Openreach's proposed commercial offers

FTTP and Ethernet offers – notified 1 June 2026

Consultation

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1. Overview

1.1 In June 2026, Openreach notified a set of commercial offers for Fibre to the Premises (FTTP) and Ethernet wholesale services. We promptly issued a Call for Inputs (CFI) to get stakeholder views on these offers and gathered evidence from market participants to inform our assessment of them.

1.2 In this consultation, we provide our provisional views on whether these offers raise competition concerns under the regulatory framework established in our Telecoms Access Review 2026-31 Statement ('TAR26 Statement').[1] For the purposes of this consultation, the key regulatory requirements which apply to Openreach's commercial offers include:

- Conditional terms – where the price or other contractual terms are conditional on the volume and/or range of services purchased, a 120-day prior notification period applies. Where necessary we will intervene to prevent such terms, including through our direction making powers under SMP Conditions.
- Geographic discounts – Openreach is prohibited from offering geographically targeted price reductions if this amounts to undue discrimination. However, Openreach can apply to Ofcom for consent to geographic pricing that would otherwise be prohibited.
- Fair and reasonable prices – Openreach's FTTP charges must be fair and reasonable, to ensure there is a sufficient margin between its FTTP price(s) and its Physical Infrastructure Access (PIA) price to allow a reasonably efficient operator to compete.

1.3 Our assessment of the notified offers has been made against the background of our recent assessment of the market set out in the TAR26 Statement in March. We recognised the development in the competitive landscape since 2021, with consumers increasingly taking advantage of full fibre and the increased choice available to them, and Openreach having to compete with other networks as a result. However, we concluded in March that competition is still developing and that Openreach still has significant market power (SMP).

1.4 Sustainable network competition requires not only that networks are built, but that altnets are able to attract customers to those networks. Take-up is therefore critical to the development of long-term network competition and underpins altnets' ability to exert a strong competitive constraint over time. It takes time for new networks to build customer bases, achieve scale and for competition to become established and sustainable. Altnets still face considerable challenges overcoming the incumbency advantages of Openreach in achieving this outcome.

1.5 Given the importance of take-up, our regulatory framework is designed to maintain a reasonable opportunity for reasonably efficient altnets to compete and increase take-up during this review period. We expect Openreach and rival networks to compete across their service offerings on factors such as price and quality, and Openreach should be able to respond to increased competition. However, because of its SMP, Openreach has the ability and incentive to act in ways that could unfairly undermine the development of competition in the long term. Our regulation allows us to intervene to prevent this, while still allowing Openreach to compete.

[1] Promoting competition and investment in fibre networks: Telecoms Access Review 2026-2031, 17 March 2026.

What we are proposing – in brief

We propose to direct Openreach to withdraw the Incremental New to Openreach Customer Offer. We are not proposing to intervene in relation to Openreach's other notified offers**.** Our provisional assessment of the offers is as follows:

- **Incremental New to Openreach Customer Offer:** Our provisional view is that Openreach's charges under this offer are not fair and reasonable, because they result in margins that may not allow a reasonably efficient operator to recover its costs. We consider that, because of its SMP, Openreach is uniquely able to make such a targeted low-price offer. The discounts are targeted at customers which are important to altnets' ability to maintain and grow their customer base, while leaving prices for other customers unchanged. Matching these significant targeted discounts may not allow competing networks to recover their costs, particularly given the low prices they are already offering across their customers, as they seek to grow take-up and overcome Openreach's incumbency advantages. As such, there is a risk that the level of the offer prices could harm the development of network competition, to the detriment of consumers in the long term. We are therefore proposing to direct Openreach to withdraw this offer.
- **Geographic Incremental New to Openreach Customer Offer:** This offer also targets lower prices at customers which are important to altnets' ability to maintain and grow their take-up but applies in VMO2 areas. It is geographically targeted at areas where altnets also have significant presence, but are not yet established and sustainable competitors. Notwithstanding these features, the scale of the discount in this case means that we consider that the geographical targeting of this offer does not amount to undue discrimination as, in our view, the risk that the discount would harm long-term competition is not sufficiently plausible. Therefore, given the specifics of this offer, we are provisionally content for Openreach to implement the offer on this occasion. We also consider that the conditionality in the offer does not potentially create a barrier to using a rival network.
- **Ethernet Net Demand Offer:** We consider the conditionality attached to this offer does not potentially create a barrier to using a rival network, and the price level does not raise prima facie concerns that would lead us to investigate in further detail.
- **Frontbook ARPU share offer and Box Swap offer:** Taking account of CFI responses, we have also assessed these offers, which commenced on 1 July and are not conditional or geographic offers. In our provisional view, they do not raise concerns under the fair and reasonable FTTP pricing requirement.

Six-month extension of existing Equinox incentives: Having assessed this extension, we have determined that it does not raise concerns about the conditional terms within the offer and, as this an extension of the existing offer, the price level is already factored into our assessment of pricing described above.

We are mindful of the potential cumulative impact of multiple, overlapping offers and have taken this into account in our assessment of the offers.

1.6 We are consulting until 27 August 2026 and expect to make a final decision by the end of September.

1.7 The overview section in this document is a simplified high-level summary only. The proposals we are consulting on and our reasoning are set out in the full document.

2. Introduction

Background

Our TAR26 Statement

2.1 Our strategy since 2016 has been to promote investment in gigabit-capable networks through network competition where this is viable.

2.2 In the TAR26 Statement, we recognised the huge strides made by the industry in rolling out full-fibre networks, and the significant development in the competitive landscape.

2.3 However, we also found that network competition has not yet developed to the point where Openreach no longer has significant market power (SMP) such that we could remove all wholesale regulation in the broadband market.

2.4 We expected the focus of competition to shift during the 2026-31 period, with relatively less focus on investment in new network build and a greater focus on competition between gigabit-capable networks to attract and retain customers. In particular, attracting customers from legacy networks to full fibre is key to the success of all providers and to ensuring the benefits from full-fibre networks for consumers, businesses and the economy and society more broadly are realised. For altnets, take-up underpins their ability to exert an effective competitive constraint in the long term. It takes time for new networks to build customer bases and achieve scale and for competition to become established and sustainable. Altnets still face considerable challenges overcoming the incumbency advantages of Openreach in achieving this.

2.5 We explained that we expected Openreach and rival networks to compete across their service offerings on factors such as price and quality. However, as Openreach responds to competition we considered it important that, by virtue of its SMP, it is not able to behave in a way which undermines the longer-term development of competition.

2.6 This does not mean we are seeking to support increased altnet take-up as a goal in itself, or at any cost; or that we are seeking to guarantee the success or financial sustainability of individual altnet business models. However, given take-up is critical, we set regulations on Openreach with a view to maintaining an opportunity for reasonably efficient altnets to compete and increase take-up during this review period.

2.7 Our regulation is designed to be flexible enough to adapt as market conditions evolve over the next five years.

2.8 In Volume 3, Section 9, of the TAR26 Statement, we set out our competition concerns in relation to geographic discounts and other commercial terms that Openreach might offer absent regulation, and our remedies to address them.

Geographic discounts

2.9 In the absence of regulation, we considered that Openreach could use geographically targeted price reductions or retail inducements - which involve charging different prices or providing different inducements in different areas within a geographic market (WLA Area 2 or LLA Area 2)[2] - to undermine the development of network competition.

2.10 Therefore, we decided to restrict Openreach's ability to discriminate through geographically targeted price reductions. Specifically, SMP Condition 4.1 prohibits Openreach from unduly discriminating in relation to the provision of network access, except where Ofcom consents (referred to as the "general prohibition on undue discrimination"). SMP Conditions 4.4 to 4.7 make further specific provision in relation to Openreach charging different prices in different geographic areas within WLA Area 2 or LLA Area 2 (referred to as the "geographic discrimination prohibition").

2.11 We recognised that there are circumstances where geographic pricing may have benefits, and also that geographic pricing may not always be capable of undermining the development of long-term network competition. Therefore, Openreach can apply to Ofcom to consent to geographic pricing or retail inducements that would otherwise be prohibited.

2.12 In Volume 3, Section 9 (paragraph 9.148) of the TAR26 Statement, we set out the process by which Openreach may seek consent for WLA and LLA geographic offers, including the steps we plan to follow in making our assessment.

2.13 In Annex 8 of the TAR26 Statement, we set out guidance on how we will assess schemes which involve geographic price differentiation within WLA Area 2 or LLA Area 2.

Conditional terms

2.14 In the absence of regulation, we considered that Openreach could use other commercial terms to undermine the development of network competition in the longer term.

2.15 We considered there are particular concerns about terms such as loyalty discounts or pricing contingent on large volume commitments. Therefore, we decided to retain a notification regime for commercial terms where the price or other contractual conditions are conditional on the volume and/or range of services purchased (referred to as "conditional terms"). We also decided to extend the notification period from 90 to 120 days. The notification requirement is in SMP Condition 8.6 which applies in all regulated WLA and LLA markets. We explained that where necessary we will intervene to prevent such terms, including through our direction making powers under SMP Conditions.

2.16 In Volume 3, Section 9 (paragraph 9.214) of the TAR26 Statement, we set out the process for assessing conditional terms, including the steps we plan to follow in making our assessment.

2.17 In Annex 8 of the TAR26 Statement, we set out guidance on how we will assess conditional terms notified to us under SMP Condition 8.6.

[2] For the TAR26, we reviewed the wholesale local access (WLA) market, consisting of wholesale services used by telecoms providers to sell broadband to residential customers and small businesses. We also reviewed the leased line access (LLA) market, consisting of wholesale services used by telecoms providers to sell high quality, uncontended capacity and high-speed lines, typically more suited to larger businesses. As part of those reviews, we identified geographic markets for the purposes of making a market power determination. Within the respective WLA and LLA markets, we identified WLA Area 2 and LLA Area 2 geographic markets, consisting of 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 (TAR26 Statement, Volume 2).

Fair and reasonable pricing – low FTTP prices

2.18 We explained that concerns could also arise from Openreach setting FTTP prices at a level that results in a price squeeze between its PIA prices and FTTP prices. That is, Openreach's FTTP prices leave insufficient margin for a reasonably efficient operator (which uses PIA) to compete. Such prices may not necessarily be geographically targeted.

2.19 In particular, we explained that we would be concerned if Openreach set its FTTP prices at a level that undermines the opportunity for a reasonably efficient operator to recover its costs since this would harm the development of competition, which would be detrimental to consumers in the long term.

2.20 Therefore, for the reasons set out in Volume 3, Section 4 of the TAR Statement (paragraphs 4.31 to 4.54), we imposed a requirement for Openreach's FTTP charges to be fair and reasonable in SMP Conditions 1.3 to 1.5. As such, if concerns are raised about Openreach's FTTP prices, we have the ability to assess whether Openreach's pricing satisfies this requirement, i.e. that there is a sufficient margin between its FTTP price(s) and its PIA price to allow a reasonably efficient operator to compete.

2.21 In Volume 4, Section 1 (paragraphs 1.171 to 1.181) of the TAR26 Statement, we discussed some relevant considerations for any such assessment.

Openreach's proposed commercial offers

2.22 On 1 June 2026, Openreach notified us of the following new pricing arrangements that it intends to put in place.

Conditional and/or Geographic offers

Incremental New to Openreach Customer Offer

2.23 These arrangements apply to the pricing of Openreach's FTTP wholesale services, as set out in Openreach's published ACCN OR1108 and associated customer briefings.

2.24 Openreach's notification was made pursuant to TAR26 SMP Condition 8.6 as the price is conditional on the volume and/or range of services published. It is notified to come into effect on 1 October 2026.

Geographic Incremental New to Openreach Customer Offer

2.25 This is the offer which Openreach calls the Incremental New to Openreach Customer Offer in VMO2 areas. The arrangements apply to the pricing of Openreach's FTTP wholesale services in the geographic areas specified in the offer, as set out in Openreach's published ACCN OR1109 and associated customer briefings. In these geographic areas, this offer applies in addition to the Incremental New to Openreach Customer Offer.

2.26 Openreach's notification was made pursuant to TAR26 SMP Condition 8.6 as the price is conditional on the volume and/or range of services published. Openreach has also applied for consent to implement geographic pricing or retail inducements that would otherwise be prohibited under SMP Condition 4. The offer is notified to come into effect on 1 October 2026 subject to consent from Ofcom.

Incremental Ethernet Net Demand Offer

2.27 These arrangements apply to the pricing of Openreach's Ethernet wholesale services, as set out in Openreach's published ACCN OR1110 and associated customer briefings.

2.28 Openreach's notification was made pursuant to TAR26 SMP Condition 8.6 as the price is conditional on the volume and/or range of services published. It is notified to come into effect on 1 October 2026.

Six month extension to Equinox 550Mb incentive

2.29 These arrangements apply to the pricing of Openreach's FTTP 550Mb wholesale rentals under Equinox 1[3] and Equinox 2[4], as set out in Openreach's published ACCN OR1105 and associated customer briefings.

2.30 Openreach's notification was made pursuant to TAR26 SMP Condition 8.6 as the price is conditional on the volume and/or range of services published. It is notified to come into effect on 1 October 2026.

Other recently announced offers

Frontbook ARPU share offer and Box Swap Offer

2.31 These arrangements apply to the pricing of Openreach's wholesale FTTP services, as set out in Openreach's published ACCN OR1106 , ACCN OR1107 and associated customer briefings.

2.32 Openreach's notification of the offers on 1 June 2026 was made pursuant to the requirement imposed in the TAR26 Statement for Openreach to give 28 days' notice for price reductions and associated conditions. The offers came into effect on 1 July 2026.

EAD re-sign offer

2.33 On 6 June 2026, Openreach notified us of arrangements it intended to put in place applying to the pricing of Openreach's Ethernet wholesale services, as set out in Openreach's published ACCN OR114 and associated customer briefings.

2.34 Openreach's notification of the offer was made pursuant to the requirement imposed in the TAR26 Statement for Openreach to give 28 days' notice for price reductions and associated conditions. The offer came into effect on 7 July 2026.

Purpose of this document

2.35 On 2 June 2026, we published a CFI inviting stakeholders to provide initial views on the proposed offers. We have taken into account the responses and submissions we received from altnets, ISPs and Openreach in our assessment of the offers. Over June and July 2026, we also met with stakeholders to discuss their views of the offers. We have also gathered information from Openreach, VMO2, altnets and ISPs using our formal powers to inform our assessment of the offers.

2.36 In this consultation we set out our assessment of the conditional and/or geographic offers notified to us and, where appropriate, our provisional views on whether:

- the conditional terms within those offers raise competition concerns requiring ex ante intervention;
- the geographic price differentiation in the geographic offer amounts to undue discrimination and if so whether Openreach's application for consent to implement geographic pricing where this would be otherwise prohibited should or should not be granted; and

[3] Openreach's Equinox 1 FTTP pricing arrangements notified on 1 July 2021.
[4] Openreach's Equinox 2 FTTP pricing arrangements notified on 14 December 2022.

- the offers raise concerns about low pricing in relation to Openreach's requirement for charges to be fair and reasonable and/or raise more general concerns about undue discrimination that is capable of harming competition.

2.37 In response to concerns raised by stakeholders in their responses to the CFI, we have also assessed whether the Frontbook ARPU share offer and the Box Swap offer raise concerns about the level of Openreach's pricing.

2.38 We are mindful of the potential cumulative impact of multiple, overlapping offers and have taken this into account in our assessment of the offers. We have also considered how best to order our assessment of the FTTP offers to capture the cumulative impact on pricing. Openreach's Frontbook ARPU share offer and Box Swap offer are already in effect and so we have first assessed the price impact of those offers in Section 3. Given our provisional view that these offers do not raise concerns under the fair and reasonable FTTP pricing requirement, we include their impact in the basis for our assessment of the Incremental New to Openreach Customer Offer and the geographic offer which are assessed in Section 4 and Section 5 respectively.

2.39 The regulatory framework for our assessment, including the applicable SMP Conditions which we set in the TAR26 Statement, is summarised in Annex 1.

2.40 Our assessment of Openreach's commercial offers is reflective of the current development of competition in fibre networks at this point in the market review period.

Impact assessments

Impact assessment

2.41 Section 7 of the Communications Act requires us to carry out and publish an assessment of the likely impact of implementing a proposal which would be likely to have a significant impact on businesses or the general public, or when there is a major change in Ofcom's activities.

2.42 More generally, impact assessments form part of good policy making and we therefore expect to carry them out in relation to a large majority of our proposals. We use impact assessments to help us understand and assess the potential impact of our policy decisions before we make them. They also help us explain the policy decisions we have decided to take and why we consider those decisions best fulfil our applicable duties and objectives in the least intrusive way. Our impact assessment guidance sets out our general approach to how we assess and present the impact of our proposed decisions.[5]

2.43 Our impact assessment is set out in Annex 1.

Equality Legislation

2.44 Ofcom is also subject to duties under the Equality Act 2010 ('the EA 2010'). This includes the public sector equality duty set out in section 149, which requires Ofcom, in the exercise of our functions, to have due regard to the need to: a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the EA 2010; b) advance equality of opportunity between persons who share a "relevant protected

[5] Ofcom. 19 July 2023. Statement: Impact assessment guidance.

characteristic" and persons who do not share it; and c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

2.45 The relevant protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation.[6]

2.46 In addition, section 75 of the Northern Ireland Act 1998 requires us to promote good relations between people sharing specified characteristics, including people of different religious beliefs, political opinions or racial groups.

2.47 Our Equality Impact Assessment is set out in Annex 1.

[6] Section 4 of the Equality Act 2010. Accessed on 9 July 2026.

3. Frontbook ARPU share offer, Box Swap offer and extension of existing Equinox incentives

3.1 On 1 June 2026, Openreach notified us of its nationwide Frontbook ARPU share offer and its Box Swap offer. Openreach's notification of the offers was made pursuant to the requirement imposed in the TAR26 Statement for Openreach to give 28 days' notice for price reductions and associated conditions. These offers launched on 1 July 2026.

3.2 In addition, on 1 June 2026, Openreach notified us that it was extending two existing Equinox incentives by a further six months on unchanged terms – the 10Gb GEA Cablelink discount and the 550Mb Try-before-You-Buy incentive. Openreach's notification was made pursuant to TAR26 SMP Condition 8.6 as these are amendments to the terms and conditions of the existing Equinox offer, where the price is conditional on the volume and/or range of services published. It is notified to come into effect on 1 October 2026.

3.3 Our view is that these offers do not raise concerns about Openreach's compliance with the requirement for its FTTP prices to be fair and reasonable.

3.4 In light of this view, and given that the Frontbook ARPU share and Box Swap offer prices are already in the market, we consider these offers first in this consultation. This is because they set the starting basis for our estimates of FTTP prices and the REO cost ranges used in our assessment of the Incremental New to Openreach Customer Offer and the geographic offer in Section 4 and Section 5 respectively.

Frontbook ARPU share offer and Box Swap offer

Summary of offer

3.5 Full details on the offers are set out in Openreach's published ACCN OR1106 and ACCN OR1107; associated customer briefings, and terms and conditions.

3.6 Key elements of the Frontbook ARPU share offer are summarised below:

- Nationwide with an offer period running from 1 July 2026 to 30 June 2027;
- Frontbook ARPU (Average Revenue Per User) share offer for FTTP that provides CPs with 100% ARPU share on eligible Frontbook volumes once a defined Frontbook ARPU threshold is exceeded (set at £19.32 in first year);
- Frontbook ARPU threshold is adjusted by CPI-1.25% (with a floor of 0%) applied annually in line with annual price reviews on FTTP and Equinox;
- Frontbook is defined as completed provision orders comprising of New To Openreach Network, Acquisitions, CP to CP migrations, Subsequent Provides and same CP migrations and bandwidth modify orders (upgrades) completed during the offer period for applicable bandwidths; and

- Offer benefits lasting a minimum of 24 months.[7]

3.7 Key elements of the Box Swap offer are summarised below:

- Nationwide with an offer period running from 1 July 2026 to 30 June 2027
- Free 2.5G ONT Box Swap offer for bandwidth regrades to 1.8G (this is irrespective of whether the Frontbook ARPU share offer threshold is met).

Stakeholder comments to our Call for Inputs

Conditionality of the offer

3.8 Several stakeholders (including Fibrus[8], Gigaclear and [✂][9]) said the Frontbook ARPU share offer was a conditional offer and should have been subject to the 120-day notification requirement. For example, Gigaclear said the effective Openreach FTTP line rental charges are conditional on the mix of FTTP orders by the ISP.[10]

Level of prices

3.9 [✂] raised concerns over the Frontbook ARPU share offer. It considered that it represented a clear attempt to protect the Openreach base from attractively priced high-speed offers provided by altnets.

3.10 It did not consider that a wholesale price of £19.32 for a 1.8Gbps service was "fair and reasonable" as it was artificially depressed in competitive fibre-enabled postcodes and cross-subsidised by profits in non-fibred uncompetitive areas. It said the offer directly targets the retail speed/price combinations that have proved so successful for [✂], eliminating the price advantage that has enabled it to bring meaningful competition to the [✂]. By incentivising a flat retail price for any product speed between 330 Mbps and 1.8 Gbps, Openreach eliminates an important source of revenue growth that comes from upgrading customers through the speed tiers (which is an important feature of the business plans of [✂] networks). [11]

3.11 INCA raised a similar concern, stating the Frontbook ARPU share offer appears to be targeted at altnets who offer high speed symmetrical FTTP connections at affordable prices. It said that it is ‘cheap’ for Openreach to apply the Frontbook ARPU offer and it has a disproportionate impact on the competitive market relative to the impact on the overall weighted average Openreach FTTP price.[12]

3.12 Nexfibre commented that the ARPU rebate was capped at CPI-1.25%, which means the cap will fall in real terms.[13]

3.13 [✂] considered that zero rating the cost of a Box Swap which incurs a significant cost for Openreach in terms of new equipment and an engineer visit means that Openreach is subsidising high speed upgrades to win back customers from [✂] and other altnets [✂]. It said that if it upgraded the majority of its customers to 1.8Gbps or higher it would bear the

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[7] The Frontbook ARPU share offer prices are applicable until 30 June 2029. Therefore, a customer acquired under this offer on 1 July 2026 will enjoy the benefits for 36 months while a customer acquired under this offer on 30 June 2027 will enjoy the benefits for 24 months.
[8] Fibrus, CFI response, page 2.
[9] [✂] CFI response, page 6.
[10] Gigaclear, CFI response, page 2.
[11] [✂] CFI response, page 5.
[12] INCA, CFI response, page 16.
[13] nexfibre, CFI response, page 6.

real cost of any equipment swap out and the associated engineer visits. It considered that since its retail pricing would need to be the same as a lower speed product, in order to compete with the Openreach offers, then it would have no way of recouping these extra costs through higher pricing. It claimed that this is a directly anti-competitive move by an operator with SMP.[14]

Our provisional assessment

Conditionality of the offer

3.14 Several stakeholders commented that the Frontbook ARPU share offer was a conditional offer and therefore should be subject to the 120-day notification requirement.

3.15 Our view is that the offer does not specify volume or range of service targets that the ISP must meet to benefit from the offer. This means that an ISP can benefit from the rebate without necessarily purchasing a volume or range of services.

3.16 For example, if the ISP only orders a product priced above the ARPU threshold, the discount applies, regardless of the volume purchased and without the ISP having to purchase a range of services. In other product mix scenarios, it is the ISP which voluntarily determines the volume and range of services which it purchases to potentially take advantage of the rebates available (if its product mix takes it over the ARPU threshold). It is therefore not a condition of the offer that the ISP meets a volume or range target to qualify for the discount.

