



Office of Utility Regulation

Reference Offer for Interconnection and Access

Information Notice

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1. Summary

This document describes the process that has led to the publication by Guernsey Telecoms Limited (“GT”) of its Reference Offer (“RO”) for Interconnection and Access, which sets out the terms and conditions on which competing operators can access the existing network and services of GT. The RO is available from GT’s website (www.guernseytelecoms.com) or directly from GT’s offices by calling 01481 719934.

This is the first RO published for the Guernsey market and the Director General of Utility Regulation (“DG”) wishes to acknowledge the significant amount of effort that all parties put into ensuring that the RO is as comprehensive as possible at this early stage of the development of the market. The DG considers that the RO is a living document and will evolve over time as new entrants and GT develop and implement interconnection and access in the market. For the present the DG believes that the RO provides a good basis for new entrants to negotiate with GT and to plan and commence operations in the Guernsey market.

The work carried out to arrive at the republished RO included:

- A review of the detail of the structure and text in the draft RO;
- A review of the list of services to be provided by GT under the RO; and
- A review of the rates for inclusion in this version of the RO.

The rates published in the RO are interim rates arrived at on the basis of information provided by GT and benchmarking of comparable rates elsewhere. The DG considers that these rates are appropriate for presentation to the market as interim interconnection rates at this time pending the presentation by GT of fully justified cost-oriented rates in the future. Therefore the interim rates will be revised when better information becomes available.

The DG reserves the right to direct further adjustments to the rates or other aspects of the RO if these are considered necessary and interested parties should note that the rates may change in structure and level in the future.

Parties interested in entering into interconnection and access agreements with GT are invited to contact GT to negotiate such agreements. Parties who have comments on the RO are also invited to comment to GT and to the Office of Utility Regulation (“OUR”) at any stage.

2. Background

2.1. General

As telecommunications markets have been opened up to competition around the world it has become very clear that a critical factor in the success of competitive entry is the ability of new entrants to gain access to the existing telecommunications network of the incumbent operator at fair rates. This is necessary for various reasons:

- First, the incumbent telecommunications operator will generally have a widespread network already in place. Where the incumbent has had a monopoly on the provision of networks and services, as has been the case in Guernsey, all of the customers in the relevant area will be connected to that network and taking services from the incumbent. This gives the incumbent a significant advantage compared to a new entrant that has no network whatsoever and no access to customers. In order to level the playing field, cost-reflective access to the incumbent network is essential.
- Second, as the new entrants build their own networks or facilities it is essential that the users of those networks can call and be called by the users of the incumbent network. The two networks must be interconnected to achieve this.
- Finally if the new operator wishes to provide services to the users of the incumbent network, then once again, the new entrant must have access to those customers, which can only be achieved through access to the incumbent's network.

To facilitate this, the regulatory regime in Guernsey (in common with many other jurisdictions) provides for the production of a Reference Offer by the incumbent or dominant operator setting out the terms and conditions for interconnection with and access to its network. This allows potential new operators to evaluate and plan entry into the Guernsey telecommunications market and have a basis on which to negotiate their individual interconnection and access agreements with GT. Experience shows that this can speed up entry into the market by removing barriers to entry for new operators.

2.2. Legislative

Section 10 of the Telecommunications (Bailiwick of Guernsey) Law, 2001 (“the Telecoms Law”) sets out the DG’s powers with regard to interconnection and access and describes the requirements that the Director General may impose on *inter alia* any licensee whom she determines has a dominant position in a relevant market.

The DG has determined (Document OUR 01/14), that Guernsey Telecoms has a dominant position both in the fixed telecommunications network and services market and in the mobile telecommunications network and services market and has Directed GT to comply with the provision of section 10(2) of the Telecoms Law thus requiring it;

- (a) to make its procedures for the provision of interconnection and access publicly available on a non-discriminatory basis in a manner that is to the reasonable satisfaction of the Director General;
- (b) to offer a standard interconnection and access agreement (referred to as the “Reference Offer”) which is available under non-discriminatory terms, conditions and charges, and on a non-discriminatory basis, no less favourable than that offered to -
 - (i) any of GT’s own services; or
 - (ii) any associated company of GT’s or services of such a company;

- (c) to provide interconnection or access on terms, conditions and charges that are transparent and cost-oriented having regard to the need to promote efficiency and sustainable competition and maximise consumer benefits;
- (d) to provide interconnection or access at any technically feasible point in its telecommunications network; and
- (e) to provide interconnection or access in a manner that is sufficiently unbundled so that the person requesting interconnection or access does not pay for telecommunications network components or telecommunications services that he does not require.

