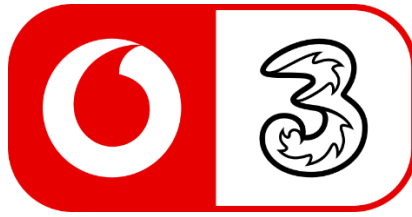


Response to Ofcom's Consultation:

Promoting competition and investment in fibre networks: Telecoms Access Review 2026-31

June 2025

Non-confidential



Introducing VodafoneThree

At the beginning of June 2025, Vodafone UK and Three UK merged to become VodafoneThree. The merger signals the start of an exciting new chapter in UK communications, allowing citizens and consumers to benefit from a market leading new company that has the scale, resources and the innovative spirit to deliver game changing connectivity.

A new era of connectivity

The merger signals not just a transition towards material enhancements in the UK's mobile coverage, but it will create more opportunities for more customers to benefit from competitively priced, quality business connectivity and broadband services.

Connecting every community

VodafoneThree is the UK's fastest growing broadband retailer, one that has a track record of championing the consumer, offering a top-quality customer experience, delivered over fibre wherever it is available. We are entrusted by the UK's top businesses and public sector organisations to provide the fixed connectivity that provides the circulatory system for our economy and public services.

The Telecoms Access Review – creating a framework fit for the future

This submission represents the views of VodafoneThree. Our integration journey has just begun and we are optimistic for our own future and for what we can achieve to benefit UK connectivity. The importance of this market review cannot be overstated. It is fundamental to all UK telecommunications services, fixed and mobile, residential and business. We want the UK to succeed, with class leading communications infrastructure that underpins a retail market that delivers choice and innovation to the UK's businesses and citizens consumers.

To find out more about VodafoneThree, our brands and how we are building the United Kingdom's best network, visit: <https://vodafoneandthree.uk/>

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Executive Summary

UK consumers need reliable, fast fibre broadband, delivered on time and at a price they can afford. We need the wholesale market to deliver all the inputs necessary to achieve this, however Openreach maintains a level of enduring SMP and remedies are needed to safeguard consumer welfare.

We share Ofcom's goal of achieving sustainable fibre infrastructure competition, but realistically that is only likely to occur in some parts of the country and there remains an absolute limit on how much of a constraint one additional wholesale player can exert on Openreach.

This means Openreach's SMP must be addressed in all parts of the UK, with an appropriate **pricing anchor at 80/20 or above, accompanied by a range of other targeted pricing remedies to control unavoidable ancillary services, where returns have spiked** – Ofcom should consider starting charge adjustments to address over recovery in this key area.

Discounting is a clear part of market dynamics and it is needed to boost fibre take up. A sensible framework that safeguards against anti-competitive actions is required, and we believe Ofcom's proposals strike the correct balance, providing a route to sensible discounting within an assurance framework.

Ofcom should consult on **Copper Retirement** thresholds well ahead of 2031. It is a very important topic and needs its own consultation and focus.

Quality of Service will be critical over the review period, as customer expectations rise in line with the increased digitisation of society. In particular, we do not believe that the market alone will provide sufficient quality safeguards for FTTP in Area 2 or Area 3. **We are pleased that Ofcom has proposed the introduction of minimum service levels for FTTP, but they should be applied to Area 2 as well** – or risk sacrificing the experience of 90% of UK households.

We strongly endorse Ofcom's proposals for leased lines regulation for 2026–2031. These are well aligned with Ofcom's 10-Year Infrastructure Strategy and the UK Government's Industrial Strategy, both of which prioritise resilient, future-proof digital infrastructure to drive innovation, productivity, and inclusive regional growth. The proposed remedies are proportionate and targeted, addressing persistent structural barriers and weak competition. By strengthening charge controls and extending dark fibre access, Ofcom is enabling fair access to high-capacity leased lines, critical for 5G deployment and the UK's broader digital transformation. These measures will support competition where viable and protect users where it is not, without deterring future market entry.

Vodafone strongly supports the enhancement of passive remedies. The extension of regulated dark fibre access (DFA) and dark fibre exchange (DFX) are essential to promoting infrastructure-based competition and delivering high-capacity connectivity. These remedies reduce costs and barriers for alternative providers and directly support national objectives for digital inclusion, economic growth, and 5G rollout.

BT/Openreach has enduring market power in Area 2 and the HNR. As Ofcom has rightly concluded, these areas require continued SMP regulation. BT/Openreach's incumbency advantage, particularly its extensive footprint of pre-connected premises, combined with the specific service needs of enterprise customers, creates high barriers to entry and limits the ability of alternative providers to

compete. This lack of effective competition directly impacts businesses, which face limited choice, higher costs, and slower innovation. Robust regulatory protection remains essential to prevent further entrenchment of BT/Openreach's position, to support the emergence of sustainable competition, and to enable the rollout of critical infrastructure such as 5G, which depends on fair and open access to high-capacity leased lines.

BT/Openreach has stronger market power in Area 3, as demonstrated by clear supply and demand evidence. Ofcom has rightly followed this evidence in proposing a revised Area 3 boundary that accurately reflects geographies where leased lines competition is not currently viable due to structural disadvantages. This is the correct judgment. Without regulatory intervention, BT/Openreach will continue to dominate these areas, harming businesses, undermining the government's ambitions for UK-wide digital growth, and constraining the deployment of essential infrastructure like 5G. Although competition in Area 3 seems improbable, Ofcom's proposals do not prevent it from developing. Instead, they provide necessary protections for users in the meantime, ensuring that businesses in these areas are not left behind while infrastructure competition continues to evolve.

BT/Openreach has market power in the IEC market, as shown by persistent evidence of dominance. Ofcom has correctly judged that this market power will continue. Evidence reveals sustained and unjustifiably high pricing, reinforcing the need for regulatory oversight. Without intervention, BT/Openreach will retain the ability to charge excessively, to the detriment of competition and end-users.

Urgent action is needed to address BT/Openreach's dominance in key parts of the UK's business connectivity market. In both the core network (Inter-Exchange Connectivity) and the least competitive areas of the country (Area 3), BT/Openreach continues to hold excessive market power. This has allowed it to earn between ~£1.03 billion¹ in excess profits, around ~£525 million in local leased lines (across all geographic areas) and ~£508 million in the core network, over the current review period. These profits are well above what would be expected in a fair and competitive market. This situation directly harms UK businesses and consumers. It leads to inflated prices, reduced innovation, and slower deployment of critical infrastructure like 5G. Ofcom's proposed remedies are essential, but they must be implemented swiftly and targeted at the services businesses are actually using today. While the current proposals seek to regulate DFA/DFX, adoption remains hindered by contractual and operational barriers that introduce delays. Refocusing regulatory controls on active services currently in widespread use would not only deliver more immediate and demonstrable outcomes, but also better align with policy objectives around proportionality, effectiveness, and timely market intervention.

We support Ofcom's proposals to retain cost-based charge controls for Dark Fibre Access (DFA) in Area 3 and Dark Fibre Inter-exchange (DFX) services in BT-only and BT+1 exchanges, as well as the move to **cost-based pricing for Lower Bandwidth (LBW) active Ethernet services.** These measures represent a proportionate and necessary response to BT/Openreach's persistent over-recovery in the LLA and IEC markets and are consistent with Ofcom's statutory duties to promote efficiency, support sustainable competition, and protect end users. While Ofcom now more accurately reflects the differing levels of competition between LLA and WLA markets, it continues to overstate the competitive constraint on BT/Openreach across much of the UK. Given the scale and persistence of

¹ a conservative estimate of the level of over-recovery in the LLA and IEC markets for the period FY22 to FY26, assuming that the over-recovery in the last two years (FY25 and FY26) remains at the same level as in FY24.

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excess profits and the absence of clear efficiency benefits from a glide path, Ofcom should prioritise Starting Charge Adjustments (SCAs) and align prices with forecasted costs from 2026. Now that DFA and DFX are established products, Ofcom should adopt a direct costing approach to ensure robust and transparent cost assessments.

Introduction

1. **Connectivity shapes our communities, underpins our economy and provides a platform to innovate.** It allows our society to function efficiently and effectively, connecting us with each other, and the wider world. From shared conversations on the latest must-see streaming entertainment to powering our world-leading financial services industry or the delivery of in-home social care technology that helps keep the most vulnerable members of our society safe. Regardless of the circumstances or the type of consumer, connectivity is critical.
2. The infrastructure that underpins these connections is often invisible to consumers who take for granted the ability to connect digitally at speed. **Consumer expectations and demands for connectivity have risen**, as a growing number of aspects of our lives increasingly depend on our digital connectivity infrastructure.
3. This is not a fad or a trend. Digital connectivity is an enduring feature of our lives, with the UK needing to ensure all its citizens and businesses have access to world class infrastructure at an affordable price. **The Telecoms Access Review (TAR) and its predecessor WFTMR provide the defining framework to help deliver that infrastructure vision.** The TAR is not just crucial to the markets it directly seeks to regulate. So many downstream markets and sectors rely upon it. From underpinning a competitive retail broadband market in its journey to fibre, to providing a key foundation pillar for the UK's mobile and wireless connectivity experience.
4. **It is important to recognise that we are currently halfway through a decade long journey that was originally outlined by Ofcom in 2021.** As we look back at the first five years there is much to commend the current framework, with high levels of FTTP investment and competition starting to deliver. Fibre to the home is no longer a niche luxury, enjoyed by a fortunate few. It is the default connection standard for most UK consumers providing the capacity, speed and reliability needed for today and the future.
5. **As we enter a more mature phase of market development, a careful balance must be struck.** One which delivers sustainable wholesale services at affordable prices, with the necessary safeguards on both protecting fledging competition and delivering the best consumer experience. This means the negative aspects of market power must be mitigated, with remedies to combat the lack of incentives to safeguard quality of service and to ensure services are appropriately priced to encourage efficient competition while continuing to support affordable retail products.
6. **Vodafone adopted a fibre first strategy a number of years ago**, always seeking to offer fibre to our broadband customers wherever it is available. We backed FTTP infrastructure investment from day one, being the initial anchor tenant for CityFibre's first 12 cities back in 2017. We now actively purchase wholesale fibre from Openreach and CityFibre and will soon add Community Fibre to this mix.
7. As an industry we cannot fall into the trap of complacency. There is a considerable amount left to do, with regulatory safeguarding still necessary to protect competition and consumer outcomes. Today there remain far too many consumers continuing to use legacy copper services, when a fibre connection to their home is already available to order. We must win these consumers to

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fibre, through attractive pricing and an improved understanding of the benefit that fibre can bring. **We must make the onboarding experience as pain-free as possible.**

8. Copper was never designed to carry broadband and while it is remarkable that it was able to be adapted to offer broadband connectivity for so long, innovating through ADSL to FTTC, it is now time all consumers switched to fibre as soon as it becomes available. **Copper retirement is not just a nice goal to achieve**, it is crucial if the industry is to become more efficient and consumers are to realise the benefits of reliable, agile and future proof connectivity.

Serving the needs of UK businesses

9. It is increasingly clear that **business connectivity market circumstances and characteristics are markedly different from those of consumer FTTP**, with different stages of market maturity and investment incentive needs. While as an administrative exercise it is efficient for the TAR to consider business connectivity and consumer broadband within the same market review, the needs of each of these markets are very different.
10. It is clear that the UK's business customers are paying too much for dedicated business connectivity, as the wholesale services have tracked CPI, with returns spiking. This market is far more mature and business connectivity buying behaviour and priorities are very different from consumer services. **There is now a need to course correct on business connectivity**, addressing instances of very high (excessive) returns and ensuring that the downstream wholesale services that are provided by Openreach are both accessible, flexible and priced appropriately.

About this submission

11. **We have structured this submission in three core sections**, all framed around the questions Ofcom have posed. The three sections are: **(1) UK Broadband; (2) Quality of Service and (3) Business Connectivity / Leased Lines**. In structuring the submission in this way it does mean that the questions may not be answered in the order that Ofcom have asked them, however all the questions and our responses are clearly marked in the categorisation noted above.

Section 1: Creating a UK Broadband Market that's fit for the future

1. The UK Broadband Market is evolving at pace. While many consumers have made the transition to fibre, many more are yet to make the leap. We want to see all consumers who have the opportunity to access fibre, take it up as soon as it becomes available. **This means fibre must be both affordable and the connection process has to be as pain free as possible.** We want friends, families and neighbours who have taken fibre to advocate for it and the benefits it has brought their families and households. Poor, painful onboarding experiences should be the exception and not representative of the journey to fibre.
2. **All this needs a more accountable Openreach, who are incentivised by regulation to deliver new connections on time and fix faults promptly.** As an industry we aren't there yet and much work needs to be done to ensure that correct incentives exist within our regulatory framework. As the UK's leading connectivity wholesaler, Openreach isn't end customer centric enough in its decision making. We need a regime that incentivises a quality retail experience for all consumers.
3. **With BT Group on a new cost cutting drive, there remains a risk that history will repeat itself.** Wholesale quality will suffer, leading to a service crisis. Given BT's enduring SMP, a national crisis of confidence in fibre may be triggered, something that the entire industry (including altnet investors) will experience the negative repercussions from.
4. **We also need affordable wholesale products, with Openreach free to discount** (with the appropriate anti-competitive safeguarding in place) and to ensure that ancillary services, which support the consumption of core products in SMP markets are priced fairly to ensure value for money fibre broadband is accessible to more people. Ofcom shouldn't prop up unsustainable market entrants, we need efficient provision and market consolidation is likely to deliver scale and efficiency over time.
5. **We also want to see Openreach step up on social broadband.** Given that 55-70% of the retail cost of broadband directly flows from wholesale pricing, we want to see Openreach make a meaningful contribution to the cost of social broadband provision, making available a specialist wholesale product for retailers who sell these services to eligible consumers. We can't deliver social broadband in silos and this needs to be a wider partnership between retailers, wholesalers, Ofcom and Government to ensure intervention is realistic targeted, efficient and fair. Ofcom need to engage with the economics of social broadband, looking at the issue holistically across consumer and economic disciplines.
6. **Copper retirement needs to be handled sensitively, but we should avoid regulatory procrastination.** As an industry we should move forward as soon as it is sensible to do so. It is an issue that covers a number of disciplines and it risks being lost in what is already a wide ranging and detailed market review. We propose a separate, focused consultation on the topic that provides a template for us to move forward and embrace fibre for all at the earliest opportunity. Leaving consumers on copper longer than necessary has harmful consequences for the

consumer experience and the economy, so we need to move forward together as an industry on this key topic.

Q&A

Question 2.5: Do you agree with our provisional conclusions on the product market definition for WLA? Please set out your reasons and supporting evidence for your response.

7. **We largely support Ofcom's proposed market definition.** We agree that Fixed Wireless Access is currently unlikely to be a close substitute to fixed broadband for a sufficiently large number of customers to be included in the relevant market.
8. Leased Lines are a separate product market and not suitable for substitutes for Wholesale Local Access Services. They are targeted business connectivity solutions provided on a dedicated basis aimed at end users with high dependency needs, frequently underpinning key services and economic activity. We would however consider Business FTTP to be part of the WLA. These are typically slightly adapted WLA products, tweaked from their standard residential fundamentals. Even XGS-PON (10-Gigabit Symmetric Passive Optical Network), while a more advanced form of business broadband delivered using Gigabit Passive Optical Network would be a WLA offering, as it utilises underlying WLA infrastructure. While the service may be capable of offering higher bandwidth and symmetrical speeds, and better performance for demanding applications it comes at a significant capacity cost to the underlying network and must be rationed carefully or providers risk compromising the availability of conventional FTTP.

Question 2.6: Do you agree with our provisional conclusions on geographic market definition for the wholesale local access market? Please set out your reasons and supporting evidence for your response.

9. Assessing potential for material and sustainable competition is a difficult exercise which requires complex forecasting. The altnet sector is still in flux, with considerable consolidation expected over the coming years which further complicates effective competitive analysis. Nonetheless, we believe that **Ofcom's new Area 2 expansion goes too far and holds within it vast variations in the "potential" for competition anticipated.** In practice, it is more like Area 2a and Area 2b, with different levels of certainty for each.
10. We agree that Area 2 has likely expanded beyond just those areas with a presence from CityFibre and VMO2/Nexfibre in addition to Openreach. The four additional altnets identified by Ofcom do seem to have potential to continue building their base in such a way as to begin exercising a competitive constraint on BT in the future. Whether this is likely to happen within the upcoming review period is much harder to say. Given Ofcom's (correct) decision to continue to not define an Area 1 despite CityFibre and VMO2's established footprint, we conclude **that any potential competition from the smaller altnets remains much more nascent and speculative.**
11. **However, we are most concerned about Ofcom's assumptions regarding merger and acquisition (M&A) activities in the market,** and the role they have been given in defining the geographic market. The level of speculation about the competitive constraint exercised by the named altnets versus that exercised by potential M&A activity is huge. We recognise that Ofcom will be party to confidential commercial planning from potential acquirers, however a stated

intention is not the same as fact. Furthermore, even if an acquisition were to be announced tomorrow, the legal, commercial, and integration processes would take a minimum of eighteen months taking us well into the review period. There is no single standard for building a FTTP network, meaning that two merging networks may not be interoperable and will need extensive physical integration not just logistical. It is to be expected, then, that delivering an equivalent level of quality and efficiency will take another six months at best, and subsequent integration of the new footprint with retail ISP systems may take longer. If the company being acquired added an additional 50,000 premises to an existing wholesaler's footprint by 2031, this would still not provide any material constraint to BT.

12. **Onboarding a new wholesaler – regardless of size – carries upwards of [REDACTED] in IT integration costs for Vodafone.** In order to justify that expense, we would only consider contracting with an additional wholesaler if we could expect [REDACTED]. [REDACTED]. [REDACTED]. This means that any M&A that results in another large player would have to be substantial enough [REDACTED] – and those homes would have to represent minimal overbuild over CityFibre's footprint. Given this, it is unlikely that we would have a legitimate choice of wholesaler in areas with only Openreach and a smaller (if established) provider. Our negotiating power with BT remains low, as we cannot legitimately claim that we will go elsewhere if BT does not offer us more favourable terms or better quality of service.
13. Vodafone has now onboarded Community Fibre in London, allowing us to offer the largest full fibre footprint in the Capital (using Community Fibre and Openreach). It should be stressed that it took a considerable amount of time to get to this point, [REDACTED]. [REDACTED].
14. As such, **we are sceptical of the competitive constraint that can be exercised by smaller providers for the duration of the review period.** We believe that a conclusion of potential material and sustainable competition is premature in much of the revised Area 2 geography and we would recommend restricting the increase to include only areas covered by Gigaclear, Hyperoptic, Community Fibre, and Netomnia.

Question 2.7: Do you agree with our provisional conclusion on the application of the three criteria test to the wholesale local access market? Please set out your reasons and supporting evidence for your response.

15. **Yes. Openreach retains a significant degree of Market Power across the WLA.** While it faces clusters of localised competition, which varies in intensity depending on the location, its network ubiquity, cost advantages and its unique ability to support the widest range of broadband retailers highlights its enduring market power. The fragmented nature of competition and the clear pattern of overbuild avoidance, demonstrates their incumbency advantage. Their retained control of the copper network and their control over its retirement also gives it unique advantages that are not available to other providers.
16. Even with additional downstream remedies like PIA, there is little to challenge Openreach when viewed in aggregate across all geographic markets which constitute the Wholesale Local Access Market.
17. Even in 2031, we are unlikely to see any provider challenging Openreach at scale across the WLA due to the high barriers to market entry and the enduring incumbency advantages that

Openreach enjoys. The high sunk cost of building a local access network and establishing coverage across an area, together with the position of BT's retail business (including Plusnet and EE) as anchor tenants on the Openreach network (with 100% of their demand discharged to Openreach and the need for any UK wide retailer to make use of the Openreach Wholesale Access network to deliver WLA products), create enduring advantages that Competition Law cannot remedy nor deal with in an appropriate time frame. **BT must retain special responsibility to ensure that it takes active steps to avoid participating in any Exclusionary or Exploitative behaviours that are likely to damage competition and harm consumer outcomes.**

Question 2.8: Do you agree with our provisional findings on SMP in the wholesale local access market? Please set out your reasons and supporting evidence for your response

18. We have seen considerable change in tone in respect of the future state of competition between the WFTMR in 2021 and today. There is much more realism around what end state might look like, with a clear recognition that Altnet consolidation is now inevitable. While it is possible for a range of players to survive, there is only likely to be room for three scale wholesale players, with Openreach's ability to access premises likely to be materially better by a considerable margin than any other scale player. Outside the top three, any remaining Altnets are likely to be niche, with USP attributes (or the legacy benefits of those attributes) in respect of a particular geographic coverage, or cohort focus.

19. **These market realities reinforce the view that BT has SMP in across the WLA in the UK and there remain material barriers to market entry and expansion.** The presence of BT's retail purchasing power, with full BT Group demand being placed to Openreach prevents even the largest external retailer from exercising any degree of countervailing buying power. This inability to exert pressure on suppliers, potentially offsetting the increased market power that suppliers might gain due to concentration or other factors means that Openreach's significant market power position will not be in doubt in the period to 2031. Openreach's failure to voluntarily agree to QoS terms with its largest external customers is perhaps the clearest illustration of the lack of countervailing buying power within the WLA.

20. We assert that BT continues to maintain Significant Market Power (SMP) across the Wholesale Local Access (WLA) market and that appropriate measures are required to ensure retail competition and protect consumer welfare within the UK's broadband market. Unless there is an unforeseen transformative event, BT's market dominance is expected to remain uncontested over the next five years. Additionally, the rate of alternative network (Altnet) construction and sector investment is decreasing, with new funding likely to prioritise consolidation and mergers/acquisitions rather than expansion beyond intervention areas.

Question 3.1: Do you agree with our proposed approach to supporting copper retirement? Please set out your reasons and supporting evidence for your response.

Creating an efficient and safeguarded pathway for full Copper Retirement

21. **The evolution from legacy copper networks to fibre has near universal support.** It has been endorsed by policy makers, access providers, investors, broadband retailers and most consumers. Broadband is now the primary service enjoyed by consumers. Rather than being conveyed on a copper network designed to carry voice, it is delivered at much higher speed, with better consistency and reliability over a fibre network built for broadband that can also offer voice as an overlay digital service to those who continue to place value in retaining a landline.

22. The economics of fibre deployment assumes that after a transitional period, the copper network will be fully retired. This action saves considerable operational costs as the increasing cost of running a legacy network in environments with fewer connected customers and where kit is at or nearing end of life, with dwindling spares and having parts of the network no longer under vendor support, makes it increasingly important for copper services to be retired in an orderly and planned way.
23. Maintaining the copper network for an extended period that is longer than necessary could result in two disadvantages for consumers. **Firstly, it is incredibly inefficient**, with spiking unit costs per active user impacting not only copper users, but also likely to be cross subsidised by FTTP users. As an industry we have a duty to make connectivity affordable. Any action (or indeed inaction) that drives up costs needs to be fairly challenged.
24. **Secondly, we risk providing a product that is increasingly not fit for purpose, being out of support.** It is likely to be increasingly hard to provide a copper-based service that reaches the standards of resilience and quality that consumers deserve. When a fault occurs it may take considerably longer to fix or may be unfixable, triggering a more urgent and unplanned move to fibre, at a time that is less convenient to the customer. We must avoid limping along on a copper network that is no longer fit for purpose.
25. While there is a large cohort of customers who may be perfectly content on their FTTC based broadband, they are likely oblivious to the network continuity risks that their legacy service faces if it is allowed to continue to beyond its natural end point. What is now clear is that some customers simply do not respond to repeated engagement in an attempt to encourage them to adopt a new FTTP connection. While pricing can be used as a lever for some, the most unengaged (for whatever reason) often fail to respond at all. This leaves broadband retailers (and Openreach) with few options.
26. While Ofcom are proposing to retain the second threshold that allows Openreach pricing freedom over copper-based services in an exchange area once certain conditions have been met (ultrafast coverage to have reached 100% coverage less 'excluded' premises in the relevant exchange area). Ofcom have once again stopped short of setting the all-important third threshold (which would permit the withdrawal of copper-based services) during this review period.
27. We think that the time for the third threshold to be set will be before 2031, but we do not believe the Telecoms Access Review is the right place to set it. Setting this threshold, its timing and the protocols that accompany it need to be done as part of a focused consultation exercise that spans a number of Ofcom disciplines. It requires sufficient focus from a range of key stakeholders, including Broadband Retailers, Consumer Groups, Access Networks, Government (at all levels) and the third sector. The outcome must be the creation of a sensible pathway to withdraw copper services at a premise, once a series of safeguarding gates have been met. For the regulator to remain silent on this important milestone until after 2031 is not in the interest of the UK or its consumers.
28. **This project can't be done in a silo.** It needs Ofcom's economic, policy and consumer functions to come together to set out a clear pathway to establish a disconnection threshold from the copper network, guiding retailers on how to manage non-engaged customers or those with high

vulnerability needs. The industry needs a clear rule book to ensure that sensible precautions are taken and no consumers are left behind.

