



Media release

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NBN Co lodges proposed SAU Variation with the ACCC

NBN Co today welcomed the public release of its proposed Special Access Undertaking (SAU) Variation and supporting document, which were lodged with the Australian Competition and Consumer Commission (ACCC) on Tuesday 29 November 2022.

NBN Co has made significant additional modifications to its proposed SAU Variation following detailed consultation with the ACCC, internet retailers, consumer advocacy groups and the Government.

The company is committed to implementing new wholesale prices by 1 July 2023 if the SAU Variation is accepted by 31 March 2023. If the SAU Variation is accepted after 31 March 2023, the company has committed to implementing the new wholesale prices within three months of ACCC acceptance of its SAU Variation.

Highlights of NBN Co's proposed SAU Variation:

- Removal of CVC (capacity) charging and introduction of AVC-only pricing for the **nbn**[®] Home Fast (100 Mbps) and above wholesale speed tiers within three months of SAU Variation acceptance.
- Significant wholesale price reductions to key higher speed tiers and new entry level 25 Mbps offers within three months of SAU Variation acceptance.
- Annual reductions in CVC charges leading to the complete removal of CVC charges and introduction of AVC-only pricing across the 12, 25, 50 Mbps fixed line and fixed wireless wholesale speed tiers by 1 July 2026. This applies to TC-4 CVC charges only, not TC-1 and TC-2 CVC charges. The annual reductions in CVC charges do not apply to 12/1 and 25/5 Mbps Satellite services.
- Significantly reduced wholesale combined charges on 25 Mbps and Voice Only (12 Mbps), along with reduced wholesale prices for high-speed tiers are balanced against a marginal increase in the combined charge of the 50 Mbps fixed line and fixed wireless wholesale speed tiers.
- Significant CVC operational improvements via the introduction of 'as utilised' rather than 'pre-provisioned' CVC charges across the 12, 25 and 50 Mbps fixed line and fixed wireless wholesale speed tiers, which has been retained from the withdrawn March Variation.
- Introduction of a Weighted Average Price Control (WAPC) that will initially cap overall annual wholesale price increases on average at CPI, ensuring NBN Co's average prices cannot increase in real terms.
- Limiting drawdown of the Initial Cost Recovery Account (ICRA) to \$12.5 billion (in 2023 dollars) over the term of the SAU.
- Setting benchmark service standards for each regulatory period, with ACCC oversight.
- Provisions to allow the ACCC the discretion to reset the regulatory framework from 2032.
- Automatic expiration of the SAU before 2040 if a future Government relinquishes control of NBN Co.

NBN Co Chief Executive Officer, Stephen Rue, said:

“As a telecommunications and technology business operating in a rapidly evolving competitive environment, we have committed to network upgrades that will deliver access to close to gigabit speeds for up to 10 million homes and businesses by the end of 2025.

“We are making the necessary investments to keep ahead of national data demand and helping to unlock social and economic benefits by pushing fibre deeper into communities and extending fixed wireless and satellite coverage and capabilities. The success of our investment strategy will underpin Australia’s global competitiveness and the economic future of the nation.

“Our proposed SAU Variation puts the responsibility and investment risk on **nbn** to meet the expected growth in data demand over the next two decades, while earning the minimum revenues required to invest in the network to deliver faster speeds and greater capacity to customers.

“We are planning to reduce our wholesale pricing and remove separate CVC (capacity) charges, starting with all high-speed tiers, to make our fastest broadband services more affordable and accessible to more customers.

“The phased removal of CVC charging on entry level and mid-speed tiers on fixed line and fixed wireless seeks to minimise short-term retail price increases that would likely occur if we accelerated the removal of CVC charges across all speed tiers, which we believe would be unfair to light internet users.”

Removal of CVC charging and introduction of AVC-only pricing

NBN Co is proposing to remove CVC (capacity) charges from all higher speed tiers within three months of SAU Variation acceptance by the ACCC.

Under the revised SAU Variation proposal, NBN Co is planning to introduce further significant reductions to the standard (AVC-only) monthly wholesale charges of the **nbn**® Home Fast, Home Superfast and Home Ultrafast higher speed tiers. The effective charge for each of these higher speed tiers will be \$5 to \$10 less than previously proposed in March 2022 and, provided the SAU Variation is accepted by 31 March 2023, will be available to retailers from 1 July 2023.

