

Ofcom consultation on Openreach's proposed commercial offers

Supplementary report by Fibrus, Gigaclear and Hyperoptic | 25 August 2026

1 Executive summary

- 1 Fibrus, Gigaclear and Hyperoptic support Ofcom's proposal to direct Openreach to withdraw the Incremental New to Openreach (NTO) Customer offer. In our view, the NTO offer is inconsistent with Openreach's obligation to provide network access on fair and reasonable terms.
- 2 The NTO offer targets low prices at customers that altnets need to win and retain, while allowing Openreach to preserve higher prices across the rest of its much larger customer base. The NTO offer denies altnets a reasonable opportunity to recover efficient costs and to develop into sustainable long-term competitors.
- 3 In our view, Ofcom's analysis of the NTO offer is, if anything, conservative:
 - (a) First, the offer's conditional structure itself potentially creates a barrier to using rival networks. Progressively longer rebates give ISPs a forward-looking incentive to concentrate contestable volumes on Openreach to maximise the rebates available under the offer.
 - (b) Second, Ofcom's five-year customer lifetime assumption is insufficiently supported by the disclosed evidence. A three-year assumption would increase the weight placed on the 18-30 month rebates and reduce the average lifetime Openreach price by a further £1.90-£3.17 per month.
 - (c) Third, the REO cost comparison does not capture the immediate financeability pressure created by the offer. Modelling of a representative 500,000-premise altnet indicates that a £9.50 reduction in monthly ARPU could reduce EBITDA and debt-raising capacity by around $\times\%$ and $\times\%$.
 - (d) Finally, Ofcom understates the retail risk. Retail altnet customers can be identified as prospective NTO customers with comparatively high confidence, making them attractive targets for offer-supported acquisition. Material pressure could arise even if only one large ISP, particularly BT Retail, pursued an aggressive targeted strategy. These considerations reinforce, rather than weaken, the case for withdrawal.
- 4 We do not support Ofcom's assessment of the Geographic Incremental New to Openreach Customer offer. We would not object to targeted competition with VMO2 if its effects were confined to VMO2. However, the offer applies across substantial areas of altnet overlap and creates the same forms of pricing, financeability and retail

pressure identified above, albeit on a smaller scale. We therefore consider that Ofcom should also direct withdrawal of the geographic offer.

- 5 Our respective views on the other notified offers, e.g., the FTTP Frontbook ARPU Share and Box Swap offers are discussed in our individual responses.

2 Introduction

2.1 Background

- 6 Openreach notified Ofcom of new FTTP and Ethernet commercial offers on 1 June 2026. These included:

- (a) The **Incremental New to Openreach (NTO) Customer offer** which provides a £35 connection rebate plus a £9.50 monthly line rental rebate, for 18, 24 or 30 months on qualifying connections nationally.
- (b) The **Geographic Incremental New to Openreach Customer offer** which provides an additional £50 connection rebate on qualifying connections in a defined “VMO2 area”.
- (c) Two other notified conditional offers (the Six-Month Extension to the Equinox 550Mb Incentive and the Incremental Ethernet Net Demand offer) and two other offers notified on 28 days’ notice (FTTP Frontbook ARPU Share and Box Swap offers).

- 7 Ofcom opened a Call for Inputs seeking views on whether these offers give rise to competition concerns, to which Fibrus, Gigaclear and Hyperoptic each responded.¹ Ofcom subsequently published its minded-to position on 28 July 2026.² Ofcom’s provisional view is as follows:

- (a) **Incremental New to Openreach Customer offer:** Ofcom proposes to direct Openreach to withdraw this offer, based on the provisional finding that Openreach’s charges under the offer are not fair and reasonable. Ofcom considers that the offer implies margins that would not allow a reasonably efficient operator (REO) to recover its costs. Ofcom is particularly concerned that Openreach can target discounts at customers that altnets need to win or retain, while leaving prices to other Openreach customers unchanged.
- (b) **Geographic Incremental New to Openreach Customer offer:** Ofcom is provisionally content for Openreach to implement this offer. Ofcom noted that the offer targets geographic areas where altnets are present but considers that the

¹ Ofcom (2 June 2026) [Call for Inputs: Openreach’s proposed commercial offers](#).

² Ofcom (28 July 2026) [Consultation: Openreach’s proposed commercial offers](#).

magnitude of the offered rebate means the risk of harm to long-term competition is not sufficiently plausible to justify intervention.

(c) **Other offers:** Ofcom does not propose to intervene in relation to the other offers.

8 Ofcom has invited stakeholders to comment on its assessment of the offers before it makes a final decision by the end of September.

2.2 This report

9 Fibrus, Gigaclear and Hyperoptic have reviewed Ofcom's consultation document and welcome the opportunity to input into Ofcom's assessment.

10 In broad terms, this report explains that we:

- (a) agree with the outcome of Ofcom's assessment of the Incremental New to Openreach Customer offer and its proposal to direct the offer's withdrawal; and
- (b) disagree with Ofcom's assessment of the Geographic Incremental New to Openreach Customer Offer.

11 The remainder of this report addresses four areas:

- (a) **Ofcom's assessment of the NTO offer:** we support Ofcom's proposal to withdraw the offer and its conclusion that the offer results in prices which are not fair and reasonable. However, in contrast to Ofcom's provisional view, we consider that the conditional structure of the offer also creates a barrier to using rival networks (3.1). We also comment on the main elements of Ofcom's assessment of the level of prices, including its product scope, customer lifetime and customer segment assumptions (Section 3.2). We consider that Ofcom has not adequately justified one important dimension of the output increment used in the REO cost range test, namely its customer lifetime assumption. This means that the basis on which Ofcom proposes to direct the NTO offer's withdrawal conservatively understates the risk posed by the NTO offer to the development of competition in the long term.
- (b) **Financeability and investment impacts:** we present evidence on how the pricing pressure created by the NTO offer could materially weaken an efficient altnet's profitability, financing capacity and ability to continue investing and competing (Section 4).
- (c) **Retail impacts of the NTO offer:** we explain why Ofcom's concerns about the retail effects of the NTO offer apply particularly strongly to retail altnets, whose existing customers are especially exposed to offer-induced targeted acquisition by Openreach-based ISPs (Section 5).
- (d) **The Geographic Incremental NTO Customer Offer:** we explain why we disagree with Ofcom's provisional decision not to direct this offer's withdrawal

and why the offer's application in areas of significant VMO2-altnet overlap risks harming developing network competition (Section 6).

