Promoting competition and investment in fibre networks: Hull Area Review 2026-2031

Volume 4: Regulatory financial reporting

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Statement

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1. Introduction

1.1 In this volume we set out our decisions on KCOM's regulatory reporting requirements for the markets in which we have determined it has SMP. KCOM will be subject to these requirements from 1 April 2027. Our decisions cover the preparation and presentation of information published by KCOM, and information provided privately to Ofcom.

Regulatory framework

1.2 We set out the relevant regulatory framework for market reviews and the imposition of significant market power (SMP) conditions in Volume 1 and Annex 5.

1.3 In relation to regulatory financial reporting, we have powers under the Communications Act 2003 (the Act) to impose SMP conditions including the following:

a) a requirement to maintain accounting separation, including requirements about the accounting methods to be used in maintaining the separation.[1]

b) requirements to publish information for transparency purposes, with the information and the manner of publication to be directed by us.[2]

c) rules about the use of cost accounting systems for the purposes of price controls and about the recovery of costs and cost orientation.[3]

d) requirements in relation to the application of presumptions in the fixing and determination of costs for the purposes of the price controls, recovery of costs and cost orientation rules, and the cost accounting system.[4]

1.4 Where we impose cost accounting requirements, we also have a duty to set an SMP condition which requires the dominant provider to publish a description of the cost accounting system and to include in that description details of:

a) the main categories under which costs are accounted for; and

b) the rules applied for the purposes of that system with respect to the allocation of costs.[5]

Regulatory financial reporting

1.5 In the HAR26 December 2025 Consultation[6] we proposed to impose accounting separation and cost accounting obligations in each of the proposed SMP markets.

1.6 No respondents to the consultation disagreed with our proposal.[7] Responses to our consultation focused on the information we proposed to require KCOM to prepare and provide for each market (see section 3).

[1] Sections 87(7) and 87(8) of the Act.
[2] Section 87(6)(b) of the Act.
[3] Section 87(9)(b) and (c) of the Act.
[4] Section 87(10) of the Act.
[5] Section 87(11) of the Act.
[6] Ofcom. December 2025. Consultation: Promoting competition and investment in fibre networks: Hull Area Review 2026-2031. (HAR26 December 2025 Consultation.)
[7] Whilst KCOM disagreed with the imposition of regulatory financial reporting requirements in the WLA market, this is consequential to their disagreement with our SMP finding in this market see Volume 2, Section 2.

1.7 We have therefore decided to impose accounting separation and cost accounting obligations by way of a single SMP condition and associated directions (see Volume 5) which specify what information we require KCOM to prepare and provide for each market. Further details of the accounting separation and cost accounting obligations are set out below, with reasoning on specific aspects of them in the following sections.

Accounting separation

1.8 We have decided to impose an accounting separation obligation on KCOM in each of the SMP markets. The obligation requires KCOM to account separately for regulated services, markets, and where appropriate, internal and external sales. We consider that this obligation is necessary to monitor the overall impact and effectiveness of the remedies imposed and, in particular, to monitor KCOM's activities with regard to its no undue discrimination obligations.[8] The obligation is also necessary to give transparency to stakeholders that KCOM has complied with its SMP conditions. Such transparency provides reassurance to stakeholders which promotes competition in the markets concerned and enables Ofcom to benefit from stakeholder input in monitoring compliance. Additionally, it supports the overall success of the regulatory framework by requiring robust information to be created and retained during a market review period. This provides us with an evidential base to monitor the effectiveness of the current regulation, and for designing appropriate SMP regulation for the next review period, should there be a continued need for it.

1.9 Requiring KCOM to produce financial statements on each regulated wholesale market, combined with an obligation to attribute costs in a fair, objective and transparent way (via the cost accounting obligation) can also help prevent unfair cross-subsidy by ensuring that costs are not inappropriately loaded onto one set of regulated products to the benefit of another set of regulated products or unregulated products. We consider that this helps ensure that competition develops fairly, which ultimately benefits consumers, and is the least onerous obligation necessary to ensure a mechanism exists to allow us and stakeholders to monitor potentially discriminatory behaviour by KCOM.

1.10 We consider that our decision to impose an accounting separation obligation, together with a cost accounting obligation (see below), will help ensure the purposes of regulatory reporting objectives below are met.

Cost accounting

1.11 Cost accounting obligations require the dominant provider to maintain a cost accounting system (a set of processes and systems) to capture the costs, revenues, assets and liabilities associated with the provision of services and to attribute them in a fair, objective and transparent manner to individual services in order that the costs of individual services may be determined.

1.12 We have decided to impose a cost accounting obligation in the SMP markets to ensure that the processes and rules used by KCOM to attribute revenues and costs to individual markets and services are fair, objective and transparent. The cost accounting obligation is an important means of ensuring that:

[8] The accounting separation obligation requires KCOM to account separately for internal and external sales, which helps Ofcom and stakeholders monitor the activities of KCOM to ensure it does not discriminate unduly in favour of its own downstream business. In Volume 3, Section 2 we propose to apply no undue discrimination obligations on KCOM in each of the proposed SMP markets.

a) we have the necessary information to monitor and assess the effectiveness of our remedies, and to ensure that the pricing remedies we impose continue to address the competition concerns identified and to enable our timely intervention should such intervention be needed;

b) costs are attributed across markets (and the individual services within them) in a fair, objective, transparent and consistent manner. This mitigates the risk that costs might be unfairly loaded onto particular products or markets, promoting confidence in the market;

c) there is transparency (via publication of the processes and rules followed by KCOM in the DOCAS[9]) which allows us and stakeholder to challenge attribution processes and rules which we do not consider to be fair and objective;

d) publication of cost accounting information aids transparency, providing assurance to stakeholders about compliance with SMP obligations, allowing stakeholders to support Ofcom's monitoring of compliance and more generally promoting competition by providing reassurance that regulatory conditions are complied with; and

e) KCOM records all information necessary for the purposes listed above at the time that relevant transactions occur, on an ongoing basis. Absent such a requirement, there is a possibility that the necessary information would not be available when it was required for monitoring and enforcement purposes, and in the necessary form and manner.

