



Vodafone Submission on Specified Points of Interconnection

26 November 2019

Thank you for the opportunity to provide a submission on the specified points of interconnection (POI). This is a critical part of the new fibre regime and will provide critical certainty for access seekers.

We agree with the Commission that specified POIs are necessary to declare specified fibre areas. We also consider that POIs are an important part of the definition of Fibre Fixed Line Access Services (FFLAS) under the Part 6 regime that is currently being developed.

The focus of this submission is how to treat the addition of new POIs. We also consider the implications for the layer 1 services.

Points of interconnect must be specified

We agree with the Commission's interpretation of the Telecommunications Act 2001 (the Act) that POIs need to be specified to declare specified fibre areas.

Similarly specified POIs are essential for the Part 6 fibre regulation regime. The Fibre Fixed Line Access Services (FFLAS) subject to regulations are defined as:

a telecommunications service that enables access to, and interconnection with, a regulated fibre service provider's fibre network¹

¹ Telecommunications Act 2001, s5.



In turn 'fibre network' is defined as a 'network structure that ... connects the user-network interface of an end-user's premises, building, or other access point to a regulated fibre service provider's fibre handover point'. Fibre handover point is then defined as 'the external network to network interface (or equivalent facility) located at the specified point of interconnection for the relevant end user's premises, building or other access point...'.²

Therefore, FFLAS is defined as everything between the user network interface and a specified point of interconnect. In order to maintain geographic consistency,³ and non-discrimination⁴ all FFLAS services with the same specification must be priced consistently, no matter what interconnecting services are required to reach the specified POI.

How to treat the addition of new POIs

The LFCs are increasingly looking to add new POIs to the fibre network, and discontinue handover services from some of the existing POIs. This may be because the POI is reaching capacity, or it may be because of cost savings they are able to achieve by shifting sites.

For example, Chorus have indicated that they want to stop offering hand-over services at their Palmerston North POI, and divert traffic to Fielding. This would impose two significant costs on RSPs:

1. We will have to establish a new backhaul link to connect our core network to the new POI. Chorus choice of Fielding will impose more costs than connecting to other locations where more RSP backhaul options are available. In some cases Chorus have mitigated this cost by offering a backhaul service back to the original POI so we can pick up the connections at the existing handover.⁵

² Ibid.

³ Telecommunications Act 2001, s5.

⁴ Deeds of Open Access for Fibre Services.

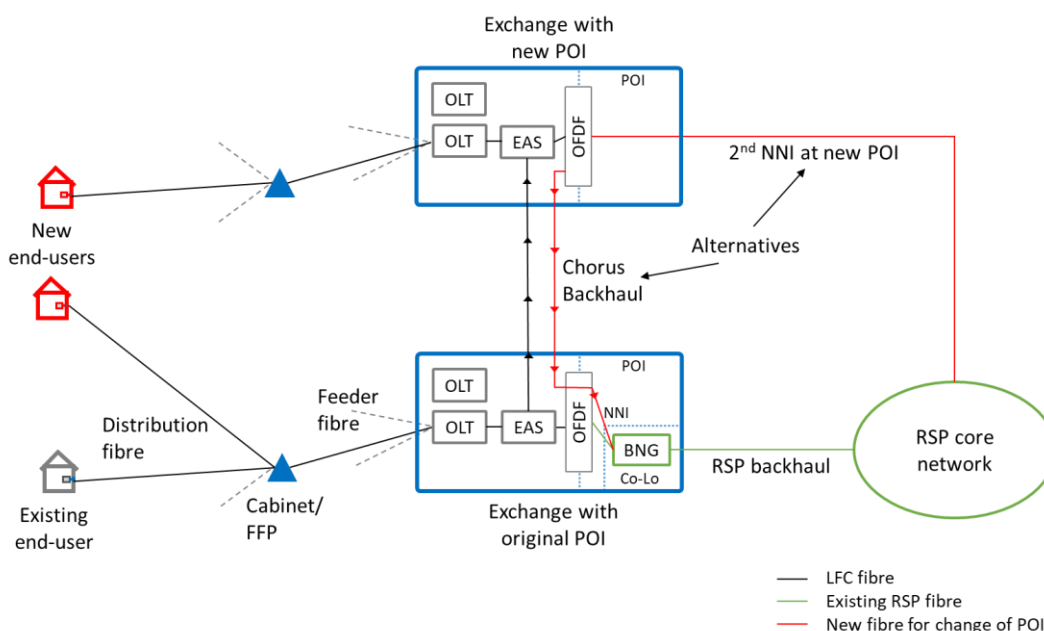
⁵ Chorus have offered this service for free for one year. However, we consider that we should be able to continue to accept connections at the existing POIs at no cost.



