IASB
30 Cannon Street
London EC4M 6XH
UK
Paris, 6 June, 2013

Re: Request for Information on Rate Regulation

Dear Sirs,

I am writing to you with respect to the request for information issued by the IASB in March 2013.

Our detailed answers and legal references in Europe and France are set out in the appendix 1.

GDF SUEZ Group is one of the world leaders in the field of utility/public service business: production, transport and distribution of energy, production and distribution of water, waste management. We are deeply involved in regulated industry as defined in the RFI, and fair accounting of the performance of "utility/public service" business is key for the management and investors. We are also involved in concession arrangement and apply IFRIC 12. Therefore, we also keep a watch on the Revenue Recognition and Lease Projects as they are key to the fair accounting of performance of the business.

Consistency between RRA and IFRIC 12/IFRIC 4 operations is key for us as we operate worldwide in different legal environments (Regulation, Concessions, Private Finance, Initiative/Public-Private Partnership...). Therefore, regarding any standard to be issued related to Rate Regulated Activities, we think that the Board should carefully assess its consistency with other standards or interpretations (such as concession contracts and leases contracts) and use the same main underlying principles as those of IFRIC 12 and IAS 17 (See appendix 4). This RRA standard should be principle based to capture all different regulations applicable to a worldwide business like ours and room for judgment should be provided.

If you require any further information or explanation please do not hesitate to contact me.

Yours faithfully

On behalf of GDF SUEZ

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APPENDIX 1

1. The regulated industry and why it should be considered

Rate regulation is widespread and affects industries across many jurisdictions. It would be helpful if respondents indicate whether they think that recognising, in IFRS financial statements, the effects of the rate-regulatory scheme being described would provide relevant information about the consequences of rate regulation to users of financial statements. It is easier for us to understand the information that you give us if we know what industry the rate regulation relates to.

Question 1

For the types of rate regulation that you think would be useful for us to consider in the Discussion Paper (or would not be useful to consider, if applicable), what types of goods or services are subject to the rate regulation being described?

Answer:

Our answer is focused on the rate regulation concerning gas Transport and Distribution in France implemented under the framework of European regulation. We also operate concession activities within the scope of IFRIC 12. Although these operations are regulated (as defined in the introduction of the RFI), we think that IFRIC 12 provides adequate guidance to account for transactions within its scope (See appendix 4) and therefore do not describe such regulation. We also operate regulated business in the US that is in the scope of "SFAS 71".

In providing this information, please also tell us:

(a) whether you are a rate-regulator, a financial statements preparer, auditor, user or other (please specify);

Answer:
Preparer involved in Energy transmission and supply of gas and electricity supply

(b) what jurisdiction the rate regulation that you are describing is in;

Answer:
France according to the French Energy Code within the European Union regulation

- *Directive 2009/73/EC concerning the common rules for the internal market in natural gas*
- *Regulation 713/2009 establishing an Agency for the Cooperation of Energy Regulators*
- *Regulation 715/2009 on conditions for access to the natural gas transmission network*

We are also involved in Electricity generation and supply (but not in transmission or distribution) in France but this activity is not subject to regulation.

We also run regulated activities in Europe and in the United States subject to SFAS 71 in US GAAP. But we have limited our description to gas regulated activities in France – a European mature market- as we think that you will get enough information for US regulated activities and other European markets from the other operators.

(c) whether that jurisdiction is a recent adopter of IFRS; and:

Answer:
We have been applying IFRS since 2005.

(d) whether the main suppliers of the rate-regulated goods or services (ie the rate-regulated entities), including your company if applicable, are predominantly private-sector entities, government entities or closely related to the rate regulator.

Answer:
Private-sector entity

If the jurisdiction has not adopted IFRS, your views are still useful to us. It would be helpful if you could include information about what local GAAP is applied and how the effects of the rate-regulatory scheme are reported in accordance with that local GAAP.

2. The objectives of the rate regulation

The objectives of rate regulation are influenced by many factors, such as the nature of the goods or services that are being provided, the economic climate, environmental factors, etc. It is useful to know the high-level objectives of the rate regulation under review because those objectives will influence the nature of the rate-setting mechanism employed by the rate regulator.

