

Request details

Issue Date	30/08/2021	RFI No.	113
Attention	Julian Kersey	Category / topic	Cost Allocation
Urgency	High	Date required	06/08/2021
Subject	Pre-2011 Ducts		

Type of request

Clarification	<input checked="" type="checkbox"/>	require clarification of information that is unclear or contradictory
Confirmation	<input type="checkbox"/>	seeking confirmation of information previously considered preliminary
Incomplete	<input type="checkbox"/>	current information is incomplete
New data	<input type="checkbox"/>	require additional information
Other	<input type="checkbox"/>	

Information request

Detailed description of request - *please include the file name the request relates to.*

Pre-2011 ducts: In the final IM decision related to the Financial Loss Asset (FLA) we set out 'filters' that should be applied to pre-2011 assets for inclusion in the FLA. One of these was usability. The information Chorus has provided in relation to pre-2011 assets included in its initial RAB proposal does not appear to have applied any usability filter/factor to existing ducts in UFB won geographies before applying a connections-based allocator. We have information Chorus previously provided in its response to a s98 request during the UCLL/UBA FPP process (13 May 2015 cover letter and excel spreadsheet included in the response ('CONFIDENTIAL INFORMATION (CI) Copy of Response to Commerce Commission s98 request Q2 2.xls')) that indicated a number of limitations relating to the re-use of existing ducts, and that the proportion of routes available for re-use was relatively low (7.2% nationally, and up to a max of ~30-40% in the larger ESAs).

Rationale for request – *how this information relates to our evaluation.*

Is there any further clarification or information Chorus can provide that can help us reconcile these seemingly conflicting data sets?

Response - *Where applicable please include the file name the response relates to and indicate any information that Chorus considers confidential.***Cost allocation filters**

We allocated pre-2011 ducts based on linear route distance in overlap, weighted by connections. In terms of applying filters (as per Commission's Fibre input methodologies: Financial loss asset final decision – reasons paper (3 November 2020), para 3.3.10 – 3.3.12):

- *Geography* – we extracted shapefiles of pre-2011 ducts for Chorus' UFB coverage areas in each financial year.
- *Timing* – reflected by timing of overlap shapefile and by connections ratio over time. Pre-2011 ducts only enter RAB or the FLA calculation based on customer connections rather than when 'available' for connection.
- *Usability* – as our subject matter experts discussed with Commission staff on 11 June 2021, we use the information from our GIS system. As explained in our submission dated 10 September 2020, in response to the Commission's Fibre input methodologies – Further consultation draft (initial value of financial loss asset) paper, this information is operational data, and calculates linear route metres (rather than the number of ducts by metre). This information is the best there is.

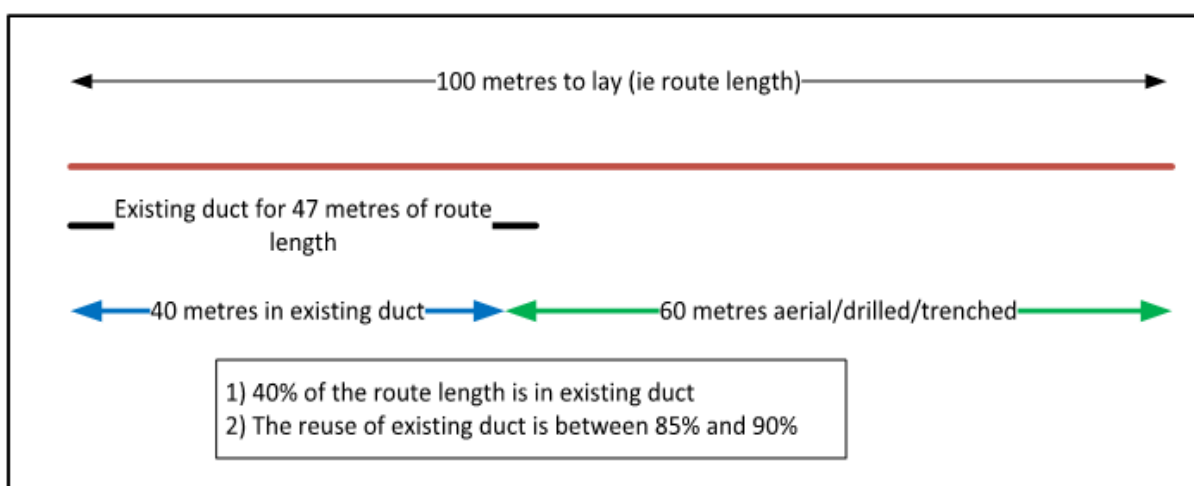
Our view is that pro-rating the total route length ratio in a geography (e.g. total Won) by the total number of UFB connections is in fact a conservative approach as:

