

**Newsletter Activity
Supervisory Board
July-September 2012**

Executive Summary

During the quarter, the Supervisory Board (SB) closed Complaint S01/2012, opened with Resolution no. 13/2012¹ and made by the Operator Welcome Italia about general Assurance failures concerning various geographic areas. After Telecom Italia provided information requested by the SB, clarifying that in most cases reported, events were attributable to aspects not concerning the access network, or were isolated (i.e. not general failures), the SB, with Resolution no. 16/2012² adopted during the Meeting of 1 August 2012, closed the Complaint in question, having found that Telecom Italia had not failed to comply with its Undertakings.

With checks at the Naples West and Central Lombardy geographic areas, the Supervisory Office (SO) completed its on-site inspections, which began with Resolution no. 12/2012³ aiming to verify Open Access's proper application of the new Work Orders (WO) queuing system (the so-called "single queue" system) introduced with the New Delivery Process (NDP). The inspections were successful, and with Resolution no. 17/2012⁴ the SB ordered the closure of the assessment.

During the quarter, the SB received progress reports on issues investigated in-depth such as analysis of Wholesale and Retail KOs and the pre-alarm system for signalling exchanges at risk of saturation ("Amber Light" status). As regards the analysis of KOs, the SB was questioned by the Antitrust Authority in August as part of the proceedings A428 - WIND-FASTWEB/CONDOTTE TELECOM ITALIA.

As concerns Undertakings Group no. 1, Telecom Italia sent updates on the progress of WOs processed with the NDP, with reference above all to bitstream and LLU services.

With reference to Undertakings Group no. 2, the Managing Director and Chief Operating Officer sent all company personnel an email on the codes of conduct as of Decisions no. 152/02/CONS and no. 718/08/CONS, to increase knowledge of items addressed. A video lesson has also been prepared as further training on equal treatment issues.

The SB received monthly reports on the performance of equal treatment indicators for June, July and August 2012, as of the Undertakings Group no. 4. No significant criticalities were identified, with Open Access basically complying with principles of equal treatment for Telecom Italia and other Operators.

As regards Undertakings Group no. 5, Telecom Italia forwarded the information requested as per Resolution no. 6/2010 updated to the second quarter of 2012. This referred to Trouble Tickets broken down by cause of failure divided by geographic area and to the percentage of repeat failures divided by geographic area and remedied by the second day following notification.

¹<http://organodivigilanza.telecomitalia.it/pdf/Determinazione%20n%2013%202012%20Avvio%20attivit%C3%A0%20istruttoria%20Welcome.pdf>

²http://organodivigilanza.telecomitalia.it/pdf/Determinazione_n%5B1%5D_16-2012_Segnalazione_Welcome_chiusura_istruttoria.pdf

³http://organodivigilanza.telecomitalia.it/pdf/Determinazione_n_12-2012-Vigilanza_su_accodamento_degli_ordinativi_di_lavoro_a_coda_unica.pdf

⁴http://organodivigilanza.telecomitalia.it/pdf/Determinazione_n%5B1%5D_17-2012_Coda_Unica.pdf

Organo di Vigilanza

As regards Undertakings Group no. 6, the SB requested Telecom Italia, as per Resolution no. 15/2012, to provide additional information on its development programmes concerning the new NGAN network, with a view to more transparent communication. Telecom Italia also informed the SB of the start of technological testing for basic and innovative telephone services using the FTTCab platform.

In September, the SB's term of office ended. On 19 September 2012, shortly before the term of office ended, the members of the Supervisory Board addressed the Italian National Regulatory Authority, AGCom, chaired by Angelo Marcello Cardani, during a hearing, presenting actions carried out and main results achieved in three years of work; possible future issues concerning supervisory activities for equal network access were also outlined. The Chairman, Mr Cardani, and Authority Officers thanked the members of the Supervisory Board for the work carried out and contribution made during their term of office.

Progress report regarding the fulfilment of the Undertakings

Undertakings Group no. 1

(New Process of Delivery start-up)

During the quarter in question, the SO, as per Resolution no. 12/2012⁵, checked the proper application of the new WO queuing system (the so-called "single queue" system) on site at local operating sites and the outcome was successful (*for more details, see the specific section below*).

