

**Comment Letter to the Accounting Standards Board (ASB) on Exposure Draft:  
Amendments to Ind AS 109 and Ind AS 107**

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**To**  
**The Secretary**  
**Accounting Standards Board**  
The Institute of Chartered Accountants of India  
ICAI Bhawan, Indraprastha Marg  
New Delhi – 110002

April 18<sup>th</sup>, 2025

**Subject: Comments on Exposure Draft – Amendments to Ind AS 109 and Ind AS 107 relating to Contracts  
Referencing Nature-dependent Electricity**

Below are my detailed comments for your kind consideration:

**1. Overall Support**

I welcome the Board's initiative to clarify the accounting implications of nature-dependent electricity contracts and address the long-standing ambiguity around their scope and financial reporting implications. Recognising that these contracts are increasingly common for industrial and commercial electricity users, the proposed amendments align accounting with economic substance while preserving faithful representation.

**2. Comments on Paragraphs B2.7–B2.8 of Ind AS 109 (Scope – Own-use Evaluation)**

The provisions in B2.7–B2.8 appropriately recognise the real-world features of nature-dependent electricity contracts, especially where the buyer may be obliged to sell unused electricity into the grid. However, to enhance consistent application and auditability, the following refinements are suggested:

**a. Quantitative Threshold for "Net Purchaser" Status**

The Exposure Draft does not prescribe a benchmark for determining whether an entity is a "net purchaser." It is suggested that illustrative guidance or a quantitative threshold (e.g., electricity consumed  $\geq$  90% of electricity purchased over a rolling 12-month period) be provided to support preparers and auditors in applying the exemption consistently.

**b. Clarification on Evaluation Period and Contract Tenure**

While paragraph B2.8 appropriately limits the evaluation period for determining "net purchaser" status to a maximum of 12 months, electricity contracts—particularly power purchase agreements (PPAs)—often extend over 15 to 25 years. Given the seasonal and operational variability in both electricity generation and consumption, it would be helpful if the standard clarified whether this 12-month assessment should be applied on a rolling basis each year and how entities should account for temporary imbalances within the broader contract period. Additional implementation guidance or examples would assist preparers in applying this test consistently over time.

**3. Comments on Ind AS 107 – Disclosures (Paragraphs 30A–30C)**

The proposal to consolidate disclosures into a single note enhances transparency and user comprehension. However, the following practical considerations are submitted for improvement:

**a. Unrecognised Commitments and Future Cash Flows (Para 30A(b))**

- Entities are required to disclose future estimated cash outflows under the contracts. It is recommended that the Board clarify whether such disclosures should be based on contractual volumes, forecasted consumption, or expected generation. The underlying assumption should also be disclosed to ensure comparability.
- Clarification on the measurement basis (e.g., fixed contract price vs expected market price) would assist entities in making consistent and meaningful disclosures.

**b. Disaggregation of Costs and Proceeds (Para 30A(c))**

- The requirement to disclose unused electricity, proceeds from resale, and offset purchases may pose practical cost attribution challenges, particularly for entities sourcing electricity from multiple PPAs, market purchases, or pooling arrangements.
- It is suggested that the standard permits the use of reasonable estimates or allocation methods, with appropriate disclosure of assumptions, rather than requiring precise tracing of electricity units and cost flows.
- The introduction of a materiality threshold or aggregation guidance may reduce disclosure overload, especially for entities with multiple smaller contracts of similar nature.

**c. Cross-referencing and Integration with Other Notes (Para 30C)**

- The proposal to disclose all information in a single note is conceptually sound. However, flexibility to cross-reference to other relevant notes (e.g., risk disclosures, contingent liabilities, or fair value disclosures) should be retained, especially where such disclosures are already made in accordance with other standards.

**4. Recommendation for Inclusion of Illustrative Examples (Paras 6.10.1, 6.10.2, B2.7–B2.8)**

Given the technical and operational complexity surrounding contracts referencing nature-dependent electricity, it is respectfully submitted that the Board considers providing one or more illustrative examples that demonstrate:

- The application of Paragraphs 6.10.1 and 6.10.2 – How an entity may designate a variable nominal amount of forecast electricity as a hedged item aligned to nature-dependent electricity generation, and how the presumption of “highly probable” forecast transactions may be applied in practice.
- The evaluation under Paragraphs B2.7 and B2.8 – How to assess whether an entity qualifies as a net purchaser, including typical calculation formats over a 12-month rolling window, how to treat seasonal variability, and practical considerations when excess electricity must be sold into the grid.

Such examples would:

- Enhance clarity and comparability across entities,
- Reduce the risk of misapplication in diverse industry contexts, and
- Assist preparers, auditors, and regulators in applying judgement consistently.

I would be pleased to discuss any of the above comments further or assist in field-testing the proposed disclosures in practical scenarios.

Thank you

With regards,

Yours faithfully,

**CA. Kamal Garg**