Purpose of regulatory reporting

1.13 As part of the regulatory financial reporting requirements, each year KCOM must prepare regulatory financial statements (RFS) according to a defined framework and methodology. The RFS include published statements as well as information that is not published but submitted to Ofcom privately.

1.14 KCOM's regulatory financial reporting obligations secure the creation and retention of the information needed for our regulation of SMP markets to be, and be seen to be, effective. They provide us with the information necessary to help us make informed regulatory decisions, such as information necessary to assess the impact and effectiveness of our decisions, for example, trends in the usage and returns associated with regulated markets. They also enable us to monitor and, if necessary, enforce no undue discrimination and some price control regulations.

1.15 Publication of such information helps inform stakeholders so they can have confidence that KCOM is complying with its obligations and that regulation is effective and appropriate to achieve its purpose. It enables stakeholders to identify and bring issues to our attention and effectively contribute to the regulatory regime. This promotes confidence in the market, which in turn creates the conditions for effective competition.

1.16 We received four responses in relation to our regulatory financial reporting proposals from CityFibre (in relation to PIA reporting only), Vodafone, MS3 and KCOM. These stakeholders

[9] KCOM's document that sets out the methodology used to prepare its regulatory financial statements (RFS) is called Description of Cost Accounting System (DOCAS) as currently required under Direction 2. The most recent version was published for the year 2024/25 see- KCOM, 13 February 2026. Description of Cost Accounting System (DOCAS): Representing the Primary and Secondary Accounting Statements Together with Wholesale and Retail Catalogues (KCOM 2024/25 DOCAS). Accessed on 18 October 2026.

generally supported the purpose of regulatory financial reporting,[10] with comments focusing on our detailed proposals for publication requirements and private level reporting.

1.17 We have previously said that, consistent with our duties, effective reporting should have the following attributes:[11]

a) **Relevance**. The information needs to answer the right questions, in the right way and at the right time.

b) **Reliability**. The underlying data must be reliable, suitable rules for treatment of data must be chosen and those rules need to be followed.

c) **Transparency.** The basis of preparation should be understood by the users of the reports, and the presentation of the data should be clear.

d) **Proportionality.** The reporting requirements should be proportionate to the benefits.

1.18 In the following subsections, we briefly set out the markets where we have determined KCOM to have SMP and describe the purpose of the SMP condition together with the directions we have decided to give to KCOM.

SMP markets

1.19 In Volume 2 we found that KCOM has SMP in the following product markets:

a) the supply of wholesale local access at a fixed location in the Hull Area (WLA); and

b) the supply of Leased Lines Access in the Hull Area (LLA).

1.20 In this volume we explain that we have decided to apply regulatory financial reporting remedies on KCOM in each of these SMP markets as part of our package of remedies to address the competition concerns identified in our market assessment.

SMP condition

1.21 The 'Regulatory Financial Reporting' SMP condition that we have decided to impose on KCOM includes general requirements for accounting separation and cost accounting. The SMP condition also requires KCOM to produce the RFS, and other accounting documents as directed by Ofcom. The condition is unchanged from 2021.

1.22 The purpose of this SMP condition is to ensure that sufficient and robust information is published by KCOM and provided privately to Ofcom to enable us to perform our duties and for stakeholders to have confidence that KCOM has complied with its SMP conditions.

Directions

1.23 We have also decided to give the following five directions to KCOM under section 49 of the Act and the Regulatory Financial Reporting SMP Condition:

[10] CityFibre's response to HAR26 December 2025 Consultation; VodafoneThree response to HAR26 December 2025 Consultation; MS3 response to HAR26 December 2025 Consultation; and KCOM response to HAR26 December 2025 Consultation.

[11] See for example, Ofcom, 2021. Hull Area Wholesale Fixed Telecoms Market Review 2021-26 (Hull WFTMR21), Volume 3. Paragraph 4.18.

Table 1.1: Regulatory reporting directions

SMP directions	Decision
Network Components Direction - This direction specifies the cost components to be used by KCOM to prepare the RFS.	Unchanged from 2021
Transparency Direction - This direction requires KCOM to ensure that any information, material, or explanatory document it prepares in respect of the RFS is sufficiently transparent, such that a suitably informed reader can gain a clear understanding of the information presented.	Unchanged from 2021
Form of the PPIA[12] Audit Opinion for the RFS Direction. This direction specifies the audit requirements on the RFS.	Unchanged from 2021
Preparation, Audit, Delivery and Publication of the RFS Direction. This direction sets out the broad scope of information that KCOM must report, for each regulated market and on a KCOM wide basis. It also sets out what should be published and what should be audited.	Retained, with amendments
Form and Content Direction. This direction sets out the format and details of the information to be published and provided to Ofcom privately.	Retained, with amendments

1.24 The Preparation, Audit, Delivery and Publication Direction and the Form and Content Direction include new reporting requirements in relation to the introduction of physical infrastructure access (PIA) remedies in the WLA and LLA markets. In relation to both markets, we require the publication of PIA service information and information on external network adjustments. In addition, we have removed the requirement for dark fibre service level reporting within the LLA market. We explain the reasoning for these decisions below.

Structure of this volume

1.25 We require KCOM to publish information relating to the preparation of the RFS, the financial performance of regulated markets and assurance over the RFS. We also require KCOM to provide us with information privately. We discuss each of these requirements in the following sections, setting out our consultation proposals, stakeholder responses and our decisions.

