

30 July 2021

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

Dear Dr Kendall

***ED 307 Regulatory Assets and Regulatory Liabilities***

The Australasian Council of Auditors-General (ACAG) welcomes the opportunity to comment on Exposure Draft 307 *Regulatory Assets and Regulatory Liabilities* (the ED). The views expressed in this submission represent those of all Australian members of ACAG.

While ACAG agrees with the objective of the project to recognise regulatory assets and liabilities to help users understand the impact of timing on an entity's fluctuation in revenues and expenses, ACAG disagrees with some of the proposals, which are expressed in our submission to the IASB.

The attachment to this letter addresses the AASB's specific matters for comment outlined in the ED. Also attached is ACAG's response to the International Accounting Standards Board (IASB) Exposure Draft ED/2021/1 *Regulatory Assets and Regulatory Liabilities*.

ACAG appreciates the opportunity to comment and trusts the attached comments are useful.

Yours sincerely



Rod Whitehead  
**Chairman**  
**ACAG Financial Reporting and Accounting Committee**

## AASB Specific Matters for Comment

- 1. Whether there are any regulatory issues or other issues arising in the Australian environment that may affect the implementation of the proposals, particularly any issues relating to:**
- a) not-for-profit entities; and**
  - b) public sector entities, including GAAP/GFS implications**

### *Conceptual Framework*

The Exposure Draft is based on the new *Conceptual Framework*, which has not yet been updated for not-for-profit (NFP) and public sector issues. Given the length of the IASB regulatory assets and liabilities project so far, we expect that the Australian NFP and public sector amendments to the Australian conceptual framework will have been made by the time the IASB issues their final standard.

However, if not, the AASB will need to ensure that 'regulatory assets' and 'regulatory liabilities' meet the definition of asset and liability in the (old) Framework.

### *ACAG disagrees with provisions in the Exposure Draft*

ACAG disagrees with various proposals in the Exposure Draft. These are mainly related to 'imputed' regulatory assets and liabilities arising from timing differences between recognition for regulatory and IFRS accounting purposes. ACAG does not believe these represent assets and liabilities under the *Conceptual Framework*,

Question 1(a) of our response to the IASB Exposure Draft provides further information on why ACAG disagrees with the recognition of 'imputed' regulatory assets and liabilities.

- 2. Whether the proposals would create any auditing or assurance challenges**

### *Government Finance Statistics (GFS)*

It is not clear how regulatory assets, regulatory liabilities, regulatory income and regulatory expenses fit into the GFS framework. Chapter 6 'Revenue' and Chapter 7 'Expenses' of the GFS manual outline the categories of revenues and expenses. Regulatory income and regulatory expenses do not appear to fit within any of these categories. Chapter 8 'Balance Sheet' of the GFS manual outlines the different types of assets and liabilities. It is also not clear how regulatory assets and regulatory liabilities fit into any of the specified categories of assets and liabilities.

If regulatory assets, regulatory liabilities, regulatory income and regulatory expenses are not within the GFS framework, there will be convergence differences between GFS and Australian Accounting Standards at the whole of government and general government sector levels.

### *ACAG disagrees with provisions in the Exposure Draft*

ACAG's disagreement with provisions in the Exposure Draft are outlined in our response to question 1 above.

As stated in Question 1(a) of our response to the IASB's Exposure draft, ACAG believes it would be impractical for an entity to calculate the timing differences in the public sector environment as there is no detailed fixed asset register for regulatory purposes and infrastructure assets are subsequently measured under a revaluation model rather than the assumed premise these assets are at cost.

ACAG believes there should be a long transition period and a modified retrospective method allowed. ACAG's reasons for a long transition period and the option of a modified retrospective approach are outlined in our response to Question 10 of the IASB Exposure Draft.

ACAG has also identified various other issues that need further clarification or explanation:

- complexity of regulatory agreements and frameworks
- measurement (probable vs highly probable)
- accounting for the separate components of regulatory revenue as separate regulatory assets and liabilities, and the set-off provisions
- the definition of what a sufficient discount rate is
- accounting for changes in the discount rate.

Details on the above issues are contained in ACAG's response to the IASB.

**3. Whether, overall, the proposals would result in financial statements that would be useful to users**

No, as per our response to the IASB's Exposure Draft Question 12, and Question 1 of the AASB Specific Matters for comment above, ACAG does not believe 'imputed' regulatory assets and liabilities meet the definition of assets and liabilities under the *Conceptual Framework*. Furthermore, ACAG does not believe accounting for revenue, and net profit, arising from these timing differences provides useful information to financial statements users, as they do not meet the definitions under the *Conceptual Framework*

**4. Whether the proposals are in the best interests of the Australian economy**

ACAG is not able to comment on whether these proposals are in the best interests of the Australian economy.

**5. Unless already provided in response to specific matters for comment 1 – 4 above, the costs and benefits of the proposals relative to the current requirements, whether quantitative (financial or non-financial) or qualitative. In relation to quantitative financial costs, the AASB is particularly seeking to know the nature(s) and estimated amount(s) of any expected incremental costs, or cost savings, of the proposals relative to the existing requirements**

Refer to ACAG's response to questions 1 and 3 of the IASB's Exposure draft about the impracticality of determining timing differences between the regulatory asset base and the IFRS accounting base.

30 July 2021

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Dear Madam or Sir

**ED/2021/1 Regulatory Assets and Regulatory Liabilities**

The Australasian Council of Auditors-General (ACAG) welcomes the opportunity to comment on the Exposure Draft ED/2021/1 *Regulatory Assets and Regulatory Liabilities* (the ED). The views expressed in this submission represent those of all Australian members of ACAG.

The attachment to this letter addresses the Board's matters for comment within the ED.

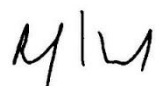
While ACAG agrees with the objective of the project to recognise regulatory assets and liabilities to help users understand the impact of timing on an entity's fluctuation in revenues and expenses, ACAG does not agree with the proposal to recognise 'imputed' regulatory assets and liabilities that arise from timing differences between recognition for regulatory accounting and IFRS purposes.

ACAG also disagrees with, or requests additional guidance for, the provisions in the following areas:

- Question 3 – Measurement of performance incentives
- Question 5 – Measurement
- Question 6 – Discount rate
- Question 9 – Disclosure
- Question 10 – Effective date and transition provisions.

