

*This document is a draft of **nbn**'s first Statement of Pricing Intent (SPI) and is provided to facilitate the ACCC's assessment of **nbn**'s variation to the Special Access Undertaking, as lodged on 29 November 2022 (SAU Variation). Clause references in this draft SPI refer to clauses in the SAU Variation and, unless otherwise defined in this draft SPI, defined terms have the same meaning as in the SAU Variation.*

*Should the SAU Variation be accepted, the SAU will require **nbn** to develop and publish an SPI by no later than 1 May before the start of each Regulatory Cycle. While the SPI that **nbn** publishes in May 2023 (if the SAU Variation is accepted) will be based on this draft SPI, it will be updated to reflect the latest market conditions, and to reflect any change in **nbn**'s proposed pricing strategies at that time.*

*The forecasts provided by **nbn** in this draft SPI are provided solely for the purpose of assisting the ACCC in its assessment of **nbn**'s SAU Variation. This draft SPI should not be relied upon for any purpose not related to this regulatory process. Forecasts and statements in this document reflect **nbn**'s views and assumptions based on its most recent Integrated Operating Plan (as at September 2022), which included a considered assessment of economic and operating conditions at the time they were made. These forecasts are inherently uncertain and subject to a range of risks such that actual performance may differ materially from the forecasts expressed in this document.*

Draft Statement of Pricing Intent

Introduction and purpose

nbn owns and operates the largest wholesale broadband network in Australia. The **nbn**[®] network is Australia's digital backbone that helps deliver reliable, resilient and secure broadband across the nation. **nbn** is committed to responding to the digital connectivity needs of people across Australia, working with industry, governments, regulators and community partners to lift the digital capability of Australia.

nbn will develop and publish a Statement of Pricing Intent (SPI) no later than 1 May before the start of each Regulatory Cycle that describes (amongst other matters) how **nbn**'s pricing strategy takes into account its obligation to have regard to its committed pricing principles when changing or setting relevant prices. Each SPI will provide stakeholders with a high degree of transparency of **nbn**'s pricing decisions for the upcoming Regulatory Cycle. In particular, each SPI will provide stakeholders with clear and accessible information about **nbn**'s pricing strategies in each Regulatory Cycle relating to NBN Offers for the NBN Access Service, including for TC-4, TC-2, TC-1, NNI and Smart Places.

Once finalised and published by **nbn** by 1 May 2023 (or if any acceptance of the SAU Variation by the ACCC occurs after 1 April 2023, one month prior to the Price Transition Date), the SPI will remain in place for the First Regulatory Cycle (FY24 to FY26), unless there has been a material change in circumstances which was beyond **nbn**'s reasonable control and which **nbn** could not reasonably have foreseen at the time the SPI was published, and **nbn** provides at least 12 months' notice and conducts industry consultation on such a change (consistent with clause 2B.2.2(b)) or otherwise if an update has been approved by the ACCC (consistent with clause 2B.2.2(c)).

The structure of this draft SPI mirrors the commitments set out by **nbn** in the SAU Variation (clause 2B.2.2) to provide a description of:

- i. The financial objectives **nbn** seeks to achieve, including the target (clause 2B.2.2(a)(i)):
 - A. number of AVC TC-4 Product Components to be supplied;
 - B. mix of TC-4 speed tiers; and
 - C. TC-4 average revenue per user;
- ii. the pricing strategy or strategies that **nbn** intends to adopt, including (clause 2B.2.2(a)(ii)):
 - A. how such pricing strategy or strategies take into account **nbn**'s commitments regarding pricing principles (clause 2B.2.1); and
 - B. any transitional arrangements that **nbn** intends to implement in connection with changes to prices of NBN Offers;

- iii. any intended changes to the price structures for NBN Offers (where such changes are consistent with the SAU Variation) (clause 2B.2.2(a)(iii)); and
- iv. areas of likely product innovation and development that are expected to influence price changes during this Regulatory Cycle (clause 2B.2.2(a)(iv)).

Consistent with **nbn**'s commitment under (ii) above, the draft SPI sets out (in blue boxes throughout this document) how **nbn**'s pricing strategies take into account **nbn**'s commitment to have regard to the SAU pricing principles when setting or changing relevant prices.

