

Cross-cutting features of input methodologies

- In developing the input methodologies (IMs), the Commission will need to decide on several cross-cutting aspects that relate to how the IMs are drafted and then applied when determining the price-quality (PQ) paths and the information disclosure (ID) regimes.

In the invitation to comment on our proposed approach, we asked stakeholders:

- Q10** What are your views on our approach to determining the activities and/or services that fall within the scope of fibre fixed line access services (FFLAS) (including the treatment of copper-based services, POIs, and services provided above layer 2)?
- Q11** Are there any further key implications of the scope of regulated services for the setting of IMs for PQ or information disclosure regulation?
- Q13** What are your views on our proposal to determine only those IMs listed in s 175(1) by the implementation date? What additional matters should be determined as IMs by the implementation date?
- Q14** Which of the fibre IMs (if any) do you consider most appropriate for us to consider the use of more 'principle-based' specifications?
- Q27** What views do you have on the approach or processes that should be adopted for setting price-quality paths?
- Q28** Do you have any views on additional incentive mechanisms (such as the Incremental Rolling Incentive Scheme – IRIS) that would be beneficial to consider including?
(Note: s 175 changed to s 176 in the final version of the Amendment Act.)

Some examples of cross cutting issues that must be decided when initially developing the IMs:

- **The scope of the regulated service.** We consider that this depends on the answers to the following questions:
 - Is the supplier subject to ID or PQ regulation in respect of one or more services under the regulations made under s 226?
 - Is what the supplier is doing part of a “telecommunications service” that meets the definition of fibre fixed line access services (FFLAS) in s 5, taking account of the specific exclusions in the definition?
 - Are the FFLAS services in respect of which the supplier is subject to ID or PQ regulation under the regulations made under s 226?
- **The scope of the input methodology content.** We are currently proposing to only determine the mandatory IMs listed in s 176(1) of the Telecommunications Act 2001 when implementing our new regime.
- **Appropriate level of prescription vs principles within each input methodology.** Broadly speaking, the use of principle-based regulations could future-proof some elements of our IMs. Some IMs may be more appropriate to be 'principle based' (eg, quality dimensions), whereas other IMs may require a more prescriptive approach (eg, cost of capital).
- **The process for setting PQ paths,** including:
 - whether suppliers should submit proposals for the Commission to assess, and what form the Commission’s assessment could be;
 - what historical or forecast information should be required when setting the path; and
 - if there is a role for forecast total expenditure (totex) approach in the regime.
- **Use of incentive mechanisms.** There may be benefits to introducing additional incentive mechanisms in the PQ path, such as mechanisms for receiving benefits of efficiency gains beyond the end of a regulatory period (as used for our regulations under Part 4 of the Commerce Act 1986).

As we develop the IMs, we may identify additional issues that are cross-cutting. Some of these issues may be identified through our consultation process for one IM, and then need to be applied to others. For example, there are likely to be features that need to be considered when defining IMs that will apply to both PQ paths and ID regulation, as well as potential issues specific to ID regulations. We will also need to consider what is appropriate to be set in the IM versus what is set through the determinations for PQ paths and ID regimes.