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ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission  
**DOCKETED**

JUN 19 2000

DOCKETED BY JM

**TO:** All Parties in the U S WEST Section 271  
Proceeding in Arizona; Docket No. T-00000A-97-0238

**FROM:** Maureen A. Scott *MAS*  
Attorney, Legal Division

**DATE:** June 19, 2000

**SUBJECT:** First Workshop on  
Backsliding and Penalties

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The Commission Staff has scheduled the first workshop on backsliding and penalties for June 20, 2000, beginning at 9:00 a.m. Arizona time. The workshop will be conducted telephonically and there will be a court reporter present. The dial-in number for the workshop is: (602) 542-9006.

Staff would like to identify issues in this first workshop, establish a process for remaining workshops and set deadlines for the submission of comments on the issues to be addressed in the July 11-12 backsliding and penalty workshop. Attached to this Notice are some materials on this issue which Staff received from the New York Public Service Commission and other sources. Staff hopes that these materials will be useful to focus the initial discussion on this topic at the workshop on June 20, 2000.

If you have any questions regarding this matter, please do not hesitate to contact me at (602) 542-6022.

MAS/ms

## Performance Measurements with Liquidated Damages

DOJ Recmd	TX 271	BANY 271	SBC/ Ameritech	USW PM	
<b>Pre-Ordering/Ordering</b>					
X	\$	\$	\$		Average Response Time for OSS Pre-Order Interfaces
	\$				% Response Received within "x" seconds - OSS Interfaces
X	0				EASE Average Response Time
X	\$	\$	\$		OSS Interface availability
X	\$	\$	\$		% Firm Order Confirmations received within "x" hours
X	0				Average Time to Return FOC
X	\$	\$			% Mechanized Completions returned within 1 hour
	0	\$	\$		% Mechanized Completions Rtrnd within 1 day of work completion
X	\$				Average Time to Return Mechanized Completions
X	0				Percent Rejects
X	\$	\$			% Mechanized Rejects returned w/ 1 hour of EDI/LASR
X	0				Mean Time to Return Mechanized Rejects
X	\$				Mechanized Provisioning Accuracy
X	\$	\$	\$		Order Process % Flow Through
<b>Billing</b>					
X	0				Billing Accuracy
X	\$				% of Accurate and Complete Formatted Mech. Bills
X	\$				% of Billing Records Transmitted Correctly
X	\$				Billing Completeness
X	\$		\$		Billing Timeliness (Wholesale Bill)
X	0				Daily Usage Feed Timeliness
X	0				Unbillable usage
<b>Miscellaneous Administrative</b>					
X	0				LSC Average Speed of Answer
	\$	\$			LSC Grade of Service % c/s ans by LSC in specified time
	\$				Percent Busy in the LSC
X	0				LOC Average Speed of Answer
	\$	\$			LOC Grade of Service
	\$				Percent Busy in the LOC
<b>POTS (Resale) and UNE Combos - Provisioning</b>					
X	\$		\$		Mean Installation Interval
X	0	\$			% Install complete in "X" days
X	\$	\$	\$		% SWBT Caused Missed Due Dates
X	\$	\$			% SWBT Missed Due Dates due to Lack of Facilities
X	0	\$			Avg. delay days due to lack of facilities
	\$	\$	\$		Avg. delay days for SWBT Caused Missed Due Dates
	\$				% SWBT Caused Missed Due Dates > 30 Days
	0				Count of Orders Cancelled After the Due Date (SWBT Caused)
X	\$	\$	\$		% Trouble report within 10 days of install
	0				% No Access
<b>POTS - Maintenance</b>					
X	\$	\$	\$		Trouble Report Rate
X	\$	\$	\$		% Missed Repair Commitment
X	\$	\$	\$		Receipt To Clear Duration
X	\$	\$			% Out of Service (OOS) <24 Hours
X	\$	\$	\$		% Repeat Reports
	0				% No Access (% of Trouble Reports with No Access)

