HOUSTONKEMP Economists

Memo

To	Australian Competition and Consumer Commission staff
From	Aaron Humphreys
Subject	Guidance note for adjustments to NBN Co's TC-4 revenue forecasts
Date	23 July 2026

This memorandum has been prepared in the context of the Australian Competition and Consumer Commission's (ACCC's) preparation of its final replacement module determination (RMD) for NBN Co.

The ACCC's draft RMD, published on 31 March 2026[1], drew on an earlier HoustonKemp report assessing the prudence and efficiency of NBN Co's expenditure.[2] Submissions on the draft RMD were received in May 2026.[3]

To assist with the development of its final RMD, the ACCC has asked us to consider the submissions on the draft RMD and determine whether revisions to our original analysis are warranted, in light of new or clarifying information provided in these submissions.

Further to this request, where our revised expenditure assessment finds that NBN Co has incurred, or is incurring, expenditure above prudent and efficient levels, the ACCC has asked us to consider the implications of our expenditure assessment findings for NBN Co's forecast revenue.

In particular, the ACCC has requested that we model the implications of one finding arising from our revised expenditure assessment: that NBN Co has incurred capital expenditure on its fixed wireless network to deliver services ahead of end user need.

This memorandum sets out the approach we have taken to model these adjustments, contained in '*HoustonKemp – forecast revenue adjustments – fixed wireless (17 July 2026).xlsx*' (ie, the model).

The remainder of this memorandum is structured as follows:

- in section 1, we provide an overview of the model, describing its purpose and the methodology adopted to calculate revenue adjustments;
- in section 2, we describe the model's inputs;
- in section 3, we describe the model's calculations; and
- in section 4, we describe the model's outputs.

1. Model overview

1.1 Purpose of the models

NBN Co submits revenue forecasts as part of its building block model (BBM) proposal. These forecasts reflect its planned expenditures, as set out in its replacement module application (RMA).

Where our expenditure assessment finds that NBN Co has incurred, or is incurring, expenditure above prudent and efficient levels, there are direct implications for NBN Co's forecast revenue for the second regulatory cycle spanning FY27 to FY29. The ACCC may form the view that capital expenditure considered

[1] ACCC, *Draft replacement module determination – regulatory cycle commencing 1 July 2026*, 31 March 2026.

[2] HoustonKemp, *Review of NBN Co's expenditure*, 11 March 2026.

[3] For NBN Co's submission, see: NBN Co, *NBN response to ACCC draft RMD*, 12 May 2026.

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to exceed the prudent and efficient level should not enter NBN Co's regulatory asset base (RAB), reducing the return on and of capital recovered by future revenue. It follows that, in cases where the ACCC forms this view, these findings need to be translated into specific adjustments to NBN Co's forecast revenue for the second regulatory cycle.

Consistent with the ACCC's request, the model calculates forecast revenue adjustments arising from one expenditure assessment finding, ie, that NBN Co uplifted speeds for its new fixed wireless products – home fast and superfast – in the first regulatory cycle without evidence of end user need for this level of service.[4]

The model adopts the following two alternative approaches when calculating revenue adjustments:

- **full adjustment approach**, which adopts the alternative prudent and efficient expenditure profile set out in our expenditure assessment and adjusts NBN Co's forecast revenue for the relevant finding or findings in full across the first and second regulatory cycles; and
- **path dependence approach**, which takes NBN Co's expenditure decisions made in the first regulatory cycle as given and adjusts forecast revenue only for expenditure decisions it plans to make in the second regulatory cycle.

NBN Co's decision to uplift its new higher speed products on the fixed wireless network occurred in the first regulatory cycle. It follows that, under the path dependence approach, the model makes no adjustment to NBN Co's forecast revenue.

We describe the calculations underpinning the model, and the adjustment approach, in section 3 below.

1.2 Revenue adjustment methodology

Note: Our analysis applies only to TC-4 services provided by NBN Co. As such, the adjustments calculated by the model should be applied only to the TC-4 portion of NBN Co's forecast revenue

Calculating the revenue adjustments implied by our expenditure assessment findings requires us to replicate NBN Co's forecast revenue by speed tier on the fixed wireless network. This is because the expenditure assessment finding discussed above relates to specific speed tiers within the fixed wireless network. Isolating the revenue effect of this finding therefore requires forecast revenue to be disaggregated to the same level.

NBN Co's BBM revenue forecast is an aggregated forecast that covers its entire revenue base and incorporates a range of top-down adjustments for items such as rebates, credits, allowances, taxes and late payment fees.[5] Consequently, we cannot use NBN Co's BBM forecast to calculate disaggregated revenue adjustments.

We have therefore adopted a simple bottom-up approach to calculate NBN Co's forecast revenue by speed tier and technology, being the product of price and forecast demand. This allows us to isolate more clearly the forecast revenue associated with specific speed tiers, and to calculate the revenue adjustments arising from our expenditure assessment finding.

2. Model inputs

The two core inputs used in the model are forecast demand and prices for NBN Co's TC-4 services.

