



# Clarifications on the Ofcom Resource Performance Model

Publication date:

5 June 2017

In response to stakeholder queries on the Ofcom Resource Performance model, we set out below several clarificatory statements.

## **Glass Ceiling**

*Could Ofcom provide more insight into the approach used to develop assumptions for the failure rate, given the discrepancy between the assumptions made in the model and Openreach's own estimation of the failure rate?*

We set out our reasoning from paras 5.36 to 5.45. As Openreach did not provide any information on the improvements that could be made to the glass ceiling we applied our judgement to the areas of failure identified in Fig 5.6

The most significant discrepancy is that the data provided by Openreach relates to on the day failure, not failure to meet SLA.

We have no further comments to add over the reasoning in the consultation document.

*What sensitivity testing was done in connection to these assumptions? What is Ofcom's view on the importance of this assumption?*

Sensitivity tests are set out in Annex B of the Analysys Mason report. B3 specifically considers this assumption, and we note that the cost uplift is sensitive to the level of the glass ceiling.

## **Resourcing and task time variability**

*The Resource and Performance model assumes a constant resourcing, task and travel time. What is Ofcom's view on the likely impact of assuming that these are constant, as opposed to introducing some variability?*

Our view is that by setting regulatory standards at a GM level, measured on an annual basis, on a large volume of work undertaken by a large workforce the effects of variability in input factors is muted.

*Was any sensitivity testing conducted around the assumption of a constant task time and resource level?*

No. We set out the limitations of the model in A7.50, which notes the constant job time.

## **Engineers' skill level**

*What is Ofcom's view on the likely impact of its multi-skilling assumption on the cost of performance? Did the regulator run any sensitivity testing around this assumption?*

Our model made the simplifying assumption that a large queue of work, served by a large workforce would efficiently allocate work according to skill. This is also covered in A7.50

No sensitivities were run.

## Job distribution

*The Resource and Performance model only takes into account Care Level 1, Care Level 2 and provision jobs. It also assumes that only one engineer is enough to complete task (no assist). What is Ofcom's view on the likely impact of the existence of higher priority jobs (such as Care Level 3 and 4) and assists on the cost of performance for Care Level 1 and 2? Did Ofcom run any sensitivity testing around this?*

Care Level 3 and 4 standards are not regulated, nor are the prices charge controlled, they are therefore out of scope of the modelling. We expect Openreach to make rational decisions on the commercial and operational requirements of these products that should not influence the costs of regulated products. No sensitivities were run.

We made no specific assessment of the requirement for assists, but note that as the resource performance model generates a percentage uplift in resources required, staff for assists are implicitly increasing in proportion with underlying resources.

## Patch loans

*In the Resource and Performance model, a 75% resource scale down is applied in cases of resource loans; with this scale down being the same regardless of whether the patches are contiguous or not. What is the source for this assumption? Why did Ofcom choose not to apply a greater scale down in case of loans to non-contiguous SOMs?*

We understand in practice Openreach loans staff on short and long term loans where the engineer does not change his home location, and lodge loans where the engineer temporarily changes home location. We expect the inefficiency of these loan types to vary, as well as by the distance travelled. Our 75% assumption is our estimate of the average inefficiency for both loan types.

*The Resource and Performance model triggers loan if a certain threshold of stress is reached in some SOMs. How often does the Resource and Performance model trigger patch loans when run over a year? Did Ofcom run any testing to check if this was in line with Openreach's actual patch loan frequency?*

We do not hold this statistic, and it was not calibrated to Openreach performance.

## Jobs influx variability

*The Resource and Performance model simulates operations at SOM level, just as the Allocation model, while Openreach daily operations rather work at OM level. Job influx variability at SOM level may be lower than at OM level since it averages out local variations. What is Ofcom's view on the likely impact of this assumption on the cost to performance? Did Ofcom run any sensitivity testing around this assumption?*

Our view is that by setting regulatory standards at a GM level, measured on an annual basis, on a large volume of work undertaken by a large workforce the effects of variability in input factors is muted. Moreover, our assumption was that the impact of variability at the OM level would be low, as shorter distances would mean intra SOM loans should be relatively efficient. We did not test this assumption.