
Wholesale Broadband Access Market Review 2018

Annex 1: Draft legal instruments

DRAFT STATEMENT ANNEX:

Publication Date: 21 June 2018

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A1. Draft legal instruments

DRAFT LEGAL INSTRUMENTS: PROPOSALS FOR SMP SERVICES CONDITIONS AND DIRECTIONS

NOTIFICATION OF PROPOSALS UNDER SECTIONS 48B, 49B AND 80B OF THE COMMUNICATIONS ACT 2003

Notification of proposals for the identification of markets, the making of market power determinations, the setting of SMP conditions and the giving of directions in relation to BT under sections 45 and 49 of the Communications Act 2003

Background

1. On 22 June 2017, Ofcom published a consultation entitled *Wholesale Broadband Access Market Review – Consultation on market definition, market power determinations and remedies*¹ (the “**2017 WBA Consultation**”). The 2017 WBA Consultation set out Ofcom’s proposals to identify two separate geographic markets in the United Kingdom (excluding the Hull Area) for the provision of wholesale broadband access:
 - a) wholesale broadband access provided in Market A, which related to the area covered by the BT exchanges set out at Appendix 1 to Annex 4 of the 2017 WBA Consultation; and
 - b) wholesale broadband access provided in Market B, which related to the area covered by the BT exchanges set out at Appendix 2 to Annex 4 of the 2017 WBA Consultation.
2. In the 2017 WBA Consultation Ofcom proposed to determine that BT had significant market power (**SMP**) in Market A and that no person had SMP in Market B. As a result of those proposed market power determinations, Ofcom proposed to set SMP conditions on BT in Market A under section 45 of the Act. Ofcom further proposed to give directions in relation to BT’s Regulatory Financial Reporting obligations under section 49 of the Act.
3. The proposed market power determinations, proposed SMP conditions and proposed directions are set out in the notifications under sections 48A, 49A and 80A of the Act at Annex 4 and Annex 5 of the 2017 WBA Consultation (the “**June 2017 Notifications**”). Ofcom invited responses to the 2017 WBA Consultation by 14 September 2017.
4. On 24 November 2017, Ofcom published a consultation entitled “Regulatory Financial Reporting: Consultation on proposed directions to BT arising from the Wholesale Local Access and Wholesale Broadband Access market reviews”² (“**2017 Regulatory Financial Reporting Consultation**”) which set out (among other things) Ofcom’s proposals for a further set of draft directions relating to BT’s Regulatory Financial Reporting obligations in

¹ Ofcom, *Wholesale Broadband Access Market Review*, June 2017, https://www.ofcom.org.uk/_data/assets/pdf_file/0013/103180/wba-consultation.pdf

² Ofcom, *Regulatory Financial Reporting*, November 2017 https://www.ofcom.org.uk/_data/assets/pdf_file/0022/108166/Regulatory-financial-reporting.pdf

relation to WBA Market A. Ofcom invited responses to the 2017 Regulatory Financial Reporting Consultation by 15 January 2018.

5. Copies of the 2017 WBA Consultation and 2017 Regulatory Financial Reporting Consultation (the “**Consultation Documents**”) were also sent to the Secretary of State in accordance with sections 48C(1), 49C(1) and 81(1) of the Act.
6. Ofcom received several responses to its proposals set out in the Consultation Documents, and it has considered every such representation. The Secretary of State has not notified Ofcom of any international obligations of the United Kingdom for the purposes of those proposals.
7. The proposals set out in the Consultation Documents contained proposals of EU significance for the purposes of the Act. Therefore, after making such modifications of the proposals that appeared to Ofcom to be appropriate following domestic consultation, on 21 June 2018 Ofcom sent a copy of its proposals, and a draft of the statement setting out the reasons for them, to the European Commission, BEREC and regulatory authorities of every other member state for EU consultation, in accordance with sections 48B(2), 49B(2) and 80B(2) of the Act.

Proposals for market identifications and market power determinations in relation to the United Kingdom excluding the Hull Area

8. Ofcom is proposing to identify the following markets for the purpose of making market power determinations in relation to those identified markets:
 - (a) wholesale broadband access provided at a fixed location in Market A, which relates to the area covered by the BT exchanges set out at Appendix 1 to this notification (which excludes the Hull Area); and
 - (b) wholesale broadband access provided at a fixed location in Market B, which relates to the area covered by the BT exchanges set out at Appendix 2 to this notification (which excludes the Hull Area).
9. Ofcom is proposing to determine that BT has significant market power in relation to the market set out in paragraph 8(a).
10. Ofcom is proposing to determine that no person has significant market power in the market identified in paragraph 8(b).

Proposals to set and apply, and revoke SMP services conditions

11. Ofcom is proposing to set, in relation to the services market referred to in paragraph 8(a) above, the SMP conditions set out in Schedule 1 to this notification to be applied to BT to the extent specified in that Schedule, which SMP conditions shall, unless otherwise stated in that Schedule, take effect from date specified in any notification under sections 48(1) and 79(4) of the Act adopting the proposals set out in this Notification.
12. Ofcom is (to the extent still extant) proposing to revoke the SMP conditions applied to BT as set out at Schedule 1 of Annex 2 of the 2014 WBA Statement, in so far as they apply to the market referred to in paragraph 8(a) above on the date specified in any notification under sections 48(1) and 79(4) of the Act adopting the proposals set out in this Notification.

Section 16 of the Interpretation Act 1978 shall apply as if this revocation were a repeal of an enactment by an Act of Parliament.

Proposals to give directions

13. Ofcom is proposing, in accordance with section 49 of the Act, and pursuant to proposed Condition 7.4, to give directions in relation to BT's Regulatory Financial Reporting obligations, specifically directions:
 - specifying the Regulatory Accounting Principles;
 - specifying the requirements in relation to regulatory asset value;
 - specifying the transparency requirements for the purposes of preparing and maintaining the accounting records, the Accounting Methodology Documents and the Regulatory Financial Statements;
 - setting the requirements in relation to audit, form of the FPIA opinion and form of the PPIA opinion for the Regulatory Financial Statements;
 - setting the requirements in relation to the reconciliation report and accompanying audit opinion;
 - specifying network components; and
 - specifying the requirements in relation to preparation, delivery, publication, form and content of the Regulatory Financial Statements.
14. The proposed directions are set out in Schedule 2 to this Notification and, unless otherwise stated in that Schedule, it is proposed they shall take effect from date specified in any notification under sections 48(1) and 79(4) of the Act adopting the proposals set out in this Notification.

Ofcom's duties and legal tests

15. The effect of, and Ofcom's reasons for making, the proposals for identifying the markets, making the market power determinations, setting the SMP conditions and giving the directions referred to in this Notification are set out in the draft statement accompanying this Notification.
16. In making the proposals to identify and analyse the markets referred to in this Notification, and in considering whether to make the corresponding proposals set out in this Notification, Ofcom has, in accordance with section 79(2) and (3) of the Act, taken due account of all applicable guidelines and recommendations which have been issued or made by the European Commission in pursuance of the provisions of a European Union instrument, and which relate to market identification and analysis or the determination of what constitutes significant market power.
17. Ofcom considers that the proposed SMP conditions and proposed directions in the Schedules to this Notification comply with the requirements of sections 45 to 47, 49, 87 and 88 of the Act, as appropriate and relevant to each such SMP condition and direction.
18. In making all of the proposals referred to in this Notification, Ofcom has considered and acted in accordance with its general duties set out in section 3 of the Act and the six Community requirements in section 4 of the Act. In accordance with section 4A of the Act Ofcom has also taken due account of all applicable recommendations issued by the European Commission under Article 19(1) of the Framework Directive. Ofcom has also,

pursuant to Article 3(3) of Regulation (EC) No 1211/2009, taken utmost account of any relevant opinion, recommendation, guidelines, advice or regulatory practice adopted by the Body of European Regulators for Electronic Communications (BEREC).

Interpretation

19. For the purpose of interpreting this Notification (which for the avoidance of doubt includes the Schedules)—
 - (a) except in so far as the context otherwise requires, words or expressions have the meaning assigned to them in paragraph 20 below, and otherwise any word or expression has the same meaning as it has in the Act;
 - (b) headings and titles shall be disregarded;
 - (c) expressions cognate with those referred to in this Notification shall be construed accordingly; and
 - (d) the Interpretation Act 1978 (c. 30) shall apply as if this Notification were an Act of Parliament.

20. In this Notification:
 - (a) “**2017 WBA Consultation**” means the consultation described in paragraph 1 above;
 - (b) “**2017 Regulatory Financial Reporting Consultation**” means the statement described in paragraph 4 above;
 - (c) “**the Act**” means the Communications Act 2003 (c. 21);
 - (d) “**BT**” means British Telecommunications plc, whose registered company number is 1800000, and any of its subsidiaries or holding companies, or any subsidiary of such holding companies, all as defined by section 1159 of the Companies Act 2006;
 - (e) “**Consultation Documents**” means the 2017 WBA Consultation and the 2017 Regulatory Financial Reporting Consultation;
 - (f) “**Hull Area**” means the area defined as the 'Licensed Area' in the licence granted on 30 November 1987 by the Secretary of State under section 7 of the Telecommunications Act 1984 to Kingston upon Hull City Council and Kingston Communications (Hull) plc, (now known as KCOM);
 - (g) “**Framework Directive**” means Directive 2002/21/EC of the European Parliament and of the Council of 7 March 2002 on a common regulatory framework for electronic communications networks and services, as amended;
 - (h) “**June 2017 Notifications**” mean the notifications referred to at paragraph 3 above;
 - (i) “**Market A**” means the area covered by the BT exchanges set out at Appendix 1 to Schedule 1 of this notification;
 - (j) “**Market B**” means the area covered by the BT exchanges set out at Appendix 2 to Schedule 1 of to this notification;

- (k) “Ofcom” means the Office of Communications as established pursuant to section 1(1) of the Office of Communications Act 2002 (c.11);
- (l) “United Kingdom” has the meaning given to it in the Interpretation Act 1978 (c.30);
- (m) “Wholesale broadband access” means asymmetric broadband access and any backhaul as necessary to allow an interconnection with other telecoms providers, which provides an always-on capability and allows both voice and data services to be used simultaneously.

21. The Schedules to this Notification shall form part of this Notification.

Signed

[NAME]

Competition Policy Director, OFCOM

A person duly authorised in accordance with paragraph 18 of the Schedule to the Office of Communications Act 2002

[DATE]

Part 3: The SMP conditions

Condition 1 – Network access on reasonable request

- 1.1 Except in so far as Ofcom may from time to time otherwise consent in writing, the Dominant Provider must provide network access to a Third Party where that Third Party, in writing, reasonably requests it.
- 1.2 The provision of network access by the Dominant Provider in accordance with this Condition 1 must –
 - (a) take place as soon as reasonably practicable after receiving the request from a Third Party;
 - (b) be on:
 - (i) fair and reasonable terms, conditions and charges; and
 - (ii) be on such terms, conditions and charges as Ofcom may from time to time direct.
- 1.3 The provision of network access by the Dominant Provider in accordance with this Condition 1 must also include such associated facilities as are reasonably necessary for the provision of network access and such other entitlements as Ofcom may from time to time direct.
- 1.4 The Dominant Provider must comply with any direction Ofcom may make from time to time under this Condition 1.

Condition 2 – No undue discrimination

- 2.1 Except in so far as Ofcom may from time to time otherwise consent in writing, the Dominant Provider must not unduly discriminate against particular persons or against a particular description of persons, in relation to the provision of network access in accordance with Condition 1.
- 2.2 In this Condition 2, the Dominant Provider may be deemed to have shown undue discrimination if it unfairly favours to a material extent an activity carried on by it so as to place one or more Third Parties at a competitive disadvantage in relation to activities carried on by the Dominant Provider.

Condition 3 – Publication of a Reference Offer

- 3.1 Except in so far as Ofcom may from time to time otherwise consent in writing, the Dominant Provider must publish a Reference Offer in relation to the provision of network access pursuant to Condition 1 and act in the manner set out below.
- 3.2 Subject to Condition 3.8, the Dominant Provider must ensure that a Reference Offer in relation to the provision of network access pursuant to Condition 1 includes, where applicable, at least the following—
- (a) a description of the network access to be provided, including technical characteristics (which shall include information on network configuration where necessary to make effective use of network access);
 - (b) the locations at which network access will be provided;
 - (c) any relevant technical standards for network access (including any usage restrictions and other security issues);
 - (d) the conditions for access to ancillary, supplementary and advanced services (including operational support systems, information systems or databases for pre-ordering, provisioning, ordering, maintenance and repair requests and billing);
 - (e) any ordering and provisioning procedures;
 - (f) relevant charges, terms of payment and billing procedures;
 - (g) details of interoperability tests;
 - (h) details of maintenance and quality as follows—
 - (i) specific time scales for the acceptance or refusal of a request for supply and for completion, testing and hand-over or delivery of services and facilities, and for provision of support services (such as fault handling and repair);
 - (ii) service level commitments, namely the quality standards that each party must meet when performing its contractual obligations;
 - (iii) the amount of compensation payable by one party to another for failure to perform contractual commitments;
 - (iv) a definition and limitation of liability and indemnity; and
 - (v) procedures in the event of alterations being proposed to the service offerings, for example, launch of new services, changes to existing services or change to prices;
 - (i) details of any relevant intellectual property rights;
 - (j) a dispute resolution procedure to be used between the parties;

- (k) details of duration and renegotiation of agreements;
- (l) provisions regarding confidentiality of the agreements;
- (m) rules of allocation between the parties when supply is limited (for example, for the purpose of co-location or location of masts);
- (n) the standard terms and conditions for the provision of network access.

3.3 To the extent that the Dominant Provider provides to itself network access that—

- (a) is the same, similar or equivalent to that provided to any other Third Party; or
- (b) may be used for a purpose that is the same, similar or equivalent to that provided to any other Third Party,

in a manner that differs from that detailed in a Reference Offer in relation to network access provided to any Third Party, the Dominant Provider must ensure that it publishes a Reference Offer in relation to the network access that it provides to itself which includes, where relevant, at least those matters detailed in Condition 3.2(a) to (n).

3.4 The Dominant Provider must, on the date that this Condition 3 enters into force, publish a Reference Offer in relation to any network access that it is providing as at the date that this Condition enters into force.

3.5 The Dominant Provider must as soon, as reasonably practicable, update and publish the Reference Offer in relation to any amendments or in relation to any further network access provided after the date that this Condition 3 enters into force.

3.6 Publication referred to above shall be effected by the Dominant Provider placing a copy of the Reference Offer on any relevant website operated or controlled by the Dominant Provider.

3.7 The Dominant Provider must send a copy of the current version of the Reference Offer to any person at that person's written request (or such parts as have been requested).

3.8 The Dominant Provider must make such modifications to the Reference Offer as Ofcom may direct from time to time.

3.9 The Dominant Provider must provide network access at the charges, terms and conditions in the relevant Reference Offer and must not depart therefrom either directly or indirectly.

3.10 The Dominant Provider must comply with any direction Ofcom may make from time to time under this Condition 3.

Condition 4 – Notification of changes to charges and terms and conditions

- 4.1 Except in so far as Ofcom may from time to time otherwise consent in writing, the Dominant Provider must act in the manner set out in this Condition 4.
- 4.2 Where it proposes a WBA Access Change, the Dominant Provider must send to every person with whom it has entered into an Access Agreement pursuant to Condition 1, a WBA Access Change Notice.
- 4.3 The obligation in Condition 4.2 shall not apply where the WBA Access Change Notice is directed or determined by Ofcom (including pursuant to the setting of an SMP services condition under the power in section 45 of the Act) or required by a notification or enforcement notification issued by OFCOM under sections 96A or 96C of the Act.
- 4.4 A WBA Access Change Notice must be sent not less than 28 days before any such amendment comes into effect.
- 4.5 The Dominant Provider must ensure that a WBA Access Change Notice includes—
- (a) a description of the network access in question;
 - (b) a reference to the location in the Dominant Provider’s current Reference Offer of the terms and conditions associated with the provision of that network access;
 - (c) the current and proposed new charge and/or current and proposed new terms and conditions (as the case may be); and
 - (d) the date on which, or the period for which, the WBA Access Change will take effect (the “**effective date**”).
- 4.6 The Dominant Provider must not apply any WBA Access Change identified in a WBA Access Change Notice before the effective date.
- 4.7 To the extent that the Dominant Provider provides to itself network access that—
- (a) is the same, similar or equivalent to that provided to any Third Party; or
 - (b) may be used for a purpose that is the same, similar or equivalent to that provided to any Third Party,

in a manner that differs from that detailed in a WBA Access Change Notice in relation to network access provided to any Third Party, the Dominant Provider must ensure that it sends to Ofcom a notice in relation to the network access that it provides to itself which includes, where relevant, at least those matters detailed in Conditions 4.5(a) to (c) and, where the Dominant Provider amends the charges, terms and

conditions on which it provides itself with network access, it must ensure it sends to Ofcom a notice equivalent to a WBA Access Change Notice.

4.8 In this Condition 4:

- (a) **“WBA Access Change”** means any amendment to the charges, terms and conditions on which the Dominant Provider provides network access;
- (b) **“WBA Access Change Notice”** means a notice given by the Dominant Provider of a WBA Access Change.

Condition 5 – Notification of technical information

- 5.1 Except in so far as OFCOM may from time to time otherwise consent in writing, where the Dominant Provider provides network access pursuant to Condition 1 and proposes amended terms and conditions relating to the following—
- (a) technical characteristics (including information on network configuration, where necessary, to make effective use of the network access provided);
 - (b) the locations at which network access will be provided; or
 - (c) technical standards (including any usage restrictions and other security issues),
- the Dominant Provider must send to every person with whom it has entered into an Access Agreement pursuant to Condition 1, a written notice (the “**Notice**”) of the amended terms and conditions. The Dominant Provider must ensure that the Notice is provided within a reasonable period of time, and not less than 28 days, before the amended terms and conditions come into effect.
- 5.2 The obligation in Condition 5.1 shall not apply where the amended terms and conditions are directed or determined by Ofcom (including pursuant to the setting of an SMP services condition under the power in section 45 of the Act) or are required by a notification or enforcement notification issued by OFCOM under sections 96A or 96C of the Act.
- 5.3 The Dominant Provider must ensure that the Notice includes—
- (a) a description of the network access in question;
 - (b) a reference to the location in the Dominant Provider’s Reference Offer of the relevant terms and conditions;
 - (c) the date on which, or the period for which, any amendments to the relevant terms and conditions will take effect (the “**effective date**”).
- 5.4 The Dominant Provider must not apply any relevant new terms and conditions identified in the Notice before the effective date.
- 5.5 The Dominant Provider must also send a copy of the Notice to Ofcom.

Condition 6 – Quality of Service

- 6.1 The Dominant Provider must publish all such information as to the quality of service in relation to network access provided by the Dominant Provider pursuant to Condition 1, in such manner and form, and including such content, as Ofcom may from time to time direct.
- 6.2 The Dominant Provider must comply with any direction OFCOM may make from time to time under this Condition 6.

Condition 7 – Regulatory Financial Reporting

General requirements

- 7.1 The Dominant Provider must maintain a separation for accounting purposes between such different matters relating to network access to the relevant network or the availability of the relevant facilities, as required by Conditions 7.3 to 7.35 including as Ofcom may from time to time direct under those Conditions 7.3 to 7.35.
- 7.2 The Dominant Provider must comply with such rules made by Ofcom about the use of cost accounting systems as required by Conditions 7.3 to 7.35 and must comply with such requirements about the description to be made available to the public of the cost accounting system as required by Conditions 7.3 to 7.35 in each case including as Ofcom may from time to time direct under Conditions 7.3 to 7.35.
- 7.3 Except in so far as Ofcom may consent otherwise in writing, the Dominant Provider shall act in the manner set out in this Condition 7.
- 7.4 Ofcom may from time to time make such directions as they consider appropriate in relation to the Dominant Provider's obligations under this Condition 7.
- 7.5 The Dominant Provider shall comply with any direction Ofcom may make from time to time under this Condition 7.
- 7.6 Where the Dominant Provider is required to comply with:
- (i) this Condition 7; and
 - (ii) the Regulatory Accounting Principles,
- and it appears to the Dominant Provider that any of these requirements conflict with each other in a particular case, the Dominant Provider must resolve such conflict by giving priority to them in the order in which they are set out above.
- 7.7 For the purpose of this Condition 7, publication shall be effected by:
- (i) placing a copy of the relevant information on any relevant publicly available website operated or controlled by the Dominant Provider; and
 - (ii) sending a copy of the relevant information to any person at that person's written request.