In addition, the Telecoms Law makes provision for the DG to direct changes to the standard interconnection and access offering and to require GT to justify its costs or charges for the provision of interconnection and access services.

2.3. *Developments to Date*

The DG has progressed a number of work streams to facilitate the publication by GT of a RO for the Guernsey market so that new entrants have visibility of;

- the terms and conditions they will need to meet to interconnect with the GT network or to receive access to the network;
- the range of interconnection and access services they may purchase, and
- the prices for those interconnection and access services.

In December 2001, the DG consulted publicly on the draft RO document published by GT on its website. In parallel with the public consultation, the DG also undertook a review of the detailed text of the RO documents.

Based on various concerns raised which are detailed further in section 3.1 below, the DG required a restructuring of the RO and prepared revised text for various sections. This text was commented on by GT and final directions were issued to GT over the period of June-July on the adjustments that the DG considered necessary to the RO.

In issuing Directions to GT to adjust the RO, the DG had regard to and took into account, *inter alia* the following information;

- Submissions of interested parties in response to consultation on the draft RO;
- Information furnished to the DG by GT;
- EU and International best practice, in respect of practical implementation of interconnection and access regimes and legal structures and rates;
- Guernsey legislation, local market structure and local market conditions.

3. *Terms and conditions in the RO*

3.1. *Concerns with the original text*

Based on a combination of the responses received and the results of the DG's initial review of the draft RO documents, a number of issues in the first draft of the RO were identified as requiring adjustment. These issues were identified to GT and included the following:

Structure:

The DG considered that the proposed draft RO structure required adjustment, in particular to separate the contractually binding elements of the document from those operational elements. The operational documents are the Technical and Operations & Maintenance (O&M) Manuals and these are generally considered to be living documents that both parties develop and adjust on an ongoing basis to ensure that the procedures they have in place meet the requirements of the parties and follow best practice generally. The DG considered that these should be separate documents.

However, binding service level commitments, delivery times etc, should be contained in the contractually binding documentation and this required the development of a specific Service Level Agreement (SLA) part of the RO document

Barrier to Entry

In addition, several components of the RO document were not, in the DG's view, in line with European best practice. The differences meant that potential new entrants to Guernsey who were familiar with the EU interconnection framework, could have found the RO potentially unwieldy – adding an unnecessary regulatory burden to the already substantial barriers involved in entering a new market.

Guernsey Legislation

Key portions of the text were not aligned with Guernsey law and the existing Guernsey regulatory regime including key definitions.

Range of Services

The range of services initially proposed was not in the view of the DG sufficiently complete for a new entrant to be able to plan and enter the market and the associated service descriptions were not structured so as to facilitate transparency and unbundling. A full range of interconnection and wholesale services should be available to enable new operators to effectively enter the market.

Charges

The charges and charging structure were not justified and the DG considered that they were unnecessarily complex.

The DG went on to develop revised text and ultimately required GT to address each of these concerns by making a number of specific adjustments to the RO which are discussed further below.

3.2. The Directions

The DG has directed that Guernsey Telecoms Limited shall comply with the requirements set out in section 10(2)(a) – (e) of the Telecommunications (Bailiwick of Guernsey) Law, 2001, until such time as the DG issues a direction removing this requirement or such time as Guernsey Telecoms Limited is determined not to have a dominant position in a relevant market, whichever is the sooner.

In addition, Section 10(3) of the Telecoms Law makes provision for the DG to direct changes to the standard interconnection and access offering and to require GT to

justify its costs or charges for the provision of interconnection services.

In accordance with Section 10(3) of the Telecommunications (Bailiwick of Guernsey) Law, 2001, and having regard to the direction issued pursuant to Section 10(2), Guernsey Telecoms Ltd has now been directed to make a range of adjustments to the Reference Offer to address, *inter alia*, the concerns set out in section 3.1 above. GT is required to republish the amended RO, incorporating these adjustments, on 15th July 2002 by making the RO document available on its website and, on request, in hard copy, to interested parties.

The Directions to GT and the subsequently republished RO, adopt a modular approach whereby the RO is structured in a series of individual and discrete documents as follows:

- Legal Framework
- Schedule 1 (Definitions)
- Schedule 2 (Billing and Payments)
- Schedule 3 (Service Descriptions)
- Schedule 4 (Service Level Agreements)
- Schedule 5 (Interconnect and Access Price List)
- Schedule 6 (Services Taken).
- Schedule 7 (Telco Price List)

4. List of Services and Interim Rates in the RO

4.1. *Interconnection and Access Services List*

As part of the DG's review of the RO, the scope and range of services offered by GT to new entrants was carefully considered. The DG is of the view that it is essential that there is a core set of services made available to new entrants that enable them to plan and enter the fixed telecommunications market with a full portfolio of services to end users. Without this capability it would be very difficult for new entrants to compete with GT. The DG has concluded that the list of services originally offered by GT was incomplete and has directed amendments to GT's RO to augment the list of services offered.

