

Appendix III



POST AND TELECOM
ADMINISTRATION
IN ICELAND

Additional consultation

On specific changes to Preliminary Draft Decision with respect to cost analysis for bitstream access according to Access Options 1 and 3

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The reaction of all concerned parties to the draft presented here is hereby requested. All observations shall be made in an identifiable manner with a reference to the number of the document and to the items in question. Observations should be sent by post or by e-mail to the email of specified parties no later than 07 March 2014.

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1 Introduction

A Preliminary Draft Decision for cost analysis for bitstream access according to Access Option 1 and 3 was opened for national consultation on 20 December 2013 which lasted until 13 January 2014. The cost analysis was made subsequent to a Decision by the Post and Telecom Administration (hereafter PTA) no. 8/2008 on the designation of a company with significant market power and on the imposition of obligations on the wholesale market for broadband access.

In the consultation Vodafone commented on the use of wholesale switches which were set up to provide access according to Access Option 1 pursuant to the PTA Decision no. 38/2012. Vodafone considered that the companies in the Skipti group used the wholesale switches to provide other services than for Access Option 1. Vodafone requested that the PTA acquainted itself with the use of the switches and that their use would be taken into account in the division of costs.

Subsequently the PTA sent a query to Mila with respect to use of the wholesale switches.

In the Mila reply, dated 4 February 2014, it was stated that the wholesale switches were used for connections other than connections for Access Option 1. Mila confirmed that the company's cost analysis from the autumn of 2013 had not been based on correct premises as the number of connections had not been correct, company connections had not been included in the list showing the number of connections. This would be corporate connections with Siminn, connections with Siminn mobile phone transmitters and backbone connections with Siminn IP network.

The Mila reply was accompanied by a cost analysis for wholesale switch where corporate connections were taken into account along with other connections and a new price was calculated for ports. In its calculations, Mila reckons corporate connections as additional ports with Siminn and that they have the same equivalence as 1 Gb/s additional interface had in the PTA Preliminary Draft.

This new information on use of wholesale switches fundamentally changed the criteria on which the PTA had based its assessment of the Mila calculations and the conclusion that was published in the national consultation. The PTA considers it a serious matter that this fact was not made clear in the Mila (and Siminn) cost analysis as it represents a fundamental change in the use of wholesale switches which is not in accordance with the PTA Decision no. 38/2012.

The PTA has now scrutinised the new information received in the consultation and plans subsequent to this, to alter the draft tariff for wholesale switches which was published in the national consultation. These changes will seek to take into account varying use of wholesale switches, both with respect to Mila customers and to service options.

This change only affects the conclusion of the cost analysis with respect to wholesale switches and not the cost analysis for bitstream access according to Access Options 1 and 3.

This consultation thus applies only to the part of the Preliminary Draft that deals with wholesale switches and covers the following Sections in the Preliminary Draft analysis:

- 8 Wholesale switches
- 9.2.2 Tariff for wholesale switch for Access Option 1
- 9.2.3 Settlement for temporary prices

2 Change in Section 8 on wholesale switch

After the change Section 8 will be as follows:

8 Wholesale switches

In Decision no. 38/2012 on Access Option 1 at Siminn, it was among other things disputed whether wholesale switch is necessary for Siminn to be able to provide VDSL access according to Access Option 1 and the conclusion was that this should be the case.

In the treatment of this matter with the PTA, Siminn submitted, on 10 December 2012, a cost estimate to decide the charge for investment, installation and operation of wholesale switch. This cost estimate was the basis for calculation of temporary setup and monthly charge for investment and operating costs, as specified in the Decision.

