

PARITÀ DI ACCESSO
Organo di Vigilanza

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ANNIVERSARIO



2018

Annual Report

2017 activities and results

 **TIM**



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Executive Summary

Ten years after its establishment, the Monitoring Body (MB), established by the Communications Authority (AGCOM) to autonomously and independently monitor compliance with the obligations for equivalence and non-discrimination concerning access to the TIM network, now presents stakeholders with the activities and the main results achieved during 2017.

1. 2017 was characterized by intensive political-institutional debate on the access network and the evolution of the equivalence model, with a particular focus on strengthening compliance with the principle of non-discrimination and equivalence of the services provided by TIM Wholesale to other Communicator Providers (CPs) and to TIM Retail. A new regulatory phase began in 2017, which saw the implementation of the **New Equivalence Model (NME from its Italian acronym) approved by the Authority, consequently equating TIM Retail to an infrastructure CP.**

In this context, the Monitoring Body closely followed the process whereby, at the meeting on March 6, 2018, the TIM Board of Directors authorized the CEO to start the formal AGCOM notification process as required by the Electronic Communications Code, regarding the project for the voluntary separation of the fixed access network.

The project envisages the creation of a separate legal entity, controlled 100% by TIM, which will become the sole interface for fixed network access services for all CPs, including TIM, and which will create an innovative network separation model for Europe. This will naturally require a new supervisory activity, aimed primarily at verifying the effective achievement of the indicated objectives, in order to prevent discriminatory conducts among retail CPs, which will be using the access network managed by the Network Company, (NetCo).

2. Ten years after the establishment of the Monitoring Body, it is the ideal time for an initial assessment of the validity of the model chosen by the regulator in 2008 with Resolution no. 718/08/CONS. As a privileged observer (an independent and autonomous body), the Monitoring Body is able to detect, well in advance, any conduct that may undermine compliance with the principles of non-discrimination and equivalence.

Any non-conforming conduct would be promptly reported to TIM by the Monitoring Body to enable the relevant departments to adapt their processes and procedures to the current regulatory obligations.

On the Monitoring Body's tenth anniversary, it is clear that the rapid evolution of new technologies and services has profoundly changed the regulatory context and the target market.

In this new context, with its "super-partes" role, the Monitoring Body can offer a qualified contribution to the national players, by expanding the involvement of alternative CPs and intensifying the existing dialogue with the Authority and the European Commission through regular meetings and consultations.

The sector regulator's decision has been validated, particularly in recent years, by the Resolutions issued by the Authority, which have given the Monitoring Body an additional technical-operational support role in favor of AGCOM, also in regulatory procedures. The Monitoring Body has been entrusted with a **major** role of **study and analysis**, as well as of direct support, which leads us to believe that this role is destined to be strengthened in the near future.

In this context, a significant line of activities for the Monitoring Body was consolidated over the past year, in light of the innovations introduced by AGCOM in 2015 with Resolution no. 623/15/CONS, following the analysis of the markets in the three-year period 2014-2017.

With this resolution, **the Authority decided to strengthen the equivalence model, confirming the Monitoring Body as the monitoring and supervisory body and safeguarding the Undertakings** contained in Resolution no. 718/08/CONS while also extending its remit to include the supervision of regulatory obligations relating to more general observance of the principle of non-discrimination.

In this regard, it is important to mention the changes introduced by the Authority in October 2016 with **Resolution no. 451/16/CONS**, which provided for action to harmonize Undertakings Group no. 7 to make it consistent with the current regulatory framework and with the new Monitoring Body Regulations.

In this context, as already highlighted, the objective scope of intervention by the Monitoring Body has increased significantly and is no longer limited to verifying compliance with the Undertakings referred to in Resolution no. 718/08/CONS, **but now also includes active monitoring on all aspects of non-discrimination**. This has given the Monitoring Body a new role of providing support indealings with both the Authority and with TIM, as part of the process launched by TIM to introduce the New Equivalence Model approved with Resolution no. 652/16/CONS.

3. In August 2017, in accordance with Article 3 of the Regulations, Antonio Sassano, the Chairman of the Monitoring Body, presented his resignation due to work commitments.