ACAG appreciates the opportunity to comment and trusts the attached comments are useful.

Yours sincerely



Rod Whitehead  
**Chairman**  
**ACAG Financial Reporting and Accounting Committee**

## Matters for Comment

**Question 1—Objective and scope**

Paragraph 1 of the Exposure Draft sets out the proposed objective: an entity should provide relevant information that faithfully represents how regulatory income and regulatory expense affect the entity's financial performance, and how regulatory assets and regulatory liabilities affect its financial position.

Paragraph 3 of the Exposure Draft proposes that an entity apply the [draft] Standard to all its regulatory assets and all its regulatory liabilities. Regulatory assets and regulatory liabilities are created by a regulatory agreement that determines the regulated rate in such a way that 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 (past or future).<sup>1</sup> The [draft] Standard would not apply to any other rights or obligations created by the regulatory agreement—an entity would continue to apply other IFRS Standards in accounting for the effects of those other rights or obligations.

Paragraphs BC78–BC86 of the Basis for Conclusions describe the reasoning behind the Board's proposals. They also explain why the Exposure Draft does not restrict the scope of the proposed requirements to apply only to regulatory agreements with a particular legal form or only to those enforced by a regulator with particular attributes.

**(a) Do you agree with the objective of the Exposure Draft? Why or why not?**

ACAG agrees with the proposed objective as expressed in paragraph 1. However, ACAG disagrees with the proposal in the Exposure Draft of recognising 'imputed' regulatory assets and liabilities. These 'imputed' regulatory assets and liabilities arise from timing differences between recognition for regulatory accounting and IFRS purposes. ACAG notes that under the proposals, there are two types of timing differences for recognition as either a regulatory asset or liability. These include timing differences relating to the:

- recovery of regulated rates from customers from one period to the next as provided under the regulatory framework ('unders and overs' and 'true-ups')
- difference in recognition/measurement of amounts for the purpose of the regulatory agreement and under IFRS standards e.g a difference in the timing for recognition of depreciation expense under the regulatory agreement (say, 3 years based on the agreement) compared to that under IFRS standards (say, 5 years based on the useful life of the asset). ACAG has referred to these types of timing differences as 'imputed' regulatory assets and liabilities.

In relation to the timing differences that can be recovered from customers from one period to the next, ACAG agrees with the proposals to recognise regulatory assets and liabilities.

In relation to recognising 'imputed' regulatory assets and liabilities arising from the application of different frameworks, ACAG disagrees with the proposals in the Exposure Draft for the following reasons:

- the 'imputed' regulatory assets and liabilities do not meet the definitions under the *Conceptual Framework*
- there are fundamental assumptions in the proposals (outlined below) which will make the application of the proposals exceedingly difficult, if not impossible in the regulatory environment of the Australian public sector

- for the regulatory agreements reviewed, the information required to recognise imputed regulatory assets and liabilities is either not available or cannot be obtained without significant difficulty or unreasonable cost.

As stated above, ACAG disagrees with the following fundamental assumptions adopted in the Exposure Draft:

- That IFRS accounting for property, plant and equipment (PPE) is at cost.
  - The Australian public sector measures infrastructure assets at fair value
- That for both accounting, and regulatory purposes, there is a detailed fixed asset register and that these registers can be reconciled.
  - For the examples ACAG considered, there is no detailed fixed asset register system for the regulatory asset base. Commonly, the most detailed information is when capital expenditure is recorded by grouping per acquisition year and regulatory asset type. There is no reconciliation of this information to the fixed asset register for accounting purposes. For revaluations each year, the regulatory base (pool asset) is adjusted annually for the consumer price index, while the accounting carrying value is revalued to fair value. While the fair value is allocated into asset classes for componentisation for IFRS depreciation purposes, this is not reconciled to the regulatory asset categories. These may fluctuate, increasing one year, and decreasing in another year.
- That the regulated asset for accounting and regulatory purposes is accounted for as a series of separate assets.
  - For certain industries, such as electricity and water, the network asset is considered one asset.
- That the information for the proposed model is readily available.
  - For example, the Board has referenced in the following paragraphs BC34, BC203-204, BC247 and BC250 that they believe that information is readily available. In particular, ACAG does not believe that the information needed to account for the 'imputed' regulatory assets and liabilities is readily available, or able to be obtained for reasonable cost. Notwithstanding, ACAG believes information for a model that purely recognises 'unders and overs' and 'true-ups' in regulatory agreements (excluding imputed amounts) would be readily available as these would largely be part of the regulatory price process, subject to judgements on probability.
- Capital expenditure gives rise to future regulatory revenue.
  - Under the arrangements considered by ACAG in the Australian public sector, the regulated revenue is based on monopoly price caps for an economic return on the network asset. Any capital expenditure does not give rise to the right to charge customers extra in the future based on past service provision. The capital expenditure is used as part of the monopoly pricing model to cap prices for future service delivery.

We also suggest areas where additional guidance is needed to implement the proposals in the ED. These have been detailed in our responses to the specific questions below.

(b) Do you agree with the proposed scope of the Exposure Draft? Why or why not? If not, what scope do you suggest and why?

ACAG broadly agrees with the proposed scope as expressed in paragraph 6. However, ACAG disagrees with the implementation such as the proposal in the Exposure Draft to recognise 'imputed' regulatory assets and liabilities.

ACAG notes there may be two or more regulatory frameworks for the same assets. For example, a national based framework to regulation adopted by a state for setting rates in the state jurisdiction, which also includes the ability to pass-through allowable costs (including 'unders and overs') determined by a separate state-based mechanism.

(c) Do you agree that the proposals in the Exposure Draft are clear enough to enable an entity to determine whether a regulatory agreement gives rise to regulatory assets and regulatory liabilities? If not, what additional requirements do you recommend and why?

ACAG does not believe the proposals in the Exposure Draft are sufficiently clear. While many entities subject to regulatory assets and liabilities will be familiar with the concept of 'unders and overs', many of those entities were not self-identifying the implications of the 'imputed' regulatory assets and liabilities. For the reasons given in Questions 1(a) and 2(b), ACAG disagrees with the proposal in the Exposure Draft of recognising 'imputed' regulatory assets and liabilities.

