

Order to Ooredoo Q.S.C.

Closure of the Regulatory
Accounting System for the Financial
Year 2015 (RAS 2015) and additional
requirements related to RAS 2016

CRARAC 2017/08/21

August 21, 2017

Table of Contents

1	Background and Introduction.....	3
2	Legal Basis.....	3
2.1	Emiri Decision (42) of 2014.....	4
2.2	Decree Law No. (34) of 2006 on the promulgation of the Telecommunications Law.....	4
2.3	Decision of the Board of the Supreme Council for Information and Communication Technology No. (1) of 2009 on the promulgation of the Executive By-Law for the Telecommunications Law	5
2.4	Ooredoo's Individual Licenses	5
2.5	Regulatory Accounting System (RAS) Orders for the financial years 2013+ to Ooredoo Q.S.C. (CRA 2014/05/26a, issued on May 25, 2014	6
3	Closure of RAS 2015 and CRA reservations regarding some outcomes of RAS 2015	7
4	Outstanding issues which must be addressed by Ooredoo during the implementation of the RAS 2016.	8
5	Order.....	9
6	Methodology and Tools for Monitoring the Compliance.....	9
	Annex 1: List of Outstanding to be addressed by Ooredoo within the implementation of the RAS 2016	11

1 Background and Introduction

1. The Regulatory Accounting System (RAS) is an obligation imposed on Ooredoo as a Dominant Service Providers (DSP) that relates amongst others to its charges, calculation of costs and requirements of cost accounting and accounting separation.
2. After various interactions Ooredoo submitted the Final Audited version of the RAS 2015 on April 23, 2017 (Ooredoo's letter OQ/Reg-4896/2017-04 and attachments refers). This submission included:
 - 2.1 Audit Opinion;
 - 2.2 Letter of Representation;
 - 2.3 RAS Methodology, Main Body and appendixes;
 - 2.4 RAS Separated Accounts; and
 - 2.5 RAS Cost Model in electronic form.
3. After review of this submission, the CRA noted that the Audit Opinion and the Letter of Representation was not consistent with the list of actions (ref. Appendix J – List of Actions of the RAS) issued by the CRA on April 10, 2017 (ref. CRA/RAC-E/031/2017)¹.
4. On May 2, 2017², the CRA met Ooredoo to find a way forward. In this meeting, the CRA and Ooredoo agreed on a number of actions to finalize the RAS 2015.
5. On June 14, 2017, the CRA met Ooredoo and the Auditor of the RAS 2015, Ernst & Young.
6. On June 22, 2017 (ref. CRA/RAC-E/070/2017), the CRA:
 - 6.1 Sent to Ooredoo a new Appendix J – List of Actions;
 - 6.2 Directed Ooredoo to require Ernst & Young to submit an updated Audit Opinion, with attached the new Appendix J.
 - 6.3 Required Ooredoo to deliver an updated Letter of Representation with attached the new Appendix J.
7. On July 5, 2017 (ref. Ooredoo's letter OQ/Reg-4968/2017-07), Ooredoo submitted the updated Audit Opinion and Letter of Representation.
8. The CRA reviewed the Final RAS 2015 Submission and with this Order:
 - 8.1 Closes the RAS 2015; and
 - 8.2 Specifies matters that must be addressed by Ooredoo during the implementation of the RAS 2016.

2 Legal Basis

¹ According to CRA's review document dated November 23, 2016 (ref. CRARAC 2016/11/23), letter dated March 7, 2017 (ref. CRA/RAC-E/021/2017), and the above-mentioned letter dated April 10, 2017 an explicit reference must be made to this list of actions.

² Ref. Minutes of the above Meeting sent to Ooredoo on June 22, 2017, attached to CRA's letter CRA/RAC-E/070/2017

2.1 Emiri Decision (42) of 2014

9. Article (4) of Emiri Decision 42 of 2014 gives to the Communications Regulatory Authority (CRA) the responsibility for regulating the ICT and the Post sector, as well as access to digital media, with the aim of providing advanced and reliable communication services across the State. The CRA shall have the powers necessary to undertake the above. In particular, the RAS provides the CRA with economic data and other information needed to fulfill the following responsibilities:
 - 9.1 Encourage competition and prohibit or minimize anti-competitive practices, prevent misuse by any person or entity of its market dominance position, and take all necessary measures to achieve this (ref. Article 4, c. 3);
 - 9.2 Protect the rights and interests of the public and service providers in the market, promote transparency and provide advanced, innovative and quality services at affordable prices to meet the needs of the public (ref. Article 4, c. 4);
 - 9.3 Ensure interconnection and access for all users by setting conditions for effective interconnection and access (ref. Article 4, c. 6);
 - 9.4 Other tasks or functions entrusted to it under the legislation in force (ref. Article 4, c. 15).
10. Further, the RAS is needed to fulfill the following responsibilities, included in Article (15) of the Emiri Decision:
 - 10.1 Develop appropriate tariff regulations, giving priority to the telecommunications market, or telecommunications services according to market requirements, and determine fees for retail and wholesale (ref. Article 15, c. 2);
 - 10.2 Set regulations for interconnection and access (ref. Article 15, c. 5).

