



Annex Explanatory notes on the Regulation



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Annex**Explanatory notes on the Regulation**

The purpose of this Annex is to provide further details and clarifications on certain provisions of the Regulation and their implementation. It should serve as a first point of reference each time practical questions arise in connection with tariff notification and tariff approval procedures under the Regulation. CITC may, from time to time, update and modify the contents of this Annex, in line with evolving market needs and the experience gained in practice.

The table below provides an overview of the matters currently covered by the sub-sections of this Annex and the specific provisions that these relate to in the Regulation:

Annex sub-section	Relevant provisions in the Regulation
A.1 Summary of obligations for Tariff Approval and Tariff Notification under the proposed Regime	Articles 3 to 5
A.2 Guidance on the information to be submitted for Tariff Notification and Approval	9.3
A.3 Guidance in the application of price-related controls	7.2 and 7.3
A.4 Guidance in the determination and reporting of the effective price	7.5
CITC contact details for further information	

A.1. Summary of obligations for Tariff Approval and Tariff Notification under the proposed Regime

Type of Retail Tariff Plan	Approval	Notification	Simplified Notification
Retail Tariff Plan concerns a service for which the service provider - is not dominant and - is not a universal service provider	-	✓	-
Targeted Offer (see Art 2.2.10.4 and 4.2)	-	-	✓
Retail Tariff Plan tailor-made to individual Corporate Customer, and not advertised to the public (see Art. 4.3)	-	-	-
In all other cases	✓	-	-

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A.2. Guidance on the information to be submitted for Tariff Notification and Approval

Within the scope of the information to be included in the Tariff Approval Request or the Tariff Notification under Articles 9 to 12, service providers must provide all or some of the following details and information:

A. Identification of the Service Provider	Name, commercial denomination, contact details and relevant license number for the service provider making the submission; name, capacity and contact details of the person filling out the form; name, capacity and contact details of the person available for any follow up questions or other communications by CITC.
B. Type of Submission	Indicate whether the submission concerns a new Retail Tariff Plan, the modification of an existing Retail Tariff Plan or the withdrawal of an existing Retail Tariff Plan. In the second and third case, the Service Provider must identify the relevant Retail Tariff Plan.
C. Identification of the Retail Tariff Plan (name, type)	<ul style="list-style-type: none"> • Commercial denomination of the Retail Tariff Plan • Internal denomination of the Retail Tariff Plan (if different) • Type of Retail Tariff Plan, as per the definitions in Article 2.2.10, i.e.: <ul style="list-style-type: none"> o Permanent Retail Tariff Plan o Promotional Offer o Add-on Option o Targeted Offer • In the case of Promotional Offers and Add-on Options, the Service Provider must provide a list of the reference Retail Tariff Plans (i.e., the existing Retail Tariff Plans with which the Tariff notified can be used.) • Payment type (pre-paid/post-paid) and, in the first case, specify whether payment must or can also include a post-paid component
D. Validity Period	Planned launch date for the notified Retail Tariff Plan. In case of a Promotional Offer, the Service Provider must also indicate the Offer Duration and the Subscription Duration.
E. Target Customers (segment, geographical scope)	Market segment targeted by the Retail Tariff Plan, e.g., whether it is aimed at residential or corporate customers (and, if the latter, whether it is limited to corporate customers of a certain size or meeting some other conditions).