2. In some cases we install our Border Network Gateways (BNG) at the POIs to increase network efficiency. When we can no longer take new handover services at a particular POI, this equipment can be left partially stranded.

Figure 1 below represents the network configuration when one POI stops offering new handovers and a new one is established. We have to maintain our existing connection to the first exchange for existing customers and new customer connected to existing feeder fibres. However, any new customers connected to a new feeder fibre will be handed over at the new exchange incurring costs.

Figure 1: Network configuration when one POI stops offering new handovers and a new POI is established



Implications for the Specified POIs

Because the total costs of establishing a new POI are not fully born on the LFC they may choose to make this decision when it is inefficient for the industry overall. In other words there are spill-over costs they are not taking into consideration.

We therefore recommend that the Commission not allow for new POIs to be established while physical capacity for the handover service still remains at the existing POI. The LFCs will still be free to move their aggregation equipment to a new



exchange, however, they will also bear the cost of creating a backhaul link to the POI. They will therefore only choose to move their equipment if it is economically efficient. There must also be requirements to ensure that the backhaul link between the exchanges has sufficient redundancy to meet the requirements of RSPs and end-users.

We also request that the regime produces better publically available data on the remaining physical handover capacity at each POI. This will provide us with a better basis to make decisions on what equipment to install at a POI.

Implications for layer 1 services

At paragraph 30 of the consultation paper, the Commission states that the specified POIs only relate to layer 2 services. This is based on the language in the Network Infrastructure Partnership Agreements (NIPAs).

However, the Act tells a different story. As above all FFLAS services run between a user-network interface and a specified POI. Our understanding is that both the PONFAS and DFAS layer 1 services are considered FFLAS services.

The specified POIs must therefore cover both layer 1 and layer 2 services. However, it would be inconsistent with other obligations on the LFCs have different handovers for layer 1 and layer 2.

The Fibre Deeds require that the LFCs do not discriminate in the cost of services between themselves or other access seekers. In Ingo Vogelsang's expert report on this topic, he notes that:

This constraint would in particular not allow for any quantity discounts (such as two-part tariffs) that would favour large over small buyers. L1 tariffs would therefore have to be linear or close to linear⁶

Specifying separate layer 1 and layer 2 POIs would create a two-part tariff.

- The first part of the tariff would be the layer 1 price to the nearest exchange.

⁶ Ingo Vogelsang, 2019, 'Equivalence and non-discrimination in New Zealand telecommunications markets: The case of Layer 1 unbundled access to fibre networks', p20-21.



- The second part of the tariff would be the ICABS or other backhaul cost to connect back to one of the layer 2 POIs

In the case of the PONFAS service, both these costs would need to be incurred by an access seeker to offer an equivalent layer 2 service as offered by the LFC. Depending on the scale and geographic distribution of the customers of a particular access seeker this may result in discriminatory end-to-end layer 1 prices.

For the DFAS service there is a risk that the LFC will be able to increase the ICABS price under the increased flexibility of the Part 6 regime. This will allow them to manipulate competition over fixed wireless, which often uses DFAS as an input.

The best solution to both of these problems is to specify the same POIs for both layer 1 and layer 2 services.