

Enforceable Undertaking by Telstra Limited

Section 572B Telecommunications Act, 1997 (Cth)

The commitments in this Undertaking are given to the Australian Communications and Media Authority under section 572B of the *Telecommunications Act 1997* by

Telstra Limited (ACN 086 174 781)
Level 41, 242 Exhibition Street
Melbourne VICTORIA 3000

A. DEFINITIONS

In this Undertaking:

ACMA means the Australian Communications and Media Authority;

CSG means Customer Service Guarantee;

CSP means carriage service provider;

Data Solution means the remedial action described at clause 28;

Effective Date means whichever is the latest of the following dates:

- (a) 1 January 2023;
- (b) the day that the ACMA cancels the Previous EU; or
- (c) the day on which the ACMA accepts and duly executes a copy of this Undertaking that has been executed by Telstra;

GAPS means Telstra's Guarantee Assessment Payment System;

Incidents means the self-reported incidents described in section B;

Independent Reviewer means the person appointed by Telstra and accepted by the ACMA to prepare the Report, pursuant to Section C;

NBN means National Broadband Network;

Process Design means the remedial action described at clause 26;

Previous EU means the 24 May 2022 enforceable undertaking made under section 572B of the Telecommunications Act by Telstra Corporation Limited (ACN 051 755 556), which this Undertaking is intended to replace;

PSTN means Public Switched Telephone Network;

Related Body Corporate has the meaning given by section 50 of the *Corporations Act 2001* (Cth);

Relevant Period means between 17 June 2017 and 25 October 2021;

Remedial CSG Payments means the payments referred to at clause 22;

Report means the report prepared by the Independent Reviewer described at clause 32;

TCPSS Act means the *Telecommunications (Consumer Protection and Service Standards) Act 1999* (Cth);

Telecommunications Act means the *Telecommunications Act 1997* (Cth);

Telstra means Telstra Limited (ACN 086 174 781);

TSM means Telstra Smart Modem;

Undertaking means this undertaking given to the ACMA by Telstra under section 572B of the Telecommunications Act.

This Undertaking has been given by Telstra pursuant to clause 48 of the Previous EU and, accordingly, replaces that undertaking. References to the actions or obligations of Telstra prior to the Effective Date of this Undertaking are references to actions of, or obligations undertaken by, Telstra Corporation Limited.

B. BACKGROUND

B1. Telstra's obligations regarding CSG

1. Telstra supplies data and voice carriage services to the public. Accordingly, it is a CSP for the purposes of the Telecommunications Act.
2. The CSG scheme is established under Part 5 of the TCPSS Act. It sets performance standards for Telstra (as a CSP) to meet guaranteed timeframes when connecting services, rectifying faults and keeping appointments relating to CSG Services. Section 117A of the TCPSS Act provides timeframes for payment of damages for breach of performance standards. Section 117A requires Telstra to make decisions about accepting liability to pay damages under the CSG Standard, and mandates a timeframe for making such decisions and, if Telstra accepts liability, a timeframe for paying damages.
3. As a CSP, Telstra is also required by subsection 101(1) of the Telecommunications Act to comply with the service provider rules. Under clause 1 of Schedule 2, Part 1 of the Telecommunications Act, standard service provider rules require CSPs to comply with the Act, which includes the TCPSS Act. Subsection 101(1) of the Telecommunications Act is a civil penalty provision.
4. During the Relevant Period, Telstra self-reported seven incidents (the **Incidents**) relating to non-compliance with s 117A(1) of the TCPSS Act to the ACMA, as described below.
5. Telstra acknowledges that each of the Incidents constitutes a contravention of subsection 117A(1) of the TCPSS Act and offers this Undertaking to the ACMA directed towards fulfilling Telstra's obligations under the CSG.

Incident 1 (Order number NBN connection issue)

6. On 26 April 2021, Telstra self-reported an incident related to customers whose NBN services were not connected within the timeframe under the CSG but who did not receive a payment under the CSG. Incident 1 occurred between November 2018 and March 2021 and Telstra

estimates that it may have affected up to 22,341 customers.¹ Telstra cannot be certain of the precise number of customers impacted by this incident. The value of delayed payments was estimated at \$6,615,868, which has since been paid to all customers identified as likely to be affected.

