



Telecom Order CRTC 2021-414

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Ottawa, 15 December 2021

Public record: Tariff Notice 1126

Northwestel Inc. – Wholesale Connect Service – Addition of a new network breakout point in Fort St. John, British Columbia

The Commission **approves** Northwestel Inc. proposal to introduce a new network breakout point in Fort St. John, British Columbia and its proposal that the rates for Basic Class of Service (Basic CoS) bandwidth at the new breakout point be the same as the currently approved rates that apply at the company's breakout point in High Level, Alberta, with the requirement of a minimum of 300 megabits per second of Basic CoS bandwidth at the new breakout point.

Application

1. The Commission received an application from Northwestel Inc. (Northwestel), Tariff Notice (TN) 1126, dated 16 June 2021, in which the company proposed changes to its Access Services Tariff. Specifically, Northwestel proposed to revise Item 300 – Wholesale Connect Service in order to introduce a new network breakout point in Fort St. John, British Columbia.
2. Northwestel stated that a wholesale customer had made a firm request for an additional breakout point in order to provide additional redundancy for its own network.
3. Northwestel indicated that it would use the network breakout point rates that currently apply for Basic Class of Service (Basic CoS) bandwidth at its existing breakout point in High Level, Alberta.
4. Northwestel noted that, with the addition of a network breakout point in Fort St. John, a wholesale customer would be able to either split its traffic between two breakout points or use the new breakout point to provide redundancy in case of a failure at the High Level breakout point, subject to the customer having configured its network to do so. The company noted that the introduction of a breakout point in Fort St. John would help customers who use the High Level breakout point to manage the risk of adverse events such as the 2019 Alberta wildfires.
5. Northwestel proposed that any wholesale customer who wants to use the proposed breakout point in Fort St. John would be required to use the primary breakout point in High Level and to establish a point of presence (PoP) in Fort St. John. In addition, the wholesale customer would be required to subscribe to the appropriate local connection service(s) in order to extend the Wholesale Connect Service from the

demarcation point to its own PoP, and would be responsible for managing its network to ensure redundancy in the event of a failure at the primary network breakout point.

6. The company also proposed to require wholesale customers to order a minimum of 300 megabits per second (Mbps) of Basic CoS bandwidth at the secondary breakout point in Fort St. John.
7. Northwestel submitted that the proposed minimum 300 Mbps of bandwidth at the existing High Level breakout point rate would be the minimum needed to cover the cost of leasing space to accommodate the customer's Wholesale Connect terminating equipment at the Fort St. John breakout point. Northwestel further submitted that its wholesale customers currently subscribe to at least this level of Basic CoS bandwidth at the primary breakout point, and that the corresponding bandwidth at the secondary breakout point would be needed to support redundancy.
8. Northwestel filed information with the Commission, in confidence, with regard to the costs it would incur at the proposed breakout point.
9. No interventions were received with regard to Northwestel's application.

Request for information

10. On 6 August 2021, The Commission sent a request for information in which it asked Northwestel to confirm certain costs related to the new breakout point and the proposed requirement of a minimum order for bandwidth.
11. In its response, dated 25 August 2021, Northwestel submitted that the Commission's assessment of its proposal should take into account the fact that the intent of the price floor test is to prevent anti-competitive retail pricing by incumbent local exchange carriers.¹ Northwestel reiterated that its proposal concerns a wholesale service provided for, and priced for, the benefit of its competitors, and that there should be no concerns with respect to anti-competitive pricing. Northwestel also noted that no interventions were submitted in regard to its application. Despite these observations, Northwestel provided the following reasoning behind the proposed minimum order of bandwidth.
12. Northwestel submitted that the current tariff rates for the breakout point at High Level, approved by the Commission in Telecom Order 2018-338, took into account an assumed amount of breakout demand from Fort St. John. In the supporting cost study, transport costs were estimated using the same unit costs per kilometre

¹ In Telecom Decision 2019-232, the Commission stated: "The price floor test is intended to establish a minimum price threshold to ensure that potential new competitors are able to establish sustainable competition in regulated markets. Competitors wishing to enter or expand their presence in a certain market require certainty that incumbent local exchange carriers, despite their potential market dominance, will be prevented from behaving in an anti-competitive way by offering services at rates that are unjust and unreasonable."

irrespective of the breakout community, and reflected the actual distances to both Fort St. John and High Level. Northwestel submitted that the existing approved rates thus provide an appropriate allocation for transport costs to Fort St. John.

13. Northwestel further submitted that the existing approved rates also include costs related to space and power. Northwestel stated that space and power costs in Fort St. John were unexpectedly higher than those included in the original cost study, and that the company would incur those costs regardless of the amount of bandwidth a customer ordered. Northwestel calculated that a minimum order of 300 Mbps Basic CoS at a customer's secondary breakout point in Fort St. John would be required to recover those costs while maintaining the existing approved rates.
14. Northwestel submitted that, based on the above, the rates proposed in TN 1126 for the proposed breakout point in Fort St. John are appropriate.