29. Ofcom and Government, while well intentioned, can't put their heads in the sand on this issue and keep deferring the matter just because it is a challenging issue. Policy procrastination will likely harm consumer outcomes. Full exchange by exchange copper switch off has to happen eventually and learnings will come from each geographic phase as the process is perfected.
30. The end result should be a clear and transparent pathway, with a number of safeguarding gates that guide consumers towards a fibre connection that meets their future connectivity needs, with their copper service discontinued and withdrawn.
31. **We are therefore keen to see Ofcom conduct a focused consultation**, kicking off later in 2026, that would set the parameters of the third threshold and provide clear guidance to Communication providers (retailer and wholesalers) over their interactions and safeguarding activities for non-engaged consumers.

Question 3.2: What are your views in relation to our initial thinking on how we might identify excluded premises? Please set out your reasons and supporting evidence for your response.

Excluded Premises

32. Ofcom have asked for views on different options for how to 'exclude' premises in any exchange threshold calculation. We are very mindful that a situation whereby a consumer who is currently served by the Copper Access network risks being denied a connection to a nearby Fibre network (and ultimately face the prospect of the copper network being disconnected at some stage in the future) is a deeply unpalatable one.
33. We are keen to avoid an outcome where UK consumers are placed in this predicament. Ofcom should ensure this outcome is avoided wherever possible. We must also balance the desire to deliver ubiquitous fibre connections to replace all copper connections, with an understanding of the practical challenges that Openreach and other access networks face when establishing new fibre connections, especially where premises owner/third party wayleave consent is required and all reasonable attempts to obtain wayleave access are denied. In these circumstances, where all reasonable efforts to obtain access have been exhausted, it would not be fair to hold Openreach accountable, particularly if the actions of a third party, premises owner or indeed the customers themselves have created an unreasonable barrier to connection.
34. Ofcom have set out two possible approaches: a Defined Exclusions Approach, defining the specific circumstances under which premises would be excluded when assessing whether the threshold is met (as envisaged in the WFTMR in 2021) and the Fixed Percentage Approach, setting a fixed percentage of premises that would automatically be excluded when assessing whether the second threshold is met.
35. **We feel that exclusions need to be both justified and rigorous.** Distilling it down to administrative percentage risks harming consumers who may find themselves on a list. We believe there needs to be a route that Openreach can apply to classify a premises as excluded, but there should be a level of administrative rigour in doing so, with clear evidence presented to back up any application/designation. An approach that allows 1% or 2% of premises in an

exchange area to be excluded almost creates an incentive for Openreach to fill up this allowance to improve build economics in the short term.

36. **We would therefore advocate a premises by premise application/designation process, with clear exclusion criteria, with a random sample checked by Ofcom to ensure rigour around compliance.** Some connections are more complex, both in terms of the physical barriers to reach the site and the administrative task of securing the correct permissions for access. In any exclusion declaration Openreach should have to provide evidence of multiple attempts to overcome these barriers and the evidence should be presented on a premises-by-premises basis (not presented in aggregate). Even if multiple premises share obstacles, each declaration should document them for each affected premise. A broader brush approach risks leaving a minority of consumers trapped in an administrative no-man's land, without a clear remedy route. Openreach should also undertake to review the original exclusion decision within 24 months of it first being declared, with a fresh set of eyes focused on overcoming the original obstacles identified.

Question 3.4: Do you agree with our proposed general remedies? Please set out your reasons and supporting evidence for your response

37. We would welcome clarity from Ofcom around how it would define the threshold for its proposed fair and reasonable charges obligation. Ofcom also expands this general remedy to FTTP in circumstances where the charge control also applies, however we believe this additional safeguard should apply to all regulated Openreach chargeable services within all markets covered by the TAR, regardless of the imposition of a charge control or pricing anchor. We can think of no negative impact from this safeguard being applied consistently across all regulated services, acting as an upper bound delineation point to prevent excessive pricing.
38. **Ancillary services are just one example and remain vital underlying SMP services that facilitate communication providers from consuming their key wholesale input products.** They perhaps receive less pricing scrutiny than key services like service rentals and connection for access products and this additional safeguard would provide a route to improve the pricing safeguards of these important products, while allowing a reasonable level of return. Such intervention is relatively light touch, being less onerous than a charge control, while providing UK consumers with basic safeguarding.
39. In respect of the SoR process, we would stress that it remains an important process to bring new products to market, or to request sensible modifications of existing services. Regulatory scrutiny and oversight around the process is needed on an ongoing basis and we would welcome broader, ongoing involvement from both the Openreach Monitoring Unit (OMU) and the OTA to ensure the process is run smoothly, fairly and without bias.
40. **Equivalence of Inputs (EOI) and No undue discrimination (NUD) obligations remain vital to protect downstream retail competition.** When retail providers are reliant on Openreach wholesale services to deliver services to their downstream customers, it is essential that these services are provided in an equivalent and non-discriminatory way. Where there is variation, it should be justified in practical terms and not result in an outcome that harms retail competition. It is important to recognise that even with EOI, NUD and the 2017 Regulatory Commitments, there remains scope for discriminatory outcomes to emerge. Exchange Exit gives rise to one such situation, likewise the provision of Social Broadband by retail divisions of BT can be delivered

economically by BT Group network ownership without a cash outflow to the combined, integrated BT business. When a retailer like Vodafone tries to replicate this it generates a cash outflow and an economic loss that must be funded elsewhere.

Social Broadband

41. **We must continue to draw Ofcom's attention to the lack of Social Broadband provision in the wholesale market.** Given Wholesale costs make up the bulk of retailing costs for consumer broadband in the UK, it is essential that Wholesalers try to offer meaningful wholesale social tariff rental options within their portfolios. This is particularly true of an SMP retailer like Openreach. It is vital that broadband retailers and wholesalers work together to serve consumers who face affordability concerns. We would urge Ofcom to encourage wholesalers in this endeavour. We firmly believe that affordability concerns in the industry need to be addressed through a joined-up approach involving retailers, wholesalers, Government and Ofcom.
42. The current retailer only focus is disappointing and fails to appreciate the different abilities of retailers to offer solutions in this space. BT / EE, with high ARPU and a large customer base (and sitting within the comfortable BT Group ownership structure with inhouse access to network economics resulting in no external cash outflow) makes them well placed to offer a social product. In contrast a retailer with no access network owner economics, cash outflow and lower ARPU due to a focus on serving the middle or value market has little scope to offer a social broadband solution. It is not fair for value seeking consumers who are concerned about their own outgoings to be subsidising social broadband – a more progressive approach is needed, one that either uses the progressive shoulders of the tax payer, with perhaps contributions from the largest cohort of users at the wholesale level, rather than a narrow retailer only focus.
43. If Ofcom approach this issue within the siloed context of its consumer function, rather than expand it to address fundamental economic questions and seek the wider participation of Government, then any outcome is likely to be sub-optimal. **We need a serious discussion about social broadband provision in the UK, to ensure that any products are targeted and that funding is both fair and effective.**

Question 3.6: Do you agree with our proposed specific remedies in the WLA markets? Please set out your reasons and supporting evidence for your response.

44. MPF is a legacy bearer product that will be largely superseded by FTTP for most consumers. Its relevance in the near term is largely as a result of its role in underpinning transitional products like SOADSL and Pre-Digital Phone lines for consumers impacted by PSTN / WLR withdrawal. Absent MPF, there would be a minority of consumers that would be left unconnected from January 2027, when WLR is withdrawn. It is essential that consumers are not left without connectivity and to the extent that MPF is a key input into these transitional products, it must be maintained for the time being.
45. **We do have concerns around how the transition is being handled, with Openreach effectively abandoning WLR in January 2027 and only offering a transitional product that needs to be consumed alongside an enduring exchange presence.** This makes it uneconomic for all CPs, with the exception of BT (Sky and PXC only have a legacy presence in a limited number of exchanges). Given the clusters of these customers outside the traditional MPF foothold, realistically BT is the only player able to offer services built on this offering.

46. **In reality, it is a dinosaur product ahead of an extinction event**, but still required by some end consumers, with BT in full control of both the pricing for PDPL and the timing of the meteor in the form of their exchange exit programme. Without proper regulatory safeguarding, there is a risk that consumers will be harmed.
47. **We would urge Ofcom to look beyond MPF and take steps to extend their market power analysis to the provision of PDPL, capping wholesale prices at fair and reasonable levels and obliging supply to ensure consumers are not left unconnected.** While we appreciate that Ofcom normally seeks to regulate the wholesale product that is furthest downstream, however given the inability of all retailers (other than BT) to consume this legacy variant which requires an exchange presence in each serving location, only BT is able to consume the product on a national scale. A safeguard cap on the rental product is therefore the most prudent way to protect the consumer interest.

Question 3.9: Do you agree with our proposed approach to geographic discounts and other commercial terms? Please set out your reasons and supporting evidence for your response

48. Vodafone agree that it is important for alternative providers to establish themselves in their chosen rollout footprints and for safeguards to be retained at this time to prevent Openreach, as a player with significant market power undermining fledgling take up. We are therefore supportive of the continued prohibition on geographic targeted discounting being maintained. The ability of Openreach to seek permission from Ofcom to apply for a geographic discount should be available if there are compelling circumstances that meet the threshold where a legitimate case could be made to justify targeted geographic discounting for long term consumer benefit. At this time we are unaware of any circumstance where this might arise, but we are mindful that market circumstances can shift in the period to 2031.
49. We believe this prohibition should be temporary in nature and there should be no assumption that it should be continued post April 2031, when the merits of such an obligation can be re-assessed, based on market circumstances and the strength of sustainable competition.

Wholesale Discounts

50. One of the biggest concerns we have in the migration to fibre is around the cost of making it affordable and worthwhile to consumers who may be sufficiently satisfied with their existing copper based broadband service. With PSTN switch off and then ultimately copper retirement on the horizon, we need the right wholesale commercial propositions to exist in the wholesale market to assist retailers in creating compelling propositions that showcase the benefits that fibre can deliver.
51. When wholesale commercial opportunities emerge from Openreach, we are always mindful of any offer characteristics that could seek to lock in historic levels of market share or bank incumbency advantages in the retail market. In the transition to fibre, we want all consumers to see the market with fresh eyes, using this new access technology shift to look beyond their existing supplier and see what other market propositions may be available to them.

52. **The retail broadband market in the UK is highly competitive and the array of choice available is testament to that.** To keep the market competitive it is essential that retailers have access to scale wholesalers who can help ensure that the wholesale input pricing remains competitive.
53. **We would not support any commercial offerings that sought to undermine longer term access market competition, even if it offered short term rewards.** We continue to believe that Ofcom should scrutinise all commercial offers by Openreach in this space, as they remain the only UK-wide player and their actions could have a material impact on the competitive health of the wider market.
54. **We would be particularly concerned if discounts were introduced requiring specific volume conditions that had a damaging impact on retail competition.** This would be particularly true should overt or de-facto volume related discounts apply (either through a tiered structure or from restrictions/limitations around eligibility or retailer suitability). As previously mentioned, any wholesale tariffing structure that sought to reward historic retail market scale would be a major competition concern. It is our firm view that there should be no attempt to limit the future retail market growth of any player, as to do so would constrain competition and ultimately damage consumers.
55. We do not believe it would be wise or efficient if there were an intervention to artificially support FTTP altnet businesses that are not sustainable, either due to high costs or a lack of scale. Not all investments in FTTP thus far are likely to be sustainable on a standalone basis in the medium or longer term. Like most market participants, we believe consolidation amongst wholesalers/FTTP builders is inevitable and should be viewed as being part of the normal course of market evolution. Any attempts to restrict sensible Openreach commercial discounting risks delaying that natural process of consolidation, artificially shielding competitors from the reality of competition. This would result in an environment with heightened supplier risk and potentially set costs above efficient levels that would be reflected in higher retail prices and a welfare loss for consumers.
56. Consumers need quality, reliable fibre to be affordable. This means prices shouldn't be artificially held high to support unsustainable market entry. Should intervention occur, it risks being at the expense of consumers. A balance is needed, one that allows for healthy competition between sustainable wholesalers, while providing realistic market pricing signals to investors around build profitability in the longer term, allowing the UK's fibre investment trajectory to continue on a sound commercial footing.
57. We believe discounts and special offers will remain an important feature of the wholesale market, particularly in the years where some level of encouragement is required to move consumers from legacy copper access to fibre. Using a long-term pricing framework to promote fibre adoption and encourage migration from legacy products is a vital tool if we are collectively to ensure copper retirement can happen. It is entirely rational for Openreach to design a discount scheme around achieving this objective.
58. The entire purpose of the wholesale market is to provide the necessary inputs to underpin the retail market and retail competition. If the wholesale market lacks proposition innovation and a level of competitive dynamic that is founded on healthy, sustainable competition, then it will not serve the best interests of consumers.

59. In our view the process Ofcom set out in the 2021 WFTMR has worked well, providing a process for Openreach discounts to be brought to market and ensuring that sufficient consideration of competition concerns is built into the process. It subjects the proposals to a high level of scrutiny, from both the regulator and all market participants. Equinox 1 and 2 were well received by the market and their impact has been felt in the commercial offers put forward in the retail space. They have been useful in encouraging migration away from copper yet remain at a retail price point that allows efficient competitors to thrive. They have also been designed with safeguards that do not discourage or prevent the use of altnets, this is particularly important to ensure genuinely sustainable infrastructure can established itself in our wholesale broadband market at the scale necessary to compete effectively.
60. We have no objections to the review period for any offers being extended to 120 days, but we would caution any extension beyond this to ensure discounting remains contemporaneous and a balance is struck between safeguarding and allowing Openreach to respond commercially to market movements. **To this end we would be keen that Ofcom did not extend this period any further, with the threshold required for allocating additional time to the process set at a very high level.** The market is ready for Equinox 3 and beyond and we are keen to see propositions from all wholesalers expand and adapt to ensure retailers have the best solutions available for consumers in their fibre journeys, be they new adopters from copper /cable or seeking to climb the bandwidth gradient of their existing FTTP connection to meet their growing household needs. Vodafone has a range of retail solutions ideally suited to every rung on that fibre ladder, but we know the market is adapting and it is important the wholesale services evolve to support what lies ahead.

Question 4.1: Do you agree with our proposed approach in WLA Area 2? Please set out your reasons and supporting evidence for your response.

61. **Competition in Area 2 remains fragmented and Openreach remains the only wholesale access provider to offer ubiquitous coverage for connectivity delivered over fibre and to a fast-diminishing extent copper.** If a retail broadband provider is to offer UK wide services, Openreach remains an essential connectivity partner, exceeding the threshold for a finding of significant market power.
62. The degree of competitive constraint in WLA that a rival provides depends on several factors, including the scale and accessibility of alternative providers. Key factors that determine the strength of competitive constraint include actual and expected market share/take-up and the extent to which an alternative provider is willing to enter into wholesale agreements or engage in retail-only sales. Retail-only providers typically offer a weaker constraint due to lacking the brand recognition needed to compete effectively in the retail market against larger ISPs.
63. The size and scale of the provider are also significant factors, as smaller providers (i.e., those with less coverage) tend to exert less competitive pressure. These providers often have a limited retail presence and may struggle to succeed in the wholesale market. The incremental benefits they offer may not justify the operational costs and challenges associated with onboarding them for larger retailers.

64. This market power is evident in the behaviours that Openreach exhibit when dealing with Communication Providers. While there is much to commend them, they are far less responsive or accommodating to retail CP requests than their altnet counterparts. While some of this reluctance can be expressed by the scale, complexity and the number of customers they serve, most of their reluctance is borne out of the reality that they simply do not have to acquiesce to retailer requests to attract continued custom, so they can simply say no.
65. **This can be illustrated with the creep of ‘shrinkflation’, where services or features are gradually pared back, to reduce costs, leading to a less useful of feature rich product set, with no corresponding pricing benefit passed through to retailers.** In such situations, retailers either have to put up with the diminished product or introduce their own remedial solution or workarounds to mitigate what is missing at their own expense. Ultimately this cost finds its way in the form of higher charges to end consumers, with the commercial benefits flowing to BT Group shareholders.
66. In a competitive market setting, this situation is far less likely to occur, with retail broadband providers voting with their feet and placing new orders with alternative providers who are more willing to respond to customer need while remaining competitive.
67. The cushion of SMP also makes Openreach less end-customer centric. While their focus is rightly in the wholesale market, the end goal of all communication providers is to serve consumers. The manifestation of SMP insulates Openreach from the end customer experience, with retailers having to manage that key relationship, with Openreach safely behind its wholesale demarcation point.
68. Only true competition will bring the attitude of shared responsibility between retailer and wholesaler to ensure the end customer experience is optimal. While it would be wrong to suggest that Openreach don’t care about end customer outcomes (of course they do), they often aren’t motivated to go that extra mile and strive for a fantastic customer experience. There are some great examples of exceptional Openreach staff delivering for consumers, but there are also many examples of customers left hanging, with a poor experience that reflects on their retailers’ reputation and damages the wider industry, particularly as we move towards a 100% fibre future.
69. **We are therefore supportive of a number of key remedies in Area 2**, to help safeguard consumer welfare, mitigating the full impact of SMP on the consumer experience. Specifically:

The Anchor

70. Safeguarding the supporting supply chain for affordable consumer broadband is a critical outcome of this market review. We are pleased that Ofcom has decided to move the anchor product from 40/10 to 80/20. There was an overdue need to recognise that 40/10 was not an appropriate point to set the pricing anchor, as it did not reflect consumer buying behaviour, which has moved up the bandwidth gradient.
71. In a significant change to previous market reviews where prices had been cost-based, in WFTMR21 Ofcom set a charge control that allowed Openreach to increase average legacy (copper/FTTC40) prices by CPI each year – FTTC80 prices were not regulated. This allowed legacy prices to be substantially above costs – Ofcom forecast the cost at £0.7bn. While we understand the logic of encouraging efficient market entry, Ofcom needs to remain mindful of Openreach’s

returns and we anticipate the next market review will need to consider this issue in far greater detail, taking account of any expected level of investment, the level of competition and the extent to which Openreach's returns are harming consumers. To this end it is vital that Ofcom maintain a clear understanding of Openreach's profitability, with full scrutiny of BT's Regulatory Financial Statements.

72. **We support the anchor being moved upwards from 40Mbps (on FTTC and FTTP) to FTTC80.** If it remained at 40Mbps it would prove to be an increasingly inadequate constraint on the price of products most consumers purchase.

[✂]

73. [✂].

Question 4.2: Do you agree with our proposed approach in WLA Area 3? Please set out your reasons and supporting evidence for your response

74. WLA Area 3 is the geography that is likely to experience the biggest negative impact from BT's unrestrained significant market power, with retailers who serve consumers having no choice over which access provider to use. This puts in jeopardy unified national retail product promotions and pricing and could result in Area 3 consumers paying far more for their retail broadband services due to the very clear incentives that BT has to raise prices.

75. The aim of regulation in Area 3 must be to design a framework that delivers Area 3 consumers the same or similar outcomes as those consumers in Area 2, where competition (or the threat of competition) is a key incentive to keep pricing competitive.

76. While the revision to the pricing anchor to 80/20 is a useful measure for Area 3 consumers, we continue to have concerns that consumers wishing to purchase higher bandwidths may face higher prices than those in Area 2. Likewise we are keen to ensure connection offers and incentives in Area 3 are just as likely to occur as in Area 2.

77. **We would therefore welcome an additional remedy that provided protected higher bandwidth and connection charges outcomes in Area 3,** with reference to the pricing offered in Area 2 by Openreach. Where a gap emerges, there is a need for safeguards to ensure that Openreach is constrained over the prices it can charge and the quality of services it delivers.

Question 4.6: Do you agree with our proposed approach for ancillaries? Please set out your reasons and supporting evidence for your response. [Nb. This question is also addressed in Section 3]

The need for a starting Charge Adjustments for Ancillary Service

78. The price of ancillary services has been set too high and risk inflating end retail pricing and harming consumers. Openreach's returns for these necessary facilitation products are set well above competitive levels. Given the lack of contestability in this market and the 100% bottleneck nature of the services (to consume Openreach rental and connection services, a CP must purchase a suite of non-contestable ancillary products), **it is essential the price is set at WACC.** Openreach's current returns would warrant the imposition of starting charge adjustments, as on their current trajectory today's levels of excessive pricing will rise yet further.

79. Ongoing monitoring of returns and a clear Reference Offer for ancillary services, including clear definitions of what is included in the base product and what constitutes a chargeable extra need to be introduced to ensure ancillary services don't become a backdoor stealth profit centre that hurts consumers. There also needs to be far greater specificity around the scope and technical parameters of the services and facilities provided to ensure these are degraded over time, preventing the trend where once services and features provided as standard are reclassified as optional or extra services.
80. **Taking this sensible action doesn't disrupt the fair bet**, it merely ensures pricing outcome are fair for the period ahead and that UK consumers aren't locked into funding excessively high ancillary service charges well in excess of WACC.
81. In circumstance where Openreach has gained freedom to raise pricing to as it progresses through the gates on copper switch off, this pricing freedom should not apply to ancillary services. Ofcom should make this explicit so there is no regulatory ambiguity on this point.
82. **We are also keen to see a range of ancillary services that sit outside the basket regulated on price to prevent abuse of a dominant t position.** For example Openreach recently increased the price of the cost of cancelling an FTTP order in certain circumstances. The price increased from £115 to £185 without any regulatory brake applied. Given these types of services are all necessary and linked to SMP service provision, there should be a mechanism to provide regulatory oversight. Ofcom should ensure all these chargeable activities are subject to a basket cap on price rises to prevent overcharging and prevent harm in downstream retail market and end consumers.

Scrutiny on energy recharging

83. Sharp price rises and extreme fluctuations in electricity costs have significantly impacted communication providers. This energy-intensive industry is vulnerable to pricing changes. Although the turmoil has broader roots, we support Ofcom's proposals for scrutinising electricity charges to ensure fair prices in SMP markets and prevent wholesale energy price volatility from driving higher costs. **We endorse requiring BT to publish its methodology for setting electricity charges, with an independent third party verifying that BT adheres to its explained pricing strategy.**

Section 2: Delivering Quality of Service

1. Connectivity is not a nice-to-have. UK citizens and consumers work, socialise, and access public services online. Businesses grow and streamline, boosting productivity and creating the rich British business ecosystem that we have. The regulatory essay question has by-and-large shifted away from how to ensure ubiquitous availability, and is now about how to deliver the quality needed for an efficient digital society. How to make the case for adoption of full fibre by consumers who value minimal disruption and a better experience. How to fulfil the government's growth agenda and Ofcom's growth duty.
2. As it stands, quality of service in the markets where BT has SMP is largely reliant on a single player's commercial and resourcing priorities. The regulatory minimum service levels ensure that there is a backstop to safeguard business and residential customers from unacceptable service levels. **We are, therefore, pleased to see Ofcom reaffirm its commitment to MSLS in FTTC, IEC and LLA, and introduce new MSLS for FTTP.**
3. However, we believe that **the MSLS regime for FTTP needs to extend to Area 2 as well.** Competition is not developed enough to truly incentivise Openreach to up its game, and we do not see it developing to that extent in the period to 2031. Currently, we are still seeing significant lapses in quality of service from Openreach across the board, and they have exercised their market power to stall negotiations to set commercial SLGs. In the meantime, we bear our customers' frustrations, the churn, and the cancellations of unacceptably delayed orders. We respond to complaints from MPs whose constituents have had to wait months, taking time off work, for Openreach engineers who never arrive. This is not the experience of customers in Area 3 only – this is across the UK.
4. Similarly, we support Ofcom's proposal to set the minimum service levels at Openreach's current performance. However, given the rapid changes in the nature of rollout and end-user expectations, **we believe that the metrics should be updated to reflect Openreach's performance in 2028/29.**

Q&A

Question 5.1: Do you agree with our proposal to retain a QoS SMP condition in all wholesale fixed telecoms markets in which we provisionally determine that BT has SMP and where we propose to apply transitional arrangements? Please set out your reasons and supporting evidence for your response.

5. We agree that it is necessary to retain a QoS SMP condition in all wholesale fixed telecoms markets while BT continues to hold SMP. This position is supported by both economic rationale and historical evidence, particularly as outlined in our submission to Ofcom's WFTMR 21-26.

Economic Rationale

6. In markets where a provider holds SMP there is a clear risk that they lack sufficient commercial incentives to maintain high service quality. Without regulatory obligations, there is a danger that BT could degrade provisioning and repair performance, especially in areas where switching is not a credible threat due to limited or no alternative infrastructure.

7. QoS regulation is a necessary safeguard to ensure that BT's market power is not exercised to the detriment of downstream providers and ultimately end users. As noted in our WFTMR submission and in our pre-TAR consultation submissions, poor provisioning quality can directly suppress competition by discouraging switching and undermining confidence in alternative providers and retail ISPs.
8. It also **risks entrenching digital inequality, as consumers in less competitive areas face longer delays and poorer service**. This, in turn, undermines public confidence in the rollout of gigabit-capable broadband, especially in areas where government funding is being used to support deployment.

