Openreach's proposed commercial offers

FTTP and Ethernet offers – notified 1 June 2026 and 30 July 2026

Statement

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Annex

1. Overview

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

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

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

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

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

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

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

What we have decided – in brief

We have decided to direct Openreach to withdraw the Incremental New to Openreach Customer Offer. We have decided not to intervene in relation to Openreach's other notified offers**.** Our decisions relating to each of the offers are summarised as follows:

Incremental New to Openreach Customer Offer: We have determined that Openreach's charges under this offer are not fair and reasonable, because they result in margins that may not allow a reasonably efficient operator to recover its costs. We consider that, because of its SMP, Openreach is uniquely able to make such a targeted low-price offer. The discounts are targeted at customers which are important to altnets' ability to maintain and grow their customer base, while leaving prices for other customers unchanged. Matching these significant targeted discounts may not allow competing networks to recover their costs, particularly given the low prices they are already offering across their customers, as they seek to grow take-up and overcome Openreach's incumbency advantages. As such, there is a risk that the level of the offer prices could harm the development of network competition, to the detriment of consumers in the long term. We are therefore directing Openreach to withdraw this offer.

Geographic Incremental New to Openreach Customer Offer: This offer also targets lower prices at customers which are important to altnets' ability to maintain and grow their take-up but applies in VMO2 areas. It is geographically targeted at areas where altnets also have significant presence, but are not yet established and sustainable competitors. Notwithstanding these features, the scale of the discount in this case means that we consider that the geographical targeting of this offer does not amount to undue discrimination as, in our view, the risk that the discount would harm long-term competition is not sufficiently plausible. Therefore, given the specifics of this offer, we are content for Openreach to implement the offer on this occasion. We also consider that the conditionality in the offer does not potentially create a barrier to using a rival network.

Ethernet Net Demand Offer: We consider the conditionality attached to this offer does not potentially create a barrier to using a rival network, and the price level does not raise prima facie concerns that would lead us to investigate in further detail.

Frontbook ARPU Share Offer and Box Swap Offer: These offers, which commenced on 1 July, are not conditional or geographic offers. We have determined that they do not raise concerns under the fair and reasonable FTTP pricing requirement.

Expanding the Equinox Offer Area: This amendment to the Equinox Offers was notified on 28 July. It expands the footprint in line with future network build, without changing other Equinox terms (which have been previously assessed). We have determined that the conditionality of this amendment does not create a barrier to using a rival network, and the price level does not raise concerns under the fair and reasonable FTTP pricing requirement. Nor does the limited geographic pricing that could continue to apply for the duration of the Equinox contract raise any competition concerns. So, we are not intervening in relation to this amendment.

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

1.6 The overview section in this document is a simplified high-level summary only. Our decisions and our reasoning are set out in the full document.

2. Introduction

Background

Our TAR26 Statement

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

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

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

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

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

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

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

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

Geographic discounts

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

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

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

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

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

Conditional terms

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

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

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

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

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[2] For the TAR26, we reviewed the wholesale local access (WLA) market, consisting of wholesale services used by telecoms providers to sell broadband to residential customers and small businesses. We also reviewed the leased line access (LLA) market, consisting of wholesale services used by telecoms providers to sell high quality, uncontended capacity and high-speed lines, typically more suited to larger businesses. As part of those reviews, we identified geographic markets for the purposes of making a market power determination. Within the respective WLA and LLA markets, we identified WLA Area 2 and LLA Area 2 geographic markets, consisting of postcode sectors in which there is, or there is likely to be potential for, material and sustainable competition to BT in the commercial deployment of competing networks (TAR26 Statement, Volume 2).

Fair and reasonable pricing – low FTTP prices

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

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

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

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

Openreach's proposed commercial offers

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

Conditional and/or Geographic offers

Incremental New to Openreach Customer Offer

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

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

Geographic Incremental New to Openreach Customer Offer

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

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

Incremental Ethernet Net Demand Offer

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

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

Other recently announced offers

Frontbook ARPU Share Offer and Box Swap Offer

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

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

EAD re-sign offer

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

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

Expanding the Equinox Offer Area

2.33 On 30 July 2026, Openreach notified an amendment to the Equinox contract that extends the Equinox offer to include FTTP premises made Ready for Service up to and including 31 March 2027, or such later date as Openreach may notify through an industry briefing, as set out in Openreach's published ACCN OR1119; associated customer briefing; clarification to its customer briefing and contract amendment.[3]

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

Purpose of this document

2.35 On 2 June 2026, we published a CFI[4] inviting stakeholders to provide initial views on the proposed offers.

2.36 On 28 July 2026, we published a consultation that closed on 27 August 2026.[5] Our Consultation set out our assessment of the conditional and/or geographic offers notified to us in June and, where appropriate, our provisional views on whether:

- the conditional terms within those offers raise competition concerns requiring ex ante intervention;

[3] Prior to this amendment taking effect, the Equinox offer applies to Openreach's FTTP footprint made Ready for Service before December 2026.
[4] Openreach's proposed commercial offers, Proposed FTTP and Ethernet offers, Call for Inputs, 2 June 2026.
[5] Openreach's proposed commercial offers, FTTP and Ethernet offers – notified 1 June 2026, 28 July 2026.

- the geographic price differentiation in the geographic offer amounts to undue discrimination and if so whether Openreach's application for consent to implement geographic pricing where this would be otherwise prohibited should or should not be granted; and
- the offers raise concerns about low pricing in relation to Openreach's requirement for charges to be fair and reasonable and/or raise more general concerns about undue discrimination that is capable of harming competition.

2.37 Our provisional view was:

- to direct Openreach to withdraw the Incremental New to Openreach Customer Offer; and
- not to intervene in relation to Openreach's other notified offers.[6]

2.38 Shortly following the publication of our Consultation, on 30 July 2026, Openreach notified the proposed amendment to the Equinox offer footprint discussed above. We issued an update on our website, asking stakeholders to raise any concerns around this amendment to the Equinox offer to us in writing by 27 August 2026.

2.39 In this Statement, we provide our decisions relating to Openreach's offers.

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

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

Impact assessments

Impact assessment

2.42 Section 7 of the Communications Act 2003 (the Act) requires us to carry out and publish an assessment of the likely impact of implementing a proposal which would be likely to have a significant impact on businesses or the general public, or when there is a major change in Ofcom's activities.

2.43 More generally, impact assessments form part of good policy making and we therefore expect to carry them out in relation to a large majority of our proposals. We use impact assessments to help us understand and assess the potential impact of our policy decisions before we make them. They also help us explain the policy decisions we have decided to take and why we consider those decisions best fulfil our applicable duties and objectives in the least intrusive way. Our impact assessment guidance sets out our general approach to how we assess and present the impact of our proposed decisions.[7]

2.44 Our Consultation included our impact assessment for the purposes of section 7 of the Act. We received no stakeholder comments specifically regarding our Impact Assessment.

Equality Legislation

2.45 Ofcom is also subject to duties under the Equality Act 2010 ('the EA 2010'). This includes the public sector equality duty set out in section 149, which requires Ofcom, in the exercise

[6] On 1 June 2026, Openreach also notified us of a six-month extension to its Equinox 550Mb incentive. In our Consultation, we explained we had reached a final decision not to intervene in relation to this extension.
[7] Ofcom. 19 July 2023. Statement: Impact assessment guidance.

of our functions, to have due regard to the need to: a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the EA 2010; b) advance equality of opportunity between persons who share a “relevant protected characteristic” and persons who do not share it; and c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

2.46 The relevant protected characteristics are age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.[8]

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

2.48 Our Consultation set out our consideration that the proposed direction to Openreach to withdraw the Incremental New to Openreach Customer Offer would not affect any specific group of persons (including persons that share protect characteristics under the 2010 Act or the 1998 Act) differently to the general population.

2.49 We received no stakeholder comments regarding our Equality Impact Assessment. Our Equality Impact Assessment is set out in Annex 1.

[8] Section 4 of the Equality Act 2010. Accessed on 21 September 2026.

3. Our approach to assessing Openreach's FTTP prices

Background

3.1 In our Consultation, we set out our assessment relating to the following FTTP commercial offers:

- Frontbook ARPU Share and Box Swap Offer
- Incremental New to Openreach Customer Offer
- Geographic New to Openreach Customer Offer

3.2 As part of our assessment of whether the level of Openreach's prices in these offers raise competition concerns, we looked at how Openreach's FTTP prices compare to the REO cost range; and how Openreach's FTTP prices compare against competitors.

3.3 In responses to our Consultation, we received comments from stakeholders about aspects of our modelling approach.

3.4 These comments are relevant to our assessment of all of Openreach's FTTP Offers in this Statement. Given this, we outline our position on aspects of our modelling in this section, ahead of setting out our assessment of each of Openreach's FTTP offers in Sections 4 – 6.

Approach to comparing FTTP prices with the REO cost range

3.5 In this section, we discuss our approach to comparing FTTP prices against the REO cost range as part of our assessment of concerns around low FTTP prices.

Our Consultation

3.6 In our Consultation, as part of our assessment we compared the relevant offer prices against the estimated REO cost range. In relation to this:

- We estimated the REO cost range using our Fibre Cost Model (FCM) and based on the assumptions set out in our TAR26 Statement.
- We estimated effective FTTP offer prices assuming a 5-year average customer lifetime.
- We reflected FTTP connection price discounts through adjustments in the TAR26 REO cost range.[9]

Stakeholder comments

Assumptions underlying the REO range

3.7 Nexfibre raised concerns over several input assumptions used in the REO cost ranges:

- First, it argued that Ofcom places a high degree of importance on the mid-point in the REO range which is based on a simple average of the model outputs from two scenarios – one based on an operator passing 5 million premises and another based on an operator passing 20m premises. Nexfibre argued that the targeted scenario, where an operator is assumed to cover 5 million premises, is clearly out of date as altnets have

[9] We also reflected the free 2.5G ONT box under Openreach's Box Swap offer in the same way.

collectively already passed more than 5 million premises and currently reach around 16 million premises. It said that there was no benefit in basing any part of the REO range on a scenario that is no longer grounded in reality.

- Second, it considered that the assumed take-up rate of 40% was unrealistic.

3.8 To address the above, nexfibre suggested that the REO cost range should be adjusted to be based on 16m to 24m premises.[10]

3.9 Gigaclear said that Ofcom should look at the impact on a theoretical altnet with 500,000 premises passed to reflect the stage of FTTP market development.[11]

3.10 Substantial Group said that Ofcom should report the static REO comparison and a separate market effects sensitivity based on changes in an REO's network utilisation due to the offer. Substantial Group added that the REO midpoint should not become a bright line safe harbour for a successor offer affecting the same contestable demand.[12]

Customer lifetime assumptions

3.11 Several stakeholders commented on the 5-year customer lifetime assumption used in our assessment.[13]

- INCA, CityFibre, Connect Fibre, Substantial Group, Fibrus, Gigaclear and Hyperoptic all said Ofcom's five-year customer lifetime was insufficiently supported by the evidence disclosed.[14] [15] [16] [17] [18]
- INCA disputed the validity of using an assumption based on data gathered as part of Ofcom's Equinox investigations given market changes since, including the introduction of one touch switch. INCA said it had received informal inputs from ISPs saying that they assume around 24 to 42 months.
- CityFibre said, that where there is uncertainty over a key input, adopting a five-year customer lifetime assumption did not align with a precautionary approach.
- Substantial Group, INCA and VMO2 said that using an industry-wide average customer lifetime is not necessarily representative of the customer lifetime for smaller altnets and/or that used for customer acquisition.

3.12 These stakeholders suggested that Ofcom should assess the impact of the FTTP offers assuming a shorter customer lifetime.

Interpretation of the REO outputs

3.13 Openreach said the REO range was not suitable for assessing whether short-term pricing is fair and reasonable. It said Ofcom's approach was limited to effectively comparing five-year ARPUs from customers acquired under the terms of the three FTTP short-term offers with a 40-year full cost recovery benchmark. This created a mismatch between the pricing for the narrow customer increments qualifying for the offers and the broader and longer-term

[10] nexfibre Consultation response, Page 12.
[11] Gigaclear Consultation response, Paragraph 11.
[12] Substantial Group Consultation response, Pages 8-9.
[13] Joint Fibrus, Gigaclear, Hyperoptic Consultation response, Paragraphs 26, 30.
[14] Connect Fibre Consultation response, Page 2.
[15] INCA Consultation response, Paragraphs 37-44.
[16] CityFibre Consultation response, Paragraphs 2.24-2.25.
[17] VMO2 Consultation response, Page 39-41.
[18] Substantial Group Consultation response, Page 12.

customer base across which a network provider is assumed to recover its costs in the Fibre Cost Model (FCM).

3.14 Fibrus, Gigaclear and Hyperoptic said the REO model understates the immediate financial pressures created by the offer. 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 altnet 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.[19]

3.15 INCA, Connect Fibre, Fibrus,[20] VMO2[21] and nexfibre said that altnets must undercut Openreach prices in order to compete. It is that lower price (rather than the Openreach price) which should be compared against the cost of a reasonably efficient operator. INCA suggested discounting the Openreach price by 15%-25%, nexfibre suggested by [✂], and comparing that price to the REO range.[22] [23] VMO2 said a new rival may be able to recover the modelled costs and still be unable to offer the price needed to win a new meaningful wholesale agreement.[24] VMO2 added that [✂].[25] Connect Fibre said Ofcom needs to consider the actual prices applied by altnets in the market, and this is approximately a 15-20% discount compared to Openreach's price.[26]

3.16 CityFibre said Ofcom should be concerned where Openreach's prices are at the mid to lower end of the REO cost range.[27]

3.17 Openreach was concerned that Ofcom's approach in assessing all the FTTP offers suggests the midpoint of the REO cost range is viewed as a de facto price floor for all Openreach pricing, including pricing under short-term offers that may only apply to a subset of end customers. It said treating the midpoint as a price floor would go beyond the TAR26 framework. Openreach said [✂].[28]

Reflecting connection charge discounts in our analysis

3.18 Openreach said the offers would reduce connection charges only for orders qualifying for the offers and only during the offer period. However, it argued Ofcom's approach effectively assumes that all FTTP orders over the full period of the FCM are discounted. It said this significantly increases the REO range, and its midpoint, and further distorts any assessment of whether altnets can recover their long -term cost.[29]

3.19 Nexfibre suggested that a better method (to that adopted by Ofcom) for taking account of the connection charge discount is to annuitize it over a period of time corresponding to a typical customer lifetime reflecting that which ISPs and CPs consider when setting pricing.

[19] Joint Fibrus, Gigaclear and Hyperoptic Consultation response, Paragraphs 48, 53, and 78.
[20] Fibrus Consultation response, Page 2.
[21] VMO2 Consultation response, Page 43.
[22] INCA Consultation response, Paragraphs 4, 50 and 138.
[23] Nexfibre Consultation response, Page 18.
[24] VMO2 Consultation response, Page 3.
[25] VMO2 Consultation response, Paragraph 154.
[26] Connect Fibre Consultation response, Page 2.
[27] CityFibre Consultation response, Paragraph 2.10-2.11.
[28] Openreach Consultation response, Page 5.
[29] Openreach Consultation response, Page 12-13.

This captures the direct impact on average monthly ARPU of the discounted access lines for the output increment for the margin squeeze.[30]

3.20 INCA considered that Ofcom's approach to reflecting connection charge discounts through adjusting the REO cost range gives no indication that a connection price has fallen below zero. It said that an adjustment which takes the connection price below zero produces a figure indistinguishable in character from any other adjustment of similar size. A comparison conducted solely against the adjusted REO cost range will therefore not reveal that Openreach is paying customers to connect, however far below zero the connection price falls.[31]

Our view

Assumptions underlying the REO range

3.21 The REO cost range is our estimate of the reasonably efficient costs of a hypothetical operator deploying a fibre network. It does not seek to determine the costs of particular operators in order to support specific business models. We recognise that, in reality, operators will have made their own choices around their networks and business models such as those relating to network design and configuration. This means evidence on actual network deployments will vary across operators. However, given our aim is not to model the costs of a specific operator, there is no single correct approach to the underlying assumptions.

3.22 The modelling assumptions underlying our REO cost range were considered recently in the TAR26 to ensure that our modelling is grounded in reality, and on this basis we updated our REO cost estimate. The assumptions are set out in the TAR26 Statement. Our REO cost range is based on a High Cost scenario (that produces the top end of the range) and a Low Cost scenario (that produces the bottom end of the range). The key differences between the High Cost scenario and the Low Cost scenario relate to the assumptions used around coverage, take-up, PIA usage and cost of capital.[32]

3.23 The comments we received on the modelling assumptions used in calculating the REO cost range, were mainly in relation to the coverage and take-up assumptions.

3.24 In relation to coverage:

- the High Cost scenario assumes the reasonably efficient operator rolls out its network to the lowest cost 20 million premises in WLA Area 2; and
- the Low Cost scenario assumed the reasonably efficient operator rolls out its network to the lowest cost 5 million premises in WLA Area 2.

3.25 As explained in the TAR26 Statement, we used coverage as a modelling simplification to reflect a suitable range for the average deployment costs of a reasonably efficient operator. The actual deployment footprint of a reasonably efficient operator may cover fewer or more premises but we considered it a reasonable assumption that the average costs of deployment would fall between the cheapest 5m and the cheapest 20m premises in WLA Area 2.

3.26 Nexfibre said the Low Cost scenario is out of date as altnets have already collectively built to around 16 million premises in WLA Area 2 and consequently the midpoint of the REO

[30] nexfibre Consultation response, Page 18.
[31] INCA Consultation response, Page 18.
[32] See TAR 2026 Statement, Annex 11, Paragraphs A11.97-A11.160.

cost range is understated. We consider that the 5 million assumption used in our Low Cost scenario remains appropriate and was informed by up-to-date data on actual and expected network coverage in WLA Area 2 collected for the TAR26 Statement.[33] The intention of our coverage assumptions in our High-Cost and Low-Cost scenarios is to reflect a reasonable range of deployment costs for a single reasonably efficient operator. It is not intended to reflect the average costs of all altnets in WLA Area 2 considered collectively. We have therefore maintained the coverage assumptions for the REO cost range in our assessment of the Openreach offers.

3.27 In relation to take-up:

- the High Cost scenario assumes the reasonably efficient operator has take-up of 30% within 5 years of network rollout; and
- the Low Cost scenario assumes the reasonably efficient operator has take-up of 40% within 5 years of network rollout.

3.28 Nexfibre said the 40% take-up assumption in the Low-Cost scenario is unrealistic. We have maintained our take-up assumptions for the purposes of assessing the offers. In the TAR26 Statement, we considered that a take-up level of between 30% (in the High-Cost scenario) and 40% (in the Low-Cost scenario), achieved 5 years after fibre has been deployed in a given area was reasonable and consistent with our analysis of altnet data of take-up by cohort of build.[34] We do not consider that take-up evidence submitted in response to our Consultation contradicts these assumptions.

Customer lifetime assumption

3.29 In our assessment of the FTTP offers, we estimate the effective average price associated with Openreach's offers over a customer lifetime, taking account of any rental charge discounts and assuming prices revert to standard pricing thereafter.[35]

3.30 For the purposes of our assessment, we have estimated average Openreach prices based on a five-year customer lifetime assumption. This is informed by evidence provided by ISPs and CPs on the typical durations over which they consider pricing.[36] Similarly, Openreach used a five-year customer lifetime assumption in modelling it shared with us pre-consultation.[37]

3.31 Several stakeholders said we should use shorter customer lifetime assumptions in our assessment. In general, a shorter customer lifetime assumption would increase the share of

[33] As set out in the TAR26 Statement, Annex 11, Paragraphs A11.113-A11.115, we increased the coverage to 5 million from the cheapest 2 million premises assumed for the bottom of the WFTMR21 REO cost range. In so doing, we noted that several altnets in WLA Area 2 already had coverage that surpassed 2m premises and have plans to further increase coverage, plus it may be impractical and inefficient for an altnet to limit its build to the cheapest 2m premises as this implies a footprint scattered across densely populated centres.

[34] See TAR26 Statement, Annex 11, Paragraphs A11.119-A11.122 for a discussion of our take up assumptions for the REO range.

[35] In our assessment, we take into account the cumulative impact of Openreach's offers. For example, our estimates of the rental price that would apply after the NTO rebate period has elapsed include the impacts of the Frontbook ARPU cap offer pricing, Equinox rental discounts, and the extended 550Mbps pricing incentive under Equinox.

[36] We note that we used a five-year customer lifetime assumption in our assessment of Equinox 2. Ofcom. Openreach proposed FTTP offer starting 1 April 2023 (Equinox 2) statement, May 2023, Paragraph 3.72.

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

a customer's lifespan for which an ISP receives a discount on the rental price, therefore reducing the estimated average lifetime rental price associated with each offer.

3.32 We have looked at various evidence relating to customer lifetime. For example:

- Prior to our Consultation we asked ISPs and altnets about the customer lifetime assumptions underlying their investment decisions. The responses we received ranged from 2-5 years.[38]
- We have also considered how these assumptions compare to actual switching practices observed in the market. Ofcom's Switching Tracker found that 18% of customers switched fixed broadband provider in 2025, equating to an average customer lifetime of approximately five years. This data reflects the impact of One Touch Switch which was launched in September 2024.[39]

3.33 We remain of the view that using a 5-year customer lifetime assumption is a reasonable and appropriate basis for our assessment.

3.34 Notwithstanding our view on the customer lifetime assumption, to address concerns raised by stakeholders and test the robustness of our assessment, we conducted further sensitivity analysis to assess the effect of alternative assumptions on the resulting prices and whether such changes would alter our conclusions. As discussed in the sections relating to individual offers, we find that the outcomes of this analysis do not alter our conclusions.

Interpretation of the REO outputs

3.35 Openreach said the REO range is not appropriate to assess whether pricing is fair and reasonable by comparing five-year ARPUs from customers acquired under the terms of the three FTTP short-term offers with a 40-year full cost recovery benchmark. It said Ofcom should consider a broader customer base and longer timeframe across which a network provider is assumed to recover its costs in accordance with the FCM.

3.36 We disagree. Firstly, as a matter of principle, we do not consider that the relevant question for the purposes of the fair and reasonable assessment is whether an REO would recover all of its costs across its entire base over the life of the network. Given competition is still developing and take-up is critical to achieving this in the long term, such an approach could risk allowing targeted and/or time-limited offers which would actually undermine that competition materialising. We therefore consider a customer lifetime assessment for a relevant consumer increment is an appropriate basis on which to inform our assessment of the potential impacts of the offers on competition.

3.37 Secondly, we do not consider that the ARPUs used in our assessment need to necessarily match the customer base and timeframe used in the FCM (or that failure to align them is inappropriate). The Fibre Cost Model estimates the amount that an REO would have to charge per month on average across its customers to recover its efficiently incurred costs over the 40 year modelled period. This means we can compare it to ARPUs over different customer lifetimes and across different cohorts/bases (as appropriate), in order to assess whether those customers would be expected to make a sufficient contribution towards cost

[38] [✂] said it typically thinks about volume changes over three- and five-year periods: [✂] call note, 23 June 2026. [✂] said it compares net prices over a two-year customer lifetime: [✂] call note, 22 June 2026.
[39] Ofcom Pricing and consumer engagement report, February 2026. Page 14.

recovery[40] over the average period during which they might be expected to remain on the network. This therefore allows us to understand whether offer pricing is consistent with a reasonably efficient operator being able to compete for customers on a sustainable basis.

3.38 Finally, the purpose of our pricing assessment for each offer is to understand whether the offer undermines the opportunity for a reasonably efficient operator to recover its costs, which would harm the development of network competition. As such, and as set out in TAR26, our approach will be informed by the nature of the competition concerns under consideration – and the prevailing competitive conditions – on a case-by-case basis. We explain our rationale for our assumed customer lifetime in assessing these offers above, and the basis for the customer increment we have assessed for each offer in the respective section.

3.39 Openreach was also concerned that our approach in assessing all the offers results in the midpoint of the REO cost range becoming a de facto price floor for all Openreach pricing. Our approach is consistent with the guidance in in the TAR26 Statement.[41] Any comparison of Openreach's FTTP prices with the REO cost range is not intended to be a bright line test. We look at where Openreach's average price sits relative to the range and we also consider other factors such as the strength of competition and the likely effects of an offer on the sustainability of competition. It is the case that we give more scrutiny to offers where prices are at the mid to lower end of the range, and where we judge competition to be nascent or fragile. We consider this appropriate given our objective of promoting network competition in WLA Area 2.

3.40 In Sections 4-6, we set out our considerations of these different factors and how we have balanced them in arriving at our conclusions for each FTTP offer.

Reflecting connection charge discounts in our analysis

3.41 The FCM assumes that operators recover a portion of the cost of deploying an FTTP network upfront in the form of a one-off connection charge. In our Consultation, we reflected the connection charge rebates within each of the FTTP offers (and costs associated with the Box Swap offer) by lowering the assumed upfront connection charge that contributes to cost recovery in the FCM. This had the effect of increasing the REO cost range, which represents the level of cost recovery that would be required through monthly rental prices. We consider that this is a reasonable and appropriate approach for the purposes of this assessment.

3.42 Openreach said it is not appropriate to adjust the FCM's long-term benchmark as if short-term connection discounts applied to all FTTP orders across all modelled periods. We disagree with Openreach's characterisation of our approach. As set out above, our modelling aims to assess the price a reasonably efficient operator would need to recover across a cohort of customers that would benefit from the offer. We consider our approach is reasonable because the output of the FCM is an estimate of the average monthly contribution required from rental charges to recover costs. Reflecting connection charge rebates within the FCM therefore enables us to assess the impact of those rebates on cost recovery for the relevant customer cohort.

[40] This will include both the immediate customer-specific costs such as final-drop connection costs and ongoing operating costs, as well as a reasonable contribution towards the recovery of shared network assets such as duct and fibre.

[41] See TAR26 Statement, Volume 4, Section 1, Paragraphs 1.168-1.181.

