



Agenda and meeting summary – NBN Product and Pricing Working Group

Meeting date	2:00pm to 3:30pm, Thursday 7 October 2021
--------------	---

#	Item
1	Attendance and apologies
2	Review of actions from last meeting
3	Initial draft of paper on low income options
4	Initial draft of paper on possible volumetric product construct (focusing on what product features and tariff items would make up a good product construct)
5	Further paper on incremental costs of adding network capacity and how this relates to total cost to supply (confidential paper for circulation by NBN Co)
6	Initial draft of paper on features of the price controls
7	Working Group forward work program

Next meeting scheduled for: 2:00pm to 4.00pm, Thursday 4 November 2021

Meeting summary

The Chair welcomed attendees and highlighted some of the action items from last meeting. An update to the paper on a non-volumetric charging construct will be circulated before the next meeting.

A paper was presented on options to support low-income consumers which ranged from low-priced basic products such as a low-cost basic connectivity product; support for a pre-payment/flexible on-off connection that would allow consumers to control their spend while still accessing the network; and low income subsidies/rebates for eligible consumers on plans up to the 100/20 Mbps speed tier.

The paper also explored how eligibility could be determined, acknowledging that the more expansive the scheme the more likely that it could require government budgetary support rather than be funded via higher charges for other customers.

Other matters discussed were practicalities of determining eligibility with a participant with experience in the matter indicating that it was relatively straight-forward to integrate into Centrelink systems for that purpose, and the extent to which government support payments and alternative communications services could also be used to support low-income consumers.

The second paper presented concerned a volumetric charging model. It proposes a CVC price that falls with the amount of CVC that is dimensioned by the RSP for its services, i.e., the amount of CVC provisioned per service. This is similar to the dimension-based pricing model that NBN Co previously

offered, except it would provide additional flexibility for RSPs to choose the level at which they dimension their services. Unlike the current bundles based pricing, effective CVC charges would operate on continuous price path and not be dependant on periodic adjustments by NBN Co.

Discussion centred around the potential for this pricing model to provide for additional retail product diversity and assist smaller RSPs to compete given they don't have the option of moving lower bandwidth customers to their own mobile networks should low cost NBN access offers be withdrawn under a non-volumetric pricing model. Some participants questioned whether providing additional flexibility for access seekers to determine their dimensioning levels would risk poor consumer outcomes if consumers did not appreciate the service quality on offer. It was noted that other markets do not prescribe minimum standards with a view to preventing customer confusion, and there are mechanisms in place such as mandatory retail marketing rules and the Measuring Broadband Australia performance monitoring program to counter mis-selling based on unrealistic speed claims.

The ACCC encouraged other participants to give the volumetric charge model in-depth consideration prior to the next meeting.

A confidential presentation was also provided on the incremental costs of adding network capacity to the NBN. This provided an overall estimate of the long run cost of adding network capacity in response to localised capacity constraints as a \$/Mbps/month figure. Participants asked that further details of the cost estimates be made available to the working group. The presentation authors undertook to further consider the relevance of an LRMC approach to pricing given that the NBN's current pricing structure does not provide locational signals while their analysis suggested that investment incurs incrementally throughout the network rather than in large capacity investments.

The paper on the price controls was held over until the next meeting. It was agreed that this paper would also consider the treatment of discounts.