Datum: 28.2.2017

Agencija za komunikacijska omrežja
in storitve Republike Slovenije
po elektronski pošti

Zadeva: **Odgovor na predstavitev in model ERT**

Zveza: posredovano po elektronski pošti dne 16.2.2016, opr. št. 38241-7/2015/

Spoštovani,

Dne 16.2.2017 nam je Agencija za komunikacijska omrežja in storitve Republike Slovenije (v nadaljevanju: Agencija) po elektronski pošti posredovala dokument s predstavitvijo ERT modela in Excelov dokument za samo izvedbo ERT testa, ki je bil Telekomu Slovenije predstavljen na delavnici, ki je bila 13.2. v prostorih Agencije. Telekom Slovenije je Agencija pozvala, da model preizkusi na konkretnih primerih in posreduje podatke morebitne pripombe glede modela.

Agencija je osnutek Metodologije za izvedbo predhodnega preskusa gospodarske ponovljivost objavila v mesecu maju in od takrat Telekom Slovenije večkrat pozvala, da posreduje različne podatke, pripombe in opažanja v zvezi z metodologijo in predstavljenimi verzijami modelov. Telekom Slovenije je upravičeno pričakoval, da bomo vsa odprta vprašanja obravnavali na načrtovanih sestankov in predvsem, da se bo Agencija do njih ustrezno opredelila. To se do sedaj še ni zgodilo.

Ponovno bi želeli poudariti, da je ERT eden od možnih ukrepov na trgu, ki pa ga je potrebno najprej analizirati in nato določiti vse njegove lastnosti. Kot je videti iz do sedaj posredovanih pripomb Telekoma Slovenije, marsikatera nejasnost povezana z ERT izhaja iz dejstva, da Agencija še ni niti analizirala niti določila vseh karakteristik upoštevnega trga. Zato Agencijo pozivamo, da naj pred dokončno odločitvijo o ERT analizira in določi upoštevni trg in potem ERT s pripadajočo metodologijo in modelom da v ponovni posvet zainteresirani javnosti.

Ob zadnjih posredovanih podatkih je moral Telekom Slovenije model preveriti dobesedno na slepo, ne da bi poznal vse karakteristike trga ali natančno metodologijo.
Telekom Slovenije se je v tem kratkem času osredotočil na pregled modela, ki pa v celoti ni bil mogoč, saj Agencija modela ni poslala v takšni obliki, ki bi omogočal vpogled v formule modela in na ta način sledenja vzročno posledičnim zvezam med podatki. Ob tem nekatere od formul (npr. Annualisation) ne delujejo. Telekom Slovenije ne ve, kateri podatki so po mnenju Agencije »privzeti« v modelu, niti ali so bili uporabljene dummy ali prave vrednosti.
Zaradi vsega zgoraj naštetega Telekom Slovenije modela ni mogel ustrezno preizkusiti na konkretnih primerih, čeprav bi to želel. Zato vas prosimo, da nam posredujete polno delujoč model z vsemi povezavami in nam za preizkus na realnih podatkih in posredovanje morebitnih dodatnih pripomb ustrezno določite rok 14 dni od posredovanja delujočega modela s strani Agencije.

Ker je šlo tako v primeru posredovane metodologije kot modela do sedaj za osnutek, si Telekom Slovenije pridržuje pravico, da se do njiju ponovno izreče, ko bodo za to izpolnjeni vsi potrebni pogoji.

V nadaljevanju vam v angleškem jeziku posredujemo naše komentarje na model in posredovano predstavitev.

Comments on AKOS ERT model and model documentation

General comments

The model can be run in two modes:

- Separated accounts based
- Bottom-up based

We understand from verbal comments made by AKOS that the Separated accounts based model will be the one used in the decision but that the bottom-up based one will be provided "for information". In this respect we note that the two models are different not only in how they source cost inputs (i.e. from the separated accounts or based on bottom-up estimates) but also in several other respects, including:

- Aggregation level of the retail products to be tested
- Level of efficiency (REO vs. EEO)
- Retail pricing inputs and classification

Regarding the bottom-up based model we would like to refer to the comments already sent to AKOS - Comments on AKOS's proposed methodology for economic replicability test, dated 14 September 2016 and prepared for Telekom Slovenije by Analysys Mason.

We would also like to point out that the model requires a lot of changes to be made which will represent a certain degree of complexity for Telekom Slovenije on one hand and AKOS at the same time on the other hand each time the model is run.

Comments on separated accounts based version of the model

Control Panel

- **Row 80:** cell K80 (and onwards) show #NAME? as the named range "Annualisation" is not defined in the excel file.
- **Section 3**: the below flow through also to the separated-accounts based model
    - cell N90 has an input of 50 1Gbit/s IPTV lease capacity which must be wrong and is a major driver of costs. The "item" charged here is the quantity of traffic per month (in GBytes) and not the connectivity (in GBit/s) as stated in the description in cell F90, the same is valid for cell F89. It does not appear reasonable for an EEO or a REO to use this capacity of TS and we need to ensure there is no double counting with the separated accounts.
- **Section 3.1** (BRO Site One-Off and Monthly Fees and RUO Monthly Fees, and Amortised One-Off Fees)

- **Model user guide slides 17 and 19:** For the assessment of BRO site one-off and monthly fees, the model user guide introduces a concept of using the costs of the most relevant competing operator which is defined as the operator with a market share closest to the SMP operator. The costs should then "*be adapted is/as necessary to reflect differences in the customer base*". We have the following comments on this.
    - The scale of the modelled operator should be that of the SMP operator in accordance with the EEO principle. The phrase quoted above may mean this but may need further clarification as it is not fully clear.
    - We also note that both the first (Telekom Slovenije) and the second (Telemach) largest broadband operators do not buy such wholesale products but self-supply them whereas the third largest (T2) uses a mix of self-supply and wholesale inputs. It may therefore not be possible or relevant to use the "*costs of the operator with a market share closest to the SMP operator*"
- **Row 98 in the model**: the volume inputs are based on the hypothetical REO used in the bottom-up model and with a 25% market share. This is not consistent with the statement in the model user guide highlighted above.
- **Row 146-150 (TS BRAS):** it does not appear reasonable for an EEO or a REO to use the BRAS of TS.

