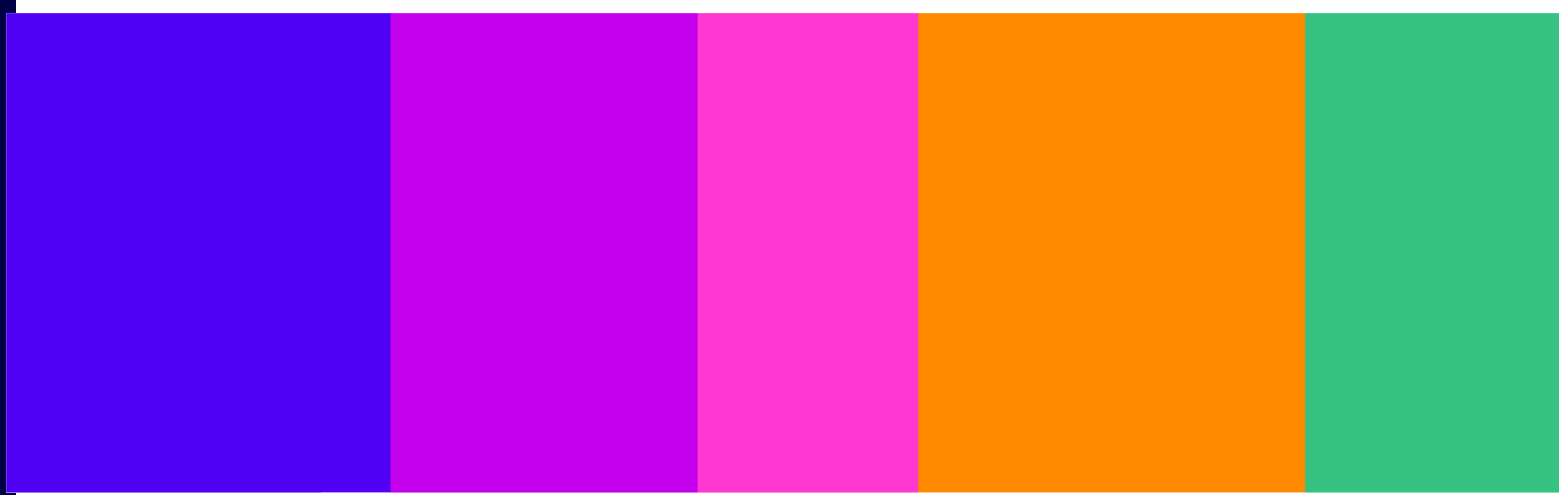


Reviews of Call Termination Markets and End-to-End Connectivity Condition

Annex A3c - Legal instrument for directions under SMP Condition 7 (WCT)

Statement

Published 26 March 2026



Directions under SMP Condition 7 (WCT)

NOTIFICATION UNDER SECTION 49 OF THE COMMUNICATIONS ACT 2003 (“Notification”)

Notification under section 49 of the Communications Act 2003 and Condition 7 (Regulatory Financial Reporting) relating to the financial reporting requirements for BT for the provision of network access in respect of the wholesale call termination market.

Background

The 2021 statements and directions

1. On 30 March 2021, Ofcom published a statement entitled “[Wholesale Voice Services Market Review 2021-2026](#)” (the “**2021 Voice Statement**”). The 2021 Voice Statement set out Ofcom’s conclusions on its review of specified markets, including the markets for wholesale call termination.
2. At [Annex 5](#) to the 2021 Voice Statement, Ofcom published a notification under sections 48(1) and 79(4) of the Act containing its market identifications, market power determinations and the setting of SMP conditions to be applied to BT and other communications providers.
3. Condition 8 at pages 31-47 of [Annex 5](#) to the 2021 Voice Statement contained various financial reporting obligations on BT in relation to the provision of wholesale call termination and associated interconnection, and enabled Ofcom to give such directions as they considered appropriate in relation to these obligations.
4. Ofcom gave six directions under Condition 8, in respect of BT’s provision of wholesale call termination and associated interconnection:
 - (a) Ofcom gave a direction setting requirements in relation to preparation, delivery, publication, form and content of the Regulatory Financial Statements, which was set out in [Annex 5](#) to the 2021 Voice Statement (pages 83-112).
 - (b) Ofcom gave also the following five directions (see paragraph 7 at page 79 of [Annex 5](#) to the 2021 Voice Statement):
 - i) a direction specifying Regulatory Accounting Principles;
 - ii) a direction specifying the requirements in relation to consistency with regulatory decisions and regulatory asset value adjusted current costs basis;
 - iii) a direction setting the requirements in relation to the audit opinion for the Regulatory Financial Statements;
 - iv) a direction setting requirements in relation to the reconciliation report and accompanying audit opinion; and
 - v) a direction specifying network components.

