



Report on the implementation
of BT's Undertakings
Third quarterly report

Publication date: **23 May 2006**

Introduction

On 22nd September 2005 Ofcom decided, instead of making a reference to the Competition Commission, to accept undertakings from BT to address a number of competition concerns in the telecoms markets¹. This report, the third in a series of quarterly reports, provides information on BT's progress toward implementation of its Undertakings.

In each area of the Undertakings, this report describes:

- relevant sections in the Undertakings and the primary owner;
- progress made by BT and/or Openreach towards delivering on its commitments (and, where relevant, relevant activity by Ofcom and others);
- future commitments in the Undertakings that need to be delivered and dates/milestones where these are specified; and
- any major outstanding issues or risks that have been identified to date.

To maintain clarity within the document, milestones which have passed, and on which there are currently no significant open issues, have been moved into Annex 1.

The aim of each report is to provide an up-to-date statement of recent progress and does not, therefore, contain the content of the previous report in an unedited form. Readers are therefore urged to read previous reports for information on progress prior to the last quarter and a more complete picture of overall progress.

It should be noted that whilst the implementation reports describe BT implementation in respect of its Undertakings, any statements will not be definitive as Ofcom can only reach a definitive view of compliance by undertaking the full process of enforcement action. Any statements made by Ofcom are based on the information currently before it and will not, and can not, prejudice the outcome of any enforcement action should a complaint be received or further information come to light.

Where reference is made to the content of the Undertakings, particularly in relation to future commitments/deliverables, in the event of any difference between this document and the Undertakings the text of the Undertakings takes precedence.

Alongside this document, Ofcom is also publishing a summary of the survey of BT's wholesale customers carried out by Spectrum Strategy Consultants on Ofcom's behalf². The survey was intended to go beyond assessing delivery to the letter of the Undertakings. In particular it focussed on how wholesale customers felt they were being treated as a customer of BT and included a view of delivery to the "spirit". The interviews were conducted during March and April, i.e. six months after the signing of the Undertakings. The main messages in this report are as follows:

- Not much has changed so far, but it is still early days.
- Openreach's management is enthusiastic, credible and approachable – however, Communications Providers' (CPs) views on whether it will be able to deliver on its promises were cautious and there was a concern that the organisation might fail them.

¹ http://www.ofcom.org.uk/consult/condocs/statement_tsr/statement.pdf

² <http://www.ofcom.org.uk/telecoms/btundertakings/otherdocs/surveyapr06/>

- Within Openreach, there have been several teething problems related to the complexity of the restructuring involved in setting up the organisation, particularly account management, service delivery and EMP progress.
- Whilst most of Openreach's customers appreciate that the pace of change has been such that there were bound to be teething problems, many stressed that the honeymoon period is now ending and that they required significant improvements within the next six to twelve months. Priorities include scaling up staffing and ensuring basic service delivery.
- The level of trust in BT Wholesale is lower than that for Openreach, and there is a particular concern over the 21CN consultation process.
- The majority of respondents outside BT felt that Ofcom should remain closely involved in the implementation of the Undertakings and the 21CN debate.

On Friday 28 April BT published its quarterly set of product key performance indicators. Included within that is a set of product KPIs, intended to compare product performance between BT's external and internal customers.

More information on progress on implementation of the Undertakings is available on the Ofcom website at: <http://www.ofcom.org.uk/telecoms/btundertakings/> and on the BT website at: <http://www.tsrbulletin.com/>

Should you wish to discuss this report, or have comments on it, please contact Graeme Hodgson on 020 7783 4417 or via email to: graeme.hodgson@ofcom.org.uk

Organisation and governance

Category	Activity since February	Outstanding commitments	Outstanding risks/issues
<p>Establishment of Openreach</p> <p>Sections: 5.1-5.4, 5.9, 5.12-5.14, 5.23-5.26, 5.29, 5.48</p> <p>Primary owner: Openreach</p>	<ul style="list-style-type: none"> On 21 February, BT sent a letter to Ofcom, outlining its opinion that it had complied with section 5.2 of the Undertakings, requiring that BT satisfy Ofcom within five months of the signing of the Undertakings that Openreach was established in line with section 5.1 within four months³. On 22 February Ofcom replied expressing satisfaction with the establishment of Openreach⁴. An issue was raised with the size of the BT logo on the Openreach staff ID card relative to the size of the Openreach logo. Openreach has proposed an amended ID card, to be introduced as new cards are required. 	<ul style="list-style-type: none"> BT has undertaken to provide particular products in accordance with provisions laid out in the Undertakings. This includes certain products which may be provided in the future. BT has undertaken for Openreach to control and operate the assets contained within the Physical Layer of BT's Access Network and Backhaul Network. BT has undertaken for Openreach not to control or operate the assets contained within the Transmission Layer of BT's Access Network and Backhaul Network. BT has undertaken to progressively re-brand certain items, e.g. its fleet of vehicles that will be used by Openreach employees. 	<ul style="list-style-type: none"> No outstanding issues.
<p>Joint use of field engineers by Openreach and BT Wholesale</p> <p>Sections: 5.15</p> <p>Primary owner: Openreach / BT Wholesale</p>	<ul style="list-style-type: none"> BT Wholesale has agreed a number of engineers, currently ca. 50-60, that will operate under 5.15. 	<ul style="list-style-type: none"> In relation to particular geographical areas, Openreach and BT Wholesale may agree from time to time that each can undertake activities on behalf of the other subject to a maximum of 250 field engineers at any one time unless agreed with Ofcom. 	<ul style="list-style-type: none"> None identified so far.
<p>Re-allocation of staff or equipment</p>	<ul style="list-style-type: none"> No activity to date. 	<ul style="list-style-type: none"> Assets and staff can be re-allocated within the BT Group from Openreach 	<ul style="list-style-type: none"> None identified so far.