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<p>F. Services and Charges</p>	<p>Description of the structure, services and charges of the Retail Tariff Plan, in the same terms as those that the Service Provider plans to communicate to subscribers. The description of the services and charges must be written in plain language, so as to be accessible to end users. The description must be comprehensive and sufficient to allow a full understanding of the services, products or any other benefits that the end user can obtain through the Retail Tariff Plan. The description must include any telecommunication services, handsets or customer-premise equipment, value-added services, content services or any other benefits which will be part of the Retail Tariff Plan.</p> <p>The description must also contain a detailed description of the structure of charges the customer may have to pay including, in particular, the following elements insofar as they are applicable to the Retail Tariff Plan in question:</p> <ul style="list-style-type: none"> ◆ Service installation or activation fees ◆ Line rental fees and their periodicity (i.e. per month) ◆ Fixed (recurring) fees and their periodicity (i.e. per month) ◆ Included volumes of services that can be consumed without incurring any additional fees ◆ SAR credit included upfront for consumption in services that are priced per unit of usage as per the Retail Tariff Plan condition ◆ Tariffs applicable to services charged on a “per usage” basis and/or tariffs for exceeding quotas above the included volumes ◆ Any factor which may alter the applicable tariffs <p>If the Retail Tariff Plan incorporates a discount or subsidy on a terminal or customer-premise equipment, the Service Provider must state the applicable discount. (This same discount must be also communicated to the customer at the moment of contracting the Retail Tariff Plan).</p>
<p>G. Minimum Commitment Period and related penalties</p>	<p>Indicate whether the Retail Tariff Plan has an associated Minimum Commitment Period and, if so, its duration.</p> <p>If a Minimum Commitment Period applies, Service Providers must provide, under this heading, information about the applicable penalties in case of early termination.</p>
<p>H. Terms and Conditions</p>	<p>Attach (as a PDF) the terms and conditions applying to the notified Retail Tariff Scheme, under the relevant subscriber agreements.</p> <p>The Service Provider must expressly confirm his compliance with the Regulation’s provisions on Transparency Requirements (Article 6).</p>

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<p>I. Effective Prices</p>	<p>Provide best estimates on effective prices for the individual services within the Retail Tariff Plan. These estimates must be prepared in accordance with the guidelines provided in sub-section A.4 of this Annex.</p> <p>The information should include a separate entry for each of the individual services included in the reporting form. The service provider must provide, in particular, the expected recurring fee per user and the expected volume per user. Average consumption will not be required for services for which a homogenous consumption unit cannot be established. If a service is not included in the Retail Tariff Plan it must be set at zero value.</p> <p>The average figures should be provided on a per-month basis. In the case of Promotional Offers with a Subscription Duration of less than a month, the expected recurring fee and expected volume figures should be provided for the whole Subscription Duration.</p> <p>Sub-section A.4 of this Annex provides illustrative tables on the structure of the form that will be employed by CITC to gather the above-described information under section I, for fixed and mobile services respectively. CITC notes that it may need to update the relevant list of services, in response to evolving market conditions.</p> <p>Service Providers must also provide the calculations supporting the values they submit under this heading.</p>
<p>J. Additional and supporting documentation</p>	<p>Service Providers can provide any additional notes, documents, supporting files, advertisements, brochures, technical descriptions or other information that can help ensure a proper understanding of the Retail Tariff Plan by CITC and consumers alike.</p>

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Summary of information required under different cases of submission

Exhibit A. 1 below summarizes the requirements for information by different category of submission/type of Retail Tariff Plan

Section	Type of information to be provided	If Tariff Approval is required	If Tariff Notification is sufficient	Termination of a Tariff Plan	Targeted Offers
A	Identification of the Service Provider	Compulsory	Compulsory	Compulsory	Compulsory
B	Type of Submission (new, update, withdrawal)	Compulsory	Compulsory	Compulsory	Compulsory
	Related Tariff Plan	If applicable	If applicable	If applicable	If applicable
C	Commercial denomination of the Retail Tariff Plan	Compulsory	Compulsory	Compulsory	Compulsory
	Internal denomination of the Retail Tariff Plan	Optional	Optional	Optional	Optional
	Type of Retail Tariff Plan	Compulsory	Compulsory	Compulsory	Compulsory
	Whether Tariff Plan is Add-on option	Compulsory	Compulsory	Compulsory	Compulsory
	Payment type	Compulsory	Compulsory	Compulsory	Compulsory
D	Date of launch	Compulsory	Compulsory	Not required	Compulsory
	Date of removal	If applicable	If applicable	Compulsory	Compulsory
	Offer Duration	If applicable	If applicable	Not required	Compulsory
	Subscription Duration	If applicable	If applicable	Not required	Compulsory
E	Target customers	Compulsory	Compulsory	Not required	Compulsory
F	Description of Services and Charges	Compulsory	Compulsory	Not required	Compulsory
	Discounts and Equipment subsidies	Compulsory	Compulsory	Not required	Not required

