

# RMID1027 Pricing Review 2021 Consultation Paper 2

April 2021





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# 1 Executive Summary

The 2021 Pricing Review consultation process is seeking Retail Service Provider (RSP) and broader Industry feedback on current and future aspects of **nbn** wholesale pricing for selected **nbn**<sup>™</sup> Ethernet bandwidth profiles. The Round 1 paper released on 15 February 2021 provided options for a proposed update to the Traffic Class 4 (TC-4) Bundles Discount Roadmap for comment and sought industry input on potential longer-term pricing changes. This Round 2 paper provides the updated TC-4 Bundles Discount Roadmap to May 2023 and proposes to progress the consultation on, and potential introduction of, a longer-term pricing construct as part of a Special Access Undertaking (SAU) variation process.

## Context of the Pricing Consultation

The **nbn** network has improved digital capability throughout Australia. Together with Industry, **nbn** has enabled many benefits for customers.<sup>1</sup> **nbn** notes that:

- **Peak wholesale download speeds of 25Mbps are available nationally and 50Mbps speeds are available to 90% of fixed-line** premises throughout Australia, which is a transformational increase in access to high speed broadband.<sup>2</sup>
- **Retail competition on the **nbn**<sup>™</sup> network and customer choice has increased nationally** with 67 RSPs currently selling **nbn** services through direct arrangements with **nbn**, as well as supporting a broader ecosystem of RSPs who sell **nbn** services through arrangements with aggregators.
- **Retail prices have fallen significantly.** In 2017, the general retail price of an **nbn** 25Mbps service was approximately \$75 (incl. GST), which now is the general retail price of an **nbn** 50Mbps service. Further, third-party research indicates there has been a 27% decline in telecommunications prices generally during the **nbn** rollout.<sup>3</sup>
- ****nbn**'s effective wholesale charge per gigabyte has more than halved** over the past five years.
- **Average speeds purchased by customers have significantly increased** with a 200% increase in average user download speeds since 2010.<sup>4</sup>
- **Customers have been supported when needing to increasingly live and work from home.** At the height of the COVID pandemic in 2020, there was a 5.4% increase in Australia's average internet service speed across all **nbn** and non-**nbn** services compared to a global decline of 6.3%.<sup>5</sup>

In seeking to lift the digital capability of Australia, **nbn** has undertaken a series of initiatives in response to Industry feedback including introducing the overhead allowance, the introduction of the Entry-Level Bundle Discounts, as well as the Home Fast, Home Superfast, and Home Ultrafast plans. **nbn** has also responded with

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<sup>1</sup> Being final downstream customers to **nbn**'s Retail Service Providers (RSPs).

<sup>2</sup> References to speeds in this document are to layer 2 wholesale peak speeds not end customer speeds. End customer experience, including the speeds actually achieved over the **nbn**<sup>™</sup> broadband access network, depends on the **nbn**<sup>™</sup> access network technology and configuration over which services are delivered to their premises, whether they are using the internet during the busy period, and some factors outside of **nbn**'s control (like their equipment quality, software, chosen broadband plan, signal reception, or how their provider designs its network).

<sup>3</sup> Source: Accenture, Affordability of the **NBN** Broadband Access Network, April 2021.

<sup>4</sup> Source: Ibid.

<sup>5</sup> Source: Hale, Thomas, Sam Webster, Anna Petherick, Toby Phillips, and Beatriz Kira (2020). Oxford COVID-19 Government Response Tracker, Blavatnik School of Government.



specific targeted commercial support when required as well, such as during national disasters and the COVID pandemic.

Moving forward, the **nbn** network is becoming increasingly important as households are doing more online, with streaming and working from home being the key activities driving the acceleration (71% of Australians stream, 49% use video calling, and 33% working from home). Connected homes are also becoming more common as internet sophistication increases (18% of households use smart streaming, connected security and appliances).<sup>6</sup>

**nbn** market research indicates that as households are increasingly recognising their dependence on fast broadband services and data due to streaming, there is an increase in the willingness of customers to pay for a higher speed plan, with a substantial cohort willing to pay significantly more for a faster plan.<sup>7</sup> **nbn** must be able to share in the value it has created for customers to continue investing in the network and delivering for Australians through network upgrades as new technologies emerge.

