30 July 2026

Michael Drake
Acting General Manager, NBN SAU Unit
Australian Competition and Consumer Commission
Level 17, 2 Lonsdale Street
Melbourne, Vic, 3000

Dear Michael,

nbn's response to ACCC Replacement Module Determination – potential adjustments to revenue forecasts

We refer to the Australian Competition and Consumer Commission's (**ACCC**) letter of 23 July 2026 in relation to the ACCC's final Replacement Module Determination (**RMD**) for the Second Regulatory Cycle (FY27-FY29) under nbn's Special Access Undertaking (**SAU**).

nbn welcomes the opportunity to respond to this matter.

Summary

- As a threshold matter, nbn's position remains that no quantitative adjustment is required under the SAU: Revenue forecasts should reflect the ACCC's (and nbn's) genuine estimate of nbn's forecast revenue for the Second Regulatory Cycle based on the nbn network as actually built and expected to develop over FY27-FY29, and the products and services that nbn is offering and is expected to offer over that period.
- If the ACCC ultimately determines that such an adjustment is necessary, nbn considers the proposed methodology provides an adequate basis for calculating that adjustment in the context of the relatively small adjustment being contemplated by the ACCC.

Context for the ACCC's letter

The ACCC's letter notes that it is continuing to consider issues arising from the draft Replacement Module Determination (draft RMD), including whether any adjustments to forecast expenditure based on concerns regarding customer willingness to pay may require corresponding adjustments to forecast revenue.

The ACCC has indicated a preliminary view that, if certain expenditure were adjusted because it reflected demand forecasts that did not sufficiently incorporate customer willingness to pay, it

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may be necessary to consider whether the same underlying demand assumptions should also be reflected in forecast revenue.

The ACCC has therefore sought:

1. A breakdown of forecast revenue attributable to Traffic Class 4 products; and
2. Comments on a proposed methodology developed with HoustonKemp to estimate a potential adjustment to forecast revenue for FY27-FY29 associated with fixed wireless expenditure findings.

nbn Response

As a threshold matter, nbn's position remains that no adjustment to forecast revenue is required under the SAU. Accordingly, the comments below should not be taken as accepting that a revenue adjustment is necessary or appropriate. However, in the event that the ACCC continues to consider such an adjustment, nbn provides comments on the proposed methodology.

Breakdown of forecast revenue attributable to Traffic Class 4 products

In response to the ACCC's request, a confidential breakdown of Annual WAPC Services Forecast Revenue derived from Traffic Class 4 (TC4) products is provided in the attached spreadsheet *TC4 WAPC Core Services Revenue – Confidential.xlsx*. For clarity, no TC4 revenue is attributable to Annual Non-WAPC Services Forecast Revenue, and Annual Core Services Forecast Revenue is the sum of Annual WAPC Services Forecast Revenue and Annual Non-WAPC Services Forecast Revenue. The conversion of the IOP26 nominal Annual WAPC TC4 Core Services Forecast Revenue is provided in the attached spreadsheet for transparency and the conversion factor has been updated for the latest June Quarter 2026 CPI from the ABS released 29 July 2026.

No adjustment to forecast revenue is required

The ACCC's letter suggests that if certain expenditure is adjusted on the basis that underlying demand forecasts do not sufficiently reflect willingness to pay, a corresponding adjustment to revenue forecasts would be necessary. Specifically, the ACCC is considering an adjustment to nbn's Fixed Wireless expenditure in the First Regulatory Cycle in line with findings from its consultant HoustonKemp that nbn incurred capital expenditure on its fixed wireless network to uplift speeds for its new fixed wireless products (Home Fast and Home Superfast) ahead of end user need.[1]

nbn does not agree with this proposition.

[1] HoustonKemp, Guidance note for adjustments to NBN Co's TC-4 revenue forecasts, 23 July 2026, p. 2.

