

CityFibre

CityFibre's response to Ofcom's Call for Inputs on Openreach's Equinox offer

Confidential: Contains Business Secrets

19 July 2021

NON-CONFIDENTIAL VERSION

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1 Introduction and summary

- 1.1 This document sets out CityFibre’s initial response to Ofcom’s Call for Inputs¹ on Openreach’s Equinox offer.² Given that CityFibre has been given just 10 working days to respond to the Call for Inputs, this document is necessarily highly preliminary in nature. The entirety of this document is highly commercially sensitive and must not be made public without CityFibre’s express consent.
- 1.2 CityFibre has serious concerns about the process under which Ofcom is carrying out its assessment of the Equinox offer. It appears that Ofcom is proposing to reach a provisional view on the basis of responses to a 10-working-day Call for Inputs. That Call for Inputs contains no analysis or evidence from either Openreach or Ofcom. Ofcom must carefully consider the signalling effects of any provisional decision to approve the terms, including the potential for undermining its stated policy objectives.³ Nevertheless, in the short space of time available, and with the limited information provided, CityFibre has sought to highlight issues of concern raised by the Equinox offer and to set out its preliminary views.
- 1.3 In its WFTMR Statement, Ofcom made clear that:
- i. The promotion of network-based competition will be its “*guiding principle*” in assessing any commercial terms proposed by Openreach;⁴
 - ii. Openreach has the ability and incentive to engage in conduct that could distort competition and harm consumers, including by targeting price reductions or adopting other commercial terms in order to deter alternative network rollout;
 - iii. Ofcom’s “*key concern*” is commercial terms that could “*undermine investor confidence in new network build and impact rollout plans*” – for example by discouraging ISPs from switching demand to alternative networks;⁵
 - iv. Loyalty-inducing terms are a particular concern because they could deter ISPs from switching to alternative networks. In Ofcom’s own words: “*If Openreach is able to deprive new networks of demand, they will fail*”.⁶
- 1.4 Ofcom must apply the analytical framework set out at paragraph 7.154 of Volume 3 of the WFTMR when considering whether to use its powers to prevent the implementation of the Equinox offer. That framework provides that the creation of any barrier to using alternative network operators is only justified where:
- i. the impact on nascent network competitors is unlikely to be material; and
 - ii. the arrangements will generate clear and demonstrable benefits (e.g. they are either essential to Openreach’s business case for fibre rollout or necessary to deliver benefits for consumers).
- 1.5 [REDACTED]

¹ https://www.ofcom.org.uk/data/assets/pdf_file/0023/221378/call-for-inputs-openreach-proposed-ftp-offer.pdf.

² See <https://www.openreach.co.uk/cportal/updates/briefings/ultrafast/nga201721>.

³ CityFibre has written separately to Ofcom about this in its letter of 13 July.

⁴ WFTMR Statement, Volume 3, para 7.159.

⁵ WFTMR Statement, Volume 3, para 7.159.

⁶ WFTMR Statement, Volume 3, para 7.50.

[REDACTED]
[REDACTED].

1.6 [REDACTED]:

i. [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED].

ii. [REDACTED]
[REDACTED]
[REDACTED];

iii. [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED].

iv. [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED].⁷

1.7 In light of the complexity of the issues and particularly given the potential for harmful signalling effects, Ofcom should avoid coming to a provisional view solely on the basis of stakeholder responses to a Call for Inputs, which is devoid of analysis and evidence. Ofcom should instead carry out a full and open consultation process.

1.8 In addition, Ofcom should not reach any view, provisional or otherwise, without first:

- i. Making available to stakeholders all analysis and evidence submitted by Openreach and any initial analysis carried out by Ofcom – and allowing stakeholders to comment on it; and
- ii. Thoroughly investigating the specific issues listed in section 5 below.

1.9 [REDACTED]
[REDACTED]
[REDACTED]:

i. [REDACTED]
[REDACTED]
[REDACTED].

