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REGULATION, INTERESTS, AND DUAL DISCLOSURE: INFORMATIONAL DISTORTIONS IN BRAZILIAN ELECTRIC COMPANIES

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ABSTRACT

This theoretical essay aims to analyze how dual accounting regulation in the Brazilian electricity sector, structured around corporate (IFRS) and regulatory (MCSE/Aneel) standards, produces informational distortions and may foster regulatory capture practices within an institutional environment marked by asymmetries and conflicting incentives. The originality of this study lies in the integration of three theoretical perspectives, Public Interest Theory, Economic Theory of Regulation, and Capture Theory, articulated with the contemporary literature on accounting information quality, informational asymmetry, and enforcement, thereby providing an analytical framework that remains underexplored in Brazilian regulatory accounting research. The relevance of this study stems from the strategic role of the electricity sector as essential infrastructure and from the growing dependence on accounting information for tariff-setting decisions, service provision oversight, and institutional monitoring, within a context in which regulatory divergences intensify tensions among the State, firms, and users. Methodologically, the study adopts a reflective and argumentative approach, supported by a critical analysis of both classical and contemporary literature, organized around three axes: foundations of regulation, informational effects of dual disclosure, and the role of enforcement. The findings indicate that the coexistence of standards with distinct purposes intensifies informational asymmetries, reduces comparability, encourages accounting arbitrage practices, and weakens regulatory governance, particularly in environments characterized by limited supervisory capacity. The study contributes by demonstrating that accounting, far from being neutral, operates as a strategic mechanism for generating informational power, reinforcing the need for greater integration among standards, incentives, and enforcement mechanisms to ensure transparency and safeguard the public interest.

Keywords: regulation theory, dual disclosure, informational distortions, electricity sector.

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1 INTRODUCTION

The electricity sector plays a crucial structural role in society and the economy (Wood et al., 2014). Electricity is a necessary condition for sustaining competitiveness and development, requiring system operators to maintain reliability in order to prevent service interruptions or equipment damage (Joskow, 2019). The literature emphasizes this importance by focusing on energy security, characterizing energy as critical infrastructure for the operation and expansion of contemporary social and productive activities (Wood et al., 2014; Joskow, 2019).

In Brazil, the adoption of IFRS (International Financial Reporting Standards) significantly transformed the informational environment of the electricity sector, as certain regulatory elements ceased to be recognized in corporate financial statements, particularly regulatory assets and liabilities associated with tariff dynamics. As an institutional response to this informational gap, the Brazilian National Electric Energy Agency established Regulatory Accounting through Resolution No. 396/2010, later revoked by Resolution No. 933/2021, which approved the framework of the Electricity Sector Accounting Manual (MCSE) and established specific accounting rules, including a regulatory chart of accounts, General Journal, General Ledger, and the preparation of Regulatory Financial Statements (DCR). This regulatory framework began to coexist with corporate financial statements prepared under IFRS, creating a dual accounting disclosure regime within the sector.

This normative coexistence generates significant divergences in the measurement and recognition of economic events. For example, elements such as regulatory assets and liabilities related to tariff mechanisms, including the Compensation Account for Variation of Values (CVA), the measurement of the Regulatory Asset Base, and certain financial components of tariffs receive different treatment under regulatory and corporate standards. Empirical evidence shows that these differences may affect the informational quality of financial statements. Flores and Lopes (2019) demonstrate that the adoption of IFRS reduced the value relevance of accounting information provided by Brazilian electricity distributors by excluding relevant regulatory elements from corporate statements. Complementarily, Ferreira et al. (2021) identify differences in informational relevance between corporate and regulatory statements, while Souza and Rodrigues (2024) find evidence of earnings management occurring in opposite directions across the two reporting standards. These findings suggest that the coexistence of accounting regimes with distinct purposes may increase informational asymmetries and create incentives for accounting arbitrage within the Brazilian electricity sector.

Accounting plays an essential role in the regulatory governance of strategic sectors such as electric energy by translating economic decisions into information that guides both the State and the market (Andrade & Martins, 2017; Cappellesso et al., 2020). The State, through regulatory agencies, seeks to balance the interests of economic agents and collective welfare, with this role historically shaped by political, economic, and technological factors (Thomas & Thomas, 2022). In this context, the central research question is: How does dual accounting regulation in the Brazilian electricity sector produce informational distortions and foster regulatory capture practices?