## Performance Measurements with Liquidated Damages

DOJ Recmd	TX 271	BANY 271	SBC/ Ameritech	USW PM	
<b>Specials -Provisioning</b>					
X	\$		\$		Average Installation Interval
X	0	\$			% Installations in "X" days
X	\$	\$	\$		% SWBT Caused Missed Due Dates
X	\$	\$	\$		% Trouble report within 30 days of install
X	\$	\$			% SWBT Missed Due Dates due to Lack of Facilities
X	0	\$			Avg. delay days due to lack of facilities
	\$	\$	\$		Average Delay Days for SWBT Caused Missed Due Dates
	\$				% SWBT Caused Missed Due Dates > 30 Days
	0				Count of orders canceled after the Due Date (SWBT Caused)
<b>Specials Maintenance</b>					
X	\$	\$	\$		Mean Time to Restore (a.k.a. Receipt to Clear)
X	\$	\$	\$		% Repeat Reports
X	\$	\$	\$		Failure Frequency (a.k.a. Trouble Report Rate)
<b>UNE -Provisioning</b>					
X	\$		\$		Average Installation Interval DSL*
X	\$	\$	\$		% Installations in "X" days
	\$	\$	\$		Average Response Time for Loop Make-up Information
X	\$	\$	\$		% SWBT Caused Missed Due Dates
X	\$	\$	\$		% Trouble report within 30 days of install
X	\$	\$			% Missed Due Dates Due to Lack of Facilities
X	0	\$			Avg. delay days due to lack of facilities
	\$	\$	\$		Average Delay Days for SWBT Caused Missed Due Dates
	\$				% SWBT Caused Missed Due Dates > 30 Days
	0				Count of orders canceled after the Due Date (SWBT Caused)
<b>UNE - Maintenance</b>					
X	\$	\$	\$		Trouble Report Rate
X	\$	\$	\$		% Missed Repair Commitments
X	\$	\$	3		Mean Time to Restore (a.k.a. Receipt to Clear)
X	\$	\$			% Out of Service (OOS) <"X" Hours
X	\$	\$	\$		% Repeat Reports
<b>Interconnection Trunks</b>					
X	\$	\$	\$		Percent Trunk Blockage
X	\$		\$		Common Transport Trunk Blockage
X	0				Distribution of Common Transport Trunk Groups > 2%
X	\$	\$			% Missed Due Dates
	\$	\$			Avg. Delay Days for Missed Due Dates
	\$				% SWBT Caused Missed Due Dates > 30 Days
X	\$	\$			Avg. Trunk Restoral Interval
	\$		\$		Avg. Trunk Restoration Interval for Service Affecting Trunk Groups
	\$				Avg. Interconnection Trunk Installation Interval
<b>Directory Assistance/Operator Services</b>					
X	0				DA Grade of Service
X	\$				DA Speed of Answer
X	0				OS Grade of Service
X	\$				OS Speed of Answer
	0				% Calls Abandoned
	0				% Calls Deflected
	0				Average Work Time
	0				Non-Call Busy Work Volumes

## Performance Measurements with Liquidated Damages

DOJ Recmd	TX 271	BANY 271	SBC/ Ameritech	USW PM	
<b>Interim Number Portability (NP)</b>					
X	0				% Install in 3, 7, 10 days
X	S				Avg. INP Installation Interval
X	S				% INP only I Reports in 30 Days
X	S				% Missed Due Dates
<b>Local Number Portability (LNP)</b>					
	0				% LNP Due Dates within Industry Guide Lines
	0				% of Time Service Prov. Release Sub. Prior to Exp. Of 2nd Hour Timer .
	S				% of Customer Account Restructured prior to LNP Due Dates
	S				% FOCs Received within "X" hours
	S				Avg. Res. time for Non-mechanized Rejects ret. w/com. & acc. Codes
	S	\$	\$		% Premature Disconnects for LNP Orders
	S				% of Time SWBT applies the 10 digit trigger prior to LNP Order due date
	S				% LNP I-Reports in 10 days
	S				Avg. Delay Days for SWBT Missed Due Dates
	S				Avg. Time of Out of Service for LNP Conversions
	S				% Out of Service < 60 Minutes
<b>E - 911</b>					
X	S				Average Time to Clear Errors
	S				% Accuracy for 911 Database Updates
	S				Average Time Required to Update 911 Database
<b>Poles Conduit and Rights of Way</b>					
	S				% of Requests processed within 35 Days
	0				Average Days Required To Process a Request
<b>Collocation</b>					
	S	\$	\$		% Missed Collocation Due Dates
	S	\$	\$		Avg. Delay Days on SWBT Caused Missed Collocation Due Dates
	S	\$	\$		% of requests Processed within the tariffed timeliness
<b>Directory Assistance Data Base</b>					
	S				% of Updates into DA Database within 72 Hours
	S				Avg. Update Interval for DA Database
	S				% DA Database Accuracy For Manual Updates
	S				% of Elec. Updates flow through DSR Process w/o manual intervention
<b>Coordinated Conversions</b>					
	S				% Pre-mature Disconnects (Coordinated Cutovers)
	S				% SWBT caused delayed Coordinated Cutovers
	S				% Missed Mechanized INP Conversions
<b>NXX</b>					
	S				% NXXs loaded and tested prior to the LERG effective date
	S				Avg. Delay Days for NXX Loading and Testing
	S				Mean Time to Repair
<b>Bona Fide Request Process (BFRs)</b>					
	0				% of Requests Processed within 30 Business Days
	S				% Quotes Provide for Auth. BFRs within 45 Business Days