- **Section 6:** the label on row 261 states that these inputs are only used for the bottom-up model. The "Additional revenues" items (rows 289-294) are however used also in the separated-accounts based one.

Control Panel – Sep Acc

- **Section 2.2**: not clear why this translation / re-grouping is needed
- **Section 2.3:** new subscribers over period. The inputs here are completely inconsistent with the average lifetime assumption of 36 months. They assume 8% of clients are new clients = 12.5 years' average lifetime (if no growth, more if growth). These are based on data submitted by TS which clearly highlights that 36 months' lifetime is too short. (See discussion in Analysys Mason's report on the draft methodology submitted in September 2016[1]) In the data Telekom Slovenije has submitted on 20.9.2016 (see file "AKOS - ERT model Data Request v01 TS 20.09.2016 FINAL") we have provided the data for FTTx connections churn rate (7.7%) which we proposed to use instead of customer lifetime.
- **Section 2.4 (mobile subscribers)**
    - The model *de facto* calculates the costs of an average mobile subscriber by taking the total costs from the separated accounts and dividing them by the total number of mobile users without taking into account relative usage of services or cost allocations. It is not correct to allocate mobile costs as per an average user for quad-play services.

[1] See e.g. Section 3.5 of Analysys Mason, Comments on AKOS's proposed methodology for economic replicability test, 14 September 2016, ref nr. 2007848-383

- We would also question whether it is correct to use the same cost standard (LRIC+) that is used for the fixed part (i.e. for services provided over the regulated input) also for services such as mobile. It is more typical to consider only direct costs.

- **Section 3**
  - **in general**: this contains a massive amount of inputs that will need to be internally consistent. This will require extensive error-checking in every update / implementation
  - **in general**: no inputs for a variety of retail services provided as add-ons to bundles such as speed upgrades, add-on content packages, mobile roaming, VAS, international calls, anti –virus programs subscriptions, Cable TV add on.
  - **[**
- **Section 6**
  - **in general:** this contains a massive amount of inputs that will need to be internally consistent. This will require extensive error-checking in every update / implementation
  - **6.1 and 6.8** are closely inter-related. Would be better if they were close to each other on the excel sheet
  - 6.16: We doubt that it is methodologically correct the way the cancellations are included in the model. A) even if they should be included they should be in the last month and not in month 1. B) We would assume not all subscribers are disconnected. Some will be migrated to other packages or come back as wholesale
  - **6.19 BRO** site costs are added regardless of the wholesale offer bought whereas these would e.g. be self-provided with LLU/FU

I_Sep_Acc

- **Section 2:**
  - It is not clear what cost standards are being proposed. The model uses the FAC data submitted by TS and not the LRIC estimates. (See discussion in Analysys Mason's report on the draft methodology submitted in September 2016[2])
  - The allocation factors used on row 85 need further discussion and investigation to correctly reflect underlying cost drivers. (See discussion in Analysys Mason's report on the draft methodology submitted in September 2016[3])] Telekom Slovenije is prepared to incorporate such classifications in our separated accounts following the agreement with AKOS.]
- **Section 3:**
  - It is not clear what cost standards are being proposed. The model uses the FAC data submitted by TS and not the LRIC estimates. (See discussion in Analysys Mason's report on the draft methodology submitted in September 2016[4])
  - The allocations between customer acquisition and management/retention are arbitrary

[2] See e.g. Section 2.3.2 of Analysys Mason, Comments on AKOS's proposed methodology for economic replicability test, 14 September 2016, ref nr. 2007848-383

[3] See e.g. Section 3.7 of Analysys Mason, Comments on AKOS's proposed methodology for economic replicability test, 14 September 2016, ref nr. 2007848-383

[4] See e.g. Section 2.3.2 of Analysys Mason, Comments on AKOS's proposed methodology for economic replicability test, 14 September 2016, ref nr. 2007848-383

- **Section 4:**
    - Final internet access is included in the separated accounts data so does not need to be separately calculated

C_Costs_Sep_Acc

- Row 119 (and equivalent in the subsequent blocks) link to row 41 instead of 115 (and equivalent)

O_Summary:

- Results are unreadable due to #NAME? (see comment in Section 0)
- The (top-down) model is now built around running one set of products at a time. This seems to indicate that AKOS has made up their mind around the level of aggregation for flagship products.
- The model does not consider all relevant revenues as discussed in Section 0

Comments on bottom-up version of the model

General comments

- If the bottom-up version is released then it should be calibrated to the same principles as those used in the final AKOS decision (EEO/TS size, same level of aggregation, possibility for multiple STBs)

I_Demand

- **Section 2**: Cable-TV should be equalled with IPTV. Otherwise the modelled operator is offering an un-proportionally low share of triple-play offers

I_Own_NW

- **Section 5.3**: the scaling factors used here are circular and invalidate the need for having a BU model

Previously submitted comments on the bottom-up version

In our September report[5] we provided a wide set of comments on AKOS first informal model (see Section 4). Our first review of the bottom-up version of the model indicates that these have not been addressed.

[5] Analysys Mason, Comments on AKOS's proposed methodology for economic replicability test, 14 September 2016, ref nr. 2007848-383