3 Ofcom's assessment of the NTO offer

12 Ofcom proposes to direct Openreach to withdraw the NTO offer. Ofcom's provisional view is that:

- (a) the conditional nature of the offer does not potentially create a barrier to using a rival network; and
- (b) Openreach's FTTP prices under the offer are not fair and reasonable.

13 We agree with Ofcom's proposal to direct the offer's withdrawal and that Openreach's FTTP prices under the offer are not fair and reasonable. However, we consider that the nature of the offer does potentially create a barrier to using a rival network, irrespective of whether Openreach's FTTP prices under the offer are fair and reasonable. We explain our view on conditionality in Section 3.1, before commenting on Ofcom's assessment of the level of prices in Section 3.2.

3.1 Ofcom's assessment of the conditionality of the NTO offer

14 Openreach and Ofcom agree that the NTO offer is conditional, and so do we. However, Ofcom does not consider that the conditionality potentially creates a barrier to using a rival network. We disagree with Ofcom.

15 Ofcom assessed how an ISP would decide whether to place a marginal order with Openreach or an altnet given the offer. Ofcom reasoned that the ISP would compare Openreach's price for that order, including the rebate attributable to it, with the altnet's price. In Ofcom's view, the conditional structure therefore does not create an additional barrier to using an altnet. Ofcom reached this view because, under the NTO offer:

- (a) placing volumes with an altnet does not reduce the rebates payable on volumes that the ISP continues to place with Openreach; and
- (b) while the duration of the monthly rental rebate increases as an ISP passes the Baseline + 5% and the Baseline + 10% thresholds, the longer rebate applies only to volumes above the applicable threshold and not retrospectively to volumes in lower tiers.

16 Collectively, these features mean that placing an additional offer-qualifying order with Openreach does not reduce the price of volumes already placed with Openreach.

17 We disagree that this means that the ISP would assess each order independently. The NTO offer creates a declining marginal price schedule: volumes up to 5% above the baseline receive an 18-month rental rebate, volumes between 5% and 10% above

the baseline receive a 24-month rebate, and volumes above 10% receive a 30-month rebate. Access to the more favourable marginal prices therefore depends on the ISP concentrating sufficient aggregate NTO volumes on Openreach during the quarter.

- 18 As a result, the ISP's economically rational decision may depend on the cost of a portfolio of orders rather than a series of independent order-by-order comparisons. For example, an ISP may rationally place some orders with Openreach even where an altnet offers a lower price for those volumes, if doing so allows the ISP to reach a higher volume tier and thereby obtain the longer rebate on further Openreach volumes. Conversely, placing volumes with an altnet can prevent or reduce the ISP's ability to access those more favourable marginal terms. The structure therefore creates an incentive to concentrate contestable demand on Openreach.
- 19 In our view, Ofcom has therefore placed undue weight on the fact that the NTO offer does not retrospectively alter the rebates payable on volumes already placed with Openreach. While that feature means the offer does not generate the same loyalty-inducing effect as a retroactive or all-units rebate, it does not establish that the conditionality cannot potentially deter use of rival networks. An incremental volume discount with progressively more favourable marginal terms can itself create a forward-looking incentive to concentrate purchases on Openreach.
- 20 Question 1 of Ofcom's framework asks only whether the terms potentially create a barrier to using rival networks. Our view is that Ofcom has incorrectly determined that the NTO offer does not potentially create such a barrier. Ofcom should proceed to consider whether that barrier is likely to have a material impact on network competition (Question 2) and whether the arrangements generate clear and demonstrable benefits (Question 3). We consider that the offer is likely to have a material adverse impact on network competition and is not likely to generate clear and demonstrable benefits.
- 21 Ofcom separately concludes that prices under the NTO offer are not fair and reasonable. This means that its proposal to direct Openreach to withdraw the offer does not depend on the conditionality assessment. We disagree with Ofcom's approach. It is important that the barrier-inducing nature of the NTO offer's conditional structure is properly assessed and correctly recognised now and built into the analytical framework for considering similar barrier-inducing offers being notified in the future.

3.2 Ofcom's assessment of the level of prices

- 22 We share Ofcom's provisional view that the NTO offer is inconsistent with Openreach's obligation under SMP Conditions 1.3 to 1.5 to provide network access on fair and reasonable terms. Ofcom's assessment is informed in part by a comparison of the prices available under the NTO offer with the REO cost range, alongside other evidence relevant to the development of network competition.

23 We broadly agree with Ofcom using the REO cost range as one indicator of whether prices under the NTO offer raise competition concerns. Ofcom's REO cost range analysis compares:

- (a) the REO cost range after adjustments;³ against
- (b) a measure of Openreach's FTTP prices, given the NTO offer, which reflects the relevant Openreach price with which the REO competes.

24 In determining the appropriate measure of Openreach's FTTP prices, Ofcom must choose the relevant product scope, customer lifetime and customer base (collectively the "output increment"). Ofcom makes these methodological choices on a case-by-case basis. As such, the remainder of this section comments on the appropriate choices across these three dimensions given the specifics of the NTO offer and prevailing market realities.

3.2.1 Product scope

25 We do not object to Ofcom's approach of assessing Openreach's prices across its full portfolio of FTTP broadband products.

3.2.2 Customer lifetime

26 Ofcom assumes a five-year customer lifetime when estimating the effective average price under the NTO offer. In our view, the evidence disclosed by Ofcom does not establish that five years is the appropriate central assumption for this assessment. A shorter customer lifetime assumption appears at least equally plausible.

27 Ofcom identifies three considerations supporting its five-year assumption: evidence from ISPs and CPs on the typical periods over which they consider pricing, the five-year assumption used in Ofcom's Equinox 2 assessment, and Openreach's use of a five-year assumption in its pre-notification modelling. In our view, none of these provides a sufficient basis for treating five years as the appropriate central assumption in the present case:

- (a) Ofcom's Equinox 2 assessment adopted a five-year assumption because its Equinox 1 assessment had done so and Ofcom saw no reason why the assumption would have materially changed. The Equinox 1 assessment did draw on information from six ISPs regarding their expected FTTP customer lifetimes. However, the relevant figures are redacted in the non-confidential statement, meaning that stakeholders cannot assess where a five-year assumption sat within the range of evidence received by Ofcom. Moreover, the evidence

³ Ofcom adjusts the REO cost range set out in the TAR statement for the effects of i) inflation, ii) the £35 connection rebate under the NTO offer, and iii) the effective £9.90 connection rebate under the Box Swap offer.

underlying that assumption dates from 2021 and the Equinox 2 statement did not identify updated evidence demonstrating that five years remained appropriate.