(d) Do you agree that the requirements proposed in the Exposure Draft should apply to all regulatory agreements and not only to those that have a particular legal form or those enforced by a regulator with particular attributes? Why or why not? If not, how and why should the Board specify what form a regulatory agreement should have, and how and why should it define a regulator?

ACAG agrees that regulatory agreements should be enforceable, and that regulatory agreements are not defined as taking a specific legal form. This is consistent with the approach for contracts in IFRS 15 and IFRS 16.

ACAG noted that there was confusion in relation to the term 'regulatory agreement'. Some entities have interpreted "regulatory agreement" as being for each multi-year regulatory period (e.g. 5 years) with the associated regulatory determination on rates, rather than the broader regulatory framework that includes the legislative provisions requiring the on-going multi-year regulatory determinations and rate setting. Despite this, ACAG agrees with the proposal.

ACAG considered suggesting changing 'regulatory agreement' to 'regulatory framework'. However, ACAG decided that because the arrangement needs to be enforceable, 'regulatory agreement' was the term that had a greater focus on enforceability than 'regulatory framework'.

(e) Have you identified any situations in which the proposed requirements would affect activities that you do not view as subject to rate regulation? If so, please describe the situations, state whether you have any concerns about those effects and explain what your concerns are.

The term 'regulated rate' might be read as including levies, for example industry or marketing levies. However, we do not expect any regulatory assets and liabilities to arise from such arrangements as we are not aware of specific 'unders and overs' in relation to these levies. For one example considered, the levy was based on the entity's estimated costs. In practice, if more money was raised than needed, then the estimated costs for the next period to be paid were lower, and a lower levy would be charged. There was no specific mechanism in the legislation for this.

In the public sector, levies would usually be treated as taxation.

ACAG has not identified any other situations that are unintentionally scoped into the Exposure Draft.

(f) Do you agree that an entity should not recognise any assets or liabilities created by a regulatory agreement other than regulatory assets and regulatory liabilities and other assets and liabilities, if any, that are already required or permitted to be recognised by IFRS Standards?

ACAG agrees entities subject to a regulatory agreement should recognise assets and liabilities under IFRS standards, and regulatory assets and liabilities arising from regulatory agreements. However, as noted in our response to Questions 1(a) and 2(b), ACAG disagrees with the proposals in the Exposure Draft of recognising ‘imputed’ regulatory assets and liabilities.

## Question 2—Regulatory assets and regulatory liabilities

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.

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.

Paragraphs BC36–BC62 of the Basis for Conclusions discuss what regulatory assets and regulatory liabilities are and why the Board proposes that an entity account for them separately.

(a) Do you agree with the proposed definitions? Why or why not? If not, what changes do you suggest and why?

ACAG agrees with the following definitions:

<b>regulatory asset</b>	An enforceable present right, created by a <b>regulatory agreement</b> , to add an amount in determining a <b>regulated rate</b> to be charged to customers in future periods because part of the <b>total allowed compensation</b> for goods or services already supplied will be included in revenue in the future.
<b>Total allowed compensation (for goods or services)</b>	The full amount of compensation for goods or services supplied that a <b>regulatory agreement</b> 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.

ACAG agrees with the proposed definitions as regulatory assets and liabilities meet the definition of assets and liabilities under the *Conceptual Framework*. However, ACAG disagrees with the proposal in the Exposure Draft to recognise ‘imputed’ regulatory assets and liabilities because of how total allowed compensation is applied. Specifically, that total allowed compensation links to IFRS recognition criteria in determining regulated revenue (through the use of the term allowable expenses), and not what the regulatory agreement requires. We explain further in our responses to Questions 2(b), 2(c) and 3.



(b) The proposed definitions refer to total allowed compensation for goods or services. Total allowed compensation would include the recovery of allowable expenses and a profit component (paragraphs BC87–BC113 of the Basis for Conclusions). This concept differs from the concepts underlying some current accounting approaches for the effects of rate regulation, which focus on cost deferral and may not involve a profit component (paragraphs BC224 and BC233–BC244 of the Basis for Conclusions). Do you agree with the focus on total allowed compensation, including both the recovery of allowable expenses and a profit component? Why or why not?

ACAG agrees with using the concept of total allowed compensation as this links to how regulatory agreements implement ‘unders and overs’, as well as cost pass-throughs that occur in one period and affect future cash flows (‘true-ups’). However, ACAG disagrees with the proposal in the Exposure Draft of recognising ‘imputed’ regulatory assets and liabilities through the application of ‘total allowed compensation’.

Additionally, ACAG does not agree with or foresees challenges in applying the following terms:

- ‘Imputed’ regulatory assets and liabilities – disagreement that these are assets and liabilities under the conceptual framework
- Allowable expense – disagreement with this term
- Regulatory revenue – disagreement with different timing of revenue based on timing of IFRS expenses
- Effects of revaluing PPE for IFRS purposes – complexity of accounting for revalued PPE
- Contributed assets – complexity of accounting for gifted assets that are not separately identified for accounting purposes
- Efficient Capital Expenditure – complexity of accounting for over spends and under spends of allowed capital expenditure.

Detailed explanations for concerns relating to the above terms are provided below.

#### *‘Imputed’ regulatory assets and liabilities*

The definition of regulatory asset includes adjustments that would have been included in the permitted regulatory revenue for a period (i.e. maximum allowed revenue), had the information been available at the start of the financial year for when the services were delivered, and the actual volume was identical to the estimated volume.

#### *Regulatory assets*

ACAG believes the regulatory agreement gives the entity the right to recover the additional amounts in the future, in addition to what the entity would have ordinarily be entitled to under the regulatory agreement. These might be considered ‘unders and overs’ and ‘true ups’. ACAG believes this right to charge ‘extra’ for ‘unders and overs’ and ‘true ups’ represents an asset under the *Conceptual Framework*.

#### *Regulatory liabilities*

ACAG believes the regulatory agreement imposes on the entity an obligation to ‘repay’ additional amounts in the future, against what the entity would have ordinarily be entitled to under the regulatory agreement. These might be considered ‘unders and overs’ and ‘true ups’. ACAG believes this obligation to ‘repay’ for ‘unders and overs’ and ‘true ups’ represents a liability under the *Conceptual Framework*.

