

# A1. Legal instruments

## Section 1 Temporary SMP services conditions and directions for BT

### **Notification of the identification of markets, the making of market power determinations, the setting of temporary SMP services conditions and the giving of temporary directions in relation to BT under sections 48A(2), 49A(2), 80(1A) and 80A(2) of the Communications Act 2003**

#### **Background**

1. On 23 November 2017 Ofcom issued a notification revoking the market identifications, market power determinations, SMP services conditions in relation to the following markets:
  - a. the wholesale market for contemporary interface symmetric broadband origination in the Rest of the United Kingdom excluding the Hull Area;
  - b. wholesale market for contemporary interface symmetric broadband origination in the Central London Area; and
  - c. the wholesale market for contemporary interface symmetric broadband origination in the London Periphery.
2. The directions given in respect of the markets referred to in paragraph 1 above have ceased to have effect as a result of Ofcom's notification.

#### **Ofcom's powers to adopt temporary measures in exceptional circumstances**

3. By virtue of section 80A(2) of the Act, Ofcom may identify markets and/or make a market power determination without domestic consultation where the proposal is of EU significance and in Ofcom's opinion:
  - a. there are exceptional circumstances; and
  - b. there is an urgent need to act in order to safeguard competition and to protect the interests of consumers.
4. Under section 80(1A), any market identification or market power determination made without domestic consultation on this basis must be temporary, and the notification containing the identification or determination must state the period for which it is to have effect.
5. Similarly, by virtue of sections 48A(2) and 49A(2) of the Act, Ofcom may impose SMP services conditions and give directions without domestic consultation, where the proposal is of EU significance and in Ofcom's opinion:
  - a. there are exceptional circumstances; and
  - b. there is an urgent need to act in order to safeguard competition and to protect the interests of consumers.

6. Under section 48(2A), SMP services conditions set and directions given without domestic consultation on this basis must be temporary, and the notification imposing them must state the period for which the conditions and directions are to have effect.
7. Article 7(9) of the Framework Directive makes clear that in exceptional circumstances, where Ofcom considers that there is an urgent need to act in order to safeguard competition and protect the interests of consumers, there is also no requirement to conduct an EU consultation in respect of market identifications, market power determinations and the imposition of SMP conditions and directions. Ofcom is instead required to notify the statement setting out the reasons for the decisions and the urgent need to act to the European Commission, BEREC and the regulatory authorities in every other Member State.
8. Ofcom considers that there are exceptional circumstances and an urgent need to act in order to safeguard competition and to protect the interests of consumers, and it is therefore appropriate to make market identifications and market power determinations, impose temporary SMP services conditions and give temporary directions without consultation under sections 80(1A), 80A(2), 48A(2) and 49A(2) of the Act. Ofcom also considers that these market identifications, market power determinations and the imposition of temporary SMP services conditions and directions are of EU significance within the meaning of section 150A of the Act.
9. The effect of, and Ofcom's reasons for: identifying the services markets; making the market power determinations; setting and applying temporary SMP services conditions; and giving temporary directions referred to in paragraphs 10 to 12 below, are set out in the statement accompanying this notification.

## Market identifications and market power determinations

10. Ofcom is identifying the following services markets listed in Column 1 of Table A below for the purposes of making a determination that the person specified in the corresponding row in Column 2 of that Table has significant market power in that identified services market. The market identifications and market power determinations set out in Table A shall come into force on 27 November 2017 and have effect until 31 March 2019.

**Table A: Market identifications and market power determinations in the United Kingdom outside the Hull Area**

<i><b>Column 1: Market identifications</b></i>	<i><b>Column 2: Market power determination</b></i>
<b>(a)</b> Wholesale market for Lower Bandwidth CISBO Services in the London Periphery	BT
<b>(b)</b> Wholesale market for Lower Bandwidth CISBO Services in the Central Business District of Bristol	BT
<b>(c)</b> Wholesale market for Lower Bandwidth CISBO Services in the Central Business District of Birmingham	None

<b>(d)</b> Wholesale market for Lower Bandwidth CISBO Services in the Central Business District of Glasgow	None
<b>(e)</b> Wholesale market for Lower Bandwidth CISBO Services in the Central Business District of Leeds	None
<b>(f)</b> Wholesale market for Lower Bandwidth CISBO Services in the Central Business District of Manchester	BT
<b>(g)</b> Wholesale market for Lower Bandwidth CISBO Services in the Rest of UK	BT

## Decisions to set and apply temporary SMP services conditions

11. Ofcom is setting, in relation to each of the services markets in which Ofcom is making the market power determinations as listed at rows (a), (b), (f) and (g) in Table A above, the temporary SMP services conditions set out in Schedule 1 to this notification to be applied to BT to the extent specified in that Schedule. All of the SMP services conditions (except SMP services condition 9) shall come into force on 27 November 2017. SMP services condition 9 shall come into force on 1 December 2017. All of the SMP services conditions shall have effect until 31 March 2019.

## Decisions to give temporary directions

12. Ofcom is giving, in relation to each of the services markets in which Ofcom is making the market power determinations as listed at rows (a), (b), (f) and (g) in Table A above, the temporary directions set out in Schedules 2 to 12 of this notification, to be applied to BT to the extent specified in those Schedules. All of the directions (except the directions contained in Schedules 2, 3 and 4) shall come into force on 27 November 2017. The directions contained in Schedules 2, 3 and 4 come into force on 1 December 2017. All of the directions shall have effect until 31 March 2019.

## Ofcom's duties and legal tests

13. In identifying the markets and making the market power determinations referred to in paragraph 10 above Ofcom has, in accordance with section 79 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 an EU instrument and which relate to market identification and analysis or the determination of what constitutes significant market power. In so doing, pursuant to Article 3(3) of Regulation (EC) No 1211/2009, Ofcom has also taken the utmost account of any relevant opinion, recommendation, guidelines, advice or regulatory practice adopted by BEREC.
14. Ofcom considers that:
  - a. the above temporary SMP services conditions comply with the requirements of sections 45 to 47, 87 and 88 of the Act, as appropriate and relevant to each such SMP services condition;
  - b. the above temporary directions comply with the requirements of section 49 of the Act.

15. In making all of the determinations and decisions 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.
16. In accordance with Article 7(9) of the Framework Directive and sections 48C(4), 49C(4) and 81(4) of the Act, Ofcom is sending a copy of this notification and a copy of the accompanying statement setting out the reasons for its determinations and decisions and explaining the urgent need to act to the European Commission, BEREC and the regulatory authorities in every other member state.

## Interpretation

17. For the purpose of interpreting this notification and its Schedules—

- a) except in so far as the context otherwise requires, words or expressions shall have the meaning assigned to them in paragraph 18 below, and otherwise any word or expression shall have 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.

18. In this notification and its Schedules—

- a) “Act” means the Communications Act 2003 (c. 21);
- b) “BT” means British Telecommunications plc, whose registered company number is 1800000 and any British Telecommunications plc subsidiary or holding company, or any subsidiary of that holding company, all as defined in section 1159 of the Companies Act 2006;
- c) “Central Business District of Bristol” means the area consisting of the postal sectors set out in Schedule 15 to this notification;
- d) “Central Business District of Birmingham” means the area consisting of the postal sectors set out in Schedule 16 to this notification;
- e) “Central Business District of Glasgow” means the area consisting of the postal sectors set out in Schedule 17 to this notification;
- f) “Central Business District of Leeds” means the area consisting of the postal sectors set out in Schedule 18 to this notification;
- g) “Central Business District of Manchester” means the area consisting of the postal sectors set out in Schedule 19 to this notification;

- h) "CLA" means the area consisting of the postal sectors set out in Schedule 13 to this notification;
- i) "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 KCOM Group plc and shown in Schedule 8 of the 2016 BCMR Notification;
- j) "London Periphery" means the area consisting of the postal sectors set out in Schedule 14 to this notification;
- k) "Lower Bandwidth CISBO Services" means wholesale leased line services at and below 1Gbit/s using contemporary interface technology, including Ethernet and the Ethernet First Mile copper services, but excluding WDM services;
- l) "KCOM" means KCOM Group plc, whose registered company number is 2150618, and any of its subsidiaries or holding companies, or any subsidiary of such holding companies, all as defined in section 1159 of the Companies Act 2006;
- m) "Ofcom" means the Office of Communications;
- n) "Rest of the UK" means the area consisting of the United Kingdom excluding the Hull Area, the CLA, the London Periphery and the Central Business Districts of each of Bristol, Birmingham, Glasgow, Leeds and Manchester;
- o) "United Kingdom" has the meaning given to it in the Interpretation Act 1978 (1978 c30).

19. The Schedules to this notification shall form part of this notification.

Signed



**David Clarkson**

**Competition Policy Director, Ofcom**

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

23 November 2017

## **Schedule 1: Temporary SMP services conditions imposed on BT**

### **Part 1: Application**

1. The temporary SMP services conditions (“Conditions”) in Part 3 of this Schedule 1 shall, except where specified otherwise, apply to the Dominant Provider in relation to each of the wholesale markets for Lower Bandwidth CISBO Services identified at rows a, b, f and g of Table A above.
2. Nothing in these Conditions shall require the Dominant Provider to provide the following:
  - a. Ethernet First Mile copper services (EFMcU) (as defined in IEEE standard 802.3.1-2013);
  - b. Symmetric Digital Subscriber Line services; or
  - c. Wholesale versions of its legacy retail analogue services.

The Conditions referred to in Column 2 of **Table 1** are entitled as follows—

Condition 1	Network access on reasonable request
Condition 2	Specific forms of network access
Condition 3	No undue discrimination
Condition 4	Equivalence of Inputs basis
Condition 5	Publication of a Reference Offer
Condition 6	Notification of charges and terms and conditions
Condition 7	Quality of service
Condition 8	Notification of technical information
Condition 9	Basis of charges and charge controls
Condition 10	Regulatory Financial Reporting

## **Part 2: Definitions and interpretation**

1. In addition to the definitions set out above in this notification and in each Condition below (where relevant), in this Schedule 1—

“Accepted Order” means an Order that has been validated and accepted by the Dominant Provider;

“Access Charge Change” means any amendment to the charges, terms and conditions on which the Dominant Provider provides network access or in relation to any charges for new network access;

“Access Charge Change Notice” means a notice given by the Dominant Provider of an Access Charge Change;

“Access Agreement” means an agreement entered into between the Dominant Provider and a Third Party for the provision of network access in accordance with Condition 1;

“Access Segment” means network access providing uncontended bandwidth connecting an end user premises to—

- (a) a Local Access Node; or
- (b) an operational building of the Dominant Provider; or
- (c) an operational building of a Third Party.

“Accommodation Services” means the provision of space permitting a Third Party to occupy part of an MDF/ODF Site reasonably sufficient to permit the use of network access provided by the Dominant Provider in accordance with Condition 1 and Condition 2 (as applicable), and in particular to permit the connection of the Dominant Provider’s electronic communications network with that of a Third Party at that location and having the following characteristics —

(a) the Third Party’s electronic communications network is situated in an area of the MDF/ODF Site which—

(i) is a single undivided space;

(ii) after proper performance by the Dominant Provider of its obligation to provide network access pursuant to Condition 1 and Condition 2 (as applicable), would permit the normal operation of the Third Party’s electronic communications network (or would permit if the Dominant Provider removed any object or substance whether toxic or not, which might reasonably prevent or hinder the occupation of the MDF/ODF Site for such use); and

(iii) if so requested by the Third Party, is not unreasonably distant from the Dominant Provider’s electronic communications network within the MDF/ODF Site;

(b) no permanent physical partition is erected in the space between the Third Party’s electronic communications network and the Dominant Provider’s electronic communications network; and

(c) the Third Party’s electronic communications network is neither owned nor run by the Dominant Provider or by any person acting on the Dominant Provider’s behalf;

“Backhaul Segment” means network access providing uncontended bandwidth connecting either—

(a) an operational building of the Dominant Provider to—

(i) another operational building of the Dominant Provider; or

(ii) an operational building of a Third Party;

or

(a) an operational building of a Third Party to—

(i) another operational building of a Third Party; or

(ii) an operational building of the Dominant Provider

“Commercial Information” means information of a commercially confidential nature relating to products and services to which Condition 4 applies, and which relates to any or all of the following in relation thereto—



- (a) product development;
- (b) pricing;
- (c) marketing strategy and intelligence;
- (d) product launch dates;
- (e) cost;
- (f) projected sales volumes; or
- (g) network coverage and capabilities,

save for any such information in relation to which Ofcom consents in writing that it shall be treated as falling outside this definition;

“Competitive Core Node” means a node which is either: (i) an operational building of the Dominant Provider set out in Column 2 of Schedule 22; or (ii) a Data Centre Core Node;

“Completed Order” means an Accepted Order that has been provisioned and for which all related work has been carried out;

“Core Node” means a node listed in Column 1 of Schedule 20 to this notification consisting of an operational building of the Dominant Provider listed in Column 2 of Schedule 20;

“Customer-Sited Handover” means interconnection between the electronic communications network of the Dominant Provider and the electronic communications network of a Third Party at an operational building of the Third Party;

“Data Centre Core Node” means a data centre listed in Schedule 21 of this notification;

“Dominant Provider” means British Telecommunications plc, whose registered company number is 1800000 and any British Telecommunications plc subsidiary or holding company, or any subsidiary of that holding company, all as defined in section 1159 of the Companies Act 2006;

“Equivalence of Inputs” means that the Dominant Provider provides, in respect of a particular product or service, the same product or service to all Third Parties (including itself) on the same timescales, terms and conditions (including price and service levels) by means of the same systems and processes, and includes the provision to all Third Parties (including itself) of the same Commercial Information about such products, services, systems and processes as the Dominant Provider provides to its own divisions, subsidiaries or partners. In particular, it includes the use by the Dominant Provider of such systems and processes in the same way as other Third Parties and

with the same degree of reliability and performance as experienced by other Third Parties.

In this definition “the same” means exactly the same subject only to:

- (a) trivial differences; and
- (b) differences relating to:
  - (i) credit vetting procedures,
  - (ii) payment procedures,
  - (iii) matters of national and crime-related security (which for the avoidance of doubt includes for purposes related to the Regulation of Investigatory Powers Act 2000), physical security, security required to protect the operational integrity of the network,
  - (iv) provisions relating to the termination of a contract,
  - (v) contractual provisions relating to requirements for a safe working environment;
- (c) differences relating to the provision of Commercial Information by the Dominant Provider to its own divisions, subsidiaries or partners where this is necessary for purposes other than those relating to the provision of network access to those own divisions, subsidiaries or partners; and
- (d) such other differences as Ofcom may from time to time consent to in writing.

For the avoidance of any doubt, unless seeking Ofcom’s consent, the Dominant Provider may not rely on any other reasons in seeking to objectively justify the provision in a different manner;

“Ethernet Services” means services presented with the standard networking protocol defined under that name in IEEE 802.3 and published by the Institute of Electrical and Electronics Engineers;

“In-Building Handover” means interconnection between the electronic communications network of the Dominant Provider and the electronic communications network of a Third Party within an operational building of the Dominant Provider;

“Initial Contractual Delivery Date” means the first date provided by the Dominant Provider to a Third Party Customer on which an Order is planned to become a Completed Order;

“Interconnection Services” means each of the following, individually and collectively—

- (a) Customer-Sited Handover; and
- (b) In-Building Handover;

“Local Access Node” means an operational building of the Dominant Provider which supports the provision of services to end users and to which the end user is directly connected. For the avoidance of doubt, such nodes include sites housing a main distribution frame or an optical distribution frame;

“MDF/ODF Site” means the site of an operational building of the Dominant Provider that houses a main distribution frame or an optical distribution frame;

“Network Termination Point” means the physical point at which a customer is provided with access to an electronic communications network;

“Order” means a request for the Relevant Ethernet Service, including a request for an upgrade on bandwidth of an existing Relevant Ethernet Service or a request for a change to the product variant of an existing Relevant Ethernet Service, submitted to the Dominant Provider by a Third Party;

“Reference Offer” means the terms and conditions on which the Dominant Provider is willing to enter into an Access Agreement;

“Relevant Ethernet Services” means those Ethernet Services offered by the Dominant Provider to a Third Party under the product or service names of (i) Ethernet Access Direct, (ii) Ethernet Backhaul Direct or (iii) Cablelink including, in relation to each:

- (a) all product variants except where Ofcom agrees otherwise, and
- (b) the introduction by the Dominant Provider of a new product and/or service wholly or substantially in substitution for that existing product and/or service;

“Special Offer” means a temporary price reduction for a particular product or service, applicable to all customers on a non-discriminatory basis, which is stated to apply for a limited and predefined period and where the price immediately on expiry of that period is no higher than the price immediately before the start of that period;

“Third Party” means a person providing a public electronic communications service or a person providing a public electronic communications network;

“Third Party Customer” means a Third Party purchasing a Relevant Ethernet Service from the Dominant Provider;

“Trunk Aggregation Node” means a node listed in Column 1 of Schedule 22 to this notification consisting of any one or more of the Dominant Provider’s operational buildings as listed in Column 2 of Schedule 22;

“Trunk Segment” means a service connecting any two Competitive Core Nodes, excluding any service connecting any two of the Dominant Provider’s operational buildings listed in Column 2 of Schedule 22 which are within the same Trunk

Aggregation Node as listed in Column 1 of Schedule 22 (for example, a service connecting Cambridge Trunks and Ipswich Town would constitute a Trunk Segment but not one connecting Ipswich Town and Colchester Town);

“Wholesale End-to-End Segments” means network access connecting an end user premises and another end user premises; and

“Working Day” means any day other than Saturdays, Sundays, public holidays or bank holidays in the United Kingdom.

### **Part 3: Conditions**

#### **Condition 1 – Network access on reasonable request**

- 1.1 The Dominant Provider must provide network access to a Third Party where that Third Party, in writing, reasonably requests it.
- 1.2 Except where Condition 1.3 applies, the provision of network access by the Dominant Provider in accordance with this Condition must:
  - (a) take place as soon as reasonably practicable after receiving the request from a Third Party (and, in any event, in accordance with Condition 7);
  - (b) be on:
    - (i) fair and reasonable terms, conditions and charges; and
    - (ii) such terms, conditions and charges as Ofcom may from time to time direct.
- 1.3 Where Condition 9 applies to the provision of network access by the Dominant Provider, the provision of that network access in accordance with this Condition must:
  - (a) take place as soon as reasonably practicable after receiving the request from a Third Party (and, in any event, in accordance with Condition 7);
  - (b) be on:
    - (i) fair and reasonable terms and conditions (excluding charges); and
    - (ii) such terms, conditions and charges as Ofcom may from time to time direct.
- 1.4 The provision of network access by the Dominant Provider in accordance with this Condition shall 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 and, for the avoidance of doubt, associated facilities include Accommodation Services and Interconnection Services.
- 1.5 The Dominant Provider must comply with any direction Ofcom may make from time to time under this Condition.

## **Condition 2 – Specific forms of network access**

- 2.1 Without prejudice to the generality of Condition 1, the provision of network access under Condition 1 shall include Ethernet Services (which do not contain a Trunk Segment) including the provision of the following services:
- (a) Access Segments;
  - (b) Backhaul Segments;
  - (c) Wholesale End-to-End Segments, up to a maximum straight-line distance of 25km.
- 2.2 The provision of network access by the Dominant Provider in accordance with this Condition shall also include such other entitlements as Ofcom may from time to time direct.
- 2.3 The Dominant Provider must comply with any direction Ofcom may make from time to time under this Condition.

### **Condition 3 – No undue discrimination**

- 3.1 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 Conditions 1 and 2 (as applicable).
- 3.2 In this Condition, 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 4 – Equivalence of Inputs basis**

- 4.1 Subject to Condition 4.2, the Dominant Provider must provide network access in accordance with Conditions 1 and 2 (as applicable) on an Equivalence of Inputs basis.
- 4.2 The obligation in Condition 4.1 to provide network access on an Equivalence of Inputs basis shall not apply to:
- (a) Accommodation Services other than in relation to the allocation of space (to be allocated on a first-come-first-serve basis) and power in operational buildings belonging to the Dominant Provider;
  - (b) a Backhaul Segment connecting:
    - (i) the operational building of the Dominant Provider which is a Core Node and another Core Node;
    - (ii) the operational building of the Dominant Provider which is a Core Node and a Competitive Core Node; or
    - (ii) two operational buildings of the Dominant Provider within a Trunk Aggregation Node;
  - (c) network access which the Dominant Provider was providing but was not required to provide on an Equivalence of Inputs basis as at 30 April 2016; or
  - (d) such provision of network access as Ofcom may from time to time otherwise consent in writing.
- 4.3 Without prejudice to the generality of Condition 4.1, the Dominant Provider must not provide (or seek to provide) network access for its own services (including for those of its retail divisions, subsidiaries or partners), unless at the same time the Dominant Provider provides and/or offers to provide such network access to Third Parties on an Equivalence of Inputs basis.
- 4.4 For the avoidance of doubt, the obligations set out in this Condition 4 shall apply in addition to the obligations set out in Condition 3.



## 5 – Publication of a Reference Offer

- 5.1 Except in so far as Ofcom may from time to time otherwise consent in writing, the Dominant Provider shall publish a Reference Offer in relation to the provision of network access pursuant to Conditions 1 and 2 (as applicable) and comply with the requirements set out below.
- 5.2 Subject to Condition 5.7, the Dominant Provider shall ensure that a Reference Offer in relation to the provision of network access pursuant to Conditions 1 and 2 (as applicable) 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, including the provision of Initial Contractual Delivery Dates;
  - (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, 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;
    - (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); and
- (n) the standard terms and conditions for the provision of network access.

5.3 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 Third Party; or
- (b) may be used for a purpose that is the same, similar or equivalent to the network access provided to any 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 shall 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 5.2.

5.4 The Dominant Provider shall:

- (a) within one month of the date that this Condition 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; and
- (b) 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 enters into force.

5.5 The publications referred to above shall be effected by the Dominant Provider placing a copy of the Reference Offer on any relevant publicly available website operated or controlled by the Dominant Provider.

5.6 The Dominant Provider shall 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).

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

5.8 The Dominant Provider shall provide network access on the terms and conditions (including charges) in the relevant Reference Offer and shall not depart therefrom either directly or indirectly.

- 5.9 The Dominant Provider shall comply with any direction Ofcom may make from time to time under this Condition.

## **Condition 6 – Notification of charges and terms and conditions**

- 6.1 Except in so far as Ofcom may from time to time otherwise consent in writing, the Dominant Provider shall publish charges, terms and conditions and comply with the requirements set out in this Condition.
- 6.2 Where the Dominant Provider proposes an Access Charge Change, it shall send to every person with which it has entered into an Access Agreement pursuant to Conditions 1 and 2 (as applicable), an Access Charge Change Notice.
- 6.3 The obligation in Condition 6.2 shall not apply where the Access Charge Change is directed or calculated by Ofcom or required by a notification or enforcement notification issued by Ofcom under sections 96A or 96C of the Act.
- 6.4 An Access Charge Change Notice must:
- (a) in the case of an Access Charge Change involving new network access, be sent not less than 28 days before any such amendment comes into effect;
  - (b) in the case of an Access Charge Change relating solely to a reduction in the price of existing network access (including, for the avoidance of doubt, a Special Offer), be sent not less than 28 days before any such amendment comes into effect; and
  - (c) in the case of any other Access Charge Change involving existing network access, be sent not less than 90 days before any such amendment comes into effect.
- For the avoidance of doubt, where the Dominant Provider provides network access under a Special Offer, the Dominant Provider is not required to give an Access Charge Change Notice when the price is increased in accordance with the stated terms of the Special Offer.
- 6.5 The Dominant Provider shall ensure that an Access Charge 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; and
  - (c) the date on which, and the period for which, the Access Charge Change will take effect ("Effective Date").
- 6.6 The Dominant Provider shall not apply any Access Charge Change identified in an Access Charge Change Notice before the Effective Date.
- 6.7 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 other person; or

(b) may be used for a purpose that is the same, similar or equivalent to the network access provided to any other person, in a manner that differs from that detailed in an Access Charge Change Notice in relation to network access provided to any other person,

the Dominant Provider shall 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 Condition 6.5(a) to (c) and, where the Dominant Provider amends the charges, terms and conditions on which it provides itself with network access, it shall ensure it sends to Ofcom a notice equivalent to an Access Charge Change Notice.

**Condition 7 – Quality of service**

- 7.1 The Dominant Provider must comply with all such quality of service requirements as Ofcom may from time to time direct in relation to network access provided by the Dominant Provider pursuant to Conditions 1 and 2 (as applicable).

## **Condition 8 – Notification of technical information**

8.1 Except in so far as Ofcom may from time to time otherwise consent in writing, in relation to network access pursuant to Conditions 1 and 2, where the Dominant Provider proposes new or 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 shall publish a written notice (“Notice”) of the new or amended terms and conditions within a reasonable time period but not less than 90 days before either the Dominant Provider enters into an Access Agreement to provide the new network access or the amended terms and conditions of the existing Access Agreement come into effect.

8.2 The obligation in Condition 8.1 shall not apply:

(a) where the new or amended terms and conditions are directed or calculated by Ofcom or are required by a notification or enforcement notification issued by Ofcom under sections 96A or 96C of the Act; or

(b) in relation to new or amended technical specifications calculated by NICC Standards Limited, whose registered company number is 6613589.

8.3 The Dominant Provider shall 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 current Reference Offer of the terms and conditions associated with the provision of that network access; and

(c) the date on which, and the period for which, an Access Agreement to provide the new network access will be available or the amended terms and conditions will take effect (“Effective Date”).

8.4 The Dominant Provider shall not enter into an Access Agreement containing the terms and conditions identified in the Notice or apply any new relevant terms and conditions identified in the Notice before the Effective Date.

8.5 The publication referred to in Condition 8.1 shall be effected by the Dominant Provider:

(a) placing a copy of the Notice on any relevant publicly available website operated or controlled by the Dominant Provider;

(b) where the Notice identifies an amendment to existing relevant terms and conditions, sending a copy of the Notice to every person with which the Dominant Provider has entered into an Access Agreement pursuant to Conditions 1 and 2 (as applicable); and

(c) sending a copy of the Notice to any person at that person's written request. The provision of such a copy of the Notice by the Dominant Provider may be subject to a reasonable charge.



## Condition 9 – Basis of Charges and Charge Controls

This Condition 9 comprises Conditions 9A to 9D, the contents of which are set out below.

<b>Condition 9A</b>	Controls on the Ethernet Services Basket
	Controls from 1 December 2017
	Basket, Sub-basket and Sub-cap Controls
	General provisions applicable to the Controls from 1 December 2017
	Additional general provisions and interpretation
	Annex to Condition 9A
	Section 1 - Meaning of “Ethernet Interconnection Sub-basket”
	Section 2 - Meaning of “Ethernet 1Gbit/s EAD and EAD LA Sub-basket”
	Section 3 - Meaning of “Ethernet Main Link Sub-basket”
	Section 4 - Meaning of “Ethernet Rental Sub-basket”
	Section 5 - Meaning of “Ethernet All Services Sub-cap”
	Section 6 - Meaning of “Exempt Ancillary Services”
	Interpretation
<b>Condition 9B</b>	Controls of Accommodation Services
	Controls of Overlapping Accommodation Services
	General provisions and interpretation
	Annex to Condition 9B
	Section 1 - Meaning of “Accommodation Services”
	Section 2 - Meaning of “Overlapping Accommodation Services”
	Interpretation
<b>Condition 9C</b>	Controls of the ECC Services
	General provisions and interpretation
	Annex to Condition 9C
	Section 1 - Meaning of “Direct ECC Services”
	Section 2 - Meaning of “Contractor ECC Services”
	Section 3 - Meaning of “EAD” and “EAD LA” for the purposes of Condition 9C.9

Interpretation

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**Condition 9D**

Controls of the Time Related Charges

Controls from 1 December 2017

General provisions and interpretation

Annex to Condition 9D

Section 1 - Meaning of "Ethernet TRC Services"

Interpretation

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## Condition 9A

### Controls of the Ethernet Services Basket

**9A.1** In this Condition a reference to a “Basket” means any of the following:

- (i) the Ethernet Services Basket;
- (ii) the Ethernet Interconnection Sub-basket;
- (iii) the Ethernet 1Gbit/s EAD and EAD LA Sub-basket; and
- (iv) the Ethernet Main Link Sub-basket.

### Basket, Sub-basket and Sub-cap Controls

*Ethernet Services Basket, Ethernet Interconnection Sub-basket, Ethernet 1Gbit/s EAD and EAD LA Sub-basket and Ethernet Main Link Sub-basket*

**9A.2** In respect of each Basket and subject to the provisions of Condition **9A.12**, the Dominant Provider shall take all reasonable steps to secure that, at the end of each Relevant Period, the Percentage Change (as calculated in accordance with Condition **9A.3**) in the total charges for all of the services falling within that Basket is not greater than the Controlling Percentage (calculated in accordance with Condition **9A.4**).

