

WITHOUT PREJUDICE

**Bharti Airtel's response to TRAI Consultation Paper on review of the
Quality of Service (Code of Practice for Metering & Billing Accuracy)
Regulations, 2006**

All Service providers are carrying out the audit of their Metering & Billing Systems by TRAI empanelled Auditor under the Quality of Service (Code of Practice for Metering & Billing Accuracy) Regulations since 2006-07. This is a rigorous audit to ensure that service providers are charging their customers as per the tariffs communicated which customers opt for. The regulation also ensures that the tariffs are getting communicated in a transparent manner. Consequently, all service providers in compliance with these regulations ensure that their billing systems charge their customers for the usage as per the tariffs offered in the market.

The Authority vide this amendment to QoS Regulation proposes to levy financial dis-incentives on Service providers for 'delay in submitting Audit Reports & Action Taken Reports (ATRs) and false / incomplete reporting ...'. The original QoS Regulation, 2006 was made in pursuance to the powers conferred upon TRAI under subsection (1) of Section 11 of the TRAI Act 1997. This measure of imposing 'financial disincentive' is in the nature of a penalty, the power of which the Authority under the present scheme of the TRAI Act 1997 (amended 2000) does not possess. Thus, Authority by introducing financial disincentive is attempting to do indirectly what it could not have done directly namely the imposition of penalty.

In light of the above, it is submitted that **in this competitive and self regulated era, TRAI should promote light touch regulation rather than introducing financial disincentives and coercive actions against the service provider.**

Without prejudice to the above, our response to the specific draft amendment points is below for your kind consideration:

Proposed Amendment-1: What are your views on imposing financial disincentives for delay in submitting audit reports of the metering and billing system and what should be the quantum of such financial disincentives? Please give your comments with justification.

Proposed Amendment-2: What are your views on imposing financial disincentives for delay in submission of Action Taken Reports on audit observations of the metering and billing system and for providing false information or incomplete information and what should be the quantum of such financial disincentives? Please give your comments with justification.

Bharti Airtel's Response:

We are not in favour of the Authority's view that financial disincentives be levied on service providers for delay in submission of audit reports, ATRs and for any false or incomplete information being given by the service providers for the Metering and Billing Systems Audit. We would like to place below our views in support of our stand for consideration of the Authority:

The entire process of carrying out the Metering & Billing System Audit (from starting to closure) takes around 6 to 9 months as per the activities listed below -

- Appointment of Auditors and understanding of Metering & Billing systems process before commencing the Audit - 1 month
- Process Audit & Data extraction - 1.5 months
- Rating Checks - 1.5 months
- Observations & Initial Comments - 1 month
- Finalisation of Management Comments - 1 month
- Closure of Audit to ATR submission - 3 months

Since this audit covers various aspects of Metering & Billing systems such as tariff information to customers, provision of services, test call set-up, CDRs ratings and accuracy of measurement, complaint management incl. Root Cause Analysis etc, it calls for large scale compilation of information from across service areas covering various processes and data / information extraction from billing & related systems. Further, CDR of sample cases for a period of 3 months are being extracted from archived system which generally takes 45-60 days. Similarly, in the past VAS consent logs for sample cases are to be taken out from multiple vendors systems which are also a time consuming activity. All these activities are to be necessarily carried out for the completion of the audit and cannot be shortened in any manner.

The delays may not be alone on part of the service provider at all times and this could also happen at Auditor end due to the complex nature of the audit in terms of understanding of various processes and data sources/ systems, selecting the tariff plans, providing sample cases for CDR rating, availability of preliminary observations for further discussion and closure etc. Further, rating of CDRs is also a time consuming activity at Auditor end which takes approx 30-45 days.

Further, we would like to state that service provider would not provide false / incorrect information since this affects the overall reputation of the service provider. As regards reporting of incomplete / incorrect information in the audit report, this should not arise as the comments against the observations are discussed and agreed upon between the Auditor and the service provider. Similarly, while submitting the Action Taken Report after completion of the Audit, all observations which required action are being reviewed and monitored closely to ensure timely closure of the same and accordingly reported to TRAI with necessary evidences. It is also

noteworthy to mention that the current year ATR are subsequently validated by the auditor appointed for the next year audit.