Requirements relating to the preparation, audit, delivery and publication of the Regulatory Financial Statements

- 7.8 The Dominant Provider shall in respect of the Market, Technical Areas, Products, Network Components and Network Services (as applicable), for each Financial Year:

- (i) prepare such Regulatory Financial Statements as directed by Ofcom from time to time in accordance with this Condition 7, the Regulatory Accounting Principles and the Accounting Methodology Documents (the relevant Accounting Methodology Documents to be identified in the Regulatory Financial Statements by reference to their date);
 - (ii) prepare a reconciliation report as set out in Condition 7.23;
 - (iii) secure the expression of an audit opinion upon the Regulatory Financial Statements as notified by Ofcom from time to time and on the reconciliation report as set out in Condition 7.24;
 - (iv) secure the approval of the Regulatory Financial Statements by the board of directors of the Dominant Provider and secure the signature of the Regulatory Financial Statements by a director of the Dominant Provider for and on behalf of the board of directors;
 - (v) deliver to Ofcom copies of the Regulatory Financial Statements, the reconciliation report and any corresponding audit opinion, each and all of which shall be in the form in which they are ultimately to be published, at least two weeks before they are required to be published;
 - (vi) publish the Regulatory Financial Statements, the reconciliation report and any corresponding audit opinion, within four months after the end of the Financial Year to which they relate;
 - (vii) ensure that any Regulatory Financial Statement and corresponding audit opinion that it delivers to Ofcom and/or publishes are fit for such purpose (or purposes), if any, as notified by Ofcom in writing; and
 - (viii) publish with the Regulatory Financial Statements any written statement made by OFCOM and provided to the Dominant Provider commenting on the figures in, the notes to or the presentation of any or all of the Regulatory Financial Statements, the reconciliation report and/or the Accounting Methodology Documents.
- 7.9 The Dominant Provider shall make such amendments to the form and content of the Regulatory Financial Statements as are necessary to give effect fully to the requirements of this Condition 7. The Dominant Provider shall provide to Ofcom particulars of any such amendment, the reasons for it and its effect, when it delivers the Regulatory Financial Statements to Ofcom.
- 7.10 The Dominant Provider shall prepare all Regulatory Financial Statements, explanations or other information required by virtue of this Condition 7 on a regulatory asset value adjusted current cost basis as directed by Ofcom from time to time and shall be capable of doing so in relation to any period. Such Regulatory Financial Statements, explanations or other information shall be, in the opinion of Ofcom, meaningfully reconcilable to the Statutory Financial Statements.
- 7.11 Each Regulatory Financial Statement shall include Prior Year Comparatives which shall be prepared on a basis consistent with Current Year Figures. The Dominant Provider may depart

from this requirement in preparing the Regulatory Financial Statements for a Financial Year if there are reasons for doing so provided that the particulars of the departure, the reasons for it and its effect are stated in a note in the Regulatory Financial Statements in accordance with the Statutory Accounting Standards.

Requirements relating to audit of the Regulatory Financial Statements

- 7.12 The Regulatory Auditor that the Dominant Provider from time to time appoints shall at all times be satisfactory to Ofcom having regard to such matters as Ofcom consider appropriate. The Dominant Provider shall notify Ofcom in writing of the Regulatory Auditor appointed to secure compliance with this Condition 7 before the Regulatory Auditor carries out any work for that purpose. The Dominant Provider shall notify Ofcom of any proposed change of Regulatory Auditor 28 days before effect is given to that change.
- 7.13 In the event that the Regulatory Auditor is in the opinion of Ofcom unsatisfactory, the Dominant Provider shall appoint and instruct an Alternative Regulatory Auditor that is at all times satisfactory to Ofcom having regard to such matters as Ofcom consider appropriate. The Dominant Provider shall ensure that the Alternative Regulatory Auditor:
- (i) carries out such on-going duties as are required to secure compliance with this Condition 7;
 - (ii) carries out work or further work, in addition to that performed by the Statutory Auditor and/or by the former Regulatory Auditor, in relation to such matters connected to compliance with these conditions as are of concern to Ofcom and notified to the Dominant Provider in writing; and/or
 - (iii) re-performs work previously performed by the Statutory Auditor and/or by the former Regulatory Auditor in relation to such matters connected to compliance with this condition as are of concern to Ofcom and notified to the Dominant Provider in writing.
- 7.14 The Dominant Provider shall extend to the Alternative Regulatory Auditor such assistance and co-operation as would be extended to the Statutory Auditor and/or to the Regulatory Auditor and, to the extent similar assistance and co-operation may be required from the Statutory Auditor and/or from the former Regulatory Auditor, the Dominant Provider shall use its best endeavours to secure such assistance and co-operation.
- 7.15 The Dominant Provider's letter of engagement appointing the Regulatory Auditor or Alternative Regulatory Auditor shall include such provisions acknowledging the acceptance by the Regulatory Auditor or Alternative Regulatory Auditor of duties and responsibilities to Ofcom in respect of its audit work, audit report and audit opinion as are consistent with the ICAEW Guidance.
- 7.16 The Dominant Provider shall use its best endeavours to obtain from the Regulatory Auditor or Alternative Regulatory Auditor any further explanation and clarification of any audit

opinion required under this Condition 7 and any other information in respect of the matters which are the subject of that audit opinion as Ofcom shall require.

- 7.17 The Dominant Provider shall obtain such assurance statement in the form of the Agreed Upon Procedures in relation to the Dominant Provider's obligations under this Condition 7 as directed by Ofcom.

Requirements relating to the Accounting Methodology Documents

- 7.18 The Dominant Provider must prepare, maintain and keep up-to-date the Accounting Methodology Documents in accordance with this Condition 7 and with the Regulatory Accounting Principles.
- 7.19 The Dominant Provider must include in the Accounting Methodology Documents documentation setting out a description of each of the Attribution Methods, the Transfer Charge System Methodology, the Accounting Policies and the Long Run Incremental Cost Methodology.
- 7.20 The Dominant Provider must deliver an up-to-date version of the Accounting Methodology Documents to Ofcom when it delivers the Regulatory Financial Statements to Ofcom in accordance with Condition 7.8 and publish such up-to-date version on or before the day of publication of the Regulatory Financial Statements which have been prepared in accordance with such version.

Requirements relating to changes to the Regulatory Accounting Methodology and the correction of Material Errors

- 7.21 The Dominant Provider must publish and deliver to Ofcom a list of each and every change to the Regulatory Accounting Methodology, by 31 March of the Financial Year in which the change to the Regulatory Accounting Methodology is to be made (the "**Change Control Notification**"). The Change Control Notification must be accompanied by a description of each of the changes, the reason for making each of the changes (including by reference to their compliance with the Regulatory Accounting Principles), and the impact of each of the changes on the figures at the level of the Markets and Technical Areas (as applicable) by setting out the figures which were presented in the previous Financial Year alongside the figures that would have been presented had such changes been made in the previous Financial Year.
- 7.22 Where in Ofcom's opinion any change referred to in Condition 7.21 does not comply with these conditions or the Regulatory Accounting Principles, the Dominant Provider shall not make such change, if so directed by Ofcom.
- 7.23 The Dominant Provider must prepare a reconciliation report as referred to in Condition 7.8 and as directed by Ofcom from time to time, which sets out changes to the Regulatory Accounting Methodology and the impact of such changes on the Regulatory Financial

Statements, and Material Errors corrected in the Regulatory Financial Statements and the impact of such Material Errors on the Regulatory Financial Statements.

- 7.24 The Dominant Provider must obtain an audit opinion on the reconciliation report as directed by Ofcom from time to time.

Requirements relating to the Regulatory Accounting System

- 7.25 The Dominant Provider's Regulatory Accounting System must be able to produce the Regulatory Financial Statements as directed by Ofcom under Condition 7.8 in accordance with these conditions, the Regulatory Accounting Principles and the Accounting Methodology Documents.

- 7.26 Where the Dominant Provider replaces the whole or part of its Regulatory Accounting System, or substantially modifies such Regulatory Accounting System, the Dominant Provider must:

- (i) notify Ofcom in a timely manner of the replacement or modification, and, where so requested by Ofcom, inform Ofcom of progress towards completion and such other information as Ofcom may reasonably request;
- (ii) ensure, to the best of its ability, that the replacement or modification does not cause the figures contained in the Regulatory Financial Statements to be different from the figures that would have been contained in the Regulatory Financial Statements had such Regulatory Financial Statements been prepared using the old or unmodified Regulatory Accounting System;
- (iii) in relation to the final Financial Year for which the Regulatory Financial Statements are prepared using the old or unmodified Regulatory Accounting System, prepare a systems reconciliation report, which must:
 - a. set out the difference between the Current Year Figures presented in the Regulatory Financial Statements and the Current Year Figures had such Regulatory Financial Statements been prepared on the basis of the new or modified Regulatory Accounting System, expressed as a percentage change; and
 - b. explain each and every Material Difference between the Current Year Figures presented in the Regulatory Financial Statements and the Current Year Figures had such Regulatory Financial Statements been prepared on the basis of the new or modified Regulatory Accounting System;
- (iv) publish and deliver the systems reconciliation report to Ofcom by 31 December of the Financial Year for which the figures will be prepared using the new or modified Regulatory Accounting System for the first time;
- (v) obtain an assurance statement in the form of Agreed Upon Procedures on the systems reconciliation report, which must report:
 - a. whether the figures in the systems reconciliation report referred to in Condition 7.26(iii)(a) have been properly extracted from the old or

- unmodified Regulatory Accounting System and the new or modified Regulatory Accounting System respectively;
- b. whether each and every difference in the systems reconciliation report referred to in Condition 7.26(iii)(a) has been correctly calculated; and
 - c. whether the explanation of each and every Material Difference in the systems reconciliation report referred to in Condition 7.26(iii)(b) is an accurate representation of the cause of each such Material Difference;
- (vi) deliver the assurance statement in the form of the Agreed Upon Procedures to Ofcom when it delivers the systems reconciliation report to Ofcom in accordance with Condition 7.26(iv); and
- (vii) where the systems reconciliation report referred to in Condition 7.26(iii) indicates that the replacement or modification causes the Current Year Figures contained in the Regulatory Financial Statements to be significantly different, either individually or in aggregate, from the Current Year Figures that would have been contained in the Regulatory Financial Statements had such Regulatory Financial Statements been prepared using the new or modified Regulatory Accounting System, prepare, if so directed by Ofcom, the Regulatory Financial Statements on a basis consistent with the old or unmodified Regulatory Accounting System.

Requirements relating to deficiencies in the Regulatory Financial Statements and the Accounting Methodology Documents

- 7.27 Where Ofcom have reasonable grounds to believe that any or all of the Regulatory Financial Statements and/or Accounting Methodology Documents are deficient, the Dominant Provider shall, where directed by OFCOM:
- (i) amend the Accounting Methodology Documents in order to remedy the deficiencies identified by Ofcom;
 - (ii) restate the Regulatory Financial Statements identified by Ofcom as requiring restatement in accordance with the Accounting Methodology Documents which have, where necessary, been amended pursuant to Condition 7.27(i);
 - (iii) prepare a reconciliation report as set out in Condition 7.23, whereby any reference to the Regulatory Financial Statements should be understood as a reference to the restated Regulatory Financial Statements;
 - (iv) secure in accordance with any relevant notification of Ofcom under this condition the expression of an audit opinion on the restated Regulatory Financial Statements;
 - (v) deliver to OFCOM the restated Regulatory Financial Statements, the reconciliation report and corresponding audit opinion; and
 - (vi) publish the restated Regulatory Financial Statements, the reconciliation report and corresponding audit opinion.

Requirements relating to the maintenance of sufficient accounting records

- 7.28 The Dominant Provider shall maintain accounting records for a period of six years from the date on which each Regulatory Financial Statement is delivered to Ofcom.
- 7.29 The Dominant Provider shall maintain the accounting records in accordance with this Condition 7, the Regulatory Accounting Principles and the Accounting Methodology Documents.
- 7.30 The Dominant Provider shall maintain accounting records in a form which, on a historical cost basis and on a current cost basis:
- (i) separately identifies each of the Markets, Technical Areas, Products, Network Components and Network Services;
 - (ii) separately attributes the costs, revenues, assets and liabilities of each of the Markets, Technical Areas, Products, Network Components and Network Services; and
 - (iii) shows and explains the transactions underlying each of the Markets, Technical Areas, Products, Network Components and Network Services.
- 7.31 The Dominant Provider shall maintain the accounting records so that they are sufficient:
- (i) to provide an adequate explanation of each Regulatory Financial Statement;
 - (ii) to show that charges are non-discriminatory; and
 - (iii) to provide a complete justification of the Dominant Provider's charges for Network Access.

Requirement to facilitate on-demand reporting

- 7.32 The Dominant Provider shall ensure that its Regulatory Accounting System and accounting records are sufficient to enable the Dominant Provider, at all times, to be capable of preparing in relation to any specified calendar month or months a financial statement in accordance with the Accounting Methodology Documents.

Requirements relating to the preparation and maintenance of a Wholesale Catalogue

- 7.33 The Dominant Provider must prepare, maintain and keep up-to-date a Wholesale Catalogue. Such Wholesale Catalogue should separately identify and describe:
- (i) External Wholesale Services;
 - (ii) Internal Wholesale Services;
 - (iii) Wholesale Services supplied both externally and internally; and

- (iv) Network Services and the extent to which these activities are used in the course of supplying Wholesale Services.

7.34 The Dominant Provider must deliver an up-to-date version of the Wholesale Catalogue to Ofcom when it delivers the Regulatory Financial Statements to Ofcom in accordance with Condition 7.8 and publish such up-to-date version on or before the day of publication of the Regulatory Financial Statements which have been prepared by reference to such version.

Requirements relating to the demonstration of non-discrimination

7.35 The Dominant Provider shall ensure it is able to demonstrate that at any point in time:

- (i) where a Network Service or combination of Network Services is used by the Dominant Provider in providing Internal Wholesale Services, the amount applied and incorporated in the Transfer Charge for the Internal Wholesale Service in respect of the use of the Network Service or combination of Network Services is equivalent to the amount applied and incorporated for the use of the Network Services or combination of Network Services in the charge payable for an equivalent External Wholesale Service;
- (ii) the same amount as applied and incorporated in the Transfer Charge for the Internal Wholesale Service in Condition 7.35(i) in respect of the use of the Network Service or combination of Network Services is applied to the Network Service or combination of Network Services whenever it is or they are used by the Dominant Provider in providing that same Internal Wholesale Service; and
- (iii) the same amount as applied and incorporated in the Transfer Charge for the equivalent External Wholesale Service in Condition 7.35(i) in respect of the use of the Network Service or combination of Network Services is applied to the Network Service or combination of Network Services whenever it is or they are used by the Dominant Provider in providing that same External Wholesale Service;
- (iv) the amount applied and incorporated in the Transfer Charge for the Internal Wholesale Service in Condition 7.35(i) in respect of the use of the Network Service or combination of Network Services shall be the cost of those Network Services unless the Network Service concerned is provided from a Market which is different from the Market which comprises the Internal Wholesale Service.

7.36 In this Condition 7:

- (a) **“Accounting Methodology Documents”** means the documentation maintained by the Dominant Provider setting out in detail the rules, policies, methods, allocations, calculations, assumptions, procedures and Processes used by the Dominant Provider for the purpose of preparing Regulatory Financial Statements in accordance with the Regulatory Accounting Guidelines and the Regulatory Accounting Principles;

- (b) **“Accounting Policies”** means the manner in which the Dominant Provider applies the requirements of Regulatory Accounting Guidelines and the Regulatory Accounting Principles in each of the Regulatory Financial Statements;
- (c) **“Alternative Regulatory Auditor”** means any auditor not for the time being appointed as the Dominant Provider’s Regulatory Auditor;
- (d) **“Agreed Upon Procedures”** means an engagement carried out in accordance with international standard (ISRS 4400) under which the Regulatory Auditor or another independent third party performs a set of audit procedures agreed by Ofcom and based on Ofcom’s specific requirements in relation to the Regulatory Financial Statements, and reports the findings of that work to Ofcom;
- (e) **“Attribution Methods”** means the practices used by the Dominant Provider to attribute revenue (including appropriate Transfer Charges), costs (including appropriate Transfer Charges), assets and liabilities to activities or, insofar as those activities have been aggregated into Wholesale Segments or Retail Segments in a given Market or Technical Area (as applicable), to each Wholesale Segment or Retail Segment;
- (f) **“Current Year Figures”** means, in relation to any set of Regulatory Financial Statements, the amounts relating to the Financial Year to which the statements relate;
- (g) **“External Wholesale Services”** means services supplied or offered to any Communications Provider other than the Dominant Provider;
- (h) **“Financial Year”** means a financial year of the Dominant Provider in respect of which the Statutory Financial Statements are required to be (or to have been) prepared and audited in accordance with the requirements of the Companies Act 2006;
- (i) **“ICAEW Guidance”** means the technical release titled “Reporting to Regulators of Regulated Entities: Audit 05/03” issued by the Audit and Assurance Faculty of the Institute of Chartered Accountants in England & Wales in October 2003;
- (j) **“Internal Wholesale Services”** means services supplied within the Dominant Provider;
- (k) **“Long Run Incremental Cost Methodology”** means the long run incremental cost principles, procedures and Processes which form the framework under which long run incremental costs are determined by the Dominant Provider;
- (l) **“Market”** means the market to which this Condition 7 applies;
- (m) **“Material Error”** means a deviation from accuracy or correctness which meets the materiality threshold as directed by Ofcom from time to time for the purpose of this Condition 7;
- (n) **“Material Difference”** means a difference identified in a systems reconciliation report which meets the materiality threshold as directed by Ofcom from time to time for the purpose of this Condition 7;

- (o) **“Network Component”** means an element of the network that is used to provide Wholesale Services, and, to the extent the network components are used in the Market or Technical Area (as applicable), specified in a direction given by Ofcom from time to time for the purposes of this Condition 7;
- (p) **“Network Services”** means those groups of Network Components used directly (or which in the absence of horizontal or vertical integration would be used directly) in the course of supplying Wholesale Services;
- (q) **“Prior Year Comparatives”** means, in relation to any set of Regulatory Financial Statements, the amounts relating to the Financial Year immediately preceding the Financial Year to which the Regulatory Financial Statements relate, re-evaluated if necessary to ensure that such figures are comparable to the Current Year Figures;
- (r) **“Process”** means the series of inter-related activities or actions to obtain, record or hold data or information or to carry out any operation or set of operations on the data or information, including:
 - i. organisation, storage, adaptation, or alteration of the data or information;
 - ii. retrieval, consultation, computation or use of the data or information;
 - iii. disclosure of the data or information by transmission, dissemination, or otherwise making available; or
 - iv. alignment, combination, blocking, erasing or destruction of the data or information;
- (s) **“Product”** means any product or service comprised in a Market or Technical Area to which this Condition 7 applies;
- (t) **“Regulatory Accounting Methodology”** means the rules, policies, methods, allocations, calculations, assumptions and procedures used by the Dominant Provider for the purpose of preparing Regulatory Financial Statements.
- (u) **“Regulatory Accounting Principles”** means the principles as directed by Ofcom from time to time for the purpose of this Condition 7;
- (v) **“Regulatory Accounting System”** means the set of computerised and manual accounting methods, procedures, Processes and controls established to determine and attribute the costs, revenues, assets and liabilities and summarise, interpret, and present the resultant financial data in an accurate and timely manner;
- (w) **“Regulatory Auditor”** means the auditor for the time being appointed by the Dominant Provider in accordance with this Condition 7;
- (x) **“Regulatory Financial Statement”** means any financial statement in respect of a Financial Year prepared or required to be prepared by the Dominant Provider in accordance with this Condition 7;
- (y) **“Retail Products”** means services used by or offered to any End Users (including the Dominant Provider);

- (z) **“Retail Segments”** means groups of Retail Products;
- (aa) **“Statutory Accounting Standards”** means the accounting standards, including the requirements of the Companies Act 2006, by reference to which the Dominant Provider are required to prepare the Statutory Financial Statements;
- (bb) **“Statutory Auditor”** means the auditor for the time being appointed by the Dominant Provider in accordance with the requirements of the Companies Act 2006;
- (cc) **“Statutory Financial Statements”** means any annual account required to be prepared by the Dominant Provider in accordance with the requirements of the Companies Act 2006;
- (dd) **“Technical Area”** means the technical area to which this Condition 7 applies;
- (ee) **“Transfer Charge”** means the charge or price that is applied, or deemed to be applied, within the Dominant Provider by one division or business unit of the Dominant Provider to another for the use or provision of an activity or group of activities. For the avoidance of doubt, such activities or group of activities include, amongst other things, Products provided from, to or within the Market or Technical Area (as applicable) and the use of Network Components in the Market or Technical Area (as applicable);
- (ff) **“Transfer Charge System Methodology”** means the methodology of the system employed by the Dominant Provider which enables an activity to use a service or good from another activity and to account for it as though it had purchased that service or good from an unrelated party (including accounting for it at an appropriate amount);
- (gg) **“Wholesale Catalogue”** means the documentation required to be produced by the Dominant Provider under Condition 7.33;
- (hh) **“Wholesale Segments”** means groups of Wholesale Services;
- (ii) **“Wholesale Services”** means services related to network access on the Dominant Provider’s network used by or offered to any Communications Provider (including the Dominant Provider).