Historical Evidence

9. **The need for QoS regulation is not theoretical.** The 2012–2015 Openreach service crisis provides a clear example of how quickly service levels can deteriorate when cost-cutting measures are introduced without adequate regulatory oversight. BT's internal restructuring led to a collapse in provisioning performance, which took years to recover – even after regulatory intervention. Ofcom's own data shows that it took until 2018 to restore minimum service levels to 85% of orders delivered on time, following a multi-year recovery plan. This illustrates the long-term damage that can result from a lapse in service quality and the importance of maintaining robust QoS standards as a preventative measure.

Market Dynamics

10. **Openreach's dominance is also reinforced by structural features of the market.** For example, Openreach's ECC (Excess Construction Charges) scheme allows it to spread the cost of network extensions across its entire customer base, giving it a cost advantage that rivals cannot match.
11. This entrenched position further reduces the competitive pressure on BT to maintain high service standards voluntarily. Moreover, the evidence shows that ISPs are increasingly reliant on Openreach. Between 2016 and 2019, CP demand for Openreach services grew by 26%, outpacing the overall market growth of 20%. This growing dependency underscores the need for regulatory safeguards to ensure that service quality does not become a casualty of market concentration.
12. **Given BT's continued SMP and the structural limitations of competition in wholesale fixed telecoms markets, retaining QoS obligations is both proportionate and essential.** These obligations ensure that all providers can compete on a level playing field and that end users receive the quality of service they expect. The historical evidence and economic logic both support the continuation – and where necessary, the strengthening – of QoS regulation.

Impact on end customers

13. Openreach's wholesale inputs do not just impact the business model of the retail ISPs – they have a clear link to the end customer's experience. However, by being one step removed from the UK consumer, Openreach lacks the insight into customer expectations of acceptable quality of service, as well as the incentive to meet them. It is our customers and our brand that bear the brunt of Openreach's poor service.

14. **Much like the lack of a wholesale social broadband input, a clear example is automatic compensation:** customers access automatic compensation on day two of a fault not being repaired, because Ofcom has recognised that any longer causes significant disruption. A minimum service level of 90% of repairs being completed within 11 days is very far from this commercial expectation, and yet reflects Openreach's current performance.
15. Openreach is not subject to the reputational damage and threat of churn that ISPs are when they fail to repair or deliver. In fact, their contribution for Openreach-caused faults has remained static since April 2022, reflecting both their ability to take advantage of their SMP and their insulation from the impact of their service quality. Following the CPI increase in automatic compensation payments in April, retailers are now funding 31% of the payment for delayed repair and provision – up from 15% in 2019 when the initiative was introduced.
16. Automatic compensation is a voluntary initiative provided by a growing number of ISPs to the benefit of UK consumers. However, it could become unsustainable if ISPs are footing an ever-greater share of Openreach's bill. This is not just a consumer regulation issue – this straddles wholesale and retail markets. **We recommend that Ofcom consider these issues outside of the Telecoms Access Review and consult on raising the wholesale input in line with the consumer payment.**

Question 5.2: Do you agree with our proposals for QoS regulation in WLA markets for this review period? Please set out your reasons and supporting evidence for your response.

17. We agree with the proposals to maintain minimum service levels (MSLs) on FTTC products over the course of the review period, and we understand the rationale for raising them to UK-level rather than maintaining the regional requirements. In its 2020 ex-post evaluation of the impact of the minimum quality of service standards on broadband², Ofcom found that service levels were higher since their introduction, and there was lower variability in service levels across customers. Our customers are benefitting from the raised standards that these backstops have incentivised.
18. We are also pleased to see Ofcom's recognition that FTTP is fast becoming the technology UK consumers expect to underpin their fixed connectivity. Full fibre rollout is expected to reach 96% of premises by 2027, and though take up is still at 38%, it is increasing at pace. The next phase for FTTP is to move away from quantity and towards quality – not just availability but easy, seamless availability. With that expectation, come certain expectations about the quality of service received – whether that's ease of provisioning or speed of repair. For this reason, **we are concerned that Ofcom has chosen not to apply MSLs to Area 2 for the review period up to 2031.**

Inclusion of Area 2

19. As we point out in our response to Question 2.6 on the geographic definition of the WLA market, the competitive constraint on BT exerted by alternative providers in Area 2 is limited and patchy. Onboarding new wholesalers is difficult, so for each retail ISP in a given area, there is only wholesale competition insofar as they have a commercial relationship with the network operator there. For example, in Vodafone's case, if an area has a presence from

² <https://www.ofcom.org.uk/siteassets/resources/documents/research-and-data/broadband-research/improving-broadband-and-landline-standards/ex-post-evaluation-openreach-quality-of-service.pdf?v=324810>

Openreach, Netomnia, and Hyperoptic, we still only have the commercially viable option of wholesaling from Openreach. We expect that Vodafone is not the only one in that position. It may be that Ofcom considers that consumer choice is an adequate substitute for wholesale choice – however, information asymmetry means that consumers do not choose their home broadband provider based on how the underlying network is provided. Without a realistic risk of its customers switching away from it, **Openreach is not incentivised to deliver better quality of service – even if there is nominally the potential for competition.**

20. Furthermore, this is also the case in areas which have recently been overbuilt by altnets with ISP relationships. For example, if CityFibre were to roll out in an area where we currently provide FTTP over Openreach, our policy would be [redacted]. BT's first mover advantage means that a competitor entering the market does not prompt BT to act to retain its ISP customers, as those ISPs will have to dual-source anyway if they don't want their retail customer base to churn away due to disruption.
21. **We have seen how limited the competitive constraint from alternative providers has been in practice.** [redacted]. [redacted]. [redacted]. This risks a poor customer experience in most areas of the UK, just as adoption of FTTP is being encouraged, copper is being retired, and reliable connectivity is as close to a necessity as it's ever been.
22. **Safeguarding a decent FTTP experience for UK consumers and encouraging competition are not mutually exclusive.** In fact, raising the baseline can have a direct positive impact on competition by upping the ante and creating real choice for end customers. [redacted]. If the minimum standard is kept high, then competition on QoS grounds will result in even better outcomes for customers. Furthermore, a positive experience on FTTP can support consumer engagement and switching. If a customer's first experience of FTTP is nightmarish, it will also put them off switching in future to avoid a similar experience. By definition, *minimum* service levels are not *competitive* service levels. If the Area 3 metrics were applied to Openreach in Area 2 as well, ISPs' incentives to prioritise high QoS in their contracts would remain. Applying MSLs to Area 2 as well as Area 3 over the upcoming review period can only have a positive effect on consumer experience and boost the developing competition.
23. We are generally supportive of Ofcom's bias against regulation, and therefore the intention behind leaving quality of service in Area 2 to be delivered by the market. However, BT still has SMP in Area 2, and we do not expect that to come close to changing over the upcoming review period. We recognise Ofcom's hope that at the next market review there will be an opportunity to observe real market competition and consider deregulation, but now is not that time. **We urge Ofcom to implement MSLs in Area 2 as well as Area 3 now, even if it hopes to deregulate later.** The ability to 'wait and see' and request that Ofcom reassesses the regulation mid-review period is not sufficient. We believe that by the time such a request is received and assessed by Ofcom (let alone accepted and consulted on), the damage to the customer FTTP experience will be done and the TAR 2031-2036 will be due to launch anyway.
24. Vodafone's experience of Openreach performance is that there was not much difference in performance between Area 2 and Area 3 in 24/25 ([redacted]). As such, we would be content for **the same minimum service levels as those proposed by Ofcom in Area 3 to be used for Area 2.**

Setting the minimum QoS standards

25. We support Ofcom's intention to set a sensible backstop which strikes the right balance between maintaining decent service levels and keeping the rate of improvement achievable. Setting the minimum service levels at Openreach's current performance is a good way of achieving that goal, and we support Ofcom's intention to use Openreach's most recent performance (2024/25) as the benchmark.
26. However, we note that this approach is at odds with Ofcom's proposal to commence the minimum QoS standards in 2027/28. **We see no reason for the MSLs not to come into force at the beginning of the review period in 2026/27.** By the time the review period starts, Openreach will have seen a further year of delivery and repair experience, which should ideally lead to performance in 2025/26 already being above that of 2024/25. Delaying the introduction of the MSLs only serves to leave UK consumers unprotected for another year.
27. We also expect that Openreach will be in a position to raise its performance significantly post-2027, as engineering resource currently occupied on rollout can be redeployed on provisioning and repairs. Absent a requirement to redeploy, a move towards cost-cutting will likely see that resource let go rather than utilised to raise the quality bar. **We believe that there needs to be a checkpoint in April 2028 to raise the minimum standards in line with relevant performance levels and consumer expectations at that time.**
28. [REDACTED]. [REDACTED]. [REDACTED]. An effective commercial route to service improvements would not only deliver real benefits to UK consumers, it would also support Ofcom's work in ensuring regulatory minimums are met and deregulation can be considered in the future. In addition to the MSLs, **we would like Ofcom to support us in ensuring Openreach commit to commercial negotiations on setting SLGs for FTTP, whether that be via a direction or regulatory guidance.**

Complex orders

29. We understand Ofcom's intention to allow Openreach's provisioning processes to mature before setting KPIs, however complex orders represent a significant share of our orders ([REDACTED]) and are likely to increase as rollout continues. The complexity of these orders is also not just a matter of chance – [REDACTED]. [REDACTED]. Only in the last couple of months, we have received complaints from Members of Parliament advocating for their constituents who ordered FTTP from Vodafone, only to have to wait four months for the connection to actually be dug and installed. This is not exceptional, and takes place regularly in Area 2 as well as Area 3.
30. [REDACTED]. The experience of customers with complex orders (who, it goes without saying, are not aware that their order will be categorised as complex when they place it) can be incredibly disruptive. Complex order delivery can include multiple appointments, civil works, and long delays to provisioning.
31. The customer journey cannot wait until the next review period for KPIs to be set and improvements to be made. **Ofcom should set transparency KPIs specifically for complex orders, that mirror the KPIs in place for FTTP in general.** That way, the performance gap between simple and complex orders will be clear, and improvements will also be trackable. This will not only provide ISPs with useful information about the status of complex orders

across the market, it will also incentivise Openreach [redacted]. Having access to KPIs specifically for complex journeys will enable ISPs to make comparisons between their own internal data and that reported by Openreach, potentially enabling them to identify discrepancies and hold Openreach accountable.

32. Setting transparency requirements for complex orders will provide the necessary incentives for Openreach to set realistic expectations for provisioning and enable them to track process improvements. This will ensure customer expectations are managed and altnets can more effectively plan their rollout.

Question 5.3: Do you agree with our proposal to keep the same QoS regulations in place for LLA and IEC markets for this review period? Please set out your reasons and supporting evidence for your response.

33. **Decent quality of service is the backbone of our increasingly digital economy.** Ofcom has a statutory duty to further the interests of consumers by promoting competition where appropriate, and a new duty to support sector and broader economic growth. Maintaining QoS obligations in SMP markets is consistent with these duties. It also supports the UK Government's Industrial Strategy and Invest 2035 framework, which emphasise the need for resilient digital infrastructure to support innovation, productivity, and regional growth. At the end of every connection there is a real UK business using that connection to engage with their customers, innovate, or deliver public services.
34. We are pleased to see Ofcom maintaining the same QoS regulations for LLA and IEC markets that were put in place in WFTMR21. As noted in our response to the 2023 consultation on QoS for ethernet and dark fibre, we do not believe that there have been material changes in the market or in the nature of faults which would have been unexpected from plans in place at the time of the WFTMR consultation. As such, **we see no reason for change.**
35. BT continues to hold Significant Market Power (SMP) in both the LLA and IEC markets. The persistence of high market shares, limited infrastructure-based competition, and entrenched incumbency advantages such as Openreach's extensive duct network and national pricing strategy, create a clear risk that service quality could deteriorate without regulatory safeguards.
36. As highlighted in other parts of our submission, BT has raised prices while degrading service quality, offloading responsibilities onto downstream providers and increasing operational burdens. This "shrinkflation" distorts the regulatory balance and undermines affordability and service standards for end users. **QoS regulation is therefore essential to ensure that Openreach remains accountable for timely provisioning and fault resolution, particularly in areas where alternative infrastructure is limited or non-existent.**
37. Finally, as stated above, minimum service levels are – by definition – minimum. Openreach is capable of delivering much higher quality of service than those set at the level appropriate for a regulatory backstop. [redacted]. This shows that the current MSLs are set at the correct level, and meeting them should be a given for BT.

Section 3: Business Connectivity Duct and Pole Access, Leased Lines Access, Interexchange connectivity

- We strongly endorse Ofcom’s proposals for leased lines regulation for 2026–2031.** These are well aligned with Ofcom’s 10-Year Infrastructure Strategy and the UK Government’s Industrial Strategy, both of which prioritise resilient, future-proof digital infrastructure to drive innovation, productivity, and inclusive regional growth. The proposed remedies are proportionate and targeted, addressing persistent structural barriers and weak competition. By strengthening charge controls and extending dark fibre access, Ofcom is enabling fair access to high-capacity leased lines, critical for 5G deployment and the UK’s broader digital transformation. These measures will support competition where viable and protect users where it is not, without deterring future market entry.
- Vodafone strongly supports the enhancement of passive remedies.** The extension of regulated dark fibre access (DFA) and dark fibre exchange (DFX) are essential to promoting infrastructure-based competition and delivering high-capacity connectivity. These remedies reduce costs and barriers for alternative providers and directly support national objectives for digital inclusion, economic growth, and 5G rollout.
- BT/Openreach has enduring market power in Area 2 and the HNR. As Ofcom has rightly concluded these areas require continued SMP regulation.** BT/Openreach’s incumbency advantage, particularly its extensive footprint of pre-connected premises, combined with the specific service needs of enterprise customers, creates high barriers to entry and limits the ability of alternative providers to compete. This lack of effective competition directly impacts businesses, which face limited choice, higher costs, and slower innovation. Robust regulatory protection remains essential to prevent further entrenchment of BT/Openreach’s position, to support the emergence of sustainable competition, and to enable the rollout of critical infrastructure such as 5G, which depends on fair and open access to high-capacity leased lines.
- BT/Openreach has stronger market power in Area 3, as demonstrated by clear supply and demand evidence.** Ofcom has rightly followed this evidence in proposing a revised Area 3 boundary that accurately reflects geographies where leased lines competition is not currently viable due to structural disadvantages. This is the correct judgment. Without regulatory intervention, BT/Openreach will continue to leverage its SMP in these areas, harming businesses, undermining the government’s ambitions for UK-wide digital growth, and constraining the deployment of essential infrastructure like 5G. Although competition in Area 3 seems improbable Ofcom’s proposals do not prevent it from developing. Instead, they provide necessary protections for users in the meantime, ensuring that businesses in these areas are not left behind while infrastructure competition continues to evolve.
- BT/Openreach has market power in the IEC market,** as shown by persistent evidence of dominance. Ofcom has correctly judged that this market power will continue. Evidence reveals sustained and unjustifiably high pricing, reinforcing the need for regulatory oversight. Without intervention, BT/Openreach will retain the ability to charge excessively, to the detriment of competition and end-users.

6. **Urgent action is needed to address BT/Openreach's dominance in key parts of the UK's business connectivity market.** In both the core network (Inter-Exchange Connectivity) and the least competitive areas of the country (Area 3), BT/Openreach continues to hold excessive market power. This has allowed it to earn **~£1.03 billion**³ in excess profits, around ~£525 million in local leased lines (across all geographic areas) and ~£508 million in the core network, over the current review period. These profits are well above what would be expected in a fair and competitive market. This situation directly harms UK businesses and consumers. It leads to inflated prices, reduced innovation, and slower deployment of critical infrastructure like 5G. Ofcom's proposed remedies are essential, but they must be implemented swiftly and targeted at the services businesses are actually using today. While the current proposals seek to regulate DFA/DFX, adoption remains hindered by contractual and operational barriers that introduce delays. Refocusing regulatory controls on active services currently in widespread use would not only deliver more immediate and demonstrable outcomes, but also better align with policy objectives around proportionality, effectiveness, and timely market intervention.
7. **We support Ofcom's proposals to retain cost-based charge controls for Dark Fibre Access (DFA) in Area 3 and Dark Fibre Inter-exchange (DFX) services in BT-only and BT+1 exchanges, as well as the move to cost-based pricing for Lower Bandwidth (LBW) active Ethernet services.** These measures represent a proportionate and necessary response to BT/Openreach's persistent over-recovery in the LLA and IEC markets and are consistent with Ofcom's statutory duties to promote efficiency, support sustainable competition, and protect end users. While Ofcom now more accurately reflects the differing levels of competition between LLA and WLA markets, it continues to overstate the competitive constraint on BT/Openreach across much of the UK. Given the scale and persistence of excess profits and the absence of clear efficiency benefits from a glide path, Ofcom should prioritise Starting Charge Adjustments (SCAs) and align prices with forecasted costs from 2026. Now that DFA and DFX are established products, Ofcom should adopt a direct costing approach to ensure robust and transparent cost assessments.

Leased Lines: A Strategic Pillar of the UK's Digital Economy

8. Leased lines are critical infrastructure that underpin the UK's digital economy. They provide high-quality, high-bandwidth, uncontended connectivity essential for public services, enterprise operations, and telecoms networks. These services continue to evolve, supporting growing bandwidth demands and enabling mission-critical applications across sectors.
9. The market for leased lines is well-established but remains structurally resistant to rapid change. Despite decades of rival network development, effective competition is limited. High sunk costs, long contract durations, complex migrations, high switching costs⁴ and the need for scale and service quality have slowed competitive entry. Enterprise Retailers like Vodafone rely on scalable wholesale partnerships to meet national demand, as building ubiquitous infrastructure independently is not economically viable. Vodafone is an enterprise customer in the context of its mobile cell site connectivity.

³ a conservative estimate of the level of over-recovery in the LLA and IEC markets for the period FY22 to FY26, assuming that the over-recovery in the last two years (FY25 and FY26) remains at the same level as in FY24.

⁴ Ofcom identified ETFs, dual payment, ECCs and new connection charges Vol2 5.195

10. Leased lines are foundational to mobile and broadband networks. They enable resilient, high capacity backhaul, particularly for 5G, where dark fibre is increasingly used to connect cell sites and support scalable bandwidth upgrades. In urban areas such as the CLA, HNR, and parts of the current Area 2, Vodafone makes extensive use of both onnet and commercial dark fibre for its mobile network. Nationwide dark fibre access remains essential to delivering efficient and future-proofed mobile and prospectively enterprise connectivity.
11. Despite Vodafone’s extensive fixed network assets, alongside commercial and regulated supply, we have been unable to source the dark fibre products we need across the entirety of the UK. Alternative networks lack sufficient scale [REDACTED].⁵ This highlights the limitations of relying on commercial negotiation alone and reinforces the need for continued regulatory intervention. Regulatory inaction now would mean prolonging the harm to competition and innovation, while those dependent on high-capacity infrastructure, particularly in underserved areas, continue to face inflated costs and limited choice.
12. Enterprise customers typically contract for terms of three to five years, reflecting their need for flexibility and responsiveness to evolving business requirements. However, the wholesale market is significantly less competitive for these customers compared to those able to commit to very long-term contracts. Wholesale providers prioritise investment and pricing incentives toward longer-duration deals, leaving shorter-term enterprise contracts with fewer viable options. These customers are also less inclined to absorb the high upfront costs of network extensions or tolerate extended lead times for service delivery, factors that further limit their access to competitive supply. As a result, the current market structure disproportionately disadvantages enterprise users seeking shorter, more agile arrangements, despite their strategic importance to the UK economy. We therefore support the application of a pricing remedy to control BT/Openreach’s charges in Area 3, where competitive constraints remain weak, and the risk of excessive pricing persists.
13. BT/Openreach’s dominance is evident in its pricing behaviour and financial returns. It maintains a national pricing strategy, with only selective discounts in areas which have a risk of competition. [REDACTED]. In FY 2023/24⁶, BT/Openreach achieved returns of 88% on IEC services and 16% on local access leased lines, well above the regulatory WACC of 7.8% and the returns achievable by other market participants. These margins reflect weak competitive pressure and a failure to deliver dynamic efficiency or pass-through benefits to downstream providers.
14. Service quality has materially declined. BT/Openreach has raised prices while simultaneously offloading responsibilities onto retailers, degrading the service wrap and increasing operational burdens. This “shrinkflation” distorts the regulatory balance and undermines both affordability and service standards for end users. Such practices should not be tolerated by Ofcom. The regulator must act decisively to restore fairness in the market and ensure that service quality and value are preserved for consumers and enterprise users alike. Failure to intervene risks normalising a model where higher prices are accompanied by diminished service, to the detriment of competition, innovation, and end-user outcomes.

⁵ [REDACTED]

⁶ [Frontier - Assessment of BT/Openreach profitability](#)

15. We strongly support Ofcom’s continued regulatory focus on the leased lines market. The proposed remedies are grounded in robust evidence and reflect sound regulatory judgment. Without firm intervention, entrenched issues will persist, disadvantaging consumers and enterprise users and undermining the UK’s digital ambitions. Ofcom’s differentiated approach, assessing competition by product and geography, is proportionate and well aligned with government objectives. The refined Area 3 boundary closely reflects Vodafone’s operational experience. In summary, leased lines are not only enduring but increasingly vital. Their role in enabling 5G, enterprise connectivity, and national resilience demands continued regulatory oversight to ensure that the benefits of connectivity are widely and fairly distributed.

Q&A

Duct and pole

Question 2.1: Do you agree with our provisional conclusion on physical infrastructure product market definition? Please set out your reasons and supporting evidence for your response.

16. Ofcom provisionally concludes that there is a single product market for the supply of wholesale access to telecoms physical infrastructure used for deploying telecoms networks, and that non-telecoms physical infrastructure and wireless technologies should be excluded from this market definition.
17. We agree with Ofcom’s market definition. The high concentration of FTTP network builders seeking access⁷ to BT/Openreach’s physical infrastructure reinforces the conclusion that telecoms-specific infrastructure is uniquely valued by telecoms network operators. In our experience,⁸ access seekers consistently prioritise infrastructure that is purpose-built for telecoms deployment, such as ducts and poles, over non-telecoms alternatives. This behaviour supports Ofcom’s economic analysis and confirms that the relevant market is correctly defined around telecoms-specific physical infrastructure.

Question 2.2: Do you agree with our provisional conclusion on physical infrastructure geographic market definition? Please set out your reasons and supporting evidence for your response.

18. Ofcom proposes a single national geographic market for wholesale access to telecoms physical infrastructure used for deploying a telecoms network. We agree with the geographic market definition.

Question 2.3: Do you agree with our provisional conclusion on the application of the three criteria test to the physical infrastructure market? Please set out your reasons and supporting evidence for your response.

⁷ BT/Openreach indicating [redacted] at the latest industry forum

⁸ [redacted].

19. We agree with Ofcom's provisional conclusion that the three criteria for ex ante regulation are met in the physical infrastructure market.
20. **High and non-transitory barriers to entry:** The ubiquity and scale of the BT/Openreach duct and pole network create a structural barrier that is both significant and enduring. BT/Openreach's infrastructure is already capable of supporting both its own and competing Leased Lines/FTTP deployments at national scale. In our view, it is inconceivable that a second national duct network could be economically justified or commercially viable. The capital intensity, planning complexity, and time required to replicate such infrastructure represent a prohibitive barrier for new entrants.
21. **The market does not tend towards effective competition:** We agree with Ofcom's assessment that an access seeker's choice of physical infrastructure for a given connection is effectively a one-time decision. Once a provider has committed to using a particular duct route or pole infrastructure, switching costs, both financial and operational, are high. This entrenches the position of the incumbent and limits the scope for dynamic competition over time. As a result, the market is unlikely to evolve toward effective competition without regulatory intervention.
22. **Competition law alone is insufficient:** We agree that ex post competition law would not be adequate to address the risks posed by BT/Openreach's market power. The nature of the physical infrastructure market requires ongoing oversight and proactive intervention to ensure fair access and prevent discriminatory practices. In our experience, effective regulation in this area depends on continuous monitoring and engagement, including at senior levels within Ofcom. For the duration of the WFTMR, Ofcom's CEO has found it necessary to convene and chair cross industry engagement on duct and pole access and product development. Ex ante obligations provide the necessary clarity and certainty for all market participants and are essential to support sustainable competition in downstream markets.

Question 2.4: Do you agree with our provisional finding on SMP in the physical infrastructure market? Please set out your reasons and supporting evidence for your response.

23. We agree with Ofcom's finding that BT/Openreach has SMP. As identified by the three-criteria test, BT/Openreach is in a position of entrenched market power. The presence of high and non-transitory barriers to entry, such as the need for substantial sunk investment, long deployment timelines, and reliance on BT's infrastructure, means that meaningful infrastructure-based competition is unlikely to emerge at scale during the review period. Ofcom's is correct that in the absence of ex ante regulation, BT/Openreach's dominance would remain unchecked, to the detriment of downstream providers and end users.

Leased Lines Access

Question 2.9: Do you agree with our provisional conclusions on product market definition for leased lines? Please set out your reasons and supporting evidence.