- (b) Openreach's own use of a five-year assumption does not provide strong independent support for Ofcom's assumption. Openreach's stated rationale includes Ofcom data indicating that around 18% of fixed broadband customers switch provider each year, which Openreach interprets as implying that a customer switches approximately once every five years.
 - (i) However, this evidence relates to end-customer switching between broadband providers. It does not directly establish the period over which an ISP expects to place a customer on a particular wholesale network, which is the relevant consideration for the present assessment.
 - (ii) If retail switching behaviour were the relevant consideration, which in our view it is not, a historical market-wide switching rate would still be an inappropriate benchmark.
 - (A) Given the magnitude of the NTO offer, historical switching rates may not reflect switching behaviour during the prospective NTO offer period. The purpose and effect of the offer is precisely to change the incentives to acquire customers from rival networks.
 - (B) A market-wide switching rate is unlikely to reflect the characteristics of altnets' existing customers. Many of those customers have already made an active choice to take service over a newer alternative network, rather than remaining with an incumbent provider. They may therefore be more engaged in the broadband market, and more responsive to competing offers, than the average customer represented in the market-wide switching rate. The 18% estimate consequently provides limited evidence of the expected lifetime of an altnet customer exposed to the NTO offer.⁴
- (c) The current evidence disclosed by Ofcom does not resolve this concern. Ofcom reports that one ISP typically considers volume changes over three- and five-year periods, while another compares net prices using a two-year customer lifetime. Ofcom does not disclose evidence or cite confidential submissions showing that ISPs generally use a five-year customer lifetime when deciding which wholesale network to use for a customer.

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Variable levels of consumer engagement is a widely understood feature of the UK broadband market and has been studied in the Gigabit Take-up Advisory Group's [Interim Report](#) (December 2020) and [Final Report](#) (June 2021), WIK Consult (June 2020) [Moving to a fibre-enabled UK: international experience on barriers to gigabit adoption](#) and Frontier Economics (August 2022) [Unlocking the gigabit dividend: using behavioural insights to accelerate FTTP takeup](#). These reports are discussed in the House of Commons Library's [Gigabit broadband in the UK](#) research briefing (April 2026).

- 28 There is therefore a risk that a historical assumption, developed for a different assessment and based on evidence that is now several years old, has become embedded in Ofcom's analytical framework without sufficient consideration of whether it remains appropriate for the facts of the present case. This sits uneasily with Ofcom's stated approach of determining the relevant customer lifetime on a case-by-case basis according to the nature of the competition concerns under consideration.
- 29 Based on the evidence disclosed in the consultation document, we therefore do not consider that Ofcom has adequately justified a five-year customer lifetime as its central assumption. Ofcom may have relied on a broader range of confidential evidence that is not reported in the consultation document, but stakeholders can only engage effectively with Ofcom's analysis based on disclosed reasoning and evidence.
- 30 We consider that a three-year customer lifetime would be a reasonable central assumption based on the currently disclosed evidence. Three years lies within the decision horizons disclosed by Ofcom and is more consistent with the directly reported two-year customer-lifetime approach than the inherited five-year assumption. At a minimum, Ofcom should present and consider results using a three-year customer lifetime on a par with the five-year customer lifetime results.

3.2.3 Customer segment

Ofcom's provisional customer segment is the appropriate selection

- 31 Ofcom's provisional assessment compares the REO cost range to Openreach's prices for those customers that would be eligible for the NTO rebates. Ofcom has rejected Openreach's argument that the relevant comparison is its prices across its total FTTP customer base.
- 32 Ofcom is correct to use Openreach's prices for orders qualifying for the NTO offer, which Ofcom describes as "*above-baseline NTO customers*". There are two reasons why altnets would need to match Openreach's price for above-baseline NTO customers.
- 33 First, altnets need to match Openreach's price for above-baseline NTO customers to remain competitive in the customer acquisition market:
- (a) We share Ofcom's understanding that access-seeking ISPs typically place almost all their newly acquired customers with wholesale altnet partners where possible. This reflects the fact that wholesale altnets have had to offer access-seeking ISPs services on long-term contracts with pricing at a significant discount to Openreach.
 - (b) As Ofcom explains, this logically means that:

- (i) the offer baseline for those ISPs is likely to largely reflect NTO volumes placed by those ISPs where their wholesale altnet partners are not available; and
- (ii) the NTO volumes placed by those ISPs where their wholesale partners are available are likely to be above-baseline customers.
- (c) To remain competitive for prospective NTO customers, altnets would need to match Openreach's prices under the NTO offer. The prospective NTO customers which an altnet competes for will very likely be above-baseline customers.
- (d) We share Ofcom's view that prospective NTO customers / above-baseline NTO customers are likely to account for a meaningful share of an ISP's newly acquired customers. This includes all customers won by ISPs that were previously connected over a VMO2 or altnet line.

34 Second, by definition, the near totality of an altnet's customer base will be prospective NTO customers. They are also likely eligible for the NTO offer. This will require a competitive response:

- (a) The NTO offer baseline largely reflects volumes that access-seeking ISPs place with Openreach where an altnet is unavailable, as set out above. Therefore, a current altnet customer is likely to be a prospective above-baseline NTO customer and to qualify for the NTO offer.
- (b) This NTO offer significantly narrows the wholesale price differential between Openreach and altnets for volumes placed with the altnet. To an access-seeking ISP, this increases the attractiveness of migrating customers from an altnet line to an Openreach line.
- (c) While proactive migrations between FTTP networks are uncommon, Ofcom is correct to note that ISPs are developing, or aspire to develop, the capability to execute such migrations. In any event, the relevant consideration is whether proactive migration is a credible fallback scenario in negotiations between altnets and ISPs.
- (d) The commercial dynamic between altnets and access-seeking ISPs is finely poised, and an improved fallback scenario (e.g., vastly discounted Openreach prices) improves the ISPs' bargaining position. The bargaining strength of access seekers is already evident from the significant discounts, relative to Openreach pricing, that they have successfully negotiated from wholesale altnets.
- (e) It is plausible that access seekers will be able to negotiate improved terms – further challenging wholesale altnet economics – by combining a credible threat to migrate customers to Openreach to benefit from the NTO offer rebates. Based on the terms previously agreed between wholesale altnets and access-seeking ISPs, a conservative assumption is that wholesale altnets would need to match Openreach's pricing for an above-baseline NTO customer.

