



Commission for
Communications Regulation

Consultation on current generation wholesale access services: ComReg Document 15/67

Recent correspondence: Eircom and ComReg

Reference: ComReg 15/67D

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An Coimisiún um Rialáil Cumarsáide
Commission for Communications Regulation

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Mr Donal Leavy
Director Wholesale Division
Commission for Communications Regulation
Abbey Street
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5 August, 2015

Dear Donal

ComReg Consultation and draft decision on the pricing of current generation wholesale access services

I refer to the consultation and draft decision published on 3 July. I note that responses to the consultation are due by 28 August. For a number of reasons, including those set out below, eircom does not think it can complete the work it needs to do on the consultation in the time allowed and now formally applies for an extension. If there is no extension of time then we think this may render the consultation process flawed. The consultation period falls wholly in the holiday period and so it is difficult to deal adequately with all the issues raised in the light of absences of key personnel.

There are two other reasons why we think we need an extension of time. The first is that the range of the services covered by the consultation has broadened since the last equivalent consultation and to adequately prepare the eircom position on the price control appropriate to each requires a longer consultation period. The second is that a first detailed reading of the Consultation Document itself has identified several issues which we consider need clarification by ComReg so that all stakeholders can respond with full information. In addition there a number of clear errors in the models supplied to eircom that should be corrected before the consultation closes.

eircom believes that the length of the extension should be at least eight weeks after clarification of the points for the reasons explained in this letter.

Range of Services

When the last equivalent consultation on pricing access network services based on a cost model was published six weeks was allowed for analysis, advice, drafting, and internal approval. That consultation covered the methodology for setting the price control for the monthly rental charge for the LLU services unbundled local metallic path (ULMP) and sub-loop unbundling (SLU).

As far as this consultation is concerned in the WPNIA market alone, in addition to proposing new methodologies to set the ULMP and SLU monthly rental charges, ComReg is consulting on pricing methodologies and indicative price levels for duct sharing, pole access, and local dark fibre access. In the WBA market ComReg is consulting on the pricing methodology for current generation

Bitstream services in general and Stand Alone CGA Bitstream in particular. Furthermore in the FACO market ComReg has included in the current consultation proposed pricing methodologies for a price control by cost orientation for single billing by wholesale line rental (SB-WLR) and access to eircom's PSTN and ISDN telephony services. The additional workload in responding on the additional price controls by service is also multiplied by the introduction of a range of costing models, cost treatments, and geographic de-averaging of national cost levels that vary as between the services in the three markets.

Clarifications Needed

There a number of issues of importance to the pricing of wholesale access services which are either too ambiguous, or not developed in sufficient detail, to allow an informed response in the current draft of the consultation document. These are listed and described briefly in the order in which they arise in the consultation document – rather than in their order of importance.

1. Sub-loop unbundling and EVDSL

Consultation questions 8, 9, and 10 are framed in the context of ComReg's preliminary views on the pricing of ULMP and SLU services where the differences between the two services and their costs arise from the role of the latter as an input to an end-to-end NGA deployment using FTTC architecture. Recent developments in exchange launched VDSL have led to the use of exchange-launched loops for NGA purposes. In this case the useful limit of 1 kilometre loop length will apply to the ULMP full loop as it does to the sub-loop in the case of cabinet launched VDSL. There are a number of possible approaches to setting ULMP and SLU prices in this context, such as reducing the ULMP price to recover the cost of the shorter loops used to provide service from OAO EVDSL ports – only for those loops connected to EVDSL equipment, or allowing the OAO to order SLU at all LLU exchanges – but only for services connected to EVDSL equipment.

There is clearly a level of complexity added by the impact of EVDSL on ULMP and SLU pricing that has not been addressed in the current draft of the consultation paper.

2. Pole Access Pricing

At question 14 ComReg seeks support for the view that pole access prices should be set on the basis that an operator adding a cable to an existing eircom pole route should be charged so as to contribute 50% of the costs of the poles used¹. When setting the price for LLU Line Share as part of consultation ComReg 08/106 there was an extensive discussion of ten possible allocation methodologies and their potential impact on the WBA market in Ireland. In the current consultation there is no such discussion or assessment of impacts. In addition to this there is no clear discussion as to how the implementation of the 50:50 allocation rules will affect pole access

¹ eircom understand from bilateral discussions that the 50% allocation comes from an assumption that the CAM designs routes with one copper cable per pole. The real network build over time has a much higher number of cables per pole. The rationale is not explained in the consultation paper

charges applied to operators when the original eircom cable is removed from the pole route as may be the case in the Intervention Area for the National Broadband Plan.

Given the potential role for access to eircom poles in operators preparing tenders for the NBP over the next year a detailed understanding of the principles and implementation of pole access pricing should be addressed in the current consultation. ComReg should at least publish an additional annex to the consultation paper addressing these issues.

