

**To**

The Secretary  
Accounting Standards Board  
The Institute of Chartered Accountants of India  
ICAI Bhawan, Post Box No. 7100  
Indraprastha Marg, New Delhi – 110002  
Email: [asb@icai.in](mailto:asb@icai.in)

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

Dear Sir/Madam,

We Jammu and Kashmir Branch (ICAI) appreciate the efforts of the Accounting Standards Board in addressing the evolving accounting complexities surrounding contracts referencing electricity. The Exposure Draft is a significant step towards improving transparency and comparability. However, we would like to submit the following comments and suggestions for your kind consideration:

• **Ambiguity in “Own Use” Exemption**

**Drawback:** Lack of clarity on how to determine whether a contract is for "own use" or falls under Ind AS 109.

**Correction:** Provide clear guidance, a decision tree, and multiple real-world case studies.

• **Lack of Sector-Specific Guidance**

**Drawback:** The draft doesn't cater to nuances of the power sector (e.g., wheeling agreements, renewable energy PPAs).

**Correction:** Include electricity-specific guidance, including regulatory and operational distinctions.

• **Challenges in Fair Value Measurement**

**Drawback:** Illiquid power markets make fair value estimation subjective and error-prone.

**Correction:** Suggest acceptable models or practical expedients for Level 3 fair value determination.

• **Insufficient Risk Disclosure Requirements**

**Drawback:** Standard Ind AS 107 disclosures may not address sector-specific risks like grid unavailability or open access risk.

**Correction:** Add detailed disclosure requirements for electricity market-related risks.

• **Potential P&L Volatility from FVTPL Classification**

**Drawback:** Mandatory fair value through profit or loss can cause volatility not reflecting economic intent.

**Correction:** Allow hedge accounting or OCI recognition for certain qualifying contracts.

• **No Consideration for Embedded Derivatives**

**Drawback:** Contracts often include pricing linked to fuel indices or regulatory tariffs. Treatment is unclear.

**Correction:** Clarify rules for identifying and separating embedded derivatives in electricity contracts.

• **Lack of Transitional Provisions**

**Drawback:** Entities may need to reassess legacy contracts without relief, increasing compliance burden.

**Correction:** Introduce transitional relief for contracts existing before the effective date.

• **Inconsistent Accounting for Short-Term vs. Long-Term Contracts**

**Drawback:** The same accounting rules may not be appropriate for both long-term PPAs and short-term power trades.

**Correction:** Consider differential treatment or disclosure simplification for short-term contracts.

• **Unclear Treatment of Renewable Energy Certificates (RECs)**

**Drawback:** Many contracts are bundled with RECs; current draft lacks clarity on their treatment.

**Correction:** Include specific guidance on bundled products and ancillary instruments.

• **No Alignment with Global Standards like IFRS 9**

**Drawback:** Divergence from IFRS 9 on similar issues can confuse investors and companies with global presence.

**Correction:** Align definitions, treatments, and disclosures as far as practicable with IFRS 9 to maintain comparability.

**Conclusion**

We once again commend the ICAI for taking up this important subject. With the above refinements, the amendments can be made more practical, industry-relevant, and aligned with global best practices. I hope these suggestions are helpful in finalizing the standard.

Thanking you,

Yours Sincerely,

For Jammu & Kashmir Branch (ICAI)

Sd/

CA. Sourav Pargal  
Chairman,