

21 June 2024

Dr Keith Kendall
Chair
Australian Accounting Standards Board
PO Box 204
Collins St West
VIC 8007

Dear Keith,

AASB Exposure Draft ED 330 Contracts for Renewable Electricity

We are pleased to respond to the above Exposure Draft (the ED).

We disagree with the International Accounting Standards Board (IASB's) proposals set out in the ED. The proposal would result in one type of renewable contracts being treated differently to other types of electricity contracts. We note that other electricity contracts also pose similar application issues to the own use scope exception.

In addition, we are also concerned that the proposed amendments to hedge accounting undermines the robustness of IASB's hedge accounting model.

Our responses to the questions in the ED are set out in the attached Appendix.

We hope that you will find our comments and observables helpful. If you would like to discuss any of them further, please contact Judith Leung at 0416 176 262 or by email at judith@basfordconsulting.com.

Yours sincerely

Basford Consulting Pty Ltd



Wayne Basford
Managing Director

Appendix

Question 1 —Scope of the proposed amendments

Paragraphs 6.10.1–6.10.2 of the proposed amendments to IFRS 9 would limit the application of the proposed amendments to only contracts for renewable electricity with specified characteristics.

Do you agree that the proposed scope would appropriately address stakeholders' concerns (as described in paragraph BC2 of the Basis for Conclusions on this Exposure Draft) while limiting unintended consequences for the accounting for other contracts? Why or why not?

If you disagree, please specify with which aspect of the proposals you disagree. What would you suggest instead and why?

We disagree with the proposals. The same challenges of applying the own use scope exception also applies to other electricity contracts. In our opinion, we do not think the difference in accounting where one type of renewable electricity contract is accounted for as own use, but other types of renewable electricity contracts and other electricity contracts are accounted for as derivatives is justified from a conceptual basis.

We believe that it is important to note that for information to be comparable, like things must look alike and different things must look different. Although a single economic phenomenon can be faithfully represented in multiple ways, permitting alternative accounting methods for the same economic phenomenon diminishes comparability (*Conceptual Framework 2.27 and 2.29*).

Question 2—Proposed 'own-use' requirements

Paragraph 6.10.3 of the proposed amendments to IFRS 9 includes the factors an entity would be required to consider when applying paragraph 2.4 of IFRS 9 to contracts to buy and take delivery of renewable electricity that have specified characteristics.

Do you agree with these proposals? Why or why not?

If you disagree, please specify with which aspect of the proposals you disagree. What would you suggest instead and why?

We disagree with the proposals as outlined in our response to Question 1 above.

Question 3—Proposed hedge accounting requirements

Paragraphs 6.10.4–6.10.6 of the proposed amendments to IFRS 9 would permit an entity to designate a variable nominal volume of forecast electricity transactions as the hedged item if

specified criteria are met and permit the hedged item to be measured using the same volume assumptions as those used for measuring the hedging instrument.

Do you agree with these proposals? Why or why not?

If you disagree, please specify with which aspect of the proposals you disagree. What would you suggest instead and why?

We disagree with the IASB's proposals. We think the proposals would undermine robustness of the IASB's hedge accounting model. As in Mr Mackenzie's dissenting view in AV10, over the years there have been numerous requests from stakeholders to address this aspect of cash flow hedging, but the IASB did not pursue a project.

Question 4— Proposed disclosure requirements

Paragraphs 42T–42W of the proposed amendments to IFRS 7 would require an entity to disclose information that would enable users of financial statements to understand the effects of contracts for renewable electricity that have specified characteristics on:

(a) the entity's financial performance; and

(b) the amount, timing and uncertainty of the entity's future cash flows.

Do you agree with these proposals? Why or why not?

If you disagree, please specify with which aspect of the proposals you disagree. What would you suggest instead and why?

We agree with the disclosure proposals. We think the disclosures would assist users in understanding the effects of these types of contracts.

We think the disclosure should also extend to other renewable electricity contracts /or electricity contracts, as it would provide useful information to users, if material.

Question 5— Proposed disclosure requirements for subsidiaries without public accountability

Paragraphs 67A–67C of the proposed amendments to the forthcoming IFRS 19 Subsidiaries without Public Accountability: Disclosures would require an eligible subsidiary to disclose information about its contracts for renewable electricity with specified characteristics.

Do you agree with these proposals? Why or why not?

If you disagree, please specify with which aspect of the proposals you disagree. What would you suggest instead and why?

We agree.

Question 6— Transition requirements

The IASB proposes to require an entity to apply:

- (a) the amendments to the own-use requirements in IFRS 9 using a modified retrospective approach; and*
- (b) the amendments to the hedge accounting requirements prospectively.*

Early application of the proposed amendments would be permitted from the date the amendments were issued.

Do you agree with these proposals? Why or why not?

If you disagree, please specify with which aspect of the proposals you disagree. What would you suggest instead and why?

We agree.

Question 7—Effective date

Subject to feedback on the proposals in this Exposure Draft, the IASB aims to issue the amendments in the fourth quarter of 2024. The IASB has not proposed an effective date before obtaining input about the time necessary to apply the amendments.

In your view, would an effective date of annual reporting periods beginning on or after 1 January 2025 be appropriate and provide enough time to prepare to apply the proposed amendments? Why or why not?

If you disagree, what effective date would you suggest instead and why?

We agree.