24. Leased lines are critical infrastructure that underpin the UK's digital economy. They provide high-quality, high-bandwidth, uncontended connectivity essential to the public sector, private enterprise, and the telecoms industry. These services continue to evolve, supporting growing bandwidth demands and enabling mission-critical applications.
25. The retail leased lines market is well-established and enduring. Retailers continue to invest in product sets that rely on leased lines⁹, working with wholesalers to enhance product functionality, service quality, and operational efficiency. BT/Openreach, the wholesale market leader, has demonstrated long-term commitment through sustained product development, expanding high-bandwidth offerings via Optical Spectrum Access and EAD Rugged (2021–2025), the upcoming introduction of “Swift” install¹⁰ and preparing to launch the cost-efficient “EAD2” product. Its exchange closure programme also prioritises the migration of leased line services mapping from today's broad footprint to the planned enduring exchange footprint alongside the copper-to-FTTP transition.
26. Over the decades, leased lines have evolved from kilobit-per-second services to delivering capacities of up to 100Gbit/s [🔗]. While broadband technologies such as ADSL, FTTC and FTTP have expanded connectivity options, they are not substitutes for leased lines.¹¹ Broadband networks have been designed primarily for the mass residential market, with service characteristics and rollout strategies optimised accordingly. Business broadband has typically been a secondary consideration, an add-on rather than a core design focus. For enterprise sites requiring symmetrical, uncontended bandwidth and high levels of network security, leased lines remain essential. These requirements cannot be reliably met by broadband services, making leased lines a distinct and irreplaceable product in the connectivity landscape.
27. Retailers require wholesale services with a scalable geographic footprint to support national enterprise customers, often beyond their own infrastructure. Onboarding new wholesale providers and integrating product variants involves significant cost and operational complexity.¹² Enterprise customers typically operate on three- to five-year contracts, and supplier changes require structured migrations that can take six months or more. In contrast, consumer switching occurs within days. As a result, market change in leased lines is slower and more incremental than in consumer broadband.

Leased lines are critical network input supporting retail mobile / 5G and retail broadband

28. Leased lines are essential wholesale inputs that underpin the delivery of national retail mobile services and retail broadband. Telecoms retailers routinely purchase leased lines from one another to construct and extend their core and access networks, enabling resilient, high-capacity connectivity across the UK. This role is increasingly recognised in both regulatory and policy frameworks. Ofcom's updated Network and Service Resilience Guidance highlights the importance of robust telecoms infrastructure in supporting the UK's digital economy, particularly as reliance on digital services intensifies.

⁹ [Ethernet VPN | Business | Vodafone UK](#), [Ethernet Wireline | Business | Vodafone UK](#), [Dedicated Ethernet | Business | Vodafone UK](#), [Dedicated Internet Access | Business | Vodafone UK](#), [IP-VPN | Business | Vodafone UK](#)

¹⁰ [🔗]

¹¹ Ethernet First Mile (EFM) was historically considered a substitute within the leased lines market due to its technical and service characteristics, but this classification was context-dependent and has evolved over time.

¹² Costs of onboarding – agreeing terms and conditions, establishing physical interconnection, synchronising ordering, provisioning and care – are substantial. Significant order volumes are required to break even.

29. Leased lines, especially dark fibre, are foundational to resilient mobile backhaul, enabling scalable and cost-effective bandwidth upgrades across cell sites and exchange routes. In mobile networks, they are increasingly used to connect individual cell sites, replacing legacy microwave links. [X]. Nationwide access to dark fibre remains critical to delivering efficient and scalable 5G backhaul.
30. Beyond mobile, leased lines play a vital role in retail broadband. Broadband retailers rely on them to build exchange backhaul networks that aggregate traffic from local access networks and transport it to core networks and internet gateways. These networks must support ultra-high bandwidth and be designed with resilience in mind to minimise service disruption. [X].

Leased line service provision has high economic and timescale barriers

31. The provision of leased line services is shaped by substantial economic and operational barriers that limit competitive entry. Despite decades of rival network development, the market remains highly concentrated. High deployment costs, long contract durations, slow service migrations, and the need for scale, quality, and a comprehensive portfolio have resulted in slow-moving competition.
32. This is evident in the limited price competition. BT/Openreach maintains a national pricing strategy, offering only selective discounts in areas with established rivals. Even where infrastructure competition exists, BT/Openreach's pricing power remains largely unchallenged.
33. BT/Openreach's financial performance underscores this dynamic. In FY 2023/24, it achieved returns of 88% on IEC services and 16% on local access leased lines, well above the regulatory WACC of 7.8%. These returns have grown steadily over the WFTMR period, driven by inflation-linked pricing and weak competitive pressure. We estimate that the lack of competition in LLA markets has enabled BT/Openreach to earn profits up to **~£525M** above its WACC over the existing market review period and a further **~£508M** for the IEC market.
34. Such persistently high returns signal a lack of effective competition and a misalignment with broader economic goals. In a market critical to business connectivity and digital infrastructure, these margins reflect a failure to deliver dynamic efficiency or pass-through benefits to consumers and downstream providers, undermining productivity and digital competitiveness.
35. In this context, Ofcom's recognition of structural barriers and its continued regulatory vigilance are both necessary and proportionate. Its findings reflect enduring market failures and the risks of unchecked incumbency. By maintaining oversight and intervening where needed, Ofcom helps safeguard competition, protect downstream markets, and ensure more equitable access to connectivity.

We support Ofcom's policy ambition for greater network competition, but the scope for competition must be analysed by product market

36. We support Ofcom's ambition to promote greater network competition. We agree that the potential for competition must be assessed at the level of individual product markets

distinguishing between Leased Lines and Broadband, recognising the distinct economic and operational characteristics of each.

37. Vodafone has significant fixed leased lines network assets, having acquired and integrated the legacy networks of Cable & Wireless, Thus, Your Communications, and Energis. [X]. These networks have been extended, under Vodafone's ownership, where economically viable to connect mobile sites and enterprise premises. National customer demand, particularly in mobile and enterprise markets, requires ubiquitous UK coverage. To remain competitive, we rely on scalable wholesale partnerships to fill gaps in our on-net footprint.
38. [X]. This reflects both the limited reach of rival networks and the fact that many locations fall outside their build priorities, business priority and economic thresholds.
39. [X]. This highlights the limitations of relying on commercial negotiation alone and reinforces the need for continued regulatory intervention to ensure fair and reasonable access to critical wholesale inputs.
40. We therefore welcome Ofcom's proposals as a balanced and pragmatic response to market realities. The remedies will support competition where viable, while protecting consumers and businesses in areas where BT/Openreach's market power will persist. This approach aligns with Ofcom's statutory duties and supports the UK's broader goals for economic growth and digital transformation.
41. Ofcom's differentiated approach to product and geographic markets ensures that regulation remains proportionate and targeted, promoting competition where possible and safeguarding access where it is not. This balance is essential to supporting investment, innovation, and fair access across the UK.
42. Leased lines remain a foundational element of the UK's connectivity landscape. Their role is evolving, not diminishing, and continued regulatory oversight is essential to ensure fair access, innovation, and investment.
43. The leased lines market remains structurally resistant to rapid change due to high sunk costs, operational complexity, and entrenched incumbent advantages. These factors continue to constrain entry and expansion, limiting effective competition. Ofcom has consistently recognised the strategic importance of leased lines to the UK economy and business users. Successive market reviews have sought to ensure that wholesale leased line services remain available on fair and reasonable terms, enabling effective retail competition.
44. Ofcom's current decision to maintain and extend regulatory remedies is grounded in robust evidence and closely aligned with the UK Government's Industrial Strategy and Invest 2035 framework. Both emphasise the need for resilient digital infrastructure to support innovation, productivity, and regional growth. By addressing excessive returns and ensuring fair access to essential infrastructure, Ofcom is supporting sustainable investment, digital inclusion, and the broader national economic agenda.
45. The proposals to extend dark fibre access and maintain charge controls on key leased line inputs are welcome. These remedies will support the nationwide rollout of 5G by enabling

cost-effective, scalable backhaul and accelerating digital adoption across urban and rural areas. They also align with Ofcom's objective to promote upstream access to BT/Openreach's physical infrastructure.

46. We strongly support Ofcom's continued regulatory focus on the leased lines market. The TAR proposals are grounded in robust evidence and sound judgment, recognising the enduring importance of leased lines to the UK's digital economy. These measures will help ensure leased lines remain a reliable and competitive foundation for business connectivity, public services, and next-generation mobile networks.
47. The proposals align with Ofcom's duty to protect consumers and promote competition in areas where network investment is currently unlikely. Ensuring continued access to high-quality leased line services enables Retail providers to offer choice and supports digital inclusion across the UK. There is no credible evidence that significant new investment will occur in these areas in the foreseeable future. In the event this changes Ofcom's proposals do not prevent such investment from happening, they are designed to protect users today while remaining flexible enough to accommodate future competitive entry if it arises. Efficient market entry should be based on the ability to deliver value through innovation, service quality, and cost efficiency.

Market Definition for Leased Line Access Services

48. We support Ofcom's provisional conclusion that there is a single product market for leased line access services at all bandwidths, encompassing:
 - a) all wholesale fibre-based Ethernet and Wavelength Division Multiplexing (WDM) services;
 - b) dark fibre used to supply or self-supply leased line services.
49. This market definition appropriately reflects the functional substitutability of these services in delivering high-quality, uncontended, and symmetrical connectivity to business and wholesale customers. It also recognises the critical role of dark fibre as an input for self-provisioned leased line services and the continued relevance of Ethernet and WDM technologies in supporting a wide range of bandwidth requirements.
50. We agree that grouping these services within a single product market provides a coherent framework for assessing market power and applying proportionate remedies. It ensures that regulation remains technology-neutral while continuing to protect competition and service quality in business connectivity markets.

Exclusion of XGS-PON from the Leased Line Market

51. However, we do not support Ofcom's provisional conclusion to include services delivered over symmetric PON technologies, such as XGS-PON, within the same product market as leased line access services.
52. While XGS-PON can technically be configured to deliver symmetric, uncontended capacity (e.g. reserving 1 Gbit/s on a 10 Gbit/s PON), this remains a niche and unproven use case. Most XGS-PON deployments are designed for shared, contended broadband delivery. Delivering leased line-equivalent services over PON requires bespoke provisioning, traffic

management, and service-level guarantees that are neither standardised nor widely adopted.

53. As Ofcom notes in the Annex: *“An XGS-PON based FTTP network which has a capacity of 10 Gbit/s can be shared among multiple end-users. It can also be used to offer a symmetric uncontended capacity over the same PON. To do this, the PON would be configured to ‘ringfence’ or reserve 1 Gbit/s of the shared capacity to offer a 1 Gbit/s ‘leased line equivalent’ Ethernet service. In practice, this means that up to seven 1 Gbit/s ‘leased line equivalent’ Ethernet connections can be provided over one XGS-PON based FTTP network; however, this may constrain the capacity available for existing as well as prospective residential broadband connections.”*
54. There are several reasons why XGS-PON should not be considered a substitute for leased lines at this stage:
- a) **Market Readiness and Commercial Maturity:** The use of XGS-PON for leased line-equivalent services remains at an early stage. There is no established market volume, no proven demand at scale, and no evidence of widespread commercial adoption.
 - b) **Distinct Use Cases and Customer Expectations:** FTTP-based services, including those delivered over XGS-PON, are primarily an extension of the broadband market to serve additional customer segments. Customers choosing FTTP typically do not require the guaranteed performance, dedicated capacity, and high service assurance that leased line users’ demand.
 - c) **Operational Constraints and Trade-offs:** Configuring XGS-PON to deliver uncontended capacity reduces the bandwidth available for other users on the same PON. This introduces a trade-off between broadband and business service delivery, which does not exist in dedicated leased line infrastructure.

Feature	XGSPON	Leased Line
Speed	Up to 10G symmetric	10M to 100G
Symmetry	Yes	Yes
Dedicated Bandwidth	Shared with others on the PON	Fully Dedicated
SLA	Limited	Strong
Latency/Jitter	Higher and more variable	Lower and more stable
Contention	Yes – bandwidth is shared	No – dedicated circuit
Seperacy	No KMLs	KML’s for route planning and ensuring seperacy from other services
Use Case	SME/Residential grade	Mission critical business, data centres

55. **Regulatory Precedent and Consistency:** Including XGS-PON in the leased line market definition risks conflating two fundamentally different service models, shared broadband and dedicated business connectivity. This could undermine regulatory clarity and distort investment signals at a time when the market is still evolving.
56. This example highlights the theoretical potential of XGS-PON, but not its commercial or operational readiness. [✂]. Including XGS-PON in the leased line market definition at this

stage is premature and risks distorting the regulatory framework before the product has demonstrated sufficient scale, demand, or service equivalence in practice.

57. In summary, while XGS-PON may offer technical capabilities that resemble leased lines in isolated cases, it is not a commercially viable or operationally equivalent substitute at this time. The use of XGS-PON for leased line-equivalent services remains limited, with no established market volume, standardisation, or widespread commercial adoption. Its deployment for uncontended, business-grade connectivity is still niche and unproven. Including XGS-PON in the leased line access market definition risks distorting the regulatory framework by conflating fundamentally different service models, shared broadband versus dedicated business connectivity. We therefore urge Ofcom to maintain a clear and robust distinction between broadband and leased line markets and to exclude XGS-PON-based services from the leased line access market definition for this review period.

Question 2.10: Do you agree with our provisional conclusions on geographic market definition for the leased line access market? Please set out your reasons and supporting evidence for your response.

58. The updated geography aligns with market realities and ensures that the specific needs of business connectivity are properly addressed. We have provided robust evidence in our information request response showing that large parts of the current Area 2 are not subject to effective alternative competition, and we remain reliant on BT/Openreach as the sole provider in these locations.
59. The reallocation of these areas into the new Area 3 is therefore both necessary and evidence-based. This change will protect business users in these areas with immediate effect by ensuring continued access to essential connectivity services under appropriate regulatory safeguards.
60. Importantly, this reclassification does not preclude any network builder from revisiting their strategy or entering these markets in the future. The remedies proposed by Ofcom include pricing that exceeds commercial rates, meaning that any new entrant would not be unfairly disadvantaged or deterred by the regulatory framework.
61. We support Ofcom's recognition that the leased lines market requires distinct analysis from broadband. Our operational experience shows that combining broadband and leased lines into a single geographic market has failed to reflect their differing demand, service characteristics, and competitive dynamics, leaving business users underserved. The updated geographic approach better aligns with market realities and ensures that the specific needs of business connectivity are properly addressed.
62. Ofcom's proposed Area 3 reflects updated evidence on network build since 2019. The revised boundary is smaller than the previous BT-only footprint, acknowledging the network expansion that has occurred and can be expected. This refinement aligns with our operational experience, accurately capturing areas where commercial supply remains absent.

Ofcom's distance assumptions are overly optimistic

63. When determining network reach, Ofcom counts infrastructure operators as being able to serve a site when it is within 50 metres of existing network infrastructure. However, this is clearly an overestimate of the distance over which operators are willing to connect customers:
- a) Ofcom's own analysis shows that median distance for connecting customers was less than 20 metres across all geographies, even given Openreach's excessive pricing; and
 - b) The vast majority of new circuits provided by alternative operators were on sites where the providers had existing connections, e.g. a dig distance of zero.
64. This means that the true number of effective competitors to Openreach will be significantly less than indicated by Ofcom's network reach modelling and so the competitive constraint on Openreach will be much less than Ofcom's assumes. This is consistent with the high levels of profitability of Openreach in areas where it faces some infrastructure competition.

Ofcom's assumptions on alt net network build are based on aspirations rather than firm commitments

65. In the current market review period the level of network investment, in particular by alternative providers, has been higher than that forecast. However, much of this has been from WLA only operators.
66. Ofcom's definition of the boundary between Area 2 and Area 3 in the LLA market is based on the stated build plans of operators that provide LLA services (typically in conjunction with WLA services). However, the investment climate for altnets appears to have changed with a focus on consolidation amongst the existing operators rather than continued network expansion. This means that the likely network reach by 2031 is materially lower than that assumed by Ofcom.
67. We discuss the characteristics of the differentiated markets in Question 2.12.
68. Ofcom's proposals are a proportionate response to these challenges. By maintaining and refining remedies, Ofcom is addressing entrenched market failures and supporting fair access, competition, and digital inclusion across the UK.

Question 2.11: Do you agree with our provisional conclusion on the application of the three criteria test to the leased line access market? Please set out your reasons and supporting evidence for your response.

69. We agree with Ofcom's provisional conclusion that the leased line access market meets the three criteria for ex ante regulation.
70. **High and non-transitory barriers to entry:** The leased line market is characterised by significant structural barriers. These include the high sunk costs of deploying fibre infrastructure, the need for extensive duct access, and the operational complexity of delivering high-quality, symmetrical, uncontended services. In addition, the long contract durations, stringent service-level expectations, and the need for national scale and reputation make it extremely difficult for new entrants to compete effectively. Even where

alternative networks exist, their coverage is often limited, and their ability to match BT/Openreach's service breadth and delivery capability is constrained.

71. **The market does not tend towards effective competition:** Despite years of regulatory intervention, BT/Openreach continues to hold high market shares across all product types and geographic areas. In many locations, it remains the only viable supplier of leased line services. While some infrastructure-based competition exists, it is often limited to specific urban areas and does not exert sufficient pressure to constrain BT/Openreach's pricing or service behaviour. The pace of market change is slow, with enterprise customers typically locked into multi-year contracts and migration programmes taking many months to complete. This inertia further entrenches BT/Openreach's position.
72. **Competition law alone is insufficient:** Ex post competition law is not capable of addressing the structural and behavioural issues present in the leased line market. The risks of excessive pricing, discriminatory behaviour, and service degradation are real and ongoing. Ex ante regulation provides the necessary tools to ensure fair access, prevent abuse of market power, and support downstream competition. It also offers the regulatory certainty needed by both Retailers and infrastructure investors to plan and deliver long-term services.
73. In summary, the leased line access market continues to exhibit the characteristics that justify ex ante regulation. We support Ofcom's conclusion that the three criteria test is met and that continued regulatory oversight is essential to protect competition and ensure high-quality connectivity for UK businesses.

Question 2.12: Do you agree with our provisional findings on SMP in the leased line access market? Please set out your reasons and supporting evidence for your response.

BT/Openreach has clear SMP across Area 3, Area 2 and the HNRs

74. Across the UK, BT/Openreach continues to hold sustained market power. Infrastructure-based competition remains limited in comparison and fragmented, [✂]. This results in weak competitive pressure and reinforces the need for continued regulatory oversight.
75. BT/Openreach has raised prices while degrading service quality, effectively delivering "shrinkflation" in its service wrap. Responsibilities that should fall within BT/Openreach's remit, and are accounted for in charge controls, are increasingly offloaded onto downstream providers. This distorts the regulatory balance and imposes unjustified cost pressures on competitors, ultimately impacting service quality or retail pricing for end users. These dynamics highlight the need for continued, targeted market power regulation. Without it, leased line users will face limited choice, higher costs, and declining service standards. Service quality has materially declined. BT/Openreach has raised prices while simultaneously offloading responsibilities onto retailers, degrading the service wrap and increasing operational burdens.
76. This "shrinkflation" distorts the regulatory balance and undermines both affordability and service standards for end users. Such practices should not be tolerated by Ofcom. The

regulator must act decisively to restore fairness in the market and ensure that service quality and value are preserved for consumers and enterprise users alike.

77. Openreach has claimed that Ethernet orders have become more complex, justifying longer provisioning times and reduced SLG eligibility. [X]. This undermines Openreach's justification for service delays and the reclassification of orders as complex.
78. Since 2018, Openreach's removal of the Ethernet job control function has further degraded service quality. [X]. This cost, previously embedded in Openreach's provisioning charge, is now borne entirely by Vodafone. Despite this functional withdrawal, Openreach continued to charge the same connection price, an evident case of shrinkflation and over-recovery under the charge control framework.
79. Openreach's practice of extending the initial Customer Due Date (iCDD) has also materially impacted Vodafone's ability to claim SLGs. [X]. This is yet another example of shrinkflation, reduced service scope without a corresponding price reduction. Failure to intervene risks normalising a model where higher prices are accompanied by diminished service, to the detriment of competition, innovation, and end-user outcomes.
80. We support Ofcom's provisional conclusion that BT holds Significant Market Power (SMP) in each of the following markets:
 - a) the HNR Area;
 - b) LLA Area 2; and
 - c) LLA Area 3.
81. Our experience as a Retailer seeking wholesale supply to complement our own network facilities strongly supports these findings. BT/Openreach's market power enables it to act independently of both competitors and customers. In practice, consumers are largely required to accept the terms and products offered by BT/Openreach, with little to no scope for commercial negotiation or leverage.
82. Despite several decades of regulatory intervention and market liberalisation, BT/Openreach continues to hold dominant market shares across all geographies of the UK in local access. Its incumbency advantage remains firmly intact. As Ofcom rightly observes, "*BT has by far the largest and the only nationwide network in the UK, which is not easily duplicated due to the high sunk costs involved.*"
83. Where BT/Openreach has network presence, it enjoys a significant competitive advantage, able to deliver services more quickly and at materially lower cost than any rival. This structural advantage underpins its continued dominance and reinforces the need for robust ex ante regulation across all three geographic markets.

HNR Area Assessment

84. We support Ofcom's designation of the HNR Area, recognising that it reflects a higher degree of prospective competition than Area 2. However, the prospect for competition is not consistent across each postcode sector entire area and competition is not effective¹³. The

¹³ See discussion about the network reach model

analysis shows that BT/Openreach continues to hold significant market power across HNR locations. We therefore support the continued application of ex ante regulation in this area to ensure fair access to support downstream retail competition.

85. **Market Structure and Competitive Conditions:**

- a) The HNR Area comprises **18,526 demand sites, 935 postcode sectors**, and accounts for approximately **12% of leased line connections**.
- b) **82-84% of demand sites** have access to at least two alternative LLA providers other than BT/Openreach. With a network expected to need a network extension of 16m in order to provide supply.
- c) BT/Openreach holds a high **market share of 61–70%** of new connections (2020–2023), while the largest rival, VMO2 holds a materially lower share of **11–20%**.
- d) On a modelled forward-looking basis, the two closest competing networks are within 50 metres of demand sites, but the **third closest is over 100 metres away** (average distance: 119m), limiting the practical availability of competitive alternatives.
- e) BT/Openreach had **duct infrastructure in place for 90–100%**¹⁴ of its new circuits during this period. Competing networks had duct available for only **61%** of their new connections, across a smaller footprint.

86. **Enduring Market Advantages:** BT/Openreach benefits from several structural and behavioural advantages that reinforce its dominance in the HNR Area:

- a) **Geographic approximation in HNR:** We recognise that a degree of approximation is inevitable in defining geographic markets and agree that it would not be proportionate or practical to refine boundaries further. However, we note that the use of postcode sectors as the geographic unit can overstate network reach. This approach masks intra-sector variation, meaning competition is not homogenous across the HNR. While we support the principle of the HNR designation, it is important that Ofcom remains alert to these limitations to avoid under-regulating areas where market power persists even if Ofcom consider competition to be “sufficiently similar across the area”.
- b) **Infrastructure incumbency:** BT/Openreach’s extensive duct network enables it to deliver services at lower cost and with faster lead times than competitors.
- c) **Increasing costs for Leased Lines supply using DPA:** Analysis of the proposed DPA pricing changes indicates [X] in the cost of deploying leased lines using DPA.
- d) **Unavoidable wholesale partner:** Retailers are operationally and commercially tied to BT/Openreach through national contracts, systems, and processes. Competing wholesalers must overcome significant onboarding, interconnection, and integration costs to be viable alternatives. Network availability does not always translate into a competitive effect.
- e) **Limited competitive pressure:** The main rival in the HNR Area [X].
- f) **End-Customer Dynamics:** End-customer behaviour continues to favour the incumbent and limits the potential for market change:
- g) **Service continuity and installation speed** are critical to LLA customers. As Ofcom notes, quicker delivery times are a key factor in winning business, which favours BT/Openreach.

¹⁴ [X].

- h) **Infrequent technology refresh cycles** reduce opportunities for competitors to displace BT/Openreach through innovation or upgrades.
- i) **Customer switching aversion:** [X]. [X].
- j) **Longer contract cycles** in LLA compared to WLA reduce the frequency of competitive tendering, slowing the pace of market change.

87. **Evidence of Market Power in Practice:** BT/Openreach's conduct in the HNR Area further illustrates its entrenched position:

- a) **Uniform pricing across geographies:** BT/Openreach maintains its retail pricing in the HNR Area at the same level as in Area 3, the least competitive area of the UK, despite the presence of more infrastructure competition strongly indicating a lack of competitive threat.
- b) **Product migration enforcement:** BT/Openreach has directed Retailers to switch from EAD and EAD LA to EAD2 in HNR/Flex Zones in order for them to qualify for Flex Zone connection discounts. This shift, announced in October 2024¹⁵, imposes significant onboarding and development costs on Retailers. These costs often require Retailers to deprioritise other strategic developments, including onboarding new suppliers or enhancing retail product features¹⁶.
- c) **Exchange exit programme:** BT/Openreach is requiring existing leased line customers to migrate services as part of its exchange closure programme, without offering adequate cost recovery. Retailers must manage the migration, customer communication, and associated risks, without any service benefit to the end customer. This would not be tolerated in a competitive market. [X].
- d) **Excessive profitability:** Frontier Economics has calculated BT/Openreach's returns across its national LLA product set at **16%**, significantly above its **WACC of 7.8%** for the period, indicating sustained market power and a lack of effective competitive constraint. Frontier estimate that the lack of competition in LLA markets has cost consumers **£525M**.