The objectives of rate regulation may change over time. We are most interested in your current situation but it would be helpful if you could indicate whether there has been a recent change or a trend towards alternative objectives.

Question 2

What are the objectives of the rate regulation and how do they influence the interaction between the rate regulator, the rate-regulated entity and customers?

In providing this information, please tell us:

(a) **what are the high-level objectives of the rate regulation (for example, to restrict prices or to influence the levels of supply and demand or to restrict or encourage competition); and**

Answer:
EU intends to develop internal markets in natural Gas sector in order to achieve real choice for all consumers, competitive prices and higher standard of services and efficiency gains.

In that context the high level objective of the French Energy code is to enable gas suppliers to get transparent and non discriminatory tariffs for the use of the infrastructures in order to guaranty a sound and effective competition between them.

(b) **how these objectives are reflected in the nature of the rate-setting mechanism? For example, to what extent:**

- **is the rate-setting mechanism designed to give the rate-regulated entity a ‘fair rate of return’ (for example, a cost-plus mechanism) or is the focus more on reducing the cost to customers (for example, a price-cap or other incentive-based mechanism);**

  Answer:
  Both: tariffs and methodology used to calculate tariff are designed to reflect the actual cost incurred insofar as those costs correspond to those of an efficient and structurally comparable network operator while including an appropriate return on investments.

  Article L.452-1 of the French Energy Code stipulates that "tariffs for use of natural gas transmission and distribution networks and liquefied natural gas facilities, […], are established in a transparent and non discriminatory way in order to cover all the costs borne by these operators, insofar as such costs correspond to those of an efficient facilities or system operator”

- **are there incentives to meet targets that are not directly related to the cost-rate relationship (for example, efficiency, service levels, infrastructure investment, increased supply capacity or reliability, use of alternative resources or reduction in customer demand or usage);**

  Answer:
  Yes there are appropriate incentives to increase efficiency; promote market integration and security of supply and support the related research activities (art 41.8 2009 gas directive).
  Article L.452-3 of the French Energy Code stipulates that CRE (The French regulator) rulings on tariffs for use of natural gas distribution networks "[…] may make provision for a tariff review framework covering several years together with appropriate short or long-term incentives to encourage operators to improve their performance particularly as regards […] finding productivity improvements".
  The CRE effectively uses this possibility. For instance : after having analysed the trajectory of

changes in net operating expenses for the years 2013-2015 in detail, the CRE has decided to revise this trajectory by including a new productivity effort representing a cumulative total of €12m over these three years, involving a range of costs excluding spending on staff and safety.
Given these factors, the net operating expenses trajectory adopted for the GrDF ATRD4 tariff (current distribution tariff) incorporates a diminution of 1.3 % for the operator net operating expense [1]*.*

Moreover there are specific incentives applicable to investments costs and specifics incentives to achieve objectives for measures promoting gas use.

- **does the rate regulation fix the price per unit or does it provide some flexibility for the entity to set prices (for example, through price ranges or caps, based on either unit prices or total revenue or total profitability); and**

Answer:
No there is no flexibility for the entity to set prices. The total income of regulated activity is subject to the regulator authorisation (the "authorised income").
The tariffs are then fixed depending of estimate for volumes distributed which is also subject to the CRE review.

- **are there other aspects of the rate-setting mechanism that reflect any specific objectives not envisaged above?**

Answer:
No

The rights and obligations established by the rate regulation

Information about the nature and amounts of a reporting entity's economic resources and claims can help users to identify the reporting entity's financial strengths and weaknesses2. It is important for us to understand what rights and obligations are commonly established by rate regulation so that we can identify more clearly the types of economic resources and claims that might arise. At this stage, we are looking for a factual summary of the rights and obligations created by the rate regulation. We are not asking respondents to analyse.