#### *Regulatory assets and liabilities*

ACAG believes regulatory assets and regulatory liabilities represent a specific mechanism (and specific rights and obligations) under regulatory agreements to affect future cash flows separate from the underlying sale of goods.

ACAG does not agree ‘imputed’ regulatory assets and liabilities represent assets under the *Conceptual Framework*, and is of the view they should not be included in the application of the

standard as part of regulatory assets and liabilities. As highlighted above, the term ‘imputed’ regulatory assets and liabilities has been used to represent the items that the Exposure Draft includes as regulatory assets and liabilities, yet are not explicitly part of the regulatory framework that allows the recovery of ‘unders and overs’ and ‘true ups’. These include what might be described as timing differences. These ‘timing’ differences would not meet the definition of regulatory assets (right to recover under the regulatory agreement) with reference to regulated revenue as determined under the regulatory agreement. An example is in Illustrative Examples 2A and 2B.

In Example 2A, the amount of regulated revenue (maximum allowable revenue) (estimates of amounts to be included in the regulated rates before recovery of prior year variances) is:

<i>In CU</i>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>
Regulated revenue	280	264	248	232	216

ACAG believes any regulatory assets and liabilities relate to the entity being able to add amounts to future regulated revenue for ‘unders and overs’ (due to volume differences) and ‘true-ups’ (including cost pass-throughs and performance incentives) for the past supply of goods and services.

In Example 2B, a regulatory asset is created under the Exposure Draft for ‘timing’ differences between accounting recognition and regulatory recognition:

<i>In CU</i>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>
Total allowed compensation	330	314	298	282	16
Revenue (actual volume is assumed to be estimated volume)	280	264	248	232	216
Regulatory income (regulatory expense)	50	50	50	50	(200)

ACAG believes that in the circumstances of regulated revenue of 280 (Year 1), being the same as actual revenue 280 (Year 1) that there is no regulatory asset, as there are no ‘unders and overs’ or ‘true-ups’.

ACAG does not believe a regulatory asset exists at the end of Year 1 for the timing difference between the accounting recognition of depreciation and regulatory recognition. ACAG does not believe, in the example, there are any rights in the regulatory agreement to charge customers extra for the 50 in timing difference between the imputed revenue of 330 and the actual revenue of 280 (representing the difference between regulatory depreciation of 200 and accounting depreciation of 250). The regulatory agreement allowed the charging of 280, and that is what was received. There are no rights to recover anything further from the sale of goods and services that generated the 280 in sales revenue.

For similar reasons, ACAG does not believe regulatory assets exist for timing differences between when assets under construction are recognised for regulatory and accounting purposes.

#### *Allowable expense*

As the timing differences arise because of the use of the term ‘allowable expense’, ACAG disagrees with the use of this term and it being part of the definition of ‘total allowed compensation’.

#### *Regulatory revenue*

As noted earlier, under the arrangements considered by ACAG (electricity and water), the regulated revenue is based on monopoly price caps for an economic return on the network asset. Any capital expenditure does not give rise to the right to charge customers extra in the future based on past service provision. The capital expenditure is used as part of the monopoly pricing model to cap prices for future service delivery.

In ACAG's view, it is when an item is included in the regulatory revenue that is charged to customers in a particular year that is important. If an item is included in regulatory revenue for a particular year, and permitted to be charged to customers for services delivered in that year, then that is the revenue that should be recognised. ACAG does not believe that there should be different answers for IFRS revenue recognition, for the same regulatory revenue, depending on whether the amount is expensed for IFRS, capitalised and not yet depreciated for IFRS, or capitalised and depreciated for IFRS.

#### *Effects of revaluing PPE for IFRS purposes*

As noted in our response to Question 1(a), the Australian public sector measures infrastructure assets under the revaluation model, which for market facing entities, will usually be on a fair value basis.

Trying to work out timing differences when each of the regulatory asset base and IFRS accounting use different measurement bases (one adjusted by CPI, the other through fair value revaluation) is likely to be impractical.

#### *Contributed assets*

For the electricity regulated market considered by ACAG, the regulated asset base does not include returns on assets contributed (gifted) to the entity. These contributions can be in the form of headworks transferred by property developers on completion of property developments. For example, the property developer pays for the installation of the electricity (e.g. underground power to the homes) and these assets are transferred to the licensed and regulated electricity network provider. Contributions are recognised as revenue under IFRS 15 (formerly IFRS Interpretation 18 *Transfers of Assets from Customers*) and revenue may be recognised upfront or over time depending on the circumstances.

The contributed assets do not form part of the regulated asset base as the entity did not pay for them, and therefore the entity is not entitled to a regulated return on those assets.

These contributed assets are not separately identified in the IFRS accounting carrying value. The effect of trying to exclude the effect of these assets from the IFRS accounting valuation is likely to be impractical.

#### *Efficient Capital Expenditure*

For the electricity and water regulated markets considered by ACAG, the regulatory agreement includes an allowance in the forecast regulatory base (on which the regulated revenue includes a maximum return on assets) for efficient capital expenditure. If actual capital expenditure is different, the regulated asset base is not updated until the end of the regulatory period.

It is not clear how the under spends and over spends are treated for the timing differences, when forecast capital expenditure is not identified in a regulatory asset register on an individual component basis.

(c) Do you agree that regulatory assets and regulatory liabilities meet the definitions of assets and liabilities within the *Conceptual Framework for Financial Reporting* (paragraphs BC37–BC47)? Why or why not?

For the reasons given in Question 2(b), ACAG agrees with using the concept of total allowed compensation as this links to how regulatory agreements implement 'unders and overs', as well as cost pass-throughs that occur in one period and affect future cash flows ('true-ups').

As noted in Question 2(b), ACAG agrees with the definitions of regulatory assets and liabilities and they meet the definition of assets and liabilities under the *Conceptual Framework*.

As noted above in Question 2(b), ACAG disagrees with the proposal in the Exposure Draft of recognising 'imputed' regulatory assets and liabilities. These represent 'timing' differences between accounting and regulatory purposes and are not explicitly part of the regulatory framework that allows the recovery of 'unders and overs' and 'true ups'. These 'timing' differences would not meet the

definition of regulatory assets and liabilities and do not meet the definition of assets and liabilities under the Conceptual Framework.

(d) Do you agree that an entity should account for regulatory assets and regulatory liabilities separately from the rest of the regulatory agreement (paragraphs BC58–BC62)? Why or why not?