### TC-4 Bundles Discount Roadmap

**nbn** introduced the TC-4 Bundles Discount Roadmap to increase industry certainty on bundled CVC inclusions. The Round 1 paper provided Industry with the proposed TC-4 bundled discounts and CVC inclusions from 1 May 2021 to 30 April 2022 and two options from 1 May 2022 to 30 April 2023. Also included in the roadmap was a proposed change to the bundle discount charges and CVC inclusions of the 250/100Mbps, 500/200Mbps and 1000/400Mbps<sup>8</sup> wholesale speed tiers.

Industry feedback did not provide a clear preference between the two options proposed in the first consultation paper. As such, **nbn** has retained the option with additional CVC inclusions but no increase in the TC-4 bundle effective charges for most wholesale speed tiers. The increases to CVC inclusions for Home Superfast and above wholesale speed tiers will be 0.25Mbps higher than proposed in the Round 1 paper. Additionally, **nbn** will bring forward the increase in CVC inclusions proposed on the 250/100Mbps speed tier forward to 1 December 2021.

However, two common industry requests emerged from the Round 1 feedback: 1) to reduce the commercial risk to RSPs from Overage charges in the event of higher than expected usage growth; and 2) to explore opportunities to reduce the effort of CVC management. To address these themes in the short term, **nbn** is considering a 'soft cap' for RSPs in the event of significantly higher usage and sets out information on this proposed initiative in this paper for RSP feedback.

### Addressing Usage Risk

RSPs raised concerns that usage growth could cause significant increases in RSP costs. The TC-4 Bundles Discount Roadmap is a minimum commitment of inclusions and, as demonstrated during COVID, **nbn** will consider increasing inclusions if usage growth is significantly above expected usage growth levels.

Concerns on usage growth and the effort to manage CVC prompted some RSPs to propose that **nbn** explore a "CVC Boost-like" solution, in addition to increasing the CVC inclusions as usage increases, to help mitigate this risk. While the previous CVC Boost was not financially sustainable in the long-term, **nbn** agrees that a new

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<sup>6</sup> ERGO Strategy research conducted for nbn in mid-2020, surveying ~4000 home decision makers.

<sup>7</sup> Ibid.

<sup>8</sup> Regardless of the retail service that end customers purchase, the actual wholesale speeds delivered by nbn's 1000/400Mbps wholesale speed tiers will be less than 1Gbps due to equipment and network limitations.



mechanism could (subject to certain conditions) potentially reduce RSP risk and management costs whilst also enabling **nbn** to achieve its financial objectives. The proposal in this paper, for which we are seeking feedback, will act as a 'soft cap' on the cost of CVC where certain criteria are met. The first is where total **nbn** costs, before any rebates, on a three month rolling average per service basis for TC-4 has risen by 7% year on year relative to the same three months, assessed on a month by month basis. The second criterion is that monthly churn remains below the RSP's historical annualised churn rate plus 10%. Based on the usage growth estimates provided by RSPs, this threshold is estimated to provide significant cost savings in these scenarios.

In addition to potential changes to this proposal based on RSP feedback, **nbn** may also make changes to this potential initiative as a result of other factors, including its own further modelling and validation activities and engagement with a range of external stakeholders.

### Future Pricing Construct

In both the formal and informal feedback to Round 1, Industry requested **nbn** to implement future changes to its pricing construct as soon as possible. The Minister for Communications has also provided the Australian Competition and Consumer Commission (ACCC) with a Statement of Expectations that the ACCC should work constructively with **nbn** and the Department on a comprehensive regulatory solution on **nbn**'s wholesale pricing, including a revised Special Access Undertaking which includes the Multi-Technology Mix ('MTM') technologies.<sup>9</sup> **nbn** also considers that any significant, long-term changes to our pricing construct would need to be included in, and considered in the context of, an SAU variation which **nbn** had originally proposed to initiate sequentially after concluding the current pricing consultation.

Given these factors, **nbn** will shortly initiate the SAU variation process with a discussion paper to progress possible changes to the pricing construct.

We believe this approach will speed up consideration of the proposed changes by providing the opportunity for RSPs, the ACCC and **nbn** to consider both the proposed price changes and an SAU variation in parallel.