TC-4 bandwidth profile	A: Current fixed charge in bundle discount	B: July 2022 attributed provisioned CVC capacity ¹	C: Current inclusion of CVC in bundle discount	A+(B-C)× CVC overage charge ² : Current average combined charge	Proposed monthly AVC-only charge ³	Change compared to combined charge
Home Fast [100/20Mbps]	\$58.00	4.19 Mbps	4.50 Mbps	\$55.55	\$55.00	-1.1%
Home Superfast [250/25Mbps]	\$68.00	4.87 Mbps	5.75 Mbps	\$60.99	\$60.00	-1.6%
Home Ultrafast [~1000/50Mbps]	\$80.00	6.73 Mbps	7.00 Mbps	\$77.82	\$70.00	-10.0%
100/40Mbps	\$65.00	3.30 Mbps	4.50 Mbps	\$55.39	\$58.00	4.7%

¹ Based on measured National Peak Utilisation by speed tier, uniformly scaled to provisioned capacity based on average CVC headroom provisioned across all RSPs in July 2022 (~22%)

² The current CVC overage price is \$8.00/Mbps of provisioned CVC capacity, estimated based on July 2022 utilisation for like-for-like comparison

³ **nbn** will remove the CVC component of the pricing scheme for these speed tiers by 1 July 2023 if the SAU variation is accepted by 31 March 2023 or within three months of acceptance if the SAU variation is accepted after 31 March 2023.

Reduced wholesale charges, additional data inclusions, and streamlined utilisation management

NBN Co is proposing to significantly reduced wholesale combined charges on 25Mbps and Voice Only (12Mbps). These price reductions along with reduction on high-speed tiers are balanced against a marginal increase in the combined charge of the 50Mbps fixed line and fixed wireless wholesale speed tiers. NBN Co is also proposing to significantly streamline CVC management via the introduction of ‘as utilised’ rather than ‘pre-provisioned’ CVC charges across the 12, 25 and 50 Mbps fixed line and fixed wireless wholesale speed tiers.

The company’s goal is for entry level services on the **nbn** network to be affordable for customers, so that as many people as possible can benefit from the investment that **nbn** has made. The proposed changes will also help reduce retailers’ potential exposure to data overage charges and the operational implications of CVC management prior to the removal of CVC charges for these services on 1 July 2026.

TC-4 bandwidth profile	A: Current fixed charge in bundle discount	B: July 2022 Attributed Provisioned CVC capacity	C: Current inclusion of CVC in bundle discount	A+(B-C)× CVC overage charge ² : Current combined charge	D: Proposed AVC charge	E: July 2022 actual CVC utilisation	F: Proposed inclusion of CVC in bundle	D+(E-F)×CVC price ¹ : Estimated combined charge	Change comparing combined charges
12/1 Mbps (Capacity usage ≤ 0.1 Mbps)	\$22.50	0.08 Mbps	0.15 Mbps	\$21.94	\$12.00	0.04 Mbps	0.00 Mbps	\$12.29	-44%
12/1 Mbps (Capacity usage > 0.1 Mbps)	\$22.50	1.06 Mbps	0.15 Mbps	\$29.78	\$24.40	0.87 Mbps	0.00 Mbps	\$31.36	5.3%
25/5 Mbps and 25/10 Mbps	\$37.00	1.94 Mbps	1.60 Mbps	\$39.69	\$26.00	1.59 Mbps	0.20 Mbps	\$37.10	-6.5%
50/20 Mbps and Fixed Wireless Plus	\$45.00	3.05 Mbps	2.65 Mbps	\$48.21	\$50.00	2.50 Mbps	2.50 Mbps	\$50.02	3.8%

¹ The proposed CVC overage price is \$8.00/Mbps of utilized CVC capacity, estimated based on July 2022 utilisation for like-for-like comparison

² The current CVC overage price is \$8.00/Mbps of provisioned CVC capacity

The SAU Variation also proposes annual reductions in wholesale data overage charges over the next three years and the complete removal of CVC charges on the 12/1, 25/5 and 50/20 Mbps speed tiers by 1 July 2026.

The removal of CVC charges by 1 July 2026 will apply to all residential speed tiers across **nbn** Fixed Line and Fixed Wireless services. The move is designed to provide retailers and customers with price certainty, irrespective of their volume of data consumption.

Date	CVC TC-4 Overage (per Mbps) maximum price
1 July 2023	\$8.00
1 July 2024	\$7.00
1 July 2025	\$6.00
1 July 2026	\$0.00

Weighted Average Price Control (WAPC), initially capped at CPI

To allow a transition to 'cost-reflective' prices, individual price controls on most **nbn** services under the current SAU will be replaced with a broad-based Weighted Average Price Control (WAPC) or 'basket' price control. Under the WAPC, the basket of prices will be permitted to increase each year on average on a 'use-it-or-lose-it' basis at no more than:

- The percentage change in CPI during an initial glidepath period (i.e., before **nbn** is expected to first achieve its Core Services Annual Building Block Revenue Requirement (ABBRR), which is currently expected to be between FY30-32);
- and thereafter, a percentage which allows **nbn**'s forecast annual revenues from WAPC services to equal a 'WAPC Revenue Requirement', based on **nbn**'s Core Services ABBRR plus a portion of the Initial Cost Recovery Account (ICRA).

The 'use-it-or-lose-it' principle of the WAPC prevents **nbn** from 'banking' price changes over multiple years, then applying them in a single year.

