

25 September 2015

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Dear Mark

**BT's temporary use of shared computer systems for specified Openreach Operational Support Systems (OSS)**

Thank you for your letter dated 24 September 2015.

We are very disappointed at the circumstances set out in your letter concerning BT's erroneous use of the shared BT Enterprise Cloud (BTEC) for certain Openreach Operational Support Systems (OSS). The requirement in section 5.44.2(a) of the Undertakings is clear in requiring BT to run the OSS used by Openreach physically separate from the rest of BT as soon as reasonably practicable and proportionate, whereas BT's use of the BTEC has meant that these Openreach systems have been on hardware shared with the rest of BT. These circumstances have led to both current breaches of the Undertakings and the need for BT to request our agreement for the temporary use of the BTEC for further Openreach OSS.

Current breaches

There are five Openreach systems that are live on the BTEC and currently in breach of the Undertakings. We note that BT self-reported these breaches and that the EAB has investigated and confirmed BT to be in breach. We take these breaches very seriously and consider it important that BT commits to appropriate remedial action in relation to them. The EAB has provided us with a detailed report on these breaches and we have reviewed the evidence underlying its report. Following the EAB's detailed examination of the root causes of the breaches and our review of their findings, it would appear that the remedial actions that BT has committed to are sufficient. We set these out below, as they are also relevant to our consideration of BT's request in relation to the further Openreach OSS:

- By 31 December 2015 the Openreach OSS will be running on physically separate hardware used only by Openreach;

- An audit of the Openreach systems estate will be conducted to ensure that no other systems are in breach of the Undertakings;
- Improvements will be made to internal governance;
- Improved internal controls will be implemented; and
- Improvements will be made to the training given to employees in relation to the Undertakings.

We expect to have further discussions with BT on implementation of these actions over the coming months.

#### BT's request

BT requests that Ofcom agree to five specified Openreach OSS being run on shared hardware (the BTEC) until 31 December 2015 at the latest. BT explains in its letter the reasons for this request, in particular that there are customer service commitments that Openreach needs to deliver and that, as a result of its erroneous use of the BTEC, Openreach is unable to deliver on these commitments on physically separate hardware in accordance with its obligations under the Undertakings. Therefore, it is necessary for Openreach to deliver these services using shared systems (the BTEC) on a temporary basis until December 2015.

We consider that, if BT is unable to deliver the services identified in its letter using shared systems, there is the potential for adverse impacts on communications providers and their customers. In particular, we consider that industry will not immediately benefit from the new View My Engineer service and that the degradation of the systems providing Service Level Guarantee payments and NGA fault management poses a risk to the delivery of these services. It is also clear that BT is not in a position to deliver these services on physically separate hardware in advance of December 2015. We are also mindful of the fact that there is unlikely to be any adverse consequences for competition on Openreach customers or end users as a result of running these OSS on the BTEC, it will be for a time-limited period and during this period the relevant Openreach OSS will be subject to at least Level 2 System Separation<sup>1</sup>.

Therefore, on the basis of the information provided by BT, for these reasons we do not on balance consider that it would currently be appropriate for Ofcom to take enforcement action against BT in respect of its proposal to run the five specified Openreach OSS on the BTEC until the end of December 2015.

We consider that the monitoring and reporting requirements that BT has committed to, alongside the monitoring and reporting of the corrective actions for the existing breaches set

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<sup>1</sup> Level 2 System Separation means both (a) separation of the data held by the system and (b) separate instances of the application software, such that users can only have access to which they are entitled or which they are permitted, consistently with the Undertakings.

out above, are essential in providing the necessary assurances to ensure that these circumstances are appropriately remedied by the end of the year and that they are unlikely to occur again.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Jonathan Oxley'.

Jonathan Oxley