### Additional Round 2 Items

With regards to the Low Income Offering the feedback was to broaden the offer by not restricting the speed tier or data usage, unwind some of the eligibility restrictions, and review the pricing and simplicity. There were also some alternative constructs proposed. As the Low Income Offer is best considered within any longer-term pricing changes, **nbn** will seek to include further detail in the discussion paper and SAU variation process noted above.

While the majority of RSPs supported the Billing cycle change and encouraged expedient adoption, a small number of RSPs contended that it would be costly for them to change their IT systems and processes and asked for **nbn** to clarify the benefits from simplifying its billing process. RSPs are estimated to benefit from simpler reconciliation and implementation of **nbn** campaigns as well as faster receipt of **nbn** rebates – more detail is included in this paper.

Business focussed services received some constructive feedback regarding the relative positioning of TC-1 and TC-2 in the context of **nbn**'s broader portfolio. **nbn** is not proposing any changes to these services as part of this

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<sup>9</sup> Statement of Expectations for the ACCC in relation to its telecommunications functions and powers, Minister for Communications, Cyber Safety and the Arts to the ACCC, 9 October 2020



consultation, with the exception of including the TC-4 Business High Speed Tiers in the Business Bundles, which includes discounted TC-1 1Mbps.

## 2 Scope of Paper 2

This Round 2 paper provides the updated TC-4 Bundles Discount Roadmap to April 2023 and proposes a potential 'soft cap' on variable usage charges for comment. Also contained in this paper for feedback is the proposal to extend the Business Bundles including discounted TC-1 1Mbps to the Business High Speed Tiers.

**nbn** invites written submissions from PDF participants on the further specific areas of consultation by close of business 18 June 2021.

## Part-A

### 3 WBA4 TC-4 Bundles Discount Roadmap

**nbn** introduced the TC-4 Bundles Discount Roadmap and related commitments to increase industry certainty on bundled CVC inclusions and discounted charges. The first consultation paper provided Industry with the proposed bundle discount charges and CVC inclusions from 1 May 2021 to 30 April 2022 and two options from 1 May 2022 to 30 April 2023. Included in this was a proposed change to the bundle discount charges and CVC inclusions of the 250/100Mbps, 500/200Mbps and 1000/400Mbps<sup>10</sup> wholesale speed tiers.

#### 3.1 Updated Roadmap to 30 April 2023

Industry feedback did not provide a clear preference between the two options proposed in the first consultation paper, with almost all RSPs proposing higher CVC inclusions for the bundles with only some supporting a change to the TC-4 bundles effective charges reflecting the transfer of costs from variable to fixed components.

Reflecting this feedback, **nbn** has decided to retain the option with additional CVC inclusions but no increase in the TC-4 bundle effective charges for most wholesale speed tiers (Option 1). However, the increases to CVC inclusions for Home Superfast and higher speed tiers will be 0.25Mbps higher than proposed in the Round 1 paper in response to RSP feedback for greater CVC inclusions. Additionally, the increase in CVC inclusions for the 250/100Mbps wholesale speed tier will be brought forward, increasing to 5.25Mbps on 1 December 2021.

For clarity, the increase in CVC inclusions for the TC-4 Business High-Speed Tiers will proceed as previously proposed:

- 250/100Mbps: the CVC inclusion will increase to 5.25Mbps effective from 1 December 2021 and will also be available as a Business Bundles from the same date. This will subsequently be increased to 5.75Mbps effective from 1 May 2022.

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<sup>10</sup> As noted above, references to speeds in this document are to layer 2 wholesale peak speeds not end customer speeds. Regardless of the retail service that end customers purchase, the actual wholesale speeds delivered by **nbn**'s 1000/400Mbps wholesale speed tier will be less than 1Gbps due to equipment and network limitations.



- 500/200Mbps: CVC inclusion will increase to 6.25Mbps effective 1 May 2022 and will also be available as a Business Bundles from the same date.
- 1000/400Mbps<sup>11</sup>: CVC inclusion will increase to 7.00Mbps effective 1 May 2022 and will also be available as a Business Bundles from the same date.

Two broader industry requests emerged as part of the feedback in this section: 1) to reduce the commercial risk to RSPs if usage growth increases significantly; and 2) to explore opportunities to reduce the effort of CVC management. **nbn** proposes to address these themes through the introduction of a cost certainty mechanism and accelerating the inclusion of a future pricing construct in a SAU variation.