⁷ [REDACTED].

ii. [REDACTED]

iii. [REDACTED]

iv. [REDACTED]

1.10 By carrying out a full and open consultation process, investigating the specific issues set out in section 5 (including how the Equinox offer interacts with the existing GEA offer and any replacement) and modifying the above aspects of the Equinox offer, Ofcom would be setting out a suitable framework for regulating Openreach’s pricing conduct and promoting competition from alternative network build.

1.11 [REDACTED]

2 Key features of the Equinox offer

2.1 Annex A to this document sets out CityFibre’s understanding of Openreach’s Equinox offer, including the scope of the offer, the available discounts, the targets ISPs are required to meet in order to earn those discounts, and how the offer interacts with other existing Openreach offers.

2.2 In summary, the key features of Openreach’s proposed discount scheme include the following:

- i. To qualify for the discounts in full, ISPs must meet the specified fibre-only targets in relation to the percentage of orders that are for Openreach’s FTTP service (90% for connection discount, and 80% for rental discount after 30 September 2022). Performance against the target is assessed quarterly.
- ii. Discounted connection charges are offered on all new provides and transfer orders in Area 2 in the relevant quarter, with an additional discount applied to new-to-BT-network (NTN) connections.

⁸ [REDACTED]

[REDACTED]

⁹ [REDACTED]

- iii. Discounted rental charges are offered across an ISP's entire FTTP base nationally. In addition, ISPs can benefit from an ARPU revenue share rebate across the entire FTTP base if they meet the fibre-only target and achieve an ARPU in excess of the ARPU share level.
- iv. The offer provides certainty over the price path for the first five years through the use of annual indexation provisions. Openreach will carry out a price review in year 6, which may result in a material increase in prices, followed again by annual indexation.
- v. The Equinix offer can be combined with Openreach's GEA discount offer. Orders that qualify for the former can also contribute towards volume commitments in the latter.

3 Ofcom's framework for regulating pricing and other commercial terms

Ofcom's objective of promoting network-based competition

- 3.1 Ofcom states in its WFTMR Statement that its strategy is to "*promote investment in gigabit-capable networks by Openreach and other telecoms providers in order to promote network-based competition*" (emphasis added).¹⁰ It says it wants "*to encourage BT's competitors to build their own networks, rather than relying on network access from Openreach*".¹¹ In Ofcom's view, whilst promoting network competition will take time, it will ultimately "*provide increasing protection for consumers in the long term*".¹² It is therefore clear that Ofcom sees its objective as being broader than the protection of competition under the competition rules.
- 3.2 At the same time, Ofcom recognises that there is a "*relatively small window of opportunity to encourage new network build*".¹³ It also acknowledges that "*[a]lternative operators building new networks face considerable challenges in becoming established and overcoming the incumbency advantages of Openreach*".¹⁴
- 3.3 Ofcom considers that, without regulation, "*Openreach has the ability and incentive to engage in various forms of exclusionary and/or exploitative conduct that could distort competition and/or harm consumers*", including "*target[ing] price reductions or adopt[ing] other commercial terms in order to deter the rollout of new networks by competitors*".¹⁵
- 3.4 Ofcom also states that the encouragement of investment by Openreach and other operators in order to promote network-based competition will be its "*guiding principle*" in assessing any commercial terms proposed by Openreach.¹⁶ Its "*key concern*" is "*commercial terms that could undermine investor confidence in new network build and impact rollout plans e.g. by discouraging access seekers from switching demand to alternative networks*" (emphasis added).¹⁷

¹⁰ WFTMR Statement, Volume 3, para 1.44. See also paras 1.4, 1.7, 7.29, 7.33 and 7.159 of Volume 3.

¹¹ WFTMR Statement, Volume 3, para 1.7.

¹² WFTMR Statement, Volume 3, para 1.11.

¹³ WFTMR Statement, Volume 3, paragraph 7.56.

¹⁴ WFTMR Statement, Volume 3, para 7.45. We comment further on Openreach's incumbency advantages in section 4 below.

¹⁵ WFTMR Statement, Volume 3, para 1.6. See also para 7.13 of Volume 3.