Question 3

What sort of rights or obligations does the regulation create? In providing this information, please consider:

(a) **whether the rate-regulated entity has an exclusive right to operate in the market;**

Answer:
Yes the entities for which we are answering are involved in gas transport (GRT Gaz) and gas distribution (GrDF). Both entities have exclusive right to operate the network they are involved in (respectively Transport and Distribution networks). In compensation they both have obligation to ensure transparent and non discriminatory tariffs for access to the network for all gas suppliers.

(b) **if the entity's right to operate in the market is established by licence:**

(i) **is there a cost to acquire the licence; and**

(ii) **can the licence be revoked, renewed or transferred;**

Answer:
Not applicable. The right to operate has been established by law for free in both cases.

[1] *Cf CRE deliberation of 18 February 2012*

(c) **how competition is excluded or encouraged;**

Answer:
According to European legal framework, competition is encouraged by the promotion of effective unbundling between the activities of production transport and supply, non discriminatory access to transport capacity transparency of cost and tariffs for access to networks.
Among the two EU systems adopted in France (Ownership Unbundling and Independent Transport Operator), GDFSUEZ gas operators have chosen the Independent Transport Operator system. See in appendix 2 the regulated activities in gas sector.

(d) **how the rights and obligations are expressed, for example, as a cap on the rate of return, as the right to recover entity-specific costs, as a right to recover an allowed level of costs (whether or not incurred by the entity), or as a right to recover specific types of costs without limit if and when incurred; and**

Answer:
Tariffs are allowed by the French regulator. They depend on allowed level operating costs and a rate of return on capital expenditure (Regulated Asset Base).
See appendix 3

(e) **whether the entity can choose to stop providing the goods or services that are subject to rate regulation and, if so:**

(i) **how is this achieved; and**

(ii) **what are the consequences for the entity?**

Answer:
Under the current legislation the entities involved in gas transport and distribution cannot decide to stop providing the services.

3. The enforcement of rights and obligations

To help us to identify what features of the rate regulation might create economic resources for or claims against the rate-regulated entity, it is important for us to understand how the rights and obligations established by the rate regulation are enforced or settled respectively.

Question 4

For the rights and obligations identified in response to Question 3, how does the rate-regulated entity enforce its rights, or how does the rate regulator enforce the settlement of the rate-regulated entity's obligations?

In providing this information, please tell us:

(a) **does the rate regulation provide for retrospective recovery or reversal of under-or over-recoveries of allowable costs? If so, how is this achieved, for example through cash payments or other asset transfers to or from parties outside the rate-regulated entity (such as individual customers or groups of customers, the rate regulator or the government);**

Answer:
Yes the French rate regulation provides for a mechanism to ensure retrospective recovery of allowable costs.
This mechanism allows for recovery of some variances between allowable costs and authorised income involving subsequent corrections in the scale of tariffs, the "CRCP[3]" (expense and revenue claw back account),
See in appendix 4 detailed mechanism of the computation of the tariffs and "CRCP" account.

[3] *"Compte de Régularisation des Charges et des Produits"*

(b) **are the rights and obligations separable from the business; and**

Answer:
We do not understand the question

(c) what happens to the rights or obligations when the entity ceases to provide the rate-regulated goods or services?
Answer:
This is not a possible hypothesis under the present regulation in France.

4. The recovery or reversal of cost and income variances

We understand that, in many rate-regulatory schemes, the rate-setting mechanism uses estimates of future costs and income as well as actual costs incurred. In such circumstances, the rate regulator usually requires that the rate-regulated entity must keep records of variances between the estimated and actual amounts. These variance amounts are then recovered or reversed over an agreed period of time through inclusion in the calculation of future rates, either automatically or with the approval of the rate regulator.

Irrespective of whether these variance amounts are recognised in general purpose financial statements, we want to learn more about the effectiveness of the rate regulation in ensuring their recovery or reversal, particularly when there have been shifts in demand for the regulated goods or services.

Question 5

How does the rate regulation ensure the recovery or reversal of under-or over-recoveries of allowable costs (ie variance amounts) (if applicable)? Are these mechanisms effective in recovering or reversing those amounts within the targeted time frame?

