



Optus Submission  
on the ACCC Advice to Government  
National Broadband Network  
Points of Interconnect

January 2011

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## **1. Introduction**

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- 1.1 Optus agrees with the ACCC that a semi-distributed approach to the POI location is likely to best meet the LTIE by promoting competition in the relevant retail and wholesale markets.
- 1.2 Optus' submission will focus on the rules associated with the selection of the POIs and offers additional POIs which meet these rules.
- 1.3 In addition, Optus cautions about the selection of POIs which have not been subject to competitive transmission pricing and encourages the ACCC to make DTCS access determinations based on benchmarking with other competitive infrastructure.

## **2. Optus methodology**

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- 2.1 To enable Optus to assess the suitability of the proposed POIs, Optus has mapped the proposed POIs and constructed a geographic polygon area around each POI to approximate the number of GNAFs provided in the spreadsheet on the ACCC website ("List of initial POIs to the NBN.xls").
- 2.2 As Optus does not have information on the boundaries of the proposed FSAs, Optus has overlaid the boundaries of the existing ESAs within these POI areas. This was done to get an approximate number of GNAFs that would be contained within an existing ESA region. While Optus understands that ESA regions will be superseded by FSA regions, the ESA regions enabled Optus to estimate GNAFs for new proposed POIs.
- 2.3 Section 3 of this submission will explain Optus' suggested refinements to the POI planning rules. In applying these rules, Optus proposes that some of NBN's proposed POIs should be replaced by more suitable sites (9 in total). Additionally, some of the proposed sites exceed the GNAF planning limit and therefore an additional 17 POIs should be added to the initial 120 POIs. A total of 137 POI are detailed in Attachment A.

## **3. POI Planning Rules**

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- 3.1 Optus generally agrees with the proposed POI planning rules. However there are a number of inputs that should be considered in conjunction with these rules and these are described in this section.

### *Maximally Served Telstra Exchange*

- 3.2 Optus agrees with the proposed use of Telstra exchanges to provide the facilities for the POI. As numerous access seekers have established transmission facilities at Telstra exchanges, these installations can be used for NBN connectivity.
- 3.3 The planning rules for Metro, Outer Metro and Regional areas include a provision for a "maximally served Telstra exchange". While it may be desirable to chose a Telstra

exchange that is maximally served by existing or potential transmission competition, this needs to be tempered by a number of factors including:

- (a) The potential number of GNAFs covered by the existing Telstra exchange; and
- (b) The facilities available at this exchange which include floor space, power, air conditioning and ducts

- 3.4 The number of telephony services currently served by an existing Telstra exchange is an indication of the potential facilities that can be provided from this exchange site i.e. the larger the number of telephony services, the larger the floor area, the more numerous and extensive the duct network and the larger the power and air-conditioning plant.
- 3.5 It is Optus' assumption that the number of GNAFs potentially served by an existing copper exchange service area will be in direct proportion with the number of NBN services offered from the FSA that will replace the copper exchange area. This is because the existing duct network which houses the copper cable will radiate from the existing exchange building and these ducts will be used for the optic fibre that will service the FSA.
- 3.6 There are a number of proposed POIs (at least 9) which Optus believes are situated in one of the smallest existing exchanges within that POI area. Optus submits that consideration should be given to larger exchanges within the POI area which also have a minimum of two backhaul operators. These alternate exchanges will have superior facilities while not compromising access to competitive backhaul.
- 3.7 Optus cannot comment on whether these alternate exchanges are the maximally transmission served exchange as this information is not at our disposal.
- 3.8 Optus has proposed alternate larger exchanges within the serving area that will likely have better facilities based on the GNAF coverage. Nine alternate sites are listed in Attachment A.

#### *GNAF limit per POI*

- 3.9 The planning rules limit the GNAFs to approximately 80,000 for Metro POIs and limit the GNAFs to a 'soft cap' of approximately 100,000 for Regional and Outer Metro POIs.
- 3.10 Optus does not disagree with these GNAF limits per POI. However as the POIs are not in pairs and the FSAs are not dual homed, the GNAF limits should not be exceeded where there are other possible POIs sites. This will limit the exposure of single points of failure at any particular POI site.
- 3.11 From the list of potential POIs, "List of initial POIs to the NBN.xls", it is clear that some of the POIs significantly exceed the GNAF limit of 80,000 for Metro and 100,000 for Outer Metro and Regional POIs.
- 3.12 To remedy this, Optus has proposed at least 17 additional POIs to relieve some of the more heavily loaded POIs and to ensure that the planning rule limits are met. Optus has estimated the GNAFs in these proposed additional POIs and this is detailed in Attachment A.

