

**PARITÀ DI ACCESSO**

Organo di Vigilanza



**2020**

**Annual**

**Report**

2019 activity and results





# 2020

## Annual Report

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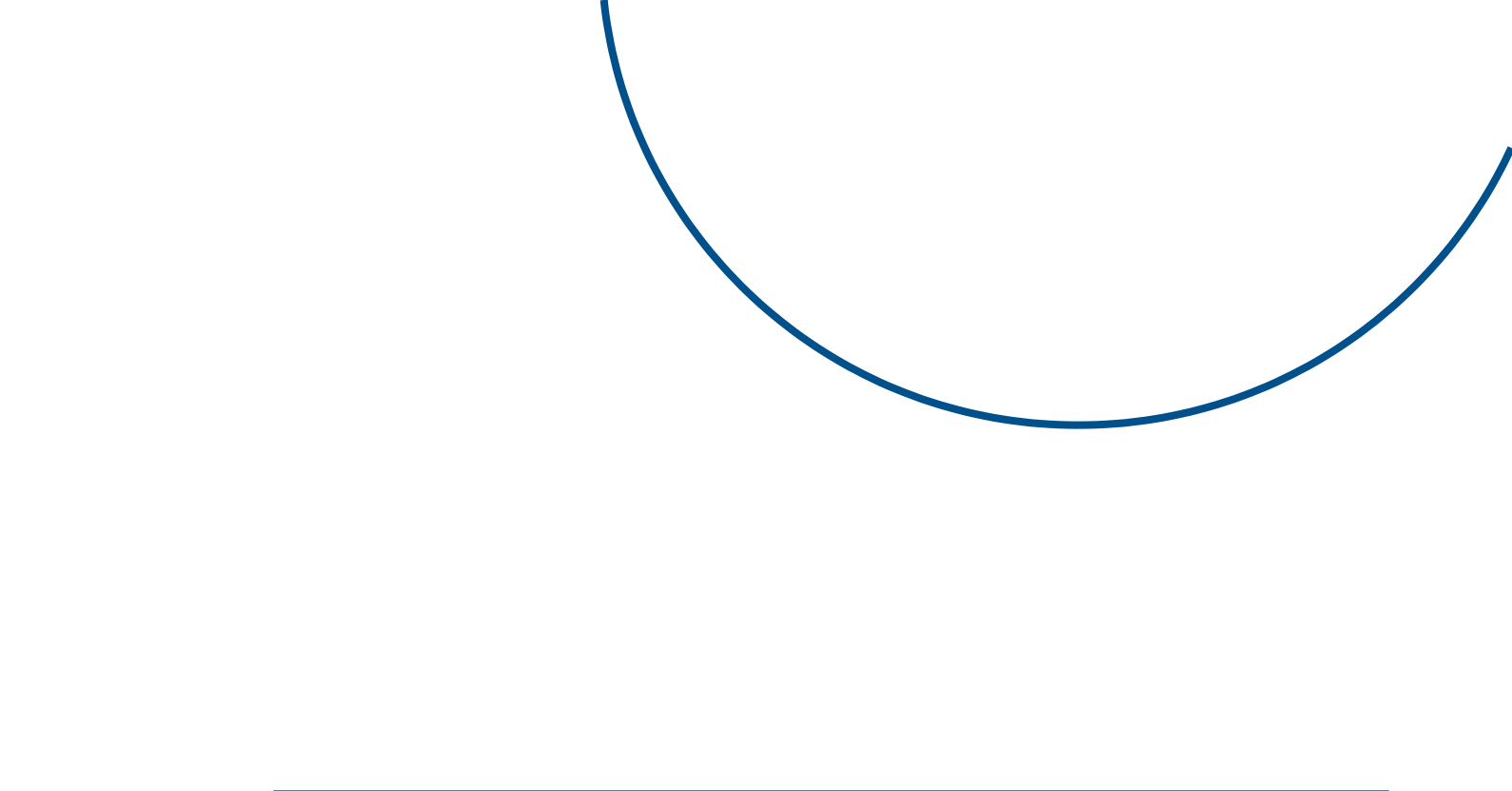
2019 activity and results



# 01



## OVERVIEW



**T**his Annual Report outlines both the activities performed and the results achieved in 2019 by the Supervisory Board for the equal access to the TIM network with the objective of guaranteeing the principles of non-discrimination and equal treatment.