¹⁶ WFTMR Statement, Volume 3, para 7.159.

¹⁷ WFTMR Statement, Volume 3, para 7.159.

Loyalty-inducing terms

- 3.5 Ofcom acknowledges in Volume 3 of the WFTMR Statement that Openreach terms which induce loyalty from retail ISPs have the potential to undermine alternative network build and alternative operators' investment plans:

*"[7.29] If Openreach uses commercial terms that undermine new network build, our starting point is that they are likely contrary to the interests of consumers in the long term. In this context, terms which could induce loyalty e.g. Openreach offering lower prices in return for large volume commitments, are a particular concern because this could deter access seekers from switching demand to new alternative networks."*¹⁸

- 3.6 Ofcom also recognises that "[i]f Openreach is able to deprive new networks of demand, they will fail".¹⁹ [REDACTED]

- 3.7 In paragraphs 7.163 – 7.172 of Volume 3 of the WFTMR Statement, Ofcom provides more specific guidance on certain commercial terms that might be considered problematic, depending on the circumstances. It provides a non-exhaustive list of examples, including exclusivity discounts and retroactive rebates.

- 3.8 Ofcom goes on to state that it may be concerned about Openreach terms which have the objective of migrating customers from copper to FTTP if those terms deter ISPs from switching to alternative network operators.²⁰ In paragraph 7.171 it recognises that "[l]ong term pricing which is contingent on ISPs making volume or other commitments may be a concern because this could deter switching to new networks". And in paragraph 7.172, under the sub-heading "Terms which may have a 'signalling' effect", Ofcom says that it "may also be concerned about commercial terms which do not currently impose restrictions on use of alternative networks but may do so in future".

The relevant analytical framework

- 3.9 Ofcom recognises in the WFTMR Statement that *ex post* competition law is insufficient to promote network-based competition and support the emergence of new entry.²¹ It also states that "it is appropriate that our analytical framework is concerned with the promotion of competition rather than the protection of competition as under competition law".²²
- 3.10 In paragraph 7.154 of Volume 3, Ofcom makes clear that where Openreach proposes commercial terms that potentially create a barrier to using alternative networks, Ofcom will apply the following analytical framework:

¹⁸ See also paragraph 7.32 of Volume 3: "New network builders that operate a wholesale model rely on selling ultrafast services to access seekers. If Openreach uses commercial terms to induce loyalty from access seekers, meaning they purchase all or most of their ultrafast requirements from Openreach, then it will deprive these network operators of demand. Ultimately this could undermine alternative operators' FTTP investment plans."

¹⁹ WFTMR Statement, Volume 3, para 7.50.

²⁰ WFTMR Statement, Volume 3, para 7.169.

²¹ See e.g. para 7.54 of Volume 3: "Competition law addresses anti-competitive behaviour after it has happened and, in this context, we do not consider it is a sufficiently timely deterrent to stop Openreach from acting in a way that deters new network rollout."

²² WFTMR Statement, para 7.159.

The creation of any barrier to using alternative network operators is only justified where:

- (a) *the impact on nascent network competitors is unlikely to be material; and*
- (b) *the arrangements will generate clear and demonstrable benefits (such as (i) the arrangements are essential to Openreach's business case for fibre rollout; or (ii) the arrangements are necessary to offer more efficient prices that would deliver benefits for consumers).²³*

3.11 Ofcom goes on to explain in paragraph 7.160 that:

- i. Commercial terms that have a material detrimental impact on competitive network build are unlikely to be justified;
- ii. Where the commercial terms constitute some barrier to access seekers using new alternative networks, but the effect is unlikely to be material, Ofcom will consider the purpose and potential benefits of the terms;
- iii. It is likely to assist Ofcom's analysis if Openreach explains (a) any impact it thinks the commercial terms may have on alternative networks and why it considers this is justified and (b) the rationale and/or anticipated benefits of the arrangements.