#### *Other relevant Inputs to the selection of the location of POIs*

- 3.13 There are a number of relevant inputs to the selection of the location of the POIs detailed in paragraphs (v) to (x) of the document, "POI planning rules.pdf". Optus generally agrees with these rules but proposes an amendment to paragraph (v).
- 3.14 The POI planning rules paragraph (v) states that "at least one of the backhaul transmission operators must provide a geographically protected transmission path to the capital of the mainland state in which the POI is located (i.e. Sydney, Melbourne, Brisbane, Adelaide or Perth)."
- 3.15 NBN Co assumes that Telstra will satisfy this criteria in each case. While this may be the case, Optus submits that the existence of only one supplier of geographically diverse paths will not result in competitive and efficient transmission being provided to each POI. This is particularly the case in areas such as Tasmania, Northern Territory and Western Australia where Telstra is the only supplier of diverse transmission.
- 3.16 Therefore Optus believes the POI planning rule (v) should be modified to state that :
- (a) at least two independent backhaul transmission operators must provide geographically diverse unprotected transmission paths to the capital of the mainland state in which the POI is located (i.e. to Sydney, Melbourne, Brisbane, Adelaide or Perth); or
  - (b) at least two independent backhaul transmission operators must provide geographically diverse unprotected transmission paths from POIs located in the Northern Territory and Tasmania to appropriate transmission hubs located in another mainland state; or
  - (c) at least two backhaul transmission operators must provide geographically protected transmission paths to the capital of the mainland state in which the state in which the POI is located (i.e. to Sydney, Melbourne, Brisbane, Adelaide or Perth)
- 3.17 From Optus' initial assessment most of the proposed POIs should be compliant with rule (c) in paragraph 3.16 and it is likely that the backhaul transmission services will be competitive.
- 3.18 Therefore the application of rule (a) and (b) in paragraph 3.16 should be addressed.
- 3.19 An example of a POI which would fall under rule (a) is Geraldton whose capital city is Perth.
- 3.20 Examples of POIs which fall under rule (b) are Darwin, Launceston and Davey.
- 3.21 It is Optus' understanding that Geraldton is serviced via diverse transmission paths by Telstra. It will also be served by a single geographic transmission path by Nextgen under the RBBP. It is assumed that Nextgen's transmission path will be diverse from one of Telstra's transmission paths. Therefore Geraldton POI could be served by unprotected transmission links, each provided by two independent operators who have geographically diverse transmission paths to Perth.
- 3.22 Similar scenarios apply to Darwin, Launceston and Davey.
- 3.23 If access seekers are able to acquire competitive unprotected transmission from each of two independent suppliers which are geographically diverse from each other, then the requirement to purchase transmission solely from Telstra (who is likely to be the only supplier of diverse transmission) will be diminished.

- 3.24 The appropriate application of this rule is dependent on the existence of competitively priced transmission paths. The ACCC has stated “empirical assessment of other competitive indicators should be included in order to ensure that the route is sufficiently competitive”<sup>1</sup>. The ACCC has also stated evidence of existing long-term contractual arrangements for the acquisition of transmission services could constitute evidence of competitiveness.<sup>2</sup>
- 3.25 Optus does not believe that the existence of a long term contract is evidence of competitive pricing. In fact, for sites such as Tasmania, Darwin and Geraldton, where Telstra is the only provider of diverse transmission paths, the existence of a long term contract would only reflect the need for commercial certainty for the access seeker.
- 3.26 Clearly these types of routes have not been subject to competitive pricing. Indeed, some of these routes, which form part of the RBBP, are yet to be commissioned and therefore no competitive or efficient pricing could exist.
- 3.27 Therefore it is essential that the ACCC ensures that indicative pricing or access determinations are issued for these routes prior to any POIs being established in these areas.
- 3.28 In summary, Optus believes rule (v) described in paragraph 3.16 could be effectively applied if the ACCC’s price regulation of DTCS on relevant non-competitive routes focuses on pricing for both protected and unprotected routes.

#### **4. Conclusions**

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- 4.1 In summary, Optus supports the implementation of a semi-distributed POIs architecture on the condition that the POIs are chosen in adherence to rules which encourage competitive backhaul transmission. Where competitive backhaul transmission does not currently exist, the ACCC should ensure that price regulation is in place.

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<sup>1</sup> Page 59 ACCC Advice to Government National Broadband Network Points of Interconnect

<sup>2</sup> Page 59 ACCC Advice to Government National Broadband Network Points of Interconnect

**Attachment A: 120 POI list and Proposed Additional POIs**