

Activities Newsletter Supervisory Board April-June 2011

During the second quarter the Supervisory Board (SB) continued its monitoring of the strict compliance by Telecom Italia (TI) with the Undertakings: in particular, the usual checks were carried out on the reports sent in by TI especially as regards the performance indicators and the technical plans for the quality and development of the fixed access network.

With reference to the complaint by the operator Welcome Italia, which had given rise to the proceedings “S01/11 – Welcome Italia/Saturation problems in bitstream services – Implementation of Undertakings Group no. 5 on guarantees of transparency of the technical plans for the quality of the fixed access network”, the SB, with Determination no. 13/2011¹, fixed a new time-limit for the conclusion of the investigative stage, and at the same time asked for clarification of certain aspects of the new process for handling complaints from alternative operators about slow navigation.

In relation to Undertakings Groups nos. 3 and 4, the Supervisory Office (SO) continued its checks on the basic data used for calculating the required indicators, on the basis of the specifications for the process of certification of the data communicated by Telecom Italia to the SB. Investigations were also launched in the field – with positive results – among corporate OLOs, in relation to apparent irregularities encountered in the course of data extractions.

As regards Undertakings Group no. 5, and in particular the desaturation of DSLAM systems, the SB adopted Determination no. 12/2011, with which it asked TI for clarification on the excessive frequency of the rescheduling of dates for reopening exchanges to the marketing of bitstream services. At the hearing on 22 June, TI provided the required information and stated its commitment to reviewing the process of managing notifications to operators so as to guarantee greater stability and reliability of information on the expected dates for the reopening of exchanges to the marketing of bitstream services.

Finally, a document was sent to the British, Swedish and New Zealand Supervisory Boards containing requests for information on the subject of Key Performance Indicators (KPI). This document followed on from the meeting between Supervisory Boards in Brussels in December 2010 to discuss equality of access to the fixed network, at which the intention had emerged of developing an exchange of information which could allow increasingly detailed examination of specific topics. The SO received the contributions from Telia Sonera and British Telecom; this made it possible to start an initial comparison between the analysis procedures conducted by Telecom Italia and those conducted by these operators. Bilateral meetings with these operators were scheduled for the coming months, with the object of examining in more detail the areas which are being compared.

¹ http://organodivigilanza.telecomitalia.it/pdf/Determinazione_n13-2011-Welcome.pdf

Progress regarding the implementation of the Undertakings

Undertakings Group no. 1

(launch of the New Delivery Process)

The SB adopted Determination no. 14/2011, with which it asked TI for clarification on certain aspects of the Delivery Process, particularly with reference to the procedures for managing work orders in the event of a mismatch with toponomastic data in Telecom Italia's archives. With this Determination, the SB also recommended that TI should do its utmost to maintain maximum willingness to share information relating to network and toponomastic data, and at the same time allow access to the results of delivery activities (in the "outcomes data warehouse") in accordance with requests made by the operators themselves.

Signups by alternative operators for the New Delivery Process (NDP) continued: from 1 April Eutelia signed up for the NDP, and in May it was Fastweb's turn for the Bitstream service over the whole of Italian territory. The number of OLOs who have signed up for the new process is 31 for Bitstream, 4 for LLU and 3 for WLR. Since the start of the NDP the number of orders on the Bitstream service has been about 61,500. The increase recorded in the month of June (+40%) should really be attributed to the above-mentioned registration by Fastweb for the Bitstream service over the whole of Italian territory.

Undertakings Group no. 2

(establishment of a new incentive system and a code of conduct)

In April the first of two meetings planned by the SB with TI was held, with the aim of studying the state of progress of training courses for employees of Open Access and the Wholesale Department, as well as checking the effectiveness of these courses. The SB then received from TI an update document on the initiatives which had been launched in personnel training: the training activity planned for the year 2011 was continued for resources recruited into Open Access; the numerous sessions held in April, May and June resulted in a cumulative number of personnel trained since 2010 of more than 600. The subcontracting businesses also certified that they had trained their employees in the principles of equality of treatment.

A third meeting, on a date yet to be fixed, will deal with the assessment of the 2011 MBOs assigned by Telecom Italia, to verify their correlation with the measures specified in the Undertakings.

