

Positive Renewals Review

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Please note this is an Executive team paper and is intended to inform the PAB's review of the positive renewals system. Due to timing restrictions and a desire not to delay the PAB's review, this paper has not previously been submitted to the Board.

1. Introduction

The positive renewals system has now been in operation for six months. Shortly after launch several requests were received to review the renewal policy and to make changes to elements of its operational implementation. The Executive and the PAB committed to a review but both were keen to ensure that the system had been in place for long enough to allow for a reasoned review to take place, based upon the system in practice. In the interim the Executive has implemented a number of minor operational changes.

This paper outlines:

- The Executive team's understanding of the original objectives of the positive renewals system
- The policy changes requested as part of the review process including an Executive response
- A recommendation for a change to the renewals system that the PAB is asked to consider as part of its policy review.

2. The original objectives of the positive renewals system

In conducting this review we would suggest a framework based on what we believe were the original objectives of the system. Several of these objectives were explicit in the PAB white paper, while others were implicit.

2.1 For tag holders

- To ensure the renewals process is cost and time efficient for tag holders
- To ensure the renewals process is easy to understand and predictable
- To ensure the renewals system supports all tag holder business models

- To enable tag holders to differentiate their services by offering different levels of customer care and charges

2.2 For registrants

- To ensure the renewals process is easily comprehensible and predictable
- To ensure the renewals process is cost and time efficient for registrants
- To provide greater transparency regarding the registration status of a domain name
- To provide the opportunity to renew with Nominet as a last resort
- To speed up the cancellation of unwanted domains

2.3 For Nominet

- To create 'right first time' invoices
- To minimize the production of credit notes
- To ensure the renewals process is cost and time efficient for Nominet
- To ensure no opportunities exist to exploit the system to avoid or defer payment
- To perform the minimum degree of communication necessary for its contractual obligations and public service duty
- To speed up the cancellation of unwanted domains

3. The system in practice

The positive renewals system is arguably the most fundamental change we have made to our operating policy since our inception. On the whole, the Executive team feels that the renewals system has met the majority of its original objectives. It has created a renewals system with greater certainty, improved transparency and a considerable increase in efficiency.

3.1 The launch

All the tag holders we met through the member lunch programme and at other events were aware of the system, principally as a result of the original consultation and the red letter day postal campaign but many did not fully understand how the system would work in practice. Despite the communication plan, a small but still significant number of tag holders were taken by surprise when the full launch of the system took place on 1 November last year.

The month following the launch was not easy and there was concern that the system would place an onerous load on tag holders. However, over the last six months the system has really settled down and we have made a number of operational changes in response to feedback to try to ensure the system works as well as possible for tag holders and registrants.

3.2 Feedback

Since the launch the majority of the feedback we have received has been positive. However, there have been several quite contentious elements of the system:

3.2.1 Pro formas

The issuing of pro forma invoices to registrants has been quite controversial. Historically Nominet's renewals system pushed back any contact with the registrant of the domain name to a long time after the renewal was due and then only once the tag holder had detagged the domain. Under positive renewals, a pro forma invoice is issued on the day after expiry if a renewal request has not been received.

Relatively early on, a change was made to our internal systems to ensure that if a positive renewal request is received after the issuing of a pro forma invoice but before the registrant has made payment, the pro forma invoice is cancelled and the registrant cannot then pay the direct renewal fee. This has significantly improved the situation for many registrants and tag holders but there remains a feeling amongst a number of tag holders that Nominet should not contact a registrant in this way.

3.2.2 Credit terms

If a domain name is positively renewed but the tag holder does not pay to term (in practice the credit terms are 30 days plus 10 days grace) a pro forma invoice is issued to the registrant to provide the opportunity to pay Nominet directly. This has been controversial but obviously only amongst those tag holders who do not pay their invoices within 40 days. The number of tag holders who delay payments has significantly reduced since the introduction of the system.

3.2.3 Credit notes

Under positive renewals, a tag holder must specifically request the renewal of a domain name and therefore, one of the policy decisions taken was that no credit notes would be issued. In practice there have been occasional instances of the accidental renewal of individual domain names and two high volume renewal requests made in error. The Executive has not issued any credit notes in these instances. In practice there have been very few requests for credit notes.

4. Suggestions for policy changes

The executive invited feedback on the positive renewals system at all its meetings with members, both before and after implementation. We also invited feedback by e-mail throughout the implementation and more recently as part of the review process.

In response to the review we received 23 contributions of which 16 were positive and seven were negative. A couple of respondents suggested that we revert to the previous 'negative' renewals system. One suggested we adopt a renewals process similar to their gTLD registrar, while another made a more general comment that Nominet should align its renewals process more closely with the policies adopted for gTLDs.

