30 July 2021

To: NBN Co
Product Development Forum
By email: PDF@nbnco.com.au

Thank you for the opportunity to express the Internet Association of Australia (IAA) perspective on the nbn Special Access Undertaking Variation 2021 – Discussion Paper ("Discussion Paper"). We have responded to questions that are of specific interest to our members.

How would you rank the proposed pricing constructs and price control options for nbn's future wholesale pricing construct, and what factors influenced your ranking?

IAA supports aspects of Construct 3, which proposes a flat-pricing model across all speed tiers. We support this construct as it has the potential to provide increased price certainty and predictability for our members by eliminating the CVC-pricing model. However, we oppose the price control option of embedded annual price rises as this will increase costs for RSPs without necessarily any real increase in value. This undermines the price certainty provided by the AVC-only price model. Furthermore, annual indexed price rises are not in the long-term interest of users as it will make NBN Co's services less affordable, especially for low capacity users.

IAA would advocate for a flat-pricing model which provides certainty for RSPs and value for all consumers. Instead of increasing prices for RSPs and consumers, NBN Co should look to improve efficiencies in their operations as a mechanism for recouping investment costs.

Does your organisation foresee any transitional issues in any of the constructs including commercial and operational complexities?

An issue with NBN Co pricing generally is with additional charges, for example NNI. RSPs would appreciate a reduction in price and IAA would therefore encourage NBN Co to simplify its pricing wherever possible. Introducing new bundled pricing or complex discounting is likely to increase complexity for smaller RSPs and should be kept to a minimum. An issue seen by smaller RSPs is that the discounting offered by NBN Co is rarely passed on by wholesalers/aggregators of nbn services, so lacks benefit to them altogether.

It is therefore IAA's preference that NBN Co keep its pricing as simple as possible and as consistent as possible.

To assist nbn in capacity management, in the case of Constructs 2 and 3, what would be the additional traffic that you anticipate nbn could see enter the network during surge events such as game updates? How would you manage traffic into the nbn network under these construct options?

IAA would prefer that NBN Co attempt as best as possible to dimension the network such that surge events can be withstood without congestion, and therefore encourage NBN Co to invest in sound

capacity forecasting techniques. Surge events may occur at any time and arise for a range of reasons, such as vital security updates to major operating systems. Instead, it is better to provision for such events beforehand, and liaise as much as possible with providers planning such releases.

In particular, IAA would appreciate early warning of these updates should NBN Co have early intelligence.

One of the original principles behind nbn's use of CVC in the product construct was to enable performance-based differentiation for RSPs. How do nbn's proposed pricing constructs and price control options impact your organisation's ability to differentiate and compete in the retail market? What are your performance expectations for "AVC-only" speed tiers, mindful that high performance standards will have cost implications?

Removal of CVC pricing, and migration to a system of appropriate dimensioning on the basis of forecast and actual usage should mean that RSPs compete through other measures, including customer service, local and international connectivity and a broader range of performance and service parameters.

One concern, however, is that performance may also degrade with an AVC-only due to congestion. Given the cost of NNI, providers may attempt to economise on NNI purchases instead and leave this part of the service under-dimensioned. This has the potential to disadvantage smaller RSPs, and potentially some larger ones. In particular, the jump between tiers of NNI is significant, and causes RSPs to stay with smaller sizes rather than upgrade.

Could nbn enable greater differentiation through service add-ons bundled into higher speed tiers (e.g., prioritised appointments, business operations centre)?

NBN Co already differentiates through their Service Level Agreements (SLAs), which provides different standards of service delivery. IAA would support prioritised business grade services and the provision of SLAs for classes of service.

Do RSPs consider that nbn's proposed approach to including the MTM technologies in the SAU (adopting similar drafting to that proposed in 2016/17, but reflecting the addition of FTTC and the outcomes of the WBA4 negotiations) is reasonable? Are there other matters relevant to the introduction of the MTM technologies that you consider should be included? Do RSPs wish to have the opportunity to review and provide feedback on the details of the proposed SAU drafting that incorporates the MTM technologies prior to nbn formally lodging the SAU variation with the ACCC?

IAA considers NBN Co's approach to including MTM technologies within the SAU to be reasonable. An aspect which IAA would recommend incorporating is how NBN Co can provide information about the service standards of various technologies to RSPs. At present, RSPs are unaware of the service performance of different access technologies meaning they are essentially flying blind until the retail customer is connected to their network. Instead, NBN Co should test for service quality beforehand and make this information accessible to RSPs so they are more accurately able to predict likely service performance for their customers.

IAA members would wish to have the opportunity to review and provide feedback on the proposed SAU draft before it is lodged. Considering MTM technologies comprise over 75% of NBN Co's footprint, decisions made in relation to this will have implications for the operational performance of our members.

Once again, I would like to thank you for providing us with the opportunity to contribute to the nbn Special Access Undertaking Variation 2021.

About the Internet Association of Australia

The Internet Association of Australia Inc (IAA) is a member-based association representing the Internet community. Founded in 1995, as the Western Australian Internet Association (WAIA), the Association changed its name in early 2016 to better reflect our national membership and growth.

Our members comprise industry professionals, corporations and affiliate organisations. IAA provides a range of services and resources for members and supports the development of the Internet industry both within Australia and internationally. Providing technical services as well as social and professional development events, IAA aims to provide services and resources that our members need.

IX-Australia is a service provided by the Internet Association of Australia to Corporate and Affiliate members. It is the longest running and lowest cost Internet Exchange in Australia. Spanning six states and territories, IAA operates over 30 points of presence and operates the New Zealand Internet Exchange on behalf of NZIX Inc in New Zealand.

IAA is also a licenced telecommunications carrier, and operates on a not-for-profit basis.

Yours faithfully,

Narelle Clark
Chief Executive Officer
Internet Association of Australia