
TELSTRA CORPORATION LIMITED
STRUCTURAL SEPARATION UNDERTAKING

RECTIFICATION PROPOSAL
FOR SYSTEMS AND PROCESSES FOR
ORDERING BTS, ADSL AND LSS SERVICES VIA
LOLO AND LOLIG
FOR CONSULTATION BY ACCC WITH
WHOLESALE CUSTOMERS

TELSTRA UNRESTRICTED

RECTIFICATION PROPOSAL – FOR CONSULTATION

1. Background

Telstra identified a series of system related issues with Telstra's Wholesale Customer ordering systems Linx Online Ordering (**LOLO**) and Linx Online Interaction Gateway (**LOLIG**) which impacted orders by Wholesale Customers for the Basic Telephone Service (**BTS**), ADSL and LSS.

Our investigations identified that, during the period from 4 to 13 September 2016 (inclusive), LOLO and LOLIG experienced a series of disruptions and availability issues. These issues occurred following the planned platform upgrade and migration on 3 September 2016 of LOLO/LOLIG to a cloud platform to improve the overall resilience of the LOLO/LOLIG system. This resulted in a number of LOLO/LOLIG's functionalities being unintentionally impacted with the consequence that some Wholesale Customer orders were not processed or there were delays with order submission or order processing.

Our investigations also identified that, following a rollback of LOLO/LOLIG to the previous platform which was undertaken on the night of 13 September 2016 in an effort to resolve all issues, there were some ongoing issues in relation to LOLO and LOLIG availability and order backlogs in the period between 14 September 2016 and 17 October 2016 (inclusive).

In addition, following the rollback of LOLO/LOLIG to the previous platform on 13 September 2016, in an effort to try and maintain the stability of the systems, Telstra limited the volume of orders that could be submitted by Wholesale Customers. These restrictions were lifted on 9 October 2016.

Remediation efforts by Telstra staff and its external IT providers to rectify the identified issues were made around the clock during the period of disruption. Also Telstra proactively notified and worked with its Wholesale Customers to minimize the impact of these issues.

All issues were resolved by 17 October 2016 when the backlog of Wholesale Customer orders was cleared and Wholesale Customer order volumes were being processed at pre-incident volumes. As such, Telstra considers the LOLO/LOLIG systems to be remediated and fully operational from 17 October 2016.

This issue did not impact orders for ULL as Wholesale Customers were able to place orders for this service using an alternative IT system (ULLCIS).

2. Rectification

2.1 Goal of Rectification Proposal

This Rectification Proposal is intended to provide an effective means of remedying the potential equivalence issue and has been designed to quickly implement a commercial solution which addresses the issues and impacts.

While the LOLO/LOLIG disruptions and availability issues impacted a number of services, this Rectification Proposal only applies to those Regulated Services under the SSU affected by the issues, being Wholesale BTS and ADSL services and LSS.

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2.2 Proposed steps

(a) System changes

Telstra will take steps to improve the stability and availability of LOLO/LOLIG including:

- Extending the LOLO platforms caching capability so that requests for the same information and commonly used transactions are handled more efficiently. This is expected to be implemented by the end of December 2016.
- Introducing service throttling for LOLIG to manage IT system capability. Service throttling threshold volumes will be set at levels in excess of usual transaction levels per hour for Wholesale Customers. This is expected to be implemented by the end of January 2017. LOLO will not be subject to service throttling.
- Implementing order status and push notifications to Wholesale Customers so that Wholesale Customers are provided with automatic and proactive updates about orders, including about the status of an existing order, thereby reducing the need for Wholesale Customers to send polling requests so frequently. This is expected to be implemented by the end of May 2017.

In addition, Telstra will implement a system so that any future changes to the functionality of LOLO/LOLIG, the transition of those systems to different platforms or the introduction of any replacement system will be notified to Wholesale Customers in advance. Wholesale Customers will also have the opportunity to preview, test and evaluate these changes in Telstra's staging environment.

(b) Communicate with Telstra's Wholesale Customers about the issue

Throughout the period of the LOLO/LOLIG disruption, Telstra engaged in ongoing communication with its Wholesale Customers, including by issuing numerous notifications via our Telstra Wholesale Alerts process, sending personal emails to Wholesale Customers from relevant account managers, daily meetings with some customers, the Telstra Wholesale Group Executive providing updates about the status of the issues and the remediation, and account managers working closely with Wholesale Customers to understand the impact on their orders and to put in plans to manage their orders and reduce any backlog, including plans to submit orders in quieter periods.

Telstra will also provide monthly IT updates to its Wholesale Customers until the end of June 2017, which will include details about the system changes referred to in (a) above. We will also continue to engage with Wholesale Customers about Telstra's system development for LOLO/LOLIG and change management.

Telstra has also written to all of its Wholesale Customers notifying them of the compensation scheme referred to in (c) below.

(c) Implement Telstra wholesale customer rectification scheme

Telstra has already implemented a Wholesale Customer focused and commercially driven compensation scheme for its impacted Wholesale Customers.

On 28 October 2016, Telstra proactively wrote to all of its Wholesale Customers who used LOLO/LOLIG during the period of disruption, notifying them of the compensation scheme and

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inviting them to submit claims for compensation if they suffered loss or incurred additional expenses as a direct result of the LOLO/ LOLIG disruption and availability issues.

The compensation scheme implemented by Telstra provides that Telstra will consider and compensate claims for loss and expenses incurred between 4 September 2016 and 17 October 2016 (inclusive), including amounts for:

- business loss;
- commercial loss relating to the terms of the Wholesale Customer's contract with Telstra; and
- additional business costs, such as staff overtime and accommodating additional call volumes from retail end users.

Claims under the compensation scheme need to be submitted before 31 March 2017. Telstra is committed to seeking to resolve all claims for compensation in a timely manner and will endeavour to provide its assessment of a claim within 30 Business Days of receipt of all required information.

Telstra has already started to process claims and make payments under the compensation scheme.

In the event Telstra and the Wholesale Customer cannot agree about the amount of compensation payable, Telstra has agreed to submit to one of two dispute resolution processes which Wholesale Customers can choose from. The Wholesale Customer will have the option to elect to use either:

- the dispute resolution regime set out in its customer contract with Telstra, in which case this dispute will be treated as a General Dispute; or
- a special dispute resolution process developed for the LOLO/LOLIG disruption compensation scheme which will contain the following elements:
 - if the Wholesale Customer disputes Telstra's assessment of its claim, within 5 Business days of receipt of the assessment, the Wholesale Customer may provide a written notice to Telstra setting out brief details of the dispute and reasons why it does not accept the assessment;
 - if such a notice is given, each party must nominate a senior representative of their organisation to meet and try and resolve the issue within 10 Business Days of the notice being given;
 - if the dispute is not resolved, then unless the parties agree otherwise, Telstra will submit to an Independent Expert Determination under Telstra's Wholesale Alternative Dispute Resolution Policy as if the dispute is a General Dispute under that policy; and
 - Telstra acknowledges that any determination made by the Independent Expert will be binding.

(d) Reporting

Telstra will provide monthly reports to the ACCC on:

- the overall status and outcomes of customer settlements under the wholesale customer compensation scheme for impacted Regulated Services on a confidential basis; and

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- implementation of the LOLO/LOLIG functionality changes.

4.3 Expiry of Rectification Proposal

This Rectification Proposal expires 18 calendar months after the date that it is accepted by the ACCC, or six months after the conclusion of all Rectification Steps set out above, whichever is the later.

5. Conclusion

Telstra believes that by undertaking the steps set out above, it has addressed any possible equivalence issue that may have arisen.

Dated: 20 December 2016