ACAG agrees regulatory assets and liabilities should be accounted for separately, as they represent a specific mechanism under regulatory agreements to affect future cash flows separate from the underlying sale of goods.

(e) Have you identified any situations in which the proposed definitions would result in regulatory assets or regulatory liabilities being recognised when their recognition would provide information that is not useful to users of financial statements?

Yes. As noted above in Question 2(b), ACAG disagrees with the proposal in the Exposure Draft of recognising ‘imputed’ regulatory assets and liabilities through the application of ‘total allowed compensation’.

ACAG believes the information provided by the ‘imputed’ regulatory assets and liabilities – for example in the extracts above from Illustrative Examples 2A and 2B, does not provide useful information.

ACAG believes the useful information is the recognition of the ‘unders and overs’ and ‘true-ups’ permitted in the regulatory agreement, so that revenue recognised for accounting matches the revenue that is permitted under the regulatory agreement, and that this would provide useful information. ACAG does not believe recognising additional regulatory revenue (and expenses) for the ‘imputed’ amounts representing timing differences provides useful information, as the Exposure Draft proposals have constructed an amount that is not reconcilable to the regulatory agreement.

Similar to our views on not recognising ‘imputed’ regulatory assets and liabilities, ACAG believes regulatory interest on ‘imputed’ regulatory assets and liabilities does not provide useful information.

ACAG also believes trying to develop and maintain systems for accounting for these timing differences would be impractical.

### **Question 3—Total allowed compensation**

Paragraphs B3–B27 of the Exposure Draft set out how an entity would determine whether components of total allowed compensation included in determining the regulated rates charged to customers in a period, and hence included in the revenue recognised in the period, relate to goods or services supplied in the same period, or to goods or services supplied in a different period. Paragraphs BC87–BC113 of the Basis for Conclusions explain the reasoning behind the Board’s proposals.

(a) Do you agree with the proposed guidance on how an entity would determine total allowed compensation for goods or services supplied in a period if a regulatory agreement provides:

- (i) regulatory returns calculated by applying a return rate to a base, such as a regulatory capital base (paragraphs B13–B14 and BC92–BC95)?
- (ii) regulatory returns on a balance relating to assets not yet available for use (paragraphs B15 and BC96–BC100)?
- (iii) performance incentives (paragraphs B16–B20 and BC101–BC110)?

As noted above in Question 2(b), ACAG disagrees with the proposal in the Exposure Draft of recognising 'imputed' regulatory assets and liabilities. These 'imputed' regulatory assets and liabilities arise from timing differences because of the use of the term 'allowable expense'. ACAG disagrees with the use of the term 'allowable expense' and it being part of the definition of 'total allowed compensation'.

*(i) regulatory returns calculated by applying a return rate to a base, such as a regulatory capital base (paragraphs B13–B14 and BC92–BC95)?*

ACAG agrees with the principle of including these returns as they form part of the regulated return, often referred to as maximum allowable revenue. ACAG believes the financial statements should reflect the regulated revenue earned in a year.

ACAG notes the regulatory asset base may be in real dollars. This will make the calculations much more challenging when considering how interest rates, inflation and future regulatory decisions will impact future revenues.

*(ii) regulatory returns on a balance relating to assets not yet available for use (paragraphs B15 and BC96–BC100)?*

ACAG disagrees with excluding regulatory returns from assets not yet available for use. ACAG believes the financial statements should reflect the regulated revenue earned in a year. Therefore, for the same item in regulatory revenue, revenue recognition for IFRS should be the same, irrespective of whether the item:

- is not recognised as an asset for IFRS
- is recognised for accounting but not yet commenced depreciation
- is recognised for accounting and has commenced depreciation.

For reasons expressed in Question 2(b), ACAG disagrees with the inclusion of 'imputed' regulatory assets and liabilities arising from timing differences. The provisions around recognising regulatory assets and liabilities for assets not yet available for use appears to be an example of 'imputed' regulatory assets and liabilities.

*(iii) performance incentives (paragraphs B16–B20 and BC101–BC110)?*

ACAG disagrees with recognising performance incentives at the probable threshold. ACAG believes recognition should be subject to the highly probable constraint, similar to that included in IFRS 15, for the similar reasons the constraint is included in IFRS 15.

ACAG believes determining whether an incentive is probable or highly probable will both involve complexity and judgement and the IASB's proposed rejection of the higher threshold does not make the task simpler.

(b) Do you agree with how the proposed guidance in paragraphs B3–B27 would treat all components of total allowed compensation not listed in question 3(a)? Why or why not? If not, what approach do you recommend and why?

ACAG understands that this question covers the following components of total allowed compensation:

B2 (a) amounts that recover allowable expenses minus chargeable income (see paragraphs B3–B9);

(b) target profit (see paragraphs B10–B20);

B11 This section discusses the main components of target profit:

(a) profit margins that vary with an allowable expense (see paragraph B12);

(c) regulatory interest income and regulatory interest expense (see paragraphs B21–B27).

As noted above in Question 2(b), ACAG disagrees with the proposal in the Exposure Draft of recognising 'imputed' regulatory assets and liabilities. These 'imputed' regulatory assets and liabilities arise from timing differences because of the use of the term 'allowable expense'. ACAG disagrees with the use of this term and it being part of the definition of 'total allowable compensation'.

Also as noted in Question 2(b), ACAG disagrees with recognising regulatory interest income and expense on the 'imputed' regulatory assets and liabilities.

(c) Should the Board provide any further guidance on how to apply the concept of total allowed compensation? If so, what guidance is needed and why?

Paragraph B4 (and further in paragraph B7) appears to be very important for the proposed model, and should be made clearer if the model is retained (despite ACAG's objections), i.e. the supply of goods and services is taken to occur when the expense is incurred for IFRS and not the actual supply of goods and services.

As noted in Question 2(b), ACAG disagrees with the proposal in the Exposure Draft of recognising 'imputed' regulatory assets and liabilities.

#### Question 4—Recognition

Paragraphs 25–28 of the Exposure Draft propose that:

- an entity recognise all its regulatory assets and regulatory liabilities; and
- if it is uncertain whether a regulatory asset or 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 regulatory liability exists even if it is uncertain whether that asset or liability will ultimately generate any inflows or outflows of cash. Uncertainty of outcome would be addressed in measurement (Question 5). Paragraphs BC122–BC129 of the Basis for Conclusions describe the reasoning behind the Board's proposals.

