Office of Utility Regulation

Reference Offer for Interconnection and Access: Rates

Direction to Cable & Wireless Guernsey

in accordance with section 10(3) and section 10(2) of the Telecommunications (Bailiwick of Guernsey) Law, 2001

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1. Introduction

As telecommunications markets have been opened up to competition around the world it has become very clear that a critical factor in the success of competitive market entry is the ability of new entrants to gain access to the existing telecommunications network of the incumbent operator at fair rates. This is necessary for various reasons.

First, the incumbent telecommunications operator will generally have a widespread network already in place. Where the incumbent has had a monopoly on the provision of networks and services, as has been the case in Guernsey, all of the customers in the relevant area will be connected to that network and taking services from the incumbent. This gives the incumbent a significant advantage compared to a new entrant that has no network and no access to customers. In order to level the playing field, cost-effective access to the incumbent network is essential.

Second, as the new entrants build their own networks or facilities it is essential that the users of those networks can call, and be called by, the users of the incumbent network. The new and existing networks must be interconnected to achieve this.

Finally if the new operator wishes to provide any services to the users of the incumbent network, then once again, the new entrant must have access to those customers. This can only be achieved through access to the incumbent's network in the short to medium term.

To facilitate interconnection and access in a fair and timely fashion, the regulatory regime in Guernsey (in common with many other jurisdictions) provides for the production of a Reference Offer ("RO") by the incumbent dominant operator setting out the terms and conditions for interconnection with and access to its network. This allows potential new operators to evaluate and plan entry into the Guernsey telecommunications market and have a basis on which to negotiate their individual interconnection and access agreements with Cable & Wireless Guernsey ("C&WG"). Experience shows that this can speed up entry into the market thus facilitating the development of competition.

In July 2002, C&WG (GT as it then was) published a RO for the Guernsey market which provided new entrants with;

- the terms and conditions they need to meet to enter into interconnection with the GT network or to receive access to the network;
- the range of interconnection and access services they may purchase, and
- the prices of those interconnection and access services.

In August 2003 the OUR consulted on the existing range of interconnection and access services contained in the RO[1] and has recently published a response to the consultation and a number of Directions to C&WG requiring it to amend its RO[2].

The RO includes a Schedule (Schedule 5) of rates for the services contained in the RO. These rates were agreed as appropriate for presentation to the newly opening market in July 2002. However, as the rates were not supported by evidence of cost-orientation as required by legislation, they were presented as interim rates pending the development of better information by C&WG and the submission of proposed new rates by C&WG with associated justification based on that information.

Pursuant to a Direction from the OUR, on 14th November 2003 C&WG submitted its cost-justification for proposed rates that it believes are appropriate and compliant with its legal obligations. C&WG also submitted, on 22nd August 2003, its 2001 separated accounts and on 31st October 2003 its 2002/3 separated accounts. The latter form an integral input into C&WG's submission of 14th November 2003.

This document sets out the result of the initial review of the interim rates, including the information submitted by C&WG and sets out a direction to C&WG on this matter.

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[1] OUR 03/22: Review of Cable & Wireless Guernsey's Reference Offer for Interconnection and Access: Consultation Document

[2] OUR 03/32 Review of Cable & Wireless Guernsey's Reference Offer for Interconnection and Access: Report on Consultation and Decision Notice

2. Background

2.1. Legislative Background

Section 10 of the Telecommunications (Bailiwick of Guernsey) Law, 2001 ("the Telecoms Law") sets out the Director General's ("DG") powers with regard to interconnection and access and describes the requirements that the DG may impose on *inter alia* any licensee whom she determines has a dominant position in a relevant market.