Area 2 Assessment

88. We strongly support Ofcom's conclusion that BT/Openreach retains significant market power in Area 2, and that the conditions for ex ante regulation remain firmly in place. Our operational experience confirms that competition in this area is limited, fragmented, and insufficient to constrain BT/Openreach's behaviour. Continued regulation is essential to ensure fair access, prevent excessive pricing, and support the development of sustainable alternatives.

89. **Market Structure and Competitive Conditions:**

- a) Area 2 comprises 68,293 demand sites, 4,208 postcode sectors, and accounts for approximately **45%** of leased line connections.
- b) 82% of demand sites have a choice of 1.15 competitors, rising only modestly to **1.42** over the review period, highlighting the limited scope for competitive constraint. With a network expected to need a network extension of 41m in order to provide supply.

¹⁵ This product had been scheduled to go live for trial in June 2025. In 20th May BT/Openreach unilaterally informed industry this would now be delayed until Dec 2025.

¹⁶ On the 20th May at the EPCG, Openreach briefed industry that they are delaying the launch of EAD2 by 9 months from April 26 to **December 26**

- c) BT/Openreach holds a market share of **61–70%** of new connections (2020–2023), while the largest rival, VMO2 holds a materially lower share of 21–30%, with the remainder of the market highly fragmented.
- d) BT/Openreach had duct infrastructure in place for 90–100%¹⁷ of its new circuits during this period. In contrast, competing networks had duct available for only 49% of their new connections, and across a smaller footprint.

90. **Enduring Market Advantages:** BT/Openreach benefits from several structural and behavioural advantages that reinforce its dominance:
- a) **Infrastructure incumbency:** The extensive presence of duct infrastructure enables BT/Openreach to deliver services at lower cost and with faster lead times than competitors.
 - b) **Increasing costs for Leased Lines supply using DPA:** Analysis of the proposed DPA pricing changes indicates a material increase in the cost of deploying leased lines using DPA.
 - c) **Unavoidable wholesale partner:** Retailers are operationally and commercially tied to BT/Openreach through national contracts, systems, and processes. Competing wholesalers must overcome significant onboarding, interconnection, and integration costs to be viable alternatives. As a result, network availability does not always translate into effective competition or a competitive constraint.
 - d) **Limited competitive pressure:** The main rival in Area 2 appears to adopt a price-following strategy rather than actively challenging BT/Openreach’s position, further limiting the erosion of market power.
91. **End-Customer Dynamics:** End-customer behaviour continues to favour the incumbent and limits the potential for market change:
- a) **Service continuity and installation speed**¹⁸ are critical to LLA customers. As Ofcom notes, quicker delivery times are a key factor in winning business, which favours BT/Openreach.
 - b) **Infrequent technology refresh cycles** reduce opportunities for competitors to displace BT/Openreach through innovation or upgrades.
 - c) **Customer switching aversion:** End customers are increasingly reluctant to accept service migrations purely for retailer cost savings. Such changes are now only considered where the retailer can offer a compelling share of the savings.
 - d) **Longer contract cycles** in LLA compared to WLA reduce the frequency of competitive tendering, slowing the pace of market change.
92. **Evidence of Market Power in Practice:** BT/Openreach’s conduct in Area 2 further illustrates its entrenched position:
- a) **Exchange exit programme:** BT/Openreach is requiring existing leased line customers to migrate services as part of its exchange closure programme, without offering adequate cost recovery. Retailers must manage the migration, customer communication, and associated risks, without any service benefit to the end customer. This would not be tolerated in a competitive market. [REDACTED].

¹⁷ [REDACTED].

¹⁸ This corresponds with the evidence that Ofcom has obtained Vol2 5.190

- b) **Unmet demand for dark fibre:** [redacted]. [redacted]. This has created a significant gap in our ability to support high-bandwidth services, including 5G.
- c) **Excessive profitability:** Frontier Economics has calculated BT/Openreach's returns across its national LLA product set at 16%, significantly above its WACC of 7.8% for the period, suggesting sustained market power and a lack of effective competitive constraint. We estimate that the lack of competition in LLA markets has cost consumers £525M.

Area 3 Assessment

93. We agree with Ofcom's assessment that Area 3 is characterised by persistent and significant market power held by BT/Openreach. Our analysis supports the conclusion that the three criteria for ex ante regulation are met.
94. **Market Structure and Competitive Conditions**
- a) Area 3 comprises 57,976 demand sites, 4,591 postcode sectors, and accounts for approximately **38%** of leased line connections.
 - b) In the majority of postcode sectors, no alternative leased line provider to BT/Openreach is present. With a network expected to need a network extension of **2,135m** in order to provide supply.
 - c) BT/Openreach holds a market share of **81–90%**, while the largest rival accounts for only 1–10%, indicating a highly concentrated market.
 - d) Between 2020 and 2023, BT/Openreach had duct infrastructure in place for 90–100%¹⁹ of its new circuits. In contrast, competing networks had duct available for only 28% of their new connections, and across a much smaller footprint.
 - e) There is very limited competing network infrastructure in Area 3 in the LLA segment.
95. **Enduring Market Advantages:** BT/Openreach benefits from several entrenched advantages that reinforce its market power:
- a) **Infrastructure incumbency:** The extensive presence of existing duct infrastructure enables BT/Openreach to deliver services at lower cost and with faster lead times than competitors.
 - b) **Increasing costs for Leased Lines supply using DPA:** Analysis of the proposed DPA pricing changes indicates [redacted] in the cost of deploying leased lines using DPA
 - c) **Unavoidable wholesale partner:** Retailers are contractually and operationally tied to BT/Openreach nationally. Competing wholesalers must overcome significant onboarding, interconnection, and systems integration costs to be viable alternatives, barriers that are unlikely to be overcome in Area 3.
 - d) **Lack of competitive constraint:** There is no meaningful competitive pressure in Area 3 to erode BT/Openreach's market power.
96. **End-Customer Dynamics:** End-customer behaviour further entrenches BT/Openreach's position:
- a) **Service continuity and speed of delivery** are critical to LLA customers. As Ofcom notes, quicker installation²⁰ times are a key factor in winning business, which favours the incumbent.

¹⁹ [redacted].

²⁰ This corresponds with the evidence that Ofcom has obtained Vol2 5.190

- b) **Technology refresh cycles** in the LLA market are infrequent, limiting opportunities for competitors to displace BT/Openreach through innovation or upgrades.
 - c) **Customer switching aversion:** [REDACTED]. [REDACTED].
 - d) **Longer contract cycles** in LLA compared to WLA reduce the frequency of competitive tendering, slowing the pace of market change.
97. **Evidence of Market Power in Practice:** BT/Openreach’s conduct in the market further illustrates its dominance:
- a) **Exchange exit programme:** BT/Openreach is requiring existing leased line customers to migrate services as part of its exchange closure programme, without offering adequate cost recovery. Retailers must manage the migration, customer communication, and associated risks, without any service benefit to the end customer. This would not be tolerated in a competitive market. [REDACTED]
 - b) **Unmet demand for dark fibre:** [REDACTED]. [REDACTED]. This has created a significant gap in our ability to support high-bandwidth services, including 5G.
 - c) **Excessive profitability:** BT/Openreach’s pricing is likely harming UK business competitiveness, particularly in less urbanised regions. Frontier Economics has calculated BT/Openreach’s returns across its national LLA product set at 16%, significantly above its WACC of 7.8% for the period, suggesting excessive profitability. We estimate that the lack of competition in LLA markets has cost consumers **£525M**.
98. We support Ofcom’s conclusion that multiservice Networks are unlikely to offer material or sustainable leased line competition during the review period. This view is consistent with our experience across two market review cycles (2019–2021 and 2021–2026), during which several providers expressed ambitions to compete across their footprint in leased lines. However, these ambitions have not translated into operational capability. Despite repeated engagement with prospective alternative network providers we have seen no meaningful ability from these providers to meet our service requirements. [REDACTED].
99. Meanwhile, the absence of real competition continues to harm Vodafone’s mobile and enterprise customers, who face high costs for services that should be subject to tighter price regulation. This not only undermines fair pricing and service quality for UK businesses, but also distorts regional competitiveness, widening the digital divide between well-served and underserved areas. Left unaddressed, these failures risk slowing the rollout of critical infrastructure like 5G and fibre, holding back the UK’s productivity and innovation capacity. They also weaken the ability of UK enterprises to compete globally in the digital economy and risk undermining the government’s ambitions for inclusive, nationwide growth.
100. Openreach’s resistance to offering regulated dark fibre contract terms beyond 12 months leaves its customers in a position where they can more readily switch providers. This flexibility enhances competitive pressure in the market. If, contrary to our assessment, a prospective MSN does enter the leased lines market, we do not believe Ofcom’s proposed approach would present any barrier. [REDACTED].²¹

Question 2.13: Do you agree with our provisional conclusions on product market definition for the inter-exchange connectivity market? Please set out your reasons and supporting evidence.

²¹ [REDACTED]

101. Ofcom concludes that there is a single product market for IEC services which:
- a) includes active services at all bandwidths provided between BT exchanges;
 - b) includes dark fibre between BT exchanges;
 - c) excludes leased line access services; and
 - d) excludes all trunk services that do not connect between BT exchanges.
102. We agree with this market definition for the upcoming period. However, we recommend that Ofcom engages well in advance of TAR 2031 to understand how Retailers' networks will be impacted by BT/Openreach exchange exit, particularly in relation to the continuity of inter-exchange connectivity and the implications for backhaul resilience.
103. Retailers require robust and scalable network connections between BT/Openreach exchanges, where traffic is aggregated from enterprise LLA premises, mobile cell sites, and FTTP child exchanges, and their own core networks. In an always-on digital society, the backhauling of this aggregated traffic must be delivered with high resilience and reliability.
104. To achieve this, Retailers typically design their networks using fibre arcs or rings, enabling dual fibre paths to each aggregation exchange and ensuring diverse routing of data traffic. This architecture is critical not only for service continuity in the event of a fault but also for supporting the increasing capacity demands of LLA services.
105. It is therefore essential that Retailers are able to upgrade both resilient routes in a frictionless and timely manner. This includes the ability to scale capacity on both paths simultaneously and without undue operational or commercial barriers. Any future changes to the availability or accessibility of inter-exchange infrastructure, such as those arising from exchange closures, must be carefully managed to avoid undermining these resilience strategies.
106. We encourage Ofcom to maintain close engagement with industry stakeholders to ensure that the regulatory framework continues to support the evolving needs of Retailers and the delivery of high-quality, resilient services to end users.

Question 2.14: Do you agree with our provisional conclusions on geographic market definition for the inter-exchange connectivity market? Please set out your reasons and supporting evidence.

107. Ofcom propose to identify each BT exchange as a distinct market for the purposes of making a market power determination. For 2026 – 2031 we agree with this approach.

Question 2.15: Do you agree with our provisional conclusion on the application of the three criteria test to the wholesale inter-exchange connectivity market? Please set out your reasons and supporting evidence for your response.

108. We agree with Ofcom's assessment that the sunk costs associated with constructing an inter-exchange network of significant scale, particularly the long dig distances relative to access connections, constitute a substantial and enduring barrier to entry and expansion in the IEC market.

109. Our internal analysis supports the view that while DPA can, in principle, reduce the cost and time of network build, its practical application in the IEC context is limited. Where retailers are seeking to create diverse duct and fibre routes, DPA, which results in shared duct with BT/Openreach, is of little to no utility. This is particularly the case for enterprise-grade services, where resilience and route diversity are critical, and where shared infrastructure undermines those objectives.
110. In relation to the three-criteria test:
- a) **High and non-transitory barriers to entry:** The capital intensity of IEC deployment, combined with operational complexity, long lead times, and the limited applicability of DPA for diverse routing, continues to deter new entrants. These barriers are structural and persistent and are not easily overcome through market dynamics alone.
 - b) **The market does not tend towards effective competition:** As Ofcom notes, many BT exchanges have no or only one competitor, and there has been limited expansion by alternative providers since 2021. This aligns with our own experience, where we have not observed material changes in competitive presence at most exchanges, nor do we anticipate significant build-out during the review period.
 - c) **Competition law alone is insufficient:** Given the structural nature of these barriers and the importance of IEC services in supporting downstream markets (such as WLA and LLA), ex ante regulation remains necessary. It provides the clarity and predictability required for all market participants and ensures that access to essential IEC services is not subject to discriminatory pricing or operational delays. Relying solely on ex post enforcement would risk long-term harm to competition and service delivery.
111. We therefore support Ofcom's continued application of ex ante remedies in the IEC market and agree that these are necessary to safeguard competition and protect downstream service delivery.

Question 2.16: Do you agree with our provisional conclusions that BT has SMP at BT Only exchanges and BT+1 exchanges, but not at BT+2 exchanges for the wholesale IEC market? Please set out your reasons and supporting evidence.

112. We agree with Ofcom's provisional conclusion that BT holds Significant Market Power (SMP) at BT Only and BT+1 exchanges, but not at BT+2 exchanges.
113. **Market Structure and Competitive Conditions at BT Only and BT+1 Exchanges**
- a) **These exchanges remain structurally concentrated**, with BT/Openreach acting as the sole or dominant provider of inter-exchange connectivity (IEC).
 - b) **There is a persistent lack of alternative infrastructure**, and high barriers to entry continue to deter new build.
 - c) **Our procurement behaviour reflects this reality**, we remain reliant on BT/Openreach at these sites due to the absence of viable alternatives.

- d) The market conditions enable BT/Openreach to act independently of competitive pressures and customer demand.

114. Evidence of Market Power in Practice

- a) **Pricing behaviour:** Analysis by Frontier Economics shows BT/Openreach is charging materially above cost for IEC services in these areas.
- b) **Profitability:** Returns on IEC products significantly exceed BT/Openreach's cost of capital, indicating a lack of effective competitive constraint.
- c) **Consumer impact:** We estimate that the lack of competition in IEC markets has cost consumers between **£508m**.

115. These findings reinforce the need for continued ex ante regulation to prevent excessive pricing and ensure fair access to essential backhaul infrastructure.

BT Only and BT+1 Exchanges

116. We fully support the finding of SMP at BT Only and BT+1 exchanges. These locations continue to exhibit the structural characteristics of highly concentrated markets, where BT/Openreach remains the sole or dominant provider of inter-exchange connectivity (IEC). Our purchasing behaviour reflects this reality: we continue to rely on BT/Openreach at these exchanges due to the absence of viable alternatives. The lack of competitive infrastructure, combined with high barriers to entry and limited commercial incentives for new build, reinforces BT's ability to act independently of competitors and customers.

117. This market power is not only theoretical, it is observable in BT/Openreach's pricing behaviour. Frontier Economics has identified that BT/Openreach is charging materially above cost for IEC services in these areas. Their analysis shows that BT/Openreach's returns on IEC products significantly exceed its cost of capital, indicating a lack of effective competitive constraint. This reinforces the need for continued ex ante regulation to prevent excessive pricing and ensure fair access to essential backhaul infrastructure. We estimate that the lack of competition in IEC markets has cost consumers £508m.

BT+2 Exchanges

118. [REDACTED]. [REDACTED]. In these locations, the presence of at least two alternative providers introduces a degree of competitive constraint that can influence pricing and service terms. However, it is important to note that this competition is often limited to specific routes or configurations and may not be sufficient to support full substitutability across all use cases.

Additional Considerations

119. The emergence of new FTTP networks is not increasing competition in the IEC market. These networks are not being built to replicate BT/Openreach's inter-exchange topology and are instead focused on access connectivity. As such, they do not provide a meaningful alternative for IEC services.
120. The ongoing BT exchange exit programme is also reshaping the competitive landscape. As exchanges are decommissioned, traditional drivers of competition, such as co-location and route-based build, are being disrupted. This further reinforces the need for continued regulatory oversight in areas where BT retains a dominant position.

121. In summary, we support Ofcom's differentiated SMP findings across exchange types and agree that BT continues to hold SMP at BT Only and BT+1 exchanges. We also agree that BT+2 exchanges, while not fully competitive, currently exhibit sufficient alternative presence to fall outside the SMP designation, though this should be kept under review as market dynamics evolve.

Question 3.3: Do you agree with our proposed approach to exchange exit? Please set out your reasons and supporting evidence for your response.

122. Considering the significant risks to competition, consumer outcomes, and long-term investment, Ofcom must go beyond reactive oversight and instead establish a clear, principles-based framework to govern exchange closures. This framework should be embedded in regulation and enforced consistently across all phases of the programme.
123. While we recognise the efficiency benefits of rationalising the exchange estate, the programme as currently structured risks entrenching BT/Openreach's market power and transferring disproportionate costs and disruption to Retailers and end-users especially for non-MPF retailers that cannot use these MPF withdrawal-related benefits to cover the significant costs of migrating large Ethernet bases. We do not dispute the potential long-term benefits of estate rationalisation, but these benefits must not come at the expense of fair competition. The current approach externalises costs onto competitors, reinforces BT/Openreach's structural advantages, and risks distorting the market. A clear, enforceable regulatory framework is essential to ensure fair cost recovery, transparency, and non-discrimination throughout the programme.

Ofcom Must Play a More Active Role in Governance and Oversight

124. Ofcom must take a more proactive role in overseeing the exchange exit programme. As highlighted in the submissions Vodafone made in the pre-TAR period²², BT/Openreach has both the ability and incentive to manage exchange closures in a way that favours its own downstream operations.

Consumers Should Not Bear the Cost of BT/Openreach's Strategic Estate Rationalisation

125. BT/Openreach's current approach risks externalising the costs of BT Group's strategic estate rationalisation onto Retailers and, ultimately, consumers. While BT Group stands to benefit from reduced operational costs these gains are not shared equitably across the market with no guidance provided on how these future cost savings will bring benefits to Retailers of consumers in the future (e.g., through product quality improvements or price reductions).
126. Vodafone continues to regard the terms as imposing a disproportionate burden on Retailers, including:
- a) **Stranded assets and increased backhaul costs:** Retailers are forced to reconfigure networks and invest in new connectivity between legacy exchanges and new Openreach Handover Points (OHPs), even where they already have infrastructure in place.
 - b) **Forced network redesign to maintain resilience:** The closure of exchanges requires Retailers to re-architect their networks, often at significant cost, to preserve service continuity and meet resilience standards.

²² Exchange Exit TAR note and Ex Ex remedies input to Ofcom

- c) **Project management burdens and customer disruption:** Retailers must manage complex migrations, customer communications, and service continuity, without any corresponding service benefit to end users.
- d) **Lack of transparency and long-term certainty:** BT/Openreach has not provided sufficient detail on the low-level processes or long-term roadmap for the full exchange exit programme, leaving Retailers unable to plan effectively.
- e) **Inequitable treatment and excessive charges:** BT/Openreach's compensation mechanisms do not appear to apply Equivalence of Inputs (EOI) principles consistently across CPs. Users of MPF may benefit more than Ethernet users, and BT Group divisions are likely to assess costs in the round, unlike independent CPs.

127. This imbalance is not only commercially unfair but also inconsistent with Ofcom's statutory duties:

- a) **Under the Communications Act 2003,** Ofcom is required to further the interests of citizens and consumers, where appropriate by promoting competition. Allowing BT/Openreach to shift the financial and operational burden of its estate strategy onto competitors undermines this objective. It risks distorting the market by favouring BT Group's vertically integrated operations over independent CPs, thereby reducing consumer choice and innovation.
- b) **Under the Growth Duty,** Ofcom must have regard to the desirability of promoting economic growth. The current approach imposes unnecessary costs and uncertainty on Retailers, which may deter investment, reduce efficiency, and ultimately increase prices for consumers. These outcomes are contrary to the principles of proportionate regulation and economic productivity that the Growth Duty is intended to support.

128. Consumers are already paying higher accommodation costs within the regulatory cost model due to BT's earlier estate restructuring sale and lease back arrangement. They should not be expected to absorb further costs arising from BT's internal property strategy, particularly when those costs are avoidable, non-transparent, and disproportionately borne by competitors and are ultimately recoverable by BT through internal cost savings.

Ofcom Must Establish and Enforce Clear Regulatory Principles

129. The following principles established as enforceable obligations, including reporting requirements, service level guarantees, and remedies for non-compliance:

- a) **Non-discrimination:** Ensuring that Openreach does not favour BT Group divisions in planning, access, or cost allocation, and that all CPs are treated equitably in accordance with the BT Commitments and SMP obligations.
- b) **Transparency and predictability:** Requiring Openreach to publish a long-term roadmap for exchange closures and enduring exchanges, including beyond the initial 108 sites, to enable CPs to plan and invest with confidence.
- c) **Fair cost recovery:** Mandating that BT/Openreach internalise a fair share of the costs associated with estate rationalisation, rather than externalising them to competitors and consumers.
- d) **Support for infrastructure-based competition:** Ensuring that the programme does not undermine CPs' ability to invest in and operate resilient, competitive networks.
- e) **Security and resilience:** Requiring Openreach to demonstrate how network resilience and service continuity will be maintained throughout the closure process.

130. Without such a framework, there is a material risk that BT/Openreach will continue to shape the UK's network topology in ways that entrench its market power and harm consumers.
131. In summary, Ofcom must not allow BT/Openreach to unilaterally reshape the UK's network topology in a way that increases its market power, raises costs for competitors, and disrupts end users. A more robust regulatory framework is needed, one that ensures transparency, fair cost recovery, and continued support for infrastructure-based competition.

Question 3.4: Do you agree with our proposed general remedies? Please set out your reasons and supporting evidence for your response.

132. We support Ofcom's proposed general remedies and view them as essential to securing fair, competitive, and sustainable outcomes in both the LLA and IEC markets. These measures are not only necessary to address BT/Openreach's enduring market power, but also critical to correcting the structural and behavioural imbalances that continue to distort competition. Without these remedies, the market risks further entrenchment of dominance, reduced innovation, and harm to end-users.
133. **Requirement to provide network access on reasonable request:** This obligation is critical to ensuring that access seekers can obtain timely and non-discriminatory access to essential infrastructure. In the context of LLA and IEC, where Openreach remains the dominant provider, this remedy ensures that alternative providers can compete on a level playing field and that access is not withheld or delayed protecting BT's downstream interests.
134. **A recent example highlights the importance of this obligation:** [REDACTED]. [REDACTED]. [REDACTED]. Without timely access to EAD, the customer risks service disruption and loss of continuity, outcomes that are entirely avoidable and contrary to the objectives of the regulatory framework.
135. This example underscores the need for Ofcom to not only retain but **robustly enforce the network access obligation**, ensuring that operational or investment reluctance cannot be used to undermine regulated access rights.
136. **Statement of Requirements (SoR) process:** The SoR process must be robust, transparent, and enforceable. In the LLA and IEC markets, innovation and service evolution depend on CPs being able to request new forms of access. Without a clear and accountable process, Openreach can delay or dilute product development, limiting the ability of competitors to respond to market demand.
137. In practice, the current SoR process has proven to be slow, opaque, and overly controlled by Openreach. A clear example of this being the SSE/NEOS SoR raised in June 2020 which Openreach took over 1 year to finally decide to reject in July 2021, citing a lack of business justification.
138. This case highlights several systemic issues:
- Excessive delays in progressing SoRs, even when supported by multiple CPs;
 - Lack of transparency in how decisions are made or evaluated;
 - No formal escalation or appeal mechanism when requests are rejected;
 - Openreach's ability to unilaterally determine what constitutes a valid business case, even when public policy supports the proposal.

139. To be effective, the SoR process must be reformed to include:
- Defined response timelines and milestone tracking;
 - Transparent criteria for acceptance, rejection, or modification of requests;
 - A formal escalation mechanism for unresolved or delayed SoRs;
 - Regular reporting to Ofcom on SoR volumes, outcomes, and timelines.
140. Without these improvements, the SoR process risks becoming a procedural bottleneck that entrenches Openreach's market power and stifles innovation in the LLA and IEC markets.
141. **Lack of Transparency and Accountability:** While Openreach has made efforts to document the SoR lifecycle, from submission to assessment and delivery the process remains opaque in practice. CPs often receive limited feedback on the rationale for delays or rejections, and there is no binding obligation on Openreach to progress requests within defined timelines. This lack of accountability allows Openreach to deprioritise or indefinitely stall proposals that do not align with its commercial interests.
142. **Excessive Discretion in Rejection Decisions:** A key concern is Openreach's ability to unilaterally determine whether a request qualifies as a valid SoR. This was evident in the case of Vodafone's SoR about auto-closing of CP delays.
143. **Inconsistent Treatment of Industry-Supported Requests:** Even where SoRs are supported by multiple CPs and align with public policy objectives—such as addressing digital exclusion—Openreach has rejected them without offering viable alternatives. The social broadband SoR, backed by Vodafone, Sky, and TalkTalk, was ultimately dismissed by Openreach's SoR Board despite industry appeals and suggestions for compromise (e.g. capped availability to manage cost exposure). This demonstrates a systemic resistance to proposals that may not serve Openreach's commercial priorities, regardless of broader market or consumer benefit.
144. **Process Reforms Focused on Internal Efficiency, Not CP Outcomes:** Recent updates to the SoR process, including changes to the confidential SoR pathway and executive decision-making autonomy appear designed to streamline Openreach's internal governance rather than improve responsiveness to CPs. While faster decisions are welcome in principle, they must be balanced with transparency, fairness, and meaningful engagement with requestors.
145. **New SoR System Rollout – Yet to Prove Impact:** Openreach has recently introduced a new Statement of Requirements (SoR) management tool via the EMP portal. While the updated interface may improve usability and tracking, it does not address the core concerns of excessive discretion, delays, and lack of enforceability in the SoR process. The effectiveness of this new system will ultimately depend on how it is governed and whether it is supported by stronger regulatory oversight to ensure transparency, accountability, and timely resolution.
146. **Equivalence of Inputs (EOI) and No Undue Discrimination (NUD):** EOI and NUD remain essential to prevent BT from favouring its own downstream divisions. In the LLA and IEC markets, where BT's internal demand is significant, strict enforcement of EOI is necessary to ensure that all CPs receive the same quality, pricing, and service terms as BT's own retail arms.
147. **Reference Offer (RO):** A published and enforceable RO provides transparency and legal certainty. It is particularly important in the IEC market, where long-term contracts and complex

interconnection arrangements require clarity on terms, conditions, and pricing. The RO also serves as a benchmark for dispute resolution and regulatory oversight.

