

TOTSCo Bulletin No 20**DATE: 25 July 2023****SUBJECT: TOTSCo One Touch Switch (“OTS”) Charging Structure – proposal and request for feedback****Introduction**

This paper proposes a charging structure for TOTSCo hub use for OTS in the period 2023 – 2025. We would like to hear your views on this proposal. Please send your responses, limited to one per company, by Friday 11 August to enquiries@totsco.org.uk.

The charging structure for subsequent periods will be the subject to a further consultation, to be carried out after OTS go-live.

Charging for use of the hub where it is used for business switching will be addressed separately.

Proposal for Interim Charging (2023 to 2025)

- 1) There will be no separate charges for onboarding to the hub, for using the test harness, or for using the hub in 2023.
- 2) Full charges will apply from 1 January 2024, regardless of the OTS go-live date.
- 3) Each user will receive a single annual invoice, in advance:
 - Invoices for hub use in calendar-year 2024 will be sent to users in December 2023. Hub users who onboard during 2024 will be invoiced at the time of onboarding and will be charged for the whole calendar year.
 - Invoices for hub use in calendar year 2025 will be sent in December 2024.
- 4) Hub users can choose to pay the annual invoice either in full within 30 days, or in four instalments at the beginning of each quarter. Payment in instalments will be subject to a fee to cover administration costs, and an interest charge to compensate for the payment delay.
- 5) The annual charges for each user (RCPID) will comprise of two elements:
 - (i) An annual subscription charge to cover the costs of maintaining and supporting an RCPID. Our non-binding indicative range of this charge is between £400 and £600, and;
 - (ii) an annual tiered usage charge, based on the user’s number of residential customers and a published price per residential customer (“unit price”) and calculated as follows:
 - o For users with 2,000 or more residential customers, the unit price times the number residential customers.
 - o For users with between 1,000 and 1,999 residential customers, the unit price times 1,000.
 - o For users with fewer than 1,000 residential customers, there is no usage charge
 - o “Residential customers” means the number of customers for fixed broadband and voice services, measured at a date (to be determined) in the second half of the previous calendar year. E.g. 2024 charges will be based on residential customer numbers at a point in the second half of 2023.
 - o The non-binding indicative range for the unit price is £0.25 - £0.35.
 - o The basis of charging is the RCPID. Where more than one RCPID is controlled by a company or group, the number of residential customers may be aggregated at TOTSCo’s reasonable discretion when considering qualification for tiered pricing.
- 6) The levels of all charges for 2024 will be finalised in Q4 2023, after hub users have shared their residential customer numbers during onboarding. TOTSCo will share with users its anticipated 2024 costs and will invite feedback and comment. TOTSCo will follow the same process in 2024 to set 2025 prices.

In the appendix to this Bulletin, we provide illustrations of total charges for different sized users, covering both the subscription and usage charge, based on both the indicative and non-binding pricing levels communicated in Bulletin 6 and the proposed charging structure.

This proposed structure has the following features and benefits:

- Raising and processing just one invoice per year minimises operational complexity, reducing direct and indirect costs for hub users and TOTSCo.
- Early visibility and certainty of annual charges allows users and TOTSCo to budget with confidence.
- As there are no charges for use in 2023, and all users are charged from 1 January 2024, no user is penalised for onboarding early, and there is no incentive to delay onboarding.
- Charging from 1 January 2024 strikes a balance between TOTSCo's need to fund development and operating costs, and delaying charges for users until close to OTS go-live.
- Charging according to user size is a fair way of distributing between different hub users the (largely) fixed costs of hub development and operation.
- The number of residential customers is an easy-to-measure and well-understood parameter by which to measure user size for these purposes and on which to base charges.
- The annual budgeting and price-setting exercise gives users the opportunity to understand and comment on TOTSCo's costs, in line with TOTSCo's transparency commitments to industry.

After a suitable period of OTS operation, TOTSCo and industry will have reliable data on hub use and switching volumes which will allow for the modelling and evaluation of a transaction-based component to hub charging. We anticipate that this will form part of a future consultation on charging structure for 2026 and beyond.

Managed Access

Some users will access the hub via a managed access provider, rather than directly via an API to their own systems.

Based on our conversations with managed access providers we believe that there will be two models of managed access provision. In one model, the CP user onboards directly with TOTSCo, uses TOTSCo for all hub support, and is billed directly by TOTSCo. In this case, TOTSCo will charge the user in the same way as a direct user. The managed access provider may charge additional fees to the CP user.

In another model, the managed access provider performs all the onboarding and ongoing first-line support for its CP customers and pays all the subscription and usage charges to TOTSCo on behalf of its customers. In this model, the annual subscription charge to the managed access provider for each CP they manage, will be discounted to reflect TOTSCo's corresponding cost savings. The level of discounts will be determined in the Q4 price-setting exercise.

Action for you - Making your views known

Please let us have your views on any aspect of this proposal, including but not limited to:

- Will this be practical and simple for you to administer and process?
- Is it easy for you to measure and report the number of residential customers for fixed voice and broadband services?
- Is this proposal a fair way to distribute hub costs between CPs?
- Is the start date of 1 January 2024 appropriate? If not, do you have an alternative suggestion for TOTSCo to recover operating and other costs from hub go-live in October/November 2023?
- Do you feel that the proposed tier thresholds, and the usage charges for these tiers, are fair?
- Is there any particular information that you would like to see during TOTSCo's annual budgeting exercise?
- Do the proposed payment terms give you appropriate choices?

- Do you have any view on the charging structure where CPs use a managed access provider?
- Do you have any alternative suggestions for charging?
- Are there any non-standard cases which you believe should be addressed at this stage?
- Do you have any other comments?

Please send your responses, limited to one per company, by Friday 11 August to enquiries@totsco.org.uk, including "TOTSCo Charging Structure" in the subject header. We may reproduce your responses in anonymised form as part of our ongoing dialogue with industry. Neither the respondent company nor individual respondents will be named. Please state in your response if you would prefer your responses not to be reproduced even in this anonymised form.

TOTSCo

July 2023

Appendix 1: Illustration of charges based on non-binding indicative pricing levels

In Bulletin 6 ([“Indicative and non-binding charging levels”](#)) we outlined indicative charges of between £0.25 and £0.35 per residential customer per year.

In this paper we have indicated that the annual subscription charge is likely to be in the range of £400 - £600.

We have used these indicative ranges of prices to illustrate in the table below annual charges for users of different sizes based on the proposed pricing model and on the low, high and mid-point of the indicative unit price range. For this illustration we have assumed an annual subscription charge of £500.

Unit price	£0.25	£0.30	£0.35
Residential customers	Total subscription and usage charges		
< 1,000	£500	£500	£500
< 2,000	£750	£800	£850
2,000	£1,000	£1,100	£1,200
5,000	£1,750	£2,000	£2,250
10,000	£3,000	£3,500	£4,000
20,000	£5,500	£6,500	£7,500
50,000	£13,000	£15,500	£18,000
100,000	£25,500	£30,500	£35,500
200,000	£50,500	£60,500	£70,500
500,000	£125,500	£150,500	£175,500
1,000,000	£250,500	£300,500	£350,500
2,000,000	£500,500	£600,500	£700,500
5,000,000	£1,250,500	£1,500,500	£1,750,500
10,000,000	£2,500,500	£3,000,500	£3,500,500