3.43 Nexfibre proposed spreading connection rebates over an assumed customer lifetime and reflecting them within the average Openreach FTTP price. We recognise that this could be a reasonable alternative method of capturing the effect of connection charges and rebates and we conducted a sensitivity analysis to understand the impact of following this approach. In particular, we undertook the analysis by spreading connection charges and rebates over the customer lifetime (rather than capturing connection charges and rebates through the REO range). This enabled us to assess the extent to which resulting price-cost estimates were sensitive to the treatment of connection charge rebates. We found that the use of the alternative approach does not materially affect our assessment or alter our conclusions. We therefore remain satisfied that our original approach provides an appropriate basis for assessing the impact of connection charge rebates.[42]

[42] We identified an error in the treatment of connection charges in the Consultation whereby nominal connection charge values were incorrectly deducted from total capex expressed in real terms. We have corrected the model to ensure a consistent treatment of prices and have updated the figures presented in this statement accordingly.

4. Frontbook ARPU Share Offer and Box Swap Offer

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

4.2 Following careful consideration of the responses to our Consultation and the evidence available to us, we remain of the view that these offers do not raise concerns about Openreach's compliance with the requirement for its FTTP prices to be fair and reasonable.

4.3 In light of this view, and given that the Frontbook ARPU Share and Box Swap Offer prices are already in the market, we consider these offers first in this statement. This is because they set the starting basis for our estimates of FTTP prices and the REO cost ranges used in our assessment of the Incremental New to Openreach Customer Offer and the geographic offer in Section 5 and Section 6 respectively.

4.4 The rest of this section covers the proposals we made in our Consultation, stakeholder responses, and the reasoning underpinning our decisions in relation to the:

a) Conditionality of the offer; and
b) Price level of the offer.

Summary of offer

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

4.6 Key elements of the Frontbook ARPU Share Offer are summarised below:

- Nationwide with an offer period running from 1 July 2026 to 30 June 2027;
- Frontbook ARPU (Average Revenue Per User) share offer for FTTP that provides CPs with 100% ARPU share on eligible Frontbook volumes once a defined Frontbook ARPU threshold is exceeded (set at £19.32 in first year);
- Frontbook ARPU threshold is adjusted by CPI-1.25% (with a floor of 0%) applied annually in line with annual price reviews on FTTP and Equinox;
- Frontbook is defined as completed provision orders comprising of New To Openreach Network, Acquisitions, CP to CP migrations, Subsequent Provides and same CP migrations and bandwidth modify orders (upgrades) completed during the offer period for applicable bandwidths; and
- Offer benefits lasting a minimum of 24 months.[43]

4.7 Key elements of the Box Swap Offer are summarised below:

- Nationwide with an offer period running from 1 July 2026 to 30 June 2027;

[43] The Frontbook ARPU share offer prices are applicable until 30 June 2029. Therefore, a customer acquired under this offer on 1 July 2026 will enjoy the benefits for 36 months while a customer acquired under this offer on 30 June 2027 will enjoy the benefits for 24 months.

- Free 2.5G ONT Box Swap offer for bandwidth regrades to 1.8G (this is irrespective of whether the Frontbook ARPU Share Offer threshold is met).

Conditionality of the offer

Our proposals

4.8 In our Consultation we provisionally concluded that the Frontbook ARPU Share Offer is not conditional on the volume and/or range of service purchased.

Stakeholder responses

4.9 Openreach agreed with our provisional view that the Frontbook ARPU Share Offer is not conditional, because it is not conditional on an ISP purchasing a specific volume of FTTP lines or a specified range of FTTP bandwidths. Openreach also considered that, for the purposes of SMP Condition 8.6, different FTTP bandwidths should not be treated as different services but as variants of the same FTTP service.[44]

4.10 VodafoneThree agreed that the Frontbook ARPU Share Offer was unlikely to materially weaken sustainable network development.[45]

4.11 Fibrus, Gigaclear, INCA and VMO2 submitted that the Frontbook ARPU Share Offer was conditional. [46] Both Fibrus and Gigaclear said the Offer's mechanism caused effective Openreach FTTP line rental charges to be conditional on the mix of FTTP orders placed. VMO2 said the absence of a specific product mix target did not mean the Offer was not conditional. Because the Offer rebate was calculated by reference to the average revenue generated by the ISP's purchases, VMO2 considered the availability and value of the rebate were conditional on the composition of the services purchased, even though Openreach has expressed the mechanism as an ARPU threshold rather than a prescribed purchasing target.

4.12 VMO2 added that purchasing decisions remaining voluntary should not determine whether the offer is conditional. It argued the relevant question is whether the financial benefit depends on the purchasing outcome, which for the Frontbook ARPU Share Offer, is determined by the range and relative proportion of services purchased across the relevant portfolio.[47]

4.13 VMO2 also referred to an interaction between the Frontbook ARPU Share Offer and Equinox 2. It said the Frontbook ARPU Share Offer's mechanism works by comparing the ARPU share mechanisms under those two offers and providing ISPs with the benefits of the offer that produces the better result. In VMO2's view, this mechanism therefore modifies the operation of an arrangement that Ofcom had previously assessed as a conditional offer and should itself have been notified under SMP Condition 8.6.[48]

[44] Openreach Consultation response, Page 14-15.
[45] VodafoneThree Consultation response, Page 3.
[46] Fibrus Consultation response, Page 2. Gigaclear Consultation response, Page 2. INCA Consultation response, Page 20. VMO2 Consultation response, Page 43.
[47] VMO2 Consultation response, Page 44.
[48] VMO2 Consultation response, Page 44.

Our reasoning and decision

4.14 We disagree with stakeholders that the commercial terms of the Frontbook ARPU Share offer results in it being a conditional offer within the meaning of SMP Condition 8.6, and subject to 120 days' notice. Our view is that the offer does not specify volume or range of service targets that the ISP must meet to benefit from the offer. This means that an ISP can benefit from the rebate without necessarily purchasing a particular volume or range of services.

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

4.16 We recognise that whether an ISP benefits from the Frontbook ARPU Share offer will be dependent on its purchasing decisions. However, we consider that this applies to any offer, conditional or not. In this case, we consider the absence of a requirement on the ISP to purchase a particular volume of services, or a particular range of services, means that it is not a conditional offer for the purposes of SMP Condition 8.6.

4.17 We note VMO2's comments about the interaction between the Frontbook ARPU Share offer and Openreach's Equinox offer. However, the two offers operate independently. While ISPs receive the most favourable outcome under the Frontbook ARPU Share Offer, this does not alter the operation or conditions of Equinox 2. The Frontbook ARPU Share Offer does not make the availability of Equinox 2 benefits conditional on any additional volume or range of services purchased, or vice versa. We therefore do not agree that this interaction amounts to a modification of the Equinox 2 conditional terms, or that it required notification under SMP Condition 8.6 on that basis.

4.18 For those reasons, we maintain that the Offer is not conditional on the volume and/or range of service purchased, and so is not subject to the 120-day notification period under SMP Condition 8.6.

4.19 Finally, although not decisive in this case, we do not accept Openreach's submission that for the purposes of SMP Condition 8.6, different FTTP bandwidths should be treated as variants of the same FTTP service rather than different services.

Level of prices

Our proposals

4.20 Our provisional assessment was that the Frontbook ARPU Share Offer and the Box Swap Offer did not raise concerns about compliance with the fair and reasonable obligation.

Stakeholder responses

4.21 Openreach agreed that the price levels within the Frontbook ARPU Share and Box Swap Offers were fair and reasonable. Openreach referred to the Frontbook ARPU Share Offer being designed to encourage ISPs to sell higher bandwidth FTTP services, noting that because current Equinox prices have been assessed as fair and reasonable in the TAR, an offer that increases ARPUs should also be fair and reasonable. Openreach pointed to early take-up evidence which it said supported that position.[49]

4.22 BT Group submitted that collectively the Frontbook ARPU Share and Box Swap Offers would provide all Openreach customers – including BT Retail – with greater flexibility to continue offering the lowest possible prices to consumers, subject to their commercial plans and strategies.[50]

4.23 INCA disagreed with our assessment of the Frontbook ARPU Share Offer and raised concerns in relation to our fair and reasonable pricing requirement. INCA set out how the offer would collapse the price gradient and suppress the ability for Openreach's competitors to earn higher revenues from high-speed products.[51]

4.24 VMO2 argued our assessment of the portfolio average did not fully answer concerns that the Frontbook ARPU Share Offer changed incentives within the product range and targeted higher-bandwidth demand, where altnets sought to differentiate their retail propositions.[52]

Cumulative impact of the offers

4.25 Some stakeholders referred to the cumulative impact of the Frontbook ARPU share and Box Swap Offers, and other Openreach offers notified in June 2026:

- [✂] believed that Ofcom had failed to properly evaluate the cumulative impact of the Frontbook ARPU Share Offer with the Geographic Incremental New to Openreach Customer Offer, where the cumulative effect would lock retail ISPs onto the Openreach network across acquisitions, renewals and tier upgrades.[53]
- INCA explained its primary concern in relation to the Box Swap Offer was its combined effect with the Frontbook ARPU Share Offer and the Incremental New to Openreach Customer Offer and Geographic Incremental New to Openreach Customer Offer.[54]
- INCA also stated the price levels resulting from the Frontbook ARPU Share Offer, in combination with the New To Openreach FTTP offers notified in June 2026, are such that they fall close to or below the REO cost range. It therefore said Ofcom should prevent ISPs from being able to use the offers in combination.[55]
- Substantial Group did not challenge Ofcom's proposal on the Frontbook ARPU share and Box Swap Offers but believed they should remain as the effective Openreach starting price for assessing the other notified FTTP offers and any successor offer analysis.[56]

Take-up of the Box Swap offer

4.26 Fibrus and Gigaclear commented on an assumption underpinning the adjusted REO cost range,[57] stating the adjusted REO cost range had failed to account for the offer changing the average product mix (and ARPU). Fibrus and Gigaclear believed that 20-25% take-up of speeds of 1.8G and above was more realistic than the 11% take-up included in our

[49] Openreach Consultation response, Page 15.
[50] BT Group Consultation response, Page 2.
[51] INCA Consultation response, Page 21.
[52] VMO2 Consultation response, Page 44.
[53] [✂] Consultation response, Page 7 - 8.
[54] INCA Consultation response, Page 22.
[55] INCA Consultation response, Page 20.
[56] Substantial Group Consultation response, Page 5.
[57] Fibrus Consultation response, Page 2. Gigaclear Consultation response, Page 2.

provisional assessment. They expected take-up would be higher due to the compelling nature of the offer, which would result in a larger effective discount, reducing the mid-point of the adjusted REO range.[58]

4.27 Conversely, Openreach said Ofcom's take-up assumption was not evidenced. It expects that no more than [✂]% of orders during the offer period would receive the effective connection rebate and noted [✂]. Openreach added its suggested take-up rate would result in the connection benefit included in the FCM being no more than £[✂], not £9.90, which would materially reduce the upward adjustment to the REO range and midpoint.[59]

4.28 Substantial Group did not challenge our proposals but suggested that Ofcom should test sensitivities around the 11% take-up assumption because the REO adjustment is carried into our REO analysis of subsequent offers.[60]

Our reasoning and decision

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

4.30 In our TAR26 Statement, we explained that in any consideration of whether the level of Openreach's prices raise concerns, one of the indicators we would look at is how Openreach's FTTP prices compare to the REO cost range.[61] As set out in the TAR26 Statement, this is not a bright line test, but we would be more likely to have concerns where prices are at the mid to lower end of the range.[62]

4.31 We maintain our approach of using the Frontbook ARPU Share and Box Swap Offer as the starting basis for our estimates of FTTP prices and the REO cost ranges, which we later use in Sections 5 and 6.

4.32 As set out in our Consultation, before adjusting to account for the Frontbook ARPU share Offer and Box Swap Offer, we estimate:

- Openreach's average FTTP prices on new connections are currently [✂][63] per month.
- An REO cost range of between £13.73 and £21.45 per month, with the midpoint being £17.59.[64] [65]

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

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[58] Fibrus Consultation response, Page 2. Gigaclear Consultation response, Page 2.
[59] Openreach Consultation response, Paragraph 43-47.
[60] Substantial Group Consultation response, Page 5.
[61] TAR26 Statement, Volume 4, Section 1, Paragraph 172.
[62] TAR26 Statement, Volume 4, Section 1, paragraph 178.
[63] Price estimated using Equinox 2 prices and Openreach's historical bandwidth mix for new connections from January 2026 to May 2026.
[64] In the TAR26 Statement, we set out "the REO cost range" derived from the 2026 Fibre Cost Model to be between £13.59 and £21.21 per month (in 2026/27 prices), with the midpoint being £17.40. The estimate was calculated based on the OBR's forecast inflation. We have updated the range to reflect actual inflation in 2026/27 based on ONS data published since.
[65] As stated in Section 3, we have corrected the FCM in its treatment of the connection charge leading to a slight difference from the range presented in our July 2026 Consultation.

4.34 Our 2026 Fibre Cost Model assumes that operators recover a portion of the cost of deploying an FTTP network upfront in the form of a one-off connection charge. The 2026 Fibre Cost Model assumes a connection charge of £40.04 per connection. We have updated the connection charge to £41.47[66] in line with updated Equinox 2 prices as of 1 April 2026.[67]

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

4.36 In our assessment, we have treated the free 2.5G ONT Box as a £90 discount (or rebate) on connections at 1.8G.[68]

4.37 We have therefore adjusted the REO cost range to account for the effective £90 discount for connections at and above 1.8G by assuming Openreach makes an upfront payment of £90 to eligible customers (as well as customers paying a connection charge of £41.47).

4.38 We have assumed that approximately 11% of customers will be eligible for this discount and hence, have weighted the discount accordingly to make adjustments to the REO cost range. This was based on forecasts [✂] on the proportion of customers that will be taking speeds of 1.8G and above during the offer period of July 2026 to June 2027. We recognise that the offers may change the average product mix, as Fibrus and Gigaclear suggested. Openreach noted that [✂]% of all its orders were on 1.8G in Q1 FY27. As a result of the offers, it forecasts demand for 1.2G and 1.8G to increase to [✂]% of all orders in FY27, of which [✂]% will require a box swap. As such, it expects that a maximum of [✂]% of Openreach orders could benefit from a free box swap. Openreach added that early evidence from the first month of the Frontbook ARPU share and Box Swap offers supported this, noting that [✂].[69] Fibrus and Gigaclear believed that it was more realistic to assume a take-up of 20-25% for speeds of 1.8G and above, due to the size of the discount being offered. Considering the evidence in the round, we are of the view that 11% represents a reasonable take-up assumption.

4.39 Adjusting for the effective £9.90 discount (11% of £90) we find:

- the REO cost range is estimated to be £13.87 - £21.59 in 2026/27 prices with an adjusted midpoint of £17.73.

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

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

  - 550Mbit try-before-you-buy offer is applicable for 12 months,

[66] The connection charge of £41.47 is calculated as a weighted average charge to reflect the higher connection charge in premises that were categorised as Area 3 in 2021 but are now categorised as Area 2.
[67] Equinox-Pricing-01-APR-26-V02-online.pdf
[68] In effect, the REO recovers less cost upfront through the one-off connection charge and needs to recover more cost through rental charges. This results in a higher REO cost range.
[69] Openreach Consultation response, Paragraph 43-47.

- Frontbook ARPU share offer is applicable for 33 months,[70]
- Equinox 2 (including the ARPU share mechanism discount) prices are applicable for the remaining 27 months of the 5-year customer lifetime.

4.42 [✄] and INCA raised concerns about the cumulative impact of the Frontbook ARPU share and Box Swap offers, in combination with the Incremental New to Openreach Customer Offer and the Geographic Incremental New to Openreach Customer Offer. We consider such cumulative impact in Section 5 and Section 6 respectively.

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

- The effective £19.32 discounted price for bandwidths above 330Mbit/s sits above the mid-point of our adjusted REO cost range. Therefore, if all customers received this price, it would be less likely to raise concerns.
- Based on the above, we estimate an average FTTP rental charge, inclusive of the Frontbook ARPU share offer discount, of [✄]. Again, this sits above the mid-point of our adjusted REO cost range.
- In this context, the fair and reasonable obligation is intended to address the risk of a price squeeze between PIA and FTTP, but our understanding is that Openreach's offer is aiming to encourage customers to move from lower priced lower bandwidths to higher price/bandwidth products, so it is unlikely to put downward pressure on average FTTP prices overall.

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

[✄]

4.44 While we note comments raised by stakeholders, including INCA and VMO2, about Openreach targeting higher bandwidth services that are the focus of altnets, we do not consider that Openreach's offer prices are in contravention of its obligation to have fair and reasonable charges, given our comparison with the REO cost range above.

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

Other issues

Stakeholder response

4.46 [✄] disagreed with our assessment of the Frontbook ARPU Share Offer and referred to Competition Act prohibitions[71] of commercial terms that function as loyalty incentives or restrict rival market access. In that respect, [✄] claimed we should consider the offer (and other offers) in the context of prohibitions on: (1) margin insulation, where capping wholesale charges for higher speed tiers allows retail ISPs to capture 100% of the retail

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

[71] [✄] referred to section 18 of the Competition Act 1998 and UK precedent (Royal Mail v Ofcom [2019] CAT 27).

ARPU upside when upselling customers; and (2) foreclosure of altnet offloading, such that by insulating ISP margins on Openreach's higher tiers, Openreach neutralises the marginal financial incentive for a retail ISP to integrate with or offload traffic to an altnet.[72]

Our view

4.47 Our assessment above sets out our view that the Frontbook ARPU Share Offer is not conditional on the volume and/or range of service purchased. That said, we note [✂] response suggests there are loyalty inducing effects and cites Competition Act prohibitions in that respect. We have not identified any prima facie concerns about loyalty inducing effects from the structure of the offer that would lead us to investigate in further detail.

4.48 Furthermore, [✂] response suggests the pricing structure of the Frontbook ARPU Share Offer restricts network competition. In that respect, we set out above our assessment that Openreach's offer prices do not raise concerns about compliance with the fair and reasonable obligation.

Our conclusion

4.49 Based on our analysis above, we conclude that the Frontbook ARPU Share Offer and the Box Swap Offer do not raise concerns about compliance with the fair and reasonable obligation. Therefore, we have decided not to intervene in relation to these offers.

[72] [✂] Consultation response, Page 7.

5. Incremental New to Openreach Customer Offer

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

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

5.3 Following careful consideration of the responses to our Consultation and the evidence available to us, we have decided:

a) the conditionality in Openreach's offer, in itself, does not potentially create a barrier to using a rival network.
b) the discounted FTTP prices under the offer are not fair and reasonable, as required by SMP Conditions 1.3 to 1.5.

5.4 We have therefore decided to direct Openreach to withdraw the offer.

5.5 The rest of this section covers the proposals we made in our Consultation, stakeholder responses, and the reasoning underpinning our decisions in relation to the:

a) conditionality of the offer; and
b) price level of the offer.

Summary of offer

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

5.7 Key elements of the offer are summarised below:

- National six-month offer (with the option to extend to a total of 12 months with no other changes to the terms and conditions).
- Incremental New to Openreach ('NTO') and Subsequent Provide FTTP orders[73] receive a £35 connection rebate and a £9.50 monthly rental rebate where an ISP's quarterly New to Openreach and Subsequent Provide volumes are above a target baseline. The £9.50 monthly rental rebate lasts for 18, 24 or 30 months depending on performance above the target baseline:
  > For volumes up to the baseline no rebates are available (except for smaller ISPs – see below).
  > For volumes above the baseline and up to and including 5% above the target baseline, the rental rebate lasts for 18 months.
  > For volumes above 5% and up to and including 10% above the target baseline, the rental rebate lasts for 24 months.

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

- For volumes greater than 10% above the target baseline, the rental rebate lasts for 30 months.[74]

- Each quarterly target baseline is set by reference to an ISP’s April 2026 New to Openreach and Subsequent Provide volumes. This monthly figure is rolled forward, adjusted for estimated growth in Openreach’s FTTP footprint, and seasonal variations. The resulting monthly baselines are then aggregated into the quarterly target baselines.
- For smaller ISPs with fewer than 1,000 FTTP orders in the month of April 2026, there is no target baseline. Instead, the rebates apply to all NTO and Subsequent Provide volumes. The first 5% of volumes receive an 18-month rental rebate, the next 5% a 24-month rebate, and the remaining 90% a 30-month rebate. The £35 connection discount applies across all volumes.

Conditionality of the offer

Our proposals

5.8 In our Consultation we provisionally concluded that the conditionality in Openreach’s offer does not, in itself, potentially create a barrier to using a rival network.

Stakeholder responses

5.9 In relation to Ofcom’s framework for assessing whether the conditionality of an offer is a barrier to using a competing network, [✂] noted that the absence of a direct financial penalty on existing volumes should not be treated as determinative. [✂] considered that conditional terms may still create a material barrier to the use of competing networks where they alter the relative price of the next contestable order sufficiently to change a CP’s sourcing decision.[75]

5.10 [✂] and CityFibre suggested Ofcom should avoid the potential for any misunderstanding in relation to Question 1 of the framework (“Do the commercial terms potentially create a barrier to using rival networks?”), by clarifying that the imposition of a direct financial penalty is not the only scenario in which conditional terms could create a barrier to using altnets.[76] [77]

5.11 Fibrus, Gigaclear and Hyperoptic suggested Ofcom had placed undue weight on the fact that the NTO offer does not retrospectively alter the rebates payable on volumes already placed with Openreach. They considered that while this does not generate the same loyalty-inducing effect as a retroactive or all-units rebate, an incremental volume discount with progressively more favourable marginal terms does create a forward-looking incentive to concentrate purchases on Openreach. They added this principle is important for any future analysis of Openreach offers.[78]

[74] By way of example, where the baseline is 1,000 connections and the ISP achieves 1,200, then 200 circuits receive £35 connection rebate with:
- “Cohort 1”: 50 circuits receiving 3 months x £9.50 rental rebate (and for 18 months in total).
- “Cohort 2”: 50 circuits receiving 3 months x £9.50 rental rebate (and for 24 months in total).
- “Cohort 3”: 100 circuits receiving 3 months x £9.50 rental rebate (and for 30 months in total).

[75] [✂] Consultation response, Page 8.
[76] CityFibre Consultation response, Page 10.
[77] [✂] Consultation response, Page 8.
[78] Joint Fibrus, Gigaclear, Hyperoptic Consultation response, Paragraphs 17-19.

5.12 INCA made a similar point and said it is clear that the volume commitments required from the large ISPs that exceed the baseline threshold are not only material, but they are volumes of customers that are currently using the network of one of Openreach's rivals. The combination of that conditionality should be clearly recognised and assessed before Ofcom concludes the National NTO conditionality provisions do not give rise to competition concerns.[79]

5.13 Openreach said the conditionality within the offer was not loyalty-inducing and did not, in itself, harm competition.[80] Substantial Group similarly agreed with our assessment of the offer conditionality.[81]

Our reasoning and decision

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

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

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

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

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

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

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

5.19 Question 1 tests whether the conditionality of the commercial terms potentially deters ISPs from switching volumes to rival networks, for example, by penalising an ISP for placing volumes with an altnet rather than Openreach.[82]

5.20 We note that in response to our Consultation, several stakeholders suggested that the presence of such a financial penalty should not be necessary for conditionality to be

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[79] INCA Consultation response, Page 24.
[80] Openreach Consultation response, Paragraph 50.
[81] Substantial Group Consultation response, Page 2.
[82] See TAR26 Statement, Annex 8, Paragraph A8.67.

considered to create a barrier to using a competing network, and that an incremental volume discount with progressively more favourable marginal terms can create a forward-looking incentive to concentrate purchases on Openreach.

5.21 In the TAR26 Statement, we published Guidance on geographic discounts and commercial terms, including guidance on conditional terms. As set out in this Guidance, our assessment of Question 1 is not restricted to considering whether the commercial terms penalise an ISP through a direct financial penalty.

5.22 By way of clarification, conditionality in itself raises competition concerns where it is loyalty-inducing, whether directly or indirectly. In this context, terms are loyalty-inducing where the incentive to place orders with Openreach is not limited to the lower price available on those orders, but is amplified because placing orders with Openreach could also affect the prices (or rebates) available on other volumes. We recognise that a lower unit price may make using Openreach more attractive than it was pre-discount, but this in and of itself does not mean the conditionality is loyalty inducing (we separately consider whether the level of Openreach's prices are fair and reasonable below).

5.23 We note that under the structure of this offer, the ISP receives a rebate on New to Openreach volumes above a baseline threshold only. This means that should an ISP choose to place volumes with a rival network instead of Openreach, it will not benefit from any rebate that would have applied if those volumes had been placed with Openreach. However, the rebates due for any volumes the ISP continues to place with Openreach will be unaffected.[83] Put another way, should the ISP place volumes with a rival network, it does not face a financial penalty across the volumes it continues to place with Openreach which would potentially have had a loyalty-inducing effect and raise competition concerns. Rather, when it comes to comparing the price of putting an order with Openreach or an altnet, the ISP will compare Openreach's price for that order (including the rebate that would apply as a result of putting that order with Openreach) with the altnet price.

5.24 Similarly, should an ISP that already places volumes with an altnet choose to place those volumes with Openreach instead, it will gain any rebate on those (switched) volumes that are above the baseline. However, the rebates paid for any volumes already placed with Openreach (above the baseline) will be unaffected.[84]

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[83] By way of example, consider the example in footnote 74 above, where the baseline is 1,000 connections and the ISP achieves 1,200. If the ISP opts to place 50 circuits with an altnet instead of Openreach, its performance will fall to 1,150. The ISP will lose the rebate on those 50 circuits it has switched (starting with the longest duration rebate), but the rebates paid for all circuits it continues to place with Openreach will be unaffected:

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

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

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

5.25 Therefore, our assessment of the NTO offer is that the conditionality is not loyalty-inducing in the relevant sense and therefore does not, in itself, create a barrier to using a rival network.

5.26 As a consequence, we do not need to consider Question 2 or Question 3 of the framework for analysing conditional terms, as set out above.

