

Consultation Questions

Introduction

1. Thank you for seeking our input on Chorus plans for fibre fixed line access services. Following this consultation Chorus plans to make key in principle fibre business plan decisions in June 2020, submitting a regulatory proposal to the Commerce Commission later this year (or possibly early next year).
2. We agree that Chorus should engage with access seekers and end users on its business plan proposal. As noted in the paper, this will have a material impact on quality and nature of services we are able to offer to our customers.

Comment

3. Generally, we consider that investment should be efficient, targeted, and informed by evolving demand and network security metrics.
4. As noted in the paper the business plan needs to consider available price and quality choices, and this means access seeker and end user preferences must be considered alongside the associated technical options and costs.
5. We believe the process should start with identifying with the objectives for end users. However, the paper mainly starts from the network and asset condition for identifying initiatives and this risks missing important end user requirements. For example, the Covid-19 impact has highlighted end user preference to be able to “pause” service¹, and resilient business processes would support service suspension rather than disconnection/reconnection.
6. We appreciate the effort required to bring together a deep understanding of end user preferences with technical and operational options, RSPs face the same challenge in their own businesses and are well placed to engage on this. Accordingly, we support Chorus engaging further with RSPs on service quality and change prior to submitting its proposal to the Commission late this year.
7. This engagement could be facilitated by:
Providing meaningful information early for feedback on the price-quality trade-offs summarised in the paper.
8. At this stage, very limited information has been made available to parties in the consultation paper and workshop. This is understandable given many key regulatory decisions have yet to be made, and Chorus’ likely preference to disclose limited information prior to submitting it’s proposal to the Commission. However, this means that we have only been able to provide high level comments for the key cost categories in your paper.
9. To be able to provide meaningful input, we need to resolve questions such as: what are the available technical levers or options relating to quality? What are the cost and quality implications of different settings for fibre services? What costs will be borne by users of fibre

¹ Chorus permits business customers to re-connect for no charge.

services relative to other Chorus services? What are end users willing to pay for? This requires information from Chorus and RSPs.

10. Chorus plans to make key in-principle decisions in June 2020 and, at that point, it could engage with more detail of the proposed projects and choices. At a minimum we expect Chorus would have information to hand relating to, for example, for each of the major opex and capex categories the current and planned quality outcomes, and whether these costs per connection change over the period. Chorus could provide the additional detail in a targeted consultation from July 2020 leaving sufficient time to prepare a proposal by the end of the year.

Agreeing a BAU process that aligns and supports the regulatory proposal.

11. As Chorus notes today's quality has been determined, to a significant extent, by the legacy technologies deployed and UFB agreements with the Crown. However, these arrangements fall away over time and it is unclear how quality changes will be considered going forward². The paper highlights this gap in that, for example, the paper proposes to adopt the existing product roadmap for business plan purposes but no such roadmap exists for quality and operational change.
12. While the Commission determination – in effect – provides funding for fibre services through the regulatory period, this can't be divorced from initiatives pursued in practice. At a minimum, there will need to be ongoing engagement with interested parties to agree planned activities (ensuring they are aligned with end user requirements), and the delivery and prioritisation of these activities through time. As it stands, the first opportunity service providers will have to provide substantive input to current plan is likely to be in the Commission process in 2021.
13. Accordingly, we recommend that Chorus and RSPs also address how specific price and quality initiatives will be considered and planned. A collaborative approach would ensure:
 - a. That the regulatory business plan is end user centred and more aligned with expected actual outcomes and
 - b. The business plan initiatives are supported by RSPs as these are identified and prioritisation or substitutions occur. The benefits of any initiative need to be considered at all levels of the industry, and
 - c. Chorus' activities are co-ordinated over initiatives with shorter and longer cycle times and across Chorus business units. Chorus has multiple initiatives at any one time that impact our processes, and these need to be scheduled across Chorus business units. It's unclear whether Chorus has a holistic programme that resolves these changes.
14. We believe that, in addition to useful bi-lateral collaboration, a similar approach to the product roadmap and Product Forum should be applied to the quality/operational aspects of fibre services.
15. Our response to the Chorus questions is attached.

² Conversely there is a product roadmap process, and product forum that addresses other aspects of new services.