3.12 According to Ofcom's own framework, any claimed benefits of the terms in question should be "*clear and demonstrable*".²⁴ This sets a very high bar for Openreach to reach if it is to deliver commercial terms that are consistent with the framework and Ofcom's stated policy objectives. If Openreach claims, for example, that the terms are essential to achieving its fibre rollout plans (and the subsequent migration of its customer coppers onto its fibre network), Ofcom would require "*evidence that the restrictive elements were necessary over and above [Ofcom's] copper switchover arrangements which already give BT very powerful levers to achieve migration quickly*" (emphasis added).²⁵ Openreach should also be able to explain "*[w]hy the arrangements are necessary to offer more efficient prices that would deliver benefits for consumers*".²⁶

3.13 It is incumbent on Ofcom to apply the above analytical framework when assessing whether Openreach's Equinix offer is problematic – including when forming any provisional view, particularly given the signalling effects that even a provisional view can have.

3.14 It is striking that while Ofcom's stated framework requires Openreach to have provided its views on the potential impact of the offer on alternative networks, the Call for Inputs provides no reference to this analysis. Plainly, Ofcom must consider not only Openreach's analysis of the potential impact on alternative network providers, but the views of the alternative providers themselves. This requires putting the analysis and evidence gathered from Openreach to alternative providers before forming any view, provisional or otherwise, on the compatibility of the proposed commercial terms with the strategic objectives set out in the WFTMR Statement.

²³ WFTMR Statement, Volume 3, para 7.154.

²⁴ WFTMR Statement, Volume 3, para 7.160.

²⁵ WFTMR Statement, Volume 3, para 7.160(a). Ofcom also states in paragraph 7.160(a) that it will consider "*the impact on both Openreach and other operators' fibre rollout*".

²⁶ WFTMR Statement, Volume 3, para 7.160(b).

Ofcom's ability to prevent commercial terms that may deter new network build

3.15 Ofcom makes clear in the WFTMR Statement that:

- i. It will intervene to prevent commercial terms that may deter new network build, including through its direction-making powers under the SMP conditions.²⁷
- ii. The 90-day notification period for commercial terms where the price or other contractual conditions are conditional on the volume and/or range of services purchased is intended to give Ofcom "*time to investigate, and if appropriate prevent, such commercial terms before they come into force*" (emphasis added).²⁸

4 Substantive concerns – Impact of the Equinox offer on CityFibre and the wider market

4.1 [REDACTED]

4.2 [REDACTED]

4.3 [REDACTED]:

- i. [REDACTED];
- ii. [REDACTED];
- iii. [REDACTED];
- iv. [REDACTED];
- v. [REDACTED]; and
- vi. [REDACTED].

4.4 [REDACTED]

²⁷ [REDACTED].

²⁸ [REDACTED].

4.5

[REDACTED]

4.6

[REDACTED]

4.7

[REDACTED]

4.8

[REDACTED]

29 [REDACTED]

30 [REDACTED]

31 [REDACTED]

32 [REDACTED]

- ii. [Redacted]
- iii. [Redacted]

- 4.14 [Redacted]
- i. [Redacted]
 - ii. [Redacted]; and
 - iii. [Redacted]

4.15 [Redacted]

4.16 [Redacted]

38 [Redacted]

39 [Redacted]

40 [Redacted]

41 [Redacted]

[REDACTED]

4.17

[REDACTED]

4.18

[REDACTED]

4.19

[REDACTED]

4.20

[REDACTED]

i.

[REDACTED]

ii.

[REDACTED]

iii.

[REDACTED]

iv.

[REDACTED]

v.

[REDACTED]

4.21 [Redacted]

4.22 [Redacted]

4.23 [Redacted]

[Redacted]

4.24 [Redacted]

4.25 [Redacted]

[Redacted]

4.26 [Redacted]

⁴² [Redacted]

⁴³ [Redacted]

[Redacted]

[REDACTED]

4.27

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]⁴⁵

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4.28

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4.29

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4.30

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

⁴⁴ [REDACTED]
⁴⁵ [REDACTED]

[REDACTED]

4.31

[REDACTED]

4.32

[REDACTED]

4.33

[REDACTED]

i. [REDACTED]

ii. [REDACTED]

5 The action that Ofcom should take

5.1 In view of the substantive and procedural concerns set out above, and the complexity of the issues more generally, Ofcom should avoid coming to a provisional view based only on initial stakeholder responses to the Call for Inputs, which have been prepared at speed and without the benefit of any contextual material. Instead of rushing to a provisional view, Ofcom should now proceed to a full consultation process, in which it sets out in an open way the full range of potential issues raised by Openreach's pricing scheme for stakeholders' consideration and comment.