In providing this information, please tell us:

(a) **what is the mechanism for tracking the recovery or reversal of such variance amounts;**

Answer:
A mechanism for subsequent corrections, the "CRCP [4]" (expense and revenue claw back account), was introduced recently during the former tariff period to take into account variances between the actual expense and revenue figures recorded and the forecast expense and revenue figures for certain somewhat unpredictable accounts items identified in advance.

Roughly variances accounted for in the year Y of gas transport and distribution CRCPs are incorporated in the y+1 tariff (commencing in July).

For gas distribution there is a limit of a 2 % variation of the tariff. Variances over 2 % are carried forward to be incorporated the year after (under the same limit). If there is some carried forward variances at the end of the 4 years tariff period (June 2016). The whole variances are incorporated in the new tariff without limit. Carried forward variances give right to a 4.2 % per year remuneration.

100 % of gas distribution volume variances are accounted for in the CRCP; they represent the major part (about 90 %) of the total amount of variances accounted for in the CRCP account.

See in appendix 4 detailed mechanism of the computation of the tariffs and "CRCP" account for gas distribution.

(b) **how does the rate-setting mechanism adjust for unexpected changes in demand for the rate-regulated goods or services;**

Answer:
Demand risk is not assumed by GrDF, 100 % of volume variances between expected volumes and actual volumes are incorporated in the regulatory CRCP account.

[4] *"Compte de Régularistion des Charges et des Produits"*

(c) **has there been a recent trend whereby the balances of the variance amounts have been increasing?**

Answer:
No general trend in France. The main variance is due to change in volumes of gas supplied. And as cold Winters follow hot Winters (the main season for gas activity) there is no general trend.

(d) **If so:**

- (i) **is this caused by an increase or a decrease in the demand of the rate-regulated goods or services;**
- (ii) **has the trend resulted in a net debit position (ie under-recovery of costs) or a net credit position (ie over-recovery of costs); and**
- **(iii) what are the main components of the variance amounts (ie what are the main categories of cost or income variances)?**

Answer:
Not applicable

Appendix 2: Gas regulated activities in France

The Market
French gas market is organised among 6 activities. Half of them are regulated activity, half are merchant activities.

Production	Transport	Gas Terminals	Storage	Distribution	Supply
• France: Total (2% of consumption) • gas import • **Merchant activity**	• GRTgaz (GDF SUEZ) • TIGF • **Regulated activity**	• Elengy (GDF SUEZ) • **Regulated ativity**	• Storengy • TIGF • **Merchant activity**	• GrDF (GDF SUEZ) • 17 ELD • **Regulated activity**	• 124 suppliers among which GFD SUEZ • **Merchant activity**

Appendix 3: the gas "Schedule of tariffs"

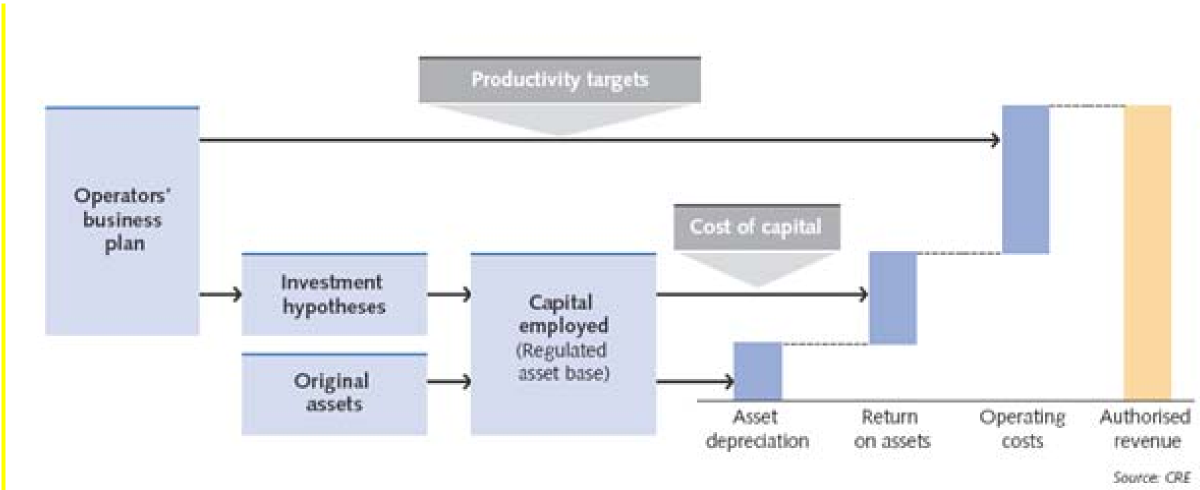
Calculation of tariffs
Tariffs for access to gas infrastructures (Terminals, Transport, and Distribution) are determined by the CRE ("Commission de Régulation de l'Energie") which is the French regulator for Energy.

