POST AND TELECOM
ADMINISTRATION
IN ICELAND

# Draft decision on tariff and conditions for VDSL+ corporate connections, domain and ports for interconnection

**19 November 2014**

PÓST- OG FJARSKIPTASTOFNUN

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# 1. Introduction

This Draft Decision comes subsequent to a request from Míla ehf. (Mila) to commence sale of new products, that is to say on the one hand domain and ports for interconnections with the Mila systems in Access Option 3 and on the other hand VDSL+ corporate connections.

Domains and ports are intended for Internet service providers so that they can provide their Internet service over Mila xDSL and GPON systems in Option 3, where a connection between Internet service providers and the backbone network needs to be in place.

VDSL+ is offered in Access Option 1[1] or Access Option 3[2] depending on which is more convenient for Mila customers. These are corporate connections from users to the next network connection point (DSLAM). When the service is offered in Access Option 3 it requires transport on an IP network.

The above specified products belong to the market for broadband access (Market 5).

According to the Decision of the Post and Telecom Administration (PTA) no. 21/2014 on the designation of a company with significant market power and on the imposition of obligations on the wholesale market for access to local loops (M4) and the bitstream market (M5), dated 13 August 2014, obligations rest on Mila among other things for transparency and price control of the company's tariff for broadband access through copper local loops. Amendments to the tariff and to the Mila Reference Offer which relate to broadband access through copper local loops are thus dependent on endorsement by the PTA. PTA Decision no. 21/2014 replaced PTA former Decision no. 8/2008[3], where similar obligations were imposed.

Here below the circumstances of this case are described. In PTA Decision no. 13/2014 dated last 30 June, Mila was authorised to offer these services before a final decision was made on tariff and other conditions.

The PTA has examined the Mila tariff for domain and ports and the Mila cost analysis for VDSL+ corporate connections. The planned PTA Decision with respect to price for this service from Mila is presented in this draft. In addition to this, those amendments that Mila plans to make to its Reference Offer for Bitstream Access with the addition of an Appendix with the current offer which shows the conditions that apply to such products, are included. This refers to Appendices 6, 7A and 7B and amendments to the Reference Offer itself to the effect that the appendices are included in the Reference Offer. The appendices, as published in the national consultation which ran from 17 September until 8 October 2014, are attached

[1] Delivery of bitstream in DSLAM or equivalent equipment at the place where the copper local loops connect to the telephone exchange distribution frame and/or fibre-optic distribution frame in telephone exchange, street cabinet or other equipment space.

[2] Bitstream is delivered after ATM/IP transmission through the backbone network to the connection point of another electronic communications company with the backbone network.

[3] Decision no. 8/2008 on the designation of undertakings with significant market power and imposition of obligations in the market for wholesale broadband access (market 12).

as Accompanying Documents I, II and III to this Draft Decision. The results of the above mentioned national consultation may be found in Accompanying Document IV.

# 2. Facts of the case

## 2.1 Mila notification to the PTA on planned bitstream services

In a letter from Mila to the PTA dated last 28 March, the company informed the Administration about the planned provision of new bitstream services, along with prices for these services.

On the one hand there were domain and port services for interconnection between Internet service providers to the Mila xDSL and GPON systems in Access Option 3. It was stated that for Internet service parties to be able to offer their Internet services through the Mila networks in Access Option 3, there needed to be a connection between the Internet service provider and the backbone network. As Mila had not developed its own backbone network, the company purchased access to the Siminn backbone network and thus purchased access to BRAS (Broadband Remote Access Server). The price was based on the Siminn price for this service. Interconnections could take place at one or more interconnection points which were at many locations around the country. The purchaser of the product was responsible for connections into the interconnection point and paid in full for these connections. Ports on offer were 1 Gb/s and 10 Gb/s. The purchaser was also responsible for the necessary optic module in his equipment while Mila supplied compatible equipment on the exchange side. The possible size of interconnection connections varied depending on the interconnection point in question. They were limited to the speed of interconnections if they were located in the capital city area and limited to 300 Mb/s outside the capital city area.