The DG has determined (Document OUR 01/14), that C&WG has a dominant position both in the fixed telecommunications network and services market and in the mobile telecommunications network and services market. OUR further informed C&WG that the provision of section 10(2) of the Telecoms Law would apply to it thus requiring it in due course;

(a) to make its procedures for the provision of interconnection and access publicly available on a non-discriminatory basis in a manner that is to the reasonable satisfaction of the DG;

(b) to offer a standard interconnection and access agreement (referred to as the "Reference Offer") which is available under non-discriminatory terms, conditions and charges, and on a non-discriminatory basis, no less favourable than that offered to -

    (i) any of C&WG's own services; or

    (ii) any associated company of C&WG's or services of such a company;

(c) to provide interconnection or access on terms, conditions and charges that are transparent and cost-oriented having regard to the need to promote efficiency and sustainable competition and maximise consumer benefits;

(d) to provide interconnection or access at any technically feasible point in its telecommunications network; and

(e) to provide interconnection or access in a manner that is sufficiently unbundled so that the person requesting interconnection or access does not pay for telecommunications network components or telecommunications services that he does not require.

In addition, the Telecoms Law makes provision for the DG to direct changes to the standard interconnection and access offering and to require C&WG to justify its costs or charges for the provision of interconnection and access services.

2.2. C&WG Reference Offer

In July 2002, following a number of directions from OUR, C&WG published a RO for the Guernsey market. The RO is available from the C&WG website[3] and includes a range of core services that the OUR considered were essential for new operators to plan for and enter the Guernsey telecommunications market. The services included in the first RO are based on network elements or components and form a "building block" structure whereby individual services can be combined in various different ways to make up the end products and services sold to telecoms users. This structure is simple and logical, and minimises complexity and administrative and processing overheads for all parties in the market, thus easing market entry and keeping costs low.

In common with ROs in telecommunications markets worldwide, the Guernsey RO is considered a living document which will evolve to meet market needs. The OUR recently concluded a review of the existing scope and range of interconnection and access services offered by C&WG to new entrants (see Document OUR 03/32 for details). The report also addressed the priorities for the further development of a competitive telecommunications market in Guernsey and how the RO should evolve to meet those priorities.

One service that is not included in the RO is the provision of leased lines to competing operators. C&WG has appealed the OUR's decision to require this service to be included in the RO and this matter has been considered by the Utility Appeals Tribunal which is expected to deliver its decision in the appeal in the near future.

2.3. Rates for Services

In order to determine rates for interconnection and access that are related to C&WG's costs, the DG requires full and accurate justification of the costs to C&WG of providing interconnection and access. At the time of opening up the market, C&WG was unable to provide such information and this prompted a range of additional workstreams by OUR, including independent benchmarking and additional research to inform the DG's decisions in relation to interconnection and access service prices.

In the event, a set of charges that the DG considered appropriate for presentation to the market was included by C&WG in the RO published in July 2002. In an information note published at the same time (Document OUR 02/20) the DG stated that these should be considered interim rates appropriate for publication at that time and would be subject to further review and revision when more detailed information became available.

In July 2003 the OUR required C&WG to submit formally its proposals for interconnection and access rates and to confirm that it is in compliance with its licence obligations with regard to transparency, cost-orientation and non-discrimination. On 14th November 2003, C&WG made a submission detailing its proposed new rates for interconnection and access services including certain structural changes to the services to be included in the RO and its justification for the rates

[3] http://www.cw.com/guernsey/service_providers/reference_offer/

being proposed.

In parallel with this, C&WG has been required to prepare and publish separated accounts. C&WG provided OUR with its 2001 Separated Accounts on 22nd August 2003 and its 2002/3 Separated Accounts on 31st October 2003. Some technical compliance matters remained outstanding and are being addressed by C&WG.

3. Interim Rates

The interim rates that were published in July 2002 included;

- Core switching services
- Ancillary services and
- Infrastructure services

Of these three categories, the core switching services have been considered the most significant and heavily used by new entrants where the telecoms market has been newly liberalised and are crucial to the business success of those entrants, and by association are crucial to the promotion and development of competition.