With the Decision, temporary prices were set for access to wholesale switch for Access Option 1. According to the temporary tariff the setup fee was ISK 250,000 for each installed wholesale switch and the monthly charge for investment and operation costs was ISK 14,777 for 1 Gb/s and ISK 18,538 for 10 Gb/s. Then it was specified that the monthly charge in question would decrease proportionately with the entry of a new party to the service in question, according to more detailed provisions in the PTA decision on the Siminn cost-analysed prices. In the Decision it was furthermore specified that the temporary prices should apply until the PTA had endorsed the Siminn cost analysis. Siminn was obliged to submit cost-analysed prices to the PTA no later than 1 February 2013. When the PTA had endorsed the Siminn cost-analysed prices, companies were obliged to settle any incidental difference between those prices and the above specified temporary prices. The settlement was to be completed within a month from the cost-analysed prices having been endorsed by the PTA.

In an e-mail dated 29 August 2013 the PTA requested that Siminn submit real figures on costs for wholesale switch that had already been purchased and set up.

As has been previously stated the operation of the Siminn bitstream system transferred to Mila on 1 September 2013 and with it the operation of wholesale switch.

8.1 Mila cost analysis for wholesale switches

On 9 October 2013 Mila submitted cost analysis for wholesale switches. The Mila analysis was based on information on the cost of the 27 wholesale switches that had been installed when Mila took over operation of the bitstream system in September 2013.

Mila proposed that the methodology for calculating charges for wholesale switch should be changed from the arrangement that had been used subsequent to Decision no. 38/2012, in order to simplify implementation.

Mila proposed that the price for ports in excess of 1 should be lower than for the first port. Mila argued in favour of this proposal in the following manner:

“The reason why Mila considers it normal that the price per port in excess of one should be lower than for the first port is that the investment is almost the same for Mila when one port is used or many.

In each wholesale switch there are 24 x1Gb/s ports and 2x10Gb/s. It is also possible to add equipment to the switch which adds 2x10Gb/s ports while reducing 1Gb/s ports by two. The interface can either be used as a connection with DSLAM or with an Access Option 1 service provider. Today Mila normally uses 1 or 2x1Gb/s ports for each DSLAM. In large exchanges there are 5-15 DSLAM while in small exchanges there are 1-2 DSLAM. This means that in larger exchanges there are between 10-20 ports in use to connect DSLAM. The idea is that Access Option 1 service providers will use 10Gb/s ports in such exchanges and 1-2Gb/s in smaller exchanges.

If ports are added to a wholesale switch, this will generally mean an insignificant increase in equipment costs particularly in the case of 1 Gb/s ports, as long as there is no investment needed in new equipment.

Mila considers it fair to have higher charge for the first port and a much lower charge for the next one. Mila calculates the number of equivalents using a similar methodology as is used in leased line tariffs in such a manner that immediately at the outset the existing connections in the switches are taken into account. Mila also proposes an annual review of price where the use is taken into account such that that customers would benefit where more customers were connected into the switches and if more ports were used. It should be pointed out that this methodology could lead to a temporary situation where Mila was below costs if use was disadvantageous and vice versa.”

Mila proposed that the price for interfaces in excess of the first port from a customer would be [...] % of the price for the first port in the case of 1 Gb/s and [...] % in the case of 10 Gb/s ports. Mila explains this in the analysis:

“When assessing the proportion, Mila takes into account the fact that potential ports in 1 Gb/s are more than in 10 Gb/s and for this reason it is normal that they are less expensive than 10 Gb/s. The price for 10 Gb/s takes into account that there are much fewer potential 10 Gb/s ports, that is to say there are only four. In addition to this Mila needs to make an additional investment of over ISK [...] for the third and fourth ports.”

Mila also considered it proper to change the tariff in such a way that a fixed monthly fee would be calculated without taking into account the number of parties that connect to the wholesale switch. Today there were [...] parties connected into the switches. The tariff according to the PTA Decision is in the opinion of Mila extremely complex to implement. It would mean that Mila would end up having differing prices at each location depending on use and number of customers.

Mila proposed the use of interface equivalence for the calculation of monthly fee for interfaces such a manner that an interface in excess of the first port from the customer be [...]

equivalence for a 1 Gb/s port and [...] for a 10 Gb/s port. According to the Mila cost analysis submitted by the company on 18 October 2013, these calculations using port equivalence returned the following monthly charges:

	1 Gb/s	10 Gb/s
First port.....	[...]	[...]
Ports in excess of one....	[...]	[...]

In a letter from the PTA to Mila, dated 26 November 2013 the institution proposed amendments to the Mila proposal for calculation of port equivalence. In the opinion of the PTA there was insufficient allowance for varying performance/load of 1 Gb/s and 10 Gb/s ports in the arrangement proposed by Mila.

