondents suggested that an entity, in situations of: a) existence uncertainty—is required to recognise a regulatory asset or a regulatory liability only if it is highly probable that it exists. b) significant outcome or measurement uncertainty—either: i) is required to apply a 'highly probable' recognition threshold; or ii) is precluded from recognising any regulatory asset or regulatory liability. B25. A few respondents asked the IASB to clarify the interaction between the scope and recognition proposals—for example: a) how an assessment of enforceable rights and enforceable obligations would interact with the 'more likely than not' recognition threshold. 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. 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.	d) to retain the proposed symmetric recognition threshold for regulatory assets and regulatory liabilities; and 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. **Timing of initial recognition**—AP9A discussed in May 2023 C20. The IASB tentatively decided that the Standard would 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*. **Enforceability and recognition—**AP9C discussed in February 2023 C21. The IASB tentatively decided: 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. b) to clarify in the Standard that rights and obligations can be enforceable even if their existence is uncertain.

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		c) to consider 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 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.
Derecognition A29. The Exposure Draft does not contain a separate section on derecognition. 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.	**Derecognition** B27. A few respondents asked the IASB to develop requirements for derecognising regulatory assets and regulatory liabilities. B28. Those respondents also asked the IASB to clarify certain application questions.	**Derecognition—**AP9B discussed in April 2023 C22. The IASB tentatively decided that the Standard: 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

Summary of proposals	Summary of feedback	Tentative decisions
		ceased to meet the 'more likely than not' recognition threshold. 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.
Measurement (estimating future cash flows) (October 2021 AP9E Feedback summary—Measurement)		
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.	B29. Most respondents who commented agreed with the measurement proposals in paragraphs A31–A33. B30. A few respondents who agreed with the proposals suggested the IASB: a) provide more guidance or illustrative examples on certain aspects of the measurement proposals; b) simplify the proposals along the lines of the requirements in IAS 12 *Income Taxes*;	**Estimating uncertain future cash flows—**AP9B discussed in June 2023 C23. The IASB tentatively decided that the Standard: 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'

Summary of proposals	Summary of feedback	Tentative decisions
A32. Paragraph 30 of the Exposure Draft proposes that a cash-flow-based measurement technique would involve: 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. A33. Paragraph 34 of the Exposure Draft proposes that cash flows are within the boundary of a regulatory agreement only if: 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. 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. A35. If cash flows arising from a regulatory asset or regulatory liability are uncertain, the Exposure Draft proposes that an entity estimate those cash	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. 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. 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. B33. Respondents expressed alternative views to the proposal to estimate uncertain future cash flows using the expected value method: 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).	method—the entity expects would better predict the cash flows; 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. C24. 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. **Credit and other risks—**AP9A discussed in September 2023 C25. The IASB tentatively decided that the Standard: 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:

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.	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. 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. **Boundary of a regulatory agreement—**AP9B discussed in October 2023 C26. The IASB tentatively decided that the Standard would: 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. 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

Summary of proposals	Summary of feedback	Tentative decisions
		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. C27. 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. **Boundary of a regulatory agreement—**AP9A discussed in February 2024 C28. The IASB tentatively decided: a) to acknowledge that a right to supply goods or services might exist for an undefined period; and 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: 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.

<table>
<tr><th>Summary of proposals</th><th>Summary of feedback</th><th>Tentative decisions</th></tr>
<tr><td></td><td></td><td>C29. For feedback described in paragraph B32, see redeliberations in paragraph C1(c)(i).</td></tr>
<tr><td colspan="3">Discount rate (October 2021 AP9F Feedback summary—Discount rate)</td></tr>
<tr><td>A36. Paragraphs 46–49 and 55 of the Exposure Draft propose that an entity:
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.
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).
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:</td><td>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.
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.
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.
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.
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</td><td>Discounting estimated future cash flows—AP9A discussed in March 2024
C30. The IASB tentatively decided:
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 liabilities at the end of the reporting period to which the entity has applied that exemption;
f) not to exempt an entity from applying the proposed requirement described in (a) to discount estimates of</td></tr>
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Summary of proposals	Summary of feedback	Tentative decisions
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. A39. Paragraph 52 of the Exposure Draft provides examples of such indications. 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). 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: a) translates those uneven regulatory interest rates into a single discount rate and use that rate throughout the life of the regulatory asset or the regulatory liability; and b) does not consider possible future changes in the regulatory interest rate in determining the single discount rate.	comparability amongst entities and would be confusing for users. 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. 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.	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 not to provide further guidance on measuring such a regulatory asset or regulatory liability.

