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Ofcom Consultation: Openreach's proposed commercial offers

1. Summary

Substantial Group Limited ("Substantial Group") welcomes Ofcom's consultation on Openreach's proposed commercial offers, including the FTTP and Ethernet offers notified on 1 June 2026¹ (the "Consultation"), which follows Ofcom's Call for Inputs ("CfI") on Openreach's proposed commercial offers².

Substantial Group agrees with Ofcom's proposal to direct Openreach to withdraw the Incremental New to Openreach Customer Offer notified under ACCN OR1108. Ofcom's provisional analysis materially confirms the central economic proposition advanced in Substantial Group's CfI response: for the national New to Openreach ("NTO") offer, the relevant question is the price and purchasing incentive attached to the contestable NTO cohort, not an average price across Openreach's installed FTTP base. In particular, Ofcom provisionally finds that:^{3,4}

- the relevant competitive increment is the portfolio of FTTP products supplied to eligible above-baseline New to Openreach customers;
- a retail ISP may choose between Openreach and an alternative network ("Altnet") at the level of an individual connection, and the offer can change that marginal choice;
- the resulting prices are below the adjusted Reasonably Efficient Operator ("REO") midpoint and, at the highest increment, below the bottom of the adjusted range;
- the NTO demand targeted comprises frontbook and switching customers that vertically integrated Altnets need to win through retail acquisition to convert coverage into take-up, utilisation and sustainable scale; and
- the offer may affect Communications Provider ("CP") network selection for individual connections and, separately, wider decisions about whether and how to use alternative networks. Those wider effects are relevant to Ofcom's assessment, while

¹ Ofcom (2026), *Openreach's proposed commercial offers FTTP and Ethernet offers – notified 1 June 2026*, 28 July 2026, available at: [consultation-openreachs-proposed-commercial-offers.pdf](#)

² Ofcom (2026), *Openreach's proposed commercial offers Proposed FTTP and Ethernet offers*, Call for Inputs, 2 June 2026, available at: [openreachs-proposed-commercial-offers.pdf](#)

³ Ofcom, Consultation, op. cit., overview and section 4

⁴ Substantial Group (2026), *Ofcom Call for Inputs: Openreach's proposed commercial offers*, available at: [substantial-group.pdf](#)

Substantial Group's concern remains retail pricing, customer acquisition and take-up.⁵

Ofcom's provisional findings go directly to the commercial concern Substantial Group raised in its CfI response. Substantial Group's network investment model depends on converting built FTTP coverage into active retail customers, utilisation, Average Revenue Per User ("ARPU") and cash flow. The frontbook and switching customers targeted by the NTO mechanisms are therefore the customers through which a built network develops into a sustainable competitive constraint. Substantial Group's central concern remains the impact of Openreach's proposed pricing on YouFibre's retail take-up and Netomnia's network utilisation. It is the translation of the prospective Wholesale Local Access ("WLA") effects that reinforce that concern, but the direct effects remain secondary.

Substantial Group also agrees with Ofcom that, under the Telecoms Access Review 2026⁶ ("TAR") conditional terms framework, the conditional element of ACCN OR1108 does not, considered in isolation, create the particular loyalty inducing barrier addressed by Question 1 of Annex 8. The case for intervention therefore does not depend on recharacterising that finding. It arises separately under the fair and reasonable pricing obligation because the targeted prices applying to the contestable cohort may deny a reasonably efficient operator a reasonable opportunity to recover costs. The wider Annex 8 principles remain relevant context for successor offers, cumulative effects and any future offer whose structure creates a different form of conditional barrier.^{7/8/9/10/11}

Ofcom's proposed direction addresses ACCN OR1108 as notified. Openreach should remain able to reformulate an offer, but where a replacement affects the same contestable demand Ofcom should not assess it as though the earlier evidence did not exist. The final decision should explain how material changes in price, eligibility, duration and interaction with other incentives alter the commercial effect identified here. Ofcom should also assess the best expected Openreach value available to the same cohort across applicable or substitutable offers. A modelled price above the REO midpoint is relevant evidence but should not be treated as a bright line threshold.¹²

Substantial Group does not agree that the current record supports unconditional consent for the Geographic Incremental New to Openreach Customer Offer notified under ACCN OR1109. While the £50 rebate is materially smaller than the national offer and Ofcom's estimated average price remains above the adjusted REO midpoint, that does not by itself establish immateriality. Ofcom spreads the upfront £50 payment over an assumed five year customer lifetime, giving a monthly equivalent of about £0.83. However, Ofcom's own evidence shows that CPs assess customer economics over different commercial horizons, including two, three and five year periods. The same undiscounted amount is some £1.39 over three years and £2.08 over two years. Ofcom should therefore test whether its market effects conclusion is robust across all three time horizons. Separately, it is important to recognise that the customer lifetime is not the same as the acquisition decision horizon. The £50 is an upfront

⁵ Ofcom, Consultation, op. cit., sections 4.4 to 4.6.

⁶ Ofcom (2026), *Telecoms Access Review 2026-31*, available at: [Telecoms Access Review 2026](#)

⁷ Ibid, TAR

⁸ Ofcom (2026), *Promoting competition and investment in fibre networks – Telecoms Access Review 2026-31, Statement, 17 March 2026*; and amendments to as at 13 May 2026. See: [Statement: Promoting competition and investment in fibre networks – Telecoms Access Review 2026-31](#)

⁹ Ibid, volume 3, Section 9 and Annex 8

¹⁰ Substantial Group, op cit., including its assessment of marginal demand, take-up and cost recovery; Ofcom (2026); and Ofcom, Consultation, op. cit., section 4.

