



Media release

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NBN Co releases revised SAU Variation Discussion Paper

NBN Co today released a new Special Access Undertaking (SAU) Discussion Paper to the Australian Competition and Consumer Commission (ACCC), internet retailers and consumer advocacy groups involved in the SAU consultation process.

In recognition of the changes in the policy landscape and operating environment since the previous proposed SAU Variation was lodged in March 2022, the key changes to **nbn**'s proposed SAU Variation are:

- In addition to the previous commitment to remove CVC (capacity) charging and introduce AVC-only pricing for the **nbn** Home Fast (100 Mbps) and above wholesale speed tiers by 1 July 2023, commitment to a firm timeframe for the complete removal of CVC charges and introduction of AVC-only pricing across the 12, 25, 50 Mbps wholesale speed tiers by 1 July 2026
- Significant wholesale price reductions to AVC-only pricing on key higher speed tiers by 1 July 2023
- Reduced wholesale bundle charges or additional data inclusions on 12, 25 and 50 Mbps wholesale speed tiers
- Introduction of a Weighted Average Price Cap (WAPC) that will initially cap **nbn**'s overall pricing on average at CPI
- Further limitations on drawdown of the Initial Cost Recovery Account (ICRA)
- Setting benchmark service standards for each regulatory period, with ACCC oversight
- Automatic expiration of SAU before 2040 if a future Government relinquishes control of **nbn**

NBN Co Chief Executive Officer, Stephen Rue, said:

"The policy landscape has changed since we lodged our original proposed SAU Variation in March, allowing us to reconsider our proposal. We are suggesting further changes to the SAU over and above the significant changes we had already proposed and in the context of delivering government policy.

"We are proposing further reductions in wholesale pricing while also seeking to ensure we remain financially resourced to invest in upgrades to the network for both speed and reliability. We need to maintain our ability to repay government and private debt and ensure we remain capable of achieving a standalone investment grade rating, without requiring any additional government funding beyond existing commitments.

"We have reviewed the detailed submissions to the ACCC Consultation Paper and considered this important input. Central to our ongoing discussions with the Government, ACCC, retailers and other key stakeholders is the need to meet the growing broadband access needs of end customers, at a fair price, over the long term. This includes making sure we have appropriate wholesale speed tiers to suit a range of customer segments.

“We appreciate that retailers want price certainty, and this proposal provides for that. We believe that it is in the entire industry’s best interests that we build shared capabilities around a strong, competitive and continuously improving **nbn**® network with an excellent customer experience.

“We are planning to reduce our wholesale pricing to put higher speed broadband within easier reach of more customers. Our aim is to continue to support retailers and customers, so customers who are already connected to, or likely to connect to higher speed services in the future, will be able to do so at a reasonable price and be assured of receiving high-quality broadband over a fast, secure and reliable network.

“The comprehensive and significant changes presented in our SAU Variation Discussion Paper would fundamentally change the way **nbn** is regulated and demonstrates our commitment to enable the delivery of high-speed, high-value services to customers.”

Removal of CVC charging and introduction of AVC-only pricing

It is proposed that **nbn** will retain its earlier commitment to remove CVC (capacity) charges from all higher speed tiers within six months of SAU acceptance. The revised SAU Variation Discussion Paper released today 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 Mbps¹ lower speed tiers by 1 July 2026.

The removal of CVC charges would apply to all 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 data consumption.

An immediate shift from the current AVC/CVC model to an AVC-only one has the potential to generate a number of adverse outcomes for customers, retailers and **nbn**. The phased removal of CVC charging seeks to minimise short term retail price increases that would be likely to occur if **nbn** accelerated the removal of CVC charges across all speed tiers. This is because the immediate removal of CVC charging across all lower speed tiers would need to be offset by increases in AVC charges, which would be unfair to light internet users.

Date	CVC TC-4 Overage (per Mbps) Max. Regulated Price
1 July 2023	\$8.00
1 July 2024	\$7.00
1 July 2025	\$6.00
1 July 2026	\$0.00

Further AVC-only wholesale price reductions on higher speed tiers

Under the revised proposal, **nbn** plans 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, could be available to retailers from as early as 1 July 2023.

Under the revised SAU Variation proposal, **nbn** will reduce the standard (AVC-only) monthly wholesale charges on the following wholesale speed tiers:

Monthly charge	March SAU Variation proposal	New SAU Variation proposal
100/20	\$60.00	\$55.00
100/40	\$65.00	\$58.00
250/25	\$70.00	\$60.00
500-1000/50 ⁴	\$80.00	\$70.00

The revised wholesale pricing for all higher speed tiers is designed to unlock the potential of the network for more customers. Network upgrades now underway will see up to 9.7 million premises, or around 90 per cent of the **nbn**® Fixed Line network, able to access full-fibre connections and wholesale download speeds of close to 1 Gbps by the end of 2025^{2,3,4,5}.

The company has also commenced a \$750 million upgrade of the **nbn** Fixed Wireless network. Once these upgrades have been completed, homes and businesses in the expanded **nbn** Fixed Wireless footprint will be able to order retail services with potential maximum wholesale download speeds of up to 100 Mbps^{6,7}. It is anticipated that up to 85 per cent of the expanded footprint will be able to order services with potential maximum wholesale download speeds of up to 250 Mbps, up to three times faster than the highest wholesale speeds available on **nbn** Fixed Wireless today.

