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Sent: Tuesday, December 08, 2009 10:51 AM
To: INFISO ERG SECRETARIAT
Subject: ERG Draft CP NGN Issues
NGNuk response to ERG DRAFT common Position on “Next Generation Networks Future Charging Mechanisms /Long term Termination Issues”

As you may be aware, NGNuk is a forum involving a wide array of network operators within the UK, covering the majority of planned NGN investment.

I have been requested by the NGNuk Executive to respond to the above consultation with respect to the work previously undertaken and published by NGNuk and where there was a consensus amongst members with respect to the alternative charging mechanisms of B&K and CPNP. This was felt to be particularly relevant since ERG cite an NGNuk document in support of the case for B&K, namely “NGN Interconnection: Charging Principles and Economic Efficiency”, whereas the output of NGNuk mostly supports maintaining the existing mix of charging mechanisms as CPs transition to NGNs.

In view of the time frame for responses, NGNuk did not attempt to address each of the questions raised by ERG since this would be impractical for an organisation such as ours. My response is therefore limited to those views previously expressed, and agreed, by the NGNuk membership that are pertinent.

Much of the NGNuk work was undertaken 2006/7 at a time when the UK expected a rapid transition to NGNs, potentially in line with the end of the existing Fixed Line Network Charge Controls and when the understanding of potential new products and services was less well understood. Our focus on voice charging was, therefore, largely a pragmatic response to what was considered a matter of urgency rather than a long term strategic approach to the charging future of multi service NGN interconnection. NGNuk considered that CPs would look to recover costs from the party which gains most value, or has the greater willingness to pay for a communications event and therefore that the existing mix of CPNP and RPNP remained appropriate for existing services in their transition to NGNs.

Whilst NGNuk did not consider new products and services explicitly, the underlying principle that the “initiator” expects some positive utility is still expected to hold true in future and is therefore felt to be important for the charging of new services, if operators are to successfully recover their investment. Given the ERG statement that “a converged multi-service NGN-IP seems to benefit from a single terminating charging mechanism”, it is therefore a concern that the ERG position for charging these new and innovative services appears to be based merely on voice, a mature product. Whilst ERG state that the paper “is not confined to voice interconnection”, there appears no consideration of the impact on other existing services or whether a B&K regime is sufficiently flexible with regards network and service evolution. By way of example section 5.2.1.3 (Unwanted calls) dismisses the potential for SPIT without making comment on the impact on existing SMS services. In such circumstances, should the termination charge be removed, the user would have no choice other than to receive (and pay for) the text. Furthermore section 5.2.1.1 states that “CPNP” is most efficient if the caller has all the utility and the called party has none but then goes on to dismiss this with the assertion that the difference in utility between caller and called party is not very significant. Whilst ERG present this assertion for existing voice service, it is far less likely to hold true for new and innovative services, hence, the recognition by UK CPs that retaining CPNP to charge the initiator of such novel services provides the greatest certainty for recouping investment on these new products.

From the documented output of NGNuk, I also have the following comments to make on the questions raised by the consultation:

Question 3 (Section 3.2)

Comments from NGNuk members during the charging activity which was undertaken, indicated an expectation that as service complexity grows and as communications “events” become richer, there will be multiple sessions of increasing scale requiring co-ordination and management across the interconnect. As such, the signalling elements of network interconnection are expected to become of much greater significance than for existing voice services carried as IP over an NGN. Any boundary for the application of B&K would need to signal this appropriately.

Question 10 (Section 6.3)

A move to B&K would require changes to a CP’s billing system(s). CPs would therefore need invest and develop such new IT and to deploy dual systems during any parallel running period. This has the potential to prove costly and be disruptive, especially given the lengthy glide path anticipated. The size and scale of this issue was not quantified within the scope of any NGNuk activity, however, some understanding of its impact would be recommended as part of the overall decision making process.

Question 11 (Section 7)

1. Whilst a variety of academic evidence is cited within the ERG paper to demonstrate that B&K may deliver greater utility and welfare benefits for consumers, there is no consideration or discussion of the potential disutility or consumer confusion caused by “flipping” the retail charging mechanism nor the its adverse impact on customer relations for industry. This was an issue that UK industry raised as a concern in a variety of forms during NGNuk discussions.

2. As discussed above, I have a concern that the ERG paper focuses on evidence supporting B&K as an alternative charging mechanism for voice over NGNs, and implicitly extrapolates this as the proposed charging methodology for future services. When undertaking our own review, most NGNuk members felt that CPNP gave incentives to both originating and terminating operators to create and maintain viable services by cascading payments through the value chain and that its “granularity” was seen as the more suitable model for reflecting the cost generated by End Users over an interconnect and for payment of access and consumption and innovation in service pricing between Operators. In addition, as under CPNP the Originating network pays for the end to end service including all the components they do not provide themselves. CPNP was considered more suitable for extending the value chain and for assembling components provided by different Operators. Industry believes that service innovation by CPs is more likely to meet consumer acceptance if the person initiating the call is the person paying for it. To flow this across an interconnect requires CPNP. Given the importance of the development of new services that all operators will be considering as part of their investment case for NGNs, perhaps ERG should consider which charging mechanism best supports these new services as opposed to simply assuming B&K is the appropriate choice.

Regards

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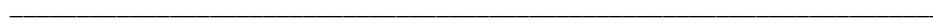
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