

Supervisory Board
Activity Newsletter
April-June 2016

Executive Summary

On 31 May 2016, at the end of the term of office of the members of the Supervisory Board, the National Regulatory Authority for Communications (AGCom) and Telecom Italia agreed to extend, exceptionally, the said term of office of the whole Board up to 31 July 2016, in order to guarantee operating continuity and the continuation of the operations currently in progress.

During the quarter, the Supervisory Board passed **Resolution no. 11/2016** approving the Preliminary Notification within Procedure “P01/16 – *Investigations concerning the methods for implementing the management procedure for the “Single Queue” work order queuing system within the New Delivery Process (NDP)*”. The Supervisory Board has investigated the critical procedural factors that have already been monitored during the previous months, regarding a number of specific cases related to the queuing system. From these investigations, in April, the SB noted apparent irregularities in the execution of Undertakings Group no. 1 and, based on these findings, ordered that the related Preliminary Notification should be sent to Telecom Italia.

With **Resolution no. 12/2016**, the Supervisory Board approved the quarterly report on the work performed and planned for the January-March 2016 period.

With **Resolution no. 13/2016**, the SB approved the reasoned decision regarding identification of suitable action to solve deficiencies in the fulfilment of the undertakings within procedure “P01/16 – *Investigations concerning the methods for implementing the management procedure for the “Single Queue” work order queuing system within the New Delivery Process (NDP)*”.

With **Resolution no. 14/2016** the Board initiated specific investigations in relation to the quality of compliance with the contact policy, within the procedure related to Complaint “S01/15 – *Wind/Irregularities preventing migration to the New Delivery Process – Implementation of Undertakings Group no. 1 related to the setting up of a New Delivery Process for SMP Services*”.

Resolution no. 15/2016 closed the procedure for monitoring the **correct application of the contact policy** by Telecom Italia, based on the Complaint dated July 2015 by the operator (“S01/15 – *Irregularities preventing migration to the New Delivery Process – Implementation of Undertakings Group no. 1 related to the setting up of a New Delivery Process for SMP Services*”). During the meeting on 15 June 2016, the Board ascertained full compliance by Telecom Italia with the requirements set forth in its reasoned decision.

The SB received the **progress reports** and programmes related to Undertakings Groups nos. 5 and 6 regarding respectively the Quality and the Development of the access network, as well as the Reports concerning Group 4 related to the KPIs for the months of March and April 2016.

Regarding **Undertakings Groups nos. 3 and 4**, the SB ruled that collaboration with the University of Catania on the subject of Key Performance Objectives (KPOs) for the equality of treatment indicators should continue. After defining and consequently identifying the KPOs for the internal/external equality of treatment monitoring system, the SB deemed that it was necessary to “*fine tune*” the calculation parameters for each KPI measured. At the same time, in light of the new equivalence process undertaken by Telecom Italia at the end of last year, the Supervisory

Board decided to further investigate possible developments in the methods for calculating equivalence paths. In relation to this, in a note dated 18 May 2016, the SB invited Telecom Italia to take part in these investigations as it did previously for Procedure P01/2014 and in relation to identification of the KPOs; Telecom Italia replied expressing absolute willingness to cooperate on this matter.

Within **Undertakings Group no. 4**, the Supervisory Board deemed it advisable to ask Telecom Italia, with letter ref. 46/16 dated 21 March, for all useful information regarding a number of indicators that during January 2016 would seem to show preferential treatment towards the Retail service. Telecom Italia, responding to the SB's requirements, sent information explaining the apparently critical performances in the month of January in a letter dated 13 April 2016.

With the checks performed in the geographic areas of Emilia Ovest and Emilia Romagna (April 2016), Abruzzo and Molise (May 2016) and Calabria (June 2016), the checks aiming to ascertain correct application by Open Access of the **“single queue” work order queuing system (OL)** introduced with the New Delivery Process (NDP) continued, discovering certain operating irregularities in the queuing process.

Monitoring of progress on Undertakings

Undertakings Group no. 1

(Launch of New Delivery Process)

All the main OLOs have completed migration to the New Delivery Process.

As part of **Undertakings Group no. 1**, new supervisory activity has been begun to check the operation of the “Single Queue” within the New Delivery Process. During this activity, similar to the checks already conducted in previous years, in the April-June quarter the members of the Supervisory Office examined the correct application of the aforesaid mechanism in the Emilia Ovest and Emilia Romagna (April 2016), Abruzzo and Molise (May 2016) and Calabria (June 2016) geographic areas.

Undertakings Group no. 3

(Establishment of a performance monitoring system for SMP services)

Within the KPO identification project, with Resolution no. 19/2015 dated 14 October 2015, the Supervisory Board completed the “P01/14” procedure, simultaneously approving the methods for calculation and identification of the KPI fluctuation thresholds in collaboration with the University of Catania. Additionally, the SB decided that collaboration with the University of Catania should also continue with regard to Key Performance Objectives (KPOs), deeming it necessary to “fine tune” the parameters for calculating each KPI measured and updating the current KPO model to the new Telecom Italia Equivalence model.