Within the context of regulatory accounting, informational distortions refer to divergences in recognition, measurement, and disclosure arising when different regulatory frameworks are applied to the same economic reality. In the Brazilian electricity sector, these distortions are primarily manifested through differences between corporate financial statements prepared under IFRS and regulatory statements structured according to the Electricity Sector Accounting Manual (MCSE). These divergences include differences in the measurement of regulatory assets, the recognition of tariff components, and the valuation of the asset base used for regulatory purposes. Empirical evidence demonstrates that these differences affect the informational quality of financial statements. Flores and Lopes (2019) identify a reduction in the informational relevance of Brazilian electricity distributors following IFRS adoption, while Ferreira et al. (2021) demonstrate

differences in relevance between corporate and regulatory information. Furthermore, Souza and Rodrigues (2024) find evidence of earnings management occurring in opposite directions between regulatory and corporate statements, indicating that firms may exploit regulatory differences to adjust reported results. These findings suggest that dual accounting regulation may increase informational asymmetries and create incentives for accounting arbitrage in the regulated environment.

Therefore, the purpose of this theoretical essay is to analyze how the coexistence of corporate and regulatory standards in the Brazilian electricity sector promotes informational asymmetries and regulatory capture practices through the lens of regulatory theories, considering that previous studies point to measurement divergences, incentives for manipulation, and institutional impacts resulting from dual regulation (Flores & Lopes, 2019; Ferreira et al., 2021; Souza & Paulo, 2025).

The relevance of this study derives from the fact that the electricity sector operates as essential infrastructure and depends on accounting information for tariff-setting decisions, oversight, and monitoring, while evidence indicates that regulatory changes and incentives directly influence informational quality and institutional efficiency (Joskow, 2019; Souza & Paulo, 2025).

The literature demonstrates that regulatory incentives and normative changes directly influence sector performance and informational quality. Specifically, Souza and Paulo (2025) show that poor service quality encourages managerial opportunism and earnings manipulation. In a broader context, the study by Joskow (2019) highlights that the large-scale expansion of intermittent energy generation forces profound institutional and regulatory changes in wholesale electricity markets.

This study seeks to contribute by integrating theoretical perspectives on regulation, regulatory capture, and informational effects, thereby offering a critical understanding of dual regulation within a socially sensitive sector where failures in information quality affect tariffs, investments, and transparency, as highlighted by studies on institutional vulnerability, informational relevance, and regulatory governance (Flores & Lopes, 2019; Souza *et al.*, 2024; Thomas & Thomas, 2022).

2 THEORETICAL FRAMEWORK

2.1 Regulation Theory and Its Informational Effects

Regulation Theory emerged as an attempt to understand the role of the State in correcting market failures and mediating conflicts among economic agents, drawing on two central perspectives: public interest regulation and economic regulation or capture theory (Yandle, 2010). The first approach conceptualizes the State as a neutral agent committed to collective welfare (Pigou, 1932). In contrast, economic regulation theory, developed by Stigler (1971) and expanded by Peltzman (1976), argues that state intervention reflects pressures exerted by interest groups seeking to maximize private benefits through regulatory capture.

This perspective recognizes that both regulators and regulated entities respond to economic incentives, which may distort regulatory objectives and generate outcomes that are neither neutral nor aligned with the idealized notion of social welfare, thereby undermining the traditional public interest rationale, as argued by Peltzman (2022).

Informational asymmetry constitutes a structural challenge for regulation because, in contexts characterized by distorted incentives, managers may manipulate the disclosure of results, as highlighted by Schantl and Wagenhofer (2020). Likewise, Thomas and Thomas (2022) demonstrate that the strategic interaction between economic agents and regulators, marked by competing interests and institutional limitations, reinforces the vulnerability of the regulatory process and reduces the effectiveness of enforcement.

In regulated sectors, the coexistence of corporate and regulatory standards may generate significant informational effects on financial statements. Ferreira et al. (2021) show that corporate information exhibits greater value relevance for investors, whereas Cappellesso et al. (2020) emphasize that normative multiplicity encourages the selective use of information and practices that reduce informational quality.