TC-4 Bundles Discount <sup>12</sup> Error! Bookmark not defined. <sup>12</sup>	WBA4 Start Date to 30 April 2021		1 May 2021 to 30 April 2022		1 May 2022 to 30 April 2023	
	Effective Charge	CVC Inclusion (Mbps)	Effective Charge	CVC Inclusion (Mbps)	Effective Charge	CVC Inclusion (Mbps)
ELB with usage below 0.15Mbps	\$22.50	0.15	\$22.50	0.15	\$22.50	0.15
ELB with usage above 0.15Mbps <sup>13</sup>	\$24.70 <sup>14</sup>	0.15	\$22.50 <sup>15</sup>	0.15	\$22.50	0.15
B12 on fixed wireless	\$45	2	\$45	2	\$45	2
B25 <sup>16</sup> on fixed-line and fixed wireless	\$37	1.25	\$37	1.5	\$37	1.6
B50 <sup>17</sup>	\$45	2.25	\$45	2.50	\$45	2.65
Wireless Plus	\$45	2.25	\$45	2.50	\$45	2.65
Home Fast (100/20) <sup>18</sup>	\$58	3.75	\$58	4.25 <sup>19</sup>	\$58	4.5

<sup>11</sup> As noted above, references to speeds in this document are to layer 2 wholesale peak speeds not end customer speeds. Regardless of the retail service that end customers purchase, the actual wholesale speeds delivered by **nbn**'s 1000/400Mbps wholesale speed tier will be less than 1Gbps due to equipment and network limitations.

<sup>12</sup> The TC-4 Bundles Discount is subject to certain limitations and restrictions as set out in the Wholesale Broadband Agreement.

<sup>13</sup> The effective charges in this row rely on the RSP drawing on pooled CVC inclusions from other Bundled AVC TC-4s to cater for all usage of CVC capacity by Entry Level AVCs above the 150Kbps CVC inclusion.

<sup>14</sup> The effective charge shown here includes the ELB Additional Amount of \$2.20 for each Entry Level AVC, which applies if average peak monthly use of Entry Level AVCs on a CVC exceeds the 0.15 Mbps ELB CVC Inclusion across a Billing Period.

<sup>15</sup> The effective charge shown here, and in the equivalent columns on this row for the periods of 1 May 2021 to 30 April 2022, and 1 May 2022 to 30 April 2023, includes an ELB Additional Amount of \$0.00 for each Entry Level AVC, which applies if average peak monthly use of Entry Level AVCs on a CVC exceeds the 0.15 Mbps ELB CVC Inclusion across a Billing Period.

<sup>16</sup> B25 includes the 25/5Mbps, 25/5-10Mbps and 25/10Mbps AVC TC-4 bandwidth profiles, depending on technology used.

<sup>17</sup> B50 includes the 25-50/5-20Mbps and 50/20Mbps AVC TC-4 bandwidth profiles, depending on technology used.

<sup>18</sup> Home Fast includes the 25-100/5-20, 50-100/20 and 100/20Mbps AVC TC-4 bandwidth profiles, depending on technology used.

<sup>19</sup> The 0.5Mbps increase in CVC inclusion for May 2021 was made effective from 1 December 2020 for Home Fast, B100/40, Home Superfast, and Home Ultrafast.





	WBA4 Start Date to 30 April 2021		1 May 2021 to 30 April 2022		1 May 2022 to 30 April 2023	
	Price	CVC	Price	CVC	Price	CVC
B100/40 <sup>20</sup>	\$65	3.75	\$65	4.25 <sup>19</sup>	\$65	4.5
Home Superfast (250/25)	\$68	4.75	\$68	5.25 <sup>19</sup>	\$68	5.75
B250/100	\$100	3.25	\$100	3.5*	\$100	5.75
B500/200	\$130	3.25	\$130	3.5	\$160	6.25
Home Ultrafast (up to ~1000/50) <sup>21</sup>	\$80	5.75	\$80	6.25 <sup>19</sup>	\$80	7
B1000/400 <sup>21</sup>	\$180	3.25	\$180	3.25	\$230	7

**Table 1 Effective charges and CVC inclusions for the WBA4 TC-4 Bundles Discount Roadmap for the period from WBA4 Start Date to 30 April 2023**

\*increasing to 5.25Mbps effective 1 December 2021 via a discount notice.