A detailed description of each of the interconnect and access services are contained in the republished RO (Schedule 3 – Service Descriptions) which can be found at www.guernseytelecoms.com, or can be obtained by contacting Guernsey Telecoms Ltd on 719934.

The descriptions of each service in Schedule 3 of the GT RO should be read in conjunction with Schedule 5 (Interconnect and Access Price List) which addresses the charging structure and levels for the relevant services.

4.2. *Rates for Services*

In order to determine rates for interconnection and access that are related to the costs of GT, the DG requires full and accurate justification of the costs to GT of providing interconnection and access. Due to the current stage of development of its systems and data, GT has been unable to comply with the requirement to provide fully

justified rates for any services and this has prompted a range of additional workstreams by the DG, including independent benchmarking and additional research into GT data, to inform the DG's decisions in relation to interconnection and access service and prices.

The DG believes that visibility of the levels of key interconnection and access charges is now crucial to new entrants and cannot be delayed further. For this reason the DG has arrived at interim interconnection rates for core switching interconnection services based on benchmarks and proposes that these should apply in the market in Guernsey until such time as these are revised, based on fully justified cost information provided by GT. GT has accepted this approach and has agreed that these are the appropriate rates to publish for these services for the present.

For a range of other services, the DG has requested GT to propose interim rates and as set out later in this document, the DG considers that the rates that GT has proposed are in general appropriate for inclusion in the RO at this point as interim rates. However, these rates have not been verified as justified and cost-oriented and the DG will review GT's justification and any further information that may be required from GT and will consider whether any further adjustments might be necessary.

The sections below address the rates for four categories of services

- Switching services
- Infrastructure services
- Ancillary Services
- Other services

5. Switching Services

5.1. *General Approach*

These interconnect services provide the basic conveyance of calls over the different components of the GT switched network. The DG has determined a need for a minimum of six switching services:

- GT On-Island Termination;
- GT On-Island Origination;
- GT On-Island Transit;
- GT Off-Island Transit;
- GT On-Island *FreePhone* Origination; and
- GT On-Island *LocalCall* Origination.

The DG's benchmarking exercise identified these services as the minimum set of services that would be required by a new entrant and confirmed a consistent adoption of element based charging for switched interconnect services, i.e. the services are structured so that a licensed operator can buy specific unbundled elements of the incumbent's network such as call origination, call termination and transit, and use these to build its own retail services. Therefore the DG has set out rates for these switching services and any 3rd party interconnect costs will then be transparently passed on to the non-incumbent operator.

5.2. Charging Structure

Termination, Origination and Transit

Having considered charging structures elsewhere, taking account of the early stage of development of the market in Guernsey and to the information available to the DG, the DG concluded that the most appropriate charging structure for switching services comprises the following characteristics:

- One rate for GT On-Island Termination;
- Two rates for GT On-Island Origination;
 - One where GT provides operator services on behalf of the interconnecting operator; and
 - One where GT does not provide operator services on behalf of the interconnecting operator
- One rate for On-Island Transit;
- One rate for Off-Island Transit;
- Each rate split into peak and off-peak categories;
- No separate call set-up component to the charge and any costs associated with call setup are therefore spread across all calls.

The GT Off-Island Transit service is intended to provide a means for conveying calls to jurisdictions outside Guernsey. For avoidance of doubt, this service does not include the termination of calls - it therefore simply comprises the local (On-Island) switching and additional transmission required to get calls off the island.

Where additional services are provided, e.g. onward termination to further destinations, the costs of these third party services will be passed on to the interconnecting operator.

GT On-Island FreePhone Origination

Currently all *Freephone* (0800/0808) traffic is sent to the UK for termination and GT does not offer its own *Freephone* services on the GT network. However since new entrants to the market may want to develop their own *FreePhone* services, the DG considers it appropriate to outline a framework for charging for On-Island *FreePhone* Origination. Consequently, the DG is not at this stage determining actual rates for On-Island *FreePhone* Origination, but is setting out certain general principles that would be appropriate to be used when GT is negotiating with operators requesting these services. In the event of a dispute as to the level of such rates, where the DG is requested to resolve such a dispute it is proposed to apply these principles.

