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**Australian
Competition &
Consumer
Commission**

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Dear Dr Warren

Telstra's Band 2 ULLS undertaking: TEA model version 1.3

I refer to your letter dated 8 January 2009, in which you indicate that Telstra is currently preparing versions 1.3 and 1.3.1 of the Telstra Efficient Access (TEA) model. You also request the ACCC inform Telstra of any suggested changes to the TEA model.

In relation to your request for information, the ACCC considers that both its draft decision on the Undertaking and the submissions lodged by interested parties set out recommendations that may assist Telstra improve the robustness of the TEA model. A summary of the ACCC's recommendations can be found on pages 40 and 41 of the ACCC's Draft Decision. If the ACCC becomes aware of additional issues relating to the TEA model, these will be communicated to Telstra. Whilst I note that the ACCC is currently undertaking a high level reconciliation of data between the TEA model and the Analysys cost model, these results are not expected to be finalised until February 2009.

The ACCC also notes Telstra's submission *Response to the ACCC's Draft Decision* dated 23 December 2008, which indicates Telstra is revising the factor calculations in the TEA model based on the ACCC's Draft Decision and submissions from interested parties. Further, Telstra's submission states "[t]he new calculation updates the forward looking investment used in calculating the... ducts and pipes investment in version 1.2 of the TEA model." Telstra further submits these changes result in a \$2.51 reduction in the monthly per loop cost.

The ACCC is unable to independently assess the claims made in Telstra's submission without the most up to date version of the TEA model. Should Telstra choose to submit a new version of the TEA model, the ACCC requests that this be lodged by close of business on **Friday 23 January 2009**. This may ensure sufficient time is provided to both the ACCC and access seekers to make well-informed comments.

Should Telstra elect not to submit the most up to date version of the TEA model, by the above date, the ACCC may make its decision on Telstra's undertaking using the information currently available, including information which indicates that the TEA model is currently being revised.

Yours sincerely



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