(a) Do you agree that an entity should recognise all its regulatory assets and regulatory liabilities? Why or why not?

ACAG agrees with an entity recognising all its regulatory assets and liabilities as this is consistent with the *Conceptual Framework*. However, as noted in Question 2(b), ACAG disagrees with the proposal in the Exposure Draft of recognising 'imputed' regulatory assets and liabilities.

(b) Do you agree that a 'more likely than not' recognition threshold should apply when it is uncertain whether a regulatory asset or regulatory liability exists? Why or why not? If not, what recognition threshold do you suggest and why?

ACAG agrees with the 'more likely than not' recognition thresholds for the existence of regulatory assets and liabilities. Having the same recognition threshold is important as the individual regulatory assets and liabilities within a regulatory agreement (arising from different components of regulatory revenue) will effectively be netted. However, as noted in our response to Question 3(a), ACAG disagrees with using the 'more likely than not' threshold for the measurement of regulatory assets such as performance incentives.

### Question 5—Measurement

Paragraph 29 of the Exposure Draft specifies the measurement basis. Paragraphs 29–45 of the Exposure Draft propose that an entity measure regulatory assets and regulatory liabilities at historical cost, modified by using updated estimates of future cash flows. An entity would implement that measurement basis by applying a cash-flow-based measurement technique. That technique would involve estimating future cash flows—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.

The future cash flows would be discounted (in most cases at the regulatory interest rate—see Question 6). Paragraphs BC130–BC158 of the Basis for Conclusions describe the reasoning behind the Board's proposals.

(a) Do you agree with the proposed measurement basis? Why or why not? If not, what basis do you suggest and why?

ACAG agrees with using a cash-flow-based measurement technique, rather than some form of fair value measurement technique, as the proposed technique is far simpler, and a fair value technique would not provide more useful information.

(b) Do you agree with the proposed cash-flow-based measurement technique? Why or why not? If not, what technique do you suggest and why?

ACAG agrees with using the regulatory discount rate for liabilities (as determined under paragraph 48) and that the discount rate should not be adjusted to reflect the non-performance risk of the entity, as such adjustments and their effect on net profit will not provide useful information.

ACAG does not believe the Exposure Draft has sufficiently explained how the measurement model will operate in practice, particularly over multi-year regulatory periods. The example given (Illustrative Example 5) is not sufficiently clear for the situation provided. No examples have been given for changes in discount rates for 'imputed' regulatory assets and liabilities (the inclusion of which we disagree with). These 'timing' differences are not specifically identified in the regulatory agreement and not part of the regulatory framework to specifically add regulatory interest.

#### *Example 5 – Initial situation recreated*

ACAG was able to recreate the calculation of the 5.82% discount rate discounted back to the end of Year 1, using regulatory interest rates of 0% for Year 2, 10% for Years 3 and 4.

	Cash flow	Discount rate	Periods discounted	Discount factor	NPV
Year 2	0	5.82%	1	0.945001	0.00
Year 3	60	5.82%	2	0.893027	53.58
Year 4	55	5.82%	3	0.843911	46.42
					100.00

#### *Example 5 – Changes*

In Example 5, the regulatory rate changes at the end of Year 3. At that time, the regulatory rate is sufficient. So, shouldn't the expected regulatory revenue cash flow of 54 be discounted back from

year 4 to year 3 at 8% (i.e. to 50)? That would seem to mean adjusting the regulatory asset carrying value from 52 down to 50 at the end of year 3. Whilst the difference of 2 in a balance of 52 is not significant in this example, it represents approx. 4% of the balance.

ACAG was unable to recalculate the 3.89% discount rate, or why it was used when a 'sufficient' regulatory rate was available.

#### *'Imputed' regulatory assets and liabilities*

As noted above in Question 2(b), ACAG disagrees with the proposal in the Exposure Draft of recognising 'imputed' regulatory assets and liabilities. ACAG does not believe the implementation of the measurement base has been sufficiently explained for these items.

Example 2B provides an example of an 'imputed' regulatory asset being recognised for the timing difference between the regulatory asset and IFRS depreciation. The regulatory income amounts are 50 in Years 1 – 4, with regulatory interest income recognised in Years 2 – 4.

However, the regulatory interest income amounts do not appear to be discounted cash flows. Table 2B.4 shows recovery of 4 in Year 2, 8 in Year 3, 12 in Year 4, 16 and an additional 200 in Year 5 that do not seem to relate to actual cash flows.

Dealing with the situation of the regulatory rate changing during the asset's useful life (e.g. at the end of Year 2 from 8% assumed to be a new rate of 5%) is not illustrated. It is difficult to understand what the implications are, as an 'imputed' regulatory asset does not relate to actual cash flows.

If cash flows arising from a regulatory asset or regulatory liability are uncertain, the Exposure Draft proposes that an entity estimate those cash flows applying whichever of two methods—the 'most likely amount' method or 'expected value' method—better predicts the cash flows. The entity should apply the chosen method consistently from initial recognition to recovery or fulfilment. Paragraphs BC136–BC139 of the Basis for Conclusions describe the reasoning behind the Board's proposal.

(c) Do you agree with this proposal? Why or why not? If not, what approach do you suggest and why?

ACAG agrees with using the better of the 'most likely amount' method or 'expected value' methods as this is consistent with the model used in IFRS 15.

#### **Question 6—Discount rate**

Paragraphs 46–49 of the Exposure Draft propose that an entity discount the estimated future cash flows used in measuring regulatory assets and regulatory liabilities. Except in specified circumstances, the discount rate would be the regulatory interest rate that the regulatory agreement provides. Paragraphs BC159–BC166 of the Basis for Conclusions describe the reasoning behind the Board's proposals.

(a) Do you agree with these proposals? Why or why not? If not, what approach do you suggest and why?

ACAG agrees with the proposals as the practical expedient of using the regulatory rate is appropriate as regulatory rates are often derived from economic principles. The expedient will reduce the costs for preparers whilst still providing useful information to users.



ACAG believes that the Board should introduce a specific practical expedient for not discounting, similar to that provided in IFRS 15 and significant financing components.

