

**Supervisory Board Activities
Newsletter
August - September 2010**

Once the New Delivery Process started with the adhesion of the first operators, the Supervisory Board (SB) has continued in August and September 2010 the monitoring activities in order to verify the respect by Telecom Italia of the formal deadlines and the accomplishments foreseen by the Undertakings.

In particular, with reference to the Undertakings Group No. 1, the works on the “KO Analysis” project, focused on the reasons behind the failures of technical infrastructures and services delivery by Telecom Italia, go on; as far as the Undertakings Group No. 3 is concerned, the process of definition of the validation thresholds for the performances monitoring system for the SMP services is nearly completed.

The Supervisory Board also approved a document which provides an assessment about the proper execution of the tasks required by the Undertakings Group No. 2: the document describes the monitoring activities the SB brought forward concerning the duties stemmed from this Group of Undertakings; evidence has been given of the behaviors adopted by Telecom Italia and the main results reached, as well as further initiatives that will be undertaken to consolidate and enhance the progress made so far.

The Supervisory Board closed in August the Complaint No. S01/10, which began back in April 2010 and relating, inter alia, the interruption of the bitstream services sale in about 500 switches, decided by Telecom Italia.

Finally, the Supervisory Board continues analyzing and deepening some specific topics of interest to the operators and the market, aiming to consolidate its role as "facilitator" in bringing about solutions to ensure the best and most effective implementation of the objectives settled by the Undertakings.

Progress on the implementation of the Undertakings

The Supervisory Board continues the verification and monitoring activities with reference to the proper respect of the formal deadlines and the accomplishments foreseen by the Undertakings.

Undertakings Group No. 1

(setting up a New Delivery Process)

The experimentation of the New Delivery Process for bitstream services in a specific geographic area, as defined by the operator Tiscali, started.

The works on the “KO Analysis” project go on: at the time an alternative operator is fully cooperating with the Supervisory Office (SO) (for more details, see the relevant section later).

Undertakings Group No. 2

(establishment of a new incentive system and a Code of practice)

The Supervisory Board adopted, during its September meeting, the Determination No. 17/2010 with which it approved the report describing the progress made on the obligations foreseen by the Undertakings Group No. 2.

The Supervisory Board has shown appreciation for the willingness shown by Telecom Italia to plan further actions on the staff training: a meeting on this matter has been scheduled with the Company for the month of October 2010.

Equally useful was the analysis of the degree of satisfaction of the alternative operators who buy SMP services from Telecom Italia. At the end of September 2010, Telecom Italia has launched a second survey on the degree of satisfaction of the other operators; this survey should be completed by October.

The SB, then, aims to test, with the help of the alternative operators, the effectiveness of the procedure developed by Telecom Italia for them to make the access to the data held by the Wholesale division available for jurisdictional protection.

Undertakings Group No. 3

(establishment of a performances monitoring system for SMP services)

The collaboration with the University of Catania about the validation of the performances monitoring system for SMP services continues: in October 2010 the first results, useful for the subsequent definition of the data verification protocol, should be ready.

Undertakings Group No. 4

(guarantees of transparency of the monitoring system)

Telecom Italia sent to the SB the July and August *KPI Monthly Reports*; the Board started the usual verification activities.

Undertakings Group No. 5

(guarantees of transparency of technical plans for the Quality of the fixed access network)

The *Quarterly Report for the Quality of the Fixed Access Network* concerning the 4th quarter 2010 and the *Technical Plan for the Quality of the Fixed Access Network – 3rd release – updated at September, 30th 2010*, have been sent by Telecom Italia to the SB; the latter started analyzing the documents.

Undertakings Group No. 6

(guarantees of transparency of technical plans for the Development of the fixed access network)

In September Telecom Italia sent the third release of the *Technical Plan* and the *Quarterly Program* related to the 4th Quarter 2010 for the development of the fixed access network - NGAN Network, Broadband Coverage and Lotting Plan

In particular, both with reference to the Undertakings Group No. 5 and the Undertakings Group No. 6, it has been checked that the technical documents (annual plans, quarterly plans and quarterly actual results) actually transpose the recommendations formulated by the Supervisory Board in the Determinations which closed the Complaints No. S01/10 (Determination No. 16/2010) and No. S02/10 (Determination No. 13/2010).

