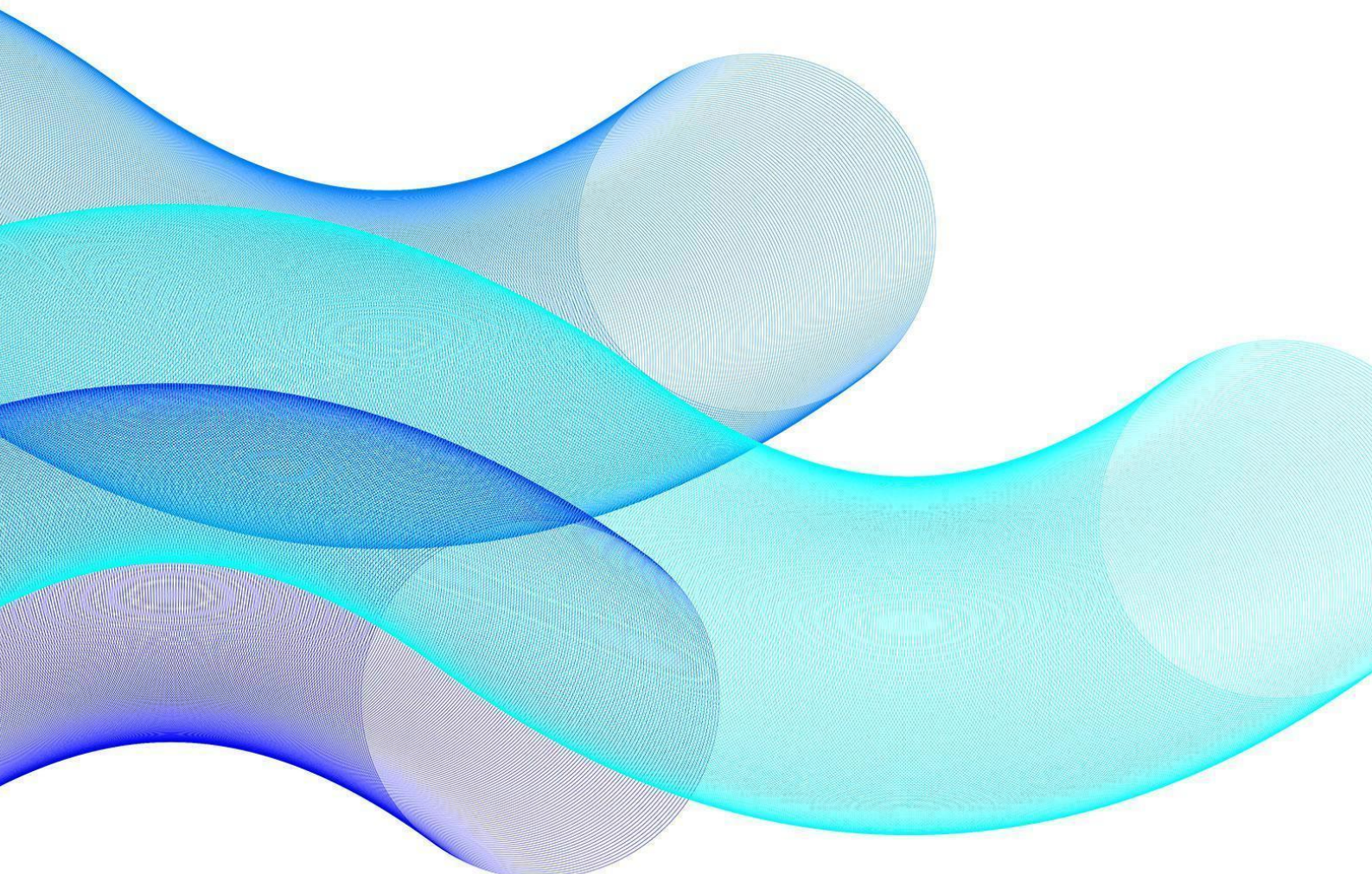


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# Vocus' submission in response to NBN's response on 50/20 Mbps cost certainty

June 2023



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# Response to NBN's proposals on 50/20 Mbps cost certainty

Vocus welcomes the opportunity to provide a response to the Australian Competition and Consumer Commission concerning the options NBN Co has sought feedback on its submission on 50/20 Mbps cost certainty published on 5 June 2023.

Vocus agrees with the ACCC's observation in its draft decision that "the proposed pricing arrangements for the 50/20 Mbps product will create a material risk of cost uncertainty for retailers".

Vocus also reiterates that our experience suggests that NBN Co's proposed pricing and construct of the 50 Mbps plan will drive a segment of customers to either downgrade their plan or consider alternative networks due to affordability concerns. The latest ACCC Wholesale Market Indicators Report shows that the 50 Mbps tier has already dropped by 99,000 services and that there has been a significant increase in plans on the 25 Mbps tier, with 125,000 new services activated in the December 2022 – March 2023 quarter.

## **"Floor and ceiling" proposal**

Vocus does not support NBN Co introducing its "floor and ceiling proposal" into its amended SAU Variation.

In response to the ACCC's concerns about cost uncertainty, NBN Co proposes a new framework that would apply to all TC-4 speed tiers of 50 Mbps or lower, where the charge for an individual AVC, and the CVC utilised by that AVC, would be calculated independently on a per service basis and capped at no more than the price of the 100/20 Mbps flat-rate offer (initially \$55 in FY24). Individual AVCs would also have a 'floor price' set at the fixed bundle charge for each of these speed tiers.

