



# Simplifying non geographic numbers

Revised guidance on Service Charge price points

Statement

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# About this document

From mid-2015, telephone companies will have to change the way they charge for certain non-geographic calls (numbers starting with 084, 087, 09 and 118). The charge for a call will be composed of an Access Charge (the charge the telephone company makes for connecting the call) and a Service Charge (the charge made by the organisation being called). Telephone companies have to offer the organisations controlling number blocks within these ranges a choice of at least 80 possible price points for the Service Charge so that companies can select one most suitable for a given number block.

The paper sets out revised guidance to telephone companies in selecting the initial set of price points for Service Charges.

# Revised guidance on Service Charge price points

## Introduction

- 1.1 This document sets out a revision to the guidance on Service Charge Price points published in Annex 4 of our Statement Simplifying Non-Geographic Numbers on 12 December 2013<sup>1</sup> (the “2013 Statement”). This guidance was developed in response to Communication Providers’ (CPs) requests to clarify how they might satisfy their regulatory obligations in respect of the establishment of Service Charge (SC) price points; specifically their obligations under GC 17.31 and GC17.32.
- 1.2 Subsequently, CPs have suggested that the guidance is not appropriate as it does not adequately anticipate future price point demand. Following these representations, we have reconsidered the appropriateness of the 2013 Statement guidance. Having done so, in recognition that the original guidance on price points does not take into account future demand, we no longer consider that compliance with the 2013 Guidance would assist OCPs to discharge their obligations in respect of the determination of an initial set of SC price points. Therefore, we consider that it is necessary to revise the 2013 Statement guidance.<sup>2</sup>
- 1.3 We are aware that following publication of the 2013 Statement guidance, certain stakeholders initiated a third party review, undertaken by InterConnect Communications (ICC)<sup>3</sup>, to consider the structure of SC price points that would be consistent with their regulatory obligations while also anticipating future demand. We therefore, also give guidance below whether, on the information available to us, the analytical approach adopted by ICC appears consistent with the principles set out in our revised guidance.

## Background

### Ofcom’s 2013 Guidance on Service Charge price points

- 1.4 The 2013 Statement set out guidance to CPs on SC price points that we considered, based on the relevant information gathered, would enable CPs to comply with their regulatory obligations under GC17.31 and GC17.32. This was provided in response to concerns raised by several stakeholders about the process for establishing the SC price points.
- 1.5 The approach we undertook in establishing this guidance was: to set out certain principles relevant to establishing SC price points based on those we consulted on in our April 2013 Policy Position<sup>4</sup>; and to apply these principles to data provided by CPs

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<sup>1</sup> Annex 4 Guidance on Service Charge price points. Simplifying non-geographic numbers statement on the unbundled tariff and making the 080 and 116 ranges free-to-caller. 12 December 2013.

<http://stakeholders.ofcom.org.uk/binaries/consultations/simplifying-non-geo-no/statement/ANNEXES.pdf>

<sup>2</sup> Given that all we have effectively done is to remove reference to the 67 SC price points set out in the 2013 Statement guidance, we do not consider that it is necessary to consult on this change.

<sup>3</sup> Report on the selection of 80 NGCS Service Charge Price Points. Final Report. <http://www.icc-uk.com/NGCS-Price-Points.php>

<sup>4</sup> See paragraph A21.121 in the Part B Annexes of the April 2013 policy position. <http://stakeholders.ofcom.org.uk/consultations/simplifying-non-geo-no/>

in relation to current outpayments on the unbundled tariff ranges and associated call volume data to develop a list of 67 SC price points which we considered could be made available when the unbundled tariff is implemented in 2015. We also set out in Annex 3 of the 2013 Statement a process for facilitating negotiations in relation to the remaining price points (13 for the first year of operation of the new regime and an additional 20 for the subsequent year (“13+20”).

- 1.6 However, following the 2013 Statement it became clear from industry discussions that there were Stakeholder concerns around the appropriateness of the guidance; specifically, that the 67 price points had been determined based on historical experience and therefore, did not take adequate account of anticipated demand.

## **Revised guidance on Service Charge price points**

- 1.7 We have now considered, following CP representations, the appropriateness of the 2013 Guidance. Having considered these points, we consider that it is necessary to revise the guidance. Specifically, we consider that the list of 67 price points is no longer appropriate as it does not take adequate account of anticipated demand.