**9A.3** The Percentage Change in respect of a Basket shall be calculated by employing the following formula:

(a)

$$C_t = \frac{\sum_{i=1}^n \left[ R_i \frac{(\bar{p}_{i,t} - \bar{p}_{i,t-1})}{\bar{p}_{i,t-1}} \right]}{\sum_{i=1}^n R_i}$$

Where:

$C_t$  is the Percentage Change in the total charges for all of the services falling within the Basket for the Relevant Period,  $t$ ;

$n$  is the number of individual services in the Basket;

$i$  is a number from 1 to  $n$  for each of the  $n$  individual services in the Basket;

$R_i$  is the Accrued Revenue in the Relevant Period in respect of the individual service  $i$  falling within the Basket;

$t$  refers to the Relevant Period;

$t-1$  refers to the Prior Period;

(b)  $\bar{p}_{i,t}$  is the Relevant Period Weighted Average Charge set by the Dominant Provider for the individual service  $i$  falling within the Basket during the Relevant Year, subject to the provisions set out in Condition **9A.12**, which shall be calculated by employing the following formula:

$$\bar{p}_{i,t} = \sum_{j=1}^m (w_{i,j,t} p_{i,j,t})$$

Where:

$m$  is the number of time periods for which there are distinct charges during the Relevant Period;

$j$  is a number from 1 to  $m$  for each of the  $m$  time periods during which a distinct charge is in effect;

$w_{i,j,t}$  is the proportion of the Relevant Period in which a distinct charge is in effect and is calculated by dividing the total number of days during which the charge is in effect:

- (i) for the First Period, by 121; and
- (ii) for the Second Period, by 365.

$p_{i,j,t}$  is the charge for the specified period,  $j$ , during the Relevant Period,  $t$  for the individual service,  $i$ ;

(c)  $\bar{p}_{i,t-1}$  is for the purposes of calculating the Percentage Change:

- (i) for the First Period and the Second Period, the Prior Period Weighted Average Charge made by the Dominant Provider for the individual service  $i$  falling within the Basket during the Prior Period, subject to the provisions set out in Condition **9A.12**;

Where the Prior Period Weighted Average Charge shall be calculated by employing the following formula:

$$\bar{p}_{i,t-1} = \sum_{j=1}^m (w_{i,j,t-1} p_{i,j,t-1})$$

Where:

$m$  is the number of time periods for which there are distinct charges during the Prior Period;

$j$  is a number from 1 to  $m$  for each of the  $m$  time periods during which a distinct charge is in effect;

$w_{i,j,t-1}$  is the proportion of the Prior Period in which a distinct charge is in effect and is calculated by dividing the total number of days during which the charge is in effect:

- (i) for the First Period, by 335;
- (ii) for the Second Period, by 121.

$p_{i,j,t-1}$  is the charge for the individual period,  $j$ , during the Prior Period,  $t-1$ , for the individual service,  $i$ .

**9A.4** In respect of each Basket and subject to the provisions set out in Conditions **9A.5** to **9A.7**, the Controlling Percentage in relation to any Relevant Period shall be calculated by employing the following formula:

$$CP_t = CPI + X$$

Where:

$CP_t$  is the Controlling Percentage for the Relevant Period,  $t$ ;

$CPI$  is CPI for the Relevant Period

X is equal to:

(i) minus 13.50 percentage points for the Ethernet Services Basket and the Ethernet Interconnection Sub-basket in the First Period and the Second Period; and

(ii) minus 6.75 percentage points for the Ethernet 1Gbit/s EAD and EAD LA Sub-basket and for the Ethernet Main Link Sub-basket in the First Period and the Second Period.

**9A.5** Where the Percentage Change for a Basket at the end of the First Period is:

- i. less than the Controlling Percentage for that Basket ("**Deficiency**"); or
- ii. greater than the Controlling Percentage for that Basket ("**Excess**");

the Controlling Percentage for that Basket for the Second Period shall be calculated in accordance with Condition **9A.6**.

**9A.6** Where Condition **9A.5** applies, the Controlling Percentage for the relevant Basket shall be calculated by employing the following formula:

$$CP_t = [(100\% + CPI + X)(100\% + CP_{t-1}) / (100\% + C_{t-1})] - 100\%$$

Where:

$CP_t$  is the Controlling Percentage for the Second Period;

$CP_{t-1}$  is the Controlling Percentage for the First Period;

$C_{t-1}$  is the Percentage Change for the Basket for the First Period, calculated in accordance with the formula for  $C_t$  set out in Condition **9A.3**, as applicable; and

X is as set out in Condition **9A.4** above.

**9A.7** In the case of Excess, the Dominant Provider shall, to the extent reasonably possible, and as soon as reasonably practicable, repay the Relevant Excess Revenue to the relevant Affected Communications Provider.

*Ethernet Rental Sub-baskets, Exempt Ancillary Services and Sub-caps Control*

**9A.8** In respect of the services falling within each Ethernet Rental Sub-basket and subject to Condition **9A.13**, the Dominant Provider shall take all reasonable steps to secure that, at the end of each Relevant Period, the Percentage Change, calculated in accordance with Condition **9A.11**, in the total charges is no greater than:

- i. zero where CPI is less than or equal to 5 percentage points; or
- ii. CPI minus 5 percentage points where CPI is greater than 5 percentage points.

**9A.9** In respect of each individual service falling within the Ethernet Services Basket except any services falling within any Ethernet Rental Sub-baskets and subject to Condition **9A.13**, the Dominant Provider shall take all reasonable steps to secure that, at the end of each Relevant Period, the Percentage Change, calculated in accordance with Condition **9A.11**, in the charge for that service is no greater than:

- i. zero where CPI is less than or equal to 5 percentage points; or
- ii. CPI minus 5 percentage points where CPI is greater than 5 percentage points.

**9A.10** In respect of each Exempt Ancillary Service and subject to Condition **9A.13**, the Dominant Provider shall take all reasonable steps to secure that, at the end of each Relevant Period, the Percentage Change, calculated in accordance with Condition **9A.11**, in the charge for that Exempt Ancillary Service is no greater than:

- i. zero where CPI is less than or equal to 5 percentage points; or
- ii. CPI minus 5 percentage points where CPI is greater than 5 percentage points.

**9A.11** For the purposes of Conditions **9A.8** to **9A.10** the Percentage Change shall be calculated by employing the formula set out below. Where the formula set out below is applied to calculate the Percentage Change for the purposes of Conditions **9A.8** and **9A.10**, references to “individual service *i* falling within the Ethernet Services Basket except any services falling within any Ethernet Rental Sub-baskets” shall be treated as references to: (i) all services falling within each Ethernet Rental Sub-basket in the case of Condition **9A.8**, and (ii) each individual Exempt Ancillary Service in the case of Condition **9A.10**.

$$C_t = \frac{(\bar{p}_t - \bar{p}_{t-1})}{\bar{p}_{t-1}}$$

Where:

$C_t$  is the Percentage Change in the charge for an individual service falling within the Ethernet Services Basket except any services falling within any Ethernet Rental Sub-baskets for the Relevant Period,  $t$ ;

$t$  refers to the Relevant Period;

$t-1$  refers to the Prior Period;

$\bar{p}_t$  is the Relevant Period Weighted Average Charge set by the Dominant Provider for the individual service falling within the Ethernet Services Basket except any services falling within

any Ethernet Rental Sub-baskets during the Relevant Period, subject to the provisions set out in Condition **9A.13**:

Where such Relevant Period Weighted Average Charge shall be calculated by employing the following formula:

$$\bar{p}_t = \sum_{j=1}^m (w_{j,t} p_{j,t})$$

Where:

$m$  is the number of time periods for which there are distinct charges during the Relevant Period;

$j$  is a number from 1 to  $m$  for each of the  $m$  time periods during which a distinct charge is in effect;

$w_{j,t}$  is the proportion of the Relevant Period in which a distinct charge is in effect and is calculated by dividing the total number of days during which the charge is in effect:

- (i) for the First Period, by 121; and
- (ii) for the Second Period, by 365.

$p_{j,t}$  is the charge for the specified period,  $j$ , during the Relevant Period,  $t$  for the individual service falling within the Ethernet Services Basket except any services falling within any Ethernet Rental Sub-baskets;

$\bar{p}_{t-1}$  is for the purposes of calculating the Percentage Change:

- (i) for the First Period and the Second Period, the Prior Period Weighted Average Charge set by the Dominant Provider for the individual service falling within the Ethernet Services Basket except any services falling within any Ethernet Rental Sub-baskets during the Prior Period, subject to the provisions set out in Condition **9A.13**;

Where such Prior Period Weighted Average Charge shall be calculated by employing the following formula:

$$\bar{p}_{t-1} = \sum_{j=1}^m (w_{j,t-1} p_{j,t-1})$$

Where:

$m$  is the number of time periods for which there are distinct charges during the Prior Period;

$j$  is a number from 1 to  $m$  for each of the  $m$  time periods during which a distinct charge is in effect;

$w_{j,t-1}$  is the proportion of the Prior Period in which a distinct charge is in effect and is calculated by dividing the total number of days during which the charge is in effect:

- (i) for the First Period, by 335;
- (ii) for the Second Period, by 121.

$p_{j,t-1}$  is the charge for the individual period,  $j$ , during the Prior Period,  $t-1$ , for the individual service falling within the Ethernet Services Basket except any services falling within any Ethernet Rental Sub-baskets.

#### General provisions and interpretation

**9A.12** For the purposes of determining compliance with this Condition **9A** except Conditions **9A.8 to 9A.10** the relevant charges shall be calculated on the basis of:

- (i) including Time Limited Discounts;
- (ii) including Three Year Term Products;
- (iii) including Five Year Term Products; and
- (iv) excluding all other forms of discounts;

and shall be subject to the provisions set out in Condition **9C.7**.

For the avoidance of doubt where a Time Limited Discount also involves another form of discount (for example it is geographically limited), such discounts shall be excluded from the relevant charges.

**9A.13** For the purposes of determining compliance with Conditions **9A.8 to 9A.10** the relevant charges shall be calculated on the basis of:

- (i) including Three Year Term Products;
- (ii) including Five Year Term Products; and
- (iii) excluding Time Limited Discounts and all other forms of discounts,

and shall be subject to the provisions set out in Condition **9C.7**.

**9A.14** Except where Condition **9A.15** applies, where the Annex to this Condition **9A** lists a service as being available with more than one minimum contract period, the charge for the purposes of determining compliance with this Condition **9A** shall be deemed to be the charge for the service with the shortest minimum contract period.

**9A.15** Where the Dominant Provider offers a service listed in the Annex to this Condition **9A** with a minimum contract period of three years or five years, such service shall be deemed, for the purposes of determining compliance with this Condition **9A**, to be a separate service falling within the Ethernet Services Basket provided such service complies with the requirements set out in the definition of the Three Year Term Product or the requirements set out in the



definition of the Five Year Term Product (as applicable), each set out in Condition **9A.21**.

**9A.16** Except where Condition **9A.17** applies, where:

- (i) the Dominant Provider makes a material change (other than to a charge) to any service which is subject to this Condition **9A**; or
- (ii) the Dominant Provider makes a change to the date on which its Financial Year ends; or
- (iii) there is a material change in the basis of the Consumer Prices Index;

Condition **9A** shall have effect subject to such reasonable adjustment to take account of the change as Ofcom may direct to be appropriate in the circumstances.

For the purposes of this Condition **9A.16**, a material change to any service which is subject to this Condition **9A** includes (but is not limited to) the introduction of a new service wholly or substantially in substitution for that existing service which is subject to this Condition **9A** or a change to the billing practice for any service which is subject to this Condition **9A**.

**9A.17** Subject to Ofcom's agreement (such agreement to be given in writing or by way of direction as Ofcom considers appropriate), where the Dominant Provider introduces, at any time during each Relevant Period, Substituted Services wholly or substantially in substitution for a Replaced Service which is subject to this Condition **9A**, the following shall apply to the Substituted Services:

- (i) the Substituted Services shall fall within the same Basket set out in Condition **9A.1** as the Replaced Service;
- (ii) the Substituted Services shall be subject to the entirety of this Condition **9A**; and
- (iii) in the Relevant Period that the Substituted Services are introduced, any reference in this Condition **9A** to charges and/or volumes in the Prior Period (including any reference to the Prior Period Weighted Average Charge) shall be treated as a reference to charges and/or volumes in the Prior Period as agreed by Ofcom.

**9A.18** The Dominant Provider must record, maintain and supply to Ofcom in an electronic format, no later than three months after the end of each Relevant Period, the data necessary for Ofcom to monitor compliance of the Dominant Provider with this Condition **9A**. The data must include:

- i. pursuant to Condition **9A.3**, the calculated Percentage Change relating to each Basket specified in Conditions **9A.1**;
- ii. all relevant data the Dominant Provider used in the calculation of the Percentage Change as set out in Condition **9A.3**
- iii. , including for each individual service in the Basket;
- iv. all relevant Accrued Revenues during the relevant Financial Year and during the Relevant Period (where these differ) in respect of the individual service (as applicable) in the Basket;
- v. charges published by the Dominant Provider at time, *t*, during the Relevant Period and the Prior Period, including published charges for the Time Limited Discounts, the Three Year Term Products and the Five Year Term Products but excluding any other forms of discounts;
- vi. the relevant published charges at the start of each Relevant Period;

- vii. the Relevant Period Weighted Average Charges and the Prior Period Weighted Average Charges for all of the services to which Conditions **9A.3** applies and calculations thereof;
- viii. other data necessary for monitoring compliance with the charge control; and
- ix. such data as Ofcom may from time to time direct.

**9A.19** Ofcom may direct that Conditions **9A.1 to 9A.18** shall not apply to the extent specified in any such direction.

**9A.20** The Dominant Provider shall comply with any direction Ofcom may make from time to time under this Condition **9A**.

**9A.21** In this Condition **9A**:

**“Accrued Revenue”** means for the purposes of Condition **9A.3** the revenue deemed to be accrued in respect of an individual service calculated:

- i. in respect of rental, by multiplying the volume of rentals as at 31 December preceding the start of the Relevant Period by the average charge (weighted according to the number of days during the Prior Period on which that charge applied) in the Prior Period subject to the provisions set out in Condition **9A.12**; and
- ii. in respect of each service other than rental and Exempt Ancillary Services, by multiplying volumes supplied in the 12 months up to and including 31 December preceding the start of the Relevant Period by the average charge in the Prior Period subject to the provisions set out in Condition **9A.12**.

**“Affected Communications Provider”** means each communications provider to whom the Dominant Provider has provided any of the services specified in the Annex to this Condition **9A** during the Relevant Year;

**“Basket”** means the services listed in Conditions **9A.1** and set out in the Annex to this Condition **9A**;

**“Controlling Percentage”** means a percentage to be calculated in accordance with Condition **9A.4**;

**“Consumer Prices Index”** means the index of prices compiled by an agency or a public body on behalf of Her Majesty’s Government or a governmental department (which is the Office for National Statistics at the time of publication of this notification) from time to time in respect of all items;

**“CPI”** means:

- i. for the First Period, 1.0 percentage points, and
- ii. for the Second Period, 2.8 percentage points;

**“Ethernet 1Gbit/s EAD and EAD LA Sub-basket”** means the sub-basket of services listed in Conditions **9A.1(iii)** and set out in Section 2 of the Annex to this Condition **9A**;

**“Ethernet All Services Sub-cap”** means the services defined in Section 5 of the Annex to this Condition **9A**;

**“Ethernet Interconnection Sub-basket”** means the sub-basket of services listed in Conditions **9A.1(ii)** and set out in Section 1 of the Annex to this Condition **9A**;

**“Ethernet Main Link Sub-basket”** means the sub-basket of services listed in Conditions **9A.1(iv)** and set out in Section 3 of the Annex to this Condition **9A**;

**“Ethernet Rental Sub-basket”** means each sub-basket which is subject to Condition **9A.8** and is defined in Section 4 of the Annex to this Condition **9A**;

**“Ethernet Services Basket”** means the basket of services listed in Conditions **9A.1(i)** and set out in Sections 1 to 5 of the Annex to this Condition **9A**;

**“Excess Revenue”** means the difference between (i) the revenue which the Dominant Provider earned in the Relevant Period from providing the services specified in the Annex to this Condition **9A**, and (ii) the revenue the Dominant Provider would have earned in the Relevant Period from providing the services specified in the Annex to this Condition **9A** if it had complied with the requirements set out in Condition **9A.2**;

**“Exempt Ancillary Service”** means each service which is subject to Condition **9A.10** and is defined in Section 6 of the Annex to this Condition **9A**;

**“Financial Year”** has the same meaning as in Condition **10**;

**“First Period”** means a period beginning on 1 December 2017 and ending on 31 March 2018;

**“Five Year Term Product”** means any service offered by the Dominant Provider during each of the Relevant Periods which:

- (i) has a minimum contract period of five years;
- (ii) does not include any connection charge; and
- (iii) includes a rental charge which complies with the following formula:

$$R5_t = \frac{1}{5} C1_t + R1_t$$

Where

$R5_t$  is the rental charge of the Five Year Term Product in period  $t$  (paid by both new and existing Third Parties);

$C1_t$  is the connection charge of the equivalent product with a 1 year term in period  $t$ ;

$R1_t$  is the rental charge of the equivalent product with a 1 year term in period  $t$ ;

**“Percentage Change”** has the meaning given to it in Condition **9A.3**;

**“Prior Financial Year”** means the Financial Year ending on 31 March immediately before the commencement of the current Relevant Period

**“Prior Period”** means, in relation to:

- (i) the First Period, the 11 months from 1 May 2016 to 31 March 2017 (inclusive);
- (ii) the Second Period, the First Period;

**“Prior Period Weighted Average Charge”** means a charge to be calculated in accordance with the relevant formula in Condition **9A.3**;

**“Relevant Period”** means each of the following two periods:

- (i) the First Period; and
- (ii) the Second Period;

**“Relevant Excess Revenue”** means the Excess Revenue earned from charging the Affected Communications Provider;

**“Relevant Period Weighted Average Charge”** means a charge to be calculated in accordance with the relevant formula in Condition **9A.3**;

**“Replaced Service”** means any service subject to Condition **9A.17** that is withdrawn and wholly or substantially replaced by Substituted Services;

**“Second Period”** means a period beginning on 1 April 2018 and ending on 31 March 2019;

**“Substituted Services”** means two or more services subject to Condition **9A.17** that are introduced and wholly or substantially replace a Replaced Service;

**“Three Year Term Product”** means any service offered by the Dominant Provider during each of the Relevant Years which:

- (i) has a minimum contract period of three years;
- (ii) does not include any connection charge; and
- (iii) includes a rental charge which complies with the following formula:

$$R3_t = \frac{1}{3}C1_t + R1_t$$

Where

$R3_t$  is the rental charge of the Three Year Term Product in period t (paid by both new and existing Third Parties);

$C1_t$  is the connection charge of the equivalent product with a 1 year term in period t;

$R1_t$  is the rental charge of the equivalent product with a 1 year term in period t; and

**“Time Limited Discount”** means any temporary reduction in the charge for a service (“Initial Charge”) where the reduction is reversed after a period of time at which point the revised charge is increased to no more than the same level as the Initial Charge was immediately before the reduction was implemented.

## Annex to Condition 9A

### Services subject to charge control pursuant to Condition 9A

#### Section 1

##### Meaning of “Ethernet Interconnection Sub-basket”

For the purposes of Condition 9A, the expression “Ethernet Interconnection Sub-basket” shall be construed as including the following services with bandwidths up to and including 1Gbit/s, excluding all of the services specified in the Annex to Condition 9C and in the Annex to Condition 9D, subject to such changes as Ofcom may direct from time to time following any proposal by the Dominant Provider to introduce a new service or withdraw or substitute one or more of these services for another (in which case this list shall be construed accordingly).

##### Bulk Transport Link for 1Gbps<sup>1</sup>

Connection, rental and migration charges for:

- Openreach Handover Point (OHP) Hub
- MainLink
- Point of Presence (PoP)

Additional charges

Cancellation charges

##### Cablelink<sup>2</sup>

Connection and rental charges

Cancellation charges

Additional charges

#### Section 2

##### Meaning of “Ethernet 1Gbit/s EAD and EAD LA Sub-basket”

For the purposes of Condition 9A, the expression “Ethernet 1Gbit/s EAD and EAD LA Sub-basket” shall be construed as including the following services with bandwidths of 1Gbit/s, excluding all of the services specified in the Annex to Condition 9C and in the Annex to Condition 9D, subject to such changes as Ofcom may direct from time to time following any proposal by the Dominant Provider to introduce a new service or withdraw or substitute one or more of services for another (in which case this list shall be construed accordingly).

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<sup>1</sup> Openreach, *Price List, Bulk Transport Link*, <https://www.openreach.co.uk/orpg/home/products/pricing/loadProductPriceDetails.do?data=F6GFzqfhDSmh7Oyv8Xw%2BtziW%2FvYZGtoQraq%2BNu4alFhZ6rNZujnCs99NbIKJZPD9hXYmijxH6wrCQm97GZMyQ%3D%3D> as at 15 November 2017.

<sup>2</sup> Openreach, *Price List, Cablelink*, <https://www.openreach.co.uk/orpg/home/products/pricing/loadProductPriceDetails.do?data=kgnGm8XSPQZEY5UMJxGwO9yDfzzeTWgW5o%2FPQLWlvfwlMnGHsqdC0vzO163bJmh34D91D7M0q8u%2F%0AIIsgtIFAKw%3D%3D> as at 15 November 2017.

## Ethernet Access Direct (EAD)<sup>3</sup>

Connection and rental charges for:

- EAD circuits
  - EAD 1000
  - EAD 1000 (60 month minimum period)
  - EAD 1000 (84 month minimum period)
  - EAD 1000 Extended Reach
  - EAD 1000 Extended Reach (60 month minimum period)
  - EAD 1000 Extended Reach (84 month minimum period)
- EAD Modify – upgrade charges
  - EAD Access 10 to 1000 or 1000 (60 month minimum period)
  - EAD Access 10 to 1000 (84 month minimum period)
  - EAD Access 100 to 1000 or 1000 (60 month minimum period)
  - EAD Access 100 to 1000 (84 month minimum period)
  - EAD Access 1000 to 1000 (60 month minimum period)
  - EAD Access 1000 (12 months or 60 months minimum period) to 1000 (84 month minimum period).
  - EAD 10 Extended Reach to 1000 Extended Reach or 1000 Extended Reach (60 month minimum period).
  - EAD 10 Extended Reach to 1000 Extended Reach (84 month minimum period).
  - EAD 100 Extended Reach to 1000 Extended Reach or 1000 Extended Reach (60 month minimum period).
  - EAD 100 Extended Reach to EAD 1000 Extended Reach (84 month minimum period).
  - EAD 1000 Extended Reach (12 months or 60 months minimum period) to 1000 (84 month minimum period).
  - EAD Local Access 10 LA to 1000 LA or 1000 LA (60 month minimum period)
  - EAD Local Access 10 LA to EAD 1000 LA (84 month minimum period)
  - EAD Local Access 100 LA to 1000 LA or 1000 LA (60 month minimum period)
  - EAD Local Access 100 LA to EAD 1000 LA (84 month minimum period)
  - EAD Local Access 1000 LA to 1000 LA (60 month minimum period)
  - EAD Local Access 1000 LA (12 months or 60 months min period) to EAD 1000 LA (84 month minimum period)
- EAD SyncE Modify – upgrade charges
  - EAD10/100 to EAD 1000 SyncE (12 or 60 month minimum period)
  - EAD10/100 to EAD 1000 SyncE (84 month minimum period)
  - EAD 10LA/100LA to 1000 LA SyncE (84 month minimum period)
  - EAD 10LA/100LA to 1000 LA SyncE (12 or 60 month minimum period)

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<sup>3</sup> Openreach, *Price List, Ethernet Access Direct (EAD) including EAD Enable*,  
<https://www.openreach.co.uk/orgg/home/products/pricing/loadProductPriceDetails.do?data=5uW5cDedIGJkun%2FL02I67PEgpNm%2BtShF6YESRcCqrDFZ6rNZujnCs99NbIKJZPD9hXYmiiH6wrCQm97GZMyQ%3D%3D> as at 15 November 2017.

- EAD10ER/100ER to EAD 1000 ER SyncE (12 or 60 month minimum period)
- EAD10ER/100ER to EAD 1000 ER SyncE (84 month minimum period)
- EAD 1000 (12 or 60 month minimum period) to EAD 1000 SyncE (12 or 60 month minimum period)
- EAD 1000 (84 month minimum period) to EAD 1000 SyncE (84 month minimum period)
- EAD 1000 (12 or 60 month minimum period) to EAD 1000 SyncE (84 month minimum period)
- EAD 1000 ER (12 or 60 month minimum period) to EAD 1000 ER SyncE (12 or 60 month minimum period)
- EAD 1000 ER (84 month minimum period) to EAD 1000 ER SyncE (84 month minimum period)
- EAD 1000 ER (12 or 60 month minimum period) to EAD 1000 ER SyncE (84 month minimum period)
- EAD 1000LA (12 or 60 month minimum period) to 1000 LA SyncE (12 or 60 month minimum period)
- EAD 1000LA (84 month minimum period) to 1000 LA SyncE (84 month minimum period)
- EAD 1000LA (12 or 60 month minimum period) to 1000 LA SyncE (84 month minimum period)
- EAD SyncE to EAD 1000 SyncE (60 month minimum period)
- EAD 1000 SyncE (12 or 60 month minimum period) to EAD 1000 SyncE (84 month minimum period)
- EAD 1000 ER SyncE (12 month minimum period) to EAD 1000 ER SyncE (60 month minimum period)
- EAD 1000 ER SyncE (12 or 60 month minimum period) to EAD 1000 ER SyncE (84 month minimum period)
- EAD 1000 LA SyncE to EAD 1000 LA SyncE (60 month minimum period)
- EAD 1000 LA SyncE (12 months or 60 months min period) to EAD 1000 LA SyncE (84 month minimum period)
- EAD RO2 Resilience Main Link Charge
  - Generic Resilience Facility Fee per path
- EAD RO1 Resilience Main Link Charge
  - Generic Resilience Facility Fee per path
- WES/WEES/BES to EAD Transfer migration charges
  - WES/WEES 10 Unmanaged to EAD 1000 (standard or 60 month minimum period)
  - WES/WEES 10 Unmanaged to EAD 1000 (84 month minimum period)
  - WES/WEES 10 Managed to EAD 1000 (standard or 60 month minimum period)
  - WES/WEES 10 Managed to EAD 1000 (84 month minimum period)
  - WES/WEES 10 LA to EAD 1000 LA (standard or 60 month minimum period)
  - WES/WEES 10 LA to EAD 1000 LA (84 month minimum period)
  - WES/WEES 10 LR to EAD 1000 (standard or 60 month minimum period)
  - WES/WEES 10 LR to EAD 1000 (84 month minimum period)

- WES/WEES 10 LR to EAD 1000 LA (standard or 60 month minimum period)
- WES/WEES 10 LR to EAD 1000 LA (84 month minimum period)
- WES/WEES 100 to EAD 1000 (standard or 60 month minimum period)
- WES/WEES 100 to EAD 1000 (84 month minimum period)
- WES/WEES 100 Resilience Option 1 to EAD 1000 Resilient Option 1 (standard or 60 month minimum period)
- WES/WEES 100 Resilience Option 1 to EAD 1000 Resilient Option 1 (84 month minimum period)
- WES/WEES 100 LA to EAD 1000 LA (standard or 60 month minimum period)
- WES/WEES 100 LA to EAD 1000 LA (84 month minimum period)
- WES/WEES 155 to EAD 1000 (standard or 60 month minimum period)
- WES/WEES 155 to EAD 1000 (84 month minimum period)
- WES/WEES 622 to EAD 1000 (standard or 60 month minimum period)
- WES/WEES 622 to EAD 1000 (84 month minimum period)
- BES/BES Daisy Chain 10 to EAD 1000 (standard or 60 month minimum period)
- BES/BES Daisy Chain 10 to EAD 1000 (84 month minimum period)
- BES/BES Daisy Chain 100 to EAD 1000 (standard or 60 month minimum period)
- BES/BES Daisy Chain 100 to EAD 1000 (84 month minimum period)
- BES/BES Daisy Chain 155 to EAD 1000 (standard or 60 month minimum period)
- BES/BES Daisy Chain 155 to EAD 1000 (84 month minimum period)
- BES/BES Daisy Chain 622 to EAD 1000 (standard or 60 month minimum period)
- BES/BES Daisy Chain 622 to EAD 1000 (84 month minimum period)
- EAD Local Access 10 Mbit/s circuits and above
  - EAD Local Access 1000
  - EAD Local Access 1000 (60 month minimum period)
  - EAD Local Access 1000 (84 month minimum period)
- EAD Resilience Option 1 (Hot Standby)
  - EAD 1000 Local Access Resilient Option 1
  - EAD 1000 Local Access Resilient Option 1 (60 month minimum period)
  - EAD 1000 Local Access Resilient Option 1 (84 month minimum period)
  - EAD 1000 Resilient Option 1
  - EAD 1000 Resilient Option 1 (60 month minimum period)
  - EAD 1000 Resilient Option 1 (84 month minimum period)
  - EAD 1000 Extended Reach Resilient Option 1
  - EAD 1000 Extended Reach Resilient Option 1 (60 month minimum period)
  - EAD 1000 Extended Reach Resilient Option 1 (84 month minimum period)
- EAD SyncE
  - EAD SyncE 1000 Local Access
  - EAD SyncE 1000 Local Access (60 month minimum period)
  - EAD SyncE 1000 Local Access (84 month minimum period)
  - EAD SyncE 1000
  - EAD SyncE 1000 (60 month minimum period)



- EAD SyncE 1000 (84 month minimum period)
- EAD SyncE 1000 Extended Reach
- EAD SyncE 1000 Extended Reach (60 month minimum period)
- EAD SyncE 1000 Extended Reach (84 month minimum period)
- EAD SyncE 1000 Local Access Resilient Option 1
- EAD SyncE 1000 Local Access Resilient Option 1 (60 month minimum period)
- EAD SyncE 1000 Local Access Resilient Option 1 (84 month minimum period)
- EAD SyncE 1000 Resilient Option 1
- EAD SyncE 1000 Resilient Option 1 (60 month minimum period)
- EAD SyncE 1000 Resilient Option 1 (84 month minimum period)
- EAD SyncE 1000 Extended Reach Resilient Option 1
- EAD SyncE 1000 Extended Reach Resilient Option 1 (60 month minimum period)
- EAD SyncE 1000 Extended Reach Resilient Option 1 (84 month minimum period)
- EAD Enable
  - EAD Enable 1000
  - EAD Enable 1000 Resilient Option 1
  - EAD Enable 1000 Local Access
  - EAD Enable 1000 Local Access Resilient Option 1
  - EAD Enable 1000 Extended Reach
  - EAD Enable 1000 Extended Reach Resilient Option 1
  - EAD Enable 1000 (60 month term)
  - EAD Enable 1000 Resilient Option 1 (60 month term)
  - EAD Enable 1000 Local Access Resilient Option 1 (60 month term)
  - EAD Enable 1000 Local Access (60 month term)
  - EAD Enable 1000 Extended Reach (60 month term)
  - EAD Enable 1000 Extended Reach Resilient Option 1 (60 month term)
- EAD Enable RO2 Resilience Main Link Charge
  - Generic Resilience Facility Fee per path
- EAD Enable RO1 Generic resilience facility fee per path
  - Generic Resilience Facility Fee per path

### Section 3

#### Meaning of “Ethernet Main Link Sub-basket”

For the purposes of Condition **9A**, the expression “**Ethernet Main Link Sub-basket**” shall be construed as including the following services with bandwidths up to and including 1Gbit/s, excluding:

- (i) any Generic Resilience Facility Fee charged in connection with any of the services falling within the Ethernet Main Link Sub-basket; and
- (ii) all of the services specified in the Annex to Condition 9C and in the Annex to Condition 9D,

subject to such changes as Ofcom may direct from time to time following any proposal by the Dominant Provider to introduce a new service or withdraw or substitute one or more of these services for another (in which case this list shall be construed accordingly).

