



## Agenda and meeting summary – NBN Building Block Model Working Group

Meeting date	2:00pm to 3:30pm, Thursday 19 August 2021
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#	Item
1	Welcoming remarks
2	Attendance and apologies
3	Proposed confidentiality and transparency arrangements
4	Working Group draft terms of reference
5	Working Group draft forward work program
6	Next meeting

**Next meeting scheduled for 2:00pm to 3:30pm, Thursday 23 September 2021**

### Meeting summary

The Chair welcomed attendees and reiterated the overriding objective of the working groups is to help develop a special access undertaking (SAU) that would be acceptable for the ACCC and provide long-term certainty for stakeholders. The Chair also stated that the aim of the working groups is to have a consultative process in the lead up to NBN's SAU variation. This is to encourage the efficient use of and investment in the NBN. One possible outcome of this discussion is to link annual revenue per user (ARPU) and costs once a building block model is developed. One participant mentioned that figuring out an ARPU target including recovery of any of the accumulated losses currently reflected in the initial cost recovery account (ICRA) balance is essential to figure out an appropriate price path.

The ACCC outlined the planned confidentiality and transparency arrangements for the working groups. Participants exchanged views on the confidentiality arrangements to be established. The ACCC will circulate proposed confidentiality undertakings and other details before the next round of working group meetings.

The Terms of Reference were agreed. Participants noted that as the working group progressed the broad objectives of the working group may be refined or altered.

The group agreed to focus on four primary work streams with the potential for a fifth work stream focusing on the rate of return for a building block model. One participant noted that the working group should consider the policy framework and relevant legislation NBN Co is subject to when conducting the work.

The first work stream is to focus on the opening regulatory valuations. Under the terms of reference, the working group will consider principles for establishing an opening value for accumulated losses and regulatory assets under a revised SAU. Principles such as recovery of efficiently incurred costs, incentives for efficient investment and the ability for NBN Co to fund new investments serve as a starting point for further consideration.

The second work stream is to focus on building block model mechanics. This includes methodologies for recognising accumulated losses. Work within this work stream will consider alternative approaches to determining recovery of accumulated losses and consider how different elements of the building block interact.

The third work stream relates to the approach for new investments and ongoing expenditure. This work stream will consider the rules for assessment of proposed new investments and the recovery of costs associated with these investments. The key objective of this work stream is to consider a transition to a forecast-based building block model.

The fourth work stream will be focused on the treatment of different sources of costs and revenues under a building block model. This work stream will consider the treatment of different services, network technologies and market segments in conjunction with appropriate transparency measures required under the building block model. Participants noted that it was important to recognise changing regulatory requirements that will occur.

The working group also discussed a submission from participants containing a list of metrics from NBN Co that should be shared to members of the working group to progress discussions. The data requested included information on the RAB, rate of return, demand forecasts, operating expenditure and capital expenditure forecasts, asset lives, ICRA and utilisation forecasts. NBN Co will have the opportunity to present this data to working group members later with appropriate confidentiality requirements.

One participant noted that costs should be considered holistically when discussing building block issues and noted that the majority of investment in the fixed line sector occurs in other parts of the supply chain. It was noted that the legislative criteria supports this holistic view. Participants also noted that timely provision of data is essential so the working group can complete its work well before negotiations on a new wholesale access agreement commence.

Participants volunteered to produce papers for consideration at the next working group meeting, covering the principles that will be applied across this working group, and specifically in relation to opening valuations for the building block model. After this meeting there will be additional consideration of what information should be provided to the working group and to identify if there are any additional confidentiality requirements accompanying that information.