- 1.8 Therefore, when assessing whether CPs have complied with the requirements of GC17.31 and GC17.32, it is no longer our expectation that OCPs will make the 67 SC price points set out in the 2013 Statement available within their billing systems in order to comply with their obligations and given the views expressed by CPs we no longer consider that compliance with the 2013 Guidance would assist OCPs to discharge their obligations in respect of the determination of an initial set of SC price points. Rather, we consider that the starting point for establishing SC price points should be the application of the principles set out below (which remain unchanged from our 2013 Statement guidance and continue to reflect the principles set out in the April 2013 policy position):

- SC price points with significant traffic volumes should be maintained;
- similar SC price points (e.g. those within one penny on the 084/087 range, those within 5p on the 09/118 ranges) should be merged;
- there should be meaningful increments between price points (e.g. minimum of 1p increments up to 10p, 20p increments after £1) to ensure a good spread of SC options;
- price points should be available at the level of the SC caps;
- price points should not be number range specific (e.g. the same price point could be used for 09 and 118 numbers).

## **ICC’s Report on the selection of 80 NGCS Service Charge Price Points**

- 1.9 Following publication of the 2013 Statement guidance, the Non-Geographic Calls Services (NGCS) Focus Group of CPs<sup>5</sup> appointed a third party facilitator (ICC), independent of CPs and Ofcom, to conduct an evaluation and arbitration exercise.

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<sup>5</sup> The NGCS Focus Group is an Ofcom sponsored industry group open to network operators who have an interconnect agreement with BT. The purpose of the group is to act as a forum for the discussion of a broad range of issues relating to the regulation, charging and operation of the UK Non-Geographic Calls Services regime.

Given that stakeholders considered that the 2013 Statement guidance did not take adequate account of anticipated demand, ICC were asked to identify 80 price points that would meet the obligations imposed on CPs under GC17.31 and GC17.32. This approach was broadly consistent with that proposed by us in the 2013 Statement as appropriate for managing the identification of the 13+20 price points not covered in the guidance and also any future price point changes.

1.10 In carrying out its analysis, ICC undertook the following approach:

- ICC requested interested CPs to submit applications for SC price points in August 2014 and evaluated those responses that it received in line with evaluation criteria and a schedule of works created by ICC that had been reviewed and agreed with the NGCS Focus Group.<sup>6</sup>
- In its published report ICC set out the evaluation criteria that it had applied.
- The primary criteria, reflecting the requirements of GC17.32, were that within the selected 80 it was expected to see price points requested by significant CPs supported by substantial consumer demand as indicated by current and forecast traffic volumes. Support for a price point by multiple CPs was also considered a significant reason for inclusion.
- After the application of primary evaluation criteria and the subsequent inclusion of such appropriately supported price points onto the list of 80, the remaining free slots would be filled following deliberation over secondary criteria which included amongst other things; a business justification and the value to the company of particular price points. ICC considered that where a CP had submitted requests for only a small number of price points (or indeed just one price point) this was to be given strong consideration.

1.11 On the basis of its analysis, ICC selected 80 price points of which 45 were pence per minute (PPM), 20 pence per call (PPC), and eight PPC+PPM (after 60 seconds). While ICC selected seven PPC + PPM (from start of call) price points, five of these were identified as being DQ confidential price points. ICC explained in its report that given the confidential nature of the price points for DQ services the price values were withheld from publication until a later date to be determined.

1.12 We have reviewed the approach ICC indicates that it applied in its evaluation (and set out in its published final report). Having done so, we consider that on the information available to us, the analytical approach adopted by ICC appears consistent with the principles set out in our revised guidance. While this view is clearly without prejudice to any future assessment we may be asked to undertake of compliance with GC17.31 and GC17.32 in any specific case, given this preliminary view, we might expect that adopting the SC price points determined by ICC at the time these obligations enter into force would allow CPs to discharge their obligations under GC17.31 and GC17.32. Clearly, the extent to which these SC price points reflect current and future demand going forward is likely to change over time.

1.13 Nonetheless, we would stress that it remains open to CPs to set alternative price points if the evidence available to them demonstrates that these will be a better reflection of the volume and range of demand for SCs from other providers.

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<sup>6</sup> ICC reported that 13 CPs submitted applications for a total of 382 price points.