¹¹ The TAR conditional terms framework remains relevant to any successor or other offer that plausibly creates a barrier to use of rival networks. Where such a barrier is established, Ofcom's Annex 8 framework considers materiality and clear and demonstrable benefits; the present OR1108 intervention, however, proceeds separately under the fair and reasonable pricing obligation.

¹² Ofcom, Consultation, op. cit., draft direction and discussion of the 120-day notification requirement.

benefit attaching to a qualifying connection that is likely to be factored into a CP's assessment of Customer Acquisition Costs ("CAC"), first year contribution, payback and NPV when deciding where to place the marginal customer. This does not assume that customers have only a two or three year lifetime, or that £50 is passed through pound-for-pound into retail acquisition expenditure. Rather it seeks to assess whether the rebate can materially affect the retail acquisition or network selection decision at the point at which the customer is won. For these reasons, long run averaging is relevant to a lifetime price comparison but may not capture the acquisition stage value of an immediate £50 payment where CP decisions are made with reference to CAC, first year contribution, NPV or payback. Ofcom should therefore test two, three and five year horizons, acquisition stage economics, and premises and active line weighted exposure before treating the offer as competitively immaterial across all affected areas.¹³

For Substantial Group, the practical issue is the incidence of the offer within the notified geography. Some postcodes selected by reference to VMO2 presence also contain Substantial Group network coverage. Within the subset of offer-area postcodes an additional £50 of Openreach funded acquisition value applies to the same frontbook and switching customers that Substantial Group must win to build penetration. The question is about exposure to the offer within Area 2 and not simply whether £50 is small when averaged over a five year customer lifetime. The key is whether the offer changes retail acquisition, promotional intensity, customer acquisition expenditure or routing at the point at which those customers are being won.

Substantial Group does not challenge Ofcom's standalone conclusions on the Frontbook ARPU Share and Box Swap offer, provided their expected value remains reflected in any cumulative FFTP effective price assessment. Nor does the public evidence presently justify withdrawal of the Incremental Ethernet Net Demand Offer notified under ACCN OR1110, targeted monitoring and cumulative scrutiny of any extension or successor are proportionate. For example, for Multi-Service Network ("MSNs") Altnets, Ethernet demand can operate as anchor demand (retail and wholesale) supporting near network / incremental extensions and later service provision. As such, extensions to, or successor terms should be assessed for their effect on alternative order flow and for (retail and wholesale) entry or expansion incentives.

Substantial Group therefore asks Ofcom to:

- direct withdrawal of ACCN OR1108 and state clearly that the REO midpoint should not be treated as a bright line threshold;
- assess successor and overlapping FFTP offers by their commercial operation and expected effective value, requiring Openreach to explain every material change from the withdrawn offer and the interaction with other current incentives, including subsequent offers affecting the same contestable demand;
- withhold unconditional consent for the geographic offer pending a more granular materiality assessment, including two, three and five year commercial horizon sensitivities and, separately, an acquisition stage assessment of the £50 against CAC, first year contribution, payback and Net Present Value ("NPV"). However, in the event that Ofcom decides to grant consent, then Ofcom confines it to the precise value, duration, eligibility criteria and geography assessed, and recognises the need for further assessment if the cumulative position materially changes;
- retain the 2026 REO model as the primary benchmark, while testing plausible diversion and take-up effects and treating the recovery context of efficiently incurred investment as supporting evidence rather than a separate Area 2 price floor; and

¹³ Ofcom, Consultation, op. cit., section 5 (Geographic Incremental New to Openreach Customer Offer, ACCN OR1109).

- quantify demonstrable consumer and migration benefits against the relevant counterfactual, test materially less distortive alternatives, including a transparent line specific migration or activation credit on objectively available terms, and require the evidence needed to assess effective prices, geographic incidence within the notified offer footprint, retail routing and, separately, any evidenced wider CP network integration effects.

Substantial Group recognises that Openreach should be permitted to compete on the merits and that the notification regime necessarily allows offers to be reformulated. The concern does not depend on Openreach's subjective intention. Each review provides further information about the methodology and evidence relevant to intervention. Ofcom should therefore ensure that a later offer affecting the same contestable demand is assessed against the existing record and the commercial value already available to that demand, rather than allowing successive notifications to be considered as isolated events.¹⁴

2. Introduction

Substantial Group supports competition on the merits. Openreach should be able to reduce prices, improve its products, promote FTTP migration and respond to competition. The issue is not whether Openreach may compete, but whether an operator with SMP may use conditional, incremental and geographically targeted incentives in a way that weakens the process of network competition that Ofcom's TAR framework is intended to protect.

The timing matters. Competition has moved from network construction to take-up and utilisation. Coverage is a necessary condition for competition, but it is not sufficient: alternative networks must convert premises passed into active customers and sustainable revenues.

Substantial Group's Cfl response explained why this stage of the market matters for the Group's own investment model. Substantial Group companies build and operate full fibre networks and include downstream retail broadband providers. The immediate route to sustainable scale is principally retail-led: built coverage must be converted into active customers, utilisation, ARPU, customer acquisition efficiency and cash flow. Active lines improve operating leverage and provide the evidence base for further investment. The Cfl therefore focused on expected effective prices, marginal demand, the geographic incidence of the notified incentives and the risk that repeated or targeted ACCNs could affect current retail acquisition and network selection decisions as well as longer term expectations.¹⁵

Ofcom's evidence now strengthens that concern. A CP need not pass the whole discount through to every retail customer for the offer to matter. An expected wholesale benefit can affect retail pricing, marketing allocation, and customer acquisition strategy. For Substantial Group, the immediate effect is through the retail acquisition, take-up and utilisation.