148. However, to be fully effective, the RO must go beyond high-level commitments and include detailed specifications of the service scope, delivery standards, and support functions. This is especially important to guard against shrinkflation, where Openreach incrementally reduces the service wrap or reclassifies standard functions as chargeable extras, while maintaining or increasing prices.
149. To mitigate this risk, the RO should:
- Clearly define the minimum service components included in the regulated product (e.g. provisioning support, jeopardy management, fault handling);
 - Specify performance expectations and escalation procedures;
 - Include commitments on service continuity during product transitions (e.g. from EAD to EAD2)²³;
 - Be subject to regular review and consultation to ensure it reflects actual market practice and CP experience.
150. Embedding these protections in the RO would help ensure that regulated services remain fit for purpose over time, and that CPs are not exposed to hidden cost increases or service degradation through unilateral changes by Openreach. It would also provide a stronger basis for enforcement and recourse in the event of disputes.
151. **Notification of changes to charges, terms, and conditions:** Advance notice of changes is vital for CPs to manage risk and maintain service continuity. In the LLA and IEC markets, where services underpin critical national infrastructure and enterprise connectivity, sudden or opaque changes can have disproportionate impacts on competition and end users.
152. **Notification of technical information:** Timely and detailed technical disclosures are essential for CPs to plan, integrate, and deliver services. This is especially true in the context of product transitions (e.g. EAD to EAD2) and network changes (e.g. exchange closures), where lack of transparency can lead to stranded assets and increased costs.
153. In the case of EAD2, critical commercial information, including product specifications, service wrap, and provisioning responsibilities, was not made available until very late in the development process. This left CPs unable to assess the operational impact or prepare their systems and processes in time, despite being expected to migrate away from legacy services on a fixed timeline.
154. Similarly, during the exchange exit programme, key process details have been disclosed very late in the day. This came over a year after Openreach started the 4-year timer on the first phase, despite Openreach saying that they would give CPs a full 4 years to exit. We are still working through details now and Openreach still haven't launched the process functionality within their systems.
155. To be effective, the technical notification obligation must ensure that:
- Disclosures are made early enough to allow for meaningful planning and integration,

²³ Facilitated by Openreach's decision to delay EAD2 to incorporate the TAR obligations

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- Information is complete, consistent, and aligned with commercial and operational realities,
 - CPs have a formal route to raise concerns or request clarification where information is incomplete or ambiguous.
156. Without these safeguards, CPs are forced to operate in an environment of uncertainty, undermining their ability to deliver reliable services and compete effectively. This uncertainty drives up operational costs, which are ultimately passed on to end users through higher prices.
157. **Quality of Service (QoS):** QoS remedies are increasingly important as Openreach has sought to reduce service standards while maintaining or increasing prices. Regulatory QoS standards are necessary to ensure that Openreach delivers a consistent and reliable service, particularly where commercial levers are weak or ineffective.
158. Also see section 2.
159. **Regulatory financial reporting:** Robust financial reporting is essential to monitor compliance, assess returns, and inform future regulatory decisions. We discuss the detail in later sections.
160. In summary, these general remedies are essential to support effective competition, protect consumers, and ensure that the LLA and IEC markets function in a fair and efficient manner. To deliver their intended outcomes, Ofcom must ensure that these remedies are implemented with sufficient specificity, enforceability, and transparency. The Openreach Monitoring Unit (OMU) plays a critical role in this regard. It must actively oversee Openreach's compliance with obligations. While the OMU's annual reporting provides useful visibility, it is not sufficient on its own. In-life monitoring, through continuous oversight, real-time issue escalation, and proactive enforcement, is essential to ensuring that remedies are not only well-designed but also effective in practice. This is critical to delivering the objectives of the TAR, including promoting sustainable competition, protecting end users, and enabling efficient investment. It also supports Ofcom's statutory duties to further the interests of citizens and consumers, and aligns with government priorities around digital infrastructure, regional growth, and economic resilience. Without robust and responsive monitoring, there is a real risk that market power will persist unchecked, undermining the very outcomes these remedies are intended to secure.

The Importance of BT's Regulatory Commitments, EOI, and Equal Access

161. BT/Openreach's regulatory obligations, the principle of Equivalence of Inputs (EOI), and the broader framework of equal access, remain fundamental to ensuring fair and effective competition in UK telecoms markets. These are not merely procedural requirements; they are essential safeguards that prevent BT/Openreach from leveraging its incumbency advantage and enduring market power to the detriment of downstream competition and consumer outcomes.
162. EOI requires BT/Openreach to provide the same products and services to all customers, including its own downstream divisions, on equal terms and using the same systems and processes. This principle is especially critical in markets where BT/Openreach retains Significant Market Power (SMP), such as leased lines and passive access. Without EOI, there is a persistent risk of discriminatory treatment, whether in pricing, service quality, delivery timescales, or access to innovation.

163. Equal access, a core tenet of the BT Commitments, ensures that all Retailers, regardless of scale, can compete on a level playing field. This is particularly vital for national providers like Vodafone, which rely on wholesale inputs to complement their own networks and deliver seamless UK-wide services. In SMP markets, EOI applies to ensure parity of treatment. In non-SMP markets, the principle of Equal Treatment under the BT Commitments ensures Openreach deals with all customers fairly and consistently, even where commercial terms may differ. Together, these frameworks uphold transparency, non-discrimination, and fair access across BT/Openreach's full-service portfolio. Our experience shows that when EOI and equal access are robustly enforced, they provide the confidence Retailers need to invest in innovation, customer service, and product development. Conversely, any weakening of these commitments risks undermining competition, degrading service quality, and increasing costs for end users.
164. In the context of BT/Openreach's exchange exit programme, product migrations (e.g. to EAD2), and the ongoing evolution of wholesale services, it is more important than ever that EOI and equal access are not only maintained but actively monitored. These commitments must be enforced in practice through transparent processes, meaningful performance metrics, and effective regulatory oversight. Adherence to EOI and Equal Access requires proactive, in-life monitoring, investigation, and enforcement by the Openreach Monitoring Unit (OMU). The OMU must be equipped and empowered to detect breaches early, intervene swiftly, and report transparently on compliance. This is essential to achieving the objectives of the TAR, fulfilling Ofcom's statutory duties to promote competition and protect consumers, and supporting broader government goals around digital infrastructure, economic growth, and regional inclusion.

Ensuring the Effectiveness of Ofcom's Remedies: The Need for Contractual Flexibility

165. For Ofcom's remedies to be effective, they must be not only be theoretically available but also practically accessible by all communications providers (CPs). This is particularly critical in markets where Ofcom has found BT to hold Significant Market Power (SMP) and has imposed remedies accordingly.
166. Ofcom's designation of SMP and the associated remedies apply to BT Group. CPs often engage commercially with individual BT business units, such as Openreach or BT Wholesale, under legacy contracts that pre-date the imposition of new regulatory measures and targeted remedies. These contracts frequently include early termination charges (ETCs), volume commitments, or other restrictive terms that materially inhibit the ability of CPs to migrate to newer, regulated products or pricing structures.
167. Unless CPs are released from these contractual constraints, the remedies imposed by Ofcom risk being rendered ineffective. The inability to adopt new remedies due to punitive ETCs or binding volume commitments undermines the very purpose of ex ante regulation: to promote competition, drive down prices, and improve service quality. Ofcom has shown flexibility in this regard previously; for example, by granting a waiver of BT's price notification requirements to facilitate migration from legacy Ethernet services to new services like Ethernet Access Direct. This was done to allow BTOR to offer transitional pricing and ease the shift to regulated alternatives. As part of this, BTOR reduced the connection charge where

customers chose to migrate their legacy service to a new service and did not raise early termination charges for cancellation of the legacy Ethernet service, if applicable. In the 2004 Leased Lines Market review decision Ofcom required BT to allow CPs to migrate from Retail Private Circuits to wholesale Private Circuits without incurring any penalty including any default or early termination charge.

168. The consequences of inaction are not abstract; they are tangible and detrimental to consumers. As set out in our response the lack of effective competition in LLA markets has already cost UK consumers £525 million. These costs are borne directly by end-users through inflated prices and indirectly through reduced innovation and degraded service quality. In areas where BT/Openreach faces limited or no competition, the absence of switching pressure has led to provisioning delays and poor customer experience, disproportionately affecting consumers in digitally underserved regions.
169. To ensure that Ofcom's remedies are not only credible but also actionable, we urge Ofcom to:
- **Mandate that CPs be allowed to exit legacy contracts with BT business units without penalty** where such contracts conflict with the adoption of new regulated products.
 - **Prohibit the enforcement of early termination charges and volume commitments** that would otherwise prevent or delay migration to regulated alternatives.
 - **Require BT to offer transitional arrangements** that facilitate the uptake of remedies without commercial disadvantage to CPs.
170. Without these measures, Ofcom's remedies risk becoming meaningless in practice. The result would be continued consumer harm, suppressed competition, and a failure to realise the full benefits of the regulatory framework.

Question 3.5: Do you agree with our proposed specific remedies in the DPA market? Please set out your reasons and supporting evidence for your response.
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171. The observed increase in network competition for both FTTP and leased lines is testament to the success of Ofcom's duct and pole access (DPA) policy. By enabling alternative providers to reuse BT/Openreach's passive infrastructure, DPA has significantly lowered the capital intensity and time required to deploy new fibre networks, although the cost of build contractors has been impacted by sector demand. This has been particularly impactful in the FTTP market, where success rates for DPA-based builds, [X].
172. While the impact on leased lines has been more modest, and application dependent (long term network infrastructure proving to date to be more relevant than customer premises), the policy has nonetheless enabled targeted build-out where commercial conditions allow.
173. Vodafone supports the continuation and strengthening of the DPA remedy but has significant concerns about the regulatory asymmetries that persist between BT Group and other

communications providers (CPs), particularly in the context of long-term commercial contracts and regulatory certainty.

174. At times Retailers, including Vodafone, enter into customer contracts that extend well beyond the typical duration of Ofcom's market review cycles, for example public sector contracts. This is particularly the case where a CP would invest to extend network facilities. The lack of long term regulatory or contractual certainty for DPA creates a structural disadvantage when competing against BT's Lines of Business (BTLoBs) and BT/Openreach, who are not exposed to the same level of regulatory risk. Specifically, the potential future withdrawal or dilution of the DPA remedy introduces uncertainty that can materially affect CPs' ability to win and retain business, especially in enterprise markets where invitations to tender raise this concern.
175. While we acknowledge that the likelihood of Ofcom removing the DPA remedy in the near term is low, the mere presence of this risk is sufficient to influence enterprise customer decisions. These customers often seek long-term assurance that their chosen supplier will have continued access to passive infrastructure on fair and equivalent terms. BT LoBs, by virtue of their vertical integration, are not subject to the same exposure, and this undermines the principle of Equivalence of Inputs (EOI).
176. To address this imbalance, we urge Ofcom to:
- Provide explicit and public assurance that the DPA remedy is intended to be a long-term regulatory tool, supporting both mass-market and enterprise services well into the future, which can be used in response to a customer invitation to tender,
 - Commit to a structured and transparent process for any future changes to the DPA remedy, including a minimum notice period and a clear transition framework,
 - Ensure that any withdrawal or modification of the remedy is accompanied by fair and reasonable transitional measures, including protections for CPs with existing long-term customer contracts,
 - Consider the introduction of a "regulatory stability clause" or similar mechanism to mitigate the commercial risk faced by CPs when bidding for long-term contracts.
177. These measures are essential to ensure that the DPA remedy remains effective, credible, and investable. Without them, the remedy risks becoming a source of competitive distortion rather than a foundation for sustainable infrastructure competition.

Question 3.7: Do you agree with our proposed specific remedies in the LLA markets? Please set out your reasons and supporting evidence for your response.

178. Ofcom propose to:
- a) Retain the requirement for BT/Openreach to offer active leased lines (Ethernet and WDM at all bandwidths) in LLA Area 2, LLA Area 3 and the HNR Area.
 - b) Retain the requirement for BT/Openreach to publish a Reference Offer for Ethernet services, and introduce a requirement for BT/Openreach to publish a Reference Offer for WDM services.

- c) Retain the requirement for BT/Openreach to offer dark fibre access (DFA) at cost in LLA Area 3, and maintain our position that BT/Openreach should not be required to offer DFA in LLA Area 2 or the HNR Area.
 - d) Maintain our position that we will not interpret a request for leased lines or DFA for the purpose of FTTP aggregation to be a reasonable request for network access.
179. We agree. These remedies are essential to ensure continued access to critical wholesale inputs in markets where BT/Openreach retains significant market power. Our support is grounded in the following observations:
- **Active Leased Lines (Ethernet and WDM):** These services remain foundational to business connectivity and mobile backhaul. In all three geographic areas, BT/Openreach's infrastructure dominance means that access to these services on regulated terms is vital to sustaining competition. Without this obligation, alternative providers would face significant barriers to entry and expansion.
 - **Reference Offers (ROs):** A published and enforceable RO provides transparency and legal certainty. However, to be fully effective, the RO must go beyond high-level commitments and include detailed specifications of the service scope, delivery standards, and support functions. This is essential to guard against shrinkflation, where BT/Openreach incrementally reduces the service wrap or reclassifies standard functions as chargeable extras, while maintaining or increasing prices.
180. Two recent examples illustrate this risk:
- The **removal of job control** from Ethernet provisioning has significantly degraded the service experience for CPs. Previously, job control provided proactive management of orders, coordination with field engineers, and early warning of delays. Its removal has forced CPs to absorb these responsibilities at their own cost, with no corresponding price reduction or service improvement. We calculate the cost to Vodafone since 2019 to date of this cost transfer has [£].
 - The **increased use of "complex" order classifications** allows BT/Openreach to exclude these orders from service level guarantees (SLGs), even when the complexity is marginal or avoidable. This not only weakens accountability but also shifts risk and cost onto CPs, who must manage customer expectations without the protection of enforceable delivery standards and related compensation payments. We calculate the cost to Vodafone since 2019 to date of this cost transfer has [£].
181. To address these issues, the RO or legal instrument should:
- Clearly define the minimum service components included in the regulated product (e.g. provisioning support, jeopardy management, fault handling);
 - Specify performance expectations, escalation procedures, and transitional arrangements;
 - Include commitments on service continuity and commercial transparency during product transitions;
 - Be subject to regular review and consultation to ensure it reflects actual market practice and CP experience.
182. Embedding these protections in the RO or legal instrument would help ensure that regulated services remain fit for purpose over time, and that CPs are not exposed to hidden cost increases or service degradation through unilateral changes by BT/Openreach.

183. **Dark Fibre Access (DFA):** We support Ofcom’s policy objective to regulate the most upstream passive inputs, and we welcome the continued and extended availability of DFA at cost in LLA Area 3, where infrastructure competition remains limited. DFA is a critical enabler of access-based competition, particularly in areas where infrastructure build is uneconomic. It allows CPs to light the fibre using their own equipment, giving them greater control over service quality, bandwidth upgrades, and innovation. This flexibility is especially important for supporting cost-effective 5G rollout, where scalable, high capacity backhaul is essential. By exposing more of the value chain to competition, DFA reduces reliance on vertically integrated active services and helps eliminate inefficient duplication of active equipment. Crucially, DFA also acts as an innovation enabler, by giving CPs direct control over the underlying infrastructure, it fosters the development of differentiated services, novel use cases, and more responsive network evolution.
184. We draw to Ofcom’s attention that the product distance limitations of DFA means that it cannot be used to serve all sites within Area 3. [§]. We are unable to model the impact for enterprise premises. Consequently, the impact across the entire Area 3 market will be more extensive. It will be necessary to find a solution for these outlier services.
185. In LLA Area 3, ultra-high bandwidth services (EAD10G and OSA) are today predominantly used to support mobile cell site connectivity. Many of these services were deployed as active solutions due to the unavailability of DFA at the time, either because the area previously fell within the WFTMR Area 2 boundary or because the volume of demand in Area 3 did not justify DFA investment. To address this legacy constraint, Ofcom should introduce a targeted charge control framework for active high-bandwidth services in Area 3, structured around three key scenarios:
186. **A. New service demand:** Retailers should have the option to choose between cost-based DFA or inflation-linked, charge controlled active services. This would help ensure a level-playing field and promote efficient investment decisions.
187. **B. Cost based charge control for in-situ / not able to serve active services:** Where active services were installed due to the historical absence of DFA, these should now be subject to immediate price regulation aligned with DFA. This would ensure that CPs are not penalised for historical infrastructure constraints and that pricing reflects the newly available passive alternative. This may also incentivise infrastructure upgrades by reducing the relative attractiveness of legacy active services.
188. **C. In alternative to B, cost-based charge control where switching is constrained:** In cases where CPs are contractually locked into active services and unable to switch to DFA due to early termination charges (ETCs), cost-based price regulation should apply to prevent excessive charges during the lock-in period. And **cost-based charge control during migration to DFA:** For CPs actively transitioning to DFA, price regulation should be put in place throughout the migration period. Ofcom should also require BT/Openreach to waive ETCs for CPs migrating to DFA within newly regulated areas. This would remove a key barrier to switching and ensure that the remedy is not only theoretically available but also accessible in practice.
189. This three-pronged approach ensures that the benefits of the expanded DFA remedy are realised in full, while also addressing legacy constraints and supporting a fair and competitive market.

190. We strongly support Ofcom’s proposal to introduce a five-year transitional period for DFA in locations where postcode reclassification results in a move from LLA Area 3 to Area 2 or HNR. Transitional protection is not just a helpful measure, it is an essential component of sound regulatory practice. It recognises the long-term nature of infrastructure investments, and the strategic planning required to deploy passive assets. Without such safeguards, operators face heightened regulatory uncertainty that can deter investment.
191. We agree with Ofcom that this measure will help mitigate regulatory risk, encourage continued infrastructure deployment, and provide greater commercial certainty to CPs evaluating DFA-based solutions. [X].
192. [X]. Without it, retailers must act cautiously, as they would bear the full cost of change where circuits have to be ceased and rearranged to active services. This not only creates significant operational overhead and financial burden, [X]. Such risks discourage adoption and limit the effectiveness of the remedy in addressing market failures.
193. This safeguard is especially important in the current context, where BT/Openreach does not offer a commercial DFA product that services can fall back to. In the absence of regulatory protection, Retailers are forced to incur substantial costs to transition from dark fibre to active services. Vodafone experienced this firsthand in 2021 when the boundary changed for DFX, our recently installed DFX services had to be uninstalled and reinstalled as active services, resulting in unnecessary cost and operational disruption. This experience not only imposed a financial and operational burden, but also significantly harmed the confidence of our teams, both in the stability of the DFA product and in Ofcom’s regulatory approach. The lack of transitional safeguards created uncertainty around the longevity and reliability of passive remedies, making it more difficult for teams to plan, invest, and advocate for their use. Rebuilding that confidence is essential if Ofcom is to ensure that Retailers are willing and able to adopt the remedies it proposes to address market failures.
194. This transitional period is not only a practical necessity, it is a cornerstone of effective regulatory design. It underpins user confidence in the stability and reliability of Ofcom’s remedies and ensures that Retailers can adopt passive inputs like DFA without fear of sudden regulatory reversals. Without such safeguards, the risk of regulatory whiplash could discourage take-up, particularly in areas where commercial fallbacks are non-existent. This would ultimately undermine Ofcom’s objectives of promoting sustainable competition, long-term investment, and innovation in the UK telecoms market.
195. **Charge Controls:** We support the application of charge controls in all three geographic areas to prevent excessive pricing and ensure that cost savings are passed through to CPs. This is particularly important in the context of product transitions and infrastructure rationalisation, where BT/Openreach may otherwise seek to recover costs through unjustified price increases.
196. In summary, these remedies are proportionate, evidence-based, and necessary to maintain effective competition in the LLA and IEC markets. We encourage Ofcom to ensure that their implementation is accompanied by robust enforcement, transparency, and ongoing monitoring to ensure they deliver their intended outcomes.

Question 3.8: Do you agree with our proposed specific remedies in the IEC markets? Please set out your reasons and supporting evidence for your response.

197. Ofcom proposes to:
- a) Retain the requirement on BT/Openreach to offer active IEC services at all regulated BT exchanges.
 - b) Retain the CPI-0% charge control on active IEC services at all regulated BT exchanges.
 - c) Retain a requirement on BT/Openreach to offer DFX, and extend it to all regulated exchanges.
 - d) Retain the same design elements of DFX as well as QoS and Reference Offer requirements as set in WFTMR21.
 - e) Retain the cost-based charge control on DFX with some amendments.
 - f) Retain its approach to transitional arrangements for active IEC services, and propose new transitional arrangements for DFX where exchanges are deregulated.
198. We strongly support Ofcom's proposal to extend the DFX remedy to all regulated exchanges. This is consistent with Ofcom's policy objective to regulate the most viable upstream input, and we agree that DFX represents the most future-proof and competition-enabling remedy. [🔗].
199. Ofcom's proposal to extend DFX to all regulated exchanges would therefore close a significant coverage gap and unlock further migration potential. The current market conditions, characterised by high and non-transitory barriers to entry, entrenched SMP, and limited infrastructure-based competition, justify this expansion. Extending DFX to all exchanges will ensure that passive access is available wherever it is economically viable and will help level the playing field for downstream providers.
200. We strongly support Ofcom's proposal to introduce transitional period for DFX in locations where postcodes are in the future reclassified. We advocate for a 5-year period aligned with DFA and in recognition that DFX circuits are highly critical connections which support resilience. Transitional protection is not just a helpful measure, it is an essential component of sound regulatory practice. It recognises the long-term nature of infrastructure investments, and the strategic planning required to deploy passive assets. Without such safeguards, operators face heightened regulatory uncertainty that can deter investment.
201. We agree with Ofcom that this measure will help mitigate regulatory risk, encourage continued infrastructure deployment, and provide greater commercial certainty to CPs evaluating DFX-based solutions.
202. This safeguard is especially important in the current context, where BT/Openreach does not offer a commercial DFX product that services can fall back to. In the absence of regulatory protection, Retailers are forced to incur substantial costs to transition from dark fibre to active services. Vodafone experienced this firsthand in 2021 when the boundary changed for DFX, our recently installed DFX services had to be uninstalled and reinstalled as active services, resulting in unnecessary cost and operational disruption. This experience not only imposed a financial and operational burden, but also significantly harmed the confidence of our teams, both in the stability of the DFX product and in Ofcom's regulatory approach. The

lack of transitional safeguards created uncertainty around the longevity and reliability of passive remedies, making it more difficult for teams to plan, invest, and advocate for their use. Rebuilding that confidence is essential if Ofcom is to ensure that Retailers are willing and able to adopt the remedies it proposes to address market failures.

203. This transitional period is not only a practical necessity, but also a cornerstone of effective regulatory design. It underpins user confidence in the stability and reliability of Ofcom's remedies and ensures that Retailers can adopt passive inputs like DFX without fear of sudden regulatory reversals. Without such safeguards, the risk of regulatory whiplash could discourage take-up, particularly in areas where commercial fallbacks are non-existent. This would ultimately undermine Ofcom's objectives of promoting sustainable competition, long-term investment, and innovation in the UK telecoms market.