3.17 On this basis, we consider the offer is not conditional on the volume and/or range of service purchased, and so is not subject to the 120 day notification period under SMP Condition 8.6.

3.18 We now turn to considering potential issues relating to the level of prices in the offer.

Level of prices

3.19 We would be concerned if Openreach set its FTTP prices at a level that undermines the opportunity for a reasonably efficient competitor to recover its costs.

3.20 In our TAR26 Statement, we explained that in any consideration of whether the level of Openreach's prices raise concerns, one of the indicators we would look at is how Openreach's FTTP prices compare to the REO cost range.[15] As set out in the TAR26 Statement, this is not a bright line test, but we would be more likely to have concerns where prices are at the mid to lower end of the range.[16]

3.21 Before adjusting to account for the Frontbook ARPU share offer and Box Swap offer, we estimate:

- Openreach's average FTTP prices on new connections are currently [✂][17] per month.
- An REO cost range of between £13.78 and £21.51 per month, with the midpoint being £17.64.[18]

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[14] [✂] CFI response, page 6.
[15] TAR26 Statement, Volume 4, Section 1, paragraph 172.
[16] TAR26 Statement, Volume 4, Section 1, paragraph 178.
[17] Price estimated using Equinox 2 prices and Openreach's historical bandwidth mix for new connections from January 2026 to May 2026.
[18] In the TAR26 Statement, we set out "the REO cost range" derived from the 2026 Fibre Cost Model to be between £13.59 and £21.21 per month (in 2026/27 prices), with the midpoint being £17.40. The estimate was

3.22 In order to compare the REO cost range with the offer prices, the outputs and prices need to be consistent. The Frontbook ARPU share offer and Box Swap offer in combination impact both Openreach's FTTP prices and the REO cost range. We have assessed both in combination.

3.23 Our 2026 Fibre Cost Model assumes that operators recover a portion of the cost of deploying an FTTP network upfront in the form of a one-off connection charge. The 2026 Fibre Cost Model assumes a connection charge of £40.04 per connection. We have updated the connection charge to £41.47[19] in line with updated Equinox 2 prices as of 1 April 2026.[20]

3.24 Under the Box Swap offer, customers receive a free 2.5G ONT Box Swap offer for bandwidth regrades to 1.8G (this is irrespective of whether the Frontbook ARPU share offer threshold is met) which would otherwise incur a price of £90.

3.25 In our assessment, we have treated the free 2.5G ONT Box as a £90 discount (or rebate) on connections at 1.8G.[21]

3.26 We have therefore adjusted the REO cost range to account for the effective £90 discount for connections at and above 1.8G by assuming Openreach makes an upfront payment of £90 to eligible customers (as well as customers paying a connection charge of £41.47). We have assumed that approximately 11% of customers will be eligible for this discount and hence, have weighted the discount accordingly to make adjustments to the REO cost range. This is based on forecasts [✂] on the proportion of customers that will be taking speeds of 1.8G and above during the offer period of July 2026 to June 2027. [✂]. Adjusting for the effective £9.90 discount (11% of £90) we find:

- the REO cost range is estimated to be £13.90 - £21.63 in 2026/27 prices with an adjusted midpoint of £17.77.

3.27 Under the Frontbook ARPU share offer, Openreach is effectively offering a discount on higher bandwidth services (based on Equinox 2 prices for bandwidths over 330Mbit/s) with the rental prices potentially being capped at £19.32 (in the first year of the contract).

3.28 We have estimated an average FTTP rental charge, inclusive of the Frontbook ARPU share offer discount. To do so, we mapped each speed tier to the Openreach wholesale price that would apply under existing and new offers including Equinox 2 (including the ARPU share mechanism discount), 550Mbit try-before-you-buy offer, and the Frontbook ARPU share offer for the relevant duration in the 5-year customer lifetime. In particular, we assume:

  - 550-Mbit-try-before-you-buy offer is applicable for 12 months,
  - Frontbook ARPU share offer is applicable for 33 months,[22]
  - The Equinox 2 (including the ARPU share mechanism discount) prices are applicable for the remaining 27 months of the 5-year customer lifetime.

calculated based on the OBR's forecast inflation. We have updated the range to reflect actual inflation in 2026/27 based on ONS data published since.

[19] The connection charge of £41.47 is calculated as a weighted average charge to reflect the higher connection charge in premises that were categorised as Area 3 in 2021 but are now categorised as Area 2.

[20] Equinox-Pricing-01-APR-26-V02-online.pdf

[21] In effect, the REO recovers less cost upfront through the one-off connection charge and needs to recover more cost through rental charges. This results in a higher REO cost range.

[22] We assume the Frontbook ARPU share offer would apply for 33 months as a new customer connected on 1 October 2026 would benefit from the offer prices for 33 months until 30 June 2029.

3.29 We do not consider that Openreach's offer prices raise concerns about compliance with the fair and reasonable obligation since:

- The effective £19.32 discounted price for bandwidths above 330Mbit/s sits above the mid-point of our adjusted REO cost range. Therefore, if all customers received this price it would not raise concerns.
- Based on the above, we estimate an average FTTP rental charge, inclusive of the Frontbook ARPU share offer discount, of [✂]. Again, this sits above the mid-point of our adjusted REO cost range.
- Our understanding is that Openreach's offer is aiming to encourage customers to move from lower priced lower bandwidths to higher price/bandwidth products so it is unlikely to put downward pressure on average FTTP prices overall.

Figure 3.1: Comparison of estimated Openreach rental prices with the adjusted REO cost range

[✂]

3.30 While we note [✂] comments about Openreach targeting higher bandwidth services that are the focus of altnets, we do not consider that Openreach's offer prices are in contravention of its obligation to have fair and reasonable charges, given our comparison with the REO cost range above.

3.31 We recognise that lower Openreach prices may increase commercial pressures on altnets insofar as it sharpens competition between networks. However, this does not in itself imply that those prices raise competition concerns. Openreach is required to comply with its regulatory obligations, but it is otherwise allowed to compete on the merits with altnets.

Provisional view

3.32 Based on our analysis above, our provisional assessment is that the Frontbook ARPU share offer and the Box Swap offer do not raise concerns about compliance with the fair and reasonable obligation.

> Question 3.1: Do you agree with our assessment of the Frontbook ARPU share offer and the Box-Swap offer as set out above?

Extension of existing Equinox incentives for a further 6 months

Summary of offer

3.33 Full details on the offers are set out in Openreach's published ACCN OR1105 and associated customer briefings.

3.34 The two incentives in this offer are summarised below:

- Equinox 10Gb Cablelink – the discounted price of £962.49 for 10Gb GEA Cablelinks where it is used solely for GEA-FTTP (i.e. a Layer 2 Switch is not supporting GEA-FTTC services) will continue until 31 March 2027.

- 550Mb Try-before-you-Buy - where ISPs meet the Fibre Only Threshold,[23] 550Mb New-to-Network rentals (normally £247.35/year) are available as per the 160Mb price (£215.32/year) for 12 months from the date of connection.

Stakeholder comments to our Call for Inputs

3.35 VMO2 noted that the 550Mb Try-before-you-Buy incentive is only available where CPs meet the Fibre Only Threshold. Its competitive significance therefore lies not merely in the level of the discounted 550Mb rental, but in the continued use of a conditional Equinox enhancement directed at contestable new to network demand and higher-speed FTTP take-up.[24]

3.36 INCA's main concern with the offer was the way it overlays other offers. It considered that the offer particularly interfaces with the Frontbook ARPU Share offer, as INCA understands that the ISP's ARPU will be calculated at the pre-discount levels for the 550Mb connections, despite the ISP not in reality facing that level of cost.[25]

3.37 VMO2 commented that while the incentive may originally have been presented as a temporary mechanism to encourage take-up of higher-speed FTTP services to compete with VMO2's 500Mb speed tier at that time, its repeated extension means that it now operates in practice as an embedded feature of the Equinox offers. In VMO2's view, Openreach is therefore able to preserve an advantageous pricing differential on unchanged terms, whilst still retaining the discretion to withdraw, amend or simply decline to extend it further when it no longer considers that commercially necessary.[26]

Our assessment

Conditionality of the offer

3.38 The offer extends two existing elements of Equinox 1 and Equinox 2 until 31 March 2027.

3.39 We assessed the Equinox 1 and Equinox 2 offers in 2021 and 2023 respectively and concluded that the conditional terms do not potentially create a barrier to using altnets.[27]

3.40 Following our 2021 decision on the Equinox 1 Offer, in 2022 we carried out a monitoring exercise. We carried out another such exercise in 2024, following our decision on the Equinox 2 Offer in the preceding year.[28]

3.41 We therefore do not have concerns around the conditional terms being extended.

Level of prices

3.42 With respect to the requirement for Openreach's FTTP prices to be fair and reasonable, we do not have concerns about the price level of either element of the offer for the following reasons:

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[23] This is a threshold for FTTP purchases under the Equinox 1 and Equinox 2 offers.
[24] VMO2, CFI response, page 40.
[25] INCA, CFI response, page 14.
[26] VMO2, CFI response, page 40.
[27] Openreach Proposed FTTP Offer starting 1 October 2021, Statement, Ofcom, 30 September 2021; and Openreach Proposed FTTP Offer starting 1 April 2023 (Equinox 2), Statement, Ofcom, 24 May 2023.
[28] These monitoring exercises involved gathering and assessing information from Openreach and key ISPs. We referred to our monitoring work in the 2023 Equinox 2 Statement. Ofcom. February 2023. Statement on Openreach proposed FTTP offer (Equinox 2). Paragraphs 2.5 and 3.91.

- Assuming that a customer retains the 500Mb product over a 5 year customer lifetime, we estimate an FTTP rental price of around [✂] per month. This sits above the mid-point of our adjusted REO cost range (of £17.77) as set out earlier in this section.
- Since this offer extends a pre-existing offer, the discounted price will already be factored into the data we used to estimate average FTTP prices as part of our comparison with the REO cost range as set out earlier in this section (which sits above the mid-point of the adjusted REO cost range).[29]

3.43 INCA was concerned over how the offer interacted with the Frontbook ARPU share offer. It understood that the ISP's ARPU in the Frontbook ARPU share offer would be calculated at the pre-discounted levels for the 550Mb connections, despite the ISP not in reality facing that level of cost. However, our understanding is that this is not the case. It is the discounted Equinox prices that are used to calculate the ARPU in the Frontbook ARPU share offer.

3.44 VMO2 raised broader concerns about Openreach's repeated extension of the incentives in this offer. We consider these more overarching concerns around offers in Section 7.

3.45 Having assessed this extension of existing Equinox incentives for a further 6 months, we have determined that it does not raise concerns about the conditional terms within the offer and the price level does not raise concerns about compliance with the fair and reasonable obligation.

[29] We also note that stakeholders did not provide evidence in response to our CFI that indicated the offer undermined competition.

4. Incremental New to Openreach Customer Offer

4.1 On 1 June 2026, Openreach notified us of its Incremental New to Openreach Customer Offer which applies to its FTTP wholesale services.

4.2 Openreach's notification was made pursuant to TAR26 SMP Condition 8.6 as the price is conditional on the volume and/or range of services published. It is notified to come into effect on 1 October 2026.

Summary of offer

4.3 Full details on the offer are set out in Openreach's published ACCN OR1108; associated customer briefings, and terms and conditions.

4.4 Key elements of the offer are summarised below:

- National six-month offer (with the option to extend to a total of 12 months with no other changes to the terms and conditions)
- Incremental New to Openreach ('NTO') and Subsequent Provide FTTP orders[30] receive a £35 connection rebate and a £9.50 monthly rental rebate where an ISP's quarterly New to Openreach and Subsequent Provide volumes are above a target baseline. The £9.50 monthly rental rebate lasts for 18, 24 or 30 months depending on performance above the target baseline:
  - > For volumes up to the baseline no rebates are available (except for smaller ISPs – see below)
  - > For volumes above the baseline and up to and including 5% above the target baseline, the rental rebate lasts for 18 months
  - > For volumes above 5% and up to and including 10% above the target baseline, the rental rebate lasts for 24 months
  - > For volumes greater than 10% above the target baseline, the rental rebate lasts for 30 months[31]
- Each quarterly target baseline is set by reference to an ISP's April 2026 New to Openreach and Subsequent Provide volumes. This monthly figure is rolled forward, adjusted for estimated growth in Openreach's FTTP footprint, and seasonal variations. The resulting monthly baselines are then aggregated into the quarterly target baselines.
- For smaller ISPs with fewer than 1,000 FTTP orders in the month of April 2026, there is no target baseline. Instead, the rebates apply to all NTO and Subsequent Provide volumes. The first 5% of volumes receive an 18-month rental rebate, the next 5% a 24-

[30] Under the terms of the offer, NTO is defined as premises where no Openreach products or services have been provided on the relevant line at any time during the 90 consecutive days prior to the date of an Order for the Primary Service, as determined by Openreach, excluding any premises on New Sites, and includes any 'Subsequent Provide' FTTP journeys (as detailed on the Openreach Price List).

[31] By way of example, where the baseline is 1,000 connections and the ISP achieves 1,200, then 200 circuits receive £35 connection rebate with:

- "Cohort 1": 50 circuits receiving 3 months x £9.50 rental rebate (and for 18 months in total).
- "Cohort 2": 50 circuits receiving 3 months x £9.50 rental rebate (and for 24 months in total).
- "Cohort 3": 100 circuits receiving 3 months x £9.50 rental rebate (and for 30 months in total).

month rebate, and the remaining 90% a 30-month rebate. The £35 connection discount applies across all volumes.

Stakeholder comments to our Call for Inputs

Conditionality of the offer

4.5 [✁] considered that the tiered design of the offer was highly distortionary. This was because ISPs are highly incentivised to hit the highest tier threshold to secure the 30-month discount window. It considered that a 30-month period could mean that ISPs are economically locked into the Openreach footprint until late 2029.[32]

4.6 VMO2 was also concerned that the offer design created a particularly strong loyalty inducing effect in the way it ties commercial benefit to stronger Openreach volume performance over time. VMO2's understanding of the Offer was that where an access seeker moves beyond a threshold, the longer rebate duration applies not merely to the marginal lines that take it over that threshold, but to all qualifying lines above the baseline. In practice, that would mean that a relatively small number of incremental lines may determine the level of discount available across a much wider body of demand.[33]

4.7 Openreach's submission stated it did not consider that the structure of the offer creates a barrier to using rival networks. This was because, under the structure and terms of the offer, the prices a CP would pay for any volumes purchased from Openreach does not change depending on whether and to what extent a CP chooses to place volumes with an altnet.

4.8 Instead, Openreach said that if the overall level of demand is above the target baseline, then the ISP would make purchasing decisions by direct reference to the rebates available from Openreach under the offer terms on incremental volumes above the baseline. As a consequence, Openreach considered that the relevant question is not around the structure or terms of the conditionality within the offer, but whether the level of pricing available within the offer creates challenges to competition (which Openreach considered it did not).[34]

Incentives to shift demand to Openreach

4.9 Several stakeholders, including CityFibre, [✁], Gigaclear and INCA, said that the proposed offer provided ISPs with powerful incentives to place volumes with Openreach at the expense of emerging networks.[35]

4.10 [✁] explained that the proposed offer alters the relative economics of growth for entrants since the value of the discount depends on achieving incremental increases in Openreach volumes. This creates a structural bias in favour of Openreach-based supply when ISPs are determining how and where to expand their customer base.[36]

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[32] [✁] CFI response, page 10.
[33] VMO2, CFI response, page 31.
[34] Openreach submission, Incremental Nationwide New to Openreach Customer Offer, page 11.
[35] CityFibre, CFI response, page 9; [✁] CFI response, page 8; Gigaclear, CFI response, page 7; INCA, CFI response, page 10.
[3636] [✁] CFI response, page 7.

4.11 VMO2 considered that the offer construct was targeted at winning back volumes that were precisely the flows of demand that would otherwise move to altnets to establish scale. It said that the design was tailored to disrupt and reverse wholesale customer behaviour to place volumes with rival networks.[37]

Relevant prices for assessing impact on long-term competition

4.12 CityFibre said the prices that altnets will need to offer to contest incremental demand are very low and unlikely to be rational. It noted that the discounted rental prices [✂].[38]

4.13 VMO2 stated the assessment of the impact on competition should be considered where that competition is taking place, namely in relation to NTO volumes. This is because this is the segment of demand that is relevant to the offer, and the segment that is key to the establishment of rival wholesale agreements and vertically integrated altnets sustaining take-up. It said Ofcom should therefore assess fair and reasonable pricing by reference to the contestable segment of demand and the real conditions under which competition is developing, not by reference to a blended average across Openreach's overall base.[39]

4.14 Substantial Group made a similar point, saying it is the marginal order that determines whether the CP exceeds or maintains performance against the baseline. It added this is also the order that an altnet must win to build take-up. In the view of Substantial Group, an above-baseline rebate can therefore be especially material at the margin, even where its average effect across the CP's whole Openreach order base appears modest. In addition, Substantial Group said that Openreach's own external stakeholder briefing indicates that, for ISPs below the relevant order threshold (i.e. smaller ISPs), discounts may apply across all eligible New to Openreach and Subsequent Provide volumes rather than only to volumes above a baseline.[40]

4.15 Nexfibre said that given the nature of competition in the market, altnets do not compete against the average price of Openreach's substantial customer base, but with prices charged by Openreach for the connection of new customers.[41] [✂] raised the same point saying that by applying an incentive only to incremental customer acquisition above a baseline, it affects the economics of acquiring the next customer, rather than reducing prices for all customers equally, focusing its effect on the decisions that determine growth for rivals.[42]

4.16 [✂] indicated that given the discount is time-bound and applied to volumes above the baseline only, when assessed against altnet pricing, the Openreach pricing remains structurally higher on a like-for-like basis, even taking into account its existing discount structures; and at this stage, it was not clear that the proposals would, in isolation, materially alter the relative position of Openreach and alternative networks.[43]

4.17 [✂] considered that the offers would be unlikely to affect retail competition materially because the discounts are only applied to an ISP's incremental NTO orders above a baseline

[37] VMO2, CFI response, page 31.
[38] CityFibre, CFI response, page 10.
[39] VMO2, CFI response, page 26-27.
[40] Substantial Group, CFI response, page 13.
[41] nexfibre, CFI response, page 7.
[42] [✂] CFI response, page 7.
[43] [✂] confidential CFI response, page 6.

run rate based on that ISP's historic NTO volumes. As a result, the full discounts on offer (£9 per month for 18 – 30 months and reduced connection fees) will not be passed through fully to all acquisition pricing because:

- Openreach's customers will not generally know whether an acquired NTO customer is incremental to their baseline run rate and therefore will not offer retail prices that fully reflect the potential discount (otherwise they would make a loss on the vast majority of NTO orders);
- At best, an ISP might estimate the proportion of all its NTO orders that are above the baseline and therefore attract the discount in order to offer a blended price in the market e.g. if 10% of NTO were forecast to be incremental, the retailers blended price could be 90% standard Equinox price +10% discounted price - with the blended price not being materially lower than today;
- While it may be possible towards the tail end of the relevant quarter to determine whether the baseline has been passed and therefore be more certain about offering the full discount, this would only be able to put into play for a very limited period and therefore unlikely to have a material impact on competition.[44]

4.18 Openreach's submission said we should consider how Openreach's pricing would impact the ARPUs available to a hypothetical rival assumed to be matching the Openreach pricing structures, including any short-term offers, precisely. This would then be the relevant reference point for assessing whether Openreach's pricing could undermine the ability of the hypothetical rival to recover its costs as modelled in the Fibre Cost Model and captured in the estimated range of costs for a reasonably efficient operator (the REO cost range). In this regard it said this means:

- Prices should be assessed over the whole FTTP portfolio rather than a specific bandwidth (or bandwidths) as this reflects how rival FTTP networks compete.
- FTTP prices should be averaged across the supply of services to all premises and customer types within the rival's network footprint, as this captures the full scope of the market they are competing for. Averages should be captured for the prices rivals charge to both new customers (frontbook) but also allowing for prices paid by their existing base of customers (backbook).
- The impact of the discounted rental prices available under the terms of this offer for a limited period of time (18 to 30 months) on the ARPUs a rival could earn, should be assessed across the expected average customer life for new customers. A rival matching Openreach's sales of FTTP to premises qualifying for the offer terms would reasonably expect to generate revenues at non-discounted prices after the discount period had ended.[45]

4.19 Openreach's analysis indicated the frontbook ARPU of a rival matching Openreach's offer over a 5-year customer lifetime would be [✂]. This would increase to [✂] when the ARPUs earned from backbook customers are included in the analysis. This is above the midpoint of the REO cost range of [✂] (adjusted to reflect the £35 connection rebate).[46]

[44] [✂] CFI response, page 3.
[45] Openreach submission, Incremental Nationwide New to Openreach Customer Offer, page 16.
[46] Openreach submission, Incremental Nationwide New to Openreach Customer Offer, page 19.

Our provisional assessment

4.20 In this sub-section we set out our provisional assessment of the Incremental New to Openreach Customer Offer. We first consider whether the conditional structure of the offer creates a potential barrier to using rival networks. We then assess whether the discounted FTTP prices available under the offer are fair and reasonable.

Conditionality of the offer

4.21 Openreach's notification of the Incremental New to Openreach Offer was made pursuant to TAR26 SMP Condition 8.6, as the price is conditional on the volume and/or range of services published.

4.22 In this case, the conditionality relates to the discounts being contingent on an ISP exceeding a specified baseline volume of New to Openreach orders (with the exception of smaller ISPs). The duration of the discounts is also contingent on performance above the baseline.

4.23 We consider that arrangements which deter telecoms providers from switching volumes to rival networks are likely to undermine the development of network competition.

4.24 As set out in our TAR26 Statement, if we conclude that Openreach's commercial terms create a potential barrier to using rival networks, our starting point would be that the creation of any barrier to using rival network operators would only be justified where:

a) the impact on network competition 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 roll-out; or
   ii) the arrangements are necessary to offer more efficient prices that would deliver benefits for consumers.

4.25 As set out in our TAR26 Statement, when applying this framework, our analysis considers up to three questions:

a) Question 1: Do the notified commercial terms potentially create a barrier to using rival networks?
b) Question 2: Are the notified commercial terms likely or unlikely to have a material impact on network competition?
c) Question 3: Are the notified commercial terms likely to generate clear and demonstrable benefits?

4.26 Question 1 tests whether the conditionality of the commercial terms potentially deters ISPs from switching volumes to rival networks, for example, by penalising an ISP for placing volumes with an altnet rather than Openreach.[47]

4.27 We note that under the structure of the offer, the ISP receives a rebate on New to Openreach volumes above a baseline threshold only. This means that should an ISP choose to place volumes with a rival network instead of Openreach, it will lose any rebate that would have applied if those volumes had been placed with Openreach. However, the rebates due for any volumes the ISP continues to place with Openreach will be unaffected.[48] Put another way, should the ISP place volumes with a rival network, it does

[47] See TAR26 Statement, Annex 8, paragraph A8.67.
[48] By way of example, consider the example in footnote 31 above, where the baseline is 1,000 connections and the ISP achieves 1,200. If the ISP opts to place 50 circuits with an altnet instead of Openreach, its performance

not face a financial penalty across the volumes it continues to place with Openreach which would potentially have had a loyalty inducing effect and raise competition concerns. Rather, when it comes to comparing the price of putting an order with Openreach or an altnet, the ISP will compare Openreach's price for that order (including the rebate that would apply as a result of putting that order with Openreach) with the altnet price.

