



Agenda and meeting summary – NBN Building Block Model Working Group

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| Meeting date | 2:00pm to 3:30pm, Thursday 23 September 2021 |
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| # | Item |
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| 1 | Attendance and apologies |
| 2 | Review of actions from last meeting |
| 3 | Confidentiality arrangements |
| 4 | Notice to NBN Co to prepare replacement module application under current SAU |
| 5 | Presentation and discussion on NBN Co's building block model |
| 6 | RSP paper on opening regulatory valuations and RSP building block model |
| 7 | NBN Co paper on opening regulatory valuations |
| 8 | Working Group terms of reference |
| 9 | Working Group forward work program |
| 10 | Next meeting |

Next meeting scheduled for: 2:00pm to 3:30pm, Thursday 14 October 2021

Meeting summary

The Chair welcomed attendees and thanked participants who prepared materials for the meeting.

The ACCC provided an update on confidentiality arrangements, noting that all participants in the meeting had entered confidentiality agreements with NBN Co.

The ACCC advised participants of a forthcoming notice to NBN Co under the current SAU. While the broader regulatory arrangements are being reviewed through current working group process, the current SAU will remain in operation. This requires the ACCC to give notice to NBN Co to prepare a replacement module application, which would specify certain arrangements to apply from 1 July 2023. The ACCC noted this is a procedural matter that would not affect its broader review.

The ACCC noted that a group of RSPs made a building block model available to participants before the meeting. NBN Co had circulated its version of a building block model to working group participants shortly before the meeting.

NBN Co gave a presentation on its building block model. The model is based on the model used for the annual long term revenue constraint (LTRCM) process. It includes historical information up to 2019-20, and forecasts to 2039-40 based on NBN Co's corporate plan and management planning information. The model presents a number of proposed cost recovery scenarios over the period ending 2039-40, with each scenario providing for recovery of different amounts of accumulated losses over the period.

RSPs presented a jointly prepared paper on opening regulatory valuations. Points raised in the presentation and subsequent discussion include principles for establishing opening values for the regulatory asset base (RAB) and initial cost recovery account (ICRA), identifying costs that they submit reflect the activities of an efficient commercial operator, and the allocation of costs between commercial and non-commercial activities. Participants also discussed the role of past and current government policy in establishing opening valuations.

RSPs then presented their building block model, which reflected the principles set out in their paper. RSPs also requested further information from NBN Co to allow them to refine their model. NBN Co requested that the RSPs provide an explanation as to why all of the requested information is required or relevant to this regulatory process.

A presentation by NBN Co on opening valuations was deferred until the next meeting due to time constraints. Attendees will also be able to provide detailed comments and ask questions about the building block models in the next meeting. Other matters for discussion in the next meeting include information requirements and approaches to new investments and expenditure.

The next meeting of the building block model working group will be on Thursday 14 October 2021.