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Openreach
By email

28 September 2020

Dear [X],

Ofcom's proposed approach to setting prices for dark fibre services

In response to Openreach's request for clarification, this letter summarises the approach to setting prices for dark fibre services proposed in our January consultation; in particular, our proposal to set charge controls for dark fibre services based on Openreach's national costs.

As set out at paragraphs A16.17 and A16.19 of the January consultation, the objective of our modelling exercise is to forecast Openreach's efficient costs of providing copper-based WLA services (e.g. MPF and FTTC services) and leased lines services (including EAD circuits) over the charge control period.

We consider that the relevant costs that Openreach incurs when providing an EAD circuit provide the best reference point for estimating the likely costs of a dark fibre circuit. As noted at paragraphs A19.19 and A19.21 of the January consultation, we therefore propose to use national CCA FAC information on EAD services derived from BT's RFS to inform our estimates of a national cost for dark fibre. We then forecast 2025/26 costs using cost forecasts from the top-down cost model, which is done on a national basis. We use these forecasts to determine the appropriate CPI-X charge controls for dark fibre services.

We have proposed to set the charge control for dark fibre services based on Openreach's national costs (the same approach as proposed for MPF and FTTC services, as noted at paragraph A18.15 of the consultation). We consider that our proposed approach allows Openreach cost recovery overall (i.e. across Area 2 and Area 3) and is consistent with cost recovery over time. We also consider that setting charges based on national costs will allow for recovery of forward-looking incremental costs in Area 3.

We intend to publish this letter on our website.

Yours sincerely,

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