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

Price level

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

Fair and reasonable requirements

5.29 Openreach is required to provide access to its FTTP services on fair and reasonable terms and conditions under SMP conditions 1.3-1.5 and, as explained in Section 2, this includes its prices for these services. This addresses our concerns about a price squeeze between PIA prices and FTTP prices, i.e. if Openreach were to reduce its downstream FTTP prices and squeeze the margin available to reasonably efficient competitors, while still recovering its costs.[85] In the absence of such regulation, in WLA Area 2 Openreach would be able to undermine the opportunity for reasonably efficient competitors to recover their costs, which would be likely to discourage their future investment and expansion, and weaken the competitive constraint Openreach might otherwise face in the longer term.[86]

5.30 We explained in Volume 4, Section 1 of the TAR26 Statement that we would take into account our objectives in WLA Area 2, including the promotion of network competition, when assessing whether there is a sufficient margin between Openreach's FTTP price(s) and its PIA price to allow a reasonably efficient operator to compete in the WLA market.[87] We also said that in considering whether the level of Openreach's prices raise prima facie concerns, one of the indicators we would look at is how Openreach's FTTP prices compare to our estimate of a reasonably efficient operator's costs derived from the 2026 Fibre Cost Model ("the REO cost range").[88]

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

- how many customers are likely to be affected by the price reduction;
- how the price reduction would impact any price differentials between Openreach and the prices charged by altnets;
- the impact of the price reduction on FTTP take-up for Openreach and altnets; and

[85] TAR26 Statement, Volume 3, Section 4, Paragraph 4.38.
[86] TAR26 Statement, Volume 3, Section 4, Paragraph 4.39.
[87] TAR26 Statement, Volume 4, Section 1, Paragraph 1.171.
[88] TAR26 Statement, Volume 4, Section 1, Paragraph 1.172.

- whether the price cut is targeted towards a particular segment of the market or is likely to particularly affect certain altnets' ability to compete.[89]

5.32 Openreach's obligation to charge fair and reasonable prices for its FTTP services also applies in WLA Area 3. Our objectives for WLA Area 3 do not include the promotion of network competition. However, we recognised in the TAR26 Statement that some altnets made commercial decisions to build networks against the backdrop of Openreach's WLA Area 3 pricing being subject to a cost-based charge control using a RAB approach.[90] Our analytical framework for assessing the Incremental New to Openreach Customer Offer under the fair and reasonable requirement in WLA Area 3 follows a similar approach as for WLA Area 2 (i.e. comparing prices to the REO cost range and considering the indicators set out in paragraph 5.31)[91] but with a view to determining whether there is a sufficient margin in line with the opportunity for market entry that existed when altnets made their investment.[92]

Our proposal

5.33 In our Consultation we proposed that it is appropriate to assess the margin across:

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

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

c) based on five-year customer lifetimes.

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

Stakeholder responses

Assessment of the output increment

Product scope included in the output increment

5.35 No respondent considered we should change the portfolio of products considered in the assessment.

Customer segment considered in the output increment

5.36 Several stakeholders agreed with the proposed output increment[93] and our characterisation of potential competition for above-baseline customers.[94]

5.37 CityFibre said the proposed output increment was consistent with Ofcom's objective to promote sustainable network competition. It considered altnets would likely need to

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[89] TAR26 Statement, Volume 4, Section 1, Paragraph 1.180.
[90] TAR26 Statement, Volume 3, Section 4, Paragraph 4.40.
[91] TAR26 Statement, Volume 4, Section 1, Paragraph 1.248 – 1.249.
[92] TAR26 Statement, Volume 3, Section 4, Paragraph 4.40.
[93] CityFibre Consultation response, Paragraph 1.3. Community Fibre Consultation response, Page 2. Connect Fibre Consultation response, Page 2. Joint Fibrus, Gigaclear, Hyperoptic Consultation response, Paragraph 1. INCA Consultation response, Paragraphs 3, 108. Nexfibre Consultation response, Paragraph 68. BU UK Infrastructure (on behalf of OFNL) Consultation response, Page 2. Substantial Group Consultation response, Page 1, VMO2 Consultation response, Page 2, [✂] Consultation response, Paragraph 4.
[94] CityFibre Consultation response, Page 13. Substantial Group Consultation response, Page 7. Nexfibre Consultation response, Page 16. Joint Fibrus, Gigaclear and Hyperoptic Consultation response, Paragraph 32. INCA Consultation response, Page 25. VMO2 Consultation response, Page 23. [✂] Consultation response, Paragraph 39.

compete with the above-baseline offer prices across all prospective NTO customers and across their existing customer bases, on the assumption that all prospective NTO customers would be above-baseline customers if served by Openreach. It said promoting sustainable network competition requires Ofcom to prevent Openreach from being able to leverage the substantial incumbency advantages it has over altnets arising from its extensive and unrivalled FTTP footprint, its larger installed backbook of higher-price customers, and its ability to disproportionately benefit from customers who are not contestable by altnets.[95]

5.38 Similarly, Substantial Group said that 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.[96]

5.39 Nexfibre and [✂] considered that the asymmetry in the customer bases of Openreach and altnets put altnets at an unsustainable disadvantage if Openreach were allowed to spread the costs of the offers across all their customers. It said that Ofcom is right to be concerned that a REO does not have the same ability as Openreach to offset low margins on above baseline NTO customers with higher margins on other customer groups.[97]

5.40 INCA said that a stable and substantially inert customer base cannot be rationally used to assess the impact of offers on customers that have already proven willing to switch.[98]

5.41 VMO2 said that while in principle an established wholesale altnet might compete across a broader mix of customers, it considered that there would be many reasons that make ‘winning’ lines from the Openreach backbook (to make this strategy a success) challenging in practice. In this regard it referred to Openreach already having wholesale agreements with the major ISPs; switching customers already served over Openreach’s FTTP involving friction and cost; and altnets being unable to readily replicate Openreach’s pricing structure.[99]

5.42 [✂] said the impact of the offer would be focused on areas where retail providers can choose between a wholesale altnet and Openreach. In these areas the offer could change the wholesale altnet that an ISP selects for contestable acquisitions. [✂] explained that:[100]

- [✂] allowing qualifying New to Openreach orders to be prioritised while other order categories continue to be routed differently.
- [✂].
- The position would be materially different under the proposed offer. [✂]. It estimated that a qualifying Openreach acquisition would attract an effective discount of approximately [✂], compared with an indicative wholesale-altnet long term discount of approximately [✂].
- [✂].[101]

[95] CityFibre Consultation response, Paragraphs 2.17 – 2.18.
[96] Substantial Group Consultation response, Page 7.
[97] Nexfibre Consultation response, Page 16. [✂] Consultation response, Page 4.
[98] INCA Consultation response, Page 25.
[99] VMO2 Consultation response, Page 23.
[100] [✂] Consultation response, Paragraphs 48 – 52.
[101] [✂] Consultation response, Page 9-10.

5.43 BT Group[102], Sky[103] and Openreach[104] disagreed with our approach to assessing the relevant Openreach price and our proposal to direct Openreach to withdraw the offer.

5.44 Openreach disagreed with Ofcom's suggestion that ISPs could choose to divert newly acquired eligible NTO volumes away from altnets as a result of the offer. It suggested that network contracts and commercial incentives make wholesale diversion from altnets to Openreach implausible. It understood that some CityFibre contracts require ISPs to prioritise CityFibre within its footprint or include volume commitments that have a similar effect.[105]

5.45 Openreach argued that a wider output increment should be used such that Ofcom should assess blended ARPUs across the full base of FTTP customers. Openreach said the proposed product increment incorrectly ignored the revenues altnets earn on FTTP line sales to end customers that would not be eligible for the discount under the Incremental NTO Customer Offer.[106] Openreach explained the following customer segments would not qualify for the Incremental NTO Customer Offer discount:[107]

- Premises outside the Openreach footprint
- Retail altnets looking to win broadband lines from ISPs supplied by Openreach copper or FTTP.
- Wholesale altnets supplying ISPs looking to win broadband lines from other ISPs supplied by Openreach copper or FTTP.
- Wholesale altnets supplying ISPs looking to proactively upgrade their own copper broadband base of customers currently served by Openreach.[108]

5.46 Openreach considered that altnets could generate significant FTTP revenues from the existing altnet backbook base in the Openreach FTTP footprint. Openreach noted that in its 1 June 2026 submission, it assumed that [✂] of FTTP customers would be backbook. However, Ofcom suggested that rapidly growing altnets could have a materially different frontbook/backbook split from Openreach. Openreach retested its estimate and found that the proportion of altnet frontbook volumes ranges from around [✂], with a weighted average of around [✂].[109]

5.47 Based on the above assessment of how altnet revenues during the offer period could be split across its identified end customer segments (and using the estimated split of CityFibre lines, assuming [✂] of newly acquired lines were directly from Openreach), Openreach

[102] BT Group Consultation response, Page 2.
[103] Sky Consultation response, Page 2.
[104] Openreach Consultation response, Paragraph 50.
[105] Openreach Consultation response, Paragraphs 91-93.
[106] Openreach Consultation response, Paragraphs 57-61.
[107] Openreach Consultation response, Paragraphs 64 – 66.
[108] Openreach estimated that over recent quarters, around [✂]% of the total volume of FTTP lines acquired by altnets fell with the three customer segments that are served by Openreach within the Openreach FTTP footprint (i.e. excluding premises outside the Openreach footprint). It said the remaining [✂]% will have come from VMO2 or other altnets or be new /returning fixed broadband customers. Openreach Consultation response, Paragraph 69.
[109] As explained below, Openreach did not consider that it was credible that an ISP would proactively move existing FTTP customers (i.e. backbook) from a wholesale altnet to Openreach simply to access the Incremental NTO Customer Offer discount. Openreach Consultation response, Paragraph 72.

estimated the discounted price levels available on above baseline NTO orders will only have potential relevance to around [✂] of altnet revenues.[110]

5.48 Openreach also said Ofcom's approach was inconsistent with previous assessments where it used a broader, longer-term approach when assessing the impact of short-term offers on altnet margins and cost recovery. For example, Openreach submitted that in its assessment of the Proactive Migrations Try Before You Buy offer, Ofcom recognised effective prices would be lower in the REO cost range because of the interaction with Equinox ARPU share mechanisms. However, Ofcom assessed potential impacts on altnets of selling some FTTP services at discounted prices by reference to ARPUs across all FTTP sales into the relevant market, not by isolating a narrow subset of discounted lines.[111]

Openreach price across the relevant output increment

5.49 We received comments on the REO assessment including on the customer lifetime assumption used, the assumptions used in the modelling, the treatment of connection charges and the interpretation of the model outputs. Given those submissions apply across our assessment of the FTTP offers we have addressed them in Section 3 above. We reflect the conclusions drawn in that section as appropriate.

Our reasoning and decision

5.50 In considering concerns around low FTTP prices we look at how Openreach's FTTP prices compare to our estimate of a reasonably efficient operator's costs derived from the 2026 Fibre Cost Model ("the REO cost range"). As set out in the TAR26 Statement, this is not a bright line test, but we would be more likely to have concerns where prices are at the mid to lower end of the range. We also take into account other factors to understand the strength of competition (and the extent to which it has developed) and the impact of Openreach's price reductions on altnets' ability to exert an effective competitive constraint in the long term.[112]

5.51 In the TAR26 Statement, we said our methodological choices for comparing Openreach's prices with the REO cost range would depend on the specific facts of the case and the circumstances at the time. These choices might relate to matters such as: product scope, i.e. whether to look at products on an individual or portfolio basis; relevant customer base for calculating weighted averages; and the relevant time period for our comparison of Openreach's prices with the REO cost range.[113] We said we would make these choices on a case-by-case basis, based on the nature of the competition concerns under consideration.[114]

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

[110] Openreach Consultation response, Paragraphs 73-74.
[111] Openreach Consultation response, Paragraphs 18 – 19.
[112] TAR26 Statement, Volume 4, Paragraphs 1.172-1.178 and 1.180 – 1.181.
[113] TAR26 Statement, Volume 4, Section 1, Paragraph 1.179.
[114] TAR26 Statement, Volume 4, Paragraph 1.179.

5.53 Based on our assessment of the offer structure and evidence gathered from stakeholders, our conclusion is that it is appropriate to assess the margin across:

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

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

c) based on five-year customer lifetimes.

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

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

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

Assessment of the output increment

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

Product scope included in the output increment

5.57 Openreach sells FTTP broadband products which vary by bandwidth. In the TAR26 Statement, we said our starting point is likely to be to consider the output increment to include a portfolio of products.[115] This is because operators tend to compete across a range of different speed products at different price points.

5.58 In the present case, we observe that Openreach and altnets sell and compete across a range of different speed products, and the offer is available across speeds. We have therefore carried out our assessment at the level of the portfolio of FTTP products, including all FTTP speed variants. No stakeholders disagreed with this product scope in response to our Consultation.

Customer segment included in the output increment

Customers relevant to the offer

5.59 The NTO offer distinguishes between different types of an ISP's newly acquired customers. In particular, the offer introduces the potential for ISPs to pay different wholesale FTTP prices to Openreach depending on whether a newly acquired customer was previously served by Openreach or by another network. We illustrate these distinctions in Figure 5.1. In summary, the groups of customers of ISPs relevant to the offer are:

- **Newly-acquired customers:** a customer that an ISP has newly won and is now placing on an FTTP broadband network. These customers are typically switching from one ISP to another.[116]

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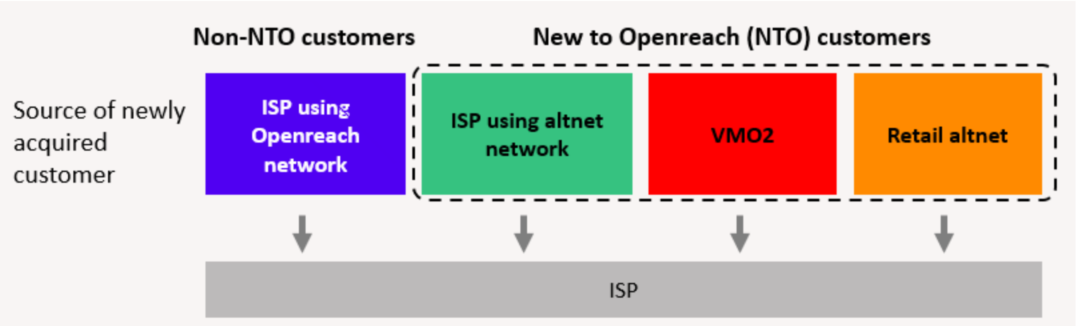
[115] TAR26 Statement, Volume 4, Section 1, Paragraph 1.179.
[116] NTO also includes customers that were not purchasing a fixed broadband product in the previous 90 days. This includes users of FWA, satellite broadband or customers that were not purchasing fixed broadband. In the

- **NTO customers:** an ISP's newly-acquired customer who was not on the Openreach network in the previous 90 days.
- **Non-NTO customers:** an ISP's newly-acquired customer who is already on the Openreach network, or was in the previous 90 days. This could be a customer already on the Openreach FTTP network (such as someone switching from an ISP that had placed the customer on the Openreach FTTP network to a different ISP), or a customer moving from Openreach's copper-based network to Openreach's FTTP network while also switching ISP.

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

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

Figure 5.1: Visualisation of different newly acquired customer groups, based on distinctions resulting from the offer structure[117]



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

The offer structure and ISP incentives

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

- **Baseline:** an ISP-specific quarterly target set by reference to the ISP's April 2026 New to Openreach and Subsequent Provide volumes (and further adjusted, as explained above).[118] This provides the starting level of NTO connections which an ISP must surpass to qualify for the NTO rebates.

TAR26 Statement we concluded that a low number of customers considered FWA, mobile broadband or satellite broadband a substitute for fixed broadband. TAR26 Statement, Volume 2, Paragraphs 4.48 to 4.50. We therefore focus our analysis on the flow of customer volumes between fixed network providers.

[117] See previous footnote.

[118] For smaller ISPs, with fewer than 1,000 FTTP orders in the month of April 2026, there is no target baseline. See paragraph 5.4 for more details on the offer structure.

- **Above-baseline customers:** NTO customer volumes that exceed the NTO baselines in a particular quarter and are therefore within scope of the NTO rebates.
- **Below-baseline customers:** NTO customer volumes that do not exceed the NTO baseline in a particular quarter and are therefore not within scope of the NTO rebates.
- **Run rate:** the volume of relevant NTO connections an ISP added each quarter before the offer. In our view, this is a reasonable proxy of the future level of new connections absent the offer.

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

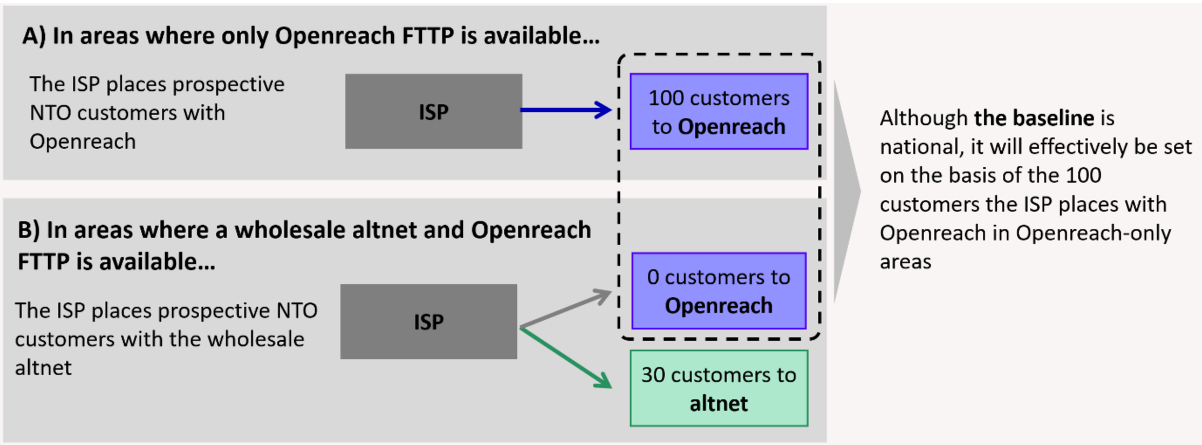
a) Newly acquired customers they have won from other ISPs using an altnet, VMO2 or retail altnets; and
b) Existing customers they have previously chosen to place with an altnet.

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

5.66 We understand where an ISP has a wholesale agreement with an altnet, they typically place almost all their newly acquired customers with the altnet where it is available. For example, [✂] said in February 2026 that it placed [✂] of new adds onto CityFibre's network where it was available.[119] Similarly, [✂] said that it aims to place all new connections with its wholesale partners [✂] where available.[120]

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

Figure 5.2: The baselines are likely to largely reflect NTO volumes placed by ISPs in areas where altnets with whom they have wholesale agreements are not available



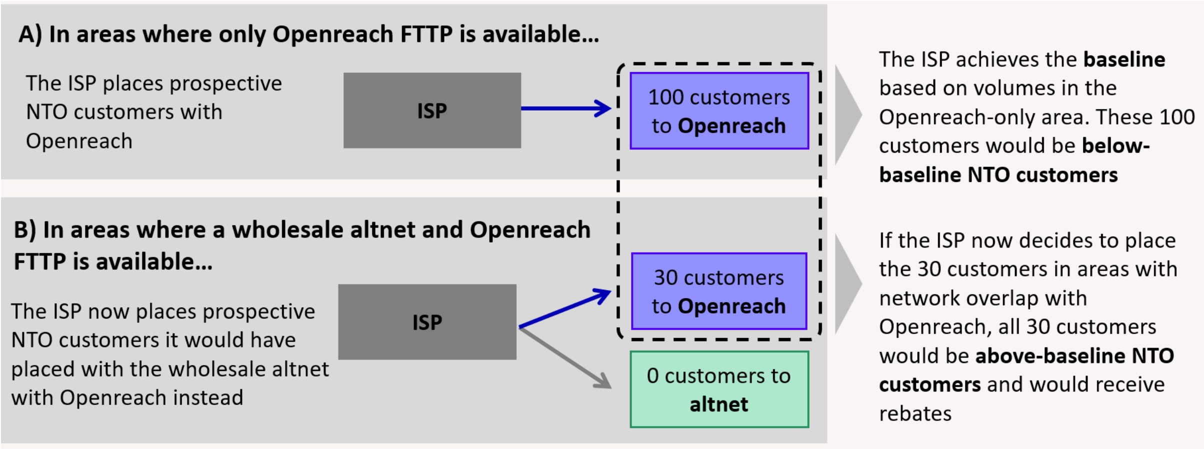
5.68 As illustrated in Figure 5.2, the baselines are set nationally based on the volume of NTO customers placed with Openreach (across Areas A and B combined, there are 100 NTO customers placed with Openreach). However, because ISPs typically place almost all newly acquired customers with an altnet where an altnet is available, the baseline is likely to

[119] [✂]
[120] [✂]. [✂] Consultation response, Paragraphs 48 – 52.

largely reflect the run rate of NTO customers in areas where Openreach was the only available wholesale network (i.e. the 100 customers on Openreach are all in Area A). This suggests that, going forward, a large proportion (if not all) prospective NTO customers which the ISP would typically have placed with an altnet (in Area B) could be above-baseline NTO customers if placed with Openreach and therefore eligible for the NTO rebates. Similarly, beyond the normal run rate, any volume that an ISP wins from an altnet will be above-baseline.

5.69 Figure 5.3 illustrates this. In the example, an ISP maintains a steady run rate whereby it gains no above-baseline customers in areas where it previously used Openreach (in Area A, the ISP continues to place 100 NTO customers with Openreach). However, by replicating its pre-offer performance it ensures that the baseline is just met. Any new customers acquired in areas where Openreach FTTP is available, but where an ISP previously chose to use an altnet instead (Area B), would therefore be above-baseline customers and would receive the rebates: if the ISP decides to place the 30 prospective NTO customers in Area B with Openreach they would be above-baseline customers.[121]

Figure 5.3: NTO customers placed with Openreach under terms of offer in areas where an ISP previously placed all volumes with a wholesale altnet are likely to be above baseline customers



5.70 In addition to newly acquired customers, we also note that all of an ISP's existing customers that it has already placed with an altnet within the Openreach FTTP footprint would similarly be considered NTO customers if an ISP migrated them to Openreach. As ISPs are not currently proactively migrating customers between FTTP networks,[122] the baselines will also not reflect any such switching to date, meaning any existing customers an ISP migrates from altnets to Openreach FTTP could be an above-baseline customer and therefore qualify for the NTO rebates (we discuss the likelihood of such migration further below).

5.71 Stakeholders expressed differing views on the ability and likelihood of ISPs to readily change wholesale supplier for prospective NTO customers in the way described in Figure

[121] We recognise that, in practice, in areas where only Openreach is available (Area A), an ISP could fall short or exceed its run rate in a particular measurement period. However, we consider that in such scenarios a large proportion of prospective NTO customers in Area B may still be above-baseline: e.g. In Figure 5.3, if an ISP falls short of the run-rate in Area A by 10 lines, 10 of the prospective NTO customers in Area B would be below-baseline and 20 would be above-baseline. Alternatively, if an ISP exceeds the run-rate in Area A by 10, all 30 of the prospective NTO customers in Area B remain above-baseline. Therefore, we do not consider that potential variations in the run rate in areas where only Openreach is available materially affects our view of the general effects of the offer where altnets are competing.

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

5.3. While Openreach, BT Group and Sky considered it unrealistic that ISPs would make wholesale decisions on a per line basis, [✂]. Further, [✂].

5.72 Openreach and [✂] said network contracts and commercial incentives make wholesale diversion from altnets to Openreach implausible, while [✂] and altnets said the offer would strongly incentivise ISPs to place prospective NTO customers with Openreach rather than altnets.

5.73 We consider these differing views are consistent with our position that there is some uncertainty about the impact of the offer on ISPs' purchasing decisions but that it is plausible that the offer could specifically target a material segment of volumes which altnets are currently competing for, as well as their existing customer base in the way we describe above. We consider evidence on the likelihood and potential impact of any such diversion on the longer term development of competition in the next sub-section.

Assessment of the customer increment

5.74 As a result of the effect described above, we expect wholesale altnets, such as CityFibre or Community Fibre, would need to compete against the offer price (i.e. including the NTO rebate) in order to remain competitive for those new connection volumes which they would have previously won. In the example shown in Figures 5.2 and 5.3, if an ISP placed the 30 prospective NTO customers with Openreach it would receive NTO rebates on these customers. The Openreach marginal price with which an altnet would need to compete for these 30 prospective NTO customers could therefore be the above-baseline customer price. This is because, as set out above, it is likely that many (and possibly all) prospective NTO customers which altnets compete for would be considered above-baseline and therefore eligible for the NTO rebates if placed with Openreach. Further, where a smaller-volume ISP is not subject to a baseline under the offer, we note all volumes it wins from VMO2 or altnets would be above-baseline customers.

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

5.76 An REO needs a reasonable opportunity to compete to retain existing customers and to compete for further prospective NTO customers to increase their base. Prospective NTO customers are likely to account for a meaningful share of an ISP's newly acquired customers which altnets compete for. To illustrate, we estimate that ([✂]) of the newly acquired customers that ISPs place with Community Fibre and CityFibre respectively could be prospective NTO customers.[123] We note this is similar to Openreach's estimate that above baseline NTO orders could affect around [✂] of altnet revenues.[124]

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

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

5.79 We disagree with Openreach's characterisation of this output increment as effectively treating a short-term, narrow set of end customers as if they were the only customers a REO will serve in attempting to recover long-term costs. We address these comments in Section 3 given that they apply to our assessment of both the NTO and geographic NTO offers.

Other customer segments considered for the assessment of the output increment

5.80 In principle, in considering the relevant output increment for a margin squeeze assessment, we could consider a broader range of customers supplied by firms in the market. This could be appropriate if firms compete across customer segments and, overall, a reasonably efficient operator can be profitable over the whole range of customers.[125]

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

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

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

5.83 For the reasons set out above, we do not consider that an all prospective NTO customer increment would be relevant. An all prospective NTO customer segment would include many customers in areas where altnets are not present and therefore unable to compete with Openreach, as shown in Figure 5.2. Those NTO customers for which altnets can compete are likely to be considered above-baseline and therefore eligible for the NTO

[123] The share of all newly acquired customers placed with altnets which are prospective NTO customers will depend on (a) the share of the altnet's footprint which is also covered by Openreach FTTP and another network, and (b) the share of customers in those areas which would be NTO. We approximate (a) using January 2026 coverage data to find the overlap between each altnet's network, Openreach FTTP and VMO2. We approximate the share of prospective NTO customers in this area (step b) using an estimate of the VMO2 and altnet retail share across the premises identified in step a), excluding take up on the network we are investigating. We use July 2025 take-up data to do this. By excluding the coverage and take up of other altnets in these footprints we may be underestimating the share of each altnet's newly acquired customers that are prospective NTO customers.

[124] Openreach Consultation response, Paragraph 74.