3.1. Interim Rates: Structure

The interim rates for switching services that were included in the published RO in July 2002 are based on network components or elements. Each rate is for a service that a new entrant may purchase and combine with other services to build an end product that it may sell to end users. For example to build an international call service that it can offer to end users, a new entrant can purchase the following components:

Call origination
+
Off-island transit
+
International termination

This structure is simple, conforms with general international practice, and avoids unnecessary complexity which could act as a barrier to entry or needlessly increase the administrative overhead for all parties to any Interconnection and Access agreement.

3.2. Interim Rates: Levels

The interim rates included in the published RO in July 2002 are as follows:

Switching Service	**Peak Rate**	**Off-Peak Rate**
On-Island Call Termination	0.8ppm	0.5ppm
On-Island Call Origination (exc. OA)	0.8ppm	0.5ppm
On-Island Call Origination (inc. OA)	0.8ppm+5%	0.5ppm+5%
On-Island Transit	0.5ppm	0.3ppm
Off-Island Transit	0.7ppm	0.4ppm

4. Review of Interim Rates

The interim rates have been in existence for over 17 months now. The Director General is of the view that these rates should be reviewed for a number of reasons including;

- They have not been verified as reflecting accurate, justified, efficient costs of C&WG;
- In the 17 month period since the rates were first set, C&WG has been privatised, and international experience demonstrates a direct correlation between privatisation and scope for efficiency gains to be made; and
- International experience would indicate a downward trend in a market where the incumbent has been privatised and where markets have been liberalised.

The Director General's preference is to have accurate information from C&WG which can then be used to calculate cost oriented rates that would be applied by an efficient operator. The OUR has been seeking this information for some time now and has recently received various submissions from C&WG, namely:

- Separated Accounts for the year ending 2001 (received on 22/08/03)
- Audited Separated Accounts for the year ending 2002/3 (received on 31/10/03)
- Restated separated accounts for the year ending 2001 providing comparator information (resubmitted on 12/12/03 due to errors);
- Proposed interconnection rates (received on 14/11/03)

The above information must be reviewed and analysed by the OUR – a significant workload that the OUR now has to schedule and resource. This is expected to take some time and is unlikely to be completed until the second half of 2004 at the earliest.

In the meantime, the Director General does not believe it is appropriate that the interim interconnection and access rates should remain in place. Therefore the Director General has reviewed such information as is available to her, including;

- A high level review of the information provided by C&WG;
- International benchmarks; and
- A review of the OUR benchmark carried out in June 2002 which informed the original interim rates.

5. C&W Guernsey Data

5.1. Separated Regulatory Accounts

As stated earlier, C&WG has submitted, for the first time, various sets of Regulatory Accounts in August and October 2003. Some compliance issues still remain to be addressed before a full analysis of the accounts can commence and the DG is currently engaging expert advisers to assist in this task.

However, to the degree that the Accounts inform the calculation of network component costs which is subsequently relied upon by C&W Guernsey in calculating interconnection and access rates, the OUR has examined these and notes that the trend in network component costs between the first set of Accounts (for 2001), the restated Accounts for 2001 and the 2002/3 accounts, is as follows:

- Reductions in the cost of components used in local transmission and switching of between 6% and 49%
- Increases in the cost of components used in off island transmission of between 9% and 29%

As C&WG has relied extensively on the outputs of these Accounts to inform its submission on proposed interconnection rates, the DG believes that it is essential that the information in the Accounts, along with the allocation methods and assumptions, are verified before that data can be relied upon. Furthermore, the network component costs calculated by C&WG in the Accounts do not correspond to the network component prices currently included in the Reference Offer, making any comparison very difficult. This of necessity restricts the degree to which the DG may rely on this information at the current time.

5.2. Proposed Interconnection Rates: Structure

In its submission of proposed interconnection and access charges on 14 November 2003 C&WG proposes two categories of changes. With regard to the structure of the interconnection "switching" services, C&WG has submitted an entirely new set of services and products that do not correspond to those in the current Reference Offer.

