



Office of Utility Regulation

Review of C&WG Interconnection and Access Rates

Invitation to Tender

December 2008

Office of Utility Regulation
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Review of Cable & Wireless Guernsey's Interconnection and Access Rates

Issued by the Office of Utility Regulation

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PART I: OVERVIEW

Introduction

1. This document constitutes an invitation from the Office of Utility Regulation ("OUR") to tender for a contract to provide specialist advice and assistance with respect to a review of Cable & Wireless Guernsey's ("C&WG") charges for interconnection.
2. The OUR invites interested companies to tender for a contract to provide a detailed assessment of the proposed rates for C&WG's range of interconnection and access charges provided by it and the justification for those charges.
3. This invitation to tender is structured as follows:

Part I introduces the contract on offer and describes the timetable and process for submission of tenders.

Part II provides background information on C&W Guernsey and the regulatory regime within the Bailiwick which you may wish to take into account in drawing up a tender.

Part III describes the scope of the project.

Part IV states the information required by the OUR in order to consider the tender.

Submission of tenders

4. The closing date for responses is Wednesday 7th January 2009 and all tenders submitted should be valid for a minimum of 30 days from this date.
5. Proposals must be addressed to Cesar Coelho, Office of Utility Regulation, Suites B1 & B2, Hirzel Court, St Peter Port, Guernsey, GY1 2NH and be delivered to this address before 5pm on the closing date.
6. Applicants must submit two copies of their proposal which should be clearly marked "Proposal for Review of C&W Guernsey's Interconnection Charges". Electronically delivered proposals delivered by the deadline will be considered acceptable, provided two hard copies of the electronically delivered proposal are also provided.
7. Short listed applicants may be invited for a discussion of their proposals. The OUR expects to be able to announce the results of this tender process within four weeks of the closing date.

8. Following the selection of the successful applicant the OUR will expect to agree a formal binding contract with that applicant within one week of the decision being announced. The OUR reserve the right to include material included in this Terms of Reference and the material included in the response from the successful tenderer into the terms and conditions of the contract.
9. OUR will accept no liability for any expenditure incurred by the applicant in preparing a tender, whether or not submitted, and whether or not successful.

PART II: BACKGROUND INFORMATION FOR THE TENDER

Legislative Background

10. The OUR is the independent regulator established to regulate the electricity, post and telecoms sectors. C&WG bought Guernsey Telecoms Limited (“GT”) from the States of Guernsey in May 2002. The States of Guernsey is the democratically elected, independent governing body for Guernsey.
 11. The legislative package establishing the various responsibilities and duties of the OUR was introduced on 1st October 2001¹. The overarching policy of the States of Guernsey in the telecoms sector, as described in the relevant Laws, is to:
 - ensure that Guernsey consumers receive the best in terms of price, choice and quality of telecommunications services, and
 - ensure that the Bailiwick has a vibrant, innovative and sustainable telecommunications sector.
- Full details of the legislation governing the regulation of the telecoms market can be found on the OUR website - www.regutil.gg/licensing_legal/legal_framework.asp.
12. The legislative and regulatory regime provided for the liberalisation of the telecommunications market and new operators were able to provide fixed services from 1st July 2002, fixed networks from 1st December 2002 and mobile networks and services from 1st April 2003. One of the building blocks of this policy was the development by the incumbent of a Reference Offer (“RO”) that the incumbent is required to produce. The last edition of C&WG’ RO is published on its website (<http://www.surecw.com/guernsey/page-605>).
 13. Section 10 of the Law requires a licensee that is dominant in the relevant market to offer a standard interconnection and access agreement (the RO). The terms and conditions are to be transparent and cost-oriented. The rates and charges set out in the existing RO were determined by the OUR and took effect from 1st February 2006.
 14. As the current rates have now been in the market for sometime, the OUR believes there is merit in reviewing these rates to assess whether they still remain appropriate and reflect the cost of providing these services.

¹ The relevant legislation includes the Regulation of Utilities (Bailiwick of Guernsey) Law, 2001 and the Telecommunications (Bailiwick of Guernsey) Law, 2001. Copies of these documents are available from the OUR website www.regutil.gg.

15. C&WG published its Regulatory Accounts for the year ending March 2008 on 26th September. This information is available on the C&WG website (<http://www.surecw.com/guernsey/page-966>).

