

Proposed Cancellation Charging Policy

From 1 March 2020 Chorus will start charging service providers for cancelled UFB orders based on the following proposed policy.

Initially, this policy will apply only in relation to orders for the following UFB services:

- Bitstream 2, 3, 3a including accelerate variants; and
- Bitstream 4 (enhanced Bitstream 4 and HSNS Premium).

1. Charge rate

The charge will be:

- levied at one flat rate of \$170 +GST per cancellation; and
- billed on a monthly basis by way of bulk charge on account (with supporting report).

2. Charges only apply to Qualifying Cancellations

We'll only charge for new connection, transfer or change orders which meet the criteria set out below (*Qualifying Cancellations*):

- A. The order has resulted in a service company billing Chorus, either wholly or partially, for installation work including any applicable truck rolls; and
- B. The order was cancelled more than 2 business days after either receipt of order by Chorus or more than 2 business days after Chorus has rescheduled the order; and
- C. The order was cancelled by:
 - the service provider or their end customer; or
 - Chorus on behalf of the service provider after waiting the agreed time period for additional information or action from the service provider or their end customer (see clause 9.16 of the Operations Manual for Bitstream Services).

3. No charges if threshold met

The charge will not apply to any Qualifying Cancellations within a month where the relevant service provider's overall cancellation rate for that month is:

- from 1 March 2020 to 30 June 2020, 21% or less;
- from 1 July 2020 to 31 October 2020, 19% or less;
- from 1 November 2020 to 28 Feb 2021, 17% or less, and
- from 1 March 2021 onwards, 15% or less

(where each % represents the *Cancellation Threshold*).

In calculating a service provider's overall cancellation rate we will take into account all cancellation types whereas the charge will be levied against Qualifying Cancellations only.

4. Charges payable if threshold exceeded

If a service provider exceeds the Cancellation Threshold for a month, the charges payable for that month will be calculated for each service provider as follows:

$$\text{Charge} = \left(\frac{\text{Monthly Cancellation Rate} - \text{Cancellation Threshold}}{\text{Monthly Cancellation Rate}} \right) \times \text{QC} \times 170$$

where:

Monthly Cancellation Rate = As set out in the Cancellation Dashboard for the calendar month of the calculation. The Cancellation Dashboard is an excel spreadsheet which is available to all service providers (on request).

Cancellation Threshold = As set out in section 3 above for the calendar month of calculation.

QC = Number of Qualifying Cancellations for a service provider within the calendar month of calculation. *[Note: In practice, a cancellation won't be considered a Qualifying Cancellation until the month in which we are billed by a service company (which could be up to 90 days after the date of the cancellation itself).]*

For further details, refer to the [Cancellation Charging Methodology](#).

Worked examples

Example A

- Monthly Cancellation Rate for the calendar month of calculation is 18.8%.
- 55 Qualifying Cancellations in the calendar month of calculation.
- Cancellation Threshold for the calendar month of calculation is 21%.

Monthly Cancellation Rate is **below** the Cancellation Threshold of 21% so there won't be a cancellation charge for this month.

Example B

- Monthly Cancellation Rate for the calendar month of calculation is 32.9%
- 105 Qualifying Cancellations in the calendar month of calculation.
- Cancellation Threshold for the calendar month of calculation is 21%.

Monthly Cancellation Rate is **above** the Cancellation Threshold of 21% so there will be a cancellation charge for this month.

The cancellation charge is calculated as follows:

$$\text{Charge} = \left(\frac{\text{Monthly Cancellation Rate} - \text{Cancellation Threshold}}{\text{Monthly Cancellation Rate}} \right) \times \text{QC} \times 170$$

$$\text{Charge} = \left(\frac{32.9\% - 21\%}{32.9\%} \right) \times 105 \times 170$$

$$= 0.36 \times 105 \times 170$$

$$\text{Charge} = \$6,456.38$$

Example C

- Monthly Cancellation Rate for the calendar month of calculation is 25.6%.
- 2 Qualifying Cancellations in the calendar month of calculation.
- Cancellation Threshold for the calendar month of calculation is 21%

Monthly Cancellation Rate is **above** the Cancellation Threshold of 21% so there will be a cancellation charge for this month.

The cancellation charge is calculated as follows:

$$\text{Charge} = \left(\frac{\text{Monthly Cancellation Rate} - \text{Cancellation Threshold}}{\text{Monthly Cancellation Rate}} \right) \times QC \times 170$$

$$\begin{aligned} \text{Charge} &= \left(\frac{25.6\% - 21\%}{25.6\%} \right) \times 2 \times 170 \\ &= 0.18 \times 2 \times 170 \end{aligned}$$

$$\text{Charge} = \$61.09$$

Policy Updated: 10 December 2019