5.2 In addition, and consistent with its own regulatory principles, Ofcom should not reach any view, provisional or otherwise, without first:

- i. Making available to stakeholders all analysis and evidence submitted by Openreach and any initial analysis carried out by Ofcom so that stakeholders are able to provide an informed response;
- ii. Thoroughly investigating at least the following issues (on which CityFibre cannot provide direct evidence):
 - a) What Openreach or BT Group's internal analysis (including financial modelling) that approved the FTTP rollout (or was used to inform Openreach or BT Group's submissions to Ofcom regarding the WFTMR process) assumed about the prices for Openreach's FTTP products. If the prices in the Equinox offer are lower than the forecasted prices, why is Openreach now setting lower prices?

- b) Openreach's rationale for the detailed structure of the Equinox offer, including:
- Why Openreach has not used a simpler structure, e.g. providing discounted prices with no conditionality on FTTP take-up targets;
 - Why the Equinox offer includes potentially material price increases in 2026 and why Openreach has discretion about whether to implement those increases;
 - Why it has a non-linear discount structure across bandwidths, given the similar costs of supplying FTTP at all bandwidths;
- c) What assumptions Openreach has made about the impact of the Equinox offer on the take-up of its FTTP products;
- d) How the Equinox offer affects ISPs' incentives and plans to agree long-term supply deals with alternative network operators, which may include partial exclusivity and/or volume commitments;
- e) How the Equinox offer affects ISPs' incentives to connect to and use alternative FTTP providers, in particular given the interaction between the Equinox offer and Openreach's existing GEA offer; and
- f) [REDACTED]

5.3 Openreach could have put forward a simpler discount structure but chose not to – and it is incumbent on Ofcom to understand the rationale behind this choice. [REDACTED]

5.4 [REDACTED]:

- i. [REDACTED]
- ii. [REDACTED]
- iii. [REDACTED]

⁴⁸ [REDACTED]

[REDACTED]

iv.

[REDACTED]

5.5 By carrying out a full and open consultation process, investigating the specific issues set out above and modifying the above aspects of the Equinox offer, Ofcom would be setting out a suitable framework for regulating Openreach's pricing conduct and promoting competition from alternative network build.

5.6

[REDACTED]

Annex A Summary of the Equinox offer

A.1 This Annex sets out CityFibre's understanding of Openreach's Equinox offer, including the scope of the offer, the available discounts, the targets ISPs are required to meet in order to earn those discounts, and how the offer interacts with other existing Openreach offers.

Scope of the offer

A.2 The 'Offer Area' includes all premises made Ready for Service (RFS) by Openreach before December 2026. Based on BT's announcement that it plans to deploy FTTP to 25 million premises by the end of 2026, 3 million of which Openreach has committed to deploy in Ofcom's 'Area 3', we understand that the Offer Area effectively includes the whole of 'Area 2', where CityFibre has plans to roll out.⁴⁷ In other words, Openreach has already signalled to the market its intention to engage in very substantial overbuild of alternative networks.

A.3 Openreach may also exclude from the Offer Area, prior to those premises becoming RFS, premises where the network is funded via BDUK or other public funding. ISPs are also only eligible for connection discounts in Area 2, whereas other (rental and ARPU share) discounts apply across the whole of the UK. The offer is effective on 1 October 2021 and runs until 30 September 2031, with a review date in 2026.

A.4 Discounts are offered on all major residential FTTP services. This includes connection and rental charges (with the exception of some bandwidths), bandwidth modify charges and the 10Gbit/s GEA Cablelink service.

