



## Public agenda and meeting summary – NBN Product and Pricing Working Group

<b>Meeting date</b>	2:00pm to 4.00pm, Thursday 4 November 2021
<b>Location</b>	Via Teams

#	Item
1	Attendance and apologies
2	Review of actions from last meeting
3	SAU timing
4	Drafts of papers on features of the price controls and treatment of discounts
5	Response to feedback on paper on low income options
6	Response to feedback on paper on possible volumetric product construct
7	Response to feedback on paper on non-volumetric product construct
8	Response to feedback on presentation on incremental costs of adding network capacity and how this relates to total cost to supply
9	Response to questions on presentation on NZ UFB model
10	Working Group forward work program

**Next meeting scheduled for: 2:30pm to 4:30pm, Thursday 25 November 2021**

### Meeting summary

The Chair welcomed attendees to the meeting.

The Chair reminded attendees that the last meeting of the working group will be on 25 November and that parties would need to submit a paper for this meeting should they want any further views considered by the group on matters arising.

The Chair advised attendees that following the final working group meetings the ACCC will prepare a summary report to provide transparency over the matters discussed and positions that were reached in each working group.

The ACCC sought views from attendees on the timing of the lodgement of the SAU, noting that NBN Co had publicly stated that it would lodge the SAU in December. Given that the working group deliberations have been valuable, the ACCC noted there was merit in allowing that process to run its

course before NBN Co lodged its revised SAU. The ACCC therefore suggested that February 2022 would be a more realistic timeframe within which NBN Co could develop its proposed SAU and associated product and pricing offers. Attendees acknowledged that this approach would provide NBN Co with the opportunity to consider fully the views of the working groups. That said, working group attendees were keen to understand implications for overall timing of the SAU assessment process and when NBN Co would clarify the pricing that would be available to access seekers under the existing WBA4 commercial agreement in 2022. Attendees expressed their clear preference that NBN Co move quickly to offer refreshed WBA4 price terms while the SAU was being assessed. NBN Co is to update the working group on its plans in this regard at the next working group meeting.

An update was provided to the previously presented paper on options to support low-income consumers. The update highlighted the role for government in supporting broader low income measures across the industry and also indicated there may be particular actions that could be undertaken by NBN Co to aid affordability. It was noted that a distinction should be made between low use and low income requirements. A request was made that the potential options put forward by various proponents be costed by NBN Co. It was noted that the statement of expectations that the government had given to NBN Co included an affordability objective, and the working group was informed that government intended to work with consumer groups to identify gaps in existing policy that might be addressed across the sector.

Papers were presented on the potential price controls that could apply to NBN Co under the SAU. In the first of these, a range of considerations for establishing price controls were outlined. This paper also included an illustrative design of a weighted average price cap (WAPC) along with possible complementary controls. Features of this design included a WAPC on non-competitive services (i.e., competitive services such as Enterprise Ethernet or the Business Satellite Service would not be subject to the WAPC) with the level of the cap derived from the Building Block Model; periodic pricing statements and tariff filings that gave a good degree of certainty over prices that would apply over time; limits on maximum price increases to mitigate the risk of price shocks; specific CVC (if applicable) and entry level (low bandwidth/use) product caps; and measures that encourage the use of price adjustments to meet market demand rather than discounts which give less certainty. The potential for these measures to promote greater certainty to access seekers was emphasised along with a range of economic efficiency benefits of a WAPC compared to a revenue cap. In particular it was noted that a WAPC provides stronger incentives on NBN Co to meet or outperform its demand forecasts and thereby promote the use of the NBN.

A second paper provided an alternative proposal which also featured a WAPC as the key regulatory control. This proposal also included anchor product regulation of the most popular product tier (50/20 Mbps) and specified limits on pricing relativities between speed tiers. This paper also proposed that contributions to the recovery of start-up period losses be explicitly identified in NBN Co's prices.

Discussion of the form of price control covered issues in relation to demand uncertainty including how uncertainty of demand would change with the absence of a CVC price or use of the dimension based discounting CVC price model; how tariff filing would work; the appropriate entry level anchor product or products; and how new products would be brought into the cap. There were concerns expressed about the suitability of NBN Co's demand forecast methodologies for use in establishing the controls, including the need for greater granularity in forecasts at the product level.

It was noted that an update to the presentation on the New Zealand UFB model had been circulated. This responded to questions on the earlier presentation and contained new details on Chorus's traffic management targets, the regulatory treatment of Chorus's loss account and regulatory approaches to high speed broadband access pricing in the UK and Canada.

Remaining agenda items were carried over to the next meeting, which is scheduled for 25 November 2021.