

## Fixed Access Market Reviews

### Response by KCOM

**25 September 2013**

#### Summary

KCOM Group PLC delivers communications services to a range of businesses and consumers throughout the UK under a number of different brands. Kcom provides communications services for national multi-site enterprise and public sector organisations across the UK. Eclipse Internet delivers a portfolio of internet based communications services with a focus on the national SME market. In Hull and East Yorkshire, KC provides a range of communications services to businesses and consumers.

We have focused our response on our business in the Hull area, but consistent with our response to the Call for Inputs<sup>1</sup>, we have also commented on Openreach quality of service from the point of view of our Kcom and Eclipse Internet businesses, both of which rely on Openreach infrastructure to deliver services to end-users.

Broadly we welcome Ofcom's proposals in this consultation. We agree that it is not appropriate ex-ante regulation is imposed on KCOM in the retail fixed access markets given competition law is a sufficient protection. In the draft statement for the Narrowband Market Review, Ofcom proposed to remove the ex-ante retail regulation on KCOM in the calls market. Ofcom has historically not imposed remedies in the retail broadband market. If Ofcom confirms its approach in the fixed access retail markets, KCOM will not have retail SMP remedies in the calls, access and broadband markets. Consequently we would suggest that Ofcom confirms in its statement that it considers the voluntary undertakings<sup>2</sup> KCOM provided in 2010 in relation to bundles would fall away on grounds that competition law is a sufficient control. We see this very much of a cleaning up exercise for out-dated and inappropriate forms of regulation that have been applied in the Hull area, and nowhere else in the UK.

Although we do believe that Ofcom may have underestimated the competitive constraint arising from emerging alternative access providers in the Hull area, we consider the proposed approach to general SMP remedies in the WFAEL and WLA markets to be

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[http://stakeholders.ofcom.org.uk/binaries/consultations/fixdaccessmarkets/responses/KCOM\\_Group\\_PLC.pdf](http://stakeholders.ofcom.org.uk/binaries/consultations/fixdaccessmarkets/responses/KCOM_Group_PLC.pdf)

<sup>2</sup> <http://stakeholders.ofcom.org.uk/consultations/retail-bundling-in-hull/>



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reasonable and proportionate. We are not however convinced of the value in imposing remedies in the ISDN markets, given the legacy nature of these products.

In relation to Openreach quality of service, we welcome Ofcom's acknowledgement that this is an area that may benefit from explicit regulatory intervention. We look forward to Ofcom's upcoming consultation considering the level of minimum standards that may be appropriate.

In the remainder of our response we have addressed relevant questions set out in Ofcom's consultation, first addressing questions relating to our business in the Hull area and secondly considering questions relating to Openreach quality of service.

## Regulation in the Hull area

**Question 3.1 – Do you agree with our provisional view that, during the period covered by this market review, BT and KCOM will have SMP in the WFAEL markets we define above? Please provide reasons in support of your views.**

KCOM does not contest Ofcom's SMP finding in the Hull area for the WFAEL market in the period covered by this market review. We would however note we expect there to be significant competitive constraints in this market for the first time from alternative fixed access infrastructure.

The current network deployment being undertaken by MS3 does have the potential to have a significant impact on our business both at a retail and wholesale level. At paragraph 6.31 of the consultation document Ofcom describes MS3 as "likely to focus on business customers and we note its network does not cover all of the Hull Area. As a result we consider that it is unlikely that MS3 will be able to gain a significant customer base from KCOM during the time period covered by this review."

We would expect MS3's £5.5m investment would not make commercial sense were it to be this limited in scope. Ofcom's analysis of MS3 does not reflect our understanding of the level of coverage which MS3 already has or their future plans. A recent report by Point Topic<sup>3</sup> provides the following overview of MS3's current and planned network deployment:

*"Also in Hull, MS3 Networks, a business broadband provider, now passes 1,500 businesses with phase one of its network buildout comprising 33km of its own ducts and fibre brought in over the Humber Bridge, through the west of Hull and into the City Centre. The network, which went live in April 2013, also runs through residential areas and is located near 10,000 homes. Targeting the residential sector is part of the company's long-term five-year strategy, with the intention to cover 12,000 homes initially and then extend that number up to 25,000.*

*"In July 2013 MS3 Networks began phase two of its network build to add another 30km of fibre into the east of Hull which is due to see significant economic growth as a regeneration area. Construction of this phase is expected to be complete at the end of 2013 and is due to add around 300 more businesses to the network. The operator aims to have 200km of fibre in place in five years' time."*

This suggests MS3's network rollout is more extensive than Ofcom has previously considered and could have a significant impact on KCOM's business over the period of the market review, potentially in the residential market as well as the business market. We would urge Ofcom to engage more formally with MS3 with regard to their actual and intended network and service deployment in the context of this and any other market reviews.