\$ =  
Liquidated  
Damages  
Apply  
0 = No

2771 Backstreet

March 20, 2000

# Overview

- **Measurement**
  - How does NY conclude if BA is providing parity service?
- **Money**
  - What is at risk?
- **Change Control**
  - Operations Support System
- **Monitoring**
  - How do we know the measures are reasonable and useful?
- **Annual Review**
  - Flexibility to change

# Measurement

- **General structure**
- **Measures**
- **Performance review**
- **Minimum Market adjustment**
- **X - factor (maximum market adjustment)**

# General Structure

- **Mode of Entry (industry-wide)**
  - UNE
  - Resale
  - Interconnection / Collocation
- **Critical measure - failure (CLEC specific)**
  - UNE
  - Resale
  - Interconnection / Collocation
- **Critical measure - pass (CLEC specific)**
  - UNE
  - Resale
  - Interconnection / Collocation

# Measures - Metrics

- **Metric Domains**
  - Pre-ordering
  - Ordering
  - Provisioning
  - M&R
  - Billing
- **Metric Weighting**
  - Competitive significance
  - CLEC/OSS test concern
  - End user effect
  - BA ability to influence

# Measures - Absolute and Parity

- **Absolute standard example**
  - OR-1 order confirmation timeliness
  - 95% of POTS flow through orders should flow through in 2 hours
- **Parity standard example**
  - PR-4 missed appointments
  - CLEC missed appointments % should not be higher than BA's

# Performance Review

- **95% confidence level goal (pre-filing statement)**
- **Counted and measured metrics**
- **Large sample size and statistics**
- **Small sample size statistics**
- **Performance scores**
- **Performance scores are necessary to allow us to aggregate metric results onto an overall score.**

# Large Sample Size Statistics

- **Counted np (1-p) > 5**
  - Standard deviations and Z-scores based on different formulas
  - Z-score comparison similar to measured variable large sample comparison
- **Measured > 30**
  - BA and CLEC means, standard deviations, and sampling errors are converted to t-scores
  - t-scores allow for the direct comparison of BA to CLEC results by putting them on the same scale
  - t-scores also allow us to establish surrogates for degree of failure
- **Z and t Scores Based Upon LCUG formulas**

# Small Sample Size Statistics

- **Counted np (1-p) < 5**
  - Permutation test when automated
- **Measured < 30**
  - Permutation test when automated
- **Clustering**
  - Certain exogenous events (e.g. cable cut) will cause statistical independence of observation assumptions to be violated. This will cause small sample comparisons to be invalid
  - BA will file detailed information to support an exemption

# Performance Score

- **Performance results for parity metrics are translated into one of three performance scores:**
  - 0 - parity achieved
  - -1 - parity in question, differs from -.8225 to less than -.1.645 standard deviations (<95% confidence)
  - -2 - parity not achieved, differs by at least -1.645 standard deviations (95% or more confidence)
- **Performance results for absolute metrics are translated in to one of three performance scores:**
  - 0 - standard met
  - -1 - BA performance below standard, but competitive harm in doubt
  - -2 - BA well below standard

## Ones to Zeros

- BA can change a -1 to zero, by performing at “0” level for the next two months.
- The “ones to zeros” provision raises the level of confidence from 79.5% to 89.3% that BA-NY will not be held unfairly accountable for sub standard scores. Initial intent was to achieve 95% confidence
- Provides the incentive to “back away from the edge” for absolute standard metrics

# Allowed Miss Table

- Only for 95% absolute standard variables, does not require BA to be perfect
- CLEEC's allowed to challenge



# Minimum Market Adjustment

- Thresholds rely upon the 1 tail testing approach
- Thresholds are based on the number of measures in each MOE
- BA is penalized when it's 95% certain that its non-compliance with the Carrier to Carrier standards was not due solely to random fluctuations.
- Thresholds treat absolute and parity metrics differently
- Absolute metrics are not based upon statistical tests. Not meeting a standard indicates a failure.
- The plan uses one overall "X" score based on the combination of parity test and absolute standard metrics in each mode of entry

## X - Factor

- Represents the “performance score” level where BA would be subject to a maximum market adjustment
- Should represent the out of parity condition that would significantly limit a mode of entry as a competitively viable option
- X-factors are set for each mode of entry