Appendix 1 – BT Exchanges in Market A

(710 Exchanges, including the co-located MDF Codes specified below)

CMALDM, CMBKN, CMBWN, CMELMD, CMHAMP, CMMID, CMMOR, CMSON, CMWESH, EAABY, EABDC, EABFN, EABRD, EACAX, EADNE, EAELS, EAFTN, EAFYF, EAGDE, EAGSM, EAGYD, EAHGM, EAHKD, EAHLM, EALIN, EALLN, EAMLK, EAMOR, EAPEL, EAPLE, EARDN, EASHR, EASMA, EASWL, EASWT, EASXP, EATWI, EAWAS, EAWIL, EAWRD, EMALSTO, EMBLAKE, EMBRAIL, EMBULWI, EMCRTON, EMCWRSL, EMDINGL, EMEDENH, EMGILLS, EMLANGR, EMMAIW, EMPARWI, EMTHORP, ESABL, ESACG, ESAMU, ESASB, ESBIR, ESBLE, ESBLL, ESBOB, ESBOD, ESBOD, ESBOR, ESBUT, ESCAC, ESCAM, ESCAN, ESCAY, ESCLD, ESCLH, ESCLO, ESCLV, ESCOB, ESCOY, ESCRN, ESCRO, ESDRO, ESESS, ESETV, ESFAR, ESFER, ESFRD, ESGAR, ESGAS, ESGIF, ESGLA, ESGLI, ESGLL, ESGLM, ESGOW, ESGRT, ESGSH, ESHER, ESHUM, ESINW, ESIVA, ESIVS, ESKEN, ESKLO, ESKLR, ESKNR, ESLEM, ESLGF, ESLIN, ESLOF, ESLUT, ESMAD, ESMEK, ESMEN, ESMIN, ESPRM, ESRES, ESROX, ESSTF, ESSTH, ESSTN, ESSTO, ESTAR, ESTEV, ESTRO, ESTRY, ESWAL, ESWES, ESWHK, ESYAR, ESYRF, LCBRC, LCBUT, LCCAT, LCCHE, LCHAS, LCLKB, LCNIC, LCRAU, LCRDH, LCSAT, LCWAS, LNSFD, LVPADPK, MRARL, MRHTN, MRTAD, MRWNC, MYAIR, MYARN, MYBIL, MYBLU, MYBNS, MYBRN, MYCRA, MYHAC, MYHRW, MYNGR, MYNND, MYRAM, MYSAW, MYSYK, MYWLT, NDCOW, NDELM, NDFEL, NDGOU, NDHUN, NDMIL, NDRGR, NDSES, NEAC, NEALH, NEBLS, NECAP, NEEB, NEFT, NEHPL, NEHSY, NEJV, NEKBW, NEON, NESSDS, NEWF, NEWGM, NEWH, NEWNS, NEWOP, NEWOR, NIBGL, NIBK, NIBNA, NICSD, NIDY, NSADV, NSALB, NSALG, NSALR, NSALT, NSALV, NSAPP, NSASC, NSASN, NSASS, NSATB, NSBAD, NSBAY, NSBEN, NSBER, NSBFD, NSBFR, NSBIR, NSBLD, NSBMC, NSBNS, NSBOW, NSBRN, NSBTS, NSBVO, NSCAB, NSCAR, NSCAT, NSCBY, NSCGM, NSCHL, NSCRN, NSCTI, NSCUM, NSDBG, NSDBL, NSDCR, NSDDL, NSDIA, NSDIN, NSDLT, NSDMR, NSDNI, NSDNS, NSDOC, NSDPH, NSDRN, NSDTU, NSDUL, NSDVG, NSDWH, NSEDI, NSEDN, NSEDY, NSERI, NSEVA, NSFAR, NSFET, NSFEU, NSFIS, NSFOU, NSFGR, NSFSS, NSFTN, NSGAI, NSGBD, NSGDL, NSGFN, NSGIL, NSGKD, NSGLA, NSGLG, NSGLV, NSGMZ, NSGRE, NSGRN, NSGRO, NSGRV, NSGSL, NSGTY, NSGUT, NSGVR, NSHIL, NSHLD, NSHOY, NSIGR, NSISL, NSKBC, NSKCN, NSKDM, NSKED, NSKEN, NSKGL, NSKHS, NSKIS, NSKLL, NSKLN, NSKLW, NSKNO, NSKYL, NSLAG, NSLAT, NSLBD, NSLBM, NSLCN, NSLHP, NSLLT, NSLMD, NSLMR, NSLPT, NSLSV, NSLUM, NSLVR, NSLYT, NSMAL, NSMAN, NSMEL, NSMER, NSMET, NSMID, NSMOF, NSMOR, NSMUL, NSNBY, NSNER, NSNRS, NSORT, NSOUT, NSPLO, NSPOO, NSPPS, NSPPW, NSPTR, NSRAA, NSRHL, NSROU, NSRWK, NSSCH, NSSCN, NSSCP, NSSDN, NSSDS, NSSDY, NSSFR, NSSHI, NSSKB, NSSKD, NSSKL, NSSLI, NSSNV, NSSOL, NSSOR, NSSST, NSSSY, NSSTA, NSSTE, NSSTU, NSSUN, NSSWL, NSTAL, NSTAN, NSTCR, NSTDN, NSTIM, NSTKV, NSTRD, NSTUL, NSUIG, NSUYE, NSWDL, NSWFC, NSWNS, NSWRS, NSWWS, NSYTH, SDHWKLY, SDPRVTT, SDSTMRD, SDSTTN, SLMDH, SLPKX, SMCRT, SMDD, SMFH, SMGBL, SMGT, SMHPR, SMICK, SMLD, SMMS, SMNCY, SMNM, SMOL, SMRGT, SMSLK, SMST, SMSTJ, SMSUB, SMTAK, SMWRB, SMWSN, SMWTC, SSAFD, SSBY, SSCDN, SSCDO, SSCGE, SSCMP, SSCOB, SSDIT, SSDYK, SSFBE, SSFTM, SSGPR, SSLTN, SSMSD, SSMWH, SSRMN, SSSBL, SSSRP, SSTBN, SSUPT, SSWBT, SSWHP, SSWNB, SSWRH, SSWTN, STBEULI (co-located with STBUCKH), STBRMDN, STDROXF, STEASTE, STHRSLY, STHTHDN, STLNKHT, STLONGP, STOWSBY, STOYNWD, STROPLY, STSTMBN, STTRTHN, SWBJY, SWDWQ, SWGWN, SWGWR, SWLGC, SWLKD, SWLNN, SWLPI, SWLQW, SWMGX, SWMWY, SWMYG, SWNNA, SWPQS, SWPUN, SWQCT, SWQFJ, SWRHA, SWSFJ, SWSNI, SWSVB, SWTAF, SWTLL, SWUAZ, SWUGU, SWVVW, SWZWJ, SWZY, THBC, THBFD, THCHD, THCMN, THCY, THHD, THIN, THPC, THPS, THUB, WMBGM, WMBLO, WMFAD, WMFIE, WMHIM, WMKLT, WMPAX, WMRUD, WMWET, WNAMU, WNBD, WNBEA, WNBEG, WNBFI, WNBGT, WNBON,

EASCR, EASFM, EASFR, EASFT, EASGM, EASGN, EASHE, EASHI, EASHL, EASHM, EASIC, EASIL, EASIX, EASMD, EASMN, EASNA, EASND, EASOH, EASOS, EASRM, EASRP, EASRY, EASST, EASTB, EASTD, EASTF, EASTK, EASTL, EASTM, EASTN, EASTR, EASTT, EASTW, EASUD, EASUR, EASUT, EASWD, EASWM, EASWN, EASWO, EASWV, EASXM, EASYD, EATER, EATEV, EATFD, EATHA, EATHB, EATHE, EATHP, EATHU, EATIP, EATIV, EATKL, EATLB, EATLL, EATLW, EATNM, EATOL, EATRU, EATSC, EATTS, EAUBB, EAVAN, EAWAN, EAWAR, EAWBS, EAWCT, EAWDB, EAWDF, EAWEL, EAWEN, EAWFY, EAWFD, EAWHI, EAWIN, EAWIV, EAWIX, EAWKB, EAWLD, EAWLM, EAWLW, EAWLY, EAWMK, EAWMS, EAWOD, EAWOL, EAWOR, EAWRE, EAWRI, EAWRO, EAWRU, EAWSM, EAWSP, EAWST, EAWTB, EAWTH, EAWTL, EAWTN, EAWTS, EAWWR, EAWYM, EAYOX, EMABBOT, EMABRIP, EMALFRE, EMALLES, EMALREW, EMALVAS, EMAMBER, EMANCAS, EMARKWR, EMARNOL, EMASBOU, EMASFOR, EMASHBB, EMATTHE, EMAYLES, EMBAIN, EMBAKEW, EMBARTO, EMBASFO, EMBEAUM, EMBEEST, EMBELGR, EMBELPE, EMBENEF, EMBENWI, EMBGWOR, EMBILLE, EMBILLI, EMBILST, EMBINGH, EMBIRSS, EMBLDWO, EMBLEAS, EMBLISW, EMBLLTO, EMBOSTO, EMBOTTE, EMBOURN, EMBOZEA, EMBRAUN, EMBREAD, EMBRIGS, EMBRIXW, EMBRLAT, EMBROUG, EMBUCKD, EMBUCKM, EMBULWE, EMBURGH, EMBURTJ, EMBURTO, EMBUTTE, EMBYFIE, EMBYTHO, EMCABYT, EMCARSI, EMCASTL, EMCASTO, EMCENTL, EMCHALF, EMCHAPE, EMCHATT, EMCHELL, EMCHRIS, EMCHSTL, EMCLIFT, EMCLIPS, EMCLOPT, EMCNTON, EMCOALV, EMCOGEN, EMCOLLI, EMCOTGR, EMCOTTE, EMCRANF, EMCRGLN, EMCROWL, EMCROXT, EMCRRBY, EMCRWLL, EMCTSC, EMCULVE, EMDARLE, EMDAVEN, EMDEEPI, EMDESBO, EMDETHI, EMDFFIE, EMDNGTN, EMDODDI, EMDOWSB, EMDRAYC, EMDRRBB, EMDSSFO, EMDUDDI, EMDUSTO, EMEARLS, EMEASTB, EMEASTH, EMEASTS, EMEASWI, EMEDWAL, EMEDWIN, EMEKKBY, EMELLAS, EMELTON, EMEMPIN, EMERRSS, EMESSTL, EMESTLE, EMETWLL, EMEVING, EMEYEPE, EMFARNS, EMFAZEL, EMFENTO, EMFINED, EMFLECK, EMFOLKI, EMFOSDY, EMFRIDA, EMFRISK, EMFULBE, EMGADDE, EMGDDLI, EMGEDNE, EMGLINT, EMGLNFI, EMGOSBE, EMGPONT, EMGRETC, EMGRETL, EMGRETO, EMGRHAM, EMGRTFO, EMGRTGL, EMGSCTE, EMGTTHA, EMGUYHI, EMHACKL, EMHARDI, EMHARRO, EMHECKI, EMHINCK, EMHLBCH, EMHLLTO, EMHNDON, EMHNGTN, EMHOARC, EMHOLSJ, EMHOLSM, EMHORSL, EMHRLST, EMHRRBY, EMHOTHER, EMHUBBE, EMHUCKN, EMHUGAR, EMHULLA, EMHURLE, EMHUSBB, EMIBSTO, EMILKES, EMINGOL, EMIRTHL, EMKBWOR, EMKCLIF, EMKGWOR, EMKIMBE, EMKINGS, EMKINOU, EMKIRKB, EMKIRKL, EMKIRTO, EMKISLI, EMKMBLT, EMKNIPT, EMKNRSS, EMKRBYM, EMKTTER, EMLANGL, EMLBENN, EMLEABR, EMLERRE, EMLGHBO, EMLNGBU, EMLONGB, EMLONGE, EMLOWDH, EMLSTEE, EMLSUTT, EMLUTTE, EMMAARC, EMMANEA, EMMARCH, EMMARKB, EMMARSM, EMMATLO, EMMEDBO, EMMELBO, EMMELTN, EMMERES, EMMESHM, EMMICKL, EMMKDEE, EMMKFIE, EMMMLCHA, EMMMLTON, EMMNSFI, EMMNTON, EMMONTF, EMMORCO, EMMOULT, EMMRKTH, EMMRTON, EMNARBO, EMNEBOR, EMNETHB, EMNEWAR, EMNEWLE, EMNEWOL, EMNEWTO, EMNLUFF, EMNORTH, EMNWTON, EMOAKHA, EMODDBY, EMOLDLE, EMORTON, EMOSSGA, EMOUNDL, EMOVERS, EMPADVE, EMPAPSA, EMPATTI, EMPAULE, EMPEATL, EMPETER, EMPINXT, EMPLAS, EMPLUMT, EMPNCHB, EMPOLSW, EMPREST, EMPRTRE, EMQURRN, EMRADCL, EMRANND, EMRDDEE, EMRDDIN, EMRGATE, EMRMSEY, EMROCKI, EMROTHW, EMROTTB, EMRPLEY, EMRPTON, EMRRSBB, EMRTHLY, EMRUSHD, EMSANDI, EMSAWTR, EMSBSEY, EMSCALF, EMSCREM, EMSHARD, EMSHEPS, EMSHIRE, EMSHRWO, EMSILVE, EMSKGN, EMSLEBY, EMSLFRD, EMSOMER, EMSOSHM, EMSOUTH, EMSPCOT, EMSPDNG, EMSPLSB, EMSRAUC, EMSRFLT, EMSTBBS, EMSTICK, EMSTIVE, EMSTKEG, EMSTMFD, EMSTNEO, EMSTNYG, EMSTTEL, EMSUBGE, EMSUDBU, EMSUTER, EMSUTSJ, EMSUTTI, EMSUTTO, EMSWADL, EMSWATN, EMSWSHD, EMTBSHE, EMTERSJ, EMTGGBY, EMTHIST, EMTHRAP, EMTHRNB, EMTHRNY, EMTHURL, EMTILTO, EMTMWOR, EMTNGND, EMTOWCE, EMTRENT, EMTRVES, EMTTYDD, EMTUTBU, EMTWCRO,

EMUPPIN, EMUPWLL, EMWALGR, EMWALSA, EMWARBY, EMWARSO, EMWDHOU, EMWEDDO,
 EMWELFO, EMWELLI, EMWELNY, EMWERRI, EMWESSW, EMWESTO, EMWHAPL, EMWHISS,
 EMWHITT, EMWHTTO, EMWILLO, EMWINST, EMWINWI, EMWIOTH, EMWIRKS, EMWISSM,
 EMWLTHA, EMWLVEY, EMWMNDH, EMWNFLT, EMWOLEY, EMWOLLA, EMWOODB, EMWSBCH,
 EMWSFRD, EMWSTWO, EMWYSWO, EMYARDL, EMYOULG, EMYXLEY, ESABB, ESABE, ESABF, ESABN,
 ESABR, ESABY, ESACB, ESAIR, ESALL, ESALM, ESALV, ESALY, ESANC, ESANS, ESARB, ESARH, ESARM,
 ESARN, ESARR, ESARY, ESASH, ESATH, ESAVO, ESAYT, ESBAF, ESBK, ESBAL, ESBAN, ESBAT, ESBAX,
 ESBBE, ESBLA, ESBLE, ESBLE, ESBLE, ESBLO, ESBLR, ESBLY, ESBOA, ESBOD, ESBOE, ESBON, ESBRA,
 ESBRE, ESBRF, ESBRO, ESBUC, ESBUN, ESBUR, ESBYB, ESCAR, ESCAT, ESCAU, ESCER, ESCHI, ESCLA,
 ESCLF, ESCLR, ESCOC, ESCOL, ESCOM, ESCOR, ESCOU, ESCOW, ESCRA, ESCR, ESCRG, ESCRL, ESCSR,
 ESCTN, ESCUP, ESDAB, ESDAL, ESDAV, ESDEA, ESDEC, ESDM, ESDEN, ESDIR, ESDOL, ESDON, ESDOP,
 ESDOU, ESDUF, ESDUG, ESDUK, ESDUN, ESDUR, ESDUS, ESDYS, ESEAL, ESEAR, ESEDD, ESEDZ, ESELI,
 ESERR, ESETB, ESEYE, ESFAI, ESFAL, ESFAU, ESFET, ESFFR, ESFIN, ESFLK, ESFML, ESFOL, ESFOR, ESFOS,
 ESFOU, ESFRI, ESGAG, ESGAL, ESGAU, ESGLC, ESGLE, ESGLF, ESGLN, ESGLS, ESGRA, ESGRB, ESGRD,
 ESGRE, ESGRG, ESGUL, ESHAD, ESHAR, ESHAW, ESHIL, ESIK, ESIKR, ESINC, ESINN, ESIVB, ESIVG,
 ESJED, ESKCA, ESKEL, ESKGH, ESKGL, ESKIL, ESKIN, ESKIP, ESKIR, ESKKM, ESKLS, ESKLY, ESKNW, ESKRL,
 ESKRM, ESLAD, ESLAK, ESLAR, ESLAU, ESLCE, ESLCG, ESLEI, ESLEU, ESLEV, ESLIB, ESLIL, ESLIM, ESLNW,
 ESLOA, ESLOC, ESLON, ESLTA, ESLTF, ESLTM, ESLUN, ESLVB, ESLVS, ESMAI, ESMAY, ESMEI, ESMEL,
 ESMET, ESMID, ESMNF, ESMON, ESMOR, ESMRB, ESMUC, ESMUI, ESMUS, ESMUT, ESNBF, ESNBG,
 ESNEW, ESNML, ESNOA, ESNPT, ESNRB, ESNRW, ESNTY, ESOXT, ESPAR, ESPCD, ESPCK, ESPEB, ESPEN,
 ESPER, ESPHI, ESPIT, ESPOL, ESPOR, ESPTI, ESQUE, ESRAI, ESROS, ESSCN, ESSCO, ESSEL, ESSHO,
 ESSLA, ESSLY, ESSMA, ESSRA, ESSRK, ESSRM, ESSRT, ESSRY, ESSTA, ESSTB, ESSTC, ESSTI, ESSTM,
 ESSTW, ESSWI, ESSYB, ESTAY, ESTEA, ESTEM, ESTHO, ESTIL, ESTNT, ESTUM, ESUPL, ESWAV, ESWCA,
 ESWHA, ESWHI, ESWHS, ESWIN, ESWLI, ESYET, LCABT, LCACC, LCADL, LCAIM, LCAIN, LCALL, LCAMB,
 LCAOR, LCAPB, LCAPP, LCARM, LCASB, LCASD, LCASL, LCASP, LCATH, LCBAB, LCBAC, LCBAD, LCBAM,
 LCBAN, LCBAR, LCBAS, LCBBN, LCBEC, LCBEL, LCBEM, LCBIR, LCBK, LCBLP, LCBMO, LCBOB, LCBOL,
 LCBOR, LCBRH, LCBRI, LCBRN, LCBRS, LCBRT, LCBTN, LCBUG, LCBUR, LCBUS, LCCAF, LCCAL,
 LCCAR, LCCBK, LCCHA, LCCHI, LCCHO, LCCHU, LCCLA, LCCLE, LCCLR, LCCLV, LCCOC, LCCOL, LCCON,
 LCCOP, LCCRB, LCCRG, LCCRO, LCCRS, LCCTN, LCCUL, LCDAR, LCDAU, LCDEN, LCDLS, LCDTF, LCDUN,
 LCEAR, LCECC, LCEGR, LCESK, LCFAR, LCFLO, LCFLW, LCFOM, LCFRE, LCFTN, LCFUL, LCGAL, LCGAR,
 LCGIL, LCGIS, LCGLE, LCGOS, LCGRC, LCGRE, LCGRH, LCGRS, LCGRY, LCGSF, LCGYG, LCHAC, LCHAL,
 LCHAM, LCHAR, LCHAW, LCHAY, LCHBK, LCHBY, LCHET, LCHEW, LCHEY, LCHIG, LCHIN, LCHMK,
 LCHOG, LCHOL, LCHOR, LCING, LCKEN, LCKES, LCKFS, LCKHA, LCKIR, LCKKB, LCKLE, LCKNO, LCKST,
 LCKTH, LCLAM, LCLAN, LCLAY, LCLAZ, LCLEI, LCLEY, LCLGD, LCLIT, LCLNB, LCLOG, LCLOI, LCLON,
 LCLOR, LCLOT, LCLYT, LCMAR, LCMAT, LCMEL, LCMIL, LCMLD, LCMLM, LCMOR, LCNBL, LCNBR,
 LCNEL, LCNH, LNCORR, LCORT, LCPAD, LCPAR, LCPEN, LCPEW, LCPIL, LCPLB, LCPLE, LCPOU, LCPRE,
 LCPYB, LCRAM, LCRAV, LCRIB, LCRIC, LCRKF, LCROC, LCROS, LCRUF, LCRVW, LCSAM, LCSCA, LCSEA,
 LCSED, LCSEG, LCSEL, LCSHA, LCSHW, LCSIL, LCSKE, LCSLA, LCSOU, LCSOW, LCSSH, LCSTA, LCSTD,
 LCSTM, LCSTO, LCSTV, LCSVD, LCTHR, LCTOD, LCTOT, LCTUR, LCULV, LCWAL, LCWEE, LCWES, LCWET,
 LCWGT, LCWHA, LCWHI, LCWHW, LCWIG, LCWIL, LCWIN, LCWOR, LCWSK, LNADK, LNBAR, LNBGN,
 LNBKG, LNBPK, LNCED, LNCHF, LNCLA, LNCUF, LNDAG, LNEDM, LNENF, LNFIN, LNGDM, LNGLH,
 LNHAC, LNHA, LNHAT, LNOD, LNOR, LNPK, LNLC, LNILN, LNING, LNLEY, LNLOU, LNLVY, LNMED,
 LNMUS, LNNAZ, LNNFN, LNNWS, LNPFT, LNPGN, LNPKS, LNPN, LNPOP (co-located with LNCNW,
 LNDZ2), LNPOT, LNRAI, LNROM, LNSOK, LNSTA, LNSTB, LNSTF, LNTHB, LNTOT, LNUPK, LNUPM,
 LNWCR, LNWFD, LNWGN, LNWIN, LNWS, LNWITH, LSADD, LSASH, LSBAL, LSBEC, LSBET, LSBEU,