The SB then received from TI the document containing the "Vademecum on Equality of Treatment"; this "Vademecum" has been published on the Open Access portal; by the end of the year a copy will be distributed to all Open Access technical staff.

Undertakings Group no. 3

(establishment of a performance monitoring system for SMP services)

The Supervisory Office continued its activities of checking the elementary data used for calculating the specified indicators, on the basis of the specifications for the certification of data communicated by Telecom Italia to the SB, as required by

Determination no. 4/2011² (for more details see the relevant paragraph below); over the course of the quarter, TI also examined, and for the most part granted, supplementary requests by the OLOs in relation to certain measurement criteria concerning the principal KPIs.

Undertakings Group no. 4

(guarantees of transparency of the monitoring system)

The SB continued its analysis of the Reports sent in by TI for the months of March, April and May, and for the first quarter of 2011. These documents were presented integrated with the new KPIs resulting from the 2009 technical workshops, which came into effect gradually and became fully operative from the beginning of 2011.

Undertakings Group no. 5

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

With Determination no. 12/2011 the SB made recommendations to TI about the pre-alarm signalling system for indicating exchange saturation; TI responded to these recommendations during a hearing on 22 June (*for more details see the relevant paragraph below*).

The SB also analysed the documents produced by TI in accordance with Undertakings Group no. 5, which in the second quarter of 2011 concerned the final figures for IQ 2011 and the Programme for IIIQ 2011; the SB also received from TI a document containing detailed information on the Technical Plans, updated to March 2011.

Undertakings Group no. 6

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

The SB analysed the reports sent in by TI on the final figures for the first quarter of 2011 for the development of the fixed access network – NGA network, Broadband Coverage and Lotting Plan .

Release 2 of the Multi-annual Technical Broadband Plan (2011-2013) and the quarterly Programme for the third quarter of 2011 were also sent.

Undertakings Group no. 8

(integration of regulatory accounting and calculation of transfer charges)

As regards Undertakings Group no. 8, the definitive resolution is still awaited concerning the guidelines on regulatory accounting. In the meantime, meetings are continuing between TI and the Authority with the object of determining as precisely as possible certain measures to implement the new provisions on regulatory accounting.

Undertakings Group no. 12

(obligation to report activation of unrequested services)

The SB has examined the report sent by TI containing the data relating to the first quarter of 2011: in the first quarter three complaints of activation of unrequested services were accepted by the Open Access technical staff.

² http://organodivigilanza.telecomitalia.it/pdf/Determinazione_n4_2011_Certificazione_dati.pdf

Complaints by alternative operators

Complaint S01/11 – Welcome Italia/Saturation problems on bitstream services – Implementation of Undertakings Group no. 5 relating to the guarantees of transparency of the technical plans for the quality of the fixed access network.

On February 7th, 2011, the SB received a complaint from the operator Welcome Italia S.p.A, regarding an alleged breach of the Undertakings by TI. In particular the claimant Company complained of inconvenience caused to its customers due to the saturation of Telecom Italia exchanges for the delivery of Bitstream service, and the fact that the Company had disregarded some communications made in 2010 regarding desaturation operations planned but then not implemented on the reference exchange. This situation, according to the claimant, as well as making it impossible to guarantee customers due regularity in supply of the service, could potentially compromise the alternative Operators' capacity to plan network development strategies and marketing of Retail services sufficiently in advance.

The SB started the verification activities provided for by its Regulations with **Determination no. 2/2011**³, inviting interested parties to supply any information useful in settling the case.

After allowing a 30 day extension to the time-limit for concluding the investigative stage, the SB called TI to a hearing on 24 March 2011: at this hearing, the Company pointed out that the critical issues relating to complaints of “slow navigation” raised by Welcome Italia derive from problems of a more general character concerning the unexpectedly rapid growth of broadband traffic. This growth has forced Telecom Italia to constantly reconsider its plans to upgrade the bandwidth capacity of the saturated ATM DSLAMs, increasing the number of expansion operations.