Tariffs are "costs plus" based and determined so as to guarantee the recovery of the operator "authorised income".

Authorised income is made up of:

- OPEX: there amount is determined from the necessary OPEX to operate the infrastructure as communicated to the CRE and as they are accounted for by the operator
- Capital expense: made of Asset depreciation and Asset remuneration of capital employed including assets in progress.

Asset depreciation is dictated by the Regulated Asset Base (RAB) and regulated depreciation periods.
Asset remuneration is linked to the net accounting value of the RAB and a rate of return based on a WACC.



[5]

Equalised GrDF tariff applicable commencing 1 July 2013 (ATRD4 tariff: forth Tariff to be applied since implementation of European Energy directives in France) [6]

The GrDF schedule of tariffs is automatically adjusted on 1 July of every year Y, commencing 1 July 2013, by applying the following percentage change to all tariff charges in force on 30 June of year Y:

Z = CPI – X + k

- CPI is the measure of inflation used for revising the schedule of tariffs on 1 July in year Y, equating to the annual average change over the calendar year Y-1 in the consumer price index excluding tobacco as calculated by the French national statistics office, INSEE, for all households in France[7].
- X is the annual percentage change in the schedule of tariffs equal to -0.2%

[5] *Extract from CRE internet site*
[6] *Cf CRE deliberation of 18 February 2012*
[7] *The annual average change over year Y-1 equals the rate of change expressed as a percentage in the annual average index, equating to the simple arithmetic mean of the 12 monthly indices for the year, i.e. from January to December, for consumer prices excluding tobacco for all households in the whole of France (series 641194), between the years Y-2 and Y-1.*

- k is the change in the scale of tariffs, expressed as a percentage, resulting from clearing the balance of the CRCP.

The resulting schedule of tariffs is published by the CRE before the 1st of July every year in the French official gazette and submitted to the Ministers with responsibility for energy and the economy.

Appendix 4.1 the “CRCP balance” for gas distribution nature of item covered

Calculation of the balance of the CRCP

The CRE calculates the balance of the CRCP every year following the method described in the table below. Whenever the final amount for a variance is not known with certainty when the calculation is performed, it is estimated based on the best information available at the time. Such estimates are corrected the following year on the basis of final values.[8]