The retail effect extends beyond the wholesale tariff itself. If Openreach based retail ISPs can use wholesale incentives to support more aggressive acquisition, retention or upgrade activity, a vertically integrated Altnet may face lower achievable retail ARPU, higher acquisition discounts, commissions or marketing expenditure to win the same customer, slower penetration and lower utilisation. If sustained, those effects can weaken operating leverage and the capacity to fund infill, product development or further network investment. No individual

¹⁴ Ofcom provides evidence that Altnets may need to price below Openreach to secure wholesale volumes and that targeted Openreach discounts can compress the commercial headroom available to rivals. The concern is therefore sustainable headroom and replicability, not any assumption of a mechanical 'mirror-pricing' rule. See Ofcom, Consultation, section 4; and CityFibre (2026), response to Ofcom's Call for Inputs. See: ([city-fibre.pdf](#)).

¹⁵ Substantial Group, op cit.

rebate is assumed to determine a financing outcome; these are the commercial channels Ofcom should test when assessing dynamic competition.

Substantial Group also noted in its Cfl response that, from its own experience, take-up is lower where Openreach is present even before the notified offers take effect. That observation is not a causal estimate of the effect of these ACCNs. It is nevertheless relevant evidence that take-up is sensitive to competitive conditions and that a further targeted acquisition incentive should be assessed at the margin rather than dismissed by reference to a portfolio average.

The central economic question is not whether Openreach may reduce price or win a marginal order. It is whether, for customers for whom Openreach and Altnets are actually competing, the expected Openreach price can be replicated by a reasonably efficient rival while making an appropriate contribution to efficiently incurred network and common costs. When the Cfl distinguished these offers from ordinary price reductions, the point was not that a lower price which wins customers is objectionable; it was that baseline, incremental and geographic structures attach additional expected value specifically to contestable demand and therefore require analysis beyond a headline tariff comparison. Ofcom's primary dynamic assessment should therefore test plausible diversion of retail acquisition, its effect on take-up and utilisation, and the resulting efficient unit cost. Any wider CP network integration effects should be considered separately and only where supported by evidence. Because retail customer acquisition and network-selection decisions can involve sunk or partly irreversible costs, the analysis is necessarily *ex ante*.

3. Responses to Consultation questions

Question 3.1: Frontbook ARPU share and Box Swap offers

Substantial Group does not challenge Ofcom's provisional conclusion that the Frontbook ARPU Share and Box Swap offers do not, considered on a standalone basis, warrant intervention. That is consistent with the Cfl response: the issue is not the existence of every commercial incentive, but whether the effective price and targeting mechanism materially impair a reasonably efficient rival's opportunity to compete.

However, the Frontbook ARPU Share and Box Swap expected value should remain included in the effective Openreach starting price used for the national and geographic NTO assessments and for any successor offer analysis. Ofcom should compare assumed and realised eligibility, product mix and rebate incidence and revisit the cumulative position if those assumptions prove materially wrong.

Ofcom's non-confidential Connection Charge Adjustments to REO Range workbook assumes that 11% of Openreach customers are eligible for the Box Swap benefit, giving an expected connection adjustment of £9.90 per customer. The workbook states that this assumption is necessarily approximate because Openreach did not provide forecast new addition volumes broken down by bandwidth. On Ofcom's figures, the assumption moves the 2026/27 REO midpoint from about £17.64 before offer adjustments to about £17.77 after Box Swap. Substantial Group does not consider that uncertainty sufficient to alter Ofcom's standalone conclusion on Box Swap, but because the adjustment is carried into the REO analysis of subsequent offers, Ofcom should test reasonable sensitivities and use realised or cohort specific incidence where available.

Substantial Group's Cfl concern about these offers was principally cumulative rather than a claim that each warranted standalone intervention.¹⁶ Higher speed and frontbook incentives can reduce the cost to Openreach based retailers of competing in segments where Altnets seek to differentiate. Ofcom's standalone conclusion is therefore consistent with retaining the expected value of those incentives in the effective Openreach price against which later NTO or geographic incentives are assessed.

Question 4.1: Incremental New to Openreach Customer Offer

Substantial Group agrees that the charges arising from ACCN ORI108 are not fair and reasonable and that Openreach should be directed to withdraw the offer. Substantial Group also agrees with Ofcom that the conditionality of the offer, considered in isolation, does not create the particular loyalty inducing barrier addressed by the TAR conditional terms framework. That conclusion does not dispose of the separate fair and reasonable pricing question. Openreach itself accepts that, once an ISP expects to exceed its baseline, purchasing decisions will be made by direct reference to the rebates available on incremental volumes. The relevant concern is therefore the price and opportunity cost attached to the contestable cohort, not a retrospective penalty on volumes that remain with Openreach.¹⁷

For Substantial Group, this is not an abstract wholesale benchmark. Its network must win active retail lines from the same frontbook and switching pool at which the New to Openreach rebate is directed. Those lines support penetration, utilisation and recovery of the network investment already made. The price and cost test is therefore important because it asks whether a reasonably efficient rival can continue to compete for the demand from which network scale is built, rather than whether Openreach can cover the short run cost of adding one more line.

Ofcom is right to reject Openreach's proposed broad output increment. Averaging the offer over the whole installed FTTP base would dilute the effect of a discount expressly directed at incremental New to Openreach demand. It would allow contribution from customers whose competitive allocation is unaffected by the offer to offset a low price on the cohort for which the routing decision is live. The revenue and cost increments should therefore be aligned to contestable demand while including an appropriate contribution to shared network and common costs.