Targets

A.5 In order to access the discounts, ISPs must reach targets which are assessed on a quarterly basis. These targets are based on the proportion of the ISP's orders for all Openreach broadband services (including existing and new customers) which are FTTP. This includes both existing customers migrating from a copper-based service to an FTTP service, as well as new FTTP customers.

A.6 There are two targets: a 'Fibre Only Threshold', which applies to both rentals and connections, and a 'Fibre Only Target' which applies to connections only:

- i. **The Fibre Only Threshold** starts at 75% in October 2021 (when the offer becomes effective), increasing in March 2022 (to 80%) where it remains until the end of the offer period (September 2031). ISPs earn the maximum discounts available on rentals once they meet these targets.
- ii. **The Fibre Only Target** is an additional target applied to connections only. From September 2022, ISPs earn an additional discount on connections if they achieve FTTP connections accounting for between 80 - 90% of Openreach connections, with the actual level of discount increased proportionately.

A.7 In order to earn the discounts, ISPs are also obliged to provide Openreach with instructions to cease the legacy (copper-based) service when placing the order for FTTP and to provide it with the relevant information (Losing Service Identifier) to enable it to do so.

⁴⁷ See <https://newsroom.bt.com/bt-to-increase-and-accelerate-ftp-build-to-25m-premises-by-the-end-of-2026>.

- A.8 There is also an initial 'ramp-up period' of six months (October 2021-March 2022), during which ISPs can earn additional (rental and connection) discounts if 80% of all new provision orders on the Openreach network are for FTTP services.
- A.9 Assuming ISPs meet the Fibre Only Threshold, ISPs also receive additional discounts for:
- 'New to BT Network' (NTN) connections and rentals (where a customer has been switched from a service based on, for example, CityFibre's network to one based on Openreach FTTP). This applies to all connection charges and the rental charge for one specific product (550/75 Mbit/s) for a period of 12 months from the date of connection.
 - Average Revenue Per User (ARPU)** of greater than £17. The rebate itself is a 50% discount on the excess increment above £17. For example, if an ISP has an ARPU of £18 across its FTTP base, the rebate is 50p per customer (£1*50%), or £5 per month during the 'ramp-up period'.

Level of discounts on offer

- A.10 Table 1 below compares the monthly Equinox rental prices against the Openreach standard price list⁴⁸ and the existing GEA-FTTP Offer v2 prices.⁴⁹ Once an ISP meets the relevant target(s) outlined above, the discount will be applied across its entire FTTP base, not just the FTTP volumes counting towards the target in a given period.

Table 1: Level of monthly rental discounts on offer

Speed	Equinox prices (from 1/10/21)	Openreach standard price list	GEA-FTTP Offer v2
40/10	£13.93	£13.93 (0%)	£13.93 (0%)
80/20	£14.75	£17.44 (-15%)	£15.28 (-3%)
115 / 20	£15.50	£17.44 (-11%)	£16.28 (-5%)
160/30	£16.20	£21.34 (-24%)	£17.28 (-6%)
220/30	£18.00	£21.48 (-16%)	£18.28 (-2%)
330/50	£19.00	£24.51 (-22%)	£21.28 (-11%)
550/75	£20.00	£27.53 (-27%)	£21.28 (-6%)
1000/115	£22.00	£31.57 (-30%)	£24.28 (-9%)

- A.11 As can be seen from Table 1, Equinox prices are cheaper across all bandwidths (except the charge-controlled 40/10 anchor product) when compared against the Openreach Standard Price List and GEA-FTTP Offer v2. The scale of the discount against the GEA-FTTP Offer v2 is lower compared to the standard price list, with discounts ranging between 2% and 11%. As outlined above, the 550/75 service also sees a further reduction in rental for the first 12 months of service, where the customer is new to the Openreach network. This means that for the first

⁴⁸<https://www.openreach.co.uk/orpg/home/products/pricing/loadProductPriceDetails.do?data=M80QNeH46o4g6JKGD604vTy pQOKfNn%2Beo6vmoVhAOBZZ6rNZuinCs99NblKJZPD9hXYmiiXh6wrCQm97GZMyQ%3D%3D>

