

Our ref: 60970
Contact officer: Scott Harding
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**Australian
Competition &
Consumer
Commission**

22 December 2016

Ms Caroline Lovell
Chief Regulatory Officer
NBN Corporation Limited
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By email: CarolineLovell@nbnco.com.au
Copy to: MatthewCole@nbnco.com.au

Dear Ms Lovell,

NBN Co 2015-16 Long Term Revenue Constraint Methodology (LTRCM) – ACCC’s preliminary view pursuant to clause 1E.1.2(c)(vii) of NBN Co’s SAU

The Australian Competition and Consumer Commission (ACCC) has formed a preliminary view pursuant to clause 1E.1.2(c)(vii) of the Special Access Undertaking (SAU) in relation to the capital and operating expenditure amounts proposed by NBN in its 2015-16 LTRCM proposal.

The ACCC’s preliminary view is that, based on the information currently before it, it does not intend to determine a substitute amount of capital expenditure in accordance with SAU clause 1D.3.2(d) or a substitute amount of operating expenditure in accordance with SAU clause 1E.8.2(c). In reaching this preliminary view, the ACCC has considered the regulatory information submitted by NBN Co under Schedule 1F of the SAU and other supporting documents provided by NBN Co.

To assist the ACCC in making the 2015-16 LTRCM determination, we will be seeking further information from NBN Co on its procurement activities and related internal processes. As part of this, the ACCC will be seeking briefings from NBN Co’s procurement team in early 2017. We consider a more direct understanding of how NBN Co’s procurement processes operate in practice and how they align SAU requirements will assist the ACCC’s assessment of NBN Co’s LTRCM for 2015-16. It could also assist the ACCC’s consideration of NBN Co’s LTRCM in subsequent years. We will write to you soon with further information on the information we are seeking from NBN Co.

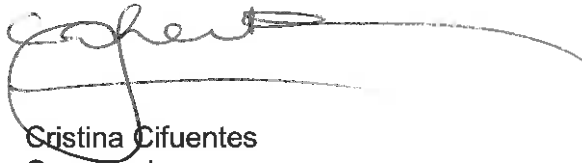
The ACCC will then consult publicly on a draft LTRCM determination in accordance with the SAU and will consider submissions and other relevant information before making a final determination. The LTRCM determination will set out the values for NBN’s annual revenue requirement (ABRR), regulated asset base (RAB) and loss capitalisation account (ICRA). The ACCC intends to commence its consultation process in March 2017.

The ACCC expects that NBN Co will provide adequate transparency during the consultation process, including access to confidential information to interested parties under appropriate confidentiality arrangements. We will continue to monitor the operation of NBN Co’s

confidentiality arrangements to identify any concerns regarding the balance between appropriate disclosure and the protection of NBN Co's confidential information.

Please contact Scott Harding on (03) 9658 6434 if you have any queries in regards to this matter.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Cristina Cifuentes', with a long horizontal flourish extending to the right.

Cristina Cifuentes
Commissioner
ACCC