Context

This draft SPI is set in the context of **nbn**'s glidepath towards long term cost reflective pricing, transition to an AVC-only pricing structure, undertaking significant investments to uplift network capability and to compete in a rapidly evolving competitive landscape in the Australian broadband market, which exhibits changing consumer preferences, rapid technological change and increasing competition from both wireless and fixed network platforms.

In preparing this draft SPI, **nbn** has taken into account the following factors underpinning its operating environment over the First Regulatory Cycle (FY24 to FY26):

- **nbn**'s mission to uplift the digital capability of Australia;
- high level of latent demand for high-speed broadband services in Australia;
- increasing median willingness to pay for high-speed broadband services in Australia;
- rapidly improving network capabilities as a result of extensive network upgrades in both fixed line and non-fixed line footprints; and
- intensifying competition in providing residential and small-medium business (SMB) broadband services, driven by investment and marketing by mobile fixed wireless operators and developments in Low Earth Orbit (LEO) satellite technology, as well as ongoing competition from alternative fixed line networks.

In particular, intensifying competition and consumer bandwidth demand growth will play important roles in shaping **nbn**'s pricing strategy in various consumer segments (including both residential and SMB segments) over the short to medium term, particularly in terms of how **nbn** continues to deliver an attractive value proposition to the market.

nbn's modelling of consumer broadband speed requirements, based on the technical requirements of applications used on the **nbn**[®] network, shows that for approximately 52% of customers today, download speeds of 50 Mbps or more are necessary to deliver optimal customer experience. **nbn** projects that this may reach 70% by 2028. **nbn** considers this is a relatively conservative estimate because, as at June 2022, more than 76% of AVCs were supplied at 50 Mbps or higher. This modelling is supported by observable global trends as well as by direct observations of end-user experience on the **nbn**[®] network. Consumers' speed requirements, together with willingness to pay and budget constraints, are a key consideration in how **nbn** develops its offers and associated pricing strategies on an ongoing basis.

At the same time, **nbn** faces intensifying competition. As at the end of calendar year 2022, approximately 3.7 million out of 12.2 million business and residential premises passed by the **nbn**[®] network¹ are not connected to the **nbn**, despite a mandatory disconnection from legacy networks (in respect of premises serviced by fixed-line services) and an expansive migration program, highlighting the significant challenges **nbn** faces to improve take-up over time.

¹ National Broadband Network – Rollout Information. Weekly report by **nbn** for the week ending 15 December 2022. Available at https://www.nbnco.com.au/content/dam/nbn/documents/about-nbn/weekly-progress/Public_Progress_data_20221215.pdf.

Within the First Regulatory Cycle, **nbn**'s pricing strategy for relevant prices will seek to address specific areas of concern, including:

- **Low usage and basic connectivity consumers** are particularly prone to competitive threats, as their limited bandwidth consumption attracts particularly favourable economics on mobile networks where connection costs are low and bandwidth costs are high. **nbn** estimates that as of October 2022, approximately 2.9 million (or 26%) of about 10.4 million residential premises are connected to a competing non-**nbn** broadband network.² Of the 2.9 million premises not connected to an **nbn** service, approximately 2.4 million (or 83%) are connected to a fixed wireless network or use a mobile device for their broadband needs, underscoring the current substitutability of, and growing competitive pressure exerted by, these services.
- **Value-driven consumers** are quickly emerging as a highly contestable market segment for fixed wireless services offered by mobile network providers. **nbn** has observed a reduction in its average relative value proposition against mobile fixed wireless alternatives, particularly as ongoing 5G rollout enables key competitors to undercut **nbn**'s pricing with higher advertised headline speeds. This dynamic is expected to lead to significant churn off the **nbn**[®] network across its product portfolio. **nbn** experienced net churn (disconnections less reconnections) of 249,000 premises in FY21, representing 3.6% of all connected premises, increasing from 2.72% in FY20. **nbn** expects churn rates to continue increasing until FY23 (to 285,000 premises) and to remain negative (i.e., disconnections exceed reconnections) in the foreseeable future. **nbn** will need to continue to generate improved value for customers to achieve these outcomes.

nbn faces the dual challenge of both price and quality-based competition, albeit targeted at different parts of the market. **nbn**'s pricing must ensure that **nbn**-based retail offers represent good value for money against competitive offerings.