Item covered by the CRCP	Proportion of amount covered by the CRCP	Method of calculating amount for each item
Capital costs	100%	• Difference between the capital costs figure calculated ex post on the basis of actual figures relating to investments, assets removed from the RAB, inflation, and assets under construction relating to investment for the smart metering project's construction phase; • And the estimated capital costs included in the income to be recovered by the tariff, corrected for the actual inflation recorded from 2013. To this balance are added the financial incentives generated by the investment program cost control incentive mechanism for investment, excluding investment in safety and system mapping.
Income received from tariff charges proportional to volumes of gas supplied over the distribution network	100%	• Difference between income from the volume of gas supplied, calculated ex post on the basis of half-yearly gas volumes per tariff option that were actually supplied over the period in question; • And half-yearly forecast income per tariff option from estimated volumes of gas supplied, used to establish the tariff charged over the period in question.
Cost of gas purchases to cover losses and various discrepancies, and variance accounts	80%	• Difference between purchasing costs for gas and the balance of supplier variance accounts and inter-operator variance accounts between GrDF and the TSOs, calculated ex post on the basis of actual figures • And estimated gas purchasing costs In the event of variation of over 5% between the market price of gas to cover losses and various discrepancies and the forecast purchase price adopted in the tariff trajectory, the benchmark figure adopted for gas purchase costs will be reviewed.
Changes to GrDF's costs resulting from revised cost allocations for common service costs shared between ERDF (National electricity operator) and GrDF	100%	Changes to costs resulting from revised cost allocations for common service costs, calculated ex post on the basis of actual figures. This amount is included conditional upon a full, simultaneous setoff reversing this revised cost allocation in the tariff for use of ERDF's electricity distribution network.
Income received for catalogue services in the event that changes in the price of such services are different from those resulting from the indexing formulae stated in the service catalogue.	100%	• Difference between the income received by the operator, calculated ex post on the basis of the number of services provided and the price of the services after changes • And the income the operator would have received if prices had not changed, calculated ex post on the basis of the number of services provided and the price that would have been charged for the services according to the indexing formulae stated in the service catalogue.

[8] *Extract from CRE deliberation of 18 February 2012*

Penalties received by GrDF for exceeding contracted capacities for clients under options T4 and TP	100%	Financial value of penalties invoiced over the period in question.
Financial incentives generated by the incentive regulation mechanism for quality of service:	100%	Financial value of penalties and/or bonuses in connection with quality of service indicators that are linked to financial incentives, excepting that related to the respect of appointments.

The balance of the CRCP calculated for a calendar year Y is cleared as follows:

- the portion of this balance entailing a change to the scale of tariffs at 1 July in the year Y+1, less than or equal to 2% [9]in absolute terms, is cleared entirely at this date. It determines the value of k;
- The remainder of the balance, if any, is carried over to the CRCP calculated for the calendar year Y+1.

Any variance there may be between the final balance and the provisional short-term balance of the CRCP for 2011 stipulated in this tariff will be included in the balance of the CRCP for 2012.

For 2012, variances are calculated with thresholds defined on the basis of forecast data for the first half-year 2012 stipulated in the administrative order on tariffs of 2 June 2008 and on forecast data for the second half year 2012 given in this tariff ruling.

Amounts included in the CRCP are updated with an interest rate equivalent to the risk-free rate adopted under this tariff ruling. This rate is set at 4.2% per year, nominally, before tax and applies over a period of:

- 18 months for variances recorded over the years 2012, 2013, 2014 and 2015;
- 12 months for any balance of CRCP that may be carried forward from one year to another.

At the end of the tariff period, the balance of CRCP comprising variances recorded for the year 2015, estimated variances for the first half-year of 2016, and amounts carried forward in respect of previous years are used to define the tariff for the following tariff period.

Furthermore, the financial consequences of audits conducted by the CRE will be included in the CRCP.

[9] *It should be noted that his limit does not exist for the gas transport activity where the CRTCP mechanism is however quite similar*

Appendix 4.2: the “CRCP balance” figures for gas distribution

Inclusion of the CRCP balance in the “authorised income” for 2012.[10]

The estimated total balance of GrDF's equalisation account for 2011 for inclusion in the calculation of authorised income is +€214.7m2011, breaking down as follows:

Component of CRCP for ATRD3 tariff	Amount (€m2011)
CRCP balance 2011:	+ €267,9m
• Capital expenditure (100% covered)	+ €9,1m
• Income variance: income received from tariff charges proportional to volumes of gas supplied (100% covered)	+€265,3m
• Cost of gas purchases to cover losses and various discrepancies, and variance accounts (90% covered)	- €3,3m
• Penalties received by GrDF for exceeding contracted capacities for clients under options T4 and TP (100% covered)	- €5,4m
• Financial incentives generated by the incentive-based regulation mechanism for quality of service (100% covered)	+ €2,2m
Remainder of the 2010 balance not cleared as at 1 July 2011	-€53,2m
Total balance	**+ €214,7 million**

The main contribution to the CRCP for 2011 is the item for income related to the volumes of gas distributed. As 2011 was unusually warm, volumes supplied amounted to 286.2 TWh (provisional figure) whereas the tariff trajectory had forecast 338.0 TWh. The outcome is an income variance of €265.3m.
The CRCP balance for 2011, i.e. €214.7m, will be cleared over a four-year period, in equal instalments. Pursuant to the administrative order of 2 June 2008 approving the CRE's tariff proposal of 28 February 2008, an interest rate equal to 4.2% is applied annually to ATRD3 tariff CRCP balances.
This leads to an increase in the costs to be recovered by GrDF's future tariff of € 60.7m per year.