#### **Ethernet Access Direct (EAD) Main Link<sup>4</sup>**

EAD Main Link charges

RO2 Resilience Main Link charges

RO1 Resilience Main Link charges

EAD Enable Main Link charges

EAD Enable RO2 Resilience Main Link charges

EAD Enable RO1 Resilience Main Link charges

#### **Wholesale Extension Service (WES) & Wholesale End-to-End Extension Service (WEES)<sup>5</sup>**

WES/WEES Main Link charges

WES Resilient Option 1 Main link up to 1Gbit/s

WES Resilient Option 2 Main link up to 1Gbit/s

WEES Resilient Option 2 Main link up to 1Gbit/s

#### **Backhaul Network Services (BNS)<sup>6</sup>**

BNS Component Pricing Table Connection and rental charges – Main Link

#### **Openreach Network Backhaul Services<sup>7</sup>**

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<sup>4</sup> Openreach, *Price List, Ethernet Access Direct (EAD) including EAD Enable*, <https://www.openreach.co.uk/orpg/home/products/pricing/loadProductPriceDetails.do?data=5uW5cDedIGJkun%2FLo2l67PEgpNm%2BtShF6YESRcCqrDFZ6rNZujnCs99NbIKJZPD9hXYmiiXh6wrCQm97GZMyQ%3D%3D> as at 15 November 2017.

<sup>5</sup> Openreach, *Price List, Wholesale Extension Service & Wholesale End to end Extension Service*, <https://www.openreach.co.uk/orpg/home/products/pricing/loadProductPriceDetails.do?data=TG6A8jbarofqqfNi%2BYxJT%2BWX9RC8ygO7YK%2FGFXHQ0KYIMnGHsqdC0vzO163bJmh34D91D7M0q8u%2FIISgtlFAKw%3D%3D> as at 15 November 2017.

<sup>6</sup> Openreach, *Price List, Backhaul Network Services (BNS)*, <https://www.openreach.co.uk/orpg/home/products/pricing/loadProductPriceDetails.do?data=to6u3F12FmH4GL92i3NosYRiske12ZrKBXGHf8sPBYwlMnGHsqdC0vzO163bJmh34D91D7M0q8u%2FIISgtlFAKw%3D%3D> as at 15 November 2017.

<sup>7</sup> Openreach, *Price List, Openreach Network Backhaul Services*, <https://www.openreach.co.uk/orpg/home/products/pricing/loadProductPriceDetails.do?data=Rdc2f4wj9k%2Fplcqq3gDRrhrww6STLWGzW%2F0BqqNvflIMnGHsqdC0vzO163bJmh34D91D7M0q8u%2FIISgtlFAKw%3D%3D> as at 15 November 2017.

Main Link connection and rental charges

Resilient Options 1, 2 and 3 - resilience link per metre charges up to 1Gbit/s

#### **Backhaul Extension Service (BES)<sup>8</sup>**

Main Link connection and rental charges

Resilient Option 2 – resilience link per metre up to 1Gbit/s

### **Section 4**

#### **Meaning of “Ethernet Rental Sub-basket”**

For the purposes of Condition **9A**:

- (i) there shall be in each Relevant Period, for each and every rental service that has an associated connection service, a separate “**Ethernet Rental Sub-basket**” which shall include solely the charges for that rental service and associated connection service, calculated as follows:

$$ER_{i,t} = R_{i,t} + \frac{1}{3}C_{i,t}$$

Where

$ER_{i,t}$  is the total charge for an individual rental service and the associated connection service falling within the Ethernet Rental Sub-basket in the Relevant Period;

$R_{i,t}$  is the charge for the rental service falling within the Ethernet Rental Sub-basket in the Relevant Period;

$C_{i,t}$  is the charge for the connection service associated with the rental service and falling within the Ethernet Rental Sub-basket in the Relevant Period.

- (ii) The expression “**Ethernet Rental Sub-basket**” shall be construed as including the following services with bandwidths up to and including 1Gbit/s, excluding all of the services specified in Section 1, Section 3, the Annex to Condition **9C** and the Annex to Condition **9D**, subject to such changes as Ofcom may direct from time to time following any proposal by the Dominant Provider to introduce a new service or withdraw or substitute one or more of these services for another (in which case this list shall be construed accordingly).

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<sup>8</sup> Openreach, *Price List, Backhaul Extension Service (BES)*,

<https://www.openreach.co.uk/orpg/home/products/pricing/loadProductPriceDetails.do?data=Gb5DIOWDeWrdvLSdpeomsa0DzFBxAUIONmfpe3%2FG3G4IMnGHsqdC0vzO163bJmh34D91D7M0q8u%2FIISgtIFAKw%3D%3D> as at 15 November 2017.

## Ethernet Access Direct (EAD)<sup>9</sup>

Rental and associated connection for:

- EAD circuits
- EAD Modify – upgrade charges
- EAD SyncE Modify – upgrade charges
- EAD Local Access 10 Mbit/s circuits and above
- EAD Resilience Option 1 (Hot Standby)
- EAD SyncE
- EAD Enable

## Ethernet Backhaul Direct<sup>10</sup>

Rental and associated connection charges

### Section 5

#### Meaning of “Ethernet All Services Sub-cap”

For the purposes of Condition **9A**:

- (i) the expression “**Ethernet All Services Sub-cap**” shall be construed as:
  - a. including all the services specified in the Annex to Condition **9A** except services specified in Section 4 of this Annex;
  - b. including the services listed below with bandwidths up to and including 1Gbit/s;
  - c. including any Generic Resilience Facility Fee charged in connection with any of the services falling within the Ethernet All Services Sub-cap and in connection with any

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<sup>9</sup> Openreach, *Price List, Ethernet Access Direct (EAD) including EAD Enable*,  
<https://www.openreach.co.uk/orpg/home/products/pricing/loadProductPriceDetails.do?data=5uW5cDedIGJkun%2FLo2l67PEgpNm%2BtShF6YESRcQrDFZ6rNZujnCs99NbIKJZPD9hXYmijxH6wrCQm97GZMyQ%3D%3D> as at 15 November 2017.

<sup>10</sup> Openreach, *Price List, Ethernet Backhaul Direct*,  
<https://www.openreach.co.uk/orpg/home/products/pricing/loadProductPriceDetails.do?data=F6GFzqfhDSmh7Oyv8Xw%2Bt6ZkEknUEHFW9O1w%2FCiltaVZ6rNZujnCs99NbIKJZPD9hXYmijxH6wrCQm97GZMyQ%3D%3D> as at 15 November 2017.

- services falling with each Ethernet Rental Sub-basket set out in Section 4 of this Annex;  
and
- d. excluding all of the services specified in the Annex to Condition **9C** and in the Annex to Condition **9D**;

subject to such changes as Ofcom may direct from time to time following any proposal by the Dominant Provider to introduce a new service or withdraw or substitute one or more of these services for another (in which case this list shall be construed accordingly).

- (ii) where an ancillary service is listed under two or more headings below (for example for an ancillary service falling under the heading WES and WEES and an ancillary service falling under the heading BNS), that ancillary service shall fall within the Ethernet All Services Sub-cap where the total revenue generated for the provision of that ancillary service for all of those services is more than £1m in the Prior Financial Year.

### **Wholesale Extension Service (WES) & Wholesale End-to-End Extension Service (WEES) <sup>11</sup>**

Connection and Rental Charges

Migration charges

Ancillary services:

- Upgrade charges that generated more than £1m revenue in the Prior Financial Year
- Re-grade charges that generated more than £1m revenue in the Prior Financial Year
- Additional charges that generated more than £1m revenue in the Prior Financial Year
- Cancellation Charges that generated more than £1m revenue in the Prior Financial Year
- Circuit Shift Charges that generated more than £1m revenue in the Prior Financial Year

### **Backhaul Network Services (BNS) <sup>12</sup>**

Component Pricing Table - Connection and rental charges

Ancillary services:

- Upgrade charges that generated more than £1m revenue in the Prior Financial Year
- Additional charges that generated more than £1m revenue in the Prior Financial Year
- Cancellation charges that generated more than £1m revenue in the Prior Financial Year

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<sup>11</sup> Openreach, *Price List, Wholesale Extension Service & Wholesale End to end Extension Service*, <https://www.openreach.co.uk/orpg/home/products/pricing/loadProductPriceDetails.do?data=TG6A8jbarofqgfNi%2BYxJT%2BWX9RC8ygO7YK%2FGFXHQ0KYIMnGHsqdC0vzO163bJmh34D91D7M0q8u%2FIISgtIFAKw%3D%3D> as at 15 November 2017.

<sup>12</sup> Openreach, *Price List, Backhaul Network Services (BNS)*, <https://www.openreach.co.uk/orpg/home/products/pricing/loadProductPriceDetails.do?data=to6u3F12FmH4GL92i3NosYRiske12ZrKBXGHf8sPBYwlMnGHsqdC0vzO163bJmh34D91D7M0q8u%2FIISgtIFAKw%3D%3D> as at 15 November 2017.

### **Openreach Network Backhaul Services<sup>13</sup>**

Connection and rental charges

Ancillary services:

- Cancellation charges that generated more than £1m revenue in the Prior Financial Year

### **Ethernet Backhaul Direct<sup>14</sup>**

Connection and rental charges<sup>15</sup>

Migration charges<sup>16</sup>

Ancillary services:

- Upgrade charges that generated more than £1m revenue in the Prior Financial Year
- Cancellation charges that generated more than £1m revenue in the Prior Financial Year
- Shift charges that generated more than £1m revenue in the Prior Financial Year
- Service Features charges that generated more than £1m revenue in the Prior Financial Year

### **Backhaul Extension Service (BES)<sup>17</sup>**

Connection and rental charges

Migration charges

Ancillary services:

- Additional charges that generated more than £1m revenue in the Prior Financial Year
- Upgrade Charges that generated more than £1m revenue in the Prior Financial Year
- Circuit Shift charges that generated more than £1m revenue in the Prior Financial Year
- Cancellation charges that generated more than £1m revenue in the Prior Financial Year

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<sup>13</sup> Openreach, *Price List, Openreach Network Backhaul Services*,

<https://www.openreach.co.uk/orpg/home/products/pricing/loadProductPriceDetails.do?data=Rdc2f4wj9k%2Fplc%3gDRrhrww6STLWGzW%2F0BqqNvflIMnGHsqdC0vzO163bJmh34D91D7M0q8u%2FIISgtIFAKw%3D%3D> as at 15 November 2017.

<sup>14</sup> Openreach, *Price List, Ethernet Backhaul Direct*,

<https://www.openreach.co.uk/orpg/home/products/pricing/loadProductPriceDetails.do?data=F6GFzqfhDSmh7Oyv8Xw%2Bt6ZkEknUEHFW9O1w%2FCiItaVZ6rNZujnCs99NBKJZPD9hXYmiiXh6wrCQm97GZMyQ%3D%3D> as at 15 November 2017.

<sup>15</sup> Only applies to rentals without an associated connection charge.

<sup>16</sup> Only applies to rentals without an associated migration charge.

<sup>17</sup> Openreach, *Price List, Backhaul Extension Service (BES)*,

<https://www.openreach.co.uk/orpg/home/products/pricing/loadProductPriceDetails.do?data=Gb5DIOwDeWrdvLSdpeomsa0DzFBxAUIONmfpe3%2FG3G4IMnGHsqdC0vzO163bJmh34D91D7M0q8u%2FIISgtIFAKw%3D%3D> as at 15 November 2017.

## Ethernet Access Direct (EAD)<sup>18</sup>

Connection and rental charges<sup>19</sup>

Migration charges<sup>20</sup>

Ancillary services:

- Managed migration options that generated more than £1m revenue in the Prior Financial Year
- Cancellation charges that generated more than £1m revenue in the Prior Financial Year
- Termination charges that generated more than £1m revenue in the Prior Financial Year
- EAD Modify Shift Circuit Charges that generated more than £1m revenue in the Prior Financial Year

## Section 6

### Meaning of “Exempt Ancillary Services”

For the purposes of Condition 9A.10:

- (i) the expression “**Exempt Ancillary Services**” shall be construed, subject to the provision in paragraph (ii) below, as each service listed below that does not generate more than £1m revenue in the Prior Financial Year, excluding all of the services specified in the Annex to Condition 9C and in the Annex to Condition 9D, subject to such changes as Ofcom may direct from time to time following any proposal by the Dominant Provider to introduce a new service or withdraw or substitute one or more of these services for another (in which case this list shall be construed accordingly);
- (ii) where an ancillary service is listed under two or more headings below (for example for an ancillary service falling under the heading WES and WEES and an ancillary service falling under the heading BNS), that ancillary service shall be considered an Exempt Ancillary Service where the total revenue generated for the provision of that ancillary service for all of those services is no more than £1m in the Prior Financial Year.

For the avoidance of doubt, the services listed in this Section 6 of the Annex do not form part of the Ethernet Services Basket.

## Wholesale Extension Service (WES) & Wholesale End-to-End Extension Service (WEES)<sup>21</sup>

Upgrade charges

Re-grade charges

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<sup>18</sup> Openreach, *Price List, Ethernet Access Direct (EAD) including EAD Enable*, <https://www.openreach.co.uk/orpg/home/products/pricing/loadProductPriceDetails.do?data=5uW5cDedIGJkun%2FLo2I67PEgpNm%2BtShF6YESRcQrDFZ6rNZujnCs99NbIKJZPD9hXYmiiH6wrCQm97GZMyQ%3D%3D> as at 15 November 2017.

<sup>19</sup> Only applies to rentals without an associated connection charge.

<sup>20</sup> Only applies to rentals without an associated migration charge.

<sup>21</sup> Openreach, *Price List, Wholesale Extension Service & Wholesale End to end Extension Service*, <https://www.openreach.co.uk/orpg/home/products/pricing/loadProductPriceDetails.do?data=TG6A8jbarofqgfNi%2BYxJT%2BWX9RC8ygO7YK%2FGFXHQ0KYIMnGHsqdC0vzO163bJmh34D91D7M0q8u%2FIISgtIFAKw%3D%3D> as at 15 November 2017.

Additional charges

Cancellation Charges

Circuit Shift Charges

**Backhaul Network Services (BNS)<sup>22</sup>**

Upgrade charges

Additional charges

Cancellation charges

**Openreach Network Backhaul Services<sup>23</sup>**

Cancellation charges

**Ethernet Backhaul Direct<sup>24</sup>**

Upgrade charges

Cancellation charges

Shift charges

Service Features

**Backhaul Extension Service (BES)<sup>25</sup>**

Additional charges

Upgrade Charges

Circuit Shift charges

Cancellation charges

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<sup>22</sup> Openreach, *Price List, Backhaul Network Services (BNS)*,

<https://www.openreach.co.uk/orpg/home/products/pricing/loadProductPriceDetails.do?data=to6u3F12FmH4GL92i3NosYRiske12ZrKBXGHf8sPBWlMnGHsqdC0vzO163bJmh34D91D7M0q8u%2FIISgtIFAKw%3D%3D> as at 15 November 2017.

<sup>23</sup> Openreach, *Price List, Openreach Network Backhaul Services*,

<https://www.openreach.co.uk/orpg/home/products/pricing/loadProductPriceDetails.do?data=Rdc2f4wj9k%2FpIc0q3gDRhrww6STLWGzW%2F0BqgNvflIMnGHsqdC0vzO163bJmh34D91D7M0q8u%2FIISgtIFAKw%3D%3D> as at 15 November 2017.

<sup>24</sup> Openreach, *Price List, Ethernet Backhaul Direct*,

<https://www.openreach.co.uk/orpg/home/products/pricing/loadProductPriceDetails.do?data=F6GFzqfhDSmh7Oyv8Xw%2Bt6ZkEknUEHFW9O1w%2FCiltaVZ6rNZujnCs99NbIKJZPD9hXYmiiH6wrCQm97GZMyQ%3D%3D> as at 15 November 2017.

<sup>25</sup> Openreach, *Price List, Backhaul Extension Service (BES)*,

[https://www.openreach.co.uk/orpg/home/products/pricing/loadProductPriceDetails.do?data=Gb5DIOWDeWrdvL\\_Sdpeomsa0DzFBxAUIONmfpe3%2FG3G4IMnGHsqdC0vzO163bJmh34D91D7M0q8u%2FIISgtIFAKw%3D%3D](https://www.openreach.co.uk/orpg/home/products/pricing/loadProductPriceDetails.do?data=Gb5DIOWDeWrdvL_Sdpeomsa0DzFBxAUIONmfpe3%2FG3G4IMnGHsqdC0vzO163bJmh34D91D7M0q8u%2FIISgtIFAKw%3D%3D) as at 15 November 2017.



## Ethernet Access Direct (EAD)<sup>26</sup>

Managed migration options

Cancellation charges

Termination charges

EAD Modify Shift Circuit Charges

### Interpretation of Annex to Condition 9A

Except insofar as the context otherwise requires, the terms or descriptions of services used in this Annex shall be construed as having the same meaning as those provided by the Dominant Provider on its website for definitions and explanations of its services. These are currently found as follows:

- Services within the “**Ethernet Services Basket**” please refer to <http://www.openreach.co.uk/orpg/home/home.do>
- Specifically:
  - For EAD, please refer to <http://www.openreach.co.uk/orpg/home/products/ethernetservices/ethernetaccessdirect/ead.do>
  - For EBD, please refer to <http://www.openreach.co.uk/orpg/home/products/ethernetservices/ethernetbackhauldirect/ebd.do>
  - For BTL, please refer to <http://www.openreach.co.uk/orpg/home/products/ethernetservices/bulktransportlink/bulktransportlink.do>
  - For WES/WEES, please refer to <http://www.openreach.co.uk/orpg/home/products/ethernetservices/wholesaleextension/services/wes.do>
  - For BES, please refer to <http://www.openreach.co.uk/orpg/home/products/ethernetservices/backhaulextensionservices/bes.do>
  - For Openreach Network Backhaul Service, please refer to <http://www.openreach.co.uk/orpg/home/products/ethernetservices/openreachnetworkbackhaulservices/onbs.do>
  - For Backhaul Network Service, please refer to <http://www.openreach.co.uk/orpg/home/products/ethernetservices/backhaulnetworkservices/bns.do>

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<sup>26</sup> Openreach, *Price List, Ethernet Access Direct (EAD) including EAD Enable*, <https://www.openreach.co.uk/orpg/home/products/pricing/loadProductPriceDetails.do?data=5uW5cDedIGJkun%2FL02I67PEgpNm%2BtShF6YESRcCqrDFZ6rNZujnCs99NbIKJZPD9hXYmiiH6wrCQm97GZMyQ%3D%3D> as at 15 November 2017.

## Condition 9B

### Controls of Accommodation Services

**9B.1** Subject to Conditions **9B.4** and **9B.5**, the Dominant Provider shall take all reasonable steps to secure that, at the end of each Relevant Period, the Percentage Change in each of the charges for each and every Accommodation Service is not greater than CPI minus 0 percentage points (referred to as “**Controlling Percentage**” for the purposes of Conditions **9B.4** and **9B.5**). For the purpose of complying with this Condition **9B.1**, the Percentage Change shall be calculated by employing the formula set out in Condition **9B.2**.

**9B.2** The Percentage Change shall be calculated by employing the following formula:

$$C_t = \frac{(\bar{p}_t - \bar{p}_{t-1})}{\bar{p}_{t-1}}$$

Where:

$C_t$  is the Percentage Change in the charge for an individual Accommodation Service for the Relevant Period,  $t$ ;

$t$  refers to the Relevant Period;

$t-1$  refers to the Prior Period;

$\bar{p}_t$  shall be calculated by employing the formula set out in Condition **9A.11** above for the Relevant Period Weighted Average Charge offered by the Dominant Provider, and its references to “individual service  $i$  falling within the Ethernet Services Basket except any services falling within any Ethernet Rental Sub-baskets” shall be treated as references to each individual Accommodation Service subject to Condition **9B**; and

$\bar{p}_{t-1}$  shall be calculated by employing the formula set out in Condition **9A.11** above for the Prior Period Weighted Average Charge offered by the Dominant Provider, and its references to “individual service  $i$  falling within the Ethernet Services Basket except any services falling within any Ethernet Rental Sub-baskets” shall be treated as references to each individual Accommodation Service subject to Condition **9B**.

### Controls of Overlapping Accommodation Services

**9B.3** The Dominant Provider shall take all reasonable steps to secure that, at the end of each Relevant Period, each of the charges for each and every Overlapping Accommodation Service is not greater than the amount that the Dominant Provider charges for the Overlapping Accommodation Service in question at the relevant time for the purpose of providing Co-Mingling New Provide and Rental Services for the supply of copper loop-based, cable-based and fibre-based wholesale local access at a fixed location or wholesale fixed analogue exchange line services.

**9B.4** Where the Percentage Change at the end of the First Period is:

- (i) less than the Controlling Percentage set out in Condition **9B.1** for each of the Accommodation Services (“**Deficiency**”); or
- (ii) greater than the Controlling Percentage set out in Condition **9B.1** for each of the Accommodation Services (“**Excess**”);

the Controlling Percentage for the Second Period shall be calculated by employing the formula set out in Condition **9A.6** with the exception that all references to “the Basket” in Condition **9A.6** shall be treated as references to the Accommodation Services subject to Condition **9B**.

**9B.5** In the case of Excess, the Dominant Provider shall, to the extent reasonably possible, and as soon as reasonably practicable, repay the Relevant Excess Revenue to the relevant Affected Communications Provider.

#### **General provisions and interpretation**

**9B.6** Where:

- (i) the Dominant Provider makes a material change (other than to a charge) to any service which is subject to this Condition **9B**; or
- (ii) the Dominant Provider makes a change to the date on which its Financial Year ends; or
- (iii) there is a material change in the basis of the Consumer Prices Index;

Condition **9B** shall have effect subject to such reasonable adjustment to take account of the change as Ofcom may direct to be appropriate in the circumstances.

For the purposes of this Condition **9B.6**, a material change to any service which is subject to this Condition **9B** includes (but is not limited to) the introduction of a new service wholly or substantially in substitution for that existing service which is subject to this Condition **9B** or a change to the billing practice for any service which is subject to this Condition **9B**.

**9B.7** Ofcom may direct that Conditions **9B.1 to 9B.6** shall not apply to the extent specified in any such direction.

**9B.8** The Dominant Provider shall comply with any direction Ofcom may make from time to time under this Condition **9B**.

**9B.9** In this Condition **9B**:

“**Accommodation Services**” means the services defined and listed in Section 1 of the Annex to this Condition **9B**;

“**Affected Communications Provider**” means each communications provider to whom the Dominant Provider has provided any of the services specified in the Annex to this Condition **9B** during the Relevant Year;

“**Consumer Prices Index**” means the index of prices compiled by an agency or a public body on behalf of Her Majesty’s Government or a governmental department (which is the Office for National Statistics at the time of publication of this notification) from time to time in respect of all items;

“**CPI**” means:

- (i) for the First Period, 1.0 percentage points;
- (ii) for the Second Period, 2.8 percentage points;

**“Excess Revenue”** means the difference between (a) the revenue which the Dominant Provider earned in the Relevant Period from providing the services specified in the Annex to this Condition **9B**, and (b) the revenue the Dominant Provider would have earned in the Relevant Period from providing the services specified in the Annex to this Condition **9B** if it had complied with Conditions **9B.1** and **9B.3**;

**“First Period”** means a period beginning on 1 December 2017 and ending on 31 March 2018;

**“Overlapping Accommodation Services”** means the services defined and listed in Section 2 of the Annex to this Condition **9B**;

**“Percentage Change”** has the meaning given to it in Condition **9B.2**;

**“Prior Financial Year”** means the Financial Year ending on 31 March immediately before the commencement of the current Relevant Period;

**“Prior Period”** means, in relation to:

- (i) for the First Period, the 11 months from 1 May 2016 to 31 March 2017 (inclusive);
- (ii) for the Second Period, the First Period;

**“Relevant Period”** means each of the following two periods:

- (i) the First Period; and
- (ii) the Second Period;

**“Relevant Excess Revenue”** means the Excess Revenue earned from charging the Affected Communications Provider;

**“Second Period”** means a period beginning on 1 April 2018 and ending on 31 March 2019.

## Annex to Condition 9B

### Services subject to charge control pursuant to Condition 9B

#### Section 1

##### Meaning of “Accommodation Services”

For the purposes of Condition 9B, the expressions “**Accommodation Services**” shall be construed as including the following services reasonably necessary for the use of the services falling within the Ethernet Services Basket, excluding all of the services specified in the Annex to Condition 9C and in the Annex to Condition 9D, subject to such changes as Ofcom may direct from time to time following any proposal by the Dominant Provider to introduce a new service or withdraw or substitute one or more of these services for another (in which case this list shall be construed accordingly):

##### Access locate<sup>27</sup>

All charges excluding Access Locate Plus bespoke charges

#### Section 2

##### Meaning of “Overlapping Accommodation Services”

For the purposes of Condition 9B, the expressions “**Overlapping Accommodation Services**” shall be construed as having the same meaning as “**Co-Mingling New Provide and Rental Services**” in Part 5 of the Annex to Condition 7A set out at Annex 29 to a statement entitled “Fixed access market reviews: wholesale local access, wholesale fixed analogue exchange lines, ISDN2 and ISDN30” published on 26 June 2014, such services being reasonably necessary for the use of the services falling within the Ethernet Services Basket, subject to such changes as Ofcom may direct from time to time following any proposal by the Dominant Provider to introduce a new service or withdraw or substitute one or more of these services for another (in which case this list shall be construed accordingly).

##### Interpretation of Annex to Condition 9B

Except insofar as the context otherwise requires, the terms or descriptions of services used in this Annex shall be construed as having the same meaning as those provided by the Dominant Provider on its website for definitions and explanations of its services. These are currently found as follows:

- Services within the meaning of “**Accommodation Services**” and “**Overlapping Accommodation Services**”, please refer to <http://www.openreach.co.uk/orpg/home/products/llu/llu.do>
- Specifically:
  - For Access Locate, please refer to <http://www.openreach.co.uk/orpg/home/products/llu/accesslocate/accesslocate.do>

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<sup>27</sup> Openreach, *Price List, Access Locate and Access Locate Plus*, <https://www.openreach.co.uk/orpg/home/products/pricing/loadProductPriceDetails.do?data=q%2B2vpfgQQ99SiiMxEC7QjskLe4HVN3IVHU%2BmY7RLKoBZ6rNZujnCs99NbIKJZPD9hXYmiiH6wrCQm97GZMyQ%3D%3D> as at 15 November 2017.

