

Supervisory Board  
Activities Newsletter  
April - May - June 2017

## Executive Summary

In line with the Plan of Activities approved on 25 January 2017, during the quarter under review the Supervisory Board continued its activities aimed at ensuring observance of equality of access to the Telecom Italia network, in compliance with the Undertakings and according to the provisions of its Internal Regulation. The activities were carried out under the new regulatory framework by virtue of the recent measures of the industry Authority.

To this regard, it is not superfluous to reiterate the extension of the objective area of intervention of the Supervisory Board **under the regulatory innovations** introduced in 2016, with a role that is no longer restricted to just checking observance of the Undertakings set out under Resolution no. 718/08/CONS, but that is extended to a new perimeter that today also comprises active surveillance of all aspects concerning the principle of non-discrimination.

The **support that the Supervisory Board gave to the Authority was the carrying out of specific study and analysis activities** connected with implementation of the New Equivalence Model development measures.

More specifically, these activities regarded the analysis of migrating to the new Telecom Italia delivery system, evolution of the KPI-KPO equality of treatment system, quality analysis of the new NetMap database and simplification and rationalisation of the reasons for rejection.

As regards the **simplification and rationalisation of the reasons for rejection**, the Board acquired the various progress reports drawn up by the Supervisory Office in April, May and June, and prepared transmission of the technical notes on the "methodology for rationalising and simplifying the reasons for rejection" to the Authority. In particular, on 28 June 2017 the document "*Rationalisation and simplification of the reasons for rejection - Version 1.0 - Application to access services (ULL/SLU/WLR/VULL/SHA)*" was made available to AGCom and Telecom Italia. This note illustrates a preliminary proposal to rationalise reasons for rejects for access services only and was designed based on the methodology previously defined by the Supervisory Office.

With regard, on the other hand, to the **matters relating to the new KPIs applicable in the Telecom Italia NEM and determination of the relevant KPOs**, the Board resolved to assign Prof. Giovanni Pica of the University of Milan an advisory role in April. This appointment will concern definition of a method for identifying equality of treatment objectives in the new equivalence context introduced by Telecom Italia,

and will be carried out based on the KPIs that will be approved and made mandatory by the Authority.

With reference, on the other hand, to **measurement of the equality of treatment performances during the transitory period while switching over from the EoM model to the new equivalence model**, only March and April showed a significant increase in the number of orders processed in the new delivery chain (about 22,000 WOs in April), but since migration of all TIM Retail orders on Non-Active Lines onto this chain has not been completed, it has not yet been possible to formulate a significant assessment of the results. The SB sent AGCom and Telecom Italia all monthly reports with the analysis of the KPIs pursuant to Resolution 718/08/CONS and "transition" KPIs (so-called "718 like") calculated for December 2016 and January, February, March and April 2017.

After achieving the effectiveness arising from verification of observance of the Undertakings, with its Resolution no. 12/2017 of 6 April 2017 the Supervisory Board ordered start-up of the verification **"P01/17 – Procedure aimed at verifying observance of Undertakings Groups nos. 3 and 4 - Establishment of a performance monitoring system for the SMP services and Transparency guarantees and monitoring system"** in connection with the deviation between the retail and wholesale performances of Telecom Italia with reference to several KPIs of Resolution no. 718/08/CONS. Following a preliminary investigation fully and actively involving Telecom Italia (described more in detail in the chapter dedicated to it), the SB ordered that the procedure be concluded with no disapproval regarding the mentioned Undertakings Groups being noted.

One important result achieved by the SB during the quarter under review was adoption of a measure concerning the **simplification and rationalisation of the additional reports Telecom Italia makes available to the Supervisory Board**. In consideration of the altered context that gave rise to several of these requests and, above all, of the fact that some additional reports however did not point out situations attributable to possible infringements of the principle of equal treatment by Telecom Italia in recent years, in April the Board gave the green light a plan to streamline the additional reports on the question according to the provisions of the 2017 SB Plan of Activities.

Within **Undertakings Group no. 1**, based on the new schedule of "on site" verifications on the correct implementation of the new Single Queue work order queuing criteria Telecom Italia introduced after the procedure described in Resolution no. 9/2016, the Supervisory Office continued its verification activity during the quarter under review.

With Resolution no. 9/2017, as part of the supervision of the transition to the New Delivery Chain the SB ordered that monitoring of the performances of the new CRM NOW reception system compared with those of the current Wholesale CRM reception system be started. The preliminary data were made available in June, but have not yet been considered sufficient for expressing a judgement.

**Under Undertakings Group nos. 5 and 6**, the SB noticed the need to upgrade the supervisory activity on these Undertakings Groups (access network quality and development) by drawing up new proposals aimed at increasing the transparency and completeness of the information Telecom Italia discloses to the market in its quarterly and annual reports required by Resolution no. 718/08/CONS. For this purpose, in June the Director of the Supervisory Office asked Telecom Italia to supplement the content of the quarterly and annual reports on the development of the NGAN network with the addition of the progressive values (presently unavailable) of the number of cabinets connected in FTTCab and the number of Property Units “passed” and “connected” in FTTH and FTTCab.