### 3.1.1 Overage Amount

Table 2 below sets out the maximum Overage Amount that will apply in respect of CVC TC-4 bandwidth capacity. **nbn** proposed no change to this amount for the period 1 May 2022 to 30 April 2023.

Overage Amount (per Mbps)	WBA4 Start Date to 30 April 2023
	\$8.00

**Table 2 Overage Amount for the period from WBA4 Start Date to 30 April 2023**

## 4 CVC TC-4 List Price

Most RSPs do not have any fixed line services that are subject to the CVC TC-4 List Price, that is services for which CVC capacity is purchased at the current maximum regulated price of \$17.50 Mbps outside of a bundles discount. The one area in which the CVC TC-4 List Price is regularly charged is for **nbn**<sup>TM</sup> Ethernet (Satellite) – **nbn**<sup>TM</sup> Sky Muster<sup>TM</sup> – services. However, most RSPs do not sell Sky Muster<sup>TM</sup> satellite services. As a result, the response to the proposed reduction in CVC TC-4 List Price was limited.

The feedback did include a question as to whether the price could be lowered further to reduce any risk in the event that the TC-4 Bundles Discount Roadmap is withdrawn. However, **nbn** is required to provide the TC-4 Bundles Discount Roadmap under WBA4 and may only withdraw the Roadmap in limited circumstances. Also, a

<sup>20</sup> B100/40 includes the 25-100/5-40, 50-100/20-40 and 100/40Mbps AVC TC-4 bandwidth profiles, depending on technology used.

<sup>21</sup> As noted above, references to speeds in this document are to layer 2 wholesale peak speeds not end customer speeds. Regardless of the retail service that end customers purchase, the actual wholesale speeds delivered by **nbn**'s highest wholesale speed tiers of 500 to close to 1000 Mbps will be less than 1Gbps due to equipment and network limitations and the peak information rate may fall anywhere in this range. In addition, the HFC Home Ultrafast bandwidth profile downstream service provided to retail providers is a ranged profile with a maximum sustained information rate of 750Mbps, with the potential to burst up to a maximum of 990Mbps (depending on but not limited to, the Frame Size and line speed capability) at potential burst durations between 1 to 50 seconds at least once a day.



further reduction in the CVC TC-4 List Price would predominantly affect satellite services which represents 90% of CVC TC-4 capacity purchased at the List Price, and the satellite access technology is already substantially subsidised.

**nbn** considered the feedback in light of the requirements for the CVC TC-4 Price review under SAU Module 1, under which **nbn** must now:

- annually review the List Price of CVC TC-4 in the WBA (as distinct from the effective discounted charge) until June 2023 (expiry of SAU Module 1);
- perform such reviews “with a view to reducing” the CVC TC-4 List Price; and
- in conducting such reviews, consider the level of aggregate demand for CVC TC-4 capacity and information set out in the most recently published **nbn** Corporate Plan.

The transition to bundled services and initiatives taken through DBD, DBD-R, Pricing Consultation 2017 and 2019 has seen effective CVC yield decline significantly with this trend expected to continue.

**nbn** believes that a 10% reduction in CVC TC-4 List Price to \$15.75/Mbps, effective no later than 31 March 2022 fairly represents a balance between reducing the gap to the current Overage charge of \$8 per Mbps under the TC-4 Bundle Discounts and the fact that the majority of services that attract the CVC TC-4 List Price are Satellite, for which the TC-4 Bundle Discounts do not apply. This will improve the economics of Sky Muster™ services, noting that Sky Muster Plus™ provides some unmetered data and that satellite services are loss-making and heavily subsidised by fixed line services.

This will also have the effect of reducing the Maximum Regulated Price for each CVC TC-4 Offer covered by **nbn**'s Special Access Undertaking (SAU) to that price in the following financial year, beginning 1 July 2022.

## Part-B

This section (Part B) is subject to an additional round of Industry feedback. The closure paper, expected in Q3 CY2021, will be informed by the feedback received in response to this paper and provide **nbn**'s final proposals with respect to the 'soft cap' on variable usage charges and extending the Business Bundles including discounted TC-1 1Mbps to the Business High Speed Tiers. In addition to RSP feedback, **nbn** may change the proposals set out in this section as a result of other factors, including its own modelling and validation activities and engagement with a range of external stakeholders.

