

## A5. Draft Directions

### Proposals for directions in relation to BT's regulatory financial reporting requirements for Wholesale Local Access, Wholesale Broadband Access, Narrowband, Business Connectivity and Physical Infrastructure markets

### Notification under sections 49 and 49A of the Communications Act 2003 of proposed directions given under SMP conditions

#### Background

1. On 30 November 2017 Ofcom published a statement titled "Narrowband Market Review: Statement – Markets, market power determinations and remedies for wholesale call termination, wholesale call origination and wholesale narrowband access markets".<sup>1</sup> At Annex 9 Ofcom published a notification under sections 48(1) and 79(4) of the Act identifying markets, making market power determinations and setting SMP services conditions in relation to BT under section 45 of the Act ("**2017 NMR Notification**").<sup>2</sup> Condition 9 was titled "Regulatory Financial Reporting". Pursuant to Condition 9.4, Ofcom may make directions in relation to BT's obligations under Condition 9. At Annex 10 Ofcom issued directions under section 49 of the Act and Condition 9.4 with respect to regulatory financial reporting.
2. On 28 March 2018 Ofcom published a statement titled "*Wholesale Local Access Market Review: Statement – Markets, market power determinations and remedies*".<sup>3</sup> At Annex 33 Ofcom published a notification under sections 48(1), 49 and 79(4) of the Act identifying markets, making market power determinations and setting SMP services conditions and giving directions in relation to BT under sections 45 and 49 of the Act ("**2018 WLA Notification**").<sup>4</sup> Condition 12 was titled "Regulatory Financial Reporting". Pursuant to Condition 12.4, Ofcom may make directions in relation to BT's obligations under the Conditions. At Schedule 3 Ofcom issued directions to BT under section 49 of the Act and Condition 12.4 with respect to regulatory financial reporting.
3. On 31 July 2018 Ofcom published a statement titled "*Wholesale Broadband Access Market Review 2018*".<sup>5</sup> At Annex 1 Ofcom published a notification under sections 48(1), 49 and 79(4) of the Act identifying markets, making market power determinations and setting SMP services conditions and giving directions in relation to BT under sections 45 and 49 of the Act ("**2018 WBA Notification**").<sup>6</sup> Condition 7 was titled "Regulatory Financial Reporting". Pursuant to Condition 7.4 Ofcom may make directions in relation to BT's obligations under

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<sup>1</sup> [https://www.ofcom.org.uk/data/assets/pdf\\_file/0020/108353/final-statement-narrowband-market-review.pdf](https://www.ofcom.org.uk/data/assets/pdf_file/0020/108353/final-statement-narrowband-market-review.pdf)

<sup>2</sup> [https://www.ofcom.org.uk/data/assets/pdf\\_file/0022/108355/final-statement-narrowband-market-review-annexes-9-10.pdf](https://www.ofcom.org.uk/data/assets/pdf_file/0022/108355/final-statement-narrowband-market-review-annexes-9-10.pdf)

<sup>3</sup> [https://www.ofcom.org.uk/data/assets/pdf\\_file/0020/112475/wla-statement-vol-1.pdf](https://www.ofcom.org.uk/data/assets/pdf_file/0020/112475/wla-statement-vol-1.pdf)

<sup>4</sup> [https://www.ofcom.org.uk/data/assets/pdf\\_file/0024/112488/wla-statement-annex-33.pdf](https://www.ofcom.org.uk/data/assets/pdf_file/0024/112488/wla-statement-annex-33.pdf)

<sup>5</sup> [https://www.ofcom.org.uk/data/assets/pdf\\_file/0030/116994/statement-wba-review.pdf](https://www.ofcom.org.uk/data/assets/pdf_file/0030/116994/statement-wba-review.pdf)

<sup>6</sup> [https://www.ofcom.org.uk/data/assets/pdf\\_file/0032/116996/wba-annex-1.pdf](https://www.ofcom.org.uk/data/assets/pdf_file/0032/116996/wba-annex-1.pdf)

Condition 7. At Schedule 2 Ofcom issued directions to BT under section 49 of the Act and Condition 7.4 with respect to regulatory financial reporting.

4. On 2 November 2018 Ofcom published a consultation titled *“Physical Infrastructure Market Review: Access to ducts and poles to support investment”*.<sup>7</sup> At Annex 10 Ofcom published a notification under sections 48A and 80A of the Act proposing to identify markets, make market power determinations and set SMP services conditions in relation to BT under section 45 of the Act (**“2018 PIMR Notification”**). Condition 11 was titled *“Regulatory Financial Reporting”*. Pursuant to proposed Condition 11.4 Ofcom may make directions in relation to BT’s obligations under the Conditions.
5. On 2 November 2018 Ofcom also published a consultation titled *“Business connectivity market review: Market analysis, proposed SMP findings and remedies”*.<sup>8</sup> At Annex 23 Ofcom published a notification under sections 48A and 80A of the Act proposing to identify markets, make market power determinations and set SMP services conditions in relation to BT under section 45 of the Act (**“2018 BCMR Notification”**).<sup>9</sup> Pursuant to paragraph 9 Ofcom proposed to revoke, to the extent still extant, the SMP conditions applied to BT in the 2016 BCMR Notification. Condition 11 was titled *“Regulatory Financial Reporting”*. Pursuant to proposed Condition 11.4, Ofcom may make directions in relation to BT’s obligations under Condition 11.
6. Ofcom is today consulting on proposed regulatory financial reporting directions to BT in respect of the markets in which Ofcom has either found or proposed that BT has SMP in the 2017 NMR Notification, 2018 WLA Notification, 2018 WBA Notification, 2018 PIMR Notification and the 2018 BCMR Notification. Ofcom’s proposals are set out in the consultation document accompanying this notification titled *“BT Regulatory Financial Reporting - Proposed regulatory reporting directions covering all regulated fixed telecoms markets”*.

## Proposals to give, modify or withdraw directions

7. With the exception of the directions set out in paragraphs 8 and 9, Ofcom is proposing to withdraw the regulatory reporting directions issued under the following SMP Conditions:
  - (a) Condition 9.4 of the 2017 NMR Notification;
  - (b) Condition 12.4 of the 2018 WLA Notification; and
  - (c) Condition 7.4 of the 2018 WBA Notification.
8. Ofcom is not proposing to withdraw the following directions:
  - (a) “Direction under section 49 of the Communications Act 2003 and Condition 9.4 specifying the requirements in relation to regulatory asset value”, issued under Condition 9.4 of the 2017 NMR Notification on 30 November 2017;
  - (b) “Direction under section 49 of the Communications Act 2003 and SMP Services Condition 12.4 specifying the requirements in relation to reporting of information

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<sup>7</sup> [https://www.ofcom.org.uk/\\_data/assets/pdf\\_file/0014/125420/PIMR-consultation.pdf](https://www.ofcom.org.uk/_data/assets/pdf_file/0014/125420/PIMR-consultation.pdf)

<sup>8</sup> [https://www.ofcom.org.uk/\\_data/assets/pdf\\_file/0025/124729/bcmr-2018-volume-1.pdf](https://www.ofcom.org.uk/_data/assets/pdf_file/0025/124729/bcmr-2018-volume-1.pdf)

<sup>9</sup> [https://www.ofcom.org.uk/\\_data/assets/pdf\\_file/0018/124731/bcmr-annex-23-draft-legal-instruments.pdf](https://www.ofcom.org.uk/_data/assets/pdf_file/0018/124731/bcmr-annex-23-draft-legal-instruments.pdf)

relating to BT's Attribution Methods in relation to the Electricity Charge", issued under Condition 12.4 of the 2018 WLA Notification on 28 March 2018; and

- (c) "Direction under section 49 of the Communications Act 2003 and Condition 7.4 specifying the requirements in relation to regulatory asset value", issued under Condition 7.4 of the 2018 WBA Notification on 31 July 2018.

9. The following direction shall have have effect for the purposes of the Regulatory Financial Reporting prepared for the Financial Year beginning on 1 April 2018 and ending on 31 March 2019 only, and shall cease to have effect thereafter: "Direction under section 49 of the Communications Act 2003 and Condition 12.4 specifying the requirements in relation to consistency with regulatory decisions and the preparation of the Regulatory Financial Statements on a regulatory asset value adjusted current costs basis", issued under Condition 12.4 of the 2018 WLA Notification on 28 March 2018.
10. The regulatory reporting directions given pursuant to the 2017 BCMR Temporary Conditions Notification expire after 31 March 2019.
11. Ofcom is proposing to give the directions set out in the Schedule to this notification under section 49 of the Act pursuant to:
  - (a) Condition 9.4 of the 2017 NMR Notification;
  - (b) Condition 12.4 of the 2018 WLA Notification;
  - (c) Condition 7.4 of the 2018 WBA Notification;
  - (d) Condition 11.4 of the 2018 PIMR Notification; and
  - (e) Condition 11.4 of the 2018 BCMR Notification.
12. The proposed directions given pursuant to paragraph 11 shall apply in respect of the following markets to the extent specified therein:
  - (a) 2017 NMR Markets;
  - (b) 2018 WLA Market;
  - (c) 2018 WBA Market;
  - (d) 2018 PIMR Markets; and
  - (e) 2018 BCMR Markets.
13. For the avoidance of doubt, the proposed directions given pursuant to paragraph 11 shall apply to BT only.
14. The proposed directions set out in the Schedule to this notification shall take effect on the date of a subsequent notification under section 49 of the Act adopting the proposals set out in this notification.

## Ofcom's legal duties and tests

15. The effect of these proposed directions, and Ofcom's reasons for imposing them, are set out in the consultation document accompanying this notification and, for the reasons therein, Ofcom provisionally considers that the directions would comply with the requirements of section 49(2) of the Act. 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 European Commission recommendations for harmonisation in section 4A of the Act.

## Making representations

16. Representations may be made to Ofcom about any of the proposals set out in this notification and the accompanying consultation document by no later than 18 January 2019.
17. In accordance with section 49C(1)(a) of the Act, a copy of this notification, together with the Schedule, has been sent to the Secretary of State.

## Interpretation

18. For the purposes of interpreting the proposed Directions the following definitions shall apply:

<b>"2016 BCMR Notification"</b>	means the notification at Annex 35 of the statement published by Ofcom on 28 April 2016 titled: <i>"Business Connectivity Market Review – review of Competition in the provision of leased lines"</i> ;
<b>"2017 BCMR Temporary Conditions Notification"</b>	means the notification at Annex 1 of the statement published by Ofcom on 23 November 2017 titled <i>"Business Connectivity Markets – Temporary SMP conditions in relation to business connectivity services"</i> ;
<b>"2017 NMR Markets"</b>	means the markets in which Ofcom identified BT as having SMP in the 2017 NMR Notification;
<b>"2017 NMR Notification"</b>	has the meaning given to it by paragraph 1 of this notification;
<b>"2018 BCMR Markets"</b>	means the markets in which Ofcom proposed to identify BT as having SMP in the 2018 BCMR Notification;
<b>"2018 BCMR Notification"</b>	has the meaning given to it by paragraph 5 of this notification;
<b>"2018 PIMR Markets"</b>	means the markets in which Ofcom proposed to identify BT as having SMP in the 2018 PIMR Notification;
<b>"2018 PIMR Notification"</b>	has the meaning given to it by paragraph 4 of this notification;

<b>“2018 WBA Market”</b>	means the market in which Ofcom identified BT as having SMP in the 2018 WBA Notification;
<b>“2018 WBA Notification”</b>	has the meaning given to it by paragraph 3 of this notification;
<b>“2018 WLA Market”</b>	means the market in which Ofcom identified BT as having SMP in the 2018 WLA Notification;
<b>“2018 WLA Notification”</b>	has the meaning given to it by paragraph 2 of this notification;
<b>“Act”</b>	means the Communications Act 2003 (c. 21);
<b>“BT”</b>	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.