The Council was nominated in December 2017 and its activities were further enhanced in 2019 following modifications to the regulatory framework introduced by Resolution Agcom no. 348/19/CON and as a subsequence of the completion of their coordinated analysis of the markets for fixed network access services.

This measure, in addition to outlining the new regulatory framework with or without the legal separation of TIM's fixed access network, confirmed the validity of the Supervisory Board for enforcing equivalence in many structural and competitive contexts. This are evaluated by Agcom and demonstrating that the safeguarding of equal treatment represents - as per the Authority - an essential objective, independent from any future possible corporate separation.

The technical evaluation and support capabilities of the Supervisory Board, giving it high value, publicly recognized by the national regulator, enhanced the institutional collaboration between Agcom and the Supervisory Board throughout the year.

Thus, in conjunction with the traditional supervision of the implementation of the “Undertakings” regarding the equal treatment by TIM, which is the very foundation of the Supervisory Board and referred to in Resolution no. 718/08/CONS, the activity focused mainly on the implementation of the annual WORK PLAN in support of the Authority Agcom, so as to guarantee both equivalence and increase of the quality of network access services.

In view of the above, the Supervisory Board, in addition to constantly supervising the ongoing non-discrimination commitments and the aforementioned support to Agcom for matters entrusted to its care, has exercised a more complex and active surveillance task for compliance with the non-discrimination obligations, referred to in article 41 of the mentioned Agcom Resolution no. 348/19/CONS, conducting new initiatives and insights illustrated below.

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# 1. The new regulatory framework, the importance of equal treatment in the new European Code and the necessity for new operating rules for the Supervisory Board.

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The conclusion of the coordinated analysis of the market for fixed network access services referred to in Resolution no. 348/19/CONS, together with the opportunities offered by the new European Electronics Communications Code, have provided a work setting in which, during 2019, the actions of the Supervisory Board have unfolded.

In particular, as already mentioned, in the reformulation of the regulatory requirements for TIM ~~as~~ which has a Significant Market Power (SMP), the Authority wanted to confirm the presence of the Supervisory Board as the controlling entity not only of what remained within the Undertakings from Resolution n. 718/08/CONS, but also - and especially - as a protagonist of active supervision within a much greater scope, as that of non-discrimination, as well as being the technical support body for the Authority's prime activities.

In 2019, as in previous years, the latter contribution was provided to Agcom - both in the definition of the sophisticated mechanism necessary to confirm compliance with the obligation of non-discrimination, and in the verification of the quality of services provided by TIM *Wholesale* to the operators - and it resulted to be the main activity of the Supervisory Board.

Therefore, the Supervisory Board does not limit itself to ensuring compliance with the regulatory principles and rules of this sector, but rather contributes to their elaboration and evolution, spanning in this way an auxiliary and ancillary role with respect to the regulatory activity in a strict sense. The technical expertise gained in ten years of experience has made the Supervisory Board a privileged partner of the Communications Authority, providing a qualified collaboration in the planning of tools and mechanisms to allow the concrete implementation of the principles of equal access and non-discrimination. Thus, contributing in safeguarding the Authority's policy, based on the assumption that equal treatment deserves to be constantly guaranteed, regardless of particular corporate business matters, because only in this way is it possible to create a digital market inspired by strictly competitive criteria.

Furthermore, the role of the Supervisory Board which is acknowledged by Agcom is consistent with the new provisions of the European Electronics Communications Code for competitive commitments related to SMP operators. In particular, even if it is not covered by the legislative provision, the European legislator can assign a potentially relevant role to private entities, such as the Supervisory Board, that are deemed to be "trustees" to oversee the commitments undertaken by the dominant, usually incumbent, operators.