The relevant cost increment

The concern is not that a lower price may attract the marginal order. It is the selective asymmetry of the offer. Openreach can preserve higher contribution on a large installed backbook while reducing price only for customers who are currently contestable, whereas a smaller altnet may need to extend a matching acquisition price across a materially larger share of its active base. Openreach further argues that, if the revenue increment is confined to the above-baseline NTO cohort, the cost increment should also be confined to strictly incremental operating and connection costs. Openreach is correct as a general proposition that revenue and cost increments must be economically consistent. It does not follow that contestable demand need contribute only to short run avoidable cost. A reasonably efficient FTTP operator incurs efficiently sized shared and network costs to make those connections available and must recover an appropriate share of those costs across the contestable demand it can reasonably win over time. A benchmark that assumes the contestable cohort need cover only short run cost because an incumbent backbook already funds the network would import Openreach's incumbency advantage into the REO test.

¹⁶ Ofcom, Consultation, op. cit., section 3, assessment of the Frontbook ARPU share and Box Swap offers.

¹⁷ Ofcom, Consultation, op cit., paragraphs 4.26-4.28; and Openreach (2026), Incremental Nationwide New to Openreach Customer Offer, paras 25-27.

Ofcom's selected increment, FTTP products supplied to eligible above-baseline New to Openreach customers over an assumed five year customer lifetime, better reflects the competitive mechanism. Ofcom estimates that each incremental price is below the adjusted REO midpoint and that the highest increment price is below the bottom of the adjusted range.¹⁸

Uncertainty about whether a particular order will ultimately qualify does not remove the incentive. It affects the form and degree of retail pass through, but a CP may still value the expected rebate when allocating marketing or choosing the wholesale network for a connection. Routing an otherwise qualifying line to a rival means foregoing the probability weighted Openreach rebate. That expected foregone value is relevant to the routing decision even where eligibility is uncertain ex ante.

Ofcom's information gathering indicates that CPs may choose the cheapest wholesale option at the level of an individual connection and that the offer can alter the marginal choice between Openreach and an Altnet. Ofcom also records that some smaller ISPs may receive the benefit without meeting a baseline, making the acquisition incentive more direct.¹⁹

The competitive footprint may therefore be wider than the lines on which a rebate is eventually paid. If an Altnet does not know whether a prospective customer will contribute to a CP exceeding its Openreach baseline, it may have to price or negotiate against the expected discounted Openreach value across a broader set of contestable customers. The size of that effect should be tested empirically.²⁰

Substantial Group's principal concern remains the effect on retail acquisition, take-up and utilisation. Ofcom may separately consider whether the offer affects CP decisions to integrate, extend or allocate volumes to alternative networks. Because those decisions can involve fixed systems, operational and commercial costs, the relevant evidence is whether the offer changes the timing, scale or commercial terms of CP use of alternative networks and whether an integration case is plausibly close to its commercial threshold. Existing integration with one rival network does not answer that question. Ofcom should test actual thresholds and negotiations rather than infer harm from theory.^{21,22}

The effect of any retail diversion on utilisation and efficient unit costs should be tested through the separate market effects sensitivity set out below. That exercise should retain the primary REO benchmark and should not reset it to the realised circumstances of any particular operator.²³ The sensitivity should hold a given operator's network design, technical efficiency and cost inputs constant and vary only the attainable active line base using plausible offer attributable diversion. It should then report whether the resulting change in efficient unit cost materially narrows the cost recovery headroom available to win the next contestable customer. This is not a request to protect realised underutilisation or to reset the primary benchmark to the circumstances of a particular operator.²⁴

The same discipline should apply to an asserted longer-term effect. Ofcom should test actual charges in retail acquisition, take-up and investment decisions, rather than infer material harm from a theoretical wholesale opportunity.

¹⁸ Ofcom, Consultation, op. cit., section 4, REO assessment and selected output increment.

¹⁹ Ibid, section 4, evidence on ISP network selection and retail pricing.

²⁰ Ibid, section 4, including evidence on ISP uncertainty, individual connection network selection and the potential wider pricing pressure on Altnets.

²¹ Ibid, section 4, potential effects on Altnet wholesale agreements and long term competition.

²² Openreach (2026), *Incremental Nationwide New to Openreach Customer Offer*, paragraphs 63–67; and Ofcom (2026), Consultation, op cit., para. 4.116–4.118. (See: [Pricing notification details](#) and [Openreach_OffersUpdate_070526_online.pdf](#))

²³ Substantial Group, op cit., discussion of marginal demand, utilisation, network fixed costs and dynamic cost recovery.

²⁴ Substantial Group, op cit., discussion of marginal demand, utilisation, network fixed costs and dynamic cost recovery.

Regulatory stability and successor FTTP offers

Ofcom's decision will, and should, provide legal and commercial clarity.

Neither the REO midpoint nor the precise drafting of ACCN OR1108 should become a bright line safe harbour for a successor offer affecting the same contestable demand.

The direction is offer specific. Openreach may notify a replacement offer under the applicable framework, and that flexibility is appropriate. For analytical purposes, a successor should be treated as related to OR1108 where it targets the same or substantially overlapping demand, relies on the same baseline or incremental volume mechanics, or creates materially similar expected pricing incentives for the same contestable customers. The final statement should explain how Ofcom will carry forward relevant factual and economic findings when assessing such an offer.²⁵

A successor could reduce the monthly rebate, shorten its duration, revise the incremental bands or change the connection payment so that the modelled price moves above the level that produced intervention. Those changes may reduce the risk, but they do not necessarily change how the offer operates: the offer may still concentrate value on the contestable customers that Altnets need to win.