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<sup>3</sup> **Superfast UK reviews, rethinks and revises** A short report from UK Plus, 2 August 2013

***Question 4.1 – Do you agree with our provisional view that, during the period covered by this market review, BT and KCOM will have SMP in the wholesale ISDN30 markets we define above? Please provide reasons in support of your views.***

Our comments in answer to question 3.1 equally apply to the wholesale ISDN30 market.

***Question 5.1 – Do you agree with our provisional view that, during the period covered by this market review, BT and KCOM will have SMP in the wholesale ISDN2 markets we define above? Please provide reasons in support of your views.***

Our comments in answer to question 3.1 equally apply to the wholesale ISDN2 market.

***Question 6.1 – Do you agree with our provisional view that, during the period covered by this market review, it is not appropriate to impose retail regulation in the RFAEL markets in the Hull Area that we define above? Please provide reasons in support of your views.***

We agree with Ofcom's assessment that SMP regulation is not required in the RFAEL market in the Hull area owing to the sufficiency of competition law. We see this as consistent with EC guidance on when it is appropriate to designate SMP in a given market.

### **Competition law**

Competition law addresses the two key concerns over hypothetical incumbent behaviour in the Hull retail market. KCOM is prevented from pricing products in a way that would either abuse our market position to the detriment of end-users or by foreclosing competitive entry. The remaining wholesale SMP requirements to allow network access on reasonable request provides a proportionate remedy for any provider that may wish to enter the market making use of our network.

As we noted in our response to the Narrowband Market Review<sup>4</sup>, our internal compliance process takes account of competition law and all proposed pricing has to be signed off accordingly. We consider Ofcom's robust powers as a competition authority should give comfort to stakeholders in the Hull market upon lifting retail SMP obligations, as should the fact Ofcom has not to date had cause to open either a competition law or breach of SMP obligations investigation into KCOM.

### **Retail bundles**

In 2010 Ofcom consulted on allowing KCOM to include SMP products in retail bundles offered in the Hull area. Ofcom acknowledges at paragraph 6.36 of its consultation

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<sup>4</sup> [http://stakeholders.ofcom.org.uk/binaries/consultations/nmr-2013/responses/KCOM\\_Group\\_PLC.doc.pdf](http://stakeholders.ofcom.org.uk/binaries/consultations/nmr-2013/responses/KCOM_Group_PLC.doc.pdf), p2

document that it has not been given cause to open an investigation into KCOM on retail practices in the Hull area, either under our existing ex-ante obligations or competition law since this change.

In the 2010 bundling statement<sup>5</sup>, Ofcom confirmed that it would not interpret bundling as undue discrimination at the retail level, assuming we had followed the voluntary undertakings we proposed as part of that consultation. Our view is that as the 2010 undertakings<sup>6</sup> were predicated on the retail no undue discrimination remedy being in place, these undertakings will no longer be valid if all component products in a bundle are not covered by a retail no undue discrimination SMP condition. We suggest it would be useful for Ofcom to confirm its view of our 2010 bundling undertakings in its upcoming statement.

***Question 6.2 – Do you agree with our provisional view that, during the period covered by this market review, it is not appropriate to impose retail regulation in the retail ISDN30 market in the Hull Area that we define above? Please provide reasons in support of your views.***

Our comments in answer to question 6.1 above equally apply in the retail ISDN30 market in the Hull area.

***Question 6.3 – Do you agree with our provisional view that, during the period covered by this market review, it is not appropriate to impose retail regulation in the retail ISDN2 market in the Hull Area that we define above? Please provide reasons in support of your views.***

Our comments in answer to questions 6.1 above equally apply in the retail ISDN2 market in the Hull area.

***Question 7.1 – Do you agree with our provisional view that, during the period covered by this market review, BT and KCOM will have SMP in the WLA markets we define above? Please provide reasons in support of your views.***

Our comments in answer to question 3.1 equally apply in the WLA market in the Hull area.