On the other hand there was VDSL+ service through Access Option 3. It was stated that the product was suitable for small and medium companies for data transfer and was based on a technology comparable to ADSL+. These are corporate connections from users to the next network connection point (DSLAM) and transfer through an IP network. No endpoint equipment or first level service was included in the product. The downstream speed was 50 Mb/s and upstream was 25Mb/s. The counterparty bore the cost of necessary in-house cable installations such as the setting up of a line splitter. It was a requirement from Mila that this should be configured for all VDSL and VDSL+ connections. Connections could variously be from telephone exchanges or street cabinets. Service would be on offer in the same access address/address as standard VDSL connections. Authorisation was requested from the PTA to launch this product immediately on the market as there was considerable demand for the product. The letter was accompanied by a cost analysis for the service.

## 2.2 Mila request for PTA endorsement of amendments to Reference Offer for Bitstream Access

The PTA formally received the Mila request for the Administration's endorsement of the above specified amendments to the Mila Reference Offer on Bitstream Access by email last 23 April, so that the company could commence provision of the service in question. Attached to the email were two appendices which were to be added to the Reference Offer, that is to say Appendix 6 (Interconnection of service providers with the Mila xDSL and GPON systems for Access Option 3) and Appendix 7 (VDSL+ on Access Option 3).

## 2.3 National consultation on PTA Decision no. 13/2014

On last 13 May the PTA opened consultation on the above specified Mila request to be authorised to commence provision of the types of service in question prior to the PTA having made a final decision on terms and tariff for the services. The appendices in question were attached.

In the PTA statement it was noted that the main rule was that Mila was not authorised to commence provision of a new wholesale service on the market in question which had not been published for the purposes of information with at least 3 months' notice. In addition to this, PTA endorsement was required through a specific decision subsequent to national consultation and consultation with the EFTA Surveillance Authority (ESA). The PTA would soon process this case and open the consultation in question. It was clear that a final decision would not be reached until the autumn.

The PTA considered that the service being presented here was important for the market and planned to propose that Mila be authorised to commence provision of the service prior to the final PTA Decision being published. Should reasonable objections not be raised by parties to the market against this intention within a given period of notice, the PTA intended to authorise Mila to commence provision of the service in question. The prices and the conditions specified in the appendices would apply until the final PTA Decision was available subsequent to the PTA having reviewed Mila's cost analysis and conditions.

Finally it was stated that should parties to the market/have reasonable objections to the Mila request for the coming into force of the above specified appendices, then they should be received by the Administration no later than 27 May 2014. Attention was drawn to the fact that parties to the market would subsequently have the opportunity to make material comments or proposed amendments to the appendices in question. This consultation was solely intended to enable parties to submit reasonable objections against the appendices coming into force prior to the availability of the final PTA Decision.

## 2.4 Comments from Vodafone

In a letter from Vodafone to the PTA dated last 28 May, the Administration received that company's comments. It was stated that the services that Mila planned to introduce to the market had been presented only in a limited manner in the appendices in question and in addition to this no arguments had been provided by the Administration for the importance of circumventing the main rule which applied to the introduction of new service.

Since 2019 Vodafone had placed strong emphasis on Access Option 1 being accessible to all electronic communications companies on an equal basis. In the opinion of Vodafone this situation did not yet pertain and in addition to this there was uncertainty with respect to pricing. Vodafone considered that both the Administration and Mila should concentrate their efforts on ensuring non-discrimination on this market before embarking on the introduction of new products to the market.

Mila had not presented the product in question to Vodafone which led to the Vodafone conclusion that the product in question was not important for electronic communications companies outside the Skipti Group.

In Appendix 7 Mila presents VDSL+ corporate connections from users to the next DSLAM. Vodafone indicated to the PTA that Siminn was using wholesale switches for service other than Access Option 1, for example for corporate connections. The service had never been presented to Vodafone, not its price nor how it could be used by Vodafone.

In addition to this Vodafone requested that the PTA provide arguments for considering this service to be more important than ensuring access to Access Option 1 and also requested further information on the product so that Vodafone could assess whether the product was such that it was important to the market as a whole and was not simply suited to specific parties to the market.

