
TELSTRA CORPORATION LIMITED
STRUCTURAL SEPARATION UNDERTAKING

**RECTIFICATION PROPOSAL
FOR SYSTEMS AND PROCESSES FOR
SERVICE QUALIFICATION FOR THE LSS AND
ADSL
DATED: 5 SEPTEMBER 2014**

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1. Background

Telstra takes its equivalence obligations under the SSU very seriously and is committed to delivering equivalent outcomes for its Wholesale Customers and Retail Business Units.

Following a complaint by a Telstra Wholesale Customer in January 2014, Telstra identified a potential equivalence issue with its existing systems and processes for handling Service Qualification (**SQ**) and the subsequent decision regarding the provisioning of orders for ADSL services and, in the case of Telstra Wholesale services, LSS where an SQ query or ADSL/LSS order is performed using a full national number (**FNN**) and the existing PSTN service is affected by excessive transmission loss.

Telstra identified that the issue arose because Telstra Wholesale's current systems and processes for FNN-based SQ queries and orders for ADSL and LSS are limited to assessing the suitability and provisioning option of the current path for the existing FNN only and do not provide for the potential to provision over alternate paths (assuming one is available), where the existing FNN to the end-user's premises suffers from excessive transmission loss.

In those limited circumstances, where the current path used for the existing FNN was affected by excessive transmission loss, the results received by Telstra Wholesale Customers would indicate a "Fail" and Telstra Wholesale's processes would not allow an assessment of the potential to provision the ADSL service or LSS via an alternate path that may have been available.

In contrast, where the current path suffers from excessive transmission loss, the FNN-based SQ and provisioning processes for Telstra's Retail Business Units for an ADSL service assess the suitability of the current and alternate paths. In those limited circumstances, where the current path of the existing FNN was affected by excessive transmission loss, but an alternate path existed that was not affected by excessive transmission loss, the SQ results received by Telstra's Retail Business Units would not indicate an "Unavailable" result and Telstra Retail's processes would allow an assessment of the potential to provision the ADSL service by way of that alternate path, if one was available.

The issue identified does not impact address-based SQ queries or orders, as they assess and provide for the potential to provision an ADSL service or LSS (in the case of Wholesale) over current and alternate paths for both Telstra Wholesale and Telstra Retail.

The issue also does not impact unbundled local loop service carrier interface system (**ULLSCIS**) SQ processes.

On the basis of the inquiries we have made to date, we understand the potential impact for a different outcome for Telstra Retail when compared to Telstra Wholesale Customers to be low and not significant. This is primarily because Telstra understands that the availability of alternate paths where there is excessive transmission loss on the current path is low.

Telstra's preliminary assessment indicates that less than 0.01% of the unique FNNs which are the subject of a Wholesale FNN-based SQ order or query receive a "Fail" result due to excessive transmission loss and then may have been provisioned at Retail within the same calendar month. While this shows the limited nature and impact of the issue, Telstra acknowledges that equivalence is important and will take action to address it.

Accordingly, we are taking the matter very seriously and have and will continue to devote time and resources to investigating the issue and solutions. The underlying processes and IT systems are complex and identifying, defining, and testing the appropriate IT solution is a resource and time intensive process.

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2. Goal of Rectification Proposal

This Rectification Proposal is intended to provide an effective means of remedying the potential equivalence issue reported by Telstra to the ACCC.

3. Proposed rectification steps

(a) System and process changes

Telstra will implement the following systems and process changes:

- An IT system change to correct the current misalignment between Telstra Retail's ADSL service FNN-based SQ and Telstra Wholesale Customers' ADSL service and LSS FNN-based SQ so that they will both only assess current paths for FNN based searches, and will not search alternate paths.
- An IT system change to correct the current misalignment of mappings between Telstra Retail's ADSL service SQ (FNN-based SQ) and Telstra Wholesale Customers' ADSL service and LSS SQ (FNN-based SQ) so that they will both only assess current paths for FNN based searches, and will not search alternate paths.
- A process change to correct the current misalignment between Telstra Retail's ADSL provisioning process and Telstra Wholesale Customers' ADSL service and LSS provisioning process for FNN-based SQ so that they will both provide for an equivalent assessment of the potential to provision an ADSL service and LSS (in the case of Telstra Wholesale customers only) by current and/or alternate paths (if available) which assessment will be consistent with the outcomes arising from the IT system changes outlined above. The process change will align Telstra Wholesale and Telstra Retail's processes so that they are equivalent.

Telstra will provide the ACCC with regular updates about its progress in implementing the system and process changes.

(b) Communicate with Telstra Wholesale Customers about the issue

Telstra has advised its Wholesale Customers about this matter by an email communication sent to all Wholesale Customers on 9 May 2014. This communication also included a reference to the One-step and DSL-capable ordering options for Telstra Wholesale Customers as referred to below.

That communication was also posted on the Telstra Wholesale Customer portal on 20 May 2014.

Telstra will also advise its Wholesale Customers when the systems and process changes referred to in (a) above have been implemented.

(c) Promote the availability of One-step and DSL-capable ordering options for Telstra Wholesale Customers

Telstra has promoted the availability of One-step and DSL-capable ordering options to Telstra Wholesale Customers by an email communication sent to all Wholesale Customers on 9 May 2014.

That communication was also posted on the Telstra Wholesale Customer portal on 20 May 2014.

This measure should assist, to some degree, in lessening the impact of the issue until the systems and process changes referred to in (a) above are implemented.

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(d) Update information on the Telstra Wholesale website pursuant to clause 11.8

Telstra will review the information on the Telstra Wholesale website pursuant to clause 11.8 of the SSU and update that information to the extent necessary to reflect the implementation of the system and process changes referred to in (a) above within 30 days of completion of those system and process changes.