Addressing IEC overcharging via strong active service regulation

204. While we support the strategic direction of promoting passive access, the economic and operational realities of the current market suggest that the more proportionate and effective solution is to apply strong regulatory oversight to the installed base of active IEC services. Migration to DFX is not immediate. It involves significant operational planning, down time due to network freezes, dual-running costs, and in many cases, CPs are contractually bound to long-term active service agreements with high early termination charges (ETCs). [X]. [X].
205. Ofcom's proposal to retain the CPI-0% charge control on active IECs offers only minimal protection for circuits that are not migrated or are in the process of being migrated. This measure is wholly inadequate in the current market context. BT/Openreach is earning returns of 88% on IEC services, nearly ten times the regulated Weighted Average Cost of Capital (WACC), which is a clear and persistent indicator of market failure. This level of profitability is not reflective of a competitive market and suggests that current pricing is significantly above cost. By maintaining the status quo, Ofcom risks entrenching overcharging.
206. In many cases, these high-bandwidth IEC services were originally deployed as active solutions due to the unavailability of DFX at the time. To address this legacy issue and ensure fair pricing, Ofcom should implement a targeted charge control framework for active IEC services, structured around three key scenarios:
207. **A. New service demand:** CPs should have the option to choose between cost-based DFX or inflation-linked, charge-controlled active services. This ensures that new demand is met with efficient, competitive alternatives.
208. **B. Cost-based charge control for in-situ active services:** Where active services were installed due to the historical absence of DFX, immediate price regulation should apply, aligned with DFX pricing. This would prevent excessive returns and ensure that CPs are not penalised for historical infrastructure limitations.
209. **C. Cost-based charge control where switching is constrained,** as alternative to B: In cases where CPs are contractually locked into active services and are unable to switch to DFX due to early termination charges (ETCs), price regulation should apply during the period in which

switching is not feasible, to prevent excessive charges. Additionally, cost-based charge control should apply during the period of migration to DFX²⁴.

210. If Ofcom prefers to rely on the DFX remedy as the primary regulatory tool, then this must be accompanied by complementary safeguards to ensure fairness and effectiveness. Specifically, BT/Openreach must waive ETCs for active IEC contracts where CPs are migrating to DFX, and Ofcom must implement mechanisms to address BT/Openreach's continued over-recovery during the migration period. We discuss earlier precedent for this in the section on general remedies and the application to businesses within the BT Group.
211. This three-pronged approach ensures that the benefits of the DFX remedy are fully realised while also addressing legacy constraints and promoting a fair and competitive market. It would provide immediate relief to CPs and end users, ensure that excessive returns are curtailed without delay, and uphold Ofcom's statutory duties to promote competition and protect consumers. Without these safeguards, the transition to DFX risks being slow, costly, and ineffective in delivering timely benefits to the market.
212. In summary, while we support the extension of DFX and the long-term direction of passive access, the current market structure and contractual landscape require a dual-track approach: strong regulation of the installed base of active services, and a robust, fair framework for DFX migration that removes financial and operational barriers.

Question 4.3: Do you agree with our proposals for charge controlling LLA services in LLA Area 2 and LLA Area 3 and not introducing a charge control on LLA services in the HNR Area? Please set out your reasons and supporting evidence for your response.

Competition has been ineffective in addressing Openreach's ability to charge high prices

213. We welcome Ofcom's acceptance of the empirical evidence since 2021 that there are much higher barriers to competition in LLA and IEC markets developing than was assumed in the WFTMR. It is essential that regulation is grounded in robust evidence to safeguard competition and protect end users. While Ofcom is correct to incentivise investment where possible, the approach in WFTMR has allowed Openreach to generate excessive profits in the short term with little or no benefits in terms of increased investment in the long term.
214. Ofcom's proposals now, correctly, differentiate between the intensity of current and prospect market competition in LLA markets and WLA markets, with much more variability in the level of competition in LLA markets. However, Ofcom still overstates the competitive constraint on BT in most of the country. In its market analysis for IEC services, Ofcom has correctly identified that a duopoly, i.e. BT + 1 rival, is not sufficient to provide effective competition. Ofcom has then extended cost-based charge controls to BT+1 exchanges. In LLA markets switching costs to alternative infrastructure providers are much larger, given the need to provide a connection from the existing infrastructure to the customer site. Even based on Ofcom's very optimistic assumption about the distance that alternative providers can dig to compete for customers, the vast majority of customers in LLA Area 2 have and will have at most one alternative provider. Given that Ofcom has identified that a duopoly is not sufficient to constrain Openreach's pricing in IEC markets, Openreach will continue to be able

²⁴ And where switching is enabled due to Ofcom having required BT/Openreach to waive ETCs for CPs migrating to DFX within the newly regulated areas. This would remove a key barrier to switching and ensure that the remedy is not only available in theory but also accessible in practice

to set excessive prices in LLA Area 2 and as such Ofcom should introduce cost-based charge controls in this market to prevent this.

215. We fully support Ofcom's proposals to retain cost-based charge controls for Dark Fibre Access (DFA) in Area 3 and Dark Fibre Inter-exchange (DFX) services in BT only and BT+1 exchanges. We also welcome the move to a cost-based charge control for Lower Bandwidth (LBW) active Ethernet services in Area 3. These measures represent a significant and welcome step towards addressing persistent over-recovery by BT in the LLA and IEC markets and are well aligned with Ofcom's statutory objectives to promote efficiency, support sustainable competition, and deliver benefits to end users.
216. DFA and DFX charge controls are the correct long run remedy to preventing excessive pricing in areas with limited or no prospect of infrastructure competition. We particularly support the extension of DFX regulation to both BT-only and BT+1 exchanges and welcome the proposed price reductions that better reflect underlying costs. However, Ofcom's indirect approach to determining DFA and DFX costs by adjusting the cost of active services is not well justified. If Ofcom considers that the DFX and DFA cost outputs from BT's RFS are unreliable then it should direct BT to ensure that the base year costs are correct across all products and provide transparency to stakeholders to ensure the resulting forecasts are robust.
217. However, Ofcom's proposed remedies do not go far enough to protect consumers in the short term. There are significant barriers to switching, both from active to passive products delivered by Openreach and from Openreach to operators rolling out competing networks. This means that even where there are alternatives to Openreach active products, this will not be sufficient to effectively constrain the pricing of active products. Ofcom should take account of these barriers to switching when setting remedies:
- Where possible, removing barriers to switching away from Openreach active products to allow provider to switch to passive products or competitors, thus reducing Openreach's ability to charge excessive prices for existing circuits; and
 - Where there are limited alternatives or where switching does not provide an effective constraint, cost-based charge controls should be applied to all active products to prevent excessive pricing. This should explicitly include VHB services in Area 3, which have become mainstream and are now critical for applications such as the delivery of 5G mobile services.
218. BT's control of the underlying fibre is the source of its SMP and providing cost-based access to the fibre will provide better outcomes for customers compared to active remedies only. Ofcom should recognise that it is not possible for access seekers to switch demand immediately from active circuits to dark fibre.
219. That said, we identified some areas where Ofcom's price controls could be further strengthened. Specifically:
- Ofcom should revise its operating cost efficiency assumptions which seems to underestimate BT's future efficiency benefits
 - Larger or immediate starting charge adjustments would be more effective than glide paths in bringing prices into alignment with costs, in particular for active services.

- The exclusion of VHB active services from LLA charge controls in Area 3 is not justified. Demand for bandwidth continues to increase exponentially and 10 Gbit/s services are now mainstream for use cases such as mobile backhaul. Allowing Openreach to continue charging excessive prices on these services will dampen investment and innovation with no corresponding benefit; and
 - The removal of barriers that prevent switching from active to DFA or DFX services, such as early termination charges.
220. Ofcom's cost modelling is a project forward from base year data drawn from the RFS. The projection is based on established methodologies and assumptions which reflect BT and Openreach's historical performance when operating separate copper based and fibre access networks for WLA and LLA services. In the Consultation, Ofcom has used FY23 as the base year, despite the FY24 RFS being published in July 2024 and proposes to use the FY24 RFS for the final statement, despite the FY 25 RFS being available in July 2025. This means that Ofcom is not proposing to use the latest available information in order to set cost-based charge controls and inform its decision making on other remedies.
221. Currently the cost structure of BT is changing very rapidly due to a range of factors:
- The roll out of FTTP and the connection of WLA customers to the FTTP network will shift resources over the market review period;
 - In the long run the move to a single FTTP network delivering both WLA and LLA services should significantly reduce overall costs due to economies of scale and simplification of the product portfolio. In addition, the incremental cost of delivering LLA services should be reduced, due to the widespread availability of existing fibre;
 - BT is currently engaged in a multi-year efficiency programme to significantly reduce costs in anticipation of these cost efficiencies, with the expectation that the overall level of ongoing costs for BT will be much lower by the end of the market review period, when the FTTP rollout will be largely complete and much of the copper to FTTP migration will be completed;
 - BT and Openreach are already reducing their labour costs much more quickly than historically, with a sharp reduction in employees and overall headcount (i.e. including contractors) in the last two years and downward pressure on pay costs with a below inflation pay rise for BT managers.
222. This has implications for Ofcom's cost modelling:
- The structural break due to FTTP roll out, leading to much lower overall costs, mean that projecting forward for the current level of costs, using on historic relationships between costs and demand volumes (CVEs and AVEs) and efficiency, which reflect BT's past cost structure are likely to lead to projections which significantly overstate actual future costs; and
 - Using out of date base year costs in the statement, i.e. FY24 when the FY25 RFS will be published in July, will bake in some of the inefficiencies that BT's current cost reduction programme is addressing.
223. In order to ensure that the cost forecast models reflect the likely out-turn level of cost for delivering services across the market review period, Ofcom should start with the latest available information for the base year, e.g. FY25 data from the RFS for the Statement. Ofcom should project this base year data forwards using efficiency assumptions which take

VodafoneThree

full account of the cost savings that BT itself is forecasting following the move to a single modern full fibre network, e.g. the guidance on long term labour and cost reductions given to investors. Ofcom should also reconsult on its modelling proposals given this change in order to allow stakeholders other than BT to appropriately engage following the publication of the 2025 RFS.

224. Ofcom proposes the following cost-based price controls under base cost scenario on the LLA market

Geography	Product	Product component	TAR Proposed price controls
Area 2	All active services	-	CPI – 0%
Area 3	LBW Active services	basket charge control which applies to all cost components (connections, circuit rentals and Main Link rentals)	CPI – 6.75%
Area 3	VHB Active services	-	CPI – 0%
Area 3	DFA services	connection charge	SCA -27%, CPI - 9% glidepath
		annual rental charge	SCA +15%, CPI - 2.75% glidepath
HNR	All active services	-	Requirement for charges to be fair and reasonable

Source: Ofcom's TAR Volume 4: Pricing Remedies

225. Ofcom proposes TAR proposed cost-based price controls under base cost scenario on the IEC market.

Geography	Product	Product component	TAR Proposed price controls
BT only and BT+1 exchanges	DFX services	connection charge	SCA -10%, CPI-8%
		annual rental charge	SCA -31%, CPI-24%
		distance-related (per metre) annual main link charge	SCA -14%, CPI-3.5%
BT only and BT+1 exchanges	All active services	-	CPI-0%

Source: Ofcom's TAR Volume 4: Pricing Remedies

Effectiveness of current remedies

226. In developing its proposed pricing remedies Ofcom must assess how these measures contribute to its statutory objectives in regulating wholesale fixed telecoms markets. These objectives include:
- promoting efficiency,
 - encouraging sustainable competition,
 - delivering the greatest possible benefits to end-users of public electronic communications services, and
 - supporting the availability and uptake of new and enhanced networks.
227. In the following sections we assess Ofcom's past and future approach against these objectives.

BT's profits on IEC and LLA markets

228. In this section, we evaluate the impact of the WFTMR regulatory regime on BT's recovery of costs in the LLA and IEC markets, based on BT's published RFS for FY22 to FY24.

Methodology

229. To assess BT's recovery for LLA and IEC services, we compare BT's actual returns against the returns it would have achieved if its ROCE had aligned with its WACC. The latter can be calculated by taking the MCE for each market, and multiplying it by the relevant WACC.
230. Our analysis is based on BT's *adjusted* returns, which account for the impact of higher-than-expected inflation during the review period. Elevated inflation resulted in significant holding gains on passive infrastructure and copper cables, reducing reported capital charges and inflating profitability. BT has published adjusted returns in its RFS by estimating what holding gains would have been had inflation matched WFTMR 2021 expectations. While these adjustments likely understate Openreach's true profitability, since they do not fully capture the benefits of inflation-driven asset value increases, we have adopted them as a conservative basis for our analysis.

Results

231. Our analysis of BT's adjusted returns reveals clear evidence of BT generating excessive profits during the previous FY22 to FY24 period and there is no reason to believe that this trend has changed since.
232. BT's ROCE for LLA across Area 2, Area 3, and HNR areas has consistently exceeded 11% in all years since FY22. This level of profitability translates to approximately £260 million in additional returns across these services over FY22–FY24 which we estimate would be **£525 million** for the full WFTMR period relative to returns consistent with the relevant WACC.

Excessive returns on LLA market (Area 2, Area 3, HNR)

	FY22	FY23	FY24
BT's adjusted returns (£m)	173	183	261

BT's ROCE (%)	12.6%	11.6%	16%
Returns if ROCE=WACC (£m)	107	123	128
Excess returns (£m)	66	60	133

Source: BT RFS for FY22, FY23, FY24 and frontier calculations

Note: On top of the inflation adjustments, BT's LLA returns may also be understated due to the way fibre cable costs are allocated across services²⁵.

233. BT's ROCE for IEC market across BT-Only and BT+1 exchanges has exceeded 60% and has continued to increase since FY22. This equates to roughly £290 million in excess returns over FY22–FY24 which we estimate would be **£508 million** for the full WFTMR period.

Excessive returns on IEC market (BT and BT+1)

	FY22	FY23	FY24
BT's adjusted returns (£m)	93	114	118
BT's ROCE (%)	61%	75%	88%
Returns if ROCE=WACC (£m)	12	11	10
Excess returns (£m)	81	103	108

Source: BT RFS for FY22, FY23, FY24 and frontier calculations

234. These findings suggest that BT has been able to earn returns well above a competitive level in both markets and that neither the charge controls implemented by Ofcom in 2021 nor competition from other infrastructure providers has been an effective constraint.

235. Such excessive cost recovery and profits risks undermining the benefits to end-users and does not necessarily promote the availability or uptake of new and improved networks.

236. Against this backdrop, and as further detailed in the following section, we consider that Ofcom's revised approach to setting charge controls in the TAR represents a meaningful improvement over the 2021 WFTMR. However, there remains scope for further improvement in how these controls are calculated and implemented.

237. Such excessive cost recovery and profits risks undermining the benefits to end-users and does not necessarily promote the availability or uptake of new and improved networks.

238. In particular, Ofcom's over forecast shows that, under its own proposals to tighten regulation, the level of over-recovery is expected to continue in the next market review period at current levels, with Ofcom estimating over-recovery of c £525m to c£900m across the LLA markets and c.£400m to c.£475m more across the IEC markets, over the five years.²⁶ These figures are strikingly similar to the over-recovery observed during the WFTMR period,

²⁵ BT allocates the cost of fibre cabling between WLA and LLA services (amongst others). In recent years, the total cost of fibre cabling has increased rapidly, driven primarily by Openreach's extensive network roll-out to support WLA services. However, the MCE for fibre assets allocated to LLA has increased disproportionately relative to the growth in LLA line volumes, a trend that appears inconsistent with the actual drivers of these costs. As a result, Openreach's reported LLA costs may be overstated, leading to an understatement of reported ROCE for LLA services.

precisely the issue the TAR aims to address, highlighting that substantially more corrective action is required.

239. In many cases this over-recovery is in markets where Ofcom accepts there is little or no prospect of this excessive pricing stimulating further investment in infrastructure. Even in geographies where there is some potential investment, Ofcom has not shown that the potential marginal benefits from additional investment outweigh the negative effects of excessive pricing on innovation and investment in downstream markets and ultimately the higher costs and worse service for end users.

Review of proposed price controls

Overall approach to modelling

240. We note that the cost forecast model used by Ofcom to estimate the cost-based charge for active services relies on established cost modelling methodologies and assumptions. The model also provides the key input for the indirect estimate of dark fibre costs.
241. While this model is well established, it largely assumes a steady state and does not take into account the likely scale of efficiencies for Openreach and other providers in moving to a single fibre network serving both LLA and WLA customers and the corresponding simplification of processes.

Ofcom should revise its operating cost efficiency assumptions

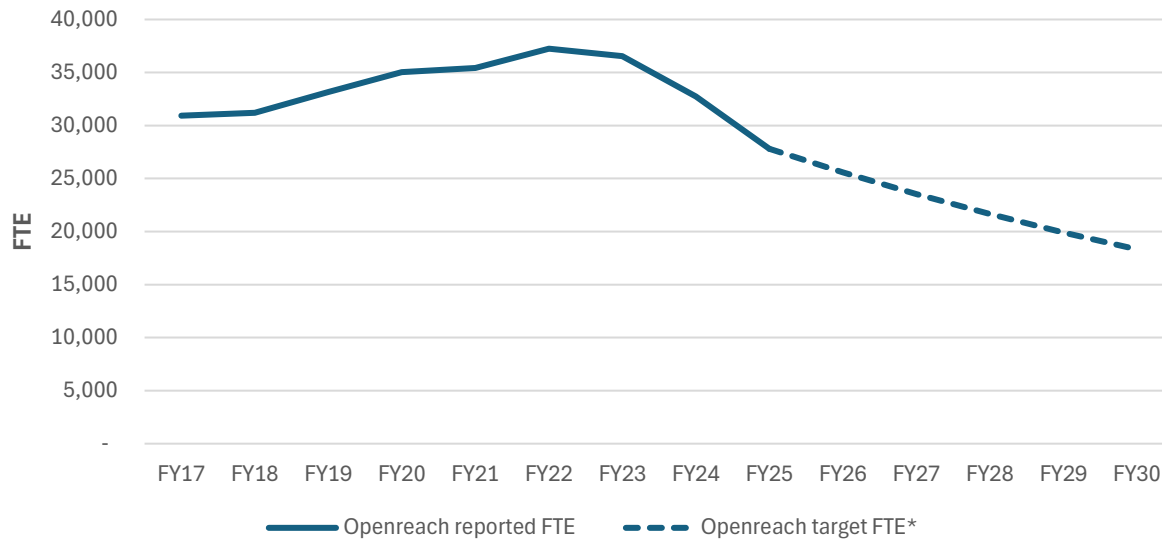
242. Ofcom adds restructuring costs to the base year costs, reflecting organisational changes within BT that involve workforce reductions. These costs are included on the assumption that they will generate future efficiency benefits. Ofcom then incorporates an assumption to reflect the impact of these future efficiency benefits on forecasted costs.
243. However, there is limited clarity on how these efficiency gains are estimated or how the central 6% assumption in the model has been derived.
244. Ofcom explains it draws from two sources to inform its efficiency assumption:
- 8.0% cost savings for BCMR in 2022/23 and 7.0% on average between 2020/21 and 2023/24 based on using regulatory accounts; and
 - 7.7% cost savings achieved over “recent past” and 3.8% are forecasted by 2028/29 based on Openreach management accounting analysis.
245. Despite these data points, it is unclear how Ofcom derives its 6% central estimate, which appears overly conservative given the evidence on past efficiencies and BT’s plans for future efficiencies. Greater transparency is needed on the weighting and adjustments applied in arriving at this figure.
246. Contrary to Ofcom’s analysis based on Openreach management accounts we would expect efficiency gains to be greater in the next review period for two main reasons:
247. **BT’s ambitious headcount reduction targets:** BT has publicly announced significant headcount reductions, targeting a workforce of 75,000–90,000 by 2030²⁶, compared to 116,000 in FY 2025 and 120,000 in FY 2024. This equates to a compound annual reduction of

²⁶ BT Group Results for the full year to 31 March 2025, 22 May 2025

approximately 8%, aligning with Ofcom’s high-end estimates. BT’s published annual KPIs already show a 10% decrease in headcount for Openreach between FY 2023 and FY 2024, and a further 15% reduction from FY 2024 to FY 2025 (see below).

248. **Economies of scope from FTTP roll-out:** There are clear economies of scope between delivering WLA and LLA products over a common FTTP network. This hasn’t been fully factored into the forecasts, instead the LLA asset base has been inflated by the attribution of lots of ‘new’ (i.e. lightly depreciated) fibre cable to serve WLA subscribers while most LLA customers are still served by heavily depreciated cables.

Openreach Labour Resource



Source: BT annual KPIs and BT forecasts

Note: * The target FTE forecast assumes that the BT Group’s announced headcount reductions will apply proportionally to its Openreach division, which is the largest unit by number of employees.

249. This efficiency assumption is critical because it underpins Ofcom’s cost forecasts for all BCMR products. Relying on a 6% efficiency gain rather than a more realistic 8% would allow BT to earn an additional £12 million in profit from LBW active services in Area 3 alone.

250. We therefore urge Ofcom to:

- Provide greater clarity on how the 6% efficiency figure has been derived; and
- Reassess this efficiency assumption considering the announced structural changes within BT and the additional efficiencies that are likely to be achieved over the review period.

LLA Area 3: DFA

TAR proposed cost-based price controls under base cost scenario – LLA Area 3 – DFA services

	2026/27	2027/28	2028/29	2029/30	2030/31
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Connection charge	SCA	CPI	CPI	CPI	CPI
	-27%	-9%	-9%	-9%	-9%
Annual rental charge	SCA +15%	CPI	CPI	CPI	CPI
		-2.75%	-2.75%	-2.75%	-2.75%

Source: Ofcom's TAR Volume 4: Pricing Remedies

Assessment of proposed approach

251. Ofcom proposes to retain cost-based charge controls for DFA in Area 3 and to expand this area from 3,867 post code sectors to 4,591 post code sectors.
252. We fully support this approach we agree with Ofcom's assessment that in the absence of a cost-based charge control, Openreach has the incentive and ability to fix and maintain DFA prices at an excessively high level, which would fail to adequately protect consumers.
253. We also agree that expanding the area where DFA can be provided will improve the economics of productising DFA.
254. We share Ofcom's view that the risks to investment and network competition from cost-based DFA pricing are limited, for the following reasons:
- BT has a persistently high market share in LLA Area 3 and barriers to entry and expansion suggests that there is no foreseeable prospect of sustainable network-based competition emerging in the LLA Area 3 market during the review period. As a result, the risk that cost-based pricing could undermine Ofcom's objective of network investment by alternative operators is minimal.
 - Cost-based charge controls are designed to enable BT to recover its efficient costs. As such, they provide BT with a reasonable return on its investment in the Area 3 network, mitigating any risk of discouraging further investment.
255. Additionally, cost-based pricing helps reduce the risk of margin squeeze caused by excessive pricing of active services in Area 3. This, in turn, supports greater competition by enabling rivals to compete effectively through access to BT's infrastructure.

Calculation methodologies and assumptions

Indirect approach to determining DFA costs is not well justified

256. Ofcom relies on an indirect approach to estimate the cost of DFA services by estimating the passive and shared cost components of EAD products, rather than estimating DFA costs directly based on BT's RFS. This approach was necessary when dark fibre products were introduced as at that point there was no base year data from the RFS to use as a starting point for cost forecasts.
257. However, now that DFA products are established, continuing with this two-step estimation process introduces unnecessary complexity. BT's RFS should provide an appropriate base year cost to directly forecast the DFA unit costs. Such a direct approach would improve transparency and accuracy.

258. If Ofcom has concerns about the reliability of BT's RFS data, this raises a more fundamental issue that must be addressed. Any inaccuracy in the reported figures for DFA could also affect other products that rely on the same inputs.
259. It is therefore critical that Ofcom:
- Engages with BT to identify the reasons behind any unexpected or inconsistent RFS figures;
 - Determines and enforces any necessary adjustments to ensure the reported data is fit for purpose²⁷; and
 - Conducts a further consultation on the outputs of its cost modelling once corrections have been made.
260. Given the information asymmetry between Openreach and other stakeholders, Ofcom must carry out this review transparently. Stakeholders such as Vodafone should be given the opportunity to review and comment on revised models, rather than Ofcom simply updating the consultation models in the final statement.

Implementation of cost-based charge controls

Relevant framework for determining the implementation of cost-based charge Controls

261. Since the introduction of RPI-X style charge controls, regulators, including Ofcom, have typically favoured the use of glide paths, which adjust prices gradually from their current levels toward cost-based targets, over SCAs. Such an approach, when applied consistently over time, provides efficiency incentives if the deviation between prices and underlying costs is due to the regulated operator 'beating the cap' by making greater efficiency gains than forecast in the previous charge control, as the regulated operator will continue the benefit from these gains in the early years of the next charge control.
262. However, SCAs may be used if the reasons for the difference between prices and unit costs is not, or not principally, due to outperformance by the regulated operator.
263. Ofcom first formally set out its principles for the use of SCAs in 2016²⁸, highlighting the need for regulatory judgement in balancing the trade-offs between different dimensions of economic efficiency:
- **Productive efficiency:** a glide path allows the regulated firm to retain the benefits of any cost outperformance (i.e., reductions in unit costs beyond those forecasts) for a longer period, thus preserving incentives for cost efficiency.
 - **Dynamic efficiency:** gradual adjustments avoid discontinuities in charges over time and leads to a more stable and predictable environment for investment or other decisions.
 - **Allocative efficiency:** a glidepath allows prices to diverge from costs for longer.
264. Given these, Ofcom considers that SCAs are more appropriate when:
- the risks to economic efficiency or competition from distorted pricing signals are particularly significant, and therefore outweigh the benefits of a glide path approach; and
 - where prices are significantly above or below cost for reasons other than efficiency or volume growth.