It is therefore not surprising that, at the end of the previously mentioned market analysis referred to in Resolution no. 348/19/CONS, Agcom found it to be reasonable, considering the new tasks assigned during the previous years to the Supervisory Board, to initiate an evaluation on the entity's operating regulation in order to formulate the necessary adjustments to market changes, both legislative and regulatory. In this context, once the proposed modifications have been elaborated, the Authority will also evaluate the opportunity to update Resolution no. 451/16/CONS (which regulates, at the commitment level, the functions and composition of the Supervisory Board).

Taking into account the regulatory structures that emerged from the market analyses and the specific non-discrimination obligations that were imposed on TIM, as well as the increased support activities to Agcom (clearly defined in the annual Work Plan), the Supervisory Board concurs that a revision of the regulation is required.

Indeed, the requirement to review the Supervisory Board's mandate can no longer be postponed, making it necessary to institutionalize the various functions performed by the Supervisory Board. For example: the Supervisory Board provides support to the Authority in defining the non-discrimination indicators, but also has a function of promoting and leading Technical Committees aimed at identifying the best technical-operational solutions for TIM and for the other operators, in order to resolve particular issues; this initiative has been given only marginal consideration inside the current regulatory structures.

In addition to these fully operational activities, Agcom has the support of the Supervisory Board for the verification of the necessary conditions, so as to authorize the *decommissioning* of central office switches, as well as other areas: for example, the possible avoidance of technical disputes between TIM and the other Operators.

All of the above indicates the profound need for an update of the Undertaking no. 7 (and the related operating regulation of the Supervisory Board) in order to establish a clear and indisputable mandate, with new rules capable of institutionalizing the role and activities already performed by the Supervisory Board, making its mission clear and evident to all operators, surpassing the annual programming in favor of an operating scheme that is certain, transparent and accessible for all institutions, both public and private.

Therefore, in order to maximize the potential of the Supervisory Board, the Board Members strongly hope that, in the immediate future, the rules governing the Supervisory Board will be revised.

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## 2. The evolution of the *Wholesale* market in 2019 and the impacts of Disaggregation.

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With the participation of all operators (TIM *Retail* and ANOs) in the *provisioning* process based on the *New Chain of Delivery* (NCD), and in the unified NetMap database provided by TIM to generate work orders, the *New Equivalence Model* was fully implemented in 2019, in accordance with the provisions of Agcom Resolution no. 652/16/CONS.

The year 2019 was characterized by the massive adherence by the principal operators to the disaggregated management of *delivery* and *assurance* processes for the access network. In fact, Agcom Resolution no. 321/17/CONS contained an obligation for TIM to provide for the possibility that the ANOs could complete certain *provisioning* and *assurance* activities in a so-called "disaggregated" way. In particular, for the LLU and SLU services, operators today already have the possibility, using third-party service companies, to autonomously manage and operate, on their own, activities regarding on-field activation (*provisioning*) and corrective maintenance (*assurance*).

The participation of the main large operators in the disaggregated network management processes, in particular *assurance*, is evident from the fact that in December 2019, for LLU and SLU, almost 89% of the outage reports were managed with the disaggregated regime, of which 81.4% had additional services.

For *delivery*, 82.7% of work orders were completed in a disaggregated mode, even if, in this case, those managed with additional services were only 14% of cases.

Since the disaggregation of the *delivery* and *assurance* processes represents an alternate mode with respect to the *New Equivalence Model*, a major adherence by the operators to this mode cannot but have a significant impact on equal treatment monitoring in an *equivalence* regime, based on the non-discrimination indicators.

Indeed, since the first results, there was an evident reduction in the volume of *Trouble Tickets* from operators managed in a non disaggregated regime; element which has made many *assurance* indicators, defined under Resolution 395/18/CONS when it was not yet clear what the impact of disaggregation would be, resulting critical.