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<tr><th>Summary of proposals</th><th>Summary of feedback</th><th>Tentative decisions</th></tr>
<tr><td>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:
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
b) continuing to use the discount rate determined at initial recognition, except in certain circumstances (paragraph A36(c)).</td><td></td><td></td></tr>
<tr><td colspan="3">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)</td></tr>
<tr><td>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:
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
b) regulatory interest rate is not observable from the regulatory agreement because the</td><td>B41. Most respondents agreed with the measurement and presentation proposals described in paragraphs A44 and A46.
B42. A few respondents disagreed with the measurement proposals—and consequently the presentation proposal—because the proposals would, according to them:
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
b) create an exception for a subset of items, which may add complexity to the model in the Exposure Draft.</td><td>Items affecting regulated rates on a cash basis—AP9D discussed in December 2023
C31. The IASB tentatively decided that the Standard would:
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</td></tr>
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Summary of proposals	Summary of feedback	Tentative decisions
regulatory agreement does not identify regulatory interest as a separate part of the cash flows arising from the regulatory asset or regulatory liability. A44. Paragraph 61 of the Exposure Draft proposes that, in such cases, the entity measures the regulatory asset and regulatory liability by: a) using the measurement basis used in measuring the related liability or related asset by applying IFRS Accounting Standards; and 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. 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. 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 from remeasuring the related liability or related asset through other comprehensive income.	B43. Some respondents raised questions and concerns about certain aspects of the measurement proposals, including: 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 b) the interaction between the proposals and the boundary of a regulatory agreement (paragraph A33). 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 *Regulatory Deferral Accounts*. 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	income and regulatory expense in other comprehensive income. 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 or the prospective IFRS Accounting Standard *Presentation and Disclosure in Financial Statements*.

Summary of proposals	Summary of feedback	Tentative decisions
	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)		
A47. Paragraphs 67–68 of the Exposure Draft propose that: 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. A48. Paragraphs 70–71 of the Exposure Draft propose that an entity: 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: i) has a legally enforceable right to offset those regulatory assets and regulatory	B47. Most respondents agreed with the proposals in paragraph A47. B48. Some respondents suggested the IASB permit, or instead require, an entity to classify all regulatory income minus all regulatory expense as revenue. B49. A few respondents said that regulatory interest income and regulatory interest expense should be included within finance income and finance expenses, respectively. B50. Although the IASB did not ask an explicit question on the proposals in paragraph A48, a few respondents: 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. 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).	**Unit of account and offsetting—**AP9A discussed in December 2023 C32. 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. **Presentation—**AP9B discussed in December 2023 C33. The IASB tentatively decided that the Standard would: 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
liabilities by including them in the same regulated rate; and 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.	B52. All users of financial statements who commented on the proposed presentation requirements during outreach events agreed with those proposals.	and regulatory interest expense within regulatory expense. e) amend the prospective IFRS Accounting Standard *Presentation and Disclosure in Financial Statements* 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.
Disclosure (November 2021 AP9B Feedback summary—Disclosure)		
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. 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: a) how the entity's financial performance was affected by differences in timing;	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. 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.	**Disclosures proposed in Exposure Draft—**AP9C discussed in February 2024 C34. The IASB tentatively decided: a) to retain the overall disclosure objective proposed in paragraph 72 of the Exposure Draft; b) to retain the proposals on aggregation and disaggregation of disclosures in paragraphs 75–76 of the Exposure Draft; 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 *Presentation and*

Summary of proposals	Summary of feedback	Tentative decisions
b) the entity's regulatory assets and regulatory liabilities at the end of the reporting period; and c) any changes in regulatory assets and regulatory liabilities that were not a consequence of regulatory income or regulatory expense. A51. To achieve the specific disclosure objectives in paragraph A50, the Exposure Draft proposes requiring an entity to disclose in the notes, for example: a) specified components of regulatory income or regulatory expense included in profit or loss (paragraph 78 of the Exposure Draft). 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). c) a reconciliation from the opening to the closing carrying amounts of regulatory assets and regulatory liabilities (paragraph 83 of the Exposure Draft). 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	B55. Some respondents explicitly agreed with the proposed specific disclosure objectives and the disclosure requirements. B56. A few respondents said that the IASB's redeliberation of the disclosure proposals should be informed by its decisions on the project *Disclosure Initiative—Targeted Standards-level Review of Disclosures*. B57. Some respondents raised concerns that the cost of providing the following information could outweigh the benefits to the users of financial statements: a) the components of regulatory income or regulatory expense; and b) quantitative information about the expected timing of recovery of regulatory assets and fulfilment of regulatory liabilities. B58. A few respondents suggested the IASB explicitly require an entity to disclose significant judgments made in applying specified proposed requirements. 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. 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.	*Disclosure in Financial Statements* (prospective PFS Standard); d) to retain the specific disclosure objective relating to financial performance proposed in paragraph 77 of the Exposure Draft; 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; 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; g) to retain the specific disclosure objective relating to financial position proposed in paragraph 79 of the Exposure Draft; 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; i) to retain the proposal in paragraph 80(b) of the Exposure Draft requiring that an entity disclose the