LSBEX, LSBKM, LSBRO, LSBURH, LSBYF, LSCHER, LSCHESE, LSCHI, LSCLPM, LSCOB, LSCRAY, LSCRO,
 LSCTFD, LSCTHM, LSDAR, LSDEP, LSDOW, LSDUL, LSELT, LSEPSM, LSERI, LSESH, LSEWE, LSFARB,
 LSFARN, LSFOR, LSGIP, LSGRNH, LSGRNW, LSGRO, LSHAY, LSKID, LSKIN, LSLEA, LSLEE, LSLODH,
 LSMAL, LSMEPK, LSMERS, LSMIT, LSMOG, LSMOL, LSMOR, LSNCHM, LSNOR, LSNUT, LSORP, LSOTT,
 LSOXS, LSPUR, LSPUT, LSRED, LSREI, LSRIC, LSRUS, LSSAN, LSSID, LSSLA, LSSTR, LSSUN, LSSUR, LSSUT,
 LSSWA, LSSYD, LSTAD, LSTED, LSTHDT, LSTHMD, LSTHO, LSTUL, LSUWAR, LSWAL, LSWAN, LSWEY,
 LSWIM, LSWLTN, LSWOL, LSWOO, LSWOR, LSWWKM, LVAIN, LVALL, LVANF, LVARR, LVAUG, LVBIL,
 LVBIR, LVBOO, LVBRO, LVCAL, LVCEN, LVCHI, LVCLA, LVCRE, LVCUL, LVEAS, LVELL, LVFRO, LVGAT,
 LVGRE, LVHAL, LVHEL, LVHES, LVHIG, LVHOO, LVHOY, LVHUN, LVHUY, LVIRB, LVKIN, LVLAR, LVLYM,
 LVMAG, LVMAN, LVMOO, LVMOU, LVMPK, LVMSX, LVNCB, LVNES, LVNET, LVNLW, LVNOR, LVORM,
 LVPAD, LVPEN, LVPRE, LVRAI, LVRNE, LVRNM, LVROC, LVROY, LVSAI, LVSEF, LVSIM, LVSKE, LVSTA,
 LVSTK, LVSTO, LVUPH, LVWAL, LVWAR, LVWAT, LVWID, LVWTW, LWACT, LWASH, LWBUS, LWCHI,
 LWCHO, LWCOL, LWCRI, LW DEN, LW EAL, LW EDG, LW EGH, LW ELS, LW FEL, LW GAR, LW GOL, LW GRE,
 LWHAM, LWHARE, LWHARL, LWHARR, LWHAT, LWHAY, LWHEN, LWHOU, LWISL, LWKGRE, LWKIN,
 LWKLAN, LWKNE, LWKROA, LWMIL, LWNEDG, LWNOR, LWNWEM, LWNWOO, LWPER, LWPIN,
 LWRAD, LWRIC, LWRUI, LW SHAR, LWSHE, LWSKY, LWSOU, LWSTAI, LWSTAN, LWTWI, LWUXB,
 LWWAT, LWWDRA, LWWEM, LWWIL, LWWRA, MRALD, MRALT, MRARD, MRASH, MRBLA, MRBOL,
 MRBRA, MRBRO, MRBUC, MRBUR, MRBUX, MRCEN, MRCHA, MRCHE, MRCHI, MRCHL, MRCHO,
 MRCOL, MRCOM, MRCON, MRDEN, MRDID, MRDIS, MRDRO, MREAS, MRECC, MRFAI, MRGAT,
 MRGLO, MRHAR, MRHEA, MRHUL, MRHYD, MRIRL, MRKNU, MRLNR, MRLON, MRLOW, MRMAC,
 MRMAR, MRMDW, MRMER, MRMHE, MRMID, MRMOB, MRMOS, MRMOT, MRMSL, MRNEW,
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 MRURM, MRWAL, MRWEA, MRWHA, MRWHI, MRWIL, MRWIN, MRWOO, MRWYT, MYACO, MYADD,
 MYADE, MYALD, MYAMP, MYAPP, MYARM, MYART, MYBAG, MYBAT, MYBBY, MYBD, MYBEE,
 MYBEN, MYBIN, MYBIR, MYBKA, MYBKE, MYBNN, MYBOL, MYBOR, MYBOS, MYBPI, MYBPM,
 MYBPW, MYBRE, MYBRG, MYBRW, MYBUB, MYBYP, MYCAL, MYCAM, MYCAS, MYCAW, MYCAY,
 MYCHA, MYCLE, MYCLO, MYCOL, MYCON, MYCOP, MYCOX, MYCRF, MYCSG, MYCSH, MYCTN,
 MYCUL, MYDAL, MYDAR, MYDEW, MYDFF, MYDHS, MYDLT, MYDUD, MYDUN, MYEAO, MYEAT,
 MYELL, MYELV, MYESC, MYFIL, MYFLM, MYFLO, MYFLX, MYGAT, MYGIL, MYGOO, MYGRA, MYGRE,
 MYGRF, MYGRG, MYGUI, MYHAL, MYHAW, MYHAX, MYHBK, MYHEA, MYHEB, MYHEC, MYHGT,
 MYHHL, MYHIP, MYHIR, MYHLI, MYHLM, MYHLP, MYHLT, MYHMB, MYHMF, MYHMW, MYHNS,
 MYHOB, MYHON, MYHOV, MYHOW, MYHSF, MYHSM, MYHUB, MYHUD, MYHUG, MYHUM, MYIDL,
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 MYMAN, MYMAR, MYMAS, MYMID, MYMIL, MYMIR, MYMLB, MYMMB, MYMOO, MYMOR, MYMSG,
 MYMTH, MYNCV, MYNMN, MYNSY, MYNUN, MYOAT, MYOTL, MYPBG, MYPIC, MYPOC, MYPON,
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 NDBAR, NDBAT, NDBEA, NDBEC, NDBEN, NDBET, NDBEX, NDBG, NDBHI, NDBID, NDBIR, NDBLH,
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NDCGA, NDCHA, NDCHD, NDCHE, NDCHI, NDCHL, NDCHR, NDCHS, NDCLI, NDCOO, NDCOP, NDCRA, NDCRO, NDCRW, NDCST, NDDEA, NDDHI, NDDOD, NDDOV, NDDPA, NDDYM, NDEAS, NDECH, NDEDE, NDEGE, NDEGR, NDELH, NDEPE, NDETC, NDFAI, NDFAV, NDFLI, NDFOL, NDFOR, NDFRA, NDFRI, NDFRM, NDFRO, NDGIL, NDGOD, NDGRA, NDGUE, NDHAD, NDHAK, NDHAL, NDHAR, NDHAS, NDHAW, NDHBA, NDHDO, NDHEA, NDHED, NDHGR, NDHHA, NDHIL, NDHOL, NDHOO, NDHRO, NDHST, NDHYT, NDIDE, NDIHI, NDISF, NDKNO, NDLAM, NDLAN, NDLEN, NDLEY, NDLIN, NDLON, NDLOO, NDLYD, NDLYM, NDMAI, NDMAR, NDMAY, NDMED, NDMEO, NDMSH, NDMTH, NDNEI, NDNEW, NDNIN, NDNON, NDNOR, NDNRO, NDNUT, NDOTF, NDOTH, NDOXT, NDPEA, NDPEM, NDPEN, NDPET, NDPLA, NDPLU, NDPWO, NDRAI, NDRAM, NDROB, NDROT, NDRYE, NDSAH, NDSAN, NDSEA, NDSED, NDSEI, NDSEL, NDSEV, NDSGO, NDSHA, NDSHE, NDSHO, NDSHP, NDSIT, NDSMA, NDSMB, NDSMI, NDSML, NDSNO, NDSOU, NDSTA, NDSTP, NDSTR, NDSTU, NDSVA, NDTEN, NDTEY, NDTHA, NDTIC, NDTON, NDTWE, NDUCK, NDWAD, NDWAT, NDWES, NDWET, NDWHI, NDWIN, NDWIT, NDWKI, NDWMA, NDWOO, NDWOR, NDWYE, NEAL, NEALD, NEALS, NEAM, NEASG, NEAT, NEAW, NEAYC, NEB, NEBA, NEBC, NEBDL, NEBDT, NEBEA, NEBED, NEBEL, NEBGM, NEBH, NEBHM, NEBL, NEBLA, NEBML, NEBNG, NEBO, NEBR, NEBRO, NEBRT, NEBU, NEBUR, NEBW, NEBWS, NECB, NECBN, NECC, NECFD, NECHA, NECI, NECM, NECN, NECOD, NECOT, NECOX, NECR, NECSN, NECST, NECT, NECTN, NED, NEDB, NEDL, NEDN, NEDP, NEDU, NEDUDL, NEE, NEEC, NEEGT, NEEHL, NEEHN, NEELA, NEEN, NEES, NEESG, NEF, NEFEL, NEFH, NEFN, NEFSL, NEG, NEGA, NEGF, NEGHD, NEGLA, NEGM, NEGMT, NEGND, NEGNFD, NEGRE, NEGS, NEGTD, NEGWT, NEHAL, NEHAR, NEHAS, NEHAY, NEHDL, NEHH, NEHHL, NEHID, NEHLS, NEHR, NEHRT, NEHT, NEHTR, NEHWH, NEHYL, NEHZ, NEILB, NEJ, NEJW, NEK, NEKDR, NEKF, NEKI, NEKP, NEL, NELC, NELEB, NELF, NELIN, NELK, NELL, NELM, NELO, NELOF, NELT, NEMEA, NEMI, NEMIL, NEMP, NEMTD, NEMTN, NENA, NENB, NENCT, NENH, NENN, NENP, NENR, NENS, NENT, NENTE, NENTW, NEOC, NEOM, NEP, NEPB, NEPG, NEPH, NEPTE, NEPX, NERB, NERC, NERD, NERE, NEREH, NERFD, NERG, NERHB, NERM, NERN, NERT, NES, NESAC, NESAI, NESBY, NESDP, NESEH, NESFE, NESG, NESGT, NESH, NESHB, NESHL, NESHM, NESK, NESLB, NESLN, NESLS, NESLY, NESNS, NESP, NESS, NESTA, NESTK, NESTN, NESTO, NESU, NESUN, NESUT, NESVL, NETI, NETL, NETMN, NETP, NETW, NEUL, NEULM, NEW, NEWAS, NEWAU, NEWB, NEWHD, NEWHP, NEWHY, NEWK, NEWLF, NEWLL, NEWLW, NEWN, NEWO, NEWR, NEWT, NEWU, NEWV, NEWYL, NIAA, NIAE, NIAFN, NIAGH, NIAH, NIAL, NIAM, NIAN, NIAR, NIAT, NIAY, NIBA, NIBB, NIBC, NIBCO, NIBDY, NIBEK, NIBGY, NIBH, NIBKB, NIBKR, NIBL, NIBM, NIBML, NIBMS, NIBN, NIBNB, NIBNH, NIBO, NIBRA, NIBRH, NIBRN, NIBRS, NIBSB, NIBT, NIBW, NIBWR, NIBY, NIBYS, NIC, NICA, NICB, NICD, NICDN, NICDY, NICE, NICF, NICG, NICGR, NICH, NICI, NICK, NICL, NICLK, NICM, NICMG, NICMN, NICN, NICR, NICRG, NICRH, NICRS, NICS, NICTY, NICUS, NICW, NIDBO, NIDD, NIDG, NIDK, NIDL, NIDLD, NIDM, NIDMA, NIDMR, NIDNM, NIDO, NIDOD, NIDP, NIDPT, NIDQ, NIDR, NIDRY, NIDV, NIDYN, NIEAS, NIEG, NIEK, NIFCT, NIFH, NIFIN, NIFN, NIFWM, NIFY, NIGF, NIGFD, NIGGY, NIGM, NIGN, NIGT, NIGVA, NIGWY, NIGY, NIHB, NIHO, NIHW, NIIM, NIIT, NIJP, NIKA, NIKH, NIKI, NIKL, NIKN, NIKNK, NIKS, NIKTS, NIKVY, NIKY, NIKYL, NILA, NILD, NILDW, NILE, NILG, NILGL, NILI, NILL, NILN, NILY, NIMA, NIMAL, NIME, NIMF, NIMFD, NIMH, NIMM, NIMO, NIMOY, NIMR, NIMTN, NIMZ, NINB, NINE, NINH, NINS, NINTH, NINTS, NINY, NIOM, NIORM, NIPE, NIPO, NIPP, NIPR, NIPS, NIPT, NIPVE, NIPY, NIRD, NIRI, NIRL, NIRLN, NIRN, NIRS, NIRT, NISD, NISE, NISEA, NISF, NISM, NISP, NISTF, NISTM, NISTN, NISW, NITB, NITC, NITG, NITO, NITP, NITR, NIWBY, NIWD, NIWP, NIWT, NSABC, NSABL, NSABO, NSAGR, NSAGY, NSALF, NSANG, NSANS, NSARI, NSASH, NSASR, NSATL, NSAVI, NSAVR, NSBAC, NSBBN, NSBCS, NSBCY, NSBDI, NSBDS, NSBEA, NSBET, NSBIG, NSBIX, NSBKI, NSBLG, NSBLL, NSBLT, NSBMD, NSBMR, NSBNF, NSBOG, NSBRA, NSBRK, NSBRR, NSBRV, NSBRY, NSBSY, NSBVS, NSCAL, NSCAN, NSCAW, NSCBK, NSCBS, NSCLN, NSCLO, NSCNI, NSCPC, NSCPY, NSCRB, NSCRR,

NSCRU, NSCRY, NSCTN, NSCTR, NSCTS, NSCTW, NSCTY, NSCUN, NSCWY, NSDAV, NSDBT, NSDCH, NSDCT, NSDEE, NSDEN, NSDET, NSDGW, NSDLS, NSDMK, NSDNC, NSDRS, NSDUF, NSDYC, NSEDD, NSELG, NSELL, NSEVI, NSFAG, NSFIN, NSFOC, NSFRA, NSFRN, NSFRS, NSFSE, NSFWM, NSFYV, NSGBT, NSGMT, NSGOL, NSGOR, NSGOS, NSGOT, NSGQT, NSGTN, NSHAM, NSHAT, NSHEL, NSHLK, NSHOL, NSHOP, NSHRS, NSHRY, NSHUN, NSICL, NSIGD, NSIMD, NSINS, NSIUR, NSIVA, NSIVS, NSJOG, NSKCG, NSKDY, NSKEM, NSKES, NSKGS, NSKGW, NSKIR, NSKLB, NSKLV, NSKNC, NSKNL, NSKON, NSKSS, NSKTH, NSKTR, NSKTY, NSLAI, NSLER, NSLEV, NSLHA, NSLMN, NSLMY, NSLNG, NSLOS, NSLSD, NSLYB, NSMAU, NSMDF, NSMEM, NSMIN, NSMON, NSMOO, NSMUN, NSNAB, NSNAI, NSNBR, NSNDR, NSNET, NSNHL, NSNIG, NSNMC, NSNMR, NSNPT, NSNRE, NSNST, NSNTH, NSNTT, NSOLL, NSOMD, NSONI, NSORN, NSORP, NSPET, NSPIT, NSPMH, NSPON, NSPOY, NSPRT, NSPSY, NSREY, NSRHT, NSRHY, NSRMY, NSRNM, NSROG, NSRTS, NSSAL, NSSAU, NSSBY, NSSCO, NSSHA, NSSLW, NSSNS, NSSPB, NSSPF, NSSPY, NSSSH, NSSTF, NSSTH, NSSTM, NSSTN, NSSTR, NSSUL, NSSUM, NSSVN, NSSWY, NSSYM, NSTAI, NSTHR, NSTHU, NSTLD, NSTON, NSTPH, NSTTL, NSTTN, NSTUR, NSTVS, NSUDN, NSULL, NSURR, NSVID, NSVOE, NSWAL, NSWAR, NSWEI, NSWES, NSWHL, NSWIC, NSWRY, NSWTT, SDBGNRR, SDBLCMB, SDBLLNG, SDBLNY, SDBMBRD, SDBRCKL, SDBRCMB, SDBRDHM, SDBRGHS, SDBRGSS, SDBRY, SDBSHM, SDCHCHS, SDCHLGR, SDCHLLR, SDCLBRN, SDCLHM, SDCMPTN, SDCRWLY, SDCSHM, SDCWFLD, SDCWS, SDESTBR, SDFNDN, SDFRHM, SDFRSHW, SDFTTLW, SDFYGT, SDGDSHL, SDGLYND, SDGRFFH, SDGSPRT, SDHLSHM, SDHMBLD, SDHMPDN, SDHNDCR, SDHNFLD, SDHRLY (co-located with SDGTWCK), SDHRNDN, SDHRSHM, SDHRSTM, SDHRSTP, SDHRTNG, SDHSSCK, SDHV, SDHVNT, SDHYLNG, SDHYWRD, SDKMPTW, SDKRDFR, SDLDSWR, SDFRST, SDLNCNG, SDLNDFL, SDSLNT, SDLSS, SDLTTLH, SDLWRBD, SDLWS, SDLXWD, SDMDDLT, SDMDHRS, SDMSWRT, SDNRWDH, SDNTN, SDNWHVN, SDNWPRT, SDPCHVN, SDPCNTC, SDPGHM, SDPLBRG, SDPLGT, SDPLMPT, SDPLSTW, SDPNDHL, SDPNRTH, SDPRTRD, SDPRTSL, SDPTCHN, SDPTRSF, SDPTWRT, SDPVNSM, SDPVNSY, SDPYNNG, SDRDGWC, SDRDNGL, SDRGT, SDRNDL, SDRNGMR, SDRP, SDRSPR, SDRSTNG, SDRTTNG, SDRWLND, SDRYD, SDSCYNS, SDSDSLH, SDSFRD, SDSHNGT, SDSHNKL, SDSHRHM, SDSLNDN, SDSLNFL, SDSLSY, SDSNDWN, SDSNGLT, SDSTBBN, SDSTDN, SDSTHWC, SDSTHWT, SDSTMN, SDSTRGT, SDSTRRN, SDSTYNN, SDTTCHF, SDVNTNR, SDWCKHM, SDWCNTR, SDWRNNG, SDWSBRG, SDWSTCH, SDWSTMN, SDWSWND, SDWTHDN, SDWTRLV, SDWTTNB, SDWVLSF, SDWWST, SDYPTN, SDYRMTH, SLAC, SLADK, SLAF, SLARM, SLASC, SLASH, SLASK, SLBAL, SLBAR, SLBAS, SLBAW, SLBB, SLBBY, SLBC, SLBCC, SLBEN, SLBH, SLBHY, SLBLR, SLBLY, SLBMB, SLBNB, SLBNN, SLBOB, SLBOI, SLBSM, SLBUS, SLBWD, SLBWH, SLBY, SLBYD, SLCBR, SLCBY, SLCD, SLCL, SLCLS, SLCLY, SLCPL, SLCRM, SLCTR, SLCUD, SLCX, SLDC, SLDCN, SLDF, SLDIO, SLDR, SLDUA, SLED, SLEF, SLEK, SLEP, SLETF, SLFGY, SLFU, SLGB, SLGD, SLGL, SLGMN, SLGTP, SLGY, SLHBE, SLHC, SLHD, SLHFT, SLHLG, SLHLY, SLHO, SLHS, SLHSN, SLHTW, SLHW, SLHWD, SLHX, SLHY, SLHYG, SLIMM, SLIN, SLKHE, SLKIV, SLKKB, SLKL, SLLAU, SLLH, SLLI, SLMBY, SLMC, SLMEX, SLMIM, SLMIS, SLMK, SLMLF, SLMOS, SLMT, SLMTN, SLNBS, SLNCU, SLNL, SLNSS, SLNTY, SLNVB, SLOB, SLOLD, SLOMR, SLOWF, SLPN, SLRAM, SLRF, SLRH, SLRHN, SLRK, SLRN, SLRSN, SLRU, SLRWM, SLRXN, SLRY, SLSAS, SLSAU, SLSAY, SLSC, SLSCA, SLSCCK, SLSEK, SLSF, SLSGO, SLSKT, SLSPD, SLSPK, SLSRB, SLST, SLSTU, SLSTW, SLSU, SLSW, SLSWB, SLSWL, SLSWY, SLSXB, SLSY, SLTE, SLTF, SLTHY, SLTKL, SLTLB, SLTX, SLWAD, SLWB, SLWBO, SLWCY, SLWD, SLWEL, SLWG, SLWHT, SLWIT, SLWKT, SLWKY, SLWKZ, SLWL, SLWM, SLWOO, SLWS, SLWSP, SLWTH, SLWW, SLXDS, SMAC, SMAD, SMAI, SMAM, SMAN, SMAP, SMATL, SMAW, SMAY, SMBA, SMBB, SMBC, SMBCD, SMBD, SMBDG, SMBEN, SMBF, SMBG, SMBH, SMBI, SMBK, SMBL, SMBNC, SMBRD, SMBRL, SMBRS, SMBT, SMBTH, SMBTN, SMBU, SMBWD, SMBWY, SMBY, SMBZ, SMCA, SMCAR, SMCBY, SMCD, SMCDU, SMCG, SMCHH, SMCHN, SMCHO, SMCHY, SMCI, SMCN, SMCNR, SMCO, SMCR, SMCRP, SMCSH, SMCTN, SMCWD, SMDB,