³ http://www.ofcom.org.uk/telecoms/btundertakings/otherdocs/bt_section5.2

⁴ http://www.ofcom.org.uk/telecoms/btundertakings/otherdocs/ofcom_btresponse

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<p>Sections: 5.20, 5.21</p> <p>Primary owner: Openreach</p>		<p>should they no longer be used in connection with an SMP product.</p>	
<p>Openreach management board terms of reference</p> <p>Sections: 5.27</p> <p>Primary owner: Openreach</p>	<ul style="list-style-type: none"> No significant progress to report in this quarter. 	<ul style="list-style-type: none"> BT has undertaken to operate Openreach in line with the Undertakings and to terms of reference agreed with the BT Group plc CEO following consultation with Ofcom. 	<ul style="list-style-type: none"> None identified so far.
<p>Openreach on-going operations</p> <p>Sections: 5.33-5.37, 5.42, 5.44, 5.45-5.47</p> <p>Primary owner: Openreach</p>	<ul style="list-style-type: none"> Ofcom, in its letter to BT on the establishment of Openreach on 22 February, highlighted concerns over the ongoing functioning of the account management function (referred to by Openreach as CBM – customer business management). Steve Robertson, CEO of Openreach, committed to fill 50% of the CBM function by the end of March, and the remainder rapidly thereafter. At 30 March, Ofcom understands that Openreach had filled 29 of 54 FTE positions. Openreach has been monitoring the performance of the roll-out of the Openreach brand. In March, prompted awareness of Openreach was 12% among consumers and 27% among 	<ul style="list-style-type: none"> BT has undertaken that none of the Openreach employees as identified in 5.14 will work for other BT downstream or upstream divisions. (5.35) BT has undertaken to develop new incentive remuneration plans for Openreach employees that are based on Openreach’s performance. (anticipated by summer 2006) (5.36, 5.37) BT has undertaken that Openreach may use BT centres of excellence subject to the commercial information provisions of the Undertakings. (5.42) BT has undertaken to a number of systems changes leading up to physical separation of Openreach’s systems from the rest of BT systems. (Regular progress review with Ofcom; MIS partition by 	<ul style="list-style-type: none"> Several CPs raised concerns over the CBM function, particularly the time taken to appoint account managers. Problems with BES delivery quality (itself not an Undertakings commitment) have brought to light potential concerns over inter-working arrangements between Openreach and BT Wholesale. Ofcom understands that the EAO is carrying out a review of the operation of Openreach.

⁵ <http://www.ofcom.org.uk/telecoms/btundertakings/otherdocs/>

⁶ http://www.ofcom.org.uk/telecoms/btundertakings/exemptionsandvariations/sections533534_1.pdf

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	<p>businesspeople. Confidence in allowing an Openreach engineer into premises was 35% and 41% respectively.</p> <ul style="list-style-type: none"> • Ofcom was concerned about employees of Openreach and/or BTW-CNS participating in BT's Regional Boards. BT has agreed to restructure its boards to exclude such employees and has committed to do so by 31 July 2006 at the latest.⁵ • The Undertakings required Openreach to offer certain specified products on an Eol basis (e.g. WLR, SMPF, WES, BES). It also required that Openreach not provide any product/input/service into other parts of BT that was not available to other CPs, unless specifically agreed by Ofcom. These products are covered by 5.46 and require BT to request specific exemptions from Ofcom. BT has requested a number of exemptions under 5.46 and also under other sections. Ofcom plans to publish a document regarding certain of these requests shortly. • On 23 March, Ofcom published a letter agreeing to BT's proposal that Openreach's headquarters management team should be located at premises within the Mayfair telephone exchange⁶. 	<p>22/9/06). (5.44, 5.45)</p> <ul style="list-style-type: none"> • BT has undertaken to supply a number of products and services through Openreach. (5.46) • BT has undertaken that it expects that Openreach will be the primary channel to market for Openreach's portfolio of products. (5.47) 	
<p>Influence of commercial policy and information flows</p> <p>Sections: 5.38-5.41, 5.43</p>	<ul style="list-style-type: none"> • Ofcom understands that mechanisms established during the creation of Openreach will continue to be used. 	<ul style="list-style-type: none"> • BT has undertaken to maintain the confidentiality of Openreach and Openreach customer information and commercial policy. (5.38, 5.39, 5.41, 5.43) 	<ul style="list-style-type: none"> • None identified so far.