3. Sub-duct costs, duct sharing pricing, and dark fibre pricing

At questions 15, 16 and 17 there is ambiguity and inconsistency between the uses of the terms “cost” and “price” and between the treatments of nationally averaged costs to set prices for duct sharing and dark fibre access. There is also an inconsistency between the geographically de-averaged approach proposed for duct access pricing and the nationally averaged approach proposed for dark fibre – a service that uses many of the same input costs.

In addition, eircom has announced a wider FTTH deployment. The costs modelled to date in the CAM (and used to inform the “preliminary annual price per metre”) relate exclusively to FTTC deployments between eircom MDFs and street cabinets.

4. Connection Costs and WLR pricing

In question 23 ComReg proposes that an uplift of circa €0.50 per month to the direct monthly costs of the service should apply to SB-WLR monthly rental. There are a number of rental services for those currently taking SB-WLR (PSTN, ISDN-BRA, ISDN-F/PRA) and each can have a range of connection fees. In general ISDN provisioning costs are very much higher than PSTN provisioning costs. Yet there is no discussion as to whether the price control proposed should include a higher charge per line for ISDN rental than the single charge per line mentioned in the consultation.

Errors in the Models

In the “Retail Line Rental Margin Squeeze Model” there is a simple calculation for the monthly cost per retail PSTN service derived from the eircom FY13 and FY14 separated regulatory accounts. This monthly cost has been $\frac{\text{total retail cost of PSTN line rental}}{\text{volume of PSTN services}}$ in both versions of the test by the error of dividing the total retail cost of PSTN line rental by $\frac{\text{total retail cost of PSTN line rental}}{\text{volume of PSTN services}}$. When this is corrected the average monthly retail cost $\frac{\text{total retail cost of PSTN line rental}}{\text{volume of PSTN services}}$.

In the “Copper Access Model – Main Model – July 2015” the results worksheet shows an output for ISDN BRA monthly rental based on the treatment that each service uses two copper pairs. In reality all ISDN BRA services are delivered over a single copper pair. ISDN FRA and PRA services are generally delivered over two copper pairs using HDSL technology to deliver a 2 Mbps bearer – but many use alternative fibre, co-axial cable, or radio, access to deliver the same bearer capability.

Length of extension

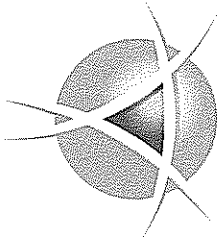
eircom has made an FOI request for Annex 12 to the consultation, which it would wish to respond to. We have been informed that we will not receive a response to this until Friday 7 August and dependent on whether the whole document is made available it may take us some time to respond. Without sight of the information we are unable to determine how long it would take us to respond. Aside from that part of the consultation, ideally eircom believes that the length of the extension should be at least eight weeks after clarification of the points raised above. We would be more than happy to discuss the matters set out in this letter if that would assist ComReg.

Yours sincerely



Robyn Durie

Cc Caroline Jordan, Kjeld Hartog – ComReg, Paul Walsh, James O'Cleirigh, Donal Donovan, eircom



Commission for
Communications Regulation
Coimisiún Um
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13 August 2015

Ms Robyn Durie
Interim Head of Legal and Regulatory
Eircom Limited
1 Heuston South Quarter
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Dublin 8

Ref: ComReg consultation and draft decision on the pricing of current generation wholesale access services

Dear Robyn,

Thank you for your letter of 5 August.

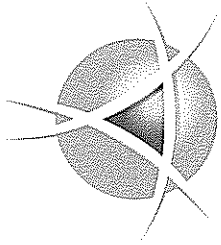
Set out below is our response to the main points raised in your letter under the relevant headings.

Range of services

In your letter you state that: *"In the WBA market ComReg is consulting on the pricing methodology for current generation Bitstream services in general and Stand Alone CGA Bitstream in particular."* I would like to point out that our wholesale access pricing consultation¹ (referred to throughout this letter as "the Consultation") does not revisit "in general" the pricing methodology for current generation Bitstream services. The price control obligation in relation to current generation Bitstream was addressed in ComReg Decision D11/14². With respect to Standalone Bitstream we are further specifying the cost orientation obligation for Standalone Bitstream outside the LEA only as specified in ComReg Decision D11/14. This is clearly set out in chapter 7 of the Consultation.

¹ ComReg Document 15/67: Eircom's Wholesale Access Services: Further specification and amendment of price control obligations in Market 4 and Market 5 and further specification of price control obligations in Market 2; dated 3 July 2015.

² ComReg Document No 14/73R: 'Wholesale Broadband Access: Price Control obligation in relation to current generation Bitstream; dated 9 July 2014.



Clarifications Needed

1. Sub-loop unbundling and EVDSL

Further to your point regarding the recent launch of EVDSL and the potential considerations for LLU and SLU pricing, we would welcome your views on any appropriate alternative treatment of this matter as part of your consultation response. In particular, it would be useful to understand in more detail why, in your view, a limit of 1 kilometre should apply for full LLU.