Essentially the company is proposing to change the product set in Schedule 3 of the RO, including making structural changes to some services, withdrawing others and including new services. For example the C&WG proposal assumes:

- The introduction of three charge bands – peak, off peak and Sunday – compared to the current two charge bands;
- The use of a new time of day gradient to calculate charges;
- The introduction of new "single tandem" and "double tandem" origination and termination charges, compared to the existing single averaged charge for each of origination and termination;

- The removal of the existing off island transit charge and the introduction of three new services – transit to Jersey, transit to National and transit to International.

This makes a meaningful comparison of the proposals with the existing rates impossible. Furthermore, the proposed changes have the potential to have significant impact on the market and the DG considers that it would be essential to consult on the proposed structural changes, including detailed service descriptions, before any decision can be made on whether changes should be made to the RO. Finally, C&WG has not as yet provided any, or any adequate explanation or supporting justification for its proposals and this is essential for further consideration this matter.

5.3. Proposed Interconnection Rates: Levels

The new interconnection rate levels proposed by C&WG are predicated first on the information in the Separated Accounts, and second on the structural changes proposed. This makes comparison with the existing rates difficult. However, the DG notes that in addition to the (as yet unconfirmed) network element costs, C&WG proposes adding two significant extra cost elements to make up the proposed charges. These include:

- An Access Deficit Charge (ADC) and
- A charge for "Product Management, Policy and Planning" (PPP)

Together these make up between 23% and 86% of each of the C&WG proposed charges. Therefore without prejudice to the requirement to review the underpinning network element costs, the OUR has had an initial high level review carried out of these cost elements and the C&WG information underpinning them.

The DG concludes from this review that in the first instance, the ADC charge is not justified by C&WG. The DG considers that it is appropriate for C&WG to explain separately its reasoning and basis for this proposal. With regard to the charge for PPP, the DG is unconvinced that the level of this is justified as that which would be incurred by an efficient operator, that the cost categories included in this heading are appropriate, or that the basis for the spreading of the costs is transparent or reasonable.

In conclusion the DG is of the view that C&WG has not adequately explained and justified these key cost allocations sufficiently to consider them for inclusion in the rates at this time.

6. International Trends

6.1. EU Recommendation on Interconnection Pricing

The EU experience in interconnection rate trends is informative. As the liberalisation of the EU telecoms market took place over the course of the 1990's, the European Commission was concerned to ensure a level of harmonisation in the manner in which the EU telecoms regulatory regime was being applied. Initially, in the absence of detailed cost modelling that has now become the norm in EU Member States, a range of methods was employed by the various NRAs that were being established in individual member states to inform the setting of interconnection rates. Recognising that these methods were producing interconnect rates that varied considerably the EU Commission commenced producing recommendations on what it believed was best practice in terms of interconnect rates.

The recommendations benchmarked rates in all EU countries and set out a best practice range of interconnect rates. Best practice was based on the three lowest rates among member states for key interconnect services, namely local, single transit and double transit conveyance. It placed an onus on NRAs to seek justification from their respective incumbents for their rates where they were outside the benchmarks produced by the Commission. Prior to the availability of detailed and verified costing information, these recommendations, which were updated regularly by the Commission, were valuable tools for NRAs and market entrants.

The DG has reviewed the details of the EU Commission recommendations in this area and has noted the downward trend indicated by them. For example between 1997 when many markets were liberalised and 1999, the rates for local termination services in the best practice countries reduced by between **9% and 12%** year on year**.** Other longer distance rates reduced by between **4% and 20%** on average. The Commission stated that it expected that trend to continue and that "it is to be expected that the 'best current practice' interconnection charges will be progressively reduced in the future to reflect both the downward trend in network costs and better estimation of those costs"[4].

