

Supervisory Board Activities Newsletter October-December 2010

In the fourth quarter of 2010, the Supervisory Board (SB) continued its monitoring activities regarding the compliance by Telecom Italia of the formal deadlines and the commitments stemming from the Undertakings.

The SB has also launched a number of actions for further investigation about certain issues of particular interest to operators and the market.

With reference to the Undertakings Group n. 1, the SB approved the Final Report of the "KO Analysis" Project, and made recommendations in order to reduce the Work Orders failure rates.

Regarding the new data certification system, the activities to define the statistical models and sampling data extraction have been concluded; the validation activities will begin in 2011.

The SB adopted the Determination n. 20/2010 containing the Technical Report on the progress of the supervisory activities with reference to the Undertakings Group n. 5; with this Determination, the SB asked Telecom Italia to reduce the differences across regions on the network quality level. The first checks on the proper functioning of the system designed to detect those switches close to saturation also started.

During the November Board meeting, the SB met the President of OTA-Italia, Professor Guido Vannucchi.

Finally, it was held in December in Brussels the first international meeting of the supervisory boards in charge of monitoring the equality of access to the network of the incumbent operators, which was attended by the Equality of Access Board of British Telecom and Telia Sonera and the Independent Oversight Group of Telecom New Zealand, in addition to the SB.

Progress on the implementation of the Undertakings

During the last quarter of 2010 the SB continued the usual verification activities concerning the proper respect by Telecom Italia of the formal deadlines foreseen by the Undertakings.

Undertakings Group No. 1

(setting up a New Delivery Process)

During the last quarter nine new operators, and among them Fastweb, joined the New Delivery Process.

Undertakings Group No. 2

(establishment of a new incentive system and a Code of practice)

In October Telecom Italia sent to the SB a document containing an updating about the training projects carried out in 2010 as well as the action planned for 2011. In the last quarter the 2010 analysis on the level of satisfaction of the other licensed operators buying SMP services from Telecom Italia ended: the results confirmed the OLOs increasing level of satisfaction. This survey will also provide useful information to identify the most critical areas that need further improvements.

Undertakings Group No. 3

(establishment of a performances monitoring system for SMP services)

The definition of the statistical model for data extraction and sampling was completed; in 2011 the validation phase will start, with the involvement of the Supervisory office. *(for more details, see the relevant section later).*

Undertakings Group No. 4

(guarantees of transparency of the monitoring system)

Telecom Italia sent to the SB the September, October and November monthly reports and the quarterly report for the period July-September 2010, on which the SB started the usual verification activities.

Undertakings Group No. 5

(guarantees of transparency of Technical Plans for the Quality of the fixed access network)

The final report for 2010 third quarter, the quarterly Program in respect of the 2011 first quarter and the annual Technical Plan for the Quality of the fixed access network for the year 2011 were sent by Telecom Italia to the SB; the Board undertook the analysis activity of the documents themselves.

Telecom Italia also submitted to the SB a document containing information about the maintenance operations on the main distribution frames, as set by the "on-going" project, and a set of indicators to assess the quality of the network.

During the November, 23rd 2010 meeting, the SB adopted the Determination n. 19/2010, containing recommendations on the system designed to detect those

switches close to saturation, and the Determination n. 20/2010 containing the Technical Report on the progress of the supervisory activities on this Undertakings Group.

(for more details, see the relevant sections later).

Undertakings Group No. 6

(guarantees of transparency of Technical Plans for the Development of the fixed access network)

Telecom Italia submitted the 2010 third quarter reports for the Development of the fixed access network– NGAN, Broadband Coverage and Lotting Plans.

The Multiannual Technical Plan for 2011-2013 and the Quarterly Programme for the 2011 first quarter have also been sent.

Undertakings Group No. 8

(integration of Telecom Italia regulatory accounting and calculation of transfer charge)

The joint activities started by the NRA - within the Undertakings Monitoring Group - with Telecom Italia aimed at the acquisition of information elements and a comparison to define the methodological approach lasted until the end of 2010.

The NRA will publish in 2011 the guidelines, which will be subject to public consultation, for the correct implementation of the Undertakings Group n. 8.

Undertakings Group No. 12

(Obligation to report activation of unrequested services)

Telecom Italia sent to the SB the report containing the data related to the third quarter of 2010; the SB started its usual monitoring activities on it.

Specific analyses

KOs analysis

The SB decided to conduct an analysis about the reasons behind the failures of technical infrastructures and services delivery by Telecom Italia (the so called "KO").

The working plan consists in extracting from Telecom Italia systems the cases of customer and network KOs, divided by cause and temporally ordered according to the date of the job order, in order to identify the troubles each customer faced.

This study was conducted based on the activation data for the period from January 2009 to June 2010.

The bitstream, LLU and WLR services were analyzed: the data obtained will be used for an evaluation of the New Process Delivery (NPD) as soon as a significant number of orders will be available. The analysis will make it possible to verify the real benefits of the introduction of the NPD and to investigate possible areas of improvements in the interests of the alternative operators, Telecom Italia and the final customers.