Where a new ACCN affects the same or substantially overlapping contestable demand, Ofcom should require Openreach, as part of its assessment, to identify the material changes from the earlier offer. Those changes should include the nominal price or rebate, the qualifying cohort and baseline mechanics, expected effective value, customer lifetime and acquisition payback assumptions, interaction with current incentives, geographic incidence, expected retail routing and, separately, any evidenced wider CP network integration effects. Ofcom can then focus on whether the changes materially alter the competitive effect already identified.²⁶

Ofcom should ask whether the commercial operation has genuinely changed, or only the size of the incentive. An objectively available, line specific migration credit would operate differently from a CP specific NTO rebate. By contrast, a smaller rebate, shorter duration or revised threshold may leave the same acquisition incentive in place. In that case, the question is whether the reduced incentive is sufficient to remove the concern already identified.

Cumulative value across Openreach offers and ACCN OR1119

On 30 July 2026, after publication of this Consultation, Openreach notified ACCN OR1119, extending the Equinox Offer Area to its FTTP footprint made Ready For Service by 31 March 2027. Ofcom has identified the amendment as both a conditional and geographic offer and has expressly invited stakeholders to raise any specific competition concerns in their responses to the Consultation.²⁷

Substantial Group does not suggest that extending the geographic availability of terms previously assessed by Ofcom is itself evidence of competitive harm. Nor does the public information presently indicate that OR1119²⁸ changes the level of Equinox prices or the underlying Order Mix mechanism for premises already within the Offer Area. The incremental

²⁵ Ofcom, Consultation, op cit., draft direction in Annex 2 and the conditional-terms notification framework.

²⁶ Ofcom, Consultation, op cit., paras 2.15–2.17 and 4.38–4.40. Ofcom retains a 120-day notification regime for conditional terms, may intervene where necessary, and states that methodological choices depend on the specific facts and competition concern.

²⁷ See: Ofcom (2026), Update – Expanding the Equinox Offer Area, available at: [Consultation: Openreach's proposed commercial offers](#)

²⁸ Openreach (2026), *Pricing notification details, ACCN OR1119*, available at: [Pricing notification details](#) and Openreach (2026), *NGA2019/26 Expanding the Equinox Offer Area*, 30/07/26, Customer briefing, available at: [NGA2019/26](#)

economic effect appears instead to be that additional newly Ready For Service premises become eligible for the existing Equinox commercial terms.

That change is nevertheless relevant to the assessment of effective Openreach pricing in the Consultation. Ofcom's analysis of the national NTO offer assumes that qualifying customers receive Equinox prices before applying the other relevant incentives. As OR1119 was notified after publication of the Consultation, Ofcom should confirm whether the premises newly brought within the Equinox Offer Area were already reflected in that assumption. Where they were not, Ofcom should identify whether extending Equinox pricing to those premises changes the effective Openreach price applicable to any relevant NTO cohort during the assessment period.

The same point applies to cumulative effects. OR1119 should not be treated as an additional discount and mechanically added to existing Equinox value. Rather, Ofcom should identify the incremental premises to which that value now applies and assess the resulting retail acquisition exposure. Relevant evidence would include the number of premises added to the Offer Area, their incidence within Area 2, the extent to which they coincide with coverage already built by alternative networks, and the effective Openreach prices that would apply absent and with OR1119. This analysis concerns the incidence of the amendment within the existing WLA market framework and does not imply a narrower geographic market.

In relation to conditionality, Substantial Group notes Ofcom's previous assessment of the Equinox Order Mix arrangements. Unless expansion of the Offer Area changes the practical operation of those arrangements, Substantial Group does not identify a separate conditional barrier from the public evidence currently available. Ofcom should nevertheless confirm whether OR1119 changes any relevant Order Mix calculation, threshold or failsafe mechanism for participating CPs.

Economic tests and less distortive alternatives

Dynamic REO and take-up sensitivity

Ofcom should report the static REO comparison and a separate market effects sensitivity. Holding network design, technical efficiency and cost inputs constant, Ofcom should test low, central and high assumptions for offer attributable diversion and the resulting active line utilisation of a reasonably efficient network. This would show whether apparent headroom on fixed assumptions remains sufficient once the effect on attainable scale is recognised. The same loss of active lines may have little effect where a network is already at scale but a materially greater effect where fixed costs are still being spread across a developing customer base; the purpose of the sensitivity is to identify that range, not to assume it.

That sensitivity should not convert every lost customer into a regulatory concern. It should identify the range over which diversion materially changes cost recovery and consider that result alongside duration, the concentration of exposure within affected footprints and any evidenced wider CP network integration effects. Its output should not be fed mechanically back into the primary REO benchmark or treated as a revised regulatory price floor.

Recovery of efficiently incurred investment

The 2026 Fibre Cost Model should remain Ofcom's primary REO benchmark. Substantial Group does not propose a historical cost floor or protection of inefficient business plans. Ofcom's TAR reasoning that a reasonably efficient operator should have an opportunity to recover efficiently incurred build and connection costs supports the use of a full cost REO benchmark rather than

a test confined to short run forward looking costs. In Area 2, this is best understood as part of the rationale for the primary REO methodology, not as a second historical cost test.²⁹

Ordinary demand, financing and execution risk remain with investors; the REO framework does not guarantee any particular altnet investment outcome.

Benefits, pass through and less distortive alternatives

Openreach's claimed benefits should be credited where they are evidenced and genuinely additional. Lower incremental cost, service improvements and retail pass through may all be relevant. But an increase in Openreach take-up is not necessarily an industry wide benefit where the customer would otherwise have been served by another gigabit-capable network. Ofcom should distinguish genuinely additional broadband or copper to fibre migration from diversion of contestable demand between existing gigabit networks. Ofcom should therefore distinguish short run consumer price benefits from the longer run effect on rival network utilisation, future wholesale choice and investment. A transfer of an existing gigabit customer to Openreach may benefit that customer without creating an equivalent increase in industry output or fibre migration.

