

Appendix V



POST- AND TELECOM
ADMINISTRATION

Conclusions from PTA consultation on Draft Decision on tariff and conditions for VDSL+ corporate connections, domains and ports for interconnection

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1 Introduction

This document contains an overview of the replies and comments received in the Post and Telecom Administration (PTA) consultation on the first Draft Decision with respect to Mila ehf. (Mila) tariff and conditions for VDSL+ corporate connections and domains and ports for interconnection. The initial draft was submitted to stakeholders for consultation on the Administration's website on 17 September 2014 and the consultation ended last 8 October.

The following parties submitted comments on the Preliminary Draft.

- Hringiðan ehf. - hereafter named Hringiðan
- Snerpa ehf. - hereafter named Snerpa

Comments from Hringiðan and Snerpa were sent to the Mila for comment.

Comments are categorised by subject. Endeavours have been made to identify all significant comments and Mila replies. At the end of each comment there is a short summary of the position of the PTA.

2 Size of ports

Snerpa criticises that that ports larger than 300 Mb/s will not be offered outside the capital city area as is stated in the Appendix 6 *"Interconnections of Internet service providers with the Mila xDSL and GPON systems for Access Option 3"*.

Snerpa points out that the company has 1 Gb/s ports currently installed in Ísafjörður with Mila which are connected into Siminn equipment which then enables Mila to provide the ports. Snerpa submitted a printout of the location of the ports in Siminn equipment in support of its comments.

In the opinion of Snerpa it is not possible to accept that ports be reduced from their current size, as the general trend in network traffic indicates a significant increase in the need for bandwidth in the coming years. Were the PTA to accept this reservation from Mila, this could inhibit Snerpa capability for providing service from the Mila bitstream system.

Snerpa points out that this is a case of discrimination, as at a specific point in time the service provider would need to move his ports to the capital city area with attendant costs. These costs would otherwise be within the total costs of the BRAS system. Such a transfer would benefit those operating in the capital city area at the expense of parties in the countryside.

Hringiðan submitted a similar comment with respect to the size of ports.

In **Mila's** response the company referred to the draft tariff where the following is stated: *"The possible size of interconnections varies depending on the interconnection location in question. They are limited to the speed of ports if located in the capital city area and limited to 300 Mb/s outside the capital city area. Interconnections can take place at one or more interconnection points which are at many locations around the country. The purchaser of the product is responsible for connections into the interconnection point and pays in full for these connections. Ports on offer are 1 Gb/s and 10 Gb/s."*

Mila considers this to be a misunderstanding by Snerpa and Hringiðan. The ports delivered are 1 Gb/s or 10 Gb/s and as Snerpa correctly points out, the company has 1 Gb/s ports installed in Ísafjörður. Mila states that it is not the intention to reduce the size of the ports themselves. On the other hand payment is made for bandwidth in DSL monthly charges and it is thus normal that need for bandwidth be related to the number of DSL connections.

Mila also points out that the planned price for ports is reached with the limitations indicated in the offer. In other countries a comparable service is often provided in such a manner that several interconnection points are configured to which Internet service providers can connect and they must lease a connection to those points. In such a system one could expect 1-3 interconnection points in the countryside and 2-3 in the capital city area. In the Mila offer this is not the case for the time being, which is the main reason why limitations must be imposed on the size of connections as there are significant costs incurred with offering 10 Gb/s ports at

any location in the country. Were the PTA to reject the limitations one could expect prices to rise in accordance with the increased costs that this would entail.

Mila furthermore refers to the Snerpa diagram of configurations in the IP router and points out that it states there that the ports are 1 Gb/s. On the other hand configurations are not shown that limit the bandwidth of the connections to 300 Mb/s as they are at another location in the router configuration. Mila rejects that the reference offer constitutes a reduction in the Snerpa connection in Ísafjörður. The accompanying illustration shows existing use of the Snerpa ports. As can be seen, traffic has mostly been about [...]

[...]

Mila considers that with the current reference offer, significant improvements have been made for Internet service providers located in the countryside as the cost of bandwidth is distributed over all parties regardless of location.

In the opinion of Mila it is not true that costs for Internet service providers would be higher than if Mila operated the system itself. Mila now has approximately [...] customers in xDSL. Of these only about [...] use Access Option 3. It is therefore perfectly clear that by purchasing the service from Siminn, much greater economy of scale is achieved than if Mila operated the system itself. [...].