⁴⁹<https://www.openreach.co.uk/orpg/home/products/pricing/loadProductPriceDetails.do?data=8qWfStII0BLuP31%2Fmhiy639eRXZCcbKJOU%2BoYd6xMM%2BT0X3NJZRutllaA3uml2vze6YShZ82RqLOGLsH2e9%2Bmw%3D%3D>

12 months of service, the monthly rental is 42% cheaper than the standard price list and 24% cheaper than the GEA-FTTP Offer v2.

- A.12 The rental price for the anchor 40/10 service is indexed against the charge control established in Ofcom's latest WFTMR, increasing annually at CPI-0%. The 55/10, 80/20 and 115/20 services are indexed against the 40/10 glidepath, maintaining a £9.84, £9.84 and £18.84 p.a. increment on top of the 40/10 price respectively. For services 160/30 and above, they are indexed against the higher of CPI-1.25% or 0%.
- A.13 Openreach reserves the right to review and may increase the monthly rental charges, ARPU share level, and connection charges by up to £1.50, £1.50 and £20 respectively as part of its year 6 review which takes place on 30 September 2026. Thereafter prices increase in line with the terms and conditions of the offer. Openreach also has additional flexibility to change prices if Ofcom makes certain changes to regulatory conditions. For example, Openreach reserves the right to increase rental charges at its discretion if Ofcom redefines the anchor product, or no longer applies CPI to its pricing.
- A.14 Table 2 below compares the one-off connection charge for the Equinox offer against the standard price list and, for completeness, the GEA-FTTP Offer v2. Whilst the Equinox offer is significantly cheaper than the standard price list offering, it is more expensive than the GEA-FTTP Offer v2.

Table 2: Level of connection charges on offer

Variant	Equinox prices (from 1/10/21)	Openreach standard price list (Standard Connection)	GEA-FTTP Offer v2
New to Openreach Network	£25	£99.39 (-75%)	£0
Non-new to Openreach Network	£50	£99.39 (-50%)	£50 (0%)

- A.15 The connection price for the Equinox offer is indexed in line with a CPI-0% glidepath. This is reviewed in year 6, per the conditions of the offer and follows the higher of CPI and 0% thereafter.

Interaction with other existing Openreach offers

- A.16 The Equinox offer can be taken in conjunction with the GEA Volume Offer.
- A.17 In addition, the definitions of 'Ultrafast Homes Passed' and 'Ultrafast Rollout Plan' in the GEA Volume Offer are varied to include the Offer Area. These definitions have an impact on an ISP's ultrafast targets in the GEA Volume Offer, as illustrated below:
- i. An ISP has an ultrafast target of 20,000 premises in a given period (10% of its current broadband base). In the same period Openreach is expected (based on its pre-defined Ultrafast Rollout Plan) to rollout ultrafast network to 50,000 premises.
 - ii. If, in that period, Openreach deploys to only 25,000 premises, rather than 50,000, the ISP's ultrafast target will be reduced.

iii. As part of the GEA contract, Openreach has set out a formula for how the ISP's target should be reduced. In this example, the ISP's target becomes 17,500 (reduced by $10\% * 25,000$ – i.e. the ISP's 10% target * Openreach's actual ultrafast build in the period). A similar (upward) scaling would be applied to the target if Openreach were to build further than planned.

A.18 By adjusting the definitions of 'Ultrafast Homes Passed' and 'Ultrafast Rollout Plan' through the Equinox offer, ISPs' ultrafast targets in the GEA Volume Offer will therefore be scaled according to how Openreach builds in accordance with its latest build plan, rather than the build plan set out at the time of signing the GEA contract. However, Openreach has committed that ISPs' ultrafast targets in the GEA contract will not increase if doing so results in Openreach building further than previously planned.

A.19 In relation to other discount schemes, the Equinox contract states that ISPs will not be able to combine and/or use any discounts under this offer with any other 'Existing Offer'.