2. Pole Access Pricing

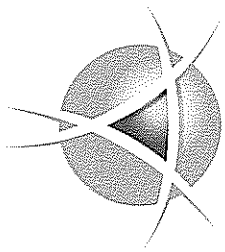
The proposed approach for pole access is based on a cost allocation by reference to capacity as each cable is considered to use a share of the capacity of the pole. This general approach is normally used by NRAs for allocating costs in cost models and it is the approach used by ComReg in almost all of its cost models to date. With regard to your point that there is no discussion on the allocation rules for pole access pricing, I refer you to the details of the proposed allocation approach for pole access, as discussed in the Consultation at Chapter 8, paragraphs 8.27 to 8.38.

As you are aware, in the Consultation we have proposed a price per pole assuming that there are 2 cables on any given pole. This is a general assumption and we recognise that in some areas there may be more or fewer than 2 cables per pole.

With regard to your view that there is no clear discussion in the event that the "original eircom cable is removed from the pole", I refer you to our discussion at Chapter 8 of the Consultation and in particular paragraph 8.28.

The consultation proposes a national annual pole *cost* of €19.74 per annum. It also proposes that the annual rental price will vary pro-rata depending on the number of cables on a pole. For illustrative purposes, if the cost per pole is €20 and there are four cables on a particular pole, the pole access annual rental price for each cable would be €4 per annum. If an operator were to use, for example, two of these cables its share of the pole cost would be two fifths or €8 per annum. Figure 40 in Chapter 8 of the consultation sets out the price per pole just under two scenarios but the logic is the same as the foregoing example. One scenario is where there are 2 cables per pole and a second is where there is only one cable per pole. I note that thus far no other operator has found it necessary to seek clarification from us on this matter. In our view the approach set out in the consultation is perfectly clear and there is no need for a supplementary annex.

I do not understand the relevance of your comments about our line share pricing consultation (which was published 7 years ago). However, I note that the issue at hand seems to us to be considerably more straightforward than in the case of line share and the number of potential means to ensure that Eircom recovers the efficient cost of



poles are considerably fewer. However, if there are any practical alternatives which we have overlooked we would be very grateful if you could set these out in your response.

3. Sub-duct costs, duct sharing pricing and dark fibre pricing

I note that you do not explain the basis of your claim that there is ambiguity and inconsistency between the uses of the terms “price” and “cost” in questions 15, 16 and 17, or your view that there is an inconsistency between the geographically de-averaged approach proposed for duct access pricing and the nationally averaged approach proposed for dark fibre. I suggest that you might document the bases for your opinion as part of your response and we will consider it at that stage.

I note your point regarding Eircom’s FTTH deployment. While the consultation is concerned with price control obligations for current generation services, our treatment of the various alternative technologies is set out in paragraphs 5.17 – 5.26 in particular.

4. Connection costs and WLR pricing

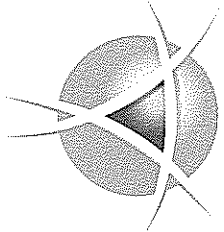
With regard to your point about the uplift of €0.50 for provisioning in the context of SB-WLR ISDN services, we note that the cost calculations in the model are based on information provided by Eircom.

Our preliminary view, as set out in the Consultation in Chapter 6, at paragraphs 6.169 and 6.170, is that the same pricing principles as that proposed for SB-WLR PSTN services should apply in the context of SB-WLR ISDN services. If the ISDN connection costs differ from the PSTN connection costs then please provide these details to us as part of your response to consultation and we will consider it in the context of the model.

Errors in the Models

Regarding your comment on the “Retail Line Rental Margin Squeeze Model”, in the version of the model sent to you on 3 July, we have used the Σ volumes as the denominator for calculating the unit retail costs. If you consider that the Σ volumes is a more appropriate basis then please provide your views on this point as part of your consultation response and we will consider it in the context of any final updates to the model as a result of the overall consultation process.

With regard to your point in respect of ISDN BRA we will consider this as part of any final updates to the model as a result of the overall consultation process.



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Regarding your view that "the models supplied to eircom should be corrected before the consultation closes", as you are aware modelling is an iterative process. Once the fundamentals of the model and the over-riding principles are sound and robust, the underlying data can continue to be reviewed to ensure the data contained within it is as robust and accurate as possible. As we have not received all interested parties' views on the fundamentals of the model (for example whether the test should be based on an Equally Efficient Operator versus a Similarly Efficient Operator), and as has been ComReg's practice to date, we do not propose to issue a revised model to you until we have considered all responses. In addition, you appear to have updated your own version of the model as you have considered appropriate and are therefore aware of any potential impact.

Consultation extension request

We are currently considering your consultation extension request and will deal with this separately.

We are dealing with matters relating to Freedom of Information ('Fol') in line with the relevant legislation.

I look forward to receiving your full response to the Consultation in due course.

We intend to publish this letter and the non-confidential version of your letter of 5 August on our website.

Yours sincerely,

Donal Leavy
Director
Wholesale Division