35 These two considerations support Ofcom's choice of customer segment. Altnets need to respond to the above-baseline NTO price both to acquire new customers and to retain existing customers that could be migrated to Openreach. Both margins are critical. Altnets remain subscale and therefore need continued customer acquisition to increase take-up and move towards sustainable scale. Losses from their existing customer base would directly reverse that progress. Ofcom itself recognises that take-up is critical to the development of sustainable network competition and that altnets still need time to build customer bases and achieve scale.

36 In that sense, even if the competitive impact of the offer were considered across an altnet's frontbook and backbook together, the relevant Openreach price would remain the above-baseline NTO price. This is distinct from Openreach's proposal to average Openreach's own prices across its frontbook and backbook, which we consider below.

Ofcom is correct to reject the other customer segments considered

37 Ofcom has correctly considered and rejected three broader customer segments:

- (a) all prospective NTO customers;
- (b) all newly acquired customers; and
- (c) all newly acquired customers and existing FTTP customers.

38 We briefly consider each in turn.

39 Openreach's pricing across all prospective NTO customers is not a relevant benchmark. The prospective NTO customers that an altnet competes for are those located within its footprint. An ISP's NTO baseline is likely to largely reflect NTO volumes placed on Openreach outside of the aggregate footprint of its wholesale altnet partners. Therefore, the NTO customers that altnets compete for are likely to be largely above-baseline NTO customers. As such, Openreach's blended pricing across above-baseline and below-baseline NTO customers reflects a much broader pool of potential new customers than those which altnets can compete for.

40 Openreach's pricing across all newly acquired customers is also an irrelevant benchmark. Openreach, as the copper incumbent and the largest FTTP network, has a unique and non-replicable advantage relative to wholesale altnets:

- (a) Openreach's FTTP footprint is currently around five times as large as CityFibre's, the largest altnet. There are significant parts of the Openreach FTTP network that do not overlap with competing networks. Openreach faces less competitive pressure in these areas, which is where non-NTO customers are concentrated. The prices charged by Openreach in these areas do not reflect the prices that a wholesale altnet needs to compete with to attract new orders within its footprint.

(b) ISPs cannot serve the 11.7m customers relying on copper broadband, equivalent to 40% of the fixed broadband market, or compete nationally without a wholesale agreement with Openreach. These are material “pull” factors unavailable to wholesale altnets. This is consistent with wholesale altnets having had to offer services on terms heavily discounted relative to Openreach. It is therefore implausible that wholesale altnets could match Openreach’s pricing across newly acquired customers.

41 Existing (Openreach) FTTP customers should not be included in the relevant customer segment. Doing so would allow the very low Openreach prices offered to customers contested by altnets to be averaged with higher revenues from Openreach’s existing FTTP customer base. This is particularly problematic given that Openreach has a much larger backbook relative to its new customer volumes than an altnet.

42 There is a further asymmetry that strengthens Ofcom’s conclusion. Openreach’s existing customers and an altnet’s existing customers are not in the same position under the NTO offer. Existing Openreach customers are, by definition, not NTO customers. By contrast, an ISP’s existing customers placed on an altnet would be NTO if migrated to Openreach and could qualify for the rebates where they are above baseline.

43 Openreach’s argument is therefore internally inconsistent. It assumes that an altnet can respond to very low Openreach prices for contestable customers by earning higher margins on its existing customer base. But that existing customer base is itself at risk from those same low Openreach prices. An altnet cannot defend itself from the NTO offer by charging higher prices to its backbook if doing so increases the incentive for those customers to be migrated to Openreach.

44 Openreach’s reliance on the REO model’s 40-year cost-recovery period does not resolve this inconsistency. The period over which a network recovers its investment costs is a separate question from which customers are exposed to the prices being assessed. A long asset life does not justify an assumption that an altnet can offset low margins on some customers by charging higher prices to other customers who are themselves exposed to Openreach’s discounted offer.

3.2.4 Summary of our views on Ofcom’s assessment of the level of prices

45 We broadly agree with Ofcom’s approach to the product scope and customer segment used in its assessment. But we consider that Ofcom’s five-year customer lifetime assumption is insufficiently supported by the disclosed evidence and may materially understate the competitive significance of the NTO offer.

46 This is not a marginal methodological issue. Under a five-year lifetime, the 18-, 24- and 30-month NTO rental rebates apply for 30%, 40% and 50% of the assumed

customer life respectively. Under a three-year lifetime, these proportions increase to 50%, 67% and 83%. Looking only at the £9.50 monthly NTO rebate, this would further reduce the average lifetime Openreach rental price by approximately £1.90, £2.53 and £3.17 per month across the three rebate cohorts.

- 47 Ofcom should therefore present its price comparison using a three-year customer lifetime in place of, or at least alongside, its five-year case. We expect this would strengthen Ofcom's provisional conclusion that Openreach's prices under the NTO offer are inconsistent with the fair and reasonable pricing requirement.

4 Financeability and investment impacts of the NTO offer

- 48 The REO cost model is necessarily simplified and, in our view, understates the conditions required for a REO to be able to compete effectively. Ofcom also recognises that the REO cost range is only an approximation. We therefore support Ofcom in considering a range of other indicators of the impact of Openreach's price reductions on the development of competition in the long term.

- 49 We recognise that Ofcom's role is not to guarantee the financial sustainability of any individual altnet business model. However, Ofcom's objective is to maintain a reasonable opportunity for reasonably efficient altnets to compete and increase take-up. Therefore, Ofcom's assessment should also take account of the impact of the NTO offer on the financial capacity of a REO to compete.

