

**Newsletter Activity
Supervisory Board
January-March 2015**

Executive Summary

On Monday 9 March 2015 the Ara Pacis Auditorium in Rome hosted the presentation¹ of the Supervisory Board's² 2015 Annual Report. The meeting opened with the presentation by the President of the Supervisory Board, Antonio Sassano, of SB's activities in 2014 and the 2015 work programme. The meeting was attended by Antonello Giacomelli, Under-secretary of State for Economic Development with responsibility for Communications, Angelo Marcello Cardani, President of the National Regulatory Authority for Communications, Marco Patuano, CEO of Telecom Italia, and Maximo Ibarra, CEO of Wind.

In January, the Supervisory Board organized the second international study workshop focusing on specific equality of treatment issues. The meeting this year - titled "*Equivalence of Access in the Next Generation Networks*" - was hosted by the National Regulatory Authority for Communications. As well as members of the Supervisory Board itself, speakers also included the President of BEREC, Fátima Barros, and prominent figures from Telecom ParisTech and the National Antitrust.

Sessions began with Procedure P01/2014 intended to identify Key Performance Objectives (KPO), tolerance thresholds considered as acceptable as regards performance differences seen in SMP Services in Retail and Wholesale segments by Open Access.

In relation to Complaint S02/13 concerning CRM Wholesale malfunctions, the Supervisory Board, while criticising Telecom Italia as regards management of this issue, nevertheless felt that these problems did not amount to non-fulfilment of commitments since they do not govern or impose a precise obligation of results as to the quality of the services provided by CRM Wholesale, and therefore stipulated the termination of the proceeding with Resolution n. 15/2014³. In November, there was a new - temporary - deterioration, as explained by Telecom Italia, during the hearing on 2 December, with problems on computer systems. The Supervisory Board therefore started an investigation to obtain further information about the excessive rescheduling of the EDD.

As regards Complaint S03/13 originated by Operator Welcome Italia about the excessive number of faults and deteriorations, the closure term for the procedure has been reformulated. The joint Telecom Italia-Welcome Italia technical work group, attended by the Supervisory Board as "facilitator", continued its work. On the proposal of the Supervisory Board, the two Operators began and continued analysis during the quarter with the aim of identifying a shared technical definition of "deterioration" and "disruption" in order to facilitate operating modes for both parties.

¹ <http://organodivigilanza.telecomitalia.it/pdf/PROGRAMMA-ITA-def.pdf>

² <http://organodivigilanza.telecomitalia.it/pdf/OdV-RA-2015-Def.pdf>

³ http://organodivigilanza.telecomitalia.it/pdf/Determinazione_n_15_2014_Chiusura_S02_2013.pdf

Progress monitoring - Undertakings

Undertakings Group n. 1

(launch of New Delivery Process)

All the main OLOs have completed migration to the New Delivery Process; one exception is Wind as regards LLU and WLR services. The number of Work Orders transferred to the Single Queue by December 2014 and successfully closed totalled approximately 3,900 for the Asymmetrical Bitstream service, 3,250 for LLU and 250 for WLR. As of February 2015, the WOs transferred to the Single Queue and successfully closed totalled approximately 4,150 for the Asymmetrical Bitstream Service, 3,650 for LLU and 280 for WLR.

Undertakings Group n. 4

(guarantees of transparency of the monitoring system)

In the fourth quarter, the Supervisory Board received from Telecom Italia the monthly reports for December 2014, January and February 2015, the 2014 annual report and quarterly report for the fourth quarter of 2014.

Undertakings Group n. 5

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

The Supervisory Board received Q4 2014 results of the Technical Plans for Fixed Access Network Quality, as well as the 2014 Annual Report. In addition, Telecom notified the 2015 Annual Plan and the program for the second quarter of the year.

Undertakings Group n. 6

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

Telecom sent the Supervisory Board the Q4 2014 results of the Technical Plans for Fixed Access Network Quality, as well as the 2014 Annual Report. In addition, Telecom sent the program for the second quarter of the year, and notified information as regards the Local Councils in Regions involved in work to implement ultra wide band infrastructures.

Undertakings Group n. 8

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

Mazars, the consultancy company engaged by AGCom for regulatory auditing, is continuing its verification activities. Audits for 2012 were completed at the end of February. Activities concerning 2013 were consequently begun

Undertakings Group n. 12

(obligation to signal the activation of services not requested)

Telecom Italia has sent SB the document with reports on the activation of services that were not requested, as received by the Open Access technicians. This data has been provided for the fourth quarter of 2014:

Presentation of the 2014 Annual Report

The SB presented ⁴the 2015 Annual Report ⁵on Monday 9 March 2015 at the Auditorium of the Ara Pacis in Rome. The document describes the activities carried out and results achieved in 2014.