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<sup>5</sup> <http://stakeholders.ofcom.org.uk/binaries/consultations/retail-bundling-in-hull/statement/statement.pdf>

<sup>6</sup> <http://stakeholders.ofcom.org.uk/binaries/consultations/retail-bundling-in-hull/annexes/annex4.pdf>

***Question 10.1 – Do you agree with our proposals regarding requirements on BT and KCOM to provide network access on reasonable request? Please provide reasons in support of your views.***

KCOM considers the network access on reasonable request obligation a proportionate remedy to impose in the Hull area in the WFAEL and WLA markets. We believe this is a sufficient remedy to ensure that other providers can access our network in a way that meets their requirements, if those requirements arise. We have long argued that any requirements to develop specific wholesale products before any demand for them has been properly registered would be a disproportionate approach given the cost of doing so would ultimately have to be recovered from retail customers if no demand for the new wholesale product could be assured.

However, we believe Ofcom should take a pragmatic approach to whether general remedies are indeed still required for ISDN2 and ISDN30 in the Hull area. As we note in answer to question 10.3 below, we agree with Ofcom's logic not to cover the ISDN markets in relation to handling requests for new network access. We believe Ofcom's logic equally applies to the other general remedies, including the general network access obligation itself.

For ISDN2, we are unsure of the benefit in Ofcom continuing to apply remedies to a legacy product market that represents less than 3,500 connections in total<sup>7</sup>. As with the rest of the UK, the Hull area has seen declining ISDN2 volumes. Over the last five years connections have declined on average 6% each year from an already small base. We expect this decline to continue over the course of this market review. While ISDN30 volumes have remained relatively flat in the Hull area over recent years, the market is small at just over 1,000 circuits in 2012/13<sup>8</sup>.

KCOM offers a wholesale ISDN2 and ISDN30 retail-minus product. We have a commercial incentive to continue to offer this existing product, absent of any regulatory remedies. While our retail business is focusing on developing the market for improved alternatives to these legacy services, external sales of ISDN2 increased 33% year-on-year in 2012/13<sup>9</sup> with ISDN30 increasing 31%<sup>10</sup>. These external sales largely come from relatively small Hull-focused providers for whom a true wholesale product is unlikely to be suitable. As Ofcom notes at paragraph 10.70, "we consider that there is little prospect of third party CP demand for new forms of wholesale ISDN2 or ISDN30 network access within the Hull Area over the period of this review". As such we do not believe it is necessary to apply the general network access obligation to the ISDN wholesale markets.

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<sup>7</sup> **KCOM Regulatory Financial Statements for the year ending 31 March 2013, p16**

<sup>8</sup> Ibid p20

<sup>9</sup> Ibid p17

<sup>10</sup> Ibid p21

***Question 10.3 – Do you agree with our proposals regarding requirements on BT and KCOM in relation to handling requests for new network access? Please provide reasons in support of your views.***

We welcome Ofcom's proposals not to impose a handling requests for network access remedy in the ISDN2 and ISDN30 markets. Further to our comments in answer to question 10.1, we agree the prospect of a new ISDN product being requested by another provider highly unlikely, suggesting this remedy is redundant.

Regarding the WLA and WFAEL markets, we are entirely comfortable with Ofcom extending the existing condition to cover a requirement to inform access requester of any reason why a request is refused. As outlined in our current New Services Manual, we already commit to providing full details if a request is rejected<sup>11</sup>.

***Question 10.4 – Do you agree with our proposals regarding requirements on BT and KCOM in relation to remedying discriminatory conduct? Please provide reasons in support of your views.***

We welcome Ofcom's assessment that it would be a disproportionate regulatory burden to impose EOI or technical replicability conditions on KCOM given the limited interest of other providers to invest in the Hull market. We believe the general network assess obligation, alongside the no undue discrimination obligation in the key wholesale markets, such as WFAEL, WBA and WLA, are sufficient remedies to ensure other providers can seek to enter the Hull market using KCOM network infrastructure should they wish to.

***Question 10.5 – Do you agree with our proposals regarding requirements on BT and KCOM in relation to accounting separation? Please provide reasons in support of your views.***

We accept Ofcom's proposal for an accounting separation requirement in the Hull area WFAEL market. We agree with Ofcom's assessment that imposing accounting separation in the WLA would be unnecessary given no provider have sought to use LLU in KCOM Hull area exchanges.

In line with our comments in response to question 10.1, we question the value of continuing to impose remedies in the legacy Hull area ISDN2 and ISDN30 markets.

