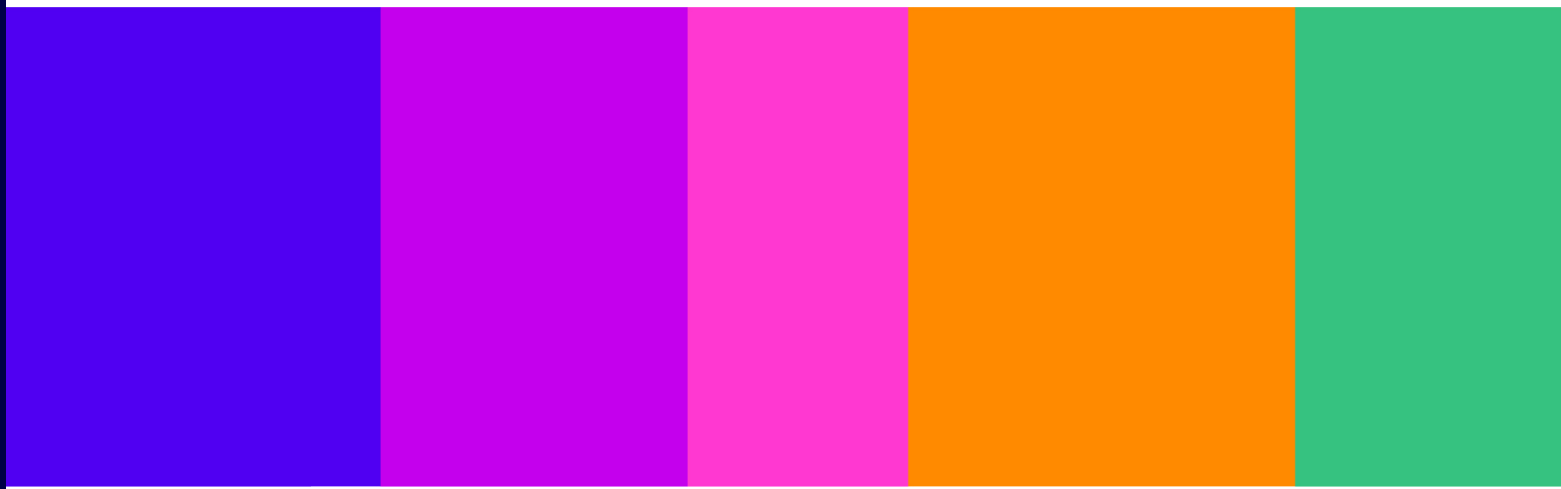


Quality of Service for Ethernet and Dark Fibre

Statement on proposed modifications to
Quality of Service Directions and related Key
Performance Indicators for Ethernet and
Dark Fibre repairs

Statement

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1. Overview

- 1.1 In the Wholesale Fixed Telecoms Market Review (WFTMR) we found that BT has Significant Market Power (SMP) in various markets, including the markets for the supply of leased lines (LL) access in LL Access Area 2¹, LL Access Area 3², LLA HNR3³ and the market for the supply of IEC in BT Only and BT+1 exchanges⁴. This means that in those markets, without regulation, Openreach may not receive market signals from customers switching to competitors and that it lacks incentives to innovate and deliver the Quality of Service (QoS) customers require. The negative effects on customers of inadequate QoS delivered by Openreach could include a greater number of faults, slow resolution of those faults and frustration resulting from long delays to the installation of fixed and voice services.
- 1.2 We, therefore, considered that regulation was needed to deliver the QoS customers require and ensure that the network access remedies facilitate effective downstream competition. Consequently, we imposed an SMP condition on BT requiring it to comply with any QoS standards and transparency requirements we may direct in relation to network access, under which we set various QoS standards and transparency requirements by way of key performance indicators (the “KPIs”).
- 1.3 In July, we proposed to modify the QoS standard in respect of repair for Ethernet and Dark Fibre products and associated KPIs. These proposed changes were intended to ensure that the relevant standards and associated reporting reflected changes to the fault mix and to incentivise Openreach to repair harder to fix faults.