- 50 We have considered this issue using a detailed financial model of an altnet active in the retail and wholesale broadband markets. The modelled altnet has a footprint of around 500,000 premises and the financial model is grounded in real-world commercial and financing assumptions. Absent the impact of the NTO offer, the modelled altnet bears the hallmarks of a reasonably efficient operator. It is EBITDA-positive and well financed, meets bank covenants and delivers the equity return required by shareholders. The model indicates that the NTO offer would critically undermine the financial sustainability of the modelled altnet.

- 51 The model considers the impact of a scenario in which competitive pressure from the NTO offer requires the altnet to sustain a £9.50 reduction in monthly ARPU to remain competitive. The results indicate that the consequences would extend well beyond a reduction in accounting profitability:

- (a) EBITDA falls by around 30% throughout the period in which the lower ARPU applies.
- (b) Because debt-raising capacity is assumed to be linked to EBITDA, the modelled altnet's capacity to raise debt falls by around 30% over the same period. If the

modelled altnet needed to refinance its debt during the offer period, the reduction in debt-raising capacity would prevent it from fully doing so.

- (c) The reduction in EBITDA causes the modelled altnet to breach industry-standard $\times$ debt covenants.⁵ Absent a waiver, refinancing or a substantial equity cure, the model indicates that this would lead to $\times$.

52 As a longer-term cross-check, if the £9.50 ARPU reduction were assumed to persist, the IRR on post-tax levered cash flows would fall by around $\times\%$, to below the cost of equity assumption used by Ofcom in its REO analysis. On this basis, the network would no longer generate a return sufficient to remunerate REO equity investors at Ofcom's assumed required rate (8.9% to 9.5%, post-tax nominal).

53 These results are directly relevant to Ofcom's assessment. Ofcom has provisionally found that the NTO offer could increase pricing pressure on altnets to lower prices to remain competitive, or otherwise risk losing volumes. At the same time, Ofcom recognises that growing take-up is important both to support investment and demonstrate commercial viability. The financial modelling shows a further mechanism through which this harm can arise. A sharp reduction in revenue can materially reduce an altnet's ability to service and raise debt well before questions of long-run cost recovery arise. An operator can therefore appear viable when assessed over the long time horizon embedded in the REO model, while being unable to finance itself through the period in which it must compete with Openreach's targeted discounts.

54 The practical result is that the modelled altnet faces an unattractive choice:

- (a) matching the NTO offer can materially impair its financeability and ability to fund continued investment and customer acquisition; whereas
- (b) not matching it risks losing existing and prospective customers and therefore the take-up needed to continue to be a viable operator and to develop as a sustainable competitor.

55 This evidence therefore reinforces Ofcom's provisional concern that the NTO offer could undermine the reasonable opportunity for an efficient altnet to compete, discourage investment and expansion, and weaken the competitive constraint on Openreach over the longer term.

5 Retail market impacts of the NTO offer

56 Ofcom takes a wholesale altnet's perspective when assessing whether:

⁵ Debt per connected customer is another industry-standard debt covenant. If an altnet does not reduce its prices in response to lower Openreach pricing under the NTO offer, we expect that altnet's take-up rates would slow or reverse, this could lead to a breach of the debt per connected customer covenant.

- (a) the conditionality in the NTO offer potentially creates a barrier to using a rival network to Openreach; and
- (b) the discounted FTTP prices available under the NTO offer are fair and reasonable, as required by SMP Conditions 1.3 to 1.5.

57 In the first assessment, Ofcom considers whether the conditionality of the NTO offer creates an additional incentive for an ISP to place volumes with Openreach, beyond the relative price of the individual order it is deciding where to place. As Section 3.1 explains, we consider that the NTO offer's structure creates such an additional incentive. In the second assessment, Ofcom compares Openreach's FTTP prices against the wholesale line rental charge that a REO requires to cover its operating expenditure, capital expenditure and cost of capital. As Section 3.2 explains, we share the view that the NTO offer raises concerns in this regard.

58 While it is appropriate for Ofcom to assess the impact of the NTO offer on a wholesale altnet, Ofcom should not neglect the NTO offer's impact on vertically integrated altnets. Although vertically integrated altnets tend to compete simultaneously in the wholesale and retail broadband markets, their retail customer bases tend to be much larger than their wholesale customer bases.

59 Given this customer mix, the assessment of the NTO offer's retail-level impact is critical to understanding its impact on vertically integrated altnets. Therefore, in this section we:

- (a) explain how the NTO offer affects vertically integrated altnets, which we henceforth refer to as retail altnets;
- (b) explain why Ofcom understates the risk that the NTO offer will intensify retail competition for retail altnets' customers; and
- (c) present evidence showing that retail altnets are already exposed to strong retail competition and that the NTO offer would materially increase that pressure.

5.1 The NTO offer exposes retail altnets to retail and wholesale pressures

60 Ofcom considers how the NTO offer could affect retail competition. It notes that the offer could incentivise ISPs to target retail customers currently served by wholesale or retail altnets, since these prospective customers are definitionally NTO. In principle, those ISPs could offer lower retail prices, requiring retail altnets to match those prices to defend their customer base. Ofcom therefore considers that, while uncertain, the offer could create an additional risk to the development of network competition through its effect on retail competition.

61 Our view is that the NTO offer creates a risk to the development of network competition through its effect on retail competition. However, we consider that Ofcom

overstates the uncertainty surrounding this risk and, as a result, understates its potential significance.

62 We also note that Ofcom's wholesale-level analysis and resulting concerns apply equally to retail altnets. The offer therefore affects a retail altnet through:

- (a) its wholesale business, where it competes with Openreach for ISP volumes; and
- (b) its retail business, where it competes directly with ISPs for retail customers.

63 In terms of the impact on the wholesale business, the NTO offer likely lowers the price an ISP pays Openreach for customers won from rival networks. The retail altnet may therefore need to reduce its wholesale pricing to retain existing third-party ISP volumes or to compete for new third-party ISP volumes. If it does not, ISPs may have a greater incentive to place their customers, both existing and newly acquired, with Openreach. As Ofcom's analysis shows, this can leave a reasonably efficient altnet unable to compete for those volumes at wholesale prices that allow it to recover its efficient wholesale costs.

64 A retail altnet also competes directly with ISPs in the retail market. Ofcom's analysis of the offer's impact on retail competition therefore also applies. However, as the next section explains, Ofcom's retail market analysis understates the likelihood of the offer causing harm to network competition in the long term.

