

## **Changes to BT and KCOM's regulatory and financial reporting 2013/14 update**

### **Response by KCOM**

**23 January 2014**

KCOM welcomes the opportunity to provide comments on Ofcom's regulatory and financial reporting 2013/14 update. KCOM trading as KC is subject to specific regulatory reporting obligations in relation to a number of defined product markets in the Hull area as a result of Ofcom concluding that the business has SMP in those markets.

Since the consultation on the regulatory and financial reporting 2012/13 update, Ofcom has issued a number of final statements in relation to markets in which KCOM is regulated and subject to accounting obligations. These have resulted in changes to KCOM's regulatory reporting obligations and we are keen to ensure that all necessary changes are made to the formal legal instruments to reflect those changes.

#### **Narrowband Market Review**

We agree with the proposed removal of reporting in respect of call termination and interconnect circuits following the conclusion of the Narrowband Market Review.

We note that call origination remains subject to an accounting separation obligation previously having been subject to basis of charges and cost accounting obligations. We query whether any further changes need to be made to KCOM's formal obligations to reflect these changes?

#### **Business Connectivity Market Review**

In the Business Connectivity review concluded in March 2013, an accounting separation obligation was imposed on KCOM in respect of wholesale leased line services in the Hull area. This differs from the review concluded in 2008 when cost orientation and accounting separation were imposed but with a stipulation that they should only come into effect if KCOM failed to adhere to its voluntary undertakings on pricing for wholesale leased line services.

We are unclear whether the change in obligation requires any change to the legal instruments specifying KCOM's regulatory and financial obligations. We note that at paragraph 16.31 of the Business Connectivity Market Review statement published on 28 March 2013 Ofcom states that:

"Consistent with our approach in other market reviews, we intend to implement our decisions regarding the imposition of regulatory financial reporting obligations in relation to BT and to KCOM in our annual update through directions applied to BT's, and to KCOM's, regulatory financial reporting obligations."



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We would appreciate Ofcom's confirmation that the relevant legal instruments have been reviewed and that no further changes are necessary.



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