2.1.1 Public Interest Theory

Public Interest Theory constitutes the classical foundation for state intervention in markets, based on the assumption that regulation seeks to correct market failures and promote collective welfare. According to Pigou (1932), the State should intervene whenever negative externalities, informational asymmetries, or monopoly power compromise the efficient allocation of resources. This perspective introduced the notion of corrective intervention, in which the regulator is viewed as a neutral agent acting on behalf of the public interest.

Musgrave (1958) deepened this conception by defining three fundamental economic functions of the State: allocative, distributive, and stabilizing functions, which justify regulation as an instrument for economic and social balance. The allocative function addresses inefficiencies and provides public goods; the distributive function promotes equity; and the stabilizing function ensures price stability and employment levels (Musgrave, 1958). This framework consolidated the normative ideal of a rational State oriented toward the common good.

However, the advancement of economic and political theories from the 1970s onward introduced criticisms regarding the presumed neutrality of the State. More skeptical approaches, such as public choice theory and regulatory capture theory, demonstrated that the regulatory process is vulnerable to political pressures and organized interests (Peltzman, 2022; Stigler, 1971; Thomas & Thomas, 2022). This shift redirected the debate from a normative ideal toward a more realistic and strategic analysis of regulation.

From the perspective of contemporary Regulatory Capitalism, Levi-Faur (2005) argues that economic and social governance has undergone transformation, although the State continues to retain a steering function. This new order is manifested through a restructuring of the State involving increased delegation of authority to autonomous regulatory agencies and technical specialists, resulting in what the author describes as a "second-order indirect representative democracy" (Levi-Faur, 2005).

Similarly, Black (2014), in analyzing regulatory failures within systems designed to manage social risks, situates her analysis within the field of responsive regulation. Black (2014) argues that regulatory effectiveness depends on the robustness of institutional accountability structures and the level of trust among the various actors involved in the regulatory process. To achieve public objectives, regulation must be adaptive and capable of responding to systemic complexity and organizational failures, including conflicting incentives and institutional coordination problems.

Thus, although Public Interest Theory constituted the primary normative framework for justifying state intervention, both in its classical formulation centered on correcting market failures (Pigou, 1932; Musgrave, 1958) and in its contemporary interpretations focused on governance, accountability, and risk management (Black, 2014; Levi-Faur, 2005), its limitations have become increasingly evident in light of institutional complexity and the economic incentives present in regulated markets.

Public Interest Theory has gradually been challenged by approaches that view regulation as a field of strategic interactions among self-interested agents seeking private benefits. In this regard, Economic Regulation Theory (Peltzman, 1976; Stigler, 1971) provides a positive interpretation of the regulatory process, arguing that organized interest groups use the coercive power of the State to obtain wealth transfers, resulting, according to Stigler (1971), in regulation designed and operated primarily for the benefit of industry.

2.1.2 Economic Regulation Theory

George Stigler's Economic Regulation Theory (1971) established a milestone by criticizing the normative view of Public Interest Theory, which regarded regulation as a mechanism intended to correct market failures. Instead, the theory proposed a positive approach, suggesting that the coercive resources of the State are acquired by organized interest groups seeking to increase their own gains. In this sense, Stigler (1971) argues that regulation is generally acquired by industry and is designed and operated primarily for its benefit rather than for the promotion of public interest or efficiency.

Peltzman (1976), in his work *Toward a More General Theory of Regulation*, proposed a generalization of Stigler's Regulation Theory by abandoning the proposition that regulation exclusively serves a single economic interest. In his model, the regulator is conceived as a rational political actor seeking to maximize support or maintain political power. Therefore, according to Peltzman (1976), the regulatory process results from dynamic mediation among multiple competing interests, ensuring that regulatory benefits are, in practice, shared among different groups.

When analyzing the legacy of Economic Regulation Theory after fifty years, Peltzman (2022) argues that the most enduring impact of Stigler's work lies in its Public Choice framework and the subsequent emphasis placed on organized interests. Peltzman (2022) observes that regulation theory evolved into a broader analytical model in which the regulatory process is interpreted as the outcome of interactions among different interest groups seeking to influence public decisions.

From the perspective of Economic Regulation Theory, regulatory decisions tend to reflect interactions among competing interest groups attempting to influence public policy formulation (Stigler, 1971; Peltzman, 1976). In Brazil, technical asymmetry enables concessionaires to influence regulatory standards for their own benefit, illustrating the State's vulnerability to subversion highlighted by Shleifer (2005) and the strategic use of regulation to extract advantages, as demonstrated by Yandle (2010).