At a meeting between the PTA and Vodafone last 3 June it was stated that the company's objections related first and foremost to Appendix 7, that is to say VDSL+ corporate connections. The main Vodafone criticism of the planned service was that it was only useful to those parties that purchased Access Option 3 and not to those who purchased Access Option 1.

With respect to Appendix 6, that is to say domain and ports for interconnection in Access Option 3, Vodafone had requested that its customers be transferred from Siminn to Mila and for this reason had no objections to this service being offered prior to the final PTA Decision being available.

## 2.5 Mila opinion with respect to Vodafone comments

In a letter from Mila to the PTA dated last 4 June, the Administration received Mila's opinion on the above specified Vodafone comments.

With respect to Appendix 6 (domain and ports for interconnection on Access Option 3) it was stated that [...][4] was waiting to be able to purchase access to domains with Mila. The situation today was that [...] were purchasing these interconnections from Siminn. These parties would rather purchase the service from Mila. The reason for this was at the connection they purchased from Siminn was more expensive than the connection they could purchase from Mila and in addition to this the Siminn service was not fully comparable with the service offered by Mila. Síminn offered traditional IP connection into the Siminn IP network which was used for the BRAS/RADIUS/LNS service. This also included a connection between the company's A3 and the next Siminn IP point, which was not included in the Mila service as is stated in Appendix 6. It was stated that the purchaser of the product was responsible for connections into the interconnection point and paid in full for these connections. This meant that Mila customers separately procured a connection from that collection point to the Mila port, either by leasing a connection from Mila or in another manner.

With respect to Appendix 7 (VDSL+) it was stated that [...] had requested or made a query about VDSL+ service. Mila considered that VDSL+ was not a new service from Mila but rather an upgrade of ADSL+. The technical structure of this product was the same as in ADSL+. Mila used the local loop and DSLAM and then paid Siminn for access to the IP network.

Vodafone made the objection that VDSL+ corporate connections had not been presented to the company. The reason for this was that Mila did not present its products prior to endorsement from the PTA. Subsequent to review by the PTA, the intention had been to present the product to parties to the market all at the same time.

In addition to this the PTA had often emphasised technical independence in its decisions. Had the PTA intended to impose limitations, on the basis of technology, on how Mila planned to provide service then this would be in contradiction to the above.

At a meeting with Mila last 4 June, Mila reacted positively to the Vodafone proposal that the VDSL+ corporate connections service should be also offered with Access Option 1. Last 13 June the PTA received an updated Appendix 7 from Mila where Appendix 7A covers VDSL+ on Access Option 3 and Appendix 7B covers VDSL+ on Access Option 1.

## 2.6 The PTA Decision no. 13/2014

With the PTA Decision no. 13/2014 on VDSL+ corporate connections and domain and ports for interconnections in Access Option 3, Mila was authorised to commence provision of a new type of bitstream service which among other things enabled access to domains and ports for interconnection of electronic communications companies with Mila xDSL and GPON systems for Access Option 3 and on the other hand in access to VDSL+ corporate service in

[4] Information removed for purposes of confidentiality. The same applies to information provided in square brackets here above.

Access Options 1 and 3, prior to the Post and Telecom Administration having made a final decision on conditions and tariff for the service types in question. The prices in question in the planned Appendices 6, 7A and 7B to the Mila Reference Offer for Bitstream Access should apply as temporary prices until a final price was decided by the PTA. Settlement of a possible difference in price should take place no later than one month subsequent to the PTA final decision on prices.

### 2.7 National consultation

The PTA opened a national consultation on the preliminary draft to the Draft decision with respect to tariff and conditions for VDSL+ corporate connections and domain and ports for interconnection on 17 September 2014 and the consultation ran until last 8 October. Comments were received from Hringiðan ehf. and Snerpa ehf. Mila was given the opportunity to respond to these comments. Comments by stakeholders and conclusions of the national consultation can be found in accompanying document no. IV.

## 3. Mila tariff for domain and ports for interconnection with Mila systems

### 3.1. Mila tariff

In a letter dated 28 March 2014, Mila presented a draft tariff for domain and ports for interconnection with Mila systems.