The PTA proposed that the first 1 Gb/s would be the base case with equivalence value of 1 while the equivalence of the first 10 Gb/s ports would be 1.6. The PTA had in mind in this connection the methodology that was used in the Decision on equivalences for trunk lines in the cost model elaborated by Analysis Mason for Mila, see the PTA Decision no. 14/2011. According to that methodology the charge for the first 10 Gb/s port was calculated according to the following formula:

$$\mathbf{Gjald}_{10\text{ Gb/s}} = \mathbf{Gjald}_{1\text{ Gb/s}} \times \left(\frac{10\text{ Gb/s}}{1\text{ Gb/s}} \right)^{\text{exponent}}$$

The exponent can vary and according to a prior study made by the PTA it was in the range of 0.2 to 1.0. If one uses the exponent 0.2 then the equivalence would be 1.6 according to the above formula while if one used the exponent [...], which was used for larger connections of leased lines, then the equivalence would be [...].

As previously stated the PTA proposed the use of the equivalence 1.6 and when making the choice it was taken into account that the increase of 10 Gb/s ports from the existing price would be moderate.

For ports in excess of one the PTA proposed that the equivalence would be 30% of the first ports such that equivalence of the 1 Gb/s ports in excess of one would be 0.3 while the equivalence of 10 Gb/s ports in excess of one would be 0.48. In comparison with the Mila proposal, the change has the effect that the price for the first 1 Gb/s port [...] while the price for the first 10 Gb/s port [...], also the price of additional ports increased.

Mila did not object to this arrangement for calculation of equivalences.

In the Mila analysis it is stated that investments had been made for [...] wholesale switches for xDSL. Twenty six wholesale switches¹ have been installed which means that there are [...]

¹ At the time to which the analysis applies, that is to say September 2013.

wholesale switches in stock. The number of ports connected in those wholesale switches was [...].

Mila allowed for the setup fee being composed of the cost of installing the wholesale switch, finishing and defining DSLAM VLAN settings.

According to the Mila cost analysis the installation cost of the six wholesale switches that were installed by Siminn is about ISK [...] which means that the average installation cost for each switch is about ISK [...]. By far the largest part of installation cost is labour which Mila estimates as about ISK [...]. Registered labour cost according to the Siminn SAP system was just under ISK [...] and according to Mila, labour was registered at the day rate though a large part of the work took place at night. In addition to this, part of the work was registered directly on operations and is thus not included. In order to take into account these imperfections in entering working hours, Mila applies a [...] addition on the daily rate. Mila considers that in all likelihood this cost is underestimated.

In the opinion of Mila it is of little importance whether one port is being installed or many. Most of the cost involved is in setting up the switch itself, including travel costs and organisation. For this reason Mila considers it appropriate to divide the setup cost equally between customers who request connection.

Mila allows for two users for each wholesale switch, which means that the installation cost is calculated at ISK 220,000² for each user.

Mila proposed that the setup cost for wholesale switches would be higher in the countryside and in the analysis Mila states:

“Most wholesale switches have been installed in the capital area. It is much more expensive to install wholesale switches outside the capital city area. Mila considers it therefore normal that the setup fee should be higher in the countryside. Per diem has to be paid and travel costs in the countryside are normally higher than in the capital city area. Mila considers that additional costs can be from ISK [...] for installation of switches in the countryside. This amount allows for [...].”

In the analysis Mila also states the following with respect to setup fees:

“The setup fee allows for the wholesale switch being installed and connected for all parties at the same time. Should agreement not be reached on a time for the installation then each party must pay separately for his own installation on the basis of billed hours and incurred costs.

Mila considers it normal that the costs for alterations and additional ports be collected on the basis of billed hours, as such work varies greatly. Customers often request that the work is done during the night which increases costs.”

