



BT's response to Ofcom's consultation on Excess Construction Charges for Openreach Ethernet Access Direct: Proposed Directions in relation to the Leased Lines Charge Control

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Introduction

1. This is a response to the Ofcom Consultation on “Excess Construction Charges for Openreach Ethernet Access Direct: Proposed Directions in relation to the Leased Lines Charge Control” published 14th February 2014.
2. This response represents the view of BT Global Services and BT Wholesale (BT GS & BTW).
3. BT GS is the UK market leader in the provision of business connectivity services to large corporations and government. Our products cover IPVPN, Ethernet VPN, Direct Internet Access and point to point Ethernet services - all of which consume Ethernet Access Direct (EAD) services from Openreach to provide the last mile access from our point of presence to the customer location.
4. BT Wholesale supplies business connectivity services to Communication Providers in the UK. Our Wholesale Ethernet Products are available at 1,150 fibre nodes supporting 3,500 exchanges across the UK and are used by CPs to provide any-to-any connectivity and cloud based services. Many of our products are built upon the Openreach EAD product.

Consultation Question: Do you agree with the assessment of Openreach’s proposal set out in this document, and do you agree with the Directions we propose to issue as set out in Annex 4?

5. BT GS and BTW fully agree with and support Ofcom’s assessment of Openreach’s proposal as set out in Ofcom’s Consultation “Excess Construction Charges for Openreach Ethernet Access Direct” and agree with the Directions Ofcom propose to issue as set out in Annex 4 of the Consultation.

Why we support the proposal

6. At present our customer quotations in relation to our services that consume Openreach EAD are qualified as being “subject to survey”. For many connections the price we initially quote to our customer is not the final price due as surveys frequently identify coverage issues in the Openreach network.
7. Accordingly Excess Construction Charges (ECCs) are charged by Openreach which are then passed on to our customers. This method of managing the costs of provision causes customer dis-satisfaction before and after installation and might in some cases cause the customer to cancel the order in its entirety which is a bad outcome for all parties.
8. Based on the Openreach proposal we would expect to see a reduction in the number and frequency of cancellations as there should be much greater price certainty for our customers.
9. We would also expect to see reductions in order cycle time due to the fact that where the ECC falls within tariff we will no longer have to hold the provision waiting for a decision from the customer to progress or not.
10. Accordingly we support Openreach in its proposals to exempt most orders for certain EAD services from ECCs and to balance the resulting loss of its revenue by recovering it from the standard connection charges for all orders for the same EAD services. As well as delivering the benefits of greater price certainty and shortened cycle times this approach should ensure that communications providers (CPs) do not experience any increase in administrative or system-based burdens.
11. BT GS and BTW appreciate that particular locations will incur significant build costs and in many of these instances the customer is aware that this is likely to be the case and

would expect to continue to pay based on specific need. Thus the existence of a cap on the ECC amount that can be funded under the Openreach proposal is entirely appropriate. Based on our current understanding of the proposed cap we expect that ECCs will be charged to far fewer of our customers than under existing arrangements.

12. We agree with Ofcom's view that the proposed change in ECC charging structure is a simple measure and that Openreach's proposal is likely to allow for material improvements in both CPs' and the end-users' experience of provision of certain Ethernet Access Direct services.
13. To sum up both BT GS and BTW are fully supportive of the Openreach EAD ECC proposals seeing the main benefits as:

For the customer:

- Far greater confidence that prices quoted at bid and order are fixed
- Easier comparison between quotes from multiple infrastructure providers enabling simpler tendering and contract placement
- Reduction in the average provision cycle time meaning customers get service quicker
- Simplified charging and billing arising from far fewer instances of add-on ECCs

For the Communications Provider:

- Better customer relationships at the early stages of contract and hence more satisfied customers in the longer-term
- Reduction in the average provision cycle time meaning CPs start generating revenues quicker
- Lower administrative costs by reducing the need to check ECC charges and to accurately bill each customer the exact variable amount
- Clearer offers to market and the ability to simplify pricing, quoting and bidding
- A simple measure to implement which delivers benefit without increasing the CP ordering burden