4.28 Similarly, should an ISP that already places volumes with an altnet choose to place those volumes with Openreach instead, it will gain any rebate on those (switched) volumes that are above the baseline. However, the rebates paid for any volumes already placed with Openreach (above the baseline) will be unaffected.[49]

4.29 VMO2 raised concerns that the offer creates a loyalty inducing effect since it ties commercial benefit to stronger Openreach volume performance over time. Its understanding of the offer was that where an access seeker moves beyond a threshold, the longer rebate duration applies not merely to the marginal lines that take it over that threshold, but to all qualifying lines above the baseline. That would mean that a relatively small number of incremental lines may determine the level of discount available across a much wider body of demand. However, VMO2's understanding is incorrect. Under the offer the longer rebate duration only applies to incremental volumes above the relevant volume tier (i.e. not to all volumes above the baseline).

4.30 Therefore, we do not consider that the conditionality in Openreach's offer, in itself, potentially creates a barrier to using a rival network. As a consequence, we do not need to consider Question 2 or Question 3 of the framework for analysing conditional terms, as set out above.

4.31 We now turn to considering potential issues relating to the level of prices in the offer.

Level of prices

4.32 This sub-section sets out our provisional assessment of whether the discounted FTTP prices available under the Incremental New to Openreach Customer Offer are fair and reasonable, as required by SMP Conditions 1.3 to 1.5.

Fair and reasonable requirements

4.33 Openreach is required to provide access to its FTTP services on fair and reasonable terms and conditions under SMP conditions 1.3-1.5 and, as explained in Section 2, this includes its prices for these services. This addresses our concerns about a price squeeze between PIA prices and FTTP prices, i.e. if Openreach were to reduce its downstream FTTP prices and

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will fall to 1,150. The ISP will lose the rebate on those 50 circuits it has switched (starting with the longest duration rebate), but the rebates paid for all circuits it continues to place with Openreach will be unaffected:

- "Cohort 1": 50 circuits receiving 3 months x £9.50 rental rebate (and for 18 months total).
- "Cohort 2": 50 circuits receiving 3 months x £9.50 rental rebate (and for 24 months total).
- "Cohort 3": 50 (rather than 100) circuits receiving 3 months x £9.50 rental rebate (and for 30 months total).

[49] By way of example, consider the example above, where the baseline is 1,000 connections and the ISP achieves 1,200. If the ISP opts to place 50 additional circuits with Openreach (that were placed with an altnet previously), its performance will increase to 1,250. The ISP will gain a rebate on those 50 circuits it has switched, but the rebates paid for the existing circuits it continues to place with Openreach will be unaffected:

- "Cohort 1": 50 circuits receiving 3 months x £9.50 rental rebate (and for 18 months total).
- "Cohort 2": 50 circuits receiving 3 months x £9.50 rental rebate (and for 24 months total).
- "Cohort 3": 150 (rather than 100) circuits receiving 3 months x £9.50 rental rebate (and for 30 months total).

squeeze the margin available to reasonably efficient competitors, while still recovering its costs.[50] In the absence of such regulation, in WLA Area 2 Openreach would be able to undermine the opportunity for reasonably efficient competitors to recover their costs, which would be likely to discourage their future investment and expansion, and weaken the competitive constraint Openreach might otherwise face in the longer term.[51]

4.34 We explained in Volume 4, Section 1 of the TAR26 Statement that we would take into account our objectives in WLA Area 2, including the promotion of network competition, when assessing whether there is a sufficient margin between Openreach's FTTP price(s) and its PIA price to allow a reasonably efficient operator to compete in the WLA market.[52] We also said that in considering whether the level of Openreach's prices raise prima facie concerns, one of the indicators we would look at is how Openreach's FTTP prices compare to our estimate of a reasonably efficient operator's costs derived from the 2026 Fibre Cost Model ("the REO cost range").[53]

4.35 In addition to the REO cost range, we said it is important to take other evidence into account, including prevailing market conditions. We may also consider other indicators of the impact of Openreach's price reductions on the development of competition in the long term, for example, evidence relating to:

- how many customers are likely to be affected by the price reduction;
- how the price reduction would impact any price differentials between Openreach and the prices charged by altnets;
- the impact of the price reduction on FTTP take-up for Openreach and altnets; and
- whether the price cut is targeted towards a particular segment of the market or is likely to particularly affect certain altnets' ability to compete.[54]

4.36 Openreach's obligation to charge fair and reasonable prices for its FTTP services also applies in WLA Area 3. Our objectives for WLA Area 3 do not include the promotion of network competition. However, we recognised in the TAR26 Statement that some altnets made commercial decisions to build networks against the backdrop of Openreach's WLA Area 3 pricing being subject to a cost-based charge control using a RAB approach.[55] Our analytical framework for assessing the Incremental New to Openreach Customer Offer under the fair and reasonable requirement in WLA Area 3 follows a similar approach as for WLA Area 2 (i.e. comparing prices to the REO cost range and considering the indicators set out in paragraph 4.35)[56] but with a view to determining whether there is a sufficient margin in line with the opportunity for market entry that existed when altnets made their investment.[57]

Assessment of whether NTO offer is fair and reasonable

4.37 In considering concerns around low FTTP prices we look at how Openreach's FTTP prices compare to our estimate of a reasonably efficient operator's costs derived from the 2026 Fibre Cost Model ("the REO cost range"). As set out in the TAR26 Statement, this is not a

[50] TAR26 Statement, Volume 3, Section 4, paragraph 4.38.
[51] TAR26 Statement, Volume 3, Section 4, paragraph 4.39.
[52] TAR26 Statement, Volume 4, Section 1, paragraph 1.171.
[53] TAR26 Statement, Volume 4, Section 1, paragraph 1.172.
[54] TAR26 Statement, Volume 4, Section 1, paragraph 1.180.
[55] TAR26 Statement, Volume 3, Section 4, paragraph 4.40.
[56] TAR26 Statement, Volume 4, Section 1, paragraphs 1.248 – 1.249.
[57] TAR26 Statement, Volume 3, Section 4, paragraph 4.40.

bright line test, but we would be more likely to have concerns where prices are at the mid to lower end of the range. We also take into account other factors to understand the strength of competition (and the extent to which it has developed) and the impact of Openreach's price reductions on altnets' ability to exert an effective competitive constraint in the long term.[58]

4.38 In the TAR26 Statement, we said our methodological choices for comparing Openreach's prices with the REO cost range would depend on the specific facts of the case and the circumstances at the time. These choices might relate to matters such as: product scope, i.e. whether to look at products on an individual or portfolio basis; relevant customer base for calculating weighted averages; and the relevant time period for our comparison of Openreach's prices with the REO cost range.[59] We said we would make these choices on a case-by-case basis, based on the nature of the competition concerns under consideration.[60]

4.39 Our assessment first considers the set of products and volumes over which to assess the margin (the relevant output increment). To do this, we need to identify which products and customers we include in our assessment, and over what time horizon. We then calculate the relevant average price across this output increment to carry out the comparison between Openreach's FTTP prices and the REO cost range.

4.40 Based on our initial assessment of the offer structure and evidence gathered from stakeholders, our provisional view is that it is appropriate to assess the margin across:

a) the portfolio of FTTP fixed broadband products offered by Openreach,

b) those customers that would be eligible for the NTO rebates (i.e. above-baseline NTO customers), and

c) based on five-year customer lifetimes.

4.41 Our estimates suggest that the average Openreach price over this output increment could sit below the midpoint of the REO cost range and in some scenarios, below the REO cost range.

4.42 The rest of this sub-section covers our reasoning underpinning these provisional conclusions in relation to:

a) The output increment.
b) The Openreach price across the output increment.

Assessment of the output increment

4.43 In assessing whether the offer could undermine the opportunity for a reasonably efficient operator to compete, we first need to determine the appropriate output increment. This involves identifying the relevant products and customers over which to assess the effects of the offer. We set out below our assessment of each of these factors and our provisional conclusions on the appropriate basis for the analysis.

Product scope included in the output increment

4.44 Openreach sells FTTP broadband products which vary by bandwidth. In the TAR26 Statement, we said that our starting point is likely to be to consider the output increment to

[58] TAR26 Statement, Volume 4, paragraphs 1.172-1.178 and 1.180 – 1.181.
[59] TAR26 Statement, Volume 4, Section 1, paragraph 1.179.
[60] TAR26 Statement, Volume 4, paragraph 1.179.

include a portfolio of products.[61] This is because operators tend to compete across a range of different speed products at different price points.

4.45 In the present case, we observe that Openreach and altnets sell and compete across a range of different speed products, and the offer is available across speeds. We therefore propose to carry out our assessment at the level of the portfolio of FTTP products, including all FTTP speed variants.

Customer segment included in the output increment

Customers relevant to the offer

4.46 The NTO offer distinguishes between different types of an ISP's newly acquired customers. In particular, the offer introduces the potential for ISPs to pay different wholesale FTTP prices to Openreach depending on whether a newly acquired customer was previously served by Openreach or by another network. We illustrate these distinctions in Figure 4.1. In summary, the groups of customers of ISPs relevant to the offer are:

- **Newly-acquired customers:** a customer that an ISP has newly won and is now placing on an FTTP broadband network. These customers are typically switching from one ISP to another. [62]
- **NTO customers:** an ISP's newly-acquired customer who was not on the Openreach network in the previous 90 days.
- **Non-NTO customers:** an ISP's newly-acquired customer who is already on the Openreach network, or was in the previous 90 days. This could be a customer already on the Openreach FTTP network (such as someone switching from an ISP that had placed the customer on the Openreach FTTP network to a different ISP), or a customer moving from Openreach's copper-based network to Openreach's FTTP network while also switching ISP.

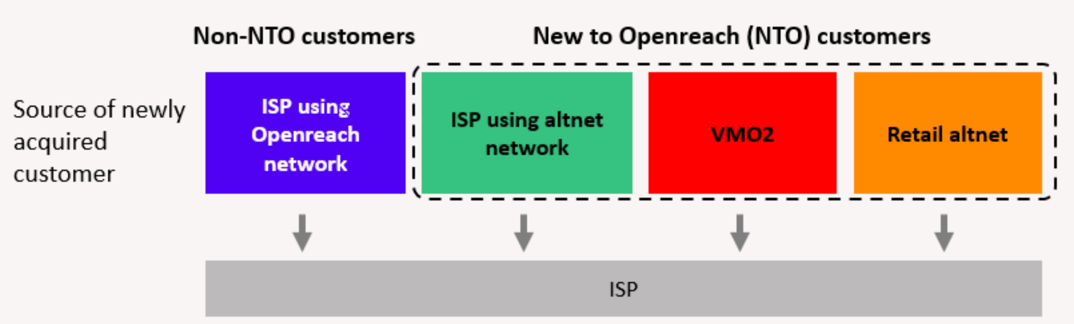
4.47 Newly-acquired customers which an ISP places on the Openreach network that were not previously served by Openreach (i.e. NTO customers) are potentially within scope for the NTO rebates – as explained below, depending on whether the level of NTO volumes in a period are above a pre-defined baseline. Most of these NTO customers would have been acquired from VMO2, retail altnets or other ISPs using an altnet's network.

4.48 Newly acquired customers which an ISP places on the Openreach network that were already served using Openreach's network (i.e. non-NTO customers, e.g. where an ISP won a customer from another ISP using Openreach) are not within scope for the discounts.

[61] TAR26 Statement, Volume 4, Section 1, paragraph 1.179.

[62] NTO also includes customers that were not purchasing a fixed broadband product in the previous 90 days. This includes users of FWA, satellite broadband or customers that were not purchasing fixed broadband. In the TAR26 Statement we concluded that a low number of customers considered FWA, mobile broadband or satellite broadband a substitute for fixed broadband. TAR26 Statement, Volume 2, paragraphs 4.48 to 4.50. We therefore focus our analysis on the flow of customer volumes between fixed network providers.

Figure 4.1: Visualisation of different newly acquired customer groups, based on distinctions resulting from the offer structure[63]



4.49 In addition to newly-acquired customers who were not on the Openreach network in the previous 90 days, an ISP's existing customers who they have previously placed with an altnet would also be considered a NTO customer, if they were switched to Openreach. Therefore, these volumes are also potentially within scope for the NTO rebates (subject to the level of NTO volumes in a period being above a pre-defined baseline).

The offer structure and ISP incentives

4.50 Because the offer is relatively complex, we first explain the key terms we use throughout this sub-section:

- **Baseline:** an ISP-specific quarterly target set by reference to the ISP's April 2026 New to Openreach and Subsequent Provide volumes (and further adjusted, as explained above).[64] This provides the starting level of NTO connections which an ISP must surpass to qualify for the NTO rebates.
- **Above-baseline customers:** NTO customer volumes that exceed the NTO baselines in a particular quarter and are therefore within scope of the NTO rebates.
- **Below-baseline customers:** NTO customer volumes that do not exceed the NTO baseline in a particular quarter and are therefore not within scope of the NTO rebates.
- **Run rate:** the volume of relevant NTO connections an ISP added each quarter before the offer. In our view, this is a reasonable proxy of the future level of new connections absent the offer.

4.51 The NTO offer structure sets a lower price for above-baseline customers; that is, additional volumes that ISPs place with Openreach which are:

a) Newly acquired customers they have won from other ISPs using an altnet, VMO2 or retail altnets; and
b) Existing customers they have previously chosen to place with an altnet.

4.52 As explained below, we consider that due to the way the baselines have been designed, the offer is specifically targeting a material segment of volumes which altnets are currently competing for, as well as their existing customer base.

4.53 We understand where an ISP has a wholesale agreement with an altnet, they typically place almost all their newly acquired customers with the altnet where it is available. For example, [✂] said in February 2026 that it placed [✂] of new adds onto CityFibre's network where it

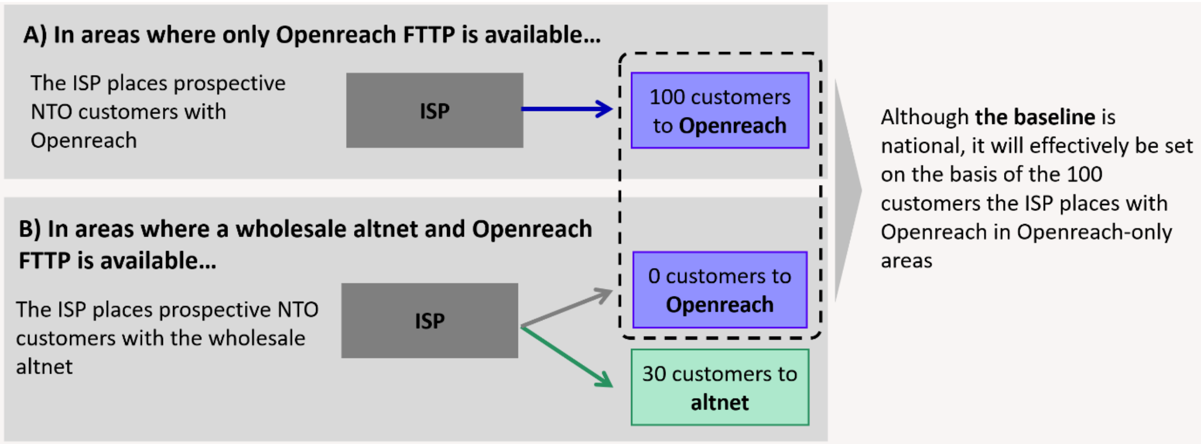
[63] See previous footnote.

[64] For smaller ISPs, with fewer than 1,000 FTTP orders in the month of April 2026, there is no target baseline. See paragraph 4.4 for more details on the offer structure.

was available.[65] Similarly, [✂] said that it aims to place all new connections with its wholesale partners [✂] where available.[66]

4.54 Therefore, the baselines (where applicable) are likely to largely reflect the run rate of NTO customers which ISPs were unable to put on another wholesale network because the altnet(s) were not available.

Figure 4.2: The baselines are likely to largely reflect NTO volumes placed by ISPs in areas where altnets with whom they have wholesale agreements are not available



4.55 As illustrated in Figure 4.2, the baselines are set nationally based on the volume of NTO customers placed with Openreach (across Areas A and B combined, there are 100 NTO customers placed with Openreach). However, because ISPs typically place almost all newly acquired customers with an altnet where an altnet is available, the baseline is likely to largely reflect the run rate of NTO customers in areas where Openreach was the only available wholesale network (i.e. the 100 customers on Openreach are all in Area A). This suggests that, going forward, a large proportion (if not all) prospective NTO customers which the ISP would typically have placed with an altnet (in Area B) could be above-baseline NTO customers if placed with Openreach and therefore eligible for the NTO rebates. Similarly, beyond the normal run rate, any volume that an ISP wins from an altnet will be above-baseline.

4.56 Figure 4.3 illustrates this. In the example, an ISP maintains a steady run rate whereby it gains no above-baseline customers in areas where it previously used Openreach (in Area A, the ISP continues to place 100 NTO customers with Openreach). However, by replicating its pre-offer performance it ensures that the baseline is just met. Any new customers acquired in areas where Openreach FTTP is available, but where an ISP previously chose to use an altnet instead (Area B), would therefore be above-baseline customers and would receive the rebates: if the ISP decides to place the 30 prospective NTO customers in Area B with Openreach they would be above-baseline customers.[67]

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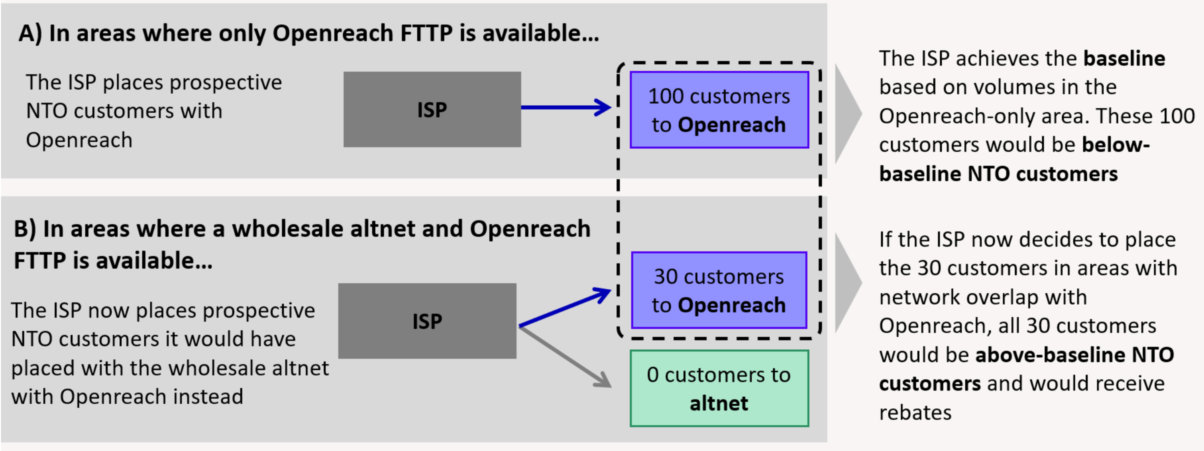
[65] [✂]
[66] [✂]
[67] We recognise that, in practice, in areas where only Openreach is available (Area A), an ISP could fall short or exceed its run rate in a particular measurement period. However, we consider that in such scenarios a large proportion of prospective NTO customers in Area B may still be above-baseline: e.g. In Figure 4.3, if an ISP falls short of the run-rate in Area A by 10 lines, 10 of the prospective NTO customers in Area B would be below-baseline and 20 would be above-baseline. Alternatively, if an ISP exceeds the run-rate in Area A by 10, all 30 of

Figure 4.3: NTO customers placed with Openreach under terms of offer in areas where an ISP previously placed all volumes with a wholesale altnet are likely to be above baseline customers



4.57 In addition to newly acquired customers, we also note that all of an ISP's existing customers that it has already placed with an altnet within the Openreach FTTP footprint would similarly be considered NTO customers if an ISP migrated them to Openreach. As ISPs are not currently proactively migrating customers between FTTP networks,[68] the baselines will also not reflect any such switching to date, meaning any existing customers an ISP migrates from altnets to Openreach FTTP could be an above-baseline customer and therefore qualify for the NTO rebates (we discuss the likelihood of such migration further below).

Assessment of the customer increment

4.58 As a result of the effect described above, we expect a wholesale altnet such as CityFibre or Community Fibre would need to compete against the offer price (i.e. including the NTO rebate) in order to remain competitive for those new connection volumes which it would have previously won. In the example shown in Figures 3.2 and 3.3, if an ISP placed the 30 prospective NTO customers with Openreach it would receive NTO rebates on these customers. The Openreach marginal price with which an altnet would need to compete for these 30 prospective NTO customers could therefore be the above-baseline customer price. This is because, as set out above, it is likely that many (and possibly all) prospective NTO customers which altnets compete for would be considered above-baseline and therefore eligible for the NTO rebates if placed with Openreach. Further, where a smaller-volume ISP is not subject to a baseline under the offer, we note all volumes it wins from VMO2 or altnets would be above-baseline customers.

4.59 In addition to newly acquired customers, we also note that all of altnets' existing wholesale customer bases within the Openreach FTTP footprint could similarly be an above-baseline customer and therefore qualify for the NTO rebates if they were migrated (we discuss the likelihood of such migration further below). As such, altnets may also need to compete against the offer prices to retain their existing customer base.

4.60 An REO needs a reasonable opportunity to compete to retain existing customers and to compete for further prospective NTO customers to increase their base. Prospective NTO customers are likely to account for a meaningful share of an ISP's newly acquired customers

the prospective NTO customers in Area B remain above-baseline. Therefore we do not consider that potential variations in the run rate in areas where only Openreach is available materially affects our view of the general effects of the offer where altnets are competing.

[68] We discuss the evidence on migrations between FTTP networks below.

which altnets compete for. To illustrate, we estimate that ([✂]) of the newly acquired customers that ISPs place with CityFibre or Community Fibre could be prospective NTO customers.[69]

4.61 Given the current state of development of network competition, and altnets' need to increase take-up to become sustainable competitors, we would be concerned if the terms of this offer meant an REO did not have a reasonable opportunity to compete for prospective NTO customers.

4.62 As set out above, altnets may need to compete on the assumption that all prospective NTO customers for which it competes would be above-baseline customers if served by Openreach. Therefore, we consider it is appropriate to assess a potential margin squeeze resulting from the NTO offer across all above-baseline NTO customers.

Other customer segments considered for the assessment of the output increment

4.63 In principle, in considering the relevant output increment for a margin squeeze assessment, we could consider a broader range of customers supplied by firms in the market. This could be appropriate if firms compete across customer segments and, overall, a reasonably efficient operator can be profitable over the whole range of customers.[70]

4.64 In this regard, we have considered the relevance of assessing prices for the following broader increments:

i) All prospective NTO customers;
ii) All newly acquired customers; and
iii) All newly acquired and existing FTTP customers.

4.65 Firstly, in relation to an all prospective NTO customer increment, the assessed prices would be a blend of those being paid by below-baseline customers (not receiving the offer rebates) and above-baseline customers (receiving the offer rebates).

4.66 For the reasons set out above, we do not consider that an all prospective NTO customer increment would be relevant. An all prospective NTO customer segment would include many customers in areas where altnets are not present and therefore unable to compete with Openreach, as shown in Figure 4.2. Those NTO customers for which altnets can compete are likely to be considered above-baseline and therefore eligible for the NTO rebates, as illustrated in Figure 4.3. As such, assessing the impact of the offer across all prospective NTO customers would fail to adequately capture the targeted impact of the offer in areas where altnets can compete for prospective NTO customers.