Summary of proposals	Summary of feedback	Tentative decisions
considers what information to disclose about the related liabilities and related assets and how to disclose the information. 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.		discount rate or ranges of discount rates used in measuring regulatory assets and regulatory liabilities at the end of the reporting period; 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; 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; l) to provide no additional guidance on risks and uncertainties that affect the recovery of regulatory assets or fulfilment of regulatory liabilities; 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; 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; o) to include examples of significant changes in regulatory assets and regulatory liabilities that are not a consequence of regulatory income or regulatory expense;

Summary of proposals	Summary of feedback	Tentative decisions
		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; 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 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. **New disclosures—**AP9D discussed in February 2024 C35. The IASB tentatively decided: 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; b) to 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;

Summary of proposals	Summary of feedback	Tentative decisions
		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 *Presentation of Financial Statements*; 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: 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
		Reduced disclosures for rate-regulated entities—AP9B discussed in March 2024 C36. The IASB tentatively 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 prospective IFRS Accounting Standard *Subsidiaries without Public Accountability: Disclosures*.
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)		
Interaction with other IFRS Accounting Standards		
IAS 12 *Income Taxes* A54. Paragraphs B42–B46 of the Exposure Draft discuss: 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	**IAS 12 *Income Taxes*** 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. B62. A few respondents asked the IASB to clarify certain application questions.	

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<tr><td>c) how income taxes affect the measurement of regulatory assets and regulatory liabilities (paragraphs B45–B46).</td><td></td><td></td></tr>
<tr><td>IFRIC 12 Service Concession Arrangements
A55. Paragraph B47 of the Exposure Draft states that:
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.</td><td>IFRIC 12 Service Concession Arrangements
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.</td><td>C37. For feedback described in paragraph B63, see redeliberations in paragraph C5.</td></tr>
<tr><td colspan="3">Amendments to other IFRS Accounting Standards</td></tr>
<tr><td>IFRS 1 First-time Adoption of International Financial Reporting Standards
A56. The Exposure Draft proposes amendments to:
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.</td><td>IFRS 1 First-time Adoption of International Financial Reporting Standards
B64. An accounting firm suggested the IASB provide guidance on:
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.</td><td></td></tr>
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Summary of proposals	Summary of feedback	Tentative decisions
Business combinations 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. 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. *Deemed cost* 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.	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.	
IFRS 3 *Business Combinations* 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	**IFRS 3 *Business Combinations*** 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.	

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 *Impairment of Assets*.	
IAS 1 *Presentation of Financial Statements*	**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.	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.	C38. For feedback described in paragraph B68, see redeliberations in paragraphs C33(f) and C34(c).
IAS 36 *Impairment of Assets*	**IAS 36 *Impairment of Assets***	**Amendments to IAS 36 —**AP9B discussed in February 2024
A62. The Exposure Draft proposes amendments: 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.	B69. Most respondents who commented on the proposed amendments suggested the IASB provide guidance and illustrative examples. B70. A few respondents said: 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.	C39. The IASB tentatively decided: 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.

<table>
<tr><th>Summary of proposals</th><th>Summary of feedback</th><th>Tentative decisions</th></tr>
<tr><td>Other IFRS Accounting Standards
A63. The Exposure Draft proposes amending:
a) IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors 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 Non-current Assets Held for Sale and Discontinued Operations to exclude regulatory assets from the scope of the measurement requirements of that Standard.</td><td>Other IFRS Accounting Standards
B71. An accounting firm and a national standard-setter from North America suggested the IASB include guidance in IAS 7 Statement of Cash Flows 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.</td><td></td></tr>
<tr><td colspan="3">Effective date and transition (November 2021 AP9C Feedback summary—Effective date and transition)</td></tr>
<tr><td>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 Accounting Policies, Changes in Accounting Estimates and Errors (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] Standard retrospectively to a past business combination.</td><td>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:
a) permits the use of hindsight in making the judgements and estimates;
b) provides relief from certain recognition and measurement requirements; and</td><td></td></tr>
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Summary of proposals	Summary of feedback	Tentative decisions
	c) does not involve restatement of comparative information. B75. Many respondents who commented agreed with the proposals relating to the simpler approach for past business combinations. B76. Almost all users of financial statements who commented on the transition proposals during outreach events agreed with the proposed full retrospective application.	