Stigler's (1971) initial formulations demonstrated that economic agents with greater mobilization capacity tend to direct the regulatory process toward their own interests, given that the State responds to organized pressures rather than to an abstract notion of public interest. The extension proposed by Peltzman (1976, 2022) reinforced this argument by showing that regulators act as political agents who weigh competing groups but, in practice, assign disproportionate weight to more organized and influential interests.

The Bootlegger–Baptist (B&B) Theory emerged in 1983 while its author was serving as Executive Director of the U.S. Federal Trade Commission. Developed by Bruce Yandle, and discussed here through his later theoretical refinements (2010, 2022), the theory expands the analysis of economic regulation by proposing that different interest groups may simultaneously support particular regulations for distinct reasons. Within this analytical framework, economically motivated groups may directly benefit from regulatory rules, while other groups contribute to publicly legitimizing regulatory intervention. This approach has been employed in the literature to understand how heterogeneous coalitions can influence regulatory processes across different economic sectors.

This dynamic complements the formulations of Stigler (1971), who emphasized the influence of organized groups, and Peltzman (1976), who modeled regulatory action as a balance among political pressures. Within Yandle's (2010, 2022) framework, the "Baptists" provide public legitimacy to regulations, while the "Bootleggers" capture economic benefits, reinforcing the argument that regulatory outcomes tend to reflect the relative strength of organized interests rather than necessarily serving the public interest.

2.1.3 Capture Theory

Capture Theory constitutes the central thesis of George J. Stigler's Economic Regulation Theory (1971). This positive approach criticizes the idealized view that regulation is established for the benefit of the public at large, arguing instead that the State, through its coercive power, is generally acquired by industry and operated primarily for its benefit.

The Brazilian electricity sector operates within an institutional context structured by specific legislation and by a set of regulatory institutions responsible for the coordination, supervision, and operation of the electricity system. The current regulatory model is based on Laws No. 9,074/1995 and No. 10,848/2004, which established the foundations for the organization of the electricity market and the mechanisms of economic regulation within the sector.

When examining the dynamics of this institutional arrangement, Souza et al. (2024) show that the Brazilian electricity sector is characterized by a high degree of organizational and regulatory complexity, arising from its operational specificities and from the dual disclosure regime, directly influencing corporate behavior and affecting the quality and relevance of reported accounting information. Furthermore, regulation in this sector should not be understood solely as the result of power disputes among interest groups. As demonstrated by Andrade and Martins (2017) and Ferreira et al. (2021), it constitutes a robust institutional system structured through State regulations and by the Brazilian National Electric Energy Agency (Aneel), which systemically articulates legal, economic, and operational mechanisms to coordinate market functioning and pursue a balance between tariff affordability for consumers and economic viability for investors.

Although Peltzman (1976) recognized Stigler's fundamental influence, he generalized the theory by proposing that regulators seek to maximize net political support or tenure security and that, rather than serving a single economic interest, the regulatory process produces a coalition in which benefits are shared among competing groups, such as producers and consumers. Peltzman's (1976) generalization nevertheless reinforces the notion that regulation constitutes a political arrangement that does not eliminate the unfavorable allocative consequences of market failures but instead serves political pressures aimed at redistribution.

From this perspective, Stigler's (1971) original framework is expanded by incorporating political variables and recognizing that the regulatory process may reflect an equilibrium point among competing pressures. The institutionalization of capture therefore occurs not only through direct economic influence but also through structural arrangements that enable the gradual co-optation of regulatory agencies, including legal and budgetary incentives that affect their decision-making autonomy (Peltzman, 1976).

Sam Peltzman's (1976) approach constitutes an "extension and generalization" of George Stigler's theory by developing a broader Theory of Regulation that moves away from the notion of unilateral domination. Peltzman (1976) defines regulation as a "fulcrum" through which competing interests seek leverage in the redistribution of wealth.

From a contemporary perspective, in *Towards a Political Theory of the Firm*, Zingales (2017) challenges neoclassical theory, which assumes that firms lack the power to influence the rules of the game. The author argues that the revenues of large corporations frequently rival those of national governments, granting them not only the incentive but also the capacity to acquire political power.

