



Telecom Order CRTC 2013-208

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Route reference: Telecom Decision 2012-644

Ottawa, 30 April 2013

Northwestel Inc. – Introduction of V-Connect service

File number: Tariff Notice 891

Introduction

1. The Commission received an application from Northwestel Inc. (Northwestel), dated 14 January 2013, in which the company proposed changes to its Private Wire Service tariff to introduce item 1110 – V-Connect Service.¹ Northwestel also requested that the Commission ratify the charging of rates by the company for V-Connect service from 26 November 2012 to the approved effective date of the proposed tariff. The company filed this application in response to the Commission’s directions in Telecom Decision 2012-644.
2. The Commission received comments from Ice Wireless Inc. (Ice) and Iristel Inc. (Iristel); TELUS Communications Company (TCC);² and Yukon Government. The public record of this proceeding, which closed on 15 February 2013, can be found on the Commission’s website at www.crtc.gc.ca under “Public Proceedings” or by using the file number provided above.

Issues

3. The Commission has identified the following issues to be addressed in this order:
 - I. In which service basket should V-Connect service be classified?
 - II. What pricing approach should be used for V-Connect service?
 - III. Should the Commission ratify the charging of rates by Northwestel for V-Connect service since 26 November 2012?

¹ V-Connect service is a retail business service which is used to create wide area networks by providing site-to-site connections that can cover large geographic areas.

² In its comments, TCC posed a number of questions to Northwestel. Northwestel provided responses to TCC’s questions in its reply comments.

I. In which service basket should V-Connect service be classified?

4. Northwestel proposed that V-Connect service be classified in its Uncapped services basket. The company submitted that wholesale customers would be able to offer alternatives to V-Connect service using Northwestel's Wholesale Connect service and that these anticipated new services, and the availability of Northwestel's Wholesale Connect and Ethernet Municipal Area Network services, would discipline prices for V-Connect service and protect customers' interests. Northwestel submitted that, at a minimum, the satellite elements of the service should be uncapped to reflect the competitive nature of the satellite service.
5. Ice/Iristel and TCC submitted that V-Connect service should be classified in Northwestel's Other Capped services basket since there is not sufficient competition to allow the pricing flexibility provided by the Uncapped services basket. Yukon Government submitted that classifying the service in the Uncapped category before the current review of the company's regulatory framework³ for Northwestel is completed could be detrimental to Yukoners. As such, Yukon Government requested that the classification be treated as interim until the current review of the company's regulatory framework is completed.
6. The Commission notes that, in Telecom Decision 2012-644, it denied Northwestel's request to forbear prospectively from the regulation of its V-Connect service because the company had market power in its operating territory for the provision of wide area network services, including its V-Connect service.
7. Accordingly, the Commission considers that it would not be appropriate to classify V-Connect service in Northwestel's Uncapped services basket as requested by the company. In this regard, the Commission notes that other services provided by Northwestel that are similar to V-Connect service in terms of functionality and target market, such as Private Line services and Ethernet Municipal Area Network service, are classified in Northwestel's Other Capped services basket. Therefore, the Commission classifies V-Connect service in Northwestel's Other Capped services basket.

II. What pricing approach should be used for V-Connect service?

8. Northwestel proposed to base its rates for V-Connect service on rate ranges and rate de-averaging (the rate range approach), which would allow the company to price the service between defined upper and lower limits and differently among customers. The company submitted a cost study in support of its proposed rates.

³ The current review of Northwestel's regulatory framework was initiated by the issuance of Telecom Notice of Consultation 2012-669.

9. Northwestel also proposed an alternative pricing approach (the alternative approach) in case the Commission did not accept the rate range approach. The company proposed to use the upper limits in the rate ranges, on an interim basis. It submitted that, based on the customer's existing service architecture, no single customer would see an increase to its total bill and some would see reductions.
10. While TCC supported the proposed rate range approach, Ice/Iristel opposed it, submitting that there was not enough competition to grant Northwestel such pricing flexibility.
11. The Commission notes that Northwestel's current regulatory framework does not provide for the use of rate ranges or rate de-averaging, and that this issue is being considered in the proceeding initiated by Telecom Notice of Consultation 2012-669. Therefore, the Commission considers that it would not be appropriate for Northwestel to use the proposed rate range approach at this time.
12. The Commission notes that the rates in the alternative approach meet the price floor test.⁴ The Commission also notes that, according to Northwestel, no single customer would see an increase to their total bill. Accordingly, the Commission considers Northwestel's proposed rates in its alternative approach to be acceptable. The Commission **approves on a final basis** the rates proposed in Northwestel's alternative approach.

III. Should the Commission ratify the charging of rates by Northwestel for V-Connect service since 26 November 2012?

13. Northwestel requested that the Commission ratify the charging of rates by the company for V-Connect service from 26 November 2012 to the approved effective date of the tariff.
14. The Commission notes that, pursuant to subsection 25(4) of the *Telecommunications Act*, it may ratify the charging of a rate by a Canadian carrier otherwise than in accordance with a tariff approved by the Commission if it is satisfied that the rate was charged because of an error or other circumstance that warrants the ratification.
15. The Commission also notes that, in Telecom Decision 2012-644, it ratified the charging of rates by Northwestel for V-Connect service until 26 November 2012, the date of that decision. In that decision, the Commission required Northwestel to file tariffs for V-Connect service with associated cost studies within 30 days of the date of that decision.

⁴ As described in Telecom Regulatory Policy 2009-80, the price floor test establishes a minimum price threshold to ensure that rates are just and reasonable and not unjustly discriminatory. The price floor test also guards against certain anti-competitive pricing, in order to facilitate the development of sustainable competition.

16. The Commission notes that Northwestel has continued to charge the rates at issue in Telecom Decision 2012-644 since that decision was published and that the company has complied with the Commission's directions in that decision. Therefore, the Commission considers that, under the circumstances, it is appropriate to **approve ratification** of the charging of rates by the company for V-Connect service from 26 November 2012 to the effective date of this order.

Conclusion

17. In light of the above, the Commission **approves** Northwestel's tariff for V-Connect service, with the above-noted changes, effective the date of this order. The Commission directs Northwestel to issue⁵ revised tariff pages within 10 days of the date of this order.
18. Further, the Commission ratifies the charging of rates by Northwestel for V-Connect service between 26 November 2012 and the date of this order.

Secretary General

Related documents

- *Review of Northwestel Inc.'s Regulatory Framework, Modernization Plan, and related matters*, Telecom Notice of Consultation CRTC 2012-669, 6 December 2012, as amended by Telecom Notice of Consultation CRTC 2012 669-1, 15 February 2013, and Telecom Notice of Consultation CRTC 2012-669-2, 30 April 2013
- *Northwestel Inc. – Application to review and vary Telecom Decision 2012-4 regarding V-Connect service*, Telecom Decision CRTC 2012-644, 26 November 2012
- *Review of the price floor test and certain wholesale costing methodologies*, Telecom Regulatory Policy CRTC 2009-80, 19 February 2009

⁵ Revised tariff pages can be submitted to the Commission without a description page or a request for approval; a tariff application is not required.