- For Accommodation, please refer to <http://www.openreach.co.uk/orpg/home/products/llu/comingling/comingling.do>

## Condition 9C

### Controls of the ECC Services

- 9C.1** The Dominant Provider shall take all reasonable steps to secure that, during each Relevant Period, the Percentage Change (calculated in accordance with Condition **9C.2**) in each of the charges for each of the Direct ECC Services is not greater than the Controlling Percentage (calculated in accordance with Condition **9C.3**).
- 9C.2** The Percentage Change shall be calculated by employing the following formula:

$$C_t = \frac{(\bar{p}_t - \bar{p}_{t-1})}{\bar{p}_{t-1}}$$

Where:

$C_t$  is the Percentage Change in the charge for an individual Direct ECC Service for the Relevant Period,  $t$ ;

$t$  refers to the Relevant Period;

$t-1$  refers to the Prior Period;

$\bar{p}_t$  shall be calculated by employing the formula set out in Condition **9A.12** above for the Relevant Period Weighted Average Charge offered by the Dominant Provider, and its references to “individual service  $i$  falling within the Ethernet Services Basket except any services falling within any Ethernet Rental Sub-baskets” shall be treated as references to the individual Direct ECC Service subject to Condition **9C**; and

$\bar{p}_{t-1}$  shall be calculated by employing the formula set out in Condition **9A.12** above for the Prior Period Weighted Average Charge offered by the Dominant Provider, and its references to “individual service  $i$  falling within the Ethernet Services Basket except any services falling within any Ethernet Rental Sub-baskets” shall be treated as references to the individual Direct ECC Service subject to Condition **9C**.

- 9C.3** Subject to the provisions set out in Conditions **9C.5** and **9C.6**, the Controlling Percentage in relation to any Relevant Period for each Direct ECC Service shall be calculated, for the purposes of complying with Condition **9C.1**, by employing the following formula:

$$CP_t = CPI + X$$

Where:

$CP_t$  is the Controlling Percentage for the Relevant Period,  $t$ ;

$CPI$  is CPI for the Relevant Period

$X$  is equal to in the First Period and the Second Period:

minus 18.75 percentage points for Blown Fibre;

plus 8.75 percentage points for Blown Fibre Tubing in Duct;

plus 17.25 percentage points for Cable (fibre or copper) including any jointing required;

plus 11.75 percentage points for Internal cabling (including Internal Blown Fibre Tubing);

minus 3.25 percentage points for Survey Fee/Planning Charges.

**9C.4** The Dominant Provider must secure, and must be able to demonstrate to the satisfaction of Ofcom, that in each Relevant Period, each and every charge offered or payable for each Contractor ECC Service is reasonably derived from the costs of provision based on the charge paid by the Dominant Provider, plus the Dominant Provider's forward looking long run incremental costs related to the provision of that Contractor ECC Service allowing an appropriate mark-up for recovery of common costs.

**9C.5** Where the Percentage Change at the end of the First Period is:

- i. less than the Controlling Percentage for each of the Direct ECC Services ("**Deficiency**"); or
- ii. greater than the Controlling Percentage for each of the Direct ECC Services ("**Excess**");

the Controlling Percentage for the Second Period shall be calculated employing the formula set out in Condition **9A.6** with the exception that the references to "the Basket" in Condition **9A.6** shall be treated as references to the Direct ECC Services subject to Condition **9C**.

**9C.6** In the case of Excess, the Dominant Provider shall, to the extent reasonably possible, and as soon as reasonably practicable, repay the Relevant Excess Revenue to the relevant Affected Communications Provider.

**9C.7** Where the Dominant Provider charges the ECC Balancing Charge, the ECC Balancing Charge (calculated in accordance with Condition **9C.9**) in respect of each published charge for each of the ECC Services shall be excluded, subject to the requirement set out in Condition **9C.8** being satisfied, from the calculation of:

- (i) the Percentage Change calculated in accordance with:
  - a. Condition **9A.3** for the purpose of complying with Condition **9A.2**; and
  - b. Condition **9A.11** for the purpose of complying with Conditions **9A.8 to 9A.10**.

**9C.8** The requirement referred to in Condition **9C.7** is that, where the Dominant Provider provides one or more of the ECC Services to a Third Party in connection with the provision of a service ("Connected Service") reasonably necessary for the use of the services falling within the Ethernet Services Basket, the Dominant Provider must not charge the Third Party for such ECC Services, unless the total amount of charges for all of the ECC Services for that Connected Service exceeds £2,800, in which case the Dominant Provider may only charge the Third Party, as a maximum, the amount in excess of £2,800 for providing such ECC Services.



**9C.9** For the purposes of complying with Condition **9C.7** in the First Period, the ECC Balancing Charge for new connections for the ECC Services shall be the same as that ECC Balancing Charge in place on 1 July 2017.

**9C.10** For the purposes of complying with Condition **9C.7** in the Second Period, the ECC Balancing Charge for new connections for the ECC Services shall be calculated by employing the following formula (which applies to the Prior Financial Year):

$$B = \frac{\sum_{k=1}^C \sum_{i=1}^n p_{i,k} q_{i,k} - TR}{C}$$

Where

B is the ECC Balancing Charge;

C is the number of new EAD and EAD LA connections in the Prior Financial Year;

k is a number from 1 to C for each new EAD or EAD LA connection;

n is the number of the ECC Services provided by the Dominant Provider,

i is a number from 1 to n for each of the n individual ECC Service;

$p_{i,k}$  is the charge of the ECC Service i that was in effect at the time of new EAD or EAD LA connection k;

$q_{i,k}$  is the volume of the individual ECC Service i that was sold as part of new EAD or EAD LA connection k;

TR is the revenue generated from new connections for the ECC Services above the exemption threshold of £2,800 in the Prior Financial Year;

$$TR = \sum_{k=1}^C \delta_k \left[ \sum_{i=1}^n p_{i,k} q_{i,k} - 2,800 \right]$$

Where  $\delta_k$  is a binary variable for each new EAD or EAD LA connection k, given by the following formula:

$$\delta_k = \begin{cases} 1 & \text{if } \sum_{i=1}^n p_{i,k} q_{i,k} > 2,800 \\ 0 & \text{if } \sum_{i=1}^n p_{i,k} q_{i,k} \leq 2,800 \end{cases}$$

## General provisions and interpretation

### 9C.10 Where:

- (i) the Dominant Provider makes a material change (other than to a charge) to any service which is subject to this Condition 9C; or
- (ii) the Dominant Provider makes a change to the date on which its Financial Year ends; or
- (iii) there is a material change in the basis of the Consumer Prices Index;

Condition 9C shall have effect subject to such reasonable adjustment to take account of the change as Ofcom may direct to be appropriate in the circumstances.

For the purposes of this Condition 9C.10, a material change to any service which is subject to this Condition 9C includes (but is not limited to) the introduction of a new service wholly or substantially in substitution for that existing service which is subject to this Condition 9C or a change to the billing practice for any service which is subject to this Condition 9C.

**9C.11** The Dominant Provider must record, maintain and supply to Ofcom in an electronic format, no later than three months after the end of each Relevant Period, the data necessary for Ofcom to monitor compliance of the Dominant Provider with this Condition 9C. The data must include:

- i. pursuant to Condition 9C.2 the calculated Percentage Change relating to the Direct ECC Services;
- ii. all relevant data the Dominant Provider used in the calculation of the Percentage Change as set out in Condition 9C.2, including for each specific Direct ECC Service;
- iii. all charges, excluding discounts, published by the Dominant Provider at time, *t*, during the Relevant Period and the Prior Period;
- iv. the relevant published charges at the start of each Relevant Period;
- v. the Relevant Period Weighted Average Charges and the Prior Period Weighted Average Charges for all of the Direct ECC Services to which Condition 9C.2 applies and calculations thereof;
- vi. other data necessary for monitoring compliance with the charge control; and
- vii. such data as Ofcom may from time to time direct.

**9C.12** Ofcom may direct that Conditions 9C.1 to 9C.11 shall not apply to the extent specified in any such direction.

**9C.13** The Dominant Provider shall comply with any direction Ofcom may make from time to time under this Condition 9C.

**9C.14** In this Condition 9C:

**“Affected Communications Provider”** means each communications provider to whom the Dominant Provider has provided any of the services specified in the Annex to this Condition 9C during the Relevant Period;

**“Contractor ECC Services”** means the services defined and listed in Section 2 of the Annex to this Condition 9C;

**“Controlling Percentage”** has the meaning given to it in Condition 9C.3;

**“Consumer Prices Index”** means the index of prices compiled by an agency or a public body on behalf of Her Majesty’s Government or a governmental department (which is the Office for National Statistics at the time of publication of this notification) from time to time in respect of all items;

**“CPI”** means:

- (i) for the First Period, 1.0 percentage points;
- (ii) for the Second Period, 2.8 percentage points;

**“Direct ECC Services”** means the services defined and listed in Section 1 of the Annex to this Condition **9C**;

**“ECC Balancing Charge”** means the charge calculated in accordance with Condition **9C.9**;

**“ECC Services”** means, for the purposes of Conditions **9C.7 to 9C.9**, the Direct ECC Services specified in Section 1 of the Annex to this Condition **9C** and the Contractor ECC Services specified in Section 2 of the Annex to this Condition **9C**;

**“Excess Revenue”** means the difference between (i) the revenue which the Dominant Provider earned in the Relevant Year from providing the Direct ECC Services specified in Section 1 of the Annex to this Condition **9C**, and (ii) the revenue the Dominant Provider would have earned in the Relevant Period from providing the Direct ECC Services specified in Section 1 of the Annex to this Condition **9C** if it had complied with Conditions **9C.1**;

**“Percentage Change”** has the meaning given to it in Condition **9C.2**;

**“Prior Financial Year”** means the Financial Year ending on 31 March immediately before the commencement of the current Relevant Period

**“Prior Period”** means, in relation to:

- (i) for the First Period, the 11 months from 1 May 2016 to 31 March 2017 (inclusive);
- (ii) for the Second Period, the First Period;

**“Relevant Period”** means each of the following two periods:

- (i) the First Period; and
- (ii) The Second Period;

**“Relevant Excess Revenue”** means the Excess Revenue earned from charging the Affected Communications Provide.

## Annex to Condition 9C

### Services subject to charge control pursuant to Condition 9C

## Section 1

### Meaning of “Direct ECC Services”

For the purposes of Condition **9C**, the expression “**Direct ECC Services**” shall be construed as including the following services reasonably necessary for the use of the services falling within the Ethernet Services Basket, excluding all of the services specified in the Annex to Condition **9D**, subject to such changes as Ofcom may direct from time to time following any proposal by the Dominant Provider to introduce a new service or withdraw or substitute one or more of these services for another (in which case this list shall be construed accordingly):

### Excess construction charges<sup>28</sup>

Survey Fee/Planning charges

Per meter or part thereof charges for:

- Cable (fibre or copper) including any jointing required
- Blown Fibre
- Blown Fibre Tubing in Duct
- Internal cabling (including Internal Blown Fibre Tubing)

## Section 2

### Meaning of “Contractor ECC Services”

For the purposes of Condition **9C**, the expression “**Contractor ECC Services**” shall be construed as including the following services reasonably necessary for the use of the services falling within the Ethernet Services Basket, excluding all of the services specified in the Annex to Condition **9D**, subject to such changes as Ofcom may direct from time to time following any proposal by the Dominant Provider to introduce a new service or withdraw or substitute one or more of these services for another (in which case this list shall be construed accordingly):

**Excess construction charges<sup>29</sup>**

<sup>28</sup> Openreach, *Price List, Excess Construction Charges*,

<https://www.openreach.co.uk/orpg/home/products/pricing/loadProductPriceDetails.do?data=ZdqG%2Fxfv%2FjSuBEEITnogh5uNOEwQ2%2FKws5WBAVcllcholMnGHsqdC0vzO163bJmh34D91D7M0q8u%2F%0AIIsgtIFAKw%3D%3D>  
as at 15 November 2017.

<sup>29</sup> Openreach, *Price List, Excess Construction Charges*.

<https://www.openreach.co.uk/orpg/home/products/pricing/loadProductPriceDetails.do?data=ZdqG%2Fzv%2FjSuBEEITnogh5uNOEwQ2%2FKws5WBAVcllcholMnGHsqdC0vzO163bjmh34D91D7M0q8u%2F%0AIIStqIFAKw%3D%3D> as at 15 November 2017.

Breaking/Drilling charges

Provision of Pole charges

Provision of a new footway box charges

Provision of a new carriageway box charges

Directly buried cable (including any cable and wayleave costs)

Mole ploughing cable or fibre in subduct (includes any cable and wayleave costs)

New Ductwork charges

Trunking and tray work within end user's cartilage

### Section 3

#### Meaning of “EAD” and “EAD LA” for the purposes of Condition 9C.10

For the purposes of Condition 9C.10, the expression **EAD** shall be construed as including the following services, excluding all of the services specified in the Annex to Condition 9C, subject to such changes as Ofcom may direct from time to time following any proposal by the Dominant Provider to introduce a new service or withdraw or substitute one or more of these services for another (in which case this list shall be construed accordingly).

#### Ethernet Access Direct (EAD) <sup>30</sup>

Connection charges for:

- EAD 10
- EAD 100
- EAD 1000
- EAD 1000 (60 month minimum period)
- EAD 1000 (84 month minimum period)
- EAD 10000
- EAD 10000 (60 month minimum period)
  
- EAD 10 Extended Reach
- EAD 100 Extended Reach
- EAD 1000 Extended Reach
- EAD 1000 Extended Reach (60 month minimum period)
- EAD 1000 Extended Reach (84 month minimum period)
  
- EAD Enable 10
- EAD Enable 100
- EAD Enable 1000
- EAD Enable 1000 Extended Reach
- EAD Enable 1000 (60 month term)
- EAD Enable 1000 Extended Reach (60 month term)
  
- EAD SyncE
  - EAD SyncE 100
  - EAD SyncE 1000
  - EAD SyncE 1000 (60 month minimum period)
  - EAD SyncE 10000 (84 month minimum period)
  - EAD SyncE 100 Extended Reach
  - EAD SyncE 1000 Extended Reach
  - EAD SyncE 1000 Extended Reach (60 month minimum period)
  - EAD SyncE 1000 Extended Reach (84 month minimum period)

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<sup>30</sup> Openreach, *Price List, Ethernet Access Direct (EAD) including EAD Enable*,  
<https://www.openreach.co.uk/orpg/home/products/pricing/loadProductPriceDetails.do?data=5uW5cDedIGJkun%2FLo2l67PEgpNm%2BtShF6YESRcCqrDFZ6rNZujnCs99NbIKJZPD9hXYmiiixH6wrCQm97GZMyQ%3D%3D> as at 15 November 2017.

For the purposes of Condition **9C.10**, the expression **EAD LA** shall be construed as including the following services excluding all of the services specified in the Annex to Condition **9D**, subject to such changes as Ofcom may direct from time to time following any proposal by the Dominant Provider to introduce a new service or withdraw or substitute one or more of these services for another (in which case this list shall be construed accordingly).

#### **Ethernet Access Direct Local Access (EAD LA)<sup>31</sup>**

Connection charges for:

- EAD Local Access 10
- EAD Local Access 100
- EAD Local Access 1000
- EAD Local Access 1000 (60 month minimum period)
- EAD Local Access 1000 (84 month minimum period)
- EAD Local Access 10000
- EAD Local Access 10000 (60 month minimum period)
  
- EAD Enable 10 Local Access
- EAD Enable 100 Local Access
- EAD Enable 1000 Local Access
- EAD Enable 1000 Local Access (60 month term)
  
- EAD SyncE 100 Local Access
- EAD SyncE 1000 Local Access
- EAD SyncE 1000 Local Access (60 month minimum period)
- EAD SyncE 1000 Local Access (84 month minimum period)

#### **Interpretation of Annex to Condition 9C**

Except insofar as the context otherwise requires, the terms or descriptions of services used in this Annex shall be construed as having the same meaning as those provided by the Dominant Provider on its website for definitions and explanations of its services in addition to future updates. These are currently found as follows:

- Services within the meaning of “**Direct ECC Services and Contractor ECC Services**”, please refer to <http://www.openreach.co.uk/orpg/home/products/serviceproducts/excessconstructioncharges/excessconstructioncharges.do>

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<sup>31</sup> Openreach, *Price List, Ethernet Access Direct (EAD) including EAD Enable*, <https://www.openreach.co.uk/orpg/home/products/pricing/loadProductPriceDetails.do?data=5uW5cDedIGJkun%2FLo2l67PEgpNm%2BtShF6YESRcCqrDFZ6rNZujnCs99NbIKJZPD9hXYmiiH6wrCQm97GZMyQ%3D%3D> as at 15 November 2017.

## Condition 9D

**9D.1** The Dominant Provider shall take all reasonable steps to secure that, at the end of each Relevant Period, the Percentage Change (calculated in accordance with Condition 9D.2) in each of the charges for each of:

- (i) Standard Chargeable Visit;
- (ii) Additional Hour;
- (iii) Supplementary Charges (Per Visit);
- (iv) Supplementary Charges (Per Hour);
- (v) Internal and External Shifts; and
- (vi) Additional Line Shifted;

(each of which is referred to in Conditions 9D.1 to 9D.7 as a “Single Charge Category” unless otherwise specified) is no greater than the Controlling Percentage (as calculated in accordance with Condition 9D.3).

**9D.2** The Percentage Change shall be calculated by employing the following formula:

$$C_t = \frac{(\bar{p}_t - \bar{p}_{t-1})}{\bar{p}_{t-1}}$$

Where:

$C_t$  is the Percentage Change in the charge for an individual Single Charge Category for the Relevant Period,  $t$ ;

$t$  refers to the Relevant Period;

$t-1$  refers to the Prior Period;

$\bar{p}_t$  shall be calculated by employing the formula set out in Condition 9A.12 above for the Relevant Period Weighted Average Charge offered by the Dominant Provider, and its references to “individual service  $i$  falling within the Ethernet Services Basket except any services falling within any Ethernet Rental Sub-baskets” shall be treated as references to each individual Single Charge Category subject to Condition 9D; and

$\bar{p}_{t-1}$  shall be calculated by employing the formula set out in Condition 9A.12 above for the Prior Period Weighted Average Charge offered by the Dominant Provider, and its references to “individual service  $i$  falling within the Ethernet Services Basket except any services falling within any Ethernet Rental Sub-baskets” shall be treated as references to each individual Single Charge Category subject to Condition 9D.

**9D.3** Subject to the provisions set out in Conditions 9D.4 and 9D.5, the Controlling Percentage in relation to any Relevant Period for each Single Charge Category shall be calculated by employing the following formula:

$$CP_t = X$$



$CP_t$  is the Controlling Percentage for the Relevant Year,  $t$ ;

X means minus 0.15 percentage points.

**9D.4** Where the Percentage Change at the end of the First Period is:

- i. less than the Controlling Percentage for each Single Charge Category ("**Deficiency**"); or
- ii. greater than the Controlling Percentage for each Single Charge Category ("**Excess**");

the Controlling Percentage for the following Relevant Period shall be calculated employing the formula set out in Condition **9A.6** with the exception that the references to "the Basket" in Condition **9A.6** shall be treated as references to Single Charge Category subject to Condition **9D**.

**9D.5** In the case of Excess, the Dominant Provider shall, to the extent reasonably possible, and as soon as reasonably practicable, repay the Relevant Excess Revenue to the relevant Affected Communications Provider.

#### **General provisions and interpretation**

**9D.6** Where:

- (i) the Dominant Provider makes a material change (other than to a charge) to any service which is subject to this Condition **9D**; or
- (ii) the Dominant Provider makes a change to the date on which its Financial Year ends;

Condition **9D** shall have effect subject to such reasonable adjustment to take account of the change as Ofcom may direct to be appropriate in the circumstances.

For the purposes of this Condition **9D.6**, a material change to any service which is subject to this Condition **9D** includes (but is not limited to) the introduction of a new service wholly or substantially in substitution for that existing service which is subject to this Condition **9D** or a change to the billing practice for any service which is subject to this Condition **9D**.

**9D.7** The Dominant Provider must record, maintain and supply to Ofcom in an electronic format, no later than three months after the end of each Relevant Period, the data necessary for Ofcom to monitor compliance of the Dominant Provider with this Condition **9D**. The data must include:

- i. pursuant to Condition **9D.2**, the calculated Percentage Change relating to each Single Charge Category;
- ii. all relevant data the Dominant Provider used in the calculation of the Percentage Change as set out in Condition **9D.2**, including for each Single Charge Category;
- iii. all charges, excluding discounts, published by the Dominant Provider at time,  $t$ , during the Relevant Period and the Prior Period;
- iv. the relevant published charges at the start of each Relevant Period;
- v. the Relevant Period Weighted Average Charges and the Prior Period Weighted Average Charges for each Single Charge category to which Condition **9D.2** applies and calculations thereof;
- vi. other data necessary for monitoring compliance with the charge control; and
- vii. such data as Ofcom may from time to time direct.

**9D.8** Ofcom may direct that Conditions **9D.1 to 9D.7** shall not apply to the extent specified in any such direction.

**9D.9** The Dominant Provider shall comply with any direction Ofcom may make from time to time under this Condition **9D**.

**9D.10** In this Condition **9D**:

**“Additional Hour”** means the provision of the service ‘Additional Hours (or Part thereof)’ (which shall be construed as having the same meaning as provided by the Dominant Provider on its website for definitions and explanations of its services) where this is reasonably necessary for the use of the services falling within the Ethernet Services Basket;

**“Additional Line Shifted”** means the provision of the service ‘Additional Line shifted’ (which shall be construed as having the same meaning as provided by the Dominant Provider on its website for definitions and explanations of its services) where this is reasonably necessary for the use of the services falling within the Ethernet Services Basket;

**“Affected Communications Provider”** means each communications provider to whom the Dominant Provider has provided any of the services specified in the Annex to this Condition **9D** during the Relevant Period;

**“Excess Revenue”** means the difference between (a) the revenue which the Dominant Provider earned in the Relevant Year from providing the services specified in the Annex to this Condition **9D**, and (b) the revenue the Dominant Provider would have earned in the Relevant Year from providing the services specified in the Annex to this Condition **9D** if it had complied with Condition **9D.1**;

**“First Period”** means a period beginning on 1 December 2017 and ending on 31 March 2018;

**“Internal and External Shifts”** means the provision of the service ‘Internal and External Shifts’ (which shall be construed as having the same meaning as provided by the Dominant Provider on its website for definitions and explanations of its services) where this is reasonably necessary for the services falling within the Ethernet Services Basket;

**“Percentage Change”** has the meaning given to it in Condition **9D.2**;

**“Prior Period”** means, in relation to:

- (i) for the First Period, the 11 months from 1 May 2016 to 31 March 2017 (inclusive);
- (ii) for the Second Period, the First Period;

**“Relevant Period”** means each of the following two periods:

- (i) the First Period; and
- (ii) the Second Period;

**“Relevant Excess Revenue”** means the Excess Revenue earned from charging the Affected Communications Provider;

**“Second Period”** means a period beginning on 1 April 2018 and ending on 31 March 2019;

**“Standard Chargeable Visit”** means the provision of the service ‘Standard Chargeable Visit (Visit plus up to 1 hours work)’ (which shall be construed as having the same meaning as provided by the Dominant Provider on its website for definitions and explanations of its services) where this is reasonably necessary for the services falling within the Ethernet Services Basket;

**“Supplementary Charges (Per Hour)”** means the provision of the service ‘Supplementary charges (Per Hour or Part thereof)’ (which shall be construed as having the same meaning as provided by the Dominant Provider on its website for definitions and explanations of its services) where this is reasonably necessary for the services falling within the Ethernet Services Basket; and

**“Supplementary Charges (Per Visit)”** means the provision of the service ‘Supplementary charges (Per Visit)’ (which shall be construed as having the same meaning as provided by the Dominant Provider on its website for definitions and explanations of its services) where this is reasonably necessary for the use of the services falling within the Ethernet Services Basket.

## **Annex to Condition 9D**

### **Services subject to charge control pursuant to Condition 9D**

#### **Section 1**

##### **Meaning of “Ethernet TRC Services”**

For the purposes of Condition **9D**, the expression “**Ethernet TRC Services**” shall include the following services defined in Condition **9D.10**:

- (i) Standard Chargeable Visit;
- (ii) Additional Hour;
- (iii) Supplementary Charges (Per Visit);
- (iv) Supplementary Charges (Per Hour);
- (v) Internal and External Shifts; and
- (vi) Additional Line Shifted

subject to such changes as Ofcom may direct from time to time following any proposal by the Dominant Provider to introduce a new service or withdraw or substitute one or more of these services for another (in which case this list shall be construed accordingly).

#### **Interpretation of Annex to Condition 9D**

Except insofar as the context otherwise requires, the terms or descriptions of services referred to in this Annex shall be construed as having the same meaning as those provided by the Dominant Provider on its website for definitions and explanations of its services in addition to future updates. These are currently found as follows:

- Services within the meaning of “**Ethernet TRC Services**”, please refer to:  
<https://www.openreach.co.uk/orpg/home/products/pricing/loadProductPriceDetails.do?data=pBzHTRfO4GXC12qz7DCzqUP54d5RrQ9TQD%2BRDuYwQUEIMnGHsqdC0vzO163bJmh34D91D7M0q8u%2FIISgtIFAKw%3D%3D>

## **Condition 10 – Regulatory Financial Reporting**

- 10.1 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 10.3 to 10.35 including as Ofcom may from time to time direct under those Conditions 10.3 to 10.35.
- 10.2 The Dominant Provider must comply with such rules made by Ofcom about the use of cost accounting systems as required by Conditions 10.3 to 10.35 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 10.3 to 10.35 in each case including as Ofcom may from time to time direct under Conditions 10.3 to 10.35.
- 10.3 Except in so far as Ofcom may consent otherwise in writing, the Dominant Provider shall act in the manner set out in this Condition 10.
- 10.4 Ofcom may from time to time make such directions as they consider appropriate in relation to the Dominant Provider's obligations under this Condition 10.
- 10.5 The Dominant Provider shall comply with any direction Ofcom may make from time to time under this Condition 10.
- 10.6 Where the Dominant Provider is required to comply with:
- (i) this Condition 10; 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.
- 10.7 For the purpose of Condition 10, 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**

- 10.8 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 10, 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 10.23;
- (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 10.24;
- (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.

10.9 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 10. 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.

10.10 The Dominant Provider shall prepare all Regulatory Financial Statements, explanations or other information required by virtue of this Condition 10 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.

10.11 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**

- 10.12 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 10 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.
- 10.13 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 10;
  - (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 this Condition 10 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.
- 10.14 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.
- 10.15 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.
- 10.16 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 10 and any other information in respect of the matters which are the subject of that audit opinion as Ofcom shall require.
- 10.17 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 10 as directed by Ofcom.

### **Requirements relating to the Accounting Methodology Documents**

- 10.18 The Dominant Provider must prepare, maintain and keep up-to-date the Accounting Methodology Documents in accordance with this Condition 10 and the Regulatory Accounting Principles.
- 10.19 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.
- 10.20 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 10.8 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**

- 10.21 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 ("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. The requirement to submit the Change Control Notification by the date specified in this Condition 10.21 does not apply to any change to the Regulatory Accounting Methodology which the Dominant Provider is required to make by the Regulatory Auditor after that date.
- 10.22 Where in Ofcom's opinion any change referred to in Condition 10.21 does not comply with this Condition 10 or the Regulatory Accounting Principles, the Dominant Provider shall not make such change, if so directed by Ofcom.
- 10.23 The Dominant Provider must prepare a reconciliation report as referred to in Condition 10.8 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.
- 10.24 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

- 10.25 The Dominant Provider's Regulatory Accounting System must be able to produce the Regulatory Financial Statements as directed by Ofcom under Condition 10.8 in accordance with this Condition 10, the Regulatory Accounting Principles and the Accounting Methodology Documents.
- 10.26 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 10.26(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 10.26(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 10.26(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 10.26(iv);
- (vii) where the systems reconciliation report referred to in Condition 10.26(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**

- 10.27 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 10.27(i);
  - (iii) prepare a reconciliation report as set out in Condition 10.23, 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**

- 10.28 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.

- 10.29 The Dominant Provider shall maintain the accounting records in accordance with this Condition 10, the Regulatory Accounting Principles and the Accounting Methodology Documents.
- 10.30 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.
- 10.31 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**

- 10.32 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**

- 10.33 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.
- 10.34 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 10.8

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**

10.35 The Dominant Provider shall ensure that 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 10.35(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 10.35(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 10.32(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.

10.36 In this Condition 10:

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 Principles;

b) “Accounting Policies” means the manner in which the Dominant Provider applies the requirements of 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 calculated by the Dominant Provider;
- l) “Market” means the market to which this Condition 10 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 10;
- 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 10;
- 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 10;

- 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 10 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 10;
- 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 10;
- 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 10;
- y) “Retail Segments” means groups of Retail Products;

- z) “Statutory Accounting Standards” means the accounting standards, including the requirements of the Companies Act 2006, by reference to which the Dominant Provider is required to prepare the Statutory Financial Statements;
- aa) “Statutory Auditor” means the auditor for the time being appointed by the Dominant Provider in accordance with the requirements of the Companies Act 2006;
- bb) “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;
- cc) “Technical Area” means the technical area to which this Condition 10 applies;
- dd) “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);
- ee) “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);
- ff) “Wholesale Catalogue” means the documentation required to be produced by the Dominant Provider under Condition 10.33;
- gg) “Wholesale Segments” means groups of Wholesale Services; and
- hh) “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).