In the Mila letter it says:

*"The price for the service is as in the Siminn tariff with [...] mark-up for Mila handling. The handling constitutes Mila "fronting" the service to its customers, collection costs and general handling with respect to the connections and in addition to this the product needs to pay its share of senior management and support department costs.*

*The Mila tariff for the service is as follows:*

| Tariff | |
|---|---|
| **Setup fees** | |
| Setting up of the first domain | ISK 114,173 |
| Setting up of additional domain | ISK 28,543 |
| | |
| **Monthly fee** | |
| Port up to 1 Gb/s | ISK 9,986 |
| Port 10 Gb/s | ISK 59,921 |
| Domain charge per domain | ISK 7,000 |

*Prices are ex VAT.*

*The price for initial connection to the backbone network is according to the general tariff for the type of connection in question.*

*In order to enable connections to 10 Gb/s ports, the counterparty needs to have a minimum of 3000 customers in the Mila access system."*

## 3.2 Comments from Snerpa and Hringiðan

On 29 July 2014 a comment was received from Snerpa which was submitted in collaboration with Hringiðan according to the Snerpa email. The comment related to Appendix 6 which was published in accordance with the PTA Decision no. 13/2014. As the comment was received subsequent to closure of the consultation period for Decision no. 13/2014, it is discussed here.

In the Snerpa letter it is stated that Mila has in this way initiated collection of charges for access to BRAS**.** Mila calls this a new service which is clearly a misunderstanding as it has been provided in this manner for many years. According to the Snerpa and Hringiðan understanding of the situation, the price for this service has been part of the port charge.

In addition to this, in the email it is pointed out that in the PTA Decision no. 17/2014, the cost of BRAS service is included in the port charge which would mean, all things being equal, that network operators would be charged twice for the same service, that is to say "access and MDF services" and "BRAS" as the following table shows:

***Tafla 7.9 Einingakostnaður á mánuði – Aðgangsleið 3***

| Activity | ADSL/VDSL |
|---|---|
| Access and MDF services | [...] |
| DSL DSLAM | [...] |
| Core and Backhaul Switching | [...] |
| Core distance | [...] |
| Backhaul distance | [...] |
| BRAS | [...] |
| CPE (wholesale build) | *[...]* |
| **Total cost - Option 3** | **1.367** |

In addition to this Snerpa points out that Mila already collects an "in-house fibre" fee of ISK 1,000 from Snerpa which one can assume that Mila will require for fibre trunk from "BB cabinet" as Snerpa has an interconnection point to a patch shelf with Mila BRAS in the telephone exchange in Ísafjörður. One could argue that this should also be included in "Access and MDF Services".

In addition to this, transfer from BRAS is paid to a network utility maintained by Snerpa itself with its own fibre-optic and Hringiðan buys from Siminn.

In the national consultation of the draft decision Snerpa and Hringiðan also commented on Mila's tariff for domain and ports for interconnections. Their comments and the results of the national consultation can be found in accompanying document no. IV.

## 3.3 Mila's opinion with respect to Snerpa and Hringiðan comments

The Administration received Mila´s opinion on the above specified comments from Snerpa and Hringiðan by email dated last 3 September. In the letter it says:

*"As Mila sees it there is clearly a new service with respect to domain and BRAS. Access to BRAS has admittedly been available from Siminn but Mila has not offered the service. It is not possible to say that this constitutes a takeover of service from Siminn as Siminn is still offering this service and its service has a different configuration than that of Mila.*

*The arrangement in force is such that the customers have purchased a connection into the Siminn IP network and this service is for a connection from the customer into the Siminn BRAS system. Mila however offers a substitute service which costs just under ISK 10,000 for a 1 Gb/s port where no separate payment is made for bandwidth into the Siminn BRAS system. Customers no longer need to deal with Siminn but can purchase this service from Mila at a much lower price. This is a choice that the customer has.*

*Snerpa speaks about this having been included in the port charge. To which port charge is Snerpa referring? Mila is not aware of this service having been included in any port charge at Mila.*

*It is true that the cost of BRAS service is part of Access Option 3 but according to information from Siminn the cost for access connection into the IP network (port in an exchange) is not included there.*

*Snerpa maintains that this service means that Mila has started to charge for access to BRAS. With this service Mila is offering customers the choice of purchasing this access from Mila instead of from Siminn."*

It was also stated by Mila that "in-house fibre" is for a connection from customer equipment to the Siminn IP network. This cost has not been part of the cost analysis for bitstream access.