Paragraphs 50–53 of the Exposure Draft set out proposed requirements for an entity to estimate the minimum interest rate and to use this rate to discount the estimated future cash flows if the regulatory interest rate provided for a regulatory asset is insufficient to compensate the entity. The Board is proposing no similar requirement for regulatory liabilities. For a regulatory liability, an entity would use the regulatory interest rate as the discount rate in all circumstances. Paragraphs BC167–BC170 of the Basis for Conclusions describe the reasoning behind the Board’s proposals.

(b) Do you agree with these proposed requirements for cases when the regulatory interest rate provided for a regulatory asset is insufficient? Why or why not?

ACAG disagrees with the reference of sufficient to “compensate the entity for the time value of money and for uncertainty in the amount and timing of the future cash flows arising from that regulatory asset”.

In practice, there is little uncertainty as to whether amounts will be collected. The uncertainty is the amount to be recovered

Regulatory rates are usually sufficient because they reflect an adequate economic return on assets, similar to a discount rate for impairment. The IASB should acknowledge that the regulatory rate may be after tax, and may have other economic related adjustments.

For example, in Australia, a ‘gamma’ adjustment is made for the after-tax return to account for Australia’s tax paid dividend imputation system. The adjustment reflects the benefits to the shareholders, not to the entity itself.

(c) Have you identified any other situations in which it would be appropriate to use a discount rate that is not the regulatory interest rate? If so, please describe the situations, state what discount rate you recommend and explain why it would be a more appropriate discount rate than the regulatory interest rate.

ACAG has not identified any such situations.

Paragraph 54 of the Exposure Draft addresses cases when a regulatory agreement provides regulatory interest unevenly by applying a series of different regulatory interest rates in successive periods. It proposes that an entity should translate those rates into a single discount rate for use throughout the life of the regulatory asset or regulatory liability.

(d) Do you agree with the proposal? Why or why not? If not, what do you recommend and why?

As noted in our response to Question 5(b), ACAG does not believe that the Exposure Draft has sufficiently explained how the measurement model will operate in practice, particularly over multi-year regulatory periods.

The Exposure Draft is also not sufficiently clear when the regulatory rate is variable, for example it changes from year to year based on changes to WACC concepts including borrowing rates.

**Question 7—Items affecting regulated rates only when related cash is paid or received**

In some cases, a regulatory agreement includes an item of expense or income in determining the regulated rates in the period only when 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. Paragraphs 59–66 of the Exposure Draft propose that in such cases, an entity would measure any resulting regulatory asset or regulatory liability using the measurement basis that the entity would use in measuring the related liability or related asset by applying IFRS Standards. An entity would adjust that measurement to reflect any uncertainty that is present in the regulatory asset or regulatory liability but not present in the related liability or related asset. Paragraphs BC174–BC177 of the Basis for Conclusions describe the reasoning behind the Board’s proposals.

(a) Do you agree with the measurement proposals when items of expense or income affect regulated rates only when related cash is paid or received? Why or why not? If not, what approach do you suggest for such items and why?

As noted above in Question 2(b), ACAG disagrees with the implementation in the Exposure Draft of recognising ‘imputed’ regulatory assets and liabilities. These ‘imputed’ regulatory assets and liabilities arise from timing differences between recognition for regulatory purposes and for IFRS purposes.

ACAG believes such timing differences are not assets and liabilities under the *Conceptual Framework*. As noted above in Question 3(a), ACAG believes that for the same item in regulatory revenue, revenue recognition for IFRS should be the same, irrespective of whether the item:

- is not recognised as an asset for IFRS
- is recognised for accounting but not yet commenced depreciation
- is recognised for accounting and has commenced depreciation.

When these measurement proposals apply and result in regulatory income or regulatory expense arising from remeasuring the related liability or related asset through other comprehensive income, paragraph 69 of the Exposure Draft proposes that an entity would also present the resulting regulatory income or regulatory expense in other comprehensive income. Paragraphs BC183–BC186 of the Basis for Conclusions describe the reasoning behind the Board’s proposal.

(b) Do you agree with the proposal to present regulatory income or regulatory expense in other comprehensive income in this case? Why or why not? If not, what approach do you suggest and why?

As noted above in Question 2(b), ACAG disagrees with the proposal in the Exposure Draft of recognising ‘imputed’ regulatory assets and liabilities. These ‘imputed’ regulatory assets and liabilities arise from timing differences between recognition for regulatory purposes and for IFRS purposes.

Based on this view, there would not be any ‘imputed’ regulatory assets and liabilities being recognised from expenses being recognised in other comprehensive income.

If regulatory revenue includes items that are recognised for IFRS purposes through other comprehensive income, such as pass through of FX gains and losses, ACAG believes these items should be recognised as regulatory revenue as per the regulatory agreement.

**Question 8—Presentation in the statement(s) of financial performance**

Paragraph 67 of the Exposure Draft proposes that an entity present all regulatory income minus all regulatory expense as a separate line item immediately below revenue. Paragraph 68 proposes that regulatory income includes regulatory interest income and regulatory expense includes regulatory interest expense. Paragraphs BC178–BC182 of the Basis for Conclusions describe the reasoning behind the Board's proposals.

(a) Do you agree that an entity should present all regulatory income minus all regulatory expense as a separate line item immediately below revenue (except in the case described in Question 7(b))? Why or why not? If not, what approach do you suggest and why?

ACAG agrees with the proposals, given the different nature of the regulatory revenue adjustments under the Exposure Draft – particularly the recognition for 'unders and overs' and 'true-ups'.

(b) Do you agree with the proposed inclusion of regulatory interest income and regulatory interest expense within the line item immediately below revenue? Why or why not? If not, what approach do you suggest and why?

ACAG agrees with the proposal. ACAG does not believe regulatory interest income and expense need to be separately disclosed on the face of the income statement.

**Question 9—Disclosure**

Paragraph 72 of the Exposure Draft describes the proposed overall objective of the disclosure requirements. That objective focuses on information about an entity's regulatory income, regulatory expense, regulatory assets and regulatory liabilities, for reasons explained in paragraphs BC187–BC202 of the Basis for Conclusions. The Board does not propose a broader 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 the entity's financial performance, financial position or cash flows.