In the Mila analysis it is stated that Siminn investment costs for basic equipment in 26 wholesale switches amounted to about ISK [...]. The additional investment for 10 Gb/s

² Rounded up to the next 10,000.

equipment was about ISK [...] and total investment costs thus ISK [...]. Mila does not allow for cost of bound capital in wholesale switches in stock in calculations.

The annuity of investments was calculated on the basis of a 5 year lifetime for equipment and with 8% WACC in accordance with the conclusions of the PTA on WACC for Mila for the year 2012.

In the Mila cost analysis, opex is based to some extent on an estimate but there is no experience yet to show real opex of wholesale switches. According to the cost analysis, opex is mainly divided into costs for a service agreement with the manufacturer of equipment, hosting in telephone exchanges and maintenance. Mila allowed for the same opex for both 1 Gb/s and 10 Gb/s and this cost is divided into port equivalents.

Mila used the following criteria when estimating opex:

- Annual opex for service agreement is [...] of historical cost of basic equipment. [...] wholesale switches were purchased and the total cost of the service agreement is calculated on the basis of this number.
- The participation of wholesale switches in hosting is about [...] of the lease fee for one cabinet (wholesale switches are generally kept in cabinets with other equipment).
- Maintenance for each wholesale switch is on average about [...].

In a letter from the PTA to Mila, dated 26 November 2013, the PTA proposed a reduction in opex of wholesale switches in the cost analysis which was equivalent to estimated cost of a service agreement for uninstalled switches.

The PTA did not consider it correct to take into account the wholesale switches that are in stock when calculating opex and in addition to this the costs for service agreements is an estimated amount.

Mila did not object to this reduction of opex.

Annual opex for 26 wholesale switches is, given the above criteria, about ISK [...].

Given these criteria, the calculated capex and opex per month is ISK 13,184 per equivalent. After having taken into an account port equivalents the monthly price for a 1 Gb/s port is ISK 13,184 and for a 10 Gb/s port ISK 21,095. Given that the monthly price for each port in excess of 1 is 30% of the monthly price for the 1st port, then the monthly price would be as shown in the following table:

Port	1 Gb/s	10 Gb/s
First port.....	13,184	21,095
Port in excess of one....	3,955	6,328

A Draft Decision for cost analysis in accordance with the above was submitted to national consultation on 20 December 2013 and the consultation lasted until 13 January 2014.

In the consultation, Vodafone commented on the use of wholesale switches. Vodafone considered that the companies in the Skipti group used the wholesale switches to provide services other than for Access Option 1. Vodafone requested that the PTA acquainted itself with the use of the switches and that their use would be taken into account in the division of costs.

Subsequently the PTA sent a query to Mila with respect to use of the wholesale switches.

In the Mila reply, dated for February 2014, it was stated that the wholesale switches were used for more connections than connections for Access Option 1. Corporate connections to Siminn customers and connections with Siminn mobile phone transmitters and backbone connections with Siminn IP network were in existence.

Mila confirmed that the company's cost analysis from the autumn of 2013 had not been based on correct premises as the number of connections had not been correct, company connections had not been included in the list showing the number of connections. In September 2013, [...] corporate connections had been connected into [...] wholesale switches and these were corporate connections with Siminn, connections with Siminn mobile phone transmitters and backbone connections with Siminn IP network. The connections were all 1 Gb/s connections. Mila pointed out in this connection that the company considered that it had received an exhaustive list over the number of connections, but as corporate connections had been registered in another system the company had not received all information. This was then a misunderstanding in the collection of data.

The Mila reply was accompanied with a cost analysis for wholesale switches where corporate connections were taken into account along with other connections and a new price was calculated for ports. In its calculations, Mila reckons corporate connections as additional ports with Siminn and that they thus have equivalence of 0.3 Gb/s. The updated Mila cost analysis returned a basic rental price of ISK [...] instead of ISK 13,184 per month and other rental prices changed accordingly. The total number of equivalents according to the updated Mila cost analysis was [...]. Mila proposed that the setup fee for access to wholesale switch would be unchanged at ISK 220,000 for each counterparty that connected to the switch.

