

C H ● R U S

2022 CSA

Understand Workshop Outputs

Overview

Together we've started the process of transitioning from our existing contract terms for fibre services to a new 2022 CSA. The focus of this transition will be on fibre services only. Our longer-term intention is to extend the 2022 CSA contractual framework over time to govern all services we provide.

We are currently in the first phase of the 2022 CSA transition. This phase is about understanding what works well and what does not work well in our current state – from our own perspective and each others perspectives also.

We hosted two understand workshops with RSPs on 29 and 30 October. These workshops explored a range of current pain points, and how they show up for RSPs. We then defined which of those pain points are the most important from an RSP perspective through a prioritisation activity.

In addition, we've run internal workshops to capture the Chorus view on pain points and prioritisation.

This pack sets out the raw outputs gathered as part of these understand workshops. It also consolidates those outputs to identify key themes and a priority categorisation of those themes.



UNDERSTAND

Understand workshops with RSPs

Clearly identify what works well and define current problems

Summary of key pain point themes

We reviewed all of the pain point identified at the various understand workshops, whether they were grouped under an umbrella theme or otherwise. Then we considered whether these were within the scope of this transition process. *[Note: An overview of the scope is set out in the Appendix to this pack.]* In summary, the key pain points identified are set out below:

Pain point themes	Comments / Notes
Change	<ul style="list-style-type: none"> Encompasses all aspects of how change is implemented between Chorus and RSPs – i.e. change management, comms, roadmaps, consultation.
End customer relationships	<ul style="list-style-type: none"> How Chorus and RSPs engage with end-customers – i.e. what does 'owning' the relationship mean? When and why might it be appropriate for Chorus to directly engage with customers, and when is it not?
Security and liability	<ul style="list-style-type: none"> Are the current security, liability and insurance provisions fit for purpose moving forward?
Service levels – intacts	<ul style="list-style-type: none"> Given we are moving to an increasingly intact world, are the existing intact service levels fit for purpose?
Parking lot – in scope	<ul style="list-style-type: none"> A handful of additional themes or individual issues were identified which were in scope of the 2022 transition. This includes disputes and review of the Operations Manuals. <i>[Note: Issues which fall into this category are identified in the Appendix to this pack.]</i>
Parking lot – out of scope	<ul style="list-style-type: none"> A number of issues were identified that fall outside the scope of the 2022 CSA transition. These will not be taken forward within the project, however the feedback will be passed onto the relevant teams within Chorus for future consideration. <i>[Note: Issues which fall into this category are identified in the Appendix to this pack.]</i>

Summary of priorities

As part of the understand workshops, we plotted the pain points identified on a prioritisation matrix; looking at the importance of the issue and the level of pain it causes.

We combined the individual prioritisation matrix from each of the understand workshops into a consolidated version.

[Note: The consolidated matrix is set out in the Appendix to this pack.]

Priority	Issues
1	Changes required to ensure fit for purpose from a regulatory perspective, change management and Chorus' engagement with end-customers
2	Security and liability provisions, and a review of intact service levels
3	Parking lot – in scope issues
-	Parking lot – out of scope issues

Priority 1 – Themes and proposed approach

Fit for purpose regulatory changes

The impetus for the timing of this transition process is the implementation of a new regulatory model from 1 January 2022. We need to update the existing contract to ensure it is fit for purpose under that new regulatory model. These updates are essential to this transition process.

Proposed approach to progress – Chorus to provide high-level strawman

We believe this issue may not best be progressed via a co-design workshop. RSP feedback suggests a preference for Chorus to provide more detailed information about its view of what changes are required in this regard. On that basis, we intend to develop a high-level strawman, outlining our view of the same.

We'll aim to publish the draft strawman by mid-December. RSPs will have an opportunity to review the strawman, and provide comments to us in the new year.

Priority 1 – Themes and proposed approach (contd.)

Change and Chorus' engagement with end-customers

The two key themes which emerged as top priorities consistently across all workshops were change and Chorus' engagement with end-consumers. We all consider that these pain points are causing lots of pain to a significant group, and are very important to resolve. This category contains the problem areas which are essential for us to address.

Pain point themes	Comprised of...
Change	<ul style="list-style-type: none">• Change processes• Consultation• Forward visibility / roadmaps
End-customer relationships	<ul style="list-style-type: none">• What does 'owning' the customer relationship mean?• When and why might it be appropriate for Chorus to directly engage with customers, and when is it not?

