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13th March 2014

Cc: Chris Taylor, Greg Mook

Dear Katie,

BT Basic and the Retail Prices Index (RPI)

Thank you for your letter of 22 January 2014 about moving from RPI on our BT Basic price commitment.

Although it is not part of any Ofcom Direction, in the USO Review Statement of March 2006 it says:

“BT has also confirmed that prices for inland geographic calls particular to the scheme and rental on the scheme will not rise above the annual retail price index.”

We have maintained that commitment since the launch of BT Basic. We agree that the relevant price index needs to be in line with any recommendations by the Office of National Statistics. We note that a new RPI-based index will be published, known as RPIJ. But we agree to move from RPI to the Consumer Prices Index (CPI) as the price commitment for BT Basic. Our commitment will now be:

BT confirms that prices for UK geographic calls particular to the scheme and rental on the scheme will not rise above the annual consumer prices index.

We would also like to gain Ofcom’s agreement to a change on the spread connection charge for BT Basic. In the USO Review Statement of March 2006 it says in Annex 1 that spread connection charge will be the default option. As discussed with Ofcom on 5th February 2014, we want to take complexity out of the process and so we will remove the spread connection option and reduce the connection charge (where a customer needs a new line installed) for BT Basic customers to £0 (zero).

Everything else stays the same on the BT Basic scheme. I hope this is helpful but please let me know if you need any more information.

Yours sincerely,

Anne McLaren

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