SMDC, SMEB, SMEG, SMENS, SMEY, SMFB, SMFI, SMFK, SMFN, SMFRD, SMFW, SMGA, SMGB, SMGG, SMGM, SMGMT, SMGN, SMGUD, SMHA, SMHD, SMHDM, SMHE, SMHGN, SMHH, SMHI, SMHN, SMHO, SMHR, SMHS, SMHUR, SMHXT, SMHY, SMHZ, SMIMN, SMKBN, SMKH, SMKI, SMKO, SMKP, SMKT, SMLA, SMLBD, SMLC, SMLEA, SMLF, SMLGN, SMLH, SMLN, SMLR, SMLSN, SMLT, SMLW, SMMC, SMMCM, SMMM, SMMSY, SMMY, SMNHM, SMNL, SMNP, SMNPL, SMOA, SMOF, SMOY, SMPEN, SMPRB, SMPT, SMRDB, SMRE, SMRMN, SMROW, SMRSL, SMRVN, SMSA, SMSAN, SMSAY, SMSC, SMSDM, SMSE, SMSFD, SMSG, SMSGN, SMSGT, SMSH, SMSHP, SMSM, SMSMV, SMSNB, SMSNC, SMSNF, SMSSF, SMSSO, SMSTF, SMSU, SMSWD, SMSWF, SMSX, SMSYR, SMTA, SMTL, SMTN, SMTR, SMTU, SMTY, SMTZ, SMUH, SMWAD, SMWB, SMWC, SMWE, SMWEP, SMWHY, SMWI, SMWKN, SMWLS, SMWLY, SMWN, SMWNG, SMWS, SMWSW, SMWTD, SMWTD, SMWV, SMWW, SMWX, SMWZ, SMYG, SSABE, SSABS, SSADN, SSAHY, SSALM, SSAMB, SSAVO, SSAVY, SSAXB, SSBAD, SSBAL, SSBAN, SSBAT, SSBBG, SSBBN, SSBCL, SSBEC, SSBED, SSBHN, SSBIS, SSBIT, SSBKE, SSBKL, SSBKY, SSBLA, SSBLE, SSBMN, SSBOA, SSBOW, SSBOX, SSBRI, SSBRK, SSBRN, SSBRO, SSBRT, SSBRU, SSBRW, SSBYS, SSBWD, SSCAL, SSCAN, SSCAS, SSCBD, SSCCM, SSCDR, SSCHA, SSCHI, SSCHN, SSCHT, SSCHU, SSCIN, SSCIR, SSCLE, SSCLL, SSCMA, SSCMB, SSCMN, SSCOD, SSCOL, SSCOR, SSCRA, SSCRD, SSCRU, SSCSY, SSDBK, SSDEV, SSDID, SSDOW, SSDSY, SSEAS, SSEAV, SSEDI, SSEVE, SSFAU, SSFFD, SSFGN, SSFIL, SSFIS, SSFLA, SSFLT, SSFRD, SSFRO, SSGBW, SSGLA, SSGLR, SSHAW, SSHEN, SSHGH, SSHIL, SSHPY, SSHUL, SSHWK, SSHYW, SSKEE, SSKEL, SSKY, SSKFD, SSKLY, SSKMB, SSKMD, SSKWD, SSLAC, SSLAV, SSLBK, SSLDY, SSLHE, SSLIM, SSLKR, SSLON, SSLOP, SSLUL, SSMAI, SSMAL, SSMAR, SSMBH, SSMEA, SSMEL, SSMID, SSMIN, SSMLS, SSNAH, SSNAI, SSNCN, SSNLH, SSNOR, SSNRD, SSNTB, SSNUN, SSNWT, SSOAK, SSOGB, SSOVY, SSPEW, SSPIL, SSPLG, SSPLT, SSPOR, SSPOU, SSPRI, SSPTN, SSPWK, SSRAD, SSRAN, SSRBY, SSRED, SSSAL, SSSEA, SSSEE, SSSFD, SSSFV, SSSHC, SSSHE, SSSHM, SSSHN, SSSHR, SSSHT, SSSOF, SSSOU, SSSSM, SSSTD, SSSTN, SSSTO, SSSTT, SSSUT, SSSWD, SSSWN, SSTEM, SSTHL, SSTHO, SSTIM, SSTRO, SSTRY, SSTTY, SSTWG, SSTXY, SSUFN, SSULY, SSWAR, SSWCE, SSWDH, SSWED, SSWEL, SSWES, SSWG, SSWHE, SSWHI, SSWIB, SSWIN, SSWOB, SSWOR, SSWOS, SSWOT, SSWRI, SSWSM, SSWTC, SSWUE, SSWWR, SSWWS, SSWYL, SSYAT, STABTAN, STABTSY, STALDBY, STALSFD, STAMSBY, STANDVR, STASHST, STBBSTK, STBDSTN, STBDWSR, STBERER, STBINAB, STBISHW, STBLFRD, STBLNFD, STBMSTR, STBNMTH, STBORTN, STBOSMB, STBOTLY, STBRDCK, STBRDPT, STBRFLD, STBRGTN, STBRNGR, STBROCK, STBSETT, STBUCKN, STBURLY, STBURSN, STCADNM, STCANCL, STCERNA, STCFORD, STCHBTN, STCHLDO, STCHOLD, STCHRCH, STCHSTN, STCOLDC, STCOOMB, STCORFC, STCRANB, STDONHD, STDORCH, STDOWTN, STDURLY, STDURRW, STEARLD, STEASTK, STEASTL, STEASTS, STFAIRO, STFARLY, STFAWLY, STFERND, STFONTM, STFORDB, STFOVNT, STGILGM, STGRATY, STHAMBL, STHANLY, STHAZEB, STHICLF, STHINDN, STHMPTN, STHRSTK, STHRSTT, STHYTHE, STICHAB, STIDSTN, STKINGS, STLCKLY, STLGSHL, STLOCKH, STLONGB, STLYMTN, STLYNST, STLYTMN, STMARNL, SMARTN, SMARTX, STMCHDV, STMDNTN, STMERE, STMIDWD, STMILAB, STMILOS, STMILSA, STMORDN, STMRHLL, STNETBY, STNETHR, STNEWMN, STNTHBN, STPIDTH, STPOOLE, STPORTL, STPRKST, STPRSTN, STPUDTN, STPWRST, STRINGW, STROCKB, STROMSY, STRWNMS, STSALIS, STSHABY, STSHRLY, STSHRTN, STSOTON, STSPSLT, STSSCOT, STSTHBN, STSTOKB, STSTPFD, STSTUDL, STSTURM, STSTURN, STSWANG, STSWAY, STTDWTH, STTEFFT, STTISBY, STTOTTN, STTWYFD, STUPAVN, STUPWEY, STVERWD, STWALOP, STWARHM, STWESTL, STWESTW, STWEYHL, STWEYMH, STWHPSH, STWHTLY, STWIMBN, STWINCH, STWINSL, STWINTN, STWITCH, STWLSTN, STWLTON, STWRMWL, STWRTHM, STWSTBN, SWAA, SWAAI, SWAAV, SWAAZ, SWABD, SWABT, SWADW, SWAEN, SWAG, SWAGL, SWAPO, SWAVY, SWBIG, SWBII, SWBIK, SWBNB, SWBNP, SWBPG, SWBSE, SWBUD, SWCAA, SWCAB, SWCFATE (co-located with SWRTH), SWCFK, SWCG, SWCIT, SWCJ, SWCJW, SWCNE, SWCOO,

SCHEDULE 2: Proposed Regulatory Financial Reporting Directions

1. Proposed Direction under section 49 of the Communications Act 2003 and Condition 7.4 specifying the Regulatory Accounting Principles

Background

1. On 22 June 2017, OFCOM published a consultation document entitled *Review of the wholesale broadband access markets – Consultation on market definition, market power determinations and remedies*³ (the “**2017 WBA Consultation**”), consulting on proposals to identify markets, make market power determinations and set SMP conditions. In the 2017 WBA Consultation, Ofcom proposed, in relation to the market for wholesale broadband access referred to as “Market A”, to impose SMP services conditions on BT in relation to regulatory financial reporting.
2. In the 2017 WBA Consultation, Ofcom also proposed to make directions under the proposed SMP condition relating to regulatory financial reporting, including a proposed direction requiring BT to comply with the Regulatory Accounting Principles. Ofcom invited responses to the 2017 WBA Consultation by 14 September 2017.
3. On [date] 2018, Ofcom concluded its review of the wholesale broadband access market in which it identified markets, made market power determinations and set appropriate SMP conditions as set out in the 2018 WBA Notification.
4. Ofcom determined in the review referred to in paragraph 3 above, that BT has SMP in the market for wholesale broadband access referred to as “Market A” in the 2018 WBA Notification. As a result of the SMP determination Condition 7 was set in relation to that market.
5. Under Condition 7.8, set out in the 2018 WBA Notification, BT is required to comply with, among others, the Regulatory Accounting Principles.
6. Under Condition 7.4, set out in the 2018 WBA Notification, Ofcom may from time to time make such directions as they consider appropriate in relation to BT’s obligations under Condition 7.

Ofcom’s duties and legal tests

7. For the reasons set out in the explanatory statement accompanying this Direction, Ofcom is satisfied, in accordance with section 49(2) of the Act, that this Direction is:
 - a) objectively justifiable in relation to the networks, services, facilities, apparatus or directories to which it relates;
 - b) not such as to discriminate unduly against particular persons or against a particular description of persons;
 - c) proportionate to what it is intended to achieve; and

³ Ofcom, *Wholesale Broadband Access Market Review*, June 2017, https://www.ofcom.org.uk/_data/assets/pdf_file/0013/103180/wba-consultation.pdf

- d) in relation to what it is intended to achieve, transparent.
8. For the reasons set out in the explanatory statement accompanying this Direction, Ofcom is satisfied that it has acted in accordance with its general duties set out in section 3 of the Act, the six community requirements in section 4 of the Act and the duty to take due account of European Commission recommendations for harmonisation in section 4A of the Act.
 9. Ofcom has considered every representation about the proposed Direction duly made to it and the Secretary of State has not notified Ofcom of any international obligation of the United Kingdom for the purposes of section 49A(6)(b) of the Act.
 10. The proposals set out in the 2017 WBA Consultation contained proposals of EU significance for the purposes of the Act. Therefore, after making such modifications of the proposals that appeared to Ofcom to be appropriate following domestic consultation, on 21 June 2018 Ofcom sent a copy of them, and of a draft of the statement accompanying this Direction setting out the reasons for them, to the European Commission, BEREC and regulatory authorities of every other member state for EU consultation, in accordance with section 49B(2) of the Act. [Ofcom received comments from the European Commission on its proposals on [DATE], and has made such modifications to this Direction and the statement accompanying this Direction as it considers appropriate.]

Direction

11. Ofcom hereby, pursuant to section 49 of the Act and Condition 7.4, directs BT that the Regulatory Accounting Principles for the purposes of Condition 7 in relation to the market set out in paragraph 4 shall be those principles specified in the Annex to this Direction. These Regulatory Accounting Principles shall apply to the Regulatory Financial Reporting prepared for the Financial Year beginning on 1 April 2018 and ending on 31 March 2019 and to the Regulatory Financial Reporting prepared for each subsequent Financial Year until such time that this Direction is modified or revoked.
12. The Annex to this direction forms part of the Direction.

Interpretation

13. For the purpose of interpreting this Direction:
 - a) except as otherwise defined in paragraph 114 below or in so far as the context otherwise requires, words or expressions have the meaning assigned to them in the SMP conditions set out in the 2018 WBA Notification, and otherwise any word or expression has the same meaning as it has in the Act;
 - b) headings and titles shall be disregarded;
 - c) expressions cognate with those referred to in this Direction shall be construed accordingly; and
 - d) the Interpretation Act 1978 (c. 30) shall apply as if this Direction were an Act of Parliament.
14. For the purposes of interpreting this Direction the following definitions shall apply:
 - a) “**2017 WBA Consultation**” means the consultation described at paragraph 1 above;

- b) **“2018 WBA Notification”** means the notification at Annex [1] of the statement *Wholesale Broadband Access Market 2018 2018 - Statement* dated [DATE]; and
- c) **“Market A”** means the area covered by the BT exchanges set out at Appendix 1 to Schedule 1 of the 2018 WBA Notification;
- d) **“Regulatory Financial Reporting”** means the whole of the Regulatory Financial Statements, the Accounting Methodology Documents, the accounting records and the Regulatory Accounting System.

15. The Direction will take effect on [DATE] 2018.

Signed

[NAME]

[Competition Policy Director]

A person duly authorised in accordance with paragraph 18 of the Schedule to the Office of Communications Act 2002

[DATE]

Annex - The Regulatory Accounting Principles

The Regulatory Accounting Principles which apply for the purposes of preparing and maintaining the Regulatory Financial Statements, the Accounting Methodology Documents, the accounting records and the Regulatory Accounting System are the following:

1. Completeness

Regulatory Financial Reporting must encompass all revenues, costs, assets and liabilities of the Markets and Technical Areas, together with residual activities (including wholesale and retail).

2. Accuracy

Regulatory Financial Reporting must maintain an adequate degree of accuracy, such that the information included in the Regulatory Financial Statements is free from material errors and double-counting. Materiality must be determined in accordance with the definition set out below.

3. Objectivity

Each element of Regulatory Financial Reporting, so far as is possible, must take account of all the available financial and operational data that is relevant to that element.

Where an element of Regulatory Financial Reporting is based on assumptions, those assumptions must be justified and supported by all available relevant empirical data. The assumptions must not be formulated in a manner which unfairly benefits BT or any other operator or entity, or creates undue bias towards any part of BT's or any other operator's business or product.

4. Consistency with regulatory decisions

Regulatory Financial Reporting must be consistent with Ofcom's regulatory decisions as directed by Ofcom.

5. Causality

Regulatory Financial Reporting must ensure that:

- a) revenues (including revenues resulting from transfer charges);
- b) costs (including costs resulting from transfer charges);
- c) assets; and
- d) liabilities

are attributed in accordance with the activities which cause the revenues to be earned, or costs to be incurred, or assets to be acquired, or liabilities to be incurred respectively.

6. Compliance with the statutory accounting standards

Regulatory Financial Reporting must comply with the accounting standards applied in BT's statutory accounts; with the exception of any departures as Ofcom may direct from time to time.

7. Consistency of the Regulatory Financial Statements as a whole and from one period to another

Regulatory Financial Reporting must be applied consistently in all the Regulatory Financial Statements relating to the same period.

Regulatory Financial Reporting must be applied consistently from one period to another.

All the changes in Regulatory Financial Reporting from one period to another must be justified by reference to the Regulatory Accounting Principles.

If there are material changes in Regulatory Financial Reporting from one period to another, BT must restate the previous period's Regulatory Financial Statements, applying the changes to the Regulatory Financial Statements for that period.

The Regulatory Accounting Principles must be applied to all material items of revenue, costs, assets and liabilities in the Regulatory Financial Statements, or material changes in those items. A material item of revenue, costs, assets or liabilities, or a material change in those items, is one which is reasonably expected by virtue of its magnitude or nature, to affect the views of any user of the Regulatory Financial Statements.

Where it appears to BT that any of the Regulatory Accounting Principles set out above conflict with each other in a particular case, BT must resolve such conflict by giving priority to them in the order in which they are set out above, with a previous principle taking precedence over a later principle.

2. Proposed Direction under section 49 of the Communications Act 2003 and Condition 7.4 specifying the requirements in relation to regulatory asset value

Background

1. On 22 June 2017, Ofcom published a consultation document entitled “*Review of the wholesale broadband access markets – Consultation on market definition, market power determinations and remedies*”⁴ (“**2017 WBA Consultation**”), on proposals identifying markets, making market power determinations and setting SMP conditions. In the 2017 WBA Consultation, Ofcom proposed, in relation to the market for wholesale broadband access referred to as “Market A”, to impose SMP services conditions on BT in relation to regulatory financial reporting.
2. In the 2017 WBA Consultation, Ofcom also proposed to make directions under the proposed SMP condition relating to regulatory financial reporting, including a proposed direction requiring BT to prepare all Regulatory Financial Statements, explanations and other required information on a regulatory asset value adjusted current cost basis. Ofcom invited responses to the 2017 WBA Consultation by 14 September 2017.
3. On [date] 2018, Ofcom concluded its review of the Wholesale Broadband Access market in which it identified markets, made market power determinations and set appropriate SMP conditions as set out in the 2018 WBA Notification.
4. Ofcom determined in the review referred to in paragraph 3 above, that BT has SMP in the market for wholesale broadband access referred to as “Market A”. As a result of the SMP determination Condition 7 was set in relation to that market.
5. Under Condition 7.10, set out in the 2018 WBA Notification, BT is required to prepare all Regulatory Financial Statements, explanations or other information required by virtue of Condition 7.10 on a regulatory asset value adjusted current cost basis as directed by Ofcom from time to time.
6. Under Condition 7.4, set out in the 2018 WBA Notification, Ofcom may from time to time make such directions as they consider appropriate in relation to BT’s obligations under Condition 7.

Ofcom’s duties and legal tests

7. For the reasons set out in the explanatory statement accompanying this Direction, Ofcom is satisfied that, in accordance with section 49(2) of the Act, this Direction is:
 - a) objectively justifiable in relation to the networks, services, facilities, apparatus or directories to which it relates;
 - b) not such as to discriminate unduly against particular persons or against a particular description of persons;

⁴ Ofcom, *Wholesale Broadband Access Market Review*, June 2017, https://www.ofcom.org.uk/_data/assets/pdf_file/0013/103180/wba-consultation.pdf

- c) proportionate to what it is intended to achieve; and
 - d) in relation to what it is intended to achieve, transparent.
8. For the reasons set out in the explanatory statement accompanying this Direction, Ofcom is satisfied that it has acted in accordance with its general duties set out in section 3 of the Act, the six community requirements set out in section 4 of the Act and the duty to take due account of European Commission recommendations for harmonisation in section 4A of the Act.
9. Ofcom has considered every representation about the proposed Direction duly made to it and the Secretary of State has not notified Ofcom of any international obligation of the United Kingdom for the purposes of section 49A(6)(b) of the Act.
10. The proposals set out in the 2017 WBA Consultation contained proposals of EU significance for the purposes of the Act. Therefore, after making any modifications of the proposals that appeared to Ofcom to be appropriate following domestic consultation, on 21 June 2018 Ofcom sent a copy of them, and of a draft of the statement accompanying this Direction setting out the reasons for them, to the European Commission, BEREC and the regulatory authorities of every other member State for EU consultation, in accordance with section 49B(2) of the Act. [Ofcom received comments from the European Commission on its proposals on [DATE], and has made such modifications to this Direction and the statement accompanying this Direction as it considers appropriate.]

Direction

11. Ofcom hereby, pursuant to section 49 of the Act and Condition 7.4, directs BT to act as prescribed in paragraph 12 below, in relation to the market set out in paragraph 4. BT shall act as prescribed in respect of the Regulatory Financial Reporting prepared for the Financial Year beginning on 1 April 2018 and ending on 31 March 2019 and in respect of the Regulatory Financial Reporting prepared for each subsequent Financial Year until such time that this Direction is modified or revoked.
12. In preparing the Regulatory Financial Statements, explanations and other required information on a regulatory asset value adjusted current costs basis, BT shall value the Access Ducts capitalised prior to 1 August 1997 on the basis of the closing historical cost on 31 March 2005 which is indexed by the Retail Price Index from 31 March 2005.

Interpretation

13. For the purpose of interpreting this Direction:
- a) except as otherwise defined in paragraph 14 below or in so far as the context otherwise requires, words or expressions have the meaning assigned to them in SMP conditions set out in the 2018 WBA Notification, and otherwise any word or expression has the same meaning as it has in the Act;
 - b) headings and titles shall be disregarded;
 - c) expressions cognate with those referred to in this Direction shall be construed accordingly; and

d) the Interpretation Act 1978 (c. 30) shall apply as if this Direction were an Act of Parliament.

14. For the purposes of interpreting this Direction the following definitions shall apply:

a) “**2017 WBA Consultation**” means the consultation described at paragraph 1 above;

a) “**2018 WBA Notification**” means the notification at Annex [1] of the statement *Wholesale Broadband Access Market Review 2018 - Statement* dated [DATE];

b) “**Access Ducts**” means the underground pipes which hold copper and fibre lines and which are used in the part of BT’s network which connects directly to customers from the local telephone exchange; and

c) “**Market A**” means the area covered by the BT exchanges set out at Appendix 1 to Schedule 1 of the 2018 WBA Notification;

d) “**Retail Prices Index**” means the measure of inflation which is published monthly by the Office for National Statistics.

