



Commission draft decisions on Chorus' quality standards and revenue path for the second regulatory period

PUBLIC VERSION

Submission | Commerce Commission

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Introduction

1. Thank you for the opportunity to provide feedback on the Commission's draft decisions relating to the Chorus quality standards and revenue path for the 2025 – 2028 regulatory period.
2. In this submission we provide feedback on the:
 - a. How the Commission might promote predictable wholesale prices through the second regulatory period, and
 - b. Proposed quality standards.

Promoting a predictable price path for retailers and consumers

3. The draft signals a ~17% increase in net allowable revenue for 2025 compared to 2024¹ which - if flowed through consistently to wholesale and retail prices - represents a significant increase in telecommunications costs for end-users. The Commission notes that it considers that any potential impact on prices is ameliorated by forecast demand growth, the fact that this is the first price rise after 15 months (rather than the normal 12-month period) and by the fact that Chorus has indicated it is not guaranteed to be able to fully price up to the allowable revenue².
4. However, on the face of it, it is unclear from the draft what price increases retailers and end users are likely to see over the four-year PQP period. For example, while deferring \$267m of depreciation is expected to reduce the total size of revenue increases within PQP³, the draft does not set out what the assumed baseline price increases and demand are (from which the deferral was calculated) nor the sensitivity of future prices to variances between expected and actual demand.
5. Chorus has already signalled price increases from 1 January 2025, consulting on increases for key consumer services ranging from 5.1% (anchor and F300) to 14% (Home Fibre Starter 50). However, it is unclear whether the 1 January price increases are expected to bridge the gap between current revenues and PQP2 MAR, or whether we should expect future catchup price increases. Further, there is significant uncertainty relating to fibre demand over the PQP2 period. Accordingly, it is difficult to predict the Commission's anticipated PQP2 price path from the information available to us, and likely wholesale price increases that retailers and consumers should build into their plans.
6. Therefore, we recommend that the Commission consider further how it might promote transparency and certainty by, for example:
 - a. Ensuring approved expenditure is efficient, addressing One.nz and 2Degree expenditure proposal concerns. Submitters on the Chorus expenditure proposal and draft expenditure decision set out their concerns that the expenditure proposal

¹ The net effect of changes set out in Figure 1.1 on page 15

² Para 3.64 of the draft. Chorus having indicated to the Commission that it is not guaranteed to be able to price to its MAR due to competition constraints, anchor service pricing and other constraints that reduce its ability to meet customer demands (for example geographically consistent pricing). Chorus proposed to bridge the gap by matching the amount of depreciation it can recover to prices the market can bear.

³ Paragraph 3.86 of the draft

was not justified or efficient, including high sales and marketing expenditure, cost allocations and uncertain demand forecasts⁴, and

- b. Providing guidance on the MAR anticipated price increases (i.e., baseline price increases), price sensitivity to key variables such as demand, and how the Commission might curb any future price increases outside the expected range.

Quality measures

7. The Commission also proposes to amend current measures and proposes a new provisioning standard.

Availability and performance standard

8. The Commission might want to consider augmenting the proposed utilisation measures with information disclosure measures relating to PON port utilisation. The current measure excludes PON optical line terminal port utilisation.
9. The passive optical splitter is connected to a port on the optical line terminal and is shared by up to 16 or 32 end-users depending on the network design. This means that limited port capacity is shared by a small number of end-users - i.e., up to 32 end-users sharing 2.5Gbps capacity – and accordingly this is where congestion is most likely to occur.
10. Chorus collects and measures port utilisation already and, while high utilisation and congestion is rare - we have seen isolated cases of port congestion. The number of congested ports is likely to increase over PQP2 as customer numbers and Fibre Max demand increases.
11. Accordingly, the Commission may wish to monitor the number of ports exceeding a given utilisation threshold monthly as an indicator that it is investing to maintain service levels, i.e., the number of ports that are busy more than 30 minutes per month.

Provisioning standard

12. The Commission also proposes to set a quality standard for meeting the agreed connection date 85% of time where the date has been rescheduled and 80% of the time in all other cases. The measure applies to connections that require the physical attendance of a person on Chorus's behalf at the premises.
13. We support the Commission focusing on provisioning performance as, while we are seeing an increase in the proportion of intact connections, connecting to the fibre network is an ongoing concern for our customers. Further, with 85% to 90% of our orders to Chorus being intact, installs that happen are often new builds or complex addresses, and tend to take a lot longer to complete.
14. Accordingly, the Commission may also wish to consider augmenting the proposed measure by:
 - a. Ensuring that the correct rescheduling code is used for the purposes of the measure. Compliance with reschedule codes has been an ongoing issue for our teams and basing a quality standard on these codes may add to compliance issues.
 - b. Monitoring the number and proportion of multiple reschedules. While delivering on the agreed connection date is a customer concern, repeat reschedules is the most

⁴ One.nz and 2Degrees submissions <https://comcom.govt.nz/regulated-industries/fibre/projects/chorus-fibre-price-quality-path-from-2025?target=documents&root=350114> and <https://comcom.govt.nz/regulated-industries/fibre/projects/chorus-fibre-price-quality-path-from-2025?target=documents&root=339965>

consistent and annoying issue for our customers. Some customers are subject to multiple reschedules through no fault of their own. We see multiple reschedules occurring over two phases and these could be considered separately in any monitoring:

- i. The build phase where a failure to resolve the root cause of the delay to network build results in multiple reschedules, sometimes for months or years. For example, delayed council permits to dig, access with other utilities or resolving records data issues, and
 - ii. Once the consent & build is complete, the actual install may be rescheduled multiple times.
- c. Monitoring the number and proportion of missed appointments. Missed appointments is also an ongoing concern for our customers and the Commission should encourage LFCs to minimise the number of missed appointments, and
 - d. Monitoring the overall time to deliver a working fibre service to customers, i.e., how long it takes end to end to connect a customer.

END