The general principle for setting *FreePhone* Origination rates supported by the DG is one of cost recovery by the operator originating the *FreePhone* call. Costs that need to be recovered, over and above those incurred for standard geographic On-Island Call Origination, may include, for example, costs associated with customer services and marketing. The DG considers it likely that any future On-Island *FreePhone* Origination rates will be based on On-Island Call Origination rates, uplifted by an appropriate percentage to recover any such additional justifiable costs.

GT's proposed rates based on these principles will be included in the republished RO from 22nd July 2002.

GT On-Island LocalCall Origination

As with *FreePhone*, with the exception of local internet services, all *LocalCall* (0845/0345/0645) traffic is currently sent to the UK for termination.

Similarly to *FreePhone*, the DG considers it appropriate to outline a recommended framework for charging for On-Island *LocalCall* Origination on the basis that new operators may wish to provide this service. The general principle for *LocalCall* Origination rates supported by the DG is one of retail price setting by the service provider and of cost recovery for the operator originating the call, whereby the operator originating the *LocalCall* call retains their costs of origination including an appropriate percentage to recover any justifiable costs associated with the service, and passes the retail revenue less their costs of origination to the service provider.

The DG is aware that the current arrangements between GT and service providers for provision of On-Island Internet services may not fall within this proposed framework. Consequently, a more detailed review of *LocalCall* interconnect charges is being considered and the DG would welcome input from GT and other service providers with respect to this.

GT's proposed rates based on these principles will be included in the republished RO from 22nd July 2002.

5.3. Charging Levels

Interim Interconnect rates for switching services which GT has published in its RO are shown in the table below. All rates are in GB pence:

Switching Service	Peak Rate	Off-Peak Rate
On-Island Call Termination	0.8ppm	0.5ppm
On-Island Call Origination (exc. OA)	0.8ppm	0.5ppm
On-Island Call Origination (inc. OA)	0.84ppm	0.525ppm
On-Island Transit	0.5ppm	0.3ppm
Off-Island Transit	0.7ppm	0.4ppm

Table 4.3.1

6. Infrastructure Services

The DG has considered the essential infrastructure services that a new entrant should be able to choose from to enable the provision of competitive telecommunications services. The components of this service portfolio have been selected such as to give operators the flexibility to choose the combination of infrastructure services that is most appropriate to their mode of entry into the market. The DG considers there should, be a minimum of five infrastructure services:

- In-Span Interconnect;
- Customer Sited Interconnect;
- On-Island Full Leased Lines;
- On-Island Partial Leased Lines;
- Off-Island Leased Lines;

6.1. *In-Span Interconnect and Customer Sited Interconnect*

In line with standard industry practice, GT is required to provide these services in 2Mbit units and multiples thereof. The DG considers that the charging structure should include a one-off installation charge and a recurring rental charge. Appropriate cancellation or rearrangement charges may also apply.

GT has proposed interim rates that the DG accepts as appropriate for publication in this version of the RO. GT is required to submit full justification for these rates and the DG will review the justification and if necessary issue directions as to any adjustments that might be appropriate.

6.2. *On-Island Full Leased Lines, On-Island Partial Leased Lines and Off-Island Leased Lines*

GT is obliged to lease circuits to a licensed operator who may use those circuits for the provision of liberalized telecommunications services to third parties. While acknowledging this obligation GT does not believe that these services should be included in the RO with the exception of Partial Leased Circuits. The DG considers that these services should be included in the RO for completeness and ease of reference for new entrants into the market and has therefore directed GT to include them.

GT has accepted its obligation to provide leased lines and will comply with that obligation if any licensed operators request such services. GT will develop its full service descriptions and price schedule for wholesale leased circuits and shall publish this information on its website by 1st October 2002 at the latest.

In the interim period any licensed operator who wishes to purchase wholesale leased lines from GT may do so at current retail rates and terms and conditions. To the extent that any licensed operators lease circuits from GT on a wholesale basis while paying retail rates, prior to the date of publication of the wholesale prices, such operators shall be reimbursed the difference between the retail prices paid by them

and the wholesale prices, as if the wholesale prices applied at the time they availed of the service.

Further details on this service are available from GT.

6.3. *Alternative Switched Services*

During the review of the GT draft RO the issue of the relatively small size of the Guernsey telecommunications market was considered and it was noted that potential new operators could wish to enter the market based on some network design other than a traditional full switch installation.

The DG considers that various options are possible to meet this need, including a managed switch service provided by GT where GT provides a virtual switch service to a new entrant hosted on its existing switching equipment. GT has noted that there are other products provided in other jurisdictions such as virtual Points of Interconnection in France and co-location of certain equipment and services for example in Belgium.

