Switching process options: cost estimates

1. Cost components

For each switching process option, and assuming the same level of usage i.e. number of customers switching in each, please provide the following information on the costs involved in developing, implementing and operating the process.

Please provide costs in real terms i.e. in 2020 prices.

In your response, please specify in which year(s) you expect to incur the capital expenditure as well as how long you expect the assets to last. If you expect operating expenditure to vary in real terms from year to year, please explain how the estimates you provide in response to Q1(b) should be adjusted over the period it is incurred i.e. over the lifetime of the assets (e.g. 10-year period).

Please provide incremental costs i.e. those involved in developing and implementing the new switching processes, taking as given the existing systems that are in place:

a. Total incremental one-off costs (Capital Expenditure) involved in developing and implementing the new process, broken down in to the following categories:

i) Hub related systems development

ii) Non-hub related systems development

iii) Process development

iv) Testing

v) Staff training

vi) New hardware (please describe)

vii) Other (please describe)

viii) Total

b. Total incremental annual ongoing costs (Operational Expenditure) involved in operating the new process.

Please provide total fixed and variable opex where available and make clear what has been assumed about usage (i.e. number of customers switching).

Please make clear if the proposed new process will result in any cost savings (for example, because it will result in a reduction in the number of customer service agents).

2. Costs that apply to different parties

For each switching process option, please provide estimates for each of the cost categories listed in 1(a) and 1(b) above for each of the following organisations, and an estimate of the number of organisations that fall into each:

a. Small, medium and large communication providers (CP)
- This group is defined as the gaining and losing providers that have the contractual relationship with the customer.
- Small CPs are defined as providers that use the billing and operational support systems of a third-party integrator.
- Medium CPs are defined as providers that develop and support their own systems.
- Large CPs are defined as the four main fixed providers that develop and support their own systems - BT Consumer, Sky, TalkTalk and Virgin Media (as they currently account for the vast majority of switching activity).

  For the avoidance of doubt, we would like you to provide separate cost estimates for each category of operator in this group i.e. small, medium and large CPs. If there are significant differences *between* CPs in a given category (e.g. between large CPs), please explain and provide cost estimates for individual CPs where possible.

b. Network operators
- Defined as the company that runs the network which communication providers use to provide communication services over.

c. Third party integrators
- Defined as the company that develops and operates systems to support small communication providers on a managed service basis

d. Any third parties not covered by a-c

Notes

When providing the cost estimates, please provide a copy of your supporting calculations / model along with:

- The assumptions used to calculate the cost estimates including information to support these. For example, switching volumes, staff costs, consultancy rates, days of effort to develop, test and roll out systems and processes. Please provide details of any sensitivity analysis carried out.
- A description of any elements of the process that you have not been able to provide a cost estimate for and an explanation for this. Where possible, please include details of the potential magnitude of cost and whether you consider it is likely to have a material impact on the overall cost estimate.
- The definitions of any terms used if they differ from those set out above.

3. A guide to using this template and terminology

Parties and their roles

Small, medium and large communication providers (CP)
Typically, these parties are retailer orientated, selling to end customers directly, they may also have other roles in the supply chain, such as resellers (to other CPs) or wholesalers (with or without end customers).

Network operators
Access Network providers who run and maintain a network, selling to other CPs and/or directly to End Customers

Third party integrators
Defined as the company that develops and operates systems to support small communication providers on a managed service basis

Any third parties
Any other parties not covered by the above definitions – you will be prompted to describe your role in the cost template provided

For cost analysis

Total incremental one-off costs (Capital Expenditure) involved in developing and implementing the new process, broken down in to the following categories:

i) **Hub related systems development**
If your design **includes direct access** to the Hub these are the costs associated to any development of systems, new interface design and build, etc (should not include indirect consequential costs, these to be captured against **ii) Non-hub related systems development** costs)
– this only applies to entities that will directly access the Hub (e.g. In Option X: Access Network Providers, in Option Y: Retailers. Note: this list is not exhaustive)

ii) **Non-hub related systems development**
Any consequential system development costs not already covered in i) above – e.g. CRM, Webpages, Billing, Order Orchestration, etc. (but excluding the actual system interface to the Hub, if present)
- will apply to any entity that makes a system change to support either Option X or Option Y.

iii) **Process development**
Any process development (Business Process, Low Level Process or Procedure) relating to the new process to be followed
- will apply to any entity that makes a process change

iv) **Testing**
Any anticipated business and system testing associated to the delivery into live of either Option X or Option Y solutions
- will apply to any entity that makes a system and/or process change

v) **Staff training**
Any anticipated training and/or briefing associated to the delivery into live of either Option X or Option Y solutions. Typically applies to customer facing agents, but should be considered for all staff, including support teams who may become involved in switching orders and/or issues with their progression through to completion.
- will apply to any entity that makes a system and/or process change

vi) **New hardware (please describe)**
Any additional hardware (e.g. servers, etc) that is required specifically to handle changes required due to the delivery into live of either Option X or Option Y solutions.

vii) **Other (please describe)**
Any additional cost not included in the definitions provided above

viii) **Total**
The total cost of items above

Total incremental annual ongoing costs (Operational Expenditure) involved in operating the new process.

Please provide total fixed and variable Opex where available and make clear what has been assumed about usage (i.e. number of customers switching).

Please make clear if the proposed new process will result in any cost savings (for example, because it will result in a reduction in the number of customer service agents).

4. Template to use

Please use the attached spreadsheet to capture detail requested

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