[4] This assessment is set out in section 7 of part C of our first report. Revisions to this assessment made in response to submissions received on the draft RMD are set out in section 5.8 and appendix A7 of our response report.

[5] This is in accordance with the definition of revenue set out in NBN Co's Special Access Undertaking (SAU). See: SAU, p 64.

Forecast demand inputs have been provided by NBN Co.[6] These forecasts set out the number of services in operation (SIO) over the period FY24 to FY29, disaggregated by speed tier and technology.

We adopt pricing inputs for the period FY24 to FY27 from NBN Co's published SAU tariff list for the relevant year.[7] For FY28 and FY29, for which there is no published tariff list, we use the indicative prices as published in NBN Co's most recent pricing roadmap.[8] These prices are published by NBN Co in nominal terms. It follows that the resulting forecast revenue adjustments are calculated on a nominal basis.

There are two instances where the pricing lists disaggregate a service beyond the level of granularity applied to NBN Co's demand forecasts.[9] In particular, the pricing lists set out:

- two prices for the 12/1 Mbps speed tier, one of which relates to a 'basic bundled offer'; and
- three prices for the SkyMuster Plus service, varying by the level of data allowance.

In each instance, we assume that the price applied to the aggregate number of SIOs is equal to the simple average of the relevant prices.

Moreover, the pricing lists do not publish a price for the 100/20 Mbps speed tier after FY25, since this speed tier is uplifted to 500/50 Mbps through the 'Accelerate Great' initiative. [redacted].

3. Model calculations

As we explain in section 1.1 above, the model calculates forecast revenue adjustments using two approaches, ie, the:[10]

- full adjustment approach; and
- path dependence approach.

In the materials below we discuss the calculations underpinning each approach.

3.1 Full adjustment approach

The full adjustment approach calculates the forecast revenue adjustments that would be required if all expenditure above prudent and efficient levels were removed, across both the first and second regulatory cycles.

Under the full adjustment approach, the model reallocates NBN Co's forecast superfast services on the fixed wireless network to the home fast speed tier, consistent with our finding that there is no evidence of end user need for the superfast service. No change is made to the total number of forecast active services on the fixed wireless network.

[6] NBN Co, [redacted].

[7] For example: NBN Co, *SAU tariff list: 1 July 2024 to 30 June 2025*, 1 May 2024, pp 7-9, 35.

[8] NBN Co, *3 Year SAU Pricing Roadmap: 1 July 2026 to 30 June 2029*, 1 May 2026, pp 7-8, 34.

[9] That is, NBN Co's pricing lists set out more than one price for a given speed tier, whereas its demand forecasts set out a single aggregate number of SIOs.

[10] The model can toggle between these two assessment approaches using the switch located at cell D5 in the '*O | Comparison*'.

Consistent with this adjustment, the model preserves NBN Co's underlying assumptions regarding overall take-up on the fixed wireless network, while reflecting the absence of demonstrated end user need for the superfast tier.

For the remaining technologies (ie, FTTP, FTTN, FTTC, FTTB, HFC and satellite), the model makes no change.

3.2 Path dependence approach

The path dependence approach assumes that expenditure incurred on assets in the first regulatory cycle is already in place and serving demand, and calculates forecast revenue adjustments only for expenditure above the prudent and efficient level in the second regulatory cycle.

Per section 1.1 above, NBN Co incurred the expenditure required to uplift the speeds of new fixed wireless high speed products during the first regulatory cycle. Since this is the only finding addressed by the model, it follows that the model makes no adjustment to forecast revenue under the path dependence approach.

4. Model outputs

For each approach, the adjustment to NBN Co's forecast revenue is calculated as the difference between the baseline replication of NBN Co's forecast revenue and the alternative revenue forecast that incorporates the relevant finding from our expenditure review.

In particular, the baseline replication of forecast revenue is calculated using the bottom-up approach described at section 1, applied to the price and unadjusted demand inputs described at section 2. The alternative revenue forecast is calculated using the same bottom-up approach, applied to the alternative distribution of active services described in section 3 for the relevant calculation approach.

The resulting annual adjustments are small under both calculation approaches, ie:

- in the range of [redacted] per cent of total forecast TC-4 revenue under the 'full adjustment' approach; and
- zero adjustment under the 'path dependence' approach.

NBN Co's TC-4 revenue is primarily determined by the allocation of SIOs across speed tiers. Although this is the focus of the expenditure finding underlying the model, only a limited number of SIOs are affected – [redacted] by FY29, being the SIOs forecast by NBN Co to take up the uplifted home superfast speed tier on the fixed wireless network.

Moreover, consistent with our finding, these SIOs are reallocated to the home fast speed tier – the next fastest speed tier on the fixed wireless network. As such, the annual loss of revenue per SIO is small, ie:

- $75 in FY27;
- $91 in FY28; and
- $113 in FY29.

It follows that adjustments calculated by the model do not result in a material reduction of NBN Co's forecast revenue.