



Fixed Access Market Reviews: call for inputs

SSE is pleased to provide a response on some of the matters raised in the call for inputs for the above reviews. In common with many other smaller retailers in the communications market, SSE uses the regulated wholesale product 'WLR' to provide retail telephony services in this market. We are also a member of the Federation of Communication Services (FCS) and support the response that it is making on behalf of its members.

Our main concern about developments in these markets is that the underlying technology change from copper to fibre is taking place without coordinated planning across the whole market. In particular, an equivalent wholesale voice product for WLR users to use in cases where premises are only served by fibre technology, is not being developed. We look to Ofcom, in the context of these reviews, to impose a requirement on BT to provide such a product, continuing the concept of 'equivalence of inputs' into the new technology framework, as envisaged in the BT Undertakings.

We have provided a response to some of the consultation questions with the most relevance to our activity in these markets and would be pleased to discuss the points with you in more detail, if that would be helpful.

Yours sincerely

Aileen Boyd
Regulation Manager

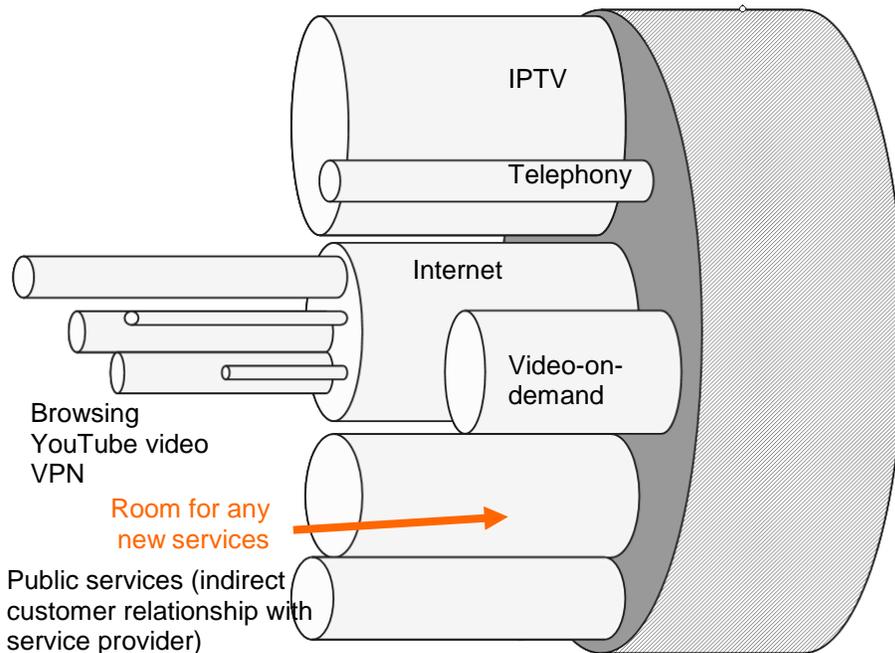
Response to Selected Consultation Questions

4.1 What are your views on how well the current set of remedies for WLA has worked in combination to promote efficient and sustainable competition and what impact has this had on investment in WLA services? Please provide reasons to support your views.

The current remedies in the WLA market require BT to provide Local Loop Unbundling; Virtual Unbundled Local Access; Physical Infrastructure Access; and Sub Loop Unbundling. WLR users like ourselves cannot use any of these remedies as they do not address our needs for an active level wholesale voice product. We do not therefore consider that they support effective competition. Customers being served by a WLR user who move to premises served only by a fibre connection – which will become more frequent as more fibre is laid out to the premises and housing developments are built with fibre only communications links – cannot continue to be supplied with services by their current WLR-based supplier as there is no appropriate wholesale product they can use. This will reduce competition and choice in the market over the longer term.

4.6 Does our general pricing approach to the pricing regulation of VULA remain appropriate, assuming that such a remedy continues to be required? If not, why? Please provide reasons to support your views.