## **Schedule 2 - Direction under section 49 and 49A(2) of the Communications Act 2003 and temporary SMP condition 7 setting minimum performance standards in the provision of the Relevant Ethernet Services**

### **Part 1: Definitions and Interpretation**

1. For the purposes of interpreting Schedule 1, the following definitions shall apply:

**“Accepted Order”** means an Order that has been validated and accepted by the Dominant Provider;

**“Completed Order”** means an Accepted Order that has been provisioned and for which all related work has been carried out

**“Customer Caused Delay”** means a delay in an Accepted Order becoming a Completed Order which the Dominant Provider can reasonably attribute to being caused either by a Third Party Customer or a customer of that Third Party Customer (including an end user);

**“Fault”** means a degradation or problem with network access that is identified by the Dominant Provider or a Third Party Customer and which is registered on the Dominant Provider’s operational support system;

**“Initial Contractual Delivery Date”** means the first date provided by the Dominant Provider to a Third Party Customer on which the Dominant Provider contracts for an Order to become a Completed Order;

**“Initial Contractual Delivery Period”** means the total number of Working Days from the date on which an Order becomes an Accepted Order to the Initial Contractual Delivery Date, but excluding Working Days attributable to Customer Caused Delay which occurred before the Initial Contractual Delivery Date was issued;

**“Order”** means a request for the Relevant Ethernet Service, including a request for an upgrade on bandwidth of an existing Relevant Ethernet Service or a request for a change to the product variant of an existing Relevant Ethernet Service, submitted to the Dominant Provider by a Third Party;

**“Relevant Completed Orders”** means an Order that became an Accepted Order on or after 1 May 2016, that has been provisioned, and for which all related work has been carried out;

**“Relevant Ethernet Services”** means those Ethernet Services with bandwidths up to and including 1Gbit/s offered by the Dominant Provider to a Third Party under the product or service names of (i) Ethernet Access Direct, (ii) Ethernet Backhaul Direct or (iii) Cablelink including, in relation to each:

- i. all product variants except where Ofcom agrees otherwise, and
- ii. the introduction by the Dominant Provider of a new product and/or service wholly or substantially in substitution for that existing product and/or service;



**“Restored Service”** means the point at which any Relevant Ethernet Service,, which has been subject to a Fault, is available for use by the Third Party without the relevant degradation or problem with network access;

**“Relevant Period”** means the period beginning on 1 December 2017 and ending on 31 March 2019;

**“Third Party”** means a person providing a public electronic communications network or a person providing a public electronic communications service;

**“Third Party Customer”** means a Third Party purchasing a Relevant Ethernet Service from the Dominant Provider;

**“Time To Provide”** means the total number of Working Days from the date on which an Order becomes an Accepted Order to the date when that Accepted Order becomes a Completed Order, excluding only Working Days attributable to Customer Caused Delay;

**“United Kingdom”** means: the wholesale markets for Lower Bandwidth CISBO Services identified at rows a, b, f and g of Table A of this notification; and

**“Working Day”** means any day other than Saturdays, Sundays, public holidays or bank holidays in the United Kingdom.

## **Part 2: Direction**

1. The Dominant Provider shall comply with the minimum quality of service requirements in this paragraph 1 in respect of the provision of Orders for the Relevant Ethernet Services.
  - 1.1. For at least 88% of Orders that become Relevant Completed Orders in the Relevant Period, the Dominant Provider shall deliver Relevant Completed Orders in a Time To Provide that is less than or equal to the applicable Initial Contractual Delivery Period.
  - 1.2. The Dominant Provider shall ensure that the average Time To Provide of Orders that become Completed Orders in the Relevant Period is no more than 40 Working Days.
  - 1.3. The Dominant Provider shall ensure that the average Initial Contractual Delivery Period of Orders that become Relevant Completed Orders in the Relevant Period is no more than 55 Working Days.
  - 1.4. The Dominant Provider shall ensure that for at least 40% of Orders that become Completed Orders in the Relevant Period, the Time To Provide is 29 Working Days or less.
  - 1.5. The Dominant Provider shall ensure that the Time To Provide is more than 118 Working Days in no more than 3% of Orders that become Completed Orders in the Relevant Period.

2. The Dominant Provider shall comply with the following minimum quality of service requirements in the repair of all Faults in respect of Relevant Ethernet Services:

2.1. The Dominant Provider shall ensure that at least 94% of Faults achieve a Restored Service within 5 hours of being registered on the Dominant Provider's operational support system in the Relevant Period.

**Schedule 3 - Direction under section 49 and 49A(2) of the Communications Act 2003 and temporary SMP condition 7 setting requirements in relation to the provision and publication of Key Performance Indicators in respect of the Relevant Ethernet Services**

**Part 1: Definitions and Interpretation**

1. For the purposes of interpreting Schedule 1, the following definitions shall apply:

**“Accepted Order”** means an Order that has been validated and accepted by the Dominant Provider;

**“Completed Order”** means an Accepted Order that has been provisioned and for which all related work has been carried out;

**“Contractual Delivery Date”** means a date provided by the Dominant Provider to a Third Party Customer on which the Dominant Provider contracts for an Order to become a Completed Order;

**“Customer Caused Delay”** means a delay in an Accepted Order becoming a Completed Order which the Dominant Provider can reasonably attribute to being caused either by a Third Party Customer or a customer of that Third Party Customer (including an end user); **“Fault”** means a degradation or problem with network access that is identified by the Dominant Provider or a Third Party Customer and which is registered on the Dominant Provider’s operational support system;

**“Final Contractual Delivery Date”** means the last Contractual Delivery Date after which, in respect of the relevant Order, no other Contractual Delivery Dates were provided;

**“Final Contractual Delivery Period”** means the total number of Working Days from the date on which an Order becomes an Accepted Order to the Final Contractual Delivery Date, excluding only Working Days attributable to Customer Caused Delay which occurred before the Final Contractual Delivery Date;

**“Initial Contractual Delivery Date”** means the first date provided by the Dominant Provider to a Third Party Customer on which the Dominant Provider contracts for an Order to become a Completed Order;

**“Initial Contractual Delivery Period”** means the total number of Working Days from the date on which an Order becomes an Accepted Order to the Initial Contractual Delivery Date, but excluding Working Days attributable to Customer Caused Delay which occurred before the Initial Contractual Delivery Date was issued;

**“KPI”** means a key performance indicator; KPIs (i) to (xxviii) are set out below:

**KPI (i) - Mean time to provide**

In relation to all Orders that became Completed Orders in the relevant month, the average Time To Provide;

**KPI (ii) - Fault repair performance**

The percentage of Faults during the relevant month that achieved a Restored Service within 5 hours of being registered on the Dominant Provider's operational support system;

**KPI (iii) - Delivery date certainty**

In relation to all Orders that became Relevant Completed Orders in the relevant month, the percentage of Relevant Completed Orders which were completed with a Time to Provide that is less than their Initial Contractual Delivery Period;

**KPI (iv) - Time to provide lower percentile limit**

In relation to all Orders that became Completed Orders in the relevant month, the percentage of Completed Orders in respect of which the Time To Provide was: 29 Working Days or less in the Relevant Period;

**KPI (v) - Monitoring the time to provide lower percentile performance**

In relation to all Orders that became Completed Orders in the relevant month, the average Time To Provide of those Completed Orders whose Time To Provide was 29 Working Days or less in the Relevant Period;

**KPI (vi) - Monitoring the time to provide lower percentile composition**

In relation to all Orders that became Completed Orders in the relevant month, the volume of those Completed Orders whose Time To Provide was 29 Working Days or less in the Relevant Period;

**KPI (vii) - Time to provide upper percentile limit**

In relation to all Orders that became Completed Orders in the relevant month, the percentage of Completed Orders in respect of which the Time To Provide was 118 Working Days or more in the Relevant Period;

**KPI (viii) - Mean initial contractual delivery period**

In relation to all Orders that became Relevant Completed Orders in the relevant month, the average Initial Contractual Delivery Period;

**KPI (ix) - Monitoring the tail**

In relation to all Orders that became Completed Orders in the relevant month, the average Time To Provide of those Completed Orders whose Time To Provide was 118 Working Days or more in the Relevant Period;

**KPI (x) - Monitoring the percentile time to provide of the tail extremities**

In relation to all Orders that became Completed Orders in the relevant month, the Time To Provide of those Completed Orders corresponding to:

- (i) the 95<sup>th</sup> percentile of Completed Orders;
- (ii) the 96<sup>th</sup> percentile of Completed Orders;
- (iii) the 97<sup>th</sup> percentile of Completed Orders;
- (iv) the 98<sup>th</sup> percentile of Completed Orders;
- (v) the 99<sup>th</sup> percentile of Completed Orders; and
- (vi) the 99.5<sup>th</sup> percentile of Completed Orders

**KPI (xi) - Monitoring the composition of the tail extremities**

In relation to all Orders that became Completed Orders in the relevant month, the volume of those Completed Orders whose Time To Provide exceeds the Time To Provide corresponding to:

- (i) the 95<sup>th</sup> percentile of all the Completed Orders;
- (ii) the 96<sup>th</sup> percentile of all the Completed Orders;
- (iii) the 97<sup>th</sup> percentile of all the Completed Orders;
- (iv) the 98<sup>th</sup> percentile of all the Completed Orders;
- (v) the 99<sup>th</sup> percentile of all the Completed Orders; and
- (vi) the 99.5<sup>th</sup> percentile of all the Completed Orders.

**KPI (xii) - Order validation**

In relation to all Orders that became Completed Orders in the relevant month, the percentage that became Accepted Orders within the timescales set out in the applicable service level agreement set out in the Dominant Provider's Reference Offer;

**KPI (xiii) - Monitoring the order validation tails**

In relation to all Orders that became Completed Orders in the relevant month, the volume of Completed Orders that became Accepted Orders within the timescales set out in the applicable service level agreement set out in the Dominant Provider's Reference Offer plus;

- (i) 0 working day;
- (ii) 1 working day;
- (iii) 2 working days;
- (iv) 5 working days;
- (v) 10 working days; and
- (vi) 11 working days or more.

**KPI (xiv) - Performance in issuing initial contractual delivery dates**

In relation to all Orders that became Relevant Completed Orders in the relevant month, the percentage for which the Initial Contractual Delivery Date was issued within the timescales set out in the applicable service level agreement set out in the Dominant Provider's Reference Offer;

**KPI (xv) - Performance against the final contractual delivery date**

In relation to all Orders that became Completed Orders in the relevant month, the percentage of Completed Orders that were completed with a Time to Provide that is less than their Final Contractual Delivery Period;

**KPI (xvi) - Changes to contractual delivery dates**

In relation to all Orders that became Completed Orders in the relevant month, the percentage of Completed Orders subject to a change to the Contractual Delivery Date not attributable to Customer Caused Delay;

**KPI (xvii) - Average number of changes to contractual delivery dates**

In relation to all Orders that became Completed Orders in the relevant month and which were subject to one or more changes in the Contractual Delivery Date that were not attributable to Customer Caused Delay, the average number of such changes to the Contractual Delivery Date for each Completed Order;

**KPI (xviii) - Average delay due to contractual delivery date changes**

In relation to the average number of changes to the Contractual Delivery Date for each Completed Order, as detailed in KPI (xvii), the average number of Working Days incurred for each Completed Order as a result of such changes;

**KPI (xix) - Mean customer caused delay**

In relation to all Orders that became Completed Orders in the relevant month and which were subject to one or more changes in the Contractual Delivery Date that were attributable to Customer Caused Delay, the average number of Working Days incurred for each Completed Order as a result of such changes;

**KPI (xx) - New orders**

The total number of Accepted Orders during the relevant month;

**KPI (xxi) - Orders completed**

The total number of Completed Orders during the relevant month;

**KPI (xxii) - Volume of faults**

The total number of Faults reported during the relevant month;

**KPI (xxiii) - Cablelink mean time to provide**

In relation to all Orders for Cablelink that became Completed Orders in the relevant month, the average Time To Provide.

**KPI (xxiv) - Order volume forecast from CPs**

The total number of Orders forecast by the Relevant Customers to become Accepted Orders for Relevant Ethernet Services received by the Dominant Provider for the relevant month.

**KPI (xxv) - Order volume forecast by the dominant provider**

The total number of Orders forecast by the Dominant Provider to become Accepted Orders for the Relevant Ethernet Services for the relevant month.

**KPI (xxvi) - Monitoring traffic management notices**

In relation to all Orders subject to a traffic management notice that became Completed Orders in the relevant month, the average of the percentage of the Time to Provide of each Order that is allocated to traffic management notice activity.

**KPI (xxvii) - Monitoring wayleave applications**

In relation to all Orders subject to a wayleave application that became Completed Orders in the relevant month, the average of the percentage of the Time to Provide of each Order that is allocated to wayleave application activity.

**KPI (xxviii) - Size of the installed base of relevant ethernet services**

The total number of Relevant Ethernet Services for which the Dominant Provider is charging Third Parties, at the end of the relevant month.

**“Order”** means a request for the Relevant Ethernet Service, including a request for an upgrade on bandwidth of an existing Relevant Ethernet Service or a request for a change to the product variant of an existing Relevant Ethernet Service, submitted to the Dominant Provider by a Third Party;

**“Provision Category”** means such categories, as may be specified from time to time in the Dominant Provider’s Reference Offer in relation to its ordering and provisioning procedures, which identify an Order by reference to one or more of the following:

- i. a specified level of provisioning work; and
- ii. a specified lead time.

**“Relevant Completed Orders”** means an Order that became an Accepted Order on or after 1 May 2016, that has been provisioned, and for which all related work has been carried out;

**“Relevant Customers”** means:

- i. the nine Third Party Customers who purchased the largest total volumes of the Relevant Ethernet Services during the period beginning on 1 April 2013 and ending on 31 March 2016; and
- ii. a notional customer representing the remainder of the Third Party Customers, whose purchased total volumes of the Relevant Ethernet Services during the period beginning on 1 April 2013 and ending on 31 March 2016 shall be the total of the purchases of the remaining Third Party Customers in that period;

**“Relevant Ethernet Services”** means those Ethernet Services with bandwidths up to and including 1Gbit/s offered by the Dominant Provider to a Third Party under the product or service names of (a) Ethernet Access Direct, (b) Ethernet Backhaul Direct or (c) Cablelink including, in relation to each:

- i. all product variants except where Ofcom agrees otherwise; and
- ii. the introduction by the Dominant Provider of a new product and/or service wholly or substantially in substitution for that existing product and/or service;

**“Relevant Regions”** mean the following six regions, as defined by the Dominant Provider:

- i. Northern Ireland;
- ii. Scotland;
- iii. Wales;
- iv. England – North;
- v. England – East; and
- vi. England – West;

or other such regions as Ofcom may agree with the Dominant Provider or direct from time to time, but which cumulatively at all times cover the wholesale markets for Lower Bandwidth CISBO Services identified at rows a, b, f and g of Table A of this notification;

**“Restored Service”** means the point at which any Relevant Ethernet Service, which has been subject to a Fault, is available for use by the Third Party without the relevant degradation or problem with network access;

**“Relevant Period”** means the period beginning on 1 December 2017 and ending on 31 March 2019;

**“Third Party”** means a person providing a public electronic communications network or a person providing a public electronic communications service;

**“Third Party Customer”** means a Third Party purchasing a Relevant Ethernet Service from the Dominant Provider;

**“Time To Provide”** means the total number of Working Days from the date on which an Order becomes an Accepted Order to the date when that Accepted Order becomes a Completed Order, excluding only Working Days attributable to Customer Caused Delay;

**“United Kingdom”** means the wholesale markets for Lower Bandwidth CISBO Services identified in Table A of this notification; and

**“Working Day”** means any day other than Saturdays, Sundays, public holidays or bank holidays in the United Kingdom.



## Part 2: Direction

1. For the purposes of paragraphs 2 and 3 below, the “quarters” are:
  - a. 1 January 2018 to 31 March 2018;
  - b. 1 April 2018 to 30 June 2018;
  - c. 1 July 2018 to 30 September 2018;
  - d. 1 October 2018 to 31 December 2018; and
  - e. 1 January 2019 to 31 March 2019.
2. For each quarter, starting with the 1 January 2018 to 31 March 2018 quarter in the Relevant Period, the Dominant Provider must publish an average of the three months in that quarter of the information relating to the provision of the Relevant Ethernet Services required in each of KPIs (i) to (iv) and (vii):
  - a. for the United Kingdom; and
  - b. split by reference to each of the Relevant Regions<sup>32</sup>.
3. Publication referred to in paragraph 2 above shall be effected by the Dominant Provider placing the information on a publicly available website operated or controlled by the Dominant Provider within 15 Working Days after the end of the relevant quarter to which the information referred to in paragraph 2 relates.
4. The Dominant Provider must provide to Ofcom each month:
  - a. the information relating to the Relevant Ethernet Services required in KPIs (i) to (xxviii) below:
    - (i) KPIs (i) to (xxviii) for the United Kingdom;
    - (ii) KPIs (i) to (v), (vii) to (x), (xxi) and (xxii), and (xxvi) to (xxviii) split by reference to each of the Relevant Regions;
    - (iii) KPIs (i) to (xxiv) and (xxviii) split by reference to each of the Relevant Customers;
    - (iv) KPIs (i) to (iv), (vii) to (ix), (xii), (xvii), (xviii) and (xxi) split by Orders for the Dominant Provider and Orders not for the Dominant Provider; and
    - (v) KPIs (i), (iii), (v) and (vi), (viii) to (xi), (xvii) to (xix), (xxi), (xxvi) and (xxvii) split by reference to each of the Provision Categories.
  - b. in relation to each of the requirements, set out in paragraph 4.a. above, concerning each of KPIs (i) to (v), (vii) to (ix), (xii), (xiv) to (xix), (xxiii), (xxvi) and (xxvii):

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<sup>32</sup> For example, regarding KPI (i), the information averaged over the three months in the January to March quarter in the Relevant Period will be the sum of the average Time to Provide for January, for February and for March, divided by three.

- (i) the denominator representing the volume of the applicable Relevant Ethernet Services over which the average or the percentage (as applicable) is calculated; and
  - (ii) the numerator representing the value corresponding to the denominator from which the average or the percentage (as applicable) is calculated.
- 5. Provision of information to Ofcom under paragraph 4. above shall be effected by sending an email to a person designated by Ofcom, in the form notified by Ofcom from time to time, within 15 Working Days after the end of the relevant month to which the information referred to in paragraph 4. relates.
- 6. The Dominant Provider must make available where requested by a Third Party Customer, on a confidential basis, within 15 Working Days after the end of the relevant month to which the information relates:
  - a. the information applicable only to the requesting Third Party Customer relating to the Relevant Ethernet Services required in KPIs (i) to (iv), (vii) and (viii), (xii), (xiv) to (xix), (xxii) and (xxiii):
    - (i) for the United Kingdom;
    - (ii) KPIs (i) to (iv), (vii), (viii) and (xxii) split by reference to each of the Relevant Regions; and
    - (iii) KPIs (i) and (iii), (viii), (xvii) to (xix) split by reference to each of the Provision Categories.
- 7. For the purposes of complying with paragraphs 4, 5 and 6 above, and subject to Ofcom agreeing otherwise, December 2017 shall be the first relevant month.

**Schedule 4 – Direction under section 49 and 49A(2) of the Communications Act 2003 and temporary SMP condition 7 setting requirements in relation to Service Level Guarantees in respect of the supply of the Ethernet Services**

**Part 1: Definitions and Interpretation**

1. For the purposes of interpreting Schedule 1, the following definitions shall apply:

**“Ethernet Services”** means services presented with the standard networking protocol defined under that name in IEEE 802.3 and published by the Institute of Electrical and Electronics Engineers;

**“Third Party”** means a person providing a public electronic communications network or a person providing a public electronic communications service;

**Part 2: Direction**

Where the Dominant Provider provides Ethernet Services, it shall do so in accordance with this Schedule.

**Service level guarantees (SLGs)**

1. The Dominant Provider shall ensure the terms and conditions which govern the supply of Ethernet Services in the wholesale markets for Lower Bandwidth CISBO Services identified at rows a, b, f and g of Table A of this notification, provide the following<sup>33</sup>:

*Compensation per event and value of compensation*

a) The definition of “Contractual Delivery Date” as set out in the Dominant Provider’s terms and conditions has been amended to require BT to provide reasons to justify a Contractual Delivery Date which is set beyond the 57th day and that any extension of the Contractual Delivery Date beyond the 57th shall only be made with the consent of the Third Party concerned, except where such consent is unreasonably withheld;

b) BT shall pay the Third Party compensation for each day or part day of delay in delivery of service beyond the Contractual Delivery Date or the “CP Requirement Date” (as set out in the Dominant

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<sup>33</sup> In particular, the following contracts will require modification to reflect the requirements set out in the direction: (i) the Conditions for Backhaul Extensions Services; and (ii) the Conditions for Wholesale Extension Services.

Provider's terms and conditions), whichever is later;

c) BT shall pay the Third Party compensation for each and every fault which has not been restored in the first five hours on a per hour basis thereafter;

d) The compensation payable in event of each late provision of the required Backhaul Extension Services, Wholesale Extension Services or Wholesale End-to- End Segments shall be set at 100% of one month's line rental for every day or part day of delay beyond the Contractual Delivery Date or CP Requirement Date (whichever is later), up to a maximum of 60 days;

e) The compensation payable in the event of each late fault repair in relation to Backhaul Extension Services, Wholesale Extension Services or Wholesale End-to- End Segments shall be 15% of one month's line rental for every fault which has not been restored in the first five hours for every hour thereafter until service is restored, up to a maximum of 200 hours;

*Limitations on compensation- removal of caps*

f) Any limits on compensation payable as a result of a failure to satisfy the service guarantees shall be removed other than those set out in d) and e); and

*Additional losses*

g) Any compensation payable under the contract shall be without prejudice to any right of either party to claim for additional loss.

*Proactive payments*

h) BT shall monitor its performance against the service guarantees for fault repair and compensate Third Parties proactively should it fail to satisfy the service guarantees. Compensation payments shall be made on a monthly basis. For the avoidance of doubt, compensation shall be payable without the need for a Third Party to make a claim.

**Schedule 5 - Direction under sections 49 and 49A(2) of the Communications Act 2003 and temporary SMP condition 10.4 specifying the Regulatory Accounting Principles**

**Part 1: Definitions and Interpretation**

In this Direction:

‘Regulatory Financial Reporting’ means the whole of the Regulatory Financial Statements, the Accounting Methodology Documents, the accounting records and the Regulatory Accounting System.

**Part 2: Direction**

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.

**Schedule 6 - Direction under section 49 and 49A(2) of the Communications Act 2003 and temporary SMP condition 10.4 specifying the requirements in relation to consistency with regulatory decisions and regulatory asset value**

**Part 1: Definitions and Interpretation**

In this Schedule:

**“20CN”** means that part of BT’s network which does not use the assets deployed by 21CN or NGA;

**“21CN”** means BT’s next generation network upgrade;

**“Access Duct”** means the duct associated with the Access Network, where Access Network has the same meaning as the definition set out in Ofcom’s statement entitled *“Undertakings given to Ofcom by BT pursuant to the Enterprise Act 2002, Consolidated version of the Undertakings (covering all variations up to and including variation number 24) dated 19 June 2014”*<sup>34</sup>;

**“Backhaul Duct”** means the duct associated with the Backhaul Products, where Backhaul Products has the same meaning as the definition set out in Ofcom’s statement entitled *“Undertakings given to Ofcom by BT pursuant to the Enterprise Act 2002, Consolidated version of the Undertakings (covering all variations up to and including variation number 24) dated 19 June 2014”*<sup>35</sup>;

**“Business Connectivity Markets”** means the wholesale markets for Lower Bandwidth CISBO Services identified at rows a, b, f and g of Table A of this notification;

**“BT Group PAC”** means the cost attribution methodology specifying that:

- (a) costs must be attributed pro-rata to each cost category (e.g. activity group, plant group, residual) which has received an allocation of one or more of the following at the preceding level of the Regulatory Accounting System: (i) Current Pay Costs, (ii) Non-Pay Costs, (iii) Current Cost Depreciation on BT Group Fixed Assets; and iv) Return on Capital Employed associated with total BT Group Fixed Assets and BT Group Net Current Assets; and
- (b) the pro-rata attribution to each cost category referred to in paragraph (a) of this definition must be calculated by dividing the total cost of (i) Current Pay Costs, (ii) Non Pay Costs, (iii) Current Cost Depreciation on BT Group Fixed Assets, and iv) Return on Capital Employed associated with total BT Group Fixed Assets and BT Group Net Current Assets included in that cost category at the preceding level of the Regulatory Accounting System by the total cost of (i) Current Pay Costs, (ii) Non-Pay Costs, (iii) Current Cost Depreciation on BT Group Fixed Assets, and iv) Return on Capital Employed associated with total BT Group Fixed Assets and BT Group Net Current Assets in all cost categories at the preceding level of the Regulatory Accounting System;
- (c) the BT Group PAC methodology shall include costs associated with all of BT’s UK and overseas operations except where the information that BT holds demonstrates that the costs to be attributed only relate to:

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<sup>34</sup> Available at [https://www.ofcom.org.uk/data/assets/pdf\\_file/0023/47075/consolidated\\_undertakings24.pdf](https://www.ofcom.org.uk/data/assets/pdf_file/0023/47075/consolidated_undertakings24.pdf)

<sup>35</sup> Available at [https://www.ofcom.org.uk/data/assets/pdf\\_file/0023/47075/consolidated\\_undertakings24.pdf](https://www.ofcom.org.uk/data/assets/pdf_file/0023/47075/consolidated_undertakings24.pdf)

- (i) activities undertaken exclusively in the UK in which case the BT Group PAC methodology shall include costs associated only with BT's UK operations; or
- (ii) activities undertaken exclusively overseas in which case the BT Group PAC methodology shall include costs associated only with BT's overseas operations;

**"BT Group Employees"** means the cost attribution methodology specifying that:

- (a) costs must be attributed pro-rata to each cost category (e.g. activity group, plant group, residual) which has received an allocation of Factorised Pay Costs at the preceding level of the Regulatory Accounting System;
- (b) the pro-rata attribution to each cost category referred to in paragraph (a) of this definition must be calculated by dividing the Factorised Pay Costs in that cost category at the preceding level of the Regulatory Accounting System by the total Factorised Pay Costs in all cost categories at the preceding level of the Regulatory Accounting System; and
- (c) the BT Group Employees methodology shall include costs associated with all of BT's UK and overseas operations except where the information that BT holds demonstrates that the costs to be attributed only relate to:
  - (i) activities undertaken exclusively in the UK in which case the BT Group Employees methodology shall include costs associated only with BT's UK operations; or
  - (ii) activities undertaken exclusively overseas in which case the BT Group Employees methodology shall include costs associated only with BT's overseas operations;

**"BT Wholesale PAC"** means the cost attribution methodology specifying that:

- (a) costs must be attributed pro-rata to each cost category (e.g. activity group, plant group, residual) which has received an allocation of one or more of the following at the preceding level of BT's cost attribution process: (i) BT Wholesale Current Pay Costs, (ii) BT Wholesale Non-Pay Costs, (iii) Current Cost Depreciation on BT Wholesale Fixed Assets, and iv) Return on Capital Employed associated with total BT Wholesale Fixed Assets and BT Wholesale Net Current Assets;
- (b) the pro-rata attribution to each cost category referred to in paragraph (a) of this definition must be calculated by dividing the total cost of (i) BT Wholesale Current Pay Costs, (ii) BT Wholesale Non-Pay Costs, (iii) Current Cost Depreciation on BT Wholesale Fixed Assets, and iv) Return on Capital Employed associated with total BT Wholesale Fixed Assets and BT Wholesale Net Current Assets included in that cost category at the preceding level of the Regulatory Accounting System by the total cost of (i) BT Wholesale Current Pay Costs, (ii) BT Wholesale Non-Pay Costs, (iii) Current Cost Depreciation on BT Wholesale Fixed Assets, and iv) Return on



Capital Employed associated with total BT Wholesale Fixed Assets and BT Wholesale Net Current Assets in all cost categories at the preceding level of the Regulatory Accounting System;

- (c) the BT Wholesale PAC methodology shall include costs associated with all of BT Wholesale's UK and overseas operations except where the information that BT holds demonstrates that the costs to be attributed only relate to:

- (i) activities undertaken exclusively in the UK in which case the BT Wholesale PAC methodology shall include costs associated only with BT Wholesale's UK operations; or

- (ii) activities undertaken exclusively overseas in which case the BT Wholesale PAC methodology shall include costs associated only with BT Wholesale's overseas operations;

**"Capitalised Pay Costs"** means all operating costs associated with pay that have been capitalised in the current Financial Year;

**"Class of Work or CoW"** means the activity or asset type against which engineers time costs and revenues are recorded in BT's Regulatory Accounting System as defined on page 8 in BT's 2015 Accounting Methodology Documents;

**"Core Duct"** means all of the Inner Core Duct and all of the Backhaul Duct;

**"Current Cost Depreciation"** means the historical cost depreciation included in the Regulatory Financial Statements including any current cost accounting adjustments in the current Financial Year;