7. The root cause of Incident 1 was identified as a data flow error caused by the length of the TSM order number, which prevented data being able to be accepted into GAPS.
8. TSM order numbers are numerically longer than other types of Telstra order numbers previously processed by Telstra's systems and so amendments to Telstra's Enterprise Data Warehouse system had been intended to be made to accommodate them. However, those changes were not implemented.
9. Telstra did not identify any customer complaints regarding delayed or missing CSG payments in relation to Incident 1.

Incident 2 (Manual workaround – PSTN activation orders issue), Incident 3 (NBN assurance orders issue) and Incident 4 (Misaligned insurance orders – NBN assurance orders issue)

10. On 1 June 2021, Telstra self-reported Incidents 2, 3 and 4.
11. Incidents 2 to 4 related to PSTN and NBN assurance (fault) issues caused by data flow issues in a number of Telstra systems.
12. In aggregate, Incidents 2 to 4 were identified as having affected 1,815 customers and occurred between July 2019 to May 2021 (though not all incidents were continuous throughout that period). The combined value of delayed payments was \$239,162, which has since been paid to the affected customers.

Incident 5 (NBN activation orders – enterprise network data flows)

13. On 8 July 2021, Telstra self-reported Incident 5, which related to delays in assessing CSG entitlements and making payments to affected customers in the period between July 2017 and July 2018.
14. The root cause of Incident 5 was that network issues affected NBN connection data flows which prevented data flowing into GAPS to allow calculation of damages under the CSG.
15. Incident 5 was identified by Telstra to have affected 31,950 customers and the value of delayed payments was \$3,191,027, which has since been paid to the relevant customers.

Incident 6 (Connection delays and missed appointments)

16. On 6 August 2021, Telstra self-reported Incident 6, which related to customers' NBN services not being connected or fixed, or whose NBN connection appointment times were not within the CSG timeframe and who did not receive a payment under the CSG during the period from October 2018 to June 2021.
17. Telstra identified that Incident 6 had affected 11,284 customers and the value of delayed payments was \$392,754, which has since been paid to the affected customers.
18. The two root causes of Incident 6 were:

¹ Telstra notes that a conservative approach was taken to identifying potentially affected customers, so that the total number identified (and paid a CSG payment) is likely to overstate the number impacted.

- a) 7,294 customers did not have their services connected or fixed within CSG timeframes because GAPS resolution codes were incorrectly applied (as null or "TBS OSE") to relevant orders for connections or faults, such that the affected services were identified as not requiring assessment or being ineligible for CSG payments.
- b) For 3,990 customers, the CSG timeframe for an appointment was missed and the customer were incorrectly assessed at the time as not being eligible for CSG payments because the customer had accepted the offer of an interim service.

Incident 7 (T-Biz Voice and T-Biz Standard issue)

19. On 25 October 2021, Telstra self-reported an incident in relation to its T-Biz Voice and T-Biz Standard products.
20. Telstra had historically considered those products sufficiently complex so as not to attract the CSG requirements (under the 'Sophisticated Business Oriented Service' exemption in the *Telecommunications (Customer Service Guarantee) Standard 2011 (Cth)*) however subsequently determined that the products were not sufficiently complex to attract that exemption. As a result, T-Biz Voice and T-Biz Standard connection order types were not assessed for CSG between June 2013 and September 2021. Telstra estimates that this incident affected 930 customers. Telstra has repaid affected customers \$645,525 during the course of January 2022.

B.2 Remedial actions

21. Telstra proactively identified and self-reported each of the Incidents.
22. Telstra has paid \$11,084,336 in Remedial CSG Payments between July 2017 and January 2022 in relation to the Incidents, as follows:

Date of payments	Relating to	Number of customers	Payment amount
July 2018-January 2019	Incident 5	31,950	\$3,191,027
November 2021	Incident 6	11,284	\$392,754
April/May 2021	Incident 1	22,341	\$6,615,868
May 2021	Incident 2	696	\$150,983
June 2021	Incident 3	1,108	\$87,284
July 2021	Incident 4	11	\$895
January 2022	Incident 7	930	\$645,525
		68,320	\$ 11,084,336

