GROUP OF 100

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Mr H. Hoogervorst
Chairman
International Accounting Standards Board
30 Cannon Street
London EC 4M 6XH
UNITED KINGDOM

Dear Mr Hoogervorst commentletters@ifrs.org

**DP/2014/2 'Reporting the financial effects of rate regulation**

The Group of 100 (G100) is an organisation of chief financial officers from Australia's largest business enterprises with the purpose of advancing Australia's financial competitiveness. We are pleased to provide comment on the Discussion Paper.

Our members, with regulated networks for electricity and gas, are subject to rate regulation by the Australia Energy Regulator. The G100 is of the view that because of the many different types of defined rate regulation which would be subject to an IFRS requirement, a common accounting approach is unlikely to serve the needs of users. Rather, we believe that additional disclosure by these entities can best meet the needs of users.

The G100's basic approach is that IFRS compliant financial statements provide useful information to users to enable them to understand the effects of rate regulation on the entity's costs, revenues, cash flows and financial position and that a separate recognition and measurement standard for these entities is not appropriate.

The G100 does not agree with separate accounting because of the potential inconsistencies which would arise with the current and proposed definitions of assets and liabilities. As indicated in our previous submission (20 November 2009) we believe that items recognised as assets and liabilities should satisfy the criteria in the Framework and the requirements in international accounting standards. Accordingly, the G100 believes that:

- regulatory liabilities should be recognised and measured on a basis which is consistent with IAS 37 '*Provisions, contingent liabilities and contingent assets';*
- regulatory assets should be measured on a basis which is consistent with IAS 16 *'Property, plant and equipment'* and IAS 38 '*Intangible assets*'; and
- revenues should be determined on a basis consistent with IFRS 15 *'Revenue'*.

However, additional disclosure on the impact and management of rate regulation would complement and amplify the IFRS information. The development of specific disclosures for these entities should be tested against a set of disclosure principles to determine whether the cost and effort involved in their collection is justified by the needs and benefits to users.

In the Australian environment the practice is that the effects of rate regulation are not recognised formally in the IFRS compliant financial statements. However, information is provided to users by other means including public information provided by the regulator such as annual regulatory accounts, revenue determinations and tariff setting approvals. In addition, listed entities provide information as part of their investor presentation packs.

As indicated above, if the IASB is to develop requirements relating to rate regulation entities we believe that the focus should be on providing additional information by way of targeted disclosures and not specific recognition and measurement requirements.

Yours sincerely
**Group of 100 Inc**

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President