## 5 Pricing Construct

### 5.1 Addressing Usage Risk

A significant proportion of the Round 1 feedback was focused on the financial implications of significant increases in usage growth on RSP costs. Usage growth also reflects an increase in value placed by end-customers in the **nbn** network, as they use it more intensely.

A number of RSPs proposed that **nbn** explore a “CVC Boost like” solution, apart from simply increasing the CVC inclusions as usage increases, to help mitigate this risk. **nbn** agrees that a new mechanism, subject to certain conditions, could potentially reduce RSP risk and management costs as well as achieve **nbn**'s financial objectives.



While the previous COVID CVC Boost was welcomed by Industry, it was designed as a time-limited, COVID specific, measure and would have placed an unsustainable financial burden on **nbn** to continue over a longer period than planned. The effectiveness of the initiative was that it insulated RSPs from the risk of significant increases in overage due to high, and unforeseen, increases in usage.

In response to Industry's request **nbn** is proposing a soft cap on variable usage charges for feedback. Subject to consultation and the commercial terms and conditions being finalised, **nbn** proposes that this initiative would be effective from 1 December 2021 and reviewed before an expiry of 1 December 2022. The proposal involves a 'fair-use' type protection, which could be in the order of 30-40% increase in the bundled CVC inclusions and subject to the below criteria.

The two proposed criteria are as follows:

1. An RSP's total cost of TC-4 bundles and overage, before any rebates, measured on a three month rolling average per service basis increases by 7% compared to the higher of either last year measured on a three-month rolling average or the average from January 2021 to March 2021; and
2. An RSP's monthly churn remains below the RSP's historical annualised churn rate plus 10%.

The cost growth criterion has been designed to reduce the usage driven cost risk at an RSP-level. The offer will provide RSPs increased cost certainty in the potential event that data usage increases significantly. Based on the usage growth estimates provided by RSPs, this threshold is estimated to provide significant cost savings in these scenarios. The churn criterion has been designed to mitigate the commercial risk to **nbn** of an RSP moving customers in order to achieve the cost growth criteria.

When the criteria are both met, RSPs would be notified with lead time that the additional CVC inclusions will apply in the following month and as such can be viewed as a 'soft cap' for RSPs in the event of unexpected usage increases. **nbn** would welcome feedback on these criteria or suggestions of alternative criteria intended to achieve the same outcomes.

**Question 5.1.1:** In your organisation's view, should nbn proceed with introducing a 'soft cap' on variable charges?

**Question 5.1.2:** In your organisation's view, what would be an appropriate level of increase to the bundled CVC inclusions when the criteria are met?

## 5.2 Future Pricing Construct

In both the formal and informal feedback to Round 1, Industry requested **nbn** to implement future changes to its pricing construct sooner. In **nbn's** view any significant, long-term changes to its pricing construct need to be considered as part of an SAU variation, on which RSPs would be consulted.

In light of the above, as well as the ACCC's preference for engaging directly with stakeholders on **nbn's** wholesale pricing construct and long-term regulatory framework, **nbn** intends to shortly commence a broader SAU variation process to further progress possible changes to its pricing construct. The SAU variation process will provide the framework within which the pricing discussion can take place, including discussion in relation to maximum regulated prices and the applicable price controls as well as non-price topics. The initial intention would be that the future pricing construct is embedded in a revised SAU as '**nbn** offers' with predictable long-term price evolution, which would provide greater cost and price certainty to RSPs.



As previously stated, the timing of the longer term construct is dependent on the SAU variation. To drive towards an SAU variation lodgement as soon as practicable, **nbn** proposes to provide industry with a discussion paper outlining the key elements of this variation in May 2021. This would include the details of the future pricing construct, the inclusion of the Multi-Technology Mix ('MTM') technologies into the SAU, and other non-price terms. Prior to lodgement of the SAU variation, **nbn** will continue to engage with the ACCC and industry on our proposed approach. **nbn** understands that the ACCC may also seek industry views on our proposed approach prior to any lodgement of the variation.

## 6 Low-income offering (incl. Older Australians)

Industry provided constructive feedback in their submissions, focussing on the suitability of the construct to best meet the needs of a broad segment. The suggested changes included a more capable product (speed/data) for the target segment and expanding eligibility to a larger group, however making these changes would necessitate a higher wholesale charge to ensure that the offering is commercially viable for **nbn**.