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

rebates, as illustrated in Figure 5.3. As such, assessing the impact of the offer across all prospective NTO customers would fail to adequately capture the targeted impact of the offer in areas where altnets can compete for prospective NTO customers.

5.84 Secondly, we have considered whether our analysis should focus on all newly acquired customers (i.e. also including non-NTO customers) instead of focusing exclusively on above-baseline customers. In this regard, we have considered how feasible it would be for an REO to replicate Openreach's pricing structure in order to offset any low/negative margins on above-baseline customers with higher margins on non-NTO customers.

5.85 Openreach suggested volumes which could qualify for the NTO rebates account for only a small share of the total customer segments that altnets could generate FTTP revenues for during the offer period. It said altnets could recover costs across premises outside the Openreach footprint and current end customers served by Openreach not in scope of the NTO offer. Openreach estimated that around [✂] of the total volume of FTTP lines acquired by altnets were lost by Openreach.[126]

5.86 For Openreach, non-NTO customers (i.e. connections placed by ISPs for newly acquired customers that are already on the Openreach network) would be priced based on the standard Equinox 2 levels, the Frontbook ARPU Share offer pricing, and the extended 550Mbps pricing incentive.[127] As set out below, this price for non-NTO customers is significantly higher than the price for above-baseline customers.

5.87 Openreach's ability to price at this higher level for non-NTO customers and potentially offset low margins on above-baseline customers is likely, in part, due to its unique position, as also identified by CityFibre, nexfibre and VMO2. First, as the legacy incumbent, Openreach has longstanding wholesale arrangements with ISPs for these non-NTO customers, whereas altnets need to offer lower prices than Openreach for these customers to incentivise ISPs to migrate them from the Openreach network to their own. Second, the majority of non-NTO customers will be in areas where Openreach does not overlap with alternative wholesale networks and Openreach is likely to face less intense pricing pressure and higher take up where this is the case. For example, only [✂]% of premises passed by Openreach FTTP are also covered by CityFibre and/or Community Fibre.[128]

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

a) The majority of the premises passed by CityFibre ([✂]%) and by Community Fibre ([✂]%) are also covered by Openreach FTTP.[129] Wholesale altnets are therefore likely to face stronger competitive constraints on a greater share of their coverage than

[126] Openreach Consultation response, Paragraph 69.

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

[128] Ofcom analysis of Connected Nations data. Openreach response to CN request named CN-FT26, referenced 02079502, dated 3 March 2026. CityFibre response to CN request named CN-FT26, referenced 02079586, dated 6 March 2026. Community Fibre response to CN request named CN-FT26, referenced 02079602, dated 17 February 2026.

[129] Ofcom analysis of Connected Nations data. Openreach response to CN request named CN-FT26, referenced 02079502, dated 3 March 2026. CityFibre response to CN request named CN-FT26, referenced 02079586, dated 6 March 2026. Community Fibre response to CN request named CN-FT26, referenced 02079602, dated 17 February 2026.

Openreach, which would limit their ability to charge higher prices for non-NTO customers (i.e. an ISP's newly acquired customers that were previously served on the Openreach network).

b) In order to agree wholesale deals with ISPs and incentivise them to place volumes on their networks, altnets have had to offer services on long term contracts with pricing at a significant discount to Openreach. For example, the contracts [✂] has signed with [✂] range in duration from [✂] to [✂] years and [✂] has signed [✂] year contracts with [✂]. These contract structures provide ISPs with a degree of pricing certainty. However, [✂] might limit altnets' scope to respond to Openreach offers through changes to their non-NTO pricing since doing so could require the repricing of established contract terms. For example, we calculate CityFibre and Community Fibre's ARPUs to be £[✂] and £[✂] respectively, indicating that altnets have needed to undercut Openreach by approximately £[✂] to £[✂] per month.[130] Furthermore, these contracts limit the level of price increases. For example, the contract [✂] signed with [✂] limits price increases to [✂].[131]

c) We disagree with Openreach's suggestion that altnets are shielded from potential switching by exclusivity arrangements. [✂]. [132]

5.89 In addition, altnets might not be able to charge higher prices for non-NTO customers if they are unable to readily identify whether a newly acquired customer connected to their network was previously taking an Openreach line. CityFibre and Substantial Group said they would have no basis to reliably refine an assumption on whether a new connection was prospectively NTO. Openreach considered that all ISPs will be able to identify at point of sale whether a premises: (i) has Openreach FTTP available; and (ii) is New to Openreach but did not comment on whether altnets would have access to this information. Whilst Openreach will provide ISPs with a data flag which denotes for each premise whether a line would be classed as NTO, at present altnets would not have access to this information.[133] It may be possible for an ISP to share this information with altnets but it is uncertain whether this would happen.

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

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

5.92 Lastly, and contrary to the argument made by Openreach, we consider it inappropriate to assess the impact of the offer across Openreach's total base of new ('frontbook') and

[130] ARPUs calculated using rental prices submitted in response to question B1 of s135 notice dated 11 June 2026, and weighting these by product mixes submitted in response to question C1 of s135 notice dated 11 June 2026. Prices vary by ISP. Prices used in these calculations include their lowest prices.
[131] [✂] [✂]
[132] [✂] [✂]
[133] For example, [✂] said they cannot identify which network new volumes are coming from. [✂] call note, 1 July 2026.

existing ('backbook') FTTP lines.[134] Expanding our analysis across Openreach's total base would fail to capture the targeted impact of the proposed offer on competition. In addition to the points made above in regard to expanding the customer increment to all NTO customers or all newly acquired customers we note:

a) Altnets need to grow their customer bases to become sustainable competitors. An important way of doing this is offering wholesale FTTP prices which allow ISPs to win customers who are switching at the retail level. Customers who are already on FTTP and are not in the process of switching ISP are at present less likely to be contestable for operators.[135]
b) In addition, at [✂]%, Openreach's take-up on its FTTP network is higher than altnets' current take-up ([✂]% to [✂]% across the five altnets with the largest coverage).[136] Accordingly, Openreach's ratio of backbook to frontbook FTTP customers is significantly greater. This could give Openreach the ability to support a low margin on certain newly acquired customers by setting a high margin to its existing subscribers which altnets may find difficult to replicate.

5.93 We disagree with Openreach that our decision is inconsistent with the approach used to assess the Openreach Proactive Migrations offer. As set out above, our assessment approach and choices will be based on the specific facts of the offer and the circumstances at the time. We will make these choices on a case-by-case basis, based on the nature of the competition concerns under consideration. As such, the choice of increment may necessarily vary across assessments.

Our conclusion on the customer and product increment

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

5.95 As explained above, altnets may need to compete with the above-baseline offer prices across all prospective NTO customers and across their existing customer bases. Given the current state of network competition, and that these volumes represent a meaningful proportion of new connections that altnets are competing for, as well as the base they have already won, we would be concerned if an REO did not have a reasonable opportunity to compete for these customers.

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

[134] As stated above, we think the relevant product scope is FTTP so here we consider the output increment of all frontbook and backbook FTTP customers. We have not considered an output increment that includes Openreach's legacy copper customers.
[135] Based on discussions with ISPs, we understand that ISPs do not currently proactively switch their existing FTTP customers from one network to another. Meetings with [✂] on 22 June 2026, [✂] on 23 June 2026.
[136] Take-up is calculated as the number of active FTTP connections divided by the number of premises covered by FTTP for a given provider. This is calculated using January 2026 active lines and coverage data. We calculate take up for [✂]. Ofcom analysis of Connected Nations data.

Openreach price across the relevant output increment

5.97 In this sub-section we estimate the Openreach price across above-baseline NTO customers (i.e. the output increment we have concluded is appropriate).

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

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

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

Relevant incremental NTO prices and interactions with other Openreach offers

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

5.101 In calculations Openreach submitted to us, it estimated the average discount value of the offer assuming [✂] of above-baseline customers receive the rebates for 18 months, [✂] for 24 months and [✂] for 30 months.[137] However, we note that individual ISPs would receive the longer rebates across more customers where pre-offer they placed relatively more prospective NTO customers with altnets instead of Openreach. This is because higher previous placement of orders with altnets increases the share of an ISP's NTO customers which it can shift to Openreach relative to its baseline, resulting in a larger percentage increase in above-baseline customers. Further, we note that altnets do not have visibility of the baselines or ISPs' performance against those baselines.

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

5.103 Our price estimates also reflect the impact of the Frontbook ARPU share offer and the 550Mb try-before-you-buy incentives on Openreach prices for above-baseline customers. We assume that ISPs would receive the try-before-you-buy incentives on all new above-baseline 550Mb customers for 12 months and the Frontbook ARPU share for all eligible above-baseline customers for 33 months.[138] We also assume that ISPs qualify for the Equinox prices including the Equinox ARPU share.

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

[138] As described in Section 4, the Frontbook ARPU share offer would be available on connections signed up for the offer until 30 June 2029. A customer signed up on 1 October 2026 (start of the proposed NTO offer period) could therefore benefit from the Frontbook ARPU share offer for 33 months.

Customer lifetime

5.104 As set out in Section 3, we consider a five year customer lifetime appropriate. However, given stakeholder concerns we have also performed sensitivity analysis based on shorter three and four year customer lifetime assumptions.

Bandwidth mix of customers eligible for the NTO incremental rebates

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

5.106 We estimate average incremental prices based on the pre-offer bandwidth mix across all new Openreach connections that would have been classed as NTO had the offer been in operation between January and May 2026. Our results do not substantially change when ARPUs are calculated based on the bandwidth mix of individual ISPs or in separate months between January and May 2026.[139]

Estimated Openreach prices

5.107 Based on the approach set out above, we estimate the average Openreach rental price across the portfolio of Openreach FTTP products purchased by above-baseline customers, over a five-year customer lifetime. We explain below how we account for the discount on connection charges for above-baseline customers included in the offer.

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

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

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

5.110 As set out at paragraph 3.34, we have also assessed the sensitivity of these results to shorter customer lifetime assumptions. Reducing the customer lifetime to three or four years results in lower estimated prices across all NTO offer increments, with the reduction increasing at higher increments. Relative to the five-year assumption, prices are around [✂] to [✂] lower per month under a four-year lifetime and [✂] to [✂] lower under a three-year lifetime.

Comparison of Openreach price with the REO cost range

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

5.112 We have adjusted the REO cost range to account for the [✂] assumed connection charge, the estimated benefit of the box swap for 1.8G customers[140] and the £35 connection rebate in the NTO offer.

[139] The differences in ARPU between operators were relatively modest in the order of approximately 30p to 50p. Similarly, month-to-month movements were limited resulting in a maximum variation of 40p in the ARPU.
[140] As set out above, the estimated benefit of this offer over a customer lifetime is £9.90. This is based on an assumption that 11% of new customers will benefit from the £90 box swap saving.

5.113 Following the adjustment, we estimate the REO cost range to be £14.42 - £22.17 in 2026/27 prices (with a mid-point of £18.29).

Figure 5.4: Comparison of estimated Openreach rental prices to the adjusted REO cost range[141] **[✂]**

5.114 We conclude that each of the incremental prices is below the midpoint of the adjusted REO cost range. Furthermore, we estimate the incremental price for above-baseline customers in the above 10% increment is below the bottom of the adjusted REO cost range. All incremental prices are also below the midpoint of the adjusted REO cost range in our sensitivity analysis based on shorter customer lifetime assumptions.

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

5.115 As we set out in the TAR26 Statement, the outputs of the 2026 Fibre Cost Model (like any model) are an approximation of reality and are reflective of the underlying modelling data and assumptions. We consider that it is important to take other evidence into account, including prevailing market conditions.[142]

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

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

Our provisional view

5.118 In our Consultation we set out our provisional view that:

a) The offer significantly reduces the price differential at the wholesale level between Openreach and altnets which could put downward pricing pressure on altnets to remain competitive or risk losing volumes.
b) The offer could therefore undermine the opportunity for altnets to compete for take-up at the wholesale level at price levels which would allow an REO to recover its costs, and in turn, their ability to exert an effective competitive constraint in the long term.
c) 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.

[141] The estimated Openreach rental price reflects the cumulative impact of the incremental offer, the Frontbook ARPU share offer, and the extension to the Equinox 550Mb incentive. It does not reflect the impact of the geographic offer. The REO range has been adjusted to account for the impact of the Box Swap offer.
[142] TAR26 Statement, Volume 4, Paragraph 1.180.

d) There is a plausible risk that the offer prices could affect altnets' ability to secure future wholesale agreements, limiting take-up and weakening competition in the long term.

Stakeholder responses

5.119 Sky, BT Group and Openreach considered the price reductions resulting from the offer would not be sufficiently large to affect altnet volumes and/or prices, or to result in any other risks to the long-term development of competition. BT Group said blocking the offer was inconsistent with Ofcom's stated principle of a bias against intervention, given the limited expected impact of the offer compared with the overall size of the market. [143]

5.120 Openreach said Ofcom had not fully considered the detail of how either ISPs or altnets will likely react to the offer in the real world given commercial arrangements already in place. It argued that our proposed theory of harm in relation to the offer was speculative.[144]

5.121 VodafoneThree stated that the unusually large and concentrated rebates justify intervention and supported our proposal to direct Openreach to withdraw the NTO offer.[145] Other stakeholders identified potential risks to competition relating to existing wholesale providers, potential wholesale entrants and altnets competing at the retail level.

Wholesale impact

5.122 CityFibre said the 'very substantial discounts' under the NTO offer would result in the differential between altnet and Openreach prices closing, weakening ISPs' incentives to use altnets.[146] Consistent with this, [✂] said the offer discounts are materially greater than the discounts it currently receives from wholesale altnet partners. As such, [✂] considered the offer would create a powerful incentive to direct qualifying acquisitions to Openreach, notwithstanding the longer-term value of maintaining effective wholesale network competition.[147]

5.123 [✂] did not consider harm from the NTO offer a plausible outcome. It said there was no commercial incentive for ISPs to migrate existing customers or acquisition volumes away from wholesale altnets to Openreach, as the NTO discounted prices were not below altnet wholesale pricing for ISPs. [148]

5.124 BT Group submitted Ofcom had not established that retail providers have the ability or the incentive to act in 'supplier selection' processes envisaged by Ofcom. It noted that [✂]. BT Group said although it has no knowledge of processes used by others, it is instructive that multi-supplier ISPs have generally in the past used 'preferred supplier' agreements which explicitly preference a single supplier where available, without the need for complex analysis about preferred approach for each provisioning.[149]

5.125 Openreach said ISPs have strong price incentives to use wholesale altnets where available. Openreach said public information suggests that wholesale altnets such as CityFibre, and retail altnets, are already offering significant discounts against Openreach prices. It said those prices must be towards the bottom of the REO cost range, if not beneath it. It

[143] BT Group Consultation response, Page 2.
[144] Openreach Consultation response, Paragraph 85.
[145] VodafoneThree Consultation response, Paragraph 4.
[146] CityFibre Consultation response, Paragraph 2.12.
[147] [✂] Consultation response, Paragraph 41.
[148] [✂] Consultation response, Page 2.
[149] BT Group Consultation response, Page 2.

therefore estimated that over an average five-year customer life, the total cost to an ISP of using CityFibre would be approximately [✂] lower than the equivalent Openreach cost even at the deepest Incremental NTO offer discount.[150]

5.126 Openreach similarly considered it unlikely that ISPs would look to migrate existing customers – i.e. backbook altnet FTTP lines – back to Openreach in response to a short-term offer. This was based on a comparison with CityFibre prices, the operational cost of migrating customers and its view that ISPs would be reluctant to disrupt their backbook base of customers by migrating their wholesale supplier. [151]

Retail impact

5.127 Fibrus, Gigaclear and Hyperoptic said in a joint response that retail altnet customers can be identified as prospective NTO customers with comparatively high confidence, making them attractive targets for offer-supported acquisition. They said that material pressure could arise even if only one large ISP, particularly BT Retail, pursued an aggressive targeted strategy.[152] Similarly, Substantial Group said that uncertainty about whether a particular order will ultimately qualify does not remove the incentive for ISPs using Openreach to target potential NTO customers, although it noted uncertainty could affect the form and degree of retail pass through.[153]

5.128 Gigaclear said the NTO offer has a bigger potential impact on primarily vertically integrated altnets than wholesale altnets.[154] Substantial Group said its principal concern was the effect on retail acquisition, take-up and utilisation.[155] INCA said vertically integrated altnets would face very similar pressures to wholesale altnets due to their associated retail ISPs having to compete directly with the independent ISPs using the offers.[156]

5.129 BT Group said blocking the offer would distort retail competition by reducing the flexibility for BT retail to win customers by competing fairly and robustly in areas where competitors are present.[157]

5.130 Sky[158], Openreach[159] and FCS[160] said it is highly unlikely that an ISP would pass through the full benefit of the deepest discount on an individual line. The respondents said that because an ISP would be unable to identify at the point of sale which customer line would benefit from the incremental discount, ISPs would estimate the total expected benefit from the offer and spread that benefit across a broader group of NTO customers.

5.131 Openreach further said a large share of the customers targeted by the offer are likely to be won from VMO2 (rather than altnets), given VMO2's large established customer base, the number of customers out of contract, and the fact that DOCSIS technology is often perceived by customers as lower quality than FTTP.[161]

[150] Openreach Consultation response, Paragraphs 93-94.
[151] Openreach Consultation response, Pparagraphs 96 – 100.
[152] Joint Fibrus, Gigaclear and Hyperoptic Consultation response, Paragraph 3.
[153] Substantial Group Consultation response, Page 7.
[154] Gigaclear Consultation response, Paragraph 9.
[155] Substantial Group Consultation response, Page 7.
[156] INCA Consultation response, Paragraph 7, 128-130.
[157] BT Group Consultation response, Page 2.
[158] Sky Consultation response Paragraphs 2-3.
[159] Openreach Consultation response, Paragraph 101.
[160] FCS Consultation response, Page 3.
[161] Openreach Consultation response, Paragraph 102.

5.132 Openreach considered that even if a retail altnet did need to respond to the deepest discount on some lines, that would not mean the offer undermines its ability to recover costs. Retail altnets are not constrained by wholesale contracts in the same way as wholesale altnets. They can recover costs across a wider set of customer groups, including existing customers and customers outside the Openreach FTTP footprint.[162]

5.133 In response to concerns relating to the lack of baselines for smaller ISPs, Openreach said the relevant volumes are extremely small (representing around [✂] of Openreach's NTO volumes and around [✂] of all Openreach volumes. Openreach said these volumes are therefore incapable of affecting retail altnet pricing or undermining network competition.[163]

Future wholesale agreements

5.134 VMO2 said Ofcom should have further considered the potential effect of the offer on altnets that plan to enter the wholesale market. VMO2 claimed that where taking lines from a wholesale entrant would result in an ISP 'losing' the NTO offer rebate, the entrant would need to compensate for that loss.[164]

5.135 [✂] said that it did not consider it plausible that the offer would have any bearing on its decision to strike new wholesale agreements.[165]

Our reasoning and decision

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

5.136 Stakeholder input indicates that, once an ISP has integrated with an altnet and is able to place orders at scale, price is the most important factor for ISPs when deciding which network to put an order on.[166] Altnets also told us that they often need to price below Openreach in order to win volumes from ISPs.[167]

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

5.138 As shown in Figure 5.5, the incremental offer significantly reduces the price differential between Openreach and altnets at the wholesale level. [✂].

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[162] Openreach Consultation response, Paragraph 103.
[163] Openreach Consultation response, Paragraph 105.
[164] VMO2 Consultation response, Page 32-34.
[165] [✂] Consultation response, Page 2.
[166] [✂] indicated that its decision on which network to place orders with is based on price. Meeting with [✂] on 22 June 2026. [✂] also said price drives competition more than any other factor. Meeting with [✂] on 24 June 2026.
[167] CityFibre said altnets need to discount significantly against Openreach's charges to win customers. CityFibre response to the CFI, paragraph 3.11. Grain Connect indicated that a new entrant must offer products at lower prices than Openreach to attract customers. Grain Connect response to the CFI, page 2. [✂] said in its agreement with [✂]. Meeting with [✂] on 1 July 2026; [✂] response dated 26 June 2026 to s135 notice dated 11 June 2026, question B1d.

Figure 5.5: Comparison of Openreach and altnet monthly rental prices by bandwidth (5-year customer lifetime) [168]

[✂]

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

5.140 As set out at paragraph 3.34, we have also assessed the sensitivity of these results to a shorter customer lifetime assumption. Reducing the customer lifetime to three years results in lower Openreach prices. Similar to the results under the five-year customer lifetime assumption and as shown in Figure 5.6, the incremental offer significantly reduces the price differential between Openreach and altnets at the wholesale level. [✂].

Figure 5.6: Comparison of Openreach and altnet monthly rental prices by bandwidth (3-year customer lifetime)

[✂]

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

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

5.142 Nonetheless, we note Openreach's stated objective for the offer is to increase volumes on its network.[169] In its consultation response, an ISP [✂] said the offer would create a powerful incentive to direct qualifying acquisitions to Openreach. By contrast, another ISP [✂] said [✂].[170]

5.143 Further, while ISPs have expressed different views on how they decide which network to use, some ISPs have told us they choose which network to use at the level of individual connections. For example, [✂] confirmed it has the operational capability to distinguish between New to Openreach (FTTP) orders, Single Order Migrations, Subsequent Provides and other Openreach order types. It added that when deciding which network to use for a newly acquired customer, it identifies the cheapest option for that connection and places the order with the relevant wholesale partner.[171] As such, the offer could impact ISPs' decisions on which network to use at the margin.

[168] The monthly rental prices have been adjusted to account for differences in connection charges and connection rebates, to ensure a like-for-like comparison. [✂] rental prices and connection charges submitted in response to question B1 of s135 notice dated 11 June 2026. Prices vary by ISP, and Figure 5.5 includes their lowest rental prices. Openreach's prices without the incremental offer reflect the Equinox 2 prices, and the cumulative impact of the Frontbook ARPU share offer, the Box Swap offer and the extension to the Equinox 550Mb incentive. Openreach's prices with the incremental offer also reflect the cumulative impact of these offers. The Box Swap offer, and the relevant connection charges and connection rebates are spread over the customer lifetime.
[169] Openreach submission, Incremental Nationwide New to Openreach Customer Offer, Paragraph 3.
[170] [✂] CFI response, Paragraph 13.
[171] Meeting with [✂] on 22 June 2026.

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

a) prospective NTO customers that would otherwise (i.e. absent the offer) be placed with altnets; and
b) altnets' existing customer bases which could in principle be proactively migrated to Openreach in response to the offer.[172] While we understand from stakeholders including Openreach that migrations between FTTP networks for existing customers are potentially challenging (due to customer friction with limited consumer benefits) and currently uncommon,[173] this may change in future, particularly if there are stronger price incentives to do so, as ISPs are developing or would like to develop the capability to carry out such migrations.[174]

5.145 Given the above, we consider this offer is likely to increase pricing pressure on altnets[175] to remain competitive with prices which are in the bottom half of, or below, the REO cost range (and so may not allow an REO to recover its costs), or risk losing volumes.[176] Our analysis of the above-baseline prices and of CityFibre and Community Fibre's ARPUs described above shows [✂].

5.146 Further, where an altnet cannot identify the source of a prospective new connection,[177] [178] and therefore whether it is eligible for the offer, it may need to compete against those offer prices for all new connections. CityFibre and Substantial Group said they would have no basis to reliably refine an assumption on whether a new connection was prospectively NTO.[179] While Openreach said all ISPs will be able to identify at point of sale whether a premises has Openreach FTTP available and is New to Openreach it did not comment on whether altnets would have access to this information.[180]

5.147 Given the current market context described in Section 2, we consider the downward pricing pressure and potentially needing to match the NTO offer prices across all new connections

[172] INCA indicated the offer could incentivise ISPs to move their own customers from altnet networks to the Openreach network, to ensure that they qualify for the longest possible rental discounts. INCA response to the CFI, Paragraph 42. CityFibre said the offer will incentivise ISPs to switch customers from altnets. CityFibre response to the CFI, Paragraph 3.13.
[173] [✂] said it rarely migrates existing customers between FTTP networks. Meeting with [✂] on 22 June 2026. [✂] said it does not currently migrate customers between FTTP networks due to technical limitations and customer challenges. Meeting with [✂] on 23 June 2026. [✂] said neither [✂] currently support [✂] migrations of existing customers. Meeting with [✂] on 25 June 2026. Similarly, [✂] said [✂] does not have an FTTP-to-FTTP migration strategy on its network. Meeting with [✂] on 1 July 2026. [✂] also told us that at present it does not support FTTP-to-FTTP migrations between Openreach and altnets. [✂] response dated 29 June 2026 to s135 notice dated 11 June 2026, question B1.
[174] [✂] said [✂] plans to add the capability to migrate [✂]. [✂] also said [✂] will be starting trials for migrations. Meeting with [✂] on 25 June 2026. Similarly, [✂] said it is building the capability to migrate customers between FTTP networks. Meeting with [✂] on 23 June 2026. [✂] said in the future it may be able to migrate customers between networks and it would like this to be more common. Meeting with [✂] on 22 June 2026.
[175] [✂] said it expected that it would have to amend its wholesale pricing levels in response to the offer. Meeting with [✂] on 1 July 2026.
[176] CityFibre also said the offer will limit altnets' ability to win customers. CityFibre response to the CFI, Paragraph 3.13.
[177] That is, whether a new connection was previously served by Openreach, VMO2 or another altnet.
[178] [✂] indicated it cannot identify which network new volumes are coming from. Meeting with [✂] on 1 July 2026.
[179] CityFibre Consultation response, Page 7. Substantial Group Consultation response, Page 6.
[180] Openreach Consultation response, Paragraph 86.

could undermine the opportunity for altnets to compete for take-up at price levels which would allow an REO to recover its costs, and in turn, their ability to exert an effective competitive constraint in the long term.

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

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

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

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

5.151 Stakeholder views on the ability of ISPs to lower prices to eligible NTO customers differed. Some altnets considered that retail altnet customers could be identified with a comparatively high degree of confidence and therefore targeted by ISPs using the Openreach network with low retail prices reflecting the above-baseline NTO rebates.