On behalf of Agcom, the Supervisory Board presented a first proposal to manage the KPIs (Key Performance Indicator), that were made critical from the disaggregation, based on a focused and minimal revision of the KPI definition, while in other cases based on more sophisticated calculation techniques of the KPOs (Key Performance Objectives), starting with elementary data to verify the level of significance and reliability of the indicator, from time to time, considering the scarceness of volumes for this scope.



The Supervisory Board believes that even in the new context of the *wholesale* market, characterized by high work order volumes and *Trouble Tickets* in the disaggregated regime, it is essential to effectively monitor the non-discrimination KPIs. Non-disaggregated work orders and *Trouble Tickets* must, in fact, continue to be completely coherent with the principle of *equivalence* and, in particular, respect the equal treatment guarantees specified in the New *Equivalence* Model.

It is therefore crucial to both complete a timely update of the non-discrimination KPIs, in light of the critical implementation issues that emerged in 2019, and to rapidly implement the sophisticated KPO methodology already proposed by the Supervisory Board, during 2019, to the Communication Authority and to the operators.

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### 3. Monitoring of “Undertakings” ex Resolution no. 718/08/ CONS and Operator Reports.

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For **Undertaking no. 2**, on July 16, 2019, TIM presented to the Supervisory Board the short term incentive system MBO 2019 for the personnel of the *Wholesale Infrastructures Network & Systems Office*, followed the Customer Satisfaction results for the *Wholesale* Customers. In that meeting, the SB positively noted TIM's acceptance of the previously formulated observations by the Council in relation to the limited relevance of the *equivalence* issues, with regard to the other objectives, both in 2017 and 2018. The hope is for an upward shift in the "weight" of the objectives concerning internal-external equal treatment for the construction of the 2019 indicators, a suggestion which was quickly granted for the year in question.

For **Undertaking No. 3**, verification activities for the calculation algorithms were conducted during the development of the new indicators defined by Resolution 395/18/CONS.

For **Undertaking no. 4**, while attending the first results on the new KPIs from ex Resolution n. 395/18/CONS, which took place in October, the Supervisory Board carried out the monitoring of ANOs - TIM *Retail* equal treatment based on a system of transitional indicators which revealed a notable equal treatment between the supply of *Wholesale* and *Retail* services.

In particular, in the Broadband segment, the performances were in advantage for bitstream Wholesale services. A similar conclusion was reached in the Voice / LLU segment once the orders for the so-called "special projects" were removed from the analysis. As of October 2019, the monitoring was carried out using the KPIs of Resolution 395/718/CONS.

For **Undertakings no.5 and no.6**, during the year the Supervisory Board continued its efforts to verify the transmission of documentation relating to these two Undertakings. In particular, the publication of the reports for plans and quarterly results was completed on schedule.

**With regard to the Operators' reports**, in 2019, there were no new reports from ANOs, but the Supervisory Board remained equally engaged in the handling of investigations initiated in earlier periods.

Of particular note are the Supervisory Board mediation activities in the *Supervisory Board-Wind Tre-TIM* panel tasked with resolving the problems in *post provisioning* and *assurance* failures of the VULA C services. The spirit of an efficient and honest collaboration between the parties, under the supervision of the Supervisory Board, allowed for the identification of a particular test procedure, agreed on by the two operators that, once implemented, demonstrated a substantial reduction in the failure rate in the days immediately following the activation on the NGAN FTTC network. In this context, the Supervisory Board role as mediator gave successful results both at the technical level, for identifying and testing solutions, and at the commercial level for defining the compensation to TIM for the implementation of the testing procedure.

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## 4. The contribution of the Supervisory Board to the activities of the Authority.

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In 2019, the close cooperation between the Supervisory Board and Agcom continued in matters of equal treatment and non-discrimination, a fruitful collaboration that is currently in its third year thanks to the changes introduced to the Supervisory Board internal Regulations in 2016.