1.26 This volume is structured as follows.

- **Section 1**: Introduction (this section)
- **Section 2**: This section sets out the requirements that are unchanged from the Hull WFTMR21: the Transparency Direction, the Network Components Direction and the Form of the PPIA Audit Opinion Direction
- **Section 3:** This section sets out our decisions for the Preparation, Audit, Delivery and Publication of the RFS Directions and the Form and Content Directions, and in particular our decisions for the information KCOM must publish (including new requirements in relation to PIA) and provide to Ofcom privately.
- **Section 4:** Legal tests. This section sets out why we consider our decisions meet the relevant legal tests set out in the Act. The SMP condition and associated directions are set out in Volume 5.

[12] Properly Prepared in Accordance With (PPIA).

2. Requirements unchanged from the Hull WFTMR21

Our proposals

2.1 In the HAR26 December 2025 Consultation we proposed that the Network Components Direction, Transparency Direction and Audit of the RFS Direction are imposed in the same form as in the Hull WFTMR21.

Consultation responses

2.2 We received no responses in relation to any of these proposed directions.

Our reasoning and decision

2.3 We have decided to impose the Network Components Direction, Transparency Direction and Audit of the RFS Direction as we proposed in the HAR26 December 2025 Consultation, as explained below.

Network Components Direction

2.4 To preserve the integrity and consistency of KCOM's Regulatory Financial Reporting it is important that there is a single list of components used to attribute costs to services in regulated markets.

2.5 We have decided to impose a Network Components Direction in relation to KCOM specifying the cost components to be used by KCOM to prepare the RFS as at 1 April 2027, i.e. the components that must appear in the cost component list as at this date in each of the SMP markets as set out in Volume 5.

2.6 Cost accounting requires KCOM to describe how it has attributed costs to regulated markets. Cost components are fundamental building blocks of KCOM's cost accounting system, and it is important that we and stakeholders understand what components have been used. We have decided that the direction should continue to contain the following network components:

a) Electronics;
b) Field provision;
c) Field maintenance;
d) Local Loop infrastructure;
e) Exchange concentrator;
f) Exchange-exchange Transmission link;
g) Back-office Provision;
h) Back-office Maintenance;
i) Sales and Product Management;
j) PPP for narrowband call services;
k) Net Current Assets; and

l) Other.

2.7 Our direction which specifies the list of network components ensures that the presentation and usability of the RFS continues and helps stakeholders understand how the RFS have been prepared. It specifies no more network components than necessary to ensure we can monitor KCOM's activities.

2.8 The direction is set out in Volume 5 (see Direction 1, Schedule to the Notification).

2.9 In Section 4 below, we explain why the giving of this direction would satisfy the test set out in section 49 of the Act.

Transparency Direction

2.10 For regulatory financial reporting to secure its objectives, it is important that Ofcom and other stakeholders can understand the information presented. It is therefore necessary that KCOM publishes a sufficiently transparent description of its regulatory cost accounting system (including attribution and valuation methodologies) such that a suitably informed reader can gain a clear understanding of the information presented in KCOM's RFS.

2.11 We have decided to impose on KCOM a Transparency Direction in each of the markets as set out in Volume 5, Legal instruments.

2.12 The Transparency Direction requires KCOM to publish documentation that describes its regulatory cost accounting system, that is, the accounting system that is used to meet KCOM's obligations on cost accounting and accounting separation.

2.13 KCOM's description of its cost accounting system (DOCAS) documentation sets out its organisational structure, the objectives of the accounting separation framework and how KCOM's system meets those objectives, explaining KCOM's attribution methods for revenues and costs and its methodology for valuing assets on a current cost basis (CCA).[13] As well as providing transparency to stakeholders on KCOM's regulatory cost accounting system, the document also serves as a reference point for KCOM's auditors for their PPIA opinions (see below). The documentation is published on KCOM's website.[14] This information is necessary for Ofcom and other providers to understand the information presented in the RFS and enable the RFS to fulfil their function.

2.14 We consider that the transparency direction requires a sufficiently transparent description of KCOM's regulatory cost accounting system (including attribution and valuation methodologies) such that a suitably informed reader can gain a clear understanding of how the information presented in KCOM's RFS has been prepared. Our direction does not require more information than necessary to ensure that presentation of the basis of preparation is transparent for users of the RFS. We therefore consider that the transparency requirement is appropriate.

2.15 Our decision to require KCOM to provide new WLA and LLA products, i.e. PIA services (Volume 3, Section 5), will also require KCOM to consider how accounting for the new services should be

[13] KCOM sets out how it applies current cost accounting in Section 8 of its DOCAS. In the TAR, we directed BT to revalue its duct, copper and pole assets on a fixed 3% per annum instead of using RPI (which lost its status as a national statistic in 2013 and will no longer be published in its current form from 2030 as it will be aligned with CPIH), and to revalue fibre assets using an annual 0% index. KCOM must continue to set out in its DOCAS how it applies current cost accounting, including any changes it considers appropriate when RPI is no longer published in its current form.

[14] KCOM, 13 February 2026. KCOM 2024/25 DOCAS. Accessed on 12 October 2026.

explained in the DOCAS. KCOM will need to explain in its DOCAS how it has identified and apportioned costs related to new PIA services

2.16 The direction is set out in Volume 5 (see Direction 2, Schedule to the Notification). In Section 4 below, we explain why the giving of this direction would satisfy the test set out in section 49 of the Act.

Form of the PPIA Audit Opinion for the RFS Direction

2.17 KCOM is required to secure from its regulatory auditor a PPIA opinion. This opinion considers whether the RFS has been prepared in accordance with the 'rules.' The 'rules' in this case refer to the DOCAS prepared by KCOM, as well as the regulation surrounding the RFS. The PPIA opinion represents a view on whether the rules have been followed.

2.18 This direction, and the resulting PPIA opinion, gives users confidence that the information published in the RFS reflects KCOM's financial performance in the relevant markets, is free from material error and has been prepared following the DOCAS published by KCOM and relevant directions issued by Ofcom. To preserve the integrity and consistency of the RFS we consider that all SMP markets should be subject to the same audit direction.