8.2 The position of the PTA

The PTA has examined the criteria for Mila calculation of setup and monthly charges for wholesale switch which is partly based from figures gained from real installation, from capex and from the operation of 26 switches in the year 2013. In some instances however there is no exact record of the costs incurred and for this reason the conclusion is also based on a Mila estimate of cost.

As is stated here above, new information was received in the national consultation with respect to use of wholesale switch. It has come to light that wholesale switches are used for services other than was specified in the initial Mila cost analysis and the use of wholesale switches is thus other than was thought. This information fundamentally changed the criteria on which the PTA had based its assessment of the Mila calculations and the conclusion that was published in the national consultation. The PTA considers it a serious matter that this fact was not made clear in the Mila (and Siminn) cost analysis as it represents a fundamental change in the use of wholesale switches which is not in accordance with the PTA Decision no. 38/2012. The PTA has furthermore commenced an investigation on whether the above specified conduct by Mila constitutes a breach of the non-discrimination obligation which rests on Mila (previously Siminn) with respect to the offer of wholesale services and the breach of the transparency obligation by offering one party such a service without first updating the reference offer in accordance with the changes in question.

In the opinion of the PTA these changed criteria call for a total review of the Mila tariff for access to the above specified wholesale switches.

8.2.1 The use of equivalents in allocating costs

Mila proposed use of equivalents when deciding monthly rates for ports. As stated here above the PTA proposed that 1 Gb/s ports would be the base case with equivalence value of 1 while the equivalence of the first 10 Gb/s ports would be 1.6. Mila did not object to this proposal from the PTA.

Mila proposed that ports in excess of 1 would have lower equivalence than the 1st port with each user. The Mila proposal for price for ports in excess of 1 is lower based on the fact that the investment was almost the same for one or many ports in use. The cost of increasing the number of ports was very small compared with the cost of the wholesale switch itself.

In the Draft Decision that was published in the national consultation, it was suggested that the equivalence of ports in excess of 1 would be 30% of the equivalence of the 1st port so that the equivalence of 1 Gb/s ports in excess of 1 would be 0.3 and the equivalence of 10 Gb/s in excess of 1 would be 0.48.

Vodafone objected the arrangement of using lower equivalence for ports in excess of 1. In a letter from Vodafone it states:

"Vodafone points out that the method proposed by companies in the Skipti Group for cost of ports in excess of 1 is tailor-made to the needs of Siminn as they will connect to more than one port, for example where Siminn foresees that it will have direct corporate connections to fibre-optic or transmitter connections. The arrangement with respect to lower cost with each port is thus conceived in such a manner that the cost paid by Vodafone or other electronic communications companies is in reality subsidising access equipment for Siminn. Vodafone objects to this arrangement."

Subsequent to the PTA query to Mila concerning the Vodafone objections, Mila submitted an updated cost analysis for wholesale switches dated 4 February 2014. It contained a proposal from Mila that ports for corporate connections had the equivalence of 0.3 as was planned for Access Option 1 where 1 Gb/s ports were being used for these connections.

The PTA agrees with Vodafone that this arrangement for equivalence is more advantageous for Siminn than for Vodafone given current day usage, particularly when one considers the number of corporate connections that have been set up. Given this proposal from Mila, the average price for 1 Gb/s ports with Siminn would only be half of the average price that Vodafone would pay. It is therefore clear that with this arrangement, non-discrimination is not practised between Mila customers. This arrangement also creates a discrepancy in allocation of costs between service options as the arrangement means that DSL service bears more costs than other service options such as backbone network and mobile phone service.

It is no longer the case that the wholesale switches are only used for Access Option 1 as was originally planned but rather that there is now a variety of applications such as corporate connections with Siminn, connections with Siminn mobile phone transmitters and backbone connections with Siminn IP network. Given this changed usage of wholesale switches, the PTA considers there to be no grounds for ports in excess of 1 having lower equivalence than the first ports.