Undertakings Group No. 8

(integration of Telecom Italia regulatory accounting and calculation of transfer charge)

The analysis of AGCom on the *transfer charges* definition and the regulatory accounting integrations as proposed by Telecom Italia is underway.

A meeting to update on the issues dealt with in this Undertakings Group has been scheduled by the Supervisory Board with Telecom Italia.

Complaints by the other licensed operators

Complaint S01/10 – BT, Fastweb, Vodafone, WIND/Information gaps in the technical plans for the quality and the development of Telecom Italia fixed access network

In April the operators BT, Fastweb, Vodafone and Wind sent to the Supervisory Board the Complaint n. S01/10 mentioning alleged information failures in the Technical Plans for the Quality and the Development of Telecom Italia fixed access network.

In particular, according to the complainants Telecom did not communicate to OLOs information necessary to guarantee an adequate knowledge about the *“KPI evaluation which allows keeping track of the network quality improvement as a consequence of the actions undertaken; the indication on the state of saturation of network resources like local exchanges, copper pairs, main distribution frame (MDF), DSLAM, transport network, backhaul for each exchange area; evidence of planning criteria adopted or proposed by Telecom Italia for de-saturation activity.”* Alternative operators also complains for the interruption by Telecom Italia of the sale of the bitstream service in approximately 500 switches without notice.

On April 9th, 2010 the OdV started on this matter a preliminary investigation; following the information gained by the Supervisory Board and the Telecom Italia hearing held in June, the OdV found a real shortage of technical information in the Technical Plans for the Quality and the Development of the fixed access network for what concerns the absence of precise indication about the DSLAM saturation and the interruption of the bitstream service in approximately 500 switches without notice, due to saturation problems; this caused difficulties to the OLOs in the planning activities.

With the Determination No. 12/2010 the OdV decided to close the investigation, founding an inadequacy in the implementation of the Undertakings Group No. 5; the Board invited Telecom Italia to adopt the appropriate remedies apt to overtake the mentioned lack of information on DSLAM desaturation activities, as foreseen in the Technical Plans, and on the plan for the expansion of the local network capacity.

The OdV also asked Telecom Italia to implement the necessary steps to prevent future occurrence of similar situations, in particular through the adoption of a shared mechanism to signal the state of pre-warning for those DSLAM close to saturation.

The SB invited Telecom Italia to take any necessary step in order to prevent in the future similar situations, in particular by the adoption of a shared pre-warning mechanism able to detect the almost saturated DSLAM.

Answering to the SB Recommendations, Telecom Italia adopted some remedies and gave several clarifications: in particular, the incumbent is committed to ensuring to the alternative operators the offer of bitstream services in ATM technology; this is possible through the optimization of the use of stocks and, where necessary, the use of particular techniques available in the IP Ethernet technology. This will allow the implementation of the desaturation activities, with no troubles caused by the technological obsolescence. Telecom Italia also communicated to the SB the implementation of a pre-warning system for the nearly saturated DSLAM, giving also detailed explanations on how it works. The messages sent by the system are available on the Wholesale website.

Telecom Italia is also available, as requested by the SB, to define, together with the Supervisory Office, a monthly report which should give updated notice regarding the DSLAM saturation levels (the number of the DSLAM nearly saturated, and the length of time of the saturation state for each of them).

Moreover, Telecom Italia gave to the SB additional information on ATM DSLAM desaturation activities and the identification processes adopted to identify the switches which need to be expanded. It also published again the annual plan and the 3rd Q 2010 quarterly plan according to the new version shared with the Supervisory Board.

The SB, therefore, considering the attitudes and actions undertaken by Telecom Italia in accordance with the recommendations given at the end of the investigation, closed the proceedings on August 11th, 2010, with the Determination No. 16/2010; the SB will carry out regular checks to verify the proper execution by Telecom Italia of the promised remedies.

These measures regard in particular:

1. the completeness and the update of the published Technical Plans;
2. the possibility to provide details on the foreseen DSLAM saturation levels;
3. the observance of the deadlines fixed for the scheduling and the implementation of the DSALM desaturation operations, also through the use of tools requested by the SB, like the pre-warning system;
4. fully overcoming of the problems related to the migration operations between operators for what concerns the customers on saturated DSLAM.