In view of the above, we would like to recommend as follows –

- Timely empanelment of audit firms by TRAI in order to ensure that service providers get adequate time for appointment of their auditor. If for any reason this is delayed, then the entire audit gets delayed – such delays put unnecessary pressure on service providers for completion of the audit in the specified time. It would be unjustified if service providers are levied financial disincentives for such types of delays.
- The current checklist for Auditors is very large (around 31 items which are verified through approximately 70 different checks). Apart from this auditors seek additional data (like VAS complaints data) during the currency of the audit for which operators are not prepared beforehand as these are unplanned activities. This also leads to a time delay as well.
- The Auditor and Service Providers should agree upon a timeframe for completion of various milestones in the audit at the commencement of the Audit. With this the Auditor and the Service provider equally share the responsibility to complete the audit in a timely manner. Any deviations may be brought to the notice of the TRAI for greater transparency.
- There are instances where Auditors' interpretation of compliance of any given requirement is different from the regulation. In such cases closure of the audit observation gets delayed. This should be factored in for any specific delays in submission of Audit reports. Such instances should not be treated as a case for levy of financial disincentive because there is no mala-fide intention for not providing the reports on time.
- Due to complex nature of the audit and the various activities involved, it is suggested that the time for submission of the Audit Report should be revised to 31st August every year and for ATR it should be 30th November every year.
- Since ATR (Action Taken Report) is a compilation of open observations and part of the Audit report only which has already been submitted to TRAI hence it should be kept out of purview of imposing financial disincentive for delay in submission of the same.
- Before submission of the Action Taken Report (ATR), Service provider should get the Auditor's concurrence to avoid submission of wrong / false / incomplete information to TRAI. As a result of this being certified by the Auditor, there will be no necessity for imposing financial disincentive on account of providing false/ incorrect information.

The Authority if it still feels that financial disincentives have to be levied on service providers for delays in filing of audit reports and ATRs, the following should be considered while doing so:

- For pan-India and integrated operators like Airtel, where the audit is being undertaken across all service areas covering both Mobile and Fixed Line

services and audit report for each licensed service area is to be prepared separately followed by ATR for submission to TRAI, this cannot be compared with a single circle operator.

- Graded system to be applied so that different compliance levels are not measured with the same yardstick. As a result, the delays to be disincentivised through graded slabs like if any service provider is able to file 50% of the reports timely, the rest 50% may be submitted within 1 month's grace period without any penalty.
- Service providers not to be penalized if there are delays which are beyond the control of service provider and duly certified by the Auditor and these are intimated to the TRAI well before the scheduled completion of the Audit.
- Delays from Auditor end should be exempted from financial disincentives on service providers. If it is still held that the delay is to be penalized this should be equally borne by the Auditor.
- TRAI should provide opportunity to service provider to explain the reasons for delay if any before levying of any kind of financial disincentive which would be in line with the principles of natural justice.
- Implementation of this mechanism of financial disincentives should be done effective from the Metering and Billing System Audit scheduled for FY 2013-14 so that operators will get adequate time for streamlining their processes and get an opportunity to review the timeline for completion of the audit with their appointed Auditor.

Proposed Amendment-3: What are your views on the proposal for audit of the CDRs for at least twice a year- three months CDR pertaining to first half year and three months CDR pertaining to second half year? Please give your comments with justification.

Bharti Airtel's Response:

It would be appreciated that the volume of CDRs generated is very high in case of service providers like Airtel having pan-India presence with huge subscriber base covering both wireline and wireless services. As a result, these CDRs have to be archived on regular basis and then retrieved from archived data which itself takes time of approximately 50-60 days to meet the audit requirements. However, if the period of CDRs is current, these can be given from online systems where limited period CDRs are available whereas if any prior period is sought, then CDRs will have to be extracted from the archived records which is time consuming activity especially since this is to be done for all circles. It would also be seen that any additional requirement for CDRs would not only put an enormous load on existing resources of operators as it may be counter-productive and redundant activity in itself.

TRAI acknowledged in their consultation paper, that the entire CDRs for the overcharging period is required to be retrieved from the archived system to identify

the total number of impacted customers and accordingly refunds are calculated and processed. Further, it is also mentioned correctly that CDR rating audit is a time consuming and complex process which involves time, energy and cost in addition to specialized manpower from various internal functions for ensuring correct and timely closure especially since this is to be done for all circles. The auditor also normally takes one month to audit the CDRs after the same is provided by the Service Providers. Thus any activity of CDRs extraction twice a year will only double the audit work involved and put additional burden on service providers in terms of extra time required, additional cost in view of more IT resources required for extraction CDRs and fee to the Auditor who will be carrying out this audit.

In this context, we would also like to highlight that in this present competitive scenario, to avoid wrong charging, service providers are carrying out the configurations of tariff plans in their billing systems with high level of diligence followed by intensive pre-testing before making it available for the customers.