Proposed approach to progress – Co-design workshops plus price change mechanics strawman and further discussion

P1 issues will be the focus during co-design – with **two exceptions as set out on the next slide**. The co-design workshops will be held on the afternoons of Wed 18 November (Change) and Wed 25 November (End-customer relationship) and run for approximately 3.5hrs each. Our aim is to generate a variety of ideas during these workshops on how we can address the key concerns above, with a view to understanding our collective preferred solution ideas before the end of the year.

The P1 themes are complex and touch on a number of areas across both Chorus and RSP business. We recommend RSPs nominate attendees for the co-design workshop which reflect the nature of these issues. It will important to make sure those attending have a clear understanding of the raw outputs in these categories to help us all find a workable solution to meet the needs of RSPs and Chorus.

Priority 1 – Themes and proposed approach (contd.)

Price change mechanics

Most RSPs have indicated their concern about the increased flexibility for Chorus in this context. We've heard requests for as much certainty/visibility as possible and as early as possible as to our anticipated price glide path for the next few years. Our proposal is to develop a high-level strawman on price change mechanics to be published by mid-December for RSPs to review and consider. This strawman will look at the price specific elements of the change framework only (i.e. price review cadence etc). It won't address the change process in general – this will be covered as part of the co-design workshop on change.

Other LFCs will not attend (as passive observers) discussions between Chorus and RSPs about price change mechanics. We believe this is the easiest way to manage compliance with the ToR. We'll still provide the other LFCs with visibility of whatever final position we come to with RSPs on the price change mechanics under the 2022 CSA.

Regulatory issues regarding Chorus' engagement with end-consumers

Some RSPs were concerned about Chorus' activities which they consider to be more like retail type initiatives (i.e. RGW/In-home services). We believe this is really a regulatory discussion/issue rather than a contractual one. Our proposal is to ringfence this particular element of the feedback on Chorus' role with end-consumers. We'll progress it with you separately from the co-design workshops.

Priority 2 - Themes and proposed approach

Security, liability and insurance, and intact service levels

These two pain point themes appear to be causing pain to a significant group but are somewhat less important than the P1 issues.

Pain point themes	Comprised of...
Security, liability and insurance	<ul style="list-style-type: none">• Market changes over the last decade mean these provisions are no longer fit for purpose - if they ever were in the first place• Insurance and security requirements can be challenging for some RSPs to meet – especially smaller RSPs
Service Levels	<ul style="list-style-type: none">• Given we are moving to an increasingly intact world, are the existing intact service levels fit for purpose?

Proposed approach to progress – Chorus to provide a high-level strawman

Given these issues are more binary in nature (e.g. liability caps aren't particularly conducive to co-design!), we plan to develop a strawman on each of these matters internally for RSPs to then review and provide feedback on.

Although feedback indicated RSPs believe intact SLAs should be reviewed, this didn't seem to be something which RSPs necessarily thought needed to happen at the same time as P1 issues are addressed. In addition, there are certain interdependencies which will impact the appropriate timing of any such review. On this basis, the service level strawman is likely to suggest that any review adopts a different timeframe to that of the 2022 CSA transition process.

Priority 3 and Parking lot (out of scope) – Proposed approach

There were some pain points identified which are within the scope of the 2022 CSA transition but were considered low priority/importance. We categorised these pain points as priority 3.

Pain point themes	Comprised of...
Parking Lot – in scope	<ul style="list-style-type: none">• A handful of additional themes or individual issues were identified which were in scope of the 2022 transition.• This includes disputes and review of the Operations Manuals. <i>[Note: Issues which fall into this category are identified in the Appendix to this pack.]</i>

Proposed approach – Ring-fence based on lower priority/importance, not addressed as part of the transition process.

Parking lot – out of scope

A number of issues were identified that fall outside the scope of the 2022 CSA transition. These will not be taken forward within the project, however the feedback will be passed onto the relevant teams within Chorus for future consideration.

[Note: Issues which fall into this category are identified in the Appendix to this pack. They are not considered P3 (or P1/2) for the purposes of the transition process.]

What's next?

We're now moving into the design phase of the transition process. The table below sets out what is coming next and provides an indication of the anticipated RSP time commitment involved in participating in the various activities detailed.

