

ETP reply to the ERG Consultation on IP Interconnection

ETP welcomes the Consultation Document on IP Interconnection published by ERG, which provides a useful analysis. In general ETP is convinced that market forces are sufficient to deal with the transition from traditional interconnection towards IP-based interconnection. This is underpinned by the fact that interconnection with IP-networks does not appear to constitute a problem in the vast majority of EU's Member States (page 8/39). Future interconnection models will not only occur between PSTN and NGN but also between NGNs but what will be the interconnection arrangements then cannot be envisaged yet. ETP welcomes ERG's opinion that priority is given to commercially negotiated solutions (page 19/39). ETP also welcomes that the consultation on the review of the Regulatory Framework envisages no changes to the interconnection regime.

Concerning the future evolution of interconnection ETP believes, that the existing regime has significant inertia and will not change rapidly because current business models depend on the interconnection regime. Any changes will happen according to market developments in a way that investment made by all market players is taken into account. ETP bears these basic principles in mind when replying to the specific consultation questions.

1.1 General issues

ETP would like to specifically address a few issues mentioned in the consultation document:

- In the summary of the consultation document (page IV), ERG states: *"..., but the use of more efficient technology to provide existing regulated services does not alter the justification for that regulation; the move to NGNs does not provide an opportunity to roll back regulation on existing services if the competitive conditions have not changed."* NGN is - in ETP's point of view - not just a more efficient technology, but is also a basis for new business models made possible by the deployment of a common packet based network as the basis for a plethora of converged applications. It is necessary that the regulatory analysis takes this architectural change into consideration when defining a new approach.

- Concerning the first issue the NRAs need to address (page IV): *"NRAs may have to ensure that all types of interconnection are possible, ensuring end-to-end connectivity and allowing for full interoperability of IP based services offered to the customers of the interconnecting networks"*, ETP would like to point out that this approach would need further study. It does not follow from Article 5 of the access directive that interoperability has to be assured for all types of services. In order to facilitate a further discussion, the terms used (connectivity, interconnection, interoperability) should be clarified in the context of NGNs. ETP would like to draw attention to the distinction between transport and service interconnection and recommends that the NRAs should focus on the transport interconnection while the emergence of service interconnection and interoperability should be left to the market.
- With regard to the list of issues to be addressed by the NRA (page 21), ETP recommends the ERG concentrates its efforts on providing guidance as it is premature to define areas for regulatory intervention.

1.2 Question 1

How should the transition from the PSTN number of interconnection points to the probably reduced number of interconnection points in NGNs look like? Which are the implications for the price structure and price level of interconnection rates?

ETP reply: ETP wants to mention, that NGNs do not necessarily lead to a reduction of interconnection points. The future number of interconnection points depends on the operators deployment plans and can differ per country. Regulatory conditions should however not prevent change. All operators have made significant investment to build the existing interconnection structure and are continuously investing in new infrastructure. Although the existing regime envisages change, it recognizes the transition time by requiring more than a year advance. In order to balance sunk cost with the move to cost-saving new technologies, a migration path should be discussed and agreed by all market players. Furthermore mature standards for interconnection need to be available as a prerequisite for a broad transition.

1.3 Question 2

What is the equivalent to "local" interconnection in NGNs?

ETP reply: The concept of local interconnection is an intrinsic part of the PSTN/ISDN architecture and based on the assumption that costs depend on the amount of network used (i.e. element based costing). In an IP network the location of control and applications can be chosen freely and the length of the path within a network becomes less relevant. Furthermore the signalling path and the data transport become detached. The concept of local interconnection should be revisited bearing in mind the technological characteristics and actual cost structure in an IP based NGN.

Local interconnection can also be seen as a means to foster competition and lower the prices. When defining the future of interconnection the competitiveness of the market has to be balanced against the need to incentivise investment in infrastructure.

1.4 Question 3

Reflecting the transition towards NGNs what are the implications for existing SMP products and bottleneck facilities? Does this technological change remove existing SMP positions or bottlenecks or could new ones emerge in NGNs?

ETP reply: It seems to be too early to answer this question. Of course the move towards NGN may have the potential to remove some existing bottlenecks but it is pre-mature to define hypothetical future bottlenecks.

1.5 Question 4

How do you evaluate the advantages and disadvantages of different charging principles discussed in the paper?

ETP reply: Although the move towards Bill and Keep seems to have theoretical value, ETP is of the opinion that a transition would imply several problems and will not take place in the foreseeable future. ETP would like to mention a few particular problems:

- It would be difficult to cover the costs of termination because the suggested Receiving-Party-Pays-Principle could be hard to implement in the retail market. Today the customer is familiar with not paying for incoming calls.

- Another question is who would be allowed to take part in a Bill and Keep-arrangement because of heterogeneous network structures. Normally Bill and Keep is like a barter arrangement between symmetric partners.
- It is also mentioned that the amount and location of Point of Interconnections have to be determined. But what about the interconnection partners who wouldn't be interconnected at all of these POIs? Would they have to pay or not? Or what about traffic to free phone numbers or other services with online and offline billing?

Bill and Keep implies a lot of problems in context of practical implementation. But Bill and Keep would also imply great arbitrage problems when it is only implemented in a few countries. Besides that it has to be generally stated and emphasised that it isn't possible to make a decision about a future IP-interconnection regime today. Because the necessary information about the future network structure or architecture as well as the information about future business models, market structure and demand for services are not available today.

Again market forces and competition will determine the future course of action. It remains of utmost importance that regulatory intervention does not take place in this sensitive area, because it can easily distort the market.