What we have decided – in brief

We have decided to maintain the current on time repair (OTR) measure for the remainder of this WFTMR period. This is because:

- While we accept there has been a change in the fault mix that warranted review of the existing standard and that a mean time to repair (MTTR) based measure offered potential incentive benefits, we did not consider that the removal of ‘Matters Beyond Our Reasonable Control’ (MBORC) from any Ethernet QoS measure was appropriate through a narrow direction change in a mid-market review period.
- In response to our proposed QoS standard for an MTTR based measure, respondents raised concerns as to whether the revised standard maintained the same level of

¹ Paragraph 2.35 of [2021 WFTMR Volume 1: Overview](#) described this geographic market as postcode sectors in which there is, or there is likely to be potential for, material and sustainable competition to BT in the commercial deployment of competing networks

² Paragraph 2.35 of [2021 WFTMR Volume 1: Overview](#) described this geographic market as postcode sectors in which there is not, and there is unlikely to be potential for, material and sustainable competition to BT in the commercial deployment of competing networks.

³ Paragraph 2.35 of [2021 WFTMR Volume 1: Overview](#) described this geographic market as postcode sectors other than the Central London Area where there are two or more rival networks to BT in the provision of leased lines.

⁴ BT Only and BT+1 exchanges refer to the number of rival Principal Core Operators (PCOs) present at a particular exchange. A PCO is a telecoms provider with its own network infrastructure, which has a substantial footprint, and offers a wholesale inter-exchange connectivity service to other telecoms providers.

incentive on Openreach to deliver timely repairs as the OTR standard. Openreach also raised concerns that the inclusion of MBORC increased the risk of non-delivery.

- We have therefore decided to maintain the existing OTR measure. We consider that despite the changes in the fault mix overall the existing standard remains deliverable by Openreach through the remainder of the control period.
- We will undertake a full reappraisal of the standard and the approach to MBORC in the next WFTMR.

The overview section in this document is a simplified high-level summary only. The decisions we have taken and our reasoning are set out in the full document.

2. Our consultation proposal

- 2.1 In July 2023 we consulted on modifying the QoS standard for repair of Ethernet and Dark Fibre products and associated transparency requirements⁵.
- 2.2 The current standard is an on-time repair (OTR) standard that requires 94% of all faults on relevant Ethernet and Dark Fibre products to be repaired within the time stipulated by the Service Level Agreement (SLA), calculated annually. This standard applies in the markets for the supply of LL access in LL Access Area 2 (for relevant Ethernet Services only) and LL Access Area 3, and the market for the supply of IEC in BT Only and BT+1 (Relevant Ethernet Services only) exchanges⁶.
- 2.3 Openreach argued, in a proposal⁷, to change the current standard on the basis that there had been a change in the underlying fault mix. Openreach argued that a decrease in easier to fix faults resulted in more complex faults making up a greater proportion of overall faults, and in Openreach's view, the current standard was no longer fit for purpose.
- 2.4 In its proposal Openreach suggested a change to the underlying metric in the standard from being based on the percentage of orders meeting the contractual OTR period to a mean time to repair (MTTR) measure. Openreach also proposed excluding force majeure (or 'matters beyond our reasonable control (MBORC)') events and customer faults from the standard. Further, Openreach proposed it should be required to track performance against MBORC faults through a new KPI alongside continuing to report against all existing KPIs.
- 2.5 We accepted that the data provided by Openreach appeared to support the rationale that there have been improvements to the customer repair experience, and because these improvements have lowered the number and weighting of easier to fix faults, this will make the current metric more difficult to meet. Consequently, we took the provisional view that it would be appropriate to make a change to the OTR minimum standard in relevant markets to address this.
- 2.6 We considered changing the standard for the existing OTR metric or as proposed by Openreach, amending the metric to MTTR and setting a new appropriate standard. Based on the data provided by Openreach, we considered there is evidence that the current OTR metric does not incentivise Openreach to reduce repair times above the 5-hour threshold. We therefore proposed to change the metric from OTR to MTTR to better incentivise Openreach to repair more difficult to fix faults.
- 2.7 We consulted on two options for an MTTR metric. Both options aimed to approximate the existing standard by using the current distribution of repair times to estimate the relationship between OTR and MTTR, plus 10% to mitigate the risk of adverse events. Our leading option for an MTTR measure included MBORC but excluded customer faults resulting in a minimum standard of 3 hours 50 minutes. Our alternative option excluded both MBORC and customer faults resulting in a minimum standard of 2 hours 40 minutes.

⁵ Consultation on QoS for ethernet and dark fibre: [Consultation: Quality of Service for Ethernet and Dark Fibre \(ofcom.org.uk\)](https://www.ofcom.org.uk/consultation-summaries/qos-ethernet-dark-fibre)

⁶ The OTR standard applied as a transitional remedy to the supply of IEC in BT+2 exchanges for the period 1 April 2021 to 31 March 2022.

