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21 December 2017

Ms Caroline Lovell
Chief Regulatory Officer
NBN Co Ltd
Level 11, 100 Arthur Street
SYDNEY NSW 2000

By email: CarolineLovell@nbnco.com.au
Copy to: MatthewCole@nbnco.com.au

Dear Ms Lovell,

ACCC preliminary view on LTRCM capital and operating expenditure for 2016-17

The Australian Competition and Consumer Commission (ACCC) has formed a preliminary view in relation to the capital and operating expenditure amounts proposed by NBN in its 2016-17 Long Term Revenue Constraint Methodology (LTRCM) proposal, pursuant to clause 1E.1.2(c)(vii) of the Special Access Undertaking (SAU).

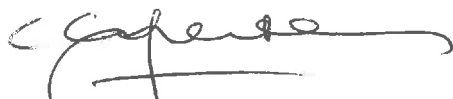
The ACCC's preliminary view is that we do not intend to determine a substitute amount of capital expenditure in accordance with SAU clause 1D.3.2(d) or a substitute amount of operating expenditure in accordance with SAU clause 1E.8.2(c). The ACCC has considered NBN Co's regulatory information that was submitted under Schedule 1F of the SAU, as well as other supporting documents provided by NBN Co, in forming this preliminary view.

The ACCC will prepare a draft LTRCM determination which will be followed by a consultation period, in accordance with the SAU. We are planning to commence this consultation process in the first quarter of 2018. We will then consider submissions and other relevant information before making a final determination. The LTRCM determination will set out the values for NBN's annual revenue requirement (ABBRR), regulated asset base (RAB) and loss capitalisation account (ICRA).

The ACCC anticipates that NBN Co will provide adequate transparency during the consultation process, including providing access to confidential information to interested parties under appropriate confidentiality arrangements. We understand the need to balance appropriate disclosure and the protection of NBN Co's confidential information, and we will continue to monitor the operation of NBN Co's confidentiality arrangements to identify any concerns about this balance.

Please contact Scott Harding on (03) 9658 6434 if you have any queries in regards to this matter.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Cristina Cifuentes', with a long horizontal flourish extending to the right.

Cristina Cifuentes
Commissioner
ACCC