4.67 Secondly, we have considered whether our analysis should focus on all newly acquired customers (i.e. also including non-NTO customers) instead of focusing exclusively on above-baseline customers. In this regard, we have considered how feasible it would be for an REO

[69] The share of all newly acquired customers placed with altnets which are prospective NTO customers will depend on (a) the share of the altnet's footprint which is also covered by Openreach FTTP and another network, and (b) the share of customers in those areas which would be NTO. We approximate (a) using January 2026 coverage data to find the overlap between each altnet's network, Openreach FTTP and VMO2. We approximate the share of prospective NTO customers in this area using an estimate of VMO2's retail share across BT+2 postcode sectors as set out at paragraph 4.195 in Volume 2 the TAR26 Statement. By excluding the coverage and take up of other altnets in these footprints we may be underestimating the share of each altnet's newly acquired customers that are prospective NTO customers.

[70] For example, see Ofcom: Fixed Access Market Reviews: Approach to the VULA margin (2015), paragraphs 5.111-5.140 for a discussion of the relevant output increment for ex-ante margin squeeze regulation on retail FTTC services.

to replicate Openreach's pricing structure in order to offset any low/negative margins on above-baseline customers with higher margins on non-NTO customers.

4.68 For Openreach, non-NTO customers (i.e. connections placed by ISPs for newly acquired customers that are already on the Openreach network) would – if we confirm our provisional view set out earlier in this document - be priced based on the standard Equinox 2 levels, the Frontbook ARPU cap offer pricing, and the extended 550Mbps pricing incentive.[71] As set out below, this price for non-NTO customers is significantly higher than the price for above-baseline customers.

4.69 Openreach's ability to price at this higher level for non-NTO customers and potentially offset low margins on above-baseline customers is likely, in part, due to its unique position. First, as the legacy incumbent, Openreach has longstanding wholesale arrangements with ISPs for these non-NTO customers, whereas altnets need to offer lower prices than Openreach for these customers to incentivise ISPs to migrate them from the Openreach network to their own. Second, the majority of non-NTO customers will be in areas where Openreach does not overlap with alternative wholesale networks and Openreach is likely to face less intense pricing pressure and higher take up where this is the case. For example, only [✂]% of premises passed by Openreach FTTP are also covered by CityFibre and/or Community Fibre.

4.70 Conversely, an REO does not share these advantages, which is likely to limit the opportunity for it to replicate Openreach's pricing structure from this offer and set higher prices for non-NTO customers. This is supported by the evidence from altnets:

a) The majority of the premises passed by CityFibre ([✂]%) and by Community Fibre ([✂]%) are also covered by Openreach FTTP. Wholesale altnets are therefore likely to face stronger competitive constraints on a greater share of their coverage than Openreach, which would limit their ability to charge higher prices for non-NTO customers (i.e. an ISP's newly acquired customers that were previously served on the Openreach network).

b) In order to agree wholesale deals with ISPs and incentivise them to place volumes on their networks, altnets have had to offer services on long term contracts with pricing at a significant discount to Openreach. For example, the contracts [✂] has signed with [✂] range in duration from [✂] to [✂] years and [✂] has signed [✂] year contracts with [✂]. These contract structures provide ISPs with a degree of pricing certainty. However, [✂] might limit altnets' scope to respond to Openreach offers through changes to their non-NTO pricing since doing so could require the repricing of established contract terms. For example, we calculate CityFibre and Community Fibre's ARPUs to be £[✂] and £[✂] respectively, indicating that altnets have needed to undercut Openreach by approximately £[✂] to-£[✂] per month.[72] Furthermore, these contracts limit the level of price increases. For example, the contract [✂] signed with [✂] limits price increases to [✂].

4.71 In addition, altnets might not be able to charge higher prices for non-NTO customers if they are unable to readily identify whether a newly acquired customer connected to their

[71] 'Non-NTO customers' will have previously been taking a legacy Openreach service (e.g. FTTC) or Openreach FTTP through an ISP.

[72] ARPUs calculated using rental prices submitted in response to question B1 of s135 notice dated 11 June 2026, and weighting these by product mixes submitted in response to question C1 of s135 notice dated 11 June 2026. Prices vary by ISP. Prices used in these calculations include their lowest prices.

network was previously taking an Openreach line. Whilst Openreach will provide ISPs with a data flag which denotes for each premise whether a line would be classed as NTO, at present altnets would not have access to this information.[73] It may be possible for an ISP to share this information with altnets but it is uncertain whether this would happen.

4.72 In light of these factors, we consider that an REO would be constrained in its ability to replicate Openreach's pricing structure.

4.73 This indicates that there is a risk that an REO may not have an opportunity to recover its costs across an increment of *all newly acquired customers* (and therefore competition could be harmed), even if Openreach's weighted price for all newly acquired customers is profitable. Given this, the current state of competition, the targeted nature of the offer and the fact that above-baseline customers are a material and important segment for altnets to have an opportunity to compete for (for the reasons discussed above), we consider that a broader increment of all newly acquired customers is not appropriate for this assessment.

4.74 Lastly, we have also considered – and rejected – assessing the impact of the offer across Openreach's total base of new ('frontbook') and existing ('backbook') FTTP lines (as argued by Openreach in its submission).[74] Expanding our analysis across Openreach's total base would fail to capture the targeted impact of the proposed offer on competition. In addition to the points made above in regard to expanding the customer increment to all NTO customers or all newly acquired customers we note:

a) Altnets need to grow their customer bases to become sustainable competitors. An important way of doing this is offering wholesale FTTP prices which allow ISPs to win customers who are switching at the retail level. Customers who are already on FTTP and are not in the process of switching ISP are at present less likely to be contestable for operators.[75]

b) In addition, at [✂]%, Openreach's take-up on its FTTP network is higher than altnets' current take-up ([✂]% to [✂]% across the five altnets with the largest coverage).[76] Accordingly, Openreach's ratio of backbook to frontbook FTTP customers is significantly greater. This could give Openreach the ability to support a low margin on certain newly acquired customers by setting a high margin to its existing subscribers which altnets may find difficult to replicate.

Our provisional conclusion on the customer and product increment

4.75 In summary, we consider that the appropriate output increment over which to assess a potential margin squeeze resulting from the NTO offer is across all Openreach FTTP broadband products sold to above-baseline NTO customers.

4.76 As explained above, altnets may need to compete with the above-baseline offer prices across all prospective NTO customers and across their existing customer bases. Given the current state of network competition, and that these volumes represent a meaningful

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[73] For example, [✂] said they cannot identify which network new volumes are coming from. [✂] call note, 1 July 2026.

[74] As stated above, we think the relevant product scope is FTTP so here we consider the output increment of all frontbook and backbook FTTP customers. We have not considered an output increment that includes Openreach's legacy copper customers.

[75] Based on discussions with ISPs, we understand that ISPs do not currently proactively switch their existing FTTP customers from one network to another. Meetings with [✂] on 22 June 2026, [✂] on 23 June 2026.

[76] Take-up is calculated as the number of active FTTP connections divided by the number of premises covered by FTTP for a given provider. We calculate take up for [✂].

proportion of new connections that altnets are competing for, as well as the base they have already won, we would be concerned if an REO did not have a reasonable opportunity to compete for these customers.

4.77 We do not consider that any wider increments would be appropriate, as we are concerned an REO would not have the same ability as Openreach to offset low margins on above-baseline NTO customers with higher margins on other customers. Therefore, we consider there is a risk that a broader increment in this case would not allow us to adequately assess the impact of the offer on the long term development of network competition.

Openreach price across the relevant output increment

4.78 In this sub-section we set out the Openreach price across above-baseline NTO customers (i.e. the output increment we provisionally concluded was appropriate).

4.79 The average Openreach price across this output increment would depend on several factors, including:

a) the extent to which incremental NTO orders exceed the target baseline (and therefore the duration of the discounts that apply);
b) the customer lifetime over which the average price is calculated; and
c) the bandwidths of these new connections.

4.80 We step through each of these factors and set out the resulting Openreach price estimate.

Relevant incremental NTO prices and interactions with other Openreach offers

4.81 The duration for which the NTO rebates are awarded depends on the cohort into which a connection falls. Connections that are 0-5% above an ISP's baseline receive the rebates for 18 months. For connections that are 5-10%, and more than 10%, above the ISP's baseline, the duration of the rebates extends to 24 and 30 months respectively. Therefore, the average price for above-baseline NTO customers will depend on the number of customers that receive rebates of each duration, and this is difficult to predict.

4.82 In calculations Openreach submitted to us, it estimated the average discount value of the offer assuming [✂] of above-baseline customers receive the rebates for 18 months, [✂] for 24 months and [✂] for 30 months.[77] However, we note that individual ISPs would receive the longer rebates across more customers where pre-offer they placed relatively more prospective NTO customers with altnets instead of Openreach. This is because higher previous placement of orders with altnets increases the share of an ISP's NTO customers which it can shift to Openreach relative to its baseline, resulting in a larger percentage increase in above-baseline customers. Further, we note that altnets do not have visibility of the baselines or ISPs' performance against those baselines.

4.83 As such, in competing with this offer, an REO may be unable to reliably estimate the number of prospective NTO customers which could fall within each above-baseline cohort, or the blended Openreach price across above-baseline customers. As part of our assessment we have therefore considered Openreach prices based on each of the three rebate durations, as well as a blended figure based on Openreach's weightings.

4.84 Our price estimates also reflect the impact of the Frontbook ARPU share offer and the 550Mb try-before-you-buy incentives on Openreach prices for above-baseline customers.

[77] Openreach. June 2026. Incremental nationwide New to Openreach customer offer explanation shared with Ofcom. Paragraph 53

We assume that ISPs would receive the try-before-you-buy incentives on all new above-baseline 550Mb customers for 12 months and the Frontbook ARPU share for all eligible above-baseline customers for 33 months.[78] We assume that ISPs qualify for the Equinox prices including the Equinox ARPU share.

Customer lifetime

4.85 We estimate the effective average price associated with Openreach's offers over a customer lifetime. This reflects that the NTO rebates are only available for 18 to 30 months after which rentals revert to standard pricing.[79]

4.86 We have estimated average Openreach prices for above-baseline customers based on a five-year customer lifetime assumption, informed by input from ISPs and CPs on the typical durations over which they consider pricing. Our Equinox 2 assessment also assumed a five-year lifetime.[80] Similarly, Openreach used a five-year customer lifetime assumption in modelling it shared with us pre-notification.[81]

4.87 Some ISPs told us they use shorter time horizons as part of their assessment of what network to place a customer on. [✂] said it typically thinks about volume changes over three- and five-year periods,[82] while [✂] said it compares net prices over a two-year customer lifetime.[83] A lower customer lifetime assumption would increase the share of a customer's lifespan for which an ISP receives the NTO rebate and therefore reduce the average lifetime rental.

Bandwidth mix of customers eligible for the NTO incremental rebates

4.88 While the NTO rebate value does not differ by bandwidth, standard Equinox rental prices increase with bandwidth. An ISP's bandwidth mix across above-baseline customers therefore affects the average rental price it would pay across these customers.

4.89 We estimate average incremental prices based on the pre-offer bandwidth mix across all new Openreach connections that would have been classed as NTO had the offer been in operation between January and May 2026. Our results do not substantially change when ARPUs are calculated based on the bandwidth mix of individual ISPs or in separate months between January and May 2026.[84]

Estimated Openreach prices

4.90 Based on the approach set out above, we estimate the average Openreach rental price across the portfolio of Openreach FTTP products purchased by above-baseline customers,

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[78] As described in Section 3, the Frontbook ARPU share offer would be available on connections signed up for the offer until 30 June 2029. A customer signed up on 1 October 2026 (start of the proposed NTO offer period) could therefore benefit from the Frontbook ARPU offer for 33 months.

[79] Our estimates of the rental price that would apply after the NTO rebate period has elapsed include the impacts of the Frontbook ARPU cap offer pricing, Equinox rental discounts, and the extended 550Mbps pricing incentive under Equinox.

[80] Ofcom. Openreach proposed FTTP offer starting 1 April 2023 (Equinox 2) statement, May 2023, paragraph 3.72.

[81] Openreach. June 2026. Incremental nationwide New to Openreach customer offer explanation shared with Ofcom. Paragraphs 43 and 53.

[82] [✂] call note, 23 June 2026.

[83] [✂] call note, 22 June 2026.

[84] The differences in ARPU between operators were relatively modest in the order of approximately 30p to 50p. Similarly, month-to-month movements were limited resulting in a maximum variation of 40p in the ARPU.

over a five-year customer lifetime. We explain below how we account for the discount on connection charges for above-baseline customers included in the offer.

4.91 As set out in Table 4.1 we estimate Openreach above-baseline rental charges across a five-year customer lifetime are:

a) £[✂] per month for volumes in the above 10% increment;
b) £[✂] per month for volumes in the 5-10% increment; and
c) £[✂] per month for volumes in the 0-5% increment.

4.92 Based on Openreach's above-baseline customers weightings across the three increments we estimate an average lifetime rental charge of £[✂] per month.

Table 4.1: Monthly Openreach ARPU estimates across NTO customers, by increment across a five-year customer lifetime

	ARPU estimate
0-5% increment (18 month rebates)	£[✂]
5-10% increment (24 month rebates)	£[✂]
10% + increment (30 month rebates)	£[✂]

Comparison of Openreach price with the REO cost range

4.93 As explained in Section 3, the 2026 Fibre Cost Model assumes that a portion of the costs of an FTTP deployment is recovered through up -front connection charges. Therefore, we reflect changes to connection prices by adjusting our REO cost range.

4.94 In Section 3, we estimated an adjusted REO cost range of £13.90 - £21.63 in 2026/27 prices with an adjusted midpoint of £17.77. This takes into account the £41.47 assumed connection charge and estimated benefit of the box swap for 1.8G customers.[85] We have further adjusted the REO cost range to account for the £35 connection rebate on above-baseline customers as part of the NTO offer. Following this adjustment, we estimate:

4.95 The REO cost range to be £14.45 - £22.23 in 2026/27 prices (with a mid-point of £18.34).

Figure 4.4: Comparison of estimated Openreach rental prices to the adjusted REO cost range[86]

[✂]

4.96 We provisionally conclude that each of the incremental prices is below the midpoint of the adjusted REO cost range. Furthermore, we estimate the incremental price for above-baseline customers in the above 10% increment is below the bottom of the adjusted REO cost range.

[85] As set out above, the estimated average benefit for customers is £9.90: £90 cost of a box swap x 11% of customers on 1.8G speeds.

[86] The estimated Openreach rental price reflects the cumulative impact of the incremental offer, the Frontbook ARPU share offer, and the extension to the Equinox 550Mb incentive. It does not reflect the impact of the geographic offer. The REO range has been adjusted to account for the impact of the Box Swap offer.

Other indicators of the impact of the offer on the development of competition in the long term

4.97 As we set out in the TAR26 Statement, the outputs of the 2026 Fibre Cost Model (like any model) are an approximation of reality and are reflective of the underlying modelling data and assumptions. We consider that it is important to take other evidence into account, including prevailing market conditions.[87]

4.98 In this regard, we note that it has only been four months since the TAR26 Statement, in which we concluded that network competition has not yet developed to the point where Openreach no longer has SMP such that we could remove all wholesale regulation in the broadband market. We considered it important that, by virtue of its SMP, Openreach should not able to behave in a way which undermines the longer-term development of competition.

4.99 Therefore, as well as comparison with the REO cost range, we consider other indicators of the impact of the price reductions on the development of competition in the long term, as we set out in Volume 4 of the TAR26 Statement. Below we discuss how the price reduction could affect the price differential between Openreach and altnet prices, whether this in turn could affect altnet volumes and/or prices, and any other risks to the long-term development of competition.

Impact of the offer on the price differential between Openreach and altnet prices

4.100 Stakeholder input indicates that, once an ISP has integrated with an altnet and is able to place orders at scale, price is the most important factor for ISPs when deciding which network to put an order on.[88] Altnets also told us that they often need to price below Openreach in order to win volumes from ISPs.[89]

4.101 For this reason, as well as comparing the offer price with the REO cost range, we have considered how the offer prices compare with current altnet prices and the impact on the existing differential. The REO assessment helps us understand whether the prices may undermine a reasonably efficient operator's ability to recover its costs. Comparing the offer prices with altnet prices helps us understand the potential effect of the offer on ISPs' network choice decisions and, therefore, on the development of competition.

4.102 As shown in Figure 4.5, the incremental offer significantly reduces the price differential between Openreach and altnets at the wholesale level. [✂].

[87] TAR26 Statement, Volume 4, paragraph 1.180.

[88] [✂] indicated that its decision on which network to place orders with is based on price. Meeting with [✂] on 22 June 2026. [✂] also said price drives competition more than any other factor. Meeting with [✂] on 24 June 2026.

[89] CityFibre said altnets need to discount significantly against Openreach's charges to win customers. CityFibre response to the CFI, paragraph 3.11. Grain Connect indicated that a new entrant must offer products at lower prices than Openreach to attract customers. Grain Connect response to the CFI, page 2. [✂] said in its agreement with [✂]. Meeting with [✂] on 1 July 2026; [✂] response dated 26 June 2026 to s135 notice dated 11 June 2026, question B1d.

Figure 4.5: Comparison of Openreach and altnet monthly rental prices by bandwidth (5-year customer lifetime) [90]

[✂]

4.103 This narrowing of the price differential between Openreach and altnets could put downward pricing pressure on altnets to remain competitive, or otherwise risk losing volumes. We discuss the impact of this below.

Impact of the offer on ISPs' choice of network at the wholesale level

4.104 Given the complexities associated with the offer, it is challenging to reliably predict its impact on altnet volumes or prices, and in particular, whether the offer could impact ISPs' choice of which network to put an order on. For example, the impact may depend on ISPs' expected performance relative to the baseline, and any potential barriers to migrating existing FTTP customers from non-Openreach networks to Openreach.

4.105 Nonetheless, we note Openreach's stated objective for the offer is to increase volumes on its network.[91] While [✂] told us it was still evaluating the use case for the offer, it suggested this is a plausible outcome. [✂] said that given the discount, there is a set of circumstances where it would divert demand away from altnets to Openreach.[92] We note [✂] said that [✂].[93] However, it said no final decision on whether and how to use the offers had been made yet.[94]

4.106 Further, ISPs tend to choose which network to use at the level of individual connections, and this offer reduces the wholesale costs for placing incremental NTO orders with Openreach. For example, [✂] told us that its decision on which network to place a newly acquired customer with could consider the current FTTP network that the customer is connected to.[95] In addition, in an internal document, [✂] suggested that [✂].[96] Similarly, [✂] said that it is considering what the offer means for the marginal decision of whether to place an order with Openreach or an altnet.[97] [✂] said that when deciding which network to use for a newly acquired customer, it identifies the cheapest option for that connection and places the order with the relevant wholesale partner.[98] As such, the offer could impact ISPs' decisions on which network to use at the margin.

4.107 We also note a meaningful proportion of volumes which altnets compete for could be eligible for the offer. This includes:

a) prospective NTO customers that would otherwise (i.e. absent the offer) be placed with altnets; and

[90] [✂] rental prices submitted in response to question B1 of s135 notice dated 11 June 2026. Prices vary by ISP, and Figure 4.5 includes their lowest rental prices. Openreach's prices without the incremental offer reflect the Equinox 2 prices, and the cumulative impact of the Frontbook ARPU share offer and the extension to the Equinox 550Mb incentive. Openreach's prices with the incremental offer also reflect the cumulative impact of these offers.

[91] Openreach submission, Incremental Nationwide New to Openreach Customer Offer, paragraph 3.

[92] Meeting with [✂] on 3 July 2026.

[93] [✂] CFI response, paragraph 13.

[94] Meeting with [✂] on 23 June 2026.

[95] [✂] said [✂]. Meeting with [✂] on 22 June 2026.

[96] In an internal document, [✂] indicated that [✂]. [✂] response dated 25 June 2026 to s135 notice dated 11 June 2026, question A1.

[97] Meeting with [✂] on 3 July 2026.

[98] Meeting with [✂] on 22 June 2026.

b) altnets' existing customer bases which could in principle be proactively migrated to Openreach in response to the offer.[99] While we understand from stakeholders that migrations between FTTP networks for existing customers are potentially challenging (due to customer friction with limited consumer benefits) and currently uncommon,[100] this may change in future, particularly if there are stronger price incentives to do so, as ISPs are developing or would like to develop the capability to carry out such migrations.[101]

4.108 Given the above, we consider this offer is likely to increase pricing pressure on altnets[102] to remain competitive with prices which are in the bottom half of, or below, the REO cost range (and so may not allow an REO to recover its costs), or risk losing volumes.[103] Further, where an altnet cannot identify the source of a prospective new connection,[104] [105] and therefore whether it is eligible for the offer, it may need to compete against those offer prices for all new connections.

4.109 Given the current market context described in Section 2, we consider this could undermine the opportunity for altnets to compete for take-up at price levels which would allow an REO to recover its costs, and in turn, their ability to exert an effective competitive constraint in the long term.

Impact of the offer on ISPs' targeting of altnet customers at the retail level

4.110 To drive incremental volumes at the retail level, the offer could in theory also be used by ISPs to target customers that are currently served by an altnet – either a wholesale altnet or a retail altnet. These customers are by definition prospective NTO customers.

4.111 In principle, ISPs could offer lower retail prices for these prospective NTO customers. Retail altnets would need to match these retail prices to defend their customer base. Similarly, wholesale altnets would need to facilitate matching (for the ISPs they wholesale to) to defend their customer base.

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[99] INCA indicated the offer could incentivise ISPs to move their own customers from altnet networks to the Openreach network, to ensure that they qualify for the longest possible rental discounts. INCA response to the CFI, paragraph 42. CityFibre said the offer will incentivise ISPs to switch customers from altnets. CityFibre response to the CFI, paragraph 3.13.

[100] [✂] said it rarely migrates existing customers between FTTP networks. Meeting with [✂] on 22 June 2026. [✂] said it does not currently migrate customers between FTTP networks due to technical limitations and customer challenges. Meeting with [✂] on 23 June 2026. [✂] said neither [✂] currently support [✂] migrations of existing customers. Meeting with [✂] on 25 June 2026. Similarly, [✂] said [✂] does not have an FTTP-to-FTTP migration strategy on its network. Meeting with [✂] on 1 July 2026. [✂] also told us that at present it does not support FTTP-to-FTTP migrations between Openreach and altnets. [✂] response dated 29 June 2026 to s135 notice dated 11 June 2026, question B1.

[101] [✂] said [✂] plans to add the capability to migrate [✂]. [✂] also said [✂] will be starting trials for migrations. Meeting with [✂] on 25 June 2026. Similarly, [✂] said it is building the capability to migrate customers between FTTP networks. Meeting with [✂] on 23 June 2026. [✂] said in the future it may be able to migrate customers between networks and it would like this to be more common. Meeting with [✂] on 22 June 2026.

[102] [✂] said it expected that it would have to amend its wholesale pricing levels in response to the offer. Meeting with [✂] on 1 July 2026.

[103] CityFibre also said the offer will limit altnets' ability to win customers. CityFibre response to the CFI, paragraph 3.13.

[104] That is, whether a new connection was previously served by Openreach, VMO2 or another altnet.

[105] [✂] indicated it cannot identify which network new volumes are coming from. Meeting with [✂] on 1 July 2026.