When?	What?	RSP resource
<p>Wed 18 Nov - Change</p> <p>Wed 25 Nov – End-customer relationships</p>	<p>Co-design workshops; Change and End-customer relationships</p>	<ul style="list-style-type: none"> • Pre-work: reading of the outputs shared by Chorus, ensuring familiarity with the key challenges raised by all parties during understand. • Time requirement: workshop duration 3-4hrs, and background reading to prepare. • Intent of the workshop is to generate a range of solution ideas on how we might tackle these issues. <p><i>[Note: We plan to share the outputs from these workshops by mid-December. We'll be asking for feedback on RSP solution idea preferences (more details on this to be shared at the time of the workshops).]</i></p>
<p>By mid-December</p>	<p>Chorus to provide high-level strawman on:</p> <ul style="list-style-type: none"> • regulatory changes required in time for 2022 • price change mechanics • liability, security and insurance provisions • intact SLA review 	<ul style="list-style-type: none"> • Pre-work: None. • Time requirement: Reading strawman and preparing feedback. • We will work with you to agree suitable timeframes for feedback on these various draft strawman. We propose the feedback discussions begin early 2021 (indicatively Feb/Mar) to allow time for reflection on the changes first, however are open to feedback on this timeframe.
<p>By end of 2020</p>	<p>Chorus to facilitate a discussion between regulatory SMEs regarding wholesale/retail boundaries (i.e. in relation to Chorus' engagement with end-consumers)</p>	<ul style="list-style-type: none"> • Pre-work: Reading outputs shared by Chorus that relate to this issue • Time requirement: meeting duration 1hr, and background reading to prepare • Intent of this discussions is to agree how to categorise/address this pain point.

If you have any questions or feedback regarding anything in this pack or more generally regarding the 2022 CSA transition process, please do so by email to 2022CSA@chorus.co.nz

Appendix – Scope

What is in scope for substantive change?

The current contractual terms are made up of:

- general terms and operations manuals (Category 1 Terms); and
- service level terms, service descriptions and price lists (Category 2 Terms).

Substantive changes are required in relation to Category 1 Terms to ensure fitness for purpose under the new regulatory model. In addition, we want to leverage our near decade of operational experience to address a selection of key pain points with the current state.

Format changes are likely all that be will required in relation to Category 2 Terms. We don't anticipate substantive changes to these terms because:

- service level terms – these were negotiated and implemented only recently so a subsequent reviews (and possible changes) within such a short period seems unnecessary;
- service descriptions - our products aren't changing as part of this transition; and
- price lists - our prices aren't changing as part of this transition.

Appendix – Raw Outputs

Workshop Verbatims

What's been working well?

Feedback - General	
Ordering and installation part of process has been subject to a lot of work and is working well now	Service levels - good understanding between LCFs and RSPs when their are breaches
Simplicity and straightforward experience across all operators (unlike Australia)	Good to have contract as a baseline if and when issues arise - i.e. reschedules
Nationally consistent approach across all 4 network operators	Not often we have to refer to the general terms - as if it's BAU
Maturity over time means that the process is well understood even if it isn't perfect	We've still managed to launch a range of products and make changes over the years
Engagement via the account team - good for BAU	Only when disputes get brought up does the contract need to be referenced
Regular governance structure around it	Contract 'can' change - can develop/mould over time
Structured and regular	If the operational relationship works well then maybe you don't need a contract
Ops manual and guidance notes to step people through process	It's what we've always had so it's hard to compare to something else

Theme	RSP Feedback
Change	Change - Industry review process around strategic initiatives
	Change management process working well (lots but working well)
Collaboration	Collaboration between LFCs and RSPs - great to leverage the technical knowledge
	Framework allows LFCs to collaborate (encouraged as it's brand 'fibre' - all have a common goal)
Lack of disputes	Current state is functional (i.e. 'don't throw the baby out with the bath water') – example is: no requirement to go to third party for disagreement
	Haven't been any major disputes over the years
Product forum	Monthly product forum is a good touch point
	Product forum works well
Communications	Open communication line is great
Service levels	Installation service levels are well understood