## 3.4 Position of the PTA on Mila tariff for domain and ports

The Mila tariff for domain and ports for interconnection with the Mila system is based on the fact that Mila is mostly reselling service from Siminn. Mila proposes that a [...] handling charge be added to the Siminn fee and that it be included in the Mila tariff.

Resale involves a certain amount of handling which generates costs. The following is an example of the service provided by a reseller and of the costs that can accrue:

- Sales costs.
- Accounts relationships with customers and funding of accounts receivable.
- Depreciation of accounts receivable.
- Second level service with customers.
- Information systems.
- Share in common costs (for example premises, office and salaries costs).
- Interconnection of networks.

The PTA considers that costs for handling can be 20% of incurred costs and considers this cost to be within normal limits in this instance. This is in accordance with previous implementation, see PTA Decision no. 35/2011 (cost analysis of leased lines). PTA therefore suggests that 20% of incurred cost is used as an estimate of handling cost, for now.

Domain and ports will be a part of Mila's product portfolio that will be examined in Mila's cost analysis which is prescribed in PTA Decision no. 21/2014 and Mila shall submit in February 2014. PTA will require a more detailed analysis of the handling fee in that cost analysis.

With respect to the comments from Snerpa and Hringiðan, those companies now have the option of purchasing service from Mila or Siminn which in the opinion of the PTA is an improvement and in addition to this the service provided by Mila can be more financially advantageous for the parties in question than the service now on offer by Siminn.

The cost of BRAS in the Siminn[5] cost analysis for Access Options 1 and 3 which is referred to by Snerpa, resulted on the one hand from investment cost in the equipment and on the other hand from a share of the operating costs of the Siminn IP/MPLS network. According to Mila the costs of access connection into the IP network (port in the exchange) is not included in the cost analysis. This cost was not particularly specified in the Siminn cost analysis provided previously by the company to the PTA. The cost item (access and MDF services) in the analysis did not cover what was called in-house fibre and for this reason Mila collects a specific fee for this.

In Mila's response to the comments from the national consultation it is 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.

It is the intended conclusion of the PTA to endorse the Mila tariff as submitted in Mila's letter dated last 28 March with the amendment made by Mila after the national consultation. The following prices will then come into force for domain and ports:

[5] Subsequent to the Decision of the Competition Authority no. 6/2013 dated 26 March 2013, on the Settlement between Skipti hf. and the Competition Authority, bitstream access was transferred from Siminn to Mila on 1 September 2013. From that time the cost analysis was the responsibility of Mila.

| **Set-up charges** | |
|---|---|
| Setting up of the first domain | ISK 114,173 |
| Setting up of additional domain | ISK 28,543 |

| **Monthly fee** | |
|---|---|
| Port up to 1 Gb/s | ISK 9,986 |
| Port 10 Gb/s | ISK 59,921 |

Prices are ex VAT. Further details of items included in the service can be found in Appendix 6 to the Mila Reference Offer for bitstream service (Accompanying Document I), as amended in chapter 5 of this decision.

## 4. Mila cost analysis for VDSL+ service according to Access Options 1 and 3

Mila submitted cost analysis for VDSL+ in Access Option 3 on 28 March 2014 and for VDSL+ in Access Option 1 on 11 June 2014.

