



Telecom Order CRTC 2014-31

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Ottawa, 30 January 2014

Northwestel Inc. – Changes to Ethernet Metropolitan Area Network service

File numbers: Tariff Notices 889 and 889A

Introduction

1. The Commission received an application from Northwestel Inc. (Northwestel), dated 18 September 2012, in which the company proposed modifications to its Private Wire Services Tariff item 1118 – Ethernet Metropolitan Area Network (EMAN) Service. EMAN service is an Ethernet service that allows a customer to interconnect its local area networks in a metropolitan area over optical fibres or twisted copper pairs.
2. Northwestel proposed to add the names of 9 communities where the service is already provisioned to the current list of 6 communities served by the tariff, noting that it had inadvertently not updated the tariff when service was provisioned in those additional communities. The company also proposed to make the service available in an additional 57 communities.
3. Further, Northwestel proposed a new pricing structure based on its local network access bands (Bands D and H1), with different rates by band (de-averaging) and by type of port (10 megabit per second [Mbps], 100 Mbps, and 1000 Mbps).
4. In late June 2013, the company amended its application to adjust the proposed prices for its 100 Mbps service for Band D and Band H1 communities with more than 30 sites.
5. The Commission received an intervention from Yukon Government (YG). The public record of this proceeding, which closed on 11 August 2013, is available on the Commission's website at www.crtc.gc.ca under "Public Proceedings" or by using the file numbers provided above.

Should the Commission approve Northwestel's application?

6. YG opposed Northwestel's proposed rate de-averaging pricing structure, wherein the company would establish a two-tiered pricing system where smaller and more remote communities would be subject to higher prices for the same service that is available in larger centres. YG submitted that the proposed tariff would deviate from the long-standing commitment to provide customers with the same service at the same price, regardless of where in Yukon they might be located.

7. Northwestel replied that it has generally maintained a corporate pricing policy to offer the same or similar pricing on access services offered across its operating territory since the late 1990s, but that there is no regulatory obligation that requires it to continue this policy. In its view, the proposed pricing approach was required so that the company could start offering the service in its higher-cost communities while meeting the price floor test requirement in those communities.
8. In response to a Commission staff request for information, Northwestel submitted that all customers within the same band would be treated equally by the proposed pricing approach.

Commission's analysis and determinations

9. In *Northwestel Inc. – Regulatory Framework, Modernization Plan, and related matters*, Telecom Regulatory Policy CRTC 2013-711, 18 December 2013, the Commission provided Northwestel with the flexibility to de-average its rates for services in its operating territory at the rate band level i.e., in Bands D and H1, for services in the Business Services basket, the Other Capped Services basket, and, where appropriate, the Competitor Services basket. As EMAN service is assigned to the Other Capped Services basket, rate de-averaging at the rate band level is now permitted for this service.
10. In support of its application, Northwestel filed an economic study that demonstrates that the proposed rates for this retail service are compensatory. The Commission notes that, as a result of the de-averaging of the rates outlined in the company's application, the proposed rates are more in line with the costs to provide the service. The Commission also notes that, in comparison to the current single rate that applies across Northwestel's operating territory, the proposed rates are higher for certain service levels and communities and lower for others. The Commission considers that the proposed rate levels are required to ensure that the proposed de-averaged rates are compensatory.
11. In light of the above, the Commission **approves** Northwestel's application effective the date of this order. Northwestel is to issue revised tariff pages¹ within 10 days of the date of this order.

Secretary General

¹ Revised tariff pages can be submitted to the Commission without a description page or a request for approval; a tariff application is not required.