GT is obliged to enter into negotiations with parties who seek to obtain access to these or other services in order to enter the Guernsey telecommunications market. If new entrants consider that negotiations are not producing a satisfactory outcome they can refer the matter to the DG for dispute resolution and the DG has the powers to set terms conditions and charges for appropriate services. Where a final service is agreed between parties or where the DG directs the inclusion of a service in the RO, the service will be made available to all parties on a non-discriminatory basis.

7. Ancillary Services

Ancillary services are considered to include:

- Emergency Services;
- Directory Number Inclusion; and
- Data Management Amendments.

These are services other than conveyance or infrastructure services that licensed operators must have access to, either to meet their own licence obligations in the market or to ensure efficient interconnection of networks. GT proposed interim rates for these services which the DG has accepted as appropriate for inclusion in the RO at this stage. GT will be required to fully justify these rates having regard to its costs and the DG may direct further adjustments to the RO if that is considered necessary.

7.1. *Emergency Services*

All licensed operators in the Bailiwick are obliged under their license conditions to, at all times, provide their subscribers with access to emergency services and therefore may have to access these services via the GT network.

Structurally calls to the emergency services consist of a normal call on the GT network with a value added service, i.e. the call is answered and routed to the

emergency services. Therefore GT should include in the price for these services, the cost of the normal conveyance involved in the call based on the interim rates set out above, plus the fully justified costs of the value added service.

GT's proposed interim rates for these services which the DG has accepted as appropriate for inclusion in the RO at this stage. GT will be required to fully justify these rates having regard to its costs and the DG may direct further adjustments to the RO if that is considered necessary.

7.2. Directory Number Inclusion

New entrants will require GT to include their customers' numbers in the directory of numbers and therefore this is a service that GT must supply to new entrants. In considering GT's proposed charge for this service, the DG notes that in line with the recent Ofcom determination in the UK, for each customer record that GT supplies to British Telecom (BT) for entry onto the BT OSIS database, GT receives a payment from BT. OUR proposes that GT pass this payment from BT through to the licensed operator, less a certain percentage which GT may keep as an 'agency fee'.

GT's proposals for interim rates set on this basis are accepted as appropriate for publication at this time, but GT will be required to fully justify these rates having regard to its costs and the DG may direct further adjustments to the RO if that is considered necessary.

7.3. Data Management Amendments

Data Management Amendment (DMA) charges are necessary to enable an operator to recover the costs it incurs in a data reconfiguration of its network that results from a reconfiguration request from another operator. Data reconfigurations are necessary for the access, routing and charging of calls on and between the networks of two operators.

GT proposed interim rates on an hourly basis for these services which the DG has accepted as appropriate for inclusion in the RO at this stage. However the DG required a ceiling to be applied to the total to be paid per DMA. GT will be required to fully justify these rates having regard to its costs and the DG may direct further adjustments to the RO if that is considered necessary

8. Other Services

These comprise all services not included in any other category in this document and have been included in order that a licensed operator may provide a complete retail portfolio. As such these are not 'pure' interconnect services. Their inclusion in the RO simply formalises the obligation on GT to provide access to these services by conveying calls to these services that are passed to GT, by an operator, over an interconnect.

Services include, but are not limited to, the following:

- Local Information Services;

- Local Premium Services;
- Time;
- Local Reverse Charge Calls;
- Alarm Calls;
- Calls via the Operator – Jersey;
- Calls via the Operator – UK; and
- Calls via the Operator – Irish Republic.

GT has been required to include its proposed interim rates for these services in Schedule 5 of the RO. GT will be required to fully justify these rates having regard to its costs and the DG may direct further adjustments to the RO if that is considered necessary

The DG is aware that GT currently run local information and premium services which do not comply with the UK's National Numbering Scheme. There will, at some point within the future, be a requirement on GT to migrate these services onto new numbers which are in line with the National Numbering Scheme.

9. Conclusion

The RO, as GT is required to publish, along with its wholesale offering on leased circuits, provide new entrants with the basis for planning entry into the Guernsey market and in the DG's view provide a fair and transparent basis for negotiations with GT for interconnection and access services.

The DG looks forward to discussions between operators leading to operational capabilities and commercial agreements that develop the competitive telecoms sector in Guernsey. As those negotiations take place, the DG expects that the RO document will be subject to review and adjustment to update it in line with actual implementation. Furthermore, the rates in the RO are accepted as interim rates appropriate for publication at this time and will be subject to further review.

/ENDS