In the Mila cost analysis the following is stated:

*VDSL+ is a product suitable for small and medium-size companies for the purpose of data transfer.*

*Endpoint devices and first level service (service to end users) is the responsibility of the counterparty.*

*The price allows for the lower frequency range of the local loop being also leased and the charge for the upper frequency range of the local loop is included in the lease price.*

*If the lower frequency range of the local loop is not in use then this is paid for separately.*

*The downstream speed is 50 Mb/s and upstream is 25 Mb/s.*

*The counterparty bears the cost of necessary in-house cable installations such as the setting up of a line splitter. It was a requirement from Mila that this should be configured for all VDSL and VDSL+ connections.*

*Connections can variously be from telephone exchanges or street cabinets. In the case of a connection from a street cabinet no reserve power supply is available.*

*Service is on offer at the same access addresses as standard VDSL connections.*

## 4.1 Estimated number of connections

As this is a case of a new product it is not clear how many connections there will be. Mila estimates that after one year the number of connections will have reached [...]. Mila allows for a proportion of the existing ADSL+ connections being transferred to VDSL+.

## 4.2 Weighted average capital costs

When calculating equivalent annual costs, Mila assumes WACC at 8%.

## 4.3 Investments and lifetime

In the Mila cost analysis as is stated that setting up and registering in the company's systems are more time-consuming than in the case of standard ADSL/VDSL connections.

In the Mila cost analysis it says:

***"Configuration for ISP and on each connection***

*[...]*

***Service web, communications gateway, APC, Disa and Grandslam***

*[...]*

***Total costs***

*Investment costs for configurations and registration in the system are according to the above estimated at ISK [...] per connection. Given a [...] lifetime and 8% WACC, the annual investment cost is ISK [...] which is equivalent to ISK [...] per month."*

## 4.4 Operation costs

In the Mila cost analysis it says:

*[...]*

## 4.5 Monthly charge for VDSL+

The Mila conclusion with respect to the monthly charge for VDSL+ in Access Option 1 is as follows:

[...]

In the case of VDSL+ in Access Option 3, transport through the IP network is additional.

In the Mila cost analysis it is stated that transmission in the IP network is more expensive with VDSL+ than with ADSL/VDSL. According to information from Siminn, the price for access to the IP network with VDSL+ data transfer speed is ISK [...] per month.

The Mila conclusion with respect to the monthly charge for VDSL+ in Access Option 3 is as follows:

[...]

In Appendix 7A and 7B it is also stated that the set-up price for each VDSL+ connection is ISK 3,166.

In addition to this Mila submitted a new Appendix 7A in an email from last 22 August where the following text had been added:

*"On each VDSL+ connection in A3 there are up to 3 service connections (VLAN) on offer. There is one service connection (VLAN) included in the price for a VDSL+ connection. Should a customer request more service connections then a set-up charge is paid for each service connection (VLAN) ISK [...]."*

In an email from Mila from last 28 August it is stated that the price for each additional service connection is based on the Siminn costs and assumes [...].

## 4.6 The position of the PTA

### 4.6.1 Estimated number of connections

The PTA has no grounds on which to doubt the Mila estimate of number of connections. VDSL+ will be a part of Mila's product portfolio that will be examined in Mila's cost analysis which is prescribed in PTA Decision no. 21/2014 and Mila shall submit in  February 2014. At that point in time there should be more experience on the development of this product and of demand for the product.

### 4.6.2 Weighted average cost of capital

Article 16 of Regulation no. 564/2011 on accounting and cost analysis in the operations of electronic communications undertakings states that the cost of initial capital bound in assets that are used in connection with the offer of service and service products shall be calculated. The rate of return shall be based on average cost of capital (WACC) which is calculated from the rate of return requirement on equity and the rate of return requirement on debts in accordance with Regulation no. 564/2011.  The CAPM model (Capital Asset Pricing Model) shall be used when calculating the rate of return on capital assets and the rate shall reflect the time value of money and the risk related to operations on the market in question. More detailed description of calculations of the WACC and of rate of return on equity can be found in an Appendix to Regulation no. 564/2011.

The required rate of return on debt shall be calculated as the sum of risk-free interest and premium which reflects normal mark-up by companies on the market. The PTA shall decide the WACC at least once a year based on market risk premium, economic gearing and the position with respect to working capital and debts.

WACC using the PTA criteria is shown in the table here below.