Pain point: Change

RSP Feedback	
Roadmap/best guess/blue print of what price changes might be coming in the future	Often incentives just appear and really should be linked into an established process to give more notice
Lots of overheads related to price changes - coming from all LFCs	Needs to address big changes as well as small changes (process and product)
Consultation feels more like a box ticking rather than genuine collaboration	Ideally chorus could go to RSPs and ask what they would like - rather than the other way around
Lack of change management , poor collateral & project support when major system / process changes are rolled out	More transparency on roadmap - both on transformation, system changes , process change coming in the next 6 to 12 months to allow better planning & prioritisation
Price change process becomes more relevant as greater regulatory flexibility for Chorus - need for longer term view (i.e. 'blue print' roadmap on pricing)	Still getting short notice on things that are going to change - get notice 12months out but don't get detail until 3months out
Ability to change ancillary charges more than once a year	Not a neutral process - feels more like chorus doing something to us
It needs to cover smaller changes as well as big changes that happen process change as well as Product change needs covered	Change communication still isn't right Bilateral when convenient currently - needs governance
90 day timeframe is actually really short if it's a system change	Get asked for consultation but feedback is often not reflected in what we get back post-feedback (example B2B changes)
Chorus 'collaboration' sessions sometimes feel like we provide feedback into a vacuum - some months later a process is announced that doesn't seem to have been influenced by our feedback. 'What was the point?'	Visibility of change / impact to RSPs even within Chorus seems poor, often its RSPs alerting other areas to what's happening within Chorus, again the transparency and "whole" view on all impacts is critical
Bilateral feedback often appears as not heard	More consultation /Collaboration needed rather than change being implemented by Chorus and then just an Inform sent
Lack of consistency in approach	More detailed information and earlier
Simple change may not be a 'simple' change for customers - more detail and earlier is key	Need more details and more detail earlier
Price certainty as we have customers on contracts	More transparency over the roadmap (products and processes)

Pain point: Change (contd.)

Chorus Feedback	
Change process is too complicated, time consuming and restrictive.	We need to formally consult even where changes are implemented by necessity (e.g. CPI price changes)
Lack of clarity around implementation process creates restrictions and reduced flexibility.	Needing to provide long notice periods for changes can minimise the customer experience benefits they were designed to achieve
Consultation is often treated as a tick box exercise, meaning RSPs don't get sufficient time to consider proposed change and impact to their processes/systems.	It can be challenging to balance the feedback received across industry when there are differing views from RSPs
We need to formally consult even where RSPs are supportive.	We need to do a review of the notice periods, as RSPs can only confirm impact when they get the detail at the 90 day window
RSPs have no medium or long term visibility of proposed change schedule.	We need a robust way of cascading information for changes (consult and informs)
It can be difficult to get constructive feedback – i.e. sometimes the feedback we get doesn't seem to be RSPs trying to find a middle ground or compromise	Need clear, agreed guiding principles / rules of what information needs to be shared, when and how

Pain point: End-customer relationships

RSP Feedback	
Minimal control and visibility of third parties and their involvement (sub-contractors of sub-contractors of sub-contractors..)	Chorus is now billing customers directly in some situations, this needs to be covered to ensure disputes & issues are looked after by Chorus not referred to RSP who can't help customer, also need to think about TDRS in this situation
End users experience should be key driver - rather than experience for Chorus/ RSPs	Ambiguity over customer relationship - Chorus pick/choose to talk to end user more and more but all responsibility is on RSP
Lack of focus on the end users from Chorus and often RSPs will have to make up for that	Chorus is in complete control of where the line is right now - meaning there is significant uncertainty for RSPs
Ambiguity around Chorus relationship with customers - picks and chooses based on what works for them	Transparency - lack of visibility of the direct conversations going on with their customers - creating confusion when they deal with their customers
Need a relationship charter which captures the essence of collaboration - showing empathy for end user as well as RSP	Chorus is F2F with customers (often RSPs are not in this position) yet won't participate in dispute resolution proceedings
What does 'owning' the relationship really mean?	Preference that Chorus leaves customer facing services and products to RSPs
Direct complaints from customers	Success of model is built on the fact we all play in a certain position
EUTs - could chorus protect itself with a much more simple regime	

Chorus Feedback	
Lack of visibility/standardisation of expectations set with end-customers by RSPs creates challenges which RSPs expect us to resolve – even though the root cause sometimes sits within their space.	We manage customer expectations as part of our operational processes, and follow the standard CSE. Should it matter who talks to the end-customer if the outcome they requested is being met?
Service Company Gateway should help provide RSPs with visibility of what's happening with inflight customer orders so its easier for them to manage customer conversations	All customer experience improvements and CX score uplifts have been driven by Chorus to date – the customer experience is what drives what we do and the changes we make
Poor management of customer expectations by RSPs often means we need to communicate directly	EUTs are better than where we started but remain complex. The contract doesn't reflect what actually happens which creates a layer of uncertainty.
Contractual restriction on talking to end-customers given market conditions today.	What does 'owning' the relationship really mean?
Important for us to talk to end-customers about network developments which potentially provide them with better performance or more/better broadband choices.	Reliant on RSP for key information provided by end-customer in end-to-end process