2.19 We have decided to impose an Audit of the RFS Direction on KCOM in each of the SMP markets as set out in Volume 5. The audit direction requires KCOM to secure PPIA (properly prepared in accordance with) opinions on the RFS. We consider that the audit requirements are no more than is necessary to ensure that an appropriate level of assurance is provided on the RFS.

2.20 In Section 4 below, we explain why the giving of this direction would satisfy the test set out in section 49 of the Act.

3. Reporting requirements in relation to the Preparation, Audit, Delivery and Publication of KCOM's RFS Direction and the Form and Content Direction

Introduction

3.1 The Preparation, Audit, Delivery and Publication of KCOM's RFS Direction sets out:

a) the names and brief descriptions of the schedules KCOM must either publish or provide to us privately; and

b) that KCOM is required to prepare, secure and publish an audit opinion in relation to the KCOM-wide schedules and the regulated markets. The form of that opinion is separately set out in the Form of the PPIA Audit Opinion for the RFS Direction described in the previous section.

3.2 The Form and Content Direction sets out the format and detail of what each financial statement listed in the Preparation, Audit, Delivery and Publication of KCOM's RFS Direction should include.

3.3 Both the Preparation, Audit, Delivery and Publication of the RFS Direction and the Form and Content Directions are, in our view, necessary and appropriate to preserve the integrity and consistency of the RFS. All SMP markets will be subject to appropriate reporting requirements.

3.4 We have decided to impose these two directions on KCOM. We set out below our decisions on the information KCOM must publish and the information it must provide to us privately under these directions.

Published information

3.5 In the HAR26 December 2025 Consultation we considered publication requirements in relation to the following:

Schedules	Publication proposal
KCOM wide information	Continue to require publication
PIA services and network adjustments	Require publication of new schedules
Market level information	Continue to require publication
Service level information	No requirement to publish

3.6 We set out below our decisions on each of these schedules.

KCOM wide information

Our proposals

3.7 In the HAR26 December 2025 Consultation, we proposed to maintain unchanged the schedules[15] KCOM currently publishes under the 2021-2026 regulatory regime.

Consultation responses

3.8 We received no responses on the information KCOM currently publishes on a KCOM wide basis.

Our reasoning and decision

3.9 We have decided to require that KCOM continues to publish the schedules listed in Figure 3.1 in relation to KCOM-wide information.

Figure 3.1: Existing KCOM wide schedules to be provided and published

Schedule– 2024/25 RFS (page reference)	Justification
Consolidated cost profit and loss (page 10) Consolidated MCE (page 11)	These schedules set out KCOM's returns from regulated markets. This demonstrates to stakeholders the impact and effectiveness of regulation across KCOM.
Reconciliation profit and loss (pages 23) Reconciliation MCE (page 24)	These schedules reconcile KCOM's RFS to its statutory accounts. This provides us and stakeholders with reasonable assurance that the information in the RFS is a record of KCOM's actual costs.
Consolidated network activity statement (page 12)	This schedule provides reasonable assurance to stakeholders that KCOM is attributing costs in accordance with its cost accounting and accounting separation obligations.

3.10 We consider that in respect of the Preparation, Audit, Delivery and Publication of KCOM's RFS direction, KCOM should continue to provide and publish these schedules.

3.11 The requirements are included in the Preparation, Audit, Delivery and Publication of KCOM's RFS Direction and the Form and Content Direction in Volume 5 (see Directions 3 and 4, Schedule to the Notification).

PIA services and network adjustments

Our proposals

3.12 To support our PIA remedy, we proposed to require KCOM to publish volume, average price and revenue information for external purchases of PIA rentals, at an aggregated level (i.e. on a per km of duct basis or on a per pole basis).

[15] We proposed new schedules in respect of PIA rentals and Network Adjustments which are discussed in the next section.

3.13 To support our network adjustment remedies, we proposed to require KCOM to report on total network adjustments across all markets. We proposed KCOM should set out the number of network adjustments, kms of duct and total costs, both above and below the financial limit.[16]

Consultation responses

3.14 In relation to PIA services:

- CityFibre[17] supported our proposal to extend financial reporting to the new PIA product, in particular the reporting of external costs and volumes for the purpose of monitoring non-discrimination.
- MS3 said KCOM should be required to publish service level PIA revenues, costs and usage in each market[18] including i) internal and external use of duct and poles[19] and ii) service level PIA revenues.
- KCOM did not disagree with our proposals but said that if it had to provide additional PIA reporting[20] then other reporting requirements should be reduced.

3.15 In relation to network adjustments, MS3 said that KCOM should additionally publish the average network adjustment cost and price.[21]

Our reasoning and decision

3.16 In connection with PIA services, in Volume 3, Section 2 we have decided that within the WLA and LLA markets, KCOM must provide PIA services on a fair and reasonable basis, including pricing. In Volume 4, Section 2 we said we would consider KCOM's charges to be fair and reasonable if they were benchmarked to the corresponding Openreach prices.

3.17 In Volume 3, Section 2, we have also imposed a no undue discrimination requirement on KCOM for services within the WLA and LLA market. In Volume 3, Section 5, we explain how we interpret this requirement in relation to PIA.

3.18 We have decided that KCOM must publish information on PIA services as we proposed in the HAR26 December 2025 Consultation. As well as a brief description of the PIA services, KCOM must publish:

a) The volumes[22] of poles and km of duct sold across regulated markets.
b) The average price per pole and km of duct sold across regulated markets.
c) The revenue from the sale of poles and duct across regulated markets.