Ofcom should quantify the expected degree and duration of pass through and consider whether the claimed objective can be achieved through a less targeted instrument. As Substantial Group proposed in its Cfl response, a transparent line specific migration or activation credit on objectively defined published terms would be more closely matched to a genuine migration objective than a CP specific above-baseline conquest rebate. Depending on Openreach's stated objective, other possibilities include a generally available connection price reduction, generally available FTTP pricing improvements or non price service improvements. Ofcom need not design Openreach's commercial offer; the availability of materially less targeted means is relevant to the weight given to claimed efficiencies and to proportionality. It is not, by itself, evidence of anti-competitive purpose or an independent condition of the fair and reasonable price test.³⁰

Question 5.1: Geographic Incremental New to Openreach Customer Offer

Substantial Group recognises that the standalone monetary value of the geographic offer is materially smaller than the national offer and that Ofcom's estimated average price remains above the midpoint of the adjusted REO range. Those facts reduce the apparent risk, but do not by themselves establish that the offer is immaterial in every affected area.

The relevant features are the same ones identified in the Cfl response: the offer is directed at above-baseline New to Openreach demand, uses the same basic acquisition mechanism as the national offer, and applies in a geography selected by reference to VMO2 presence which can also include premises served by other networks seeking retail take-up. The Cfl's overlap point concerned the incidence of Openreach's offer within Area 2, not a claim for a subnational WLA market definition. The absence of a demonstrated cost basis does not itself establish harm; it increases the importance of examining magnitude, incidence, exposure of retail acquisition opportunities and cumulative effect.

²⁹ Ofcom (2026), *Telecoms Access Review 2026–31*, Volume 4: Pricing remedies, paras 1.172–1.180 and 1.188. Ofcom identifies the 2026 Fibre Cost Model as an indicator rather than a bright line test; explains that an REO should have an opportunity to recover efficiently incurred historical build and connection costs and estimates that 50% of the REO cost stack relates to network build and 24% to connecting customers, and in its fair bet discussion for BT/Openreach assesses investment incentives by reference to the risks and cost of capital prevailing when the investment decision was made. See: [volume-4-pricing-remedies.pdf](#)

³⁰ Substantial Group, op cit. distinction between New to Openreach and genuinely incremental full fibre take-up and its proposed less distortive alternatives.

Openreach argues that VMO2 is an established competitor, that nexfibre build is excluded and that the offer does not target planned Altnet build or identifiable temporary barriers to wholesaling. Those points are relevant to Openreach's stated rationale for the eligibility geography, but they do not address the incidental exposure of other networks within the same notified postcode footprint. Nor does reliance on the absence of planned build or a temporary obstacle to wholesaling remove the need to examine the magnitude and effects of the offer where it applies.^{31,32}

The offer's eligibility geography is defined by reference to VMO2 and implemented at postcode level. The relevant question is which premises and retail acquisition opportunities are exposed to the rebate, and which other networks also have coverage at those premises. Premises and active line weighted measures are more informative for that purpose than a binary postcode presence measure.

For Substantial Group, that overlap has a direct retail consequence. Where a postcode included in the VMO2 defined offer area also contains Substantial Group coverage, the £50 may support acquisition, retention or promotional activity by Openreach based retail ISPs at the same point at which Substantial Group is seeking to turn built coverage into active lines. This observation concerns Openreach's eligibility rule; it does not assume that VMO2 and YouFibre are close substitutes or exert a strong bilateral competitive constraint on one another. The practical channels remain achievable retail ARPU, customer acquisition expenditure, penetration and utilisation.

Materiality, geographic exposure and acquisition horizon

Ofcom's provisional conclusion appears to rest on the £50 rebate being too small and too limited in duration, in the notified context, to make material harm sufficiently plausible. Substantial Group's primary concern is that the public record does not yet demonstrate that the effect is immaterial across the geographic offer areas. Ofcom may hold confidential evidence that supports a different conclusion. If Ofcom relies on that evidence to grant consent, the final decision should explain, to the extent confidentiality permits, why exposure and acquisition stage effects are not material.

Materiality should be assessed by reference to the expected effective discount on the marginal contestable line; duration and any extension option; qualifying volume; the resulting position within the REO range; the differential to sustainable Altnet pricing; the geographic distribution of exposure within individual Altnet footprints; interaction with other Openreach incentives; the maturity of retail take-up on the exposed footprint; and, separately, any evidenced CP network integration effect. No single nominal rebate figure is determinative.

Ofcom's postcode overlap analysis should be supplemented by premises and active line weighted measures. A postcode in which an Altnet passes one premises should not carry the same weight as a postcode in which it passes most premises.

Observed current Altnet wholesale prices are a relevant cross-check of market evidence but not a conclusive measure of sustainable long run headroom. They may reflect efficient lower costs. However, while networks are building scale, observed prices may also be introductory or set to stimulate take-up and compensate CPs for switching and integration costs, even where current utilisation is below the level required for long run cost recovery. Similarly, they may

³¹ Openreach (2026), *Geographic Consent Request: VMO2 Incremental New to Openreach Offer*, 1 June 2026, available at: [openreach---geographic-consent-request-vmo2-incremental-nto-offer.pdf](#)

³² Ofcom (2026), Consultation: Openreach's proposed commercial offers, paragraphs 5.26–5.32; Openreach (2026), *Geographic Consent Request: VMO2 Incremental New to Openreach Offer*, para. 43. [consultation-openreaches-proposed-commercial-offers.pdf](#); and [openreach---geographic-consent-request-vmo2-incremental-nto-offer.pdf](#)

reflect different product specifications, service levels, volume commitments, footprint and integrations support. The REO benchmark should therefore remain the principal cost recovery test, with observed prices used as a cross check rather than displacing it.