Since 2016, the year in which Agcom introduced the concept of using the experience and the specific competencies of the Supervisory Board for the improvement of particular inherent aspects of the non-discrimination obligations, the Supervisory Board has in fact provided support to the Authority through continuous contacts, discussions and the preparation of studies and analyses to support activities on regulatory issues.

In particular, in 2019, Agcom made use of Supervisory Board support with reference to certain important methodological aspects.

This regards, for example, the review of certain new Key Performance Indicators (KPIs) on equal treatment defined by resolution 395/18/CONS. In particular, the Supervisory Board is entrusted with the task of elaborating a **proposal for the integration and / or revision of certain indicators** whose effectiveness is likely to be inefficient due to the changed context due to the introduction of disaggregation in the processes of *delivery* and *assurance* for the LLU and SLU services.





A similar commitment was requested of the Supervisory Board with reference to **simplification and rationalization** of the equal treatment **KPIs**. Under the Communication Authority mandate, the Supervisory Board presented a detailed proposal, beginning with the KPIs defined by resolution 395/18/CONS and considering the various non-discrimination KPI sets, identifying certain indicators that could be abolished because they overlap with similar, more recent, indicators or because they are now obsolete due to changed contextual conditions.

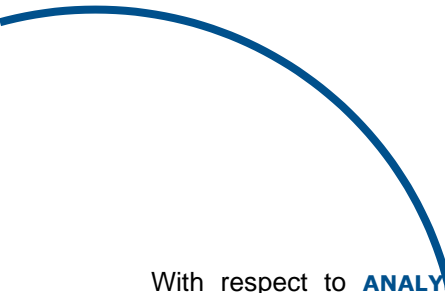
Regarding the defining of KPOs (Key Performance Objectives), in March 2019, the Supervisory Board presented a document to Agcom and the other operators entitled "KPI Definition method based on multivariate linear regression applied to non-discrimination KPIs" (Italian title "*Metodo di definizione dei KPO basato sulla regressione lineare multivariata applicata a KPI-non discriminazione*") which outlined the **Methodology for KPO definition**, illustrating the characteristics, the potential and the possible application effects. The Supervisory Board proposal received great interest by certain operators who provided their observations and suggestions on the matter. These considerations were then carefully analyzed and largely incorporated into a second version of the document that was presented to Agcom in June 2019.

Furthermore, in February, the Authority was provided with a complete updated version of the proposed **simplification and rationalization of the "causes of rejection"** which expanded the analyses that began in 2017 and further simplified the scheme of the reasons for rejection of work orders, extending the rationalization to both the causes of the suspension and to the reformulation of the "Expected Delivery Date".

On behalf of the Authority, the Supervisory Board developed a proposal for the **INDICATORS TO EVALUATE THE QUALITY OF THE NETMAP DATABASE** made available by TIM Wholesale to all operators for the issuing of work orders. Following the Supervisory Board Resolution no. 9/2019 of July 16, 2019: a document which established the methods for monitoring of NetMap quality KPIs that are communicated to Agcom, TIM made available the monthly indicators starting with those referring to the month of June 2019.

In the past year, the Supervisory Board activities for supporting the Authority have become particularly relevant. Included in this framework are the "*on site*" verification inspections that the Supervisory Office performed at the TIM *Wholesale* territorial locations **to ensure proper management of equal treatment between TIM Retail / ANOs** of the work orders which were placed in areas that were closed to service due to the transformation of the street cabinets (ONU - *Optical Network Unit* and MSAN - *Multi-Service Access Node*) from the old to the new FTTC architecture. In particular, in 2019, the five territorial units (WOL) were subjected to verification: Toscana Est, Milano, Puglia, Trentino-Alto Adige, Veneto, distributed between the four WOA (Northwest – Northeast – Center and South).