Category	Activity since February	Outstanding commitments	Outstanding risks/issues
<p>Primary owner: Openreach</p>		<ul style="list-style-type: none"> BT has undertaken that Openreach may not influence the commercial policy of other upstream or downstream divisions of BT except through standard mechanisms. (5.40) 	
<p>Accounting Sections: 5.28, 5.30-5.32 Primary owner: Openreach</p>	<ul style="list-style-type: none"> Following a review of how it meets its financial reporting obligations (triggered in part by the new regulatory environment post Openreach), BT has made a series of proposals for consideration by Ofcom. These proposals will be assessed against the relevant obligations as part of a two stage consultation process starting with publication of a consultation document on 3 May⁷. In BT Group's next quarterly accounts for Q1 FY06/07, Openreach will be reported separately. 	<ul style="list-style-type: none"> BT has undertaken to develop an accounting and trading model for Openreach as prescribed in the Undertakings with effect for financial year 2006/07. Following publication of the 3 May consultation, Ofcom will now push for closer engagement with BT, in order better to understand progress on these matters and the issues being addressed. 	<ul style="list-style-type: none"> Ofcom remains concerned over visibility on what BT is doing in respect of new internal controls and the new accounting and trading model for Openreach.
<p>Organisational changes in BT Wholesale Sections: 6.1-6.15, 20.5, Annex 2, Annex 3 Primary owner: BT Wholesale</p>	<ul style="list-style-type: none"> Following concerns raised by industry, the EAB commissioned the EAO to conduct a review of the Chinese Walls controls in BT Wholesale. The EAO concluded that the necessary governance for the effective implementation of these controls was in place; the EAO is continuing to monitor this. 	<ul style="list-style-type: none"> BT has undertaken to develop new incentive remuneration plans for BTWS employees and the BT Executive Board member responsible for BTWS that are aligned with BTWS's objectives. (anticipated by summer 2006) BT has undertaken to a number of commitments in relation to the process for developing new products and allocating capital expenditure to ensure no material competitive disadvantage. BT has undertaken to a number of 	<ul style="list-style-type: none"> Ofcom will seek feedback from the EAO / EAB on the continuing operation of Chinese Walls provisions

⁷ http://www.ofcom.org.uk/consult/condocs/reg_bt/

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		<p>changes to BTWS and BTS management information systems to ensure that the commercial information within them is not available to BT employees working for downstream divisions and that the customer confidential information within BTWS' systems do not disclose such information to BT employees working for BTS. (as soon as reasonably practical)</p>	
<p>Separation between BT Wholesale and BT Retail / BT Global Services</p> <p>Sections: 8.1-8.7, 20.5</p> <p>Primary owner: BT Group and BT Wholesale</p>	<ul style="list-style-type: none"> • BT's downstream divisions have continued to consult with customers over account management organisation • BT's downstream divisions have been active in the standard SoR process. 	<ul style="list-style-type: none"> • BT has undertaken to maintain an organisational separation between its upstream and downstream divisions. • BT has undertaken to allow a CP to be account managed from either upstream or downstream divisions according to their choice and without disadvantage. • BT has undertaken to maintain the separation of customer confidential information between upstream and downstream divisions. • BT has undertaken to ensure that employees working for the downstream divisions cannot unduly influence the commercial policy of BTWS or BTS except through standard processes. • BT has undertaken to operate a SoR process that can be used by downstream divisions and other CPs to request changes to SMP products or BTS products. 	<ul style="list-style-type: none"> • None identified so far.
<p>BT Northern Ireland</p> <p>Sections: 1.2, 5.22, 9.2.2,</p>	<ul style="list-style-type: none"> • BT has set up a BT Northern Ireland Regulatory Compliance Committee, which held its first meeting in April. 	<ul style="list-style-type: none"> • BT has undertaken to also supply products offered by Openreach in Northern Ireland but in accordance with 	<ul style="list-style-type: none"> • None identified so far.

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13.1-13.4 Primary owner: BTNI		section 13.1-13.4 of the Undertakings.	
Code of practice Sections: 9.1-9.5 Primary owner: BT Group	<ul style="list-style-type: none"> BT is continuing to implement a combination of telephone-based and computer-based training for its employees on the new code of practice. At 31 March, 97% of BT managers and 89% of team members had taken this training. 	<ul style="list-style-type: none"> BT has undertaken to implement a briefing and training programme to ensure that BT employees are aware of their responsibilities in complying with the Undertakings. 	<ul style="list-style-type: none"> None identified so far.
EAB and EAO Sections: 10.1-10.37 Primary owner: BT Group	<ul style="list-style-type: none"> The EAB has now held seven meetings, and has provided the minutes of those meetings to Ofcom. An overview of recent EAB activity is published on BT's website⁸. The EAO has published guidelines for how it will handle complaints⁹. The EAB has selected PricewaterhouseCoopers to carry out the audit of its annual report, which will be published as part of BT's annual Regulatory Compliance report, to be published before the end of June. The EAB briefed Ofcom on its annual report to Ofcom on 17 May. 	<ul style="list-style-type: none"> BT has undertaken to set up the EAO with sufficient resources and access to information to be able to support the work of the EAB. BT has undertaken that the EAO will publish guidelines on how it will deal with complaints from Communications Providers. BT has undertaken to develop a range of relevant KPIs against which the EAB will review BT's performance in complying with the Undertakings. BT has undertaken that the EAB will conduct an annual review of compliance with the Undertakings. 	<ul style="list-style-type: none"> None identified so far.
Contract Management Mechanism	<ul style="list-style-type: none"> A Contract Management Mechanism was agreed between BT and certain CPs, effective from 22 March, to deal with 	<ul style="list-style-type: none"> No specific items currently identified. 	<ul style="list-style-type: none"> Some CPs felt that the structure of the mechanism would not be as effective as

