

One NZ submission on the draft decision on Chorus' expenditure allowance for PQP2

15 August 2024

Introduction

1. We welcome the opportunity to comment on the Commerce Commission's (the Commission) draft decision on Chorus' price-quality path for the second regulatory period (2025 – 2028). Our submission focuses on the proposed changes to the quality standards. Quality standards are a key aspect of the fibre price-quality regulatory regime, and the part that directly impacts the delivery and performance of fibre services experienced by end users. Fibre delivery and performance are drivers of customer pain points and therefore also an important part of the overall telecommunications retail service quality, a programme of work that the Commission is focused on. It is therefore critical that the quality standards under the PQP process are kept fit for purpose and updated accordingly to ensure that Chorus delivers fibre services to a standard that end users have come to expect. We welcome the Commission's proposals for improving the quality standards.

Quality standards

Availability quality standards

2. The Commission is proposing to reduce the average net unplanned down time thresholds to 80mins for layer 1 and 17mins for layer 2 of the fibre network. We agree with the Commission's view that lower annual downtime levels and annual reporting will better encourage Chorus to deliver fibre quality experience that consumers have come to expect.
3. The Commission is also proposing that a breach of the availability quality standards would occur in a regulatory year 'where there has been an exceedance of the annual assessment

threshold (downtime level) in that year (year 2), and the preceding regulatory year (year 1).¹ The Commission considers that this approach will increase ‘the probability that systemic failures are detected’ and reduce ‘the probability random variations are caught by the mandatory availability standard.’² We are concerned that 2 years is a long time to determine and resolve any systemic issues that might arise. Consecutive issues over a 1-year period could result in very poor customer experience. To avoid this, we recommend that an availability quality standard is also applied for the 1-year period. This could include a higher threshold or a multiple event threshold, which would avoid Chorus being penalised for a single random event whilst ensuring that sufficient incentives exist to protect end-users from poor service experience in a single year.

4. We support the Commission’s draft decision to retain the current availability POI areas as a basis for geographic differentiation for the availability quality standards. We agree that aggregating some of the availability POI areas as proposed by Chorus creates a risk that issues would be masked by the increased degree of averaging, potentially resulting in worse fibre connectivity standards for some end users.
5. We support the Commission’s proposal not to limit the number of breaches that Chorus can experience during a year. We also support the Commission’s draft decision for the updated availability standards to apply from the start of PQP2.

Performance quality standard

6. We support the Commission’s draft decision to retain the 90% port utilisation threshold for the performance standard. As outlined in our earlier submission on this matter³, increasing the threshold to 95% as proposed by Chorus would increase the risk of end users being exposed to an unacceptable level of fibre service performance.

¹ Chorus’ price-quality path for the second regulatory period (2025 – 2028) – draft decision, Reasons paper, 18 July 2024, p. 91

² Chorus’ price-quality path for the second regulatory period (2025 – 2028) – draft decision, Reasons paper, 18 July 2024, p. 93

³ One NZ submission on Chorus’ proposed expenditure for PQP2, 14 December 2023

Provisioning quality standard

7. We welcome the Commission's draft decision to introduce a provisioning quality standard. We have been strongly advocating for this since before the start of the first PQ regulatory period and are pleased that the Commission has now recognised the need for the provisioning quality standard to be added.
8. Under the Commission's proposal, Chorus would meet the provisioning quality standard for an availability POI area for a regulatory year 'if the connections measure for connection requests in respect of which the agreed date is rescheduled is 85% or more; and the connections measure for all other connection requests is 80% or more.'⁴
9. This is a step in the right direction, which will help ensure that Chorus is focused on meeting its installation commitments in a timely manner. In regards to the rescheduled connections, the Commission notes that the standard will exclude connections that are rescheduled at the end user's request. It is not clear how the Commission intends to distinguish between reschedules initiated by the end user vs Chorus. For the provisioning quality standard to be effective, it is critical that it is accompanied by a robust governance framework to ensure that end user driven reschedules are genuinely initiated by the end user rather than Chorus.
10. We support the Commission's proposal that the provisioning quality standard should be in force from the start of the second regulatory period. As highlighted in the Telecommunications Dispute Resolution complaints data referenced in the Commission's draft decision, installation delay-related complaints continue to be a major pain point for end users. This is also reflected in One NZ's customer complaints data. It is therefore critical that the provisioning quality standard comes into effect at the start of the next regulatory period to incentivise Chorus to improve end user experience in respect to installations as soon as possible.

⁴ Chorus' price-quality path for the second regulatory period (2025 – 2028) – draft decision, Reasons paper, 18 July 2024, p. 113

Customer service

11. We note the Commission’s draft decision not to introduce a customer service quality standard. We remain of the view that a customer service standard would be beneficial to drive customer service improvements that the Commission’s broader retail service quality work is focused on. As an alternative, we support the Commission’s suggestion that ‘changes to the customer satisfaction ID requirements may allow for better transparency to Chorus’ customer service’ and recommend that the Commission proceeds with implementing the proposed changes⁵.
12. Please contact the following for any questions in regards to this submission.

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⁵ Chorus’ price-quality path for the second regulatory period (2025 – 2028) – draft decision, Reasons paper, 18 July 2024, p. 129