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<sup>11</sup> [http://www.kcomplc.com/docs/regulatory-pdf/reg\\_rio\\_knsm.pdf](http://www.kcomplc.com/docs/regulatory-pdf/reg_rio_knsm.pdf) p34

***Question 10.6 – Do you agree with our proposals regarding requirements on BT and KCOM to publish a reference offer? Please provide reasons in support of your views.***

KCOM agrees that it is appropriate for a reference offer to be published where a regulated wholesale product is offered in the Hull market. We welcome that Ofcom has proposed no longer to require KCOM to send Ofcom a copy of new or updated references offers, given they are publically available via our website.

***Question 10.10 – Do you agree with our proposals regarding requirements on BT and KCOM to notify changes to charges? Please provide reasons in support of your views.***

We accept Ofcom's proposals to require KCOM to notify changes to charges in key wholesale fixed access markets in which we are assessed as having SMP.

We welcome Ofcom's proposal that sending ACCNs to Ofcom should no longer be required except in circumstances where KCOM provides different network access to itself that is the same, similar or equivalent to that provided at third parties in a manner different from ACCNs sent to third parties.

***Question 10.11 – Do you agree with our proposals regarding requirements on BT and KCOM to notify technical information? Please provide reasons in support of your views.***

We accept Ofcom's proposals to require KCOM to publish technical information relating to the key wholesale fixed access markets in which we are assessed as having SMP.

***Question 10.22 – Do you agree with our proposals regarding requirements on BT in relation to cost accounting and not to impose cost accounting requirements on KCOM? Please provide reasons in support of your views.***

We welcome Ofcom's proposals not to impose cost accounting requirements on KCOM. We believe accounting separation alongside the fair and reasonable charges requirement is a proportionate and sufficient approach to KCOM pricing in the key wholesale markets in the Hull area.

We note Ofcom's proposed approach to interpreting the fair and reasonable charges obligation on BT in relation to Openreach's VULA product. We accept that Ofcom's analysis leading to this proposed interpretation relates to the market for VULA in the UK outside the Hull area. However we suggest Ofcom ought to confirm it is not fettering its discretion in relation to how, should it ever need to, it would interpret ex-post margin squeeze under competition law or the proposed ex-ante fair and reasonable charges obligations imposed on KCOM. Consistent with Ofcom's approach to general remedies on KCOM in the Hull area, there remains a need to consider the uniqueness of the Hull market, particularly how the



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proportionality of regulatory remedies can ultimately affect consumer welfare when other providers choose not to enter the market.

We are currently making a significant investment in deploying fibre access and believe that the regulatory environment needs encourage infrastructure investment as well as provide pragmatic competition protection.

## Openreach quality of service

KCOM Group businesses Kcom and Eclipse are consumers of underlying Openreach WLR and LLU products. As such we welcome Ofcom's consideration of the regulatory approach to quality of service in Openreach products that are critical to the delivery of communications services in the UK market.

In our response to the Call for Inputs we expressed our concern that Openreach's inability to work to and deliver against targets for all aspects of service delivery (where they are defined) and fluctuating levels of quality in service delivery suggests there are serious issues in terms of both the service delivery organisation and the processes it uses. We continue to believe this is the case. It is not only a general service quality issue, it is also a regulatory issue, in that providers have no choice but to use Openreach infrastructure for delivery of many of their services to end customers and as a result are dependent on Openreach managing service delivery effectively.

While we generally welcome Ofcom's proposals we do have some specific comments which we set out below in response to the consultation questions. The further consultation on service standards is clearly important and we will consider this when published.

We are also concerned that any obligations that are placed on BT are effectively monitored and that the threat of enforcement action provides a real incentive for Openreach to get it right and enforcement action is timely when needed. This is not addressed by Ofcom in the current consultation and we would welcome further clarity as to how Ofcom sees its proposals achieving these aims.

***Question 10.2 – Do you agree with our conclusion not to seek to modify SLAs or SLGs as a mechanism for quality of service improvement? If not, how would you modify the SLAs and or SLGs and on what basis and how would you ensure that such changes did not have unintended incentive consequences? Specifically do you consider that the existing SLA for provisioning appointments (12 days from next year) is adequate? Please provide reasons in support of your views.***

While we welcome greater clarity around what aspects of service delivery Openreach should provide SLAs/SLGs in respect of, we are concerned that Ofcom is not planning to specify in more detail the terms under which Openreach should offer its services, specifically SLA/SLG provisions. The contracts under which Openreach provides services are not normal commercial contracts. Invariably contractual provisions are presented to industry who then engage in a degree of negotiation but with little bargaining power to force changes to the contract. As a result where there are service quality provisions in Openreach contracts they are not as detailed and comprehensive as we would expect to see in commercially negotiated contracts, nor do they require delivery to the standards which we and our customers would expect. Similarly we have concerns with the level of payments which "commercially negotiated" SLAs/SLGs provide for.

