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Review of NBN Application for SAU Variation

Communications Markets and Advocacy
Australian Competition & Consumer Commission

By email: nbn@accc.gov.au

Cc: Scott.Harding@accc.gov.au

17 February 2023

Dear ACCC team

AGL Southern Phone (**AGL**) welcomes the opportunity to provide input on the issues raised in the Consultation Paper dated January 2023 (**Paper**) published as part of the ACCC Consultation regarding NBN Co's application for variation of its Special Access Undertaking.

Our submission is enclosed. It does not contain any confidential information.

Please do not hesitate to contact us if you have any questions in relation to this submission.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'D Stewart', with a long horizontal flourish extending to the right.

Dean Stewart

Head of Telco Product Operations



AGL Southern Phone Submission

To promote the LTIE (and in particular the economically efficient use of the NBN infrastructure), we submit that:

- a) The pricing structure should be further simplified with CVC removed for at least all of the most popular plans (rather than only the speed tiers 100/20 and above); and
- b) The price point for the 100/20 plan should be further reduced to encourage efficient use of the NBN infrastructure.

We set out below the primary reasons for these submissions.

What are your views on the possible implications of the proposed model for the efficient use of the NBN?

In our view, the simplicity of an AVC only pricing structure for all speed tiers, or at least those that are most popular, would promote competition in retail markets and encourage the efficient use of the NBN infrastructure. Specifically:

- CVC pricing creates significant inefficiency and cost, particularly for smaller retailers. For example:
 - o The 50/20 plan is currently the most popular plan across the market and accordingly represents a very large portion of retailer costs. Under the current proposal, the CVC wholesale pricing construct would continue for this popular plan until 1 July 2026.
 - o The cost of managing CVC is significant, and disproportionately so for smaller retailers. Although the proposed shift to utilised CVC (rather than provisioned CVC) charging would partially mitigate this inefficiency, significant costs would remain because retailers would still need to undertake sophisticated analysis of the usage patterns of individual customers to optimise their wholesale costs.
 - o Removing the inefficiency associated with CVC pricing would allow retailers to operate more efficiently, minimise retail prices and costs, promote retail competition and, consequently, encourage the economically efficient use of the NBN infrastructure.
- We agree with the observation in the Consultation Paper that:

'The continuation of CVC charging on the most popular speed tiers ... appears to conflict with end-user preferences for simple pricing in the form of flat rate unlimited data plans ... relatively few NBN retail plans now on offer feature time-of-day or usage-based pricing NBN retail plans. The complicated wholesale pricing structure and its mismatch with the prevailing retail price structure likely means that the retailers will continue to bear cost risk until CVC charges are fully withdrawn in July 2026.'

The gap in minimum access costs between the 50 Mbps and 100 Mbps services is relatively small, and narrows further once the cost of CVC coverage is factored in. Do stakeholders consider that the proposed wholesale pricing model is suitably calibrated so that both the 50 Mbps and 100 Mbps wholesale speed tiers remain viable inputs that will support retail product and price differentiation?

In our view, a small further reduction in the wholesale price of the 100/20 speed tier from that proposed would have significant benefits including:

- better utilisation of the faster speeds that the NBN network is able to provide, through more customers taking advantage of those higher speeds and having a better experience;



- reduced costs for retailers, including in particular a reduction in the inefficient costs associated with the management of CVC, which would benefit retail competition; and
- better aligning the wholesale cost structure with existing retail market pricing.

We note that although some customers are not presently able to obtain maximum speeds of 100Mbps due to limitations in portions of the network, the vast majority of those customers are able to obtain speeds above 50Mbps such that the quality of their service would increase by upgrading to a 100/20 speed tier, even if not to the extent available to other customers.

The effectiveness of low-income measures could depend on a high level of engagement from low-income representatives, and NBN Co having a strong incentive to respond efficiently to their recommendations. Does the current proposal make these things likely? What other commitments if any could be needed so that low income and other disadvantaged consumers can receive a reasonable level of support?

We support the establishment of the low-income forum proposed but consider that NBN Co should use best endeavours to ensure that Federal and State Government Agencies are represented in that working group. We observe that:

- There are various mechanisms for the provision of financial support from Federal and State Governments to ensure that low-income individuals and households are able to access and pay for essential services across Australia's economy. For example, we see first-hand the benefits that government concession rebates and emergency relief payments provide for energy consumers.
 - We consider access to the internet is similarly an essential service.
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