5.152 Other stakeholders said such targeting of eligible NTO customers with deeply discounted prices was highly unlikely. These respondents said that even if an ISP using the Openreach network identified a potential customer as NTO, which could be challenging, they would generally not know whether an acquired NTO customer was incremental to their baseline run rate.[181] This could make it risky for large ISPs to offer deep discounts at the retail level to drive incremental volumes, particularly if several ISPs were targeting VMO2 and altnet customers simultaneously,[182] and VMO2 and altnet customers were anticipating such acquisition efforts.[183] If competing ISPs similarly target the same VMO2 and altnet customers with deep discounts, it may become harder to predict how effective those retail discounts will be in generating incremental volumes. An ISP could therefore fall short of its forecast incremental sales, fail to secure the rebates it estimated, and incur losses relative to its projections. No responses identified clear ways for ISPs using the Openreach network to overcome these challenges to knowing whether a given sale is likely to be above baseline.

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

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[181] Sky response to the CFI, Paragraph 10. [✂] said [✂]. [✂] response dated 3 September 2026 to s135 notice dated 21 August 2026. [✂] said ISPs would unlikely be able to specifically target customers who would be eligible for the offer. Meeting with [✂] on 1 July 2026. [✂] noted similar challenges, although it indicated that door-to-door sales teams and One Touch Switch could allow ISPs to collect information on the network used by potential customers. Meeting with [✂] on 2 July 2026. [✂] said ISPs will generally not know whether an acquired NTO customer is incremental to their baseline run rate and how they are performing relative to the baselines until close to the end of a quarter. Meeting with [✂] on 2 July 2026.

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

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

However, Openreach has submitted that smaller ISPs account for an extremely small share (representing around [✂] of Openreach’s NTO volumes and around [✂] of all Openreach volumes. Given this very low current baseline, we consider that additional sales placed by these small ISPs over the duration of this offer are unlikely to materially affect network competition.[184]

5.154 Therefore, on balance, while 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, we consider this risk is lower than that identified for wholesale competition.

Impact on possible future wholesale agreements

5.155 Wholesale agreements with ISPs can help altnets achieve scale by securing significant customer volumes. We are aware of ongoing discussions between some altnets and some ISPs,[185] and we have considered whether the NTO offer may affect these negotiations.[186]

5.156 We note [✂] said that it did not consider the offer would have any bearing on its decision to strike new wholesale agreements. However, we consider that if Openreach's offer prices are significantly closer to (or even lower than) altnet prices for a meaningful proportion of volumes, ISPs may be less willing to incur the costs of onboarding an additional wholesale network. As set out above, the offer significantly reduces the differential to the prices charged under existing wholesale arrangements, and so could affect incentives in ongoing discussions. Further, where an ISP expects to achieve above-baseline volumes, the ISP may, for NTO customers, compare a prospective wholesale partner’s prices against Openreach above-baseline prices. In those circumstances, a wholesale entrant may need to compete with the above-baseline prices on NTO customers.

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

Our conclusion

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

WLA Area 2

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

5.160 The offer would result in prices, and therefore margins, in the bottom half of the REO cost range and that may fall below that range. As we explained in the TAR26 Statement, while we do not consider this to be a bright line test, outcomes of this kind are more likely to

[184] We note that smaller ISPs account for a larger share of lines for some altnets. We consider the risk of wholesale customers shifting volumes away from altnets to Openreach described in the wholesale section also applies to those ISPs.

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

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

raise concerns, particularly where they occur in a market in which alternative network operators are still seeking to build scale.

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

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

WLA Area 3

5.163 Our comparison of the offer prices and the REO cost range also raises concerns in WLA Area 3. We find that the prices in the bottom half of the REO cost range (and that may fall below that range) may not provide a sufficient margin in line with the opportunity for market entry that existed when altnets made their investment in WLA Area 3 and therefore are not fair and reasonable. We have taken account of our different objectives for WLA Area 3, which do not include promoting competition. We have also considered the importance of regulatory stability and certainty for investors given the long-term nature of the investments they are making.[187]

Direction

5.164 We therefore direct Openreach to withdraw the offer. The direction is set out at Annex 2. In Section 9, we explain why we consider that the statutory tests for making a direction under section 49 of the Act are satisfied.

[187] TAR26 Statement, Volume 1, Section 1, Paragraph 1.54.

6. Geographic Incremental New to Openreach Customer Offer

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

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

6.3 Following careful consideration of the responses to our Consultation and the evidence available to us, we remain of the view that:

a) the conditionality in the offer, in itself, does not potentially create a barrier to using a rival network; and
b) the geographically targeted discounts are not unduly discriminatory, and we are therefore content for Openreach to implement the offer on 1 October 2026.

6.4 The rest of this section covers the proposals we made in our Consultation, stakeholder responses, and the reasoning underpinning our decisions in relation to the:

a) Conditionality of the offer; and
b) Geographic terms of the offer, including the price level of the offer and other indicators of the impact of the offer on the development of competition in the long term.

Summary of offer

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

6.6 Key elements of the geographic offer are summarised below:

- The geographic offer applies to defined 'VMO2 areas'[188] for 6-months (with the option to extend to a total of 12 months).
- Incremental New to Openreach and Subsequent Provide FTTP orders receive a £50 connection rebate where an ISP's quarterly New to Openreach and Subsequent Provide volumes are above a target baseline.
- ISP-specific target baselines set with reference to the ISP's April 2026 New to Openreach and Subsequent Provide volumes in defined VMO2 areas, adjusted for estimated growth in Openreach's FTTP footprint and seasonality variations. The resulting monthly values are aggregated into quarterly baselines.
- A circuit could qualify for both the £50 connection rebate and the discounts available under the Incremental New to Openreach Customer Offer.

[188] These are areas including VMO2's 'cable legacy' footprint of around 13m premises originally deployed in the 1990s and the Project Lightning expansion of around 3m homes build from around 2015 to 2022 only.

- For smaller ISPs, with fewer than 1,000 FTTP nationwide orders in the month of April 2026, the discount applies to all New to Openreach and Subsequent Provide volumes in VMO2 areas regardless of performance.

Conditionality of the geographic offer

Our proposals

6.7 Our provisional view was that the conditionality in Openreach's offer, in itself, did not potentially create a barrier to using a rival network.

Stakeholder responses

6.8 INCA said that Ofcom relies on the same conditionality analysis and conclusion for this offer as for the National NTO offer. Namely, that as Ofcom has not identified a penalty element in the conditionality, no competition concerns arise. Therefore, INCA said its concerns in relation to the conditionality of this geographic offer mirror those set out in its comments relating to the NTO offer. It also added that the effect of the conditional restrictions of this offer is strengthened by the significant upfront monetary gain to the ISPs from the £50 rebate, especially for those sensitive to short-term cash flows.[189]

6.9 CityFibre suggested Ofcom should avoid the potential for any misunderstanding in relation to Question 1 of the framework ("Do the commercial terms potentially create a barrier to using rival networks?"), by clarifying that the imposition of a direct financial penalty is not the only scenario in which conditional terms could create a barrier to using altnets.[190]

Our reasoning and decision

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

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

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

6.13 We have applied the analytical framework set out in Section 5 paragraph 5.17 and considered the following questions:

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

[189] INCA Consultation response, Page 30.
[190] CityFibre Consultation response, Page 10.

6.14 Question 1 tests whether the conditionality of the commercial terms potentially deters ISPs from switching volumes to rival networks, for example, by penalising an ISP for placing volumes with an altnet rather than Openreach.[191]

6.15 As set out above in Section 5, in the TAR26 Statement, we published Guidance on geographic discounts and commercial terms, including guidance on conditional terms. As set out in this Guidance, our assessment of Question 1 is not restricted to considering whether the commercial terms penalise an ISP through a direct financial penalty.

6.16 We note that under the structure of the geographic offer, the ISP receives a discount on New to Openreach volumes in VMO2 areas above a baseline threshold only. This means that should an ISP choose to place volumes with a rival network, it will not benefit from the discount on those (switched) volumes that would have been above the baseline. Put another way, should the ISP place volumes with a rival network, it does not affect the prices (or rebates) available on its other volumes with Openreach which would potentially have a loyalty inducing effect and raise competition concerns.[192] [193]

6.17 We note INCA's comment that the conditionality of the offer is strengthened because of the potential upfront rebate that ISPs are offered. However, our view is that while the discounted price is aimed at attracting volumes, it does not impact our assessment of whether the structure of the offer has a loyalty inducing effect.

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

Geographic terms of the offer

Our proposal

6.19 Our provisional view was that there is not a sufficiently plausible risk that the discount would harm long-term competition that the offer would constitute undue discrimination. On this basis, we said that we would be content for Openreach to implement the offer on 1 October 2026.

Stakeholder responses

Framework for assessing the offer

6.20 VMO2 considered that Ofcom had conducted its provisional assessment incorrectly. Specifically, VMO2 stated that if there is no objective justification for the geographic price discrimination, Ofcom must identify a plausible benefit to network competition to support consent. It said our assessment had been reduced to whether the offer is capable of harming long-term competition, which it indicated is relevant but not sufficient, as absence

[191] See TAR26 Statement, Annex 8, Paragraph A8.67.

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

[193] This is discussed in more detail in Paragraphs 5.21 – 5.24.

of sufficiently demonstrated harm would not, of itself, establish that the discrimination is consistent with Ofcom's objectives.[194]

6.21 Nexfibre disagreed with our assessment of the geographic offer. It stated that our conclusion that the offer is consistent with our policy objectives, despite having no evidence that the offer is objectively justified, is illogical.[195]

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

How the offer is targeted geographically

6.22 Fibrus, Gigaclear and Hyperoptic were concerned that there is significant overlap between the geographic offer area and altnet footprints. They said that they would not object to targeted competition with VMO2 if it was confined to VMO2 only.[196]

6.23 [✂] said that if the offer does proceed, it should be restricted to postcodes where VMO2 have rolled out its full-fibre optic network thereby enabling it to compete effectively for gigabit services. [197]

6.24 [✂] said the offer could have direct retail consequences in the overlap area between the offer and [✂] coverage.[198] [✂] heavily overlaps with that of VMO2 and permitting localised connection incentive payments in these overlapping areas directly undermines altnets that have deployed capital to compete against both incumbents.[199]

6.25 Substantial Group suggested Ofcom's postcode overlap analysis should be supplemented by premises and active line weighted measures. [200]

6.26 VMO2 said Ofcom had failed to consider VMO2's position as a nascent competitor at the wholesale level.[201] It argued VMO2's position as a potential new entrant is relevant for this assessment, rather than its established position in the retail market. VMO2 said the geographic offer is capable of harming competition as it targets areas where VMO2 is present but not yet ready to compete at the wholesale level.

6.27 In contrast, [✂] said VMO2's scale and maturity distinguish this offer from one targeted at a developing altnet. It added that Openreach should be able to compete more against an established infrastructure operator, provided the resulting prices remain fair and reasonable and do not undermine efficient independent networks operating in overlapping areas.[202]

6.28 Openreach said the offer is targeted at areas where Openreach ISPs face established competition from VMO2. It added that the intention is for the benefits to be passed to end customers.[203] Openreach said that the offer should not raise concerns and that if the offer

[194] VMO2 Consultation response, Paragraph 122-126.
[195] nexfibre Consultation response, Paragraph 88-90.
[196] Joint Fibrus, Gigaclear and Hyperoptic Consultation response, Paragraph 4, 108.
[197] [✂] Consultation response, Page 5.
[198] Substantial Group Consultation response, Page 11.
[199] [✂] Consultation response, Page 6.
[200] Substantial Group Consultation response, Page 11.
[201] VMO2 Consultation response, Page 37.
[202] [✂] Consultation response, Paragraph 78.
[203] Openreach Consultation response, Paragraph 113.

was focused on VMO2 areas only, excluding where altnets are present, a deeper discount than £50 could be supported.[204]

Assessment of price levels in the geographic area

6.29 INCA said that in Ofcom's provisional assessment the assumed connection charge takes into account premises which are unlikely to fall into the geographic footprint of where the charge is applied.[205] It submitted the assumed connection charge of £41.47 reflects the higher connection charge applying to premises categorised as Area 3 in 2021 but now categorised as Area 2. INCA said that premises classified as Area 3 in 2021 are, by construction, very unlikely to fall within the VMO2 footprint. As such, the population which generates the upward weighting in Ofcom's assumed connection charge is substantially absent from the geography to which that charge has been applied.

6.30 INCA said the applicable charge within the footprint is no higher than £32.07 and that the effect is significant. Measured against Ofcom's assumed charge of £41.47, the £50 rebate exceeds the connection charge by £8.53, producing a net connection price of −£8.53. Measured against the £32.07 charge applying within the footprint, it exceeds the charge by £17.93. INCA therefore considered that Ofcom's input materially understates the negative connection price by more than half. [206] INCA added it saw no justification for the differences in methodology between this geographic offer and the national NTO offer, and that for this offer, it is the amount an ISP receives for directing the order to Openreach that is relevant.[207] [208]

6.31 Nexfibre said that (based on its modelling) a large scale altnet would face a margin squeeze of between [✂] per customer per month, before adding any discounts to encourage ISPs to switch to altnets, which is unsustainable and would lead to more altnets exiting the market.[209]

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

6.32 [✂] did not consider that the geographic rebate alone would make Openreach the preferred wholesale supplier across the relevant footprint. It explained that its commercial modelling indicates the geographic offer produces an effective discount of approximately [✂] on qualifying orders, compared with an indicative long term discount of approximately [✂] available from established wholesale-altnet partners.[210]

6.33 Substantial Group recognised the smaller monetary value of the offer compared to the national NTO offer, and noted the estimated average price remained above the midpoint of the adjusted REO range. However, it believed that these factors did not mean the offer is immaterial in every affected area and they only reduce the risks.[211] It also noted that the short duration of an offer is not always sufficient to make the effect immaterial.[212]

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[204] Openreach Consultation response, Paragraph 120.
[205] INCA Consultation response, Paragraph 169.
[206] INCA Consultation response, Paragraph 169.
[207] INCA Consultation response, Paragraph 171.
[208] INCA Consultation response, Paragraph 177.
[209] nexfibre Consultation response, Paragraph 95.
[210] [✂] Consultation response, Paragraph 80.
[211] Substantial Group Consultation response, Page 10.
[212] Substantial Group Consultation response, Page 13.

6.34 Fibrus, Gigaclear and Hyperoptic considered that the offer is likely to harm long-term network competition.[213] Whilst recognising that the discount is smaller under this offer, they submitted that the economic mechanisms of concern in the national NTO offer are also present in this offer. Specifically, Fibrus, Gigaclear and Hyperoptic were concerned that this offer would worsen altnet financing and investment constraints, narrow the pricing differential that is essential for altnets to compete effectively, and that the impact of this offer would be more significant for retail altnets as they are more likely to be identifiable as NTO customers.[214] Similarly, INCA said a time-limited six-month offer may produce a durable reallocation of take-up, which it said is the variable on which altnet viability and access to finance depend.[215]

6.35 VMO2, INCA, [✂], Fibrus, Gigaclear and Hyperoptic said there are some cases where the £50 rebate would more than offset Openreach's connection charge.[216] [217] [218] [219] They noted that this implied a net cash payment to ISPs from Openreach in these cases. Fibrus, Gigaclear and Hyperoptic said this creates a direct marginal financial incentive to the ISP when placing a qualifying connection with Openreach.[220] [✂] said a £50 connection rebate would constitute a targeted financial inducement designed to foreclose competing infrastructure, and alters the marginal acquisition economics for retail ISPs.[221]

6.36 INCA considered that when analysing the value and attractiveness of the offers to ISPs, Ofcom's approach of spreading the value evenly across the customer lifetime, was not a realistic reflection of how the offers will be viewed by some ISPs. INCA said some ISPs are experiencing serious cashflow challenges; as such the net in-flow of cash by receiving rebates in excess of the amount paid for the original service (for example, through a negative connection charge) could prove a strong incentive to move all new customers won from VMO2 to Openreach and/or actively migrate existing customers from altnets to Openreach.[222]

6.37 Substantial Group was concerned that the treatment of the £50 connection discount spread over a five-year customer lifetime in Ofcom's assessment of the geographic offer did not adequately capture the significance of the timing in the customer acquisition journey at which the rebate was offered.[223] VMO2 also raised a concern that spreading the rebate over five years obscures its immediate competitive impact on ISP incentives and cash flow, which it said is likely to be relevant to live negotiations and switching or multi-homing decisions.[224]

6.38 [✂] stated that Openreach has failed to provide evidence that an inducement payment of £17.93 will not distort retail ISP ordering behaviour, adding that Ofcom has improperly

[213] Joint Fibrus, Gigaclear and Hyperoptic Consultation response, Paragraph 100.
[214] Joint Fibrus, Gigaclear and Hyperoptic Consultation response, Paragraph 105.
[215] INCA Consultation response, Paragraph 178.
[216] Joint Fibrus, Gigaclear and Hyperoptic Consultation response, Paragraph 106.
[217] VMO2 Consultation response, Page 39.
[218] INCA Consultation response, Paragraph 55-57.
[219] [✂] Consultation response, Page 5-6.
[220] Joint Fibrus, Gigaclear and Hyperoptic Consultation response, Paragraph 106.
[221] [✂] Consultation response, Page 5-7.
[222] INCA Consultation response, Page 13/17.
[223] Substantial Group Consultation response, Page 12.
[224] VMO2 Consultation response, Paragraph 134.

reversed the legal burden of proof from Openreach having to prove absence of anticompetitive distortion to the altnets who now have to demonstrate harm.[225]

6.39 Hyperoptic was concerned that the assessment of the offer had not fully reflected the volume of existing and potential customers exposed to the offer, and the impact of customer allocation on long-term take-up outcomes.[226]

Our reasoning and decision

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

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

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

6.42 We do not agree with VMO2's contention that our framework for assessing the offer requires us to identify a plausible benefit to network competition to support consent. Similarly, we do not accept that we have improperly reversed the legal burden of proof, as suggested by [✂]. The framework we have used for our assessment in this Statement was set out in our TAR26 Statement, and is also consistent with our 2005 guidance on undue discrimination.[227] Notwithstanding this, we consider that additional pricing pressure is a pro-competitive aspect of commercial life and therefore is not in itself incompatible with our objective of promoting network competition.

6.43 We also disagree with nexfibre that our provisional conclusion was illogical in light of our assessment in relation to part (a) in paragraph 6.41. As discussed below, we have provided guidance[228] that part (a) of our assessment will consider whether differences in geographic prices reflect relevant differences in the customers' circumstances (e.g. the costs of supplying them). A finding that there is no evidence on this point would not be inconsistent with a finding that the differential geographic prices are not capable of harming long term competition.

Whether geographic prices are objectively justified

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

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

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

[225] [✂] Consultation response, Page 6.
[226] Hyperoptic Consultation response, Page 4-5.
[227] Ofcom. November 2005. Undue discrimination by SMP providers.
[228] In Annex 8 of the TAR26 Statement and the 2005 guidance referenced above.

allowed Openreach to pick and choose the areas where cost differences are reflected in prices.

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

6.47 Therefore, we turn to assessing the geographic offer with reference to our overall policy objectives and whether the price differential is capable of harming competition in the long-term (part (b) in paragraph 6.41).

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

6.48 In Annex 8 to our TAR26 Statement, we discussed three ways in which geographic price differences are capable of harming network competition:[229] [230]

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

How the offer is targeted geographically

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

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

- In 47% of the postcodes, there is at least one altnet present.[231]
- The postcodes include well over half of the network footprints of a number of altnets: [✂]. They also cover [✂].
- There is limited overlap with nexfibre's network with [✂] of nexfibre's build covered by the offer area postcodes.

6.51 We note Substantial Group's comment that our network overlap analysis should be supplemented by premises and active line weighted measures. Our analysis above provides the overlap between several altnet networks and the VMO2 network on a premises basis.

[229] TAR26 Statement, Annex 8, Paragraphs A8.17 – A8.45.
[230] In the TAR26 Statement, we also explained that these are not necessarily exhaustive and there may be other ways in which geographic targeting could harm competition.
[231] Where presence is defined as passing at least one premises in the postcode.

We consider this is sufficient to gauge the network overlap for the purpose of our assessment.

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

6.53 In response to our Consultation, VMO2 said our assessment had failed to consider its position as a nascent competitor at the wholesale level (as opposed to an established position in the retail market); and the geographic offer is capable of harming competition as it targets areas where VMO2 is present but not yet ready to compete at the wholesale level.

6.54 However, we consider that VMO2 is markedly different to an entrant altnet. VMO2 is well established, with an existing network footprint and established customer base. This is materially different to a nascent wholesale altnet that is deploying its network and/or building its customer base. As such, we consider the potential impacts on VMO2, even as a potential wholesale provider, are not the same as those for an entrant altnet.

6.55 Although VMO2 is upgrading its existing HFC network to FTTP, it already has a significant and established customer base in the areas where these upgrades are taking place. Our view is that this means that geographically targeted pricing is unlikely to negatively impact the long-term competitive constraint that it exerts on Openreach.

6.56 However, as noted by several altnets, the significant overlap of the offer areas and altnet footprints mean that the Openreach geographic offer may also impact on altnets and therefore we have considered whether it could raise competition concerns around network competition developing in the longer term.

Assessment of price levels in the geographic area

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

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

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

6.59 However, we also noted there may be circumstances where such an assessment is not necessary, for example because the magnitude of price variations between geographic areas is very small and/or only applies for a short period of time.[232]

6.60 We start by assessing the localised price level in the geographic offer.

6.61 In the TAR26 Statement, we set out that when considering concerns around differentiated FTTP prices we would look at how Openreach's local discounted FTTP prices resulting from the offer compare to our estimate of a reasonably efficient operator's costs derived from the 2026 Fibre Cost Model ("the REO cost range"). We said this would not be a bright line test, but we would be more likely to have concerns where localised prices are toward the

[232] TAR26 Statement, Annex 8, Paragraph A8.35.

mid to lower end of the range (although any assessment of whether it is capable of harming competition would also depend on the strength of competition as mentioned above). We said that we may also evaluate other evidence in the round as relevant such as the actual wholesale prices charged by altnets.[233]

6.62 In response to our Consultation, stakeholders made general comments about aspects of our modelling. Our assessment of these general comments is set out in Section 3 and are reflected in our analysis in this section.

The relevant output increment

6.63 In the TAR26 Statement, we said we would determine the scope of Openreach products over which to assess the impact of geographically differentiated pricing based on the nature of the competition concerns under consideration on a case-by-case basis.[234]

6.64 As set out in Section 5, our assessment first considers the set of products and volumes over which to assess Openreach's prices (the relevant output increment). To do this, we need to identify which products and customers we include in our assessment, and over what time horizon. We then calculate the relevant average price across this output increment to carry out the comparison between Openreach's FTTP prices and the REO cost range.

6.65 Our view is that the geographic offer's mechanics are effectively the same as the Incremental NTO offer that is covered in Section 5. That is, the geographic offer is targeted at a sub-set of new customers, albeit with a different discount and applied to a narrower geographic area. We consider that the reasoning set out in Section 5 in relation to the appropriate output increment applies equally to the geographic offer, and that the geographic targeting of the offer does not impact this.

6.66 Consistent with our approach in Section 5, we have concluded to estimate the relevant price across:

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

6.67 Further details for our reasoning regarding the relevant output increment are set out in Section 5.

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

Estimated Openreach prices and comparison with the REO cost range

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

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

6.71 We note INCA's comment that in our provisional assessment, the assumed connection charge takes into account premises which are unlikely to fall into the geographic footprint of where the charge is applied. This is because the estimated weighted average TAR26 WLA

[233] TAR26 Statement, Annex 8, Paragraphs A8.40 – A8.42.
[234] TAR26 Statement, Annex 8, Paragraph A8.40.

Area 2 connection charge reflects the higher connection charge applying to premises categorised as Area 3 in 2021 but now categorised as Area 2. INCA said that premises classified as Area 3 in 2021 are, by construction, very unlikely to fall within the VMO2 footprint. We agree that the VMO2 footprint more closely aligns with the 2021 Area 2, than the TAR26 Area 2. Therefore, we have amended our assumption to reflect the connection charge that applies to Area 2 premises (in line with updated Equinox 2 prices as of 1 April 2026), rather than the estimated weighted average TAR26 WLA Area 2 connection charge which reflects the higher connection charge in premises that were categorised as Area 3 in 2021 but are now categorised as Area 2.

6.72 We have adjusted the REO cost range to account for the £32.07 assumed connection charge, the estimated benefit of the box swap for 1.8G customers[235] and the £50 connection rebate in the geographic offer.

6.73 Following this adjustment, we estimate:

- The REO cost range to be £14.69 - £22.45 in 2026/27 prices (with a mid-point of £18.57).[236]

6.74 This compares to an estimated average FTTP rental charge of [✂] (that we set out in Section 4). As illustrated in Figure 6.1, our estimated average monthly rental price remains above the mid-point of our REO cost range.

Figure 6.1: Comparison of estimated Openreach rental prices to the adjusted REO cost range[237]

[✂]

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

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

6.76 As part of our framework for assessing geographic offers, we consider the strength of competition and the extent to which it has developed. We also consider whether the offer could affect the price differential between Openreach and altnets, altnet volumes and/or prices, or otherwise create risks to the long-term development of competition.

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

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

[236] To be clear, given our conclusion in Section 5, we are assessing the geographic offer in isolation from the national NTO offer (i.e. neither the national NTO offer connection rebate or rental rebates are included in our analysis).

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

competition to become established and sustainable. Altnets still face considerable challenges overcoming the incumbency advantages of Openreach in achieving this.

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

6.78 As previously discussed, price is an important factor in ISPs' network choice once they are able to order from altnets at scale.

6.79 We have also considered how the offer compares with current altnet prices and affects the existing price differential. For the purposes of comparing the geographic offer rental prices and altnet rental prices, we calculated geographic offer prices by subtracting the £50 rebate, spread over a 5-year customer lifetime, from the rental prices without the geographic offer.

6.80 Figure 6.2 shows that the offer reduces the price differential between Openreach and altnets at the wholesale level.

Figure 6.2: Comparison of Openreach and altnet monthly rental prices by bandwidth, adjusted for the geographic offer rebate (5-year customer lifetime) [238]

[✂]

6.81 Several stakeholders have said that while the discount is smaller under this offer, the economic mechanisms of concern in the national NTO offer (that Ofcom provisionally concluded should be blocked) are also present in this offer. They have raised concerns over the potential impacts of the offer, including worsening altnet financing and investment constraints; and narrowing the pricing differential that is essential for altnets to compete effectively.