We would also reiterate our point about whether the current level of payments for failure to meet SLAs/SLGs is sufficient to incentivise Openreach to improve its service. Overall they form a very small element of the Openreach balance sheet and as such may simply be seen as a cost of doing business rather than a penalty. We believe that commercially renegotiating these amounts will prove to be incredibly difficult if not impossible. We appreciate that Ofcom's proposals for minimum service standards will enable Openreach to be financially penalised for failure to meet those standards but determining whether there has been a breach will always be a retrospective exercise that will not address the need for timely payment of compensation to customers for failure to deliver.

Ultimately we believe that Openreach should also be subject to a regulatory obligation which requires agreement of SLAs as part of any reference offer, with a more detailed framework defining the principles which those SLAs should adhere to. This would provide both Openreach and CPs with clear expectations in terms of service quality and a structure within which appropriate standards can be defined and agreed. It would also provide CPs with a clear basis for enforcement should adequate service quality standards not be agreed or where they are consistently not met by Openreach.

***Question 10.7 – Do you agree with the proposal to specify the services for which BT is to provide SLA/SLGs? Also do you consider that we have identified all appropriate services that should be subject to an SLA/SLG requirement at this time? If not, please set out what services should be included and provide reasons in support of your views.***

We agree with the proposal to specify the services for which BT must provide SLA/SLGs and the set of services which Ofcom has identified should be subject to an SLA/SLG requirement.

***Question 10.8 – What are your views on whether you consider a need for Ofcom to require BT to offer an SLA in relation to GEA appointment availability? Please provide reasons in support of your views.***

We believe it would be inconsistent for Ofcom not to require BT to offer an SLA in relation to GEA appointment availability. We would anticipate that most customers requiring connection via GEA will already have a telephone in place which means that GEA delivery will not be covered by SLAs for the provision of an exchange line. As demand for GEA grows provisioning timescales could well become an issue.

***Question 10.9 – What are your views on the principles for negotiations on SLA/SLGs? Please provide reasons in support of your views.***

While we broadly agree with idea of putting in place principles for negotiations on SLA/SLGs we refer to our comments in response to question 10.2. Without a more detailed framework

we are concerned that in reality no real negotiation will ever take place. We are also unclear regarding Principle 2:

*“That OTA2 carries out an initial assessment of whether a request for a new SLA/SLG or change to an existing SLA/SLG is broadly appropriate, reasonable in scope and clear in the problem it is trying to address and agrees with Ofcom that the request should be investigated further.”*

On the one hand Ofcom is suggesting that negotiation of SLA/SLGs should be a commercial issue, while on the other this principle is suggesting that there is some standard that requests will need to meet in order for them to be considered. We also question the basis on which Ofcom would agree whether a request should be investigated further. We are somewhat uncomfortable that this may be prejudging whether a request for a new SLA/SLG or to amend an existing one is “fair and reasonable”.

***Question 10.12 – Do you agree with our proposal to impose conditions on BT for the provision of information for quality of service purposes in each of the WLA, WFAEL, ISDN30 and ISDN2 markets excluding the Hull Area? Please provide reasons in support of your views.***

KCOM agrees with Ofcom’s proposals regarding the provision of information for quality of service purposes. Information previously provided by BT has provided invaluable in assessing where there may be specific quality of service issues and in particular whether an individual CPs experience may differ from the rest of industry. We particularly welcome the proposal to include measures relating to appointment availability. This has been a key area of concern for KCOM and other providers and we agree with Ofcom that this is in some ways a better measure of Openreach performance than average provisioning times. In reality the clock begins ticking for the customer and ourselves from the moment we place an order, not from the time when we are given a confirmed delivery date.

***Question 10.13 – Do you agree with our proposal to extend the direction for specific KPIs to LLU and GEA services? Please provide reasons in support of your views.***

KCOM welcomes Ofcom’s proposal to extend the direction for specific KPIs to LLU and GEA services. This will enable comparison of performance across services and is particularly key given the growing importance of GEA.