The Commission has since discontinued the practice of producing such recommendations as almost all NRAs now have more accurate cost data available to them upon which to base determinations. While the OUR would prefer to have verifiable and accurate information from C&WG on which to based determinations of interconnection and other service rates, the DG recognises the value of using benchmarking and trend data in the absence of such information.

[4] Brussels, 20.03.2000 Commission Recommendation amending Commission Recommendation 98/511/EC of 29 July 1998 on Interconnection in a liberalised telecommunications market (Part 1 - Interconnection Pricing), page 5

6.2. Additional Benchmark Analysis

In the absence of costing information in July 2002, the DG examined benchmark data to assist in considering the level of rates that should apply in Guernsey and this informed her decision to accept the rates in the current RO as acceptable for presentation to the market as interim rates. Having regard to the trends described above, the OUR has revisited that benchmark analysis which concentrated on rates in markets at the time of liberalisation. The OUR has now considered the year-on-year trends in rates in those countries. This involved a review of the percentage drop in interconnect rates for the countries using data from the earliest year for which it was available for each country and comparing the data in subsequent years. There was no fundamental change in the underlying benchmark information used other than revalidation of the data.

In all jurisdictions the rates for switched interconnection services have reduced year on year after the introduction of competition. This has reflected improvements in costing systems and regulatory scrutiny as well as increasing efficiencies in the incumbent operators. Taking a conservative approach to the reductions demonstrates a year on year trend reduction of between **15% and 20%** in conveyance rates.

6.3. Conclusion

In summary, the OUR has carried out a review of the key conveyance or "switching" services that form the building blocks of all switched services in the RO, as these are likely to form the majority of the services that OLOs will initially seek to take up. Of those rates, the DG has in turn concentrated on the call termination rate as this comprises the basic component from which all other rates are built. Furthermore, these are the services where most public information is available for comparison purposes. The DG has now examined, *inter alia,*

- The justification provided by C&WG on 14th November 2003 for its proposed rates for interconnection and access services (the DG has undertaken an initial review of the justification provided by C&WG and this is included at Appendix 1);
- published EU Commission recommendations on best practice interconnection tariffs and trends in those tariffs immediately after liberalisation,
- other internationally available information on trends in key interconnection rates following liberalisation, and
- information provided by C&WG in the context of its compliance with a direction to submit its Separated Accounts.

These sources of information have been reviewed to ascertain the overall trend in interconnection rates post liberalisation and the magnitude of changes in rates.

With the exception of C&WG's submission of 14th November 2003, in all of the other external sources there is a common acceptance that the costs of interconnection will reduce over time where former State owned monopolies are privatised and have scope for efficiency gains and cost cutting, and where cost information becomes more accurate. The OUR notes that the examination of these sources of information has demonstrated a range within which interconnection rates have assumed a downward trend in countries where competition in telecommunications has been introduced and this has assisted in informing a view as to appropriate rates in the Guernsey market.

In the circumstances in Guernsey – a newly liberalised environment and a privatised incumbent – the DG considers that the interim rates set in Guernsey over 17 months ago, should now reduce in line with these downward trends.

In considering the level by which the rates should reduce, the DG is conscious that the information provided by C&WG in its various Regulatory Accounts and in its submission of 14th November 2003 requires significant further analysis and refinement to address inconsistencies and errors as well as to arrive at any comparable information. However, she also notes that this information also shows a downward trend in network component costs, with the exception of international transmission.

Therefore the DG considers that the Guernsey interim rates should be reduced by the amount indicated by international experience. This will allow new entrants to benefit from reducing interconnection rates while taking a prudent approach to ensuring cost recovery over the existing network. Following the more specific review of the cost justification from C&WG, the DG will consider the level of any new cost oriented rates that are set. At that stage, the DG will consider whether or not an adjustment may be required to ensure equity in respect of rates already applied.

