

Three's Response to Ofcom's Consultation on a Direction to set a new maximum DCC

Question 1: Do you agree with how we have derived the level of the maximum DCCs? If not, please explain why.

Three welcomes Ofcom's proposals to move to a pure LRIC DCC.

Question 2: Do you agree with setting the maximum DCCs in nominal terms? If not, please explain why.

Three supports Ofcom's proposals at para. 9.33 of the Consultation to set DCCs in nominal terms for each financial year (assuming CPI inflation at the rates forecast in the 2014 MCT model). In Three's view, as the DCC currently has a very low value in ppm, it would be inefficient for Ofcom to opt for the alternative of setting maximum DCCs by calculating them in real terms and adjusting for inflation each year when the latest inflation data becomes available (as with MTR charge controls). The inflation adjusted DCC would then need to be updated in contracts and billing systems each year (as opposed to one amendment for the entire period covered by a review). Therefore, unless CPI assumptions made are materially incorrect, Three agrees the option of setting DCCs in nominal terms is preferable.

Question 3: Do you agree with our proposals around the timing of a new maximum DCC and for future DCC reviews? If not, please explain why.

Three welcomes Ofcom's proposals to regularly review the DCC, in line with its MCT review work. As mentioned previously, in Three's view, such a commitment is key for helping ensure future DCC compliance.