# Money

- **How much overall?**
- **How are payments determined?**
  - Escalation provisions
- **When returned?**

# How Are Payments Determined?

## - Mode of Entry

- CLECs receive payments based on the industry score and the individual CLEC's market share
- Payments start at the 95% confidence level for each mode of entry
- The maximum market adjustment is at -X
- There are increments between the initial market adjustment and -X; the lower the score, the higher the payment
- The first increment is 20% of the -X market adjustment

# Escalation Provisions - Mode of Entry

- If BA performs at the midpoint between the minimum and -X for any MOE for 3 successive months - the market adjustment for that same 3 month period is doubled
- The doubling provision continues until the performance score is at the 1/4 or less point
- If BA performs at -X for any of the MOE for 3 successive months -- the UNE-P offering will be extended for 2 years

	<u>Minimum</u>	<u>1/4 point</u>	<u>Mid-point</u>	<u>Maximum</u>
UNE	-0.19043	-0.31032	-0.43022	-0.67
Resale	-0.19077	-0.31058	-0.43039	-0.67
Interconnection	-0.30136	-0.47602	-0.65068	-1
Collocation	0	-0.3	-0.6	-1.2

# How Are Payments Determined? -

## Critical Measure

- Critical measures are allocated \$\$ according to category and metrics in each category
- Payments are triggered at -1 scores
- Payments increase in 10 increments from -1 to -2
- CLECs with performance less than BA-NY's +/- one CLEC aggregate sampling error qualify for payment
- Lump sum payments to each CLEC are made according to performance and market share
- CLECs that receive poor performance for 2 consecutive months in a critical measure will receive a credit, regardless of BA's performance

# When Are Market Adjustments Paid?

- **January**    January performance
- **February**    February performance  
                  January performance reported
- **March**        March performance  
                  February performance reported  
                  January performance validated
- **April**         March performance reported  
                  February performance validated
- **May**          Market adjustments made

# Specific Market Adjustment Provisions

- **Ordering**
  - **Flow Through - Ordering**
    - BA must attain 80% of overall order transactions or 95% of order transactions designed to flow through
    - \$2.5m quarterly / \$10m annually
  - **No Flow Through - Ordering**
    - Four OT% confirmation and reject metrics
    - Market adjustments start at <90%, \$.5m on each metric funded from unused MOE \$\$

# Specific Market Adjustment

## Provisions - Cont.

- **Hot Cuts**
  - OT% modified to include supplements w/no DD-2 checks at time of entry
  - <90% OT or <97% w/out troubles - 0 for first month, \$1m for each additional consecutive month
  - <85% OT or < 96% w/out troubles - \$2m for first month plus an additional \$1m for each additional consecutive month

# Specific Market Adjustment Provisions - Cont.

- **Trouble Ticket / Notifiers**
  - **Trouble Tickets**
    - 95% of trouble tickets must be cleared within 3 business days, no more than 5% of orders resubmitted can be rejected duplication.
  - **Confirmations/Rejects**
    - 95% of all orders must receive a confirmation/reject notice within 3 business days
  - **Billing Completion Notice**
    - 95% of provisioned orders must receive a billing completion notice within 3 business days.

# Specific Provisions Market

## Adjustment - Cont.

- **Re-allocation of \$\$**
  - Commission can reallocate \$\$ on 20 days notice
- **IF BA clusters poor performance in any domain, an overlay is calculated. The higher of the overall MOE weighted score or the overlay calculation is used for the MOE score.**
  - Overlay triggered at 75%
  - The 75% Pre-Order overlay is triggered if metrics PO-1-01 through 05 fail

# Change Control

- **Ensures software changes to the OSS are executed without impeding CLECs ability to compete**
- **Metrics measure timeliness of notification and the quality of implementation**
- **Dollars at risk are in addition to the backslide plan**

# Monitoring

- **Pre-approval**
  - KPMG has replicated all of the carrier-to-carrier metrics
  - KPMG has tested the reliability of the data used in its metric replication effort
- **Post approval**
  - Staff has followed-up on KPMG's replication exercise and will continue to do so for a minimum of 6 months
  - CLECs who requested performance reports under the carrier-to-carrier rules, will be able to compare BA's reports and performance with their own records

# Annual Review

- To adapt the plan to changing markets the Backslide Plan will be reviewed annually
- Metrics can be added or deleted
- Weights realigned
- The money at risk can be reallocated
- Geographic review of metric results
- Other changes may be needed based on Carrier to Carrier collaborations