The PTA thus plans to retract the arrangement that was planned in the prior draft to decision and instead to have additional ports bearing the same cost as initial ports. The PTA plans nevertheless to employ equivalence in such a manner that 10 Gb/s ports have equivalence of 1.6 while 1 Gb/s ports have equivalence of 1.

Given the newest information from Mila on the number of ports in use in those 26 wholesale switches covered by the cost analysis, the number of 1 Gb/s ports was [...] and the number of 10 Gb/s ports was [...]. The total number of equivalents according to this is thus [...].

8.2.2 Start-up charge for wholesale switches

The PTA Decision no. 38/2012 concerned the dispute between Siminn and Vodafone on Access Option 1 and the use of wholesale switches was part of the solution to this dispute. The manner in which temporary prices were decided took into account the information available at that time and that these switches were being used for Access Option 1.

In the light of the information that was received in the consultation, the PTA intends to discontinue the prior arrangement for calculation of setup fees for installation costs of wholesale switches. Now it is clear that the switches are not solely being used to provide xDSL services according to Access Option 1, as was initially planned, but they are also being used for other services. One has to take this into account when allocating costs to various services and this also applies to installation costs in the same manner as to other costs. One also has to take into account, which is now clear, that the use of parties that connect to wholesale switches varies greatly and this difference is much greater than it appeared to be

when the planned PTA Decision was submitted for consultation. Vodafone is only using [...] port in each instance while Síminn is using up to [...] ports. The PTA considers there to be no longer grounds for setup cost being in its entirety split among those parties that now are connected without taking into account this new use.

According to the Mila analysis the setup fee is composed of 3 main constituents, that is to say installation of wholesale switches, finishing of the switches and definition of DSLAM, VLAN settings. In the Decision of the PTA no. 38/2012 it was decided that these costs would be paid with setup fee but it is appropriate to point out that all charges specified were decided on a temporary basis. The PTA considers however that a more accurate division of costs can be achieved by entering installation and finishing of wholesale switches as investment costs which is subsequently split between the ports. In this manner the cost is divided between the services in question and customers in accordance with use. With such an arrangement, costs will be recovered through monthly charges as is the case with other investment costs.

The remaining costs are for setting up and connecting ports which are dependent on the wishes of each individual customer and thus dependent on the services being used by the ports. Mila has pointed out that work required for connection and setup for Access Option 1 is more substantial than in the case of corporate connections. In the light of this fact the PTA can agree that this cost should be collected with the setup fee which is paid when wholesale switches are set up.

The total costs for installing 26 wholesale switches is ISK [...] of which labour costs are ISK [...]. Mila does however not have available information on how these costs are divided between labour and installation and finishing of the switches on the one hand and setup and connection of ports on the other. In the plan submitted by Siminn for the Decision on temporary prices, it was estimated that about half of the labour costs could be attributed to setup and connection. The PTA plans to use this division which means that costs for setup and connection of ports are thus estimated as half of labour costs which means ISK [...]. The setup fee for each counterparty for access to wholesale switch for Access Option 1 will therefore be ISK 93,000.³

Mila proposes that the costs for installation and additional ports be collected on the basis of billed hours, as such work can vary greatly. The PTA is at this point in time not opposed such an arrangement where it is in accordance with obligations in place for this service and in such a manner that there is absolute non-discrimination between the parties using the service.

8.2.3 Monthly charge for access to wholesale switches

Capex for the 26 wholesale switches that have been installed is approximately ISK [...] including the cost for installation and finishing of wholesale switches.

³Rounded up to the next 1,000. [The assumption is 26 wholesale switches and two users.]

As is stated in Section 8.1 the PTA proposed a reduction in opex of wholesale switches in the cost analysis which was equivalent to estimated cost of a service agreement for uninstalled switches. The PTA does not consider it correct to take into account the wholesale switches that are in stock when calculating opex and in addition to this the costs for service agreements is an estimate. Mila did no object to this reduction of opex.

Annual opex for 26 wholesale switches is, given the above criteria, about ISK [...].

