



Media release

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NBN Co lodges Amended SAU Variation with the ACCC

NBN Co today announced a new approach to wholesale pricing to support faster internet speeds, greater data demand and improved cost certainty for retailers and customers as well as a range of new measures aimed at delivering a better customer experience of the **nbn**[®] network.

The proposed wholesale prices and service standards are detailed in an Amended Special Access Undertaking (SAU) Variation lodged with the Australian Competition and Consumer Commission (ACCC) on Monday 14 August 2023, which were made public today, and addresses all of the key matters raised in the ACCC's Draft Decision of 2 May 2023.

Following extensive consultation with the ACCC, internet retailers, consumer advocacy groups and the Government, NBN Co has made significant modifications to the previous proposed SAU Variation, which was lodged in November 2022 and has now been withdrawn.

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, NBN Co is seeking to establish a regulatory framework that will enable the company to continue its efficient investment in the **nbn**[®] network.

The company is committed to implementing significantly revised wholesale prices via a new Wholesale Broadband Agreement (WBA5) by 1 December 2023, if the SAU Variation is accepted by mid-October 2023. If the SAU Variation is accepted later in the year, the company will aim to implement the new wholesale prices by 1 February 2024, in line with retailers' alternate timing preference.

Highlights of NBN Co's Amended SAU Variation:

- Removal of CVC (capacity) charges and introduction of AVC-only pricing for the **nbn**[®] Home Fast (100 Mbps) and above^{1,2} wholesale speed tiers as soon as possible following ACCC acceptance and WBA5 implementation.
- Establishing a minimum 'floor' price for the 12, 25, 50 Mbps^{1,3} fixed line and fixed wireless wholesale speed tiers and a maximum 'ceiling' price at no more than \$55 in FY24, regardless of the volume of data used.
- Retaining the \$50 bundle price from the November SAU Variation as the 'floor' price for the industry's most popular 50 Mbps service, together with CVC (capacity) inclusions for the 50 Mbps service increasing by 40 per cent (from 2.5 Mbps to 3.5 Mbps) from WBA5 implementation.
- The 25 Mbps wholesale bundle price will be reduced to \$26 and the 12 Mbps wholesale bundle price will be reduced to \$24.40, for fixed line and fixed wireless products.

- For the 12, 25 and 50 Mbps wholesale speed tiers, the CVC TC-4 overage rate will be reduced from \$8/Mbps to \$5.50/Mbps from the Price Transition Date in FY24 and the rate will be reduced to \$4.50/Mbps in FY25 and \$3.50/Mbps in FY26. TC-4 CVC overage charges will be removed from all fixed line and fixed wireless products by 1 July 2026.
- 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.
- Reducing prices for some Network-to-Network Interface (NNI) services in 2024 and committing to complete a price review of NNI prices by the end of Financial Year 2027.
- Introduction of a Weighted Average Price Control (WAPC) that will initially cap overall annual wholesale price increases on average at CPI, ensuring overall average wholesale prices do not increase in real terms.
- Limiting future wholesale price rises by materially limiting NBN Co’s drawdown of the Initial Cost Recovery Account (ICRA) to \$12.5 billion (in 2023 dollars) over the term of the SAU, from \$44 billion at 30 June 2023. The ICRA is a recognised regulatory concept that reflects NBN Co’s unrecovered costs to date; it is not a write-down in the carrying value of the company or the value of its assets.
- Setting benchmark service standards for each regulatory cycle, with ACCC oversight, and how **nbn** will engage with stakeholders in understanding RSP priorities for service improvement initiatives, and how these may result in improved Benchmark Service Standards and RSP experience.
- **nbn** will ensure the Low-Income Forum allows member organisations and industry groups to provide views and feedback on a range of matters and enhancing **nbn**’s related public reporting commitments.
- Provisions to allow the ACCC the discretion to reset the regulatory framework from 2032.
- To assist with some of the costs associated with usage growth and transitioning **nbn**® Ethernet TC-4 services to the new pricing construct, **nbn** has offered to provide a total of \$20 million in transitional credits to RSPs.

Jane van Beelen, Chief Regulatory Affairs Officer at NBN Co, said:

“By eliminating CVC (capacity) charges from the **nbn**® Home Fast (100 Mbps) and above wholesale speed tiers, we are giving retailers greater price certainty and providing a pathway for more customers to enjoy the many benefits of our highest speed tiers.

“And by reducing CVC charges and committing to adjust data inclusions over the next three years, we are providing high-value products that will smoothly transition to flat rate wholesale pricing on our 12, 25 and 50 Mbps speed tiers.

“We are well-progressed with fibre network upgrades and are on track to deliver access to **nbn**® Home Ultrafast, offering wholesale download speeds of 500 Mbps up to close to gigabit speeds² to up to 10 million homes and businesses across Australia by the end of 2025. So far, we have enabled almost 7 million premises to be eligible to upgrade to our highest speed tiers via participating retailers.

“Our proposed Amended SAU Variation puts the responsibility and investment risk on NBN Co 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.”

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 standards that will be applied on the **nbn**® network.

Under the Amended 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 the company continues to roll fibre deeper into the **nbn**® Fixed Line network and further upgrade the **nbn**® Fixed Wireless network.

The Amended 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.

Next steps towards SAU Variation acceptance

NBN Co is looking forward to further engaging with the ACCC, internet retailers and consumer advocacy groups in the next stage of the process. We anticipate that the ACCC will shortly issue a consultation paper to consult stakeholders on the Amended SAU Variation proposal.

ENDS

Notes to Editors:

1. 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.
2. 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. NBN Co provides wholesale services to phone and internet providers. **nbn**® wholesale speed tiers available to providers vary depending on the access technology in an end users' area.
3. 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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