

Cover sheet for response to an Ofcom consultation

BASIC DETAILS

Consultation title: wholesale mobile voice call termination – market review

To (Ofcom contact): Paul Jacobus

Name of respondent: Aileen Boyd

Representing (self or organisation/s): Scottish and Southern Energy plc

Address (if not received by email):

CONFIDENTIALITY

What do you want Ofcom to keep confidential?

Nothing	Yes	Name/address/contact Details/job title	No
Whole response	No	Organisation	No
Part of the response	No	If there is no separate annex, which parts?	

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Name Aileen Boyd

Signed (if hard copy)



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Date: 23 June 2010

Dear Paul

Wholesale mobile voice call termination – market review

As you may know, SSE is primarily an energy company. We do have interests in the communications market and, in particular, have developed a retail telephony business over the last few years, based on the available wholesale products such as wholesale line rental (WLR). We do not offer mobile services but are interested in the development of open and contestable infrastructure platforms generally, including the mobile networks, such that competition in the provision of services using the range of communications infrastructure is further developed.

We have responded to Ofcom's earlier consultation phases of the mobile market review and support the proposed outcome of this aspect of the review. We set out the main measures proposed and our comments on these below.

- *Ofcom defines as separate markets each market for all calls to a given UK mobile number range for which a communications provider (CP) can determine the termination rate;*

This step allows Ofcom to identify all CPs that have been allocated one or more of these number ranges as having significant market power and to apply regulation to each of the 50 or so mobile CPs. We support the general approach of capturing all CPs that provide elements of "mass market" communications infrastructure within formal regulation, proportionate to their size and role in the market.

- *Ofcom will regulate directly with charge controls the termination charges of the four major nationally operating mobile CPs;*

Ofcom has proposed a significant reduction in these regulated rates, with a path that falls from 4.3ppm in 2010/11 to 0.5ppm by 2015 (2008/9 prices). We agree that the

termination charges need to be reduced to avoid distortions between the generally higher prices that fixed line customers face in calling mobile numbers compared with the prices that mobile customers generally pay in calling fixed-line numbers.

- *The remaining mobile CPs would have an obligation to provide call termination on “fair and reasonable terms”, which Ofcom makes clear would mean the same level as it has imposed through direct price regulation on the larger mobile CPs, as a starting point for commercial discussions;*

This is a form of “relative price control” that has been used in the energy network industries to control the prices charged by smaller independent networks in a relatively light-touch regulatory manner. We support this approach as providing both protection for consumers and greater pricing certainty for mobile networks.

- *Limitations in the frequency and size of changes that mobile CPs can make to their termination rates;*

Ofcom identifies that a practice called “flip-flopping” where rates are varied by time of day can have detrimental effects on competing operators, who incur extra costs as termination rates are changed frequently by significant amounts. We agree that such behaviour indicates that charging practices should be controlled to some extent by regulation. In other contexts, such as the development of next generation access wholesale products, we have highlighted the importance of charging methodology on the health of competition in the market and believe that Ofcom’s findings show that this is also the case in the mobile market.

As a general principle, we think that the methodologies used by “mass market” infrastructure owners for setting wholesale charges should be transparent and set out in publicly available documents. Significant changes to charges and/or methodology should be subject to inclusive discussion through an appropriate user forum so that pricing “shocks” are avoided and other CPs have the chance to comment – and have these comments taken into account – on proposed changes. Ofcom’s review of the mobile market represents an opportunity to require such liaison between mobile CPs and their wholesale customers. We recommend that Ofcom consider whether more could be done to put the development of wholesale charges on a more transparent footing, with greater consultation and wholesale customer input going forward.

I hope these comments are helpful.

Yours sincerely

Aileen Boyd
Regulation Manager.