[16] This will include gross network adjustments, i.e. those above and below the limit as well as those above the financial limit.
[17] CityFibre's response to HAR26 December 2025 Consultation. Paragraph 130. In the HAR26 December 2025 Consultation we did not propose PIA costs should be published.
[18] MS3 response to HAR26 December 2025 Consultation. Paragraph 227.
[19] MS3 response to HAR26 December 2025 Consultation. Paragraph 233.
[20] KCOM response to HAR26 December 2025 Consultation. Paragraph 2 and Section 5
[21] MS3 response to HAR26 December 2025 Consultation. Paragraph 231 and 233.
[22] In Annex 21 Volume 5, we set out that KCOM must explain how the Volumes have been determined – e.g. Duct km could be on the basis of equivalent single bore duct, poles could be on the basis of equivalent single user attachments.

3.19 Publishing PIA volumes, average prices and revenues for duct and poles provides transparency about the relative usage of these PIA services and indicates how take up of PIA is developing and demonstrates the impact and effectiveness of the PIA remedies imposed.

3.20 As set out in Volume 3, Section 2, we intend to assess KCOM's compliance with fair and reasonable charging obligations on PIA services, including ancillary services, by reference to corresponding Openreach PIA prices, therefore we do not consider it proportionate to require KCOM to publish information on individual PIA or ancillary services.

3.21 We do not require KCOM to separately report information on PIA services in each of the WLA and LLA markets as there are practical difficulties in identifying whether customers are buying PIA to support network access in one SMP market over another.

3.22 We disagree with KCOM that requiring them to publish information on PIA services means reporting requirements in other areas should be reduced. We consider that our PIA reporting requirements are necessary and proportionate for the reasons set out above.

3.23 We set out in Volume 5, Annex 21 to Direction 4, the format of the schedule to be published, in the form of a note to the RFS.

3.24 In connection with network adjustments, in Volume 3, Section 5 we have decided to impose our proposals unchanged from the HAR26 December 2025 Consultation, including a financial limit of £2,725 per kilometre of spine duct.

3.25 We have decided that KCOM must publish information on network adjustments as we proposed in the HAR26 December 2025 Consultation. The information sets out the aggregate number, kilometres and cost[23] of all network adjustments, those above the financial limit (which are recovered from customers) and the resulting network adjustments which are below the financial limit which are included within regulated markets.

3.26 This information provides transparency about the relative incidence of network adjustments above and below the financial limit and provides reasonable assurance to stakeholders that KCOM is accounting for these correctly.

3.27 In response to MS3's suggestion that KCOM should be required to report the average cost of a network adjustment and average network adjustment price, the average network adjustment cost can be calculated from the information published. As network adjustments are not individual services but an aggregation of ancillary services for the purposes of determining whether they are above the financial limit, there is no price.

3.28 We set out in Volume 5, Annex 22 to Direction 4, the format of the schedule to be published as a note to the RFS.

3.29 The requirements are included in the 'Preparation, Audit, Delivery and Publication of KCOM's RFS' Direction and 'Form and Content' Direction in Volume 5 (see Directions 3 and 4, Schedule to the Notification).

[23] KCOM is also required to explain the basis of the cost calculation. The note must be consistent with how network adjustments are recorded in the RFS.

Market level information

Our proposals

3.30 In the HAR26 December 2025 Consultation, we explained that we consider that some information on SMP markets should be published where KCOM has regulatory reporting obligations to allow stakeholders to have reasonable confidence that KCOM has complied with its SMP conditions and assess for themselves the overall effectiveness of our remedies. We proposed to require KCOM to continue to publish market level profit and loss and MCE information for WLA and LLA in the current format (i.e. that required under the 2021-2026 regulatory regime).

Consultation responses

3.31 KCOM, consistent with their view that the WLA market should be deregulated,[24] argued that reporting requirements in this market should be removed. No other stakeholders commented on our market level proposals, though MS3 said that service level information should be published, which we address in the next section, and that market reporting should be introduced for WBA and retail broadband.[25] [26]

Our reasoning and decision

3.32 We have decided that KCOM must continue to publish Market Level information for WLA and LLA markets as currently provided.[27] This information provides trends in market-level financial performance, including trends in returns which allows us and stakeholders to track market developments and the assess the impact and effectiveness of remedies. Market level cost information also shows the results of KCOM's cost allocations between regulated markets.

3.33 In respect of market reporting for the WBA and retail broadband markets, we can only impose regulatory financial reporting remedies in markets where we have found KCOM to have SMP, and we have not determined KCOM to have SMP in these markets.

3.34 In respect of LLA, KCOM is currently required (i.e. under the 2021-2026 regulatory regime) to report dark fibre services within the LLA market. As set out in Volume 3, Section 4, we have decided to deregulate dark fibre services, although KCOM will continue to provide a small number of existing circuits on a transitional basis for 3 years. Consistent with our decision, dark fibre services covered by the transitional arrangements will be included within the LLA market reporting.

Service level information

Our proposals

3.35 In the HAR26 December 2025 Consultation, consistent with previous market reviews, we did not propose to require KCOM to publish service level information in WLA or LLA markets.

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[24] KCOM response to HAR26 December 2025 Consultation. Section 5 paragraph 3
[25] MS3 response to HAR26 December 2025 Consultation. Paragraph 221.
[26] MS3 response to HAR26 December 2025 Consultation. Paragraphs 8, 37, and 226.
[27] See KCOM Regulatory Financial Statements for the year ended March 2025 13 February 2026 KCOM 2024/25 RFS Accessed on 18 October 2026. Market profit and loss summaries for 2024/05 are on page 15 for WLA, page 18 for LLA. Market MCEs for 2024/05 are on page 16 for WLA, page 19 for LLA

Consultation responses

3.36 MS3 said that volumes, revenues, costs, returns and MCE should be disclosed for internal and external services.[28] MS3 said that as cost information on WLA and LLA services is already reported by KCOM privately to Ofcom, there would be no additional cost to KCOM in publishing it.[29] MS3 noted that BT publishes service-level information.