At 31 August 2012, 306,540 bitstream WOs were processed with the NDP for the Asymmetrical Bitstream service, and 12,584 for the Symmetrical Bitstream service; 71,671 WOs were processed for the LLU service, while the number of WLRs was negligible (just over one thousand WOs).

As part of the work of AGGCom's Undertakings Monitoring Group on "Database" issues, Telecom Italia gave the Authority information following requests for clarification from OLOs about Toponymic DB updates made by Telecom.

At 5 September 2012, the number of OLOs using the NDP was as follows:

Type of service	Number of OLOs using the process
ATM Bitstream	45
Ethernet Bitstream	8
Easy IP	1
WLR	11
Shared Access	3
LLU	15

Undertakings Group no. 2

(Establishment of a new system of incentives and a code of conduct)

In June, the Managing Director and Chief Operating Officer sent an email to company personnel on the codes of conduct as of Decisions no. 152/02/CONS and no. 718/08/CONS, to increase knowledge and awareness of issues addressed.

With reference to Decisions concerning equal treatment, refresher training has been planned for the fourth quarter of 2012, for resources working for local Open Access sites.

The training programme for approximately 200 former National Wholesale resources, now working for Open Access, is continuing and is scheduled for completion by the end of September.

A video lesson has also been prepared as further training on equal treatment issues.

⁵ http://organodivigilanza.telecomitalia.it/pdf/Determinazione_n_12-2012-Vigilanza_su_accodamento_degli_ordinativi_di_lavoro_a_coda_unica.pdf

Undertakings Group no. 3

(Establishment of a performance monitoring system for SMP services)

The works of the *Gruppo di Monitoraggio Impegni (GMI)*, the Authority's Undertakings monitoring group, continued to define the new basket of “end to end” indicators that will replace the current set of KPIs.

The GMI intervened during dedicated meetings with Telecom Italia and OLOs. Requests were put forward by some Operators to change proposals made, and Telecom Italia has sent a document to AGCom with its own contributions concerning these requests.

Once the new basket of KPIs is approved, the Supervisory Body will carry out usual analysis and testing on the indicators, as provided for in the Undertakings.

Undertakings Group no. 4

(Guarantees of transparency of the monitoring system)

Telecom Italia has forwarded reports on indicators for June, July and August 2012 to the SB, along with the document containing overall data for the second quarter of the year. The figures confirm trends identified in previous months, without major deviations.

In overall terms, Open Access is complying with principles of equal treatment for Telecom Italia and other Operators and no significant criticalities were identified. Performance relative to a limited number of indicators was slightly better for the Telecom Italia Retail segment compared to OLOs, but this is due to technical reasons.

Undertakings Group no. 5

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

Telecom Italia sent the SB the progress report for the second quarter of 2012 regarding Access Network Quality. In the second quarter, 10,796 preventive maintenance jobs were carried out on systems comprising the fixed access network (1,568 jobs more compared to forecasts of 9,228), while recovery and repair jobs on line distribution cabinets were lower than forecasts.

Telecom Italia also sent the planning report for the fourth quarter of 2012 to the SB. A revised version of the Annual Plan and Third Quarter Programme was published, as regards the periodic upgrade of access network poles.

Telecom Italia also sent the progress report as of the second quarter of 2012 to the SB, detailing the evolution over time of the exchanges compared to the levels of quality anticipated, provided for the RTG and Broadband services. The data did not consider exchanges with less than 1,000 PSTN lines and 300 ADSL lines. The number of exchanges with a failure rate above the target threshold has decreased compared to the end of 2011, for phone services, while it has increased - albeit moderately - for ADSL services.

The SB also received a document from Telecom Italia with information requested as per Resolution no. 6/2010, updated to the second quarter of 2012. This information referred to Trouble Tickets broken down by cause of failure divided by geographic area, to the percentage of repeat failures divided by geographic area, the percentage of failures remedied by the second day following notification divided by OLO and Retail

Segment and a list of saturated DSLAMs and MiniDSLAMs (*for additional information please refer to the specific paragraph on the saturation of exchanges*).