More specifically, the key feedback covered:

- **Product Construct:**
  - Speed tier should not be limited to a lower speed as customer needs are varied.
  - Data caps should not be applied, again because customer needs are varied. If data caps were used they would need to be managed such that internet connectivity was curtailed but not disconnected and without excess data fees.
- **Eligibility:**
  - There was consensus that the low-income offering should be targeted to those most in need and that should be based on social security or similar status and this could be achieved via Centrelink integration or a list of eligible location identifiers (LocIDs) sourced by **nbn**. RSPs, however, did not support an eligibility restriction to only unconnected premises as this would disadvantage existing customers with a genuine income constraint and add complexity.
  - Most RSPs stated that the process needs to be simple for them to manage, with some RSPs contending that Centrelink integration would likely be too complex and costly for them.
- **Commercials / Pricing:**
  - It was proposed that the appropriate wholesale price should be as low as \$10/mth to provide RSPs with greater retail price flexibility.

The submissions also contained a number of alternative suggestions, namely:

- providing a rebate to eligible customers that can be applied to any **nbn** retail offer;
- simplifying the operational side by providing an eligible list of LocIDs; and
- potentially auctioning the list of eligible customers to ensure a cost-effective market rate.

**nbn** believes that the Low Income Offering is best considered within any longer-term pricing changes and, as a result, **nbn** will include further detail in the SAU variation process noted above.



## 7 Simplicity

### 7.1 Billing

While most RSPs supported **nbn** exploring a move to a single start of calendar month aligned billing cycle, some RSPs highlighted that the benefits were not clear and a very small number of RSPs opposed the change citing the cost to update internal systems and processes. Those RSPs that supported the move noted that the change would result in better billing efficiency and timelier payment of rebates. The genesis of this recommendation was **nbn**'s Ease of Doing Business Survey in which RSPs identified a need for **nbn** billing cycles to align with RSP payment and reconciliation cycles and for simplified products and marketing campaigns.

In **nbn**'s view, the advantages for RSPs are:

- **simpler reconciliation** – alignment with accounting and performance reporting, including WBA reporting;
- **simpler nbn campaign constructs** – no proration at the start and end of campaigns which also simplifies the Discount notices and other documentation for RSPs; and
- **quicker payment of rebates to RSPs** from the date of calculation (in contrast to **nbn**'s current practice of staggering payments, which is undertaken with a view to treating all RSPs equally regardless of their billing cycle)

Given the broad RSP support for the change, **nbn** proposes to continue working towards moving to a single calendar-month aligned billing cycle, subject to operational due diligence. As part of this project **nbn** will engage with RSPs in detail regarding a transition plan and timing, noting that critical accounting periods would be avoided where possible.

### 7.2 TC-1

In the Round 1 paper **nbn** asked whether Industry would support a withdrawal of 2Mbps and 5Mbps bandwidth profile TC-1 services given the low number of active services. These TC-1 services are currently being actively used in low numbers to support critical services and **nbn** will continue to support these services with no other proposed changes to TC-1 at this time.

### 7.3 TC-2

RSP feedback confirmed the ongoing requirement for lower speed committed rate services to provide MPLS networks as well as multi-line voice services recognising the trend toward higher speed contented networks in the longer term. RSP feedback was that TC-2 services can represent good value relative to Enterprise Ethernet, depending on the speed, location, and available access technology however, assessing this can be complex and complicated by changes such as future network upgrades.

Additionally, a suggestion was made to offer TC-2 at significantly discounted rates to customers who would otherwise purchase a TC-4 solution, but are seeking higher performance characteristics. While **nbn** agrees there is potentially an additional use case for this opportunity, given the current application for business customers who use TC-2 for multi-line voice or MPLS, **nbn** does not propose a price adjustment for TC-2 at this stage.



## 7.4 TC-4 Business Bundles

RSP feedback was generally positive on the repositioning of the Business High Speed Tiers with higher inclusions, which create an attractive proposition for the small to medium business segment, particularly as the FTTP footprint expands. In response, **nbn** will bring forward the inclusions on the 250/100Mbps tier to December 2021 from May 2022 and has responded to RSP feedback on the extension of Business Bundles including discounted TC-1 1Mbps to these tiers.