Our reasoning and decision

3.37 In Volume 3 Section 2, we have decided that charges for WLA and LLA services must be fair and reasonable. We set out that for most charges including rentals and ancillaries, and in order to inform any potential enforcement action in relation to excessive pricing, we consider that the corresponding Openreach prices[30] would act as an appropriate cost-based benchmark with which to compare KCOM's prices. We said that if KCOM's charges were aligned with (or lower than) the benchmark, there would be a presumption that KCOM's charges are not excessive.[31]We consider requiring KCOM to publish service level information would be disproportionate as this information is not necessary to assess compliance with this fair and reasonable charging obligation given the benchmarking approach we set out in Volume 3.[32]

3.38 While service-level information may provide some additional insight into trends in the usage and financial performance of individual services, we consider that the incremental benefit of publishing such information is limited in the case of KCOM. Stakeholders are already able to assess the overall impact and effectiveness of regulation through the published market-level information and published price lists, and our approach to assessing compliance with the fair and reasonable charging obligation does not depend on publicly available service-level cost information. Given the relatively small number of regulated services supplied by KCOM, we consider that the limited additional transparency that would be achieved would not justify the additional reporting, publication and assurance burden associated with requiring service-level publication.

Private information

3.39 We currently (i.e. under the 2021-2026 regulatory regime) require KCOM to provide us with some information privately. We require this information to help us make informed regulatory decisions, monitor compliance with SMP conditions and ensure that those SMP conditions continue to address the underlying competition concerns. In particular, the information provides us with evidence that KCOM continues to meet its accounting separation and cost accounting obligations with regard to being able to attribute costs and revenues to markets and services.

3.40 Currently KCOM provides us with KCOM-wide information, market level information and service level information.

3.41 In the HAR26 December 2025 Consultation, we proposed no changes to the current private information requirements in relation to KCOM wide or market level information (consistent

[28] MS3 response to HAR26 December 2025 Consultation. Paragraph 225-226.
[29] MS3 response to HAR26 December 2025 Consultation. Paragraph 221-223.
[30] Specific benchmarks are set out in Volume 3 paragraph 2.22 with further details in respect of WLA services in Volume 3 paragraphs 3.9 to 3.12 and LLA services in paragraph 4.21
[31] We set out in Volume 3 paragraph 2.25 our approach where KCOM's prices are in excess of these benchmarks.
[32] We set out in Volume 3 paragraph 2.25 our approach where KCOM's prices are in excess of these benchmarks.

with previous market reviews as set out below in Table 3.5). In respect of service level information, we proposed to make some changes, that we set out below.

3.42 We only received responses in connection with our service level proposals.

KCOM wide information

3.43 We have decided to require that KCOM continues to provide in private the schedules listed in Figure 3.3 in relation to KCOM-wide information.

Figure 3.3: KCOM wide schedules to be provided in confidence

Schedule currently provided	Justification for retention and non-publication
Residual profit and loss (in the same format public schedules for wholesale and retail markets)	This information demonstrates to us that KCOM is using an appropriate regulatory cost accounting system to attribute costs to markets, including residual markets. Stakeholders are already provided information on how costs are attributed to regulated markets in the DOCAS whilst both Wholesale and Retail residual market are published in aggregate in the Reconciliation Statements. Whilst we need the information to ensure the attribution of costs between regulated and unregulated markets is in accordance with the DOCAS, we do not consider that it is proportionate to require KCOM to publish detailed information on non-regulated services.
Residual MCE (in the same format public schedules for wholesale and retail markets)	
Inter market turnover (sets out turnover between retail residual, wholesale residual and regulated markets)	This schedule allows us to see the retail residual[33] revenue from the regulated and wholesale residual markets and is required by us to monitor accounting separation obligations in relation to sales made to retail residual. It is not, however, proportionate to provide to stakeholders as it relates to non-regulated services.

Market level information

3.44 We have decided to require that KCOM continues to provide in private the schedules listed in Figure 3.4 in relation to the WLA and LLA markets.

Figure 3.4: KCOM market level schedules to be provided in confidence

Schedule currently provided	Justification for retention and non-publication
Market network activity statements (total market costs split by network cost component)	This information helps demonstrate to us that KCOM is using an appropriate regulatory cost accounting system to attribute costs to markets, including residual markets. Stakeholders are already provided information on how costs are attributed to regulated markets in the DOCAS.

[33] The retail residual market includes the results of retail activities and retail support activities in relation to retail segments as defined in SMP condition 9.

Service level Information

Our proposals

3.45 We proposed to continue to require KCOM to give us information on service level volumes, prices, revenues and FAC costs. Consistent with the removal of the dark fibre remedy we proposed to remove the reporting of single fibre rental charges, fibre pair rental charges, single fibre connection charges, fibre pair connection charges, charge per right when tested, charge per cessation, patch panels, dark fibre excess construction charges and other dark fibre services in LLA (not specified). We proposed that KCOM could amalgamate WLA and LLA services that have the same price and/or where they have very low volumes.

Consultation responses

3.46 KCOM proposed removing the private service level and network component level schedules in Table 3.5 as it considered:[34]

- our overall approach to assessing the reasonableness of KCOM's prices is by reference to benchmark BT (Openreach) prices, not KCOM's own costs;
- the RFS are not used by Ofcom for price-setting purposes;
- we do not use the detailed cost schedules in our regulatory decision making; and
- there are material costs associated with preparing, reviewing, and auditing these schedules.[35]

3.47 KCOM stated that it would continue to maintain their costing systems and could provide service level reporting if needed, either for its own internal monitoring purposes or if requested by us.

3.48 MS3 said service level information should be published, which we have addressed above.

Our reasoning and decision

3.49 We have decided that KCOM should continue to report some service level information in private. We need this information to ensure KCOM continues to comply with its cost accounting and accounting separation obligations, in particular that it is attributing revenues and costs to services where applicable. While we have not to date used service level cost information to set cost-based charges for KCOM, service-level cost information helps us understand trends in service level costs and the impact of KCOM's cost allocation decisions.