19. To the extent not otherwise defined above, words or expressions used shall have the same meaning as they have been ascribed in:

- (a) Condition 9 of the 2017 NMR Notification;
- (b) Condition 12 of the 2018 WLA Notification;
- (c) Condition 7 of the 2018 WBA Notification;
- (d) Proposed Condition 11 of the 2018 PIMR Notification; and
- (e) Proposed Condition 11 of the 2018 BCMR Notification;

and otherwise any word or expression shall have the same meaning as it has in the Act.

20. The Interpretation Act 1978 (c. 30) shall apply as if this notification were an Act of Parliament.

Signed



David Brown

**Director of Financial Economics, Ofcom**

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

4 December 2018

## **SCHEDULE**

### **[DRAFT] Direction 1: Direction specifying the Regulatory Accounting Principles**

#### **Background**

1. This Direction is made under:
  - (a) Section 49 of the Act;
  - (b) Condition 9.4 of the 2017 NMR Notification;
  - (c) Condition 12.4 of the 2018 WLA Notification;
  - (d) Condition 7.4 of the 2018 WBA Notification;
  - (e) Condition 11.4 of the 2018 PIMR Notification; and
  - (f) Condition 11.4 of the 2018 BCMR Notification.
  
2. This Direction applies with respect to the following markets unless otherwise specified:
  - (a) 2017 NMR Markets;
  - (b) 2018 WLA Market;
  - (c) 2018 WBA Market;
  - (d) 2018 PIMR Markets; and
  - (e) 2018 BCMR Markets.

#### **Direction**

3. Ofcom hereby directs BT that the Regulatory Accounting Principles shall be those principles specified in the Annex to this Direction.
  
4. The Annex to this direction forms part of the Direction.
  
5. In the case of the 2017 NMR Markets, the 2018 WLA market and the 2018 WBA Market, BT shall act as prescribed in respect of the Regulatory Financial Reporting prepared for the Financial Year beginning on 1 April 2018 and ending on 31 March 2019 and in respect of the Regulatory Financial Reporting prepared for each subsequent Financial Year until such time that this Direction is modified or revoked.
  
6. In the case of the 2018 PIMR Markets and the 2018 BCMR Markets, BT shall act as prescribed in respect of the Regulatory Financial Reporting prepared for the Financial Year beginning on 1 April 2019 and ending on 31 March 2020 and in respect of the Regulatory Financial Reporting prepared for each subsequent Financial Year until such time that this Direction is modified or revoked.

## **Annex - The Regulatory Accounting Principles**

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

### **1. Completeness**

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

### **2. Accuracy**

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

### **3. Objectivity**

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

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

### **4. Consistency with regulatory decisions**

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

### **5. Causality**

Regulatory Financial Reporting must ensure that:

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

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

## **6. Compliance with the statutory accounting standards**

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

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

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

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

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

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

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

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

## **[DRAFT] Direction 2: Direction specifying the requirements in relation to consistency with regulatory decisions and regulatory asset value adjusted current costs basis**

### **Background**

1. This Direction is made under:
  - (a) Section 49 of the Act;
  - (b) Condition 9.4 of the 2017 NMR Notification;
  - (c) Condition 12.4 of the 2018 WLA Notification;
  - (d) Condition 7.4 of the 2018 WBA Notification;
  - (e) Condition 11.4 of the 2018 PIMR Notification; and
  - (f) Condition 11.4 of the 2018 BCMR Notification.
  
2. This Direction applies with respect to the following markets unless otherwise specified:
  - (a) 2017 NMR Markets;
  - (b) 2018 WLA Market;
  - (c) 2018 WBA Market;
  - (d) 2018 PIMR Markets; and
  - (e) 2018 BCMR Markets.

### **Direction**

3. Ofcom hereby directs BT to act as prescribed in:
  - (a) Schedules 1 and 2 for the purposes of the Regulatory Financial Reporting prepared for the Financial Year beginning on 1 April 2018 and ending on 31 March 2019; and
  - (b) Schedule 3 for the purposes of the Regulatory Financial Reporting prepared for the Financial Year beginning on 1 April 2019 and ending on 31 March 2020;

and in respect of the Regulatory Financial Reporting prepared for each subsequent Financial Year until such time that this Direction is modified or revoked.

## Schedule A

1. In preparing the Regulatory Financial Statements, explanations and other required information on a regulatory asset value adjusted current costs basis, BT shall value the Access Ducts capitalised prior to 1 August 1997 on the basis of the closing historical cost on 31 March 2005 which is indexed by the Retail Price Index from 31 March 2005.
2. For the purposes of interpreting paragraph 1 the following definitions shall apply:
  - (a) “**Access Ducts**” means the underground pipes which hold copper and fibre lines, and which are used in the part of BT’s network which connects directly to customers from the local telephone exchange; and
  - (b) “**Retail Prices Index**” means the measure of inflation which is published monthly by the Office for National Statistics.

## Schedule B

1. BT shall attribute the costs currently included in AG409, using the BT Enterprise PAC methodology.
2. For the purposes of interpreting paragraph 1, "**BT Enterprise PAC**" means the cost attribution methodology specifying that:
  - (i) 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: (a) BT Enterprise Current Pay Costs, (b) BT Enterprise Non-Pay Costs, (c) Current Cost Depreciation on BT Enterprise Fixed Assets, and (d) Return on Capital Employed associated with total BT Enterprise Fixed Assets and BT Enterprise Net Current Assets;
  - (ii) the pro-rata attribution to each cost category referred to in paragraph (i) of this definition must be calculated by dividing the total cost of (a) BT Enterprise Current Pay Costs, (b) BT Enterprise Non-Pay Costs, (c) Current Cost Depreciation on BT Enterprise Fixed Assets, and (d) Return on Capital Employed associated with total BT Enterprise Fixed Assets and BT Enterprise Net Current Assets included in that cost category at the preceding level of the Regulatory Accounting System by the total cost of (a) BT Enterprise Current Pay Costs, (b) BT Enterprise Non-Pay Costs, (c) Current Cost Depreciation on BT Enterprise Fixed Assets, and (d) Return on Capital Employed associated with total BT Enterprise Fixed Assets and BT Enterprise Net Current Assets in all cost categories at the preceding level of the Regulatory Accounting System;
  - (iii) the BT Enterprise PAC methodology shall include costs associated with all of BT Enterprise's UK and overseas operations except where the information that BT holds demonstrates that the costs to be attributed only relate to:
    - (a) activities undertaken exclusively in the UK in which case the BT Enterprise PAC methodology shall include costs associated only with BT Enterprise's UK operations;  
or
    - (b) activities undertaken exclusively overseas in which case the BT Enterprise PAC methodology shall include costs associated only with BT Enterprise's overseas operations;

## Schedule C

### Part 1: Definitions and Interpretation

1. For the purposes of Part 2 of this Schedule:
  - (a) **“Access Fibre Cable”** means the fibre cable from BT exchange to the end user’s premises as per BT’s Accounting Methodology Document<sup>10</sup> this will cover the fibre assets included within the following Classes of Work;
    - (i) LFSC Local Line Of Spine Cable
    - (ii) LFDC Local Line Of Distribution Cable
    - (iii) CJF Junction Cable Optical Fibre
  - (b) **“Class of Work” (CoW)** means activities (e.g. Maintenance & Construction) which BT use to identify the plant type or the product group/service being worked on by BT’s engineers;
  - (c) **“Cumulo costs”** means the non-domestic (business) rates that BT pays on its Cumulo Rateable Assets within the United Kingdom;
  - (d) **“Cumulo Rateable Assets”** means the assets that make up BT’s Cumulo non-domestic rating assessments in the United Kingdom as defined for England in The Central Rating List (England) Regulations 2005 (SI 2005/551), as amended by The Central Rating List (Amendment) (England) Regulations 2006 (SI 2006/495) and The Central Rating List (Amendment) (England) Regulations 2008 (SI 2008/429), and the analogous legislation that define these assets in Wales, Scotland and Northern Ireland;
  - (e) **“Cumulo Relevant Network Services”** means the Network Services other than Physical Infrastructure Access Network Services and Dark Fibre Access Network Services sold to Communications Providers other than BT;
  - (f) **“Cumulo RV”** means the total rateable value for the Cumulo Rateable Assets as given in the Central Rating Lists in England and Wales, and the analogous entries in Scotland and Northern Ireland;
  - (g) **“Dark Fibre Access Network Services”** means the Network Services providing network access to one or more optical fibres suitable for the transmission of electromagnetic energy to convey signals;
  - (h) **“ECC Services”** means each and every service which is subject to Condition 10D of the 2018 BCMR Notification;
  - (i) **“EE”** means EE Limited, whose registered company number is 02382161;

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<sup>10</sup> See para 5.3.4

<https://www.btplc.com/Thegroup/Policyandregulation/Governance/Financialstatements/2018/AMD2017-18.pdf>

- (j) **“Financial Limit”** means:
- (i) for Third Parties, the PIA Adjustment Limit; and
  - (ii) for BT, an amount calculated in accordance with Conditions 7D.5 and 7D.6 of the 2018 WLA Notification with the following modifications:
    - a) for ‘PIA Adjustment Service’ substitute ‘BT PIA Adjustment Service’,
    - b) for ‘PIA Pole Adjustment Services’ substitute ‘BT PIA Pole Adjustment Services’;
- (k) **“Fixed Asset Register”** means a list of assets held by BT, including their location, description, gross book values (GBV) and accumulated depreciation;
- (l) **“GEA Network Services”** means the Network Services which are used solely to supply GEA Services;
- (m) **“GEA Network Services RV”** means the total RV of GEA services calculated with respect to GEA FTTC Rental Services with reference to a rateable value of £18 per connected line per annum and with respect to Other GEA Rental Services with reference to a rateable value of £20 per connected line per annum;
- (n) **“GEA Related Cumulo costs”** means the element of BT’s Cumulo costs within the United Kingdom that is directly attributable to GEA Network Services;
- (o) **“Generic Ethernet Access”** or **“GEA Services”** means the services provided by Openreach within its Superfast and Ultrafast Fibre Access portfolio. These are services provided over 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;
- (p) **“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;
- (q) **“Mean Capital Employed (MCE)”** means total assets less current liabilities, excluding corporate taxes and dividends payable, and provisions other than those for deferred taxation. The mean is computed from the start and end values for the period, except in the case of short-term investments and borrowings, where daily averages are used in their place;
- (r) **“Net Replacement Cost”** or **“NRC”** means the Gross Replacement Cost less accumulated depreciation based on Gross Replacement Cost;
- (s) **“Network Adjustment”** means:
- (i) for Third Parties, PIA Adjustment Services; and
  - (ii) for BT, activities the same as or equivalent to PIA Adjustment Services undertaken by BT for itself;

- (t) **“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;
- (u) **“Non-GEA Network Services”** means the Network Services other than the GEA Network Services;
- (v) **“Non-GEA Related Cumulo costs”** means the Cumulo costs excluding the GEA related Cumulo costs;
- (w) **“Plant Groups”** are one of the five main categories of costs BT uses in its Regulatory Financial Reporting System in the production of the RFS. Plant Groups are used to attribute onwards the costs and asset values of activities, equipment and infrastructure for the purposes of running and selling network services.
- (x) **“Physical Infrastructure Access Network Services”** means the Network Services which are used to provide network access comprising predominantly of the provision of space, anchorage, attachment facilities and/or such other facilities as may be reasonably necessary to permit a Third Party to occupy parts of the Dominant Provider’s Physical Infrastructure located between Network Termination Points and Local Access Nodes serving those Network Termination Points, sufficient to facilitate the establishment, installation, operation and maintenance of the electronic communications network of a Third Party at that location;
- (y) **“PIA Adjustment Limit”** has the meaning given to it in Condition 6.6 as set out in the 2018 PIMR Notification;
- (z) **“PIA Adjustment Services”** has the meaning given to it in Condition 6.11(c) as set out in the 2018 PIMR Notification;
- (aa) **“PIPeR”** (Physical Inventory Planning E-Records) means the database held within Openreach that holds all Openreach external inventories of duct, copper and fibre assets.