4.112 In practice, the impact depends on whether an ISP can offer lower retail prices to eligible NTO customers.

4.113 Stakeholders said there are challenges for large ISPs in identifying and targeting the customers who would be eligible for the offer.[106] This could make it risky for large ISPs to offer deep discounts at the retail level to drive incremental volumes, particularly if several ISPs were targeting VMO2 and altnet customers simultaneously,[107] and VMO2 and altnet customers were anticipating such acquisition efforts.[108] If competing ISPs similarly target the same VMO2 and altnet customers with deep discounts, it may become harder to predict how effective those retail discounts will be in generating incremental volumes. An ISP could therefore fall short of its forecast incremental sales, fail to secure the rebates it estimated, and incur losses relative to its projections.

4.114 However, smaller ISPs can benefit from the offer without having to meet a baseline. As a result, they do not face the same uncertainty about which customers are eligible for the offer and may therefore be better placed to reflect the discount in their retail pricing. This could increase pressure on both retail and wholesale altnets to lower prices or risk losing volumes.

4.115 Therefore, while uncertain, the offer could create an additional risk to the development of network competition through its impact on competition at the retail level for the customers of retail and wholesale altnets.

Impact on possible future wholesale agreements

4.116 Wholesale agreements with ISPs can help altnets achieve scale by securing significant customer volumes. We are aware of ongoing discussions between some altnets and some ISPs,[109] and the offer may affect these negotiations.[110] If Openreach's offer prices are significantly closer to (or even lower than) altnet prices for a meaningful proportion of volumes, ISPs may be less willing to incur the costs of onboarding an additional wholesale network.

4.117 Where an ISP expects to achieve above-baseline volumes, the ISP may, for NTO customers, compare a prospective wholesale partner’s prices against Openreach above-baseline prices. In those circumstances, a wholesale entrant may need to compete with the above-baseline prices on NTO customers.

[106] Including whether the retail customer is an above-baseline customer or new to the Openreach network. Sky indicated that Openreach’s customers will generally not know whether an acquired NTO customer is incremental to their baseline run rate. Sky response to the CFI, paragraph 10. [✂] said [✂]. Meeting with [✂] on 22 June 2026. [✂] said ISPs would unlikely be able to specifically target customers who would be eligible for the offer. Meeting with [✂] on 1 July 2026. [✂] noted similar challenges, although it indicated that door-to-door sales teams and One Touch Switch could allow ISPs to collect information on the network used by potential customers. Meeting with [✂] on 2 July 2026. [✂] said ISPs will generally not know whether an acquired NTO customer is incremental to their baseline run rate and how they are performing relative to the baselines until close to the end of a quarter. Meeting with [✂] on 2 July 2026.

[107] [✂] said that other ISPs will be exploring how to take advantage of offer, which increases the uncertainty about its ability to increase volumes. Meeting with [✂] on 23 June 2026. [✂] said it is working through how competitors might use the offer, [✂]. Meeting with [✂] on 3 July 2026.

[108] For example, [✂] said that it could respond by [✂]. Meeting with [✂] on 26 June 2026.

[109] [✂] has ongoing discussions with [✂]. [✂] response dated 26 June 2026 to s135 notice dated 11 June 2026, question B2. [✂] has ongoing discussions with [✂]. [✂] response dated 25 June 2026 to s135 notice dated 11 June 2026, question B2.

[110] [✂]. [✂] response dated 25 June 2026 to s135 notice dated 11 June 2026, question B2.

4.118 We therefore consider there is a plausible risk that the offer prices could affect altnets' ability to secure future wholesale agreements, limiting take-up and weakening competition in the long term.

Provisional view

4.119 For the reasons set out, we provisionally conclude that the discounted FTTP prices under the NTO offer are not fair and reasonable, as required by SMP Conditions 1.3 to 1.5.

WLA Area 2

4.120 As set out in the TAR26 Statement, we interpret the requirement for fair and reasonable FTTP charges to mean that Openreach should leave a sufficient margin between its FTTP prices and PIA prices to allow a reasonably efficient operator to compete.

4.121 The offer would result in prices, and therefore margins, in the bottom half of the REO cost range and that may fall below that range. As we explained in the TAR26 Statement, while we do not consider this to be a bright line test, outcomes of this kind are more likely to raise concerns, particularly where they occur in a market in which alternative network operators are still seeking to build scale.

4.122 In reaching our provisional view, we have therefore also taken account of the current market context in WLA Area 2. As set out in the TAR26 Statement, network competition is still developing. In these circumstances, competing networks may be even more vulnerable to reductions in wholesale prices in the bottom half of the REO cost range (or below), reflecting the importance of growing take-up to support investment and demonstrate commercial viability.

4.123 While the precise impact of the price reductions is uncertain, harm to competition is plausible. The significant price reductions in this offer are targeted at customers which altnets need to be able to compete for in order to increase take-up and defend their base. In doing so, the offer results in margins that may not allow a reasonably efficient operator to recover its costs. We therefore consider that the risk that it could have a significant adverse effect on take-up and/or prices for altnets, which would affect altnets' ability to exert an effective competitive constraint in the long term, is plausible enough to justify intervention.

WLA Area 3

4.124 Our comparison of the offer prices and the REO cost range also raises concerns in WLA Area 3. We provisionally find that the prices in the bottom half of the REO cost range (and that may fall below that range) may not provide a sufficient margin in line with the opportunity for market entry that existed when altnets made their investment in WLA Area 3 and therefore are not fair and reasonable. We have taken account of our different objectives for WLA Area 3, which do not include promoting competition. We have also considered the importance of regulatory stability and certainty for investors given the long-term nature of the investments they are making.[111]

[111] TAR26 Statement, Volume 1, Section 1, paragraph 1.54.

Proposed direction

4.125 We therefore propose to direct Openreach to withdraw the offer. The draft direction is set out at Annex 2. In Section 8, we explain why we consider that the statutory tests for making a direction under section 49 of the Act are satisfied.

> Question 4.1: Do you agree with our assessment of the Incremental New to Openreach Customer Offer as set out above and our proposal to direct Openreach to withdraw the offer?

5. Geographic Incremental New to Openreach Customer Offer

5.1 On 1 June 2026, Openreach notified us of a geographic offer that applies to its FTTP wholesale services which it called the "Incremental New to Openreach Customer in VMO2 areas offer". In this section, we refer to this as the geographic offer.

5.2 Openreach's notification was made pursuant to TAR26 SMP Condition 8.6 as the price is conditional on the volume and/or range of services published. Openreach also applied for consent to implement geographic pricing or retail inducements that would otherwise be prohibited under SMP Condition 4. The offer is notified to come into effect on 1 October 2026 subject to consent from Ofcom.

Summary of offer

5.3 Full details on the geographic offer are set out in Openreach's published ACCN OR1109; associated customer briefings, and terms and conditions.

5.4 Key elements of the geographic offer are summarised below:

- The geographic offer applies to defined 'VMO2 areas'[112] for 6-months (with the option to extend to a total of 12 months)
- Incremental New to Openreach and Subsequent Provide FTTP orders receive a £50 connection rebate where an ISP's quarterly New to Openreach and Subsequent Provide volumes are above a target baseline.
- ISP-specific target baselines set with reference to the ISP's April 2026 New to Openreach and Subsequent provide volumes in defined VMO2 areas, adjusted for estimated growth in Openreach's FTTP footprint, and seasonality variations. The resulting monthly values are aggregated into quarterly baselines.
- A circuit could qualify for both the £50 connection rebate and the discounts available under the Incremental New to Openreach Customer Offer.
- For smaller ISPs, with fewer than 1,000 FTTP nationwide orders in the month of April 2026, the discount applies to all New to Openreach and Subsequent Provide volumes in VMO2 areas regardless of performance.

Stakeholder comments to our Call for Inputs

Cost justification for the geographic offer

5.5 VMO2 said there is no reason why Openreach's costs associated with provisioning would differ between areas inside compared to outside VMO2 's network footprint/postcode areas.[113] Nexfibre concurred, arguing that since there was no objective cost justification the offer was discriminatory.[114]

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[112] These are areas including VMO2's 'cable legacy' footprint of around 13m premises originally deployed in the 1990s and the Project Lightning expansion of around 3m homes build from around 2015 to 2022 only.
[113] VMO2, CFI response, page 36.
[114] nexfibre, CFI response, page 9.

5.6 Fibrus[115] and Gigaclear[116] both noted that the VMO2 area is not a geographic area defined by Ofcom. Fibrus said there was not an objective justification for the offer targeting VMO2 customers since there are no differences between a VMO2 connection or another non-Openreach connection within Area 2. Therefore, the offer fails Ofcom's own test of "is there any objective justification for the differential pricing".

Impact on competition

5.7 [✂] considered that by applying an incentive only to incremental customer acquisition above a baseline, it affects the economics of acquiring the next customer, rather than reducing prices for all customers equally, focusing its effect on the decisions that determine growth for rivals.[117]

5.8 VMO2 stated the geographic offer appears simply to be a targeted response to the rivalry posed by VMO2's widely discussed wholesale market entry. As such, it was concerned that the effect of the geographic offer is that it will not have a fair opportunity to establish the customer base, wholesale relationships and take-up needed to become the kind of competitive constraint Ofcom has said it wishes to encourage.[118]

5.9 INCA raised a concern that targeting VMO2 network coverage postcodes was almost analogous to targeting urban areas where altnets had deployed FTTP. It considered that none of those altnets are mature and established. Therefore, it was clear that the geographic offer would cause material harm to the urban altnets with network footprints overlapping VMO2.[119]

5.10 Substantial Group raised the same concern and noted the geographic offer is not merely a response to one provider's footprint. This is because in regional clusters where VMO2, Openreach-based ISPs and standalone altnets all overlap, it can change the retail economics of Openreach-based ISPs at the point at which Substantial Group needs to acquire customers and build penetration.[120]

5.11 Grain indicated that since new entrant competition is concentrated in VMO2 areas, by Openreach targeting its geographic offer in VMO2 areas only, Openreach shields its average revenues in non-VMO2 areas.[121]

5.12 Openreach's submission stated that targeting the geographic offer to VMO2 areas would not in itself raise concerns about the potential harm to long term competition since:

- VMO2 is an established rival.
- The geographic offer does not include areas of new build by VMO2, since it excludes all nexfibre build, which means almost all build in the footprint was completed before 2022 (with the majority of build being installed by a range of cable companies in the 1990s).

[115] Fibrus, CFI response, page 5.
[116] Gigaclear, CFI response, page 8.
[117] [✂] CFI response, page 7.
[118] VMO2, CFI response, page 36.
[119] INCA, CFI response, page 12.
[120] Substantial Group, CFI response, page 11.
[121] Grain, CFI response, page 3.

5.13 While Openreach noted that the VMO2 footprint overlaps with the footprints of altnets (and therefore affected by Openreach's geographic offer), it did not consider that the terms and pricing of the geographic offer will risk harm to long-term competition since:

- The relevant postcodes within the VMO2 area have not been selected to target areas where altnets plan further deployment or to undermine future build.
- The geographic offer area is not designed to target areas where temporary factors could affect future wholesaling.
- Ofcom's concerns in this area (as expressed in the TAR26 Statement Annex 8 guidance) are clearly focused on identifiable and tangible temporary barriers, such as imminent deals or where agreements have already been signed with operational steps under way, rather than the longer-term, speculative possibility of future wholesaling. On the information available, Openreach said it is not aware of any material temporary factors.
- The potential for VMO2 itself to wholesale was considered insufficiently clear in Ofcom's TAR assessment to impact the approach to defining geographic markets, identifying SMP or setting remedies.
- Reflecting the £50 rebate (in addition to the £35 connection rebate as part of the Incremental New to Openreach Customer Offer) by adjusting Ofcom's Fibre Cost Model results in a slight increase in the REO cost range only with a mid-point of [✂] (in FY27 terms). Openreach's analysis finds that Frontbook ARPUs (including the Incremental New to Openreach Customer Offer rental discounts) are above the mid-point of the REO cost range.[122]

Our provisional assessment

Conditionality of the geographic offer

5.14 Openreach's notification of the geographic offer was made pursuant to TAR26 SMP Condition 8.6 as the price is conditional on the volume and/or range of services published.

5.15 This is because (with the exception of smaller ISPs) the conditionality relates to the discounts being contingent on an ISP exceeding a specified baseline of New to Openreach orders in VMO2 areas.

5.16 We consider that conditional arrangements which deter telecoms providers from switching volumes to rival networks are likely to undermine the development of network competition.

5.17 We have applied the analytical framework set out in Section 4 paragraph 4.24 and considered the following questions:

a) Question 1: Do the notified commercial terms potentially create a barrier to using rival networks?
b) Question 2: Are the notified commercial terms likely or unlikely to have a material impact on network competition?
c) Question 3: Are the notified commercial terms likely to generate clear and demonstrable benefits?

[122] Openreach submission, Consent request under SMP Condition 4.1 to introduce an offer for the supply of New to Openreach FTTP services in postcodes where VMO2 services are available, Page 10.

5.18 In relation to Question 1, we note that under the structure of the geographic offer, the ISP receives a discount on New to Openreach volumes in VMO2 areas above a baseline threshold only. This means that should an ISP choose to place volumes with a rival network, it will only lose the discount on those (switched) volumes that would have been above the baseline. Put another way, should the ISP place volumes with a rival network, it does not face a financial penalty (through the loss of the discount) across all its volumes with Openreach which would potentially have a loyalty inducing effect and raise competition concerns.[123] [124]

5.19 Therefore, we do not consider that the conditionality of Openreach's geographic offer, in itself, potentially creates a barrier to using a rival network. As a consequence, we do not need to consider Question 2 or Question 3.

Geographic terms of the offer

5.20 In Annex 8 to our TAR26 Statement, we explained that where a discount scheme involves geographic price differentiation within WLA Area 2, it may amount to undue discrimination.

5.21 We explained that in assessing differential geographic pricing we would consider:

a) whether there is any objective justification for the differential pricing.
b) if not, whether it is consistent with our overarching policy objectives, including our strategy to promote network competition. In this respect, we would consider whether the differential pricing is capable of harming competition in the long term.

Whether geographic prices are objectively justified

5.22 In Annex 8 to our TAR26 Statement, we explained we may consider differences in geographic prices as objectively justified where they reflect relevant differences in the customers' circumstances (which in most cases, customers' circumstances will be relevant if they affect the costs of supplying them).

5.23 We would therefore consider it less likely that price differences reflecting geographic variations in cost would be unduly discriminatory, particularly where:

a) Openreach can provide clear evidence of the differences in cost of provision; and
b) Openreach applies any cost reflective pricing to all areas in an open and transparent manner. In particular, all areas with similar geographic costs are offered the same geographic price. We would be unlikely to find a proposal objectively justified if it allowed Openreach to pick and choose the areas where cost differences are reflected in prices.

5.24 We do not have evidence that the discounts offered in VMO2 areas reflect differences in the cost of FTTP connections in those areas.

5.25 Therefore, we turn to assessing the geographic offer with reference to our overall policy objectives and whether the price differential is capable of harming competition in the long-term (part (b) in paragraph 5.21).

[123] By way of example, where the baseline is 1,000 connections and the ISP achieves 1,200. If the ISP opts to place 50 circuits with an altnet instead of Openreach, its performance will fall to 1,150. The ISP will lose the £50 rebate on those 50 circuits only. Rebates paid for other qualifying circuits with Openreach continue to be in place and are unaffected.
[124] This is discussed in more detail in paragraphs 4.27 – 4.28.

Whether the differential pricing is capable of harming competition in the long term

5.26 In Annex 8 to our TAR26 Statement, we discussed three ways in which geographic price differences are capable of harming network competition:[125]

- **Discounts are targeted at areas where rival networks plan to build (signalling):** We explained we are likely to consider geographic discounts are capable of harming network competition where they are targeted at areas where rival networks have plans to build.
- **Discounts targeted at areas where a rival network is present but not yet ready to compete at the wholesale level due to temporary factors:** We explained we are likely to consider geographic discounts are capable of harming competition where they are targeted at areas where a rival network is present, but not yet ready to compete at the wholesale level due to temporary factors.
- **Openreach targeting geographic areas with prices that do not allow rivals in those areas to compete:** We explained we are likely to consider geographic discounts are capable of harming competition if Openreach is setting a localised price that is 'too low' for rivals to compete.

How the offer is targeted geographically

5.27 Openreach describes the geographic offer as applying in VMO2 areas that include its 'cable legacy' footprint of around 13m premises originally deployed in the 1990s and the Project Lightning expansion of around 3m homes build from around 2015 to 2022 only.

5.28 However, there is significant overlap between the VMO2 network footprint and the network footprints of altnets. Our analysis of the postcodes where the geographic offer applies indicates that:

- In 47% of the postcodes, there is at least one altnet present.[126]
- The postcodes include well over half of the network footprints of a number of altnets: [✂]. They also cover [✂].
- There is limited overlap with nexfibre's network with [✂] of nexfibre's build covered by the offer area postcodes.

5.29 As we set out in our TAR26 Statement, our competition concerns around Openreach using geographic discounts to undermine the development of network competition in the longer term primarily relate to new network build by altnets, rather than VMO2 within its established footprint.

5.30 VMO2's large existing network footprint and established customer base mean geographically targeted pricing is unlikely to negatively impact the long-term competitive constraint that it exerts on Openreach. Although VMO2 is upgrading its existing network, it already has a significant and established customer base in the areas where these upgrades are taking place.

5.31 However, the significant overlap of the offer areas and altnet footprints mean that the Openreach geographic offer may also impact on altnets and therefore we have considered

[125] TAR26 Statement, Annex 8, paragraphs A8.17 – A8.45.
[126] Where presence is defined as passing at least one premises in the postcode.

whether it could raise competition concerns around network competition developing in the longer term.

Assessment of price levels in the geographic area

5.32 As set out in the TAR26 Statement, we are likely to consider that geographic discounts are capable of harming competition if Openreach is setting a localised price that is 'too low' for rivals to compete with in some areas, while maintaining higher prices elsewhere. In other words, Openreach may be targeting certain geographic areas with prices that could undermine the development of network competition in the long term.

5.33 In the TAR26 Statement, we said that in making this assessment, we would typically consider two factors in parallel:

a) the strength of competition and the extent to which it has developed; and
b) the terms of the proposed geographic offer, including the localised price level.

5.34 However, we also noted that there may be circumstances where such an assessment is not necessary, for example because the magnitude of price variations between geographic areas is very small and/or only applies for a short period of time.[127]

5.35 We start by assessing the localised price level in the offer.

5.36 In the TAR26 Statement, we set out that when considering concerns around differentiated FTTP prices we would look at how Openreach's local discounted FTTP prices resulting from the offer compare to our estimate of a reasonably efficient operator's costs derived from the 2026 Fibre Cost Model ("the REO cost range"). We said this would not be a bright line test, but we would be more likely to have concerns where localised prices are toward the mid to lower end of the range (although any assessment of whether it is capable of harming competition would also depend on the strength of competition as mentioned above). We said that we may also evaluate other evidence in the round as relevant such as the actual wholesale prices charged by altnets.[128]

The relevant output increment

5.37 In the TAR26 Statement, we said we would determine the scope of Openreach products over which to assess the impact of geographically differentiated pricing based on the nature of the competition concerns under consideration on a case-by-case basis.[129]

5.38 As set out in Section 4, our assessment first considers the set of products and volumes over which to assess Openreach's prices (the relevant output increment). To do this, we need to identify which products and customers we include in our assessment, and over what time horizon. We then calculate the relevant average price across this output increment to carry out the comparison between Openreach's FTTP prices and the REO cost range.

5.39 Our view is that the geographic offer's mechanics are effectively the same as the Incremental New to Openreach Customer Offer that is covered in Section 4. That is, the geographic offer is targeted at a sub-set of new customers, albeit with a different discount and applied to a narrower geographic area. We consider that the reasoning set out in Section 4 in relation to the appropriate output increment applies equally to the geographic offer, and that the geographic targeting of the offer does not impact this.

[127] TAR26 Statement, Annex 8, paragraph A8.35,
[128] TAR26 Statement, Annex 8, paragraphs A8.40 – A8.42.
[129] TAR26 Statement, Annex 8, paragraph A8.40.

5.40 Consistent with our approach in Section 4, we have provisionally concluded to estimate the relevant price across:

a) the portfolio of FTTP fixed broadband products offered by Openreach.
b) those customers that would be eligible for the rebate (i.e. above-baseline customers) in the geographic area targeted by the offer.
c) based on five-year customer lifetimes.

5.41 Further details for our reasoning regarding the relevant output increment are set out in Section 4.

5.42 We now turn to comparing Openreach's FTTP price for this output increment with the REO cost range.

Estimated Openreach prices and comparison with the REO cost range

5.43 The geographic offer provides a £50 rebate on incremental FTTP connections above the baseline only. As such, FTTP rental prices are not directly affected by the geographic offer.

5.44 As explained in Section 3, the 2026 Fibre Cost Model assumes that a portion of the costs of an FTTP deployment is recovered through up-front connection charges. Therefore, we reflect changes to connection prices by adjusting our REO cost range.

5.45 In Section 3, we estimated an adjusted REO cost range of £13.90 - £21.63 in 2026/27 prices with an adjusted midpoint of £17.77. This takes into account the £41.47 assumed connection charge and estimated benefit of the box swap for 1.8G customers.[130] We have further adjusted the REO cost range to account for the £50 connection rebate in the geographic offer. Following this adjustment, we estimate:

- The REO cost range to be £14.59 - £22.39 in 2026/27 prices (with a mid-point of £18.49).[131]

5.46 This compares to an estimated average FTTP rental charge of [✂] (that we set out in Section 3). As illustrated in Figure 5.1, our estimated average monthly rental price sits above the mid-point of our REO cost range.

Figure 5.1: Comparison of estimated Openreach rental prices to the adjusted REO cost range[132]

[✂]

The strength of competition and the extent to which it has developed

5.47 As set out earlier, including in Annex 8 of the TAR26 Statement, the REO cost range is an important benchmark but not the only relevant evidence.

5.48 As part of our framework for assessing geographic offers, we also consider the strength of competition and the extent to which it has developed. We also consider whether the offer

[130] As set out above, the estimated average benefit for customers is £9.90: £90 cost of a box swap x 11% of customers on 1.8G speeds.
[131] To be clear, given our provisional view in Section 4, we are assessing the geographic offer in isolation from the Incremental New to Openreach customer offer (i.e. neither the incremental New to Openreach customer offer connection rebate or rental rebates are included in our analysis).
[132] The estimated Openreach rental price reflects the cumulative impact of the geographic offer, the Frontbook ARPU share offer, and the extension to the Equinox 550Mb incentive. It does not reflect the impact of the incremental New to Openreach customer offer. The REO range has been adjusted to account for the impact of the Box Swap offer.

could affect the price differential between Openreach and altnets, altnet volumes and/or prices, or otherwise create risks to the long-term development of competition.

5.49 We recently assessed the market in the TAR26 Statement in March. We recognised the development in the competitive landscape since 2021, with consumers increasingly taking advantage of full fibre and the increased choice available to them, and Openreach having to compete with other networks as a result. However, we concluded that competition is still developing and that Openreach still has SMP. Sustainable network competition requires not only that networks are built, but that altnets are able to attract customers to those networks. Take-up is therefore critical to the development of long-term network competition and underpins altnets' ability to exert a strong competitive constraint over time. It takes time for new networks to build customer bases and achieve scale and for competition to become established and sustainable. Altnets still face considerable challenges overcoming the incumbency advantages of Openreach in achieving this.