6.82 We recognise the similar mechanics of this offer to the national NTO offer. This has been reflected in our approach to assessing how the prices compare with our REO range. However, the level of the discount is also relevant to our assessment of the impact of the offer.

6.83 Our view is that the geographic offer may create some additional pressure on altnet pricing for it to remain competitive with Openreach. However, given the relatively limited impact of the offer on the size of the differential between Openreach and altnet prices, we do not consider it likely that the offer would change ISPs’ incentives to such an extent that it would result in a material loss of volumes for altnets. In this regard, we note that [✂] did not consider that the geographic rebate alone would make Openreach the preferred wholesale supplier across the relevant footprint.

6.84 As set out at paragraph 3.34, we have also assessed the sensitivity of these results to a shorter customer lifetime assumption. As shown in Figure 6.3, the geographic offer reduces the price differential between Openreach and altnets at the wholesale level. While the price

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[238] The monthly rental prices have been adjusted to account for differences in connection charges and connection rebates, to ensure a like-for-like comparison. [✂] rental prices and connection charges submitted in response to question B1 of s135 notice dated 11 June 2026. Prices vary by ISP, and Figure 6.2 includes their lowest prices. Openreach’s prices without the geographic offer reflect the Equinox 2 prices, and the cumulative impact of the Frontbook ARPU share offer, the Box Swap offer and the extension to the Equinox 550Mb incentive. Openreach’s prices with the geographic offer also reflect the cumulative impact of these offers. The Box Swap offer, and the relevant connection charges and connection rebates are spread over the customer lifetime.

differential is reduced further with a shorter customer lifetime, the impact remains relatively limited.

Figure 6.3: Comparison of Openreach and altnet monthly rental prices by bandwidth, adjusted for the geographic offer rebate (3-year customer lifetime)

[✂]

6.85 Several stakeholders noted that in some cases the £50 rebate would more than offset Openreach's connection charge, implying a net cash payment to ISPs from Openreach in these cases. Some stakeholders also commented that assessing the attractiveness of the offer to ISPs by comparing prices, where the value of the rebate is spread evenly across the customer lifetime, does not capture the potential impact on ISPs incentives and competition.

6.86 We recognise that a £50 rebate might more than offset Openreach's connection charge. However, in practice, the rebate is received as a credit on the ISP's next quarterly invoice. Notwithstanding this, in addition to the connection charge, ISPs will also consider the monthly rental charges in deciding which network to place orders with, and our approach intends to capture that. Indeed, the ISPs we have engaged with told us that they assess which network to place orders with by comparing relative prices over a customer lifetime. Therefore, we consider that comparing altnet prices with the effective offer prices over the customer lifetime provides a reasonable basis for assessing the potential impact on ISP behaviour and competition. As such, and given the level of the implied net cash payment, we do not consider that the offer will have a material impact on ISPs' incentives such that it would result in a material loss of volumes for altnets.

6.87 In conclusion, considering the evidence in the round we do not consider that the geographic offer is likely to harm the development of network competition. In particular, we found that prices are above the midpoint of the REO range. In addition, we do not consider it likely that the offer would change ISPs' incentives to such an extent that it would result in a material loss of volumes for altnets, as the offer has a relatively limited impact on the size of the differential between Openreach and altnet prices.

Other issues

Stakeholder responses

6.88 While [✂] agreed with our provisional assessment, it also recommended the following actions to prevent future harm developing from the offer:

a) The qualifying footprint should be fixed and transparent;
b) Coverage should be supported by objective evidence of VMO2 retail availability;
c) Any material expansion or redefinition should require appropriate notification;
d) Changes following network acquisitions or consolidations should be assessed on their economic substance.
e) Ofcom should monitor realised rebates in postcodes also served by an independent wholesale altnet; and
f) The combined effective price of overlapping Openreach offers should remain consistent with the fair and reasonable pricing obligation.[239]

[239] [✂] Consultation response, Page 14.

6.89 While CityFibre did not object to our provisional assessment it noted that Ofcom should stay alert to future geographic discounts that may undermine sustainable development of competition.[240]

6.90 VMO2 was concerned that permitting this offer will set the precedent for Openreach being able to target competitors' areas as long as the discount is "small".[241] In addition, it was also concerned that further and deeper offers may follow if this is permitted, which will prolong disincentives to commit to VMO2's network.[242]

6.91 INCA requested that if Ofcom consents to the geographic offer, it makes this conditional on the terms of that offer excluding combination with the Frontbook ARPU share offer, so that the exclusion at clause 4.6 of the Frontbook ARPU share offer terms is engaged in respect of circuits receiving the £50 rebate.[243]

Our view on other issues raised

6.92 [✂] has made a set of recommendations in relation to potential future offers. In relation to these points, our view is that:

- our assessment of the offer is based on the notified prices and associated terms and conditions. These terms define details relating to the qualifying footprint of the offer. Future changes to the offer would be subject to the applicable notification requirements.
- given our assessment of the offer, we do not consider it proportionate to monitor rebates in postcodes served by altnets.
- our assessment of future offers would have regard to Openreach's fair and reasonable requirements.

6.93 In relation to VMO2's concern, we do not consider that our decision relating to this offer sets a precedent for future offers. Future offers will be assessed based on the framework we outlined in our TAR26 Statement and with regard to evidence at that time. We are also alive to the cumulative impact of multiple offers, as reflected in our approach to assessing the offers in this Statement.

6.94 In relation to INCA's point, we have considered the impact of the geographic offer in combination with the offers that are already in the market, and do not consider that this raises competition concerns. Therefore, we have no reason to impose the conditions requested by INCA.

Our conclusion

6.95 We have concluded that the geographically targeted discounts are not unduly discriminatory and we are therefore content for Openreach to implement the offer on 1 October 2026.

6.96 The geographic offer is targeted at customers which altnets need to compete for. It applies in the VMO2 footprint where there is significant overlap with altnets, and where, therefore, wholesale competition is still developing.

[240] CityFibre Consultation response, Paragraph 1.3.
[241] VMO2 Consultation response, Page 40.
[242] VMO2 Consultation response, Page 39.
[243] INCA Consultation response, Paragraph 165.

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

7. Incremental Ethernet Net Demand Offer

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

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

Summary of offer

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

7.4 Key elements of the offer are summarised below:

- The offer applies to orders of Openreach's EAD 1Gb and EAD 100Mb services in the LLA and IEC markets [244]
- National one-year offer
- Net Ethernet orders (i.e., orders placed potentially less those cancelled before installation during the offer period) above an ISP's target baseline receive a connection rebate. Only orders above the baseline qualify for the rebate.
- The level of the rebate is calculated based on the average connection price across all eligible orders in the relevant six-month period.
- Performance against the baseline is evaluated on a six-monthly basis. The target baseline is set at 90% of an ISP's net Ethernet orders (i.e. orders placed less cancellations) from 1 April 2025 to 31 March 2026. The resulting (annual) baseline is then apportioned equally between the two six-month periods to give two six-monthly target baselines – from 1 October 2026 to 31 March 2027; and from 1 April 2027 to 30 September 2027.
- The number of orders eligible for the rebate is capped. If eligible orders exceed the baseline by more than 50% of the baseline number, orders above this level do not receive a rebate.[245]

[244] Openreach's EAD 1Gb and EAD 100Mb products can be used to provide both LLA and IEC services, and the Incremental Ethernet Net Demand Offer would therefore apply to those products which are sold in the LLA and IEC markets. We did not explicitly note in our Consultation that this offer would apply to eligible EAD services sold in the IEC markets, and we have clarified in this Statement how the offer would apply in those markets. We do not consider that including references to the IEC markets in the Consultation would have materially changed our provisional assessment.
[245] i.e. for orders up to the baseline no rebates are available. For orders above the baseline and up to and including 50% above the baseline, a connection rebate is paid. For orders more than 50% above the target baseline, no rebate is paid.

Our assessment

General points about our proposals

Stakeholder responses

7.5 BT Group agreed with our assessment, and, like the other notified offers where we proposed not to intervene, explained that they would provide Openreach customers with greater flexibility to continue offering the lowest possible prices to consumers.[246]

7.6 In contrast, BUUK were concerned about our proposal not to intervene but did not provide further detail.[247]

7.7 VodafoneThree also disagreed with our proposal not to intervene. It said that the offer targets a limited pool of incremental ethernet circuits which competing networks can justify customer-specific extensions, increase on-net delivery and build scale.[248]

7.8 [✂] believed the benefit of the offer to be modest compared to its longer-term impact on competition and noted it would make buying from Openreach more attractive [✂]. [✂] also believed the limited eligibility of the offer (to 100Mb and 1Gb variants) would benefit BT Group's downstream businesses and allow them to win or retain enterprise retail customers on Openreach access. However, [✂]. For those reasons, [✂] submitted that a forward-looking competition assessment should be used, and Ofcom should assess whether the offer would be likely to materially weaken the development of network competition.[249]

7.9 [✂] believed that a portfolio-level cost test could obscure material differences in how the offer operates across products, customers and geographies. It therefore gave details of how it considers Ofcom should assess the offer across those aspects.[250] [✂] added that we should assess the offer through the value chain, to identify whether BT Group's downstream businesses were better placed to benefit from the offer at the retail level.[251]

7.10 [✂] set out that the offer should be assessed within the context of Openreach's wider commercial framework, and the information [✂] considers Ofcom should gather regarding the offer.[252]

7.11 [✂] gave qualified agreement to our assessment. However, it referred to ethernet net demand growth increasingly being focused on altnet backhaul aggregation and mobile small cells. [✂] believed that Ofcom should ensure under SMP Condition 4.1 that Openreach does not leverage volume-linked ethernet offers to cross-subsidise wholesale FTTP concessions in WLA Area 2. [✂] therefore requested that Ofcom enforce strict, audited accounting separation between LLA and WLA commercial portfolios.[253]

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[246] BT Group Consultation response, Page 2.
[247] BUUK Consultation response, Page 2.
[248] VodafoneThree Consultation response, Page 3.
[249] [✂] specified that the forward-looking test should consist of [✂]. [✂] Consultation response, Page 15-16.
[250] [✂] Consultation response, Page 18.
[251] [✂] Consultation response, Page 18-19.
[252] [✂] Consultation response, Page 19-20.
[253] [✂] Consultation response, Page 8.

Our reasoning and decision

7.12 Our assessment applies the guidance set out in Annex 8 of the TAR26 Statement as to how we would analyse conditional terms notified under SMP Condition 8,6. The initial question under that framework is whether the conditional terms of the offer potentially create a barrier to using rival networks. It is not intended to address wider effects on network competition that arise independently of the conditionality, or to introduce additional pricing regulation beyond that established in the TAR26 Statement. However, given that some of the concerns raised relate to the level of Openreach's prices, we separately consider below whether the level of the offer prices raise prima facie concerns that would lead us to investigate them in further detail.

7.13 We consider [✂] concerns about Openreach subsidising wholesale FTTP WLA Area 2 concessions through its ethernet offers, and its call for accounting separation between LLA and WLA commercial portfolios, are outside the scope of our regulatory framework for assessing geographic discounts and other commercial terms. Therefore, we have not assessed these points.

Conditionality of the offer

Our proposals

7.14 In our Consultation we provisionally concluded that the conditionality in Openreach's offer, in itself, did not potentially create a barrier to using a rival network.

Stakeholder responses

7.15 CityFibre disagreed with our provisional view. Rather than adopting what CityFibre perceived to be a narrow focus on whether the offer penalises providers financially for placing orders with altnets, CityFibre said we should assess the structure and pricing of the offer in the round to determine whether it has direct or indirect loyalty-inducing effects. CityFibre pointed to:[254]

a) Openreach enjoying significant incumbency advantages in the provision of LLA services.
b) The cost associated for business customers with switching away from Openreach.
c) The offer directly targeting existing and potential customers of rival networks and the discounts significantly reducing the pricing advantage that rival networks require in order to overcome Openreach's incumbency advantages. As a result, CityFibre submitted the offer could significantly undermine infrastructure competition in the LLA market.

7.16 INCA expressed concern that the national volume incentive is designed to directly undermine smaller or regional competitors. INCA also referred to the desire to meet the threshold and maximise the rebates earned having powerful behavioural incentives which cause customers to stop or reduce the volumes ordered from alternative suppliers.[255]

7.17 Openreach strongly agreed with our provisional conclusion that the conditionality within the offer does not potentially create a barrier to using a rival network.[256] Openreach also agreed with our assessment of Hyperoptic's concerns about the cancellation mechanism

[254] CityFibre Consultation response, Page 12.
[255] INCA Consultation response, Page 37.
[256] Openreach Consultation response, Page 33.

deterring ISPs from migrating customers to rival networks. Openreach said that cancellations refer to orders cancelled before they are completed, not live circuits migrated between providers, and that it would be inappropriate to include such orders towards an ISP's volumes, since the circuit was never provided. Openreach stated its use of net demand ensured that the offer rewards incremental growth and avoids any ISP gaming.[257]

Our reasoning and decision

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

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

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

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

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

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

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

7.23 Question 1 tests whether the conditionality of the commercial terms potentially deters ISPs from switching volumes to rival networks, for example, by penalising an ISP for placing volumes with an altnet rather than Openreach.[258]

7.24 We note that in response to our Consultation, some stakeholders suggested that our assessment had placed undue weight on the fact that the Incremental Ethernet Net Demand offer does not retrospectively alter the rebates payable on volumes already placed with Openreach. They considered that the absence of such a financial penalty should not be necessary for conditionality to be considered to create a barrier to using a competing network, and that an incremental volume discount with progressively more favourable marginal terms can create a forward-looking incentive to concentrate purchases on Openreach.

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[257] Openreach Consultation response, Page 37.
[258] See TAR26 Statement, Annex 8, paragraph A8.67.

7.25 By way of clarification (and as set out above in Section 5), our assessment of Question 1 is not restricted to considering whether the commercial terms penalise an ISP through a direct financial penalty.

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

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

7.28 Therefore, our assessment of the Incremental Ethernet Net Demand offer is that the conditionality is not loyalty-inducing in the relevant sense and therefore does not, in itself, create a barrier to using a rival network.

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

Level of prices

Our proposals

7.30 In our Consultation we provisionally concluded that the level of the offer prices did not raise prima facie concerns that would lead us to decide to investigate in further detail.

Stakeholder responses

Comments relating to the TAR26 regulatory framework for LLA pricing

7.31 INCA noted the absence of an explicit fair and reasonable pricing remedy for the LLA Area 2 and LLA Area 3 markets in Ofcom's TAR26 Statement.[259] It considered that the rationale for this approach is difficult to follow, and it noted that in the WLA market FTTP services are subject to an explicit (previously implicit) fair and reasonable pricing remedy to prevent low FTTP pricing that could harm competition.

7.32 INCA also noted that a general no undue discrimination (NUD) remedy applies in the LLA markets.[260] It suggested that in Ofcom's assessment of Openreach's Equinox 1 and Equinox 2 pricing offers (during the WFTMR regulatory period), we had interpreted a NUD remedy to include an obligation for fair and reasonable pricing, even though no formal fair and reasonable pricing remedy existed at the time. It considered that Ofcom must apply the

[259] INCA Consultation response, Paragraphs 192-193.

[260] INCA Consultation response, Paragraphs 3, 23, 194-195 and 223.

NUD remedy to the same extent for the purpose of assessing the level of prices within the Incremental Ethernet Net Demand Offer.

7.33 INCA also considered that Ofcom's approach to assessing the level of prices represented a reluctance to properly investigate the impact of low prices by the SMP provider, which it considered to be inconsistent with our stated regulatory objective to promote network competition in the LLA Area 2 market.[261]

7.34 Openreach noted Ofcom's explanation that Openreach is not subject to a fair and reasonable charges obligation in those LLA markets where a charge control applies, and our explanation that the fair and reasonable charges requirement for the LLA High Network Reach ('HNR') market (where a charge control does not apply) was not intended to address low wholesale prices.[262] [✂].[263]

Comments relating to the unit costs of competitor firms in the LLA market

7.35 Several stakeholders expressed views about how the unit costs incurred by LLA market competitors to Openreach may differ from Openreach's own unit costs of providing EAD services. Some stakeholders considered that these differences demonstrated Ofcom's approach of comparing the offer prices against Openreach's costs was inappropriate, and that competitors' costs would have been a more robust benchmark.

7.36 INCA considered that a reasonably efficient operator (REO) competing with Openreach would face unit costs materially above Openreach's fully allocated costs (FAC), and it stated that several factors contribute to these cost differences[264], including:

a) Openreach's Ethernet network is an established and highly depreciated asset base, whereas competitor networks building today need to construct a new asset base at current construction costs;
b) Openreach FAC recovers common and shared costs across Openreach's national volumes, whereas competitor networks must recover these costs across a smaller geographic base;
c) Openreach FAC incorporates Openreach's regulatory cost of capital, whereas competitor networks finance at materially higher rates, which INCA said Ofcom recognised in setting the parameters used in its assessment of network competition in the WLA markets.

7.37 Consequently, INCA considered that a comparison against Openreach's FAC answers the question of whether Openreach could profitably match its own price, rather than the question of whether anyone else could.[265] It suggested that in a market in which the stated regulatory objective is to promote network competition, only the second question is material.

7.38 Connect Fibre similarly considered that we should compare the Ethernet offer prices (accounting for interaction effects) against the REO costs of providing the equivalent services, and that not doing so would be inconsistent with Ofcom's regulatory objective of

[261] INCA Consultation response, Paragraphs 3 and 196-197.
[262] Openreach Consultation response, Paragraph 131.
[263] [✂].
[264] INCA Consultation response, Paragraphs 201-202.
[265] INCA Consultation response, Paragraph 203.

promoting network competition in LLA Area 2.[266] [267] CityFibre suggested that part of Ofcom's TAR Statement implied a recognition of differences in unit costs between Openreach and its competitors when connecting business customers to their LLA networks.[268]

7.39 VodafoneThree stated that Ofcom should not conclude that the Ethernet offer is compatible with sustainable competition solely because the discounted charges remain above Openreach's own cost measures.[269] It considered that the offer targets the limited pool of incremental circuits through which competing networks can justify customer-specific extensions, increase on-net delivery and build scale (thereby expanding their future on-net reach).[270]

7.40 By contrast, Openreach considered that the current fair and reasonable pricing regulation in LLA markets means there is no need for Ethernet REO modelling.[271] [✂].[272]

Other comments about Ofcom's approach to comparing the Incremental Ethernet Net Demand offer prices against Openreach costs

7.41 Substantial Group referred to Ofcom's analysis indicating that some prices may fall below Openreach FAC but that they remain materially above Openreach LRIC and LRIC plus. It considered that this finding materially reduces the basis for an immediate price and cost concern, although it does not by itself establish competitive neutrality for developing alternative supply.[273]

7.42 INCA considered that Ofcom's use of LRIC and LRIC plus as cost benchmarks is not appropriate or relevant.[274] It stated that in the context of an established Ethernet network with substantial spare capacity in existing duct and fibre, it would expect incremental costs to be low, and it therefore considered LRIC to be a benchmark far below genuine efficient costs which is designed to identify the clearest cases of anticompetitive abuse.

7.43 Additionally, INCA disagreed with Ofcom's assessment that the offer prices do not raise prima facie concerns because they are materially higher than the Openreach LRIC and LRIC plus benchmarks.[275] It considered that offer prices which are below Openreach FAC are below cost, and stated that Ofcom has not fully explained why this evidence does not raise prima facie concerns, with no identification of the specific products or volumes involved.

7.44 INCA further noted that the Openreach FAC estimates are drawn from restated 2024/25 BT Regulatory Financial Statements (RFS) data.[276] It observed that a historical allocation of an incumbent's costs is a tenuous basis on which to assess whether a competing operator can profitably match the resulting prices.

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[266] BUUK'S response similarly expressed a general view that Ofcom should act decisively to prevent Openreach from using its SMP in a manner that could distort wholesale purchasing decisions or shift ISP demand through discounts that reasonably efficient altnets may be unable to replicate while recovering their costs. BUUK Consultation response, Page 2.
[267] Connect Fibre Consultation response, Page 2.
[268] CityFibre Consultation response, footnote 47.
[269] VodafoneThree Consultation response, Paragraph 8.
[270] VodafoneThree Consultation response, Paragraph 6.
[271] Openreach Consultation response, Paragraph 136.
[272] [✂].
[273] Substantial Group Consultation response, Page 14.
[274] INCA Consultation response, Paragraphs 204-206.
[275] INCA Consultation response, Paragraphs 4, 200-201 and 207-208.
[276] INCA Consultation response, Paragraph 209.

7.45 Openreach agreed with Ofcom's overall assessment but considered that examining the price for the incremental circuits (i.e. those eligible for the offer prices) is the most conservative approach, since in some scenarios competition may occur over larger increments, which may involve some circuits that are not eligible for the offer.[277] It stated that assessing the offer over such larger increments may result in an average price which is above the offer price.

Other comments relating to the level of prices

7.46 Openreach submitted that Ofcom should not intervene in Openreach offer pricing on the basis of maintaining price differentials between Openreach and altnet pricing, as Openreach considered that this would expand regulation beyond the scope of the TAR.[278] It also stated that it would not be feasible for Openreach to monitor and determine this differential itself when reviewing its own pricing. Openreach considered that any reduction in price differentials resulting from the offer is the ordinary consequence of price competition, not evidence of a barrier to using a rival network.[279]

7.47 Openreach stated the offer leaves sufficient margin for its competitors to compete in the LLA market on the basis of using PIA, or to compete for active services using dark fibre services (DFA and DFX) in the LLA and IEC geographic markets where dark fibre services are available.[280] It noted that these upstream services continue to be subject to cost-based charge controls, which are unaffected by the Incremental Ethernet Net Demand offer. Openreach highlighted that Ofcom's assessment of the offer demonstrates that prices are consistently above LRIC.

7.48 [✂] pointed to market shares in the LLA markets defined as part of TAR26 to show that leased lines competition remains limited.[281]

7.49 VodafoneThree stated that its evidence indicates that the offer is likely to materially weaken the development of sustainable leased-lines infrastructure competition.[282]

7.50 [✂].[283]

Our reasoning and decision

Regulation of pricing for wholesale LLA and wholesale IEC services in the TAR26 Statement

7.51 Openreach is not subject to a requirement for its wholesale LLA or wholesale IEC charges to be fair and reasonable where a charge control applies. Below, we explain the regulation that applies to pricing in the LLA and IEC markets. Further detail is set out in Volume 3 of our TAR26 Statement, paragraphs 4.25 to 4.47.

[277] Openreach Consultation response, Paragraph 126.
[278] Openreach Consultation response, Paragraph 130.
[279] Openreach Consultation response, Paragraph 139.
[280] Openreach Consultation response, Paragraph 140.
[281] [✂] Consultation response, Paragraphs 101-102.
[282] VodafoneThree Consultation response, Paragraph 9.
[283] [✂] Consultation response, Paragraphs 103-104.

7.52 Openreach's Ethernet wholesale services are subject to a price control in two of the LLA geographic markets we identified (LLA Area 2 and LLA Area 3)[284]. This is also the case in the IEC markets for BT Only exchanges and BT+1 exchanges.[285] [286]

7.53 In the TAR26 Statement, we explained that, to the extent that a charge control or a basis of charges obligation applies, we do not consider that the residual risk of a price squeeze, between the relevant wholesale telecoms markets and the retail market, is sufficient to warrant further regulation. Therefore, SMP Condition 1.4 applies in the LLA Area 2 and LLA Area 3 markets, as well as at BT Only exchanges and BT+1 exchanges in the IEC market. This requires Openreach to provide access to its wholesale LLA services and wholesale IEC services (including Ethernet) on fair and reasonable terms and conditions, *excluding charges*.[287]

7.54 In the High Network Reach ('HNR') geographic market which we identified in the TAR26 Statement,[288] Openreach's wholesale LLA services are not subject to a charge control in this market. As a result, SMP Condition 1.3 applies which requires Openreach to provide network access to its wholesale LLA services on fair and reasonable terms, conditions *and charges*.[289] As we explained in the TAR26 Statement, the purpose of this requirement is to address the risk of a price squeeze between the wholesale LLA market and its corresponding retail market which we considered would harm downstream competition based on access to Openreach's network. The obligation as it applies to Openreach's wholesale LLA services was not intended to address low wholesale prices.[290]

7.55 We note INCA's comment that a general NUD remedy applies in the LLA markets, and that Ofcom had previously interpreted a NUD remedy to include an obligation for fair and reasonable pricing, as part of its assessments of Openreach's Equinox 1 and Equinox 2 offers. We disagree with this interpretation of Ofcom's previous decisions.

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[284] For our review of the LLA market in the TAR26, for the purposes of making a market power determination, we identified the LLA Area 3 geographic market, consisting of postcode sectors in which there is not, and there is unlikely to be potential for, material and sustainable competition to BT in the commercial deployment of competing networks (TAR26 Statement, Volume 2).
[285] In addition, a transitional price control also applies for existing Openreach Ethernet circuits (i.e. circuits that are ordered or already live on or before 31 March 2026) at the 76 BT exchanges that were not classified as BT+2 exchanges in the WFTMR21 Statement and were classified as BT+2 exchanges in the TAR26 Statement. This price control only applies in the one-year period ending on 31 March 2027. After 31 March 2027, no price regulation applies to these specific Ethernet circuits.
[286] For our review of the IEC market in the TAR26, for the purposes of making a market power determination, we identified BT Only exchanges, which are BT exchanges with no principal core operators (PCOs) present (TAR26 Statement, Volume 2). We also identified BT+1 exchanges, which are BT exchanges with one PCO present, and BT+2 exchanges, which are BT exchanges with two or more PCOs present. We concluded that BT has significant market power (SMP) for IEC services at BT Only exchanges and BT+1 exchanges, but not at BT+2 exchanges.
[287] The position is different in the WLA market, where we considered – and addressed – the risk of a price squeeze harming network competition based on access to Openreach's physical infrastructure.
[288] For our review of the LLA market in the TAR26, for the purposes of making a market power determination, we identified the HNR geographic market, consisting of postcode sectors where, due to the presence of at least two current material and sustainable competitors, there is sufficiently well established competition to BT in the commercial deployment of competing networks (Volume 2, Section 5, Paragraphs 5.266 – 5.289).
[289] As set out in the TAR26 Statement (Volume 2, Section 5, Table 5.3), the HNR Area represents 9% of postcode sectors in the UK (excluding the Hull Area), while LLA Area 2 and LLA Area 3 together represent almost 90% of postcode sectors in the UK (excluding the Hull Area).
[290] TAR26 Statement, Volume 3, Section 4, Paragraphs 4.43 – 4.47.