## Part 2: Requirements to ensure the Regulatory Financial Statements are consistent with specified regulatory decisions made by Ofcom

### Cumulo

1. In the case of Cumulo costs, BT shall follow the requirements set out in paragraphs (a) – (c) in the order in which these requirements are set out below:

- (a) BT shall attribute its Cumulo costs between GEA Network Services and Non-GEA Network Services in proportion to their relative shares of BT's Cumulo RV. The GEA Network Services share of Cumulo costs shall be calculated as the GEA Network Services RV divided by the Cumulo RV. The Non-GEA share of Cumulo costs shall be calculated as 1 minus the GEA Network Services share of Cumulo costs.
- (b) BT shall attribute GEA Related Cumulo costs to GEA Network Services that are also Cumulo Relevant Network Services on the basis of profit weighted Net Replacement Costs in accordance with the following formula:

$$Cumall_i = GEACC \times \left( \frac{\sum_{j=1}^m nrc_{ij} land\%_j wacc_i}{\sum_{i=1}^n \sum_{j=1}^m nrc_{ij} land\%_j wacc_i} \right)$$

Where:

$Cumall_i$  = the allocation of the GEA related Cumulo costs to service i

GEACC = GEA related Cumulo costs

$nrc_{ij}$  = the Net Replacement Costs of the Cumulo Rateable Asset j that has been attributed to service i

$land\%_j$  = the percentage of the Cumulo Rateable Asset j that is regarded as being a landlord asset within the most recent rating model used by the Valuation Office Agency in England and Wales to value BT's Cumulo assessment

$wacc_i$  = the weighted average cost of capital that is applicable for service i

m = the number of the Cumulo Rateable Asset categories

n = the number of GEA Network Services that are also Cumulo Relevant Network Services.

- (c) BT shall attribute the Non-GEA Related Cumulo costs to the Non-GEA Network Services that are also Cumulo Relevant Network Services on the basis of profit weighted Net Replacement Costs in accordance with the following formula:

$$Cumall_i = GEACC \times \left( \frac{\sum_{j=1}^m nrc_{ij} land\%_j wacc_i}{\sum_{i=1}^n \sum_{j=1}^m nrc_{ij} land\%_j wacc_i} \right)$$

Where:

$Cumall_i$	= the allocation of the Non-GEA related Cumulo costs to service i
GEACC	= Non-GEA related Cumulo costs
$nrc_{ij}$	= the Net Replacement Costs of the Cumulo Rateable Asset j that has been attributed to service i
$land\%_j$	= the percentage of the Cumulo Rateable Asset j that is regarded as being a landlord asset within the most recent rating model used by the Valuation Office Agency in England and Wales to value BT's Cumulo assessment
$wacc_i$	= the weighted average cost of capital that is applicable for service i
m	= the number of the Cumulo Rateable Asset categories
n	= the number of the Non-GEA Network Services that are also Cumulo Relevant Network Services.

### Other

2. BT shall separately identify and record Network Adjustment costs both above and below the Financial Limit in BT's Regulatory Financial Reporting System.
3. BT shall ensure that any costs it incurs for Network Adjustments requested by Third Parties that are below the Financial Limit are appropriately capitalised and attributed to network access services that use the Physical Infrastructure.
4. BT shall ensure that costs it incurs for Network Adjustments BT undertakes for itself that are below the Financial Limit are appropriately capitalised and attributed to all network access services that use the Physical Infrastructure.
5. In the case of costs incurred for Network Adjustments requested by Third Parties above the Financial Limit that BT recovers separately from the Third Party requesting the Network Adjustment, BT shall ensure that these Network Adjustments costs above Financial Limit are treated as an operating cost in the 2018 PIMR Markets and the recovery of these costs from third parties is treated as an operating income in the 2018 PIMR Markets.
6. In the case of costs incurred for Network Adjustments that BT undertakes for itself that are above the Financial Limit, BT shall ensure that all these Network Adjustments costs above Financial Limit are treated as an operating cost in the 2018 PIMR Markets and the recovery of these cost from third parties is treated as an operating income in the 2018 PIMR Markets.
7. BT shall ensure that aggregated cost data within its General Ledger data are mapped on an annual basis to its physical asset inventory held within its PiPER system, which in turn can be mapped through BT's Regulatory Financial Reporting.
8. In relation to the Access Fibre Cable, BT shall restate the GRC, NRC and accumulated depreciation on the basis that a flat nominal indexation basis was used for the purpose CCA valuation from when the asset was acquired. BT shall use a flat nominal indexation basis for the purpose of future CCA valuation in the RFS.

9. BT shall not attribute any transactional or integration costs in relation to the acquisition and integration costs of EE to any of the 2017 NMR Markets, 2018 WLA Market, 201 WBA Market, 2018 BCMR Markets or 2018 PIMR Markets.
10. BT shall remove all capitalised costs from the GRCs and NRCs for all network components that are attributed to ECC Services. The costs instead should be treated as operating expense. BT shall not capitalise ECC costs in the future.
11. BT shall remove all costs that have been capitalised, in relation to repayment alterations and repayment damages, since the creation of Openreach, from the GRCs and NRCs of all network components used in regulated services. BT shall not attribute the costs relating to repayment alterations and repayment damages to regulated services in the future.

# **[DRAFT] Direction 3: Direction specifying the transparency requirements for the purposes of preparing and maintaining the accounting records, the Accounting Methodology Documents and the Regulatory Financial Statements**

## **Background**

1. This Direction is made under:
  - (a) Section 49 of the Act;
  - (b) Condition 9.4 of the 2017 NMR Notification;
  - (c) Condition 12.4 of the 2018 WLA Notification;
  - (d) Condition 7.4 of the 2018 WBA Notification;
  - (e) Condition 11.4 of the 2018 PIMR Notification; and
  - (f) Condition 11.4 of the 2018 BCMR Notification.
2. This Direction applies with respect to the following markets unless otherwise specified:
  - (a) 2017 NMR Markets;
  - (b) 2018 WLA Market;
  - (c) 2018 WBA Market;
  - (d) 2018 PIMR Markets; and
  - (e) 2018 BCMR Markets.

## **Direction**

3. Ofcom hereby directs BT to act as prescribed in paragraph 4 below.
4. 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.

5. In the case of the 2017 NMR Markets, the 2018 WLA market and the 2018 WBA Market, BT shall act as prescribed in respect of the Regulatory Financial Reporting prepared for the Financial Year beginning on 1 April 2018 and ending on 31 March 2019 and in respect of the Regulatory Financial Reporting prepared for each subsequent Financial Year until such time that this Direction is modified or revoked.
6. In the case of the 2018 PIMR Markets and the 2018 BCMR Markets, BT shall act as prescribed in respect of the Regulatory Financial Reporting prepared for the Financial Year beginning on 1 April 2019 and ending on 31 March 2020 and in respect of the Regulatory Financial Reporting prepared for each subsequent Financial Year until such time that this Direction is modified or revoked.

## **[DRAFT] Direction 4: Direction setting the requirements in relation to audit, form of the FPIA opinion and form of the PPIA opinion for Regulatory Financial Statements**

### **Background**

1. This Direction is made under:
  - (a) Section 49 of the Act;
  - (b) Condition 9.4 of the 2017 NMR Notification;
  - (c) Condition 12.4 of the 2018 WLA Notification;
  - (d) Condition 7.4 of the 2018 WBA Notification;
  - (e) Condition 11.4 of the 2018 PIMR Notification; and
  - (f) Condition 11.4 of the 2018 BCMR Notification.
2. This Direction applies with respect to the following markets unless otherwise specified:
  - (a) 2017 NMR Markets;
  - (b) 2018 WLA Market;
  - (c) 2018 WBA Market;
  - (d) 2018 PIMR Markets; and
  - (e) 2018 BCMR Markets.

### **Direction**

3. Ofcom hereby directs BT to act as prescribed in paragraphs 6 to 8 below.
4. In the case of the 2017 NMR Markets, the 2018 WLA market and the 2018 WBA Market, BT shall act as prescribed in respect of the Regulatory Financial Reporting prepared for the Financial Year beginning on 1 April 2018 and ending on 31 March 2019 and in respect of the Regulatory Financial Reporting prepared for each subsequent Financial Year until such time that this Direction is modified or revoked.
5. In the case of the 2018 PIMR Markets and the 2018 BCMR Markets, BT shall act as prescribed in respect of the Regulatory Financial Reporting prepared for the Financial Year beginning on 1 April 2019 and ending on 31 March 2020 and in respect of the Regulatory Financial Reporting prepared for each subsequent Financial Year until such time that this Direction is modified or revoked.
6. BT shall secure, to the satisfaction of Ofcom, an appropriate audit opinion in respect of the published Regulatory Financial Statements as a whole, in respect of each Regulatory Financial Statement and in respect of groups of Regulatory Financial Statement, to either “fairly presents in accordance with” (“**FPIA**”) standards or “properly prepared in accordance

with” (“**PPIA**”) standards, as determined following consultation with Ofcom and the Regulatory Auditor.

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

practicable any adjustments he considers to be required in respect of any such matter.

## **[DRAFT] Direction 5: Direction setting the requirements in relation to the reconciliation report and accompanying audit opinion**

### **Background**

1. This Direction is made under:
  - (a) Section 49 of the Act;
  - (b) Condition 9.4 of the 2017 NMR Notification;
  - (c) Condition 12.4 of the 2018 WLA Notification;
  - (d) Condition 7.4 of the 2018 WBA Notification;
  - (e) Condition 11.4 of the 2018 PIMR Notification; and
  - (f) Condition 11.4 of the 2018 BCMR Notification.
2. This Direction applies with respect to the following markets unless otherwise specified:
  - (a) 2017 NMR Markets;
  - (b) 2018 WLA Market;
  - (c) 2018 WBA Market;
  - (d) 2018 PIMR Markets; and
  - (e) 2018 BCMR Markets.

