

The COTS Project – progress meeting

25 January 2010

Agenda for today

1. COTS Progress
 - i. Refresh – what is COTS aiming to achieve and why?
 - ii. How has the work been taken forward?
 - iii. Requirements gathering
 - iv. Where are we, and how will the work be taken forward from here?
 - v. Q&A
2. Coffee break
3. Ofcom & CSMG – BtB Interfaces in an NGA environment

What is COTS aiming to achieve and why?

Context:

- Commercial landscape is changing – expect a proliferation of new networks – particularly in the ‘final third’ but not exclusively
- New models being driven by partnerships between communities, public sector and a range of commercial players – the capacity to innovate and harness local resources is key – especially in low density areas
- Networks will be very different in terms of their scale, structure, scope and technology – no single model
- Debate tends to focus on the investment challenge - getting the infrastructure on/in the ground – but service provision is just as challenging

What is COTS aiming to achieve and why?

The concern:

- Even where networks have been funded and built, they have often struggled to attract service providers
- Small scale means that service providers are faced with high 'back office' costs when they try and access these customers
- This is bad news for all:
 - Consumers have less or more often no choice of service provider
 - Service providers can't access potential customers
 - Network providers fail to optimise their potential revenues
- In the worst cases this can make the underlying business model unsustainable
- Not a problem that can be solved on an individual project basis – requires collective/collaborative effort to resolve

What is COTS aiming to achieve and why?

The objective:

- To work with representatives of independent local and community-led broadband projects, national network operators and major ISPs to develop an **efficient** standardised approach to enable a broad range of service providers to offer retail services over local or community-led open networks to end users.
- As a result consumers and small businesses should be able to access a wide choice of service providers, regardless of how the underlying infrastructure is provisioned or owned.

What is COTS aiming to achieve and why?

The guiding principles:

- The aim of this initiative is to promote inclusion, accessibility and consumer choice
- The approach should seek to minimise cost and complexity for both network operators and service providers
- The approach should maximise the opportunity for innovation at the local level, and the retail level
- The approach should seek to standardise and aggregate service elements where necessary to minimise cost and prevent geographic segmentation
- The approach should where possible build on existing work and standards
- The approach should be agnostic regarding the underlying access infrastructure
- **The approach should develop a solution that is proportionate**

What is COTS aiming to achieve and why?

The Win-Win-Win

- Consumers – choice and innovation
- Service providers – customers
- Network operators – wholesale revenues

How has the work been taken forward?

- After an initial meeting on September 21, developed Forum & Steering Group structure
- Forum consists of 30+ organisations who volunteered initially for steering group, following kick-off meetings
- Steering group drawn from steering group, involving organisations reflecting a representative cross-section of stakeholders:
 - BIS, BT, C&W, CBN/INCA, Fibrestream, Geo, H2O, IFNL, Industria/Quintain, KCOM, SSE/FCS, Sky, TalkTalk, Thales
- Steering group has taken the work forward and reported back to the Forum
 - Steering group met on 05 Nov, 26 Nov, and reported back to the Forum on 05 Dec
 - Steering group then met 13 Jan

How has the work been taken forward?

- Initial focus for steering group was to consider the scope of the issues that COTS should address
 - Initial exercise scoped out the issues facing independent networks through their lifecycle – the ‘long list’
 - This was then shortened to those that COTS needed to look at in order to achieve its objective – the ‘short list’; a remit for the project
- Group then sought to identify the requirements of ISPs and access infrastructure providers (AIPs) in these areas
 - Sky & TalkTalk put forward a generic ISP requirement set
 - AIPs collaborated on their requirements
 - Group then considered how to resolve the differences between the two positions

Requirements gathering - drivers

ISPs

Replicate LLU business model:

- Level of control to permit service differentiation and innovation, and control of customer experience
- Consistent product range across the market
- Minimise system and process development costs
- Ability to cost-effectively design and build own network

AIPs

Maximise wholesale revenues and take-up by end users:

- Open access networks
- Permit multiple service providers to deliver retail services to end users simultaneously
- Provide an effective process for customer migrations

Requirements gathering - product

ISPs

- Wires-only is the ultimate goal
- In transition to this goal, ALA provider CPE should not embed features and services beyond the ALA Provider's domain, while the ONT should include an integrated ATA
- ALA-based products should be based on NICC standards as they are developed
- ISPs envisage a single provider-EU relationship, as the market currently provides

AIPs

- Passive products possible in some instances, depending on technology and topology
- Wires-only would be introduced as standards developed; initial focus is on 'active' products
- ALA-based products would be developed that supported multiple service providers serving an end user simultaneously
- These products would look to efficiently utilise the capacity of the line.

Requirements gathering - process

ISPs

- Process should be based on existing EMP/Openreach standards and working practices
- This is a core requirement – little scope for negotiation due to the high costs involved in process and system development

AIPs

- EMP replication is not practical due to high costs and complexity involved for small infrastructure operators
- Aggregation is the logical solution on this front – this would require additional value to be added to the value chain by another player or players

Requirements gathering - commercial

ISPs

- Prices based on costs of components of the product, as per LLU
- Wish to pay AIPs for cost causation, so would prefer a line-rental model v tiered pricing
- Consistency of pricing across the market, and of contractual terms, also a requirement

AIPs

- Wholesale product prices should reflect the value of the line
- NGA provides an opportunity for different commercial models and relationships – effectively a ‘buy what you need’ approach, as the line can support multiple services
- Conditions of public funding may impact on the types of wholesale products and prices that can be offered

Where are we?

Product

- Consensus view that a sensible starting position is active products based on the ALA specification, with explicit agreement that wires-only would be explored as standards mature
- Passive products also a possibility

Where are we?

Process

- Broad differences and challenges
 - EMP expensive to replicate
 - Range of proprietary solutions being developed, but lack scale
- Logical conclusion is aggregation in this space
 - Challenge now is to scope out what the functions of that aggregator would need to be
 - Additional value creation in the value chain
- Identification of best practice, to enable AIPs to produce processes & systems to a similar framework, may also be useful (will assist aggregators)

Where are we?

Commercials

- Again, considerable differences in views
 - Replication of existing LLU model and pricing structure not the aim for AIPs
 - But, lack of consistency a challenge for CPs
- Aggregation may have a role to play
- However, fundamental differences in views of NGA business models and service delivery

How will we take this forward?

- Scope role of aggregator(s)
 - What it needs to provide to an ISP to meet its requirements
 - What it will need to interface with from AIPs
 - And how can this role be facilitated by cooperation amongst AIPs
- Consider market model/economics of aggregator function
 - One v many
- Market-led – commercial opportunity
 - But, consider back-up options for public and regulatory policymakers to intervene if required

- Q&A