Undertakings Group no. 6

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

In the third quarter of 2012, the SB received documents from Telecom Italia with final figures for the second quarter of 2012 and the programme for the fourth quarter of 2012, with reference to the NGAN network, Broadband coverage and Allotments.

In the second quarter of 2012, the number of Property Units connected in primary exceeded forecast figures (247,269 against an expected 194,904), while a delay was recorded in the number of Property Units connected in secondary (9,833 compared to the estimated figure of 10,000). During the quarter, 16 exchanges were opened for the marketing of broadband services (two more than planned). As regards the allotments programme, connected Property Units amounted to 17,906, 594 less than planned, because of the economic slowdown which has also affected the building industry.

Following a hearing on 24 July, the SB requested Telecom Italia, as per Resolution no. 15/2012, to provide additional information on its development programmes concerning the new fiber optic network, with a view to more transparent communication.

Telecom Italia informed the SB in July of the start of technological testing for basic and innovative telephone services using the FTTCab platform, as from September 2012. Telecom Italia published the list of cabinets in Exchange Areas undergoing testing on the National Wholesale Services Portal.

Undertakings Group no. 7

(Establishment of a Supervisory Board)

With the term of office of Directors ending on 30 September 2012, the SB addressed AGCom on 19 September during a dedicated hearing⁶.

The SB presented actions carried out and main results achieved in three years of work to the Authority Board, chaired by Angelo Marcello Cardani. Possible future issues concerning supervisory activities for equal network access were also outlined.

The Chairman and Authority Officers thanked the Board for the work and contribution made during its terms of office.

⁶ <http://organodivigilanza.telecomitalia.it/eng/documenti.shtml>

Undertakings Group no. 8

(Integration of the regulatory accounting and determination of the transfer charges)

As regards Undertakings Group no. 8, the final version of 2011 Regulatory Accounting is being prepared, based on the preliminary results of conformity assessments conducted by AGCom on the experimental version enacting provisions of Decision no. 678/11/CONS, with Guidelines on Regulatory Accounting for fixed networks and service contracts.

At the end of these assessments, final figures for 2011 will be processed.

Undertakings Group no. 9

(Measures relative to the new generation access networks)

Telecom Italia informed the SB of its progress mainly concerning the “Fastweb Project” for the Subloop for a certain number of cabinets, particularly in the Pisa area, following the completion of relative feasibility studies. Fastweb is setting up infrastructures in its remit for these cabinets.

The agreement reached with Fastweb for the development of a new generation fiber optic network was announced during the quarter.

In July, Telecom Italia proposed a new Equivalence model for NGAN access services to AGCom, implementing Undertaking 9.4, to extend Undertakings to new generation network access services. As regards this issue, the SB arranged for appropriate investigations, and began analysis, the results of which will form the basis for subsequent control activities.

Undertakings Group no. 12

(Obligation to signal the activation of services not requested)

Telecom Italia has sent the SB the document with data for the second quarter of 2012 on reports of services being activated that were not requested, received by Open Access technicians. In the period, no complaints were reported.

Complaints of alternative Operators

Complaint S01/12 - Welcome Italia / Report of serious disruption due to general failures and poor quality of bitstream services

In June 2012, the Operator Welcome Italia sent the SB a complaint concerning alleged repeated disruption occurring in April and May. In particular, the Operator complained about:

- general Assurance failures with reference to various geographic areas, often attributable to the malfunctioning of aggregate equipment, and
- the poor quality of the asymmetrical bitstream service in the Bari catchment area.

The Technical Report produced by the Supervisory Office considered the complaint as "specific", and stated that further information was required on reported cases and on fixed access network developments.

During the meeting of 18 June, the SB adopted Resolution no. 13/2012⁷, which opened the relative investigation.

On 2 July 2012, during a dedicated hearing, Telecom Italia provided information concerning complaints made by the Operator Welcome Italia. The SB considered it appropriate to investigate the matter, and above all to investigate issues such as the number of Trouble Tickets actually opened by Welcome Italia and their status in recent months.

On 18 July, Welcome forwarded a new complaint to the SB, indicating additional events attributable to aspects already identified.