Prof. Polo then took over as Chairman, at the meeting held on August 29, 2017, and remained in office until November 30. In the same month, the Authority appointed three new members (after TIM had already appointed the other two Directors, already serving since August 2016). On December 20, 2017 the new Board was formed, **made up of the Chairman, Maurizio Mensi, and the members Giovanni Amendola, Fabio Di Marco, Gianni Orlandi and Francesco Sclafani.**

The new Board's priority was to ensure regular ongoing supervision of issues related to the Undertakings, and of the activities entrusted by the Authority, with continuous monitoring of the performance indicators of TIM's work with the alternative CPs, also during specific meetings.

4. In this regulatory context, the Communications Authority asked the Monitoring Body to

implement measures related to the development of the New Equivalence Model, in particular regarding migration to the New Provisioning Chain (NCD from its Italian initials), the evolution of the KPI-KPO system (Key Performance Indicators-Key Performance Objectives) of equivalence, quality analysis of the new *NetMap* database and simplification and rationalization of the reasons for rejection.

In order to be able to perform the tasks requested by the Authority, the Monitoring Body asked TIM for a detailed description of the provisioning and repair processes related to the ULL, SLU, WLR and BTS services under the New Equivalence Model.

In view of the launch of this new activity, at the hearing of 25 January 2017 TIM confirmed its willingness to provide the Monitoring Body with the necessary internal resources, information and data. On a mandate from the Board, in line with AGCOM's request, the Supervisory Office began a detailed functional mapping of all the provisioning processes for TIM's wholesale services. This activity was preliminary to the formulation of an organic proposal for rationalization and simplification of the causes of rejection, and to the proposal for the definition of new KPIs for non-discrimination.

The Board was thus able to acquire progress reports prepared by the Supervisory Office [on the "method for rationalization and simplification of the reasons for rejection."](#) On June 28, 2017 it provided AGCOM and TIM with the document "*Rationalization and simplification of the reasons for rejection - Version 1.0 - Application to access services (ULL/SLU/WLR/VULL/SA)*", which illustrated an initial scenario for rationalizing the reasons for rejection, relating to access services only.

On November 6, 2017 the Supervisory Office sent the Authority the final "*Proposal for the rationalization and simplification of reasons for rejection*", in which the simplification and rationalization scenario was extended to all regulated services. The methodology identified by the Monitoring Body for this activity consists of describing the New Provisioning Chain processes in order to rationalize the reasons for rejection and correlate them to the individual checks envisaged by the process. This procedure illustrates the reasons for the gap and allows for a description of the underlying reasons, to provide added clarity, transparency and effectiveness.

Also in relation to activities carried out at the request of AGCOM, on September 25, 2017, the [Monitoring Body](#) sent the Authority a technical note containing a proposal to rationalize and update the [non-discrimination indicators in the NME area](#). That document incorporated the provisions contained in AGCOM resolution no. 321/17/CONS of July 27, 2017 and is the updated version of the "*Proposal for a new set of NME non-discrimination indicators*" Version 6.0, sent in April.

[The Monitoring Body has elaborated a proposal for a new set of non-discrimination indicators, based on a detailed analysis of the provisioning and repair processes](#) defined in the New Equivalence Model, taking into account the results of the experience gained in recent years from the monitoring and checking of the indicators defined by Resolution no. 718/08/CONS.

This proposal was accepted by AGCOM, which submitted it to a public consultation with Resolution no. 27/18/CONS. In this regard, the Authority asked the Monitoring Body for specific support in the context of the Procedure, which will lead to the definition of new non-discrimination KPIs on conclusion of the public consultation.

[AGCOM Resolution no. 321/17/CONS](#), relating to the “*conditions for the implementation of TIM’s access obligation in the markets for wholesale access to the fixed network pursuant to Article 22 of Resolution no. 623/15/CONS*”, had significant consequences on the activity of the Monitoring Body, with particular reference to the identification and calculation of the new KPIs for the LLU and SLU services.

In light of this resolution, on the one hand the Board made the necessary revision of the calculation perimeter for the LLU and SLU service indicators , and on the other it chose to include [two new equivalence indicators \(one for provisioning and one for repair\)](#), specifically for orders managed under the unbundled system in the proposal. In particular, the “Average processing time for reception and technical checking” for provisioning KPI and the “Average time for back office processing” for repair indicators have been defined.