Many submissions compared the downstream speed and the bundle discount charges of the TC-4 Business High Speed Tiers, 250/100Mbps, 500/200Mbps, 1000/400Mbps<sup>22</sup>, to the Home Superfast and Home Ultrafast in terms of charges and CVC inclusions. However, this approach undervalues the significant increase in upstream capacity for the TC-4 Business High Speed Tiers, which are intended for different use cases and segments. For instance, a Home Ultrafast service supporting one or two people working from home is a different use case to a small office of up to 20 staff using concurrent video conference streams, file sharing and cloud-based IT applications; a use case that the higher uplink speeds would support.

For completeness, the proposed changes to the high speed TC-4 tiers have been compared to the Enterprise Ethernet Low Class of Service products to ensure there is logical consistency from lower speed TC-4 services through to Enterprise Ethernet.

Some RSPs commented on the inconsistency of not including Business Bundles (including discounted TC-1 1Mbps) on the Business High Speed Tiers as is currently available on the 50/20 and 100/40. In response **nbn** proposes to discount TC-1 1Mbps to \$5 when bundled with a Business High Speed Tier; the eSLA will be added at no charge as proposed in the first paper.

The table below provides the full range TC-4 Business Bundles that **nbn** is proposing be made available. This includes the existing 50/20Mbps and 100/40Mbps in both their Business Bundle 1 and Business Bundle 2 configuration.

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<sup>22</sup> As noted above, references to speeds in this document are to layer 2 wholesale peak speeds not end customer speeds. Regardless of the retail service that end customers purchase, the actual wholesale speeds delivered by **nbn**'s 1000/400Mbps wholesale speed tier will be less than 1Gbps due to equipment and network limitations.



TC-4 Business Bundles		May 21 to Apr 22		May 22 to Apr 23		Bundle Inclusions		Status
		Effective Charge	CVC Inclusion (Mbps)	Effective Charge	CVC Inclusion (Mbps)	Enhanced fault rectification service	TC-1 1Mbps	Existing / Proposed
Business Bundles 1	B50/20	\$55	2.5	\$55	2.65	eSLA12 (24/7)	1Mbps	Existing
	B100/40	\$75	4.25	\$75	4.5			Existing
	B250/100*	\$100	3.5	\$100	5.75			Proposed
	B500/200	\$130	3.5	\$160	6.25			Proposed
	B1000/400 <sup>23</sup>	\$180	3.25	\$230	7.0			Proposed
Business Bundles 2	B50/20	\$60	2.5	\$60	2.65		1Mbps	Existing
	B100/40	\$80	4.25	\$80	4.5			Existing
	B250/100*	\$100	3.5	\$105	5.75			Proposed
	B500/200	\$130	3.5	\$165	6.25			Proposed
	B1000/400 <sup>23</sup>	\$180	3.25	\$235	7.0			Proposed

Table 3 Proposed and existing TC-4 Business Bundles

\*inclusion in Business Bundles and CVC inclusion increased to 5.25Mbps effective 1 December 2021.

**Question 7.4:** Does your organisation have feedback on **nbn** extending the Business Bundles to the High Speed Tiers which would include discounting TC-1 1Mbps to \$5

## 8 Next Steps

**nbn** invites written submissions from PDF participants by close of business 18 June 2021. The PDF Web Tool private workspace provides a tool to securely share written submissions with **nbn**.

In parallel with this consultation, **nbn** welcomes the opportunity to meet with PDF participants individually, to discuss your submission in more detail and obtain feedback. If you would prefer to provide verbal feedback rather than make a written submission, please email [pdf@nbnc.com.au](mailto:pdf@nbnc.com.au) or contact your **nbn** account manager to request a meeting.

Subject to any PDF participant confidentiality requests, **nbn** intends to make a summary of the general themes from submissions and verbal feedback available to all PDF participants in due course. This is expected to be as part of a subsequent consultation paper to seek feedback from PDF participants on a proposed way forward.

<sup>23</sup> As noted above, references to speeds in this document are to layer 2 wholesale peak speeds not end customer speeds. Regardless of the retail service that end customers purchase, the actual wholesale speeds delivered by **nbn**'s 1000/400Mbps wholesale speed tier will be less than 1Gbps due to equipment and network limitations.