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Dear Mark

Undertakings of 22 September 2005 given to Ofcom pursuant to the Enterprise Act 2002 – “the Undertakings”: plans to complete Operational Support Systems (OSS) separation

Thank you for your letter of 29 July 2015 inviting Ofcom to agree that it would be disproportionate to require BT to migrate the Customer Side Records relating to a specified set of retail business products to separated OSS.

We note that Section 5.44.2(a) of the Undertakings requires BT to run Openreach OSS physically separate from those used by the rest of BT “*when reasonably practicable and proportionate, unless otherwise agreed between BT and Ofcom*”.

The programme of physical separation of BT’s OSS as between Openreach and the rest of BT has and continues to provide assurance that the capability and incentive for BT to engage in non-price discrimination between its own business units and other CPs is minimised. It has also been important in ensuring that Openreach supplies the same products to all CPs (including BT business units) on an EOI basis. In this regard we note that BT has achieved all the measured system separation milestones in the Undertakings.

In addition to its ongoing programme of migration we note, in particular, BT’s commitment to migrate Customer Side Records for its business customers still consuming a non-EOI variant of ISDN2¹ to an OSS that will ensure BT consumes ISDN2 on an EOI basis by April 2017. We expect BT to keep us regularly informed of its progress in meeting this commitment.

The Annex to your letter sets out the products for which you are requesting that the Customer Side Records remain on shared OSS. We have given careful consideration to these products and have assessed whether it is proportionate to require BT to incur the cost of migrating these to separate systems against the potential for competitive harm by agreeing that they remain on shared systems. In doing so we have looked in some detail at,

¹ We note that all new supplies of ISDN2 to new customers since 2007 have used EOI inputs from Openreach and the Customer Side Records associated with these have been on OSS that are Level 2 separated from Openreach.

amongst other things, the nature of the products and applicability of upstream inputs (including, where relevant, availability and take-up of new products using newer technologies), trends in volumes, revenues, new sales and likely migration costs.

You have drawn particular attention to three categories of customers in the “tail”. I deal with the three categories first, before addressing the remaining products set out in your Annex.

We have given particular and careful consideration to the categories of customers identified in your letter as those supplied with ISDN2, ISDN30 DASS and those with secure requirements. In the case of the latter, we recognise the cost and complexity of migrating these customer records for customers with bespoke requirements onto separate OSS and consider that this would likely be a disproportionate requirement. We note that BT maintains that where it can migrate such customer records it will do so and that it will continue to explore migration opportunities.

With regard to ISDN2 and your commitment to migrate and consume the EOI variant (discussed above), we agree that that it is unlikely to be proportionate to further migrate these Customer Side Records from Level 2 separated OSS to physically separate OSS. We consider that the costs of doing so in light of the observed decline in this market is unlikely to be proportionate when compared to the benefit to competition of physical separation.

In relation to ISDN30 DASS, we recognise that BT customers using this older variant of ISDN30 represent both a small and more rapidly declining proportion of the declining ISDN30 market. We therefore agree that building and migrating these customer records onto separate OSS is unlikely to be proportionate.

For the remaining products set out in the Annex to your letter, we agree that for these products the cost of building and migrating BT’s Customer Side Records onto separate OSS would be disproportionate given the low and declining volumes of these legacy products and services and their materiality to competitors and business consumers more generally.

In conclusion, our assessment is that the potential for any adverse impact on competition of agreeing that the products listed in the Annex to your letter remain on shared OSS is low. Further, we consider that requiring BT to migrate Customer Side Records for this relatively small and largely declining tail of products off shared OSS, by incurring the costs of building and then migrating these records onto separate OSS, would not be proportionate.

We therefore provide our agreement, pursuant to Section 5.44.2(a), that in respect of only the products listed in the Annex to your letter BT is not required to ensure that its OSS is run physically separate for Openreach and the rest of BT.

Yours sincerely



Jonathan Oxley