Zingales (2017) warns of the "Medici Vicious Circle," in which economic power is mobilized to acquire political power and, subsequently, political power is used to expand market power. The effectiveness of this political influence is intrinsically linked to the firm's economic power, which determines the credibility of promises regarding future career opportunities, a common lobbying mechanism (Zingales, 2017). Accordingly, the author concludes that regulatory capture is a deeply integrated process in which a firm's greater market power provides it with a comparative advantage in the political "game of influence."

2.2 The Logic of Dual Disclosure: Corporate Accounting versus Regulatory Accounting

In the Brazilian electricity sector, dual accounting disclosure became necessary because the adoption of IFRS (International Financial Reporting Standards) eliminated the recognition of regulatory assets and liabilities from corporate financial statements, thereby reducing informational relevance for investors, as demonstrated by Flores and Lopes (2019). At the same time, Souza et al. (2024) show that organizational complexity and differences between financial and regulatory standards intensify informational asymmetries and justify the continued use of Regulatory Financial Statements structured according to the Electricity Sector Accounting Manual (MCSE).

These divergences become evident in specific accounting practices. Within the regulatory framework, concession-related assets are measured using the Regulatory Asset Base, whose purpose is to ensure an adequate return on invested capital for tariff-setting purposes, potentially diverging from the fair value or historical cost criteria adopted in corporate financial statements. Likewise, tariff components such as sectoral charges and related revenues may be recognized differently across regulatory and corporate accounting systems, affecting earnings determination. These differences reveal that the two accounting models serve distinct objectives, informational and regulatory, which may generate asymmetries in the interpretation of the performance of electricity sector companies.

The adoption of IFRS in the electricity sector reduced the relevance of corporate information by excluding essential regulatory elements, as indicated by Flores and Lopes (2019), while measurement divergences between financial and tariff standards produce significant distributive impacts according to Andrade and Martins (2017). Moreover, recent studies demonstrate that greater structural complexity intensifies informational asymmetries and makes interpretation more difficult for investors (Souza et al., 2024).

Souza and Rodrigues (2024) found that descriptive results indicate that, on average, regulatory financial statements exhibit earnings management aimed at increasing reported results, whereas corporate financial statements show earnings management directed toward reducing reported results. This pattern is consistent with the loss of informational relevance following IFRS adoption (Flores & Lopes, 2019) and with the strategic use of normative divergences by electricity distributors (Ferreira *et al.*, 2021).

2.3 Enforcement by Regulatory Agencies

Enforcement in regulated environments refers to the institutional capacity to monitor, discipline, and sanction agents in order to contain opportunistic behavior and reduce informational asymmetries. Becker's (1968) economic logic suggests that individuals respond rationally to incentives and penalties, while Ewert and Wagenhofer (2016) demonstrate that excessive rigor may generate adverse effects by reducing audit effort and compromising the quality of disclosed information.

Shleifer (2005, 2010) emphasizes that enforcement is the central component of efficient regulation, as its capacity to monitor and sanction agents determines whether rules will produce tangible effects. Conversely, the absence of adequate incentives and penalties encourages opportunistic behavior and increases the risk of regulatory capture.

Laux and Stocken (2017) argue that enforcement disciplines financial reporting by increasing the costs of noncompliance, but may also restrict innovation when it becomes excessively rigid, demonstrating that regulatory effectiveness depends on balancing supervisory rigor with economic incentives.

According to Schantl and Wagenhofer (2020), the interaction between public and private monitoring mechanisms may affect incentives related to the quality of accounting information. The authors argue that, in certain institutional contexts, these mechanisms may assume a

substitutive role, particularly in highly litigious environments, where increased public enforcement may be associated with a relative reduction in private monitoring.

Similarly, Thomas and Thomas (2022) warn that the effectiveness of regulatory coercion is inherently limited because public regulation itself is subject to institutional weaknesses.

The contrast between Shleifer (2005, 2010) and Thomas and Thomas (2022) highlights that, while Shleifer emphasizes enforcement as a necessary condition for aligning incentives, disciplining agents, and ensuring regulatory efficiency, Thomas and Thomas argue that oversight itself may be weakened by political pressures and disputes among organized interest groups. This reveals that institutional vulnerabilities can undermine enforcement and compromise regulators' ability to safeguard the public interest.