The position of the PTA

With reference to the Mila explanations, the PTA has no objection to the Mila plan for limitation of bandwidth in accordance with bandwidth needs in the light of the consideration of economy. Mila is however obliged to accede to fair and reasonable requests from counterparties for increased size of connections, among other things as a result of an increase in users and/or normal development of use of bandwidth.

Mila shall delete the following paragraph:

"The possible size of interconnections varies depending on the interconnection point in question. They are limited to the speed of the ports if located in the capital city area and limited to 300 Mb/s outside the capital city area."

This shall be replaced by the following:

"The possible size of interconnections varies depending on the interconnection point in question. They are limited to the speed of the ports if located in the capital city area and limited to 300 Mb/s outside the capital city area. Limitation of connections outside the capital city area to 300 Mb/s does not prevent the counterparty from submitting reasonable and fair requests for larger connections."

Hringiðan cannot agree that it should not be possible to get 10 Gb/s ports unless the service provider has sold connections to 3,000 users and in this respect indicates the development of G.fast. In the opinion of Hringiðan it should not depend on the number of users whether and when a service provider connects with 10GE ports.

Snerpa made a similar comment with respect to limitations on access to 10 Gb/s ports.

In the **Mila** reply it is stated that the reason can first and foremost be attributed to the fact that the number of free 10 Gb/s ports is very limited in the Siminn equipment. This reservation is first and foremost put forward so that electronic communications companies are not purchasing 10 Gb/s unnecessarily which would then call for unnecessary investment in equipment. In reality, electronic communications companies would not purchase 10 Gb/s ports unless they were needed as they are significantly more expensive, and for this reason it will probably not be necessary to invoke the 3,000 customer minimum.

The position of the PTA

As pointed out by Mila, the 10 Gb/s ports are significantly more expensive and for this reason there is little risk that electronic communications companies will purchase them without them being necessary. Mila mentions that they will probably not need to invoke the limitation on the number of users. For this reason the PTA cannot see the necessity for limiting access of electronic communications companies to 10 Gb/s ports to a minimum number of users.

The PTA thus intends not to authorise Mila to tie the provision of 10 Gb/s ports to 3000 users. On the other hand it is reasonable that the counterparty demonstrate a need for such ports for the purpose of efficiency in network development.

Mila shall delete the following paragraph:

"In order to have the option of connecting to 10 Gb/s ports, the counterparty needs to have a minimum of 3,000 customers on the Mila access system."

This shall be replaced by the following:

"In order to have the option of connecting to 10 Gb/s ports, the counterparty needs to demonstrate that his request for such is fair and reasonable."

3 Configurations and delivery of ports

Snerpa points out that the tariff appears to be based on a large part of the work involved in configuration and delivery of ports being performed in reality by Siminn staff and with equipment in operation with Siminn. This is not in accordance with Article 1 Item c and Article 2 Item c in the Decision of the Competition Authority no. 6/2013.

In the Competition Authority Decision it states that if Mila has not by the end of the year completed installation of its own system to provide bitstream service then *"Mila shall as*

before have the option of receiving temporary access to Siminn systems, where necessary, in order to fulfil its duty for continuous service as specified here above."

As this is only temporary access, that is to say a temporary arrangement, it is not possible to accept that costs for this arrangement are in any way included in the Mila tariff.

Mila will thus need to bear the burden of the decision having been made to continue to use services from Siminn to be able to provide the service. It is clear that Siminn will not price its service to Mila without mark-up and also that Mila will add a mark-up to that cost to cover Mila's administration. All service in the tariff is thus priced considerably higher than would have been necessary had Mila operated the systems itself. It is highly inappropriate that the costs resulting from Mila not having fulfilled provisions in the Competition Authority Decision be passed on to Mila customers.

Hringiðan made the same comment.

In **Mila's** response the company points out that the agreement between the Competition Authority and the Skipti Group has no impact on the PTA jurisdiction and that PTA decisions are made on the basis of legislation on electronic communications.

The position of the PTA

The current situation is that Mila has not developed its own IP-MPLS network comparable to the Siminn network. In order for Mila to be able to offer this service (domain and port) Mila needs to purchase procurements from Siminn. The PTA has examined the Mila tariff and has no objections to it.

In this connection the PTA takes into account that the Mila service could be more economic for counterparties than the service on offer from Siminn.

If Hringiðan and Snerpa considers that the above is not in accordance with the agreement between the Competition Authority and the Skipti Group, then they have the option of making appropriate comments to the surveillance committee on equal access for electronic communications companies in accordance with the conditions of the agreement.