Financial Objectives

This section sets out the financial context for the Regulatory Cycle for which this draft SPI applies, including the specific TC-4 financial targets relevant to **nbn**'s price setting. This First Regulatory Cycle (FY24 to FY26) is an important starting point of **nbn**'s glidepath towards cost reflective prices under the SAU. **nbn** notes that its overall prices result in revenue that remains substantially below its building block revenue requirement during this First Regulatory Cycle. **nbn** must continue to grow its revenue in an efficient and sustainable manner to enable it to become financially sustainable, be able to recover the cost of its efficient and prudent investment, and have the ability to finance future investments.

nbn's Annual Core Services Forecast Revenue over the First Regulatory Cycle (FY24 to FY26) is \$17.6 billion in the upcoming Regulatory Cycle, against the Forecast Nominal Core Services ABBRR of \$24.2 billion in the same period. The Annual Core Services Forecast Revenue of \$17.6 billion reflects the following key financial objectives relating to TC-4 services:

- **Demand volume:** uplift the total number of active TC-4 services from 8.6 million to 9.0 million. The growth in services will be primarily achieved via New Development activity, working with RSPs to bring new customers onto the **nbn**[®] network (such as **nbn**'s campaigns to offer limited discounts to unconnected premises) and initiatives to retain customers on the **nbn**[®] network.

² Compare this take-up against other industries involving regulated utilities. **nbn** assumes, for example, that take-up of electricity supply for houses connected to an electricity grid would be close to 100%. The National Electricity Market (**NEM**) supplies approximately 10.7 million customers across Queensland, New South Wales (including ACT), Victoria, Tasmania and South Australia, see <https://www.aemo.com.au/-/media/Files/Electricity/NEM/National-Electricity-Market-Fact-Sheet.pdf>. **nbn** Premises Activated for states and territories in the NEM States and Territories comparatively total about 7.5 million, whereas the number of business and residential premises that are 'Ready to Connect' to the **nbn**[®] network is about 10.79 million. See National Broadband Network – Rollout Information, Weekly report by **nbn** for the week ending 13 October 2022, available at https://www.nbnco.com.au/content/dam/nbn/documents/about-nbn/weekly-progress/Public_Progress_data-13102022.pdf. Although underlying measures for arriving at NEM customers and Premises Activated may be different, this rough comparison and difference in take-up between the services suggest that **nbn** services should be treated different to traditional utilities.

- **Product mix:** grow the proportion of TC-4 services on access speeds of at least 100 Mbps from 17% in FY22 to no less than 33% by FY26 reflecting increasing consumer demand for higher speed tiers, through a combination of wholesale price setting (including initial price reductions and reduction in price differentials between high-speed tiers), bundling such services with other value-added services such as fibre upgrade installations and targeted campaigns in market via rebates and discounts. The increased proportion of TC-4 services on higher speed tiers will also be driven by improved network capabilities as a result of extensive network upgrades, in particular rolling out fibre deeper into the network. At a more granular level, **nbn** expects the speed tier mix of its TC-4 services (excluding satellite) to directionally evolve as shown below over the period to the end of the First Regulatory Cycle, noting that specific speed tier movements are largely driven by access seeker product positioning in the retail market and reflect **nbn**'s best forecasts:

Table 1 - Forecast Speed Tier Mix for non-satellite TC-4 services³

	FY23	First Regulatory Cycle		
		FY24	FY25	FY26
<i>Voice Only</i>	0%	6%	4%	4%
<i>12/1 Mbps</i>	8%	0%	0%	0%
<i>25/5 - 25/10 Mbps</i>	14%	18%	18%	17%
<i>50/20 Mbps</i>	60%	53%	48%	46%
<i>Home Fast (100/20 Mbps)</i>	10%	13%	17%	19%
<i>100/40 Mbps</i>	5%	6%	6%	6%
<i>Home Superfast (250/25 Mbps)</i>	2%	3%	4%	6%
<i>250/100 Mbps</i>	0%	0%	0%	0%
<i>500/200 Mbps</i>	0%	0%	0%	0%
<i>Home Ultrafast (500 to 1000¹ /50 Mbps)</i>	1%	1%	2%	3%
<i>1000² /400 Mbps</i>	0%	0%	0%	0%
	100%	100%	100%	100%

¹The Maximum Data Transfer Rate will fall anywhere between 500 Mbps and less than but close to 1000 Mbps.