Regulatory Regime

16. Section 10 of the Telecoms Law provides for the DG to direct any licensee that has been designated as being dominant in a relevant market to comply with certain obligations under this section of the Law. These requirements include:
 - (a) Making its procedures for the provision of interconnection and access publicly available on non-discriminatory terms
 - (b) Offering a standard interconnection and access agreement (a RO) which is available under non-discriminatory terms, conditions and charges and on a non-discriminatory basis with that offered to any C&WG's own services or associated company
 - (c) Its charges must be transparent and costs oriented having regard to the need to promote efficiency and sustainable competition and maximise consumer benefit
 - (d) To provide interconnection and access at any technically feasible point on its network
 - (e) to provide interconnection and access in a sufficiently unbundled manner so that OLOs do not have to pay for any network elements or services they do not require
17. Section 10(4) provides the DG the power to require C&WG to justify its charges and to show that its charges are derived from actual costs.
18. Section 10(3) allows the DG to direct changes to the RO taking account of any information provided by the licensee or any such other relevant information as is available to her.
19. The current rates were determined during 2005 following a detailed review of C&WG's proposed rates and an assessment of its regulatory accounts. Background information on this previous assessment can be found on the OUR website in documents OUR 05/11, OUR 05/09 and OUR 04/03 (all relate to RO Charges) and documents OUR 04/15, OUR 04/24 and OUR 04/25.
20. Following the OUR's review revised interconnection and access charges took effect on 1st February 2006.

PART III: SCOPE AND OBJECTIVES OF THE PROJECT

Objectives

21. The successful tenderer will be required to critically review C&WG's proposed rates for interconnection and access services, assess the degree to which the justification offered for those charges allows the DG to determine if they are cost-oriented and justified. They will also be required to comment on the level of justification provided and identify any areas where, in their expert opinion, the level of justification is not adequate. C&WG has been requested to provide support for its current RO charges and this is anticipated to be received by 1st February 2009.
22. The tenderer may also be asked to propose, based on the information available, appropriate interconnection and access charges, should it form a view that those proposed by C&WG are not compliant.
23. The successful tenderer will be expected to draw upon their practical and academic expertise in the area of interconnection and access charges and place this in the context of the Bailiwick of Guernsey, taking into account the stage of development of the liberalisation of the market and the impact of technological change in the market.

Scope of the Project

24. In realising the project objectives, the successful tenderer will need to:
 - a. Review the cost justification provided by C&WG;
 - b. Assess the degree to which the justification is adequate to satisfy the DG that the rates are in compliance with the legislation;
 - c. If necessary, identify any shortcomings in the justification or methodology used to determine the rates;
 - d. Engage with C&WG to ascertain such additional information as may be required to ensure the level of information available to the OUR is such as to enable the DG to make a decision on the appropriateness of the rates for the market; and
 - e. Prepare a report for the OUR on its conclusions following the completion of these tasks.
25. The OUR expects that these tasks will form an essential part of the scope of the project, but this is not a comprehensive list and tenderers are invited to clearly state the approach and process they propose to use to meet the requirements of this Invitation to Tender.
26. Likewise the OUR anticipates that the successful tenderer will need to meet with C&WG to discuss some of the assumptions contained in its proposal as part of this process and will therefore need to be based in Guernsey for part of the project.

Timetable and Deliverables

27. It is envisaged that the project will commence in February 2009. An indicative timetable and the scope of the project deliverables is provided below:

Timetable	Deliverables
<p>February 2009</p> <ul style="list-style-type: none"> • Review of C&WG Regulatory Accounts and Interconnection and Access charges • Submission of Supplementary information requests if necessary; 	<p>Key Deliverables</p> <ul style="list-style-type: none"> • Until the end of February provide an informed opinion on the appropriateness of the justification for the charges proposed by C&WG and on assumptions with respect to interconnection and access services and charges; • If necessary include a detailed list of any additional information requirements from C&W Guernsey. This information request will be forwarded by the OUR to C&W Guernsey once the OUR has approved it.
<p>April 2009</p> <ul style="list-style-type: none"> • Submit Report 	<p>Key Deliverables</p> <ul style="list-style-type: none"> • Following the receipt of any additional information from C&WG, the consultants will submit its considered report on the appropriateness of the rates proposed by C&WG which should be submitted by Mid April 2009. This report will inform the OUR 's consultation report on the methodologies that will be followed to set interconnection charges.
<p>June – July 2009</p> <ul style="list-style-type: none"> • Review response to the Consultation. 	<p>Key Deliverables</p> <ul style="list-style-type: none"> • The OUR envisages to consult the industry by the end of April on the methodologies that will be used to set interconnection and access rates. Responses to the consultation will be received by Mid June 2009 and the consultants will be expected to assist in reviewing any comments received at that time. The consultants may be required to meet with C&WG and other interested parties to discuss any points of clarification necessary prior to the submission of comments. The consultant's report on this phase will be used to support a Draft Decision which will be published by End July 2009.
<p>September 2009</p> <ul style="list-style-type: none"> • Review response to Final Decision. 	<p>Key Deliverables</p> <ul style="list-style-type: none"> • Responses to the Draft Decision consultation will be received by Mid September. By the end of September, the consultants will submit a final report to the DG with recommendations to inform Final Decision.