Snerpa considers it appropriate to point out that configuration of ports is not complex. It constitutes, apart from the connection of the transport channel (which this initial cost does not include), the entry of configurations for Mila BRAS-equipment (now in operation with Siminn), which is implemented by adding information on the IP address and password of the LNS server of the electronic communications company in question to a config file in the RADIUS authentication server, along with the domain name that it wishes to use to differentiate its users from other users.

Snerpa also points out that in some instances the LNS is operated by Siminn and that this should be a service that is not a concern of Mila as this is done in connection with access for the electronic communications company to the Siminn IP network for which it pays Siminn directly.

Snerpa submitted examples of information that had to be entered into the SQL server for RADIUS with Mila for the Snerpa LNS server. The example indicates the values that are variable by service provider. Snerpa objects to the fact that Mila considers it to be reasonable to collect a charge of ISK 114,173 for this registration and in addition to this that the operational costs with this arrangement are such that it is necessary to charge ISK 7,000 per month for these three entries into the database.

Snerpa considers that the same applies for configuring an additional domain, or for transferring users at a specific domain between LNS servers, for example if one service provider takes over a service from another and thus transfers all users over to his own LNS server. In such instances one only needs to make appropriate changes to the above specified entries or to make three new entries in the case of a new domain.

With respect to the ports themselves, Snerpa refers to costs for ports in Access Option 1 (A1). There the monthly charge for a 1 Gb/s port was calculated and is ISK 9,289 which is a similar price to that in the Mila draft. For a 10 Gb/s port it is ISK 14,862 in A1 which is considerably lower than in the Mila draft. Snerpa points out that configuring ports to interface with service providers' LNS is much simpler than the configurations of ports for A1 though the equipment is mostly comparable. The reason for this is that in A1 one has to allow for quality control and multicast. These points could indicate a lower price for ports than is the case in A1.

Hringiðan submitted a similar comment with respect to the cost of ports.

In its response **Mila** pointed out that according to the PTA Decision the company has significant market power on the bitstream market and is thus subject to price control by the Administration's surveillance. The tariff is to be based on real costs. Mila purchases a service from Siminn which means that this cost can be verified. It would thus be abnormal if Mila could not collect charges for the service that it purchases from one party to provide to another without the addition of administration costs. Mila furthermore points out that if Snerpa and Hringiðan are not happy with Mila pricing of this service then those companies have the option of purchasing this service from Siminn.

In addition to this Mila points out that if the company were to develop this service from scratch then this would in all likelihood lead to a much higher price as the current tariff enjoys the benefits of sharing of equipment with [...] where most of the customers are. In the case of setting up of domains then certain work is done by Siminn in configurations into the Siminn BRAS system which is located at various locations in the country. Siminn charges Mila for the service. In addition to this there is a certain amount of administration by Mila, for which it

is proper and normal to pay. Mila will however not collect start-up charges for domains that are already in operation with Siminn, as in that instance it does not incur any costs.

In the Mila reply it is also stated that there had been a misunderstanding between Siminn and Mila with respect to collection of a monthly fee for domains of ISK 7,000. Siminn did not collect this fee and it will be removed from the Mila tariff.

The position of the PTA

As this is an instance of Mila resale of service from Siminn, the PTA first and foremost examines Mila's mark-up and terms of business. This means that the PTA does not cost analyse this Siminn service as there is no obligation for price control on Siminn on this market.

The PTA welcomes the fact that comments received have resolved a misunderstanding between Siminn and Mila, which is to the advantage of all who purchase the service.

4 Connection charges in BRAS and ports of individual providers into the BRAS system

Snerpa and Hringiðan refer to comments delivered to the PTA last 29 July which were referred to Mila. In their opinion the cost of the BRAS system is part of the cost for individual ports in Mila DSLAM and refer to table 9.7 in Decision 17/2014.

It would be double charging if payments were made for access to the BRAS system both with the port charges and also by collecting for access of ports into the BRAS system. Mila can thus not say "paid specially for bandwidth into the Siminn BRAS system". In addition to this the companies point out that the BRAS system should be operated by Mila and not by Siminn and that the existing arrangement is only temporary. If a monthly payment is made for ports then a corresponding cost must be removed from the cost analysis of access ports in DSLAM.

In the **Mila** reply the company points out that this cost is not included in the cost analysis for A3. This has already been stated in a Mila reply to prior comments from Snerpa and Hringiðan.

The position of the PTA

The PTA refers to its discussion in Section 3.4 in the Draft Decision which covers comments from Snerpa and Hringiðan which were received last 29 July. As is stated there, the cost referred to by Snerpa is not included in the access prices for Access Option 3.