7. Direction on Interim Rates

When the first draft of the RO was published, the OUR concentrated its effort on ensuring that the rates to be charged for core switching services were considered in the most detail. This was partly because these are expected to form the bulk of the services purchased by new entrants in the initial stages of the development of the market. In addition, given the component based approach to defining services, once the price for the core switching services were determined, the majority of other services could be priced by combining these core services and adding on any third party elements such as international termination.

This review therefore also concentrates on core switching services and maintains the component based approach which involves the addition of third party or pass through costs onto those elements. The core switching services include:

- On-island call termination
- On-island call origination
- On island call transit
- Off island call transit

7.1. Switching Services – 2002 interim rates

The Original rates for these services that were published in the RO in July 2002 are as follows:

Switching Service	**Peak Rate**	**Off-Peak Rate**
On-Island Call Termination	0.8ppm	0.5ppm
On-Island Call Origination (exc. OA)	0.8ppm	0.5ppm
On-Island Call Origination (inc. OA)	0.8ppm+5%	0.5ppm+5%
On-Island Transit	0.5ppm	0.3ppm
Off-Island Transit	0.7ppm	0.4ppm

7.2. Switching Services – 2004 interim rates

Having reviewed the information available to her the Director General is now proposing to require C&WG to reduce these rates by the following percentages:

Switching Service	Reduction over 2002 rates
On-Island Call Termination	-15%
On-Island Call Origination (exc. OA)	-15%
On-Island Call Origination (inc. OA)	-15%
On-Island Transit	-15%
Off-Island Transit	-20%

7.3. Other Switched Services

C&WG will also be required to reduce the charge for all other switching services by the appropriate amount. In other words where a service comprises a number of components, those components listed in the table above will be reduced by the percentages set out in that table. For example, call conveyance to Australia is comprised of the following elements:

- On-island call origination
- Off island transit
- Termination in Australia

C&WG will therefore be required to reduce the first two of these elements by 15% and 20% respectively. The element of termination in Australia which will take the form of a third party payment will not have to be reduced.

7.4. Interim Interconnection Rates: Direction

In accordance with Section 10(3) of the Telecommunications (Bailiwick of Guernsey) Law, 2001, and having regard to section 10(2), Cable & Wireless Guernsey Ltd is hereby directed to amend its Reference Offer to include in Schedule 5 (Interconnect and Access Price List), the interim interconnection rates set out in table 7.1 below

Table 7.1

Switching Service	Peak Rate	Off-Peak Rate
On-Island Call Termination	0.68ppm	0.425ppm
On-Island Call Origination (exc. OA)	0.68ppm	0.425ppm

On-Island Call Origination (inc. OA)	0.714ppm	0.446ppm
On-Island Transit	0.425ppm	0.255ppm
Off-Island Transit	0.56ppm	0.32ppm

Cable & Wireless Guernsey Ltd is further directed to amend its Reference Offer by including in Schedule 5 (Interconnect and Access Price List), revised rates for all interconnection services that include one or more of the elements listed in table7.1. The revised rates shall be based on the inclusion of the charges in table 7.1 for those elements of the service that comprise the elements set out in that table, and any added third party charges.

The amended Reference Offer, incorporating these adjustments, shall be republished by Cable & Wireless Guernsey Ltd on 9th January 2004 by making the Reference Offer document available on its website and, on request, in hard copy, to interested parties.

8. Conclusion and Next Steps

8.1. Interconnection and Access Charges

The DG will now commence a full and thorough examination of the submission provided by C&WG in support of its proposed interconnection rates to consider the degree to which the proposed rates are in compliance with the legislative requirements. This is likely to require C&WG to explain and justify its submission in some further detail.

Furthermore, given the significant structural and product and service changes being proposed by C&WG the DG will require significantly more detail to be provided on these proposals to enable her to review them and consider what further consideration is required - including whether any consultation with interested parties is necessary - before she makes any decision on whether changes should be made to the products and services in the RO.