3.50 We set out in Volume 3, Section 2 how we would assess KCOM's compliance with its fair and reasonable charges obligation and explain that, where charges exceed the specified benchmark, we are likely to give further scrutiny to those charges.[36] We also set out that KCOM should not set prices in the WLA or LLA markets that would equate to a price squeeze and we would assess any complaint on the relevant facts.[37] The private service level information could be relevant to any analysis we may undertake.

3.51 Whilst we recognise that KCOM could incur some additional costs by providing us with this information, we consider the information is necessary for the reasons given above, we consider

[34] KCOM response to HAR26 December 2025 Consultation. Section 5 paragraph 4-11.
[35] KCOM response to HAR26 December 2025 Consultation. Section 5 paragraph 2.
[36] Volume 3, paragraph 2.25.
[37] Volume 3, paragraph 2.27.

this is the minimal amount of information required from KCOM to carry out our duties. As KCOM has an obligation to maintain a regulatory accounting system, we do not consider there to be significant additional costs in requiring it to submit to us summary information on services in SMP markets to assist us with our monitoring.

3.52 We have decided to require KCOM to report information on the following services (Figure 3.5). Consistent with our transitional arrangements for dark fibre services, whilst these are included within the LLA market, we no longer require any disaggregated private reporting and have decided that they should be aggregated within the "Other ECAS / EDAS services in the LLA Market (not specified)" service.

Figure 3.5: KCOM service level schedules to be provided in confidence

Schedule currently provided	WLA services[38]	LLA services[39]
Service level volumes, prices, revenues, and FAC costs	i. WFLLA FTTP rentals ii. WFLLA FTTC rentals iii. WFLLA End user new provide. iv. Other WFLLA End User Connection Charges v. Other WFLLA Fixed Charges. vi. WFLLA ECCs vii. Time related charges viii. Other services in the WLA Market (not specified)[40]	i. ECAS 1Gbit/s rentals ii. EDAS 1Gbit/s rentals ii. Other ECAS rentals iii. Other EDS rentals iv. ECAS ECCs v. EDAS ECCs iii. ECAS Connection Charges iv. EDAS Connection charges v. Other ECAS services in the LLA Market (not specified)[41] vi. Other EDAS services in the LLA Market (not specified)[42]
Service level FAC costs by network cost component.		

3.53 The requirements for private information related to WLA and LLA are included in the Preparation, Audit, Delivery and Publication of KCOM's RFS direction and form and content direction in Volume 5 (see Direction 4, Schedule to the Notification).

[38] In relation to WLA services KCOM can amalgamate services e.g. WFLLA FTTP rentals and WFLLA FTTC rentals where the same price is charged.
[39] In relation to LLA active services KCOM can amalgamate services e.g. ECAS and EDAS 1 Gbit rentals where they are charged at the same price.
[40] The 'Other' services have been specified to enable to reconcile the AFI to the published RFS, for groups of services or to the market itself.
[41] The 'Other' services have been specified to enable to reconcile the AFI to the published RFS, for groups of services or to the market itself.
[42] The 'Other' services have been specified to enable to reconcile the AFI to the published RFS, for groups of services or to the market itself.

3.54 We are giving the Preparation, Audit, Delivery and Publication of the RFS direction in relation to KCOM in each of the SMP markets in relation to private information as set out in Volume 5.

3.55 In Section 4 below, we explain why the giving of this direction satisfies the test set out in section 49 of the Act.

4. Legal tests

Introduction

4.1 In Sections 1 to 3 above, we set out decisions to impose regulatory financial reporting obligations on KCOM in relation to each of the markets in which we have made an SMP finding. To give effect to these decisions, we set SMP Condition 9, Volume 5.

4.2 Under SMP condition 9, Ofcom may from time to time make such directions as they consider appropriate in relation to KCOM's reporting obligations.

4.3 To give effect to our decisions we have also decided to make five directions under section 49 of the Act and SMP condition 9 in relation to each of the identified SMP markets. The directions are set out in full in Volume 5. The directions are:

a) Network Component Direction
b) Transparency Direction
c) Preparation, Audit, Delivery and Publication of the RFS Direction
d) Form and Content of the RFS Direction
e) Audit Opinion for the RFS Direction

SMP condition

Accounting separation

4.4 Our accounting separation obligation requires KCOM to account separately where appropriate for internal and external sales which allows us and stakeholders to monitor the activities of KCOM to ensure that, where relevant, it does not discriminate unduly in favour of its own downstream business and to monitor KCOM's activities in respect of non-discrimination. This, combined with the cost accounting obligation (see below), helps us to ensure that costs are not inappropriately loaded onto one set of regulated services to the benefit of KCOM, where KCOM uses primarily another set of regulated services.

4.5 Under sections 87(7) and 87(8) of the Act the dominant provider may be required to maintain a separation for accounting purposes between different matters relating to network access or the availability of relevant facilities. We believe this obligation is required to monitor the overall impact and effectiveness of the remedies imposed, and especially to monitor KCOM's activities regarding its non-discrimination obligations.

4.6 Section 87(6)(b) of the Act provides for a dominant provider to publish information for the purpose of securing transparency in relation to matters connected with network access to or with the availability of relevant facilities. The obligation imposed is also necessary to support transparency. It provides a greater detail of information on the relevant markets than could be derived from KCOM's statutory financial statements and gives visibility, and thus reassurance, to stakeholders that KCOM has complied with its SMP conditions.

4.7 The specific accounting separation requirements we are imposing on KCOM in these markets are set out in SMP condition 9 in Volume 5.