7.56 It is not correct to infer that the NUD remedy informed our assessment of Openreach pricing under the Equinox 1 and Equinox 2 offers. As we set out in the Equinox 2 Statement, we undertook a prima facie assessment of the level of the offer prices.[291] The Equinox 2 Statement also made clear that we did not assess whether the Equinox 2 offer unduly discriminates between ISPs, and that if stakeholders had concerns about undue discrimination then that would need to be considered as part of a separate process in accordance with the relevant SMP conditions.[292] More generally, we do not consider that the NUD remedy is relevant to our assessment of the level of prices under the Incremental Ethernet Net Demand Offer.

7.57 CityFibre said that we should assess the structure and pricing of the offer in the round to determine whether it has direct or indirect loyalty-inducing effects. As we set out in the TAR26 Statement, the notification requirement in this context is for commercial terms where the price or other contractual conditions are conditional on the volume and/or range of services purchased (referred to as "conditional terms"). Annex 8 of the TAR26 Statement set out guidance on how we would assess these conditional terms and the circumstances in which we may consider intervening to prevent such terms. Volume 3 of the TAR26 Statement also explained that this guidance does not control Openreach's pricing, and that if we were to direct Openreach to remove a conditional element from a particular contractual term, that would not be a control on prices.[293]

Approach to assessing the level of prices under the Incremental Ethernet Net Demand Offer

7.58 As explained above, in the TAR26 Statement we did not put in place ex ante regulation to address low wholesale price concerns for EAD services in the LLA and IEC markets. We did not consider this necessary, in addition to the application of competition law, to achieve our objectives for these markets.

7.59 Ofcom recognises the importance of providing a predictable, stable regulatory environment. We would generally expect the next market review to be the place to revisit our approach to regulation, in the light of developments since March 2026. Revisiting the decisions taken in the TAR Statement at an earlier stage, especially in this first year of the 2026-31 regulatory period, is not something we would do lightly.

7.60 That said, while there is no ex ante regulation in respect of low wholesale prices in the LLA or IEC markets, as a sectoral and competition regulator we will always take a preliminary look to see whether submissions that the incumbent operator is pricing too low point to pricing behaviour that raises prima facie concerns for us. Where we identify such concerns, we would then consider the range of our regulatory toolkit - both ex ante regulatory powers and ex post competition powers - and decide which might be the most appropriate route to consider the issue in further detail.

7.61 In this case, our preliminary assessment of the offer prices involves comparing them to Openreach's costs of supplying incremental EAD circuits. This is an application of the equally efficient operator (EEO) cost standard, which, in the absence of ex ante regulation, we consider appropriate for the purposes of identifying any prima facie pricing concerns.

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[291] Equinox 2 Statement, Paragraphs 4.13-4.20.
[292] Equinox 2 Statement, Paragraph 6.3.
[293] TAR26 Statement, Volume 3, Section 9, Paragraphs 9.182-9.183.

7.62 This approach is consistent with how potential abuses of dominance relating to low product pricing would typically be assessed under ex post competition law, i.e. by considering how the pricing of the products in question relates to the dominant firm's costs of supplying those products. As explained, we are not exercising ex post powers in taking a preliminary look at the issues stakeholders have raised, but this is one potential avenue that we would consider if we were to identify a prima facie concern. If we considered our competition powers were the appropriate tool to consider the concerns further, we would then proceed with the process set out in our Enforcement Guidelines for Competition Act Investigations.[294]

7.63 Some stakeholders have stated that given our objectives in the TAR26 Statement to promote investment and network competition within some LLA geographic markets, we should assess costs on a reasonably efficient operator (REO) basis.

7.64 As described above, we did not consider ex ante regulation necessary, in addition to the application of competition law, to achieve our objectives for these markets. We also do not consider that an EEO approach is incompatible with our objectives.[295]

7.65 For example, using an EEO (rather than REO) standard for our assessment does not mean other networks would necessarily be unable to compete – under this approach they are able to do so where they are as efficient as Openreach.[296]

7.66 Given the points mentioned above, we consider that for the purposes of identifying any prima facie concerns with the Incremental Ethernet Net Demand Offer prices (that would lead us to decide to investigate them in further detail), it is appropriate to assess the offer prices against evidence of Openreach's costs of supplying incremental EAD circuits.

Other relevant stakeholder comments

7.67 In response to CityFibre's comments, we recognise that this offer may affect the scale of the differences between Openreach's prices and its competitors' prices. However, our regulation does not seek to prevent Openreach from competing on price or other service characteristics.

7.68 We recognise this offer reduces the prices of eligible incremental EAD circuits, and therefore it could affect CPs' incentives to rent some circuits from Openreach (for off-net delivery to their customers) instead of purchasing from a rival provider or extending their own network footprint (to support on-net delivery to their customers). We recognise that this could impact how competing networks develop in LLA Area 2 and the HNR Area to some extent. However, changes to build/buy decisions are not in and of themselves evidence that prices are too low – we have said we are not promoting competition at any cost.

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[294] Ofcom, Enforcement Guidelines for Competition Act investigations, 28 June 2017. For the avoidance of doubt, our consideration in this document of whether these prices raise prima facie concerns does not constitute an initial assessment as referenced in those guidelines.

[295] In the TAR26 Statement, our objective for LLA Area 2 and the HNR Area was to promote investment and competition in networks that offer LLA services by Openreach and other telecoms providers. We did not set objectives to promote network competition in LLA Area 3 or at regulated BT exchanges in the IEC market.

[296] We note that although some stakeholders referred to reasons why an REO's costs might be higher than Openreach's, another noted there were some factors which could offset this (e.g. [✂] referred to supply of leased line equivalent services as reducing costs). Even if individual networks have different costs to Openreach (as argued by some stakeholders), that does not automatically mean an REO approach is appropriate or necessary.

7.69 In any event, Ofcom must assess the offer prices with regard to the applicable regulatory and legal frameworks that are already set out in the TAR26 Statement, and with regard to relevant competition law. We have explained above how our assessment is informed by these frameworks.

Conclusion

7.70 We have considered whether the level of Openreach's prices under the Incremental Ethernet Net Demand Offer raises prima facie concerns that would lead us to decide to investigate them in further detail.

7.71 Consistent with the points set out above, we consider it appropriate to focus our assessment of the offer prices on evidence relating to Openreach's costs of supplying incremental EAD circuits. We explain below how we have produced our assessment.

Our assessment: comparison of offer prices against Openreach's costs

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

- the fully allocated costs (FAC) of EAD circuits, based on restated 2024/25 BT Regulatory Financial Statements (RFS) data;[297] [298]
- Openreach estimates of the long run incremental cost (LRIC), and LRIC plus, associated with supplying the incremental EAD circuits in scope of the Incremental Ethernet Net Demand Offer.[299] As part of our analysis we have queried and examined the input data, assumptions and methodology applied by Openreach to derive its estimates of LRIC and LRIC plus. Openreach made several corrections and amendments in response to our queries.

7.73 We focused our assessment on the revenue and unit costs of supplying a new EAD circuit (which receives the offer price, i.e. receives the connection charge rebate) over a 36-month timespan, which takes account of connection and annual circuit rental charges and costs. We note that Openreach has estimated its average customer lifetime for EAD circuits is higher than 36 months.[300] Given that the Incremental Ethernet Net Demand Offer impacts the effective price of connection charges only, we consider that using a 36-month implied circuit lifetime is an appropriate assumption.

7.74 Our assessment takes account of interactions between the Incremental Ethernet Net Demand Offer and other offers relating to EAD 1Gb and EAD 100Mb services. This means that where other offers reduce the effective price of rental charges and they can be combined with the Incremental Ethernet Net Demand Offer (under the Incremental Ethernet Net Demand Offer terms), we have taken account of this when calculating the total revenue from supplying a new EAD circuit (over a 36 month timespan).[301] As explained

[297] Openreach response dated 10 July 2026 to s135 notice dated 25 June 2026, questions A5 and A6.
[298] 2024/25 was the latest available year of outturn RFS data at the time of our analysis. The restated data provided by Openreach incorporates changes to the allocation of Core Junction Fibre and Access Spine Fibre costs which were implemented in the published 2026 RFS, as explained in Section 2.3.5 of BT's March 2026 Change Control Notification (CCN). We agree that it is appropriate to account for these allocation changes, because they increase the costs allocated to LLA and IEC markets.
[299] Openreach response dated 10 July 2026 to s135 notice dated 25 June 2026, questions A1, A2, A3, A5, A6 and A7. This response incorporates the corrections and amendments referred to in the paragraph above.
[300] Openreach response dated 10 July 2026 to s135 notice dated 25 June 2026, question A4.
[301] The other offers that we have incorporated within our assessment are: (i) Rental Special Offer for EAD 1Gb New Provides in Area 2, HNR and CLA (Openreach price list reference 8.2.62); (ii) Ethernet Access Direct (EAD)

above, the Ethernet up to 1Gb re-sign Offer cannot be combined with the Incremental Ethernet Net Demand Offer (as mentioned in Openreach's published ACCN OR1114[302]), so we have not modelled the effect of combining these two offers.

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

7.76 Our assessment has found that:

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

Stakeholder comments regarding our assessment

7.77 In response to INCA's comments, we disagree that our use of Openreach cost benchmarks (i.e. unit LRIC, unit LRIC plus and unit FAC) is not appropriate or relevant. We have explained earlier in this section why we have used an EEO basis.

7.78 We also disagree with INCA about the interpretation of offer prices which are found to be above unit LRIC plus and below unit FAC. The unit LRIC plus estimates used in our assessment incorporate the estimated incremental costs of supplying EAD circuits in scope of the offer, plus a proportionate allocation of overhead costs which are common to many Openreach services. Given that we are applying a prima facie assessment based on an EEO cost standard (as set out above), we consider that unit LRIC plus is a suitable benchmark for assessing whether it is economically rational for Openreach to provide this offer in order to compete fairly with other services in the LLA and IEC markets. We also note that the use of unit LRIC and unit LRIC plus benchmarks is a standard approach in ex post investigations into potential abuses of dominance such as predatory pricing or margin squeeze practices.

7.79 We recognise that, as INCA has mentioned, the Openreach cost estimates used in our assessment incorporate historical outturn data. There are inevitably some differences in timing between the cost data used in our assessment and the planned timespan of the notified offer. However, we note our finding that for all products the unit revenue from the offer prices is materially (by which we mean substantially) higher than the unit LRIC and unit LRIC plus estimates. This provides some reassurance that the offer prices will remain above unit LRIC plus during the offer period, even if there is some inflation in the cost base.

Our conclusion

7.80 Based on the findings of our assessment, and given our responses to stakeholder comments set out above, we do not at this time have prima facie concerns that would lead us to

1000Mb Local Access alternative pricing for the UK excluding CLA and HNR areas (Openreach price list reference 8.2.56). We have not accounted for other offers relating to connection charges, because the briefing for ACCN OR1110 states that where other connection discounts apply, CPs will only receive an Incremental Ethernet Net Demand Offer discount equivalent to those connection charges.

[302] This is explained in Note 10 of Openreach's published ACCN OR1114.

decide to investigate the level of Openreach's prices under the Incremental Ethernet Net Demand Offer in further detail.

7.81 However, we recognise stakeholders' concerns about this offer. We will therefore monitor this offer, as discussed further below.

Other issues

Undue discrimination

Our proposals

7.82 In our Consultation our provisional assessment was that the Incremental Ethernet Net Demand Offer is unlikely to be capable of harming competition so as to be unduly discriminatory.

Stakeholder responses

7.83 Openreach endorsed our provisional conclusion in relation to potential harm to competition.[303]

7.84 However, Openreach disagreed with our analysis of whether there is discrimination, stating it was [✂].

7.85 Furthermore, Openreach said the offer is not discriminatory because it applies the same mechanism to all providers and therefore where providers could access different volumes of orders potentially eligible for the discount this simply reflects differences in circumstances.

7.86 Openreach also stated the offer would not be unduly discriminatory because:

a) The baseline methodology is objective and applies uniformly to all ISPs, and the discount terms are identical across ISPs; and
b) The difference in absolute baseline figures across ISPs reflects objective differences in their historic volumes, not differential treatment of ISPs in the same circumstances.[304]

Our reasoning and decision

7.87 We considered this issue in our Consultation based on concerns raised by one stakeholder in response to our Call for Inputs,[305] that the offer might be unduly discriminatory on the basis that it would treat new entrant providers differently, depending on whether or not they had registered eligible product volumes during the period from 1 April 2025 to 31 March 2026. Openreach was the only stakeholder that referred to this point in their consultation response, stating that the offer [✂].

7.88 Putting to one side whether the offer as clarified by Openreach would treat some providers differently, we considered whether the offer with [✂] as stated by Openreach for new entrants would be capable of harming competition. In our Consultation we considered that the impact of any differential treatment in this case (between new entrants and other providers) is likely to be small. Firstly, because a new entrant would be able to compete for new orders below other retail providers' set baselines at standard prices. For any new orders above the baseline, the impact at the retail level could be relatively limited because

[303] Openreach Consultation response, Page 36.
[304] Openreach Consultation response, Page 36.
[305] [✂] CFI response, Page 2.

providers would face uncertainty about the extent to which their volumes would exceed the baselines and the level of rebates it would receive. Secondly, and more broadly, we considered the decision of a provider about whether to enter the LLA market[306] is likely to be based on a number of factors, and be on a medium to long-term timeframe, while the duration of the offer period is relatively short and any deterrent effect on entry is likely to be limited. We did not receive any responses which disagreed with our assessment of the materiality of any impact.

7.89 Therefore, we conclude that, even if the offer were to involve differential treatment, it is unlikely to be capable of harming competition so as to be unduly discriminatory.[307]

Openreach's ability to change the offer's baseline

Our consultation

7.90 In our consultation we said that, although we had not formed a view on Openreach's ability to change this offer's baseline, were we to receive a formal consent request from Openreach on a change to the baseline (or any other change to the offer), we would have to consider that request on its merits.

Stakeholder responses

7.91 Openreach reiterated that the notified offer sets a methodology for a baseline that applies to all ISPs; however, it is conscious that market conditions may change and that it may therefore be necessary to change the baseline to ensure the offer is effective. If it required consent to change the baseline, Openreach explained how it believed the four relevant statutory tests[308] would be met.[309]

7.92 Openreach also believed that a change in the baseline would not have a significant impact on the market and referred to the offer only applying to incremental volumes, which it said were a small part of the market overall.[310]

7.93 Substantial Group supported our view regarding Openreach's ability to vary the offer's baseline.[311]

Our position

7.94 We note the points made in Openreach's consultation response setting out how, if it sought consent to vary the baseline of an offer without triggering the 120-days' notice under SMP Condition 8.6, it believed the relevant statutory tests would be met.[312] We also note

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[306] We focus on the LLA market based on the concerns raised by [✂] in its CFI response, but our assessment would also apply to the IEC market.
[307] Given our conclusion on this, we do not need to reach a view on whether or not the offer involves differential treatment.
[308] s49 of the Communications Act 2003 would require that consent affecting the operation of SMP Condition 8.6 would be: (a) Objectively justifiable in relation to the networks, services, facilities, apparatus or directories to which it relates; (b) not such as to discriminate unduly against particular persons or against a particular description of persons; (c) proportionate to what it is intended to achieve; and (d) in relation to what it is intended to achieve, transparent.
[309] Openreach Consultation response, Page 39.
[310] Openreach Consultation response, Page 39-40.
[311] Substantial Group Consultation response, Page 14.
[312] i.e. how Ofcom giving such a consent that affects the operation of SMP Condition 8.6, in this case for a shorter notification period, would be: (a) objectively justifiable in relation to the networks, services, facilities, apparatus or directories to which it relates; (b) not such as to discriminate unduly against particular persons or

Openreach's view that it would not be necessary for Ofcom to consult on those provisional findings because such a consent would not have a significant impact on the market.

7.95 However, we maintain that it would not be appropriate to form a view at this time on whether we should grant such a consent. Were we to receive a formal consent request from Openreach seeking to do this, we would have to consider that request on its merits.

Monitoring the impact of the offer

Stakeholder responses

7.96 Substantial Group did not consider the evidence suggested Ofcom should intervene. However, it suggested a proportionate response would be targeted monitoring of the offer.[313]

7.97 Similarly, CityFibre said that if Ofcom maintained its provisional view, it should carefully and proactively monitor the impact of the Offer on customer behaviour and the extent to which customers switch ethernet volumes from rival networks to Openreach.[314]

7.98 VodafoneThree also said that if Ofcom decides not to intervene, it should collect monthly, offer-specific information about the Offer. It further said that Ofcom should establish triggers for taking further action and set out what those triggers should be based on.[315]

Our position

7.99 Our competition supervision function will continue to monitor market developments and possible indications of harms to competition arising from the offers that Openreach puts into the market. This may include use of our formal information gathering powers if we consider it appropriate.

Our conclusion

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

7.101 Furthermore, we conclude that, even if the offer were to involve differential treatment, it is unlikely to be capable of harming competition so as to be unduly discriminatory.

7.102 Therefore, we have decided not to intervene in relation to this Offer.

against a particular description of persons; (c) proportionate to what it is intended to achieve; and (d) in relation to what it is intended to achieve, transparent.

[313] Substantial Group Consultation response, Page 14.

[314] CityFibre Consultation response, Page 13.

[315] VodafoneThree Consultation response, Page 4.

8. Expanding the Equinox Offer Area and other issues

8.1 In this section, we assess Openreach's proposed amendment to expand the Equinox Offer area and consider other comments made in response to our Consultation relating to Openreach's commercial offers.

Expanding the Equinox Offer Area

Background

8.2 On 30 July 2026, Openreach notified an amendment to its Equinox contract that proposes to extend the Equinox Offer footprint ('Expanding the Equinox Offer Area').[316]

8.3 Under the existing Equinox contract, the Equinox Offer footprint is defined to include eligible FTTP premises that are Ready For Service (RFS) prior to December 2026. Under the proposed amendment, this is extended to include eligible FTTP premises that are RFS on or before 31 March 2027, or such later date as Openreach may notify through an industry briefing. Openreach has flexibility on whether the footprint is extended to an RFS date beyond March 2027, and if it is extended in stages or not. This could potentially extend Equinox prices to FTTP premises that becomes available until the end of the Equinox contract.

8.4 Full details of the amendment are set out in Openreach's published ACCN OR1119; associated customer briefing; clarification to its customer briefing and contract amendment.

8.5 On 4 August 2026, we published an update to our website reporting the notification of the contract amendment, stating that if stakeholders identify specific competition concerns in relation to this particular amendment, these should be provided in writing by 27 August 2026.

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

8.7 Under Openreach's Equinox Offer, FTTP connection prices differ between geographic areas based on the boundaries defined in our WFTMR21, with higher connections prices in WFTMR21 Area 3 compared to those in WFTMR21 Area 2.[317]

8.8 In our TAR26 Statement, we shifted our market boundaries such that those defined in our TAR26 Statement were different to those in the WFTMR21. This meant that from 1 April 2026, connection prices under the Equinox Offer would vary within the newly defined TAR26 WLA Area 2 and in principle be subject to the geographic discrimination prohibition under TAR26 SMP Condition 4.

[316] In this section, we refer to Openreach Equinox 1 Offer and Equinox 2 Offer collectively as the Equinox Offer.
[317] Equinox 1 only offers discounts on FTTP connections at premises in WFTMR21 Area 2; Equinox 2 offers different discounts on FTTP connections in each of WFTMR21 Area 2 and WFTMR21 Area 3. Under the Equinox Offer, FTTP rental prices do not vary by geographic area.

8.9 In our TAR26 Statement, we decided to include a narrow carve out in the geographic discrimination prohibition for the existing Equinox Offer FTTP connection charges based on the Equinox Offer as of 1 April 2026. We considered that this approach was unlikely to harm the development of network competition; provided greater regulatory certainty for FTTP connections under the Equinox Offer; and reduced the risk of market disruption.

8.10 Since the carve out in the geographic discrimination prohibition for the existing Equinox Offer FTTP connection charges is defined in relation to the Equinox Offer as of 1 April 2026, it includes eligible FTTP premises that are RFS prior to December 2026 only. As a consequence, the effect of the notified amendment is that connection charges for FTTP premises that are RFS after 1 December 2026 would benefit from the Equinox Offer terms, but they would not be included in the carve-out and would be subject to the geographic discrimination prohibition.

8.11 Openreach has therefore requested consent to implement geographic pricing or retail inducements that would otherwise be prohibited under SMP Condition 4.[318]

Stakeholder comments

8.12 Nexfibre said Ofcom should ensure that stakeholders have adequate time to respond to this proposed expansion and it should be subject to the 120 day period, so stakeholders can provide a considered response to any competition issue this proposed expansion might raise.[319] VMO2 made a similar point and expected Ofcom to review stakeholder responses, reach a provisional view on the Equinox Area Expansion and then consult separately on that provisional view before reaching any final determination on whether consent should be granted.[320]

8.13 In relation to the conditionality of the Equinox Offer, INCA noted that these terms were evaluated by Ofcom when the Equinox Offer was originally introduced, and the regulatory framework for that assessment remain substantially the same now as when the original evaluation was undertaken. That said, it considered that market conditions, subject to which the regulatory framework should be applied, have changed and it was essential that Ofcom consider carefully whether it would reach the same conclusion today as was reached at the introduction of the Equinox offers.[321]

8.14 VodafoneThree did not object to the extension of the Equinox Offer area. It considered that amendment extends the existing Equinox terms to additional premises released RFS, rather than changing the underlying commercial mechanism and did not identify any specific competition concern arising from that extension.[322]

8.15 Substantial Group said that extending the geographic availability of terms previously assessed by Ofcom is not itself evidence of competitive harm. In relation to conditionality, Substantial Group noted our previous assessment of the Equinox Order Mix arrangements and said unless expansion of the Offer Area changes the practical operation of those arrangements, it does not identify a separate conditional barrier from the public evidence currently available. However, it referred to the incremental economic effect from additional

[318] Openreach letter to Ofcom, dated 30 July 2026.
[319] Nefibre Equinox Extension Letter, Page 1.
[320] VMO2 Consultation response, Page 9.
[321] INCA Consultation response, Page 41.
[322] VodafoneThree Consultation response, Page 3.

RFS premises becoming eligible for the existing Equinox commercial terms which is relevant to Ofcom's assessment of Openreach's effective prices in the Consultation. It said we should confirm whether the premises newly brought within the Equinox Offer Area were already reflected in our analysis of prices in the Consultation. If these premises were not, we should identify whether extending Equinox pricing to those premises changes the effective Openreach prices applicable in our assessment.[323]

Our assessment

8.16 We have assessed the following elements relating to the proposed amendment to the Equinox Offer footprint:

- Whether the extension to the Equinox Offer footprint raises conditionality concerns
- Whether the extension to the Equinox Offer footprint raises concerns that the level of prices is not fair and reasonable
- Whether the geographic price differences relating to FTTP connections amount to undue discrimination.

Conditionality of the offer

8.17 Openreach's notification of the amendment to the Equinox Offer was made pursuant to TAR26 SMP Condition 8.6 as the prices in the Equinox Offers are conditional on the volume and/or range of services published.

8.18 We assessed the Equinox 1 and Equinox 2 Offers in 2021 and 2023 respectively and concluded that the conditional terms do not potentially create a barrier to using altnets.[324]

8.19 Following our 2021 decision on the Equinox 1 Offer, in 2022 we carried out a monitoring exercise. We carried out another such exercise in 2024, following our decision on the Equinox 2 Offer in the preceding year.[325]

8.20 We do not consider that the notified amendment to the Equinox Offer footprint alters the fundamental structure of the offer and/or impacts our previous assessment and conclusions relating to the conditionality of the Equinox Offer. Our view is the conditional terms, including the extended Equinox Offer footprint, do not potentially create a barrier to using altnets.

Level of prices

8.21 As set out earlier in this document, our consideration of concerns around low FTTP prices is informed by our assessment of how Openreach's FTTP prices compare to our estimate of a reasonably efficient operator's costs derived from the 2026 Fibre Cost Model ("the REO cost range").

8.22 In determining the REO cost range, we make a set of assumptions regarding the characteristics of our reasonably efficient operator, including geographic footprint. As set out in the TAR26 Statement, our REO cost range is set with reference to the geographic footprint of the expanded WLA Area 2. More specifically, in our high-cost scenario, we

[323] Substantial Group Consultation response, Page 9.
[324] Openreach Proposed FTTP Offer starting 1 October 2021, Statement, Ofcom, 30 September 2021; and Openreach Proposed FTTP Offer starting 1 April 2023 (Equinox 2), Statement, Ofcom, 24 May 2023.
[325] These monitoring exercises involved gathering and assessing information from Openreach and key ISPs. We referred to our monitoring work in the 2023 Equinox 2 Statement. Ofcom. February 2023. Statement on Openreach proposed FTTP offer (Equinox 2). Paragraphs 2.5 and 3.91.

estimate the average cost for an REO deploying FTTP reflecting the 20m lowest cost premises in WLA Area 2; and in our low-cost scenario, we estimate the average cost of an REO deploying FTTP reflecting the 5m lowest cost premises in WLA Area 2.

8.23 Importantly, these assumptions are implicit in our estimate of the REO cost range and are disconnected from Openreach's Equinox Offer footprint. As such, Openreach's proposed extension to its Equinox footprint does not impact our assessment comparing prices with the REO cost range.

8.24 We previously did a prima facie assessment of prices in the Equinox Offer and these did not raise competition concerns. The proposed expansion to the Equinox footprint does not change the level of prices and therefore, given the above, does not raise concerns relating to Openreach's fair and reasonable requirements.

8.25 In response to Substantial Group's comment, and since our estimate of the REO cost range is disconnected from Openreach's Equinox Offer footprint, we can also confirm that the premises newly brought within the Equinox Offer Area does not impact our assessment of the level of prices relating to Openreach's FTTP commercial offers notified in June 2026.