15. The Direction will take effect on [DATE] 2018.

Signed

[NAME]

[Competition Policy Director]

A person duly authorised in accordance with paragraph 18 of the Schedule to the Office of Communications Act 2002

[DATE]

3. Proposed Direction under section 49 of the Communications Act 2003 and Condition 7.4 specifying the transparency requirements for the purposes of preparing and maintaining the accounting records, the Accounting Methodology Documents and the Regulatory Financial Statements

Background

1. On 22 June 2017, Ofcom published a consultation document entitled “*Review of the wholesale broadband access markets – Consultation on market definition, market power determinations and remedies*”⁵ (“2017 WBA Consultation”), on proposals identifying markets, making market power determinations and setting SMP conditions. In the 2017 WBA Consultation, Ofcom proposed, in relation to the market for wholesale broadband access referred to as “Market A”, to impose SMP services conditions on BT in relation to regulatory financial reporting.
2. In the 2017 WBA Consultation, Ofcom also proposed to make directions under the proposed SMP condition relating to regulatory financial reporting, including a proposed direction specifying the level of transparency required to be met by BT in preparing and maintaining the accounting records, the Accounting Methodology Documents and the Regulatory Financial Statements. Ofcom invited responses to the 2017 WBA Consultation by 14 September 2017.
3. On [date] 2018, Ofcom concluded its review of the wholesale broadband access market in which it identified markets, made market power determinations and set appropriate SMP conditions as set out in the 2018 WBA Notification.
4. Ofcom determined in the review referred to in paragraph 3 above, that BT has SMP in the market for wholesale broadband access referred to as “Market A” in the 2018 WBA Notification. As a result of the SMP determination Condition 7 was set in relation to that market.
5. Under Condition 7, set out in the 2018 WBA Notification, and in particular proposed SMP services Conditions 7.8, 7.18, 7.25 and 7.29, BT is required to:
 - a) prepare, deliver to Ofcom and publish the Regulatory Financial Statements as directed by Ofcom from time to time;
 - b) prepare, maintain and keep up-to-date the Accounting Methodology Documents in accordance with Condition 7 and the Regulatory Accounting Principles;
 - c) ensure that its Regulatory Accounting System is able to product the Regulatory Financial Statements in accordance with Condition 7, the Regulatory Accounting Principles and the Accounting Methodology Documents; and
 - d) maintain the accounting records in accordance with Condition 7, the Regulatory Accounting Principles and the Accounting Methodology Documents.

⁵ Ofcom, *Wholesale Broadband Access Market Review*, June 2017, https://www.ofcom.org.uk/_data/assets/pdf_file/0013/103180/wba-consultation.pdf

6. Under Condition 7.4, set out in the 2018 WBA Notification, Ofcom may from time to time make such directions as they consider appropriate in relation to BT's obligations under Condition 7.

Ofcom's duties and legal tests

7. For the reasons set out in the explanatory statement accompanying this Direction, Ofcom is satisfied that, in accordance with section 49(2) of the Act, this Direction is:
 - a) objectively justifiable in relation to the networks, services, facilities, apparatus or directories to which it relates;
 - b) not such as to discriminate unduly against particular persons or against a particular description of persons;
 - c) proportionate to what it is intended to achieve; and
 - d) in relation to what it is intended to achieve, transparent.
8. For the reasons set out in the explanatory statement accompanying this Direction, Ofcom is satisfied that it has acted in accordance with its general duties set out in section 3 of the Act, the six community requirements set out in section 4 of the Act and the duty to take due account of European Commission recommendations for harmonisation in section 4A of the Act.
9. Ofcom has considered every representation about the proposed Direction duly made to it and the Secretary of State has not notified Ofcom of any international obligation of the United Kingdom for the purposes of section 49A(6)(b) of the Act.
10. The proposals set out in the 2017 WBA Consultation contained proposals of EU significance for the purposes of the Act. Therefore, after making any modifications of the proposals that appeared to Ofcom to be appropriate following domestic consultation, on 21 June 2018 Ofcom sent a copy of them, and of a draft of the statement accompanying this Direction setting out the reasons for them, to the European Commission, BEREC and the regulatory authorities of every other member State for EU consultation, in accordance with section 49B(2) of the Act. [Ofcom received comments from the European Commission on its proposals on [DATE], and has made such modifications to this Direction and the statement accompanying this Direction as it considers appropriate.]

Direction

11. Ofcom hereby, pursuant to section 49 of the Act and Condition 7.4, directs BT to act as prescribed in paragraph 12 below in relation to the market set out in paragraph 4. BT shall act as prescribed in respect of the Regulatory Financial Reporting prepared for the Financial Year beginning on 1 April 2018 and ending on 31 March 2019 and in respect of the Regulatory Financial Reporting prepared for each subsequent Financial Year until such time that this Direction is modified or revoked.
12. In preparing and maintaining the accounting records, the Accounting Methodology Documents and the Regulatory Financial Statements, BT shall ensure that any data, information, description, material or explanatory document prepared in respect of accounting and other methods used in the preparation of the accounting records and Regulatory Financial Statements shall be sufficiently transparent and prepared such that a

suitably informed reader can gain a clear understanding of such data, information, description, material or explanatory document, and, if necessary, the overall structure of BT's financial and information systems from which regulatory accounting data is derived and in particular the sequence of the processing and 'cascade' effect of the intermediate cost centres; and gain a clear understanding of all the material, methodologies and drivers (e.g. systems, Processes and procedures) applied in the preparation of regulatory accounting data. This includes ensuring transparency as to how BT has allocated costs between Market A and the WBA market referred to as "Market B" in the 2018 WBA Notification, in which Ofcom has found that BT does not have significant market power.

Interpretation

13. For the purpose of interpreting this Direction:
- a) except as otherwise defined in paragraph 14 below or in so far as the context otherwise requires, words or expressions have the meaning assigned to them in SMP conditions set out in the 2018 WBA Notification, and otherwise any word or expression has the same meaning as it has in the Act;
 - b) headings and titles shall be disregarded;
 - c) expressions cognate with those referred to in this Direction shall be construed accordingly; and
 - d) the Interpretation Act 1978 (c. 30) shall apply as if this Direction were an Act of Parliament.
14. For the purposes of interpreting this Direction the following definitions shall apply:
- a) "**2017 WBA Consultation**" means the consultation described at paragraph 1 above;
 - b) "**2018 WBA Notification**" means the notification at Annex [1] of the statement *Wholesale Broadband Access Market Review 2018 - Statement* dated [DATE]; and
 - c) "**Market A**" means the area covered by the BT exchanges set out at Appendix 1 to Schedule 1 of the 2018 WBA Notification;
 - d) "**Market B**" means the area covered by the BT exchanges set out at Appendix 2 to Schedule 1 of the 2018 WBA Notification;
 - e) "**Regulatory Financial Reporting**" means the whole of the Regulatory Financial Statements, the Accounting Methodology Documents, the accounting records and the Regulatory Accounting System.
15. The Direction will take effect on [DATE] 2018.

Signed

[NAME]

[Competition Policy Director]

A person duly authorised in accordance with paragraph 18 of the Schedule to the Office of Communications Act 2002

[DATE]

4. Proposed Direction under section 49 of the Communications Act 2003 and Condition 7.4 setting the requirements in relation to audit, form of the FPIA opinion and form of the PPIA opinion for Regulatory Financial Statements

Background

1. On 22 June 2017, Ofcom published a consultation document entitled “*Review of the wholesale broadband access markets – Consultation on market definition, market power determinations and remedies*”⁶ (“**2017 WBA Consultation**”), on proposals identifying markets, making market power determinations and setting SMP conditions. In the 2017 WBA Consultation, Ofcom proposed, in relation to the market for wholesale broadband access referred to as “Market A”, to impose SMP services conditions on BT in relation to regulatory financial reporting.
2. In the 2017 WBA Consultation, Ofcom also proposed to make directions under the proposed SMP condition relating to regulatory financial reporting, including a proposed direction setting the requirements in relation to audit, the form of the FPIA opinion and the form of the PPIA opinion for the Regulatory Financial Statements. Ofcom invited responses to the 2017 WBA Consultation by 14 September 2017.
3. On [date] 2018, Ofcom concluded its review of the wholesale broadband access market in which it identified markets, made market power determinations and set appropriate SMP conditions as set out in the 2018 WBA Notification.
4. Ofcom determined in the review referred to in paragraph 3 above, that BT has SMP in the market for wholesale broadband access referred to as “Market A” in the 2018 WBA Notification. As a result of the SMP determination Condition 7 was set in relation to that market.
5. Under Condition 7.8(iii) set out in the 2018 WBA Notification, BT is required to secure the expression of an audit opinion upon the Regulatory Financial Statements as notified by Ofcom from time to time.
6. Under Condition 7.4, set out in the 2018 WBA Notification, Ofcom may from time to time make such directions as they consider appropriate in relation to BT’s obligations under Condition 7.

Ofcom’s duties and legal tests

7. For the reasons set out in the explanatory statement accompanying this Direction, Ofcom is satisfied that, in accordance with section 49(2) of the Act, this Direction is:
 - a) objectively justifiable in relation to the networks, services, facilities, apparatus or directories to which it relates;
 - b) not such as to discriminate unduly against particular persons or against a particular description of persons;

⁶ Ofcom, *Wholesale Broadband Access Market Review*, June 2017, https://www.ofcom.org.uk/_data/assets/pdf_file/0013/103180/wba-consultation.pdf

- c) proportionate to what it is intended to achieve; and
 - d) in relation to what it is intended to achieve, transparent.
8. For the reasons set out in the explanatory statement accompanying this Direction, Ofcom is satisfied that it has acted in accordance with its general duties set out in section 3 of the Act, the six community requirements set out in section 4 of the Act and the duty to take due account of European Commission recommendations for harmonisation in section 4A of the Act.
 9. Ofcom has considered every representation about the proposed Direction duly made to it and the Secretary of State has not notified Ofcom of any international obligation of the United Kingdom for the purposes of section 49A(6)(b) of the Act.
 10. The proposals set out in the 2017 WBA Consultation contained proposals of EU significance for the purposes of the Act. Therefore, after making any modifications of the proposals that appeared to Ofcom to be appropriate following domestic consultation, on 21 June 2018 Ofcom sent a copy of them, and of a draft of the statement accompanying this Direction setting out the reasons for them, to the European Commission, BEREC and the regulatory authorities of every other member State for EU consultation, in accordance with section 49B(2) of the Act. [Ofcom received comments from the European Commission on its proposals on [DATE], and has made such modifications to this Direction and the statement accompanying this Direction as it considers appropriate.]

Direction

11. Ofcom hereby, pursuant to section 49 of the Act and Condition 7.4, directs BT to act as prescribed in paragraphs 12 to 14 below in relation to the market set out in paragraph 4. BT shall act as prescribed in respect of the Regulatory Financial Reporting prepared for the Financial Year beginning on 1 April 2018 and ending on 31 March 2019 and in respect of the Regulatory Financial Reporting prepared for each subsequent Financial Year until such time that this Direction is modified or revoked.
12. BT shall secure, to the satisfaction of Ofcom, an appropriate audit opinion in respect of the published Regulatory Financial Statements as a whole, in respect of each Regulatory Financial Statement and in respect of groups of Regulatory Financial Statement, to either “fairly presents in accordance with” (“**FPIA**”) standards or “properly prepared in accordance with” (“**PPIA**”) standards, as determined following consultation with Ofcom and the Regulatory Auditor.
13. Where BT is required to secure the expression of an audit opinion to FPIA standards upon any Regulatory Financial Statement, BT shall ensure that the Regulatory Auditor shall state whether in his opinion:
 - a) each Regulatory Financial Statement has been prepared in accordance with the applicable SMP services conditions, the Regulatory Accounting Principles and the Accounting Methodology Documents;
 - b) each Regulatory Financial Statement and corresponding audit opinion that BT delivers to Ofcom and/or publishes is fit for such purpose (or purposes), if any, as notified by Ofcom to BT in writing;

- c) each Regulatory Financial Statement fairly presents in accordance with the Regulatory Accounting Principles, and the Accounting Methodology Documents:
 - i. in the case of the 'Performance Summary by Market or Technical Area' and the 'BT Reconciliation Statement – Consolidated Profit and Loss Account', the results in the relevant Market, Technical Area, basket, single charge category and Network Service (as appropriate) for the relevant Financial Year and Prior Year Comparatives;
 - ii. in the case of the 'Attribution of Wholesale Current Cost Mean Capital Employed' and the 'BT Reconciliation Statement – Consolidated Mean Capital Employed', the mean capital employed in the relevant Market, Technical Area, basket, single charge category and Network Service (as appropriate) for the relevant Financial Year and Prior Year Comparatives; and
 - iii. in the case of the other statements of revenues, costs, assets, liabilities and other quantities, the revenues, costs, assets, liabilities and other quantities incurred or employed in the relevant Market, Technical Area, basket, single charge category and Network Service (as appropriate) for the relevant Financial Year and Prior Year Comparatives.
14. Where BT is required to secure the expression of an audit opinion to PPIA standards upon any Regulatory Financial Statement, BT shall ensure that the Regulatory Auditor shall state whether in his opinion:
- a) each Regulatory Financial Statement has been properly prepared in accordance with the applicable SMP services conditions, the Regulatory Accounting Principles, and the Accounting Methodology Documents, including the Prior Year Comparatives;
 - b) each Regulatory Financial Statement and corresponding audit opinion that BT delivers to Ofcom and/or publishes is fit for such purpose (or purposes), if any, as notified by Ofcom to BT in writing; and
 - c) anything has come to his attention that would lead him to conclude that the applicable SMP services conditions, the Regulatory Accounting Principles and the Accounting Methodology Documents have not been properly applied in the preparation of the relevant Regulatory Financial Statement, disclosing where practicable any adjustments he considers to be required in respect of any such matter.

Interpretation

15. For the purpose of interpreting this Direction:
- a) except as otherwise defined in paragraph 16 below or in so far as the context otherwise requires, words or expressions have the meaning assigned to them in SMP conditions set out in the 2018 WBA Notification, and otherwise any word or expression has the same meaning as it has in the Act;
 - b) headings and titles shall be disregarded;
 - c) expressions cognate with those referred to in this Direction shall be construed accordingly; and

d) the Interpretation Act 1978 (c. 30) shall apply as if this Direction were an Act of Parliament.

16. For the purposes of interpreting this Direction the following definitions shall apply:

- a) “**2017 WBA Consultation**” means the consultation described at paragraph 1 above;
- b) “**2018 WBA Notification**” means the notification at Annex [1] of the statement *Wholesale Broadband Access Market Review 2018 - Statement* dated [DATE];
- c) “**Market A**” means the area covered by the BT exchanges set out at Appendix 1 to Schedule 1 of the 2018 WBA Notification;
- d) “**Regulatory Financial Reporting**” means the whole of the Regulatory Financial Statements, the Accounting Methodology Documents, the accounting records and the Regulatory Accounting System.

17. The Direction will take effect on [DATE] 2018.

Signed

[NAME]

[Competition Policy Director]

A person duly authorised in accordance with paragraph 18 of the Schedule to the Office of Communications Act 2002

[DATE]

5. Proposed Direction under section 49 of the Communications Act 2003 and Condition 7.4 setting the requirements in relation to reconciliation report and accompanying audit opinion

Background

1. On 22 June 2017, OFCOM published a consultation document entitled “*Review of the wholesale broadband access markets – Consultation on market definition, market power determinations and remedies*”⁷ (the “**2017 WBA Consultation**”), consulting on proposals to identify markets, make market power determinations and set SMP conditions. In the 2017 WBA Consultation, Ofcom proposed, in relation to the market for wholesale broadband access referred to as “Market A”, to impose SMP services conditions on BT in relation to regulatory financial reporting. Ofcom invited responses to the 2017 WBA Consultation by 14 September 2017.
2. On 24 November 2017, Ofcom published a consultation entitled “Regulatory Financial Reporting: Consultation on proposed directions to BT arising from the Wholesale Local Access and Wholesale Broadband Access market reviews”⁸ (the “**2017 Regulatory Financial Reporting Consultation**”). The 2017 Regulatory Financial Reporting Consultation set out Ofcom’s proposals to issue a direction setting the requirements in relation to the reconciliation report and accompanying audit opinion, in relation to the market set out in paragraph 1. Ofcom invited responses to the 2017 Regulatory Financial Reporting Consultation by 15 January 2018.
3. On [date] 2018, Ofcom concluded its review of the wholesale broadband access market in which it identified markets, made market power determinations and set appropriate SMP conditions as set out in the 2018 WBA Notification.
4. Ofcom determined in the review referred to in paragraph 3 above, that BT has SMP in the market for wholesale broadband access referred to as “Market A” in the 2018 WBA Notification. As a result of the SMP determination Condition 7 was set in relation to that market.
5. Under Conditions 7.8(ii) and (vi), set out in the 2018 WBA Notification, BT is required to prepare and publish the reconciliation report as directed by Ofcom from time to time. The reconciliation report must set out changes to the Regulatory Accounting Methodology and the impact of such changes on the Regulatory Financial Statements, and Material Errors corrected in the Regulatory Financial Statements and the impact of such Material Errors on the Regulatory Financial Statements.
6. Under Condition 7.4, set out in the 2018 WBA Notification, Ofcom may from time to time make such directions as they consider appropriate in relation to BT’s obligations under Condition 7.

⁷ Ofcom, *Wholesale Broadband Access Market Review*, June 2017, https://www.ofcom.org.uk/data/assets/pdf_file/0013/103180/wba-consultation.pdf

⁸ Ofcom, *Regulatory Financial Reporting*, November 2017, https://www.ofcom.org.uk/data/assets/pdf_file/0022/108166/Regulatory-financial-reporting.pdf

Ofcom's duties and legal tests

7. For the reasons set out in the explanatory statement accompanying this Direction, Ofcom is satisfied that, in accordance with section 49(2) of the Act, this Direction is:
 - a) objectively justifiable in relation to the networks, services, facilities, apparatus or directories to which it relates;
 - b) not such as to discriminate unduly against particular persons or against a particular description of persons;
 - c) proportionate to what it is intended to achieve; and
 - d) in relation to what it is intended to achieve, transparent.
8. For the reasons set out in the explanatory statement accompanying this Direction, Ofcom is satisfied that it has acted in accordance with its general duties set out in section 3 of the Act, the six community requirements set out in section 4 of the Act and the duty to take due account of European Commission recommendations for harmonisation in section 4A of the Act.
9. Ofcom has considered every representation about the proposed Direction duly made to it and the Secretary of State has not notified Ofcom of any international obligation of the United Kingdom for the purposes of section 49A(6)(b) of the Act.
10. The proposals set out in the 2017 WBA Consultation and 2017 Regulatory Financial Reporting Consultation contained proposals of EU significance for the purposes of the Act. Therefore, after making any modifications of the proposals that appeared to Ofcom to be appropriate following domestic consultation, on 21 June 2018 Ofcom sent a copy of them, and of a draft of the statement accompanying this Direction setting out the reasons for them, to the European Commission, BEREC and the regulatory authorities of every other member state for EU consultation, in accordance with section 49B(2) of the Act. [Ofcom received comments from the European Commission on its proposals on [DATE], and has made such modifications to this Direction and the statement accompanying this Direction as it considers appropriate.]

Direction

11. Ofcom hereby, pursuant to section 49 of the Act and Condition 7.4, directs BT to act as prescribed in paragraphs 12 to 14 below in relation to the market set out in paragraph 4. BT shall act as prescribed in respect of the Regulatory Financial Reporting prepared for the Financial Year beginning on 1 April 2017 and ending on 31 March 2018 and in respect of the Regulatory Financial Reporting prepared for each subsequent Financial Year until such time that this Direction is modified or revoked.
12. BT must prepare a reconciliation report within the published Regulatory Financial Statements which sets out:
 - a) in relation to changes to the Regulatory Accounting Methodology:
 - i) each and every change;

- ii) the impact of all changes presented in the Regulatory Financial Statements, by setting out, on an aggregated basis, the difference between the Current Year Figures and the Current Year Figures had such changes not been made, expressed as an absolute amount and as a percentage change;
 - iii) the impact of each Material Change at the Markets and Technical Areas Level, by setting out, for each Material Change separately, the difference between the Current Year Figures and the Current Year Figures had such Material Change not been made, expressed as an absolute amount and as a percentage change;
 - iv) the impact of changes which are not Material Changes at the Markets and Technical Areas Level, by setting out, on an aggregated basis, the difference between the Current Year Figures and the Current Year Figures had such changes not been made, expressed as an absolute amount and as a percentage change; and
- b) in relation to Material Errors identified since the publication of the previous Financial Year's Regulatory Financial Statements:
- i) for each Material Error, a description of the Material Error, the circumstances of discovery of the Material Error, the reason for the Material Error, and whether such Material Error has been corrected in the restated Prior Year Comparatives;
 - ii) the impact of all Material Errors presented in the Regulatory Financial Statements for the previous Financial Year, by setting out, on an aggregated basis:
 - 1. the Current Year Figures set out in the Regulatory Financial Statements for the previous Financial Year had such Material Errors been corrected in the previous Financial Year ("the Corrected Previous Year Figures"); and
 - 2. the difference as an absolute amount and as a percentage change between the Current Year Figures set out in the Regulatory Financial Statements for the previous Financial Year and the Corrected Previous Year Figures.
 - iii) the impact of each Material Error at the Markets and Technical Areas Level, by setting out, for each Material Error, the difference as an absolute amount and as a percentage change between:
 - 1. the Current Year Figures set out in the Regulatory Financial Statements for the previous Financial Year; and
 - 2. the Current Year Figures set out in the Regulatory Financial Statements for the previous Financial Year had such Material Error been corrected in the previous Financial Year.
13. BT must obtain an audit opinion on the reconciliation report which must set out:

- a) whether all Material Changes were included in the Change Control Notification. Where this is not the case, the audit opinion must report whether Material Changes other than those included in the Change Control Notification were made as a result of an audit requirement made following delivery of the Change Control Notification or otherwise;
 - b) whether the description of each of the Material Changes provided by BT in the Change Control Notification is accurate;
 - c) whether BT included each and every Material Change in the reconciliation report and correctly calculated the impact of all changes presented in the Regulatory Financial Statements in accordance with paragraph 12(a)(ii) above;
 - d) whether the description of each of the Material Errors provided by BT in the reconciliation report is accurate; and
 - e) whether the Corrected Previous Year Figures set out in the reconciliation report in accordance with paragraph 12(b)(ii)(1) above are properly prepared in accordance with the Accounting Methodology Documents for the previous Financial Year had these Accounting Methodology Documents not included these Material Errors.
14. BT must ensure it maintains the data to enable it to compile a report which sets out the impact of all changes on all figures presented in the Regulatory Financial Statements, by setting out, on an aggregated basis, the difference between the Current Year Figures and the Current Year Figures had such a change not been made expressed as an absolute amount and as a percentage.