***Question 10.14 – Do you agree that it is appropriate to include a common core set of KPIs across WLR analogue, LLU and GEA given the competition between these services? Please provide reasons in support of your views.***

We agree that it is appropriate to include a common core set of KPIs across WLR analogue, LLU and GEA. Different providers may use different solutions to offer services to the same customer and it is important that the quality of service delivered by Openreach is not a differentiating factor.

***Question 10.15 – Do you agree with our proposals to include a record of the number of services affected by MBORC in the KPIs? Please provide reasons in support of your views.***

KCOM welcomes the proposal to include a record of the number of services affected by MBORC in the KPIs. The declaring of MBORC has become a regular occurrence and we believe that closer monitoring of its use and impact is essential to ensure that it is being used only where necessary and that customer impact is limited.

***Question 10.16 – Do you agree that it is appropriate to require Openreach to prepare some of these KPIs for presentation in the public domain? Do you consider that there are any issues with this publication that we should be aware of? Do you agree that the OTA2 website is the best location for such publication? Please provide reasons in support of your views.***

We agree that it would be appropriate to require Openreach to prepare some of the KPIs for publication, however believe that publication by Ofcom rather than the OTA2 would be more useful. Unless customers are aware the information is available, understand the impact it has on their service delivery and actively seek it out it will not be useful – industry and Ofcom experience of Topcomm bears this out.

We believe it is very unlikely customers will have the level of awareness necessary to find and make use of the information if it is provided solely on the OTA2 website. However, periodic publication by Ofcom of this data with some explanatory background is more likely to aid dissemination and raise the profile of these metrics.

***Question 10.17 – Do you agree that it is appropriate to set minimum standards for Openreach services? Please provide reasons in support of your views.***

KCOM agrees with Ofcom's view that there are inherent limits to the existing remedies in place affecting quality of service in terms of ensuring Openreach has the right incentive to consistently maintain its service quality and that maintaining an appropriate level of quality of service is a key facet of providing network access.

Given the serious issues industry has experienced with Openreach's inability to work to and deliver against targets for all aspects of service delivery and fluctuating levels of quality in service delivery we believe it is essential to set minimum service standards. As we have noted above not only is this a general service quality issue, it is also a regulatory issue, in that providers have no choice but to use Openreach infrastructure for delivery of many of their services to end customers and as a result are dependent on Openreach managing service delivery effectively. The setting of minimum service standards will provide a clear benchmark in terms of what is acceptable and also the incentive (provided service standards are set at the right level and there is effective enforcement) for Openreach to improve overall quality of service.

***Question 10.18 – Do you agree that the minimum standards should only be applied to WLR and MPF provisioning appointment and fault repair? If not what else should be included and why? Please provide reasons in support of your views.***

We agree that as a starting point applying minimum service standards to WLR and MPF provisioning appointment and fault repair would be appropriate – these are the two key elements of service delivery which we have experienced issues with. However, we are concerned that as a result service standards for other activities and other services do not suffer, i.e. the problem is not simply moved elsewhere. We would suggest Ofcom explores the issue of the range of services and activities to which minimum standards should apply further as part of the service cost trade-offs in the forthcoming consultation on minimum service standards.

***Question 10.19 – Do you agree that we should incorporate force majeure affected services in the standards? Please provide reasons in support of your views.***

We agree that force majeure affected services should be incorporated in the standards. We believe that the extensive use of MBORC is reflective not only of specific weather conditions but also indicates longer term maintenance issues which, when combined with adverse weather, have the effect of compounding its impact. We would stress however that it is vitally important how Ofcom defines the allowance for force majeure.

***Question 10.20 – How should we determine the appropriate standard? How would you assess the trade off of service level and charge increase?***

We will wait for the further consultation on service standards before commenting on this issue.

***Question 10.21 – Do you agree with the structure of the standard – yearly, forecast region targets? Please provide reasons in support of your views.***

We agree with regional forecast targets, however are concerned that annual measurement against the targets will not be often enough to identify in a timely manner when action might be necessary. An issue may become clear as a result of the monthly KPI data however, to expect providers to have to wait until the end of a 12 month period before formal action can be taken does not seem right. Unlike compliance with other regulatory obligations such as charge controls which are retrospectively reviewed, there is no potential for retrospective benefit or future adjustment in respect of service delivery which a provider might take advantage of. Service delivery is very much a current issue and unless action is taken to address issues quickly then as experience shows shortfalls in service can become much worse.

Notwithstanding the need to be aware of seasonal variations in the demand on Openreach resources we believe that quarterly monitoring would be more effective.