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G	Minimum Commitment Period	Compulsory	Compulsory	Not required	Not required
	Applicable penalties in case of early termination	Compulsory	Compulsory	Not required	Not required
H	General Terms and Conditions	Compulsory	Compulsory	Not required	Compulsory
I	Effective Prices	Compulsory	Compulsory	Not required	Not required
J	Notes, annotations and/or supporting documents	Optional	Optional	Optional	Optional

Exhibit A.1: Summary of the requirements for information by different category of submission/type of Retail Tariff Plan

A.3. Guidance on the application of price-related controls

A.3.1. Guidance on the application of Price Floors, Price Ceilings or any other form of price control

In the CITC's view, the establishment of industry or service provider-specific price floors, price ceilings or, in general, any form of price controls may, in certain cases, be necessary, as provided under the revised Tariff Notification and Approval Regulation and, in particular, its article 7, to avoid potential instances of abusive behavior and/or to best protect the interests of consumers.

Given the impact of price control rules on consumers, industry profitability and the Service Providers' operations, CITC will organize a consultation with the affected Service Providers and, if deemed appropriate, other stakeholders too, prior to the adoption of any price-control rule. CITC will also decide on the best mechanisms to carry out such consultation, which may not necessarily require a public consultation procedure but a more targeted exchange of views in some cases.

A decision by CITC to introduce, permanently or temporarily, a form of price

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control will not require proof, nor be interpreted as proof, that an anticompetitive behavior, or an abusive behavior against consumer interests, has actually taken place by any individual Service Provider.

In setting appropriate price controls, CITC will endeavor to make use of any relevant and available information regarding the underlying costs involved in the provision of services or regarding the prevailing or regulated wholesale prices.

In the absence of more accurate information, CITC may use information about the prevailing or regulated wholesale prices, as well as benchmarks, in order to establish cost-proxies for the underlying costs of provision of the services. Where a wholesale service exists which can be clearly related to a retail service, CITC is of the view that the setting of prices for retail services lower than the prices of corresponding wholesale services is a strong sign – yet not proof by itself – of potentially anticompetitive behavior, particularly in cases where the service provider has been found to be dominant in the relevant wholesale market.

As such, CITC will presume, in the absence of evidence to the contrary, that Retail Tariff Plans in which the effective price per unit of retail service is lower than the regulated or the prevalent market price of the corresponding wholesale price will not be acceptable, given the potential risks to competition. CITC may consider exceptions to the above general principle in cases where this may be justified to protect consumer interests or where the Service Provider can prove that the Retail Tariff Plan being questioned does not constitute anticompetitive behavior and/or can be economically replicated by other Service Providers.

As a particular example of the above principle, the effective price of national mobile calls must not be below the regulated interconnect rate. In other words, expressed in the form of an equation:

$$EPM \geq MTR$$

Where the EPM is the Effective Price per minute for all calls made by the

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subscriber to national mobile numbers, including both calls made to subscribers within the same network as well as calls made to subscribers in other networks.

A.3.2. Use of the average effective price for the verification of price controls
As stated in Article 7.5.2^{Error! Reference source not found.}, price controls will be applied, unless stated otherwise, based on the effective price of services and not on the nominal (or apparent) price of services.

While the nominal and the effective price of a service may have the same value, in general these two values are likely differ for various reasons including, for example:

- ▶ The offering of packages with a certain maximum number of units of services to be consumed at a given fixed price and which consumers may not fully utilize.
- ▶ The offering of discounts, rebates or free minutes of consumption to the end user, which depend on the consumer usage patterns and which may alter the effective price finally paid by the consumer.

CITC is aware that, within the user base of a given Retail Tariff Plan, different individual consumers may end up paying different effective prices per unit of service depending on each individual consumer's usage patterns. For the avoidance of doubt, CITC will not consider it as a breach of the price control rule if a certain subset of users within a given Retail Tariff Plan has an effective price that is lower than the relevant price floor, or higher than the relevant price ceiling, provided that the effective price for the entire base of consumers under the Retail Tariff Plan remains compliant with the rule.

