

29 November 2012

Mr. Michael Cosgrave  
General Manager Telecommunications  
Australian Competition and Consumer Commission  
Level 35, The Tower  
360 Elizabeth Street  
MELBOURNE VIC 3000

By email: michael.cosgrave@accc.gov.au

Dear Mr. Cosgrave,

### **TEM Reporting under the Structural Separation Undertaking Request for Extension**

In Schedule 9 of the Structural Separation Undertaking (SSU) which came into force on 6 March 2012, Telstra committed to provide a confidential TEM Report for the period commencing 1 January 2012 and ending 31 March 2012, and subsequently for each three month period commencing on 1 April 2012 (Reporting Period). The TEM Report for each subsequent period is to be provided to the ACCC within 60 days after the end of the Reporting Period to which it relates. Telstra has become aware that it may not be able to meet this commitment for the Reporting Period 1 July 2012 to 30 September 2012 and requests that the ACCC grant an extension to the period in which Telstra is required to provide this report.

Late in the preparation of the relevant TEM Report an issue was revealed with the calculation of the Internal Wholesale Price (IWP) for most Wholesale Reportable Products. This issue was traced back to Telstra's network cost allocator engine, one of the sources which feed into TEM very early in the process, in which an understatement of SIOs had resulted in an understatement of costs.

Note that this issue is restricted to the IWPs for the relevant Reporting Period, and the TEM Reports for the prior Reporting Periods have not been affected.

Telstra has determined that it may take up to two weeks to complete a full investigation of the network cost drivers and their sources, rerun the allocation engine, then rerun the TEM and produce the TEM Reports.

Telstra is committed to providing the ACCC with the relevant data it needs to assess and anticipate the competitive implications of Telstra's pricing in a timely manner. However, we also consider that it is important to ensure all such data is based on the best information available to Telstra at the relevant reporting time, and in this context we are requesting additional time to fully investigate, identify and rectify the above-mentioned issue (and then repeat the internal review and auditing processes that are designed to verify the accuracy of the TEM reports, which processes assisted to identify the current issue with the data).

Accordingly Telstra requests that the date for the provision of the TEM Reports for the period 1 July 2012 to 30 September 2012 be extended by 15 days to 14 December 2012. The Substantiation Report would also be provided within that time.

Please be assured that our focus in reviewing and responding to this issue will extend beyond ensuring correct information is included in the relevant TEM Report in respect of which a time extension has been requested, to include taking steps to ensure the problem is not repeated in relation to any subsequent TEM Reports.

If further clarification is required, please contact Iain Little (on 02 8576 2732 or [iain.little@team.telstra.com](mailto:iain.little@team.telstra.com)) or myself.

Yours sincerely,



Jane van Beelen  
Executive Director – Regulatory Affairs  
Corporate Affairs  
[jane.vanbeelen@team.telstra.com](mailto:jane.vanbeelen@team.telstra.com)