65 A customer served by a retail altnet over its own network will generally be a prospective NTO customer, provided that the customer has not received an Openreach service on the relevant connection during the previous 90 days. The NTO offer therefore potentially lowers the wholesale cost faced by ISPs competing for a retail altnet's retail customer. NTO status does not itself mean that an order will receive the rebate, since this also depends on the ISP's performance against its baseline. However, it means that an ISP can identify a pool of customers that satisfies the central NTO condition with a high degree of confidence. An ISP can use some or all of the wholesale cost savings achievable under the offer to support a lower retail price or other customer acquisition incentives.

66 A retail altnet would then need to decide how to respond:

- (a) **It could match its competitors' lower retail prices.** This reduces revenues and the price reduction is likely to apply to newly acquired and existing customers once they reach the end of their contracts. Retail altnets must continue to compete for new and existing customers if they are to achieve the scale they require to recover their network build costs. However, if matching the NTO offer requires the altnet to price at a level that does not provide a sufficient contribution towards network rollout costs, this is not sustainable in the long term.
- (b) **It may not match competitors' lower retail prices.** In that case, it risks losing existing retail customers to other ISPs and winning fewer new customers. This

reduces or reverses take-up growth. Retail altnets require this take-up growth if they are to exert a competitive constraint on Openreach over time. Slower take-up growth or lower take-up therefore weakens the altnet's ability to become a sustainable long-term competitor.

67 The NTO offer therefore places a reasonably efficient retail altnet in a difficult trade-off. Matching lower retail prices induced by the offer may reduce revenues to levels that weaken its ability to recover its costs. Not matching those prices risks slower take-up and customer losses, which also weaken its ability to recover its costs and become a sustainable competitor. This is the same trade-off which arises in the wholesale market, where an altnet must either reduce its wholesale price or risk losing ISP volumes.

5.2 Retail altnets are particularly exposed to the NTO offer

68 Ofcom's provisional view is that *"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."*

69 We do not consider the risk identified by Ofcom to be uncertain. Drawing on stakeholder input, Ofcom identifies two principal reasons why large ISPs may be cautious about passing through the NTO rebate at the retail level:

- (a) Large ISPs may find identifying and targeting customers who would be eligible for the offer challenging.
- (b) Offering "deep" retail discounts to attract customers eligible for the offer could be risky if those discounts are ineffective at driving the incremental volumes of NTO customers needed to surpass an ISP's baseline. This risk is greater if several ISPs simultaneously target VMO2 and altnet customers.

70 If a large ISP offers "deep" retail discounts but falls short of its incremental sales forecast, it could fail to secure the discounts it expected and could incur losses relative to its projections. Ofcom indicates that this would likely weaken an ISP's incentive to aggressively target customers eligible for the offer.

71 We recognise these two theoretical concerns. However, in our view, Ofcom has overstated the extent to which these factors would limit the offer's impact on retail market outcomes. We address each in the following two subsections.

72 Before doing so, we note that these concerns do not apply equally across ISPs. Smaller ISPs with fewer than 1,000 FTTP orders in April 2026 are not subject to a baseline under the NTO offer. Instead, the rebates apply across all their NTO and Subsequent Provide volumes. Ofcom itself recognises that these ISPs therefore do not face the same uncertainty about whether customers will qualify for the rebate and may be better placed to reflect the discount in their retail pricing. This matters

because smaller ISPs are important existing and prospective wholesale customers of altnets.⁶ The offer may therefore strengthen their incentive both to place newly acquired customers on Openreach rather than an altnet and to migrate existing altnet connections to Openreach.

5.2.1 A retail altnet's customer base is comparatively easy to target

- 73 A large ISP may find identifying and targeting **all** customers that would ultimately attract an NTO rebate challenging. However, an ISP does not need to identify every rebate-qualifying customer with certainty for the offer to influence its targeting. In particular, there are groups of customers that an ISP can identify as satisfying the NTO condition with much greater confidence.
- 74 An ISP may not know whether a potential customer is a prospective NTO customer if:
- (a) it does not know which network currently serves the potential customer; or
 - (b) it knows the potential customer's ISP is a wholesale customer of Openreach and one other network, but does not know which network is being used for that customer.
- 75 However, if an ISP knows that the potential customer is being served by a retail altnet over that altnet's own network, then the ISP also knows that the potential customer is an NTO customer, subject to the 90-day condition.
- 76 As a result, while the offer may not incentivise an ISP to target some retail customers (i.e., access-seeking ISP customers) because their NTO status is uncertain, the same cannot be said for customers served by retail altnets. Indeed, the uncertainty faced when competing for other customers may increase the incentive for ISPs to target retail altnets' customers instead.
- 77 While there remains uncertainty over whether an individual NTO order will ultimately fall above the ISP's baseline, Ofcom's own analysis indicates that the baselines are likely to reflect largely NTO volumes placed with Openreach in areas where an ISP could not use an altnet. It therefore considers that a large proportion, and potentially all, prospective NTO customers that an ISP would otherwise have placed with an altnet could be above baseline if instead placed with Openreach.
- 78 We accept that the offer may not lead to large ISPs increasing the aggressiveness of their above-the-line offers. Price cuts at scale would be poorly targeted and would

⁶ Smaller ISPs can also play an important role in developing and demonstrating the credibility of an altnet's wholesale proposition. Successfully onboarding and supporting smaller partners can provide evidence that the altnet's systems, operational processes and service proposition work effectively in practice, helping to establish the track record that larger ISPs may seek before entering a wholesale relationship. Smaller ISPs can therefore provide an important route to market and a stepping stone towards securing larger wholesale partners.

attract customers that certainly do not qualify for the NTO offer. However, we consider that the offer could lead to large ISPs, in particular BT Retail, implementing more aggressive below-the-line retail offers. This could be achieved through targeted channels such as direct mail and door-to-door sales teams. Localised, direct customer acquisition is an established feature of UK broadband competition.

79 We illustrate the NTO offer's potential impact on retail altnets in the retail market through the following simplified example of an ISP choosing how to allocate its marketing effort across two areas:

(a) **Area A:** where Openreach FTTP and a wholesale altnet are present.

(b) **Area B:** where Openreach FTTP and a retail altnet or VMO2 are present.