Interpretation

15. For the purpose of interpreting this Direction:
- a) except as otherwise defined in paragraph 16 below or in so far as the context otherwise requires, words or expressions have the meaning assigned to them in SMP conditions set out in the Notification, and otherwise any word or expression has the same meaning as it has in the Act;
 - b) headings and titles shall be disregarded;
 - c) expressions cognate with those referred to in this Direction shall be construed accordingly; and
 - d) the Interpretation Act 1978 (c. 30) shall apply as if this Direction were an Act of Parliament.
16. For the purposes of interpreting this Direction the following definitions shall apply:
- a) **“2017 Regulatory Financial Reporting Consultation”** means the consultation described at paragraph 2 above;
 - b) **“2017 WBA Consultation”** means the consultation described at paragraph 1 above;
 - c) **“2018 WBA Notification”** means the notification at Annex [1] of the statement *Wholesale Broadband Access Market Review 2018 - Statement* dated [DATE];

- d) **“Audit and Risk Committee”** means the committee of the board of directors of BT whose principal duties include financial reporting, internal controls, risk management and audit and includes any committee or unit established from time to time by the board of directors of BT to perform such duties;
- e) **“Change Control Notification”** means a list of each and every change to the Regulatory Accounting Methodology which BT is required to publish and deliver to Ofcom by 31 March of the Financial Year in which the change to the Regulatory Accounting Methodology is to be made;
- f) **“Market A”** means the area covered by the BT exchanges set out at Appendix 1 to Schedule 1 of the 2018 WBA Notification;
- g) **“Markets and Technical Areas Level”** means the level at which total costs, total revenue and total assets are reported for each separate Market and Technical Area to which this Direction applies;
- h) **“Material Change”** means a change in any element of the Regulatory Accounting Methodology which results in a change (be it positive or negative) in any figure in the Regulatory Financial Statements which exceeds the higher of 5% or £1 million. The percentage change in a figure shall be calculated by taking the value of the affected figure before the change in the Regulatory Accounting Methodology is applied, and subtracting from it, the value of the same figure after the change in the Regulatory Accounting Methodology is applied, and then dividing this result by the former value;
- i) **“Material Error”** means an error which:
 - i) results in a correction (be it positive or negative) in any figure in the Regulatory Financial Statements which exceeds the higher of 5% or £1 million. The percentage correction in a figure shall be calculated by taking the value of the affected figure in the Regulatory Financial Reporting before the error is corrected, and subtracting from it, the value of the same figure after the error is corrected, and then dividing this result by the former value; and
 - ii) fulfils at least one of the following conditions set out in paragraphs (ii)(1) and (ii)(2) below:
 - 1. the error has arisen within the Regulatory Attribution System;
 - 2. the error has been brought to the attention of the Audit and Risk Committee by the Regulatory Auditor;
- j) **“Regulatory Attribution System”** means the set of computerised and manual accounting methods, procedures, Processes and controls established to attribute the costs, revenues, assets and liabilities and summarise, interpret, and present the resultant financial data in an accurate and timely manner for the purposes of the whole of the Regulatory Financial Statements, the Accounting Methodology Documents, the accounting records and the Regulatory Accounting System; and

- k) **“Regulatory Financial Reporting”** means the whole of the Regulatory Financial Statements, the Accounting Methodology Documents, the accounting records and the Regulatory Accounting System.

17. The Direction will take effect on [DATE] 2018.

Signed

[NAME]

Competition Policy Director, Ofcom

A person duly authorised in accordance with paragraph 18 of the Schedule to the Office of Communications Act 2002

[DATE]

6. Proposed Direction under section 49 of the Communications Act 2003 and Condition 7.4 specifying Network Components

Background

1. On 22 June 2017, Ofcom published a consultation entitled “*Review of the wholesale broadband access markets – Consultation on market definition, market power determinations and remedies*”⁹ (“**2017 WBA Consultation**”), on proposals identifying markets, making market power determinations and setting SMP conditions. In the 2017 WBA Consultation, Ofcom proposed, in relation to the market for wholesale broadband access referred to as “Market A”, to impose SMP services conditions on BT in relation to regulatory financial reporting. Ofcom invited responses to the 2017 WBA Consultation by 14 September 2017.
2. On 24 November 2017, Ofcom published a consultation entitled “Regulatory Financial Reporting: Consultation on proposed directions to BT arising from the Wholesale Local Access and Wholesale Broadband Access market reviews”¹⁰ (the “**2017 Regulatory Financial Reporting Consultation**”). The 2017 Regulatory Financial Reporting Consultation set out Ofcom’s proposals to issue a direction specifying Network Components, in relation to the market set out in paragraph 1. Ofcom invited responses to the 2017 Regulatory Financial Reporting Consultation by 15 January 2018.
3. On [DATE], Ofcom concluded its review of the wholesale broadband access market in which it identified markets, made market power determinations and set appropriate SMP conditions as set out in the 2018 WBA Notification.
4. Ofcom determined in the review referred to in paragraph 3 above, that BT has SMP in the market for wholesale broadband access referred to as “Market A” in the 2018 WBA Notification. As a result of the SMP determination Condition 7 was set in relation to that market.
5. Under Condition 7, set out in the 2018 WBA Notification, Network Components are defined as the network components specified in a direction given by Ofcom from time to time for the purpose of that Condition.
6. Under Condition 7.4, set out in the 2018 WBA Notification, Ofcom may from time to time make such directions as they consider appropriate in relation to BT’s obligations under Condition 7.

Ofcom’s duties and legal tests

7. For the reasons set out in the explanatory statement accompanying this Direction, Ofcom is satisfied that, in accordance with section 49(2) of the Act, this Direction is:
 - a) objectively justifiable in relation to the networks, services, facilities, apparatus or directories to which it relates;

⁹ Ofcom, *Wholesale Broadband Access Market Review*, June 2017, https://www.ofcom.org.uk/_data/assets/pdf_file/0013/103180/wba-consultation.pdf

¹⁰ Ofcom, *Regulatory Financial Reporting*, November 2017, https://www.ofcom.org.uk/_data/assets/pdf_file/0022/108166/Regulatory-financial-reporting.pdf

- b) not such as to discriminate unduly against particular persons or against a particular description of persons;
 - c) proportionate to what it is intended to achieve; and
 - d) in relation to what it is intended to achieve, transparent.
8. For the reasons set out in the explanatory statement accompanying this Direction, Ofcom is satisfied that it has acted in accordance with its general duties set out in section 3 of the Act, the six community requirements set out in section 4 of the Act and the duty to take due account of European Commission recommendations for harmonisation in section 4A of the Act.
9. Ofcom has considered every representation about the proposed Direction duly made to it and the Secretary of State has not notified Ofcom of any international obligation of the United Kingdom for the purposes of section 49A(6)(b) of the Act.
10. The proposals set out in the 2017 WBA Consultation and the 2017 Regulatory Financial Reporting Consultation contained proposals of EU significance for the purposes of the Act. Therefore, after making any modifications of the proposals that appeared to Ofcom to be appropriate following domestic consultation, on 21 June 2018 Ofcom sent a copy of them, and of a draft of the statement accompanying this Direction setting out the reasons for them, to the European Commission, BEREC and the regulatory authorities of every other member state for EU consultation, in accordance with section 49B(2) of the Act. [Ofcom received comments from the European Commission on its proposals on [DATE], and has made such modifications to this Direction and the statement accompanying this Direction as it considers appropriate.]

Direction

11. Ofcom hereby, pursuant to section 49 of the Act and Condition 7.4, directs BT that the Network Components specified for the purposes of Condition 7 in relation to the market set out in paragraph 5, are those set out in the Annexes to this Direction. BT shall act as prescribed in respect of the Regulatory Financial Reporting prepared for the Financial Year beginning on 1 April 2018 and ending on 31 March 2019 and in respect of the Regulatory Financial Reporting prepared for each subsequent Financial Year until such time that this Direction is modified or revoked.
12. The Annexes to this direction form part of the Direction.

Interpretation

13. For the purpose of interpreting this Direction:
- a) except as otherwise defined in paragraph 14 below or in so far as the context otherwise requires, words or expressions have the meaning assigned to them in SMP conditions set out in the 2018 WBA Notification, and otherwise any word or expression has the same meaning as it has in the Act;
 - b) headings and titles shall be disregarded;
 - c) expressions cognate with those referred to in this Direction shall be construed accordingly; and

d) the Interpretation Act 1978 (c. 30) shall apply as if this Direction were an Act of Parliament.

14. For the purposes of interpreting this Direction the following definition shall apply,

- a) “**2017 Regulatory Financial Reporting Consultation**” means the consultation described at paragraph 2 above;
- b) “**2017 WBA Consultation**” means the consultation described at paragraph 1 above;
- c) “**2018 WBA Notification**” means the notification at Annex [1] of the statement “*Wholesale Broadband Access Market Review 2018 – Statement*” dated [DATE]; and
- d) “**Market A**” means the area covered by the BT exchanges set out at Appendix 1 to Schedule 1 of the 2018 WBA Notification;
- e) “**Regulatory Financial Reporting**” means the whole of the Regulatory Financial Statements, the Accounting Methodology Documents, the accounting records and the Regulatory Accounting System.

15. The Direction will take effect on [DATE] 2018.

Signed

[NAME]

Competition Policy Director, Ofcom

A person duly authorised in accordance with paragraph 18 of the Schedule to the Office of Communications Act 2002

[DATE]

Annex A

The Network Components for the Financial Years 1 April 2018 to 31 March 2019 and 1 April 2019 to 31 March 2020 shall be:

1. Ethernet Excess Construction
2. PC rentals 2Mbits regional trunk
3. Co-mingling set up
4. Co-mingling rentals
5. WLA Tie cables
6. Local Loop Unbundling systems development
7. Wholesale Access specific
8. Routing and Records
9. MDF Hardware jumpering
10. E side copper capital
11. E side copper current
12. D side copper capital
13. D side copper current
14. Local exchanges general frames equipment
15. Local exchanges general frames maintenance
16. Analogue line test equipment
17. Dropwire capital & analogue NTE
18. Analogue line drop maintenance
19. Analogue line cards
20. OR Service Centre Provision Ethernet
21. OR Service Centre Provision Analogue/ISDN2
22. OR Service Centre Provision WLA
23. Service Level Guarantees WLA
24. OR Service Centre Assurance Ethernet
25. OR Service Centre Assurance Analogue/ISDN2
26. OR Service Centre Assurance WLA
27. Combi card Voice
28. Combi card broadband access
29. Broadband MSAN Access
30. Core Directors

31. Edge Ethernet ports broadband
32. Ethernet Backhaul Direct Active
33. Ethernet Backhaul Direct Passive
34. Ethernet Backhaul Direct extended reach
35. Ethernet Backhaul Direct Resilience Active
36. Ethernet Backhaul Direct Resilience Passive
37. Ethernet Switch BB
38. Core/Metro (broadband)
39. Metro-core broadband transmission
40. ADSL connections
41. EVOTAM testing systems
42. MPF line testing systems
43. Broadband line testing systems
44. DSLAM support
45. DSLAM equipment
46. PC rental 2Mbits link per km distribution
47. Point of Handover electronics
48. PC rental 64kbits link
59. PC rental 2Mbits link
50. PC rental 64kbits link per km transmission
51. 2Mbits and above PC link connection cct provision
52. 64kbits PC link connection cct provision
53. PC rental 64kbits link local end
54. PC rental 2Mbits local end copper
55. PC rental 2Mbits local end fibre
56. Backhaul Extension Services Fibre
57. Wholesale Extension Services Fibre
58. OR systems & development – Ethernet
59. Ethernet Access Direct Fibre
60. Other Ethernet rentals - CCTV
61. Interconnect local end rental 2Mbits
62. Interconnect 2Mbits connection

63. Interconnect extension circuits IEC 2Mbits link
64. Customer Sited Interconnect cct CSI 2Mbits link
65. Nominated In Span I/Connect cct ISI transmission
66. Interconnect Extension Circuits IEC 2Mbits per km
67. Customer Sited Interconnect CSI 2Mbit/s per km
68. In Span Interconnect circuits ISI transmission
69. Intra Building Circuit (IBC) connection
70. Intra Building Circuit (IBC) rental
71. Ethernet main links
72. Ethernet Electronics
73. Other Ethernet new provides - CCTV
74. Customer support - partial private circuits
75. Customer support - interconnect
76. Customer support - broadband
77. Broadband backhaul circuits (excl Virtual Paths)
78. Openreach sales product management
79. Co-mingling power & vent
80. Revenue Receivables
81. Co-mingling electricity
82. Caller display
83. Metro BRAS and MSE
84. Regulated time related charges
85. PC rental 2Mbits link national trunk
86. FTTC Development
87. Service centre – provision GEA
88. iNode features
89. Network Features
90. Special Fault Investigation
91. EOI Notional Payables
92. FTTP Development
93. OR Service Centre – Provision GEA
94. OR Service Centre – Assurance GEA

95. GEA DSLAM & Cabinets
96. GEA FTTC Repairs
97. GEA FTTP Repairs
98. GEA FTTP Provisions
99. GEA FTTC Provisions
100. Fibre Rollout Funding
101. Funded Fibre Rollout Spend
102. GEA Fibre Voice Access rental
103. GEA Fibre Voice Access connection
104. GEA FTTP Access Fibre Spine
105. GEA FTTP Access Distribution
106. GEA FTTP Electronics
107. GEA FTTP Customer Site Installation
108. GEA FTTC Access Fibre Spine
109. GEA FTTC Access Distribution
110. GEA FTTC Electronics
111. GEA FTTC Customer Site Installation
112. Project services
113. WLA Ancillary operating cost
114. Ofcom Administration Fee Openreach
115. Ofcom Administration Fee Wholesale
116. Pair Gain
117. Cumulo

Annex B

The Network Components for the Financial Year 1 April 2020 to 31 March 2021 and for subsequent Financial Years (until this direction is modified or revoked) shall be:

1. Ethernet Excess Construction
2. PC rentals 2Mbits regional trunk
3. Co-mingling set up
4. Co-mingling rentals
5. WLA Tie cables
6. Local Loop Unbundling systems development
7. Wholesale Access specific
8. Routing and Records
9. MDF Hardware jumpering
10. E side copper capital
11. E side copper current
12. D side copper capital
13. D side copper current
14. Local exchanges general frames equipment
15. Local exchanges general frames maintenance
16. Analogue line test equipment
17. Dropwire capital & analogue NTE
18. Analogue line drop maintenance
19. Analogue line cards
20. OR Service Centre Provision Ethernet
21. OR Service Centre Provision Analogue/ISDN2
22. OR Service Centre Provision WLA
23. Service Level Guarantees WLA
24. OR Service Centre Assurance Ethernet
25. OR Service Centre Assurance Analogue/ISDN2
26. OR Service Centre Assurance WLA
27. Combi card Voice
28. Combi card broadband access
29. Broadband MSAN Access
30. Core Directors

31. Edge Ethernet ports broadband
32. Ethernet Backhaul Direct Active
33. Ethernet Backhaul Direct Passive
34. Ethernet Backhaul Direct extended reach
35. Ethernet Backhaul Direct Resilience Active
36. Ethernet Backhaul Direct Resilience Passive
37. Ethernet Switch BB
38. Core/Metro (broadband)
39. Metro-core broadband transmission
40. ADSL connections
41. EVOTAM testing systems
42. MPF line testing systems
43. Broadband line testing systems
44. DSLAM support
45. DSLAM equipment
46. PC rental 2Mbits link per km distribution
47. Point of Handover electronics
48. PC rental 64kbits link
59. PC rental 2Mbits link
50. PC rental 64kbits link per km transmission
51. 2Mbits and above PC link connection cct provision
52. 64kbits PC link connection cct provision
53. PC rental 64kbits link local end
54. PC rental 2Mbits local end copper
55. PC rental 2Mbits local end fibre
56. Backhaul Extension Services Fibre
57. Wholesale Extension Services Fibre
58. OR systems & development - Ethernet
59. Ethernet Access Direct Fibre
60. Other Ethernet rentals – CCTV
61. Interconnect local end rental 2Mbits
62. Interconnect 2Mbits connection

63. Interconnect extension circuits IEC 2Mbits link
64. Customer Sited Interconnect cct CSI 2Mbits link
65. Nominated In Span I/Connect cct ISI transmission
66. Interconnect Extension Circuits IEC 2Mbits per km
67. Customer Sited Interconnect CSI 2Mbit/s per km
68. In Span Interconnect circuits ISI transmission
69. Intra Building Circuit (IBC) connection
70. Intra Building Circuit (IBC) rental
71. Ethernet main links
72. Ethernet Electronics
73. Other Ethernet new provides - CCTV
74. Customer support - partial private circuits
75. Customer support - interconnect
76. Customer support - broadband
77. Broadband backhaul circuits (excl Virtual Paths)
78. Openreach sales product management
79. Co-mingling power & vent
80. Revenue Receivables
81. Co-mingling electricity
82. Caller display
83. Metro BRAS and MSE
84. Regulated time related charges
85. PC rental 2Mbits link national trunk
86. FTTC Development
87. Service centre – provision GEA
88. iNode features
89. Network Features
90. Special Fault Investigation
91. EOI Notional Payables
92. FTTP Development
93. OR Service Centre – Provision GEA
94. OR Service Centre – Assurance GEA

95. GEA DSLAM & Cabinets
96. GEA FTTC Repairs
97. GEA FTTP Repairs
98. GEA FTTP Provisions
99. GEA FTTC Provisions
100. Fibre Rollout Funding
101. Funded Fibre Rollout Spend
102. GEA Fibre Voice Access rental
103. GEA Fibre Voice Access connection
104. GEA FTTP Access Fibre Spine
105. GEA FTTP Access Distribution
106. GEA FTTP Electronics
107. GEA FTTP Customer Site Installation
108. GEA FTTC Access Fibre Spine
109. GEA FTTC Access Distribution
110. GEA FTTC Electronics
111. GEA FTTC Customer Site Installation
112. Project services
113. WLA Ancillary operating cost
114. Ofcom Administration Fee Openreach
115. Ofcom Administration Fee Wholesale
116. Pair Gain.
117. Cumulo
118. Duct Spine capital
119. Duct Spine maintenance
120. Junction Boxes Capital
121. Junction boxes maintenance
122. Manhole Capital costs
123. Manhole maintenance costs
124. Pole capital costs
125. Pole maintenance costs
126. Lead in duct capital costs

127. Lead in maintenance costs.

7. Proposed Direction under section 49 of the Communications Act 2003 and Condition 7.4 setting the requirements in relation to preparation, delivery, publication, form and content of the Regulatory Financial Statements

Background

1. On 22 June 2017, Ofcom published a consultation document entitled “*Review of the wholesale broadband access markets – Consultation on market definition, market power determinations and remedies*”¹¹ (“**2017 WBA Consultation**”), on proposals identifying markets, making market power determinations and setting SMP conditions. In the 2017 WBA Consultation, Ofcom proposed, in relation to the market for wholesale broadband access referred to as “Market A”, to impose SMP services conditions on BT in relation to regulatory financial reporting.
2. In the 2017 WBA Consultation, Ofcom also proposed to make directions under the proposed SMP Condition relating to regulatory financial reporting, including a proposed direction to set the requirements in relation to preparation, delivery, publication, form and content of the Regulatory Financial Statements. Ofcom invited responses to the 2017 WBA Consultation by 14 September 2017.
3. On [date] 2018, Ofcom concluded its review of the wholesale broadband access market in which it identified markets, made market power determinations and set appropriate SMP conditions as set out in the 2018 WBA Notification.
4. Ofcom determined in the review referred to in paragraph 3 above, that BT has SMP in the market for wholesale broadband access referred to as “Market A” in the 2018 WBA Notification. As a result of the SMP determination Condition 7 was set in relation to that market.
5. Under Condition 7 set out in the 2018 WBA Notification, and in particular Condition 7.8, BT is required to prepare, deliver to Ofcom and publish the Regulatory Financial Statements as directed by Ofcom from time to time.
6. Under Condition 7.4, set out in the 2018 WBA Notification, Ofcom may from time to time make such directions as they consider appropriate in relation to BT’s obligations under Condition 7.