²The Maximum Data Transfer Rate will be less than but close to 1000 Mbps.

- **Average revenue per user (ARPU):** achieve \$52.6 TC-4 ARPU⁴ by FY26 through positive speed tier mix growth, supplemented by pricing adjustments. The ARPU growth takes into account **nbn**'s commitment to set and change prices having regard to the efficient cost of supplying products and services.

Having regard to the efficient costs of nbn supplying products and services

nbn's forecast revenue in respect of Core Regulated Services over the First Regulatory Cycle is well below its efficient cost of supplying products and services. In particular, for the First Regulatory Cycle (FY24 to FY26), **nbn**'s Forecast Annual Building Block Revenue Requirement for Core Regulated Services is \$24.2 billion compared to its Annual Core Services Forecast Revenue of \$17.6 billion for the same period.

³ Speed tier mix forecasts in Table 1 reflect the average across the relevant Financial Year.

⁴ Based on inflation assumptions underlying **nbn**'s most recent Integrated Operating Plan, as at September 2022.

Pricing Strategy

Transition to one-part pricing on TC-4, TC-2 and TC-1 services

nbn aims to simplify and rationalise its pricing structure for its primary access services including TC-4, TC-2 and TC-1 over time, including phasing out charging for CVC from these offers over time. This directly responds to industry feedback that CVC charges can be operationally difficult to manage and do not provide sufficient cost certainty for access seekers. It will also have additional benefits in the form of simplified network design which should be more efficient to build and maintain.

In the First Regulatory Cycle, **nbn** will focus on the removal of the CVC charges for TC-4 services, with the upfront removal of variable charges on TC-4 high-speed tiers by 1 July 2023 (or 3 months after the SAU Variation is accepted, if accepted after 1 April 2023), and on all other TC-4 speed tiers by 1 July 2026.

TC-1 and TC-2 services are expected to follow a similar strategy in the medium to long term. **nbn** notes that the variable charges on these services are much smaller in scale compared to those of TC-4 services. For example, TC-2 services have close to zero variable charge components as the bundled inclusion for CVC is equivalent to the access bandwidth, and therefore no, or minimal, overage charge is expected to be incurred.

This pricing strategy is expected to deliver significant uplifts in predictability and certainty for RSPs regarding future access prices, promoting efficient complementary investments by access seekers in productising and marketing **nbn**-based services to end-users.

This transition to one-part pricing will also see **nbn** withdraw “basic” AVC and CVC offers (i.e., those supplied at **nbn**'s list prices, rather than as TC-4 Bundles Discounts) for TC-4 services in non-satellite footprints. **nbn** estimates that ~3,800 such services are currently acquired by access seekers (which accounts for less than 0.05% of TC-4 services as at November 2022), primarily as a carriage service for business TC-2 services. **nbn** expects these services to be migrated to equivalent offers under the revised SAU. **nbn** is currently engaging relevant access seekers as part of Wholesale Broadband Agreement 5 (**WBA5**) discussions to facilitate transition and assess potential commercial impacts.

More competitive and efficient entry level TC-4 offers

As **nbn** transitions away from CVC charges on TC-4, the entry level offers (proposed to be based on the 25/5 Mbps speed tier) require particular focus because the current price structure adopts a ‘pay for what you use’ framework. The baseline fixed bundled charge for the offer is set relatively low with minimal CVC inclusions to encourage take-up among consumers with very low network usage and basic connectivity requirements.