Authorised income for 2012
The authorised income for the year 2012 equals the sum of the net operating expenses plus the standard capital expenditure plus the instalment for the ATRD3 tariff CRCP balance for 2011 to be cleared, as calculated using the principles described above. It breaks down as follows:

In current €m	2012
Net operating expenses	1,452,4
Standard capital expenditure	1,553,9
Instalment to clear 2011 equalisation account balance	60,7
Authorised income	**3,067,0**

[10] *Extract from CRE deliberation of 18 February 2012*

Appendix 4: Consistency between rate regulated activity and other standards (IFRIC 12 service concession arrangements, IAS 17 leases)

We think that the Board should carefully assess consistency of the accounting of Rate Regulated Activities with other activities within the scope of other standards or interpretation and particularly concession contracts and leases contracts.

We feel that IFRIC 12, which required quite a long to be issued, provides adequate accounting for transactions within its scope in terms of Balance Sheet and Profit and Loss. In fact, it allows to appropriately account for sub lying economics of concession transactions depending on who bears demand risk (IFRIC 12 BC 39, 40) and even permitting "bifurcation" of concession asset when this risk is share (IFRIC 12 BC 53).

Moreover, we think that the IFRIC 12 accounting is consistent with IFRIC 4 / IAS 17 transactions accounting which depends on risks and rewards analysis. Hence determining whether a transaction is a concession or a lease, which can be very tricky as definition of a public service vary around the world, is not key.

We also appreciate that IFRS 10 / 11 accounting is based on the control of returns ensuring some minimal level of consistency with IFRIC 4 / IFRIC 12.

Concerning Profit and Loss we welcome that IFRIC 12 relies on IAS 11 and IAS 18 principles, transfer of control of risks and rewards and matching of costs and revenues.
As the Board knows IFRIC 12 5 b criterion (hand back obligation) was introduced by the IFRIC to exclude other Rate Regulated Activities from the scope of IFRIC 12 as the IFRIC realised that only a standard could deal with them.

So, in the IFRIC view there were no overlap between "Rate Regulation Activities" and "concessions". To that extend, the hand back criterion is particularly relevant as it establishes a clear and sound line between 2 different kinds of activity.

In both cases there is a kind of "monopoly" in the use of an infrastructure. There are 2 majors "rate regulation" systems:

- On the one hand "Concession contract system": the contract is granted over a limited term after competitive bids (In France public bids for concession are compulsory since the 1993 "Sapin law"). The entity does not control the infrastructure asset; it has to hand it back to the grantor at the end of the contract. During the term it has a simple and limited in time «right of access» to the infrastructure. The tariff of the services rendered is set up for the whole term of the contract.
- On the other hand the so called "Rate regulation system". There is no hand back obligation and term for the entity using the asset. The entity controls the asset. But the tariff for this use is regulated on a regular basis (usually yearly basis).

The scope of any standard regarding Rate Regulated Activities should be carefully defined. Otherwise hierarchy text problems could occur. On the one side an interpretation which was especially written to deal with specific transactions on the other side a higher in hierarchy text which is no specifically designed for this type of transactions.

We note that the IFRIC has specifically scoped out concession contracts from IFRIC 4 scope to avoid possible interferences and misinterpretation in the fringe of the two texts.

This pragmatic solution could be retained for Rate Regulated Activities project. IFRIC 12 transactions as there are defined by IFRIC 12 could be scoped out. In any case, we think that the sublying principle of accountings should be similar in order to prevent inconsistencies.