28. In undertaking this process the successful tenderer should make its recommendations explicit throughout all the work it provides, as well as providing justification for their views in a clear and transparent manner that the OUR considers satisfactory.

29. The consultant will be required to provide an electronic copy of all draft and finalised working papers and reports (in Microsoft Word), as well as two hard copies of all

finalised working papers and reports. The consultant should also provide in Microsoft Excel all numerical work associated with all draft and finalised working papers and reports.

30. The work will be conducted in English and all deliverables will be submitted in English.

Qualifications

31. The consultants should have:
 - a. Substantial economic and finance experience in general and in assessing interconnection tariffs in the telecoms market;
 - b. A proven track record in the analysis and provision of robust advice to support regulatory decisions; and
 - c. Team members who have specific relevant experience of this type of project.

Confidentiality

32. The successful applicant must agree to a confidentiality agreement covering the firm and the individuals assigned to the project.

PART IV: INFORMATION REQUIRED FROM THE TENDER

33. The following information is required from the applicant for the tender:
 - a. Demonstration of a clear understanding of the work to be performed. This should include a brief preliminary discussion of the specific areas that are considered of particular relevance to Guernsey and why. In undertaking this, there are various documents on the OUR's website, www.regutil.gg, providing background information on the telecoms sector in Guernsey.
 - b. A detailed description of the methodology that the applicant intends to adopt. This should include the envisaged project timetable containing any additional milestones for deliverables that the applicant specified in response to paragraph 27 as appropriate.
 - c. Information regarding the expertise and experience of the specific people who will carry out the work including full CVs of the staff proposed for the project. This will also identify the role undertaken by members of the proposed project team.
 - d. Description of previous relevant project experience of the organisation.
 - e. Management arrangements for ensuring the successful completion of the project.
 - f. A clear statement that the firm has no existing conflict of interest in relation to the proposed assignment and will not place itself in such a position while

retained by the OUR. Tenderers are required to disclose any matter which may give rise to a potential conflict of interest.

- g. A commitment that in the event a member of the project team withdraws part way through the project, the successful tenderer shall ensure that the OUR does not incur any additional costs in ensuring the new team member is brought up to speed. The OUR would expect the consultant to have the necessary means to transfer knowledge amongst its staff.
 - h. Daily rates of each team member in pounds Sterling (daily rates to be based on 8 hours per day) together with the anticipated number of man days for each team member.
 - i. The total cost of the services tendered for including a breakdown of the person days or effort required (stating whether this is inclusive or exclusive of VAT, note that VAT is not applicable within the Bailiwick).
34. The applicant is free to supplement the required information, and to provide illustrations or add background details where they are necessary to provide a clear understanding of the proposals or are likely to add materially to the OUR's understanding of the applicant's intentions in providing the service. However, the submission from applicants should be no longer than 20 A4 pages, with supplementary information contained in relevant annexes.
35. The applicant may be invited to clarify submitted information.
36. OUR requires a fixed cost quotation for the work and rates must be fixed for the duration of the project. Travel and related expenses must be included in the quotation along with any other charges.
37. The tenderer is invited to define payment terms relating payments to the provision of deliverables by the consultant. For the avoidance of doubt the OUR will not authorise payments to be made simply on the basis of the signing of the contract between the Office and the successful applicant.
38. Any exchange rate risk will be borne by the applicant.
39. The OUR is not bound to accept any tender received or the lowest tender. Selection will be based on compliance with this request for proposal documentation and, inter alia, the following matters:
- a) Understanding of the issues;
 - b) Approach and methodology proposed and its appropriateness for the Guernsey market;
 - c) The calibre and relevant previous experience of the team;
 - d) Price; and
 - e) Value for money.