**"Current Pay Costs"** means all operating costs associated with pay in the current Financial Year. This definition excludes Capitalised Pay Costs;

**"Customer Premises Equipment Services"** are the Network Services as described on the Openreach website

<https://www.openreach.co.uk/orpg/home/solutions/engineeringsolutions/businessconnections/businessconnections.do>;

**"EE"** means EE Limited, whose registered company number is 02382161;

**"Employee Broadband Offer"** means the cost attribution methodology specifying that:

- (a) costs must be attributed pro-rata to each line of business on the basis of the number of employees working in that line of business who take up the Employee Broadband Offer in the current Financial Year;
- (b) costs must be attributed within each line of business referred to in paragraph (a) of this definition pro-rata to each cost category (e.g. activity group, plant group, residual) which has received an allocation of pay costs (Current Pay Costs and Capitalised Pay Costs) associated with that line of business at the preceding level of the Regulatory Accounting System;

**"Estimated Electricity Consumption"** means the cost attribution methodology specifying that the costs of electricity must be attributed pro-rata to each cost category (e.g. activity group, plant group, residual) on the basis of the Estimated Electricity Consumption of each Equipment Type where the Estimated Electricity Consumption shall be calculated by using the following formula:

*Estimated Electricity Consumption = Theoretical power rating of the Equipment Type \* Volume of Equipment \* Utilisation of Equipment (as a percentage of maximum capacity)*

**“Equipment Type”** means the equipment which is solely used to provide a specific Product or support a specific asset;

**“Factorised Pay Costs”** means pay costs (consisting of the Current Pay Costs and Capitalised Pay Costs) adjusted to take account of the number of employees within each BT line of business by multiplying the pay costs in a line of business by a pay factor equal to the average pay per employee in all of BT Group divided by the average pay per employee in that line of business;

**“Fixed Assets”** means all tangible and intangible fixed assets, excluding the following intangible assets: goodwill, customer relationships and brands;

**“Gross Replacement Cost or GRC”** means the cost of replacing an existing tangible fixed asset with an identical or substantially similar new asset having a similar production or service capacity;

**“Inner Core Duct”** means any part of the duct network which is not defined as Access Duct or Backhaul Duct;

**“LLU Hostel Areas”** means the areas within a site where operators’ equipment is located as described in more detail on page 234 of the 2015 Accounting Methodology Documents;

**“Net Current Assets”** means all current assets less all current liabilities;

**“Net Replacement Cost”** means the Gross Replacement Cost less accumulated depreciation based on Gross Replacement Cost;

**“Next Generation Access or NGA”** means the wired access networks which consist wholly or in part of optical elements and which are capable of delivering broadband access services with enhanced characteristics as compared to those provided over already existing copper networks;

**“Non-Pay Costs”** means all non-pay operating costs excluding Current Cost Depreciation, POLOs, other operating income and capitalisation credits (where capitalisation credits are not offset by a corresponding operating cost in the same cost category);

**“Openreach Engineering Team Pay”** means the cost attribution methodology specifying that:

- (a) costs must be attributed pro-rata to each cost category (e.g. activity group, plant group, residual) which has received an allocation of Openreach pay costs (Current Pay Costs and Capitalised Pay Costs) of the engineering team at the preceding level of the Regulatory Accounting System; and
- (b) the pro-rata attribution to each cost category referred to in paragraph (a) of this definition must be calculated by dividing the Openreach engineering team pay costs (Current Pay Costs and Capitalised Pay Costs) in that cost category at the preceding level of the Regulatory Accounting System by the total Openreach engineering team pay costs (Current Pay Costs and Capitalised Pay Costs) in all cost categories at the preceding level of the Regulatory Accounting System;

**“Openreach Learning and Development”** means the cost attribution methodology specifying that:

- (a) costs must be attributed pro-rata to Openreach OUCs on the basis of the number of learner days provided by the Openreach learning and development team in the current Financial Year;
- (b) costs must be attributed within the Openreach OUCs referred to in paragraph a) of this definition pro-rata to each cost category (e.g. activity group, plant group, residual) which has received an allocation of Openreach pay costs (Current Pay Costs and Capitalised Pay Costs) at the preceding level of the Regulatory Accounting System;

**“Openreach Legal”** means the cost attribution methodology specifying that:

- (a) costs must be attributed using the Openreach PAC methodology where the work undertaken supports the Openreach line of business; and
- (b) where the work undertaken does not support the Openreach line of business, costs must be attributed to i) the line of business for which the work was undertaken where information is available to BT to identify the relevant line of business or ii) using the BT Group PAC methodology where such information is not available;

**“Openreach PAC”** means the cost attribution methodology specifying that:

- (a) costs must be attributed pro-rata to each cost category (e.g. activity group, plant group, residual) which has received an allocation of one or more of the following at the preceding level of BT’s cost attribution process: (i) Openreach Current Pay Costs, (ii) Openreach Non-Pay Costs, (iii) Current Cost Depreciation on Openreach Fixed Assets, and iv) Return on Capital Employed associated with total Openreach Fixed Assets and Openreach Net Current Assets; and
- (b) the pro-rata attribution to each cost category referred to in paragraph (a) of this definition must be calculated by dividing the total cost of (i) Openreach Current Pay Costs, (ii) Openreach Non-Pay Costs, (iii) Current Cost Depreciation on Openreach Fixed Assets, and iv) Return on Capital Employed associated with total Openreach Fixed Assets and Openreach Net Current Assets included in that cost category at the preceding level of the Regulatory Accounting System by the total cost of (i) Openreach Current Pay Costs, (ii) Openreach Non-Pay Costs, (iii) Current Cost Depreciation on Openreach Fixed Assets, and iv) Return on Capital Employed associated with total Openreach Fixed Assets and Openreach Net Current Assets in all cost categories at the preceding level of the Regulatory Accounting System;
- (c) the Openreach PAC methodology shall include costs associated with all of Openreach’s UK and overseas operations except where the information that BT holds demonstrates that the costs to be attributed only relate to:
  - (i) activities undertaken exclusively in the UK in which case the Openreach PAC methodology shall include costs associated only with Openreach’s UK operations; or
  - (ii) activities undertaken exclusively overseas in which case the Openreach PAC methodology shall include costs associated only with Openreach’s overseas operations;

**“Openreach Product Revenues”** means the cost attribution methodology specifying that costs must be attributed to each Openreach wholesale Product based on the proportion of total Openreach wholesale revenues generated by all Openreach wholesale Products and associated with that Openreach wholesale Product in the prior Financial Year;

**“Organisational Unit Codes or OUCs”** means the codes against which costs, revenues, assets and liabilities are recorded in BT’s Regulatory Accounting System as defined on pages 8 and 9 in BT’s 2015 Accounting Methodology Documents;

**“Personal computers”** means the cost attribution methodology specifying that:

- (a) costs must be attributed pro-rata to each line of business on the basis of the number of personal computers assigned to that line of business in the current Financial Year; and
- (b) costs must be attributed within the lines of business referred to in paragraph a) of this definition pro-rata to each cost category (e.g. activity group, plant group, residual) which has received an allocation of pay costs (Current Pay Costs and Capitalised Pay Costs) associated with the line of business at the preceding level of the Regulatory Accounting System;

**“POLO”** means a payment made to another communications provider for the provision of telecommunications services, including call termination and the provision of terminating circuits;

**“Project Services”** are the Network Services as described on the Openreach website <https://www.openreach.co.uk/orpg/home/solutions/managementsolutions/projectservice/projectservice.do>;

**“Relevant Revenue”** means the cost attribution methodology specifying that costs must be attributed to each Product based on the proportion of the Relevant Turnover associated with that Product in the prior Financial Year;

**“Relevant Turnover”** has the same meaning as the definition set out in Ofcom’s statement entitled *“Amendment to the Statement of Charging Principles: Definition of Relevant Activity”* and published on 20 December 2011;<sup>36</sup>

**“Relevant WACC”** means the most recent BT Group WACC or disaggregated WACC determined by Ofcom prior to the publication of the Regulatory Financial Statements in the current Financial Year that can be associated with each cost category. Where a cost category cannot be associated with a disaggregated WACC determined by Ofcom, the BT Group WACC shall be used;

**“Residual Market”** means the primarily unregulated products, services and components currently referred to as ‘Wholesale Residual Market’ or “Retail Residual Market” in the Regulatory Financial Statements;

**“Retail Price Index”** means the measure of inflation which is published monthly by the Office for National Statistics;

**“Return on Capital Employed”** means the result of multiplying the Fixed Assets and Net Current Assets associated with a particular cost category by the Relevant WACC;

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<sup>36</sup> Available at <http://stakeholders.ofcom.org.uk/binaries/consultations/statement-charging-principles/statement/Statement-final.pdf>

**“Transmission Circuit”** is a circuit or part of a circuit connecting equipment, where both ends of the circuit are located in BT exchanges.

**“TSO PAC”** means the cost attribution methodology specifying that:

- (a) costs must be attributed pro-rata to each cost category (e.g. activity group, plant group, residual) that has received an allocation of one or more of the following at the preceding level of the Regulatory Accounting System: (i) TSO Current Pay Costs, (ii) TSO Non-Pay Costs, (iii) Current Cost Depreciation on TSO Fixed Assets, and iv) Return on Capital Employed associated with total TSO Fixed Assets and TSO Net Current Assets; and
- (b) the pro-rata attribution to each cost category referred to in paragraph (a) of this definition must be calculated by dividing the total cost of (i) TSO Current Pay Costs, (ii) TSO Non-Pay Costs, (iii) Current Cost Depreciation on TSO Fixed Assets, and iv) Return on Capital Employed associated with total TSO Fixed Assets and TSO Net Current Assets included in that cost category at the preceding level of the Regulatory Accounting System by the total cost of (i) TSO Current Pay Costs, (ii) TSO Non-Pay Costs, (iii) Current Cost Depreciation on TSO Fixed Assets, and iv) Return on Capital Employed associated with total TSO Fixed Assets and TSO Net Current Assets in all cost categories at the preceding level of the Regulatory Accounting System;
- (c) the TSO PAC methodology shall include costs associated with all of TSO’s UK and overseas operations except where the information that BT holds demonstrates that the costs to be attributed only relate to:
  - (i) activities undertaken exclusively in the UK in which case the TSO PAC methodology shall include costs associated only with TSO’s UK operations; or
  - (ii) activities undertaken exclusively overseas in which case the TSO PAC methodology shall include costs associated only with TSO’s overseas operations;

**“TSO Pay”** means the cost attribution methodology specifying that:

- (a) costs must be attributed pro-rata to each cost category (e.g. activity group, plant group, residual) which has received an allocation of TSO pay costs (Current Pay Costs and Capitalised Pay Costs) at the preceding level of the Regulatory Accounting System; and
- (b) the pro-rata attribution to each cost category referred to in paragraph (a) of this definition must be calculated by dividing the TSO pay costs (Current Pay Costs and Capitalised Pay Costs) in that cost category by the total TSO pay costs (Current Pay Costs and Capitalised Pay Costs) in all cost categories at the preceding level of the Regulatory Accounting System.

## Part 2: Direction

### **Requirements to ensure the Regulatory Financial Statements are consistent with specified regulatory decisions made by Ofcom**

1. BT shall prepare the Regulatory Financial Statements in accordance with the requirements set out in paragraphs 1.1 –1.13 below. BT shall ensure that the impact of any requirement on the costs affected by another requirement is taken into account.
  - 1.1. BT shall attribute:
    - 1.1.1. the Class of Work costs associated with providing the Customer Premises Equipment Services to the Customer Premises Equipment Services; and
    - 1.1.2. the Class of Work costs associated with the Project Services to the Project Services.
  - 1.2. BT shall not allocate the transactional costs of the acquisition of EE to any Market.
  - 1.3. BT shall not allocate to the Business Connectivity Markets the mean capital employed and depreciation costs of the Ethernet Electronics Network Component when it is used in relation to the transmission assets which were deployed prior to 1 April 2011.
  - 1.4. BT shall attribute:
    - 1.4.1. the depreciation and mean capital employed associated with distribution fibre between NGA and non-NGA cost categories on a basis which takes into account the difference in asset lives between NGA and non-NGA distribution fibre, such that an asset receives a relatively higher or lower proportion of depreciation and mean capital employed depending on its asset life; and
    - 1.4.2. the depreciation and mean capital employed associated with spine fibre between NGA and non-NGA cost categories pro-rata to the volume of NGA and non-NGA distribution fibres.
  - 1.5. In apportioning duct costs between each of the Access Duct, the Inner Core Duct and the Backhaul Duct, BT shall:
    - 1.5.1. attribute duct costs between the Access Duct and the Core Duct pro-rata using an estimate of the gross replacement cost of the Access Duct and gross replacement cost of the Core Duct; and
    - 1.5.2. apportion costs of the Core Duct pro-rata between the Inner Core Duct and the Backhaul Duct on the basis of the number of Transmission Circuits and the length of those Transmission Circuits.
  - 1.6. In the case of capitalised software costs:
    - 1.6.1. BT shall attribute these costs to the Product, asset, line of business or support function where the information which BT holds demonstrates that such costs are

associated with that Product, asset, line of business or support function (as applicable);

1.6.2. BT shall attribute capitalised software costs to all those Products or assets which that software supports where the information which BT holds demonstrates that these costs are shared between those Products or assets;

1.6.3. Where the information which BT holds does not allow BT to attribute capitalised software costs in the manner referred to in paragraphs 1.6.1 and 1.6.2, BT shall:

- a) attribute capitalised software costs associated with the Openreach line of business using the Openreach PAC methodology;
- b) attribute capitalised software costs associated with the TSO line of business using the TSO PAC methodology;
- c) attribute capitalised software costs associated with any line of business which is not referred to in paragraphs 1.6.3(a) and 1.6.3(b) pro-rata to each cost category (e.g. activity group, plant group, residual) which has received an allocation of one or more of the following at the preceding level of the Regulatory Accounting System: (i) Current Pay Costs associated with that line of business, (ii) Non-Pay Costs associated with that line of business, (iii) Current Cost Depreciation on Fixed Assets associated with that line of business, and (iv) Return on Capital Employed associated with total Fixed Assets and Net Current Assets associated with that line of business.

1.7. In the case of electricity costs which are associated with the TSO line of business, BT shall:

- 1.7.1. identify the proportion of the costs which relate to each Equipment Type which has individual electricity meters;
- 1.7.2. attribute the costs identified in paragraph 1.7.1 to each Equipment Type on the basis of metered electricity consumed by that Equipment Type; and
- 1.7.3. attribute the remainder of the costs of electricity using the Estimated Electricity Consumption methodology.

1.8. In the case of property costs, BT shall:

- 1.8.1. separately identify and separately attribute property costs currently attributed within activity groups AG106 and AG412 to each of the following types of space:
  - a) office space within buildings owned by BT;
  - b) specialised space within buildings owned by BT;
  - c) office space within buildings which are rented by BT;
  - d) specialised space within buildings which are rented by BT.
- 1.8.2. within each building and for each type of space within that building, attribute the costs associated with vacant space in the same proportions as the costs of any

occupied space are attributed. For the avoidance of doubt, BT shall not attribute all vacant space in operational buildings with a main distribution frame solely to Openreach, or cable chambers, or main distribution frame areas; and

- 1.8.3. not apply any mark-up for potential future growth to LLU Hostel Areas.
- 1.9. BT shall separately identify the costs currently included in activity group AG112 (Corporate Overheads) for the following cost categories and attribute costs in each of these cost categories using the cost attribution methodology specified below.
  - 1.9.1. Costs of BT TSO Chief Information Office for Group (currently included in OUC TM) using the BT Group PAC methodology.
  - 1.9.2. Costs of BT TSO Research and Innovation (currently included in OUC TU) with the exception of the costs of the Research and Innovation licensing team (currently included in OUC TUC) using the BT Group PAC methodology.
  - 1.9.3. Costs of the Research and Innovation licensing team (currently included in OUC TUC) shall be attributed to the Residual Markets.
  - 1.9.4. Costs of BT TSO Chief Information Office for Retail (currently included in OUC TR) using the BT Group PAC methodology.
  - 1.9.5. Costs of Group Finance (currently included in OUC CF) using the BT Group PAC methodology.
  - 1.9.6. Costs of Corporate Communications (currently included in OUC CR) using the BT Group PAC methodology.
  - 1.9.7. Costs of Group Legal (currently included in OUC CG) using the BT Group PAC methodology.
  - 1.9.8. Costs of Corporate Special Projects (currently included in OUC CP) except for any transactional costs of the acquisition of EE using the BT Group PAC methodology.
  - 1.9.9. Costs of General Group Computing Assets (currently included in OUC TT) with the exception of personal computing costs (currently represented by class of work COMPE) using the BT Group PAC methodology.
  - 1.9.10. Costs of personal computers (represented by class of work COMPE and currently included in OUC TT) using the Personal Computers methodology.
  - 1.9.11. Costs of Group Human Resources (currently included in OUC CH) using the BT Group Employees methodology.



- 1.9.12. Costs of BT TSO Architecture and Global IT Platforms (currently included in OUC TA) using the BT Group PAC methodology.
- 1.9.13. Costs of Learning Academy (currently included in OUC CC) using the BT Group Employees methodology.
- 1.9.14. Costs of Ofcom licence fee (currently included in OUC CO) using the Relevant Revenue methodology.
- 1.9.15. Costs of Strategy, Policy and Portfolio (currently included in OUC CO) with the exception of the Ofcom licence fee using the BT Group PAC methodology.
- 1.9.16. In the case of costs of insurance (currently included in OUC CD):
- (i) these costs shall be attributed to lines of business such that lines of business receive a higher or lower attribution of insurance costs depending on the risk factors relevant to the size of the premiums of each category of insurance that is associated with that line of business;
  - (ii) the costs of property damage and business interruption insurance and the costs of terrorism insurance shall be attributed within the lines of business referred to in paragraph 1.9.16(i) as follows:
    - (a) in the case of an Openreach line of business, insurance costs shall be attributed pro-rata to each cost category (e.g. activity group, plant group, residual) which has received an allocation of Openreach Fixed Assets at the preceding level of the Regulatory Accounting System;
    - (b) in the case of a TSO line of business, insurance costs shall be attributed pro-rata to each cost category (e.g. activity group, plant group, residual) which has received an allocation of TSO Fixed Assets at the preceding level of the Regulatory Accounting System;
    - (c) in the case of a BT Group property line of business, insurance costs shall be attributed to the cost category representing the costs of BT Group property;
    - (d) in the case of a BT Group line of business, insurance costs shall be attributed using the BT Group PAC methodology; and
    - (e) in the case of any line of business which is not referred to in paragraphs 1.9.16(ii)(a) to 1.9.16(ii)(d), insurance costs shall be attributed pro-rata to each cost category (e.g. activity group, plant group, residual) which has received an allocation of pay costs (Current Pay Costs and Capitalised Pay Costs) associated

with that line of business at the preceding level of the Regulatory Accounting System;

- (iii) insurance costs which are not referred to in paragraph 1.9.16(ii) shall be attributed within the lines of business referred to in paragraph 1.9.16(i) as follows:
    - (a) in the case of an Openreach line of business, insurance costs shall be attributed pro-rata to each cost category (e.g. activity group, plant group, residual) which has received an allocation of Openreach pay costs (Current Pay Costs and Capitalised Pay Costs) at the preceding level the Regulatory Accounting System;
    - (b) in the case of a TSO line of business, insurance costs shall be attributed pro-rata to each cost category (e.g. activity group, plant group, residual) which has received an allocation of TSO pay costs (Current Pay Costs and Capitalised Pay Costs) at the preceding level of the Regulatory Accounting System;
    - (c) in the case of a BT Group property line of business, insurance costs shall be attributed to the cost category representing the costs of BT Group property (currently included in AG106);
    - (d) in the case of a BT Group line of business, insurance costs shall be attributed using the BT Group PAC methodology; and
    - (e) in the case of any line of business which is not referred to in paragraphs 1.9.16(iii)(a) to 1.9.16(iii)(d), insurance costs shall be attributed pro-rata to each cost category (e.g. activity group, plant group, residual) which has received an allocation of pay costs (Current Pay Costs and Capitalised Pay Costs) associated with that line of business at the preceding level of the Regulatory Accounting System; and
  - (iv) where the applicable cost attribution methodology referred to in paragraphs 1.9.16(ii) and 1.9.16(iii) requires a pro-rata attribution, that pro-rata attribution shall be calculated by dividing each applicable insurance cost in that cost category at the preceding level of the Regulatory Accounting System by the total insurance costs in all cost categories for that line of business at the preceding level of the Regulatory Accounting System.
- 1.9.17. Costs of Employee Broadband Offer (currently included in OUC CD) using the Employee Broadband Offer methodology.
- 1.9.18. Costs not referred to in paragraphs 1.9.1 to 1.9.17 using the BT Group PAC methodology.

- 1.10. BT shall separately identify the costs currently included in activity group AG103 (TSO Support Functions) for the following cost categories and attribute the costs in each of these cost categories using the cost attribution methodology specified below.
  - 1.10.1. TSO Redundancy costs (currently included in OUC TX ) using the TSO Pay methodology.
  - 1.10.2. TSO Human Resources and Communications costs (currently included in OUC TH ) using the TSO Pay methodology.
  - 1.10.3. TSO Service, Strategy and Operations (currently included in OUC TB) using the TSO PAC methodology.
  - 1.10.4. TSO Finance (currently included in OUC TF) using the TSO PAC methodology.
  - 1.10.5. TSO Career Transition Centre costs using the TSO Pay methodology.
  - 1.10.6. TSO costs which are not referred to in paragraphs 1.10.1 to 1.10.5 using the TSO PAC methodology.
- 1.11. BT shall separately identify the costs currently attributed by the attribution methodology COMCOS (Openreach Overheads) for the following cost categories and attribute costs in each of these cost categories using the cost attribution methodology specified below.
  - 1.11.1. Openreach Learning and Development (currently included in OUC BA) using the Openreach Learning and Development methodology.
  - 1.11.2. Openreach Finance (currently included in OUC BF) using the Openreach PAC methodology.
  - 1.11.3. Openreach Marketing and Sales (currently included in OUC BR) using the Openreach Product Revenues methodology.
  - 1.11.4. Openreach Transformation (currently included in OUC BQ) using the Openreach PAC methodology.
  - 1.11.5. Openreach General Counsel (currently included in OUC BJ) using the Openreach Legal methodology.
  - 1.11.6. Openreach Engineering Teams (currently included in OUCs BL, BV, BK, BI and BD) using the Openreach Engineering Team Pay methodology.

- 1.11.7. Openreach costs which are not referred to in paragraphs 1.11.1 to 1.11.6 using the Openreach PAC methodology.
- 1.12. BT shall attribute the costs currently included in AG409 (BT Wholesale General Software) using the BT Wholesale PAC methodology.
- 1.13. BT shall separately identify the costs currently included in AG410 (Openreach General Software) for the following cost categories and attribute costs in each of these cost categories using the cost attribution methodology specified below.
  - 1.13.1. Miscellaneous engineering activity (currently included against F8 code 103931 in OUC BV) using the Openreach Engineering Team Pay methodology.
  - 1.13.2. Internally developed software and any other costs which are not referred to in paragraphs 1.13.1 using the Openreach PAC methodology.

### **Requirements in relation to the preparation of the Regulatory Financial Statements on a regulatory asset value adjusted current costs basis**

- 2. 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 Duct 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.

**Schedule 7 - Direction under section 49 and 49A of the Communications Act 2003 and temporary SMP condition 10.4 specifying the transparency requirements for the purposes of preparing and maintaining the accounting records, the Accounting Methodology Documents and the Regulatory Financial Statements**

**Part 1: Direction**

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.

**Schedule 8 - Direction under section 49 and 49A(2) of the Communications Act 2003 and temporary SMP condition 10.4 setting the requirements in relation to audit, form of the FPIA opinion and form of PPIA opinion for Regulatory Financial Statements**

**Part 1: Direction**

1. 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 specified by Ofcom and as shall be notified in writing to BT from time to time by Ofcom.
2. 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 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 applicable SMP conditions, the Regulatory Accounting Principles, and the Accounting Methodology Documents:
    - i. in the case of the Performance Summary by Market and the BT Reconciliation Statement – 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 – 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.

3. 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 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 conditions, the Regulatory Accounting Principles and the Accounting Methodology Documents (including the Prior Year Comparatives) 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.

**Schedule 9 - Direction under section 49 and 49A(2) of the Communications Act 2003 and temporary SMP condition 10.4 setting the requirements in relation to reconciliation report and accompanying audit opinion**

**Part 1: Definitions and Interpretation**

In this Direction:

**“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;

**“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;

**“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;

**“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;

**“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)(a) and (ii)(b) below:
  - a) the error has arisen within the Regulatory Attribution System;
  - b) the error has been brought to the attention of the Audit and Risk Committee by the Regulatory Auditor;

**“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.

## Part 2: Direction

1. BT must prepare a reconciliation report which sets out:
  - i. In relation to changes to the Regulatory Accounting Methodology:
    - a) each and every change;
    - b) 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 changes not been made, expressed as an absolute amount and as a percentage change;
    - c) 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;
    - d) 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
  - ii. in relation to Material Errors identified since the publication of the previous Financial Year's Regulatory Financial Statements:
    - a) 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;
    - b) the impact of all Material Errors on all figures presented in the Regulatory Financial Statements for the previous Financial Year, by setting out, on an aggregated basis:
      - i. 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
      - ii. 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.
    - c) 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:
      - i. the Current Year Figures set out in the Regulatory Financial Statements for the previous Financial Year; and

- ii. 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.

2. BT must obtain an audit opinion on the reconciliation report which must set out:

- i. 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;
- ii. whether the description of each of the Material Changes provided by BT in the Change Control Notification is accurate;
- iii. whether BT included each and every Material Change in the reconciliation report and correctly calculated the impact of all changes on all figures presented in the Regulatory Financial Statements in accordance with paragraph 1(i)(b) above;
- iv. whether the description of each of the Material Errors provided by BT in the reconciliation report is accurate; and
- v. whether the Corrected Previous Year Figures set out in the reconciliation report in accordance with paragraph 1(ii)(b)(i) 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.

**Schedule 10 - Direction under section 49 and 49A(2) of the Communications Act 2003 and temporary SMP condition 10.4 specifying the requirements in relation to additional reporting of information relating to BT's adjusted financial performance**

**Part 1: Definitions and Interpretation**

In this Direction:

**"Business Connectivity Markets"** means the wholesale markets for Lower Bandwidth CISBO Services identified at rows a, b, f and g of Table A of this notification;

**"Property Rationalisation Costs"** means onerous lease provisions relating to the rationalisation of the BT Group's property portfolio; and

**"Restructuring Costs"** means the costs associated with the group-wide restructuring programme initiated by BT as defined at page 63 of in BT's 2014 Annual Report.

**Part 2: Direction**

1. BT shall prepare the "Adjusted Financial Performance at a market review level" statement and the "Adjusted Financial Performance at a market level" statement in order to show for each Financial Year the impact on the Regulatory Financial Statements of:
  - 1.1. calculating an average of the Property Rationalisation Costs incurred in the three prior Financial Years and attributing that average to the Business Connectivity Markets; and
  - 1.2. calculating an average of the Restructuring Costs incurred in the three prior Financial Years and attributing that average to the Business Connectivity Markets.

**Schedule 11 - Direction under section 49 and 49A(2) of the Communications Act 2003 and temporary SMP condition 10.4 setting the requirements in relation to preparation, delivery, publication, form and content of the Regulatory Financial Statements**

**Part 1: Definitions and Interpretation**

In this Direction:

**“Business Connectivity Markets”** means the Wholesale Market for Lower Bandwidth CISBO Services in the Rest of UK and the Combined Geographic Business Connectivity Markets;

**“Wholesale Market for Lower Bandwidth CISBO Services in the Rest of UK”** means the market identified at row g of Table A of this notification;

**“Combined Geographic Business Connectivity Markets”** means the wholesale markets for Lower Bandwidth CISBO Services in the London Periphery and the CBDs of Bristol and Manchester identified at rows a, b and f of Table A of this notification.