23. Telstra completed an end-to-end review of its CSG payment process in July 2021, following which it has taken the following remedial actions:

- a) Telstra has automated manual processes to reduce the risk of processing errors as set out below.
 - i) Automating data control verification and payment of the CSG relating to NBN connections and removing manual handling and assessment of these orders. This process was completed by 30 June 2021 and includes controls to:
 - A) verify order volume against source systems;
 - B) assess and calculate CSG payment liabilities including identifying orders over \$100;
 - C) automatically pass orders over \$100 onto the complaints team for processing (payments \$100 or less are automatically paid through GAPS).
 - ii) Automating the daily data quality checks which were previously undertaken manually to ensure the system is running as intended. This was completed by 31 July 2021 and includes:
 - A) automating data quality checks to ensure trend, volume, and mandatory fields are appropriately flowing through the IT systems.
 - B) generating automated alerts to IT product owners (people responsible for maintaining and running the specific data system) and business operational executives and managers for attention where there is an identified data flow issue.
- b) Telstra has implemented measures to monitor and manually manage orders with 'null' or 'TBS OSE' resolution codes so that CSG eligible payments are assessed and processed. This was completed in August 2021.
- c) Telstra has amended its process for managing NBN connections appointments to include CSG assessment of orders where an interim service only is accepted. This process commenced in July 2021.

Telstra has established a CSG assessment and payment assurance monitoring dashboard for all CSG eligible orders. This commenced operating in January 2022.

B.3 Remedial actions taken following commencement of Previous EU

- 24. At the time the ACMA accepted the Previous EU two remedial actions were not yet fully implemented, and were due to be completed by 30 September 2022:
 - a) implementation of a Process Design; and
 - b) implementation of a Data Solution, which is to be deployed in respect of current potential CSG eligible services.
- 25. Each of the Process Design and Data Solution are described below.

Process Design

- 26. Telstra undertook a review of its product development process to help improve identification of its compliance obligations (including CSG requirements) and, where a product to which CSG applies was identified, to enable requisite data to be captured and transferred to the Data Solution (**Process Design**).

27. The Process Design delivered a process document to enable:

- a) products to which the CSG applies to be identified during product development, or at the time of any material changes or updates to products; and
- b) where the CSG is identified as applicable to a product, data required to manage the CSG assessment and payment to be collected, provided to, and be compatible with, the Data Solution.

Data Solution

28. Telstra has designed and implemented a data solution, which provides a more sustainable, reliable and simplified process by providing the following:

- a) a single, central CSG assessment point on cloud-based infrastructure, streamlining data flows (i.e. source systems direct to assessment point);
- b) dynamic reference information (i.e. no manual reliance to update);
- c) enhanced data quality and flow monitoring; and
- d) improved diagnostic information to support timely assessment.

C. UNDERTAKINGS

Appointment of Independent Reviewer

29. In accordance with the terms of the Previous EU, an Independent Reviewer was appointed to conduct a review of Telstra's compliance with the terms of the Previous EU (**terms of reference**).

30. Telstra undertakes to cooperate in good faith with the Independent Reviewer, including providing all reasonable access to systems, and information, reasonably required to facilitate preparation of the Report.

Review of the Data Solution, Process Design and Remedial CSG Payments methodology

31. As soon as reasonably practicable after deployment of the Data Solution and completion of the Process Design, but in any event by no later than 31 October 2022, the Independent Reviewer was due to commence a review of the Data Solution, the Process Design and the effectiveness of Telstra's methodology for calculating the Remedial CSG Payments in accordance with the terms of reference.