Impact of the offer on the price differential between Openreach and altnet prices

5.50 As previously discussed, price is an important factor in ISPs' network choice once they are able to order from altnets at scale. We have therefore considered how the offer compares with current altnet prices and affects the existing price differential. For the purposes of comparing the geographic offer rental prices and altnet rental prices, we calculated geographic offer prices by subtracting the £50 rebate, spread over a 5-year customer lifetime, from the rental prices without the geographic offer.

5.51 Figure 5.2 shows that the offer reduces the price differential between Openreach and altnets at the wholesale level. This may create some additional pressure on altnet pricing for it to remain competitive with Openreach. However, given the relatively limited impact of the offer on the size of the differential between Openreach and altnet prices, we do not consider it likely that the offer would change ISPs’ incentives to such an extent that it would result in a material loss of volumes for altnets.

Figure 5.2: Comparison of Openreach and altnet monthly rental prices by bandwidth (5-year customer lifetime) [133]

[✂]

Other issues raised

5.52 Our consideration of the geographic offer has focused on whether the localised price is too low and therefore does not allow rivals to compete.

5.53 We note that VMO2 has said the geographic offer appears to be a targeted response to the rivalry posed by VMO2's “widely discussed” wholesale market entry and that it will not have a fair opportunity to establish the customer base, wholesale relationships and take-up needed to become a competitive constraint to Openreach.

5.54 In our TAR26 Statement, we outlined a potential concern that Openreach could target low FTTP prices in areas where a rival network is present but not yet ready to compete at the wholesale level due to temporary factors. Our concern was that this could encourage ISPs

[133] [✂] rental prices submitted in response to question B1 of s135 notice dated 11 June 2026. Prices vary by ISP, and Figure 5.2 includes their lowest rental prices. Openreach’s prices without the geographic offer reflect the Equinox 2 prices, and the cumulative impact of the Frontbook ARPU share offer and the extension to the Equinox 550Mb incentive. Openreach’s prices with the geographic offer also reflect the cumulative impact of these offers.

to migrate their existing customer bases on legacy broadband services to Openreach's FTTP network before rivals are able to compete for these migration volumes, which could thereby undermine the development of network competition in the long term.[134]

5.55 However, given the limited price discount of the geographic offer (and the limited duration of the geographic offer); how the discounted price compares to the REO cost range; and a comparison of the discounted price with altnets' actual prices (as shown in Figure 5.2), we do not consider that the price impact of the offer will materially alter ISPs' decisions on whether they choose to wait or migrate the base in advance.

Provisional view

5.56 Our provisional view is that the geographically targeted discounts are not unduly discriminatory and we are therefore content for Openreach to implement the offer on 1 October 2026.

5.57 Like the Incremental New to Openreach Customer Offer, the geographic offer is targeted at customers altnets need to compete for. It applies in the VMO2 footprint where there is significant overlap with altnets, and where, therefore, wholesale competition is still developing.

5.58 As set out in the TAR26 Statement, these are factors that could give rise to concerns about the impact on long-term competition. However, we have also taken into account the scale of the localised discount and the differential with current altnet prices. In this case, we consider there is not a sufficiently plausible risk that the discount would harm long-term competition that the offer would constitute undue discrimination.

> Question 5.1: Do you agree with our assessment of the Geographic Incremental New to Openreach Customer Offer as set out above?

[134] TAR26 Statement, Annex 8, paragraphs A8.25 – A8.32.

6. Incremental Ethernet Net Demand Offer

6.1 On 1 June 2026, Openreach notified us of its Incremental Ethernet Net Demand Offer which applies to its Ethernet wholesale services.

6.2 Openreach's notification was made pursuant to TAR26 SMP Condition 8.6 as the offer pricing is conditional on the volume and/or range of services published. It is notified to come into effect on 1 October 2026.

Summary of offer

6.3 Full details on the offer are set out in Openreach's published ACCN OR1110; associated customer briefings, and terms and conditions.

6.4 Key elements of the offer are summarised below:

- The offer applies to orders of Openreach's EAD 1Gb and EAD 100Mb services
- National one-year offer
- Net Ethernet orders (i.e., orders placed potentially less those cancelled before installation during the offer period) above an ISP's target baseline receive a connection rebate. Only orders above the baseline qualify for the rebate.
- The level of the rebate is calculated based on the average connection price across all eligible orders in the relevant six-month period.
- Performance against the baseline is evaluated on a six-monthly basis. The target baseline is set at 90% of an ISP's net Ethernet orders (i.e. orders placed less cancellations) from 1 April 2025 to 31 March 2026. The resulting (annual) baseline is then apportioned equally between the two six-month periods to give two six-monthly target baselines – from 1 October 2026 to 31 March 2027; and from 1 April 2027 to 30 September 2027.
- The number of orders eligible for the rebate is capped. If eligible orders exceed the baseline by more than 50% of the baseline number, orders above this level do not receive a rebate.[135]

Stakeholder comments to our Call for Inputs

Conditionality of the offer

6.5 Stakeholders raised concerns that the Incremental Ethernet Net Demand Offer may affect CPs' incentives to use alternative networks for Ethernet services. In particular, stakeholders considered that the national, baseline-linked structure of the rebate could create an

[135] i.e. for orders up to the baseline no rebates are available. For orders above the baseline and up to and including 50% above the baseline, a connection rebate is paid. For orders more than 50% above the target baseline, no rebate is paid.

incentive for CPs to place incremental Ethernet orders with Openreach, rather than assessing each circuit on its individual commercial merits.[136]

6.6 [✂] submitted that a nationwide rebate linked to a baseline could introduce a portfolio-level incentive into decisions that would otherwise be made on a circuit-by-circuit basis. It considered that this could weaken the commercial case for investment in competing networks, including incremental on-net expansion.[137]

6.7 Similarly, Substantial Group questioned whether the baseline incentives could reinforce Openreach as the default active Ethernet supplier at the margin.[138]

6.8 Some stakeholders, [✂] and INCA, characterised the offer as having a loyalty-inducing effect. [✂] submitted that the offer could in practice bind ISPs to Openreach, while INCA and Fibrus considered that the Ethernet re-sign arrangements (discussed further below) and the Incremental Ethernet Net Demand Offer should be assessed together, because they could contribute to retaining Ethernet customers on Openreach's network and reducing the scope for altnets to compete for those customers.[139]

6.9 Hyperoptic raised a related concern about the treatment of cancellations under the offer. It considered that, to the extent cancellations reflect migration to rival networks, linking the benefit of the offer to net demand may affect CPs' decisions about whether and when to migrate customers away from Openreach.[140]

6.10 A number of stakeholders linked these concerns to the potential impact on altnet entry and expansion. Substantial Group said Ofcom should consider whether the offer could affect CP fixed and mobile network inputs, demand for EAD services and retail business connectivity competition. [✂] similarly considered that the offer could weaken the incentives for investment in competing networks.[141]

6.11 Openreach submitted that the structure of the offer did not create a barrier to using rival networks. It stated the price of Ethernet volumes purchased from Openreach does not depend on whether, or to what extent, a CP also purchases volumes from an alternative network.[142]

6.12 Openreach added that CPs' purchasing decisions would continue to depend on the relative prices and commercial terms available from Openreach and rival suppliers. On that basis, Openreach did not consider that the offer would prevent CPs from using alternative networks where those networks offer more attractive terms.[143]

Level of prices

6.13 Openreach stated the level of discounts available on incremental volumes as part of the offer will not undermine the ability of efficient rivals to recover their costs if they want to

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[136] [✂] confidential CFI response, page 9. CityFibre CFI response, page 11, paragraph 3.23. Substantial Group CFI response, page 9.
[137] [✂] confidential CFI response, page 9-10.
[138] Substantial Group CFI response, page 9.
[139] INCA CFI response, page 16-17, paragraphs 75-78. [✂] confidential CFI response, page 3 and 4.
[140] Hyperoptic CFI response, page 10.
[141] Substantial Group CFI response, page 5. INCA CFI response, pages 17 and 18, paragraphs 80–82. [✂] confidential CFI response, page 10.
[142] Openreach June 2026 submission regarding the Incremental Ethernet Net Demand Offer, paragraphs 3-17.
[143] Openreach June 2026 submission regarding the Incremental Ethernet Net Demand Offer, paragraphs 3-18.

match Openreach's discounted price.[144] Openreach also provided a supporting assessment of the price and costs associated with the incremental volumes.[145]

6.14 Several stakeholders raised concerns about the level of prices in the offer.

6.15 INCA, ITS and [✂] noted that Openreach customers could receive this offer in tandem with other offers available for EAD circuits, which would have a cumulative effect on circuit prices.[146] INCA and ITS expressed concern that this cumulative effect could result in Openreach EAD circuits being supplied at close to, or even below, the costs of a reasonably efficient operator (REO), and they considered that Ofcom should assess the combined effect of the relevant offers in each LLA market.[147]

6.16 INCA and ITS also both noted that Ofcom has not calculated an REO cost range for EAD circuits and has not explained what alternative benchmark it will use to assess Ethernet offer prices against costs. INCA and Substantial Group considered that Ofcom should undertake an assessment of prices and costs before reaching a decision on whether to permit the Incremental Ethernet Net Demand Offer.[148]

6.17 INCA, ITS and Fibrus considered that Ofcom should evaluate whether the price level impact of the Incremental Ethernet Net Demand Offer (either individually or in combination with other offers) breaches fair and reasonable pricing requirements from the TAR26 Statement.[149] Substantial Group similarly considered that Ofcom should test whether the offer breaches the margin needed for emerging multi-service network based LLA competition.[150]

6.18 CityFibre submitted that Openreach has significant incumbency advantages in the provision of leased line services due to its national duct and fibre network, which reduces the need for infrastructure build.[151] It considered that entrant networks need to offer a significant price differential to compensate prospective customers for the risk and time taken to switch away from Openreach to one of those networks. It considered that the offer erodes these pricing differentials, highlighting that [✂] over a typical 36-month customer lifetime.[152] It concluded that the scale of the Openreach discounts would result in economically rational operators placing orders with Openreach rather than its competitors, which it said would undermine the emergence of competition.

6.19 [✂] submitted that [✂], and that Openreach has structural advantages due to its extensive network footprint, which [✂].[153] It considered that these points supported its concern that the offer strengthens Openreach's position and [✂].

6.20 Some stakeholders (INCA, Fibrus and ITS) also referenced the separate Ethernet up to 1Gb re-sign Offer, which was notified by Openreach on 6 June 2026. As explained in Section 2, Openreach's notification of the offer was made pursuant to the requirement imposed in the

[144] Openreach June 2026 submission regarding the Incremental Ethernet Net Demand Offer, paragraph 3.
[145] Openreach June 2026 submission regarding the Incremental Ethernet Net Demand Offer, paragraphs 21-22.
[146] INCA CFI response, paragraphs 11 and 20. ITS CFI response, pages 2-3. [✂] confidential CFI response, page 10.
[147] INCA CFI response, paragraphs 33-34, 67 and 81-82. ITS CFI response, pages 2-5.
[148] INCA CFI response, paragraph 67. ITS CFI response, pages 2-3. Substantial Group CFI response, page 6.
[149] INCA CFI response, paragraphs 20 and 67. ITS CFI response, pages 2-3. Fibrus CFI response, page 5.
[150] Substantial Group CFI response, page 9.
[151] CityFibre CFI response, paragraphs 3.20 to 3.23.
[152] This is our understanding of the points made by CityFibre in paragraph 3.22 of its CFI response.
[153] [✂] confidential CFI response, page 10.

TAR26 Statement for Openreach to give 28 days' notice for price reductions and associated conditions.[154] The offer took effect on 7 July 2026.

6.21 The re-sign offer is available to EAD circuits up to and including 1Gb, that have been held for 36 months or more and are in the LLA market.[155] Openreach's briefing states that the offer provides a rental charge discount relative to current Ethernet list prices when a CP re-signs a circuit for a new 3 year, 5 year or 5 plus 5 year term.[156] There are no CPI price rises for the duration of the chosen new contract term.

6.22 INCA considered that the long-term pricing stability and real-term price reductions implied by the re-sign offer are, in combination with other offers (including the Incremental Ethernet Net Demand Offer), likely to result in overall Ethernet pricing that is close to or below an REO cost level.[157] It also stated that the cumulative and incremental effect of this offer on Ethernet pricing is of significant concern.[158]

6.23 Fibrus said the Incremental Ethernet Net Demand Offer should be assessed together with the re-sign offer against fair and reasonable pricing requirements from the TAR26 Statement.[159]

6.24 ITS also referenced the introduction of the re-sign offer.[160] It considered that any consultation should take into account the full set of discounts and special offers in the market for EAD services. It stated that Openreach's phased introduction of multiple EAD offers is a disturbing pattern of ongoing behaviour that will undermine long term sustainable competition.

Other points

Undue discrimination

6.25 One stakeholder noted that providers with no qualifying orders between 1 April 2025 and 31 March 2026 would not qualify for a baseline. As a result, such providers would be unable to participate in the offer, which could give rise to concerns that the offer may be unduly discriminatory.[161]

Openreach's ability to change the offer's baseline

6.26 In its submission, Openreach explained there may be circumstances where industry demand increases or decreases in such a way that during the offer period it would justify Openreach revising the baseline used to calculate what incremental volumes the discount could be applied to. Such revisions could therefore be applied if Openreach found it had set the baseline too high or low. Openreach invited Ofcom to consider the role of the baseline, the notification period if Openreach were to propose a variation and Ofcom's process for

[154] For the avoidance of doubt, this is because the offer prices are not conditional on the volume and/or range of services purchased, and the offer also does not involve geographically targeted pricing.
[155] Openreach's published ACCN OR114 refers to the LLA market as the Business Access market. This is a national offer, meaning it is available within all of the LLA geographic markets.
[156] Further details are provided in the customer briefing for ACCN OR1114.
[157] INCA CFI response, paragraph 77.
[158] INCA CFI response, paragraph 78.
[159] Fibrus CFI response, page 5.
[160] ITS CFI response, page 5.
[161] [✂] confidential CFI response, page 2.

granting a consent to such a variation (in particular whether a consultation would be required).[162]

Our provisional assessment

Conditionality of the offer

6.27 Openreach's notification of the Incremental Ethernet Net Demand Offer was made pursuant to TAR26 SMP Condition 8.6, as the price is conditional on the volume and/or range of services published.

6.28 In this case, the conditionality relates to the discounts being contingent on a CP exceeding a specified baseline of Incremental Ethernet Net Demand Offer orders.

6.29 We consider that arrangements which deter telecoms providers from switching volumes to rival networks are likely to undermine the development of network competition.

6.30 As set out in our TAR26 Statement, if we conclude that Openreach's commercial terms create a potential barrier to using rival networks, our starting point would be that the creation of any barrier to using rival network operators would only be justified where:

a) the impact on network competition 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 roll-out; or
   ii) the arrangements are necessary to offer more efficient prices that would deliver benefits for consumers.

6.31 As set out in our TAR26 Statement, when applying this framework, our analysis considers up to three questions:

a) Question 1: Do the notified commercial terms potentially create a barrier to using rival networks?
b) Question 2: Are the notified commercial terms likely or unlikely to have a material impact on network competition?
c) Question 3: Are the notified commercial terms likely to generate clear and demonstrable benefits?

6.32 Question 1 tests whether the conditionality of the commercial terms potentially deters ISPs from switching volumes to rival networks, for example, by penalising an ISP for placing volumes with an altnet rather than Openreach.[163]

6.33 Under Question 1, we note that under the structure of offer, the CP receives a discount on volumes above a baseline threshold only. This means that should a CP choose to place volumes with a rival network instead of Openreach, it will lose any rebate that would have applied if those volumes had been placed with Openreach. However, the rebates due for any volumes the CP continues to place with Openreach will be unaffected. Put another way, should a CP place volumes with a rival network, it does not face a financial penalty across the volumes it continues to place with Openreach which would potentially have had a loyalty inducing effect and raise competition concerns. Rather, when it comes to comparing the price of putting an order with Openreach or an altnet, the CP will compare Openreach's

[162] Openreach June 2026 submission regarding the Incremental Ethernet Net Demand Offer, page 14-15.
[163] See TAR26 Statement, Annex 8, paragraph A8.67.

price for that order (including the rebate that would apply as a result of putting that order with Openreach) with the altnet price.

6.34 Similarly, should a CP that already places volumes with an altnet choose to place those volumes with Openreach instead, it will gain any rebate on those (switched) volumes that are above the baseline. However, the rebates paid for any volumes already placed with Openreach (above the baseline) will be unaffected.

6.35 INCA and Fibrus submitted that the Incremental Ethernet Net Demand Offer and the EAD re-sign offer jointly create a loyalty inducing effect since they tie commercial benefit to stronger Openreach volume performance over time. We note that the offers are mutually exclusive (i.e. they cannot be applied to the same customer at the same time). Specifically, the Ethernet Net Demand Offer applies to new orders of Openreach's EAD 1Gb and EAD 100Mb services (above a baseline), whereas the EAD re-sign offer applies to existing EAD circuits up to and including 1Gb, that have been held for 36 months or more. Therefore, we do not consider that they jointly create a loyalty inducing effect.[164]

6.36 In response to Hyperoptic's concern about the treatment of cancellations under the offer, we understand that cancellations refer to new orders that are subsequently cancelled before they are completed (and so should not contribute to performance against the baselines, or the level of rebate due). Cancellations do not refer to the migration of existing customers to rival networks. As such, there is no penalty for switching existing customers to rival networks.

6.37 Therefore, we do not consider that the conditionality in the Incremental Ethernet Net Demand Offer, in itself, potentially creates a barrier to using a rival network. As a consequence, we do not need to consider Question 2 or Questions 3 of the framework for assessing conditional terms.

6.38 We now turn to considering potential issues relating to the level of prices in the offer.

Level of prices

6.39 Some stakeholders' responses to our CFI said we should evaluate whether the price level impact of the Incremental Ethernet Net Demand Offer (either individually or in combination with other offers) breaches "fair and reasonable pricing requirements" from the TAR26 Statement. However, Openreach is not subject to a "fair and reasonable pricing requirement" for its wholesale LLA services where a charge control applies. Below, we explain the regulation that applies to pricing in the LLA market. Further detail is set out in Volume 3 of our TAR26 Statement, paragraphs 4.25 to 4.47.

6.40 Openreach's Ethernet wholesale services are subject to a price control in two of the geographic markets we identified (LLA Area 2 and LLA Area 3)[165].

6.41 In the TAR26 Statement, we explained that, to the extent that a charge control or a basis of charges obligation applies, we do not consider that the residual risk of a price squeeze, between the relevant wholesale telecoms markets and the retail market, is sufficient to warrant further regulation. Therefore, SMP Condition 1.4 applies in the LLA Area 2 and LLA

[164] ACCN OR114 webpage, note 10.

[165] For our review of the LLA market in the TAR26, for the purposes of making a market power determination, we identified the LLA Area 3 geographic market, consisting of 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 (TAR26 Statement, Volume 2).

Area 3 markets. This requires Openreach to provide access to its wholesale LLA services (including Ethernet) on fair and reasonable terms and conditions, *excluding charges*.[166]

6.42 In the High Network Reach ('HNR') geographic market which we identified in the TAR26 Statement,[167] Openreach's wholesale LLA services are not subject to a charge control in this market. As a result, SMP Condition 1.3 applies which requires Openreach to provide network access to its wholesale LLA services on fair and reasonable terms, conditions *and charges*.[168] As we explained in the TAR26 Statement, the purpose of this requirement is to address the risk of a price squeeze between the wholesale LLA market and its corresponding retail market which we considered would harm downstream competition based on access to Openreach's network. The obligation as it applies to Openreach's wholesale LLA services was not intended to address low wholesale prices.[169]

6.43 We have nonetheless considered whether the level of Openreach's prices under the Incremental Ethernet Net Demand Offer raises prima facie concerns that would lead us to decide to investigate them in further detail. As we explain below, we have focused our assessment of the offer prices on evidence relating to Openreach's costs of supplying incremental EAD circuits, as we consider that this is the appropriate comparison for the purposes of identifying any prima facie concerns in this case.

Comparison with Openreach's costs

6.44 We have collected and assessed data from Openreach which relates to the following costs of supplying EAD circuits:

- the fully allocated costs (FAC) of EAD circuits, based on restated 2024/25 BT Regulatory Financial Statements (RFS) data;[170] [171]
- Openreach estimates of the long run incremental cost (LRIC), and LRIC plus, associated with supplying the incremental EAD circuits in scope of the Incremental Ethernet Net Demand Offer.[172] As part of our analysis we have queried and examined the input data, assumptions and methodology applied by Openreach to derive its estimates of LRIC and LRIC plus. Openreach made several corrections and amendments in response to our queries.

6.45 We focused our assessment on the revenue and unit costs of supplying a new EAD circuit (which receives the offer price, i.e. receives the connection charge rebate) over a 36 month

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[166] The position is different in the WLA market, where we considered – and addressed – the risk of a price squeeze harming network competition based on access to Openreach's physical infrastructure.

[167] For our review of the LLA market in the TAR26, for the purposes of making a market power determination, we identified the HNR geographic market, consisting of postcode sectors where, due to the presence of at least two current material and sustainable competitors, there is sufficiently well established competition to BT in the commercial deployment of competing networks (Volume 2, Section 5, paragraphs 5.266 – 5.289).

[168] As set out in the TAR26 Statement (Volume 2, Section 5, Table 5.3), the HNR Area represents 9% of postcode sectors in the UK (excluding the Hull Area), while LLA Area 2 and LLA Area 3 together represent almost 90% of postcode sectors in the UK (excluding the Hull Area).

[169] TAR26 Statement, Volume 3, Section 4, paragraphs 4.43 – 4.47.

[170] Openreach response dated 10 July 2026 to s135 notice dated 25 June 2026, questions A5 and A6.

[171] 2024/25 is currently the latest available year of outturn RFS data. The restated data provided by Openreach incorporates changes to the allocation of Core Junction Fibre and Access Spine Fibre costs which will feature in the published 2026 RFS, as explained in Section 2.3.5 of BT's March 2026 Change Control Notification (CCN). We agree that it is appropriate to account for these allocation changes, because they increase the costs allocated to LLA markets.

[172] Openreach response dated 10 July 2026 to s135 notice dated 25 June 2026, questions A1, A2, A3, A5, A6 and A7. This response incorporates the corrections and amendments referred to in the paragraph above.

timespan, which takes account of connection and annual circuit rental charges and costs. We note that Openreach has estimated its average customer lifetime for EAD circuits is higher than 36 months.[173] Given that the Incremental Ethernet Net Demand Offer impacts the effective price of connection charges only, we consider that using a 36 month implied circuit lifetime is an appropriate assumption.

6.46 Our assessment takes account of interactions between the Incremental Ethernet Net Demand Offer and other offers relating to EAD 1Gb and EAD 100Mb services. This means that where other offers reduce the effective price of rental charges and they can be combined with the Incremental Ethernet Net Demand Offer (under the Incremental Ethernet Net Demand Offer terms), we have taken account of this when calculating the total revenue from supplying a new EAD circuit (over a 36 month timespan).[174] As explained above, the Ethernet up to 1Gb re-sign Offer cannot be combined with the Incremental Ethernet Net Demand Offer (as mentioned in Openreach's published ACCN OR1114[175]), so we have not modelled the effect of combining these two offers.

6.47 Wherever possible, our assessment has included analysis of revenue and unit costs for specific products covered by the Incremental Ethernet Net Demand Offer (taking account of details such as bandwidth and EAD standard or local access (LA) variants).