Regarding the need for a new methodology to identify the KPOs applicable to the new and constantly evolving regulatory context (an extremely complex activity requiring specific technical skills), [the Monitoring Body was assisted by an expert from the University of Milan](#). The purpose of this collaboration was to define a method to identify the objectives of equivalence in TIM’s new context of NME, which will be adapted on the basis of KPIs approved and made obligatory by the Authority.

The methodology proposed by the Monitoring Body to identify the KPOs associated with non-discrimination KPIs, sent to AGCOM on November 29, [uses an econometric approach to be applied to the data relating to the individual orders of the various CPs](#), to take into account variables that may lead to divergence among the KPIs of the various CPs, even in the absence of effective discrimination.

With regard to the [measurement of equivalence performances in the transition period from the EoO \(Equivalence of Output\) model to the New Equivalence Model](#), the Monitoring Body followed [its own Decision no. 20/2016](#), with which it had arranged a specific verification and control activity specific to the transitional period. During this period, alongside the indicators in Resolution no. 718/08/CONS, which are valid until the conclusion of the AGCOM procedure for definition of the new non-discrimination KPIs, new “ad hoc” indicators have been used, recalculated with the formulas and measuring points of the perimeter consistent with resolution no. 718/08/CONS for the work orders (OL) transited in the New Provisioning Chain.

This methodology is based on Resolution no. 718/08/CONS, allowing comparison between services offered for management of Retail orders by the NCD and similar services offered for management of wholesale orders transiting in the old chain.

This ensures the monitoring of non-discrimination indicators until all the OAO orders on the New Provisioning Chain have been transacted. Starting from April 2017, TIM has provided the Monitoring Body with basic data relating to “processed” work orders (i.e. closed and completed) to enable checks on the calculation of the transitional non-discrimination indicators defined by Decision no. 20/2016, and to evaluate their trend for the retail segment and the wholesale segment in the old and in the new provisioning chains.

With the continuing migration of TIM Retail orders to the NCD, the KPIs referred to in Resolution no. 718/08/CONS, relating to the old provisioning chain, became increasingly less significant, to the point where it was possible to stop monitoring most of them from June 2017. Since July 2017, TIM Retail orders associated with requests for new connections (known as non-active lines) have been managed under the New Equivalence Model.

These developments made the monitoring of non-discrimination KPIs particularly difficult during 2017. In summary, it was found that the performance shown by the transitional indicators related to NME-managed work orders appeared to be an improvement on the performance of the old provisioning chain, at least up to November 2017. However, in the last months of 2017, several indicators emerged for the alternative CPs that highlighted significant operational difficulties in the wide-ranging process of migration from the old to the new provisioning chain. The Monitoring Body stresses that it is crucial for TIM to resolve the problems reported by the alternative CPs promptly, to ensure complete transition to the NCD to the CPs' full satisfaction .

In this context of transition to the NME, the activity launched by the Communications Authority is of fundamental importance, with Resolution no. 27/18/CONS concerning the overall review of the system for non-discrimination KPIs. In the new context of full migration to the NME, it is essential to have an updated, well-structured system of non-discrimination indicators. From this perspective, we cannot fail to point out that the indicators in force since 2008 are increasingly inadequate, even if supplemented by the indicators used for the transitioning from the old to the new provisioning chain, as they do not cover orders for wholesale services provided on NGAN architecture (SLU, VULA and BTS). The commercial success of ultrabroadband services requires an extension of non-discrimination KPIs. Pending the completion of the current regulatory process, AGCOM has also asked the Monitoring Body to propose a minimum set

of provision indicators to guarantee the monitoring of all wholesale services. Accordingly, the Monitoring Body has drawn up a proposal aimed at allowing effective control, until the introduction of the new KPIs adopted by the Authority, of effective equivalence also for the provision of ultrabroadband services.

As part of the activities assigned by the regulator to the Monitoring Body, in the context of [checking compliance with the non-discrimination requirements in the use of information in the NetMap](#) technical coverage and toponymy database, and in the identification of quality KPIs relating to the database information, on August 30, 2017, the Monitoring Body provided the Authority and TIM with its *“Proposal of a set of KPIs for quality and non-discrimination in the functionality of the NetMap system”* . The proposal contains a methodology for verification and control of quality and non-discrimination, in order to take advantage of the *NetMap* system, based on a new set of specifically-defined indicators .