The PTA compared estimated opex of the wholesale switches with opex of DSLAM equipment⁴ which are in many respects analogous operations. PTA considers that the above specified comparison does not warrant further observations on the Mila criteria for opex.

In Section 8.1 here below one can see the split of capex and opex of the [...] wholesale switches covered by the cost analysis, along with calculations of monthly charges per port equivalent.

Table 8.1 Calculations of monthly charges per equivalent

Investment costs	
Basic equipment	[...]
10 Gb/s equipment	[...]
Installation	[...]
Total investment costs	[...]
Lifetime of equipment in years	5
WACC	8%
Annuity of investment	[...]
Operating costs	
Service agreement	[...]
Hosting and electricity	[...]
Other operation and surveillance of operations	[...]
Total operational costs	[...]
Investment and operational costs	[...]
Total equivalents	[...]
Monthly charge per equivalent	9,289

Monthly charge for each equivalent is reduced from ISK 13,184 according to the PTA Preliminary Draft to ISK 9,289. The reason for the reduction is a significant increase in use of the wholesale switches than was previously allowed for and a change in the method of

⁴Opex as a proportion of capex (with installation) between DSLAM equipment and wholesale switch.

calculation. The monthly charge for one Gb/s ports will thus be ISK 9,289 and for 10 Gb/s ports it will be ISK 14,862.

Table 8.2 *Monthly charge for access to wholesale switches*

Port	Monthly charge per port
1 Gb/s	9,289
10 Gb/s	14,862

3. Amendments to Sections 9.2.2 and 9.2.3 related to amended tariff for wholesale switches.

After the amendments, Sections 9.2.2 and 9.2.3 will be as follows:

9.2.2 Tariff for wholesale switch for Access Option 1

Having taken into account the changes made by the PTA to the Mila cost analysis, cost-oriented prices for wholesale switches are as follows:

Access to wholesale switch

Start-up charge for Access Option 1	ISK 93,000
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The setup fee is composed of costs for setup and connection of the 1st port in each wholesale switch for Access Option 1. The setup fee for each port in excess of the first port is collected according to the Mila tariff for billed hours and service.

The charge for the cost of set up and connection of ports which are used for services other than Access Option 1 are collected according to the Mila tariff for billed hours and service.

Monthly fee

Port	Monthly charge per port
1 Gb/s	9,289
10 Gb/s	14,862

The monthly charge is composed of capex and opex for a wholesale switch.

9.2.3 Settlement for temporary prices

In accordance with the PTA Decision no. 38/2012 the final settlement between parties for the difference between temporary prices and final prices according to this cost analysis will take place within one month from the date of this Decision. The following table specifies the temporary prices and the prices according to this cost analysis and the period of validity to be used as a reference in settlements between parties.

Table 9.1 Period of validity of tariffs for settlement

<i>Service</i>	<i>Temporary price</i>	<i>Price 1. February to 31. July 2013</i>	<i>Price as from 1. August 2013</i>
Connection, Option 1 (upper frequency range)	Monthly unit price	Monthly unit price	Monthly unit price
ADSL access, per user	ISK 911	ISK 885	ISK 912
VDSL access, per user	ISK 1,093	ISK 885	ISK 912
Multicast, Option 1	Monthly price for 1 Mb/s	Monthly price for 1 Mb/s	Monthly price for 1 Mb/s
Reserved bandwidth for each Mb/s per DSLAM	ISK 12.51	ISK 13.63	ISK 13.63
VoIP, Option 1	Monthly unit price	Monthly unit price	Monthly unit price
VoIP service per user	ISK 50.00	ISK 55.85	ISK 55.85
Wholesale switch, Option 1	Unit price	Unit price	Unit price
Set-up fee	ISK 250,000	ISK 93,000	ISK 93,000
Access to a wholesale switch	Monthly price	Monthly price pr. port	Monthly price pr. port
1 Gb/s port	ISK 14,777	ISK 9,289	ISK 9,289
10 Gb/s port	ISK 18,538	ISK 14,862	ISK 14,862