80 The ISP would consider the expected cost of acquiring new customers in each area. This depends partly on whether customers potentially won in that area are likely to be NTO and, if so, whether the ISP expects those orders to fall above its baseline and attract the rebate.

81 In Area A, the ISP would not know with certainty whether customers served by another ISP are already on Openreach's network. Some customers won in Area A may therefore not be NTO at all. Even for customers that are NTO, the ISP must allow for uncertainty over whether the order will ultimately fall above its baseline. The ISP's expected wholesale cost would be higher than the discounted Openreach price, because the ISP would need to allow for the possibility that some customers it wins would not attract the discount.

82 In Area B, the position is different. The ISP can be confident that customers served over the retail altnet's own network, or over VMO2, are not currently on Openreach's network. Those customers can be identified with high confidence as prospective NTO customers. There remains uncertainty over whether they will fall above the ISP's baseline. However, as explained above, Ofcom considers that the way the baseline is constructed means that many, and potentially all, prospective NTO customers that an ISP would otherwise have placed with an altnet could be above baseline if instead placed with Openreach. The ISP's expected wholesale cost in Area B, for an identifiable set of potential customers, would therefore be closer to the discounted Openreach price, and lower than the expected cost in Area A.

83 This means the NTO offer provides an ISP with a stronger incentive to target customers served by retail altnets. This illustrative example shows why Ofcom's concern about challenges in "identifying and targeting" eligible customers does not fully extend to retail altnets. In our view, retail altnets are at greater risk from the NTO offer, given that their customers can be identified as prospective NTO customers with a high degree of confidence and may also be particularly likely to fall above an ISP's baseline.

5.2.2 BT Retail may have a stronger incentive to discount aggressively

- 84 Ofcom also overstates the extent to which uncertainty over competitors' behaviour would limit deep retail discounting. Ofcom reasons that aggressive discounting becomes riskier if several ISPs simultaneously target the same altnet and VMO2 customers, because each ISP may win fewer customers than expected and therefore fail to achieve its forecast NTO volumes. We recognise this risk. However, it does not follow that the risk of substantial retail pass-through is low.
- 85 Indeed, the opposite outcome is also plausible. If uncertainty over the NTO rebate deters most ISPs from offering deep retail discounts, this increases the potential return to an ISP that does so. An ISP using the NTO offer to market a significantly better retail proposition could win a disproportionate share of the customers that are targeted, increasing its prospects of achieving the incremental NTO volumes required to earn the rebate. The NTO offer therefore does not need to cause all large ISPs to reduce retail prices materially. A significant pass-through by only one large ISP could be sufficient for retail altnets to face substantial competitive pressure.
- 86 BT Retail is a particularly plausible candidate as it sources exclusively from Openreach, whereas other retailers purchase access from multiple wholesale networks.
- 87 On this point, Ofcom notes a stakeholder concern that offers linked to Openreach-specific baselines and performance measures may deliver greater and more certain value to BT than to multi-network retailers.
- 88 Ofcom's response is that the baselines are set by reference to each ISP's recent performance and therefore do not raise obvious concerns about undue discrimination. In our view, this does not address the underlying difference in commercial incentives. The fact that the same methodology is used to set each ISP's baseline does not mean that the offer has the same economic value to each ISP.
- 89 A customer won by BT Retail is supplied over Openreach. The value to BT Group of incentives that specifically reward additional Openreach volumes may therefore be more direct and certain than it is for access-seeking ISPs.
- 90 Viewed at BT Group level, winning a customer from a retail altnet generates both the downstream retail contribution and the upstream contribution generated by serving that customer on Openreach. A standalone ISP captures only the downstream retail contribution. Other things equal, BT Group may therefore rationally place a higher value on acquiring a customer currently served by an altnet, and consequently have a greater willingness to incur customer acquisition expenditure to win that customer. This vertical-integration incentive exists independently of the NTO offer. Equally, because the wholesale payment from BT Retail to Openreach is an intra-group

transfer, the NTO rebate does not, by itself, create additional value for BT Group from winning the customer.

- 91 The relevant question is therefore whether the NTO offer makes it easier for BT Retail to act on this pre-existing group-level incentive. BT Retail's own retail economics include the wholesale charge it pays Openreach. To the extent that BT Retail's pricing and customer acquisition decisions are constrained by its wholesale input costs or by downstream margin requirements, the NTO rebate increases the margin recorded at the retail level on customers qualifying for the offer. It could therefore provide BT Retail with greater scope to reduce retail prices or increase customer acquisition expenditure while continuing to satisfy those downstream commercial constraints.
- 92 Ofcom's assessment therefore gives insufficient weight to an asymmetric competitive outcome in which one major ISP, particularly BT Retail, adopts an aggressive NTO-targeted acquisition strategy while others remain cautious. Once such retail prices are in the market, retail altnets must respond to them whether or not the ISP ultimately achieves the NTO rebates it forecast. Ofcom's focus on the risks created where several ISPs pursue aggressive acquisition strategies therefore understates the retail risk: material pricing pressure on altnets could arise even if only one major ISP chooses to pass through a significant share of the offer.

5.3 Evidence indicates the NTO offer poses a material risk to retail altnets

- 93 The conditions that make this retail risk material are already present. Retail altnets' customer bases are especially vulnerable to the impacts of the NTO offer, which could have an immediate impact on their customers.
- 94 As of July 2026, 30% of retail customers served by Fibrus, Gigaclear and Hyperoptic are out of contract, and a further 30% reach the end of their contracts every three months. We therefore risk losing a very large share of our retail customer base in the 6 to 12 months during which the NTO offer could apply.
- 95 If Openreach-based ISPs use the NTO offer to reduce retail prices to win our customers, we must either match those prices or risk losing customers from our existing base. Matching those prices would reduce the contribution earned from existing customers as they come to the end of their contracts, as well as from new customers we win. This is not viable over the long term if we are to recover our costs and exert a sustainable competitive constraint on Openreach.
- 96 Our data shows that we already face greater difficulty retaining customers and increasing take-up in areas where we face stronger retail competition. As of July 2026, average take-up in areas where we overlap with Openreach and VMO2 was 30%, compared with 30% nationally. Customer churn is also higher in areas where we overlap with Openreach, at 30%, compared with 30% where we do not overlap.