### **Direction**

3. Ofcom hereby directs BT to act as prescribed in paragraphs 6 to 8 below.
4. In the case of the 2017 NMR Markets, the 2018 WLA market and the 2018 WBA Market, BT shall act as prescribed in respect of the Regulatory Financial Reporting prepared for the Financial Year beginning on 1 April 2018 and ending on 31 March 2019 and in respect of the Regulatory Financial Reporting prepared for each subsequent Financial Year until such time that this Direction is modified or revoked.
5. In the case of the 2018 PIMR Markets and the 2018 BCMR Markets, BT shall act as prescribed in respect of the Regulatory Financial Reporting prepared for the Financial Year beginning on 1 April 2019 and ending on 31 March 2020 and in respect of the Regulatory Financial Reporting prepared for each subsequent Financial Year until such time that this Direction is modified or revoked.
6. BT must prepare a reconciliation report within the published Regulatory Financial Statements which sets out:
  - (a) in relation to changes to the Regulatory Accounting Methodology:

- (i) each and every change (including a description that can be referenced to the change control notification)
  - (ii) 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;
  - (iii) 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
- (b) in relation to Material Errors identified since the publication of the previous Financial Year's Regulatory Financial Statements:
- (i) for each Material Error, a description of the Material Error, the circumstances of discovery of the Material Error, the reason for the Material Error, and whether such Material Error has been corrected in the restated Prior Year Comparatives;
  - (ii) the impact of each Material Errors presented in the Regulatory Financial Statements for the previous Financial Year, by setting out:
    - 1. the Current Year Figures set out in the Regulatory Financial Statements for the previous Financial Year had such Material Errors been corrected in the previous Financial Year ("the Corrected Previous Year Figures"); and
    - 2. the difference as an absolute amount 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 between:
- 1. the Current Year Figures set out in the Regulatory Financial Statements for the previous Financial Year; and
  - 2. the Current Year Figures set out in the Regulatory Financial Statements for the previous Financial Year had such Material Error been corrected in the previous Financial Year.

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

- (a) whether all Material Changes were included in the Change Control Notification. Where this is not the case, the audit opinion must report whether Material Changes

other than those included in the Change Control Notification were made as a result of an audit requirement made following delivery of the Change Control Notification or otherwise;

- (b) whether the description of each of the Material Changes provided by BT in the Change Control Notification is accurate;
  - (c) whether BT included each and every Material Change in the reconciliation report and correctly calculated the impact of all changes presented in the Regulatory Financial Statements in accordance with paragraph 6(a)(ii) above;
  - (d) whether the description of each of the Material Errors provided by BT in the reconciliation report is accurate; and
  - (e) whether the Corrected Previous Year Figures set out in the reconciliation report in accordance with paragraph 6(b)(ii)(1) above are properly prepared in accordance with the Accounting Methodology Documents for the previous Financial Year had these Accounting Methodology Documents not included these Material Errors.
8. BT must ensure it maintains the data to enable it to compile a report which sets out the impact of all changes on all figures presented in the Regulatory Financial Statements, by setting out, on an aggregated basis, the difference between the Current Year Figures and the Current Year Figures had such a change not been made expressed as an absolute amount and as a percentage.

## Interpretation

9. For the purposes of interpreting this Direction the following definitions shall apply:
- (a) **“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;
  - (b) **“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;
  - (c) **“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;
  - (d) **“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 £5 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;

- (e) **“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 £5 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:
    - 1. the error has arisen within the Regulatory Attribution System;
    - 2. the error has been brought to the attention of the Audit and Risk Committee by the Regulatory Auditor;
- (f) **“Regulatory Attribution System”** means the set of computerised and manual accounting methods, procedures, Processes and controls established to attribute the costs, revenues, assets and liabilities and summarise, interpret, and present the resultant financial data in an accurate and timely manner for the purposes of the whole of the Regulatory Financial Statements, the Accounting Methodology Documents, the accounting records and the Regulatory Accounting System; and
- (g) **“Regulatory Financial Reporting”** means the whole of the Regulatory Financial Statements, the Accounting Methodology Documents, the accounting records and the Regulatory Accounting System.

## **[DRAFT] Direction 6: Direction specifying network components**

### **Background**

1. This Direction is made under:
  - (a) Section 49 of the Act;
  - (b) Condition 9.4 of the 2017 NMR Notification;
  - (c) Condition 12.4 of the 2018 WLA Notification;
  - (d) Condition 7.4 of the 2018 WBA Notification;
  - (e) Condition 11.4 of the 2018 PIMR Notification; and
  - (f) Condition 11.4 of the 2018 BCMR Notification.
2. This Direction applies with respect to the following markets unless otherwise specified:
  - (a) 2017 NMR Markets;
  - (b) 2018 WLA Market;
  - (c) 2018 WBA Market;
  - (d) 2018 PIMR Markets; and
  - (e) 2018 BCMR Markets.

### **Direction**

3. Ofcom hereby directs BT that the Network Components specified for the purposes of the SMP conditions set out at paragraph 1(b)-(f) are as set out in:
  - (a) Schedule A - for the Financial Year beginning on 1 April 2018 and ending on 31 March 2019; and
  - (b) Schedule B - for the Financial Year beginning on 1 April 2019 and ending on 31 March 2020 and in respect of the Regulatory Financial Reporting prepared for each subsequent Financial Year until such time that this Direction is modified or revoked.
4. Schedule A applies to the 2017 NMR Markets, 2018 WLA Market and the 2018 WBA Market. Schedule B applies to those same markets as well as the 2018 PIMR Markets and 2018 BCMR Markets.
5. The Annex to this Direction forms part of the Direction.

## Schedule A

The Network Components for the Financial Year beginning on 1 April 2018 and ending on 31 March 2019 shall be:

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. Core Directors - Broadband
36. Edge Ethernet ports broadband
37. Ethernet Backhaul Direct - active
38. Ethernet Backhaul Direct - passive
39. Ethernet Backhaul Direct extended reach
40. Ethernet Backhaul Direct resilience - active
41. Ethernet Backhaul Direct – resilience - passive

42. Ethernet Switch BB
43. Core/Metro (broadband)
44. Metro-core broadband transmission
45. ADSL connections
46. EVOTAM testing systems
47. MPF line testing systems
48. Broadband line testing systems
49. DSLAM support
50. DSLAM equipment
51. PC rental 2Mbit/s link per km distribution
52. PC rental 34Mbit/s link per km distribution
53. PC rental 140Mbit/s link per km distribution
54. Point of Handover electronics
55. PC rental 64kbit/s link
56. PC rental 2Mbit/s link
57. PC rental 34Mbit/s link
58. PC rental 140Mbit/s link
59. PC rental 64kbit/s link per km transmission
60. 2Mbit/s and above PC link connection cct provision
61. 64kbit/s PC link connection cct provision
62. PC rental 64kbit/s link local end
63. PC rental 34Mbit/s link local end
64. PC rental 140Mbit/s link local end
65. PC rental 2Mbit/s local end copper
66. PC rental 2Mbit/s local end fibre
67. Backhaul Extension Services Fibre
68. Wholesale Extension Services Fibre
69. OR systems & development - Ethernet
70. Ethernet Access Direct Fibre
71. Other Ethernet rentals - CCTV
72. Interconnect local end rental 2Mbit/s
73. Interconnect 2Mbit/s connection
74. Interconnect extension circuits (IEC) 2Mbit/s link
75. Interconnect Extension Circuits (IEC) 2Mbit/s per km
76. Intra Building Circuit (IBC) connection
77. Intra Building Circuit (IBC) rental
78. Ethernet main links
79. Other Ethernet new provides - CCTV
80. Customer support - partial private circuits
81. Customer support - interconnect
82. Customer support - broadband
83. Broadband backhaul circuits (excl Virtual Paths)
84. Openreach sales product management
85. Co-mingling power & vent
86. Revenue Receivables
87. Co-mingling electricity\*

88. Caller display
89. Metro BRAS and MSE
90. Openreach time related charges
91. PC rental 2Mbit/s link national trunk
92. PC rental 140Mbit/s link national trunk
93. FTTC Development
94. Service Centre – provision WLR NGA
95. iNode features
96. Network Features
97. Special Fault Investigation
98. EOI Notional Payables
99. Ethernet Monitoring Platform
100. NGA Visit Assure
101. OR Project Services
102. EAD Electronics Capital
103. Optical Ethernet Electronics Capital
104. Ethernet Excess Construction Capex
105. Broadband MSAN Access
106. MSAN Access SFBB
107. Abortive Visits
  - \* (not published)

## Schedule B

The Network Components for the Financial Years from 1 April 2019 shall be:

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. Core Directors - Broadband
36. Edge Ethernet ports broadband
37. Ethernet Backhaul Direct - active
38. Ethernet Backhaul Direct - passive
39. Ethernet Backhaul Direct extended reach
40. Ethernet Backhaul Direct resilience - active
41. Ethernet Backhaul Direct – resilience - passive
42. Ethernet Switch BB

43. Core/Metro (broadband)
44. Metro-core broadband transmission
45. ADSL connections
46. EVOTAM testing systems
47. MPF line testing systems
48. Broadband line testing systems
49. DSLAM support
50. DSLAM equipment
51. PC rental 2Mbit/s link per km distribution
52. PC rental 34Mbit/s link per km distribution
53. PC rental 140Mbit/s link per km distribution
54. Point of Handover electronics
55. PC rental 64kbit/s link
56. PC rental 2Mbit/s link
57. PC rental 34Mbit/s link
58. PC rental 140Mbit/s link
59. PC rental 64kbit/s link per km transmission
60. 2Mbit/s and above PC link connection cct provision
61. 64kbit/s PC link connection cct provision
62. PC rental 64kbit/s link local end
63. PC rental 34Mbit/s link local end
64. PC rental 140Mbit/s link local end
65. PC rental 2Mbit/s local end copper
66. PC rental 2Mbit/s local end fibre
67. Backhaul Extension Services Fibre
68. Wholesale Extension Services Fibre
69. OR systems & development - Ethernet
70. Ethernet Access Direct Fibre
71. Other Ethernet rentals - CCTV
72. Interconnect local end rental 2Mbit/s
73. Interconnect 2Mbit/s connection
74. Interconnect extension circuits (IEC) 2Mbit/s link
75. Interconnect Extension Circuits (IEC) 2Mbit/s per km
76. Intra Building Circuit (IBC) connection
77. Intra Building Circuit (IBC) rental
78. Ethernet main links
79. Other Ethernet new provides - CCTV
80. Customer support - partial private circuits
81. Customer support - interconnect
82. Customer support - broadband
83. Broadband backhaul circuits (excl Virtual Paths)
84. Openreach sales product management
85. Co-mingling power & vent
86. Revenue Receivables
87. Co-mingling electricity\*
88. Caller display

89. Metro BRAS and MSE
90. Openreach time related charges
91. PC rental 2Mbit/s link national trunk
92. PC rental 140Mbit/s link national trunk
93. FTTC Development
94. Service Centre – provision WLR NGA
95. iNode features
96. Network Features
97. Special Fault Investigation
98. EOI Notional Payables
99. Ethernet Monitoring Platform
100. NGA Visit Assure
101. OR Project Services
102. EAD Electronics Capital
103. Optical Ethernet Electronics Capital
104. Ethernet Excess Construction Capex
105. Broadband MSAN Access
106. MSAN Access SFBB
107. Abortive Visits
108. Dark Fibre Connection Costs
109. Dark Fibre Specific Rental Costs
110. PIMR Cost
  - \* (not published)

## **[DRAFT] Direction 7: specifying the requirements in relation to additional reporting of information relating to BT's adjusted financial performance**

### **Background**

1. This Direction is made under:
  - (a) Section 49 of the Act;
  - (b) Condition 12.4 of the 2018 WLA Notification;
  - (c) Condition 11.4 of the 2018 PIMR Notification; and
  - (d) Condition 11.4 of the 2018 BCMR Notification.
2. This Direction applies with respect to the following markets unless otherwise specified:
  - (a) 2018 WLA Market;
  - (b) 2018 PIMR Markets; and
  - (c) 2018 BCMR Markets.
3. In the case of the 2018 WLA market, BT shall act as prescribed in respect of the Regulatory Financial Reporting prepared for the Financial Year beginning on 1 April 2018 and ending on 31 March 2019 and in respect of the Regulatory Financial Reporting prepared for each subsequent Financial Year until such time that this Direction is modified or revoked.
4. In the case of the 2018 PIMR Markets and the 2018 BCMR Markets, BT shall act as prescribed in respect of the Regulatory Financial Reporting prepared for the Financial Year beginning on 1 April 2019 and ending on 31 March 2020 and in respect of the Regulatory Financial Reporting prepared for each subsequent Financial Year until such time that this Direction is modified or revoked.