⁸ <http://www.btplc.com/Thegroup/Theboard/Boardcommittees/EqualityofAccessBoard/overview-summary.htm>

⁹ <http://www.btplc.com/Thegroup/Theboard/Boardcommittees/EqualityofAccessBoard/EAOcomplaintsguidance.htm>

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<p>Section: 12.1</p> <p>Primary owner: BT Wholesale</p>	<p>issues surrounding terms and conditions relating to SMP Products.</p> <ul style="list-style-type: none"> The Contracts Management Mechanism is explained on Openreach's website¹⁰. 		<p>they had hoped for.</p> <ul style="list-style-type: none"> In response to this BT and CPs have agreed to a review with Ofcom in nine months to assess how effective the scheme has been and, if appropriate, adjust the approach.

Products, systems and processes

Category	Activity since February	Outstanding commitments	Outstanding risks/issues
<p>DataStream</p> <p>Sections: 4.1</p> <p>Primary owner: BTWS</p>	<ul style="list-style-type: none"> BT re-issued the Datastream transparency documentation on 3 April 2006¹¹. 	<ul style="list-style-type: none"> BT has stated that the transparency documentation will be updated as required. 	<ul style="list-style-type: none"> None identified so far.
<p>IPStream</p> <p>Sections: 3.1.1g, 3.1.2d, Annex 1, para. 7</p> <p>Primary owner: BTS and</p>	<ul style="list-style-type: none"> Discussions are in progress between BT and Ofcom with regard to a variant of IPStream which would provide a common Eol product for both the Central and Central Plus products. This would ensure that all IPStream customers have as a base input the same product delivered on 	<ul style="list-style-type: none"> BT has undertaken to complete migration of its installed base. (by 31/12/06) 	<ul style="list-style-type: none"> Ofcom expressed concern in February regarding the implementation of Eol for IPStream BT has stated to Ofcom that their undertaking to be RFS

¹⁰ <http://www.openreach.co.uk/orpg/products/cmm.do>

¹¹ *BT DataStream ADSL and BT's Internal Arrangements for Network Access*, Issue 3, Date 3 April 2006
http://www.btwholesale.com/content/binaries/service_and_support/contractual_information/docs/datastream/bt_networkaccess_datastream_issue3.pdf and
BT DataStream and BT's Internal Arrangements for Network Access in Relation to BT IPStream ADSL Virtual Paths, Issue 3, Date 3 April 2006
http://www.btwholesale.com/content/binaries/service_and_support/contractual_information/docs/datastream/bt_networkaccess_datastream_ipstream_vp_issue3.pdf

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<p>BT Retail</p>	<p>an Eol basis.</p> <ul style="list-style-type: none"> Ofcom expects to receive further information from BT in June. 		<p>Eol on IPStream by 31 December 2005 was dependent on the application of it to IPStream/Central Plus and that the development of a product common to all IPStream variants is part of its 21CN development plans. Ofcom is concerned, however, that whilst BT is unable to state when such a 21CN product might be generally available it is important to pursue a common product on the current platform.</p>
<p>WLR</p> <p>Sections: 3.1.1a-c, 3.1.2e, 3.1.3, 3.1.4, 3.2.1, 3.6.1, 3.6.2, Annex 1 para. 1-3</p> <p>Primary owner: Openreach</p>	<ul style="list-style-type: none"> Openreach is continuing discussions with other CPs with respect to development of the WLR3 product. The last WLR industry working group signed off the specification for WLR3 (which is intended to deliver Eol in December 2006). Development of the platform to support WLR3 on an Eol basis is underway. 	<ul style="list-style-type: none"> BT has undertaken to be RFS for analogue WLR on 30/6/07. If BT, through matters under its control, does not achieve an RFS date for Eol for analogue WLR of 31/12/06 then it has undertaken to provide an allowance per line to CPs for each month until RFS Eol is achieved or 30/6/07, whichever is the earlier. BT has undertaken to complete migration of the installed base in stages. (analogue: 30% by 30/6/08; 70% by 30/6/09; complete by 30/6/10 ISDN2: complete by 31/3/09 ISDN30: complete by 31/12/09) 	<ul style="list-style-type: none"> Given the slippages to the EMP1 and EMP2 platforms there is concern over the ability of Openreach to deliver a platform for WLR3 in December 2006 as planned. Some CPs have expressed concern over the level of influence they have had on the WLR3 specification.