32. By no later than 28 February 2023, the Independent Reviewer must produce and provide a report (the **Report**) to each of Telstra and the ACMA that states:

- a) whether the Data Solution provides a sufficiently robust IT solution and associated data flow to support the sustainable and reliable capture of CSG timing requirements and associated assessment and payment of CSG payments by Telstra in accordance with section 117A of the TCPSS Act;
- b) if required, any changes to the Data Solution necessary to satisfy clause 32.a);
- c) whether the product development process as set out in the Process Design provides a sufficient and robust process and governance framework to enable:

- i) products to which the CSG applies to be identified during product development, or at the time of any material changes or updates to products; and
 - ii) where the CSG is identified as applicable to a product, data required to manage the CSG assessment and payment to be collected, provided to, and be compatible with, the Data Solution to support compliance with s 117A of the TCPSS Act;
 - d) if required, any changes to the Process Design necessary to satisfy clause 32.c); and
 - e) whether Telstra's methodology for determining the Remedial CSG Payments was effective.
33. Within two months of receiving the Report, Telstra will prepare a written response to any recommendations made by the Independent Reviewer in the Report and provide it to the ACMA. Telstra will implement all reasonable recommendations within a reasonable period following receipt of the Report. Where Telstra regards any recommendation in the Report to be unreasonable, Telstra will record the reason for its view in the written response to the ACMA.

Payment of any further Remedial CSG Payments

34. As soon as possible after implementing any amendments to the methodology for determining Remedial CSG Payments, Telstra will:
- a) determine whether any additional or varied Remedial CSG payments are required; and
 - b) promptly take steps to make any such payments.

D. REPORTING

35. Telstra will provide written quarterly reports to the ACMA on its compliance with section 117A of the TCPSS Act, commencing with the quarter ending 31 December 2022, for the duration of the Undertaking.
36. Each quarterly report must be provided no later than 30 days after the end of the quarter to which the report relates.

E. DURATION OF THE UNDERTAKING

37. This Undertaking comes into effect upon the Effective Date.
38. This Undertaking ceases to have effect from the date on which Telstra submits its quarterly report for the quarter ending 31 March 2024, unless:
- a) the ACMA gives written notice to Telstra cancelling this Undertaking in accordance with subsection 572B(4) of the Telecommunications Act, in which case this Undertaking ceases to have effect on the day that written notice of the cancellation is given to Telstra; or
 - b) the ACMA consents to the earlier withdrawal of this Undertaking in accordance with subsection 572B(3) of the Telecommunications Act, in which case this Undertaking ceases to have effect in accordance with the ACMA's consent; or
 - c) the Undertaking terminates in accordance with paragraph 41.a)ii).

F. VARIATION OF THE UNDERTAKING

39. This Undertaking may be varied in accordance with subsection 572B(3) of the Telecommunications Act, in which case this Undertaking will have the effect as varied in accordance with the consent granted by the ACMA.
40. The timeframe for any obligation, consent or approval under this Undertaking may be varied with the written consent of the ACMA. Any such consent must be in provided to Telstra in writing and may be given or made by any ACMA Authority member or by any ACMA staff member who is a member of the Senior Executive Service.

G. OBLIGATION TO PROCURE

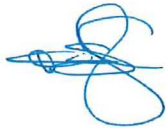
41. If Telstra restructures its business or sells, transfers or assigns control of any corporate asset (including divesting any Related Body Corporate or other part of Telstra) (**relevant transaction**), Telstra undertakes that it will:
 - a) take all necessary steps to ensure that either:
 - i) it continues to be able to comply fully with the terms of this Undertaking; or
 - ii) if the relevant transaction results in another person being primarily responsible for compliance with Telstra's CSG obligations, Telstra will procure that such person enters into and submits to the ACMA an enforceable undertaking under section 572B of the Telecommunications Act in substantially the same terms as this Undertaking (and at the time such undertaking is approved by the ACMA, this Undertaking will automatically terminate); and
 - b) notify the ACMA of a relevant transaction to which paragraph 41.a)ii) applies.

H. ACKNOWLEDGMENTS

42. Telstra acknowledges that the ACMA may publish this Undertaking or make this Undertaking available for public inspection.

EXECUTED by Telstra Limited (ACN 086 174 781) by its authorised representative on

9th December 2022



Signature of authorised representative

Bill Gallagher

Name of authorised representative

The Undertaking offered by Telstra Limited is accepted by the Australian Communications and Media Authority pursuant to section 572B of the Telecommunications Act 1997 on

13 Dec. 2022

Signed for and on behalf of the Australian Communications and Media Authority by:



Signature of Member

JAMES GAUDIN

Name of Member



Signature of Member

CHRISTIAN JOSE

Name of Member