The meeting opened with the presentation by the President of the Supervisory Board, Antonio Sassano, of SB's activities in 2014 and the 2015 work programme.

There followed reports by Antonello Giacomelli, Under-secretary of State for Economic Development with responsibility for Communications, Angelo Marcello Cardani, President of the National Regulatory Authority for Communications, Marco Patuano, CEO of Telecom Italia, and Maximo Ibarra, CEO of Wind.

The Report and the documents relating to the meeting are published on the SB website⁶.

⁴ <http://organodivigilanza.telecomitalia.it/pdf/PROGRAMMA-ING-def.pdf>

⁵ http://organodivigilanza.telecomitalia.it/pdf/Annual_Report_2015.pdf

⁶ http://organodivigilanza.telecomitalia.it/eng/relazione_annuale.shtml

Initiated investigation proceedings

Complaint P01/14 - Identification of specific KPOs (Key Performance Objectives) concerning the system to monitor the internal/external equality of treatment - Implementation of Undertakings Group n. 3

The Supervisory Board has initiated a procedure intended to identify Key Performance Objectives (KPO), as envisaged by the Undertakings, tolerance thresholds considered as acceptable as regards performance differences seen in SMP Services in Retail and Wholesale segments by Open Access.

The Undertakings of Telecom Italia envisaged the identification of specific Key Performance Objectives (KPOs), which, when compared with the performance identified by the KPIs, had to provide information on the quality levels of Open Access activities in service provision. These KPOs had to be identified annually by the Authority, but to date this has not happened.

The Supervisory Board felt that the KPOs are essential for a correct assessment of the performances of Telecom Italia with reference to the principle of internal-external equality of treatment and has approved Resolution n. 18/2014⁷, which initiated the procedure "*P01/14 - Identification of specific KPO (Key Performance Objectives) concerning the system to monitoring internal/external equality of treatment - Implementation of Undertakings Group n. 3 relative to the establishment of a system to monitor the performance of SMP services*". This activity will be terminated should the Supervisory Board proceed with a similar activity.

The certifying entity for identifying suitable "tolerance thresholds" for acceptable differences between Retail and Wholesale performance for each KPI has been identified as the University of Catania.

Work continued on the case in question during the quarter.

⁷ <http://organodivigilanza.telecomitalia.it/pdf/Determinazione-n18-2014-Individuazione-KPO.pdf>

Complaints by Alternative Operators

Complaint S01/13 - Fastweb/Network access discrimination in the installation of LLU and Bitstream systems

Fastweb had notified the SB in February 2013 of alleged violations of Undertakings Group n. 1 with reference to the following two cases:

- the alleged inconsistency between Open Access' refusal to activate installations for Fastweb due to excessive distance from the exchange, followed by the activation of the same type of installations for Telecom Italia's Retail customers.
- the alleged inconsistency between Open Access's refusal to activate an LLU line for Fastweb, followed by the activation of the same service for Telecom Italia retail customers.

With Resolution n. 5/2013⁸, the Supervisory Board began a review in this regard. It emerged that an apparatus was involved in the great majority of rejected orders; however, in some cases, while the issue of a KO was in fact correct, it was due not to "presence of equipment", but rather for the most part to errors in the compiling of the order by the OLO. A number of cases were found in which the KO appeared to be unjustified, almost always originating from a misalignment of the Telecom Italia computer systems. With reference to its Internal Regulations, the Supervisory Board sent Telecom Italia preliminary notification (Resolution n. 18/2013⁹) and decided with Resolution n. 25/2013¹⁰ to close the proceedings, while making a number of Recommendations to Telecom Italia, including a request to take suitable action to eliminate problems related to the less than full reliability of the *LLU pre-sale analysis tool*.

Following the termination of these proceedings, the Supervisory Board continued to monitor the progress of the KOs issued for the presence of the apparatus and progress of activities to eliminate multiplexors from the access network initiated by Telecom Italia in November 2013. During the first quarter 2015, 261 such items of equipment were decommissioned, of which 98 (equal to 37%) included in areas open to LLU services. This action brought the overall number of discontinued devices in LLU areas from the end of 2013 to date to 513. As regards the detection of rejections of orders because of the presence of non-operative apparatus on the line, the same quarter saw an overall total of 237 KOs registered, equal to an incidence rate of 0.24% for Asymmetric Bitstream services and 1,645 KOs, equal to an incidence of 0.69% for LLU services. Percentage detections on a monthly basis have never exceeded 0.8% for LLU services and 0.3% for Asymmetric Bitstream services.