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<p>CPS</p> <p>Sections: 4.1</p> <p>Primary owner: BTWS</p>	<ul style="list-style-type: none"> The internal reference offer is available from the BT Wholesale website¹². This has not been re-issued since publication on 22 December 05. 	<ul style="list-style-type: none"> BT is continuing discussions with other CPs with respect to CPS transparency and the information it has provided. It has stated that the transparency documentation will be updated as required. 	<ul style="list-style-type: none"> Ofcom is aware that some CPs have indicated that the document does not provide as much detail as they would like with respect to some internal charging structures.
<p>MPF and SMPF</p> <p>Sections: 3.1.1e-f, 3.2.2, Annex 1 para. 5-6, 11</p> <p>Primary owner: Openreach</p>	<ul style="list-style-type: none"> Delivery of the EMP phase 1 (EMP1) system for support of SMPF was delayed from mid-February 2006 to mid-March 2006. Openreach has been re-evaluating the plan for EMP phase 2 (EMP2) delivery planned for 30th June. Based on this Openreach has slipped some functionality that had previously been planned into the next EMP release and has also accelerated the testing programme in order to be able to meet the end of June date. Openreach and CPs have now agreed that EMP1 has now left pilot stage and will be in production. A number of new initiatives have been put in place to expedite delivery. These include: testing by an independent external third party; the assignment of dedicated Openreach staff to each CP to ensure smooth progress through their testing and pilot; and addressing the lessons learnt from EMP1 in EMP2. Significant activity is still taking place 	<ul style="list-style-type: none"> BT has undertaken to deliver EoI on MPF with RFS by 30/6/06 and IBMC by 31/12/06. If BT, through matters under its control, does not achieve an RFS date for EoI for MPF and SMPF of 30/6/06 then it has undertaken to provide an allowance per line to CPs for each month from 1/7/06 until RFS EoI is achieved. 	<ul style="list-style-type: none"> LLUOs were initially not confident that Openreach would deliver on time and to required quality although a subsequent update has increased their confidence of an on-time on-quality delivery. However, the LLUOs still consider the plan to be risky. The Telecoms Adjudicator has expressed some significant concerns over the delivery of the system, in the monthly reports available here: http://www.offta.org.uk/monthly.htm

¹² *Narrowband SMP services and BT's internal arrangements for network access*, Date 22 December 2005
http://www.btwholesale.com/content/binaries/service_and_support/contractual_information/docs/nsia/Narrowband_IRO_Issue_22-12-05.doc

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	<p>between LLUOs, Openreach, OTA and Ofcom to ensure that remaining concerns areas are addressed and clarified quickly.</p> <ul style="list-style-type: none"> Further information on progress is available on the website of the Office of the Telecommunications Adjudicator (http://www.offta.org.uk/). 		
<p>WES</p> <p>Sections: 3.1.1d, Annex 1 para. 4</p> <p>Primary owner: Openreach</p>	<ul style="list-style-type: none"> Openreach is continuing development of the EoI WES product and plans to launch this on the EMP3 platform. 	<ul style="list-style-type: none"> BT has undertaken to deliver EoI on WES with RFS by 30/9/06 and IBMC (for relevant retail Ethernet LAN extension service) by 31/3/07. 	<ul style="list-style-type: none"> Ofcom is aware that some CPs are feeling frustrated over the level of engagement with Openreach on this product and do not have sufficient visibility of product specifications to facilitate their own planning. Given the slippages to the EMP1 and EMP2 platforms there is concern over the ability of Openreach to deliver the EMP3 platform for WES in Sep 2006 as planned.
<p>BES</p> <p>Sections: 3.1.1h, 5.10, 5.16-5.19, Annex 1 para. 8</p> <p>Primary owner: Openreach</p>	<ul style="list-style-type: none"> Openreach is continuing development of the EoI BES product. 	<ul style="list-style-type: none"> BT has undertaken to deliver EoI on BES with RFS by 30/9/06. 	<ul style="list-style-type: none"> Ofcom is aware that some CPs are feeling frustrated over the level of engagement with Openreach on this product and do not have sufficient visibility of product specifications to facilitate their own planning. Given the slippages to the EMP1 and EMP2 platforms there is concern over the ability of Openreach to

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			<ul style="list-style-type: none"> deliver a platform for BES in Sep 2006 as planned.
<p>TILLAP / TILLBP</p> <p>Sections: 4.2, 5.5-5.6, 5.10, 5.16-5.18</p> <p>Primary owner: Openreach</p>	<ul style="list-style-type: none"> Some CPs have indicated to Openreach their interest in TILLAP and TILLBP and discussions are in progress. 	<ul style="list-style-type: none"> BT has undertaken that Openreach will provide either or both TILLAP and TILLBP within a reasonable time of a request from a CP. 	<ul style="list-style-type: none"> Ofcom is aware of the concerns of some CPs that the costs of TILLAP/TILLBP will compare unfavourably with PPCs. It is Ofcom's view that the process of product definition should be allowed to run its course so that the issue can be examined once the costs are known.
<p>PPC</p> <p>Sections: 4.1</p> <p>Primary owner: BTWS</p>	<ul style="list-style-type: none"> The internal reference offer is available from the BT Wholesale website¹³. This has not been re-issued since publication on 19 December 05. 	<ul style="list-style-type: none"> BT is continuing discussions with other CPs with respect to PPC transparency and the information it has provided. It has stated that the transparency documentation will be updated as required. 	<ul style="list-style-type: none"> Ofcom remains concerned that some CPs feel that some important aspects of the use of comparable products are not described in BT's published documentation. Discussions are taking place between industry and BT to address their concerns but to date no updated document has been issued by BT.
<p>Wholesale extension service access product (WESAP)</p>	<ul style="list-style-type: none"> A number of discussions have taken place between Openreach, industry and Ofcom with respect to the WESAP product and possible variants of it. 	<ul style="list-style-type: none"> When, in the future, BT provides WESAP it has undertaken to do so on an EoI basis. 	<ul style="list-style-type: none"> Ofcom is aware that some CPs have concerns over the possible unavailability of the WES Through product as a direct replacement for the