5. The Monitoring Body, on the basis of its scheduling contained in the 2017 Activity Plan, has arranged a series of activities - including audits - which, as in previous years, verify effective compliance with TIM's undertakings, as well as specific actions aimed at verifying non-discrimination and relating to the new functions contained in Resolution no. 623/15/CONS.

In [Undertakings Group no. 1 \(concerning the establishment of a new provisioning process\)](#), in January the Monitoring Body launched a program of on-site checks on the correct provision of the new order queuing criteria (known as the “single queue”) introduced by TIM following the procedure referred to in Decision no. 9/2016.

As in previous years, this activity has involved the members of the Supervisory Office examining the correct application of this mechanism in the areas of Naples, Emilia Romagna, Central and Eastern Lombardy and Rome, analyzing 198 queuing cases for a total of 810 orders.

The overall analysis of the audit data revealed a substantial compliance (in 99% of cases) with the order queuing criteria. Some cases examined, however, presented minor irregularities which meant that 9 orders out of a total of 810 (1.1% of the total) were activated without passing through the single queue system. In view of the results of these activities, the Monitoring Body has decided to continue the on-site audits for the year 2018, with Decision No. 1/2018 and has sent specific recommendations to TIM.

In its communication of January 24, 2017, the Communications Authority asked the Monitoring Body for support in “identifying and analyzing certain indicators to be applied to retail orders, in relation to the new CRM (*Customer Relationship Management*) system, wholesale orders and the old CRM system, so that they are comparable”. In response, the Monitoring Body resolved, in its Decision no. 9/2017 of March 17, 2017, to start monitoring the operation of the new NOW CRM system and to continue the activities, already underway, on the older wholesale CRM system, extending these activities to the orders of all regulated wholesale services (ULL, WLR, BTS, SLU, VULA and BTS NGAN).

In order to start checking and comparing the services offered by the two CRMs (NOW and Wholesale), the Monitoring Body and TIM have defined a “CRM Performance Indicator” (IP-CRM for short, from its initials in Italian). The surveys carried out from June to November confirmed the improved performance of the NOW CRM compared to the old Wholesale CRM.

Within the same Undertakings Group, an element of particular importance was the complaint made to the Monitoring Body by the Wind Tre CP, for alleged disruptions caused by TIM in relation to VULA, ONU, contact policy and field management. At the meeting of December 20, 2017, considering that the subject of the Company’s complaint was not generic, not manifestly unfounded and fell within the remit of the Monitoring Body, the Board initiated a specific monitoring activity, which is still ongoing, named “S01/17 - Wind Tre/provision on LNA; VULA; ONU; contact and field management policies”.

6. Within [Undertakings Group no. 2 \(concerning the establishment of a new incentive system and a code of conduct for TIM staff\)](#), the Monitoring Body checked the documentation provided by TIM in relation to the managerial incentive plan, staff training and the satisfaction of CPs buying SPM services from TIM.

In May 2017, the TIM representatives presented the state of progress in the compliance with Undertakings Group no. 2 to the Monitoring Body, with particular reference to changes to the methods of surveying Customer Satisfaction (CS) of the OAOs, which from 2017 also includes TIM Retail.

Following that meeting, in a letter of July 13, 2017, the Monitoring Body made a series of recommendations to TIM, including the suggestion that the recognition of the TIM Retail CS should not contribute to the calculation of the total value and should not be taken into account in the incentive evaluation phase.

Lastly, in November 2017, TIM informed the Monitoring Body of the results of the OAO Customer Survey for the first half of 2017.

During the same period, TIM designed and implemented a training plan for the Heads of Sales Departments of TIM Retail and an online training course entitled “Essere Equivalenti” (Being Equal), dedicated to the NME and the importance of equivalence, which has involved over 30,000 people.

7. Within [Undertakings Groups nos. 3 and 4 \(related to the establishment of a performance monitoring system and the related transparency guarantees\)](#), the Board took note of the conclusive results of the supervisory activity carried out in 2016, on the elementary data used to calculate the indicators covered by the Undertakings Groups, based on the specifications of the data certification process communicated by TIM to the Monitoring Body on January 24, 2011.

Based on the results of this activity, the Board approved the final report in Decision no. 5/2017, and ordered that this activity be continued during 2017 until all the orders processed by the old provisioning chain have been completed.