### **Direction**

5. Ofcom hereby directs BT to comply with the Schedule to this Direction.
6. The Schedule to this Direction forms part of the Direction.

## Schedule

### Part 1: Definitions and Interpretation

1. In Part 2 of this Schedule:
  - (a) **'Accounting Book life'** means the useful life estimated lifespan of a depreciable fixed asset within BT's RFS;
  - (b) **'Fibre To The Cabinet'** or **'FTTC'** means an Electronic Communications Network consisting of optical fibre extending from the local access node to the street cabinet;
  - (c) **'Fibre To The Premises'** or **'FTTP'** means an Electronic Communications Network consisting of optical fibre extending from the local access node to the customer's premises;
  - (d) **'Fibre To The Cabinet or Premises'** or **'FTTx'** means either FTTC or FTTP or FTTP or other fibre based optical fibre network;
  - (e) **'Gross Replacement Costs'** 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;
  - (f) **'Net Replacement Costs'** or **'NRC'** means Gross Replacement Costs less accumulated depreciation based on Gross Replacement Costs;
  - (g) **'NRC: GRC Ratio'** means the ratio of NRC divided by GRC;
  - (h) **'Property rationalisation costs'** means onerous lease provisions relating to the rationalisation of BT Group's property portfolio;
  - (i) **'Restructuring costs'** means the costs associated with the group-wide restructuring programme initialled by BT as defined at page 63 in BT's 2014 Annual Report;
  - (j) **'Weighted Average Cost of Capital'** or **'WACC'** means the cost of funds used for financing a business.

## **Part 2: requirements in relation to additional reporting of information relating to BT's adjusted financial performance**

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:
  - (a) calculating an average of the Property Rationalisation Costs incurred in the three prior Financial Years and attributing that average to all markets in accordance with the RAP;
  - (b) calculating an average of the Restructuring Costs incurred in the three prior Financial Years and attributing that average to all markets in accordance with the RAP.
2. BT shall calculate the net proceeds in scrap value that BT will recoup when it moves to an FTTx only network. BT should discount its calculation using its WACC.
3. BT shall set and maintain the NRC: GRC ratio at 50% and adjust the asset lives to equate to the accounting book lives to calculate the OCM depreciation for the following network components:
  - (a) MPF line testing systems;
  - (b) Local Loop Unbundling systems development;
  - (c) Wholesale Access specific;
  - (d) Local exchanges general frames equipment;
  - (e) Local exchanges general frames maintenance;
  - (f) Analogue line test equipment;
  - (g) Analogue line cards;
  - (h) Co-mingling power and vent; and
  - (i) Combi Card and MSAN Access – Voice

# **[DRAFT] Direction 8: Direction setting the requirements in relation to preparation, delivery, publication, form and content of the Regulatory Financial Statements**

## **Background**

1. This Direction is made under:
  - (a) Section 49 of the Act;
  - (b) Condition 9.4 of the 2017 NMR Notification;
  - (c) Condition 12.4 of the 2018 WLA Notification;
  - (d) Condition 7.4 of the 2018 WBA Notification;
  - (e) Condition 11.4 of the 2018 PIMR Notification; and
  - (f) Condition 11.4 of the 2018 BCMR Notification.
2. This Direction applies with respect to the following markets unless otherwise specified:
  - (a) 2017 NMR Markets;
  - (b) 2018 WLA Market;
  - (c) 2018 WBA Market;
  - (d) 2018 PIMR Markets; and
  - (e) 2018 BCMR Markets.
3. In the case of the 2017 NMR Markets, the 2018 WLA market and the 2018 WBA Market, unless otherwise specified BT shall act as prescribed in respect of the Regulatory Financial Reporting prepared for the Financial Year beginning on 1 April 2018 and ending on 31 March 2019 and in respect of the Regulatory Financial Reporting prepared for each subsequent Financial Year until such time that this Direction is modified or revoked.
4. In the case of the 2018 PIMR Markets and the 2018 BCMR Markets, unless otherwise specified BT shall act as prescribed in respect of the Regulatory Financial Reporting prepared for the Financial Year beginning on 1 April 2019 and ending on 31 March 2020 and in respect of the Regulatory Financial Reporting prepared for each subsequent Financial Year until such time that this Direction is modified or revoked.

## **Direction**

5. Ofcom hereby directs BT to act as prescribed in paragraphs 6 to 17 below.
6. BT shall prepare and deliver to Ofcom two weeks before they are published the following final statements, in respect of the markets set out at paragraph 2 above, in accordance with the obligations in paragraph 7 and 8 below:

- (a) Statement of Responsibility;
- (b) Regulatory Financial Review;
- (c) Notes to the Regulatory Financial Statements;
- (d) Performance Summary by Market or Technical Area;
- (e) BT Reconciliation Statement – Consolidated Profit and Loss Account;
- (f) BT Reconciliation Statement – Consolidated Mean Capital Employed Performance Summary by Market or Technical Area;
- (g) Attribution of Wholesale Current Costs;
- (h) Attribution of Wholesale Current Cost Mean Capital Employed;
- (i) Market/Technical Area Summary;
- (j) Market/Technical Area Calculation of FAC based on component costs and usage factors;
- (k) Consolidated Network Activity Statement.
- (l) Adjusted financial performance at a market review level; and
- (m) Price controls in wholesale markets (Non-Confidential Statements);

7. BT shall publish the statements set out in paragraph 6 of this Direction, and in addition the following statements:

- (a) Statement by Ofcom; and
- (b) Report of the Regulatory Auditor,

within four months after the end of the Financial Year to which they relate, and in accordance with the obligation in paragraph 8 below.

- 8. BT shall publish the statement “Price controls in wholesale markets (Non-Confidential Statements)” at the same time as the “Price controls in wholesale markets (Confidential Statements)”, as referred to in paragraph 11(xi) of this Direction, are delivered to Ofcom.
- 9. Except where BT is entitled to amend the form and content of the Regulatory Financial Statements, BT shall prepare the statements described in paragraphs 6 and 7 above as to the form and content in the manner set out in Annex A to this Direction.
- 10. BT shall publish the Regulatory Financial Statements in Excel spreadsheet format as well as in portable document format (“PDF”).
- 11. BT shall prepare and deliver to Ofcom at the same time it delivers its Regulatory Financial Statements the following additional financial information in respect of each Market in the form and content as described in Annex B:

- (i) Cost category (as used within regulatory LRIC model) analysis for network components, increments and relevant layers of common cost, for all costs that are not part of the physical infrastructure markets (LRIC basis);
  - (ii) Summarised activity analysis of components for network activities for all costs that are not part of the physical infrastructure markets; (LRIC basis)
  - (iii) Cost category (as used within regulatory LRIC model) analysis for network components and increments,
  - (iv) Summarised cost category (as used within regulatory LRIC model) analysis for network components and increments;
  - (v) Analysis, by asset category, 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) Graphs over time of the various raw indices, index weightings and composite indices used by BT to revalue assets onto a current cost basis;
  - (viii) 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;
  - (ix) Provision of BT 'Data File';
  - (x) CCA information to allow Ofcom to re-calculate the regulatory asset value (RAV) for copper assets used in BT's access network;
  - (xi) Price controls in wholesale markets (Confidential Statements); and
  - (xii) Adjusted financial performance at a market level.
12. BT shall prepare and deliver to Ofcom at the same time it delivers its Regulatory Financial Statements the following additional financial information in respect of the 2018 WLA Market in the form and content as described in Annex B:
- (i) BDUK funding
  - (ii) BDUK Rollout component costs
  - (iii) GEA allocation of government grants
  - (iv) Additional financial information for Electricity Charges
  - (v) Detailed WLA Service revenues, volumes and costs.
  - (vi) Detailed WLA Service Component FACs

13. BT shall prepare and deliver to Ofcom at the same time it delivers its Regulatory Financial Statements the following additional financial information in respect of the 2018 PIMR Markets (combined) in the form and content as described in Annex B:
  - (i) Additional Detailed Revenue and volume information for physical infrastructure access services
  - (ii) Updated inputs for our calculation of the physical infrastructure access maximum rental charge
  - (iii) Network Adjustments
14. BT shall prepare and deliver to Ofcom at the same time it delivers its Regulatory Financial Statements the additional financial information “Interconnect information at the DLE and tandem layer” in respect of the “Technical Areas (DLE Interconnect Circuits) in the United Kingdom excluding the Hull Area”, as identified in the 2017 NMR Notification, in the form and content as described in Annex B.
15. BT shall prepare and deliver to Ofcom at the same time it delivers its Regulatory Financial Statements the additional financial information “Time Related Charges Costs Relating to the Wholesale Fixed Analogue Exchange Line Services Markets (Confidential Statements)” in respect of the market for “Wholesale fixed analogue exchange line services in the United Kingdom excluding the Hull Area”, as identified in the 2017 NMR Notification, in the form and content as described in Annex B.
16. BT shall prepare and deliver to Ofcom at the same time it delivers its Regulatory Financial Statements the following additional financial information in respect of the 2018 BCMR Markets in the form and content as described in Annex B:
  - (i) Detailed BCMR Service revenues, volumes and costs (each 2018 BCMR Market separately)
  - (ii) Detailed BCMR Service Component FACs (each 2018 BCMR Market separately)
  - (iii) Dark Fibre Services Revenues and Cost
17. BT shall provide to Ofcom the additional financial information in paragraph 11 above (except for 11(i),(ii) and 11(ix) at the same time it delivers its Regulatory Financial Statements. The additional financial information in paragraphs 11(i) and (ii) shall be provided when it publishes its Regulatory Financial Statements while the additional financial information in paragraph 11(ix) shall be provided to Ofcom two weeks after it publishes its Regulatory Financial Statements.
18. The Annexes to this direction form part of the Direction.