Reduction of the overage rate over time (ultimately to \$0 by no later than 1 July 2026) creates some pricing challenges:

- reducing the overage rate without commensurate increases in the fixed bundled charge will see the combined charge for the entry level offer decrease in nominal terms over time. While this may have a positive effect on the take-up of the network, the take-up impacts are unlikely to outweigh the loss of revenue and it will likely mean that some customers with higher willingness to pay may downgrade to take advantage of the lower prices. Such customers would therefore generate less revenue for **nbn** to contribute to the recovery of common costs than they otherwise would, introducing upward pricing pressure for other consumers; and
- in contrast, rebalancing the overage rate into fixed bundled charges will ensure that the combined charge for the entry level offer remains stable over time and remains at a reasonable price relativity to other TC-4 offers, which helps avoid risks associated with potential downgrades. However, elevated fixed bundled charges may cause the network to become disproportionately expensive for consumers with low network usage and lower willingness to pay, likely resulting in greater churn off the **nbn**[®] network as mobile network economics is likely to support more aggressive pricing.

To address these pricing challenges, **nbn**'s strategy is to gradually rebalance overage charges into the fixed bundle charge, balancing the desire for faster transition to deliver pricing certainty with the need to provide a smoother price gradient for low usage consumers. In particular, **nbn** expects the combined charge of the entry levels offers will continue to increase at a steady rate (at or below CPI) despite reductions in the CVC overage rate and the variable charge portion.

To facilitate uplift of entry level broadband (>0.1 Mbps utilisation) migration from 12/1 Mbps to 25/5 Mbps as envisioned in the First Regulatory Cycle, **nbn** intends to continue to price the 25/5 Mbps offer at equivalency or more favourably than the 12/1 Mbps offer. In particular, **nbn** expects that at the same level of peak utilisation, the 25/5 Mbps offer will have at least the same combined charge as 12/1 Mbps offer, if not less, encouraging ongoing migration to 25/5 Mbps as the predominant entry level offer for broadband use cases. **nbn** envisions the 12/1 Mbps offer, over time, will be solely supplied for the purposes of voice-only or other basic connectivity needs.

nbn intends to consult with industry on the development of a new wholesale offer targeted at consumers with low usage and basic connectivity requirements, potentially in the form of a wholesale data capped offer. This offer is expected to bridge the pricing gap for low usage broadband consumers fulfilled by the 25/5 Mbps service via a low fixed charge. **nbn** intends to commence an industry consultation for such an offer by no later than 1 July 2024.

nbn's pricing strategy on entry level products will also take into account requirements for low-income consumers. **nbn** intends to host an inaugural meeting of a Low Income and Digital Inclusion Forum in early CY2023. This forum is expected to draw on best evidence about digitally excluded consumer cohorts, including barriers to access issues such as digital ability and affordability associated with the take-up of broadband services on the **nbn**[®] network.⁵ Outcomes of this forum will be an important consideration for the overall pricing strategy and design of **nbn** offers.

Having regard to the objective of maintaining affordable access to its network

nbn regularly conducts market research on the affordability of its access products. As of July 2022, the average cost of an **nbn** service represents ~1.1% of average Australian household income, with more than 90% of households reporting that they are not concerned about the affordability of **nbn**'s services.

Pricing reform introduced as part of the SAU Variation, including ~47% reduction in the combined charge of the voice-only offer and ~\$2.60 reduction in the 25/5 Mbps combined charge, is expected to deliver further uplift in the affordability of entry level offers. While the combined charge for the broadband 12/1 Mbps service will increase marginally by ~\$1.76, it will still be significantly below the current benchmark \$35 total wholesale price. In addition, the pricing strategies outlined in this SPI are expected to see additional offers introduced to boost accessibility of **nbn** network for basic to low usage segments.

Having regard to the outcomes of the Low-Income Forum to be established pursuant to the SAU

nbn intends to host the inaugural meeting of the Low Income and Digital Inclusion Forum in early CY2023.

⁵ This forum will implement **nbn**'s commitments regarding establishment of a Low-Income Forum under clause 2B.7 of the SAU Variation.

Pricing strategies for other TC-4 services

As discussed earlier in this draft SPI, **nbn** faces value perception challenges against competitors in some market segments. A key driver of this perception is the increasing emphasis of higher headline access speeds claimed by **nbn**'s competitors and the relative pricing of such offers against **nbn**-based retail offers.

