



Agenda and meeting summary – NBN Product and Pricing Working Group

Meeting date	2:00pm to 3:30pm, Thursday 9 September 2021
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#	Item
1	Attendance and apologies
2	Review of actions from last meeting
3	Confidentiality arrangements
4	Paper on scorecard/assessment criteria for product and price constructs
5	Initial draft of paper on possible non-volumetric product construct (focusing on what product features and tariff items would make up a good product construct)
6	Initial draft of paper on possible volumetric product construct (focusing on what product features and tariff items would make up a good product construct)
7	Initial draft of paper on incremental costs of adding network capacity and how this relates to total cost to supply
8	Initial draft of paper on features of the price controls
9	Working Group terms of reference
10	Working Group forward work program
11	Next meeting

Next meeting scheduled for: 2:00pm to 3:30pm, Thursday 7 October 2021

Meeting summary

The Chair thanked the stakeholders who had contributed to the five papers for the meeting.

The ACCC introduced the discussion on confidentiality arrangements. NBN Co spoke to the draft confidentiality agreement to be provided by each recipient of its confidential information. NBN Co advised the meeting that it would separately provide its confidential information directly to those parties from whom it had accepted an undertaking. Meeting participants were encouraged to consider the confidentiality undertaking and the personnel within their organisations with whom it would be necessary to share information to support an informed discussion in the working groups, with a view

to having the undertakings in place promptly. It was also noted that other parties that wanted to introduce their own confidential information would need to provide a similar agreement.

The paper on the scorecard/assessment criteria for product and price constructs was presented, with an emphasis placed on the costing methodology and recovery models that would be consistent with the broader assessment principles. The role of the existing retail price structure in helping to frame the wholesale price structure was also highlighted. It was postulated that access prices consistent with the proposed framework would have a minimal volumetric charge component, with fixed and common costs recovered from non-volumetric charges, and price relativities between speed tiers based on end customer willingness to pay. Concerns were raised about any rebalancing of prices that made lower speed tiers relatively more expensive. One participant questioned whether retail and wholesale structures needed to match, noting that retailers might adopt different structures from wholesale prices as a means of product differentiation. The paper's author will refine the paper in light of feedback received and provide an updated version for circulation.

An initial draft of the paper on possible non-volumetric product construct was presented. This proposed: the specification of service level requirements so that end customers get the access speed they have paid for; suitable price relativities between access speed tiers; a price of zero for CVC but the retention of existing CVC ordering arrangements; and the need for a low priced product to support a basic level of connectivity to the NBN. There was some discussion of whether a price of zero for CVC would promote inefficient network utilisation levels and whether NBN Co was expected to bear the resulting revenue loss. Some stakeholders said that RSPs would still have incentives to manage usage due to constraints on their other network components, such as backhaul. The paper also outlined an approach to services supplied over FTTN that would reduce retail costs and promote service quality and assurance levels, with this to be further developed so as to manage any short term impacts on consumer choice.

A conceptual paper on the incremental costs of adding network capacity and how this relates to total cost to supply was presented. This paper proposed that the costs of incremental capacity be determined by long run marginal costs (LRMC), ignoring sunk costs. Two methods of calculating these costs were outlined. There was a discussion of how these costs should be translated into an efficient wholesale pricing structure, with one proposition put that the incremental costs of new capacity, as determined by LRMC, be captured in a variable charge and that residual costs be captured in a non-variable charge. Stakeholders also raised whether the pricing structure should continue to encourage connections to the network and the potential impact of this on competing networks. A supplement to the paper providing cost estimates will be presented at the next meeting.

The initial drafts of the papers on a possible volumetric product construct and the features of the price controls were held over for discussion at the next working group meeting.

It was agreed that a paper on potential low income broadband access measures would be prepared for the next meeting.