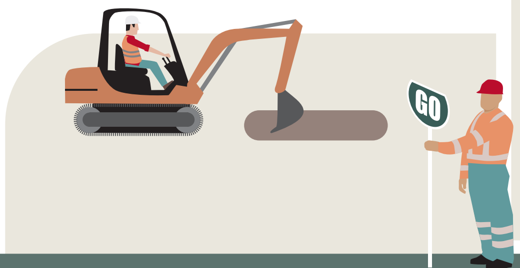
Equivalence

Equivalence aims to prevent network operators from distorting competition in downstream markets. It does so by requiring the network operator's own downstream business to compete with access seekers on an equal footing in terms of key upstream inputs. Equivalence is defined in Parts 2A and 4AA of the Act.

Para 3.5 | Para 3.10

Note: This summary is intended as a quick reference only. For more detailed information, or to further understand the terms and concepts discussed here, please click the link indicated under the relevant paragraph to read our equivalence and non-discrimination guidance document, or visit **www.comcom.govt.nz**



Equivalence in the Act

Equivalence, in relation to the supply of a relevant service, means equivalence of supply of the service and access to the service provider's network so that access seekers are treated in the same way to the service provider's own business operations, including in relation to pricing, procedures, operational support, and supply of information and other relevant matters.

Para 2.36 | Para 3.10

Equivalence in the deeds

The undertakings regimes for copper and fibre require Chorus and the LFCs to achieve equivalence in the supply of relevant regulated services, and unbundled L1 services, respectively.

Para 3.11

Equivalence as defined in the Act and the deeds incorporates both equivalence of inputs (EOI) and equivalence of price (EOP).

Para 3.13

The copper and fibre deeds require the network operator to provide itself and access seekers with the same service:

- on the same timescales and terms and conditions;
- with the same systems and processes that can be used the same way and with the same degree of reliability and performance; and
- with the same confidential information about the service and the systems and processes.

Para 3.16

Equivalence of inputs (EOI)

Equivalence of inputs requires a network operator to supply access seekers with the same service that it provides as an input to its own downstream operations. The quality of the upstream input service can be judged by the quality of the downstream service provided by the network operator.

Para 3.19

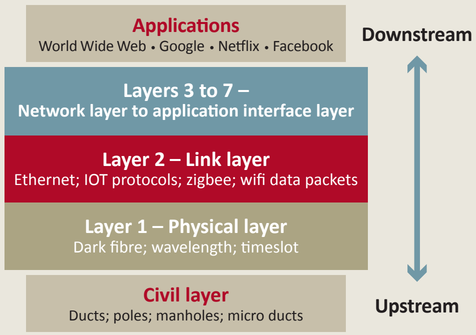
The systems and processes to which equivalence applies include:

- pre-ordering/ordering;
- provisioning;
- change control;
- data access;
- service assurance;
- operational support systems;
- product development; and
- governance.

Para 3.20

Where equivalence applies, the network operator must provide the same Commercial Information to its own downstream operations and access seekers, and at the same time.

Para 3.21



Equivalence of price (EOP)

Equivalence of price requires network operators to treat access seekers the same way as the network operator's own downstream operations in relation to pricing.

Para 3.25

Equivalence, as defined in the Act and the deeds, does not specify a pricing methodology, nor does it set prices for specific services.

Para 3.28

Equivalence of price concerns the difference between a network operator's upstream price(s) and its downstream price(s), ie, **the margin between the two sets of prices**.

Para 3.31

In our view, to satisfy equivalence of price, the margin between the network operator's upstream and downstream prices has to cover the costs of providing the downstream service including a normal return on capital, ie, the available margin has to satisfy an economic replicability test (ERT).

Para 3.32

EOP – The Economic Replicability Test

To apply the ERT, several high-level determinations must first be made:

- which downstream price should be used;
- what cost standard should apply when the downstream costs are determined; and
- what is the relevant time period over which the 'margin' between the downstream prices and the network operator's upstream price(s) should be assessed.

Para 3.38