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http://organodivigilanza.telecomitalia.it/pdf/Determinazione_n_5_2013_Avvio_verifica_Segnalazione_S01_13.pdf

⁹

http://organodivigilanza.telecomitalia.it/pdf/Determinazione_n_182013.pdf

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http://organodivigilanza.telecomitalia.it/pdf/Determinazione_n_25_2013.pdf

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

Fastweb had already reported malfunctions in Telecom Italia's Wholesale CRM system in 2013. The origin of these malfunctions was to be sought in the series of various system releases and are thought to have originated critical aspects including the blockage of multiple Wholesale Work Orders.

The SB had opened a complaint with Resolution n. 6/2013¹¹. Following in-depth analysis and meetings with the Operators, the Supervisory Board inasmuch requested Telecom to define an indicator suitable for objectively measuring the level of operation of the Wholesale CRM system. The situation has progressively improved, and, after several extensions of the deadline for completing the investigation (Resolution n. 15/2013¹²; Resolution n. 29/2013¹³ Resolution n. 14/2014¹⁴), the Supervisory Board closed the proceedings with Resolution n. 15/2014¹⁵. With this Resolution, the Supervisory Board recommended that Telecom Italy develop a procedure allowing verification of the effective functioning of the software, inviting the Operator to send weekly reports of the Wholesale CRM operation indicator.

Thanks to this indicator, the Supervisory Board monitors the performance of CRM and can detect any operating problems that may potentially become a source of critical aspects. Such monitoring activities made it possible to detect early in February a substantial increase in the index of performance for LLU LA services, up from 4.2% at 30 January to 16.20% at 5 February.

The index for LLU LNA services, having fluctuated at around 2.5% in January, also registered an increase which in February came to 5.31% because of a system malfunction. This measurement was affected by unresolved orders (approximately 6,000) in the course of recovery. The situation was tackled and normalised, as evidenced by the index values recorded in subsequent days (9 February: ULL LA index the 2.43%; ULL LNA index 3.37%). In March, the CRM Wholesale performance index remained at values fluctuating around 3.7% for ULL LA and 1.5% for ULL LNA.

WLR LNA services since the start of the year have posted index values oscillating stably around 2.21% but always below 3%. After recording values of around 6% in January and February 2015, the WLR LA services index reached a peak value of 16.52% on 4 March 2015 before settling stably at around 5% in the days after the end of the quarter. The CRM performance index for Bitstream services confirms steady values below 1% for OL LA and OL LNA.

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http://organodivigilanza.telecomitalia.it/pdf/Determinazione_n_6_2013_Avvio_verifica_Segnalazione_S02_13.pdf

12 http://organodivigilanza.telecomitalia.it/pdf/2_Determinazione_n_15_2013.pdf

13 http://organodivigilanza.telecomitalia.it/pdf/Determinazione_n_29_2013.pdf

14 http://organodivigilanza.telecomitalia.it/pdf/Determinazione_n_14_14_S02_13_Fastweb_CRM_proroga.pdf

15 http://organodivigilanza.telecomitalia.it/pdf/Determinazione_n_15_2014_Chiusura_S02_2013.pdf

Complaint S03/13 – Welcome Italia/Physical deterioration of lines and lack of maintenance, SLA compliance and size of penalties

Welcome Italia complained of critical aspects associated with frequent deterioration and repeated faults in access and transport, charging of alleged fruitless service interventions by Telecom Italia and the penalties paid by Telecom Italia for failure to comply with the SLA.

During the hearing held c/o the SB in 2013, Welcome Italia complained of problems related to service disruption and deterioration of the access network; general service disruption in the transport network; the provisioning of bitstream services over ethernet networks; fruitless service interventions, the SLAs and the assurance penalties for bitstream services, deemed to be insufficient deterrents and not commensurate with the inconvenience suffered by the Operator.

The Supervisory Board opened Complaint n. S03/13 with Resolution n. 9/2013¹⁶. In 2014, the Supervisory Board met Telecom Italia during hearings on 28 January and 15 May and Welcome Italia on 12 February and 11 June. Telecom Italia acknowledged the reported disservices, while emphasising the improvements in the fault rate in the period 2011–2013.