## Interpretation

19. For the purposes of interpreting this Direction the following definitions shall apply:
  - (a) “**High Network Reach Areas Outside CLA**” means the combination of the following 2018 BCMR Markets:

- (i) Wholesale market for CI Access Services in the High Network Reach Areas of Birmingham;
  - (ii) Wholesale market for CI Access Services in the High Network Reach Areas of Bristol;
  - (iii) Wholesale market for CI Access Services in the High Network Reach Areas of Edinburgh;
  - (iv) Wholesale market for CI Access Services in the High Network Reach Areas of Glasgow;
  - (v) Wholesale market for CI Access Services in the High Network Reach Areas of Leeds;
  - (vi) Wholesale market for CI Access Services in the High Network Reach Areas of Manchester; and
  - (vii) Wholesale market for CI Access Services in the High Network Reach Areas in the Rest of UK;
- (b) **“Interconnect Circuits”** has the meaning given to it in 2017 NMR Notification; and
- (c) **“Market”** means:
- (i) each of the SMP markets to which cost accounting and/or accounting separation obligations apply;
  - (ii) Interconnect Circuits;
  - (iii) Technical Area - Inter-exchange Connectivity (Dark Fibre Circuits); and
  - (iv) Technical Area – Inter-exchange Connectivity (Non-Dark Fibre Circuits);
- (d) **“Physical Infrastructure in the United Kingdom excluding the Hull Area”** means the 2018 PIMR Markets combined;
- (e) **“Technical Area - Inter-exchange Connectivity (Dark Fibre Circuits)”** means network access provided in the 2018 BCMR Market “Wholesale market for CI Inter-exchange Connectivity Services along Non-competitive IEC Routes” pursuant to Condition 2.1(c) of the 2018 BCMR Notification (Dark Fibre Access);
- (f) **“Technical Area – Inter-exchange Connectivity (Non-Dark Fibre Circuits)”** means network access provided in the 2018 BCMR Market “Wholesale market for CI Inter-exchange Connectivity Services along Non-competitive IEC Routes” excluding that provided pursuant to Condition 2.1(c) of the 2018 BCMR Notification (Dark Fibre Access).

## **Annex A**

### **Statement by Ofcom**

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

## **Statement of Responsibility**

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

## Regulatory Financial Review

BT shall be required to summarise the financial performance:

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

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

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

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

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

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

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

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

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

## Notes to the Regulatory Financial Statements

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

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

Amongst others the necessary notes would be expected to include:

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

## **Report of the Regulatory Auditor**

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







## Reconciliation Statement - Income Statement / Profit and Loss Account 20XX

For the year ended 31 March 20XX

	Openreach			BT Group plc		
	Revenue £m	Operating Cost £m	Return or Operating Profit £m	Revenue £m	Operating Cost £m	Return or Operating Profit £m
<b>As in the Annual Report and form 20-F</b>	X	X	X	X	X	X
<b>Adjustments</b>						
Specific items	X	X	X	X	X	X
Use of BT TSO assets	X	X	X	X	X	X
Other trading differences						
Northern Ireland	X	X	X	X	X	X
Net short term interest	X	X	X	X	X	X
Share of post tax profit / (loss) of associates and joint ventures	X	X	X	X	X	X
Other adjustment(s) as required	X	X	X	X	X	X
CCA adjustments	X	X	X	X	X	X
Roundings	X	X	X	X	X	X
<b>As in the RFS</b>	X	X	X	X	X	X

## Reconciliation Statement - MCE - BT Group Plc

For the year ended 31 March 20XX

	20xx £m	20xx -1 £m
<b>As in the Annual Report and form 20-F</b>	<b>X</b>	<b>X</b>
<b>Adjustments</b>		
Corporate Taxes	x	X
Long term Loans due in <1 year	x	X
Derivative Financail Instruments	x	X
Other adjustment(s) as required	x	X
Closing HCA Capital Employed as at 31 March	x	X
CCA adjustments	x	x
Roundings	x	x
Closing CCA Capital Employed as at 31 March	x	x
Opening CCA Capital Employed as at 1 April	x	x
<b>Total CCA Mean Capital Employed in the RFS</b>	<b>x</b>	<b>x</b>

	Mean Capital Employed 20xx £m	Mean Capital Employed 20xx -1 £m
<b>Openreach</b>		
Market 1	X	X
Market 2 etc	X	X
<b>Total Openreach SMP</b>	<b>X</b>	<b>X</b>
<b>Rest of BT</b>		
Market 1	X	X
Market 3 etc	X	X
<b>Total Rest of BT SMP</b>	<b>X</b>	<b>X</b>
Openreach Residual	X	X
Rest of BT Residual	X	X
<b>Total CCA Mean Capital Employed in the RFS</b>	<b>X</b>	<b>X</b>

## 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	CCA Operating Costs	Return	MCE	Revised return	Revised MCE	Return on MCE
	£m	£'m	£m	£m	£m	£m	%	£m	£m	£m	£m	£m	£m	Δ %
Market Review 1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Market Review 2 etc	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-

  

	Estimated impacts			
	CCA Operating Revenue	CCA Operating Costs	Return	MCE
	£'m	£m	£'m	£'m
Adjustment a	-	-	-	-
Adjustment b etc	-	-	-	-
	-	-	-	-

## 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	Internal EOI* £m	External EOI £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 separately by Ofcom (if applicable)	x.x	x.x	x.x	x.x	x.x	x.x	x.x	x.x	x.x	x.x		
IFRS 15 Deferred Revenue (if applicable)	x.x	x.x	x.x									
IFRS 15 Outpayments required to be treated as a credit to revenue (if applicable)	(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>						<b>x.x</b>	<b>x.x</b>	<b>x.x</b>	<b>x.x</b>
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>						<b>x.x</b>	<b>x.x</b>	<b>x.x</b>	<b>x.x</b>

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

\*\* In respect of the Physical Infrastructure Market, this is to be diagregated between Openreach and Rest of BT

EOI disclosure where applicable

## 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 the market “**Wholesale fixed analogue exchange line services in the United Kingdom excluding the Hull Area**” the information is required to be provided for the following Network Services:

For the 2018/19 Financial Year onwards

a) Analogue WLR Basic Rental;

- b) WLR Connections;
- c) WLR Transfers;
- d) WLR Conversions;
- e) Analogue Premium Rentals;
- f) WLR Premium Connections;
- g) WLR Premium Transfers;
- h) Caller Display;
- i) Time Related Charges;
- j) Other WLR.

2. In relation to the market **“Wholesale ISDN2 exchange line services in the United Kingdom excluding the Hull Area”** the information is required to be provided for each of the following Network Services. Internal FAC and external FAC information does not need to be provided for any service. For ‘Other ISDN2’ only revenue information is required to be provided.

For the 2018/19 Financial Year

- a) information on ISDN2 Rental Services subject to Condition 1B of the 2017 NMR Notification for the period 1 April 2018 to 30 November 2018 and Existing ISDN 2 Rental Services subject to Condition 1C of the 2017 NMR Notification for the period 1 December 2018 to 31 March 2019
- b) information on ISDN2 Connection Services subject to Condition 1B of the 2017 NMR Notification for the period 1 April 2018 to 30 November 2018
- c) information on ISDN2 Transfer Services subject to Condition 1B of the 2017 NMR Notification for the period 1 April 2018 to 30 November 2018 and Condition 1C of the 2017 NMR Notification for the period 1 December 2018 to 31 March 2019

d) Other ISDN2 (i.e. revenue information on all other ISDN2 services, and additionally, for the period 1 December 2018 to 31 March 2019, revenue information on ISDN2 Rental Services, ISDN2 Connection Services and ISDN2 Transfer Services not subject to Condition 1C of the 2017 NMR Notification)

For the 2019/20 Financial Year onwards

a) information on Existing ISDN2 Rental Services subject to Condition 1C of the 2017 NMR Notification

b) information on ISDN2 Transfer Service subject to Condition 1C of the 2017 NMR Notification

c) Other ISDN2 (i.e. revenue information on all ISDN2 services not subject to Condition 1C of the 2017 NMR Notification)

3. In relation to the market **“Wholesale ISDN30 exchange line services in the United Kingdom excluding the Hull Area”** the information is required to be provided for each of the following Network Services. Internal FAC and external FAC information does not need to be provided for any service. For Other ISDN30 only revenue information is required to be provided:

For the 2018/19 Financial Year

a) information on ISDN30 Rentals subject to Condition 1B of the 2017 NMR Notification for the period 1 April 2018 to 30 November 2018 and Existing ISDN30 Rentals subject to Condition 1C of the 2017 NMR Notification for the period 1 December 2018 to 31 March 2019

b) information on ISDN30 Connection Services per channel subject to Condition 1B for the period 1 April 2018 to 30 November 2018 and Existing ISDN30 Connection Services per channel Condition 1C of the 2017 NMR Notification for the period 1 December 2018 to 31 March 2019

c) information on ISDN30 Connection Services New Installation subject to Condition 1B of the 2017 NMR Notification for the period 1 April 2018 to 30 November 2018

d) information on ISDN30 SML 3 and 4 subject to Condition 1B of the 2017 NMR Notification for the period 1 April 2018 to 30 November 2018 and Existing ISDN30 SML 3 and 4 subject to Condition 1C of the 2017 NMR Notification for the period 1 December 2018 to 31 March 2019

e) information on ISDN30 Transfer Services subject to Condition 1B of the 2017 NMR Notification for the period 1 April 2018 to 30 November 2018 and Existing ISDN30 Transfer Services subject to Condition 1C of the 2017 NMR Notification for the period 1 December 2018 to 31 March 2019

f) information on ISDN30 Direct Dial Inward Rental Service subject to Condition 1B of the 2017 NMR Notification for the period 1 April 2018 to 30 November 2018 and Existing ISDN30 Direct Dial Inward Rental Service subject to Condition 1C of the 2017 NMR Notification for the period 1 December 2018 to 31 March 2019

g) information on ISDN30 Direct Dial Inward Planning Service subject to Condition 1B of the 2017 NMR Notification for the period 1 April 2018 to 30 November 2018

h) information on ISDN30 Direct Dial Inward Connection Services subject to Condition 1B of the 2017 NMR Notification for the period 1 April 2018 to 30 November 2018

i) Other ISDN30 (to include revenue information on all ISDN30 services other than those listed at a) to h)).

For the 2019/20 Financial Year onwards

a) information on Existing ISDN30 Rental Services subject to Condition 1C of the 2017 NMR Notification

b) information on Existing ISDN30 Connection Services per channel subject to Condition 1C of the 2017 NMR Notification

c) information on Existing ISDN30 SML 3 and 4 subject to Condition 1C of the 2017 NMR Notification

d) information on Existing ISDN30 Transfer Services subject to Condition 1C of the 2017 NMR Notification

e) information on Existing ISDN30 Direct Dial Inward Rental Services subject to Condition 1C of the 2017 NMR Notification

f) Other ISDN30 (to include revenue information on all ISDN30 services other than those listed at a) to e))

4. In relation to the market **“Wholesale call termination services on a fixed narrowband network in the United Kingdom excluding the Hull Area”**:

For the 2018/19 Financial Year onwards

a) the information is required to be provided for the following Network Service: “WCT services”

b) where BT varies WCT prices by time of day (for example different prices for day, evening and weekend) then volume and price information must be provided for each time of day price.

c) internal FAC and external FAC information does not need to be provided for WCT services.

5. In relation to the technical area “**Interconnect Circuits in the United Kingdom excluding the Hull Area**” the information is required to be provided for the following Network Services. Information must relate to External Revenues, as defined in Condition 5D of the 2017 NMR Notification, only and relate only to interconnection at the DLE.

For the 2018/19 Financial Year onwards

a) external wholesale standard Customer-Sited Interconnect connections;

b) external wholesale standard Customer-Sited Interconnect rentals – fixed;

c) external wholesale standard Customer-Sited Interconnect rentals – per km;

d) external wholesale interconnection extension circuits connections;

e) external wholesale interconnection extension circuits rentals – fixed;

f) external wholesale interconnection extension circuits rentals – per km;

g) external wholesale intra-building circuits connections;

h) external wholesale intra-building circuits rentals;

i) external wholesale in-span interconnection links rentals;

j) external nominated in-span interconnection links – per km;

k) external wholesale rearrangements.