¹³ Traditional PPCs and BT's internal arrangements for network access, Date 19 December 2005
http://www.btwholesale.com/content/binaries/service_and_support/contractual_information/docs/ppcoffer/PPCIRO_191205.pdf

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<p>Sections: 3.1.2a</p> <p>Primary owner: Openreach</p>			<p>current WES product (combining access and an element of backhaul) and the cost impact of WESAP + WESBP at sites with a low number of WESAP tails. Ofcom believes these concerns can be addressed as part of the product development process.</p>
<p>Wholesale extension service backhaul product (WESBP)</p> <p>Sections: 3.1.2b, 5.10, 5.16-5.18</p> <p>Primary owner: Openreach</p>	<ul style="list-style-type: none"> A number of discussions have taken place between Openreach, industry and Ofcom with respect to the WESBP product and possible variants of it. 	<ul style="list-style-type: none"> When, in the future, BT provides WESBP it has undertaken to do so on an Eol basis. 	<ul style="list-style-type: none"> As for WESAP, Ofcom is aware of CP concerns over the possible unavailability of WES Through. Ofcom is also aware that industry has requested a WES Aggregation product which can be employed between WESAP and WESBP.
<p>Wholesale end-to-end Ethernet service</p> <p>Sections: 3.1.2c</p> <p>Primary owner: Openreach</p>	<ul style="list-style-type: none"> Discussions are on-going between Openreach and other CPs as to whether WES (and, subsequently, WEES) circuits can be used for CP-to-CP connectivity. 	<ul style="list-style-type: none"> When, in the future, BT provides wholesale end-to-end Ethernet service it has undertaken to do so on an Eol basis. 	<ul style="list-style-type: none"> None identified so far.
<p>Equipment location</p> <p>Sections: 7.1-7.8, Annex 4</p>	<ul style="list-style-type: none"> Ofcom held a consultation into proposed changes to Section 7 with respect to concerns expressed by industry over the CPPUG. After consideration of the 	<ul style="list-style-type: none"> BT has undertaken to provide to other CPs the facility to occupy on reasonable commercial terms a CP operational area within any BT exchange for the purpose 	<ul style="list-style-type: none"> No further issues identified so far.

Category	Activity since February	Outstanding commitments	Outstanding risks/issues
<p>Primary owner: BT Wholesale / Openreach</p>	<p>responses to this consultation, Ofcom published a statement on 20 April¹⁴ varying Section 7 of the Undertakings (variation number 2).</p> <ul style="list-style-type: none"> • BT launched Netlocate on 16 March. • On 21 February, BT published a list of exchanges it intends to vacate. 	<p>of locating their own equipment (subject to certain constraints as detailed in 7.2). (by 22/3/06)</p> <ul style="list-style-type: none"> • BT has the right to amend the list of exchanges it intends to vacate once every six months thereafter and has undertaken to provide any amended list to Ofcom. 	
<p>Address matching</p> <p>Sections: 3.4</p> <p>Primary owner: BT Wholesale / Openreach</p>	<ul style="list-style-type: none"> • BT has committed to providing a bulk facility for address matching in June 2006. 	<ul style="list-style-type: none"> • See <i>Activity since February</i> column. 	<ul style="list-style-type: none"> • No further issues identified so far.
<p>Appointments book</p> <p>Sections: 3.5</p> <p>Primary owner: BT Wholesale / Openreach</p>	<ul style="list-style-type: none"> • No significant progress to report in this quarter. 	<ul style="list-style-type: none"> • BT has undertaken to provide improved access to engineering appointment books. (by 1/7/06) 	<ul style="list-style-type: none"> • None identified so far.
<p>Migrations</p> <p>Sections: 3.7-3.8</p> <p>Primary owner: BT Wholesale / Openreach</p>	<ul style="list-style-type: none"> • No significant progress related to the Undertakings to report in this quarter. 	<ul style="list-style-type: none"> • BT has undertaken to work with CPs to develop an agreed migration process for the migration of end users to the relevant Eol product. 	<ul style="list-style-type: none"> • None identified so far.

¹⁴ *Amendments to section 7 (equipment location) of the Enterprise Act Undertakings given by BT to Ofcom, Date 20 April 2006*
<http://www.ofcom.org.uk/telecoms/btundertakings/exemptionsandvariations/amendsec7.pdf>

Category	Activity since February	Outstanding commitments	Outstanding risks/issues
<p>Network access provision by AS</p> <p>Sections: 5.8</p> <p>Primary owner: Openreach</p>	<ul style="list-style-type: none"> No activity to date. 	<ul style="list-style-type: none"> If required by Ofcom, BT has undertaken to provide through Openreach any new form of network access which BT is obliged to supply as a result of a market review subject to the constraints in 5.8. 	<ul style="list-style-type: none"> None identified so far.
<p>Requests for new non-SMP products from Openreach</p> <p>Sections: 5.11</p> <p>Primary owner: Openreach</p>	<ul style="list-style-type: none"> No activity to date. 	<ul style="list-style-type: none"> BT has undertaken to use the SOR process, under EAB oversight, in handling requests for new, non-SMP products. 	<ul style="list-style-type: none"> None identified so far.
<p>General</p> <p>Sections: 3.3</p> <p>Primary owner: BT</p>	<ul style="list-style-type: none"> Some of BT's Undertakings relate to products not specifically mentioned within the Undertakings but which may be subject to agreements between BT and Ofcom. 	<ul style="list-style-type: none"> No specific items currently identified. 	<ul style="list-style-type: none"> None identified so far.