6.48 Our assessment has found that:

- For some products covered by the offer, the unit revenue generated from the offer prices is above the unit FAC. For other products covered by the offer, it is below the unit FAC. This finding reflects the differences in prices and unit FAC between different products covered by the offer. For example, EAD standard variants have higher prices than EAD LA variants, all else being equal.
- For all products covered by the offer, the unit revenue generated from the offer prices is materially higher than the unit LRIC and unit LRIC plus estimates.

6.49 We consider that this evidence does not raise prima facie concerns that would lead us to decide to investigate the level of these offer prices in further detail.

Ethernet up to 1Gb re-sign Offer and the Incremental Ethernet Net Demand Offer

6.50 As noted earlier in this section, some CFI respondents suggested we should assess the Ethernet up to 1Gb re-sign Offer alongside the Incremental Ethernet Net Demand Offer, because they could contribute to retaining Ethernet customers on Openreach's network and reducing the scope for altnets to compete for those customers. We explained above our understanding that the Ethernet up to 1Gb re-sign Offer cannot be combined with the Incremental Ethernet Net Demand Offer.

6.51 We have nevertheless separately assessed the price level of the Ethernet up to 1Gb re-sign Offer, using the same Openreach cost information as we have used for the Incremental Ethernet Net Demand Offer analysis. Our assessment has found the unit revenue generated

[173] Openreach response dated 10 July 2026 to s135 notice dated 25 June 2026, question A4.
[174] The other offers that we have incorporated within our assessment are: (i) Rental Special Offer for EAD 1Gb New Provides in Area 2, HNR and CLA (Openreach price list reference 8.2.62); (ii) Ethernet Access Direct (EAD) 1000Mb Local Access alternative pricing for the UK excluding CLA and HNR areas (Openreach price list reference 8.2.56). We have not accounted for other offers relating to connection charges, because the briefing for ACCN OR1110 states that where other connection discounts apply, CPs will only receive an Incremental Ethernet Net Demand Offer discount equivalent to those connection charges.
[175] This is explained in Note 10 of Openreach's published ACCN OR1114.

from the offer prices is higher than the relevant unit LRIC and LRIC plus estimates for circuit rental charges.[176]

6.52 Therefore, we consider that this evidence does not raise prima facie concerns that would lead us to decide to investigate the level of these offer prices in further detail.

Other points

Undue discrimination

6.53 In our TAR26 Statement we decided it was appropriate and proportionate to retain a general requirement on Openreach, including in the LLA market, not to unduly discriminate in relation to the provision of network access, including specific forms of network access. We also retained our interpretation of undue discrimination to be when Openreach "does not reflect relevant differences between (or does not reflect relevant similarities) in the circumstances of customers in the transaction conditions it offers, and where such behaviour could harm competition".[177]

6.54 We have considered whether the Incremental Ethernet Net Demand Offer would be unduly discriminatory because it would not allow new entrants access if they had not registered any eligible product volumes in the period used for calculating the baseline (1 April 2025 to 31 March 2026), and whether that behaviour could harm competition.

6.55 In that regard, we consider the offer might be discriminatory on the basis that the offer would treat new entrant providers differently, depending on whether they had registered eligible product volumes. However, the offer would only amount to *undue* discrimination if there was no objective justification for the differential treatment, and it is also capable of harming competition in the long term.[178] Notwithstanding whether Openreach has an objective justification for this differential treatment, we considered whether the offer is capable of harming competition.

6.56 In our view, this aspect of the design of the offer would be most likely to affect downstream retail competition between providers who buy wholesale services from Openreach as it would potentially affect the price of those services.

6.57 In principle, we consider offers which exclude new entrants can be problematic, as they may deter new entry (in this case at the retail level). However, here we consider there are factors that mean that the differential treatment of new entrants is unlikely to have a material impact on competition.

6.58 First, we note that retail providers eligible for the offer only receive a rebate on new orders above their baseline. We therefore consider a new entrant would be able to compete for new orders below other retail providers' set baselines at standard prices. For any new orders above the baseline, the impact at the retail level could be relatively limited because providers would face uncertainty about the extent to which their volumes would exceed the baselines and the level of rebates it would receive, e.g. a provider may decide to only partially pass through its expected level of rebates to its customers, or alternatively, it may

[176] We consider that an assessment focused on circuit rental charges is appropriate in this context, because the Ethernet up to 1Gb re-sign Offer is only available to circuits that have been held for 36 months or more.
[177] Ofcom's 2005 guidance on undue discrimination by SMP providers, paragraph 3.5.
[178] TAR26 Statement, Annex 8, paragraph A8.10.

only pass through rebates in the latter stages of a measurement period once baselines have already been exceeded.

6.59 More broadly, the decision of a provider about whether to enter the LLA market is likely to be based on a number of factors, and be on a medium to long-term timeframe, while the duration of the offer period is relatively short and the deterrent effect on entry is likely to be limited.

6.60 Therefore, on balance our provisional view is that any impact of the differential treatment in this case is likely to be small and therefore unlikely to be capable of harming competition so as to be unduly discriminatory.

Openreach's ability to change the offer's baseline

6.61 We considered the points raised in Openreach's submission related to its ability to vary the baseline of an offer, during the offer period, with 28-days' notice.

6.62 Under the SMP Condition 8.6 applied to Openreach by the TAR, an Access Change[179] involving new or existing network access where the price or other contractual conditions are conditional on the volume and/or range of services purchased, the Access Change Notice[180] must be sent not less than 120 days before any such amendment comes into effect.

6.63 If Openreach were to seek consent from Ofcom (under SMP Condition 8.1) to vary the baseline of an offer without triggering the 120-days' notice under SMP Condition 8.6, we would need to consider this request under the relevant statutory process.[181] This would initially mean satisfying ourselves that giving such a consent that affects the operation of SMP Condition 8.6, in this case for a shorter notification period, would be:

a) Objectively justifiable in relation to the networks, services, facilities, apparatus or directories to which it relates;
b) Not such as to discriminate unduly against particular persons or against a particular description of persons;
c) Proportionate to what it is intended to achieve; and
d) In relation to what it is intended to achieve, transparent.

6.64 We would then need to consult on those provisional findings, unless we considered that such a consent would not have a significant impact on the market.

6.65 For the avoidance of doubt, we have not formed a view on the above. Were we to receive a formal consent request from Openreach on a change to the baseline in this offer (or any other change to the offer), we would have to consider that request on its merits.

Provisional view

6.66 Our analysis above informs our provisional view that the Incremental Ethernet Net Demand Offer does not potentially create a barrier to using a rival network, and the price level does not raise prima facie concerns that would lead us to investigate in further detail.

[179] "Access Change" means any amendment to the charges, terms and conditions on which the Dominant Provider provides network access pursuant to Conditions 1 and 2 or in relation to any charges for new network access pursuant to Conditions 1 and 2
[180] "Access Change Notice" means a notice given by the Dominant Provider of an Access Change.
[181] Specifically, s49 of the Communications Act 2003.

6.67 Furthermore, our provisional assessment is that the offer is unlikely to be capable of harming competition so as to be unduly discriminatory.

Question 6.1: Do you agree with our assessment of the Incremental Ethernet Net Demand Offer as set out above?

7. Other issues

7.1 In this section, we consider other overarching comments made in response to our CFI relating to Openreach's commercial offers.

Stakeholder comments to our Call for Inputs

Overarching concerns around Openreach's commercial offers

7.2 VMO2 was concerned that Openreach's FTTP offers may influence market behaviour not only through their immediate price terms, but also by the signals they send about Openreach's future conduct. A repeated pattern of notifications, or progressively enhanced offers, can encourage access seekers to preserve commercial flexibility so that they remain able to respond to future Openreach initiatives, rather than committing meaningful volumes to rival wholesale networks.[182]

7.3 Nexfibre raised its concern about Openreach pre-announcing repeated price reductions which it drip-feeds into the market. It considered this was a deliberate policy to destabilise the market by training ISPs to expect another price reduction.[183]

7.4 VMO2 considered that where Openreach continues to introduce, amend or layer offers during that same period, there is a real risk that management attention is drawn back towards the incumbent and away from the practical work required to finalise and implement rival wholesale agreements.[184] VMO2 indicated that [✂].[185]

7.5 Substantial Group was concerned about the precedent that the offers would set for the 2026-2031 TAR period. It noted that network investment and ISP wholesale integration decisions depend on stable expectations about effective Openreach pricing, ISP routing incentives and the opportunity for altnets to convert coverage into active lines. If Ofcom permits a broad package of conditional, geographic and ARPU-related incentives at the start of the review period, ISPs may rationally preserve optionality and defer or dilute altnet integration and volume commitments in expectation of further Openreach responses as altnets approach scale. As such, it said we should therefore assess the offers not only as individual price changes, but as a potential precedent that could weaken the regulatory stability on which its investment strategy depends.[186]

7.6 CityFibre commented that the offers can introduce significant discounts for volumes purchased from Openreach. Since offers are specified to be time limited, this creates a cliff-edge effect for ISPs where they potentially face a sharp increase in pricing at the end of the offer period. CityFibre considered that this incentivised ISPs to place volumes with Openreach in order to convince Openreach to extend the offer period. Openreach would only extend that offer if it were producing benefits for Openreach through increased

[182] VMO2, CFI response, page 17.
[183] nexfibre, CFI response, page 5.
[184] VMO2, CFI response, page 21.
[185] VMO2 CFI response, page 18.
[186] Substantial Group, CFI response, page 15.

volumes. ISPs will be fully aware of this and will therefore divert resources to placing orders with Openreach to ensure the continuation of the offer.[187]

7.7 [✂] noted that BT's retail broadband business sources fibre exclusively from Openreach, whereas other retailers, purchase access from multiple wholesale networks. It considered this creates a risk that offers linked to Openreach specific baselines and performance measures may, in practice, deliver greater and more certain value to BT than to multi network retailers.[188]

Our response

Overarching concerns around Openreach's commercial offers

7.8 In the TAR26 Statement, we considered similar concerns but did not find evidence of harm to competition to justify further ex ante regulation beyond the remedies we imposed.[189]

7.9 We recognise that each time Openreach changes its prices, its customers and competitors will consider this and may decide they need to react. We also recognise that the flexibility Openreach has to change prices means there is uncertainty about future pricing. We do not see this as inherently problematic; in fact, this is generally a pro-competitive aspect of commercial life.

7.10 In our view, what matters is that our package of remedies in the TAR26 means we can intervene to prevent a scheme that would harm the development of network competition. We have been clear that we stand ready to intervene in such circumstances.

7.11 That said, given Openreach's position in the market and its SMP, it has a special responsibility not to behave in a way that restricts or distorts network competition. For example, we would be concerned if we saw evidence of Openreach repeatedly proposing schemes that warrant intervention under the regulatory framework we have put in place. The announcement of such offers can undermine investor confidence, particularly given the time needed to properly assess the offers and intervene (where necessary). We note that the complexity of offers – both standalone and as a result of any interaction with existing and proposed offers – makes them more difficult to understand and assess in a timely manner.[190]

7.12 In general, we will continue to monitor whether Openreach behaviour is creating uncertainty or instability. If we or stakeholders identify evidence to support a theory of harm under ex post competition law, we would consider intervention.

[187] CityFibre, CFI response, page 16.
[188] [✂] confidential CFI response, page 6.
[189] See TAR Statement, Volume 3, paragraphs 9.219-9,225. CityFibre has suggested that Openreach offers can result in a cliff edge effect that incentivises ISPs to place volumes with Openreach so as to extend the offer period. However, we have not seen evidence of ISPs behaving in this way. Indeed, even if ISPs value an offer from Openreach and make use of it, we do not consider it likely that they would choose to divert volume from altnets to Openreach (even if Openreach's price is higher) on the basis that this would make it more likely that Openreach will extend the offer.
[190] We consider the notified offers (alone and in combination) to be relatively complex, especially given their temporary nature. We observe that several stakeholders had genuine misunderstandings about certain aspects of the offers. We also note that it has taken [✂] a significant amount of time and effort to understand the implications of the NTO offer and assess likely usage.

7.13 Our competition supervision function will also continue to monitor what is happening in practice in light of the offers that Openreach puts into the market, including through use of our formal information gathering powers. This includes considering the impact of offers individually and cumulatively with other Openreach offers. Informed by our monitoring, we will decide whether any conduct or actions by Openreach might change our position on any offers, and we stand ready to respond quickly if we deem it necessary to do so.

7.14 In relation to the concern that Openreach's offers may favour BT retail's broadband business, we note that the baselines (where relevant) under the offers are set with reference to an ISP's recent performance and therefore do not raise obvious concerns around undue discrimination.

8. Legal Tests

8.1 In Section 4, we set out our provisional view that Openreach's discounted FTTP prices under its Incremental New to Openreach Customer Offer are not fair and reasonable and therefore not compatible with its obligations under SMP Conditions 1.3 - 1.5 to provide access to such services on fair and reasonable terms, conditions and charges.

8.2 To give regulatory effect to our finding, we are proposing to direct Openreach as set out in Annex 2 to withdraw the Incremental New to Openreach Customer Offer, which it notified on 1 June 2026 in its published ACCN OR1108.

8.3 We are proposing to make this direction under SMP Condition 1 and SMP Condition 8.[191] SMP Condition 1 requires Openreach to provide network access on reasonable request and includes the requirement that it provides access to its FTTP services on fair and reasonable terms, conditions and charges. Condition 8 requires Openreach to publish its terms, conditions and charges and provide Ofcom and every person with whom it has an access contract with a notice if it is proposing to amend its terms, conditions and charges.

Section 49 tests

8.4 We consider that the draft direction we are proposing satisfies the tests set out in section 49(2) of the Act, namely that the obligation is:

- objectively justifiable in relation to the networks, services or facilities to which it relates;
- not such as to discriminate unduly against particular persons or against a particular description of persons;
- proportionate to what it is intended to achieve; and
- transparent in relation to what it is intended to achieve.

Objectively justified

8.5 We consider that the direction we are proposing to make is objectively justifiable for the reasons set out in Section 4 of this Consultation. In summary, the proposed direction addresses our concerns about the discounts available under Openreach's Incremental New to Openreach Customer Offer. In particular, if the offer is not withdrawn, we are concerned that the discounts it makes available may operate as a price squeeze and undermine the ability of a reasonably efficient operator to recover its costs. We consider this may harm long-term competition in WLA Area 2 by discouraging future investment and expansion by altnets and thereby weakening the competitive constraint that Openreach might otherwise face. Our proposed direction is therefore in line with our objective for WLA Area 2 to promote investment and competition in gigabit capable networks.

[191] Specifically, SMP Condition 1.11 and SMP Condition 8.14, which require Openreach to comply with any direction that Ofcom may make under, respectively, SMP Condition 1 and SMP Condition 8.

8.6 While we do not have a regulatory objective of promoting network competition in WLA Area 3,[192] we recognise that since 2021 some altnets have made commercial decisions to build networks against the backdrop of Openreach's WLA Area 3 pricing being subject to a cost-based charge control. We also recognised in the TAR26 Statement the importance of regulatory stability and certainty for investors given the long-term nature of the investments they are making. We consider the discounts available under the Incremental New to Openreach Customer Offer do not provide a sufficient margin in line with the opportunity for market entry that existed when the altnets made their investment. We therefore consider that their withdrawal is consistent with our underlying objective of maintaining incentives to invest.

Not such as to discriminate unduly

8.7 The draft Direction applies only to BT, which is the only operator to which the requirement to publish advance notice of amendments to its terms, conditions and charges for FTTP services applies. By requiring the withdrawal of the Incremental New to Openreach Customer Offer, Openreach's customers will all be in the same position, since the offer will no longer be available to them.

Proportionate

8.8 We consider that the direction we are proposing to set is proportionate to what it is intended to achieve, namely the withdrawal of the discounts notified in the offer that we consider are not fair and reasonable. The proposed direction will impose an obligation on BT that: is effective to achieve our aim; is no more onerous than is required to achieve that aim; and does not produce adverse effects which are disproportionate to our aim.

Transparent

8.9 We consider that draft direction is transparent in relation to what is intended to be achieved. The text of the draft direction is published in Annex 2, and we explained its effect in this Consultation. Our Consultation sets out the basis for our proposal. Our final statement will set out our analysis of responses to this Consultation and the basis for any final decision that we take.

Ofcom's duties

8.10 We consider the draft direction we are proposing meets our duties as set out below.

Duties under sections 3 and 4 of the Act

8.11 We consider that our proposed direction is consistent with our duties in section 3 of the Act. This includes our principal duty to further the interests of citizens in relation to communication matters, and to further the interests of consumers in relevant markets, where appropriate by promoting competition. In particular, in the TAR26 Statement we set regulations, including the requirement for Openreach to have fair and reasonable prices for its FTTP services, which are designed to further the interests of citizens and consumers by

[192] For our review of WLA market in the TAR26, for the purposes of making a market power determination, we identified the WLA Area 3 geographic market, consisting of 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 (TAR26 Statement, Volume 2).

creating appropriate conditions to incentivise both Openreach and other operators to invest in gigabit-capable networks, through network competition where viable. Such networks can deliver benefits for consumers in terms of higher speed and better quality services.

8.12 In addition, the resulting network competition should bring benefits to consumers in the long term from innovation (including innovation to increase efficiency and reduce costs), choice, stronger incentives to price keenly to attract customers and higher quality of service.

8.13 We consider that our proposed direction is also consistent with the requirement on us, in carrying out our functions, to secure the availability throughout the UK of a wide range of communications services. We consider that incentivising network investment by the promotion of network competition is the best way to meet the growing demand for high speed and data intensive communications services and will provide a platform for innovative new services to develop.

8.14 In accordance with our duties under section 3(3) and (4) of the Act, we have also had regard to:

- the desirability of promoting competition in relevant markets, the desirability of encouraging investment and innovation in relevant markets and the desirability of encouraging the availability and use of high speed data transfer services throughout the United Kingdom;
- the interests of consumers in respect of choice, price, quality of service and value for money; and
- the principles under which our regulatory activities should be transparent, accountable, proportionate, consistent and targeted only at cases where action is needed.

8.15 We consider that our proposed direction is also consistent with our duties set out in section 4 of the Act, in particular, and for the reasons set out above:

- the first requirement to promote competition;
- the second requirement to promote the interests of all members of the public in the United Kingdom;
- the third requirement to take account of the desirability of Ofcom carrying out of its functions in a manner which, so far as practicable, does not favour one form of or means of providing electronic communications networks, services or associated facilities over another (i.e. to be technologically neutral);
- the fourth requirement to encourage the provision of network access for the purposes of securing efficiency and sustainable competition, efficient investment and innovation and the maximum benefit for persons who are customers of communications providers and of persons who make associated facilities available; and
- the sixth requirement to promote connectivity and access to very high capacity networks by members of the public and businesses in the United Kingdom.

Statement of Strategic Priorities

8.16 Our view is that our proposed direction is consistent with the UK Government's current Statement of Strategic Priorities ('SSP') for telecommunications, the management of radio spectrum, and postal services (the '2026 SSP').[193] In particular, by requiring Openreach to withdraw commercial arrangements that we consider could have a detrimental effect on the establishment of sustained competition, while sustained competition is still developing, it is consistent with the Government's strategic priorities of encouraging investment and growth and supporting competition, to meet the Government's ambition to provide gigabit-capable networks and make them available to 99% of premises by 2032.

The Growth Duty

8.17 We have also had regard to our "growth duty", a statutory obligation to have regard to the desirability of promoting economic growth when carrying out our functions under the Act and to the statutory guidance that accompanies that growth duty.[194] We do so in the context of our primary duty to further the interests of citizens and consumers, where appropriate by promoting competition, and having regard, in particular to the desirability of encouraging investment and innovation.

8.18 For the reasons set out above, we consider that the proposed direction will promote investment and competition in gigabit capable networks. In proposing the remedy, we are considering not only consumers' and business' interests today, but thinking about the investment, innovation and competition that is needed to deliver for consumers and businesses in the future. We have also considered how to positively affect the key drivers of economic growth identified in the guidance. We consider the key drivers relevant to our proposal are infrastructure and investment, innovation and competition for the reasons set out in the TAR26 Statement.[195]

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[193] The 2026 SSP [accessed on 11 July 2026].
[194] Section 108 of the Deregulation Act 2015.
[195] TAR26 Statement, Volume 3, Section 1, paragraphs 1.174 – 1.177, 1.179 – 1.181.

A1. Legal framework

Introduction

A1.1 This Annex provides an overview of the regulatory framework relevant to our assessment of Openreach's commercial offers set out in this Consultation.

A1.2 At the conclusion of our recent Telecoms Access Review 2026 – 31, in a notification under sections 48(1) and 79(4) of the Act dated 17 March 2026, we set SMP conditions on BT which took effect on 1 April 2026.[196] In the paragraphs below, we describe the specific SMP conditions relevant to our proposals and our statutory duties when carrying out our assessment and making our proposals.

Notification of Openreach offers

A1.3 SMP Condition 8 requires BT to publish the terms, conditions and charges on which it provides network access.[197] Where it proposes amendments to those terms, conditions and charges, it must provide us and industry with advance notice.[198]

A1.4 The duration of the notice BT must give depends on the nature of the amendment it is proposing. Where BT is proposing to introduce a special offer, that is a temporary price reduction for a particular product or service which is available to all customers on a non-discriminatory basis and applies for a limited period, the notice period is generally 28 days.[199]

A1.5 However, where the offer price or other contractual conditions are conditional on the volume or range of services that the customer buys, BT must give issue its notice not less than 120 days before the offer takes effect.[200]

A1.6 BT must comply with any direction that Ofcom gives under SMP Condition 8.[201] Any such a direction is subject to the statutory requirements in the Act, namely that we are satisfied that the consent is objectively justified, not unduly discriminatory, proportionate and transparent.[202] We must also meet the procedural requirements in section 49A of the Act, including that we consult on the proposed direction for at least 30 days, unless we consider that the proposed direction would not have a significant impact on any market or there are exceptional circumstances and an urgent need to act to safeguard competition and protect the interests of consumers.

A1.7 Ofcom has power to consent in writing to a variation to these requirements.[203] As with a direction such a consent is subject to the statutory tests in the section 49(2) and the procedural requirements in section 49A of the Act.

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[196] TAR26 Statement, Volume 7(A).
[197] SMP Condition 8.1.
[198] SMP Condition 8.3.
[199] SMP Condition 8.5(c).
[200] SMP Condition 8.6.
[201] SMP Condition 8.14.
[202] Section 49(2) of the Act.
[203] SMP Condition 8.1.

A1.8 The notification requirements in SMP Condition 8.5 and SMP Condition 8.6 apply in the markets we defined in the TAR26 Statement for wholesale line access and leased line access.

A1.9 In the TAR26 Statement, we provided guidance on our analytical framework for assessing conditional terms and the circumstances when they may give rise to competition concerns.[204]

Prohibition on undue discrimination and geographic pricing

A1.10 Under SMP Condition 4, save to the extent Ofcom may consent in writing, BT is prohibited from unduly discriminating against any person or description of persons, when providing network access under SMP Condition 1 and SMP Condition 2. BT may be deemed to have shown undue discrimination if it charges different prices in different geographic areas within WLA Area 2 for FTTP rental or connection services.[205] There is a similar restriction on BT charging different prices in different geographic areas in LLA Area 2 in relation to connection and rental prices for LLA services.[206]

A1.11 As set out in the TAR26 Statement, we interpret undue discrimination as arising where Openreach "does not reflect relevant differences between (or does not reflect relevant similarities) in the circumstances of customers in the transaction conditions it offers, and where such behaviour could harm competition".[207] We provided guidance on how we would consider discount schemes which involve geographic price differentiation within WLA Area 2[208] and LLA Area 2[209] and said that we would also take account of our wider 2005 guidance on undue discrimination by SMP providers.