**Part 2: Direction**

1. BT shall prepare, deliver to Ofcom and publish the following statements:
  - a. the following statements in respect of all Markets considered together, or each individual Market, as appropriate:
    - i. Statement by Ofcom;
    - ii. Statement of Responsibility;
    - iii. Regulatory Financial Review;
    - iv. Notes to the Regulatory Financial Statements;
    - v. Report of the Regulatory Auditor;
    - vi. Performance Summary by Market or Technical Area;
    - vii. Attribution of Wholesale Current Costs;
    - viii. Attribution of Wholesale Current Cost Mean Capital Employed;
    - ix. Market/Technical Area Summary;
    - x. Market/Technical Area Calculation of FAC based on component costs and usage factors;
    - xi. BT Reconciliation Statement – Consolidated Profit and Loss Account;
    - xii. BT Reconciliation Statement – Consolidated Mean Capital Employed;
    - xiii. Consolidated Network Activity Statement;
    - xiv. Adjusted financial performance at a market review level;
    - xv. Price controls in wholesale markets (Non Confidential Statements).
  - b. the following statements in respect of the Business Connectivity Markets:
    - i. Time Related Charges Costs Relating to the Business Connectivity Markets (Non Confidential Statements).
2. BT shall publish the statements set out in paragraph 1 of this Direction within four months after the end of the Financial Year to which they relate with the exception of Price controls in

wholesale markets (Non Confidential Statements) which must be published at the same time as the Price controls in wholesale markets (Confidential Statements), as referred to in paragraph 5(a)(xv) of this Direction, are delivered to Ofcom;

3. Except where BT is entitled to amend the form and content of the Regulatory Financial Statements, BT shall prepare the Regulatory Financial Statements as to form and content in manner set out in Annex A to this Direction;
4. BT shall publish the Regulatory Financial Statements in Excel spreadsheet format as well as in portable document format ("PDF").
5. BT shall prepare and deliver to Ofcom:
  - a. the following additional financial information as described in Annex B in respect of all Markets considered together:
    - 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. Price controls in wholesale markets (Confidential Statements);
    - xvi. Adjusted financial performance at a market level;

- b. the following additional financial information as described in Annex B in respect of the Business Connectivity Markets:
- i. Detailed BCMR Services;
  - ii. Detailed BCMR Service Component FACs;
  - iii. Comprehensive analysis of transfer charges;
  - iv. Analysis for the markets covered by the replicability review to explain the differences between ledgered revenue and calculated service revenue;
  - v. Provision of DLRIC and DSAC data per service.

## **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:

1. across all of the SMP markets to which cost accounting and/or accounting separation obligations apply;
2. 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
3. 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.

## Performance Summary by Market or Technical Area 20XX

For the year ended 31 March 20XX

	Section	Internal Revenue £m	External Revenue £m	Total Revenue £m	Operating Costs £m	Depreciation £m	Holding (gain)/loss £m	Supp. Dep. £m	Other CCA Adjs £m	Roundings £m	Total CCA Operating Costs £m	Return £m	Mean Capital Employed £m	Return on MCE %
<b>Market Review 1</b>														
Market/Technical Area 1	X.X	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xx%
Market/Technical Area 2 etc	X.X	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xx%
<b>Total</b>		xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xx%
<b>Market Review 2 etc</b>														
Market/Technical Area 1	X.X	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xx%
Market/Technical Area 2 etc	X.X	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xx%
<b>Total</b>		xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xx%
Total SMP Markets		xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xx%
Wholesale Residual		xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xx%
Retail Residual		xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xx%
<b>Total Markets</b>		xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xx%

## Attribution of Wholesale Current Costs 20XX

For the year ended 31 March 20XX

	Market Review 1		Market Review 2 etc		Wholesale Residual	Roundings	Total Wholesale Markets
	Market/Technical Area 1 £m	Market/Technical Area 2 etc £m	Market/Technical Area 1 £m	Market/Technical Area 2 etc £m			
<b>Operating Costs of Wholesale Services:</b>							
EOI Input Prices	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Provision/Maintenance	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Network Support	xxx	xxx	xxx	xxx	xxx	xxx	xxx
General Support	xxx	xxx	xxx	xxx	xxx	xxx	xxx
General Management	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Finance and Billing	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Accommodation	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Bad Debts	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Other Costs	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Depreciation - Land & Buildings	xxx	xxx	xxx	xxx	xxx	xxx	xxx
- Access	xxx	xxx	xxx	xxx	xxx	xxx	xxx
- Switch and Transmission	xxx	xxx	xxx	xxx	xxx	xxx	xxx
- Other related	xxx	xxx	xxx	xxx	xxx	xxx	xxx
<b>Sub Total Depreciation</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>
<b>Sub Total HCA Operating Costs</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>
<b>CCA Adjustments:</b>							
Holding Loss/(Gain)	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Supplementary Depreciation	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Other CCA Adjustments	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Roundings	xxx	xxx	xxx	xxx	xxx	xxx	xxx
<b>Total CCA Operating Costs</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>



# Attribution of Wholesale Current Cost Mean Capital Employed 20XX

For the year ended 31 March 20XX

	Market Review 1		Market Review 2 etc				
	Market/Technical Area 1	Market/Technical Area 2 etc	Market/Technical Area 1	Market/Technical Area 2 etc	Wholesale Residual	Roundings	Total Wholesale Markets
	£m	£m	£m	£m	£m	£m	£m
<b>Non-current Assets</b>							
Land & Buildings	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Access - Copper	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Access - Fibre	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Access - Duct	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Switch	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Transmission	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Other	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Investments	xxx	xxx	xxx	xxx	xxx	xxx	xxx
<b>Total Non-current Assets</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>
<b>Current Assets</b>							
Inventories	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Receivables							
- Internal	xxx	xxx	xxx	xxx	xxx	xxx	xxx
- External	xxx	xxx	xxx	xxx	xxx	xxx	xxx
<b>Total Current Assets</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>
<b>Current Liabilities</b>							
- Internal	xxx	xxx	xxx	xxx	xxx	xxx	xxx
- External	xxx	xxx	xxx	xxx	xxx	xxx	xxx
<b>Total liabilities falling due within one year</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>
<b>Net Current Assets/(Liabilities)</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>
<b>Total Assets less Current Liabilities</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>
Provisions for Liabilities & Charges	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Roundings	xxx	xxx	xxx	xxx	xxx	xxx	xxx
<b>Mean Capital Employed</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>



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 FAC* £m	External FAC £m
Basket 1	x.x	x.x	x.x	x.x	x.x	x.x	x.x	x.x	x.x	x.x
Sub-basket 1	x.x	x.x	x.x	x.x	x.x	x.x	x.x	x.x	x.x	x.x
Basket 2 etc	x.x	x.x	x.x	x.x	x.x	x.x	x.x	x.x	x.x	x.x
Sub-basket 1	x.x	x.x	x.x	x.x	x.x	x.x	x.x	x.x	x.x	x.x
Single Charge 1 (if applicable)	x.x	x.x	x.x	x.x	x.x	x.x	x.x	x.x	x.x	x.x
Single Charge 2 etc (if applicable)	x.x	x.x	x.x	x.x	x.x	x.x	x.x	x.x	x.x	x.x
Specific services required to be shown seperately by Ofcom (if applicable)	x.x	x.x	x.x	x.x	x.x	x.x	x.x	x.x	x.x	x.x
Other (if applicable)	x.x	x.x	x.x	x.x	x.x	x.x	x.x	x.x	x.x	x.x
<b>Total Market 1 etc</b>	<b>x.x</b>	<b>x.x</b>	<b>x.x</b>						x.x	x.x
Adjustment for EOI and Internal (if appropriate)	x.x		x.x						x.x	x.x
<b>Total Market 1 etc (excluding EOI and Internal)</b>	<b>x.x</b>	<b>x.x</b>	<b>x.x</b>						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

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

BT shall disclose financial information shown in the “Market/Technical Area Summary” as follows:

1. In relation to each of the Combined Geographic Business Connectivity Markets and the Wholesale Market for Lower Bandwidth CISBO Services in the Rest of UK, the information is required to be provided for:
  - a) each Basket;
  - b) each Sub-basket except Ethernet Rental Sub-baskets;
  - c) all Single Charge Categories in aggregate subject to Condition 10G set out in Annex 1 to the statement accompanying this notification ;
  - d) all ECC services including Direct ECC Services and the Contractor ECC Services in aggregate;
  - e) all Exempt Ancillary Services in aggregate;
  - f) each of connection, rental and main link where applicable for each of the Network Services listed below. For each Network Service, the information must include all variants of that service which are provided during the relevant Financial Year.
    - (i) Wholesale extension services 10Mbit/s;
    - (ii) Wholesale extension services 100Mbit/s;
    - (iii) Wholesale extension services 1000Mbit/s;
    - (iv) Backhaul extension services up to and including 1000Mbit/s;
    - (v) EAD Local Access 10Mbit/s;
    - (vi) EAD Local Access 100Mbit/s;
    - (vii) EAD Local Access 1000Mbit/s;
    - (viii) EAD 10Mbit/s;

- (ix) EAD 100Mbit/s;
- (x) EAD 1000Mbit/s;
- (xi) EBD 1000Mbit/s;
- (xii) Exempt Ethernet Ancillary Services; and
- (xiii) Other (all remaining services not reported above to reconcile the aggregate revenue and costs in the list of services to the total for the market).

## Market/Technical Area calculation of FAC based on component costs and usage factors 20XX

Calculation of FAC based on component costs and usage factors for Market 1/Technical Area 1 etc

For the year ended 31 March 20XX

			Market/Technical Area 1 etc											
		Average cost per unit (from annex XX)	Basket 1 - internal *	Basket 1 - external	Sub-basket 1 - internal *	Sub-basket 1 - external	Basket 2 etc - internal *	Basket 2 etc - external	Sub-basket 2 etc - internal *	Sub-basket 2 etc - external	Single Charge Category 1 - Internal *	Single Charge Category 1 - External	Single Charge Category 2 etc - Internal *	Single Charge Category 2 etc - External
Fully Allocated Cost (£m)			£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Components	Unit													
Component 1	X	X	x.x	x.x	x.x	x.x	x.x	x.x	x.x	x.x	x.x	x.x	x.x	x.x
Component 2 etc	X	X	x.x	x.x	x.x	x.x	x.x	x.x	x.x	x.x	x.x	x.x	x.x	x.x
EOI Inputs Prices (Basket level Part 3)			x.x	x.x	x.x	x.x	x.x	x.x	x.x	x.x	x.x	x.x	x.x	x.x
Fully Allocated Costs (£m)			x.x	x.x	x.x	x.x	x.x	x.x	x.x	x.x	x.x	x.x	x.x	x.x
Volumes (unit) (where applicable)			xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx	xxx
Unit Cost (£)			x.xx	x.xx	x.xx	x.xx	x.xx	x.xx	x.xx	x.xx	x.xx	x.xx	x.xx	x.xx

Specific services required to be shown separately by Ofcom (if applicable)

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

**Notes to the statement entitled “Market/Technical Area Calculation of FAC based on component costs and usage factors”**

BT shall disclose financial information shown in the “Market/Technical Area Calculation of FAC based on component costs and usage factors” as follows:

1. In relation to each of the Combined Geographic Business Connectivity Markets and the Wholesale Market for Lower Bandwidth CISBO Services in the Rest of UK, the information is required to be provided for:
  - a) each Basket;
  - b) each Sub-basket except Ethernet Rental Sub-baskets;
  - c) all Single Charge Categories in aggregate subject to Condition 9D set out in Annex 1 to the statement accompanying this notification;
  - d) all ECC services including Direct ECC Services and the Contractor ECC Services in aggregate;
  - e) all Exempt Ancillary Services in aggregate;
  - f) each of connection, rental and main link where applicable for each of the Network Services listed below. For each Network Service, the information must include all variants of that service which are provided during the relevant Financial Year.
    - (i) Wholesale extension services 10Mbit/s;
    - (ii) Wholesale extension services 100Mbit/s;
    - (iii) Wholesale extension services 1000Mbit/s;
    - (iv) Backhaul extension services up to and including 1000Mbit/s;
    - (v) EAD Local Access 10Mbit/s;
    - (vi) EAD Local Access 100Mbit/s;
    - (vii) EAD Local Access 1000Mbit/s;
    - (viii) EAD 10Mbit/s;

- (ix) EAD 100Mbit/s;
- (x) EAD 1000Mbit/s;
- (xi) EBD 1000Mbit/s;
- (xii) Exempt Ethernet Ancillary Services; and
- (xiii) Other (all remaining services not reported above to reconcile the aggregate revenue and costs in the list of services to the total for the market).

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



## Consolidated Network Activity Statement 20XX

For the year ended 31 March 20XX

Network Activity Statement - Consolidated (this is a consolidation of all markets where there are cost accounting obligations)

	Footnotes	HCA operating cost	Supplementary depreciation	Holding gain/(loss) and other CCA adjustments	Total CCA operating costs	CCA mean capital employed	Applicable rate of return on capital %	Capital costs	Total of operating costs and capital costs relating to current year	Volume (units)	Average costs per min/unit on a current cost basis relating to current year
<b>Fully Allocated Cost (£m)</b>											
<b>Network Components</b>											
Component 1		X	X	X	X	X	X	X	X	X	X
Component 2 etc		X	X	X	X	X	X	X	X	X	X
Residual components		X	X	X	X	X	X	X	X	X	X
Roundings		X	X	X	X	X	X	X	X	X	X
<b>Total</b>		X	X	X	X	X	X	X	X	X	X

## Adjusted financial performance at a market review level 20XX

For the year ended 31 March 20XX

	As reported							Estimated impacts			Impact on return		
	Revenue	HCA Costs	CCA Adjustments	CCA Operating Costs	Return	MCE	Return on MCE	Revenue	Return	MCE	Revised return	Revised MCE	Return on MCE
	£m	£'m	£m	£m	£m	£m	%	£m	£m	£m	£m	£m	Δ %
Market Review 1	-	-	-	-	-	-	-	-	-	-	-	-	-
Market Review 2 etc	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	-	-	-	-	-	-	-	-	-
	Revenue	Return	MCE										
	£'m	£'m	£'m										
Adjustment a	-	-	-										
Adjustment b etc	-	-	-										
	-	-	-										

Price controls in wholesale markets (Non confidential Statements)

Basket 1 total	Condition x.xx		SCA 200XX (if applicable)	20xx/xx Total	Notes
		Year			
		CPI		X.XX%	
		X		X.XX%	
		CPI - X		X.XX%	
		Control percentage (Cpt) [usually same as CPI-X above]	X.XX%	X.XX%	
		Prior year Revenue		X	
		Weighted changes required		X	
		Weighted Changes made		X	
		% price change (Weighted) (Ct)	X.XX%	X.XX%	
		Carry-over %		X.XX%	
		Other Adjustments		X.XX%	
		Carry-over after adjustments %		X.XX%	
		Complies	Yes/No	Yes/No	
	Condition X.xx	Sub-Cap1 [CPI-CPI]	Yes/No	Yes/No	
Sub-basket 1	Condition x.xx		SCA 200XX (if applicable)	20xx/xx Total	Notes
		Year			
		CPI		X.XX%	
		X		X.XX%	
		CPI - X		X.XX%	
		Control percentage (Cpt) [usually same as CPI-X above]	X.XX%	X.XX%	
		Changes required		X	
		Changes made		X	
		% price change (Ct)	X.XX%	X.XX%	
		Complies	Yes/No	Yes/No	

Price controls in wholesale markets (Non confidential Statements) (continued)

		RPI/CPI (as appropriate)		X.XX%
		"X"		20XX/20XX+1
Basket 1		X.XX%		X.XX%
Sub-basket		X.XX%		X.XX%
Basket 2 etc		X.XX%		X.XX%
Single Charge Category 1		X.XX%		X.XX%
Single Charge Category 2 etc		X.XX%		X.XX%

Feature	Additional product Note 1	Sub basket	Sub cap/Inertia clause	Sub Cap/Inertia Clause %	Volume metric Time of day prices If applicable	Start Price		Prior Year / Accrued revenue		Price Change dates			Basket Days			Sub cap compliance	Average Price		% price Change	Basket Revenue Impacts £m
						31/03/20XX+1	20XX-1/XX	Start	20XX/XX+1	Change 1	Change 2	Start	20XX/XX+1	Change 1	Change 2	20XX/XX+1	20XX/XX	20XX/XX+1	20XX/XX+1	20XX/XX+1
Basket 1 - Service 1	Yes	Yes	Yes		X.XX%		X		X	xx/xx/xx	xx/xx/xx	xx/xx/xx	X	X	X		x	-	0.0%	-
Basket 1 - Service 1a	Yes	Yes	No				X		X	xx/xx/xx	xx/xx/xx	xx/xx/xx	X	X	X		x	-	0.0%	-
Basket 1 - Subbasket 1																				
Basket 1 - Service 2 etc	No	No	No				X		X	xx/xx/xx	xx/xx/xx	xx/xx/xx	X	X	X	Yes/No	x	-	0.0%	-
Basket 1 Total																				
Basket 2 etc - Service 1		No	Yes		X.XX%		X		X	xx/xx/xx	xx/xx/xx	xx/xx/xx	X	X	X		x	-	0.0%	-
Basket 2 etc - Service 2		No	No				X		X	xx/xx/xx	xx/xx/xx	xx/xx/xx	X	X	X		x	-	0.0%	-
Basket 2 etc Total																				
Single Charge Category 1			Yes		X.XX%		X		X	xx/xx/xx	xx/xx/xx	xx/xx/xx	X	X	X		x	-	0.0%	-
Single Charge Category 2 etc			Yes		X.XX%		X		X	xx/xx/xx	xx/xx/xx	xx/xx/xx	X	X	X		x	-	0.0%	-

Note 1	
Note 2 (WBA)	

Total Revenues/Volumes	X	X	X
Revenues/Volumes per RFS	X	X	X
Difference	X	X	X
Reconciliation of difference:			
Difference 1	X	X	X
Difference 2	X	X	X
Total Difference	0	0	0
CHECK	Yes./No	Yes./No	Yes./No
BT to provide explanations for all differences listed above			
N/A for BCMR - use Accrued revenue			

Price controls in wholesale markets (Non confidential Statements) (continued)

Redacted

BTW Prices

Feature	31/03/20XX+1
	£
Basket 1 - Service 1	X
Basket 1 - Service 2 etc	X
Basket 1 Total	
Basket 2 - Service 1 etc	X
Basket 2 - Service 2 etc	X
Basket 2 Total etc	
Single Charge Category 1	X
Single Charge Category 2 etc	X

Openreach Input Prices

Feature	31/03/20XX+1 Prices £	31/03/20XX+1 Volumes	31/03/20XX+1 Contribution £
Basket 1 - Service 1	X		X
Basket 1 - Service 2 etc	X		X
Basket 1 Total			
Basket 2 - Service 1 etc	X		X
Basket 2 - Service 2 etc	X		X
Basket 2 Total etc			
Single Charge Category 1	X		X
Single Charge Category 2 etc	X		X

Note 1: The above table is required to calculate the average input price for a service within the WBA basket, as shown on the 'basket model' tab. The formula to undertake this calculation is given below and is defined in Condition 7.4 set out in Annex 2 of the WBA Statement.

$$\bar{q}_{i,t} = \sum_{j=1}^m ur_j \frac{\sum_{k=1}^n q_{j,k} v_{k,t-1}}{z_{t-1}}$$

Note 2: The revenue weights ( $R_i - S_i$ ) as defined in Annex 2 of the WBA Statement, to be used in the WBA Charge Control are the difference between  $R_i$ , the revenue during the Prior Financial Year in respect of service  $i$  and  $S_i$ , the payments made by BT to itself for input services during the Prior Financial Year used to provide service  $i$ . The complete formulae for the basket is given below and is defined in condition 7.5 as set out in Annex 2 of the WBA Statement.

$$C_t = \frac{\sum_{i=1}^n \left[ (R_i - S_i) \frac{(\{\bar{p}_{i,t} - \bar{q}_{i,t}\} - \{\bar{p}_{i,t-1} - \bar{q}_{i,t-1}\})}{\{\bar{p}_{i,t-1} - \bar{q}_{i,t-1}\}} \right]}{\sum_{i=1}^n (R_i - S_i)}$$

## Annex B

Reference	Additional Financial Information	Description
<u>Additional Financial Information to be provided in respect of all Markets</u>		
5(a)(i)	Cost category (as used within regulatory LRIC model) analysis for network components, increments and relevant layers of common cost  (LRIC basis)	<ol style="list-style-type: none"> <li>1. ensure the LRIC model reconciles to BT group's total cost and asset and liability base;</li> <li>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;</li> <li>3. identify all relevant layers of common costs separately within BT group;</li> <li>4. enable trend analysis of this breakdown to be undertaken;</li> <li>5. enable assessment of cost-volume relationships;</li> <li>6. provide input into network price control reviews;</li> <li>7. include Net Replacement Costs and Gross Replacement Costs.</li> </ol>
5(a)(ii)	Summarised activity analysis of components for network activities, increments and the relevant layers of common cost (LRIC basis)	<ol style="list-style-type: none"> <li>1. review the outputs of BT's LRIC model by activity analysis for network components, increments and the layers of common costs;</li> <li>2. identify all relevant layers of common costs separately for network activities;</li> <li>3. enable trend analysis of this breakdown to be undertaken;</li> <li>4. provide input into network price control reviews;</li> <li>5. ensure LRIC model reconciles to the total cost and asset and liability base for BT's network activities.</li> </ol>

5(a)(iii)	Cost category (as used within regulatory LRIC model) analysis for network components and increments	<p>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.</p> <p>Net Replacement Costs and Gross Replacement Costs are required to be included.</p>
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"> <li>- HCA depreciation</li> <li>- CCA supplementary depreciation</li> <li>- Holding gain</li> <li>- Other CCA adjustments</li> </ul>	<ol style="list-style-type: none"> <li>1. provide impact on profit and loss cost base of the application of CCA methodologies;</li> <li>2. enable trend analysis of this breakdown to be undertaken;</li> <li>3. provide sub-analysis (for the cost/gain line items left) of the asset movement statement in relation to network components;</li> <li>4. provide input into network price control reviews.</li> <li>5.</li> </ol>
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5(a)(vi)	<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"> <li>1. review the breakdown of asset costs between principal asset categories and how such CCA asset values have moved in the year;</li> <li>2. enable trend analysis of CCA asset values to be undertaken;</li> <li>3. provide input into network price control reviews.</li> </ol>
5(a)(vii)	Total mean capital employed and detailed activity analysis for all network components	<ol style="list-style-type: none"> <li>1. review network component costs;</li> <li>2. enable trend analysis of these breakdowns to be undertaken;</li> <li>3. provide input into price control reviews;</li> <li>4. assist in dealing with investigations;</li> <li>5. ensure summarised activity analysis presented elsewhere reconciles to BT's network activities cost base.</li> </ol>
5(a)(viii)	Detailed network activity analysis of mean capital employed for all network components	<ol style="list-style-type: none"> <li>1. enable trend analysis of these breakdowns to be undertaken;</li> <li>2. ensure summarised activity analysis reconciles to BT's network activity mean capital employed.</li> </ol>

5(a)(ix)	<p>Graphs over time of the various raw indices, index weightings and composite indices used by BT to revalue assets onto a current cost basis</p>	<ol style="list-style-type: none"> <li>1. evaluate the price trends for composite elements of BT's asset revaluation indices;</li> <li>2. evaluate the weightings within individual asset revaluation indices;</li> <li>3. evaluate the trend of individual asset revaluation indices;</li> <li>4. provide input into price control reviews and determinations.</li> </ol>
5(a)(x)	<p>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</p>	<ol style="list-style-type: none"> <li>1. review the nature and relative distribution of BT's asset base;</li> <li>2. evaluate BT's chosen asset lives for individual asset categories;</li> <li>3. review the relationship between gross HCA and CCA valuations;</li> <li>4. evaluate the appropriateness of the CCA valuation basis for each asset category;</li> <li>5. evaluate the appropriateness of the CCA depreciation methodology for each asset category;</li> <li>6. review the impact of CCA accounting on the cost base;</li> <li>7. enable trend analysis of CCA costs to be undertaken;</li> <li>8. provide input into network price control reviews.</li> </ol>

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"> <li>1. review the breakdown of costs to all the different components and sub-components within BT's network activities;</li> <li>2. enable trend analysis of this breakdown to be undertaken;</li> <li>3. provide input into network price control reviews;</li> <li>4. ensure total plant group costs reconcile to the cost base for BT's network activities.</li> </ol>
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5(a)(xii)	Provision of BT 'Data File'	<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 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 financial statements, and therefore would include transfer charges and CCA adjustments, 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 shall set out EOI charges included in the Regulatory Financial Statements.</p> <p>The information to be provided annually within 10 days of the publication of the regulatory accounts. The outputs of the annual file would be consistent with published audited information.</p> <p>BT to maintain file in 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>
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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"> <li>1. Provide breakdown of the following information: <ol style="list-style-type: none"> <li>a) Full CCA on an actual price index basis;</li> <li>b) Pre 1997 assets on an RPI basis;</li> <li>c) Post 1997 assets on an actual price index basis;</li> </ol> </li> <li>2. Enable Ofcom to re-calculate and monitor the effect of this going forward.</li> </ol>
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)	Price Controls in wholesale markets (Confidential Statements)	Demonstrate compliance with price controls, including provision of revenue, price change, any relevant calculations and any other required information.
5(a)(xvi)	Adjusted Financial Performance at a market level	Provide revenue, cost, return and MCE at a market level adjusted for consistent application of Ofcom's price controls, including reconciliation to the numbers published in the Regulatory Financial Statements.
<u>Additional financial information in respect of Business Connectivity Markets and business connectivity services above 1Gbit/s</u>		
5(b)(i)	Detailed BCMR Services	<ol style="list-style-type: none"> <li>1. set out the revenues, volumes and FAC on a CCA basis of any other wholesale leased lines service not publically disclosed where the revenue from this service is above £5m;</li> <li>2. the revenues and costs should, in total, be reconciled to the revenues and costs included within the publicly reported totals for the Business Connectivity Markets.</li> <li>3. the above information must be provided for both business connectivity services with bandwidths (i) 1Gbit/s and below and (ii) above 1Gbit/s.</li> </ol>

5(b)(ii)	Detailed BCMR Service Component FACs	<ol style="list-style-type: none"> <li>1. set out the calculation of FAC based on component costs and usage factors for all services reported in the Detailed BCMR Services schedule;</li> <li>2. the fully allocated service unit costs should reconcile to those given in the in the Detailed BCMR Services schedule.</li> <li>3. the above information must be provided for both business connectivity services with bandwidths (i) 1Gbit/s and below and (ii) above 1Gbit/s.</li> </ol>
5(b)(iii)	Comprehensive analysis of transfer charges	<ol style="list-style-type: none"> <li>1. allow Ofcom to check that material items have been separately disclosed in the published Regulatory Financial Statements;</li> <li>2. allow BT to demonstrate compliance with its non-discrimination obligations.</li> </ol>
5(b)(iv)	Analysis for the markets covered by the replicability review to explain the differences between ledgered revenue and calculated service revenue;	<ol style="list-style-type: none"> <li>1. explain the difference between the revenue by market reported in the Regulatory Financial Statements compared to the revenue recognised in BT's general ledger;</li> <li>2. differences to be identified in the following categories: provisions, other immaterial unidentified services, impact of differences between calculated and ledgered volumes and other. This is the minimum disclosure requirement and other types of differences should be identified where applicable;</li> <li>3. the format must be similar to the Market/Technical Area Summary and the Market/Technical Area Calculation of FAC based on component costs and usage factors in the Regulatory Financial Statements with the additional lines added.</li> </ol>

5(b)(v)	Provision of DLRIC and DSAC data per service	<p>1. LRIC information to allow Ofcom to:</p> <ul style="list-style-type: none"> <li>a. forecast costs as a result of volume changes including calculations of cost volume and asset volume elasticities; and</li> <li>b. estimate the common costs that are recovered within each price control and therefore contribute to ensuring consistency across price controls</li> <li>c. DSAC information inform consideration of remedies.</li> </ul> <p>The information shall set out DLRIC, DSAC, FAC and service volumes for the wholesale leased lines services which are required to be disclosed in the following statements in the Regulatory Financial Statements:  Market/Technical Area Summary and  Market/Technical Area Calculation of FAC based on component costs and usage factors.</p>
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**Schedule 12 - Direction under section 49 and 49A(2) of the Communications Act 2003 and temporary SMP condition 10.4 specifying network components**

The network components shall be as shown below:

1. Low TISBO 3rd Party Equipment Depn
2. Medium TISBO 3rd Party Equipment Depn
3. High TISBO 3rd Party Equipment Depn
4. TISBO Excess Construction
5. AISBO Excess Construction
6. PC rentals 2Mbit/s regional trunk
7. PC rentals 34Mbit/s regional trunk
8. PC rentals 140Mbit/s regional trunk
9. Co-mingling set up
10. Co-mingling rentals
11. WLA Tie cables
12. Local Loop Unbundling systems development
13. Wholesale Access specific
14. Routeing & records
15. MDF Hardware jumpering
16. E side copper capital
17. E side copper current
18. D side copper capital
19. D side copper current
20. Local exchanges general frames equipment
21. Local exchanges general frames maintenance
22. Analogue line test equipment
23. Dropwire capital & analogue NTE
24. Analogue line drop maintenance
25. Analogue line cards
26. OR Service Centre - Provision AISBO
27. OR Service Centre - Provision Analogue/ISDN2
28. OR Service Centre - Provision WLA
29. Service Level Guarantees
30. OR Service Centre - Assurance Ethernet
31. OR Service Centre - Assurance Analogue/ISDN2
32. OR Service Centre - Assurance WLA
33. Combi Card and MSAN Access - Voice
34. Combi Card - Broadband
35. EES and MSAN Access - Broadband
36. Core Directors - Broadband
37. Edge Ethernet ports broadband
38. Ethernet Backhaul Direct - Active
39. Ethernet Backhaul Direct - Passive