21CN

Category	Activity to date	Outstanding commitments	Outstanding risks/issues
<p>MSAN-based NGN network access provision by Openreach</p> <p>Sections: 5.7</p>	<ul style="list-style-type: none"> No activity to date. 	<ul style="list-style-type: none"> BT has undertaken to provide any network access product (including any relevant handover product) provided via a MSAN without network layer functionality, and in a market in which BT is determined to have SMP, through Openreach. 	<ul style="list-style-type: none"> None identified so far.

Category	Activity to date	Outstanding commitments	Outstanding risks/issues
Primary owner: Openreach			
<p>No foreclosure of network access</p> <p>Sections: 11.1-11.4</p> <p>Primary owner: BT Wholesale</p>	<ul style="list-style-type: none"> BT is continuing to engage with industry via its Consult21 process. BT provided an updated 21CN migration plan to members of Consult21 on 5 May. 	<ul style="list-style-type: none"> BT has undertaken to continue to consult with industry (e.g. via the Consult21 process) on the design of BT's NGN to ensure there is no foreclosure of network access and that the views of other CPs are taken into account. Whilst constructing its NGN BT has undertaken not to make any network design decisions on network architecture the effect of which would be to prevent the provision of network access as described in section 11.1 to other CPs, without first formally consulting with other CPs. If such consultations suggest that demand may exist for a specific form of network access, BT has undertaken to enter into commercial negotiations with those CPs interested in such network access and will continue such negotiations for a period of up to three months, during which period BT will not implement any such design decisions to its NGN which would prejudice the outcome of these negotiations, subject to the constraints of 11.4. 	<ul style="list-style-type: none"> None identified so far.
<p>Charges based on efficient design; and</p> <p>Provision of network access on an Eol basis</p> <p>Sections: 11.5-11.9</p>	<ul style="list-style-type: none"> Ofcom is aware that discussions are underway between BT and other CPs as to what access products (including interconnection products) BT expects to provide over its NGN. BT's work to date has focused on the provision of continuity of some existing products. 	<ul style="list-style-type: none"> Determine efficient costs for access provided via BT's NGN where such access is required to be on a cost-orientated basis by an SMP condition. 	<ul style="list-style-type: none"> Ofcom is aware that some CPs are concerned over the Consult 21 process and the level of influence they have over it. Ofcom believes that the active involvement of all CPs in Consult 21 but is aware that some CPs feel

Category	Activity to date	Outstanding commitments	Outstanding risks/issues
Primary owner: BT Wholesale			they are being overloaded. BT is continuing to try to improve the process to reduce this burden.
Provision of network access Sections: 11.10-11.11 Primary owner: BT Wholesale	<ul style="list-style-type: none"> No such products have been launched to date. 	<ul style="list-style-type: none"> Should BT launch any new downstream products based on network access in markets in which BT has SMP, or in which it may be expected to be found to have SMP, it must make available network access in a manner which allows other CPs to launch competing products at the same time. 	<ul style="list-style-type: none"> None identified so far.
Industry group Sections: 11.12-11.14 Primary owner: BT Wholesale	<ul style="list-style-type: none"> On 7 March 2006 Ofcom published its statement to its consultation into developing the regulatory framework for NGNs¹⁵. This statement proposed the establishment of a new industry body to consider a number of the issues around NGNs. This body, NGNUK, is in the process of establishment and further information can be found on its website at http://www.ngnuk.org.uk/. 	<ul style="list-style-type: none"> Once the scope of an appropriate Industry Group has been agreed BT has undertaken to participate within it. 	<ul style="list-style-type: none"> None identified so far.
Operational dispute adjudicator Sections: 11.15-11.17 Primary owner: BT	<ul style="list-style-type: none"> In its statement on developing the regulatory framework for NGNs (see previous entry), Ofcom stated: "Ofcom does not plan to establish a formal adjudication scheme at this stage, but will revisit this issue if a substantial volume of minor operational disputes arise". 	<ul style="list-style-type: none"> Should an operational dispute adjudicator be established BT has undertaken to participate in it. 	<ul style="list-style-type: none"> None identified so far.

¹⁵ *Next Generation Networks: Developing the regulatory framework*, Date 7 March 2006
<http://www.ofcom.org.uk/consult/condocs/nxgnfc/statement/ngnstatement.pdf>

Category	Activity to date	Outstanding commitments	Outstanding risks/issues
Compensation arrangements Sections: 11.18 Primary owner: BT	<ul style="list-style-type: none"> The impact on other CPs of BT's migration to its NGN is still being assessed as BT's plans progress. 	<ul style="list-style-type: none"> Once the impact on other CPs is understood any compensation arrangements necessary under these Undertakings can be quantified. 	<ul style="list-style-type: none"> None identified so far.
"Broadband dialtone" Sections: 11.19 Primary owner: BT	<ul style="list-style-type: none"> No activity to date. 	<ul style="list-style-type: none"> No CP should suffer a material competitive disadvantage to its products based on MPF or SMPF solely as a result of BT's software-controlled migration between products made possible by its NGN. 	<ul style="list-style-type: none"> None identified so far.
NGN implementation Sections: 11.20 Primary owner: BT	<ul style="list-style-type: none"> <i>Not applicable as this section relates only to the scope of sections 11.1 to 11.19.</i> 	<ul style="list-style-type: none"> <i>Not applicable.</i> 	<ul style="list-style-type: none"> <i>Not applicable.</i>