We received 14 suggestions for changes to the system as it currently operates, of which the majority relate to suggestions for operational changes and the executive will consider these.

There have also been a number of policy recommendations. These are outlined below:

	Submission	Executive recommendation
Pro forma invoices	Nominet should not contact registrants if their domain name is associated with a valid tag, even if their domain name has not been renewed.	Under the current contractual registration relationship, we must give the registrant the opportunity to pay Nominet directly for the renewal of their domain name as a last resort. The executive recommendation is therefore to reject this proposal.
	Where a domain name is associated with a valid tag, there should be a grace period between the expiry of a domain name and the issuing of a pro forma invoice.	A grace period is technically feasible but it is likely to push the issue back to the end of the grace period. The executive recommendation is therefore to reject this proposal. However, see the recommendation outlined in section 5 which the Executive team believes will alleviate the issue this submission attempts to address.
	Nominet should not issue a pro forma invoice to the registrant and instead should send a 'renewal reminder' letter informing the registrant that the domain name has passed its expiry date and that they should contact their tag holder.	Under the current registration relationship, Nominet must give the registrant the opportunity to pay for the renewal of their domain name as a last resort. We are also concerned that there should not be the additional cost of a second notice letter. However, a 'renewal reminder' e-mail could be issued followed by a pro forma invoice if the renewal has not taken place. If the reminder is issued by e-mail only, this will not increase costs. The executive recommendation is to accept a modified version of this proposal – see section 5 for further details.
	There should be a longer grace period between the end of invoice payment terms and the issuing of the pro forma to the registrant. At the moment 10 days grace are provided in addition to the 30 day credit terms.	As with the grace period between expiry and the issuing of a pro forma invoice, the Executive would be concerned that the issue would simply be pushed back to the end of the grace period. A longer grace period would also support the tag holders who do not adhere to payment terms whilst penalising the many that do. The executive recommendation is therefore to reject this proposal.
Tag change	There should be a built in grace period if the tag associated with a domain name is changed within X days of the suspension or cancellation of a domain name. This should allow the new tag holder sufficient time to invoice the registrant for renewal and then positively renew once payment has been received.	The new tag holder could be granted a limited extension for renewal. However, we do not recommend that the renewal cycle should start from scratch on tag change. The executive recommendation is therefore that the PAB should consider this proposal further.

Payments terms	It should be possible to renew at any time during the six months prior to expiry and receive the invoice with payment terms to the expiry date.	<p>The current practice of always issuing an invoice on the 7th of the month following renewal with 30 day credit terms creates certainty and an easy to understand, cost-effective and transparent system.</p> <p>The executive recommendation is therefore to reject this proposal</p>
Method of Invoicing	Tag holders should be able to select the invoicing method required. E-mail invoicing should not be the only option.	<p>Tag holder invoices are now issued by e-mail. This has significantly reduced invoicing costs and also ensures faster delivery of invoices giving the tag holder the maximum time to process the invoice. In addition the invoice is available in a downloadable form from the online payment centre.</p> <p>We have now started work on the online tag holder system that will enable tag holders to view their account online, make payments and change contact information. We believe that this will significantly improve the services available to tag holders without the need to revert to a paper based system.</p> <p>The executive recommendation is therefore to reject this proposal</p>

5. Executive Policy recommendation

The PAB is asked to consider the following recommendation as part of their policy review of the renewals system. The Executive recommends that a change be made to the policy of issuing a pro forma invoice to the registrant if their domain name has not been positively renewed. This would involve an additional e-mail being issued before the pro forma invoice and therefore a short delay in the sending of the pro forma. The time line could work as follows:

1. On the day after expiry an e-mail will be issued to the registrant of the domain name to advise that their domain name has not been renewed. The e-mail will advise the registrant to contact their registration agent to arrange renewal and will include their agent's name and URL. (In the future we would like to introduce the option for the tag holder to include a personalised message in this e-mail.)
2. If, after seven days*, the domain name has still not been positively renewed a pro forma invoice will be sent to the registrant. This will be a new version of the current pro forma invoice, incorporating all the current information and also feedback from tag holders and registrants that will help to make the purpose of the pro forma clearer.

(*We recommend a period of at least seven days to allow sufficient time for the registrant to contact their tag holder, arrange renewal and for the tag holder to submit a renewal request. We believe a shorter period will reduce the potential benefits of this change.)

The Executive feel that this minimal delay in the issuing of pro forma invoices is worthwhile and will be of benefit to all stakeholders. It will reduce the likelihood of registrants renewing because they do not fully appreciate their options. It will reduce Nominet staff time in dealing with dissatisfied registrants and tag holders and it will encourage registrants to renew through their registration agent.