Weighted Average Price Cap (WAPC) capped at CPI

To allow a transition to ‘cost-reflective’ prices, individual price controls on most **nbn** services will be replaced with a with a Weighted Average Price Cap (WAPC) or ‘basket’ price control, where the weighted basket may change each year on a ‘use-it-or-lose-it’ basis at:

- CPI – during an initial glidepath period (i.e. before **nbn** is expected to first achieve allowable Building Block Model (BBM) revenues);
- and thereafter, at a percentage which allows forecast revenue for each financial year to equal allowable BBM revenues.

Reduced wholesale charges and additional data inclusions

nbn is proposing to reduce effective charges through amended wholesale pricing or increased data inclusions for the 12, 25 and 50 Mbps wholesale speed tiers (excluding Satellite).

The company’s goal is for entry level services on the **nbn**[®] network to be affordable for end customers, and to not limit efficient use of the network. The proposed changes will also help reduce retailers’ potential exposure to data overage charges prior to CVC removal on 1 July 2026.

Speed Tier	March SAU Variation proposed monthly charge (CVC incl.)	New SAU Variation proposed monthly charge (CVC incl.)
12/1 Voice Only	\$12.00 (0 Mbps)	\$12.00 (0 Mbps)
12/1	\$26.00 (0 Mbps)	\$24.40 (0 Mbps)
25/5 and 25/10	\$26.00 (0.1 Mbps)	\$26.00 (0.2 Mbps)
50/20 and FW Plus	\$50.00 (2.45 Mbps)	\$50.00 (2.5 Mbps)

Further limitations on drawdown of the Initial Cost Recovery Account (ICRA)

nbn’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 allow it to service existing debt and cost-effectively raise new debt to enable continued investment in the **nbn**[®] network.

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

nbn is proposing to set a limit on the maximum amount of ICRA that can be recovered under the SAU within a given regulatory time period. This means the recovery of ICRA over time will be predictable, constrained and transparent.

Benchmark service standards

nbn 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 a revised SAU Variation, **nbn** is proposing to introduce 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 Maximum Regulated Prices contained in the SAU.

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

If the ACCC does not accept the benchmark service standards and rebates that **nbn** proposes as part of its Replacement Module Application for a regulatory cycle, the proposed SAU Variation would give the ACCC powers to set alternate service standards and rebates as part of a replacement module determination.

Expiry of SAU if a future Government relinquishes control of nbn

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

Next steps towards SAU Variation acceptance

nbn looks forward to further consultation later this month, chaired by the ACCC, which will seek feedback and input from internet retailers and consumer advocacy groups involved in the process. Following this consultation, **nbn** plans to submit a revised SAU Variation proposal in October 2022. **nbn** plans to implement the revised SAU pricing within six months of acceptance.

ENDS

Notes to Editors:

1 Retail broadband plans based on wholesale download speeds of 50 Mbps include retail broadband plans based on wholesale download speeds of 50Mbps and 25-50Mbps. The **nbn**[™] wholesale speed tiers available to your phone and internet provider vary depending on the **nbn**[®] access network technology in your area. Your experience, including the speeds actually achieved over the **nbn**[™] network, depends on the **nbn**[®] access network technology and configuration over which services are delivered to your premises, whether you are using the internet during the busy period, and some factors outside our control (like your equipment quality, software, broadband plans, signal reception and how your service provider designs its network). Speeds may be impacted by network congestion on **nbn**'s Fixed Wireless network, including during busy periods. Satellite users may experience latency.

2 NBN Co reserves the right to amend the list of targeted suburbs and towns for the local fibre network build at its discretion.

3 Conditions, eligibility criteria and costs will apply. Eligibility criteria is expected to include, among other things, being designated by **nbn** as a simple premises (e.g. standalone premises or Single Dwelling Unit (SDU)) and once the program is available for an eligible premises, placing an order for an **nbn**[®] powered plan based on an eligible wholesale speed tier. Additional costs may apply to providers, who may choose to pass this charge onto their customers.

4 Regardless of the retail service you purchase, 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 750Mbps. Reference to speeds are not end user speeds; they are wholesale layer 2 peak information rate bandwidth provided to retail providers. An end customer's experience, including the speeds actually achieved over the **nbn** network, depends on some factors outside our control (like equipment quality, software, and how your retail service provider designs its network) and the **nbn** technology used for your connection.

5 An end customer's experience, including the speeds actually achieved over the **nbn**[®] network, depends on the **nbn**[®] network technology and configuration over which services are delivered to their premises, whether they are using the internet during the busy period, and some factors outside of NBN Co's control (like their equipment quality, software, chosen broadband plan, signal reception, or how their provider designs its network).

6 Retail plans based on wholesale download speeds of 100 Mbps include retail broadband plans based on wholesale download speeds of 100Mbps and 25-100Mbps.

7 **nbn** is a wholesaler and end customers should contact their preferred service provider to ask about availability. Any new speed tiers or changes to Fixed Wireless products is subject to consultation with industry which may alter the design, contractual terms, product specifications and/or go-to-market approach. The planned wholesale download speeds for Fixed Wireless Home Fast and Fixed Wireless Home Superfast are potential maximum Information Rates. They are not Peak Information Rates or Committed Information Rates. **nbn** expects it will operate similarly to how the Fixed Wireless Plus product operates today but with potential maximum wholesale speeds up to 100 Mbps for Fixed Wireless Home Fast and up to 250 Mbps Fixed Wireless Home Superfast.

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