A.3.3. Guidance on the presentation of complaints or requests for investigation by other Service Providers

A Service Provider who believes that a Retail Tariff Plan by another Service Provider is in breach of any of the price-related obligations imposed under the Regulation and therefore wishes to make a formal request to CITC for

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investigation, must accompany such a complaint with a preliminary economic analysis of the Retail Tariff Plan or Plans complained against.

Such preliminary economic analysis must be self-explanatory, as much as possible, and indicate the obligations that the Retail Tariff Plan in question is supposed to be breaching. This preliminary economic analysis must be prepared according to a methodology consistent with the principles established in the current Tariff Approval and Notification Regime (and any other relevant provisions that may apply, on a case by case basis), in particular through the use of the effective average price rule described above. In the absence of better information, the Complainant may use estimates of its own costs in the preparation of the preliminary economic analysis.

A.4. Guidance in the determination and reporting of the expected volume, expected recurring fee and effective price

As stated in articles 9.3.10 and 9.3.11, the submission of Tariff Notification or Tariff Approval Request should also include details on the expected volume and expected recurring fee per unit of service. These figures must be provided on a per-month basis. In the case of Promotional Offers with a Subscription Duration of less than a month, they should be provided for the whole Subscription Duration.

The division of the expected recurring fee figure by the expected volume per service figure will yield the effective price per unit of service. Information regarding the effective price serves the purpose of ensuring an adequate understanding of the price levels in the market by CITC. The obligation to submit this information as part of the Tariff Notification or request for Tariff Approval is therefore not dependent or subject to the existence of any form of price control for the service. Nor should the request of such information be understood to imply an intention by CITC to impose price control on the service.

In order to ensure the transparency and consistency of the effective price

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information, CITC requires that information on expected volume and expected recurring fee figures be provided separately. Figures must be provided per each individual service included within the reporting forms requested under the automated submission system. The following exhibits provide illustrative examples of such forms for services under fixed and mobile markets.

#	Service Category	Service	Expected recurring fee (SAR)	Expected volume	Units for consumption
FIXED	VOICE	Telephony Line			Number of lines
		Local calls (same network)			Minutes
		National calls (same network)			Minutes
		Calls to other fixed networks			Minutes
		Calls to Mobile			Minutes
		Calls to International			Minutes
		Other Calls			Minutes
	BROADBAND	Broadband Lines			Number of lines
		Broadband data-consumption			MBs
	OTHER	Customer Equipment			Not applicable
		Other Value-Added Services			Not applicable
		Content Services			Not applicable
		Other products / services			Not applicable
			TOTAL		

Exhibit A.2: Illustrative form for reporting information for calculating the effective prices per unit of fixed-line services

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	Service Category	Service	Expected recurring Fee (SAR)	Expected volume	Units for consumption
MOBILE	VOICE & SMS	Mobile Calls made to the subscriber of the same service provider			Number of lines
		Mobile Calls to subscribers of other national service providers			Minutes
		Calls to fixed networks			Minutes
		Calls to International numbers			Minutes
		Other Calls			Minutes
		SMS			Minutes
	DATA	Mobile Data (Internet Access)			Number of lines
	OTHER	Customer Equipment			Not applicable
		Other Value-Added Services			Not applicable
		Content Services			Not applicable
		Other products / services			Not applicable
			TOTAL		

Exhibit A.3: Illustrative form for reporting information for calculating the effective prices per unit of mobile services

A.4.1. Determination of the expected volume

The expected volume of service consumed must reflect the entire use of the service by a user in a month, as foreseen by the service provider. In the case of Promotional Offers with a Subscription Duration of less than a month, the expected volume should be provided for the whole Subscription Duration.

The expected volumes may be presented based utilizing either the “average usage” approach or the “representative usage” approach, both of which are described below:

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Average usage approach: This methodology will take into account the different user profiles who would benefit from the Retail Tariff Plan and calculate a consumption by all these users, based on the corresponding weight of each usage profile. The exhibit below summarizes this methodology for 3 different usage profiles under an illustrative Retail Tariff Plan that offers 100 minutes per month.