40. Ethernet Backhaul Direct Extended Reach
41. Ethernet Backhaul Direct Resilience - Active
42. Ethernet Backhaul Direct Resilience - Passive
43. Ethernet Switch BB
44. Core/Metro (broadband)
45. Metro-core broadband transmission
46. ADSL connections
47. EVOTAM testing systems
48. MPF line testing systems
49. Broadband line testing systems
50. DSLAM support
51. DSLAM equipment
52. PC rental 2Mbit/s link per km distribution
53. PC rental 34Mbit/s link per km distribution
54. PC rental 140Mbit/s link per km distribution
55. Point of Handover electronics
56. PC rental 64kbit/s link
57. PC rental 2Mbit/s link
58. PC rental 34Mbit/s link
59. PC rental 140Mbit/s link
60. PC rental 64kbit/s link per km transmission
61. 2Mbit/s and above PC link connection cct provision
62. 64kbit/s PC link connection cct provision
63. PC rental 64kbit/s link local end
64. PC rental 34Mbit/s link local end
65. PC rental 140Mbit/s link local end
66. PC rental 2Mbit/s local end copper
67. PC rental 2Mbit/s local end fibre
68. Backhaul Extension Services Fibre
69. Wholesale Extension Services Fibre
70. OR systems & development - Ethernet
71. Ethernet Access Direct Fibre
72. Other Ethernet rentals - CCTV
73. Interconnect local end rental 2Mbit/s
74. Interconnect 2Mbit/s connection
75. Interconnect extension circuits (IEC) 2Mbit/s link
76. Customer Sited Interconnect cct (CSI) 2Mbit/s link
77. Nominated In Span I/Connect cct (ISI) transmission
78. Interconnect Extension Circuits (IEC) 2Mbit/s per km
79. Customer Sited Interconnect (CSI) 2Mbit/s per km
80. In Span Interconnect circuits (ISI) transmission
81. Intra Building Circuit (IBC) connection
82. Intra Building Circuit (IBC) rental
83. Ethernet main links
84. Ethernet Electronics

85. Other Ethernet new provides - CCTV
86. Customer support - partial private circuits
87. Customer support - interconnect
88. Customer support - broadband
89. Broadband backhaul circuits (excl Virtual Paths)
90. Openreach sales product management
91. Co-mingling power & vent
92. Revenue Receivables
93. Co-mingling electricity
94. Caller display
95. Metro BRAS and MSE
96. Openreach time related charges
97. PC rental 2Mbit/s link national trunk
98. PC rental 140Mbit/s link national trunk
99. FTTC Development
100. Service Centre - Provision WLR NGA
101. iNode features
102. Network Features
103. Special Fault Investigation
104. EOI Notional Payables

**Schedule 13: List of postal sectors constituting the CLA**

E1 0	EC1N 7	EC2M 2	EC3A 4	EC4A 1	EC4Y 0
E1 1	EC1N 8	EC2M 3	EC3A 5	EC4A 2	EC4Y 1
E1 2	EC1R 0	EC2M 4	EC3A 6	EC4A 3	EC4Y 7
E1 3	EC1R 1	EC2M 5	EC3A 7	EC4A 4	EC4Y 8
E1 6	EC1R 3	EC2M 6	EC3A 8	EC4M 5	EC4Y 9
E1 7	EC1R 4	EC2M 7	EC3M 1	EC4M 6	NW1 0
E1 8	EC1R 5	EC2N 1	EC3M 3	EC4M 7	NW1 1
E14 2	EC1V 0	EC2N 2	EC3M 4	EC4M 8	NW1 2
E14 4	EC1V 1	EC2N 3	EC3M 5	EC4M 9	NW1 3
E14 5	EC1V 2	EC2N 4	EC3M 6	EC4N 1	NW1 5
E14 9	EC1V 3	EC2P 2	EC3M 7	EC4N 4	NW1 6
E1W 2	EC1V 4	EC2R 5	EC3M 8	EC4N 5	SE1 0
E1W 3	EC1V 7	EC2R 6	EC3N 1	EC4N 6	SE1 1
EC1A 1	EC1V 8	EC2R 7	EC3N 2	EC4N 7	SE1 9
EC1A 2	EC1V 9	EC2R 8	EC3N 3	EC4N 8	SW1A 1
EC1A 4	EC1Y 0	EC2V 5	EC3P 3	EC4R 0	SW1A 2
EC1A 7	EC1Y 1	EC2V 6	EC3R 5	EC4R 1	SW1E 5
EC1A 9	EC1Y 2	EC2V 7	EC3R 6	EC4R 2	SW1E 6
EC1M 3	EC1Y 4	EC2V 8	EC3R 7	EC4R 3	SW1H 0
EC1M 4	EC1Y 8	EC2Y 5	EC3R 8	EC4R 9	SW1H 9
EC1M 5	EC2A 1	EC2Y 8	EC3V 0	EC4V 2	SW1P 1
EC1M 6	EC2A 2	EC2Y 9	EC3V 1	EC4V 3	SW1P 2
EC1M 7	EC2A 3	EC3A 1	EC3V 3	EC4V 4	SW1P 3
EC1N 2	EC2A 4	EC3A 2	EC3V 4	EC4V 5	SW1P 4
EC1N 6	EC2M 1	EC3A 3	EC3V 9	EC4V 6	SW1V 1

SW1W 0	W1D 5	W1K 2	W1W 5	WC1R 5	WC2R 3
SW1W 9	W1D 6	W1K 3	W1W 6	WC1V 6	
SW1X 0	W1D 7	W1K 4	W1W 7	WC1V 7	
SW1X 7	W1F 0	W1K 5	W1W 8	WC1X 0	
SW1X 8	W1F 7	W1K 6	W2 1	WC1X 8	
SW1X 9	W1F 8	W1K 7	W2 2	WC1X 9	
SW1Y 4	W1F 9	W1S 1	W6 7	WC2A 1	
SW1Y 5	W1G 0	W1S 2	W8 4	WC2A 2	
SW1Y 6	W1G 6	W1S 3	W8 5	WC2A 3	
SW3 1	W1G 7	W1S 4	W8 6	WC2B 4	
SW7 1	W1G 8	W1T 1	W8 7	WC2B 5	
W14 8	W1G 9	W1T 2	WC1A 1	WC2B 6	
W1A 1	W1H 1	W1T 3	WC1A 2	WC2E 7	
W1A 9	W1H 2	W1T 4	WC1B 3	WC2E 8	
W1B 1	W1H 4	W1T 5	WC1B 4	WC2E 9	
W1B 2	W1H 5	W1T 6	WC1B 5	WC2H 0	
W1B 3	W1H 6	W1T 7	WC1E 6	WC2H 7	
W1B 4	W1H 7	W1U 1	WC1E 7	WC2H 8	
W1B 5	W1J 0	W1U 2	WC1H 0	WC2H 9	
W1C 1	W1J 5	W1U 3	WC1H 8	WC2N 4	
W1C 2	W1J 6	W1U 4	WC1H 9	WC2N 5	
W1D 1	W1J 7	W1U 5	WC1N 1	WC2N 6	
W1D 2	W1J 8	W1U 6	WC1N 2	WC2R 0	
W1D 3	W1J 9	W1U 7	WC1N 3	WC2R 1	
W1D 4	W1K 1	W1U 8	WC1R 4	WC2R 2	

**Schedule 14: List of postal sectors constituting the London Periphery**

E1 5	NW10 5	SL2 5	TW3 4	UB5 6	W2 4
E14 0	NW10 6	SL3 9	TW3 9	UB6 8	W2 6
E14 1	NW10 7	SL6 0	TW4 5	UB6 9	W3 6
E14 3	NW3 3	SL6 1	TW4 6	UB7 0	W4 1
E14 6	NW5 2	SL6 2	TW4 7	UB7 7	W4 2
E14 7	NW6 4	SL6 4	TW5 0	UB7 8	W4 3
E14 8	NW8 0	SL6 8	TW5 9	UB7 9	W4 4
E1W 1	SE1 2	SL9 7	TW6 2	UB8 1	W4 5
E2 6	SE1 3	SW1A 0	TW7 4	UB8 2	W5 2
E2 7	SE1 4	SW1V 2	TW7 5	UB8 3	W5 3
E3 2	SE1 6	SW3 2	TW8 0	UB8 9	W5 5
E3 3	SE1 7	SW3 3	TW8 8	UB9 4	W5 9
E77 1	SE1 8	SW7 2	TW8 9	W10 5	W6 0
E98 1	SE11 5	SW7 4	UB1 1	W10 6	W6 6
EC3M 2	SE11 6	SW7 5	UB1 3	W11 1	W6 8
EC3N 4	SE16 2	SW8 1	UB10 0	W11 2	W6 9
N1 0	SE16 4	SW8 5	UB11 1	W12 0	W7 1
N1 6	SE8 5	SW95 9	UB18 7	W12 6	W7 3
N1 7	SL1 0	TW13 4	UB18 9	W12 7	W8 9
N1 8	SL1 1	TW13 5	UB3 1	W12 8	W9 3
N1 9	SL1 2	TW14 8	UB3 2	W13 0	
N1C 4	SL1 3	TW16 7	UB3 3	W13 8	
NW1 7	SL1 4	TW3 1	UB3 4	W14 0	
NW1 8	SL1 5	TW3 2	UB3 5	W1A 3	
NW1 9	SL1 6	TW3 3	UB4 0	W2 3	

**Schedule 15: List of postal sectors constituting the Central Business District of Bristol**

BS1 1	BS1 4	BS2 0	BS3 3	BS6 5
BS1 2	BS1 5	BS2 8	BS3 4	BS8 1
BS1 3	BS1 6	BS2 9	BS5 0	BS8 2

**Schedule 16: List of postal sectors constituting the Central Business District of Birmingham**

B1 1	B15 1	B18 6	B3 2	B5 5	B7 4
B1 2	B15 3	B19 3	B3 3	B5 6	B8 3
B1 3	B16 0	B2 4	B4 6	B6 4	B9 4
B10 0	B16 8	B2 5	B4 7	B6 5	
B11 2	B18 5	B3 1	B5 4	B6 6	

**Schedule 17: List of postal sectors constituting the Central Business District of Glasgow**

G1 1	G12 8	G2 7	G22 5	G4 0	G5 8
G1 2	G13 1	G2 8	G22 6	G4 9	G5 9
G1 3	G2 1	G20 0	G23 5	G40 1	G51 1
G1 4	G2 2	G20 6	G3 6	G40 2	
G1 5	G2 3	G20 7	G3 7	G41 1	
G11 5	G2 4	G20 9	G3 8	G42 7	
G11 6	G2 5	G21 1	G31 1	G42 8	
G11 7	G2 6	G21 4	G31 2	G42 9	



**Schedule 18: List of postal sectors constituting the Central Business District of Leeds**

LS1 1	LS1 5	LS10 1	LS11 7	LS12 3	LS2 8
LS1 2	LS1 6	LS11 0	LS11 9	LS12 6	LS2 9
LS1 3	LS1 7	LS11 5	LS12 1	LS2 3	LS3 1
LS1 4	LS1 8	LS11 6	LS12 2	LS2 7	

**Schedule 19: List of postal sectors constituting the Central Business District of Manchester**

M1 1	M14 4	M2 4	M3 5	M4 5	M60 2
M1 2	M14 7	M2 5	M3 6	M4 6	M60 7
M1 3	M15 5	M2 6	M3 7	M4 7	M60 9
M1 4	M15 6	M2 7	M32 0	M5 3	M7 1
M1 5	M16 0	M20 1	M32 9	M5 4	
M1 6	M16 9	M3 1	M4 1	M50 2	
M1 7	M2 1	M3 2	M4 2	M50 3	
M12 6	M2 2	M3 3	M4 3	M60 0	
M13 9	M2 3	M3 4	M4 4	M60 1	

## Schedule 20: List of Core Nodes

Column 1: Core Nodes	Column 2: Dominant Provider's operational buildings
Core Node 1	Inverness Macdhui
Core Node 2	Portadown
Core Node 3	Yeovil
Core Node 4	Aberystwyth
Core Node 5	Bridgwater
Core Node 6	Swansea
Core Node 7	Southend On Sea
Core Node 8	Lincoln
Core Node 9	Truro
Core Node 10	Plymouth
Core Node 11	Dundee Tay
Core Node 12	Norwich City
Core Node 13	Pontefract
Core Node 14	Wrexham Grosvenor
Core Node 15	Bangor (Wales)
Core Node 16	Ashford
Core Node 17	Tunbridge Wells
Core Node 18	Bedford Town

Core Node 19	Bournemouth
Core Node 20	Hemel Hempstead
Core Node 21	Shrewsbury

Former Everything Everywhere core nodes

Core Node 22	Acton
Core Node 23	Barnsley
Core Node 24	Beckton
Core Node 25	Bristol
Core Node 26	Cardiff
Core Node 27	Croydon
Core Node 28	Doxford
Core Node 29	Enfield
Core Node 30	Greenwich
Core Node 31	Hamilton
Core Node 32	Luton
Core Node 33	Mansfield
Core Node 34	Preston
Core Node 35	Solihull
Core Node 36	Southampton
Core Node 38	Tannochside

Core Node 39

Warrington

Core Node 40

West Bromwich

## Schedule 21: List of Data Centre Core Nodes

City Lifeline – Lifeline House (EC2A)	Savvis – LO6 (RG41)
Colt – London 3, WGC (AL7)	Sentrum – Sutton (CR0)
Computacenter – Romford (RM7)	Sentrum – Watford (WD18)
Computacenter – Salford Quays (M50)	Sentrum – Woking (GU21)
Coreix Limited datacentre (EN1)	SSE – Fareham (PO15)
CyrusOne – London (GU21)	Sungard – London Technology Centre (TW4)
Digital Realty – Redhill (RH1)	Tata Communications – Cressex (HP12)
Equinix LD1 – London City (EC2A)	Tata Communications – Stratford (E15)
Equinix LD2 – London West (UB7)	Telecity – Kilburn House (M15)
Equinix LD3 – Park Royal (NW10)	Telecity – Meridi n Gate (E14)
Equinix LD4 – Slough (SL1)	Telecity – Williams House(M15)
Global Crossing London datacentre (E14)	Telecity – 6&7 Harbour Exchange (E14)
Global Switch – London #1 (E14)	Telecity – 8&9 Harbour Exchange (E14)
Global Switch – London #2 (E14)	Telecity – Bonnington House (E14)
Interoute – Hoddesdon (EN11)	Telecity – Joule House (M17)
Interxion – LON1 (E1)	Telecity – Oliver's Yard (EC1Y)
Interxion – LON2 (E1)	Telecity – Powergate (NW10)
Iomart – London (EC2A)	Telecity – Sovereign House (E14)
Level 3 – Braham Street datacentre (E1)	Telehouse East (E14)

Level 3 – London datacentre (EC1V)	Telehouse Metro (EC2A)
MDS Technologies – Crawley (RH10)	Telehouse North (E14)
Navisite – Woking (GU21)	Telehouse West (E14)
Next Generation Data Newport (NP10)	TeliaSonera HEX/A (E14)
Node 4 – Derby (DE24)	Telstra – Docklands (E14)
Node 4 – Leeds (WF6)	The Bunker – Ash (CT13)
Pulsant – Reading East (RG6)	Docklands DC Ltd – Tutis Point (E14)
Pulsant – Milton Keynes (MK14)	Virtus – LONDON1 (EN1)
Pulsant – Reading Central (RG2)	Vital – Park Royal (NW10)
Pulsant – South Gyle (EH12)	Wildcard Networks – IFL2 (M15)
QiComm – Tutis Point (E14)	Wildcard Networks – IFL3 (M15)
CenturyLink LO1 – 630 Ajax Avenue, Slough (SL1)	NYSE – Cranes Farm Road, Basildon (SS14)
Equinix LD6 – Slough (SL1)	Equinix LD5 – Slough (SL1)

## Schedule 22: Trunk Aggregation Nodes

Column 1: Trunk Aggregation Nodes	Column 2: Dominant Provider's operational buildings (SAUID)
ABERDEEN	ABERDEEN LOCHNAGAR (NSLNG)
ACCRINGTON	ACCRINGTON (LCACC)
ALDERSHOT	ALDERSHOT (THAD)
ALTRINCHAM	ALTRINCHAM (MRALT)
ANDOVER	ANDOVER (STANDVR)
ARDWICK	ARDWICK (MRARD)
ASHTON	ASHTON (MRASH)
ATTERCLIFFE	ATTERCLIFFE (SLAC)
AYCLIFFE	AYCLIFFE (NEAYC)
AYLESBURY	AYLESBURY (SMAY)
BALHAM	BALHAM (LSBAL)
BARNSELY	BARNSELY (SLBY)
BASFORD	BASFORD (EMBASFO)
BASILDON	BASILDON (EABAS)
BASINGSTOKE	BASINGSTOKE/BOUNTY (THBZ)
BATH KINGSMEAD	BATH KINGSMEAD (SSKMD)
BAYSWATER	BAYSWATER (WEWBAY)
BEDFORD	BEDFORD (SMBF)
BELFAST	BELFAST/CITY (NICTY)
	BELFAST/SEY (NISEY)
BEULAH HILL	BEULAH HILL (LSBEU)



BIRMINGHAM	BIRMINGHAM CENTRAL (CMCEN)
	ERDINGTON (CMERD)
	BIRMINGHAM MIDLAND (CMMLD)
	BM PERRYFIELDS (BROMSGROVE) (WMBPZ)
BISHOPS STORTFORD	BISHOPS STORTFORD (EABIS)
BISHOPSGATE	BISHOPSGATE (CLBIS)
BRIGHTON HOVE	BRIGHTON HOVE (SDHV)
BRISTOL	BEDMINSTER (SSBED)
	BRISTOL REDCLIFFE (SSRED)
BRISTOL NORTH	BRISTOL NORTH (SSNOR)
BROMBOROUGH	BROMBOROUGH (LVBRO)
CAMBRIDGE	CAMBRIDGE TRUNKS (EATRU)
CAMBRIDGE SCIENCE PARK	CAMBRIDGE SCIENCE PARK (EASCI)
CARDIFF/NEWPORT	CARDIFF (SWCFATE)
	NEWPORT (GWENT) (SWNE/EX)
CARLISLE	CARLISLE (LCCAR)
CENTRAL	CENTRAL (MRCEN)
CHELMSFORD	CHELMSFORD TOWN (EACHE)
CHELMSLEY WOOD	CHELMSLEY WOOD (CMCHEL)
CHELTENHAM	CHELTENHAM (SSCMN)
CHERRY HINTON	CHERRY HINTON (EACRH)
CHISWICK	CHISWICK (LWCHI)
CLERKENWELL	CLERKENWELL (CLCLE)

COVENTRY	COVENTRY GREYFRIAR (CMCGF)
	LEAMINGTON SPA (CMLGS)
CRAWLEY	CRAWLEY (SDCRWLY)
CRICKLEWOOD	CRICKLEWOOD (LWCRI)
CROYDON	CROYDON (LSCRO)
DARLINGTON	DARLINGTON (NEDL)
DEPTFORD	DEPTFORD (LSDEP)
DERBY	DERBY (EMDRRBB)
DONCASTER	DONCASTER (SLDC)
DUDLEY	DUDLEY (CMDD)
DUSTON	DUSTON (EMDUSTO)
EASTLEIGH	EASTLEIGH (STEASTL)
EDINBURGH	EDINBURGH DONALDSON (ESDON)
EGHAM	EGHAM (LWEGH)
ELTHAM	ELTHAM (LSELT)
EUSTON	EUSTON (CLEUS)
EXETER	EXETER CASTLE (WWEXTR)
FALKIRK	FALKIRK (ESFAL)
FARNBOROUGH	FARNBOROUGH (THFB)
FOREST HILL	FOREST HILL (LSFOR)
FULHAM	FULHAM (WRFULM)
GERRARD ST (SOHO)	GERRARD ST (SOHO) (WEWSOH)
GLASGOW	GLASGOW CENTRAL (WSCEN)

	GLASGOW DOUGLAS (WSDOU)
GLOUCESTER	GLOUCESTER (SSGLR)
GUILDFORD	GUILDFORD/MARTYR (THGI)
HACKNEY	HACKNEY (LNHAC)
HALFWAY	HALFWAY (WSHAL)
HALIFAX	HALIFAX (MYHAL)
HAMMERSMITH	HAMMERSMITH (LWHAM)
HARROWDEN	HARROWDEN (EMHARRO)
HAVANT	HAVANT (SDHVNT)
HEMEL HEMPSTEAD	HEMEL HEMPSTEAD (SMHH)
HOLBORN	HOLBORN (CLHOL)
HUNSLET	HUNSLET (MYHLT)
HUNTINGDON	HUNTINGDON (EMHNDON)
HYDE	HYDE (MRHYD)
IPSWICH	COLCHESTER TOWN (EACOL)
IPSWICH	IPSWICH TOWN (EAIPS)
IRVINE	IRVINE BOURTREE (WSIRS)
ISLEWORTH	ISLEWORTH (LWISL)
KENDAL	KENDAL (LCKEN)
KENSAL GREEN	KENSAL GREEN (LWKGRE)
KENSINGTON GARDENS	KENSINGTON GARDENS (WRKGDN)
KINGS CROSS	KINGS CROSS (CLKXX)
KINGSLAND GREEN	KINGSLAND GREEN (CLKLG)

KINGSTHORPE	KINGSTHORPE (EMKINGS)
KINGSTON	KINGSTON (LSKIN)
LEA VALLEY	LEA VALLEY (LNLVY)
LEE GREEN	LEE GREEN (LSLEE)
LEEDS	BRADFORD (2) (MYBD)
LEEDS	LEEDS (3) (MYLS)
LEICESTER	LEICESTER MONTFORT (EMMONTF)
LEICESTER	LEICESTER (EMCENTL)
LEYTONSTONE	LEYTONSTONE (LNLEY)
LINCOLN	LINCOLN (SLLI)
LIVERPOOL	LIVERPOOL CENTRAL (LVCEN)
LIVINGSTON STATION	LIVINGSTON STATION (ESLVS)
LONDON CENTRAL	COVENT GARDEN (CLCOV)
	FARADAY TE (Moorgate) (CLFAR)
	BT TOWER WESTBLOCK (WEWBLO)
	SOUTH KENSINGTON (WRSKEN)
	SOUTHBANK (WRSTHBK)
LONDON DOCKLANDS	BERMONDSEY (CLBER)
	STEPNEY GREEN (CLSTE)
LONDON EAST	HORNCHURCH (LNHOR)
	UPTON PARK (LNUPK)
	WOODFORD (LNWFD)
	KIDBROOKE (LSKID)

LONDON NORTH	POTTERS BAR (LNPOT)
LONDON WEST	COLINDALE (LWCOL)
	EALING (LWEAL)
	SOUTHALL (LWSOU)
LORDS	LORDS (WEWLOR)
LUTON	LUTON ATE / TOWER BLOCK (SMLT)
MAIDSTONE	MAIDSTONE (NDMAI)
MANCHESTER	BOLTON (LCBOL)
	DIAL HOUSE (MANCHESTER) (MRBLA)
	OLDHAM (MROLD)
	PENDLETON (MRPEN)
MARYLEBONE	MARYLEBONE (WEWMAR)
MAYFAIR	MAYFAIR (WEWMAY)
MILTON KEYNES	MILTON KEYNES (SMBT)
MONUMENT	MONUMENT (CLMON)
MORLEY	MORLEY (MYMOR)
NEWBURY	NEWBURY (THNU)
NEWCASTLE	NEWCASTLE CENTRAL (NENT)
NEWCASTLE	SOUTH SHIELDS (NESS)
NEWTON LE WILLOWS	NEWTON LE WILLOWS (LVNLW)
NORTH FINCHLEY	NORTH FINCHLEY (LNNFN)
NORTH PADDINGTON	NORTH PADDINGTON (WEWNPN)
NORTHAMPTON	NORTHAMPTON (EMNORTH)

NORWICH CITY	NORWICH CITY (EANCC)
NORWICH WEST	NORWICH WEST (EANCW)
NOTTINGHAM	NOTTINGHAM LONGBOW (EMLONGB)
ORPINGTON	ORPINGTON (LSORP)
OXFORD	OXFORD CITY (SMOF)
PADDINGTON	PADDINGTON (WEWPAD)
PAISLEY	PAISLEY (WSPAI)
PETERBOROUGH	PETERBOROUGH WENTW (EMPETER)
PIMLICO	PIMLICO (WRPIM)
POPLAR	POPLAR (LNPOP)
PORTSMOUTH/SOUTHAMPTON	COSHAM (SDCSHM)
PORTSMOUTH/SOUTHAMPTON	SOUTHAMPTON (STSOTON)
PRESTON	PRESTON (LANCS) (LCPRE)
READING	BRACKNELL (THBK)
	READING (THRG)
READING SOUTH	READING SOUTH (THS)
ROCHDALE	ROCHDALE (LCROC)
ROSE ST	ROSE ST (ESROS)
RUGBY	RUGBY (CMRUGB)
RUSHOLME	RUSHOLME (MRRUS)
SALISBURY	SALISBURY (STSALIS)
SANDAL	SANDAL (MYSAN)
SHEFFIELD	CHESTERFIELD (SLCD)

	SHEFFIELD CUTLER (SLSF)
SHEPHERDS BUSH	SHEPHERDS BUSH (LWSHE)
SHOREDITCH	SHOREDITCH (CLSHO)
SLOUGH	HIGH WYCOMBE (SMHY)
	SLOUGH (THSL)
ST ALBANS	ST ALBANS (LNSTB)
STAFFORD	STAFFORD (WMSPA)
STOCKPORT	STOCKPORT (MRSTO)
STOCKTON HEATH	STOCKTON HEATH (LVSTK)
STOKE	STOKE TRINITY/POTT (WMSTK)
STRATTON ST MARGARET	STRATTON ST MARGARET (SSSSM)
SWINDON	SWINDON (SSSWN)
SYDENHAM	SYDENHAM (LSSYD)
THEALE	THEALE (THTH)
TRAFFORD	TRAFFORD (MRTRA)
WALLSEND	WALLSEND (NEW)
WALTHAM CROSS	WALTHAM CROSS (LNWCR)
WALTHAMSTOW	WALTHAMSTOW (LNWTH)
WANDSWORTH	WANDSWORTH (LSWAN)
WARRINGTON	ASHTON IN MAKERFIE (LCAIM)
	NORTHWICH (MRNOR)
WATFORD	WATFORD (LWWAT)
WAVERLEY	WAVERLEY (ESWAV)

WESTMINSTER	WESTMINSTER (WRWMIN)
WEYBRIDGE	WEYBRIDGE (LSWEY)
WHITEHALL	WHITEHALL (WRWHI)
WILLESDEN	WILLESDEN (LWWIL)
WINCHESTER	WINCHESTER (STWINCH)
WOLVERHAMPTON	WALSALL CENTRAL (CMWL)
	WOLVERHAMPTON CENT (CMWV)
WOODLEY	WOODLEY (MRWOO)
YORK	MALTON (MYMAL)
YORK	YORK (MYYO)



# Section 2 Consent under section 49 of the Communications Act 2003 and SMP services condition 6.1

## Background

1. Today Ofcom is publishing a statement entitled “*Business Connectivity Markets, Temporary SMP conditions in relation to business connectivity services*” (“2017 BCMR Statement”). At Annex 1 to the 2017 BCMR Statement, Ofcom is issuing a notification (“2017 BCMR Notification”) making market identifications and market power determinations and imposing SMP services conditions and directions on BT in relation to the markets set out at rows a, b, f and g of Table A of the 2017 BCMR Notification.
2. Under SMP services condition 6.4(b) BT must send an Access Charge Change Notice in relation to an Access Charge Change relating solely to a reduction in the price of existing network access (including, for the avoidance of doubt, a Special Offer) not less than 28 days before any such amendment comes into effect.
3. Under SMP services condition 6.1 BT shall publish charges, terms and conditions and comply with the requirements set out in SMP services condition 6.4 except in so far as Ofcom may from time to time otherwise consent in writing.

## Decision to grant consent

4. Ofcom has decided to consent to waive the requirement in SMP services condition 6(4)(b) as set out in paragraph 2 above for the period of 1 December 2017 until 31 December 2017 (inclusive). This consent shall take effect on 29 November 2017. For the avoidance of doubt, Ofcom has decided not to waive the requirement in SMP services condition 6(4)(c) which applies to any Access Charge Change involving existing network access which is not referred to under SMP services condition 6(4)(b) and which requires BT to send an Access Charge Change Notice not less than 90 days before any such amendment comes into effect.
5. The effect of and reasons for granting the consent are set out in section 5 of the BCMR Temporary Conditions Statement.

## Ofcom’s duties and legal tests

6. Ofcom considers that the consent referred to in paragraph 4 complies with the requirements of section 49(2) of the Communications Act 2003 (“Act”).
7. In granting the consent referred to in paragraph 4, Ofcom has considered and 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 account of all applicable recommendations for harmonisation issued by the European Union in section 4A of the Act.

8. In accordance with Article 7(9) of the Framework Directive and sections 49C(4) of the Act, Ofcom is sending a copy of this notification and a copy of the accompanying statement to the European Commission, BEREC and the regulatory authorities in every other member state.

### **Interpretation**

9. Except as otherwise defined, words or expressions used shall have the same meaning as they have been ascribed in the SMP services conditions set out in Annex 1 of the 2017 BCMR Statement and the 2017 BCMR Notification. Otherwise any word or expression shall have the same meaning as it has in the Act.

Signed

A handwritten signature in blue ink, appearing to read 'D. Clarkson'.

David Clarkson

**Competition Policy Director, Ofcom**

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

23 November 2017