

Question AM28 Local Line Costing Study and how it is used to determine line lengths

In simple terms, Physical Inventory for Planning and e-Records (PIPeR) is an electronic version of the same data as contained in the Local Line Costing Study (LLCS). The main difference is that PIPeR will contain all relevant access network information and the LLCS is a survey of the access network.

Expanding upon this, the LLCS is a survey of exchanges that used to feed into the CCA valuation for duct and copper. LLCS holds physical and financial data relating to the Access Network. The database has been constructed using local exchange records kept by Regional Drawing Offices. The LLCS holds records for a representative sample of exchange areas both across the UK and across geotypes. Diagrams showing records of all plant in the access network are requested from the relevant local drawing offices. They consist of duct diagrams, which show all duct, manholes and joint boxes out in the street, and cable diagrams, which give details of the cables including gauge. Information is requested for all D-side assets and for 25% of the E-side assets. All the data gathered is then manually fed into the LLCS model. The E-side assets are scaled up pro-rata by DP volumes to generate 100% of the volume.

BT uses PIPeR to provide a total replacement cost of all duct and copper that feeds into the CCA Valuations. It follows the same methodology as the LLCS. This process values all copper cable and duct from the exchange to the distribution point using their replacement costs and values all cable sizes and gauges, cabinets, poles, duct and manholes. These costs are aggregated at Geotype (a measure of exchange density) and divided by the total number of lines in that Geotype to get an average cost per line for each Geotype. An average replacement cost for products is calculated by weighting the Geotype averages by the distribution of lines for that product across Geotypes.

For the 2010/11 RFS BT have dispensed using the information contained in the 'relative cost of circuits' table because it no longer seems appropriate to differentiate costs based on 'line length' or geography since WLR Basic and Premium lines can be purchased by both residential and business users and MPF lines are now more prevalent and cover residential lines and business lines. BT have therefore set this element of the usage factor to one for all products using copper lines.

Previously, the MPF Rental usage factor for line length was matched with WLR Premium. The assumption was that MPF Rental and WLR Premium lines were largely in more urban or highly populated areas compared with WLR Basic. However, with the introduction of the WLR Core Rental product, which enhanced the WLR Basic service with a business directory entry option to meet the needs of both business and residential end users, this distinction was no longer appropriate for WLR Premium.

Further, for the current charge control review, LLU CPs have undertaken a national level of coverage meaning that the line length for MPF will converge with WLR over time. For example, TalkTalk as an example, it is on public record as targeting 2,700 unbundled exchanges giving 93% population coverage of the UK by the end of the

current financial year¹, having grown from 86% coverage at the end of 2010/2011. This level of coverage is likely to grow further over the remaining two years of the charge control to something approaching 100% as advances in technology make further rollout economically viable.

It is also likely that Sky as well as niche LLU providers will have enabled or intend to enable other exchanges in addition to the 2,700 that TTG are targeting, thus giving an even greater population coverage.

¹ TalkTalk Telecom Group PLC, Interim Results for the 6 months to 30 September 2010, 16 November 2010, available from: http://m0.ttxm.co.uk/sites/www.talktalkgroup.com/pdf/corporate/1H-11_RNS_v_FinalDR.pdf