

*Supervisory Board
Activity Newsletter
July-September 2016*

Executive Summary

The new Supervisory Board regulations

In July 2016, the Italian National Regulatory Authority for Communications, in agreement with Telecom Italia, approved new regulations for the Supervisory Board, detailing the operations and procedures of the Board and of the Supervisory Office.

The most important changes include the number of Board members, increased from 3 to 5, and the length of their term of office, increased from 3 to 5 years.

In the month of August 2016, during the first appointment of the Members of the new Board, Telecom Italia and the Authority agreed to renew the term of office of the three Members already in office since 1 December 2012 (Prof. Antonio Sassano, Prof. Marco Lamandini and Prof. Michele Polo) up to completion of 5 years from the beginning of their terms of office, at the same time appointing two new members (Dott. Giovanni Amendola and Dott. Fabio Di Marco) for a five-year period.

The prerogatives and powers of the Board were also changed: with this new provision, the Supervisory Board provides support for Telecom in ascertaining compliance with the Undertakings and with the additional voluntary measures attributed to it (known as “Voluntary Measures”) and prevention of possible anomalies or deficiencies in the fulfilment of the Voluntary Measures themselves. Furthermore, the Supervisory Board may provide technical support to the Regulatory Authority for monitoring and investigating operations related to the non-discrimination obligations pursuant to Article 64 of Resolution no. 623/15/CONS, by means of specific investigations and analyses. These include assessing the effectiveness of the data base quality standards, conducting tests on new software releases involving the other licensed operators concerned, checking the correctness of non-discrimination KPI calculation, and checking the effectiveness of the measures introduced to implement Article 64, paragraph 15, of Resolution no. 623/15/CONS related to strengthening of equivalence measures.

A further change is the creation of a single role supporting the Members of the SB, that of the Director of the Supervisory Office, who combines the two previous positions of General Secretary and Head of the SO. The duties of the Director, appointed by Telecom Italia with the approval of the Supervisory Board, include coordination of the Supervisory Office and general support for SB activities.

On the contrary, with regard to greater involvement of third parties in SB activities, it has been decided that the Supervisory Board may, on its own initiative, consult third parties who have submitted reports or complaints, to obtain further information or explanations on the facts reported and, in general, involve the third parties who have submitted reports or complaints, if they so request. In addition to this, third parties may submit further documents, information and conclusions useful for investigations to the Supervisory Board.

Appointment of the SB as promoter of technical and operational solutions in agreement with Telecom and third parties who have submitted reports or complaints is also of considerable importance in solving possible problems reported by them. Such activity and the resulting

solutions will be notified to the Director of the Regulatory Authority's electronic communications networks and services department.

Bearing in mind these new Regulations, the SB recognises the need to harmonise the provisions of Resolution no. 10/2014 dated 13 March 2014, and the related criteria for managing and dealing with reports and complaints pursuant to Article 11, paragraph 2 of the Regulations of the Supervisory Board, in light of the changes introduced with the new provisions contained in the Regulations. Based on this, during its session held on 30 August 2016, the Supervisory Board approved **Resolution no. 18/2016** on the new procedures for managing and dealing with its procedures.

The New Equivalence model

In order to be able to carry out the checks on compliance with the voluntary measures, in the month of September, the SB asked Telecom Italia for a detailed description of the delivery and assurance processes defined within the New Equivalence Model. More specifically, the Board asked for a full description of all delivery processes referring to LLU, LLU Sub-loop, WLR and BTS services, together with a full description of all assurance processes referred to the same services.

Procedures and Reports

In the third quarter, the procedure known as “P01/16” related to investigations into the method for implementing the management procedure for the “Single Queue” work order queuing system within the New Delivery Process (NDP) was completed. From the investigations conducted from the start-up date (February 2016), the SB noted apparent irregularities in the execution of Undertakings Group no. 1 and, based on these findings, ordered that the related Preliminary Notification should be sent to Telecom Italia. In the month of May, the SB approved a reasoned decision, asking Telecom Italia to take all action necessary to reach a satisfactory solution of the problem, setting the term of 30 June 2016 as the latest date for solution. After compliance was ascertained by the Office, at its session dated 7 July 2016, the Supervisory Board passed **Resolution no. 17/2016** for completion of the procedure, in any case reserving the right to start further tests after the corrective actions envisaged by the Company have gone into operation.