In the First Regulatory Cycle, **nbn** intends to materially improve the value proposition of its products for end-users by pursuing a number of complementary pricing strategies, including:

- reduction in the prices of high-speed offers, including an initial reduction of the wholesale 'premium' between the 50/20 Mbps and Home Fast (100/20 Mbps) speed tiers to ~\$5, and having only \$5-\$10 wholesale price steps for higher speed offers.⁶ The reduced size of the wholesale pricing steps across these speed tiers is expected to drive additional retail marketing activity and more robust retail competition for high-speed services, elevating the market perception of available **nbn** speeds and relative value proposition to consumers;
- boost in value proposition by improving service quality, including fibre upgrade installations that are expected to deliver better end-user experience by increasing service reliability and stability, as well as reducing timeframes for fault resolution;
- targeted upsell incentives, including wholesale optimisation opportunities created by the initial differences in the pricing construct between the Bundled TC-4 Offers⁷ and TC-4 Flat-Rate Offers.⁸ This is expected to encourage access seekers to actively engage with consumers with higher willingness to pay and with high usage needs, to incentivise such consumers to experience higher speed products; and
- continuing to enhance key product features with a particular focus on speed, including appropriately improving downlink and uplink headline speeds in line with network capability improvements, ensuring **nbn** access products are competitively positioned against alternative network offerings and meet consumers' expectations.

In regard to its upsell incentives, **nbn** expects that access seekers will target those consumers on Bundled TC-4 Offers who have higher than average bandwidth consumption – who are expected to be highly correlated with willingness to pay (e.g., consumers with peak hour throughput of at least 0.5 Mbps above the CVC inclusion for an AVC TC-4 50/20 Mbps service) – and encourage these consumers to upgrade to Home Fast (100/20 Mbps) or above flat rate offers, more suitable for their needs. This is partly driven by the overage arbitrage opportunity where access seekers could face a higher wholesale input cost to provide 50 Mbps and below services to high usage consumers, compared to the cost of serving those consumers via a flat rate offer.

⁶ Wholesale price relativities are not fixed and are subject to change within the constraints of the SAU. Factors influencing wholesale relativity includes difference in forecast and actual combined charges, and subsequent pricing decisions within the Regulatory Cycle to better reflect more up to date market information including consumer demand, willingness to pay and state of competition.

⁷ i.e., those TC-4 speed tiers with 50 Mbps or lower download speeds, and Fixed Wireless Plus, excluding Satellite offers

⁸ i.e., those TC-4 speed tiers with 100 Mbps or higher download speeds, excluding Satellite offers

Having regard to the objective of maximising efficient network access and usage

Pricing efficiency is best promoted where the price of a service reflects its marginal cost (the 'first best' pricing approach). Pricing in this way will ensure efficient use of infrastructure in the short term since it would facilitate all sales that would make a buyer and seller better off (and so maximise the sum of consumer and producer surplus).

However, marginal cost pricing will not encourage efficient investment in infrastructure and may not be consistent with the legitimate business interests of the access provider. In particular, an access price based on the marginal cost of providing access may not always allow an efficient access provider to recover all of its costs over the long term, including its previously incurred sunk costs.

A 'second best' pricing approach is one that involves setting prices as close to marginal costs as possible while allowing the seller to remain financially viable by recovering efficient sunk and future costs. This may include the use of two-part tariffs and application of Ramsey pricing principles based on willingness to pay. In this way, second best prices would promote the most efficient use of the network possible while also promoting efficient investment.

In the context of material consumer demand for high-speed tiers, it is efficient to incentivise users to migrate to higher speed tiers as this both increases the economic benefits of the **nbn** network and enables better cost recovery. This can bring in new customers by allowing **nbn** to reduce pricing pressure for low and mid-speed tiers and will also allow **nbn** to bring a more diverse set of higher speed product options. Additionally, this is aligned with the general principle that it is efficient for users with lower demand elasticities and high willingness to pay to take on a larger share of the costs.

nbn considers its intended pricing strategy of encouraging upgrades through incentives and the interaction between bundled offers and flat rate offers to be an efficient way of dealing with this issue. High-data users would be more economically served on flat rate offers, rather than bundled offers, which would lead to those users contributing a sufficient upfront charge to recover an equitable amount of shared and common cost, as well as an appropriate amount of the bandwidth cost they incur on the network.

Pricing strategies for Smart Places

Whilst **nbn** Smart Places will be a standalone access product under the SAU when introduced, **nbn** intends to supply Smart Places services in line with its standard TC-4, TC-2 and TC-1 pricing.