Cost accounting

4.8 The imposition of a cost accounting obligation ensures that KCOM has in place a system of rules that support the attribution of revenues and costs to individual markets and services. It therefore supports the accounting separation obligation, which requires KCOM to prepare and report financial information relating to individual markets and services, by ensuring that the rules attributing revenues and costs to individual markets and services are fair, objective and transparent. The cost accounting obligation is an important means of ensuring that:

a) Ofcom and stakeholders can have confidence in the financial information prepared and provided by KCOM since the attribution processes and rules supporting that financial information is fair, objective and transparent. Where we do not consider that the attribution process and rules are fair and objective, transparency (via publication of the processes and rules followed by KCOM) allows us to effectively challenge them.

b) Revenues and costs are attributed to individual markets and services in a consistent manner. This mitigates the risk that costs might be unfairly loaded onto particular services or markets.

c) KCOM records all information necessary for the purposes listed above at the time that relevant transactions occur, on an ongoing basis. Absent such a requirement, there is a strong possibility that the necessary information would not be available when it is required, and in the necessary form and manner.

4.9 Section 87(9)(c) authorises conditions imposing such rules as we may make for the purposes of matters connected with the provision of network access to the relevant network, or with the availability of relevant facilities about the use of cost accounting systems. These would include conditions enabling Ofcom to require the dominant provider to explain what assumptions it has used in determining costs and charges, for the purposes of setting price controls, rules and obligations imposed in relation to price controls, cost orientation, cost accounting systems and adjusting of prices in accordance with directions from Ofcom. Where such conditions are imposed, section 87(11) imposes a duty on us to also set an SMP condition which imposes an obligation:

a) to make arrangements for a description to be made available to the public of the cost accounting system used in pursuance of that condition; and

b) to include in that description details of:

i) the main categories under which costs are brought into account for the purposes of that system; and

ii) the rules applied for the purposes of that system with respect to the allocation of costs.

4.10 We consider that SMP condition 9 fulfils our duty under section 87(11) in that the cost accounting conditions require the publication of a description of the cost accounting system used and the main categories of cost and the cost allocation rules applied.

4.11 We believe the cost accounting obligation is necessary to ensure the processes and rules used by KCOM to attribute revenues and costs to individual markets and services are fair, objective and transparent. Therefore, we are imposing a cost accounting requirement on KCOM.

4.12 The specific cost accounting requirements we are imposing on KCOM in these markets are set out in SMP condition 9 in Volume 5.

Legal tests

Section 47

4.13 We consider that SMP condition 9 satisfies the tests set out in section 47 of the Act, namely that each obligation is:

a) objectively justifiable in relation to the networks, services or facilities 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 the condition or modification is intended to achieve; and

d) transparent in relation to what it is intended to achieve.

Objectively justified

4.14 We consider that SMP condition 9 is objectively justifiable. The accounting separation and cost accounting obligations we have decided to impose form part of a package of remedies to address the competition concerns that we have identified in our review. In particular:

a) The accounting separation requirement allows us and stakeholders to monitor the activities of KCOM to ensure that, where relevant, it does not discriminate unduly in favour of its own downstream business.

b) The cost accounting obligation is necessary to ensure the appropriate maintenance and provision of accounts and to monitor their effectiveness at addressing the competition concerns. It is also necessary to secure that information continues to be created and captured to secure, and to give stakeholders confidence, that pricing can continue to be appropriately regulated in future. It also relates to the need to ensure competition develops fairly, to the benefit of consumers, by providing transparency of KCOM's compliance with rules set to address the risk of exploitative or anti-competitive pricing.

Not such as to discriminate unduly

4.15 We consider that SMP condition 9 does not discriminate unduly against KCOM. KCOM is the only telecoms provider to hold SMP in the markets that we have identified and the conditions seek to address that market position.

Proportionate

4.16 We consider that SMP condition 9 is proportionate to what that condition is intended to achieve. In each case, we are imposing an obligation on KCOM 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. We explain above why we consider the obligations are proportionate in the context of the markets we identified.

Transparent

4.17 We consider that SMP condition 9 is transparent in relation to what is intended to be achieved. The text of the condition is published in Volume 5, and the operation of the condition is aided by our explanations in this statement. Our statement sets out our analysis of responses to the HAR26 December 2025 Consultation and the basis for our final decisions.

Section 88 tests

4.18 In setting cost accounting conditions, we must also ensure that the tests set out in section 88 of the Act are also satisfied.

4.19 We consider that imposing a cost accounting obligation would be consistent with section 88 of the Act.

4.20 In Volume 3, Section 6 we explain why we consider our pricing remedies are consistent with section 88 of the Act. We consider that the same reasoning applies equally here.

Directions

4.21 As discussed above, to give effect to our decisions we have also decided to make five directions under section 49 of the Act and SMP condition 9 in relation to each of the identified SMP markets.

Section 49 tests

4.22 We consider that the Regulatory Reporting Directions satisfy the tests set out in section 49(2) of the Act, namely that in each case the Direction is:

a) Objectively justifiable because the requirements seek to ensure that through the information to be provided, both in public and on a confidential basis, stakeholders have sufficient robust information about the products and services they purchase to provide them with reasonable confidence about KCOM's compliance with its SMP conditions and that we have sufficient information necessary to carry out our functions.

b) Not unduly discriminatory because it reflects KCOM's market position in the Hull Area. BT is the only other SMP provider, and also has regulatory accounting obligations, and we have explained the reasons for requiring relevant information from KCOM both publicly and on a confidential basis.

c) Proportionate because the requirements are no more than is necessary to ensure the effectiveness of the regulation and ensure that Ofcom and stakeholders are provided with a sufficient level of appropriately robust information.

d) Transparent because it is clear that the intention of our modifications is to make sure that the RFS remain fit for purpose and that Ofcom, and stakeholders are provided with a sufficient level of information and assurance.

Ofcom's duties

4.23 As set out in Volume 1, we consider the package of SMP conditions and related Directions both individually and together meet our duties in sections 3 and 4 of the Act.