²⁷ Ofcom makes clear that it retains the power to direct BT not to implement such changes where it disagrees with the proposed methodology, subject to consultation. (Ofcom, TAR consultation, Volume 6: Regulatory financial reporting, 5.14)

²⁸ Ofcom BMCR: Final Statement - Volume II, 2016, para 4.80

In applying this framework to the DFA services we agree a large SCA is needed

265. We support Ofcom’s proposal for a large SCA at the start of the control period to enhance customer protection by bringing prices closer to costs from the outset. However, it is not entirely clear to us why Ofcom is proposing a partial SCA of 75%, rather than a full 100% adjustment. Ofcom cites a risk of price volatility for DFA rentals, but we do not understand how such volatility would be inconsistent with Ofcom’s stated objectives. We support a 100% SCA.

LLA Area 3 LBW active services

TAR proposed cost-based price controls under base cost scenario – LLA Area 3 – LBW active services

	2026/27	2027/28	2028/29	2029/30	2030/31
All components	CPI	CPI	CPI	CPI	CPI
	-6.75%	-6.75%	-6.75%	-6.75%	-6.75%

Source: Ofcom’s TAR Volume 4: Pricing Remedies

Assessment of proposed approach

266. Ofcom proposes to introduce a cost-based charge control on LBW active services in LLA Area 3. This intervention is intended to address BT’s market power in this segment and to deliver large benefits to end-users.
267. Ofcom highlights uncertainty regarding the extent to which DFA will constrain active LBW leased lines in the future. It notes that the effectiveness of this constraint varies depending on the bandwidth of the active service in question. Specifically, the constraint appears to be weaker for lower bandwidth circuits.
268. We agree with Ofcom’s assessment. In our view, DFA cannot be considered a true substitute for LBW active services and therefore bringing prices closer to cost for LBW access circuits is necessary to protect end-users.

Implementation of cost-based charge controls

269. In determining the implementation of cost-based charge control for the LBW active services we believe allocative efficiency should be the key objective and that a larger SCA should be preferred.
270. As highlighted in above, BT has been earning excess profits in the LLA market for an extended period. Ofcom’s proposed implementation approach, relying exclusively on a glide path for LBW services would allow these excessive margins to persist well into the next market review period with Ofcom’s own forecasts showing BT would earn excess profits of approximately £41 million to £77 million over the next period in area 3.²⁹

²⁹ Ofcom TAR Annex 1-22, Table A14.7

271. Allowing these excessive prices to continue would undermine competition and lead to inefficient market outcomes. Communication Providers (CPs), which rely on these regulated products, would remain at a competitive disadvantage and end users would face unnecessarily high prices.
272. When assessed against Ofcom’s own framework for selecting between implementation options, there is a compelling case for favouring larger SCAs and faster price realignment:
- Allocative efficiency concerns are acute: prices for LBW active services in Area 3 are currently significantly above costs. Without a 100% SCA at the start of the control period, these prices will prolong consumer harm and distort purchasing decisions, reinforcing BT’s market power.
 - No compelling evidence of dynamic or productive efficiency benefits from glide paths: Ofcom has not provided any substantive analysis to indicate that the clear detriment to competition and end users from allowing Openreach to continue to charge excessive prices is outweighed by putative benefits.
273. Given the scale and duration of the excess profits at stake, and the absence of any clearly articulated efficiency benefits from a glide path, we consider that Ofcom should prioritise SCAs and move to align prices with forecasted costs from 2026, in particular for active services which represent a large volume of customers. This would better serve Ofcom’s statutory objectives by delivering greater benefits to end users and promoting more effective competition.

LLA Area 3 VHB active services

TAR proposed price controls under base cost scenario – LLA Area 3 – VHB active services

	2026/27	2027/28	2028/29	2029/30	2030/31
All components	CPI	CPI	CPI	CPI	CPI
	-0%	-0%	-0%	-0%	-0%

Source: Ofcom’s TAR Volume 4: Pricing Remedies

Assessment of proposed approach

274. In contrast with LBW actives services Ofcom considers that over time DFA is likely to be more attractive for users who need VHB actives services and thus that DFA will increasingly constrain these services.
275. However, Ofcom recognises that DFA is still in the early stages of its development, and there is inherent uncertainty regarding the extent to which it will constrain VHB services over the course of this review period. As a result, Ofcom considers that a charge control remains necessary for VHB services in the interim.
276. When deciding between pricing continuity and cost-based Ofcom considers that pricing continuity would act as an adequate safeguard to protect VHB consumers from further price increases while the constraint from cost-based DFA develops and that it would promote access-based competition as far up the value chain as possible.
277. We acknowledge that it could be disproportionate (as we propose) to have cost-based charge controls at two levels of the value chain and we agree that in the long run cost based

DFA services should provide a competitive constraint on VHB active services, as new customers will be able to choose cost based DFA services if VHB active services are excessively priced. However, in the short run, there are many barriers which prevent CPs from quickly migrate existing circuits. This requires a solution. Ofcom rightly identified:

- **Operational barriers:** risk of service disruption for end customers who need mission critical connectivity; and
- **Economic barriers:** the upfront cost of productising DFA can deter smaller or resource-constrained providers, as the need to pay dual rental charges during the transition period can reduce the incentive to migrate.

278. In addition, we would emphasise that, for DFA to act as a meaningful competitive constraint on VHB active services, it must not only be available in theory but also economical and practical to implement. Together with the economic barriers identified by Ofcom, it is important to highlight that BT's (i) early termination charges (ETCs) for existing active circuits and (ii) connection charges for DFA products are further significant obstacles to migration (iii) internal additional planning, connection costs and timescales. These charges can materially increase the cost of switching and undermine the commercial viability of moving existing circuits from VHB active services to DFA.

279. As a result, the availability of cost-based DFA services is not sufficient to discipline prices for existing VHB active services customers. To address this, Ofcom needs to:

- Consider measures to address the barriers to migration, and
- At a minimum protect the customers who cannot migrate by applying cost-based charge controls to VHB active services.

Reducing barrier to migration with lower ETCs

280. Currently, CPs are tied into long-term contracts for active services from BT that includes substantial ETCs. These charges present a significant financial barrier to migration, even in cases where cost-based passive alternatives such as DFA are now available and more economically efficient.

281. Without regulatory intervention, ETCs will continue to deter CPs from switching to dark fibre solutions, undermining the effectiveness of Ofcom's passive remedies and perpetuating BT's ability to earn excess returns.

282. To address this, Ofcom should require BT to waive early termination charges for CPs migrating existing active circuits to DFA. While ETCs reflect sunk costs that Openreach will have made in order to provide active circuits, any sunk costs related to the underlying fibre will be recovered from the ongoing use of the fibre for DFA while the high levels of profitability on active services means that the sunk cost of active equipment is likely to have been fully recovered by the time of migration.

Cost based charge controls should be extended to existing VHB active services

283. In some cases, waiving ETCs might be insufficient to allow migration of existing active services to DFA. To address this, Ofcom could implement a targeted charge control framework for high-bandwidth active services in Area 3, with a distinction between new and existing circuits:

- For new circuits: CPs would continue to choose between cost-based DFA products or inflation-linked charge-controlled active services.

- For existing circuits: Where services were originally deployed as active due to the historical unavailability of DFA, prices for those active products should be immediately aligned with cost-based DFA charges. This would ensure that CPs are not penalised for past infrastructure limitations and that current pricing reflects the now-available passive alternatives.

284. We note that this would not require any specific model development given that the cost-based charges for Ethernet VHB products are already calculated in Ofcom’s cost forecast model

LLA Area 2 active services

TAR proposed cost-based price controls under base cost scenario – LLA Area 2 – All active services

	2026/27	2027/28	2028/29	2029/30	2030/31
All components	CPI	CPI	CPI	CPI	CPI
	-0%	-0%	-0%	-0%	-0%

Source: Ofcom’s TAR Volume 4: Pricing Remedies

Assessment of proposed approach

285. Ofcom proposes to maintain a CPI-0% charge control for all active LLA services because it notes that:
- WFTMR21 package of remedies for LLA services has enabled increased competition in the LLA market to emerge over recent years;
 - Altnets providers have won significant amounts of customers since 2021.
286. Ofcom’s view is that maintaining the WFTMR21 remedies in the 2026-2031 review period will allow rival providers to continue to invest in expanding and infilling their networks in LLA Area 2 because it considers that price reductions would damage new entrants, reduce their ability to compete profitably and give customers less reason to move away from Openreach.
287. Ofcom’s current proposals for LLA Area 2 fall short of delivering effective protection for customers. The assumption that infrastructure competition will emerge in this area is fundamentally flawed. For the vast majority of premises, there is only a single infrastructure provider within 50 metres and even where a second network exists, it is often not commercially or technically viable to connect a given customer site. In practice, this means that Openreach faces little to no competitive constraint in large parts of Area 2.
288. The WFTMR justification, that customers may pay more in the short term in exchange for long-term competitive benefits, does not hold in this context. The anticipated competition has not materialised at scale, and there is no credible evidence that it will do so in the foreseeable future. Meanwhile, Openreach continues to earn high margins on LLA services, particularly in areas where it remains the de facto monopoly provider.
- In light of these realities, Ofcom’s proposals are insufficient to safeguard customer interests. We urge Ofcom to reconsider its position and adopt one of the following remedies:
- **Introduce Dark Fibre Access (DFA) in Area 2:** This would provide a cost-based passive remedy that enables genuine service-based competition, particularly in areas where

infrastructure duplication is uneconomic. DFA has proven effective in Area 3 and should be extended to Area 2 to ensure consistency and fairness.

- **Implement cost-based charge controls on active services:** If Ofcom remains unwilling to extend DFA, then it must at a minimum impose cost-based regulation on active services in Area 2. This would prevent excessive pricing and ensure that customers are not penalised for the lack of infrastructure competition.
- Without one of these interventions, Ofcom risks entrenching Openreach’s market power and undermining its own objectives of promoting competition, investment, and consumer protection. The time for cautious optimism has passed, decisive regulatory action is now required.

LLA HNR active services

TAR proposed cost-based price controls under base cost scenario – LLA HNR – All active services

	2026/27	2027/28	2028/29	2029/30	2030/31
All components	Requirement for charges to be fair and reasonable				

Source: Ofcom’s TAR Volume 4: Pricing Remedies

Assessment of proposed approach

289. Ofcom explains that the HNR Area benefits from a higher level of competition compared to LLA Areas 2 and 3. However, due to BT’s significant market share in the HNR Area, Ofcom is concerned that, in the absence of regulation, BT may have both the incentive and ability to engage in a price squeeze and that this could harm end-users by weakening retail competition.
290. To address this risk, Ofcom proposes a requirement that BT’s charges in the HNR Area must be fair and reasonable.
291. We support Ofcom’s proposed approach. While competition in the HNR Area is more developed than in other geographic markets, it remains nascent and not yet fully effective. Continued regulatory oversight is therefore necessary to safeguard consumers and to ensure that emerging competition is not undermined.

IEC DFX in regulated exchanges

TAR proposed cost-based price controls under base cost scenario – IEC – DFX

	2026/27	2027/28	2028/29	2029/30	2030/31
Connection charge	SCA	CPI	CPI	CPI	CPI
	-10%	-8%	-8%	-8%	-8%

Annual rental charge	SCA	CPI	CPI	CPI	CPI
	-31%	-24%	-24%	-24%	-24%
Annual main link charge	SCA	CPI	CPI	CPI	CPI
	-14%	-3.5%	-3.5%	-3.5%	-3.5%

Source: Ofcom's TAR Volume 4: Pricing Remedies

Assessment of proposed approach

292. Ofcom proposes to extend the cost-based DFX charge control to all SMP exchanges (BT+1 & BT Only), rather than limiting it to BT Only exchanges as that was the case under the WFTMR21. As Ofcom notes, there is little prospect of additional investment in IEC markets and a duopoly in an exchange, e.g. BT+1, is unlikely to lead to a competitive outcome.
293. We fully agree with the extension and consider that this extension is a necessary step toward ensuring that competitive service providers can access dark fibre at reasonable prices across a broader footprint, promoting service-level competition and improving downstream market dynamics.

Calculation methodologies and assumptions

294. We welcome the proposed material reductions in DFX prices. This should allow to bring charges closer to costs and address the critical issue of excessive returns earned by BT, which as highlighted above have been harmful to end users over the WFTMR period.
295. However we reiterate that, like for DFA, Ofcom needs to abandon its indirect calculation based on a reference set of EAD products and to rely on a direct calculation based on robust RFS outputs.

Indirect approach to determining DFX costs is not well justified and relies on unsound assumptions to allocate costs components to DFX products

296. Ofcom explains that its reliance on an indirect approach is due to identified limitations in BT's reporting of DFX products in the RFS, particularly regarding profitability which appears unusually high for DFX. Ofcom concludes that the data may not accurately reflect DFX profitability and therefore avoids relying on it. However, if the DFX profitability is indeed overstated, this may imply that BT has under-allocated costs to DFX and, conversely, over-allocated them to other products which could include EAD products.
297. While EAD and dark fibre services rely on the same underlying infrastructure, there are significant differences in the processes for providing and maintaining active and passive services which are not fully recognised in the current methodology. For example, we note that the largest component of the DFX connection charge (£123 out of £220 for 2025-26) relates to "OR Service Centre – Provision Ethernet" costs and is identical to the cost allocated to the reference EAD 10 Gbps product. This results from Ofcom's assumption that the number of provisioning calls per circuit to customer contact centres (and activities performed by staff in those centres) would be same for EAD and inter-exchange dark fibre services.

298. However, given that DFX provisioning involves less equipment and labour than for active services, we would expect materially lower provisioning effort and associated costs for DFX products. As such, the estimated DF connection charges may be overstated under the current allocation approach.
299. As explained above the correct approach to potential issues in the RFS is a detailed review by Ofcom of BT's methodologies to estimate costs of providing DFX services. These costs can then be used to establish the correct base year costs and produce appropriate cost forecasts from these base year costs using Ofcom's cost forecast model.

Implementation of cost-based charge controls

In determining the implementation of cost-based charge control for the DFX services we believe Ofcom should opt for a larger SCA

300. Ofcom proposes to apply an SCA that would reduce the current misalignment between prices and costs by 50% at the start of the control period. As we have already noted in relation to the implementation of cost-based charge controls for DFA and LBW active services, we believe Ofcom's primary objective should be to deliver benefits to end users as quickly as possible. In this context, there is no clear justification for delaying the full alignment of prices with costs. We therefore believe Ofcom should adopt a 100% SCA.

IEC active services in regulated exchanges

TAR proposed cost-based price controls under base cost scenario – IEC – All active services

	2026/27	2027/28	2028/29	2029/30	2030/31
All components	CPI	CPI	CPI	CPI	CPI
	-0%	-0%	-0%	-0%	-0%

Source: Ofcom's TAR Volume 4: Pricing Remedies

Assessment of proposed approach

301. Ofcom proposes to impose a CPI-0% charge control on all active IEC services at BT Only and BT+1 exchanges to promote network investment while also addressing the risk of excessive pricing or a price squeeze.
302. As explained above in the short run, there are many barriers which prevent CPs from quickly migrating existing circuits to dark fibre services and the availability of cost-based DFX services is not sufficient to discipline prices for existing active services customers.
303. To address this Ofcom therefore needs to:
- **consider measures to address the barriers to migration:** existing IEC active service contracts typically have a 7-year term. If a CP chooses to exit the contract early, it must pay ETCs equal to 70% of the circuit charge in year 4, 60% in year 5, 50% in year 6, and 40% in year 7. This economic barrier to switching could be mitigated if Ofcom requires BT to waive the ETCs, thereby allowing CPs to transition to cost-based DFX services more rapidly.

- **protect the customers who cannot migrate** by applying cost-based charge controls to active services (cost based charge for existing customers can easily be calculated using Ofcom's cost forecast model).

Question 4.4: Do you agree with our proposals for charge controlling in the IEC markets? Please set out your reasons and supporting evidence for your response.

304. Also see response to Question 3.8.
305. Vodafone supports Ofcom's continued use of charge controls in the IEC markets, but we believe the current proposals require strengthening to address the persistent and material over-recovery by BT/Openreach and to ensure that the benefits of regulation are delivered in a timely and proportionate manner.
306. We agree with the retention of the CPI-0% charge control on active IEC services as a baseline measure. However, in the current market context, where BT/Openreach is earning returns of 88% on IEC services, far exceeding the regulated WACC of 7.8%, this control is insufficient. Maintaining current pricing levels risks perpetuating overcharging and delaying the intended benefits of regulation. Moreover, the CPI-0% control does not address the structural barriers that prevent CPs from switching to more efficient alternatives, such as long-term contracts with punitive early termination charges (ETCs), operational constraints, and the time lag associated with onboarding DFX.
307. To ensure that the DFX remedy delivers its intended benefits, we propose a three-pronged regulatory approach for active IEC services, consistent with the framework proposed for LLA Area 3:
308. **A. New service demand:** CPs should be able to choose between cost-based DFX or inflation-linked, charge-controlled active services.
309. **B. Cost-based charge control for in-situ active services:** Where services were installed as active due to the historical unavailability of DFX, these should be price regulated immediately in alignment with DFX.
310. **C. Cost-based charge control where switching is constrained or during migration:** Where CPs are contractually locked into active services or actively transitioning to DFX, price regulation should apply throughout the migration period. Ofcom should also require BT/Openreach to waive ETCs to remove barriers to switching and ensure that the remedy is not only available in theory but also accessible in practice.
311. This approach would deliver immediate relief to CPs and end users, ensure that excessive returns are curtailed without delay, and uphold Ofcom's statutory duties to promote competition and protect consumers. It would also prevent legacy services from continuing to generate windfall profits merely due to slower migration timelines or operational constraints beyond the control of access seekers.

Question 4.5: Do you agree with our proposals for charge controlling in the DPA market? Please set out your reasons and supporting evidence for your response.

312. Vodafone supports Ofcom's continued use of charge controls in the DPA market but believes the current proposals require strengthening to ensure they deliver on the objectives of sustainable infrastructure competition, cost-reflectivity, and regulatory certainty.
313. We agree with Ofcom's overarching objective to promote long-term, sustainable competition through the DPA remedy. However, we are concerned that the current charge control proposals risk undermining this objective by embedding structural advantages for BT/Openreach and failing to fully address the risk of over-recovery.

Ensuring Cost-Reflectivity and Preventing Over-Recovery

314. Ofcom must ensure that DPA charges are truly cost-reflective and do not reward inefficiencies in the Openreach business. The continued use of the 'fair shares' methodology, particularly in the context of multi-bore duct occupation, does not fully account for Openreach's dual occupancy of ducts with both copper and fibre. This results in an under-attribution of costs to Openreach and an over-recovery from DPA users. Ofcom should revise its fair shares assumptions to reflect actual physical occupation during the review period.
315. Similarly, the opening RAB valuation for ducts must be adjusted to remove windfall gains arising from RPI indexation during the previous control period. These gains are exogenous and do not reflect efficient investment. Failing to adjust for them risks inflating starting charges and undermining the affordability of the remedy.

Starting Charge Adjustment: Addressing Excessive Profitability

316. Ofcom should go further and apply a more substantial SCA to unwind the continuation of excessive profitability by BT/Openreach.
317. Openreach has benefited from windfall gains and under-attributed costs during the current control period. Without a meaningful downward adjustment to starting charges, these gains will be locked into the next control period, distorting competition and undermining the credibility of the DPA remedy. A larger SCA would deliver immediate cost relief to access seekers and better align charges with the actual cost of providing access to Openreach's infrastructure.

Efficiency Challenge and Transparency

318. We are concerned that the proposed 3% efficiency challenge is insufficient to drive meaningful improvements in Openreach's provisioning of DPA. In the absence of Equivalence of Inputs (EOI), a more ambitious efficiency target is needed to counterbalance information asymmetries and incentivise better performance. We recommend that Ofcom increase the efficiency challenge to reflect these realities.

Regulatory Certainty and Long-Term Viability

319. Finally, we urge Ofcom to provide greater regulatory certainty around the long-term availability and stability of the DPA remedy. The absence of such certainty creates a structural disadvantage for access seekers bidding for long-term contracts, particularly in the public sector. Ofcom should publicly affirm its intention to maintain the DPA remedy as a long-term regulatory tool and introduce safeguards to mitigate the commercial risks faced by CPs.

Question 4.6: Do you agree with our proposed approach for ancillaries? Please set out your reasons and supporting evidence for your response.³⁰

320. Vodafone supports Ofcom's continued regulation of ancillary services, but we believe the current approach requires strengthening to address persistent over-recovery and ensure that ancillary charges remain fair, transparent, and cost-reflective.
321. BT/Openreach is currently earning returns of 16% on shared ancillary services, more than double the regulated WACC of 7.8%. This level of profitability is indicative of weak competitive constraints and suggests that the current charge control framework is not adequately protecting downstream providers or end users from excessive pricing. In this context a starting charge adjustment would be appropriate.
322. Ancillary services are not optional extras; they are unavoidable components of SMP service supply. These services are integral to the delivery of regulated leased line and inter-exchange connectivity products. As such, they must be treated with the same regulatory scrutiny as the core services they support.
323. To address these issues, we recommend that Ofcom:
- a) Tightens the charge control framework for ancillary services to ensure that returns are aligned with the regulated WACC;
 - b) Requires BT/Openreach to publish a detailed and enforceable Reference Offer for ancillary services, including clear definitions of what is included in the base product and what constitutes a chargeable extra;
 - c) Introduces safeguards to prevent the reclassification of core service elements as ancillaries without regulatory approval;
 - d) Monitors BT/Openreach's profitability on ancillary services annually and adjusts controls if over-recovery persists.
324. These measures would ensure that ancillary services remain affordable, predictable, and supportive of downstream competition. They would also reinforce the integrity of the overall regulatory framework by preventing cost leakage and ensuring that CPs are not penalised for relying on regulated inputs.

Question 4.7: Do you agree with our proposals on charge control design? Please set out your reasons and supporting evidence for your response.

³⁰ This question is also covered in Section 1

325. We note that the cost forecast model used by Ofcom to estimate the cost-based charge for active services relies on established cost modelling methodologies and assumptions. The model also provides the key input for the indirect estimate of dark fibre costs.
326. While this model is well established, it largely assumes a steady state and does not take into account the likely scale of efficiencies for Openreach and other providers in moving to a single fibre network serving both LLA and WLA customers and the corresponding simplification of processes. So whilst we agree with the modelling methodology we do not agree with the application of some of the basic assumptions.

Question 4.8 Do you have any comments on the drafting (non substantive) amendments to the charge control conditions described above and set out in Volume 7?

327. We do not have any comments on the non-substantive amendments

Question 6.1: Do you agree with our proposal to retain the accounting separation and cost accounting remedies on each of the proposed SMP markets? Please set your reasons and supporting evidence for your response.

328. This market remains a market in which Ofcom considers BT to have SMP, we therefore consider it wholly in-line with Ofcom's historic approach to ensured accounting separation and cost accounting remedies are maintained.
329. We note that Ofcom have suggested a number of changes to the cost accounting methodology and accounting separation. We agree with the majority of Ofcom's proposed changes as we view them as simply updating the current methodology and approach to the changing market dynamics and product growth. However, it is not clear to us why Ofcom is removing the requirement on BT to provide Ofcom with data and models used by its cost accounting software to produce the RFS.

Question 6.2: Do you agree with our proposals in relation to the published performance schedules set out in Section 4? Please set out your reasons and supporting evidence for your response.

330. The performance schedules form the basis for the assessment into the effectiveness of the regulatory tools Ofcom have implemented. Without the performance schedules it would be impossible to see whether BT is continuing to excessively profit from its SMP or whether Ofcom's remedies are bringing BT's performance to more 'normal' regulated levels.

Question 6.3: Do you agree with our proposals in relation to the preparation and assurance of the RFS set out in Section 5? Please set out your reasons and supporting evidence for your response.

331. We agree with the proposals for BT to continue to publish the documentation described by Ofcom in Volume 6 of their consultation

Question 6.4: To what extent do you think it is necessary to require BT to publish in the reconciliation report the impact on current year figures of each methodology change reported in the CCN (which includes the impact of each change on prior year figures)?

332. BT has a natural financial incentive to change cost allocation methodologies in ways that move costs from deregulated products and services into regulated products and services. This issue is particularly problematic because (a) BT have a wide range of unregulated products and services, and therefore a complex set of opportunities to enable them to increase the costs of regulated services whilst reducing the costs of unregulated services, and (b) The transparency of BT allocation methods is somewhat opaque to other operators in the industry and therefore the natural industry third party 'checks and balances' are not present.

Question 6.5: Do you agree with our proposals in relation to information provided to Ofcom set out in Section 6? Please set out your reasons and supporting evidence for your response.

333. Historically BT's regulated accounts have contained a wide range of errors. They have been subject to very significant restatements and costs have, in the past been moved and reallocated between products. The majority of these historic issues have been discovered not by BT but by Ofcom or external parties, therefore we consider it of paramount importance that BT provides as much supporting information as possible to accompany the RFS. This enables Ofcom to query and analyse BT's submitted accounts which has been essential in the past.