2.4 Empirical Evidence of Dual Regulation in the Brazilian Electricity Sector

Andrade and Martins (2017) demonstrate that accounting choices related to the measurement of regulatory assets directly affect tariff formation in the Brazilian electricity sector, showing that accounting divergences are not merely technical issues but also produce significant distributive effects between firms and consumers. Electricity tariffs are composed of Portion A, which refers to non-manageable costs such as energy acquisition, and Portion B, which includes manageable costs such as infrastructure investments. Temporal divergences in the recognition of regulatory assets and liabilities arising from these portions, particularly after the adoption of IFRS, are precisely what affect earnings determination differently across the two accounting models.

By comparing the Brazilian and Canadian contexts, Flores and Lopes (2019) demonstrate that the adoption of IFRS and the exclusion of regulatory assets reduced the informational relevance of electricity distributors in Brazil. The explanatory power of book value declined from 0.51 to 0.32, a reduction not observed among companies operating in the same sector in Canada. This informational gap demonstrates market impacts and justifies the maintenance of regulatory accounting by Aneel.

Using regression models, Ferreira et al. (2021) statistically demonstrate that corporate financial statements possess greater explanatory power regarding the stock prices of Brazilian electricity companies (R^2 of 65.39%) than regulatory reports (R^2 of 58.96%). This empirical finding confirms that the market prioritizes IFRS-based information, indicating that dual regulation generates competing informational bases and increases interpretive complexity.

By applying discretionary accrual models, Souza and Rodrigues (2024) statistically demonstrate that Brazilian electricity distributors manage earnings in opposite directions across reporting systems. The empirical evidence reveals that regulatory financial statements are manipulated to increase profits, whereas corporate reports are managed to reduce them, confirming the opportunistic use of dual regulation to mitigate different institutional pressures.

By testing regression models using the Herfindahl-Hirschman Index (HHI) to measure organizational complexity and the Ohlson model to assess information relevance, Souza et al. (2024) statistically demonstrate that high revenue complexity penalizes the market value of Brazilian electricity companies. The evidence reveals that this complexity affects the relevance of corporate financial statements prepared under IFRS more severely than regulatory statements, drastically reducing the explanatory power of earnings and equity for investors.

By combining the Global Continuity Performance Indicator (DGC) with discretionary accrual models, Souza and Paulo (2025) statistically demonstrate that electricity distributors with lower service quality engage more intensively in earnings management practices. The evidence indicates that frequent power outages increase accounting manipulation, confirming the opportunistic use of earnings management to conceal poor operational performance, avoid regulatory penalties, and improve market perceptions.

3 METHODOLOGICAL PROCEDURES

This study is characterized as a reflective and argumentative theoretical essay whose purpose is to construct knowledge through conceptual analysis and critical interpretation, as proposed by Meneghetti (2011). This approach enables the examination of dual accounting regulation and its informational effects without relying on direct empirical evidence, but rather on the logical articulation of concepts and theories.

The investigation was organized around three analytical axes: (i) foundations and evolution of regulation theories; (ii) informational effects of dual accounting disclosure; and (iii) the role of enforcement and regulatory governance. The study integrates economic, institutional, and accounting dimensions, in line with the theoretical essay literature, which emphasizes the need for rigorous argumentative structure to support critical interpretations and conceptual connections across different fields of knowledge (Meneghetti, 2011).

The authors included in the analysis were selected based on criteria of theoretical relevance and international representativeness, combining classical contributions to regulation theory, such as Pigou, Stigler, and Peltzman, with contemporary studies addressing regulatory capture, enforcement, and accounting information quality, following methodological recommendations from analytical review studies that prioritize sources capable of supporting critical interpretations in complex regulated environments (Flores & Lopes, 2019; Souza & Rodrigues, 2024; Thomas & Thomas, 2022).

4 ESSAY DISCUSSION

The seminal literature on regulation demonstrates that state intervention emerged as an attempt to correct market failures. However, Stigler (1971) and Peltzman (1976) showed that, contrary to Pigou's (1932) normative ideal, regulation is often influenced by organized interests, producing informational effects that reflect strategic incentives rather than collective welfare.