## Monitoring and audits

### Undertakings Group no. 1

*(New Delivery Process)*

Within **Undertakings Group no. 1**, the Supervisory Office continued its verifications during the quarter in question based on the new schedule of “on site” verifications on the correct implementation of the new Single Queue work order queuing criteria Telecom Italia introduced after the procedure described in Resolution no. 9/2016.

On 10 May 2017, the Supervisory Office started the relevant verification sessions by carrying out the first of four scheduled during the year in the geographic area of Naples. Critical issues concerning the *first in – first out* principle in handling the work order waiting queues or compliance with the commitments that Telecom Italia undertook when the proceedings in question closed did not emerge from the activity carried out.

### Undertakings Group no. 3 and no. 4

*(Establishment of a performance monitoring system for SMP services)*

*(guaranteeing the transparency of the monitoring system)*

With its Resolution no. 12/2017 of 6 April 2017 the Supervisory Board ordered start-up of the verification “**P01/17 – Procedure aimed at verifying observance of Undertakings Groups nos. 3 and 4** - Establishment of a performance monitoring system for the SMP services and Transparency guarantees and monitoring system”

in connection with the deviation between the retail and wholesale performances of Telecom Italia with reference to several KPIs of Resolution no. 718/08/CONS.

The basis for the procedure was verification of the causes for the deviation that occurred in the latter months of 2016 and the early months of 2017 between the retail (more favourable) and the wholesale performances measured with the KPI of Resolution no. 718/108/CONS "Average voice time".

In order to fully conclude the investigation, the SB asked Telecom Italia to transmit a set of information necessary for the in-depth studies with a note dated 13 April 2017. Particular attention is focused on the algorithm that determines assignment of the priority of work orders when the appointment is taken.

Telecom Italia forwarded the requested data helpful for ascertaining the deviation that occurred in recent months between the Retail and Wholesale performances referring to the KPI of Resolution no. 718/108/CONS "Average voice time" on 11 May 2017. The same Company attached importance to specifying that the scope and functioning of the algorithm that determines assignment of the priorities in executing the work orders when the appointment is taken is based on the execution order in time guided by the date entered into the work order (which is indicated by the retail CRM in the case of Telecom retail, and by the Expected Delivery Date in the case of OLO orders).

The SB judged this mechanism to be a potential source of discrimination, and during the 22 June 2017 hearing, Telecom Italia explained the scope and functioning of the algorithms used in the new delivery chain and in the NDP to the Board, stating that these algorithms determine the assignment of the priority of execution of the work orders when the appointment is taken and clarifying that it takes place based on the order in time, guided by the date entered into the work order. To this regard, the Company confirmed that, as explicitly requested by the SB, in the event the priority date field coincides with multiple work orders, the original first in-first out (FIFO) criterion used to give the work orders priority will be replaced with a random type of criterion - deemed more fitting - over the long term and referring to the work orders sent in batch format starting from 1 July 2017. This should ensure more extensive guarantees of equality of treatment .

Still, it was the *'ex incumbent* that specified that the additional element of potential discrimination identified by the SB and connected with the regulatory obligation, of which only the competitor operators are recipients, of processing the work order by entering a pre-defined Expected Delivery Date was removed, extending mandatory use of the Expected Delivery Date to all retail work orders processed on the new delivery chain. An attentive examination of the data provided to the SB on the KPI in question regarding the period of November 2016-January 2017 revealed that the retail component does not contain the set of "suspended" work orders, unlike that of wholesale that instead includes them. The average retail time was recalculated including this component, further reducing the deviation recorded for those months

between retail and wholesale performances. The recalculation caused the KPI to minimally "exit" the "equivalence corridor" of reference only for the month of January 2017.

The Board therefore agreed that following said preliminary conclusions and data and information further acquired during Telecom Italia's hearing, and having ascertained that Telecom Italia had resolved the critical issues as previously described and pointed out by the SB in terms of efficiency of the processes examined and consequent potential discriminatory risks to the detriment of the competitor operators, it is possible to end the preliminary stage and its proceedings in so far as no irregularities and/or inadequacies in executing the Undertakings established in Resolution no. 718/08/CONS were found (Resolution no. 14/2017 of 22 June 2017).

## **Relations with Institutions and Operators**

### Meetings with the Communications Regulatory Authority (AGCom)

Discussions between the Supervisory Board and the Communications Regulatory Authority regarding the activities the latter transferred to the Board pursuant to article 15 bis of the new Regulation of the Supervisory Board continued during the quarter that this report covers.

In April, May and June 2017, the SB supported the Authority with regard to execution of specific study and analysis activities connected with implementation of the New Equivalence Model development measures, and particularly with regard to migration to the new delivery system, the evolution of the equality of treatment KPI-KPO system, the tests for new software releases, the quality analysis of the new NetMap database and the simplification and rationalisation of the reasons for rejection.

During the quarter under review, the SB sent the requested information to the Authority on a regular basis.

### Meetings with Operators

During the April-June 2017 quarter, the Supervisory Board and Telecom Italia met on 18 May and 22 June 2017. During these meetings, the Company made a presentation

on the progress of the Undertakings and provided feedback on the specific details requested during previous meetings.

In particular, the Telecom Italia representatives gave a presentation on the progress of Undertakings Group no. 2 during the May meeting, with particular reference to evolution of the methods of surveying *customer satisfaction* of the OLOs (and of TIM Retail as well starting from 2017).