- Pre-2011 ducts are pro-rated for in-scope FFLAS (UFB) as a ratio of all access lines in that geography (including copper both inside the UFB coverage area and copper served outside of the UFB coverage area). As not all ducts support copper or services provided in other areas, we are likely to be under-allocating pre-2011 duct assets to in-scope FFLAS.

Section 98 response – May 2015

To clarify the data we previously provided the Commission during the UCLL/UBA FPP process:

- Approximately 50% of the route in UFB areas has pre-existing duct. 80% reuse of this 50% of total route would lead to 40% of the total route being made up of reused duct.
- The following diagram illustrates the reuse of existing ducts for the deployment of UFB, whereby 40% of the total route length was the target for reused duct.



- As demonstrated by para B16.1 of the section 98 response cover letter dated 13 May 2015, in fact approximately **80-90%** of the existing ducted route length in UFB1 areas was in practice reused for UFB1.
- We note that that given the timing, this data can only relate to UFB1, as UFB2/2+ agreements were only signed in 2017.
- As an example:
 - o Target route length for UFB: 100m
 - o Existing ducted route length: 47m (remainder is direct buried or uses aerial (i.e. poles))
 - o Reused ducted route length for UFB: 40m
 - o New trenching/duct for UFB: 35m
 - o Aerial deployment for UFB: 25m
- This example has been modelled on the data presented in the Scheme Booklet (13 September 2011), page 98:

Current Management estimates assume that approximately 40% of the deployment will utilise existing trenching, approximately 35% will utilise new trenching and approximately 25% of the deployment will be achieved utilising aerial deployment.
- The 2015 section 98 response referred to by the Commission, para B16 and 17 explains:
 - o Nationally, only 26.8% of the underground routes in the Chorus network are ducted. The remaining 73.2% are direct buried.
 - o 40% reuse target is for Chorus UFB areas only, but does not represent the reuse target percentage for of all of New Zealand. Noting Chorus' UFB areas are predominantly urban areas where there is more ducting.
 - o Therefore the percentage of reuse for the total route distance of ducts is 7.2% of all routes (including non-UFB), or 27.8% of ducted routes contains at least one spare duct which would in theory permit reuse by a non-Chorus party.
- To explain why there is no conflicting information between the datasets, this 27.8% figure is not comparable to the 85-90% figure above for several reasons:
 - o The analysis of the quantity of spare ducts giving rise to the 27.8% figure has been done at a point after a material amount of the UFB deployment has occurred (the analysis is from 2015, and the spreadsheet contains notes that air blown ducts deployed for (and planned for future use by) UFB are not considered to be reusable in this analysis (Questions and Assumptions sheet, cell D117)). This on its own makes the 27.8% an unsuitable estimate of the reuse that could be achieved at the point of deployment of UFB.
 - o Reuse by Chorus does not necessarily require an entire spare duct (although there are risks when pulling cables into occupied ducts).
 - o The national figures are not directly relevant as the UFB deployment is only in the UFB area, of which a higher than average fraction of the network is ducted.

Confidentiality

Chorus does not consider any of the information contained in this response to be confidential.