In light of the work that will need to be undertaken and in the interest of providing certainty to the market, the DG intends that the interim rates determined in this Decision Notice shall remain effective until 30th June 2004. At that stage, the DG will consider whether or not an adjustment may be required to ensure equity in respect of rates already applied.

The DG has also issued an invitation for tenders for external advisors to assist in the review of the proposed rates. It is anticipated that any advisors will commence work on this review in February 2004. That review will address in more detail the matters commented on in Appendix 1 by GOS Consulting.

8.2. Leased Lines Charges

Following the review of C&WG's initial RO in July 2002, the DG directed C&WG to make certain amendments to its RO. Among those changes was a Direction on 4th July 2002 to include leased lines in the RO. C&WG objected to this requirement and has appealed the DG's decision to the Utility Appeals Tribunal. The appeal was heard on 20/21 October 2003 and a decision is anticipated in the New Year.

In the context of that appeal, C&WG applied to the Tribunal under Section 15(6) of the Regulation of Utilities (Bailiwick of Guernsey) Law, 2001 for a suspension of the Direction of the 4th July 2002, and offered an undertaking to the Tribunal. The undertaking offered was agreed by the OUR and the notice parties as adequate to reasonably protect the legitimate interests of affected parties pending the consideration of the appeal. Having considered the application and the proposed undertaking, the Tribunal, on the 6th of August 2003, granted the suspension sought pending the outcome of the appeal. Having regard to the suspension granted by the Tribunal the OUR does not propose to take further action in relation to the proposed Direction pending the full outcome of the appeal.

The DG will review the position on her decision on the inclusion of wholesale leased circuits in the RO after the Appeals Tribunal has delivered its decision on the matter.

ENDS/

Appendix 1

External Review of C&WG's Interconnect Rate Submission dated 14th November 2003 undertaken by GOS Consulting for OUR

This section contains a summary of the main comments of OUR's external advisers on certain key elements of C&WG's proposed Interconnection and Access tariff submission and its justification for those tariffs. It identifies areas where either no justification or not sufficient justification has been provided for the proposed charges and points to further analysis that is required.

Charge Bands

- No supporting justification is provided for the proposed change to the charge bands proposed in circumstances where the charge bands proposed do not appear to correlate to actual traffic distribution;
- No supporting justification is provided for the peak-time period, e.g. time of day traffic distribution;
- No information is provided on the relationship between the proposed charge bands to retail charge bands.

Time of Day (TOD) Gradient

- TOD gradient is calculated using only outgoing UK fixed and mobile traffic and may not reflect the full distribution of the traffic load across the network;
- No explanation is given as to why the TOD gradient is calculated using retail charge bands which differ from the proposed interconnection charge bands.

Route Factors

- The proposed disaggregation leads to the proposal that a range of new RO services be introduced while;
    - No new service or product descriptions are provided in the submission to explain what the proposed new services comprise;
    - No justification or reasons are provided for the proposal to introduce a range of new services.

ADC

- No supporting justification has been provided in this submission to justify the proposed ADC charge;
- The submission simply refers to the Regulatory Accounts which have not yet been assessed or verified by the OUR;

PPP

- Based on benchmark against other operators, proposed PPP element appears to be very high;
- No detailed supporting information has been provided to justify the level of the charge;

- No detail has been provided as to what specific costs are covered by the inclusion of the PPP charge;
- The total cost is divided across a number of minutes (157,588,503) but the relevance or appropriateness of this figure is not revealed.

General

- The supporting information is at too high a level to be meaningful in the context of the type of assessment that needs to be undertaken to verify the compliance of the proposed rates with the legislation and licence obligations;
- The level of cost justification and explanation of key inputs to the proposed charges are not transparent or sufficient to enable the above assessment to be carried out;
- A large number of services are new services which are not currently in the RO and as such have not been considered by the OUR or the market as a whole having regard to the costs and benefits of introducing such services.