Enforcement

Category	Activity to date	Outstanding commitments	Outstanding risks/issues
Information requests and co-operation Sections: 14.1-14.2 Primary owner: Ofcom	<ul style="list-style-type: none"> To date no information requests related to compliance with the Undertakings have been sent by Ofcom to BT. 	<ul style="list-style-type: none"> No specific items currently identified. 	<ul style="list-style-type: none"> None identified so far.
Directions	<ul style="list-style-type: none"> To date no directions related to 	<ul style="list-style-type: none"> No specific items currently identified. 	<ul style="list-style-type: none"> None identified so far.

Category	Activity to date	Outstanding commitments	Outstanding risks/issues
Sections: 15.1-15.3 Primary owner: Ofcom	compliance with the Undertakings have been sent by Ofcom to BT.		
Agreements and consents Sections: 16.1-16.2, 20.4 Primary owner: Ofcom	<ul style="list-style-type: none"> BT has sent a number of requests for Ofcom's agreement. On those which have been agreed, the relevant correspondence is published at http://www.ofcom.org.uk/telecoms/btundertakings/. 	<ul style="list-style-type: none"> It is likely that through the course of the implementation of the Undertakings consents and/or agreements will be required and these will similarly be published. 	<ul style="list-style-type: none"> None identified so far.
Compliance with other legal requirements Sections: 17.1 Primary owner: BT	<ul style="list-style-type: none"> No specific activity related to the Undertakings is mandated by this section. 	<ul style="list-style-type: none"> No specific future activity related to the Undertakings as a result of this section of the Undertakings has been identified. 	<ul style="list-style-type: none"> None identified so far.
Variation Sections: 18.1 Primary owner: BT	<ul style="list-style-type: none"> On 31 March, Ofcom published a variation document¹⁶, including minor variations to sections 5.46.2, 5.37.2, 6.8.2, 10.27.2 and 10.29 (variation number 1). On 20 April, Ofcom published a variation document¹⁷, including variations to sections 2.1 and 7, all related to equipment location (variation number 2) 	<ul style="list-style-type: none"> No specific items currently identified. 	<ul style="list-style-type: none"> None identified so far.
Expiry and termination	<ul style="list-style-type: none"> The Undertakings have neither expired nor terminated. 	<ul style="list-style-type: none"> No activity currently anticipated. 	<ul style="list-style-type: none"> None identified so far.

¹⁶ <http://www.ofcom.org.uk/telecoms/btundertakings/exemptionsandvariations/variation1.pdf>

¹⁷ <http://www.ofcom.org.uk/telecoms/btundertakings/exemptionsandvariations/amendsec7.pdf>

Category	Activity to date	Outstanding commitments	Outstanding risks/issues
Sections: 19.1-19.4 Primary owner: BT			
General Sections: 20.1-20.4, 20.6-20.9 Primary owner: BT	<ul style="list-style-type: none"> • No relevant activity. 	<ul style="list-style-type: none"> • No activity currently anticipated. 	<ul style="list-style-type: none"> • None identified so far.

Annex 1

Milestones whose due date has passed

The following table lists milestones whose due date has passed, or which BT has delivered ahead of the due date, and upon which there are currently no significant open issues. Note that many of the Undertakings have both a one-time and an ongoing element and it is clearly only the one-time element which is relevant in this context.

Undertakings section	Description	Date due
5.24	Appointment of the CEO of AS (i.e. Openreach)	22 Oct 2005
4.1.1	Publication of transparency documentation for CPS, PPCs and DataStream	22 Dec 2005
7.1	Estimated space availability details	1 Nov 2005
3.4	Stand-alone address matching service available to CPs	1 Jan 2005
5.1	Establish AS (i.e. Openreach) in accordance with the undertakings	22 Jan 2006
5.27	Develop and operate AS Management Board to terms of reference	22 Jan 2006
5.38-5.41	Create and maintain Chinese Walls relating to information sharing and influence between Openreach and other parts of BT	22 Jan 2006
6.1	BT employees working for BTWS and BTS have responsibility and control over certain product management activities	22 Jan 2006
6.10	Create and maintain Chinese Walls relating to information sharing and influence between: BTWS and certain other parts of BT; and between BTS and certain other parts of BT; and between BT Wholesale and certain other parts of BT	22 Jan 2006
Annex 3	BTS to identify needs for leased line product by proactively consulting and engaging with its customers	22 Jan 2006
9.1	BT has undertaken to draw up and publish a code of practice for its employees.	22 Jan 2006
10.1	Establish the EAB	22 Mar 2006
5.33.1	AS headquarters team moved to access controlled accommodation	22 Mar 2006
7.2	Equipment location product available	22 Mar 2006
7.7	First vacation list provided	22 Mar 2006
12.1	Contracts Management Mechanism scheme in place	22 Mar 2006