*Calculation of Mila's WACC*

| ***WACC*** | ***2013*** |
|---|---|
| Risk-free rate | 3,13% |
| Unlevered beta | 0,50 |
| Levered beta | 0,72 |
| Debts/equity ratio | 0,54 |
| Market risk premium | 5,00% |
| **Cost of equity** | **6,71%** |
| | |
| Risk-free rate | 3,13% |
| Debt premium | 3,00% |
| **Cost of debt** | **6,13%** |
| | |
| Interest bearing debt % | 35% |
| Equity % | 65% |
| Corporate tax rate | 20% |
| Cost of dept, post-tax | 4,90% |
| Cost of equity, pre-tax | 8,38% |
| **WACC (pre-tax)** | **7,6%** |

It is therefore the PTA evaluation of average cost of capital (WACC real) for Mila is 7.6% for the year 2013 in calculations of rate of return for capital bound in assets used in connection with the company's provision of services. The position with respect to working capital and debts is not taken into account in the PTA calculations in this instance.

In the Mila analysis from 28 March 2014, Mila used a WACC of 8.0%, which was Mila's WACC for the year 2012.

### 4.6.3 Operational and investment costs

The PTA makes no comments on the criteria used by Mila in the estimate of investment costs, operational costs and lifetime.

As stated here above it is the opinion of the PTA that Mila WACC is 7.6 for the year 2013 and it is the opinion of the PTA that this should be used in the calculation of the annual investment cost.

Given a [...] lifetime and 7.6% WACC, the annual investment costs is ISK [...] which is equivalent to ISK [...] per month.

The monthly charge for VDSL in Access Option 1 was increased from ISK 911 to ISK 912 on last 1 August.

#### 4.6.4 Calculation and conclusion on monthly charge for VDSL+

Given the above criteria, the monthly charge for VDSL+ will be as follows:

| **Monthly charge, VDSL+ in Access Option 1** | |
|---|---|
| Annual investment cost - configuration and registration | ISK [...] |
| Operating costs | ISK [...] |
| Base price - Access Option 1 | ISK [...] |
| **Total** | **ISK 2,424** |

| **Monthly charge VDSL+ in Access Option 3** | |
|---|---|
| Annual investment cost - configuration and registration | ISK [...] |
| Operating costs | ISK [...] |
| Base price - Access Option 1 | ISK [...] |
| Access to IP network | ISK [...] |
| **Total** | **ISK 5,420** |

The PTA conclusion is that the monthly price for VDSL+ in Access Option 1 shall be ISK 2,424 and the monthly charge for VDSL+ in Access Option 3 shall be ISK 5,420. [...].

PTA does not object to Mila suggestion for a setup fee of ISK 3,166 for new connections. This is the setup fee for new connection of the local loop.

All prices are ex VAT. Further details of items included in this service can be found in Appendices 7A and 7B to the Mila Reference Offer for bitstream service which is attached to this draft in Accompanying Documents II and III.

In accordance with the PTA Decision no. 13/2014, settlement of a possible difference in price shall take place no later than one month subsequent to the PTA final decision on prices.

## 5. Amendments to the Mila Reference Offer on bitstream access

The PTA requested that Mila make proposals on amendments to its Reference Offer on bitstream access which would take into account this new service item with respect to price and conditions.

Subsequently Mila prepared Appendix 6 (interconnection of Internet service providers with Mila xDSL and GPON systems in Access Option 3) and Appendix 7 (VDSL+ in Access Option 3) to the Mila Reference Offer on bitstream access. These appendices accompanied the consultation opened by the PTA last 13 May on the Mila request to be authorised to commence supply of the types of services in question prior to the PTA having made a final decision on terms and tariff for the services.

Last 13 June, subsequent to comments having been received from Vodafone, the PTA received an updated Appendix 7 from Mila where Appendix 7A covers VDSL+ on Access Option 3 and Appendix 7B covers VDSL+ on Access Option 1.

On last 22 August the PTA requested that Mila submit reviewed Appendices 7A and 7B in accordance with the price changes proposed by the PTA. The revised appendices were received by the PTA on the same day and Mila also made amendments that relate to service connections (VLAN). Included in the price for VDSL+ connections in Access Option 3 there is one service connection. Should a customer request more service connections then a start-up charge is paid for each additional service connection.

