



Telecom Order CRTC 2014-205

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Ottawa, 1 May 2014

Cogeco Cable Inc. – Service condition for the provision of a 10-Gigabit Ethernet interface option for third-party Internet access service

File number: Tariff Notice 41

The Commission approves the introduction by Cogeco Cable Inc. (Cogeco) of a service condition for third-party Internet access (TPIA) customers to order a minimum monthly capacity of at least 3 gigabits per second from Cogeco to access a 10-Gigabit Ethernet interface option as part of their TPIA service.

Introduction

1. The Commission received an application from Cogeco Cable Inc. (Cogeco), dated 20 August 2013, in which the company proposed to provide a 10-Gigabit Ethernet (GigE)¹ interface option as part of its third-party Internet access (TPIA) service, subject to the addition of a proposed condition to item 102 – Terms and Conditions of its TPIA Tariff. Specifically, Cogeco proposed that the 10-GigE interface option be provided only in cases where a TPIA customer orders capacity that is equal to or greater than 3 gigabits per second (Gbps), and maintains a capacity order of at least 3 Gbps on each 10-GigE interface installed (referred to hereafter as the “3-Gbps minimum monthly capacity commitment”).
2. The Commission approved Cogeco’s application on an interim basis in Telecom Order 2013-450.
3. The Commission received an intervention regarding Cogeco’s application from the Canadian Network Operators Consortium Inc. (CNOC). The public record of this proceeding, which closed on 11 December 2013, is available on the Commission’s website at www.crtc.gc.ca or by using the file number provided above.

Should the Commission approve Cogeco’s proposed service condition associated with the provisioning of the 10-GigE interface option?

4. CNOC requested that Cogeco’s proposed 3-Gbps minimum monthly capacity commitment be reduced to 1.5 Gbps based on the difference between the capacity-based billing (CBB) rates charged by Cogeco and Rogers Communications Partnership (RCP). CNOC submitted that a 3-Gbps minimum monthly capacity

¹ Gigabit Ethernet is a standard that supports the transmission of Ethernet protocol frames at a rate of one gigabit per second.

commitment under RCP's TPIA tariff translates into a minimum monthly commitment of \$42,000 in CBB charges for RCP,² compared to \$76,680 for Cogeco³ under Cogeco's proposal. CNOC submitted that it is not justified for Cogeco to extract a minimum monthly commitment of \$76,680 in CBB charges to provide a 10-GigE interface.

5. CNOC also submitted that given Cogeco's CBB rate, which CNOC characterized as high, the imposition of a 3-Gbps minimum monthly capacity commitment constitutes a significant barrier for smaller Internet service providers to enter the market and to operate efficiently as competitors.
6. CNOC submitted that a 1.5-Gbps minimum monthly capacity commitment is an attainable target for new entrants. CNOC indicated that if new entrants use this target, they could still operate efficiently, with a view to future growth, and would avoid incurring unnecessary installation charges and service disruptions associated with the use of multiple 1-GigE interfaces.
7. In reply, Cogeco submitted that the router that interconnects Cogeco with its TPIA customers is a shared resource with a limited number of 10-GigE interfaces. Cogeco submitted that in the absence of an appropriate service condition, several TPIA customers could simultaneously order 10-GigE interfaces, resulting in a severe underuse of the router's capacity.
8. Cogeco argued that its proposed 3-Gbps minimum monthly capacity commitment would not constitute a barrier for new entrants. The company noted that there has already been a mutual agreement between it and one of its TPIA customers for the provision of 10-GigE interfaces under this condition.
9. Cogeco further submitted that its TPIA customers have the choice and the flexibility to purchase 1- or 10-GigE interfaces so that they have the capacity needed to run their operations efficiently and economically. Cogeco argued that contrary to CNOC's claims, Cogeco's TPIA customers have started their business operations by gradually increasing their number of 100-megabits per second (Mbps) capacity increments, and by purchasing 1-GigE interfaces one at a time.
10. Cogeco submitted that from a transport perspective, 10-GigE transport links are expensive, and TPIA customers would likely also need to pay a premium to reserve that capacity for end-to-end transport. Cogeco argued that it is the responsibility of TPIA customers to manage the network capacity they need and their capacity costs.

² RCP's monthly capacity rate is \$1,400 per 100-megabits per second (Mbps) increment, as set out in the Appendix of Telecom Decision 2013-76.

³ Cogeco's monthly capacity rate is \$2,556 per 100-Mbps increment, as set out in the Appendix of Telecom Decision 2013-76.

Commission's analysis and determinations

11. In Telecom Orders 2012-634 and 2012-635, the Commission approved a similar service condition for the 10-GigE interface option offered by Videotron G.P. and by RCP, respectively. In those orders, the Commission considered that a reasonable balance between an Internet service provider's need to plan and manage its network and an efficient use of router capacity must be struck.
12. In the context of the current application, the Commission considers that a reduction in the minimum monthly capacity commitment from 3 Gbps to 1.5 Gbps, as proposed by CNOC, would not ensure efficient use of the router that interconnects Cogeco with its TPIA customers.
13. The Commission notes that under Cogeco's TPIA Tariff, TPIA customers may choose to use one or more 1-GigE interfaces with no monthly capacity commitment and to migrate to the 10-GigE interface option when their traffic growth warrants it. The Commission also notes that based on the record of this proceeding, some TPIA customers in Cogeco's operating territory use multiple 1-GigE interfaces to handle growing traffic. Furthermore, one of Cogeco's TPIA customers has agreed to the proposed 3-Gbps minimum monthly capacity commitment to interconnect using a 10-GigE interface.
14. The Commission is of the view that Cogeco's approach for processing requests to upgrade from a 1-GigE interface to a 10-GigE interface ensures minimal service disruption, since the company implements upgrades early in the morning, with a 15-minute upgrade time. In addition, the Commission notes that Cogeco's installation charges associated with this upgrade are based on Commission-approved rates, terms, and conditions for TPIA services using cable networks.
15. Accordingly, the Commission considers that Cogeco's proposed 3-Gbps minimum monthly capacity commitment does not constitute a barrier for new entrants. Further, the Commission considers that the difference in CBB rates between cable companies is not a proper basis for reducing the minimum monthly capacity commitment. The Commission also considers that a reduction in the minimum monthly capacity commitment could lead to inefficient use of the router.
16. In light of the above and consistent with previous determinations in Telecom Orders 2012-634 and 2012-635, the Commission **approves on a final basis** the following service condition proposed by Cogeco for the provisioning of the 10-GigE interface associated with its TPIA service using the CBB model:

A 10-GigE interface option will be provided only where the CBB capacity ordered by the customer is equal to or greater than 3 Gbps. The customer must maintain a capacity order of at least 3 Gbps on each 10-Gigabit Ethernet interface installed.

Secretary General

Related documents

- Telecom Order CRTC 2013-450, 28 August 2013
- *Rogers Communications Partnership – Application to review and vary Telecom Regulatory Policy 2011-703*, Telecom Decision CRTC 2013-76, 21 February 2013
- *Rogers Communications Partnership – Introduction of 10 Gigabit Ethernet Interconnecting Option – Third party Internet access service*, Telecom Order CRTC 2012-635, 21 November 2012
- *Videotron G.P. – Introduction of 10 Gigabit Ethernet Interconnecting Option – Third party Internet access service*, Telecom Order CRTC 2012-634, 21 November 2012