Ofcom’s duties and legal tests

7. For the reasons set out in the explanatory statement accompanying this Direction, Ofcom is satisfied that, in accordance with section 49(2) of the Act, this Direction is:
 - a) objectively justifiable in relation to the networks, services, facilities, apparatus or directories to which it relates;
 - b) not such as to discriminate unduly against particular persons or against a particular description of persons;

¹¹ Ofcom, *Wholesale Broadband Access Market Review*, June 2017, https://www.ofcom.org.uk/_data/assets/pdf_file/0013/103180/wba-consultation.pdf

- c) proportionate to what it is intended to achieve; and
 - d) in relation to what it is intended to achieve, transparent.
8. For the reasons set out in the explanatory statement accompanying this Direction, Ofcom is satisfied that it has acted in accordance with its general duties set out in section 3 of the Act, the six community requirements set out in section 4 of the Act and the duty to take due account of European Commission recommendations for harmonisation in section 4A of the Act.
9. Ofcom has considered every representation about the proposed Direction duly made to it and the Secretary of State has not notified Ofcom of any international obligation of the United Kingdom for the purposes of section 49A(6)(b) of the Act.
10. The proposals set out in the 2017 WBA Consultation contained proposals of EU significance for the purposes of the Act. Therefore, after making any modifications of the proposals that appeared to Ofcom to be appropriate following domestic consultation, on 21 June 2018 Ofcom a copy of them, and of a draft of the statement accompanying this Direction setting out the reasons for them, to the European Commission, BEREC and the regulatory authorities of every other member State for EU consultation, in accordance with section 49B(2) of the Act. [Ofcom received comments from the European Commission on its proposals on [DATE], and has made such modifications to this Direction and the statement accompanying this Direction as it considers appropriate.]

Direction

11. Ofcom hereby, pursuant to section 49 of the Act and Condition 7.4, directs BT to act as prescribed in paragraphs 12 to 17 below in relation to the market set out at paragraph 4. BT shall act as prescribed in respect of the Regulatory Financial Reporting prepared for the Financial Year beginning on 1 April 2018 and ending on 31 March 2019 and in respect of the Regulatory Financial Reporting prepared for each subsequent Financial Year until such time that this Direction is modified or revoked.
12. BT shall prepare and deliver to Ofcom two weeks before they are published the following final statements in respect of the market set out at paragraph 4 above, in accordance with the obligation in paragraph 14 below:
- i. Statement of Responsibility;
 - ii. Regulatory Financial Review;
 - iii. Notes to the Regulatory Financial Statements;
 - iv. Performance Summary by Market or Technical Area;
 - v. Attribution of Wholesale Current Costs;
 - vi. Attribution of Wholesale Current Cost Mean Capital Employed;
 - vii. Market/Technical Area Summary;
 - viii. BT Reconciliation Statement – Consolidated Profit and Loss Account;

- ix. BT Reconciliation Statement – Consolidated Mean Capital Employed; and
 - x. Consolidated Network Activity Statement.
13. BT shall publish the statements set out in paragraph 12 of this Direction, and in addition the following statements:
- i. Statement by Ofcom; and
 - ii. Report of the Regulatory Auditor,
- within four months after the end of the Financial Year to which they relate, and in accordance with the obligation in paragraph 14 below.
14. Except where BT is entitled to amend the form and content of the Regulatory Financial Statements, BT shall prepare the statements described in paragraphs 12 and 13 above as to the form and content in the manner set out in Annex A to this Direction.
15. BT shall publish the Regulatory Financial Statements in Excel spreadsheet format as well as in portable document format (“PDF”).
16. BT shall prepare and deliver to Ofcom at the same time it delivers its Regulatory Financial Statements the following additional financial information in respect of each Market in the form and content as described in Annex B:
- i. Cost category (as used within regulatory LRIC model) analysis for network components, increments and relevant layers of common cost;
 - ii. Summarised activity analysis of components for network activities, increments and the relevant layers of common cost (LRIC basis);
 - iii. Cost category (as used within regulatory LRIC model) analysis for network components and increments;
 - iv. Summarised activity analysis for network components and increments;
 - v. Analysis, by asset category and network activities, of the depreciation charge for the year and impact of CCA valuation adjustments on costs for the year;
 - vi. CCA fixed asset movement statement;
 - vii. Total mean capital employed and detailed activity analysis for all network components;
 - viii. Detailed network activity analysis of mean capital employed for all network components;
 - ix. Graphs over time of the various raw indices, index weightings and composite indices used by BT to revalue assets onto a current cost basis;
 - x. Estimated economic useful lives, valuation and depreciation basis, survey used for valuation or index used to revalue, historical cost accounting (HCA) and current cost accounting (CCA) depreciation, gross book values (GBV) by year of acquisition,

gross replacement costs (GRC) and net replacement costs (NRC) across asset categories;

- xi. Total operating costs and mean capital employed costs (and associated volumes) for each plant group and their individual exhaustion, including the disclosure of relevant usage factors, onto each network activity and/or (sub) component;
 - xii. Provision of BT 'Data File';
 - xiii. CCA information to allow Ofcom to re-calculate the regulatory asset value (RAV) for copper assets used in BT's access network;
 - xiv. BT Network Services Reconciliation;
 - xv. Provision of FAC, LRIC, DLRIC and DSAC data per service where revenues of that service are over £5m for the relevant financial year;
17. With the exception of the additional financial information set out at paragraphs 16(i), (ii), (xii) and (xv), BT shall provide to Ofcom the additional financial information at the same time it delivers its Regulatory Financial Statements. The additional financial information set out at paragraphs 16(i), (ii) and (xv) shall be provided when it publishes its Regulatory Financial Statements, and the additional financial information set out at paragraph 16(xii) shall be provided to Ofcom two weeks after it publishes its Regulatory Financial Statements.
18. The Annexes to this direction form part of the Direction.

Interpretation

19. For the purpose of interpreting this Direction:
- a) except as otherwise defined in paragraph 20 below or in so far as the context otherwise requires, words or expressions have the meaning assigned to them in SMP conditions set out in the 2018 WBA Notification, and otherwise any word or expression has the same meaning as it has in the Act;
 - b) headings and titles shall be disregarded;
 - c) expressions cognate with those referred to in this Direction shall be construed accordingly; and
 - d) the Interpretation Act 1978 (c. 30) shall apply as if this Direction were an Act of Parliament.
20. For the purposes of interpreting this Direction the following definitions shall apply:
- a) "**2017 WBA Consultation**" means the consultation described at paragraph 1 above;
 - b) "**2018 WBA Notification**" means the notification at Annex [1] of the statement "*Wholesale Broadband Access Market Review 2018 – Statement*" dated [DATE];
 - c) "**Market A**" means the area covered by the BT exchanges set out at Appendix 1 to Schedule 1 of the 2018 WBA Notification;

- d) **“Regulatory Financial Reporting”** means the whole of the Regulatory Financial Statements, the Accounting Methodology Documents, the accounting records and the Regulatory Accounting System.

21. The Direction will take effect on [DATE] 2018.

Signed

[NAME]

[Competition Policy Director]

A person duly authorised in accordance with paragraph 18 of the Schedule to the Office of Communications Act 2002

[DATE]

Annex A

Statement by Ofcom

The statement provided by Ofcom commenting on the figures in, the notes to, or the presentation of any or all of the Regulatory Financial Statements, in relation to each of the markets to which cost accounting and/or accounting separation obligations apply.

Statement of Responsibility

The statement provided by the board of directors of BT shall set out the basis of preparation of the Regulatory Financial Statements and confirm the approval of the Regulatory Financial Statements by BT's board of directors.

Regulatory Financial Review

BT shall be required to summarise the financial performance:

- across all of the SMP markets to which cost accounting and/or accounting separation obligations apply;
- at the market review level encompassing individual SMP markets to which cost accounting and/or accounting separation obligations apply considered as part of such market review; and
- at the level of each individual SMP market to which cost accounting and/or accounting separation obligations apply.

The Regulatory Financial Review (RFR) shall be included in the Regulatory Financial Statements either as a separate statement or as notes to relevant other statements.

The RFR should assist the user's assessment of the Regulatory Financial Statements and provide commentary on compliance with these regulatory conditions.

The RFR should focus on those matters which are relevant to the users of the information, be clearly written and readily understandable.

The information and analysis contained within the RFR should be complete and free from bias.

Disclosure should make clear any issues of comparability that would assist the reader's understanding of the RFR. It should highlight accounting policies that are key to the understanding of performance, focusing on those which have required the particular exercise of judgement in their application and those accounting policies which have changed in the year.

When using financial and non-financial measures in the RFR it is important these are defined and explained, assumptions set out and Prior Year Comparatives are disclosed on the same basis as Current Year Figures.

The RFR should explain the main factors that underlie all of the regulated activities, all of the individual SMP markets forming part of each market review and each individual SMP market. In particular, the RFR should explain those factors which have either varied in the past or are expected to change in the future. It should also set out an analysis of the effect of changes in each individual SMP market or the environment in which it operates and of developments within each individual SMP market. For example, it should include changes in the market conditions, introduction or announcement of new products and services, new and discontinued activities, other acquisitions and disposals.

The RFR should also analyse the main factors and influences that may have an effect on future performance, whether or not they were significant in the period under review. There should be a discussion of the principal risks facing all of the regulated activities, all of the individual SMP markets forming part of each market review, and each individual SMP market, with a commentary on the approach taken to manage them.

Notes to the Regulatory Financial Statements

The Regulatory Financial Statements shall contain, as a separate statement or as notes to relevant other statements, notes, modelled on statutory accounting conventions, to assist the user in the interpretation of the individual Regulatory Financial Statements.

The notes will address issues necessary to ensure the fair presentation of the Regulatory Financial Statements (where BT is required to obtain an audit to “fairly presents in accordance with” standards) and the proper preparation of the Regulatory Financial Statements (where BT is required to obtain an audit to “properly prepared in accordance with” standards). They should set out to the extent necessary the basis of accounting, accounting policies, changes for restatement, non-compliance with the ICAEW Guidance and any other information that will enable users to properly understand the individual Regulatory Financial Statement.

Amongst others the necessary notes would be expected to include:

- a description of the basis on which revenue from sales to other operators arise and other related matters necessary to understand how financial performance has been measured;
- a commentary setting out how the principle of non-discrimination and the calculation of usage factors have been applied in the preparation and presentation of Regulatory Financial Statements in respect of Wholesale Services.

Report of the Regulatory Auditor

The statement by the Regulatory Auditor shall set out the duties and responsibilities of BT and of the Regulatory Auditor, the basis of audit opinion in accordance with current auditing standards, to whom a duty of care is owed and their opinion in respect of each Regulatory Financial Statement.

Notes to the statement entitled “Market/Technical Area Summary”

BT shall disclose financial information shown in the “Market/Technical Area Summary” in relation to the market “Wholesale Broadband Access in the United Kingdom excluding the Hull Area”. The information is required to be provided for services where the revenues exceed £5m and the EOI inputs exceed £1m in any given financial year, with any other services included in ‘Other WBA Market’.

Market/Technical Area Summary 20XX

Summary for Market 1/Technical Area 1 etc

For the year ended 31 March 20XX

	Internal Revenue £m	External Revenue £m	Total Revenue £m	Internal Volume	External Volume	Unit(s)	Average Internal price £	Average External Price £	Internal EOI* £m	External EOI £m	Internal FAC* £m	External FAC £m
WBC Connections	x.x	x.x	x.x	x.x	x.x	x.x	x.x	x.x				
WBC End user access - rentals	x.x	x.x	x.x	x.x	x.x	x.x	x.x	x.x				
Other WBA Market A												
Total WBA Market A	x.x	x.x	x.x						x.x	x.x	x.x	x.x
Adjustment for EOI and internal	x.x		x.x						x.x		x.x	
Total WBA Market A (excluding EOI and Internal)	x.x	x.x	x.x						x.x	x.x	x.x	x.x

Internal and External FAC as required by Ofcom

Average Prices may require more detailed analysis as required by Ofcom

* Only where Internal unit FAC is different from External unit FAC

BT Reconciliation Statement - Consolidated Profit and Loss Account 20XX

For the year ended 31 March 20XX

	External Revenue £m	Operating Costs £m	Return or Profit before taxation £m
As in the Annual Report	X	X	X
Adjustments			
Elimination of inter-market revenue and costs	X	X	X
Share of Post tax loss of associates and joint ventures	X	X	X
Loss on disposal of interest in associates and joint ventures	X	X	X
Net short term interest	X	X	X
Specific pension interest	X	X	X
Long term interest payable	X	X	X
Other adjustment(s) as required	X	X	X
Total Markets (HCA)	X	X	X
Holding (gain)/loss	X	X	X
Supplementary Depreciation	X	X	X
Other CCA adjustments	X	X	X
Roundings	X	X	X
Total Markets (CCA)	X	X	X

BT Reconciliation Statement - Consolidated Mean Capital Employed 20XX

For the year ended 31 March 20XX

	20XX £m	20XX-1 £m	Mean capital employed of BT Markets	20XX £m	20XX-1 £m
Shareholders' funds as in the 20XX Annual Report	X	X			
CCA adjustments	X	X	Market Review 1	X	X
	X	X	Market Review 2 etc	X	X
Adjustments			Sub total SMP Markets	X	X
Derivative financial instruments - assets	X	X			
Deferred tax liabilities	X	X	Residual activities		
Deferred tax assets	X	X	Wholesale residual activity	X	X
Current tax assets	X	X	Retail residual activity	X	X
Current tax liabilities	X	X			
Long term loans and other borrowings:			Sub total residual activities	X	X
Due in less than one year	X	X			
Due in more than one year	X	X	Roundings and other adjustments		
Derivative financial instruments - liabilities	X	X	Wholesale markets	X	X
Other liabilities	X	X	Retail markets & activities	X	X
Retirement benefit obligations	X	X			
Other adjustment(s) as required	X	X	Sub total roundings and other adjustments	X	X
Closing CCA capital employed at 31 March	X	X	Total CCA mean capital employed	X	X
Opening CCA capital employed at 1 April	X	X			
Total CCA mean capital employed	X	X			

Annex B

Reference	Additional Financial Information	Description
<u>Additional Financial Information to be provided in respect of each Market and Interconnect Circuits</u>		
5(a)(i)	Cost category (as used within regulatory LRIC model) analysis for network components, increments and relevant layers of common cost (LRIC, DLRIC and DSAC basis)	<ol style="list-style-type: none"> 1. Ensure the LRIC model reconciles to BT group's total cost and asset and liability base; 2. Review the outputs of BT's LRIC model for the whole BT Group by cost category and components, increments and layers of common costs; 3. Identify all relevant layers of common costs separately within BT Group; 4. Enable trend analysis of this breakdown to be undertaken; 5. Enable assessment of cost-volume relationships; 6. Provide input into network price control reviews.
5(a)(ii)	Summarised activity analysis of components for network activities, increments and the relevant layers of common cost (LRIC, DLRIC and DSAC basis)	<ol style="list-style-type: none"> 1. Review the outputs of BT's LRIC model by activity analysis for network components, increments and the layers of common costs; 2. Identify all relevant layers of common costs separately for network activities; 3. Enable trend analysis of this breakdown to be undertaken; 4. Provide input into network price control reviews; 5. Ensure LRIC model reconciles to the total cost and asset and liability base for BT's network activities.

5(a)(iii)	Cost category (as used within regulatory LRIC model) analysis for network components and increments	Similar to “Cost category (as used within regulatory LRIC model) analysis for network components, increments and relevant layers of common cost”, but on a fully allocated cost basis.
5(a)(iv)	Summarised activity analysis for network components and increments	Similar to “Summarised activity analysis of components for network activities, increments and the relevant layers of common cost”, but on a fully allocated cost basis.
5(a)(v)	<p>Analysis, by asset category and network activities, of the depreciation charge for the year and impact of CCA valuation adjustments on costs for the year for example:</p> <ul style="list-style-type: none"> • HCA depreciation • CCA supplementary depreciation • Holding gain • Other CCA adjustments 	<ol style="list-style-type: none"> 1. Provide impact on profit and loss cost base of the application of CCA methodologies; 2. Enable trend analysis of this breakdown to be undertaken; 3. Provide sub-analysis (for the cost/gain line items left) of the asset movement statement in relation to network components; 4. Provide input into network price control reviews.

<p>5(a)(vi)</p>	<p>CCA fixed asset movement statement</p> <p>a) gross replacement costs brought forward, additions/disposals/transfers, holdings gains/(loss), gross replacement costs carried forward; and</p> <p>b) gross depreciation brought forward, HCA depreciation charge, supplementary CCA depreciation, disposals/transfers/other movements, holding gains/(loss), gross depreciation carried forward)</p> <p>by asset category for BT Group</p> <p>plus reconciliation to HCA fixed assets movement statement in the group statutory accounts</p>	<ol style="list-style-type: none"> 1. Review the breakdown of asset costs between principal asset categories and how such CCA asset values have moved in the year; 2. Enable trend analysis of CCA asset values to be undertaken; 3. Provide input into network price control reviews.
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5(a)(vii)	Total mean capital employed and detailed activity analysis for all network components	<ol style="list-style-type: none"> 1. Review network component costs; 2. Enable trend analysis of these breakdowns to be undertaken; 3. Provide input into price control reviews; 4. Assist in dealing with investigations; 5. Ensure summarised activity analysis presented elsewhere reconciles to BT's network activities cost base.
5(a)(viii)	Detailed network activity analysis of mean capital employed for all network components	<ol style="list-style-type: none"> 1. Enable trend analysis of these breakdowns to be undertaken; 2. Ensure summarised activity analysis reconciles to BT's network activity mean capital employed.
5(a)(ix)	Graphs over time of the various raw indices, index weightings and composite indices used by BT to revalue assets onto a current cost basis	<ol style="list-style-type: none"> 1. Evaluate the price trends for composite elements of BT's asset revaluation indices; 2. Evaluate the weightings within individual asset revaluation indices; 3. Evaluate the trend of individual asset revaluation indices; 4. Provide input into price control reviews and determinations.

5(a)(x)	Estimated economic useful lives, valuation and depreciation basis, survey used for valuation or index used to revalue, historical cost accounting (HCA) and current cost accounting (CCA) depreciation, gross book values (GBV) by year of acquisition, gross replacement costs (GRC) and net replacement costs (NRC) across asset categories	<ol style="list-style-type: none"> 1. Review the nature and relative distribution of BT's asset base; 2. Evaluate BT's chosen asset lives for individual asset categories; 3. Review the relationship between gross HCA and CCA valuations; 4. Evaluate the appropriateness of the CCA valuation basis for each asset category; 5. Evaluate the appropriateness of the CCA depreciation methodology for each asset category; 6. Review the impact of CCA accounting on the cost base; 7. Enable trend analysis of CCA costs to be undertaken; 8. Provide input into network price control reviews.
5(a)(xi)	Total operating costs and mean capital employed costs (and associated volumes) for each plant group and their individual exhaustion, including the disclosure of relevant usage factors, onto each network activity and/or (sub) component	<ol style="list-style-type: none"> 1. Review the breakdown of costs to all the different components and sub-components within BT's network activities; 2. Enable trend analysis of this breakdown to be undertaken; 3. Provide input into network price control reviews; 4. Ensure total plant group costs reconcile to the cost base for BT's network activities.

5(a)(xii)	Provision of BT 'Data File' ¹²	<p>Delivery of "data file" in prescribed format containing all records from cost attribution system. Format of file to allow for identification of sources of data, data flows (from the input sources at F8/OUC code level through to products and services) and attribution bases.</p> <p>The data would, as a minimum, be able to replicate the outputs of the regulatory financial statements and include financial information (for example F8 code, OUC, finance type, class of work and AS/WS sector) on all services where the revenue is above £5m for the relevant financial year and components that have received an allocation of costs in the Regulatory Financial Statements. The data would include transfer charges and CCA adjustments, EOI inputs and be able to identify the attribution bases to those described in the Accounting Methodology Documents. The basis of preparation must be consistent with BT's SMP conditions, the Regulatory Accounting Principles and the Accounting Methodology Documents.</p> <p>The data should also include:</p> <ol style="list-style-type: none"> 1. the post RFS adjustments to cost categories for LRIC reporting by service; 2. the FAC adjustment Summary (for LRIC model), which contains the post RFS adjustments to cost categories for the purposes of LRIC reporting; 3. the Wholesale Residual schedule; 4. revenues, volumes and FAC component cost on a CCA basis for services where revenue is over £5m for the relevant financial year; 5. the revenues, volumes and total FAC cost on a CCA basis of any other WBA service where the revenue from this service is above £5m for the relevant financial year; and 6. the network component FAC cost on a CCA basis of any other WBA service where the revenue from this service is above £5m for the relevant financial year; and 7. the calculation of EOI input costs base on WLA EOI prices and usage factors for all relevant services within WBA Market A.
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		<p>The outputs of the annual file should be consistent with published audited information.</p> <p>BT should maintain the file in a format consistent with Ofcom/third party import routine, accompanied by provision of control totals, and any technical advice which allows seamless data transfers and it should be updated where appropriate. In consultation with Ofcom, BT shall procure an appropriate audit opinion in relation to the data file.</p>
5(a)(xiii)	CCA information to allow Ofcom to re-calculate the regulatory asset value (RAV) for copper assets used in BT's access network.	<ol style="list-style-type: none"> 1. Provide breakdown of the following information: 2. Full CCA on an actual price index basis; 3. Pre 1997 assets on an RPI basis; 4. Post 1997 assets on an actual price index basis; 5. Enable Ofcom to re-calculate and monitor the effect of this going forward.
5(a)(xiv)	BT Network Services Reconciliation	Provide a breakdown of FAC into BT services and components and reconcile both categories to the total FAC for the year.
5(a)(xv)	Provision of FAC, LRIC, DLRIC and DSAC data per service	Provide FAC, LRIC, DLRIC and DSAC information for each regulated service where the revenue is over £5m in the relevant financial year.

¹² NOTE: As explained in paragraph A8.223-226 of the 2018 WLA Statement BT is also required to report on the Calculation of EOI Input Prices in respect of these Network Services.