From this perspective, this diagnosis remains valid because the institutional structure of regulated sectors, such as the electricity industry, continues to be vulnerable to pressures exerted by groups possessing greater mobilization capacity and technical expertise. Contemporary studies reinforce that informational asymmetry and strategic interactions between regulators and regulated entities continue to shape regulatory outcomes, as argued by Thomas and Thomas (2022), who highlight institutional limitations and enforcement vulnerabilities.

The literature suggests that, in environments characterized by the coexistence of multiple accounting frameworks, informational effects may reflect not only the technical aspects of accounting standards but also the institutional incentives associated with the regulatory environment. In this context, regulation may influence accounting choices and generate distinct interpretations of reported information. In the case of the Brazilian electricity sector, such effects should be interpreted in light of its specific institutional framework, avoiding generalizations that overlook the sector's regulatory complexity.

Public Interest Theory, formulated by Pigou (1932) and further developed by Musgrave (1958), is based on the premise of a neutral State capable of correcting inefficiencies. However, its normative foundations have been challenged by evidence showing that regulators are neither perfect nor detached agents, but rather actors embedded in environments shaped by incentives. It can be argued that although the theory provides an important ethical framework, it remains insufficient to explain the political and informational realities of regulated sectors.

More recent approaches, such as Levi-Faur's (2005) Regulatory Capitalism and Black's (2014) Responsive Regulation framework, show that the State retains a steering role but is simultaneously constrained by pressures, risks, and institutional incentives that make the regulatory process more complex and less linear. From this perspective, these contributions demonstrate that the public interest does not disappear but instead competes with private interests

and organizational constraints, making regulation a hybrid field in which neutrality is more of an ideal than an operational reality.

From the perspective of Economic Regulation Theory, Stigler (1971) introduced the view that regulatory processes may be influenced by organized groups pursuing specific interests, an argument later expanded by Peltzman (1976), who incorporated interactions among multiple actors competing for regulatory benefits. These models constitute relevant analytical frameworks for understanding the incentives present in regulated environments. However, in the case of the Brazilian electricity sector, such interpretations must be analyzed in light of its specific institutional structure, primarily established by Laws No. 9,074/1995 and No. 10,848/2004, which regulate electricity commercialization, as well as by the regulatory institutions responsible for defining and overseeing sector rules.

Yandle (2010, 2022) further develops this logic by identifying unlikely coalitions, referred to as "Bootleggers and Baptists," which simultaneously legitimize and capture regulation, while Peltzman (2022) reaffirms that industry continues to exert considerable influence over regulatory decisions. From this perspective, it may be argued that Economic Regulation Theory remains a particularly powerful framework for explaining dual accounting regulation in Brazil, as it highlights how organized interests use regulatory complexity as a strategic asset.

Capture Theory, proposed by Stigler (1971) and expanded by Peltzman (1976), argues that regulatory agencies tend to become dominated by economically interested groups, particularly when benefits are concentrated and costs are diffuse. This framework is essential for interpreting the electricity sector, where firms possess technical knowledge and influence capacities that often exceed those of consumers and even regulators.

Zingales (2017) deepens this argument by explaining how large corporations convert economic power into political power through the so-called "Medici Vicious Circle," reinforcing the notion that capture is a political phenomenon rather than merely an economic one. Based on this perspective, dual accounting disclosure becomes relevant to informational capture because it allows the strategic manipulation of metrics, normative differences, and informational asymmetries between regulators and regulated entities.

Authors such as Andrade and Martins (2017) demonstrate that measurement choices produce significant distributive effects on tariffs, while Ferreira et al. (2021) provide evidence that corporate information possesses greater relevance than regulatory information. Dual disclosure makes explicit the conflict between competing institutional logics: one oriented toward investors and the other toward tariff regulation.

Souza et al. (2024, 2025) show that firms exploit divergences between IFRS and the MCSE to adjust reported results, thereby compromising informational quality, while Flores and Lopes (2019) demonstrate a loss of informational relevance in the post-IFRS period. These studies provide evidence that dual regulation is not merely a technical issue but instead creates incentives for accounting arbitrage and informational opacity that weaken regulatory governance.

Regarding regulatory enforcement, Becker's (1968) economic approach demonstrates that individuals respond to incentives and sanctions, whereas Shleifer (2005, 2010) argues that effective enforcement is a necessary condition for regulation to function properly. This implies that regulatory accounting will produce tangible effects only when accompanied by sufficient coercive capacity to discipline opportunistic behavior.

