



Office of Utility Regulation

C&W Guernsey

Interconnection and Access Charges

Information Note

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Office of Utility Regulation
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1. Introduction

In March 2005, the Director General (“DG”) published a direction (OUR 05/09) to C&W Guernsey (“C&WG”) in which he required C&WG to submit proposed charges for the interconnection and access services that C&WG provide to other OLOs and to its own retail arm by 27th May 2005.

That direction set out a number of steps that C&WG is required to undertake in order to ensure that any new charges proposed by C&WG are in compliance with its obligations under the Telecommunications (Bailiwick of Guernsey) Law, 2001 (“the Telecoms Law”) and its licence. This followed a detailed review of the previous submission made by C&WG in November 2003. The details of that review and the findings are set out in full in OUR 05/09.

The DG indicated that he believed it would assist C&WG in submitting any future proposed charges for interconnection and access services if it had a level of guidance on what minimum information the DG would expect to see provided to support any proposed charges. The Telecoms Law requires that any charges for interconnection and access services are “*transparent and cost-oriented having regard to the need to promote efficiency and sustainable competition and maximise consumer benefit*”.

The legal responsibility is on C&WG to ensure that it provides such information as is necessary to fully demonstrate that any proposed charges for its interconnection and access services comply with its obligation under the Telecoms Law. While the DG considers it may be helpful to set out certain guidance on the nature of the information he believes will be required in order to meet this obligation, this shall not preclude the DG from requesting such other information as he believes may be required to properly assess C&WG’s proposed charges.

2. INFORMATION REQUIRED

In OUR 05/09 the OUR set out details on a number of changes that C&WG is required to make to the manner in which its charges for interconnection and access services are calculated. These changes included:

- the underlying costs for the services must be based on current costs for the assets used to provide the services;
- any proposed Product Management, Planning and Policy (“PPP”) charges must be fully documented, explained and justified. The justification for inclusion of each of the costs in the proposed PPP charge must be shown separately;
- C&W Guernsey must apply the same gradients to wholesale minutes bought by C&W Guernsey retail from C&W Guernsey wholesale as the gradient used for wholesale minutes to OLOs;

- C&WG must use the existing time of day charge bands and ensure that the calculation of any gradients uses the widest possible sample in line with international practice;
- interconnection charges (including time of day and day of week variations) should be applied in a non-discriminatory manner to new entrants and to the incumbent's own traffic; and
- the usage factors shown for each service should be explained and the sources for the information provided to OUR in a manner which makes it possible for OUR to verify these factors.

The above issues relate primarily to the practical calculation of the charges. However C&WG as a dominant operator is required under section 10 of the Telecoms Law to ensure that its charges are also transparent and cost-oriented. In order to demonstrate compliance with this section of the Telecoms Law, additional information in support of any proposed charges will be required.

The following section sets out the minimum information the DG will expect to accompany any future submission on proposed interconnection and access charges. In any event, C&WG is required to supply sufficient information to the OUR to enable the DG to verify C&WG's compliance with the Telecoms Law.

3. JUSTIFICATION FOR PROPOSED RATES

In addition to the manner in which the charges are calculated and the summary information listed above, C&WG will need to provide a more comprehensive justification for its charges than that which accompanied its previous submission of November 2003.

As OUR 05/09 highlighted, the lack of adequate justification for the proposed charges was a major obstacle in assessing the degree to which the rates were appropriate. In any event, the issues identified with the manner in which the rates were calculated rendered the proposed rates unacceptable.

In submitting future proposed charges for interconnection and access charges (including the rates to be proposed by 27th May 2005) C&WG should for each product in the RO, as a minimum, provide a description of each network element used to make up any particular product and the rationale for the inclusion of those elements. For each interconnection and access service C&WG should provide, inter alia:

- a detailed breakdown of the costs components of each interconnection and access service (a simple flow diagram may aid the presentation of this information);

- details of any routing or gradient factors used in calculating the charge and details of how these factors have been calculated and why they should be considered appropriate and in compliance with C&WG's obligations under the Telecoms Law; and
- evidence to demonstrate that the proposed calculation of the charges for these services is in line with best practice.

C&WG must also demonstrate that the costs associated with the provision of interconnection services reflect those that would be incurred by an efficient operator and therefore should provide relevant information to the OUR to enable it to verify that this is the case.

In the event that C&WG is proposing to introduce any new services into the RO, detailed information supporting any proposed charges or structures should also be provided.

4. PPP charge

OUR 05/09 set out a number of issues relating to the way in which C&WG had calculated its proposed PPP charge. The OUR concluded that a number of elements within the proposed charge were not appropriate and that C&WG should review the manner in which it calculates this charge before any future submission. In particular, the DG directed that C&WG demonstrate that any charge is comprised of costs associated with only the following elements:

- the development and management of interconnect products;
- the cost of managing the relationship with operators which purchase interconnect services;
- the administrative costs of dealing with orders for interconnect services; and
- the billing of interconnect services.

C&WG must demonstrate that the costs it is proposing to include in this element are justified. Therefore detailed information supporting any claimed costs should be provided with its submission. C&WG must also demonstrate that the costs associated with these elements have been efficiently incurred and that it is recovering its PPP costs across all traffic that is conveyed across or transits the C&WG network.

C&WG is also required, in the interests of transparency, to publish details of the elements that make up the PPP element of its interconnection charge at the same time as it submits its proposed charges for interconnection and access charges. This will provide OLOs greater transparency of C&WG's interconnection charges and aid their understanding of how this element is calculated.

5. Conclusion

The OUR hopes that the information contained in this note will help C&WG structure any future submission of interconnection and access charges. While the DG is providing this guidance note to facilitate the future submission by C&WG's of proposed new interconnection and access rates so as to ensure that any proposed charges reflect the efficient costs incurred by C&WG in providing these services, the onus is on C&WG to demonstrate that any such charges are in compliance with its obligations under the Telecoms Law.

While this information note is intended to assist C&WG in its submission, the DG may still request such other information as he believes is necessary to enable a decision on the appropriateness of any future rates. Further C&WG is encouraged to submit any additional information it believes will assist in aiding the consideration of any proposed charges for interconnection and access services.

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