2.2 Decree Law No. (34) of 2006 on the promulgation of the Telecommunications Law

11. Article 18 (8) of the Telecommunications Law ("the Law") cites the rights, obligations and terms of interconnection and access, which are available to each licensed service provider including the following:
 - 11.1 (...) Each licensed service provider shall have the rights and obligations regarding interconnection and access as follows ... 8. any obligations or requests to a dominant service provider regarding interconnection and access as specified by the General Secretariat and which relate to its charges or calculation of costs or the requirements of accounting separation pursuant to the rules of article (24), (25) and (33) of this Law.
12. Article 24 provides that a DSP must provide interconnection and access to all service providers on the same terms and quality as it provides to itself or other affiliates. The RAS process enables the identification of costs that lead to ascertaining such equivalence.



13. Article 25 provides that the RAS itself is a direction and instruction in respect of the rights and obligations of DSPs regarding interconnection and access charges or relating to calculation of costs or accounting separation.
14. Other provisions in the Law empower CRA to undertake functions and duties to ensure interconnection and access agreements meet legal requirements (Article 19(4)), and to determine any additional obligations on DSPs regarding interconnection and access (Article 19 (6)).
15. The RAS is an essential part of identifying the cost of efficient service provision for the purpose of ensuring the tariffs of DSPs do not contain any excessive charges (Article 29).
16. Article 32 enables CRA to require a cost study comparable to the one carried out as part of the RAS.
17. Article 33 requires a DSP to adopt the RAS and any other accounting or business practices as a means to prevent anti-competitive conduct.
18. Article 62 enables CRA to obtain from a service provider the information it needs to exercise its regulatory powers including ensuring that DSPs comply with their license obligations and meet the legal requirements of the Law.

2.3 Decision of the Board of the Supreme Council for Information and Communication Technology No. (1) of 2009 on the promulgation of the Executive By-Law for the Telecommunications Law

19. Article 49(1) of the Executive By-Law for the Telecommunications Law ("the By-Law") requires DSPs to meet any requirements relating to interconnection or access charges.
20. Article 50(1) of the By-Law requires DSPs to take direction from CRA to implement specific charges or change such charges as determined by CRA. Article 50 (2) requires access charges of a DSP to be cost-based and in accordance with rules or standards determined by the CRA.
21. Article 50(3) requires a DSP to comply with any orders applicable to any pricing, costing and cost separation requirements as prescribed by the CRA.
22. Article 59 of the By-Law says that if CRA requires a DSP to prepare or participate in the development of a cost study and the DSP shall comply. Such a cost study involves CRA deciding on cost categories, form, approach, procedures and timing for the cost study and its implementation (Article 59). The DSP can then be required to adopt identified cost accounting practices to facilitate the cost study or to achieve any other regulatory purpose including the separation of accounts (Article 59).

2.4 Ooredoo's Individual Licenses

23. On 7 October 2007, QTel was granted and issued two telecommunications licenses to provide public mobile and fixed telecommunications networks and services (License for the provision of Public Mobile Telecommunication Networks and Service ICTRA 08/07A



and License for the provision of Public Fixed Telecommunication Networks and Service ICTRA 08/07B).

24. Ooredoo is required under these licenses to comply with the terms and conditions of the licenses and the ARF (Clauses 4 and 14.1). It is also required under Sub-clause 14.2 to take all reasonable and practicable steps and measures necessary to adapt its business practices and processes to facilitate the introduction and development of competition as directed by CRA. The development of, and the adoption of the RAS into its processes, are part of this process.
25. Clause 11 of the Licenses places specific obligations on Licensees to provide facilities and services to wholesale customers in accordance with pricing, interconnection and access prescribed by the Regulatory Framework. The RAS exercise is part of enabling the Licensee to fulfill this license requirement.
26. Annex D of the Licenses requires Ooredoo to provide its telecommunications services pursuant to retail tariffs. Clause 3 of Annex D applies special procedures to DSPs, including prior review of new and modified tariffs.
27. Sub-clause 2.1 of Annex F of the Licenses states that an interconnection or access agreement will contain interconnection or access prices and any additional cost components of the Licensee or the requesting licensee. Such costs, and prices based on costs, will become apparent during the RAS process and will enable the Licensee and any requesting licensee to enter into agreements based on efficient cost pricing and reduce the instance of disputes over this.
28. Sub-clause 1.1 of Annex I of the Licenses clearly states that when a DSP is ordered by CRA to prepare or otherwise participate in a cost study, it will comply. Sub-clause 1.2 of Annex I orders the compliance by a DSP with an CRA direction to retain an independent auditor. Sub-clause 1.3 of Annex I orders and directs the same compliance regarding the adoption and implementation of accounting procedures, and sub-clause 1.4 orders and directs the same compliance regarding accounting separation requirements.