	Number of users	Expected volume per user	Total volume	Average usage
	(A)	(B)	(C = A x B)	(E = C / A)
User profile 1	10.000	50 min/month	500.000	
User profile 2	20.000	100 min/month	2.000.000	
User profile 3	5.000	150 min/month	750.000	
TOTAL	35.000		3.250.000	92.86

Exhibit A. 4: Illustrative calculation logic of the average usage methodology

The methodology yields an average monthly usage of 92.86 minutes.

Representative usage approach: If the total expected volume of an average user cannot be determined under the average usage method, a volume figure based on the consumption of a 'representative' consumer must be supplied by the service provider. In the example of a Retail Tariff Plan that offers 100 minutes per month, the Representative usage could, for example, be provided as 100 minutes per month.

In the CITC's view, employment of the average usage approach is more accurate, economically meaningful and hence preferable, given that it fully takes into consideration the effects of statistical distribution of consumption by different users. On the other hand, the Representative usage approach is less complex and reduces the burden on service providers in the determination of the expected volume. It will therefore be also acceptable to CITC.

A.4.2. Determination of the expected recurring fee

The recurring fee of the service will comprise all components of the total recurring fee associated to the Retail Tariff Plan, which are attributable to that individual service.

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However, Bundled Retail Tariff Plans may incorporate revenue items associated to more than one individual service. For instance, a Bundled Retail Tariff Plan may include – for a certain fixed monthly fee – a maximum number of voice minutes and data megabytes that can be consumed by the end user.

In such cases, service providers may be required to carry out an estimate of the part of the total recurring fee of the Retail Tariff Plan attributable to each individual service included within the bundle. This attribution of the total recurring fee to individual services must be carried out based on objective and economically rational criteria. CITC recognizes, however, that alternative, different criteria may be employed that meet these requirements of objectivity and economic rationality. CITC will consider as acceptable the attribution of a recurring fee from a Bundled Retail Tariff Plan to individual services under three alternative methodologies, described below in order of preference.

Methodology 1: Equivalent tariff-based charges

Under the equivalent-tariffs methodology, the Service Provider must calculate the price paid by the consumer if the services contained within the bundle were purchased separately by a rational consumer, meaning according to the more favorable Retail Tariff Plans being offered at the time of the submission. The total recurring fee associated to the Bundled Retail Tariff Plan must be split among the individual services on a proportional basis to the price of each individual service. In other words, the discount associated to the purchase of the services within the bundle, rather than as standalone services, must be distributed evenly among the services concerned.

The exhibit below outlines the calculation logic described above – assuming the representative consumer method - for an illustrative Retail Tariff Plan that offers 3.000 voice minutes, 300 SMS and 1.000 MB of data per month for 200 SAR/month. It is assumed that the expected volume consumption of a user (reported using one of the approaches described in the previous sub-section) will be 2.500 voice minutes, 250 SMS and the full 1.000 MB of data per month. All figures are merely illustrative.

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	Total bundled recurring fee	Expected volume	Stand-alone rates	Total unbundled recurring fee	Weight in total unbundled fee	Recurring fee per service
	(A)	(B)	(C)	(D = B x C)	(E)	(F = A x E)
Voice minutes	200 SAR	2.500	0,10 SAR	250 SAR	65 %	131 SAR
SMS		250	0,05 SAR	12,5 SAR	3 %	7 SAR
Internet Data (MB)		1.000	0,12 SAR	120 SAR	31 %	63 SAR
TOTAL	200 SAR	-	-	382,5 SAR	100 %	200 SAR

Exhibit A.5: Illustrative calculation logic of the equivalent tariff based charges methodology

Methodology 2: Cost-based allocation

Under the cost-based calculation, the Service Provider must produce an estimation of the total cost of provision of each of the individual services contained within the bundle. This cost estimation may come, for example, from the Service Provider's own internal analytical accounting. The total recurring fee of the Bundled Retail Tariff Plan must then be split among the individual services on a proportional basis in relation to the total cost of each individual service.