(e) Implement Telstra Wholesale Customer Rectification Scheme

Upon acceptance of this Rectification Proposal, Telstra will finalise the development and commence the implementation of a rectification scheme to deal with affected Telstra Wholesale Customers whose FNN-based orders and queries are identified as having been impacted as a result of the possible breach as an ADSL service was provisioned for the customer (or potential customer) of the Telstra Wholesale Customer by Telstra Retail, during the period from 6 May 2012 (being the end of the Implementation Period for the OEC) to the date when the systems and process changes referred to in (a) above have been completed (**Rectification Scheme Period**). This will involve the following steps:

1. Identifying FNNs for which ADSL orders were provisioned for a Telstra Retail Customer during the Rectification Scheme Period, where those orders were accepted by Telstra Retail within 30 days after:
 - the same FNN having failed an FNN-based SQ search as part of a Telstra Wholesale Order for ADSL or LSS for excessive transmission loss (the **First Category**); or
 - the same FNN having failed as a SQ query (or multiple SQ queries) for a Telstra Wholesale Customer for excessive transmission loss (the **Second Category**).

Telstra anticipates that it should be able to identify:

- the affected orders for the First Category and the Second Category for the period from 6 May 2012 to the date of this Rectification Proposal within two months of the date the Rectification Proposal is accepted; and
- the affected orders for the First Category and the Second Category for the period from the date the Rectification Proposal is accepted to the date of completion of the system and process changes referred to in (a) above, within two months of the completion of those changes,

and will take all reasonable steps to do so.

2. Within two months of identifying the First Category and Second Category orders, Telstra will contact each Telstra Retail Customer relating to those orders and offer to transfer the customer's service to their preferred Telstra Wholesale Customer service provider (at no charge to the Telstra Wholesale Customer or the end-user), should they wish to do so.
3. If the Telstra Retail Customer accepts the offer to transfer their ADSL service and the order is in the First Category, Telstra will, within two months of the offer to transfer being accepted:
 - request the appropriate transfer request from the relevant Telstra Wholesale Customer and upon receipt of a valid transfer request from the relevant Telstra Wholesale Customer, transfer the Telstra Retail Customer to the nominated Telstra Wholesale Customer at no cost to either the Telstra Retail Customer or the Telstra Wholesale Customer; and
 - offer compensation to the Telstra Wholesale Customer whose order has been identified as the first to have been rejected for excessive transmission loss within the

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30 days before the order was accepted by Telstra Retail, in accordance with the principles outlined below.

4. If the Telstra Retail Customer accepts the offer to transfer their ADSL service and the order is in the Second Category, Telstra will, within two months of the offer to transfer being accepted, request the appropriate transfer request from the relevant Telstra Wholesale Customer and upon receipt of a valid transfer request from the relevant Telstra Wholesale Customer, transfer the Telstra Retail Customer to the nominated Telstra Wholesale Customer at no cost to either the Telstra Retail Customer or the Telstra Wholesale Customer.
5. If the Telstra Retail Customer declines the offer to transfer and the order is in the First Category, Telstra will, within two months of the offer to transfer being declined, offer compensation to the Telstra Wholesale Customer whose order has been identified as the first to have been rejected for excessive transmission loss within the 30 days before the order was accepted by Telstra Retail, in accordance with the principles outlined below.
6. If an end-user of a First Category order is no longer a Telstra Retail Customer because, for example, they have disconnected their service or transferred to another service provider, Telstra will, within two months of identifying the First Category order and confirming the end user is no longer a Telstra Retail Customer, offer compensation to the Telstra Wholesale Customer whose order has been identified as the first to have been rejected for excessive transmission loss within the 30 days before the order was accepted by Telstra Retail, in accordance with the principles outlined below.
7. When offering compensation to an affected Telstra Wholesale Customer under sub-clauses 3, 5 or 6, the following principles will apply:
 - Compensation will be offered in the amount of \$5.10 per month per affected order for all affected Telstra Wholesale Customers, being an amount reflecting Telstra's estimate of the likely loss of profits Telstra Wholesale Customers may have suffered.
 - Compensation will be payable for the period commencing on the date the end-user had the service provisioned by Telstra Retail and ending on the shorter of the following periods:
 - the date the end-user transferred to a Telstra Wholesale Customer or declined to transfer as part of this Rectification Scheme;
 - the date the end-user disconnected their Telstra Retail service or transferred to another service provider; or
 - 12 months.

Example: A Wholesale Customer's FNN-based order for ADSL was rejected due to an excessive transmission loss on 6 September 2013, and that FNN was provisioned by Retail on 26 September 2013. The end-user transfers back to the same Wholesale Customer as part of the Rectification Scheme on 26 July 2014. Compensation in the amount of \$51.00 would be payable to the Wholesale Customer.

- Telstra will only be required to provide compensation to one Telstra Wholesale Customer who had lodged a failed order for each identified First Category Telstra Retail ADSL service, although noting that more than one Telstra Wholesale Customer may have submitted an order for the supply of an ADSL service or LSS to the one end-user.
- Telstra's offer of compensation for affected Telstra Wholesale Customers will remain open for acceptance for a 12 month period following the date the offer is made. Telstra will pay affected Wholesale Customers the applicable compensation amount in each case within two months of its offer of compensation being accepted.

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Telstra will provide the ACCC with progress reports on the implementation of the Rectification Scheme steps and the outcome of its contact with Telstra Retail Customers and monetary offers to the relevant Telstra Wholesale Customers every Quarter from the date that this Rectification Proposal is accepted.

3.3 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 conclusion of all Rectification Steps set out at 3.2, whichever is the later.

4. Conclusion

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

Dated: 5 September 2014