As requested by the Supervisory Office, Telecom Italia provided additional information on the service disruptions claimed by Welcome Italia. This information showed that in most cases reported, events were attributable to aspects that did not concern the access network, or that were isolated (i.e. not general failures).

In its meeting of 1 August 2012, the SB therefore closed the Complaint in question with Resolution no. 16/2012⁸, having found that Telecom Italia had not failed to comply with its Undertakings.

⁷http://organodivigilanza.telecomitalia.it/pdf/Determinazione%20n.13.2012_Avvio_attivita_istruttoria_Welcome.pdf

⁸http://organodivigilanza.telecomitalia.it/pdf/Determinazione_n%5B1%5D.16-2012_Segnalazione_Welcome_chiusura_istruttoria.pdf

Specific Analyses

Analysis of the correct application of the Single Queue system

With Resolution no. 12/2012⁹, the SB began analysis of management of the work order queuing system (the so-called "single queue" system), as part of the gradual start-up of the NDP. This analysis is continuing checks already made in 2011 on the "single queue" system, and will focus on Open Access's correct use of IT procedures to manage the process.

The SO has been appointed to carry out random checks at local Open Access operating sites, and to report results to the SB.

After checks in June, with inspections at the geographic areas Rome South and Friuli Venezia Giulia, the SO conducted similar on-site inspections in July at the Naples West and Central Lombardy geographic areas. Works Orders which came under the Single Queue system in 2012 were analysed and subsequently processed, and no irregularities were identified based on checks of activities up until the deployment of installations.

Following these checks, the SB adopted Resolution no. 17/2012¹⁰ during the meeting of 1 August 2012, closing the investigation in question.

⁹ http://organodivigilanza.telecomitalia.it/pdf/Determinazione_n_12-2012-Vigilanza_su_accodamento_degli_ordinativi_di_lavoro_a_coda_unica.pdf

¹⁰ http://organodivigilanza.telecomitalia.it/pdf/Determinazione_n%5B1%5D._17-2012_Coda_Unica.pdf

Analysis on the deterioration

The SB opened Complaint S01/2011 in 2011, following a complaint from the Operator Welcome about alleged saturation problems with Telecom Italia exchanges, with reference to the Bitstream service.

Subsequently, the SB requested Telecom Italia to provide consecutive data, on a monthly basis, on the percentage of degraded systems repaired within the time limits established in Service Level Agreements, with reference to the service provided to OLOs, also in compliance with Decision no. 105/10/CIR.

With Resolution no. 20/2011¹¹ closing Complaint S01/2011, the SB requested Telecom Italia to provide consecutive data on a monthly basis, starting from April 2011, relative to the percentage of degraded systems in wholesale data connections repaired within the time limits established in Service Level Agreements, as reformulated by Decision no. 105/10/CIR.

In particular, the SLA requires 80% of degraded events to be repaired within 50 days from notification, for infrastructure-related problems (limited throughput).

After a performance which had gradually improved in the second half of 2011, and had remained stable above the minimum threshold of 80% established by the SLA, the situation has fluctuated in 2012. After a positive start to the year (percentages for January and February were above 90%), values deteriorated, and the last figures for August show that the percentage of degraded events repaired within 50 calendar days was equal to 56%, despite reported cases in absolute terms decreasing compared to figures recorded at the start of monitoring.

¹¹http://organodivigilanza.telecomitalia.it/pdf/Determinazione_n1_20_2011_Segnalaz_S01_2011_Chiusura_del_procedimento.pdf

Analysis of Wholesale and Retail KOs

The "Wholesale KOs Analysis Project" was started in 2010 and aimed to obtain a more in-depth understanding of why Wholesale Work Orders were rejected in the Delivery process used by Telecom Italia until transition to the New Delivery Process (NDP). This project identified areas of possible improvement, to consider in the gradual introduction of the NDP.

At the outcome of the analysis on the Wholesale KO, the SB ordered the start of a similar analysis on the KOs relative to the offer of Telecom Italia Retail services.

As regards Wholesale work orders, Resolution no. 14/2010¹², approved by the SB in July 2010, contains guidelines for analysing reasons for OLOs rejecting Orders. The project initially analysed Work Orders divided according to the reasons behind these, issued from 1 January 2009 to 31 March 2010, and closed by 31 May 2010.