During the quarter in question, additionally, the Supervisory Board received two complaints by the Operator WIND, related to problems connected with improved functioning of the Contact Policy and cases of failure of Telecom Italia field technicians to keep appointments with the customer. Based on what was reported, the SB ordered the setting up of a joint working group, under the supervision of the Supervisory Office, to solve the problems, with the aim of identifying and implementing the best technical and operational solutions agreed by both parties, which may also be exportable to other Operators concerned.

Monitoring of progress on Undertakings

Undertakings Group no. 1

(Launch of New Delivery Process)

All the main OLOs have completed migration to the New Delivery Process.

As part of Undertakings Group no. 1, new supervisory activity to check the operation of the “Single Queue” within the New Delivery Process continued. In this context, in the July-September quarter, the Supervisory Office ascertained the correct application of the procedure in the Sardegna, Marche and Umbria geographic areas. Out of 88 orders examined, 3 (of which 1 OLO and 2 Telecom Italia) were found to have been incorrectly implemented without going through the queueing mechanism. Two of the irregular cases found can be traced back to orders on recently developed parts of network that were not yet recorded in the Single/RA data base. The third case regards an order implemented by a technician on a free pair found on a distributor declared to be saturated. On 30/06/2016, Telecom Italia announced the roll-out of the modifications to the delivery system software which should avoid repetition of most of the irregularities found (see Procedure P01/16).

Undertakings Group no. 3

(Establishment of a performance monitoring system for SMP services)

Undertakings Group no. 3 includes analysis of the processes related to the New Equivalence Model, conducted by the Supervisory Office, with a view to monitoring equality of treatment. Collaboration with the University of Catania with regard to Key Performance Objectives (KPOs) continued, with the aim of “fine tuning” the parameters for calculating each KPI measured and updating the current KPO model to the new Telecom Italia Equivalence model.

Undertakings Group no. 4

(Guarantees of transparency of the monitoring system)

In the third quarter, the SB received monthly reports from Telecom Italia regarding the months of July, August and September 2016, together with the final 2Q 2016 version of the monitoring system transparency report.

Undertakings Group no. 5

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

The SB received the final 2Q 2016 report and the 3Q 2016 programme report on fixed access network quality, together with the SLA report for degraded Wholesale systems.

Undertakings Group no. 6

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

Telecom sent the SB the final 2Q 2016 report on the Technical Plans for fixed access network development, together with the programme related to the 3Q 2016 for NGAN.

Undertakings Group no. 12

(Obligation to report the activation of services not requested)

Telecom Italia has sent the SB the document with data for the second quarter of 2016 on reports of services being activated that were not requested, received by Open Access technicians.

Complaints by Other Licensed Operators

Working group between Wind and Telecom Italia related to problems connected with improved functioning of the Contact Policy and cases of failure of Telecom Italia field technicians to keep appointments with customers

During the quarter in question, the Supervisory Board received two complaints by the Operator WIND, related to problems of:

- improving the functioning of the Contact Policy
- handling cases of failure of Telecom Italia field technicians to keep appointments with customers.

Based on what was reported, on 12 July 2016, the SB ordered the setting up of a joint working group with the participation of TIM and WIND, supervised by the Supervisory Office, with the aim of obtaining the greatest visibility on the issues and on any agreed actions for improvement, providing valid support to the decisions that it reaches after full definition of the complaints received.

With regard to the handling of failure of Telecom Italia technicians to keep appointments with the customer Wind, after receiving a detailed description of the appointment management procedure within the delivery process from Telecom, the Board decided to continue to investigate the issue in the month of September 2016, in preparation for a subsequent decision on the action to be taken to guarantee compliance with the principle of non-discrimination, pursuant to the provisions of Regulatory Authority Resolution no. 623/15/CONS, art 64, paragraph 16, and the Undertakings contained in Resolution no. 718/08/CONS.