Specific analyses

KOs analysis

As provided in the 2010 working paper, the Supervisory Board decided to conduct an analysis about the reasons behind the failures of technical infrastructures and services delivery by Telecom Italia.

It will allow to verify the real benefits stemming from the introduction of the New Delivery Process (as provided for in the Undertakings Group n. 1), and to deepen possible topics for further optimizing the process itself.

The working plan basically consists in extracting from Telecom Italia systems the cases of customer and network KOs, divided by cause and temporally ordered according to the date of the job order, in order to identify the kinds of difficulties each customer faced.

The Supervisory Office checked first the respect of the legislation on privacy and data protection.

Afterwards, the Wholesale division of Telecom Italia provided the SB with the encrypted data contained in the datawarehouse, called “*datawarehouse esiti*”.

The guidelines to be followed for the implementation of the above mentioned analysis were approved by the SB with the Determination n. 14/2010.

The algorithm which reconstructs the dynamics of the results of all the processing steps for each customer request has been applied to the data provided by Telecom Italia.

An alternative operator began with the SB a collaboration which allowed to fine-tune the calculation parameters and significantly reduce the likelihood of incurring an error of approximation.

Supervisory activity on the Quality of the Fixed Access Network

The Supervisory Board has predisposed a panel of indicators, in addition to those provided for in the Undertakings Group n. 3, which allow to evaluate the consistency of the operational plans introduced by Telecom Italia with reference to the Quality of the Fixed Access Network.

The SB carried out checks and analyses to verify the congruity of the Technical Plans of the Undertakings Groups No. 5 and No. 6.

In particular, the SB found out that the technical documents (annual plans, quarterly plans and actual results) actually transposed the recommendations contained in the SB Determinations No. 16/2010 (which closed the complaint No. S01/10) and No. 13 /2010 (which closed the complaint No. S02/10).

Following the Determination No. 16/2010 and the set up by Telecom Italia of a pre-warning system to detect the DSLAM saturation levels, the Supervisory Office created an internal database to monitor on a weekly basis the DSLAM desaturation activities and the operations of the pre-warning system.

The above mentioned database will allow the SB to verify the effectiveness of what Telecom Italia communicated in the quarterly plans and to test the efficacy of the pre-warning system. The database is updated on a weekly basis by extracting the data directly from the Wholesale website of Telecom Italia.

Data certification

Last year the Supervisory Board issued a Determination asking Telecom Italia to ensure KPI's data correctness. With reference to the trouble tickets and the job orders generated by Telecom Italia Monitoring System, Telecom started to implement a new data storage repository. The process of extraction and analysis of statistical significant samples for validation activities is underway.

Regarding this project, the SB continues its monitoring activity on the work started by Telecom Italia in collaboration with the University of Catania.

The work carried out so far was focused on the phases of design and implementation of the datawarehouse and the access control system implemented by Telecom Italia, as well as the tests and the definition of the statistical model of data sampling.

The statistical modeling methodologies of the delivery and assurance processes, which will allow accurate sizing of the checking activities by the SB, have been defined.

In October these analyses will be illustrated; it will then be possible to proceed with the application of the data verification protocol.

This protocol will be made available by Telecom Italia to the SB in order to enable the monitoring activities to be carried out during 2011, once the calculation systems of the certified indicators will be implemented.

Other activities of the Supervisory Boards

- ◆ In the last two months contacts with the foreign relevant Supervisory Board continued, in particular with the British Equality of Access Board of British Telecom and the Swedish Equality of Access Board of Telia Sonera; the organization of an international meeting with the involvement of the Independent Oversight Group of Telecom New Zealand and other stakeholders, aimed at analyzing specific issues of interest and deepening a mutual knowledge, is underway.
- ◆ The website of the Supervisory Board has been reviewed in order to make it more user-friendly and add additional information; a section dedicated to an international benchmark – last updated in September 2010 - has been added to make available a continuous updating of the main activities carried out by the relevant Supervisory Bodies.
- ◆ The Supervisory Board also continued the dialogue with the NRA AGCom and in particular with the “Gruppo di Monitoraggio degli Impegni”, a group which monitors the implementation level of the Undertakings. During the last two months, the exchange of information was mainly related to the activities that the SB implements in relation to the Undertakings Group No. 1, No. 3, No.5 and No. 6.