The fixed cost of CP network onboarding is a separate consideration. If expected contribution from the use of an alternative network is close to the CP's integration cost, a modest reduction in addressable volume or contribution can move the case below break even. Ofcom should place weight on this only where evidence shows that a relevant integration or expansion case is plausibly near that threshold.

Substantial Group does not challenge Ofcom's treatment of the £50 connection rebate when adjusting the REO cost range. The separate concern arises in Ofcom's market effects cross check against current altnet prices, where the £50 rebate is spread over a five year customer lifetime. That is a useful long run rental comparison, but it converts an immediate acquisition stage benefit into an apparent monthly value of about £0.83 and may not capture the commercial horizon used when a CP selects the network for a new customer.³³

Ofcom's workbook confirms that the £50 geographic rebate is not omitted from the REO calculation: after the Box Swap adjustment, the 2026/27 midpoint rises from about £17.77 to about £18.49 once the £50 connection rebate is reflected as reduced upfront cost recovery. Substantial Group's residual concern is therefore not that the REO calculation fails to recognise the £50, but whether the separate five year market effects comparison adequately captures its commercial significance at the acquisition and routing decision. The final assessment should also show that its conclusion is robust to reasonable variation in the assumed Box Swap incidence and, where material, confirm that the £41.47 weighted connection charge used in the adjustment is representative of the geographic cohort being assessed.

Ofcom's own evidence shows that commercial horizons are not uniform: one ISP considers three and five year periods, while another compares net prices over two years. On an undiscounted basis, £50 is about £1.39 per month over three years and £2.08 per month over two years. Substantial Group does not say that five years is wrong as a central lifetime assumption; it says the conclusion should be robust to the shorter horizons evidenced in the consultation. The eligible NTO and above-baseline cohort is also not necessarily a random draw from the installed broadband base: its churn, promotional intensity and expected tenure may differ from the average customer used to calibrate a generic lifetime assumption. Ofcom should therefore test cohort specific survival where the result is material rather than assume that the generic lifetime is representative.³⁴

Customer lifetime and the acquisition decision horizon are not the same concept. A CP choosing whether to place a marginal new customer with Openreach or another network may assess acquisition cost, expected contribution, payback period and NPV. An immediate £50 rebate reduces the marginal acquisition cost of a qualifying Openreach order by £50 at the point of decision, even though its lifetime equivalent monthly value is much smaller. The appropriate comparison therefore depends on the question Ofcom is asking. Lifetime rental is relevant to the long run price and cost comparison, CAC, first year contribution and payback NPV are relevant to the acquisition decision.

³³ Ofcom (2026), Consultation: Openreach's proposed commercial offers, paragraphs 5.40–5.51. Ofcom adjusts the REO cost range for the geographic connection rebate and separately, at paragraphs 5.50–5.51, spreads the £50 rebate over five years when comparing the geographic offer with current altnet prices. <https://www.ofcom.org.uk/siteassets/resources/documents/consultations/202294-openreachs-proposed-commercial-offers/consultation-openreachs-proposed-commercial-offers.pdf?v=423107>

³⁴ Ofcom (2026), Consultation: Openreach's proposed commercial offers, paragraphs 4.85–4.87 and 5.50–5.51. Ofcom records that one ISP compares net prices over a two-year customer lifetime and another considers three- and five-year periods; for the geographic offer Ofcom spreads the £50 rebate over a five-year customer lifetime when comparing Openreach and altnet prices. <https://www.ofcom.org.uk/siteassets/resources/documents/consultations/202294-openreachs-proposed-commercial-offers/consultation-openreachs-proposed-commercial-offers.pdf?v=423107>

Ofcom should therefore present the £50 against acquisition stage measures as well as lifetime rental. Relevant cross checks include incremental customer acquisition cost, first year contribution and expected payback NPV. For smaller ISPs to which the rebate applies without a performance baseline, the marginal wholesale value of an eligible line is the full £50. For a baseline CP, the expected marginal value is £50 multiplied by the probability that the line qualifies given the CP's current performance against its baseline. Ofcom should obtain evidence on that probability weighted value at the point of order allocation.³⁵

Substantial Group does not suggest that Ofcom should substitute a stylised probability assumption for CP evidence. The probability weighted value should be established from how CPs actually monitor baseline performance, value expected rebates and allocate orders. Nor does this analysis assume that the £50 is passed through pound-for-pound into retail acquisition expenditure; the relevant question is whether, and to what extent, it enters the CP's network selection or customer acquisition NPV at the point of decision.

Short duration is not necessarily sufficient to make the effect immaterial. What matters is when the offer operates. An acquisition incentive lasting six or twelve months may coincide with a major retail acquisition campaign, the early take-up phase of a newly built network or a retail contract cycle and, separately, or with a CP network integration decision. Where those decisions involve sunk costs, or where early retail volumes are important to building utilisation, a delay or lost acquisition opportunity may persist after the offer expires. Ofcom should therefore consider timing and commercial context alongside duration.

Taken together, these points support two and three year sensitivities alongside the five year central case, plus an acquisition payback cross check and exposure measured by premises and current acquisition opportunities rather than postcode counts alone.

Safeguards if consent is granted

If Ofcom considers its confidential and public evidence sufficient to grant consent, the final decision should identify, at an appropriate level of detail, the evidential basis for that conclusion and should confine the consent to the offer actually assessed. Signalling or precedent is not, by itself, sufficient to establish harm. An expressly offer specific consent would, however, avoid creating an inference that provider defined geographic targeting is generally immaterial.