The exhibit below outlines the calculation logic described above for the same illustrative Retail Tariff Plan employed before (all figures are merely illustrative):

	Total bundled recurring fee	Expected volume	Unit cost reported by service provider	Total cost	Weight	Recurring fee per service
	in total cost	Recurring	(C)	(D = B x C)	(E)	(F = A x E)
Voice minutes	200 SAR	2.500	0,04 SAR	100 SAR	65 %	129 SAR
SMS		250	0,02 SAR	5 SAR	3 %	6 SAR
Internet Data (MB)		1.000	0,05 SAR	50 SAR	32 %	65 SAR
TOTAL	200 SAR	-	-	155 SAR	100 %	200 SAR

Exhibit A.6: Illustrative calculation logic of the cost based allocation methodology

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Methodology 3: Commercial experience-based split

Under the commercial experience-based calculation, the Service Provider must produce an estimation of the price that consumers would be willing to pay for the services contained within the bundle, if these were purchased separately, based on marketing studies or the experience of its commercial or marketing divisions. The total recurring fee of the Bundled Retail Tariff must be split among the individual services on a proportional basis in relation with the estimated value for each individual service.

The exhibit below outlines the calculation logic described above (all figures are merely illustrative):

	Total bundled recurring fee	Bundle inclusion	Consumer's perception of value based on commercial experience	Weight	Weight	Recurring fee per service
	in Total	Recurring	(C)	(D = B x C)	(E)	(F = A x E)
Voice minutes	fee per	3.000	150 SAR	68 %	136 SAR	129 SAR
SMS		300	10 SAR	5 %	9 SAR	6 SAR
Internet Data (MB)		1.000	60 SAR	27 %	55 SAR	65 SAR
TOTAL	200 SAR	-	220 SAR	100 %	200 SAR	200 SAR

Exhibit A.7: Calculation logic of the commercial experience-based split methodology

Service providers using the commercial-experience based split for the distribution total recurring fees for a given Retail Tariff Plan must include an explanation why the use of the previous two methodologies is not feasible for that particular Retail Tariff Plan.

Consideration of expected volumes in excess of included volumes

Depending on the characteristics of the Retail Tariff Plan, the expected volume of consumption reported either through the average usage approach or the representative usage approach may include units of the service being charged

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at different nominal prices. For instance, the recurring fee of the service may include a fixed monthly fee plus some additional charges, based on the number of units consumed – such as in a case where the user consumption goes above the limit of the service that is already included as part of the monthly fee. In these cases, the calculated value of the additional charges for each service must be reported together with the recurring fee per service.

A.4.3. Determination of the effective price

The effective price for a service will be determined as the division of the expected recurring fee per month¹ by the expected volume per month submitted for the Retail Tariff Plan. This may be summarized in the below formula

$$\text{Effective Price (average, representative, user)} = \frac{\text{Expected Recurring fee}}{\text{Expected Volume}}$$

A.4.4. Reporting on the information

As stated under Article 7.5.3, service providers may be required by CITC to provide detailed information on the determination of the effective price per unit of service.

Whenever required, the service provider must provide, in a separate file, the detailed calculations and justifications employed for the expected recurring fee per service and the expected volume. This file shall include, without limitation, the following information:

- A clarification of whether the calculation is based on the average usage approach, or the representative usage approach.
- Details of the calculation of the expected recurring fee
- If applicable, the chosen methodology for calculation the expected recurring fee per service within a Bundled Retail Tariff Plan. If the chosen methodology is based on commercial experience, a justification must be provided.

The details provided on the calculation of the expected recurring fee and

1) In the case of Promotional Offers with a Subscription Duration of less than a month, the expected volume and expected recurring fee should be provided for the whole Subscription Duration.

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expected volume must contain sufficient level of granularity so as to allow the reader to understand how the overall figures have been determined. In particular, where a distinction of prices is made in a given Retail Tariff Plan, the presentation of the calculation of the expected recurring fee (and the expected volume) will be separated for each of the prices that can be applicable.

For example:

- ▶ If a given Retail Tariff Plan establishes a different price for data communications made during a certain period of time (say, weekends), then the expected recurring fee for calls made during weekends (and the expected volume) should be presented separately.
- ▶ If a given Retail Tariff Plan establishes a different price for data communications made to certain particular applications, then the recurring fee and volume for those applications should be presented separately from those of the rest.