Ewert (2016) demonstrates that excessive enforcement may reduce informational quality when it acts as a substitute for auditing, while Thomas and Thomas (2022) reveal structural vulnerabilities within regulatory agencies. At the same time, Schantl and Wagenhofer (2020) reinforce the importance of strategic interactions between public and private monitoring mechanisms. Based on this evidence, the Brazilian enforcement framework must be properly calibrated so that it is sufficiently strong to prevent manipulation while also being balanced enough to avoid generating adverse effects.

5 FINAL CONSIDERATIONS

This theoretical essay aimed to analyze how dual accounting regulation in the Brazilian electricity sector promotes informational asymmetries and regulatory capture practices through the lens of regulation theories. Using a reflective and argumentative approach, the study sought to understand how institutional and economic pressures may shape the production and disclosure of financial statements, exploring potential informational distortions and regulatory capture strategies.

The literature review revealed that the coexistence of corporate and regulatory accounting standards, although justified by distinct purposes, may intensify informational asymmetries, interpretative divergences, and opportunities for manipulation. Existing studies suggest that the coexistence of multiple accounting frameworks in the Brazilian electricity sector is associated with the presence of distinct incentives influencing firms' accounting choices. In complex institutional environments, these differences may generate informational divergences between corporate and regulatory standards, potentially affecting comparability and the interpretation of entities' economic and financial performance, particularly when considering the regulatory specificities of the sector.

Beyond the informational asymmetries identified, this essay demonstrates that the practice of dual accounting disclosure among Brazilian electricity companies reflects institutional and economic pressures operating under conflicting reporting logics. The analysis showed that accounting, in this context, ceases to function as a neutral instrument and instead assumes a strategic role, potentially being shaped by the interests of managers, regulators, and investors.

It was further observed that normative flexibility and the coexistence of distinct standards create opportunities for accounting arbitrage and earnings management practices, potentially compromising the informational function of financial statements. Accordingly, the discussion reinforces the argument that, in regulated environments, accounting information quality is directly associated with institutional structures and the enforcement capacity of regulatory agencies.

From a theoretical perspective, the study expands understanding of the strategic role of accounting in regulated contexts by integrating regulation theory with the challenges arising from dual accounting regulation.

From a practical standpoint, the study seeks to contribute to the understanding of challenges associated with dual accounting regulation in the Brazilian electricity sector by discussing how the coexistence of different normative frameworks may influence the interpretation of accounting information. In this regard, the analysis provides elements that may support reflections on the role of accounting and regulatory standards in complex institutional environments.

For investors and users of financial information, this study highlights the risks of interpretation arising from divergences between reporting standards. For regulators, it emphasizes the need to strengthen enforcement mechanisms and promote greater integration between accounting standards and regulatory objectives. For auditors and accounting professionals, it points to the importance of heightened technical vigilance in environments characterized by dual regulation and asymmetric incentives. The study also seeks to contribute to the broader literature on the regulation of organizations that report accounting information, as the insights developed here provide an integrated understanding of how dual accounting disclosure may influence the accounting information environment, thereby contributing to a more comprehensive understanding of the multiple factors shaping this environment.

As a theoretical essay, this study is limited to the conceptual and normative analysis of the issue and does not incorporate empirical evidence or specific case studies. Future research should seek to investigate the structural and strategic effects of dual accounting disclosure in regulated sectors. Future studies may contribute to understanding how different enforcement configurations affect accounting information quality, which mechanisms firms use to arbitrate between conflicting standards, to what extent this duality encourages regulatory capture practices, and how

stakeholders' perceptions are influenced by these normative divergences. These themes represent promising avenues for theoretical and empirical advances in regulatory accounting. Investigating such issues may contribute to strengthening regulatory governance and promoting accounting systems that are more transparent, comparable, and aligned with the public interest.

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CONFLICT OF INTERESTS

The authors declare no conflict of interests.

DATA AVAILABILITY

The dataset supporting the findings of this study is not publicly available.

AUTHOR CONTRIBUTIONS

Roles	1st author	2nd author
Conceptualization		♦
Data Curation	♦	
Formal Analysis	♦	♦
Funding Acquisition	♦	
Investigation	♦	
Validation		♦
Writing – Original Draft	♦	
Writing – Review and Editing	♦	♦