In relation to the evaluation of KPIs, the data provided monthly by TIM showed that from October 2016 the retail segment had performed better than the wholesale segment, for the indicators “average times of SPM OA expressed as calendar days” for broadband and voice services. To examine the difference in services in detail, the Monitoring Body began the appropriate in-depth investigations with TIM, adopting Decision no. 12/2017 of April 6, 2017. It also ordered the launch of an investigation activity, entitled [“P01/17 - Procedure to verify compliance with Undertakings Groups nos. 3 and 4”](#), in relation to the difference between TIM retail and wholesale services with reference to certain KPIs according to Resolution no. 718/08/CONS.

Analysis of TIM data for “KPI1 - Broadband Provisioning indicator - Percentage of provision completed within 10 calendar days without intervention by a technician” has also highlighted how performance on the provisioning of wholesale orders has progressively declined since February 2017, with strongly unbalanced differentials in favor of TIM Retail in the subsequent months. To understand the reasons for this, the Board instructed the Office to launch an investigation based on an analysis of elementary data. On that basis, the Office asked TIM to provide the data extracted from the IT systems of the same Company, containing the complete records of all the OAO provision orders marked “closed ok” in June and July 2017 for *Bitstream*, *Bitstream* NGA, VULA (FTTCab and FTTH), SLU and ULL services whether on “Non-Active Line” or “Active Line” (including TIM-OAO and OAO-OAO migrations).

The Monitoring Body's analysis highlighted a procedural asymmetry regarding the handling of orders in the old provisioning chain that could potentially affect the priorities established by the algorithm for "arranging" the appointment with the TIM technician to solve the problem.

In addition, the Monitoring Body detected inefficiencies in the algorithm that determines the call priority for arranging the first appointment, with the same priority. The Monitoring Body ordered the closure of the procedure, having noted that, in the new provisioning chain, the use of the DAC ("expected delivery date") for TIM Retail orders with the same procedures as those for the wholesale orders, together with the modification of the call priority management algorithm, had solved the problems highlighted during the investigation, in terms of process inefficiencies and consequent potential discriminatory risks to the detriment of competitor CPs.

8. In relation to [Undertakings Groups 5 and 6 \(relating to the guarantees of transparency of technical quality plans and development of the fixed access network\)](#), in continuity with past years, the Monitoring Body felt the need to enhance the supervision of compliance in these Groups (concerning the quality and development of the access network), by drawing up new proposals aimed at increasing the transparency and completeness of the information provided by TIM to the market through the quarterly and annual reports mentioned in Resolution no. 718/08/CONS. To this end, in June 2017, the Monitoring Body asked TIM to supplement the quarterly and annual reports on the development of the NGAN network, by including progressive figures (currently not available) on the number of cabinets connected in FTTCab and the number of households "*passed*" and "*connected*" in FTTH and FTTCab.

During the year the Monitoring Body also asked TIM to publish the 2017 edition of the multi-year Technical Plan for the development of the fixed access network for the NGAN Network for 2017-2019. In response, the Company stated that this document, approved in February 2017, had not been made public because since that date, circumstances had arisen that did not allow the NGAN 2017-2019 plan to be drawn up with the level of detail required by Undertakings Group 6.

In relation to this aspect, the Monitoring Body, in October 2017, again asked TIM to send the 2017-2019 three-year plan for the development of the fixed access network. Responding to the arguments submitted by the CP, already notified to the Monitoring Body on September 13, 2017, the Board repeated that the Plan needed to be transmitted as soon as possible, and asked that in any case, in compliance with the obligation in point 6.4 of the Undertakings, the edition of the Plan approved by the TIM Board of Directors in February 2017 should be sent in any case, even if not actually implemented. This document was made available by TIM, in a version not accessible to third parties, on November 30, 2017.

9. The Monitoring Body has had numerous opportunities for discussion with the Communications Authority as part of the new study and analysis activities entrusted to the Supervisory Body in relation to the implementation of measures concerning the development of the New Equivalence Model.

The Supervisory Body has continued to work with TIM on issues related to compliance with the Undertakings and the implementation of the NME. There were also several opportunities for meetings with the alternative CPs.

In this regard, hearings were held with Fastweb and Wind-Tre CPs on October 25 and November 22, 2017. Following the outcome of the meeting with Wind-Tre and the complaint that was presented, the Board initiated the preliminary investigation "S01/17 - Wind Tre/provision on LNA; VULA; ONU; contact and field management policies currently underway".