⁷ Openreach proposal: https://www.ofcom.org.uk/data/assets/pdf_file/0023/264371/annex-openreach.pdf

2.8 Our consultation sought stakeholder views on whether the change in the fault mix was sufficient to justify a change to the QoS standard. We also sought views on the proposed MTTR measure, whether MBORC should be in scope and the appropriate standard for an MTTR based measure.

3. Responses to the consultation and our decisions

- 3.1 We received six responses to our Consultation from Openreach, Vodafone, TalkTalk, Virgin Media O2, UK Competitive Telecommunications Association (UKCTA) and a consumer.
- 3.2 In this section we set out a summary of those responses, our consideration of them, and our decisions.

Summary of responses

Stakeholders' views

- 3.3 Openreach welcomed the proposed change to an MTTR based measure but had strong concerns regarding the inclusion of MBORC. Openreach argued that the shift to an MTTR calculation increases the volatility of the measure from a small number of extreme MBORC incidents, which is further exacerbated if customer faults (with short repair times) are excluded. As such, Openreach strongly preferred the alternative option, which excluded both MBORC and customer faults.
- 3.4 Openreach considered that our proposed standards were insufficiently low for both the leading and alternative options. It proposed higher standards of between 5h50 and 6h20 if MBORC is included and between 3h30 and 4h00 if MBORC is excluded. Openreach forecast that repair times will continue to increase due to an observed increase in the number of MBORC incidents in recent years, growth in dark fibre volumes, both aging network components and the increasing complexity of new components and building a large quantity of new network.
- 3.5 All other respondents substantially disagreed with our proposal, with respondents largely preferring to retain the current arrangements.
- 3.6 Four respondents did not consider that the changes in the fault mix were so significant, nor in ways that could not have been anticipated at the time of the WFTMR, as to justify a change mid-review. They argued that there was not sufficiently strong evidence that the fault mix will continue to change over the next years and highlighted the importance of regulatory certainty for stakeholders that would be undermined by a mid-review change. One respondent raised concerns about the accuracy of reporting on QoS and argued that these issues needed to be resolved before the QoS standard was changed.
- 3.7 Three respondents supported the inclusion of MBORC within the measure. They stated that its inclusion incentivises Openreach to repair these faults in a timely manner and ensures this category is not used to improve performance by incorrectly categorising faults as MBORC. Further, respondents raised that it was not appropriate to make changes to MBORC for a single QoS measure mid-review period and considered there were benefits to reviewing this change alongside changes to other QoS measures.
- 3.8 Three respondents considered our proposed standard of 3 hour 50 minutes to be more lenient than the current OTR standard. They stressed the importance of setting a standard

that was consistent with the current OTR measure. Vodafone proposed a standard of 3 hours and 30 minutes, while TalkTalk proposed 3 hours 38 minutes.

3.9 We did not receive any comments regarding our impact assessments.

Ofcom's considerations

- 3.10 We accept there have been changes to the fault mix that warranted review of the existing OTR measure. We also consider there are potential incentive benefits to an MTTR based measure that may better incentivise Openreach to repair harder to fix faults.
- 3.11 However, following consultation, we acknowledge the concerns of stakeholders that our proposed standard for an MTTR based measure may not maintain the same level of incentive on Openreach to deliver repairs as the current OTR standard.
- 3.12 We also note Openreach's concern that the inclusion of MBORC in an MTTR measure increases the risk of non-delivery due to the unpredictability of these events. Following consultation, we maintain the view that there is not sufficient evidence to justify a change to our approach to MBORC for a single Ethernet QoS measure in a review midway through the control period. We further note that Openreach's customers consider MBORC important to include in the measure to incentivise the repair of these faults.
- 3.13 We have therefore decided to retain the existing OTR measure and standard and existing KPIs. Despite the change in mix, up to this point Openreach has been able to meet the standards. Further the evidence that this delivery will become more taxing is mixed. Despite the decrease in easier to fix faults, stakeholders highlight that dark fibre volumes – that tend to have longer repair times – are currently at levels below the forecast level in 2021. Accordingly, we consider that it is appropriate to maintain the existing OTR measure and standard for the remainder of the control period and that the standard remains deliverable by Openreach.
- 3.14 Overall, QoS standards are minimum standards that Openreach is expected to achieve and while this may be challenging, it reflects the criticality to customers of ethernet and dark fibre services and we expect Openreach to resource itself to meet them.
- 3.15 We intend to fully reappraise the Ethernet QoS repair standard, including our approach to MBORC, alongside other Ethernet QoS measures, including KPIs, as part of the next WTFMR.