Commission's analysis and determinations

15. The Commission notes that Northwestel's proposal was made in response to a wholesale customer who requested a secondary breakout point in Fort St. John in order to provide redundancy in their network.
16. In this regard, the Commission notes that another telecommunications service provider, Iristel Inc., has also indicated, on the record of an earlier proceeding,² the need for a secondary breakout point to provide redundancy.
17. Accordingly, the Commission considers that Northwestel has established the need for a new breakout point.
18. Northwestel proposed to adopt the approved rates for its first breakout point in High Level as the rates for the second breakout point in Fort St. John, with the additional requirement of a minimum order of 300 Mbps bandwidth Basic CoS at the Fort St. John breakout point. The Commission notes that the information Northwestel filed in confidence indicates a significant difference in the costs for the two breakout points.
19. At the Fort St. John breakout point, the costs for space and power to support customer terminating equipment are considerably higher than the corresponding costs at High Level because a third party owns the Fort St. John site, and charges a higher rate than Northwestel does at High Level.
20. The Commission notes that a minimum order of 300 Mbps of Basic CoS bandwidth at the Fort St. John breakout point, charged at the rate currently approved for High Level, would enable Northwestel to recover the costs for space and power. The next lower level of bandwidth available in the tariff would not be sufficient to cover those costs.

² Telecom Notice of Consultation 2020-367. See paragraph ES-9 of Iristel Inc.'s submission on the record of the proceeding.

21. The Commission notes that, as stated by Northwestel in its response to the request for information, some of the costs of transport to the Fort St. John breakout point were included in the cost study that supported approval of the current rates at the High Level breakout point. Nevertheless, after examination of that cost study, the Commission considers that, if it is assumed that other costs for the Fort St. John breakout point are similar to the corresponding costs in High Level, Northwestel's approach would not result in the recovery of all costs related to the Fort St. John breakout point.
22. Despite this concern, the Commission considers that there are arguments for accepting Northwestel's proposal of uniform rates at both breakout points. First, the company voluntarily proposed the second breakout point in response to competitor requests. Second, there are no competitive alternatives; therefore, the proposed rates have no impact on competition. Third, the Commission received no interventions with regard to Northwestel's application.

Conclusion

23. In light of all of the above, the Commission considers that Northwestel's proposed rates for a second breakout point at Fort St. John are acceptable, and would enable competitors to provide redundancy in their networks at the same rates as those found in the existing tariff for the first breakout point in High Level.
24. The Commission considers that the requirement of a minimum of 300 Mbps Basic CoS at the Fort St. John breakout point is also reasonable.
25. Accordingly, the Commission **approves** Northwestel's application, including the company's proposal to introduce a new network breakout point in Fort St. John and its proposal that the rates for Basic CoS bandwidth at the new breakout point be the same as the rates that currently apply at the High Level breakout point, with the requirement of a minimum of 300 Mbps of Basic CoS bandwidth at the new breakout point.

Policy directions

26. In compliance with subparagraph 1(b)(i) of the 2006 Policy Direction,³ the approval of this application advances section 7(b) of the Telecommunications Act.⁴

³ *Order Issuing a Direction to the CRTC on Implementing the Canadian Telecommunications Policy Objectives*, SOR/2006-355, 14 December 2006

⁴ The cited policy objective is: 7(b) to render reliable and affordable telecommunications services of high quality accessible to Canadians in both urban and rural areas in all regions of Canada.

27. The 2019 Policy Direction⁵ states that the Commission should consider how its decisions can promote competition, affordability, consumer interests, and innovation. The Commission has reviewed the application in light of the 2019 Policy Direction and has considered its aspects to the extent necessary, using measures that are efficient and proportionate to their purpose. The Commission considers that approval of this application is compliant with the 2019 Policy Direction because it will make a secondary breakout point available to wholesale customers, which will enable them to provide redundancy in their networks. As a result, end customers will face less risk of service interruptions from outages when there is a failure at the primary breakout point, because it will be possible to route traffic through an alternative path.

Secretary General

Related documents

- *Call for comments – Review of the Commission’s regulatory framework for Northwestel Inc. and the state of telecommunications services in Canada’s North*, Telecom Notice of Consultation CRTC 2020-367, 2 November 2020.
- *Bell Canada – Elimination of the ex ante price floor test for retail tariffs*, Telecom Decision CRTC 2019-232, 2 July 2019
- *Northwestel Inc. – Wholesale Connect Service – Final rates*, Telecom Order CRTC 2018-338, 31 August 2018

⁵ *Order Issuing a Direction to the CRTC on Implementing the Canadian Telecommunications Policy Objectives to Promote Competition, Affordability, Consumer Interests and Innovation*, SOR/2019-227, 17 June 2019