Complaint by the Operator Fastweb S.p.A. “S02/13 - Fastweb/Malfunctions of the CRM system for Wholesale customers - Implementation of Undertakings Group no. 1 related to the setting up of a New Delivery Process for SMP Services”.

With reference to the closed procedure in which the Operator Fastweb and Telecom Italia were in conflict, the SB has continued to use the performance indicator for the CRM system for Telecom Italia Wholesale customers to monitor the performance of this IT system with the aim of promptly identifying any critical operating conditions.

LLU services

During the whole quarter, the index for LLU services on active lines (AL) showed a trend that oscillated around 2.38% with no major variations, while the CRM performance index for LLU services on non-active lines (NAL) stabilised at around 1.13%

WLR Services

The CRM performance index for WLR services on active lines (AL) stabilised at values oscillating around an average level of 3.2% throughout the quarter. The index for WLR services on non-active lines (NAL) dropped from the peak level of 7.06% recorded on 31 August 2016 to 4.52% recorded at the end of September, while the number of OLs waiting for over N days in absolute terms remained constantly below 75.

Bitstream

The CRM performance index for Bitstream services confirms levels constantly close to zero both for AL OLs and for NAL OLs.

Specific analyses

Analysis of the correct application of the Single Queue (“P01/16”)

During the check session held within the New Delivery Process on 15 and 16 February 2016 in the Roma geographic area, the staff of the Supervisory Office found critical procedural issues related to a number of specific cases regarding the queuing system.

Having therefore noted the need, with regard to the aforesaid cases, to check the efficiency of the procedure governing the “single queue” work order queuing system, the Supervisory Board considered the advisability of investigating the cases in question, and ordered the start-up of a procedure named “P01/16”.

After thorough investigations, requests for explanations by the Office and corresponding observations by Telecom Italia, the SB reached a reasoned decision regarding identification of suitable remedial action for the deficiencies found in fulfilling undertakings, setting 30 June 2016 as the deadline for solving the critical issues detected during the investigation phase.

Telecom Italia S.p.A., in a note dated 1 June 2016, informed the Supervisory Board of the action that is being taken to reduce possible risks related to errors deriving from non-automated phases of the management process concerned and, in particular, announced the release of the changes to the queuing algorithms for testing.

The software release tests were conducted on 21 and 22 June 2016, in the presence of the Supervisory Office staff (authorised to take part by Resolution no.13/2016), and these tests terminated with a positive result, making it thus possible to confirm release of the said software for operation by 30 June 2016.

In consideration of this conclusion, at the session held on 7 July 2016, the Supervisory Board declared the conclusion of the procedure, in any case reserving the right to start further tests after the corrective actions identified have gone into operation.

Relations with Institutions and Operators

During the July-September 2016 quarter, the Supervisory Board held informal talks with the Italian National Regulatory Authority for Communications on previous activities subjected to their reciprocal attention.

In order to ensure the widest and most convinced involvement of the Other Licensed Operators in the investigations by the SB, at the Board Meeting held on 30 August 2016, the Board confirmed the assignment to the Director of the Supervisory Officer of the task of preparing a calendar of hearings to collect complaints, assessments, indications and any other element that may be useful on the state of implementation of the Undertakings by Telecom Italia.

On 30 August 2016, the members of the Supervisory Board met the heads of the Telecom Italia Open Access and Equivalence functions to discuss progress of the implementing measures envisaged in the New Equivalence Model as well as the changes introduced by the new Supervisory Board Operating Regulations and the related Undertakings Group no. 7.

In the month of September 2016, the President of the SB met the Head of the Telecom Italia Regulatory and Equivalence Department, receiving a document from the latter containing the invitation to carry out a number of investigations on the issues of equality of access connected with implementation of the New Equivalence Model.