Consultation Question	Response
<i>Resilience</i>	
1. What are your views on how dependence on fibre services may be changing?	<p>The service requirements are likely more nuanced and complex than set out in the paper.</p> <ul style="list-style-type: none"> • Service resilience requires looking at all aspects of the service and could include, for example, the robustness in our processes. As noted above, processes that provide easy service suspension (rather than terminate) would provide resilience against major events such as those faced in the current Covid 19 instance. • Further, business and consumer customers' requirements are different. This means they may prefer different products from a restore perspective but not a network resilience basis.
2. What are your views on how we should assess the case for resilience investments?	It's unclear as service resilience requires looking across the network itself, operations and BCP initiatives (such as logistics for service companies).
3. What are your views on whether UFB build requirements remain an appropriate guide?	While UFB build requirements provide a useful starting point we think that as we move through the maturity cycle the UFB build requirements would likely become less relevant over time. Efficient, targeted investment based on evolving demand metrics should inform investment.
4. What are your views on whether (or how) we should consider developing a resilience programme for later approval?	<p>We agree prioritisation and proposals should be considered by Chorus and RSPs and agreed through the Product Forum.</p> <p>This should also consider requirements for the new normal following Covid 19, i.e. different customer WFH resilience models.</p>
<i>Physical asset condition</i>	
5. What are your views on whether it may be more prudent to exclude not-yet-defined proactive maintenance programmes from our proposal, or to include a provision?	<p>Pro-active maintenance should minimise overall cost but recognise the linkage to resiliency.</p> <p>Chorus should propose the balance, recognising that pro-active maintenance should reduce ongoing opex.</p>
<i>Fault response performance</i>	

Consultation Question	Response
6. What are your views on whether continuation of current fault response performance would be desirable?	<p>There are many interactions that go to faults and these all impact the service for customers. The service company response is one of a number of elements.</p> <p>Our priority should be ensuring there is transparency of data from Chorus and its partners relating to fault response and classification of faults.</p>
<i>Post-UFB extension</i>	
7. What are your views on the framework for future network extension?	<p>If there are wider policy reasons for extending UFB coverage, this should be negotiated and funded outside the BBM model. Any at risk investment which Chorus makes in extend beyond the regulatory network would then face the same challenges which other industry participants face.</p> <p>Chorus should only make provision in the proposal for network extensions that are NPV position on an incremental basis.</p> <p>Additional network extensions are likely to become increasingly less economic and the impact on the wider user group should be understood before these are included in investment plans. We consider as a matter of principle less efficient investments should not be subsidised by other users going forward and those uneconomic costs should be borne elsewhere.</p>
8. What are your views on how the economic benefit of network extension should be assessed?	
9. What are your views on the desirability of us including such investment in our RP1 Proposal?	
<i>New developments</i>	
10. What are your views on the merits of including investment in developer-driven network extensions in our RP1 Proposal?	<p>These should be self-funding in any case because developers are charged to connect to the network.</p>
<i>Promoting fibre uptake</i>	

Consultation Question	Response
11. Do you have any views on the optimal level of investment to promote fibre uptake?	<p>Demand side activities are usually stimulated by RSP in the highly competitive downstream market. We support continued investment in incentive programmes to promote fibre uptake.</p> <p>These programmes should, however,</p> <ul style="list-style-type: none"> • Ensure the way we talk about promoted services is aligned with end users’ long-term expectations and RSP capabilities, • Talk about promoting broadband uptake rather than network development, • complement a focus on desirable customer services³, and • be consistent with Chorus’ non-discrimination and equivalence obligations, have measurable success.
<i>Product development</i>	
12. Do you have any views on the merits of continuing the current pace of product development investment in our RP1 Proposal?	
<i>Wider sector</i>	
13. What is your view on the merits of expanding customer experience and optimisation investment in our RP1 Proposal?	It’s unclear what these initiatives would be, all initiatives should be seeking to reduce end to end costs and improve customer outcomes and will have an element of these wider sector benefits.
14. What is your view on the merits or relative priority of us investing to help our retail customers reduce their costs or improve their customer experience?	<p>We support investment to reduce costs through, say, automation and improve provision of information and data.</p> <p>This is up to Chorus.</p>
15. What is your view on the merits and relative priority of investing in asset management capability?	
<i>Other</i>	
16. Do you have any other views to share as we finalise our proposal?	
17. Do you have any other views to share as we prepare for a further round of engagement?	

³ The best way to promote fibre uptake is to have services customers want.