In March 2019, the Supervisory Board presented a proposal to Agcom and the other operators for **the verification procedure of the validation activities for new software releases** which will be completed by TIM on the *New Chain of Delivery* (NCD). In fact, the Authority asked the Supervisory Board for support in monitoring the *tests* on IT releases for the TIM Wholesale *delivery* system that also impact the ANO's systems. A document was made available to the Authority which describes the methodology for how the Supervisory Board will monitor the validation *tests*, while also taking into consideration the ANO's suggestions and observations.



With respect to **ANALYSIS AND VERIFICATION OF THE IMPACT OF PROCESS DIGITALIZATION**, the Supervisory Board continued to carry out monthly monitoring on the basis of the document entitled "*Evaluation of the proposals of digitalization of processes*" (Italian title "*Elaborazione proposte di digitalizzazione dei processi*"). In particular, the Supervisory Board evaluated the benefits gained from the digitalization of the TIM processes of work order management, so as to accomplish the reduction in *delivery* times.

Regarding the **support activity requested by the Authority** in the implementation phase of resolution no. 396/18/CONS, a procedure was defined with which the Supervisory Board will complete verification *testing* in 2020, so as to confirm the correct implementation of the solutions, approved by Agcom, in order to avoid the phenomenon of improper use of *wholesale assurance data* for un-requested and fraudulent sales contact activities.

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## 5. 2020 Activity Plan

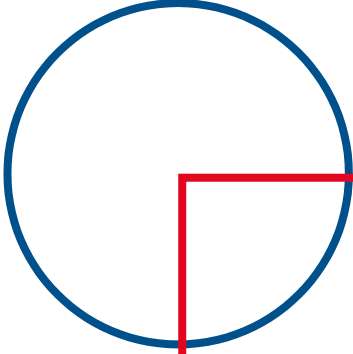
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The collaborative model between the Supervisory Board and Agcom has been confirmed and further extended for 2020.

The work plan for the current year, envisioned by the Council of the Supervisory Board, in fact foresees the execution of the various activities assigned by the Authority to the Supervisory Board related to some key themes concerning equal treatment. In this framework, the new non-discrimination KPI monitoring activities defined by Resolution no. 395/18/CONS are particularly important, as they allow the Supervisory Board to use modern and effective tools for verifying the equal treatment for both *delivery* and *assurance* services between TIM *Retail* and the ANOs.

Among the support endeavors to the Authority for the year 2020, the activity regarding the verification of the necessary service coverage requirements, as outlined in Resolution no. 348/19/CONS, so as to allow TIM to decommission a consistent number of Central Office Switches is, without a doubt, the most innovative, as it introduces a support to the Communication Authority that is not only limited to the verification of equal access to the network. In fact, in the case of decommissioning, it is a matter of ensuring that the reorganization of the TIM network, determined by the transition to a NGAN (Next Generation Access Network), can be implemented while fully respecting the rights of the operators and the end customers, as determined and specified by Agcom.

In this context, in 2020, the Supervisory Board will continue to act as an intermediary between TIM and the Wind Tre operator to ensure the improvement of service quality on the FTTCab network, in terms of post delivery and assurance reliability.



# 09



**GLOSSARY**

<b>AGCOM</b>	Italian National Regulatory Authority
<b>SMP</b>	Significant Market Power
<b>ANO</b>	Alternative Network Operator
<b>LLU</b>	Local loop Unbundling
<b>SLU</b>	Sub loop Unbundling
<b>KPI</b>	Key Performance Indicator
<b>KPO</b>	Key Performance Objective
<b>MBO</b>	Management by objectives
<b>NGAN</b>	Next Generation Access Network
<b>VULA C</b>	Virtual Unbundling Local Access on FTTC
<b>ONU</b>	Optical Network Unit
<b>MSAN</b>	Multi-Service Access Node
<b>FTTC / FTTCab</b>	Fiber To The Cabinet
<b>WOL</b>	Wholesale Operation Line
<b>WOA</b>	Wholesale Operation Area