

SSE PLC

Response to the Designing the broadband universal service obligation - Call for inputs

Additional comments:

SSE supports the development of a universal service obligation (USO) for broadband and has the following comments to offer to the call for inputs.

Specification and Scope

SSE proposes that, rather than being considered in isolation from the existing USO arrangements for telephony, the universal service requirements for both telephony and broadband are considered holistically as one type of obligation. Since provision of one of the services generally makes the other available at the same time, we think that it would be a more economic approach overall to the universal provision of both types of service. We also support technology neutrality in the USO design; we consider that there are likely to be different approaches appropriate in different circumstances as discussed in the consultation document at paragraph 1.9.

Potential market distortion

In developing the USO for these basic communications services (which we agree are to be seen as essential services much like electricity and water, as mentioned in the Government's initial consultation on this topic), we believe it will be important to separate the provision of the network capability to deliver the specified minimum broadband standard from the competitive retailing of service delivery to the end user. This has proven feasible in the other essential services industries and we see no reason why this differentiation could not be achieved in the communications market.

There is currently a wide range of retailers in the communications market, competing to provide services to end users based on a mixture of available wholesale products and in-house expertise. However it is decided that Universal Service Provider(s) should be appointed, they will clearly be CPs with operational capability as the essence of universal service provision lies in delivering the connectivity and engineering capability to support the services; we believe that a Universal Service wholesale product should be made available on a non-discriminatory basis to all retailers, otherwise there will be a distortion in the competitive retail markets, as Ofcom mentions at paragraph 1.30. This distortion would arise as the retail arm of the wholesale USP(s) would clearly have access to the product that no other retailer would be able to provide in the absence of the wholesale product availability that we have advocated.

Cost, efficiency and funding

SSE supports a least cost approach and wonders if this could be best achieved by having an enduring 'procurement authority' - independent of any CP - to assess least cost provision overall and in different specific local circumstances. This authority could call for proposals and have the expertise to evaluate them so that competitive provision is harnessed to keep costs down. We note that Ofcom refers to the possibility of a 'relevant fund' in para 1.20 and believe that a ring fenced fund would be more transparent and free from the difficulty of deciding 'net costs' for potential providers.

In terms of funding, we suggest an approach that has been used in the energy industry to fund services beneficial to the operation of the market as whole. Under the direction of an

independent party - perhaps the procurement authority mentioned above, access networks would be required to recover a specified funding contribution for the universal service fund; they would then add that to their charges to other CPs such that all users down the wholesale supply chain pay the charges - funded ultimately by customers. In this way, formal obligations on a few key wholesale CPs would be naturally spread across the customer base via wholesale charges that are familiar and payable currently. We believe that this approach would maintain and complement the transparency of a ring-fenced universal service fund and ticks the other boxes of being non-discriminatory, proportionate and avoiding market distortion, as mentioned at paragraph 1.28 of the consultation. The funding plans and receipts could perhaps be summarised in Ofcom's regular infrastructure report documents.