It was decided, in conjunction with the Supervisory Board, to establish a specific technical discussion table in order to analyse and resolve the difficulties encountered.

As of June, regular technical meetings were held in Welcome's offices and Telecom Italia work Centres alike, while the offices of the Supervisory Board hosted periodic meetings to discuss the progress of work.

On the proposal of the Supervisory Board, the two Operators began analysis with the aim of identifying a shared technical definition of "deterioration" and "disruptions" in order to facilitate operating modes for Telecom and Welcome alike

The final deadline for concluding the investigation, initially set for 29 August 2013, was extended on several occasions, ultimately by Resolution n. 20/2014¹⁷.

¹⁶ http://organodivigilanza.telecomitalia.it/pdf/Determinazione_n_9_2013_Avvio_S03_13.pdf

¹⁷ <http://organodivigilanza.telecomitalia.it/pdf/Determinazione-n-20-2014.pdf>

Specific Analyses

Analysis of Retail and Wholesale KOs

The Supervisory Board has analysed the causes of rejected Work Orders ("Analysis KO Wholesale" and "Analysis KO Retail"): this analysis showed that no cases of unequal treatment between Retail Work Orders and Wholesale Work Orders were identified.

Following Resolutions n. 26/2013¹⁸ and n. 9/2014¹⁹, the Supervisory Board has begun new analysis of KOs related to Wholesale and Retail Delivery processes in order to measure the benefits achieved by the introduction of the New Delivery Process.

During Board meetings in October and November 2014, the results of the investigation were presented, with evidence of comparisons between the data for the two-year period 2009-2010 and current retail/wholesale performances.

Some overall improvements were seen in the wholesale delivery chain and other areas were also identified for further improvements to the efficiency of the processes.

During the meeting in February, the Board asked the Supervisory Board for additional analysis of the causes for wholesale rejections concerning client KOs. These investigations are still underway.

Analysis of the correct application of the Single Queue

The Board of Directors of SB approved Resolution n. 2/2015²⁰ verifying the outcomes of vigilance activities on the so-called "single queue" Work Order queuing system management within the scope of the New Delivery Process (NDP) as part of Undertakings Group n. 1. for 2014. Resolution n. 3/2015²¹ consequently approved the continuation of this activity even in 2015.

Visits were made in the first quarter to AOLs in Abruzzo, Molise and Lower Latium (Pescara, 3 February), the Marches (Ancona, 4 February), Western Tuscany (Pisa, 25 March) and Western Emilia (Parma, 26 March).

The checks undertaken so far have not revealed any cases of unequal treatment between Telecom Italia Retail customers and customers of OLOs regarding the application of the Single Queue.

¹⁸ http://organodivigilanza.telecomitalia.it/pdf/Determinazione_n_26_2013.pdf

¹⁹ http://organodivigilanza.telecomitalia.it/pdf/Determinazione_n_9_2014.pdf

²⁰ http://organodivigilanza.telecomitalia.it/pdf/Determinazione_n_2_2015_Chiusura_Coda_Unica_2014.pdf

²¹ http://organodivigilanza.telecomitalia.it/pdf/Determinazione_n_3_2015_Avvio_Coda_unica_2015.pdf

Other activities of the SB

- ◆ In January, the Supervisory Board organized the second international study workshop focusing on topics within its scope of operations. The meeting this year - titled "*Equivalence of Access in the Next Generation Networks*" - was hosted by the National Regulatory Authority for Communications. As well as members of the Supervisory Board itself, speakers also included the President of BEREC, Fátima Barros, and prominent figures from Telecom ParisTech and the National Antitrust. The meeting proved to be very useful in analysing the evolutionary prospects of the principle of equality of treatment in the scope of next-generation networks, in relation to a European context and on the basis of the common need to adopt the best regulatory models in order to ensure that this principle remains valid in coming years.
- ◆ Specific contacts were initiated during the quarter between the Supervisory Board and Offices of the Authority with the purpose of launching joint activities on specific topics; this follows the invitation to strengthen reciprocal cooperation between the Authority and the Supervisory Board expressed by the President of AGCom Cardani during the presentation of the Supervisory Board's 2015 Annual Report at Ara Pacis.
- ◆ In order to examine the Equivalence of Input model proposed by the Swedish Authority PTS and approved by the European Commission, the offices of the Supervisory Board in February visited the Authority and the incumbent Telia Sonera. These meetings helped analyse technical details and implementation modes for the model in question.