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As set out in nbn's letter of 26 June 2026, the RMD must include nbn's 'Annual Core Services Forecast Revenue' for the Second Regulatory Cycle. Consistent with the relevant SAU definitions, forecast revenue should reflect the ACCC's best estimate of the revenue that nbn is expected to earn during the Second Regulatory Cycle from the network, products and services that exist, and are reasonably expected to exist over that period.[2]

The specific adjustments under consideration in relation to Fixed Wireless, as set out in the ACCC's letter, raise issues that were not considered in nbn's letter of 26 June 2026. Accordingly, nbn has included additional comments on the specific circumstances of the proposed adjustment to Fixed Wireless expenditure to assist the ACCC in its consideration of whether a subsequent adjustment to forecast revenue is required.

The ACCC's proposed approach appears to conflate two distinct assessments under the SAU:

- The expenditure assessment provisions in the SAU require the ACCC to determine the prudent and efficient expenditure that an operator in nbn's position would incur to achieve the Expenditure Objectives, having regard to the Expenditure Factors. The outcome of this assessment is to determine the prudent and efficient expenditure that nbn can recover from its customers over time through its ABBRR (post cost recovery).
- The revenue forecast provisions in the SAU are concerned with estimating the revenue that nbn is expected to earn during the Regulatory Cycle.

While both assessments draw on forecasts of future demand, they serve different purposes within the SAU framework. Accordingly, a finding that particular expenditure is not prudent and efficient does not, of itself, establish that forecast customer demand, service adoption or revenue outcomes are overstated. Nor does it establish that the forecast revenue included in the RMA is no longer the ACCC's best estimate of the revenue nbn is expected to earn during the Second Regulatory Cycle. To conclude otherwise would effectively import the conclusions of the expenditure assessment into the revenue assessment without independently establishing that customer behaviour or revenue outcomes would differ.

This distinction is particularly relevant in these circumstances. Regardless of what the ACCC determines in the final RMD regarding the amount of Fixed Wireless capital expenditure to include in the RAB for the Second Regulatory Cycle:

- The Fixed Wireless Home Superfast speed tier is, and continues to be, available for customers to purchase, and customers are currently ordering the product;

[2] The definitions of 'Annual Core Servies Forecast Revenue', 'Core Services Revenue' and 'Revenue' are set out in the SAU Dictionary – Module 0, Attachment C.

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- nbn expects customers to continue to order Fixed Wireless products, including the Home Superfast speed tier in line with its forecast demand.

As such, nbn's genuine estimate of the revenue it expects to earn during the Second Regulatory Cycle would remain unchanged. In contrast, the ACCC's proposed revenue adjustment applies a hypothetical counterfactual in which the relevant product capability was never offered and therefore sets the 'demand' for that product at zero. The ACCC's full adjustment approach therefore introduces a systematic under-forecasting of nbn's revenue compared to the revenue that nbn expects to receive from this customer group. While the overall difference may be small in this case, nbn requests that the ACCC clearly articulate why introducing systematic under-forecasting would be in the long term interest of consumers. The ACCC should also consider how it would evolve this hypothetical revenue adjustment in future Regulatory Cycles because the logic of the adjustment does not appear limited to just the Second Regulatory Cycle. Finally, the ACCC should also consider in detail the consequences, post cost recovery, of systematically under-forecasting nbn's revenue.

nbn maintains that the 'Annual Core Services Forecast Revenue' in the RMD should reflect the ACCC's (and nbn's) genuine estimate of forecast revenue for Second Regulatory Cycle, reflecting expected customer behaviour, product adoption and service usage. It should not be adjusted to reflect a hypothetical network development scenario that differs from the network and products that exist, and are reasonably expected to exist during the Second Regulatory Cycle.

nbn comments on the proposed methodology

nbn's primary position remains that no adjustment to forecast revenue is required. Accordingly, nbn's comments on the proposed methodology to adjust forecast revenue should not be interpreted as support for the proposition that the SAU requires a revenue adjustment in the circumstances contemplated by the ACCC. However, if the ACCC ultimately determines that such an adjustment is necessary, nbn considers the proposed methodology provides an adequate basis for calculating that adjustment in the circumstances, given the relatively small adjustment being contemplated by the ACCC.

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Next steps

If it would be helpful to the ACCC, nbn would be pleased to engage further on any of the matters discussed in this letter.

Yours sincerely

[redacted]

Usman Saadat

Executive General Manager

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