While we have no direct experience of VULA pricing, we do believe that regulation of pricing and charge structure is very important for fibre access products. One of the key benefits of fibre communication links is the very high capacity they offer. This leads to a totally new service paradigm for communications: instead of a single main service (telephony) with a side-product of 'broadband' optionally available in a copper access world; it will be possible over fibre to offer multiple different services using different amounts of capacity in parallel. This could be illustrated diagrammatically as shown below.



Notes on the commercial implications of the technological capabilities of the high bandwidth fibre access link

- Each of the channels shown could potentially be used by different suppliers; each of these should pay no more than an appropriate proportion for their “share” of the overall capacity of the link. Without regulatory intervention, we believe that it is possible that a ‘first comer pays all’ charging methodology could be developed by the provider(s) of fibre access technology. The result of this would be that the market for services would be choked off and end customers only able to choose between sets of services provided by single suppliers who “owned” the whole link. Thus, charging methodology will have a significant impact on how the market for retail services will develop and should be part of regulatory scrutiny and action at the outset.
- Multiple service providers or suppliers would be able to use the link without affecting the service provided by other suppliers. Charging structures should be in place to support this possibility by providing economic charges to those suppliers who are only seeking to use part of the fibre capacity.
- In most cases, where a customer arranges for the provision of services on his own behalf, he would pay the service provider who in turn pays the infrastructure provider for the capacity use, as happens today. However, there is increasing interest from government on the use of communications networks for social purposes such as health care monitoring. In these cases, the service is provided for the benefit of the end customer by a third party such as a Health Authority. The third party would provide its service over the communications link to the premises, paying the infrastructure provider for the capacity use. We have characterised this as a public service in the diagram above and, in order for these services to be possible, it can be seen that the ability of the third party to pay just for the quantum of capacity necessary to support the provision of his service is critical. Otherwise, if these public services could only be provided using the capacity ‘owned’ by a single provider of a range of services at the premises, they are at risk of being “switched off” if the customer gets into a payment dispute with that single provider of capacity and services.

For the reasons above, we believe that the welfare of citizens and the continuing choice of services for consumers of communications products will be best served by regulatory intervention and oversight of fibre access infrastructure charges.

We also support Ofcom’s continuing concern and vigilance on charges for migrations and the equivalence between charges paid by BT’s downstream divisions and other communication providers. The cost of migration systems and events, in our view, should be spread over the general base of infrastructure charges rather than charged on a transaction basis as all customers benefit from a fluid market with minimal barriers (either financial or in terms of process) to switching. This matter has links with Ofcom’s ongoing project on consumer switching.

5.1 Have there been any significant changes since the last market review that might impact on our approach to regulating the current WLR remedies (including for Ancillary



services), assuming that such a remedy continues to be required? If so, please provide reasons to support your views.

In response to the last wholesale fixed analogue exchange line market review in 2010, we highlighted our concern about the lack of a follow-on product for WLR which is fit for purpose to be used by WLR users in the circumstance of a customer served only by a fibre communications link. Since that time, BT Openreach has announced and developed plans for a 'fibre-only' exchange trial at Deddington. Along with FCS, we have been in dialogue with Ofcom and various parts of BT about the need for a wholesale product to support the numerous WLR-based suppliers providing service in the Deddington exchange area in continuing to be able to provide their retail voice services when the copper network is "switched off". Such a product is not being offered by any part of BT and, in our view, regulatory intervention is warranted to require such a product to be developed for existing suppliers in the market who use WLR.

10.1 What is your experience of the quality of Openreach's access services delivery? If there are quality and timeliness concerns, how do these affect your activities/customers? Please provide reasons to support your views.

In common with many others in the industry, we have experiences poor and delayed service from Openreach for our customers, which in turn affects our customers' perceptions of our performance. This matter – and the associated concerns about the level of resource that Openreach is able to deploy for copper access wholesale products is covered in more detail in the FCS response referred to in our covering letter.