In view of above, we strongly recommend to the Authority that the present mechanism of CDR audit i.e. 3 month period (once a year) should be continued with.

Proposed Amendment-4: What are your views on the proposal for simultaneous reporting of instances of overcharging to TRAI by the auditor, monthly progress report on the action taken by service providers on such audit observations and financial disincentives on delayed refund of such overcharged amounts? Please give your comments with justification.

Proposed Amendment-5: Do you support mandating service providers to undertake a thorough analysis of each audit observations and the requirement to furnish a detailed comment on each audit observation, as proposed above, including financial disincentives for submitting audit reports without adequate comments? Please give your comments with justification.

Bharti Airtel's Response:

It may not be possible for the service provider to identify the impacted customer, calculation of applicable refund amount and processing the refunds to them within a one month timeframe from the date of reporting such incidents to TRAI. This is due to various system limitations and analysis of voluminous CDRs which have to be carried out.

Regarding imposition of financial disincentives on delayed refund of such overcharged amounts, we would like to submit as follows:

As per the QoS (Code of practice for metering and billing accuracy) regulations, service providers are required to carry out refunds proactively for any wrong charges which may have happened due to configuration errors. It is submitted that

Service providers have put in place various checks and balances to ensure right configuration for every plan. Extensive testing is being done with advanced systems before it gets offered in the market. Bharti Airtel, has put in place very stringent controls and significantly improved its performance over the years. Refunds carried out due to configuration errors and delays in configuration have drastically reduced following the introduction of TRAI audit in 2006.

Despite all these checks and balances, if any inadvertent error happens in configuration, immediate corrective measures are taken and refunds are made to all affected customers with appropriate and transparent communication. Any unclaimed refunds are deposited into TRAI's Telecom Consumer and Education Protection Fund. In this context, it is important to highlight that the activity of identifying the impacted customers and calculation of refund amount is initiated immediately from our side even sometime without Auditor observations, during the audit period itself and ensure that the root cause analysis is carried out and complete the same by processing the refunds to impacted customers before submission of the Action Taken Report to TRAI. Further, it is also to submit that same is being duly verified by the auditor while carrying out Audit for next financial year and capture the same in the Audit report.

The above practices and procedures are working well and reflect through the positive trend of improvements. It is therefore not justifiable for service providers to be penalized with financial disincentives to the maximum amount equivalent to the refunds due to procedural / technical delays in exceptional circumstances. We strongly recommend continuation of the present practice of refund instead of imposing additional financial disincentive on the service providers.

Proposed Amendment-6: Do you support nomination of auditor by TRAI and appointment of the nominated auditor by the service provider? Please give your comments with justification.

Bharti Airtel's Response:

In order to maintain the quality of audit, the appointment and selection of auditors are done after doing a thorough due diligence of the Audit firms on various grounds like:

- professional strength of the firm,
- composition of the team they want to deploy for the project,
- prior experience in handling such and similar Audits,
- tools they are using to carry out the CDR rating,
- time required for completing the project.

In addition, each Telecom operator's scale of operations, systems and procedures are different and an assessment of the auditor's capability to manage the scale of

operations is imperative which can only be done by the respective service provider after detailed meetings with the Audit firms.

We suggest TRAI to increase the number of empanelled Audit firms giving greater freedom to Service Provider for selecting the auditor which qualifies the criteria that service providers define for themselves.

In view of the above, it is strongly recommended to continue with current practice of appointment of Auditor by the service providers.

Proposed Amendment-7: What are your views on the proposal for fixing of remuneration of auditor by TRAI and what should be the quantum and methodology for computation of audit fees, in case the same is to be fixed by TRAI? Please give your comments with justification.

Bharti Airtel's Response:

We wish to inform TRAI that larger service providers like Airtel have to get audit done for both Mobile and Fixed line services and have to submit a large number of reports. Audit fees are best negotiated basis the merit and commitment of the Auditor and is agreed for handling the entire project on a pan-India basis keeping in view the resources required. Final price negotiations are done after considering all these factors.

In view of above, it is recommended that there is no need for fixing of audit fee by TRAI since service providers are able to commercially negotiate better rates instead of TRAI proposed rate without compromising the quality of the audit.

Proposed Amendment-8: What are your views on the proposals relating to tariff plans to be covered for audit? Please give your comments with justification.

Bharti Airtel's Response:

It is recommended to continue with the existing practice of considering three prepaid plans and two postpaid tariff plans launched during the current year in the sample size selected by the auditor.

We trust that all the above submissions will be considered favorably by the Authority.