Geographic terms of the offer

8.26 Under Openreach's Equinox Offer, FTTP connection prices differ between geographic areas based on the boundaries defined in our WFTMR21. Therefore, the extension to the Equinox Offer footprint will mean that new premises that become eligible will also be priced according to the WFTMR21 market boundaries rather than those defined in the TAR26. This will introduce additional geographic variation in prices within the TAR26 WLA Area 2 market.

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

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

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

Whether geographic prices are objectively justified

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

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

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

8.31 We do not have evidence that the differences in FTTP connection prices in the extended Equinox footprint in WLA Area 2 reflect differences in the cost of FTTP connections in those areas.

8.32 Therefore, we turn to assessing the geographic offer with reference to our overall policy objectives and whether the price differential is capable of harming competition in the long-term.

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

8.33 In Annex 8 to our TAR26 Statement, we discussed three ways in which geographic price differences are capable of harming network competition:[326] [327]

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

8.34 We do not consider that the geographic differences in FTTP prices as a result of Openreach extending the Equinox Offer footprint is capable of harming network competition, including in any of these three ways.

8.35 Firstly, the geographic differences in FTTP prices in WLA Area 2, do not arise as a result of Openreach targeting prices in particular areas. Rather they are a result of Openreach's Equinox connection prices being set with reference to the geographic boundaries in our WFTMR21 and these not matching the updated market boundaries we set in the TAR26 Statement. Therefore, we do not have concerns that Openreach is targeting its prices where rival networks are planning to build or are present but not yet ready to compete.

8.36 Secondly, we sought to understand the potential impact of any additional geographic pricing within WLA Area 2 as a result of the extension of Equinox pricing on WFTMR21 market boundaries to additional premises. Specifically, we have considered how prices to premises built from December 2026 would compare if Openreach were instead to charge the Area 2 and Area 3 FTTP connection prices in Equinox according to the TAR26 market boundaries. To do this, we have compared the geographic market boundaries under the WFTMR21 and TAR26, in areas where Openreach has not yet built FTTP, to gauge whether

[326] TAR26 Statement, Annex 8, Paragraphs A8.17 – A8.45.
[327] In the TAR26 Statement, we also explained that these are not necessarily exhaustive and there may be other ways in which geographic targeting could harm competition.

the geographic price differences are likely to harm the development of network competition.[328]

- 70% (i.e. majority) of the premises where Openreach has not yet built FTTP were classified as being in the same geographic area in the WFTMR21 and our TAR26 Statement.[329] This means there would be no difference in the level of FTTP connection prices for these premises.
- 24% of the premises were classified as Area 3 in the WFTMR21 but classified as WLA Area 2 in our TAR26 Statement. This means that Openreach will charge higher FTTP connection prices for these premises, compared to a case where Area 2 FTTP connection prices in Equinox apply across all of WLA Area 2 as defined in the TAR26 Statement. In the TAR26 Statement, we concluded that allowing higher FTTP connection prices is unlikely to harm the development of network competition.[330]
- Just 7% of premises were classified as Area 2 in the WFTMR21 but classified as WLA Area 3 in our TAR26 Statement. This means that Openreach will charge lower FTTP connection prices for these premises, compared to a case where Area 3 FTTP connection prices in Equinox apply across all of WLA Area 3 as defined in the TAR26 Statement.

8.37 This indicates that the additional differential geographic pricing that would result from the expanded Equinox Offer footprint within TAR26 WLA Area 2 will mean that Openreach charges the same or higher FTTP connection prices than would otherwise be the case. We consider this is unlikely to harm the development of competition.

Our conclusion

8.38 We have assessed the proposed Expansion to the Equinox Offer. We have determined that the conditional terms do not raise competition concerns. We have also determined that the price levels do not raise concerns relating to Openreach's fair and reasonable requirement.

8.39 Under the Openreach's Equinox Offer, FTTP connection prices differ between geographic areas based on the boundaries defined in our WFTMR21, with higher connections prices in WFTMR21 Area 3 compared to those in WFTMR21 Area 2. In our TAR26 Statement, we decided to include a narrow carve out in the geographic discrimination prohibition for the existing Equinox Offer FTTP connection charges based on the Equinox Offer as of 1 April 2026.

8.40 Our view is the differential pricing as a result of extending the Equinox Offer footprint is unlikely to harm competition in the long term.

8.41 In summary, we do not consider the amendment to the Equinox Offer footprint would harm long-term competition such that it would constitute undue discrimination. We are therefore content for Openreach to implement the amendments to the Equinox Offer to expand the offer area with effect from 1 December 2026.

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[328] Our analysis compares the geographic WLA market classification in the WFTMR21 and TAR26, for premises not passed by Openreach FTTP in January 2026. Our analysis is conducted at postcode sector level. We define presence as covering at least 50% of premises in a postcode sector.

[329] 52% of the premises were classified as Area 2 in both the WFTMR21 statement and in our TAR26 Statement. 18% of the premises were classified as Area 3 in both the WFTMR21 Statement and in our TAR26 Statement.

[330] TAR26 Statement, Volume 3, Paragraph 9.77.

8.42 Given our assessment above, and taking account of stakeholder responses to our 4 August 2026 request for input, we do not consider it is necessary or proportionate to consult further on this issue.

Other issues

8.43 We now address other issues raised by stakeholders to our Consultation that were not specific to one offer.

Role of smaller providers in the supply chain

Stakeholder comment

8.44 FCS was concerned over the ability of providers within the complex supply chain to take advantage of Openreach offers. It explained that smaller Internet Service Providers/Managed Service Providers/Communication Providers/resellers will not be buying directly from Openreach, but instead will purchase products via BT Wholesale, or a wholesaler/ aggregator who buys from BT Wholesale. FCS said there is no guarantee that BT Wholesale will pass on any special offers to its customers and no ex-ante regulatory reason why BT Wholesale could not pass on any savings from the offer to BT Retail only.

8.45 FCS also highlighted practical issues as to why wholesalers may find it difficult to pass on short-term offers to a complex supply chain, as this can require costly system and billing changes.[331]

Our response

8.46 In our TAR26 Statement, we decided to impose remedies, in light of our SMP findings in the following markets: physical infrastructure; wholesale local access (WLA); leased lines access (LLA); and inter-exchange connectivity (IEC) only. Markets further downstream from these were not part of our review and therefore not subject to SMP regulation. This reflects our preferred approach to regulation, which is to intervene at the most upstream level of the value chain in order to promote competition in as much of the value chain as viable, and to deregulate where effective competition develops.

8.47 Given this approach, we do not regulate BT Wholesale or other wholesale aggregators that operate in downstream markets from those covered in our TAR26 Statement. As such, it is the commercial decision of competing wholesale aggregators on whether, and how, to pass on any savings from Openreach's commercial offers.

Repeated commercial offers

Stakeholder comments

8.48 Nexfibre raised similar concerns as those in its CFI response about Openreach "drip-feeding" offers. It said that whether by intention or effect, Openreach's drip feeding of new offers has a chilling effect on competition.

8.49 It said [✂].

8.50 Nexfibre considered that the constant drip feeding of price offers by Openreach has the effect of raising switching costs for CPs to altnets to foreclose the market. It therefore considered this strategy to be anticompetitive in its own right regardless of the level of

[331] FCS Consultation response, Page 3.

prices offered by Openreach and asked that Ofcom considers this matter more rigorously.[332]

8.51 VMO2 also said Ofcom should take the developing pattern of Openreach conduct duly into account when reaching its final decisions on the present Special Offers. Its assessment should extend beyond the arithmetic effect of overlapping discounts to consider the frequency, timing, sequencing and interaction of the Special Offers, and their effects on ISP expectations, wholesale negotiations and commitments to competing networks.

8.52 VMO2 added the present Special Offers also demonstrate the need for a clearer and more systematic approach to repeated and evolving Openreach offers.

8.53 VMO2 said we should therefore use our Competition Supervision Programme to commence an own-initiative programme of work to identify and analyse those wider competitive effects. It said that work should commence following the final decisions in relation to the offers currently under consideration, rather than awaiting the notification of the next Openreach offer.[333]

8.54 Openreach noted stakeholder comments made in response to CFI relating to the signals that a repeated pattern of notifications may send about Openreach's future conduct and the impact on competition. It said these concerns overlook the essential role that dynamic competition plays in shaping both pricing and customer behaviour, and rest on the mistaken premise that Openreach should compete only on a static basis, disregarding the requirements of its ISP customers and the way the market is developing. It considered that negotiating with ISP customers and responding to their needs is a key element of competition on the merits.[334] Openreach similarly said in the context of its ethernet offers, that it disagreed its offers unfairly reduce churn or negatively affect customers or providers.[335]

8.55 Openreach said it has been told by Ofcom that competition is not sustainable at this time, but not how Ofcom has assessed sustainability and how these offers would affect it, nor which factors Ofcom may consider when assessing sustainability. It asked for Ofcom to provide further clarity to avoid Ofcom blocking further offers.[336]

Our response

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

8.57 In our view, what matters is that our package of remedies in the TAR26 means we can intervene to prevent a scheme that would harm the development of network competition. We have been clear that we stand ready to intervene in such circumstances, and we are intervening by directing Openreach to withdraw the Incremental New to Openreach Offer.

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[332] nexfibre Consultation response, Page 32.
[333] VMO2 Consultation response, Page 50.
[334] Openreach Consultation response, Page 38-39.
[335] Openreach Consultation response, Page 34-35.
[336] Openreach Consultation response, Page 40.

8.58 That said, given Openreach's position in the market and its SMP, it has a special responsibility not to behave in a way that restricts or distorts network competition. For example, we would be concerned if we saw evidence of Openreach repeatedly proposing schemes that warrant intervention under the regulatory framework we have put in place. The announcement of such offers can undermine investor confidence, particularly given the time needed to properly assess the offers and intervene (where necessary). We note that the complexity of offers – both standalone and as a result of any interaction with existing and proposed offers – makes them more difficult to understand and assess in a timely manner.[337]

8.59 Openreach has asked for further clarity regarding factors that Ofcom may consider when assessing the sustainability of competition, so as to avoid the risk of offers being repeatedly submitted and blocked. We do not think it is appropriate to attempt to set a bright line on whether competition is sustainable, particularly given the market is still developing, but we consider that our TAR26 Statement gives guidance on the factors that we will consider when assessing the strength of competition.

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

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

[337] We consider the notified offers (alone and in combination) to be relatively complex, especially given their temporary nature. We observe that several stakeholders had genuine misunderstandings about certain aspects of the offers.

9. Legal Tests

9.1 In Section 5, we set out our view that Openreach's discounted FTTP prices under its Incremental New to Openreach Customer Offer are not fair and reasonable and therefore not compatible with its obligations under SMP Conditions 1.3 - 1.5 to provide access to such services on fair and reasonable terms, conditions and charges.

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

9.3 We are making this direction under SMP Condition 1 and SMP Condition 8.[338] SMP Condition 1 requires Openreach to provide network access on reasonable request and includes the requirement that it provides access to its FTTP services on fair and reasonable terms, conditions and charges. Condition 8 requires Openreach to publish its terms, conditions and charges and provide Ofcom and every person with whom it has an access contract with a notice if it is proposing to amend its terms, conditions and charges.

Section 49 tests

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

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

Objectively justified

9.5 We consider that the direction we are making is objectively justifiable for the reasons set out in Section 5 of this Statement. In summary, the direction addresses our concerns about the discounts available under Openreach's Incremental New to Openreach Customer Offer. In particular, if the offer is not withdrawn, we are concerned that the discounts it makes available may operate as a price squeeze and undermine the ability of a reasonably efficient operator to recover its costs. We consider this may harm long-term competition in WLA Area 2 by discouraging future investment and expansion by altnets and thereby weakening the competitive constraint that Openreach might otherwise face. Our direction is therefore in line with our objective for WLA Area 2 to promote investment and competition in gigabit capable networks.

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

9.6 While we do not have a regulatory objective of promoting network competition in WLA Area 3,[339] we recognise that since 2021 some altnets have made commercial decisions to build networks against the backdrop of Openreach's WLA Area 3 pricing being subject to a cost-based charge control. We also recognised in the TAR26 Statement the importance of regulatory stability and certainty for investors given the long-term nature of the investments they are making. We consider the discounts available under the Incremental New to Openreach Customer Offer do not provide a sufficient margin in line with the opportunity for market entry that existed when the altnets made their investment. We therefore consider that their withdrawal is consistent with our underlying objective of maintaining incentives to invest.

Not such as to discriminate unduly

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

Proportionate

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

Transparent

9.9 We consider that the direction is transparent in relation to what is intended to be achieved. The text of the direction is published in Annex 2, and we have explained its effect in this Statement. Our Statement also sets out our analysis of responses to the Consultation and the basis for our decision.

Ofcom's duties

9.10 We consider the direction we are making meets our duties as set out below.

Duties under sections 3 and 4 of the Act

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

[339] For our review of WLA market in the TAR26, for the purposes of making a market power determination, we identified the WLA Area 3 geographic market, consisting of postcode sectors in which there is not, and there is unlikely to be potential for, material and sustainable competition to BT in the commercial deployment of competing networks (TAR26 Statement, Volume 2).

gigabit-capable networks, through network competition where viable. Such networks can deliver benefits for consumers in terms of higher speed and better quality services.

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

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

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

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

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

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

Statement of Strategic Priorities

9.16 Our view is that our direction is consistent with the UK Government's current Statement of Strategic Priorities (‘SSP’) for telecommunications, the management of radio spectrum, and postal services (the ‘2026 SSP‘).[340] In particular, by requiring Openreach to withdraw commercial arrangements that we consider could have a detrimental effect on the establishment of sustained competition, while sustained competition is still developing, it is consistent with the Government’s strategic priorities of encouraging investment and growth and supporting competition, to meet the Government’s ambition to provide gigabit-capable networks and make them available to 99% of premises by 2032.

The Growth Duty

9.17 We have also had regard to our “growth duty”, a statutory obligation to have regard to the desirability of promoting economic growth when carrying out our functions under the Act and to the statutory guidance that accompanies that growth duty.[341] We do so in the context of our primary duty to further the interests of citizens and consumers, where appropriate by promoting competition, and having regard, in particular to the desirability of encouraging investment and innovation.

9.18 For the reasons set out above, we consider that the direction will promote investment and competition in gigabit capable networks. In reaching this decision, we are considering not only consumers’ and business’ interests today, but thinking about the investment, innovation and competition that is needed to deliver for consumers and businesses in the future. We have also considered how to positively affect the key drivers of economic growth identified in the guidance. We consider the key drivers relevant to our decision are infrastructure and investment, innovation and competition for the reasons set out in the TAR26 Statement.[342]

[340] The 2026 SSP accessed on 21 September 2026.
[341] Section 108 of the Deregulation Act 2015.
[342] TAR26 Statement, Volume 3, Section 1, Paragraphs 1.174 – 1.177, 1.179 – 1.181.

A1. Legal framework

Introduction

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

A1.2 At the conclusion of our recent Telecoms Access Review 2026 – 31, in a notification under sections 48(1) and 79(4) of the Act dated 17 March 2026, we set SMP conditions on BT which took effect on 1 April 2026.[343] In the paragraphs below, we describe the specific SMP conditions relevant to our decision and our statutory duties when carrying out our assessment.

Notification of Openreach offers

A1.3 SMP Condition 8 requires BT to publish the terms, conditions and charges on which it provides network access.[344] Where it proposes amendments to those terms, conditions and charges, it must provide us and industry with advance notice.[345]

A1.4 The duration of the notice BT must give depends on the nature of the amendment it is proposing. Where BT is proposing to introduce a special offer, that is a temporary price reduction for a particular product or service which is available to all customers on a non-discriminatory basis and applies for a limited period, the notice period is generally 28 days.[346]

A1.5 However, where the offer price or other contractual conditions are conditional on the volume or range of services that the customer buys, BT must issue its notice not less than 120 days before the offer takes effect.[347]

A1.6 BT must comply with any direction that Ofcom gives under SMP Condition 8.[348] Any such a direction is subject to the statutory requirements in the Act, namely that we are satisfied that the consent is objectively justified, not unduly discriminatory, proportionate and transparent.[349] We must also meet the procedural requirements in section 49A of the Act, including that we consult on the proposed direction for at least 30 days, unless we consider that the proposed direction would not have a significant impact on any market or there are exceptional circumstances and an urgent need to act to safeguard competition and protect the interests of consumers.

A1.7 Ofcom has power to consent in writing to a variation to these requirements.[350] As with a direction such a consent is subject to the statutory tests in the section 49(2) and the procedural requirements in section 49A of the Act.

[343] TAR26 Statement, Volume 7(A).
[344] SMP Condition 8.1.
[345] SMP Condition 8.3.
[346] SMP Condition 8.5(c).
[347] SMP Condition 8.6.
[348] SMP Condition 8.14.
[349] Section 49(2) of the Act.
[350] SMP Condition 8.1.

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

A1.9 In the TAR26 Statement, we provided guidance on our analytical framework for assessing conditional terms and the circumstances when they may give rise to competition concerns.[351]

Prohibition on undue discrimination and geographic pricing

A1.10 Under SMP Condition 4, save to the extent Ofcom may consent in writing, BT is prohibited from unduly discriminating against any person or description of persons, when providing network access under SMP Condition 1 and SMP Condition 2. BT may be deemed to have shown undue discrimination if it charges different prices in different geographic areas within WLA Area 2 for FTTP rental or connection services.[352] There is a similar restriction on BT charging different prices in different geographic areas in LLA Area 2 in relation to connection and rental prices for LLA services.[353]

A1.11 As set out in the TAR26 Statement, we interpret undue discrimination as arising where Openreach "does not reflect relevant differences between (or does not reflect relevant similarities) in the circumstances of customers in the transaction conditions it offers, and where such behaviour could harm competition".[354] We provided guidance on how we would consider discount schemes which involve geographic price differentiation within WLA Area 2[355] and LLA Area 2[356] and said that we would also take account of our wider 2005 guidance on undue discrimination by SMP providers.

Fair and reasonable pricing

A1.12 Under SMP Condition 1, BT must provide network access to third parties. In relation to the markets identified in the TAR26 Statement as WLA Area 2 and WLA Area 3, BT must provide access to its FTTP rental and connection services on fair and reasonable terms, conditions and charges.[357]

A1.13 In the TAR26 Statement, we set out our concerns about Openreach's ability to set its FTTP prices at a level that undermines the opportunity for a reasonably efficient operator to recover its costs, harming the development of competition and detrimental to consumers in the long term. We outlined the factors we would take into account when considering whether Openreach's FTTP prices are fair and reasonable.[358]

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

[351] TAR26 Statement, Annex 8, Paragraphs A8.64 – A8.77.
[352] SMP Conditions 4.1 and 4.5. There is an exception for discounted FTTP connection prices charged in accordance with the terms of the Equinox 1 or Equinox 2 offers as at 1 April 2026 under SMP Condition 4.5(b).
[353] SMP Condition 4.7.
[354] Ofcom. 2005. Undue discrimination by SMP providers, Paragraph 3.5.
[355] TAR26 Statement, Annex 8, Paragraphs A8.8 – A8.46.
[356] TAR26 Statement, Annex 8, Paragraphs A8.47 – A8.63.
[357] SMP Conditions 1.3 – 1.5.
[358] TAR26 Statement, Volume 4, Section 1, Paragraphs 1.170 – 1.181.

controlled.[359] BT is required to provide access to its LLA services on fair and reasonable charges in the HNR area, because these services are not charge controlled.[360] We explained in the TAR26 Statement that, given BT's vertical integration and in the absence of a charge control, there is a risk of a price squeeze between the wholesale LLA market and the retail market sufficient to warrant this further regulation.[361]

Ofcom's general duties

Section 3 of the Act

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

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

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

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

Section 4 of the Act

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

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

[359] SMP Condition 1.4.
[360] SMP Condition 1.3.
[361] TAR26 Statement, Volume 3, Section 4, Paragraphs 4.32 – 4.34.

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

vi) to promote connectivity and access to very high capacity networks[362] by members of the public and businesses in the United Kingdom.

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

UK Government's Statement of Strategic Priorities

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

A1.21 On 27 April 2026, the Secretary of State designated the current SSP for telecommunications, the management of radio spectrum, and postal services (the '2026 SSP').[363] We have a duty to have regard to the 2026 SSP in carrying out our telecoms functions.

Desirability of promoting economic growth

A1.22 In exercising our regulatory functions, we are also required to have regard to the desirability of promoting economic growth (the 'growth duty').[364] In particular, we must consider the importance for the promotion of economic growth of exercising the regulatory function in a way which ensures that regulatory action is taken only when it is needed, and any action taken is proportionate. Section 110(3) of the Deregulation Act 2015 requires us to have regard to the 'Growth Duty: Statutory Guidance' (revised by Government in May 2024).

Impact assessment

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

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

[362] A "*very high capacity network*" is set out in section 4(12A) of the Act as meaning "an electronic communications network which—
(a) consists wholly of optical fibre elements at least up to the distribution point at the serving location; or
(b) is capable of delivering, under usual peak-time conditions, network performance that, in OFCOM's opinion, is similar, in terms of available downlink and uplink bandwidth, resilience, error-related parameters and latency and its variation, to the network performance of a network falling within paragraph (a)."
[363] The 2026 SSP accessed on 21 September 2026.
[364] Section 108 of the Deregulation Act 2015, which was extended to Ofcom's regulatory functions by The Economic Growth (Regulatory Functions) (Amendment) Order 2024.

A1.25 Our Consultation included our impact assessment for the purposes of section 7 of the Act (in Sections 3 -7). We also referred to the impact assessments we carried out in relation to the WLA and LLA remedies we set in the TAR26 Statement.[365]

A1.26 The relevant duties in relation to our decisions are set out in this Annex. The decisions apply to fixed telecoms markets and underpin broadband and business connections, and the connections used by communications providers, including mobile operators, to support their services.

A1.27 Our decisions here are in line with our strategy since 2016, and the decisions we took in the TAR26, which were designed to continue to promote competition and investment in high quality gigabit-capable networks.

A1.28 The network competition we are seeking to promote should bring longer term benefits from innovation, choice, and stronger incentives to price keenly to attract customers and to further improve quality of service.

A1.29 Investment in faster, more reliable, future-proof networks has a direct positive impact on consumers and businesses that use these networks for work, accessing public services and entertainment, while also driving economic growth.

A1.30 We are not intervening in relation to all but one of the offers notified by Openreach. We have decided to direct Openreach to withdraw the Incremental New to Openreach Customer Offer.

A1.31 Although our direction is a new regulatory intervention, as explained in Section 5 above, we consider its impact would be consistent with our policy objectives as set out in the TAR26 Statement. As above, we also refer to the impact assessment we carried out for the WLA remedies we set in the TAR26 Statement.

Equality impact assessment

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

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

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

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

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

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

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

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

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

A1.38 In our Consultation, we considered whether our proposal to direct Openreach to withdraw the Incremental New to Openreach Customer Offer would have an impact on equality groups. We considered that our direction would not affect any specific group of persons (including persons that share protect characteristics under the 2010 Act or the 1998 Act) differently to the general population. We did not receive any comments on our Equality Impact Assessment.

A1.39 Our decision to make the direction is aligned with the proposal set out in our Consultation. Our view on the impacts of our decision on equality groups is therefore similar to the view set out in our Consultation. We consider that our direction would not affect any specific group of persons (including persons that share protect characteristics under the 2010 Act or the 1998 Act) differently to the general population.

A2. Direction

Notification under section 49 of the Communications Act 2003 to give a direction under SMP Conditions 1.11 and 8.14 requiring the withdrawal of an Access Change Notice published by BT on 1 June 2026 (“Notification”)

Background

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

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

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

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

5. On 28 July 2026, Ofcom published the Consultation setting out Ofcom’s provisional view that Openreach’s discounted FTTP prices in Access Change Notice OR1108 would not be fair and reasonable as required by SMP Conditions 1.3 - 1.5.

6. In accordance with section 49 and 49A(3) of the Act, Ofcom proposed making a direction under SMP Conditions 1.11 and 8.14 requiring Openreach to withdraw the Access Change Notice OR1108. The effect of, and reasons for giving, the proposed direction are set out in the Consultation, in particular section 4.

7. The notification of the proposed direction was published in Annex 2 of the Consultation and a copy was sent to the Secretary of State under section 49C(1)(a) of the Act. Ofcom invited responses to the Consultation by 27 August 2026.

8. Ofcom received several responses in relation to the proposals set out in the Consultation and it carefully considered every such representation. The Secretary of State did not notify Ofcom of any international obligation on the United Kingdom for the purposes of section 49A(6)(b) of the Act.

9. On 28 September 2026, Ofcom published the Statement in which it concluded that Openreach’s discounted FTTP prices in the Access Change Notice OR1108 would not be fair and reasonable as required by SMP Conditions 1.3 - 1.5.

Decision to give direction

10. Ofcom has decided, in accordance with section 49 of the Act, to give a direction under SMP Conditions 1.11 and 8.6, requiring BT to withdraw Access Change Notice OR1108, as set out in the Schedule to this Notification (the "Direction").

11. The effect, and reasons for giving, the Direction are set out in the Statement accompanying this Notification.

Ofcom's duties and legal tests

12. Ofcom considers that the Direction complies with the requirements of section 49(2) of the Act for the reasons set out in the Statement.

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

Notification to the Secretary of State

14. In accordance with section 49C(1)(b) of the Act, a copy of the Direction has been sent to the Secretary of State.

Interpretation

15. For the purpose of interpreting this Notification:

   (a) except in so far as the context otherwise requires, words or expressions have the meaning assigned to them (i) in paragraph 16 below; (ii) otherwise, in the 2026 SMP Conditions Notification and (iii) otherwise the Act;

   (b) headings and titles shall be disregarded;

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

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

16. In this Notification:

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

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

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

   (d) "**Consultation**" means the consultation document published by Ofcom on 28 July 2026 titled "Openreach's proposed commercial offers, FTTP and Ethernet offers – notified 1 June 2026";

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

(f) **“Statement”** means the statement published by Ofcom on 28 September 2026 titled “Openreach’s proposed commercial offers, FTTP and Ethernet offers – notified 1 June 2026 and 30 July 2026”;

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

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

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

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

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

Signed

Ben Harries

Policy Director, Infrastructure and Connectivity Group, Ofcom

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

28 September 2026

Schedule

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

Background

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

Direction

9. Ofcom has decided to give the directions set out in paragraph 10 with effect from 28 September 2026.
10. Ofcom directs BT to withdraw Access Change Notice OR1108 by no later than 30 September 2026.