During the meeting of 15 December 2010, the SB approved with Resolution no. 22/2010¹³, the Final report¹⁴ with the results of the Project, identifying possible areas for improvement in the Delivery process. The Resolution also requested Telecom Italia to prepare a quarterly report containing the information required by the SB to evaluate the results of activities adopted following the analysis.

With reference to Work Orders of Telecom Italia's Retail clients, Resolution no. 5/2011¹⁵ of February 2011 ordered an analysis, similar to that for Wholesale clients, of the reasons for Retail work orders being rejected for the period from the start of 2009 to the first half of 2011. With this analysis, the project for the Wholesale segment which began in 2010 was completed. It was therefore possible to jointly analyse the two segments, and consequently evaluate actual internal/external equality of treatment concerning Delivery process management.

During the meeting of 14 December 2011, the SB approved Resolution no. 26/2011¹⁶, with the final report explaining actions taken and results achieved from the analysis in question. The analysis showed that no cases of unequal treatment between Retail Work Orders and Wholesale Work Orders were identified. However, it was possible to note better process efficiency in favour of Telecom Italia as regards the number of WOs necessary to satisfy a client request. This difference should progressively disappear as all the OLOs come under the New Delivery Process.

In July 2012, Telecom Italia sent its quarterly report to the SB on the progress of surveys conducted by the Wholesale function on the WOs of other Operators relative to KOs for Bitstream, ULL and WLR services, updated as at March 2012.

As regards the Retail segment, Telecom Italia sent the SB a report in August on Retail KO analysis for July 2011 - March 2012.

¹² http://organodivigilanza.telecomitalia.it/pdf/Determinazione_n1_14_2010.pdf

¹³ http://organodivigilanza.telecomitalia.it/pdf/19_Determinazione_22_2010.PDF

¹⁴ http://organodivigilanza.telecomitalia.it/pdf/19a_Allegato_Determinazione_22_2010.PDF

¹⁵ http://organodivigilanza.telecomitalia.it/pdf/Determinazione_n5_2011_Analisi_KO.pdf

¹⁶ http://organodivigilanza.telecomitalia.it/pdf/Determinazione_n.26.2011_Analisi_KO_Retail_Allegato-Light.pdf

Organo di Vigilanza

In August 2012, AGCM consulted the SB during a specific hearing as part of the proceedings A428 - WIND-FASTWEB/CONDOTTE TELECOM ITALIA, established to investigate whether Telecom Italia had adopted a conduct not conforming to article 102 of the TFEU that prohibits one or more undertakings from unlawfully exploiting a dominant market position. During the hearing, the SB was requested to provide an analysis of cancelled Work Orders relative to Telecom Italia Retail clients for 2009-2011 data.

The pre-alarm system for signalling exchanges at risk of saturation (“Amber Light”)

In 2010, the SB opened Complaint S01/2010 after various Operators had complained of the bitstream service to approximately 500 exchanges being stopped, due to network saturation.

Based on the results of analyses, the SB advised Telecom Italia to establish a shared mechanism to signal pre-alert status for exchanges near to saturation ("Amber light" status).

As regards the network platform for ATM technology ADSL bitstream services, the number of amber light status and saturated exchanges increased considerably during the quarter. In particular, the stock of saturated exchanges served by DSLAM ATM 7 Mbit/s amounted to 348 units at the end of September (+390% compared to the figure recorded at the beginning of the year), while on the same date exchanges with an amber light status totalled 788 (+54.5% compared to the figure at 1 January 2012).

These increases can be attributed to the obsolescence of the ATM technology which, following the declaration by the suppliers of that they would be ending production, made the equipment necessary to expand the DSLAM unavailable.

Monitoring also showed that of the 348 exchanges declared saturated, only 36 (equal to 10.3%) do not have Ethernet DSLAM, and are therefore not available for service.

Other activities of the SB

- ◆ During the Meeting of 1 August, with Resolution no. 14/2012 the SB approved the Quarterly Report on activities carried out and the works programme for the second quarter of 2012.