The difficulties deriving from the need to continuously adapt the content of the Plans in order to handle the increasing traffic, are compounded by problems connected with desaturation operations for exchanges served by ATM DSLAMs, a technology which is now out of production; the only way to desaturate the DSLAMs, according to TI, is therefore to install IP DSLAMs alongside existing systems and migrate Telecom Italia Retail customers onto these. For migrating Wholesale customers, however, OLOs will have to equip themselves with Ethernet interconnection Kits in exchanges which currently only have ATM interconnection Kits.

³ http://organodivigilanza.telecomitalia.it/pdf/Determinazione_n2_2011_Segnalazione_Welcome.pdf

In order to boost desaturation activities and make them suitable for dealing with a continuous increase in traffic, TI has also undertaken new initiatives, such as reducing the price of the Ethernet band compared with the ATM band, directing the remaining resources to expanding sites where there is no Ethernet alternative and launching special “traffic shaping” policies.

TI therefore sent the SB information about the interventions carried out to overcome the problems highlighted by Welcome Italia, methods of handling Trouble Tickets, the territorial distribution of the recorded percentage increase in bandwidth and the representation of the number of systems desaturated in 2010 and 2011, broken down into interventions carried out on exchanges open to LLU and exchanges not open to LLU.

Having taken favourable note of the commitment made by TI, at the SB's suggestion, to take whatever steps are necessary to improve the process of handling the deterioration of the network, with particular reference to adhering to the specified dates for resolving the problems highlighted by the alternative operator, the SB therefore set a new time-limit for the conclusion of the investigative stage of the relative proceedings, with the adoption of Determination no. 13/2011⁴ of 3 May 2011, at the same time requiring clarification on certain aspects of the new process for handling complaints from the alternative Operators over slow navigation.

This extension of the time-limit is a result of the need to have a further period to verify whether the interventions announced by the Company are really suitable for ensuring greater transparency in the information given to the alternative Operators and TI's retail customers; to determine the actual extent, in the entire bitstream services market, of the poor service complained of by the operator Welcome Italia; and finally, to find information, detailed data and indicators for monitoring improvements made by TI to the process of dealing with deterioration in the network.

TI responded to the above Determination no. 13/2011 by sending the SB, on 7 June 2011, a note containing the first items of information on the subject and a request to be heard at a hearing, scheduled to take place in July, in order to be able to explain in greater detail its interventions for improving the processes for handling complaints by the OLOs.

⁴ http://organodivigilanza.telecomitalia.it/pdf/Determinazione_n13-2011-Welcome.pdf

Specific analyses

Certification of data

A project was set up in 2010 aimed at validating the mechanism for extracting the data generated by the performance Monitoring System for TI's SMP services regarding Trouble tickets and Work Orders.

In the second quarter the checks were continued on the statistical samples relating to the data used by TI for drawing up the Monthly Reports on the indicators.

These checks had been set up by the SB to monitor the correctness of the basic data used for calculating the indicators specified in Undertakings Groups nos. 3 and 4. The check starts from the data referring to January 2011 and will last for 12 months. It is conducted by the SO staff, who report the results to the SB every quarter. Following these verification activities, the SB will prepare a final report giving its assessment, including any corrective action to be taken.

On 20 April and 23 May the second and third sample data extractions were performed, relating to the data for February and March 2011. In each extraction a sample of 386 work orders for the delivery process (KPI 1 indicators) and 947 trouble tickets for the assurance process (KP2 indicators) were examined, making a total of 1,333 elements. The identifying details of the sample records were sent, in the presence of Open Access, the University of Catania and the Supervisory Office, to TI, which arranged to supply, for each record, all the data in its operative databases.

In comparing the data extracted from the database used for calculating the KP1 and KP2 indicators for the purposes of Undertakings Group no. 4 with the corresponding data in the operative databases, the SB, with the aid of the SO, was able to verify that no significant discrepancies emerged.

However, in order to investigate some apparent anomalies encountered in the course of the extractions, it was decided to carry out on-the-spot checks at two territorial sites: during June the SB checked at the OLO for Agrigento the integrity of a number of formally incomplete work orders without finding anomalies; a second check was scheduled at the OLO for Ancona for July.