With the Determination n. 22/2010, the SB approved the Final Report of the "KO Analysis" Project. As a result of the findings of that report, the SB stated a number of recommendations to Telecom Italia in order to improve the delivery process to decrease the failures; the SB also recommended Telecom Italia to begin a dialogue with the OLOs in order to identify common solutions for overcoming the origin of the troubles which delay the activations of the required services. Telecom Italia will also predispose an operational guide for the proper completion of the work orders.

The SB also asked Telecom Italia to classify within the same category certain causes of failures similar but attributed to different classes.

An alternative operator continued with the SB during the period October to December the collaboration that made it possible to fine-tune the calculation parameters and greatly reduce the chances of incurring an error of approximation. The SB asked the main OLOs to participate in the project, pointing out its willingness to consider any suggestion or proposal they would send and to start an effective collaboration.

Data certification

In 2010 the SB started a project aimed at validating the data generated by the Telecom Italia Performance Monitoring System for the SMP services trouble tickets and job orders, in order to ensure their correctness.

During the last quarter of 2010 the SB continued its verification activities about the tasks Telecom Italia is carrying out in collaboration with the University of Catania, with reference to the data certification project.

Once completed the datawarehouse design and implementation, the validation phase will start in 2011, with the direct involvement of the Supervisory office.

The pre-warning system to detect the DSLAM close to saturation

As a result of the investigation conducted on the interruption by Telecom Italia of the sale of the bitstream service in approximately 500 switches without notice due to network saturation problems (Complaint n. S01/2010), the SB recommended Telecom Italia to set up a pre-warning system to identify those switches close to saturation.

During the fourth quarter of 2010, the monitoring activities aimed at verifying the correct functioning of the pre-warning mechanism continued: the first checks showed a high rate of correspondence between the specifications governing the operation of that mechanism and the actual saturation: almost all the DSLAM later declared saturated had been detected by the system.

The Supervisory office set up an internal database for a weekly monitoring of the ADSL main distribution frames desaturation activities and the pre-alert system: it will allow the SB to verify the fairness of Telecom Italia statements contained in the quarterly plans and to evaluate the effectiveness of the detection system. The database is updated weekly thanks to a regular data mining from the Telecom Italia Wholesale portal.

Supervisory activity on the Quality of the fixed access network

The SB asked Telecom Italia several information to get a more transparent picture about the Technical Plans for the Quality of the network.

In particular, the SB set up a panel of KPI in addition to those already provided for in the Undertakings Group n. 3, in order to properly assess the adequacy of Telecom Italia operational plans.

Telecom Italia sent in October to the SB the required information concerning the maintenance operations on the main distribution frames, as set by the "on-going" project, and a set of indicators to test the quality level of the network. The SB approved then with the Determination n. 20/2010 the report on the progress of the supervisory activities about the quality level of the access network (Undertakings Group n. 5).

In addition to checking the progress of the plans submitted quarterly by Telecom Italia, some important parameters for the evaluation of the quality of the assurance and the delivery processes have been assessed.

In order to further improve the results already reached, the SB asked Telecom Italia to reduce the differences of the network quality level registered across different regions, with particular reference to the delivery process (DSLAM / switches desaturation for bitstream services, network KOs resolution, databases quality improvements, etc ...) and the assurance process (failure rates, cabinets maintenance, poles replacement , and maintenance activities in general).

Other activities of the Supervisory Boards

- ◆ During the last quarter the SB continued its relationships with the NRA aimed at providing the Authority with a constant update with reference to the Board activities and the decisions undertaken. A particular attention has been reserved to the exchange of information related to the “KOs Analysis” Project.
- ◆ The Board met in November the President of OTA-Italia; the meeting allowed both the Board and the President to deepen the mutual understanding and to exchange information about the activities carried out.
- ◆ On December 6th, 2010 it was held in Brussels the first international meeting of the supervisory boards in charge of monitoring the equal access to the fixed network of the incumbent operators, aimed at deepen the mutual knowledge and specific issues of interest. The meeting was attended by representatives of Telecom Italia SB, the Equality of Access Office of British Telecom, the Equality of Access Board of Telia Sonera and the Independent Oversight Group of Telecom New Zealand. The Italian NRA AGCom, the European Commission and the Japanese operator NTT were also present with their representatives as observers. NTT interest was due to the debate being recently developed in Japan concerning the possible functional separation of the fiber network of the incumbent. The meeting was the chance to exchange experiences and expose the results achieved so far. A common path has also been undertaken, intended to deepen the analysis of common issues of interest. In particular, it was decided to start with an exchange of information on Key Performance Indicators - KPIs common to all models of functional separation in order to highlight similarities and differences in quantitative and qualitative analysis. The participants agreed on the opportunity to organize another meeting in 2011, expanding the participation to other potential stakeholders.
- ◆ With the Determinations n. 21/2010 and n. 23/2010, the SB approved the request of access to Telecom Italia information and documents acquired by the Antitrust Authority with reference to the proceeding n. A428 and n. A426 in order to verify the possible infringements by Telecom Italia of the Undertakings Group n. 2. The proceeding concerned an alleged abuse of dominant position related to the customers migration procedures between operators and alleged irregularities in occasion of tenders for the award of electronic communications services.