Undertakings Group no. 4

(Guarantees of transparency of the monitoring system)

In the second quarter, the SB received monthly reports from Telecom Italia regarding the months of February, March and April 2016, together with the final 1Q16 version of the monitoring system transparency report.

In a letter dated 21 March, the Supervisory Board asked Telecom Italia for all useful information regarding a number of indicators that during January 2016 would seem to show preferential treatment towards the Retail service. Telecom Italia, responding to the SB's requirements, sent the requested information explaining the apparently critical performances in the month of January in a letter dated 13 April 2016.

Undertakings Group no. 5

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

The SB received the final 2Q 2016 report on the Technical Plans for fixed access network quality, together with the SLA report for degraded Wholesale systems.

Undertakings Group no. 6

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

Telecom sent the SB the final 1Q 2016 report on the Technical Plans for fixed access network development, together with the programme related to the 2Q2016 for NGAN.

Undertakings Group no. 12

(Obligation to report the activation of services not requested)

Telecom Italia sent SB the document with reports on activation of services that were not requested, as received by the Open Access technicians. This data has been provided for the first quarter of 2016.

Complaints by alternative operators

Complaint S01/15 – Wind/Irregularities preventing migration to the New Delivery Process

In May 2015, the Operator Wind Telecomunicazioni S.p.A. made a complaint to the Supervisory Board regarding a series of alleged obstructive tactics, used by Telecom Italia, which for several months prevented migration of Wind to the New Delivery Process and, more generally, failure to observe certain procedures by the Open Access technicians during activation of the orders of the OLO's customers.

investigation phase,

the Supervisory Board found specific irregularities concerning erroneous transmission of data by Telecom Italia regarding appointments made according to the rules defined by the policy for contacting customers in the event of activation of non-active lines, failure to use the so-called “OLO contact for on-site activities” procedure and difficulties in accessing the Wholesale Portal. Based on this and after questioning Telecom Italia at a hearing, the SB ruled approval of Resolution no. 17/2015, in which it states the deficiencies found and invited Telecom Italia to take suitable corrective action.

With this provision, the Supervisory Board decided that it should criticise several irregularities and deficiencies regarding the correct execution of Undertakings nos. 1.3.3 and 1.4 set forth in Resolution no. 718/08/CONS, giving Telecom Italia S.p.A. 30 days to make the appropriate corrections, concerning in particular:

- a) the procedures for using the information contained in the SMP Services order record trace, for the purposes of management of the process related to the so-called “OLO Contact” (Undertaking no. 1.3.3);
- b) systems problems that produce cases of erroneous notification to the OLO of information related to fulfilment of the contact policy (Undertaking no. 1.4).

In the following month of November, the Supervisory Board began the related inquiries on the implementation solutions set forth in Resolution no. 17/2015, initially checking compliance with the correct management of the OLO contact procedure; when checking compliance with this procedure, therefore, the SB took into consideration the implementation, by Telecom Italia, of a centralised structure (called NDP Support Centre) to handle the calls to the OLO contact, set up experimentally in the months of August/September 2015.

During the months of November and December, the Supervisory Office made a number of on-site visits to the centres handling calls to the OLO contact for Telecom Italia (in Pomezia) and for Wind (in Ivrea).

Considering the further analyses that have shown, more recently, a marked improvement in the percentage of calls to the OLO contact (increased from the initial 10%, ascertained when the complaint was made, to 91% ascertained during December), on 11 December 2015, the SB decided that the remedial action taken by Telecom Italia is effective, while at the same time arranging for continuation of the compliance investigation in relation to the systems problems

that have produced cases of erroneous notification to the OLO of information regarding fulfilment of the contact policy.

In order to conduct more thorough checks, and with the aim of increasingly greater involvement of the OLOs in its procedures, on 21 January 2016, the SB invited all Operators to provide any evidence useful for supporting the compliance investigation on the OLO Contact.

With regard to systems problems, on the orders of the SB, the Supervisory Office arranged for comparison of the various results submitted by the two Operators (Telecom Italia and WIND Telecomunicazioni S.p.A.). After a long and thorough examination, it was ascertained that the data flows, previously misaligned, have become progressively more uniform, and there is now a substantial correspondence between the XML notification flows and the data contained in the CRM NW database. Bearing in mind, therefore, that positive resolution of the systems problems was preliminary to checking compliance with the contact policy quality, on 19 January 2016 the Supervisory Board gave a positive judgement of the remedial action taken by Telecom, ordering the continuation of the checks related to the quality of compliance with the said policy.

Within this new line of investigation, it should be noted that the Supervisory Office requested more data and information from Telecom on 23 February, and on the following 15 March the SO staff made a visit to the Telecom customer support centre in Cagliari responsible for handling this procedure.

During the month of April, analyses and sharing of process performance indicator data continued, and this data showed a constant and progressive improvement in the critical aspects previously underlined by the Operator who lodged the complaint. At the Board Meeting on 15 June, the members of the Board ruled that the procedure should be closed.

Complaint by the Operator Fastweb S.p.A.