The PTA also requested that the Mila Reference Offer be updated and that the appendices be specified in the Reference Offer itself. A copy of the updated Mila Reference Offer on bitstream access where the appropriate amendments to the Reference Offer in Section 1.6 are shown, was received by the PTA last 5 September.

The drafted decision was published for national consultation on 17 September 2014 together with the amendments to the Mila Reference Offer and Appendices 6, 7A and 7B, which the company had requested.

As a result of the national consultation PTA intends to prescribe Mila to make the following alterations to Appendix 6 “Interconnection of Internet service providers to Mila xDSL and GPON systems for Access Option 3”:

- Delete the following paragraphs:
  “*The possible size of interconnection connections varies depending on the interconnection point in question. Size is not limited for connections located in the Capital City Area but there is a 300 Mb/s limit outside the Capital City Area.”*
  *"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."*

Replace with 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."*

- 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."*

  Replace with 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."*

- Delete the following paragraph:
  *"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."*

  Replace with the following:
  *"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."*

In Mila's response to the comments from the national consultation it is 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 following prices will therefore apply for domain and ports and Mila shall amend Appendix 6 accordingly:

| **Set-up charges** | |
|---|---|
| Setting up of the first domain | ISK 114,173 |
| Setting up of additional domain | ISK 28,543 |

| **Monthly fee** | |
|---|---|
| Port up to 1 Gb/s | ISK 9,986 |
| Port 10 Gb/s | ISK 59,921 |

No comments were received in the national consultation of this draft decision with respect to Appendix 7A and 7B. PTA therefore intends to accept Appendix 7A and 7B as published in the above mentioned national consultation.

*The Decision*

**The Post and Telecom Administration endorses the Mila ehf. tariff and conditions for VDSL+ corporate connections for Access Option 1 and 3 as presented in Accompanying Documents II and III to this Decision.**

**The Post and Telecom Administration endorses the Mila ehf. tariff and conditions for interconnection of Internet service providers with Mila xDSL and GPON systems in Access Option 3 (domain and ports for interconnection) with the alterations described in chapter 5 here above.**

**The monthly charge for VDSL+ in Access Option 1 will be ISK 2,424 and the monthly charge for VDSL+ in Access Option 3 will be ISK 5,420. The set-up fee for each VDSL+ connection is ISK 3,166.**

**The following prices will apply for domain and ports:**

| **Set-up charges** | |
|---|---|
| **Setting up of the first domain** | **ISK 114,173** |
| **Setting up of additional domain** | **ISK 28,543** |

| **Monthly fee** | |
|---|---|
| **Port up to 1 Gb/s** | **ISK 9,986** |
| **Port 10 Gb/s** | **ISK 59,921** |

**The new Mila ehf. tariff and conditions for VDSL+ corporate connections, domain and ports for interconnection shall come into force as from the next month after the publication of this Decision.**

**This Decision can be appealed to the Appellate Committee for Electronic Communications and Postal Affairs, see Article 13 of Act no. 69/2003 on the Post and Telecom Administration. The appeal shall have reached the Appellate Committee four weeks from the time that the party in question became aware of the Decision of the Post and Telecom Administration.**

**Costs for an appeal are according to Paragraph 5 of Article 13 of the same Act, and in addition to this there is a special appeal charge to the amount of ISK 150,000 to be paid pursuant to Article 6 of Regulation no. 36/2009 on the Appellate Committee for Electronic Communications and Postal Affairs.**

Reykjavík, XX ,XX.2014

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|---|---|
| Accompanying Document I: | Appendix 6: Interconnection of Internet service providers to Mila xDSL and GPON systems for Access Option 3, as it was published in the national consultation |
| Accompanying Document II: | Appendix 7a: VDSL+ in Access Option 3, as it was published in the national consultation |
| Accompanying Document III: | Appendix 7b: VDSL+ in Access Option 1, as it was published in the national consultation |
| Accompanying Document IV: | Conclusions from PTA consultation on Draft Decision on tariff and conditions for VDSL+ corporate connections, domains and ports for interconnection |