The proposal will result in RSPs losing the valued option of being able to pool CVC and presents additional operational challenges.

## **No CVC pool**

NBN Co is proposing that the charge for an individual AVC, and the CVC utilised by that AVC, would be calculated independently on a per service basis.

Currently, Vocus manages its network by pooling CVC. In this model, the requirements of heavy users can be offset by lighter users who do not need their full allocation of CVC.

However, NBN Co's proposed approach will materially reduce the benefits of network scale. It will remove the ability for RSPs to manage their network and costs by nationally pooling CVC. The unused bandwidth of lower users will be effectively "thrown away" and we will not be able to derive value from these customers bandwidth inclusion. Our modelling indicates that this inability to pool CVC would lead to an increase in cost of at least \$1.50 per month per SIO for our customers on the 50/20 plan.

## Operational challenges

NBN Co's proposal provides a cap on costs but creates ballpark costs with material potential variance at the individual customer level between a "floor" of \$50 and "ceiling" of \$55 for the 50/20 offer and a "floor" of \$26 and "ceiling" of \$55 for the 25 Mbps plan. Vocus will still need to manage our traffic and the amount of overage used to maintain control of costs.

We do not forecast costs at an individual customer level. To be able to forecast costs under NBN Co's proposed model we would need to monitor each individual customers' usage and attempt to predict their usage each month to be able to gauge where within the \$50 to \$55 "ballpark" the cost may fall. The daily reports NBN Co intends to provide do not materially mitigate this difficulty in forecasting, which is set yearly, and then monitored month-by-month to track business performance.

## "Average cap" proposal

NBN Co has also proposed an alternative option of an average cap which does not provide any benefit to Vocus or our customers. Under this approach, the CVC charge for the 50/20 plan will continue to remain a material source of uncertainty and complexity, requiring us to manage our network to control costs.

NBN Co has proposed placing an average cap on the maximum monthly average combined charge payable by an RSP for the 50/20 offer. This "average cap" would operate so that the average charge payable for an RSPs 50/20 Mbps services in each month would never exceed that of the flat-rate charge for the 100/20 Mbps (\$55 in FY24). If the average charge for 50/20 Mbps services exceeded this flat-rate charge over the course of a month, NBN Co would rebate back the difference in price between that average charge and the flat-rate charge to any RSPs in that situation.

NBN Co have stated that it will calculate the monthly average combined charge for each RSP using the weighted average of the Access Seeker Daily Combined Charges across the days in the relevant month, weighted by the number of 50/20 Mbps services acquired each day. Based on this approach, it is highly unlikely we would receive any benefit from the "average cap", as it measured against the whole 50/20 base. Vocus would need to experience a significant usage event to reach this cap.

## Enhanced reporting

Vocus reiterates that NBN Co's approach to the 50/20 offer will require significant investment and operational overhead for us to implement reporting and managing changes. In this context, different cap variations that still retain the pooling benefit for RSPs and help manage very high users should be considered by NBN Co. Absent this, Vocus prefers the approach of NBN Co providing enhanced reporting and processes to support RSPs rather than proceeding with the proposed "floor and ceiling" approach or the "average cap" approach, for the reasons noted above.

NBN Co has submitted it intends to provide both a daily and monthly report to assist RSPs to identify end users who may be better suited by higher speed plans. The daily reports to RSPs will contain the utilisation of each AVC during the peak hour and the AVCs' maximum utilisation.



The monthly plan matching report will be augmented to show, for each speed tier, end-user monthly utilisation and propensity to burst to the maximum of their speed tier.

Vocus submits that NBN Co's daily reporting must:

- support data analysis that will enable RSPs to understand which services may need to be modified (higher or lower)
- be provided early in the day so that RSPs can make appropriate changes.

Vocus submits the monthly plan matching report must include all services, not only a subset of services, to enable us to identify end users who may be better suited to higher or lower speed plans.

NBN Co's reporting must also enable RSPs to reconcile CVC utilised with CVC billed. Given previous experience and discussions with NBN Co, we continue to have significant concerns about the robustness and accuracy of NBN Co's data that will be used for billing and by RSPs in determining which services may need to be modified.

RSPs should not have to bear the burden of investigating NBN Co's data integrity issues. NBN Co needs to be more proactive in managing data integrity rather than only responding when RSPs raise concerns. NBN Co must also provide clarity on how it intends to calculate usage and bill RSPs when there are data integrity issues, such as loss of data records.

NBN Co will also need to be able to provide support for the expected increase in modify orders which will flow from RSPs managing customer experience and costs.

## **CVC inclusions**

NBN Co has not increased data inclusions since May 2022. RSPs are already facing increased overage costs to maintain customer experience. We submit NBN Co should update CVC inclusions from 1 July 2023.

Vocus reiterates our position that the proposed CVC inclusion for the 50/20 offer of 2.5 Mbps is too low and should be increased to 3 Mbps, to reflect increased customer usage. In putting forward this position, we have considered the usage we are currently seeing on our network and the proposed CVC utilisation model. Given our approach to network management, the move to utilisation billing does not present a material reduction in our costs.

Vocus also notes that NBN Co should take into consideration the latest ACCC Wholesale Market Indicators Report

**END**