6. In relation to the market **“The supply of wholesale local access at a fixed location in the United Kingdom excluding the Hull Area”** the information is required to be provided for:

For the 2018/19 Financial Year onwards

a) each Basket,

b) each Single Charge Category; and

c) the following Network Services:

i. GEA 40/10 (FTTC) Rentals;

ii. GEA 40/10 (Other) Rentals;

iii. GEA Other Rentals (all other speeds except 40/10);

iv. GEA 40/10 (FTTC) PCP Only Install and GEA Start of a Stopped Line 40/10;

v. GEA 40/10 FTTP Other Connection;

vi. GEA Cable link 1 Gbits;

vii. GEA Cable link 10 Gbits;

viii. GEA 40/10 Bandwidth Change

ix. VLAN moves applied to GEA Cablelink modify transactions;

- x. Cancellation of MPF orders for provide, Migration, Working Line Takeover, Modification or Amend;
- xi. Amend orders. Allowable change to MPF Order;
- xii. MPF Standard Line Test;
- xiii. GEA Cancel/Amend/ modify – CRD Amend, order notes amend, order cancellation, Care Level etc.;
- xiv. GEA Cancel/Amend/ modify – Regrading of existing upstream or downstream speed, both at point of sale and in life etc.
- xv. MPF Rental (SML 1);
- xvi. MPF New Provide Services;
- xvii. MPF Single Migrations;
- xviii. MPF Bulk Migrations;
- xix. Co-mingling New Provide and rental services;
- xx. Tie cables;
- xxi. Hard Cease services;
- xxii. Other MPF Ancillary services;
- xxiii. Special Fault Investigations;
- xxiv. Time related Charges;
- xxv. Abortive Visit Charges;
- xxvi. Other WLA.

7. In relation to the market “**wholesale broadband access provided at a fixed location in Market A**”, the information is required to be provided for services where the combined internal and external revenues exceed £5m and the EOI inputs exceed £1m in any given financial year, with any other services included in ‘Other WBA Market’. (For the 2018/19 Financial Year onwards)

8. In relation to the market “**Physical Infrastructure in the United Kingdom excluding the Hull Area**”, the information is required to be provided for the following groups of Network Services:

For the 2019/20 Financial Year onwards

i) Physical Infrastructure for Active Services\*

ii) PIA Rentals\*

iii) PIA Ancillary Charges\*

iv) New Build and enabling works above the financial limit

v) Other PIA Charges

In the 2020/21 Financial Year the fields marked \* shall be split into the individual services (i) spine duct (ii) lead in duct (iii) poles (iv) manholes and (v) junction boxes where the combined internal (Openreach and rest of BT) and external revenues exceed £5m in any given financial year for the individual services.

BT shall also provide the following information from the 2019/20 Financial Year onwards

**Note : New build and enabling works**

Gross new build and enabling works  
Less enabling works above financial limit  
Net new build and enabling works

Net enabling works included in PIA services  
Net enabling works included in Other PIMR services

	Internal (OR) FAC £m	Internal (RoBT) FAC £m	External FAC £m
	xx	xx	xx
	(xx)	(xx)	(xx)
	<b>xx</b>	<b>xx</b>	<b>xx</b>
	xx	xx	xx
	xx	xx	xx
	<b>xx</b>	<b>xx</b>	<b>xx</b>

9. In relation to the 2018 BCMR Market “**CI Access services – BT Only Areas**” the information is required to be provided for:

For the Financial Year 2019/20 onwards

a) each basket and sub basket,

- i. Rentals;
- ii. Connections;
- iii. Other.

10. In relation to the 2018 BCMR Market “**CI Access services – BT+1 Areas**” the information is required to be provided for:

For the Financial Year 2019/20 onwards

a) each basket and sub basket,

- i. Rentals;
- ii. Connections;
- iii. Other.

11. In relation to **“High Network Reach Areas Outside CLA”** the information is required to be provided for:

For the Financial Year 2019/20 and onwards

- i. Rentals;
- ii. Connections;
- iii. Other.

12. In relation to **“Technical Area - Inter-exchange Connectivity (Dark Fibre Circuits)”** the information is required to be provided for:

For the Financial Year 2019/20 and onwards

- a) Dark fibre connection;
- b) Dark fibre rental;
- c) Dark fibre main link;
- d) Dark fibre cessation charges;
- e) Dark fibre right when tested;
- f) Dark fibre TRCs.

13. In relation to **“Technical Area – Inter-exchange Connectivity (Non-Dark Fibre Circuits)”** the information is required to be provided for:

For the Financial Year 2019/20 and onwards

- a) each basket and sub basket,
  - i. Rentals;

ii. Connections;

iii. Other.

b) EAD Connections

c) EAD 1Gbit Rentals;

d) EAD main Link rentals

## 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 Summary” as follows:

1. In relation to the market “**Wholesale fixed analogue exchange line services in the United Kingdom excluding the Hull Area**” the information is required to be provided for;

For Financial Year 2018/19 onwards

- a. Analogue WLR Basic Rental – Internal;
- b. Analogue WLR Basic Rental – External;
- c. WLR Connections – Internal;
- d. WLR Connections – External;
- e. WLR Transfers – Internal;
- f. WLR Transfers – External;
- g. WLR Conversions – Internal;
- h. WLR Conversions – External;
- i. Analogue Premium Rentals - internal
- j. Analogue Premium Rentals - external
- k. WLR Premium Connections – internal
- l. WLR Premium Connections – external
- m. WLR Premium Transfers - internal
- n. WLR Premium Transfers – external
- o. Caller Display – internal
- p. Caller Display – external

q. Time Related Charges – internal

r. Time Related Charges – external

s. Other WLR – internal

t. Other WLR - external

2. In relation to **Interconnect Circuits**, the information is required to be provided for:

For the Financial Year 2018/19 onwards

a. external wholesale standard Customer-Sited Interconnect connections;

b. external wholesale standard Customer-Sited Interconnect rentals – fixed;

c. external wholesale standard Customer-Sited Interconnect rentals – per km;

d. external wholesale interconnection extension circuits connections;

e. external wholesale interconnection extension circuits rentals – fixed;

f. external wholesale interconnection extension circuits rentals – per km;

g. external wholesale intra-building circuits connections;

h. external wholesale intra-building circuits rentals;

i. external wholesale in-span interconnection links rentals;

j. external nominated in-span interconnection links – per km;

k. external wholesale rearrangements.

3. In relation to the market **“The supply of wholesale local access at a fixed location in the United Kingdom excluding the Hull Area”** the information is required to be provided for:

For the Financial Year 2018/19 onwards

a. each Basket,

b. each Single Charge Category; and

c. the following Network Services:

- i. GEA 40/10 (FTTC) Rentals;
- ii. GEA 40/10 (Other) Rentals;
- iii. GEA Other Rentals (all other speeds except 40/10);
- iv. GEA 40/10 (FTTC) PCP Only Install and GEA Start of a Stopped Line 40/10;
- v. GEA 40/10 FTTP Other Connection;
- vi. GEA Cable link 1 Gbits;
- vii. GEA Cable link 10 Gbits;
- viii. GEA 40/10 Bandwidth Change
- ix. VLAN moves applied to GEA Cablelink modify transactions;
- x. Cancellation of MPF orders for provide, Migration, Working Line Takeover, Modification or Amend;
- xi. Amend orders. Allowable change to MPF Order;
- xii. MPF Standard Line Test;
- xiii. GEA Cancel/Amend/ modify – CRD Amend, order notes amend, order cancellation, Care Level etc.;
- xiv. GEA Cancel/Amend/ modify – Regrading of existing upstream or downstream speed, both at point of sale and in life etc.
- xv. MPF Rental (SML 1);
- xvi. MPF New Provide Services;
- xvii. MPF Single Migrations;
- xviii. MPF Bulk Migrations;

- xix. Co-mingling New Provide and rental services;
- xx. Tie cables;
- xxi. Hard Cease services;
- xxii. Other MPF Ancillary services;
- xxiii. Special Fault Investigations;
- xxiv. Time related Charges;
- xxv. Abortive Visit Charges;
- xxvi. Other WLA.

3. In relation to the **“Technical Area - Inter-exchange Connectivity (Dark Fibre Circuits)”** the information is required to be provided for:

For the Financial Year 2019/20 onwards

- i. Dark fibre connection;
- ii. Dark fibre rental;
- iii. Dark fibre main link;
- iv. Dark fibre cessation charges;
- v. Dark fibre right when tested;
- vi. Dark fibre TRCs.

4. In relation to the **“Technical Area – Inter-exchange Connectivity (Non-Dark Fibre Circuits)”** the information is required to be provided for:

For the Financial Year 2019/20 and onwards

a) EAD Connections

b) EAD 1Gbit Rentals;

c) EAD main Link rentals



**Appendix for Physical Infrastructure Market (for the Financial Year 2019/20 onwards)**

**Network Adjustments below the Financial Limit**

Total below the limit Network Adjustments included in WLA  
 Total below the limit Network Adjustments included in BCMR Markets  
 Total below the limit Network Adjustments included in Narrowband Markets  
 Total below the limit Network Adjustments included in Other SMP Markets  
 Total below the limit Network Adjustments included in Residual Markets

Internal Openreach Accumulated MCE £'m	Internal rest of BT Accumulated MCE £'m	External Accumulated MCE £'m
x	x	x
x	x	x
x	x	
x	x	
x	x	
x	x	x

(where > £5m, total internal and external)

## Price Controls in 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	

**Basket Model 1/2**

Feature	Price list reference	Sub basket (if applicable)	Sub cap/Inertia clause (if applicable)	Sub Cap/Inertia Clause % (if applicable)	Volume metric (time of day prices if applicable)	Prior Year revenue		Prices			Price Change dates			Basket Days			Sub cap compliance		Average Price		% price Change		Basket Revenue
						20XX-1/XX £	20XX/20XX+1	Start price XX/XX/20XX £	Change 1 XX/XX/20XX £	Change 2 etc XX/XX/20XX £	20XX/XX+1 Start	20XX/XX+1 Change 1	20XX/XX+1 Change 2	20XX/XX+1 Start	20XX/XX+1 Change 1	20XX/XX+1 Change 2	20XX/XX+1 %ge Change	20XX/XX	20XX/XX+1	20XX/XX+1	20XX/XX+1	Impacts £m	
<b>Basket 1</b>																							
Basket 1 - Service 1		Yes	Yes	X.XX%		X					xx/xx/xx	xx/xx/xx	xx/xx/xx	X	X	X			x	-	0.0%	-	
Basket 1 - Service 1a		Yes	No			X					xx/xx/xx	xx/xx/xx	xx/xx/xx	X	X	X			x	-	0.0%	-	
Basket 1 - Subbasket 1 sub total						-																#DIV/0!	-
Basket 1 - Service 2 etc		No	No			X					xx/xx/xx	xx/xx/xx	xx/xx/xx	X	X	X			x	-	0.0%	-	
Basket 1 Total						-																#DIV/0!	-
<b>Basket 2</b>																							
Basket 2 etc - Service 1		No	Yes	X.XX%		X					xx/xx/xx	xx/xx/xx	xx/xx/xx	X	X	X			x	-	0.0%	-	
Basket 2 etc - Service 2		No	No			X					xx/xx/xx	xx/xx/xx	xx/xx/xx	X	X	X			x	-	0.0%	-	
Basket 2 etc Total						-																#DIV/0!	-
Single Charge Category 1			Yes	X.XX%		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					xx/xx/xx	xx/xx/xx	xx/xx/xx	X	X	X			x	-	0.0%	-	