(a) Do you agree that the overall disclosure objective should focus on information about an entity's regulatory income, regulatory expense, regulatory assets and regulatory liabilities? Why or why not? If not, what focus do you suggest and why?

ACAG agrees with the proposed disclosure objectives. ACAG agrees with the items excluded as they are too broad, and that other IFRS standards do not require such level of disclosure.

(b) Do you have any other comments on the proposed overall disclosure objective? Paragraphs 77–83 of the Exposure Draft set out the Board's proposals for specific disclosure objectives and disclosure requirements.

No.

(c) Do you have any comments on these proposals? Should any other disclosures be required? If so, how would requiring those other disclosures help an entity better meet the proposed disclosure objectives?

ACAG suggests the set-off provisions for regulatory assets and liabilities be clarified for set-off of regulatory interest and regulatory expense. ACAG believes for many regulatory agreements, the component regulatory assets and regulatory liabilities will be able to be (and should be) set-off under paragraph 71 – similar to performance obligations under the one customer contract under IFRS 15.

(d) Are the proposed overall and specific disclosure objectives and disclosure requirements worded in a way that would make it possible for preparers, auditors, regulators and enforcement bodies to assess whether information disclosed is sufficient to meet those objectives

ACAG agrees with the proposals.

#### **Question 10—Effective date and transition**

Appendix C to the Exposure Draft describes the proposed transition requirements. Paragraphs BC203–BC213 of the Basis for Conclusions describe the reasoning behind the Board’s proposals.

(a) Do you agree with these proposals?

ACAG disagrees with requiring retrospective application. As noted in our response to Question 1(a), ACAG does not agree the information for the proposed model is readily available (as expressed in paragraphs BC203 and BC204). In particular, ACAG does not believe the information needed to account for the ‘imputed’ regulatory assets and liabilities is readily available, or able to be obtained for reasonable cost. ACAG believes information for a model that recognises ‘unders and overs’ and ‘true-ups’ would be readily available as these would largely be part of the regulatory process (subject to judgements on probability).

As noted earlier, for the situations ACAG considered, there was no detailed fixed asset register system for the regulated asset base for regulatory purposes as the network is considered the one asset and there is no need to account for the individual components of the network asset – the closest being accounting for groups by acquisition year and regulatory asset type. We also highlighted the difficulty in maintaining any detailed register and reconciliation between the two as they are each accounted for using different measurement bases (one adjusted by CPI, the other through NPV revaluation).

We expect obtaining information for ‘imputed’ regulatory assets and liabilities is likely to be impractical, with some of these assets have been operating for decades (some over 100 years). On this basis, we recommend the Board provide some sort of modified retrospective method. ACAG also suggests any modified retrospective transition approach be permitted to go back to the start of the current regulatory period.

(b) Do you have any comments you wish the Board to consider when it sets the effective date for the Standard?

As noted in our response to Question 1(a), ACAG does not agree the information for the proposed model is readily available (as expressed in paragraphs BC203 and BC204). In particular, ACAG does not believe the information needed to account for the ‘imputed’ regulatory assets and liabilities is readily available, or able to be obtained for reasonable cost. ACAG believes information for a model

that recognises 'unders and overs' and 'true-ups' would be readily available as these would largely be part of the regulatory process (subject to judgements on probability).

We found the provisions of the Exposure Draft extensive and complex. This is further complicated by the very length regulatory agreements and frameworks (in the hundreds of pages) that govern these assets.

As such, ACAG believes a minimum period of 2 years is needed so that preparers can adequately plan for and implement the final standard.

#### **Question 11—Other IFRS Standards**

Paragraphs B41–B47 of the Exposure Draft propose guidance on how the proposed requirements would interact with the requirements of other IFRS Standards. Appendix D to the Exposure Draft proposes amendments to other IFRS Standards.

Paragraphs BC252–BC266 of the Basis for Conclusions describe the reasoning behind the Board's proposals.

(a) Do you have any comments on these proposals? Should the Board provide any further guidance on how the requirements proposed in the Exposure Draft would interact with any other IFRS Standards? If yes, what is needed and why?

ACAG has no comments on this question.

(b) Do you have any comments on the proposed amendments to other IFRS Standards?

ACAG has no comments on this question.

#### **Question 12—Likely effects of the proposals**

Paragraphs BC214–BC251 of the Basis for Conclusions set out the Board's analysis of the likely effects of implementing the Board's proposals.

(a) Paragraphs BC222–BC244 provide the Board's analysis of the likely effects of implementing the proposals on information reported in the financial statements and on the quality of financial reporting. Do you agree with this analysis? Why or why not? If not, with which aspects of the analysis do you disagree and why?

No, ACAG does not agree with the analysis.

As noted above in Question 2(b), ACAG disagrees with the proposal in the Exposure Draft of recognising 'imputed' regulatory assets and liabilities. These 'imputed' regulatory assets and liabilities arise from timing differences between recognition for regulatory purposes and for IFRS purposes.

ACAG does not believe these 'imputed' regulatory assets and liabilities meet the definition of assets and liabilities under the *Conceptual Framework*. ACAG does not believe that affecting revenue, and net profit, from these timing differences provides useful information for financial statement users.

(b) Paragraphs BC245–BC250 provide the Board’s analysis of the likely costs of implementing the proposals. Do you agree with this analysis? Why or why not? If not, with which aspects of the analysis do you disagree and why?

ACAG does not agree the information for the proposed model is readily available - for example as expressed in paragraphs BC247 and BC250. In particular, ACAG does not believe the information needed to account for the ‘imputed’ regulatory assets and liabilities is readily available, or able to be obtained for reasonable cost. ACAG believes information for a model that recognises ‘unders and overs’ and ‘true-ups’ would be readily available as these would largely be part of the regulatory process (subject to judgements on probability).

(c) Do you have any other comments on how the Board should assess whether the likely benefits of implementing the proposals outweigh the likely costs of implementing them or on any other factors the Board should consider in analysing the likely effects?

ACAG supports the Board’s outreach efforts to try and understand the different entities that would likely be scoped in to understand the specific impact and whether the benefits outweigh the costs. Several offices from ACAG were part of that outreach.

#### **Question 13—Other comments**

Do you have any other comments on the proposals in the Exposure Draft or on the Illustrative Examples accompanying the Exposure Draft?

ACAG has no other suggestions.