Pricing strategies for TC-2

nbn intends to review, and may adjust, TC-2 pricing during the First Regulatory Cycle, based on RSP feedback and market developments within the Regulatory Cycle.

Pricing strategies for TC-1

nbn does not intend to significantly alter the pricing structure of its TC-1 services in the First Regulatory Cycle. **nbn** may adjust overall TC-1 price levels and individual TC-1 pricing based on RSP feedback and market developments within the Regulatory Cycle.

Pricing strategies for Enhanced Service Level Agreements (eSLA)

nbn intends to review its eSLA pricing structure with the objective of rationalising the number of tiers it currently offers, enabling more streamlined product feature selection by access seekers and end-users. In particular, it is **nbn's** intention to encourage take-up of eSLA 4 (24x7) and eSLA 12 (24x7) via price reductions, additional inclusions and making eSLAs available on a wider range of TC-4 speed tiers to broaden availability. **nbn** also intends to introduce a 90-day variant of the eSLA 12 (24x7) option which will attract a one-off payment rather than a recurring charge to enable high care periods.

Pricing strategies for NNI

nbn notes that NNI pricing has been raised as a key area of improvement, particularly by smaller RSPs. **nbn** has recently undertaken consultation on the future of NNI pricing, and is currently considering industry feedback received as part of that consultation, including the implications for NNI pricing within the First Regulatory Cycle.

The ability of **nbn**'s customers and end users to manage price transitions

nbn intends to consult on price transition as part of WBA5, including any operational support required by RSPs. To date, **nbn** has not identified any transitional barriers to the pricing strategies outlined in this draft SPI.

Intended pricing structure

The following table sets out the intended pricing strategy for **nbn**'s access services in the First Regulatory Cycle.

Product Component	Pricing Structure
TC4 – Bundled Offers	<ul style="list-style-type: none">• Bundled AVC charge (\$/month/SIO) with CVC inclusion (Mbps/month/SIO)• Utilised CVC Rate (\$/Mbps) applicable on excess bandwidth consumption nationally for each access seeker
TC4 – Flat Rate Offers	<ul style="list-style-type: none">• AVC charge (\$/month/SIO)
Smart Places	<ul style="list-style-type: none">• Same as TC-4 Bundled Offers, TC-4 Flat Rate Offers and TC-2 offers
TC4 – Basic Satellite	<ul style="list-style-type: none">• AVC charge (\$/month/SIO)• CVC Provisioned charge by class (\$/Mbps) nationally for each access seeker
TC-2	<ul style="list-style-type: none">• Bundled AVC charge (\$/month/SIO) with CVC inclusion (Mbps/month/SIO)• Excess CVC provision charge (\$/Mbps) applicable on excess bandwidth consumption nationally for each access seeker
TC-1	<ul style="list-style-type: none">• AVC charge (\$/month/SIO)• CVC Provisioned charge (excluding satellite) (\$/Mbps)• CVC Provisioned charge by class (satellite only) (\$/Mbps)
eSLA	<ul style="list-style-type: none">• Recurring Charge (\$/month/SIO)• Fixed charge variants (\$/# of Days/SIO)

Areas of likely product innovation and development

TC-4 Data Capped Plans

As outlined in this draft SPI, the removal of CVC charges from (non-satellite) TC-4 services will leave a gap in the existing pricing framework to address the needs of low usage consumers who are accessing **nbn**-based services via a discounted legacy retail plan with limited data allowance. To avoid introducing a price shock for these consumers, **nbn** intends to consult with the industry on the potential introductions of a wholesale data capped offer. The offer would be sold at a discount compared to the unlimited variant at the same speed tier, with the expectation that once the data allowance is exceeded the connection will likely be throttled, disconnected or charged at an additional data rate. The specific design will be subject to the outcomes of industry consultation.

nbn intends to consult on such an offer by no later than 1 July 2024.

TC-4 Enhanced Product Features

nbn seeks to continuously improve its value proposition in market in relation to its core residential and business products, with a particular focus on enhancing existing product features. **nbn** anticipates future enhancements could include speed performance, reconnection experience, and other service level improvements.