Note 1	
Note 2	

Total Revenue:	X	X	X
Revenues/Vol:	X	X	X
Difference	X	X	X
Reconciliation of difference:			
Difference 1	X	X	X
Difference 2	X	X	X
Total Differenc	0	0	0
CHECK	Yes./No	Yes./No	Yes./No
BT to provide explanations for all differences listed above			

**Notes to the Price controls in wholesale markets (Non-confidential Statements)**

BT shall disclose financial information shown in the “Price controls in wholesale markets (Non-confidential Statements)” as follows:

1. Figures in the columns headed Prior year revenue and Basket Revenue impacts can be redacted where revenue information on the basket, sub-basket or individual service is not published in the Regulatory Financial Statements.
2. BT is required to complete the information in the “Price controls in wholesale markets (Non-confidential Statements)” in relation to the following markets and interconnect circuits:

- a. Wholesale ISDN2 exchange line services in the United Kingdom excluding the Hull Area;
- b. Wholesale ISDN30 exchange line services in the United Kingdom excluding the Hull Area;
- c. Interconnect circuits in the United Kingdom excluding the Hull Area;
- d. Wholesale Local Access market;
- e. CI Access Services – BT only
- f. CI Access Services – BT plus one
- g. Technical Area - Inter-exchange Connectivity (Dark Fibre Circuits)
- h. Technical Area – Inter-exchange Connectivity (Non-Dark Fibre Circuits)

## Annex B

Reference	Additional Financial Information	Description
<p><u>Additional Financial Information to be provided in respect of each Market and Interconnect Circuits</u></p> <p>For the Financial Year 2018/19 onwards (with respect to the 2017 NMR Markets, 2018 WLA Market and 2018 WBA Market)</p> <p>For the Financial Year 2019/20 onwards (with respect fo the 2018 PIMR and 2018 BCMR Markets)</p>		
(i)	<p>Cost category (as used within regulatory LRIC model) analysis for network components, increments and relevant layers of common cost for all costs that are not part of the Physical Infrastructure Market.</p> <p>(LRIC basis)</p>	<ol style="list-style-type: none"> <li>1. Ensure the LRIC model reconciles to BT group's total cost and asset and liability base excluding the fully allocated costs of the Physical Infrastructure market;</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> </ol>

(ii)	<p>Summarised activity analysis of network components and increments for all costs that are not part of the Physical Infrastructure Market.</p> <p>(LRIC basis)</p>	<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 base excluding the fully allocated costs of the Physical Infrastructure market.</li> </ol>
(iii)	<p>Cost category (as used within regulatory LRIC model) analysis for network components and increments</p>	<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>
(iv)	<p>Summarised cost category (as used within regulatory LRIC model) analysis for network components and increments</p>	<p>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.</p>

<p>(v)</p>	<p>Analysis, by asset category, 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> </ol>
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<p>(vi)</p>	<p>CCA fixed asset movement statement</p> <p>a) gross replacement costs brought forward, additions/disposals/transfers, holdings gains/(loss), gross replacement costs carried forward; and</p> <p>b) gross depreciation brought forward, HCA depreciation charge, supplementary CCA depreciation, disposals/transfers/other movements, holding gains/(loss), gross depreciation carried forward)</p> <p>by asset category for BT Group</p> <p>plus reconciliation to HCA fixed assets movement statement in the group statutory accounts</p>	<ol style="list-style-type: none"> <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>
<p>(vii)</p>	<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>

(viii)	<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>
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(ix)	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/OUC code level through to products and services) and attribution bases.</p> <p>The data would, as a minimum, be able to replicate the outputs of the regulatory financial statements and include financial information (for example F8 code, OUC, finance type, class of work and AS/WS sector) on all services (in respect of the 2018 WBA Market, limited to those where the revenue is above £5m) for the relevant financial year and components that have received an allocation of costs in the Regulatory Financial Statements. The data would include transfer charges and CCA adjustments, EOI inputs and be able to identify the attribution bases to those described in the Accounting Methodology Documents. The basis of preparation must be consistent with BT's SMP conditions, the Regulatory Accounting Principles and the Accounting Methodology Documents.</p> <p>The data should also include:</p> <ol style="list-style-type: none"> <li>1. the post RFS adjustments to cost categories for LRIC reporting by service;</li> <li>2. the FAC adjustment Summary (for LRIC model), which contains the post RFS adjustments to cost categories for the purposes of LRIC reporting;</li> <li>3. the Wholesale Residual schedule;</li> <li>4. revenues, volumes and FAC component cost on a CCA basis for services (in respect of the 2018 WBA Market, limited to those where where revenue is over £5m) for the relevant financial year;</li> <li>5. the EOI charges by service within WBA Market A and Wholesale Residual;</li> <li>6. revenue, volume and cost information relating to each new ISDN2 and ISDN30 rental, connection and ancillary service and cost information for related components;</li> <li>7. revenue, volume and cost information relating to each WCO and WCT service and cost information for related components; and</li> </ol>
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		<p>8. Calculation of EOI Input Prices in respect of WLA these Network Services.</p> <p>The provision of the data file will be accompanied by Excel files containing controls totals for, as a minimum, revenue, operating cost and capital employed (including notional debtors and creditors) by market, service, component, plant group and activity group showing key stages of attribution, including the workings MCE and workings cost and CCA file. The information to be provided annually within 10 working days of the publication of the regulatory accounts. The outputs of the annual file should be consistent with published audited information.</p> <p>BT should maintain the file in a format consistent with Ofcom/third party import routine, accompanied by provision of control totals, and any technical advice which allows seamless data transfers and it should be updated where appropriate. In consultation with Ofcom, BT shall procure an appropriate audit opinion in relation to the data file.</p>
(x)	<p>CCA information to allow Ofcom to re-calculate the regulatory asset value (RAV) for copper assets used in BT's access network.</p>	<p>1. Provide breakdown of the following information:</p> <ul 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> </ul> <p>2. Enable Ofcom to re-calculate and monitor the effect of this going forward.</p>

(xi)	Price controls in wholesale markets (Confidential Statements)	<p>Demonstrate compliance with charge controls, including provision of revenue, price change, any relevant calculations and any other required information.</p> <p>BT is required to complete the information in the “Price controls in wholesale markets (Confidential Statements)” in relation to the following narrowband markets and interconnect circuits:</p> <p>a) Wholesale ISDN2 exchange line services in the United Kingdom excluding the Hull Area;</p> <p>b) Wholesale ISDN30 exchange line services in the United Kingdom excluding the Hull Area;</p> <p>c) Interconnect circuits in the United Kingdom excluding the Hull Area.</p>
(xii)	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.

<b>Additional Financial Information to be provided in respect of the WLA Market</b>		
For the Financial Year 2018/19 onwards		
(i)	BDUK funding	Set out for each cost component the costs and revenues attributed by Finance Type (disaggregating out any transfer charges) which reconcile back to the network component total.
(ii)	BDUK Rollout component costs	Set out for each cost component the impact of reattributing the costs and revenues to all other network costs components. For the key GEA services this will reconcile back to the RFS totals for the BDUK components
(iii)	GEA allocation of government grants	Set out for each cost component the costs and revenues attributed by Finance Type (disaggregating out any transfer charges) which reconcile back to the network component total.
(iii)	Additional financial information for Electricity Charges	Provide information setting out the calculation of Electricity Charges including the precise level of BT’s Mark up on the purchase of electricity costs which is reconciled to the published Regulatory Financial Statements.

(iv)	Detailed WLA Service revenues, volumes and costs.	<ol style="list-style-type: none"> <li>1. set out the revenues, volumes and FAC on a CCA basis of any other WLA service not publicly 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 WLA Market.</li> </ol>
(v)	Detailed WLA 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 WLA Services schedule;</li> <li>2. the fully allocated service unit costs should reconcile to those given in the in the Detailed WLA Services schedule.</li> </ol>

**Additional Financial Information to be provided in respect of the 2018 PIMR Markets (combined)**

(i) – For the purposes of FY 20/21	Additional Detailed Revenue and volume information for physical infrastructure access services	<p>Provide internal and external revenues, volumes and FAC for each PIA service with revenue over £1m. Where the revenue for a service falls below £1m, the services will be added together into a single ‘other service’ line item, no volume information is required for ‘other service’.</p> <p>Calculation of FAC and usage factors on a service basis.</p>
(ii) – For the purposes of FY 19/20	Updated inputs for our calculation of the physical infrastructure access maximum rental charge	<p>Provide updated inputs for the PIA pricing model:</p> <ol style="list-style-type: none"> <li>1. CCA operating costs directly attributed to the duct Activity Groups</li> <li>2. CCA operating costs indirectly attributed to the duct Activity Groups</li> <li>3. CCA costs for Class of Work Local Distribution Cable</li> <li>4. CCA operating costs directly attributable to D-Side Copper Cable and D-Side Copper Cable Maintenance Plant Groups</li> <li>5. CCA operating costs indirectly attributable to D-Side Copper Cable and D Side Copper Cable Maintenance Plant Groups</li> <li>6. CCA operating costs related to “Capex – safety assurance</li> </ol>
(iii) - For the purposes of FY 19/20	Network Adjustments	<p>Provide information on the accumulated MCE of internal and external for all services with a revenue greater than £1m in each relevant markets for;</p> <p>Network Adjustments below the Financial Limit and Network Adjustments above the Financial Limit.</p>

		BT must ensure that information on Network Adjustments below the Financial Limit reconciles to the Appendix in the RFS.
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**Additional Financial Information to be provided in respect of the Wholesale Fixed Analogue Exchange Line Services Market**

For the Financial Year 2018/19 onwards

	Time Related Charges Costs Relating to the Wholesale Fixed Analogue Exchange Line Services Markets (Confidential Statements)	Provide Time Related Charges costs and billed volumes information.
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**Additional Financial Information to be provided in respect of Interconnect Circuits**

For the Financial Year 2018/19 onwards

	Interconnect information at the DLE and tandem layer	A schedule of volumes, revenues, operating costs and MCE associated with interconnect circuits at the DLE and tandem layer combined (e.g. a similar format to the schedule on page 79 of the 2016/17 RFS)
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<b>Additional Financial Information to be provided in respect of 2018 BCMR Markets</b>		
For the Financial Year 2019/20 onwards		
(i)	Detailed BCMR Service revenues, volumes and costs (each 2018 BCMR Market separately)	1. set out the revenues, volumes and FAC on a CCA basis of any other BCMR service not publicly disclosed where the revenue from this service is above £5m;  2. the revenues and costs should, in total, be reconciled to the revenues and costs included within the publicly reported totals for the BCMR Markets.
(ii)	Detailed BCMR Service Component FACs (each 2018 BCMR Market separately)	1. set out the calculation of FAC based on component costs and usage factors for all services reported in the Detailed WLA Services schedule;  2. the fully allocated service unit costs should reconcile to those given in the in the Detailed WLA Services schedule.
(iii)	Dark Fibre Services Revenues and Costs	Sets out how the charge for inter-exchange dark fibre services connectivity has been calculated.