- confine the decision to the precise £50 value, duration, eligibility criteria and geographic scope assessed;
- clarify whether the assessment covers the full potential twelve month period and require reconsideration of any unassessed extension or material change;
- reconsider the cumulative position if Openreach introduces a replacement national NTO offer or another incentive which materially changes the effective price available in the same postcodes;
- secure proportionate postcode level reporting on eligible orders, rebates paid, CP participation, duration, overlap with other network coverage and resulting effective prices, using the consent framework or Ofcom's information gathering powers as appropriate;
- identify materiality triggers for reconsideration, including increased value or duration, broader eligibility or geography, a material increase in the share of an Altnet's retail

³⁵ Ofcom (2026), Consultation: Openreach's proposed commercial offers, paragraphs 5.4 and 5.7. Ofcom records that, for smaller ISPs with fewer than 1,000 FTTP nationwide orders in April 2026, the geographic rebate applies to all NTO and Subsequent Provide volumes in VMO2 areas regardless of performance, and records stakeholder evidence that the incentive affects the economics of acquiring the next customer.

acquisition opportunity exposed by the offer, evidence of changed CP network integration decisions, or interaction with another offer which materially reduces remaining REO headroom; and

- allow the consent to expire at the end of the notified period, with any replacement or substantially similar offer assessed in the market conditions prevailing at that time.

Question 6.1: Incremental Ethernet Net Demand Offer

Substantial Group does not consider that the public evidence presently supports withdrawal of the Incremental Ethernet Net Demand Offer notified under ACCN OR1110. Ofcom's analysis indicates that some prices may fall below Fully Allocated Cost ("FAC") but remain materially above Openreach Long Run Incremental Cost ("LRIC") and LRIC Plus ("LRIC+"). That materially reduces the basis for an immediate price and cost concern, although it does not by itself establish competitive neutrality for developing alternative supply.³⁶

The proportionate response is targeted monitoring. Ofcom should examine alternative Ethernet order flow, the economics of PIA or dark fibre based extensions, access to anchor demand and the position of providers without a historic baseline. Any extension, baseline amendment or materially similar successor should be assessed cumulatively rather than as an unrelated temporary offer. Anchor demand can matter disproportionately because an initial business connectivity order may support the fixed cost of a network extension from which later services benefit. Repeated baseline linked discounts can therefore affect entry or expansion incentives even where each observed price remains above LRIC plus; on the present evidence that remains a monitoring issue rather than a basis for prohibition. Openreach has also asked for flexibility to vary the baseline period and threshold percentage on as little as 28 days' notice. Substantial Group supports Ofcom's position that any such request must be considered on its merits rather than receiving a general ex ante assurance. Those parameters determine the volumes qualifying for the rebate and can therefore alter the incidence and effective economic value of the offer even where the nominal rebate is unchanged. Any request to shorten the 120-day notification period should therefore be assessed on its specific facts and against the applicable statutory tests.³⁷

4. Conclusion

Substantial Group agrees that ACCN OR1108 should be withdrawn. Ofcom's analysis correctly focuses on the customers for whom Openreach and Altnets are actually competing and recognises that targeted low prices can undermine a reasonably efficient operator's opportunity to recover costs and establish scale. For Substantial Group, the immediate commercial issue remains whether built network coverage can be converted into active retail customers, utilisation and sustainable cash flow. The intervention should be understood as a fair and reasonable pricing conclusion; it does not require Ofcom to reverse its separate finding that OR1108 does not create the particular loyalty inducing barrier addressed by Question 1 of the TAR conditional terms framework.

The final decision should also make clear that the assessment remains case specific and should not be reduced to a single numerical threshold. Successor and overlapping offers affecting the same contestable demand should be assessed against the existing evidence, the best

³⁶ Ofcom, Consultation: op cit., section 6, assessment of the Incremental Ethernet Net Demand Offer; Substantial Group Limited (2026), response to Ofcom's Call for Inputs, discussion of Ethernet, PIA and MSN effects. <https://www.ofcom.org.uk/phones-and-broadband/telecoms-infrastructure/openreachs-proposed-commercial-offers>

³⁷ Openreach (2026), Incremental Ethernet Net Demand Offer, paragraphs 41-49; Ofcom (2026), Consultation: op cit., paras. 6.61-6.65. Openreach seeks flexibility to vary the baseline period and threshold percentage with a shorter notice period and Ofcom responds that any formal consent request would need to be considered on its merits under the applicable statutory process.

expected Openreach value already available to that demand, and material changes in price, targeting, retail routing and take-up and, separately, any evidenced wider CP network integration effects. The REO midpoint should not become a bright line safe harbour.

On ACCN OR1109, Substantial Group's primary concern is that the public record does not yet establish immateriality across the affected relevant subset of offer-area postcodes. Ofcom should test the geographic incidence and acquisition stage value of the £50 rebate, including whether it changes retail acquisition economics where Substantial Group coverage falls within the offer footprint. That is an incidence question within Area 2. If Ofcom considers its confidential evidence sufficient to grant consent, the decision should explain that evidential basis to the extent possible and confine consent to the precise offer assessed, with proportionate reporting and reconsideration triggers.

Substantial Group does not challenge Ofcom's standalone conclusions on the Frontbook ARPU Share and Box Swap offers, subject to their inclusion in cumulative effective price analysis. Nor does the public evidence justify withdrawal of ACCN OR1110; targeted monitoring of extensions and successor offers is proportionate. Taken together, these positions preserve Openreach's ability to compete on the merits while protecting the conditions necessary for sustainable network competition.