



# **Bottom-up LRIC model - call for inputs**

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# 1 Scope of call for inputs

The ILR has developed a bottom-up long run incremental cost (BU-LRIC) model of an efficient fixed network operator in Luxembourg. The model will be used as an input to the price regulation of fixed network services in Luxembourg. The model has been developed in line with this objective and to be consistent with relevant European Commission (EC) recommendations.

The purpose of this call for inputs is to seek stakeholder views on the specification of the model, the model methodology and the input data used in the model. This is to ensure that the model is fit for purpose and that the outputs of the model can be used to as an input to robust regulatory decisions. Given the complexity of the model, the ILR has focussed the call for inputs on the most material areas of the model.

Therefore, this document sets out:

- The regulatory background for the BU-LRIC model;
- The documents the ILR is seeking input on; and
- Process and timeline for responding to the call for inputs.



## 2 Regulatory background

### 2.1 Regulation in Luxembourg

A number of remedies are imposed on fixed operators who have been found to have significant market power (SMP). Some SMP operators have been required to provide certain fixed wholesale access and interconnection services.

The ILR is developing a BU-LRIC to assist in assessing SMP operators' compliance with cost orientation obligations in the future.

The ILR's assessment of compliance may also draw on other evidence, taking into account Luxembourg law and recommendations from the European Union (EU). This call for inputs does not provide details of how the BU-LRIC model will be used to assess the compliance of SMPs operators' prices (see Section 2.2 below) as these will be the subject of separate consultations of the respective regulatory decisions.

### 2.2 European regulatory framework

Under the European regulatory framework, the EC has published a number of recommendations in order to harmonise the regulation adopted by national regulatory authorities (NRAs) of Member States. A number of the EC's recommendations require the development of a BU-LRIC model for the fixed network. Therefore, the model has also been developed taking account of these recommendations as they relate to the fixed network. The development of a BU-LRIC model is recommended in relation to:

- Regulation of wholesale fixed and mobile call termination;<sup>1</sup>
- Regulation of wholesale access services in the context of the promotion of investment and competition for next generation access (NGA) services;<sup>2</sup> and
- Regulation of wholesale access services to promote competition and enhance broadband investment.<sup>3</sup>

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<sup>1</sup> Commission Recommendation of 7 May 2009 on the Regulatory Treatment of Fixed and Mobile Termination Rates in the EU (2009/396/CE)

<sup>2</sup> Commission Recommendation of 20 September 2010 on regulated access to Next Generation Access Networks (NGA) (2010/572/EC)

<sup>3</sup> Commission recommendation of 11 September 2013 on consistent non-discrimination obligations and costing methodologies to promote competition and enhance the broadband investment environment

We note that the last of these recommendations sets out methodologies for determining cost-based wholesale access prices with some combining a range of information including results from BU-LRIC models. The additional information which may be combined with the results of the BU-LRIC model – and the methodology and input data for calculating this information – is not considered as part of this call for inputs.



### 3 Model documents

In addition to this covering document, the call for inputs consists of the following three documents:

- Model specification;
- Model methodology; and
- Input data and sensitivity analysis.

The table below sets out the three documents and the ILR's objectives for seeking stakeholder inputs on each of them. Each of these three documents includes specific questions inviting comments from stakeholders.

**Table 1.** Model documents and objectives

Document	Description	Objectives of calling for stakeholder input
Model specification	This document sets out the approach to developing the model  Description of underlying assumptions and framework, and how the model considers efficiency	Ensure modelling choices are transparent  Allow stakeholders to comment on the approach defined
Model methodology	How the specification has been implemented in practice	Allow stakeholders to comment on the approach implemented
Input data and sensitivity analysis	The data used in the model, sensitivity analysis and intermediate calculations (e.g. duct length)	Cross-check with relevant stakeholders that data provided is accurate and has been used correctly  Understand any significant differences between the model calculations and EPT's actual network  Show sensitivity analysis is intuitively reasonable



## 4 Process and timeline for responding to the call for inputs

The ILR proposes a period of two months ending at 3<sup>rd</sup> January 2014. Responses to the call for inputs should be submitted in writing to:

- 17 rue du Fossé, L-2922 Luxembourg

Stakeholders are requested to submit electronic versions of their responses to:

- [costmodel@ilr.lu](mailto:costmodel@ilr.lu)

Following the end of this call for inputs, the ILR will review the responses received and determine whether and how the model should be revised. Based on this, the ILR will then issue final versions of the three documents listed above.



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