2.5 Regulatory Accounting System (RAS) Orders for the financial years 2013+ to Ooredoo Q.S.C. (CRA 2014/05/26a, issued on May 25, 2014)

29. The Regulatory Accounting System (RAS) Orders for the financial years 2013+ ("RAS Orders" (CRA 2014/05/26a) was issued by the CRA on May 25, 2014.
30. The RAS Orders are formal Instructions to Ooredoo to prepare and participate in the further development of the RAS as approved by CRA.
31. Section 3 sets the guidelines for the preparation of RAS, including:
 - 31.1 Guiding principles
 - 31.2 Elements of the RAS
 - 31.3 Extent of the RAS and Regulatory Reporting Unit (RRU) structure
 - 31.4 Cost base and Cost standard

- 31.5 Principles for Cost and revenue allocation
- 31.6 The applicable Cost of Capital, including specific rules on the Working Capital
- 31.7 Principles for Retail product costs and revenue allocations
- 31.8 The Deliverables required on an annual basis
- 31.9 Requirements on the Audit of the RAS and on the Statement of Compliance
- 32. Section 4 sets requirements on Performance Bonds, which could be requested to Ooredoo by the CRA to secure the fulfillment of the RAS obligations.
- 33. Section 5 sets the Process and Timeframe for the annual implementation of the RAS.

3 Closure of RAS 2015 and CRA reservations regarding some outcomes of RAS 2015

- 34. Based on CRA's review³, the overall outcome of RAS 2015 is sufficiently robust to assist the CRA with its analysis and regulatory decisions. Accordingly, the CRA closes RAS 2015.
- 35. However, the CRA is not fully satisfied with all aspects of RAS 2015 and the related concerns shall be addressed in RAS 2016. A detailed list of CRA concerns is set in the Annex 1 to this Order. In summary:

35.1 Network Costs:

- (a) CRA cannot accept some cost drivers (ref. Annex 1, issue A-0006 and A-0012);
- (b) The ABC model for the Network operating costs is not as advanced and granular as is reasonably required;
- (c) Some drivers related to cost centers are not appropriate (ref. Annex 1, Item A0027, A0043 and A0044).

35.2 Interconnection Links and Transmission Links:

The explanations and data provided to CRA do not sustain appropriately the attribution of the cost of the SDH Rings to the Interconnection Links and Transmission Links Products (ref. Annex 1, Item A-0012). Hence, the CRA shall only rely on an average cost of the SDH Rings calculated at Network Component level.

35.3 Duct Access Products

Ooredoo shall confirm in writing the Total Volume of Ducts owned by Ooredoo as calculated by the CRA.

³ For the outcomes of the review and on the process to implement the RAS 2015, please refer to CRA's letters dated May 22, 2016 (ref. CRA/RAC-E/053/2016), September 29, 2016 (ref. CRA/RAC-E/115/2016), October 9, 2016 (ref. CRA/RAC-E/121/2016), October 12, 2016 (ref. CRA/RAC-E/128/2016), October 17, 2016 (ref. CRA/RAC-E/133/2016), October 31, 2016 (ref. CRA/RAC-E/140/2016), November 23, 2016 (ref. CRA/RAC-E/146/2016), March 7, 2017 (ref. CRA/RAC-E/021/2017), April 10, 2017 (ref. CRA/RAC-E/031/2017), June 22, 2017 (CRA/RAC-E/070/2017)

In addition, until the end of the on-going proceeding on setting the wholesale charges, the related results of the Duct Access Products are not accepted.

Further, the CRA cannot exclude the possibility that the Duct Costing Model in the RAS 2016 will need changes due to the above verifications.

35.4 Retail Leased Lines

Ooredoo's explanations of the changes on the cost and revenue of these products are not convincing (ref. Annex 1, A-0042). Further verifications shall be performed in implementing the RAS 2016.

35.5 The Retail and Wholesale Own Cost

These cost are reliable as a total, but not yet at product level. Ooredoo has made progress on this field, reviewing some of the drivers. However, to fix this issue, further actions are required, including a redesign of the ABC model. The CRA will provide guidelines, specify actions and timeline on this topic within the proceeding finalized to amend the RAS Orders 2013+ (ref. CRA's letter CRA/RAC-E/023/2017, dated March 7, 2017).

35.6 Methodology and related annexes

Ooredoo has improved the Methodology and related Annexes. However, refinements are still required, especially on the Network Diagrams for Leased Lines. CRA trusts that Ooredoo will continue to cooperate on this field.