Fair and reasonable pricing

A1.12 Under SMP Condition 1, BT must provide network access to third parties. In relation to the markets identified in the TAR26 Statement as WLA Area 2 and WLA Area 3, BT must provide access to its FTTP rental and connection services on fair and reasonable terms, conditions and charges.[210]

A1.13 In the TAR26 Statement, we set out our concerns about Openreach's ability to set its FTTP prices at a level that undermines the opportunity for a reasonably efficient operator to recover its costs, harming the development of competition and detrimental to consumers in the long term. We outlined the factors we would take into account when considering whether Openreach's FTTP prices are fair and reasonable.[211]

A1.14 There is no equivalent obligation on BT to provide access to its LLA services on fair and reasonable prices in LLA Area 2 and LLA Area 3 because these services are charge

[204] TAR26 Statement, Annex 8, paragraphs A8.64 – A8.77.
[205] SMP Conditions 4.1 and 4.5. There is an exception for discounted FTTP connection prices charged in accordance with the terms of the Equinox 1 or Equinox 2 offers as at 1 April 2026 under SMP Condition 4.5(b).
[206] SMP Condition 4.7.
[207] Ofcom. 2005. Undue discrimination by SMP providers, paragraph 3.5.
[208] TAR26 Statement, Annex 8, paragraphs A8.8 – A8.46.
[209] TAR26 Statement, Annex 8, paragraphs A8.47 – A8.63.
[210] SMP Conditions 1.3 – 1.5.
[211] TAR26 Statement, Volume 4, Section 1, paragraphs 1.170 – 1.181.

controlled.[212] BT is required to provide access to its LLA services on fair and reasonable charges in the HNR area, because these services are not charge controlled.[213] We explained in the TAR26 Statement that, given BT's vertical integration and in the absence of a charge control, there is a risk of a price squeeze between the wholesale LLA market and the retail market sufficient to warrant this further regulation.[214]

Ofcom's general duties

Section 3 of the Act

A1.15 Under the Act, our principal duty in carrying out our functions is to further the interests of citizens in relation to communications matters and to further the interests of consumers in relevant markets, where appropriate by promoting competition.

A1.16 In performing our duties, we are also required to have regard to a range of other considerations, including:

- the desirability of promoting competition in relevant markets;
- the desirability of encouraging investment and innovation in relevant markets;
- the desirability of encouraging the availability and use of high-speed data transfer services throughout the UK; and
- the desirability of ensuring that relevant markets facilitate end-to-end connectivity in the interests of consumers in those markets.

A1.17 We are also required to have regard to the principles under which regulatory activities should be transparent, accountable, proportionate, consistent, and targeted only at cases in which action is needed, as well as to the interest of consumers in respect of choice, price, quality of service and value for money.

Section 4 of the Act

A1.18 Section 4 of the Act requires us, when carrying out our market review functions, to act in accordance with six requirements for regulation which are in summary:

i) to promote competition in the provision of electronic communications networks and services, associated facilities and the supply of directories;
ii) to promote the interests of all members of the public in the United Kingdom;
iii) to take account of the desirability of Ofcom's carrying out of its functions in a manner which, so far as practicable, does not favour one form of or means of providing electronic communications networks, services or associated facilities over another (i.e. to be technologically neutral);
iv) to encourage, to such extent as Ofcom considers appropriate the provision of network access and service interoperability for the purpose of securing: efficient and sustainable competition; efficient investment and innovation; and the maximum benefit for customers of telecoms providers and of persons who make associated facilities available;

[212] SMP Condition 1.4.
[213] SMP Condition 1.3.
[214] TAR26 Statement, Volume 3, Section 4, paragraphs 4.32 – 4.34.

v) to encourage compliance with certain standards in order to facilitate service interoperability, end-to-end connectivity, and secure freedom of choice for the customers of telecoms providers; and

vi) to promote connectivity and access to very high capacity networks[215] by members of the public and businesses in the United Kingdom.

A1.19 We consider that the first, second, third, fourth and sixth of those requirements are of particular relevance to the matters which are the subject of this Consultation.

UK Government's Statement of Strategic Priorities

A1.20 Under section 2B(2) of the Act, when exercising our telecoms functions, we are required to have regard to a SSP that has been designated by the Secretary of State under section 2A(1) pursuant to the requirements set out in section 2C of the Act.

A1.21 On 27 April 2026, the Secretary of State designated the current SSP for telecommunications, the management of radio spectrum, and postal services (the '2026 SSP').[216] We have a duty to have regard to the 2026 SSP in carrying out our telecoms functions.

Desirability of promoting economic growth

A1.22 In exercising our regulatory functions, we are also required to have regard to the desirability of promoting economic growth (the 'growth duty').[217] In particular, we must consider the importance for the promotion of economic growth of exercising the regulatory function in a way which ensures that regulatory action is taken only when it is needed, and any action taken is proportionate. Section 110(3) of the Deregulation Act 2015 requires us to have regard to the 'Growth Duty: Statutory Guidance' (revised by Government in May 2024).

Impact assessment

A1.23 Section 7 of the Act requires us to carry out and publish an assessment of the likely impact of implementing a proposal which would be likely to have a significant impact on businesses or the general public, or when there is a major change in Ofcom's activities.

A1.24 More generally, impact assessments form part of good policy making and we therefore expect to carry them out in relation to a large majority of our proposals. We use impact assessments to help us understand and assess the potential impact of our policy decisions before we make them. They also help us explain the policy decisions we have decided to take and why we consider those decisions best fulfil our applicable duties and objectives in the least intrusive way. Our impact assessment guidance sets out our general approach to how we assess and present the impact of our proposed decisions.

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[215] A "*very high capacity network*" is set out in section 4(12A) of the Act as meaning "an electronic communications network which—
(a) consists wholly of optical fibre elements at least up to the distribution point at the serving location; or
(b) is capable of delivering, under usual peak-time conditions, network performance that, in OFCOM's opinion, is similar, in terms of available downlink and uplink bandwidth, resilience, error-related parameters and latency and its variation, to the network performance of a network falling within paragraph (a)."

[216] The 2026 SSP [accessed on 11 July 2026].

[217] Section 108 of the Deregulation Act 2015, which was extended to Ofcom's regulatory functions by The Economic Growth (Regulatory Functions) (Amendment) Order 2024.

A1.25 The relevant duties in relation to the proposals on which we are consulting are set out in this Annex. The proposals apply to fixed telecoms markets and underpin broadband and business connections, and the connections used by communications providers, including mobile operators, to support their services.

A1.26 Our proposals here are in line with our strategy since 2016, and the decisions we took in the TAR26, which were designed to continue to promote competition and investment in high quality gigabit-capable networks.

A1.27 The network competition we are seeking to promote should bring longer term benefits from innovation, choice, and stronger incentives to price keenly to attract customers and to further improve quality of service.

A1.28 Investment in faster, more reliable, future-proof networks has a direct positive impact on consumers and businesses that use these networks for work, accessing public services and entertainment, while also driving economic growth.

A1.29 We are not proposing to intervene in relation to all but one of the offers notified by Openreach. Our impact assessment is set out in Sections 3 - 7. We also refer to the impact assessments we carried out in relation to the WLA and LLA remedies we set in the TAR26 Statement.[218]

A1.30 We are proposing to direct Openreach to withdraw the Incremental New to Openreach Customer Offer.

A1.31 Although the proposed direction would be a new regulatory intervention, as explained in Section 4 above, we consider its impact would be consistent with our policy objectives as set out in the TAR26 Statement. Our impact assessment for the proposed direction is set out in Section 4. As above, we also refer to the impact assessment we carried out for the WLA remedies we set in the TAR26 Statement.

Equality impact assessment

A1.32 Section 149 of the Equality Act 2010 (the "2010 Act") imposes a duty on Ofcom, when carrying out its functions, to have due regard to the need to eliminate discrimination, harassment, victimisation and other prohibited conduct related to the following protected characteristics: age; disability; gender reassignment; marriage and civil partnership; pregnancy and maternity; race; religion or belief; sex and sexual orientation. We refer to groups of people with these protected characteristics as 'equality groups'. The 2010 Act also requires Ofcom to have due regard to the need to advance equality of opportunity and foster good relations between persons who share specified protected characteristics and persons who do not.

A1.33 Section 75 of the Northern Ireland Act 1998 (the "1998 Act") also imposes a duty on Ofcom, when carrying out its functions relating to Northern Ireland, to have due regard to the need to promote equality of opportunity and have regard to the desirability of promoting good relations across a range of categories outlined in the 1998 Act. Ofcom's Revised Northern Ireland Equality Scheme explains how we comply with our statutory duties under the 1998 Act.

A1.34 To help us comply with our duties under the 2010 Act and the 1998 Act, we assess the impact of our proposals on persons sharing protected characteristics and in particular

[218] TAR26 Statement, Volume 1, Section 2, paragraph 2.119.

whether they may discriminate against such persons or impact on equality of opportunity or good relations.

A1.35 When thinking about equality we think more broadly than persons that share protected characteristics identified in equalities legislation and think about potential impacts on various groups of persons (see paragraph 4.7 of our impact assessment guidance).

A1.36 In particular, section 3(4) of the Communications Act also requires us to have regard to the needs and interests of specific groups of persons when performing our duties, as appear to us to be relevant in the circumstances. These include:

a) the vulnerability of children and of others whose circumstances appear to us to put them in need of special protection;
b) the needs of persons with disabilities, older persons and persons on low incomes; and
c) the different interests of persons in the different parts of the UK, of the different ethnic communities within the UK and of persons living in rural and in urban areas.

A1.37 We examine the potential impact our policy is likely to have on people, depending on their personal circumstances. This also assists us in making sure that we are meeting our principal duty of furthering the interests of citizens and consumers, regardless of their background and identity.

A1.38 We are proposing to direct Openreach to withdraw the Incremental New to Openreach Customer Offer. We consider that proposed direction would not affect any specific group of persons (including persons that share protect characteristics under the 2010 Act or the 1998 Act) differently to the general population.

A2. Draft Direction

Notification of proposals under sections 49 and 49A of the Communications Act 2003 to give a direction under SMP Conditions 1.11 and 8.14 requiring the withdrawal of an Access Change Notice published by BT on 1 June 2026

Background

1. On 17 March 2026 Ofcom published the TAR Statement in which Ofcom identified markets, made market power determinations and set SMP conditions with respect to BT for the five-year period from 1 April 2026 to 31 March 2031.

2. At Volume 7 (Part A) of the TAR Statement, Ofcom imposed on BT SMP Condition 1 and SMP Condition 8. SMP condition 1 requires BT to provide network access on reasonable request and, in the markets identified as WLA Area 2 and WLA Area 3, to provide network access on fair and reasonable terms, conditions and charges. SMP Condition 8 imposes requirements on BT to notify its terms, conditions and charges. These include the requirement under SMP Condition 8.6 to issue an Access Change Notice at least 120 days before a proposed amendment to its terms comes into effect where the price or other conditions are conditional on the volume or range of services published.

3. Under SMP Conditions 1.11 and 8.14, BT must comply with any direction that Ofcom may make from time to time under, respectively, SMP Condition 1 and SMP Condition 8.

4. On 1 June 2026, BT issued an Access Change Notice OR1108 with the description "Incremental New to Openreach Customer Offer", in which it offered with effect from 1 October 2026 discounts on certain orders for its FTTP services.

Proposals in this Notification

5. Ofcom is proposing, in accordance with section 49A(3) of the Act, to make a direction under SMP Conditions 1.11 and 8.6, requiring BT to withdraw Access Change Notice OR1108, as set out in the draft direction in the Schedule to this Notification.

Ofcom's duties and legal tests

6. Ofcom considers that the proposed direction referred to in paragraph 5 complies with the requirements of section 49(2) of the Act for the reasons set out in the Consultation.

7. In making the proposal referred to in paragraph 5, Ofcom has considered and acted in accordance with its general duties set out in section 3 of the Act and the six requirements in section 4 of the Act. It has also had regard to the Statement of Strategic Priorities in accordance with section 2B of the Act, and the desirability of promoting economic growth in accordance with the growth duty set out in section 108 of the Deregulation Act 2015 (c.20).

Making representations

8. Representations may be made to Ofcom about the proposals set out in this Notification by no later than 27 August 2026.

Notification to the Secretary of State

9. In accordance with section 49C(1)(a) of the Act, a copy of the Notification, together with the Schedule, has been sent to the Secretary of State.

Interpretation

10. For the purpose of interpreting this Notification:

(a) except in so far as the context otherwise requires, words or expressions have the meaning assigned to them (i) in paragraph 11 below; (ii) otherwise, in the 2026 SMP Conditions Notification and (iii) otherwise the Act;

(b) headings and titles shall be disregarded;

(c) expressions cognate with those referred to in this Notification shall be construed accordingly; and

(d) the Interpretation Act 1978 (c. 30) shall apply as if this Notification were an Act of Parliament.

11. In this Notification:

(a) "**2026 SMP Conditions Notification**" means the notification under sections 48 and 79 of the Act, which is contained in Volume 7 (Part A) of the TAR Statement;

(b) "**Act**" means the Communications Act 2003;

(c) "**BT**" means British Telecommunications Limited, whose registered company number is 1800000, and any of its subsidiaries or holding companies, or any subsidiary of such holding companies, all as defined by section 1159 of the Companies Act 2006;

(d) "**Consultation**" means the consultation document published by Ofcom on the same date as this Notification titled "Openreach's proposed commercial offers, FTTP and Ethernet offers – notified 1 June 2026";

(e) "**Ofcom**" means the Office of Communications as established pursuant to section 1(1) of the Office of Communications Act 2002 (2002 c. 11);

(f) "**Statement of Strategic Priorities**" means the Statement of Strategic Priorities for telecommunications, the management of radio spectrum, and postal services designated by the Secretary of State for Digital, Culture, Media and Sport for the purposes of section 2A of the Act on 27 April 2026;

(g) "**TAR Statement**" means the statement published by Ofcom on 17 March 2026, titled "Promoting competition and investment in fibre networks: Telecoms Access Review 2026-31"; and

(h) "**WLA Area 2**" means the areas consisting of the postcode sectors identified as "Area 2" in Schedule 2 to the 2026 SMP Conditions Notification; and

(i) "**WLA Area 3**" means the areas consisting of the postcode sectors identified as "Area 3" in Schedule 2 to the 2026 SMP Conditions Notification.

The Schedule to this Notification shall form part of this Notification.

Signed

Ben Harries

Policy Director, Infrastructure and Connectivity Group, Ofcom

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

28 July 2026

Schedule

[Draft] Direction under section 49 of the Act, SMP condition 1 and SMP condition 8 requiring the withdrawal of Access Change Notice OR1108

Background

1. On 17 March 2026 Ofcom concluded its review of the physical telecoms infrastructure markets and the wholesale markets underpinning broadband and leased line services in which it identified markets, made market power determinations and set appropriate SMP conditions (as set out in the 2026 SMP Conditions Notification). Ofcom determined that BT has significant market power in specified markets, including the markets set out in paragraph 8 below.
2. SMP Condition 1 and SMP Condition 8 were set in relation to the markets referred to in paragraph 8 and this Direction concerns matters to which these conditions relate in these markets.
3. In particular, under SMP Conditions 1.3 – 1.5, BT is required to provide network access on fair and reasonable terms, conditions and charges. SMP Condition 8 imposes requirements on BT to notify its terms, conditions and charges. These include the requirement under SMP Condition 8.6 to issue an Access Change Notice at least 120 days before a proposed amendment to its terms comes into effect where the price or other conditions are conditional on the volume or range of services published.
4. Under SMP conditions 1.11 and 8.14, BT must comply with any direction that Ofcom may make from time to time under, respectively, SMP condition 1 and SMP condition 8.
5. On 1 June 2026, in accordance with SMP Condition 8.6, BT issued an Access Change Notice OR1108 with the description "Incremental New to Openreach Customer Offer", in which it offered with effect from 1 October 2026 discounts on certain orders for its FTTP services.
6. Ofcom considers that, if these discounts take effect, the resulting FTTP charges would not be fair and reasonable as required by SMP Conditions 1.3 – 1.5.
7. This Direction is made under:
   (a) Section 49 of the Act; and
   (b) SMP Condition 1.11; and
   (c) SMP Condition 8.14.
8. This Direction applies with respect to the following services and markets:
   (a) the supply of wholesale local access at a fixed location in WLA Area 2; and
   (b) the supply of wholesale local access at a fixed location in WLA Area 3.

Direction

9. Ofcom has decided to give the directions set out in paragraph 10 with effect from [*date of final statement*].
10. Ofcom directs BT to withdraw Access Change Notice OR1108 by no later than [30 September] 2026.

A3. Responding to this consultation

How to respond

A3.1 Ofcom would like to receive views and comments on the issues raised in this document, by 5pm on 27 August 2026.

A3.2 You can download a response form from here. You can return this by email or post to the address provided in the response form.

A3.3 If your response is a large file, or has supporting charts, tables or other data, please email it to Openreachcommercialoffers@ofcom.org.uk, as an attachment in Microsoft Word format, together with the cover sheet.

A3.4 We welcome responses in formats other than print, for example an audio recording or a British Sign Language video. To respond in BSL:

- send us a recording of you signing your response. This should be no longer than 5 minutes. Suitable file formats are DVDs, wmv or QuickTime files; or
- upload a video of you signing your response directly to YouTube (or another hosting site) and send us the link.

A3.5 We will publish a transcript of any audio or video responses we receive (unless your response is confidential)

A3.6 We do not need a paper copy of your response as well as an electronic version. We will acknowledge receipt of a response submitted to us by email.

A3.7 You do not have to answer all the questions in the consultation if you do not have a view; a short response on just one point is fine. We also welcome joint responses.

A3.8 It would be helpful if your response could include direct answers to the questions asked in the consultation document. The questions are listed at Annex 6. It would also help if you could explain why you hold your views, and what you think the effect of Ofcom’s proposals would be.

A3.9 If you want to discuss the issues and questions raised in this consultation, please contact us by email to Openreachcommercialoffers@ofcom.org.uk.

Confidentiality

A3.10 Consultations are more effective if we publish the responses before the consultation period closes. This can help people and organisations with limited resources or familiarity with the issues to respond in a more informed way. So, in the interests of transparency and good regulatory practice, and because we believe it is important that everyone who is interested in an issue can see other respondents' views, we usually publish responses on the Ofcom website at regular intervals during and after the consultation period.

A3.11 If you think your response should be kept confidential, please specify which part(s) this applies to and explain why. Please send any confidential sections as a separate annex. If you want your name, address, other contact details or job title to remain confidential, please provide them only in the cover sheet, so that we don't have to edit your response.

A3.12 If someone asks us to keep part or all of a response confidential, we will treat this request seriously and try to respect it. But sometimes we will need to publish all responses, including those that are marked as confidential, in order to meet legal obligations.

A3.13 To fulfil our pre-disclosure duty, we may share a copy of your response with the relevant government department before we publish it on our website.

A3.14 Please also note that copyright and all other intellectual property in responses will be assumed to be licensed to Ofcom to use. Ofcom's intellectual property rights are explained further in our Terms of Use.

Next steps

A3.15 Following this consultation period, Ofcom plans to publish a statement in September 2026.

A3.16 If you wish, you can register to receive mail updates alerting you to new Ofcom publications.

Ofcom's consultation processes

A3.17 Ofcom aims to make responding to a consultation as easy as possible. For more information, please see our consultation principles in Annex 4.

A3.18 If you have any comments or suggestions on how we manage our consultations, please email us at consult@ofcom.org.uk. We particularly welcome ideas on how Ofcom could more effectively seek the views of groups or individuals, such as small businesses and residential consumers, who are less likely to give their opinions through a formal consultation.

A3.19 If you would like to discuss these issues, or Ofcom's consultation processes more generally, please contact the corporation secretary:

Corporation Secretary
Ofcom
Riverside House
2a Southwark Bridge Road
London SE1 9HA
Email: corporationsecretary@ofcom.org.uk

A4. Ofcom's consultation principles

Ofcom has seven principles that it follows for every public written consultation:

Before the consultation

1. Wherever possible, we will hold informal talks with people and organisations before announcing a big consultation, to find out whether we are thinking along the right lines. If we do not have enough time to do this, we will hold an open meeting to explain our proposals, shortly after announcing the consultation.

During the consultation

2. We will be clear about whom we are consulting, why, on what questions and for how long.
3. We will make the consultation document as short and simple as possible, with an overview of no more than two pages. We will try to make it as easy as possible for people to give us a written response.
4. When setting the length of the consultation period, we will consider the nature of our proposals and their potential impact. We will always make clear the closing date for responses.
5. A person within Ofcom will be in charge of making sure we follow our own guidelines and aim to reach the largest possible number of people and organisations who may be interested in the outcome of our decisions. Ofcom's Consultation Champion is the main person to contact if you have views on the way we run our consultations.
6. If we are not able to follow any of these principles, we will explain why.

After the consultation

7. We think it is important that everyone who is interested in an issue can see other people's views, so we usually publish the responses on our website at regular intervals during and after the consultation period. After the consultation we will make our decisions and publish a statement explaining what we are going to do, and why, showing how respondents' views helped to shape these decisions.

A5. Consultation coversheet

Basic details

Consultation title:

To (Ofcom contact):

Name of respondent:

Representing (self or organisation/s):

Address (if not received by email):

Confidentiality

Please tick below what part of your response you consider is confidential, giving your reasons why

- Nothing ☐
- Name/contact details/job title ☐
- Whole response ☐
- Organisation ☐
- Part of the response ☐

If you selected 'Part of the response', please specify which parts:

If you want part of your response, your name or your organisation not to be published, can Ofcom still publish a reference to the contents of your response (including, for any confidential parts, a general summary that does not disclose the specific information or enable you to be identified)?

Yes ☐ No ☐

Declaration

I confirm that the correspondence supplied with this cover sheet is a formal consultation response that Ofcom can publish. However, in supplying this response, I understand that Ofcom may need to publish all responses, including those which are marked as confidential, in order to meet legal obligations. If I have sent my response by email, Ofcom can disregard any standard e-mail text about not disclosing email contents and attachments.

Ofcom aims to publish responses at regular intervals during and after the consultation period. If your response is non-confidential (in whole or in part), and you would prefer us to publish your response only once the consultation has ended, please tick here.

Name Signed (if hard copy)

Please tell us how you came across this consultation.

- ☐ Email from Ofcom
- ☐ Saw it on social media
- ☐ Found it on Ofcom's website
- ☐ Found it on another website
- ☐ Heard about it on TV or radio
- ☐ Read about it in a newspaper or magazine
- ☐ Heard about it at an event
- ☐ Somebody told me or shared it with me
- ☐ Other (please specify)

A6. Consultation questions

Question 3.1: Do you agree with our assessment of the Frontbook ARPU share offer and the Box Swap offer as set out above?

Question 4.1: Do you agree with our assessment of the Incremental New to Openreach Customer Offer as set out above and our proposal to direct Openreach to withdraw the offer?

Question 5.1: Do you agree with our assessment of the Geographic Incremental New to Openreach Customer Offer as set out above?

Question 6.1: Do you agree with our assessment of the Incremental Ethernet Net Demand Offer as set out above?