- 97 This is not because our offers are uncompetitive. We offer customers discounts when they first join and when they recontract. These discounts amount to £3 (3%) and £3 (3%) off our end-of-contract price. We find that a higher share of customers take up these recontracting discounts in Openreach overlap areas. However, this has not translated into higher take-up or lower churn.
- 98 Long-term commercial viability requires us to increase take-up while reducing our reliance on discounted contracts to acquire and retain customers. At present, however, much of our take-up growth is achieved by 3. This is particularly the case in areas where we face stronger retail competition.
- 99 The scale of our existing acquisition and recontracting discounts indicates that we are already using price aggressively to stimulate take-up and retain customers. But the evidence shows that we already face strong retail competition and are at the limit of sustainable pricing. Under the NTO offer, we would face further pressure to lower our prices or risk losing customers. Either outcome would weaken our ability to recover our costs and exert a sustainable competitive constraint on Openreach over the long term.

6 The Geographic Incremental NTO Customer offer

- 100 We disagree with Ofcom's provisional view that a direction to withdraw the Geographic Incremental NTO Customer offer (the "geographic offer") is not needed. In our view, the offer is likely to harm long-term network competition.
- 101 The geographic offer reduces Openreach's connection charges for eligible NTO customers in VMO2 areas. In principle, we consider such competition between VMO2 and Openreach to be consistent with Ofcom's stated objective of promoting investment and network competition between established and sustainable operators. VMO2 has a large existing network footprint and an established customer base. Geographic pricing targeted at VMO2, rather than an altnet, is therefore less likely to undermine the target's ability to remain a long-term competitor to Openreach. If the impact of the geographic offer were limited to VMO2, we would not object to the offer.
- 102 However, the impact of the geographic offer is not limited to VMO2. As Ofcom's consultation document notes, overlap between VMO2 and altnets is significant.⁷ This means the offer is geographically targeted at areas where altnets also have significant presence, but are not yet established and sustainable competitors. The corresponding impact on altnets then operates through similar channels to the national NTO offer, albeit on a smaller scale.

⁷ Ofcom found that the offer is available in well over half of the network footprints of a number of altnets and that in 47% of postcodes where the offer is available, at least one altnet is present.

- 103 The discount reduces the cost to ISPs of serving qualifying customers on Openreach's network. This makes Openreach more attractive relative to altnets and allows ISPs to lower retail prices or offer other acquisition incentives. Altnets may respond by lowering wholesale or retail prices to retain existing customers and win new customers. Or they may maintain current prices, but they risk losing volumes.
- 104 Competition from an SMP operator must take place on terms that leave a reasonable opportunity for a REO to compete. In particular, Openreach's FTTP prices must leave a sufficient margin over PIA prices to allow a REO to compete and recover its costs. Where targeted discounts do not leave such a margin, altnets may be forced to reduce prices to levels that do not allow them to recover their costs, or otherwise risk losing customers to Openreach. This can reduce altnets' ability to increase take-up and defend their existing customer base, weakening their ability to exert an effective competitive constraint on Openreach over the longer term.
- 105 Ofcom concludes that the magnitude of the rebate provided by the geographic offer is insufficient to justify intervention. We disagree with that conclusion. Although the discount is smaller than under the NTO offer,⁸ it operates through similar mechanisms and affects many of the same customers that altnets need to retain and win. The concerns identified in relation to the NTO offer therefore also apply to the geographic offer:
- (a) **The geographic offer may worsen altnet financeability and investment constraints:** The impact of targeted Openreach discounts is not limited to long-run cost recovery in the REO model, as argued in Section 4. A reduction in revenues can reduce EBITDA, weaken debt-raising capacity and make it harder for an altnet to finance itself through the period in which it needs to build take-up. The geographic offer creates the same form of pressure, albeit on a smaller scale than the national NTO offer.
 - (b) **The geographic offer's retail market impact is likely to be more significant for retail altnets:** Like the NTO offer, the geographic offer rewards Openreach-based ISPs for introducing qualifying customers to Openreach's network. Retail altnets' customers are especially exposed to that incentive because they are more likely to be identifiable as NTO customers. This makes them attractive targets for Openreach-based providers using the offer. The offer therefore creates additional risk for retail altnets.
 - (c) **The geographic offer narrows the price differential altnets need to compete effectively:** Ofcom notes in its assessment that wholesale altnets have had to offer access-seeking ISPs services at a discount to Openreach in order to attract volumes onto their networks. Reducing that differential, even if delivered through

⁸ We note the geographic offer is additional to the NTO offer and that if Ofcom did not direct the NTO Offer's withdrawal, the cumulative effect of the two offers would be a significant connection rebate (£85), in addition to 18- to 30-months of the £9.50 rental rebate. The geographic offer is also additional to Openreach's existing Equinox pricing.

a connection rebate, may further weaken their ability to win and retain customers while recovering their costs.

- 106 Closely related to the above point, we also consider that the structure of the connection rebate may create a stronger incentive to switch volumes than Ofcom's average price comparison suggests. Ofcom assumes a blended connection charge of £41.47 when constructing its REO benchmark. However, the £50 rebate would more than fully offset Openreach's connection charges in certain scenarios, implying a net cash payment from Openreach to the ISP for some qualifying connections. This creates a direct marginal financial incentive linked to the placement of the qualifying connection. This could materially strengthen the incentive to place qualifying connections with Openreach.
- 107 Given the potential impact of the offer on retail altnet take-up and the development of sustainable network competition, we ask Ofcom to reconsider its proposal not to direct the geographic offer's withdrawal. In our view, the risks to altnets are sufficient that the offer should not be allowed to proceed in its current form.
- 108 In the alternative, if Ofcom is not minded to direct Openreach to fully withdraw the geographic offer then Ofcom should:
- (a) Direct Openreach to withdraw the geographic offer in postcodes in which an altnet is present. This would be straightforward to implement. Ofcom has already identified the postcodes in the offer area in which an altnet is present, using a definition of presence based on whether the altnet passes at least one premise in the postcode.⁹ This would allow Openreach to target an established rival without targeting other operators that are not yet established and sustainable competitors.
 - (b) Consult again on any subsequent changes to the offer, including, but not limited to, an extension to the offer duration (beyond 30 September 2027); an increase to the one-off connection rebate amount, or a change to the geographic scope of the offer.

⁹ See paragraph 5.28 of Ofcom (28 July 2026) [Consultation: Openreach's proposed commercial offers](#).