Hringiðan points out that the company has requested that Mila connect Hringiðan with the main and reserve route for DSL wholesale traffic in Dunhagi 5 through two separate cables and through two separate electronic communications systems. Mila has not yet met this request and one year has now passed since it was first requested from Mila that the company receive DSL wholesale connections.

In its reply **Mila** specifies that Hringiðan appears to interpret Access Option 3 in such a manner that the system interface is located with the Internet service provider and that it is the responsibility of the xDSL service provider (Mila) to transfer the traffic to the Internet service provider. This is a wrong interpretation and is not shown in the PTA graphic illustration of Access Options. There it can be seen that the interfaces are in a connection point of the IP backbone network of the xDSL system. It is thus the responsibility of the Internet service provider to acquire a connection into the xDSL service provider network and to pay for this. Hringiðan has had the option of being able to connect into the xDSL system through Mila since the PTA authorised the selling of such service. Hringiðan had however refused to pay for the connections into Tæknigarður which is the reason why Hringiðan has not received them.

The position of the PTA

This comment from Hringiðan does not fall within the scope of the Draft Decision which was submitted for consultation.

The PTA agrees with Mila that the Access Option port is at a connection point of the IP backbone network of the xDSL system. It is the responsibility of each Internet service provider to acquire an appropriate connection to that connection point. The PTA refers to the Administration's Decision no. 21/2014 with respect to Mila's obligations in this relation.

Hringiðan requests the use of the same connections that are used for DSL wholesale connections between Tæknigarður and Múli for other service that the company sells from Múli to Tæknigarður for example international connections. It is for this reason most unfortunate that the wording in the PTA Decision precludes this.

In the **Mila** response it is stated that this is a case of a special product which is provided for the sole purpose of providing BRAS interconnections. Mila leases ports from Siminn and resells to Internet service providers. It would thus be very abnormal were connections that Internet service providers purchase from other companies to go through Mila ports, particularly when one takes into account that the purpose of this operation is precisely to separate Mila service from that of Siminn. Mila furthermore points out that there is nothing to stop Hringiðan from sharing its connections between Tæknigarður and Múli but such sharing would take place outside ports for BRAS service.

The position of the PTA

The Hringiðan comment relates to the following paragraph in the draft to Appendix 6:

"It is not authorised to share this connection for use with another service that is not connected to interconnection with Mila systems for Access Option 3."

In the light of the Hringiðan comments and the Mila response, the PTA considers it appropriate that the condition in question be explained further. With the word "connection", Mila is referring to the interface with BRAS service and Mila shall change the wording in the following manner.

"It is not authorised to share this connection with BRAS service for use with another service that is not connected to interconnection with Mila Systems for Access Option 3."

5 In-house connections at telephone exchange

Snerpa points out that the charge for "connection from customer equipment into the Siminn IP network" can be found nowhere in the Mila tariff and considers that this connection is part of the cost of "Access and MDF services" in cost analysis for A3.

In addition to this Snerpa considers that the interconnection point specified in the Mila Appendix is precisely MDF. Snerpa delivered its fibre-optic to Mila MDF in Ísafjörður but the charges collected for in-house fibre-optic from MDF to the Siminn IP network (while Mila has not installed its own backbone network for BRAS service). Given that the cost of MDF is included in the PTA cost analysis for port charges, then all costs that occur after Snerpa has delivered into the MDF must be included in the port charge.

Hringiðan made a similar comment with respect to the cost for "Access and MDF services".

In the **Mila** reply it is stated that this connection is not included in the cost analysis for bitstream access. To explain this further, this is fibre-optic from Siminn MPLS equipment into the Mila fibre-optic distribution frame and from there to the Snerpa equipment. Mila has collected charges for such connections in cases which are not leased line connections but simply fibre-optic between equipment within the technical space. This charge is ISK 1,100 and is for registration and maintenance in line bookkeeping and for facilities on the Mila fibre-optic distribution frame. Mila considers it normal that payment should be made for connections in Mila equipment within Mila technical space which is not a case of a connection out of the technical space. In the opinion of Mila these fibre-optic connections are neither part of the market for backbone networks (Market 4) nor the market for access networks (Markets 4, 5 and 6). It is however correct that Mila has not published a price for this service on its website and this will be remedied immediately. [...]

The position of the PTA

As Mila mentioned in its reply and as was stated in Section 3.4 in the Draft Decision, the cost item "access and MDF services" in the cost analysis for Access Option 3 does not cover what is called in-house fibre and for this reason Mila makes a special charge for this.

Snerpa is correct in saying that Mila failed to publish a price for the service as has been agreed by Mila and Mila is obliged to remedy this without delay.