35.7 Process

The process has not been satisfactory. For example, Ooredoo submitted the Final Audited RAS 2015 (ref. Ooredoo's letter OQ/Reg-4896/2017-04, dated April 23, 2017), while the CRA had required further changes and had not yet closed the Annex J (ref. CRA's letter CRA/RAC-E/031/2017, dated April 10, 2017)). In addition, there was an issue with appointment of the Auditor of the RAS 2015 that took a very long time, causing a significant delay of 7 months of the agreed RAS delivery. The CRA requests Ooredoo to provide information on the appointment of the Auditor of the RAS 2016, which is very important to ensure a timely implementation of the RAS 2016.

4 Outstanding issues which must be addressed by Ooredoo during the implementation of the RAS 2016.

36. The resolution of the outstanding issues included in Annex 1 is mandatory to ensure that the RAS 2016 is fit for purpose, with the required quality standards.

37. Moreover, the diligent implementation of the RAS 2016 is very important for a number of reasons, including – amongst other:

37.1 Providing up to date inputs for setting Wholesale and Retail Charges;

37.2 Verifying the margin of the Fixed Broadband products as required by the Order on Consumer Fiber Broadband and Business Fiber Broadband (FBB), issued by the CRA on July 17, 2017 (ref. CRARAC 2017/07/18). As part of this Order, the



RAS 2016 must provide for the transparent processing of costs to relevant components and services to enable the CRA to evaluate the margin of the FBB services (see in particular Order, clauses 29 and 30). The implementation of this should carry over into RAS 2016 submissions and should relate to the cost justification models that are required in the short term for compliance with the FBB Order (clause 30).

5 Order

38. With the limitations highlighted above and detailed in Annex 1, the CRA closes the process for implementing the RAS 2015.
39. Ooredoo is required to address and fix all the outstanding issues listed in Annex 1 to this Order within the implementation of the RAS 2016.
40. Ooredoo shall meet the CRA to discuss the timeframe and appointment of the Auditor of the RAS 2016 15 days from the date of this Order
41. The timeframe will be published by the CRA no later than September 30, 2017.

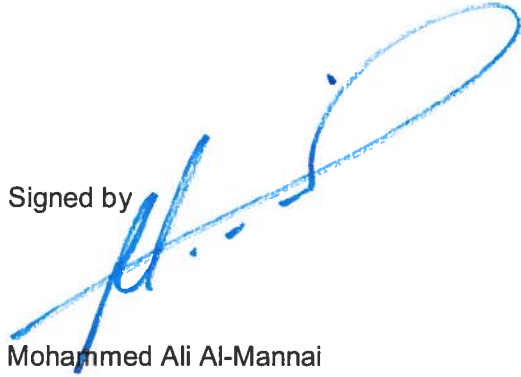
6 Methodology and Tools for Monitoring the Compliance

42. The CRA will monitor the compliance of Ooredoo with this Order, inter alia, but not limited against the resolution of the outstanding issues listed in Annex 1;
43. Specifically:
 - 43.1 As first option, the CRA will look for solutions agreed with Ooredoo to fix the outstanding issues; in this cases, the CRA will then verify that the agreed solutions have been implemented in the RAS 2016;
 - 43.2 Where agreed solutions cannot be reached, the CRA will mandate the solutions to Ooredoo and then verify that the mandated solutions have been implemented in the RAS 2016;
44. In the event of non-compliance, it shall result in one or a combination of the following enforcement provisions as stipulated under the Telecommunication Law:
 - 44.1 Invoking the provisions of chapter sixteen (16) of the Law, whereby the Licensee shall be subject to criminal prosecution as a form of punishment for non-compliance with the relevant provisions of the Law and its license; and
 - 44.2 Such non-compliance shall under Article 70 be punishable as an offence by a term of imprisonment not exceeding two (2) years and or a fine not exceeding one hundred thousand Riyals; or
 - 44.3 Such non-compliance shall under Article 67 be punishable as an offence by imposing a term of imprisonment not exceeding one year and a fine not exceeding one million Qatari Riyals; and
 - 44.4 Under Article 71, the person responsible for the actual management of the corporate entity, shall be punished with the same penalties assigned to the acts that are committed in violation of the rules of this law, if it is proved that such

person was aware of such acts or the breach of his or her duties rendered upon him or her by such management, had contributed to the offense.

44.5 The CRA may take any other reasonable costs, including benchmarks or the application of a compound risk factor to fulfill its remit.

Signed by

A handwritten signature in blue ink, appearing to be 'M. Ali', written over a horizontal line.

Mohammed Ali Al-Mannai
President of the Communications Regulatory Authority

Annex 1 is omitted because includes
confidential information of Ooredoo