The pre-warning signalling system ("Amber Light") for exchanges at risk of saturation

As a result of the analyses carried out regarding the closure of about 500 exchanges to the marketing of bitstream services due to network saturation, as stated in Complaint S01/2010 by the OLOs, the SB recommended Telecom Italia to set up a shared pre-warning mechanism for indicating the status of exchanges close to saturation.

The SB approved Determination no. 12/2011 with which it noted the excessive frequency of rescheduling dates specified on the wholesale portal for reopening exchanges for marketing bitstream services. With the same Determination, the SB required TI to provide more detailed information on the matter, calling on it also to take appropriate steps to improve the reliability of the expected dates for desaturation of exchanges notified to operators via the said wholesale portal.

At the hearing on 22 June 2011, TI provided the information requested by the SB and stated its commitment to reviewing the process of handling notifications to operators so as to ensure greater stability and reliability of information on the dates of expected reopening of exchanges for marketing bitstream services.

In the second quarter the SB continued its activity of monitoring the pre-warning ("amber light") system and the state of saturation of the exchanges covered by the offer of bitstream services.

From an analysis of the data relating to the behaviour over time of the number of saturated exchanges and the number of exchanges at amber light status, it was noted that after the marked decrease in the first two months of 2011, the number of exchanges at amber light status had recorded a constant overall level. In the second quarter of 2011 the fall in the number of saturated exchanges served by 7 Mbit/s DSLAMs continued, with a continuous tendency which led to its settling on 27 June 2011 at 60 units (-63.6% compared with the value recorded at the beginning of the year), lower than the values specified in TI's technical plans for the second quarter.

As regards the resources which trigger the movement to amber light status when they reach critical levels of availability, it turns out that of the 244 exchanges equipped for 7 Mbit/s services in the alert state at 27 June 2011, 48% were declared to be at risk of saturation because of the high level of occupation of the backhauling bandwidth capacity, while the remaining 52% were declared critical because of the high level of occupation of the termination ports on the DSLAMs.

International benchmarks on the Key Performance Indicators

In the course of the international meeting of supervisory boards which was held in Brussels in December 2010, a common will emerged to develop a mutual exchange of information in order to investigate specific themes and subjects to the benefit of all: it was agreed that Key Performance Indicators (KPIs) would be an interesting first subject for comparison.

On 13 May 2011 a document was sent to the British, Swedish and New Zealand Supervisory Boards containing requests for information on the subject of Key Performance Indicators (KPI). The document was also sent to the Japanese operator NTT which had taken part in the meeting and had declared its intention of jointly investigating specific subjects.

This document followed on from the meeting between Supervisory Boards in Brussels in December 2010 to discuss equality of access to the fixed network, at which the intention had emerged of developing an exchange of information which could allow increasingly detailed examination of specific topics.

A first subject for comparison had been identified in KPIs: the measurement of these indicators is in fact common to all models of functional separation and can therefore constitute a significant element capable of highlighting similarities and differences between the various situations.

In particular the document contained a description of the principal KPIs measured by TI and of its delivery and assurance processes, and a request addressed to all operators for information about KPIs and these same processes. Operators were also asked in the document to provide details of the main causes of rejection (KOs) observed in the delivery process.

The SO received the contributions from Telia Sonera and British Telecom, which made it possible to start an initial comparison between the analysis procedures conducted by Telecom Italia and those conducted by these operators. Bilateral meetings with these operators were scheduled for the coming months, with the object of examining the areas of comparison in more detail.

Other activities of the SB

- ◆ In the second quarter of 2011 the hearing requested by Tiscali was held, on the current state of the Undertakings and the progress in the use of the NDP; in the course of the meeting Tiscali confirmed the good results achieved with the new process (Tiscali was the first national operator to sign up to the new process), and notwithstanding the initial technical problems the operator emphasised the importance of the collaboration shown by TI, aimed at resolving these problems.
- ◆ In June, replying to Wind who complained, in a note, of the total ineffectiveness of the measures specified by the Undertakings, the SB invited the operator to a meeting dedicated to investigating the problems it had raised, in order to evaluate the reasons for the grievances deriving from this alleged ineffectiveness, and to devise cognitive procedures which will make it possible to better identify the problem areas indicated.