Pain point: Liability, security and insurance

RSP Feedback	
Security requirements currently are not reasonable	Volume of customers on fibre mean these need to be relooked at (liability cap)
Clauses were fit for purpose 10+ years ago - so they should be revisited to reflect the current state of industry	

Chorus Feedback	
Challenging to verify compliance re insurance obligations.	Smaller RSPs struggle to meet insurance requirements
Inconsistent terms between fibre and copper contracts with customers.	Conservative balance between risk and reward in relation to liability and indemnity, which drives complexity.
Current requirement in Reference Offer difficult for RSPs to meet – ‘A’ credit rated parent company, 2-mth rental bank guarantee or 2-mth rental in cash.	Framework is too complicated and lacks clarity. Attempt to address a large number of individual liability scenarios rather than more of an overview approach.
Exceptions to rules not applied consistently (i.e. payment plan framework undocumented in contract).	Limited recourse in the event of RSP default/failure. Reputational risk means termination not really an option available in a credit management context
Timing of non-payment notices too complicated (i.e. 5 notices with 20 days between).	

Pain point: Intact service levels

RSP Feedback	
Review of service levels	Rolled out pre-fibre rollout - so context needs to change to reflect the world we're now in
Make them fit for purpose in an intact world	Not customer friendly governance processes
Service Levels - Repeat outages (planned & unplanned), considered against change roadmap, a view of total RSP impact	Spread between consumer and enterprise no longer exists with Covid impacts and working from home
Needs to transition to better deliver customers what they want	Could we not just remove the minimum term construct?

Note: The raw data outputs don't include any Chorus feedback on this issue. We considered service levels as out of scope at the time we conducted our internal understand workshops.

Parking lot – in scope

RSP Feedback

Disputes - Reporting out of system is overly complex - it could be much simpler	Forecasting needs to be reviewed and confirm whether it's actually being used
Disputes - Not clear enough for RSPs or LFCs - could we have a clearer way of resolving disputes?	How might we get all the contracts under a single agreement?
Disputes - Not easy to compare like for like data during reconciliations	Complexity of the current structure and how it all works together
Disputes - Getting responses from chorus can be time consuming	RSP regulation
Escalation points / governance – how we work together	

Chorus Feedback

Disputes - Many RSPs to negotiate with, not really bilateral discussions, making it complex to resolve contentious issues.	Disputes - RSPs ability to withhold disputed amounts for invoice errors when it is not clear what counts as an invoice error vs a general dispute.
Disputes - Lack of clarity on dispute options and process, with no incentive to resolve small value disputes as soon as possible.	Disputes - Sometimes lack any information to understand disputed value.
Disputes - Smaller value disputes often most complicated and timely to resolve. No minimum evidence requirement to support a low value claim can make these disputes hard to progress in a timely manner.	Ops Manuals - Mis-alignment between what the contract says and what happens in practice.

Parking lot – out of scope

RSP Feedback	
Forecasting – need more specifically on copper shut down	Hygiene issue with sp website - search is difficult
Ideally Chorus could support the implementation of things like 111, TCF and contact code	Early Termination Charges - RGW/ in home service - muddy the waters slightly in terms of service levels
Experience for enterprise level customers - through 'managed provisioning' isn't up to scratch	Early termination fees when a user is simply switching?
Critical response process - need certainty around charges/ processes	Structure of pricing when moving from RSP to RSP - unnecessary charge for RSPs
Transparency of product information on rate cards - could we have updating pricing models on legacy services (where there is a significant customer base still)	Address validation - records processes are getting longer (with changes in housing) - could sometimes take more than a week!
UFB1/UFB2 rollout - don't get the clarity of where it is at from Chorus - could more detail be provided to avoid the guess work?	Address validation - Looking towards the future of housing in NZ we need to make sure this is more seamless process
Chorus' core business is provisioning - so it should just happen rather than paying for an add-on	PONFAS - ability to order it like we would any other product
Frustrations around the consent process	Keep the products as simple as possible - BS 2/ 4 BS3/ 3a difficult to build
Shared service descriptions	Charging for transfers - copper to fibre

Prioritisation Matrix

Key:

- RSP session 1 (light blue box)
- RSP session 2 (pink box)
- Chorus session (orange box)