S02/13 - Fastweb/Malfunctions of the CRM system for Wholesale customers

With reference to the closed procedure in which the Operator Fastweb and Telecom Italia were in conflict, the SB has continued to use the performance indicator for the CRM system for Telecom Italia Wholesale customers to monitor the performance of this IT system with the aim of promptly identifying any critical operating conditions.

LLU services

During the whole quarter, the index for LLU services on active lines (AL) showed a trend that oscillated around 1.84% with no major variations. After the peak value of 5% recorded at the end of March, the CRM performance index for LLU services on non-active lines (LAN) decreased in the months of April and May reaching a minimum of 1.14% at the end of April, and then stabilising at 2.67% at the end of June. In correspondence with the decrease in percentages, the number of OLS waiting for over N days in absolute terms dropped by around 825 to 233, and then rose again to 368.

WLR Services

The CRM performance indicator for WLR services on active lines (AL) stabilised at values oscillating around an average level of 1.48% throughout the quarter. The index for WLR services on non-active lines (NAL) dropped from the peak level of 7.34% recorded on 31 March 2016 to 4.40% recorded at the end of June. In correspondence with the decrease in percentages, the number of OLs waiting for over N days in absolute terms dropped from around 115 to 47.

Bitstream

The CRM performance index for Bitstream services confirms levels constantly close to zero both for AL OLs and for NAL OLs.

Specific analyses

Analysis of the correct application of the Single Queue

Within the New Delivery Process, the Supervisory Board took care - by means of specific annual analyses in all geographic areas in Italy – to test the performance of the procedure for managing the “single queue” work order queuing system. In Resolution no. 3/2016 dated 19 January 2016, the SB proposed a programme of checks on the “single queue” system for the year 2016 too.

Precisely during one of these check sessions for the year, on 15 and 16 February 2016 at the Roma geographic area, the staff of the Supervisory Office found critical procedural factors related to a number of specific cases regarding the queuing system;

Having noted the need, with regard to the aforesaid cases, to check the efficiency of the procedure governing the “single queue” work order queuing system within the New Delivery Process, at the Meeting of the Board held on 18 February, the Supervisory Board therefore considered the advisability of starting a procedure named “P01/16”.

To this end, the Supervisory Office was asked to conduct appropriate checks and to request data and information from Telecom Italia, which it did with note no. 38/16 on the following 23 February. On that occasion, the SO requested a detailed description of the algorithms and the procedures used to manage work order queuing with particular reference to cases of saturation of the copper access network, showing operations handled automatically and those handled manually.

Telecom Italia responded to this request by providing all the required information in a note dated 17 March 2016 to the SB. On the following 6 April, the staff of the Supervisory Office were able to directly access the data and information required to conduct commercial and technical analyses of the work orders in transit through the “single queue” management system.

Based on the investigations conducted, the Members of the Supervisory Board decided to send the Preliminary Notification pursuant to art. 14, paragraph 1 of its Regulations to Telecom, in consideration of the fact that, based on what had been ascertained, it was possible to identify an apparent irregularity in the performance of Undertakings Group no. 1, in particular with regard to full and correct implementation of the new “single queue” work order queuing process within the delivery process.

With Resolution no. 13/2016, the SB reached the reasoned decision with regard to identification of suitable remedial action to solve the deficiencies in the fulfilment of the undertakings, setting 30 June 2016 as the deadline for solving the critical factors detected during the investigation phase.

Telecom Italia S.p.A., in a note dated 1 June 2016, informed the Supervisory Board of the action that is being taken to reduce possible risks related to errors deriving from non-automated phases of the process and, in particular, announced the release of the changes to the queuing algorithms for testing.

The software release tests were conducted on 21 and 22 June 2016, in the presence of the Supervisory Office staff (authorised to take part by Resolution no.13/2016), and these tests terminated with a positive result, making it thus possible to confirm release of the said software for operation by 30 June 2016.

RELATIONS WITH INSTITUTIONS AND OPERATORS

- ◆ In the April-June 2016 quarter, the Supervisory Board engaged in informal exchanges and discussions with the Regulatory Authority in a spirit of reciprocal cooperation and support for the activities falling within the provisions of the Undertakings. The meeting between the staff of the Supervisory Office and the Digital Infrastructures and Services office of the Authority on 10 May 2016 was of particular note; during this meeting the SO explained the KPO calculation model it uses for the indicators related to equality of treatment developed together with the University of Catania.
- ◆ One of the other meetings held by the Supervisory Board during the 2nd quarter worth mentioning was the Telecom Italia hearing before the Board on 12 May 2016, during which this company stated the irregularities found in the “single queue” work order queuing process that were subjected to investigation as part of Procedure “P01/16”. In particular, Telecom Italia explained the contents and planning of the structural action that will be able to solve the irregularities that have been investigated.
- ◆ With regard to Complaint “S01/15” made by the Operator Wind, the meeting between the staff of the Supervisory Office and Wind on 31 May 2016, at which the results of the overall management of the “Contact Policy” were analysed, with reference to the February-March 2016 period, in light of the remedial action put in place by Telecom Italia, is also worth mentioning.
- ◆ On 15 June 2016, the Members of the Supervisory Board also thoroughly examined the results of the investigation regarding Complaint “S01/15” by the Operator Wind during a meeting with Telecom Italia.