Under the SAU, a range of individual price controls will also apply, so that:

- The Average Combined Charge on the Entry Level Offer will not increase by more than the percentage change in CPI per year. This TC-4 offer is available on **nbn**'s fixed line and Fixed Wireless networks and is initially the 25/5 Mbps service;
- With the exception of the Entry Level Offer, the Average Combined Charge for each TC-4 Bundled Offer and the price for each TC-4 Flat-Rate Offer will not increase by more than 5 per cent or the percentage change in CPI per year (whichever is greater). These offers are available on **nbn**'s fixed line and Fixed Wireless network; and
- The AVC price of Satellite TC-4 products will not increase by more than the percentage change in CPI per year, while the CVC (TC-4) price for Satellite will not increase above its current price.

Limiting drawdown of the Initial Cost Recovery Account (ICRA)

NBN Co's focus is on the future, and ensuring the company is financially resourced to deliver faster broadband speeds and greater capacity that will be required in the years and decades ahead. To achieve this goal, the company is seeking to establish a regulatory framework that will afford it the opportunity to service existing debt and cost-effectively raise new debt to enable continued efficient investment in the **nbn** network.

A regulatory and wholesale price setting regime that will afford **nbn** a reasonable opportunity to achieve and maintain a standalone investment grade credit rating with a stable outlook will allow the company to access debt at lower interest rates, making more cash available for future network investment and upgrades.

The Initial Cost Recovery Account (ICRA) is not a standard accounting measure and does not appear in NBN Co or the Government's statutory accounts. It is a recognised regulatory concept that reflects **nbn**'s unrecovered costs to date. The ICRA balance is forecast to be \$44 billion at 30 June 2023. Under the SAU Variation, NBN Co is proposing that the amount of ICRA is reduced and crystallised at \$12.5 billion (in 2023 dollars).

The company proposes to reduce the ICRA to a level to enable it to set lower wholesale prices in future years than may otherwise be the case if it were seeking to recover all costs associated with building the network. The proposed ICRA would be set at a level that will afford the opportunity for **nbn** to achieve a standalone investment grade credit rating, which is a long-term expectation of all prescribed Government Business Enterprises.

NBN Co is proposing arrangements which will provide the ACCC with regulatory oversight and discretion in respect of the company's recovery of the ICRA over time subject to a number of key principles. NBN Co expects that the proposed arrangements mean that its recovery of the ICRA will be transparent and constrained.

Benchmark service standards

NBN Co is proposing to embed key service levels within the SAU that will provide the industry with greater certainty regarding the benchmark service performance that will be maintained on the **nbn** network.

Under the SAU Variation, the company is proposing to introduce benchmark service standards and rebates for each regulatory cycle of three to five years as part of its Replacement Module Application to ensure it establishes a distinct price-quality link with the prices of key services regulated under the SAU.

By incorporating well-defined service standard commitments into the SAU, NBN Co is seeking to establish a benchmark for service quality that the industry can build on over time, particularly as NBN Co continues to roll fibre deeper into the **nbn** Fixed Line network and further upgrade the **nbn** Fixed Wireless network.

The proposed SAU Variation gives the ACCC powers to set the benchmark service standards and rebates that will apply for a regulatory cycle as part of its replacement module determination, which may be the same or different to the benchmark service standards proposed by NBN Co in its Replacement Module Application.

Expiry of SAU if a future Government relinquishes control of NBN Co

If a future Government relinquishes control over NBN Co, the SAU expiry date will be brought forward from 2040.

Related commitments and industry engagements

Alongside the proposed SAU variation, NBN Co is engaging the industry on a number of related commitments. These include the Low-Income Forum, Network-Network Interface (NNI) product and pricing adjustment and consultation, and the Wholesale Broadband Agreement (WBA) 5 consultations to plan for the SAU variation implementation.

Next steps towards SAU Variation acceptance

NBN Co is looking forward to further consultation with the ACCC, internet retailers and consumer advocacy groups when the ACCC releases its consultation paper on the SAU Variation proposal.

ENDS

Notes to Editors:

- An end customer's experience, including the speeds actually achieved over the **nbn** network, depends on some factors outside **nbn**'s control (like equipment quality, software, and how a retail service provider designs its network) and the **nbn** technology used for the connection. Speeds may be impacted by network congestion on **nbn**'s Fixed Wireless network, including during busy periods. Satellite users may experience latency.
- Regardless of the retail service an end customer purchases, the actual wholesale speeds delivered by **nbn**'s highest wholesale speed tiers of 500 to close to 1000 Mbps will be less than 1Gbps due to equipment and network limitations and the peak information rate may fall anywhere in this range. In addition, the HFC Home Ultrafast bandwidth profile downstream service provided to retail providers is a ranged profile with a maximum sustained information rate of 750 Mbps. References to speeds are not end customer speeds; they are wholesale layer 2 peak information rate bandwidth provided to retail providers.
- Retail broadband plans based on wholesale download speeds of 50 Mbps include retail broadband plans based on wholesale download speeds of 50 Mbps and 25-50 Mbps.

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