5. In so far as they were given under Condition 8, the five directions listed above were substantially in the same form as the corresponding directions set out in the notification accompanying Ofcom's statement of 18 March 2021 entitled "[Promoting competition and investment in fibre networks: Wholesale Fixed Telecoms Market Review 2021-2026](#)" ([Volume 7](#), pages 271-273 and 329-345), except for (i) the enabling direction-making powers and (ii) the relevant markets, set out in the 'Background' section of each direction. In respect of BT's provision of wholesale call termination and associated interconnection, the enabling direction-making powers were those set out in Condition 8 (published at pages 31-47 of [Annex 5](#) to the 2021 Voice Statement) and the relevant markets and services were the wholesale call termination market and associated interconnection.

The 2025 consultations and proposed directions

The Telecoms Access Review (2026-2031)

6. On 20 March 2025, Ofcom published a consultation document entitled "[Promoting competition and investment in fibre networks: Telecoms Access Review 2026-31](#)" (the "**TAR Consultation**"). At [Volume 7 Part F](#) of the TAR Consultation, Ofcom proposed to impose certain regulatory financial reporting requirements on BT in connection with SMP determinations proposed in [Volume 7 Part A](#) of the TAR Consultation.
7. On 17 October 2025, Ofcom published a consultation document entitled "[Further consultation on WLA pricing remedies](#)" (the "**October 2025 TAR Consultation**"). In the October 2025 TAR Consultation, Ofcom proposed to set SMP conditions in addition to, or in place of, those it proposed in the TAR Consultation in relation to FTTP connection services (Condition 12C) and to make consequential changes to the WLA Market Schedules annexed to the direction setting requirements in relation to preparation, delivery, publication, form and content of the Regulatory Financial Statements.

The Reviews of Call Termination Markets (2026-2031)

8. On 18 July 2025, Ofcom published a consultation document entitled "[Reviews of Call Termination Markets and End-to-End Connectivity Condition](#)" (the "**2025 Consultation**"). In the 2025 Consultation, Ofcom consulted on new proposals to identify markets, make market power determinations and set and revoke SMP conditions applying to BT – and other specified communications providers - in relation to wholesale call termination markets and BT's provision of associated facilities, including Interconnection.
9. The 2025 Consultation also included proposals on withdrawing certain directions to BT given in the 2021 Voice Statement and giving new directions. In particular, Ofcom proposed to direct BT in relation to BT's financial reporting in respect of wholesale call termination and associated Interconnection under Condition 7 of the SMP conditions proposed in the 2025 Consultation.
10. A copy of the 2025 Consultation was sent to the Secretary of State in accordance with section 49C(1) of the Act.
11. The 2025 Consultation closed on 10 October 2025. Ofcom received several responses to its proposals set out in paragraph 8 above and it has considered every such representation. The Secretary of State has not notified Ofcom of any international obligation of the United Kingdom for the purposes of those proposals.

The 2026 statements and directions

12. On 17 March 2026, Ofcom published its statement, *“Promoting competition and investment in fibre networks: Telecoms Access Review 2026-31”* (the **“TAR Statement”**) in which it set an SMP condition and certain directions with respect to BT’s regulatory financial reporting in connection with SMP determinations.
13. Today, Ofcom is publishing its statement entitled *“Reviews of Call Termination Markets and End-to-End Connectivity Condition”* (the **“2026 Statement”**), which accompanies this Notification. In the 2026 Statement, Ofcom sets new SMP conditions and gives new directions, in addition to revoking existing SMP conditions and withdrawing existing directions, in relation to the provision of wholesale call termination and associated facilities, including Interconnection. This Notification contains Ofcom’s decisions to give the new directions and withdraw the directions specified below.

Decision to give directions

14. In accordance with section 49 of the Act, Ofcom is making the direction for BT under SMP (service) Conditions 7.2, 7.3 and 7.5 set out in the Schedule to this Notification. This direction sets requirements in relation to preparation, delivery, publication, form and content of the Regulatory Financial Statements.
15. In accordance with section 49 of the Act, Ofcom is making also the following four directions for BT under the SMP (service) Conditions 7.2, 7.3, 7.5 and 7.12:
 - (a) a direction specifying Regulatory Accounting Principles;
 - (b) a direction specifying the requirements in relation to consistency with regulatory decisions and regulatory asset value adjusted current costs basis;
 - (c) a direction setting the requirements in relation to the audit opinion for the Regulatory Financial Statements; and
 - (d) a direction setting requirements in relation to the charge control notification, reconciliation report and accompanying audit opinion.
16. In so far as this Notification gives the four directions listed above under Condition 7, they are substantially in the same form as the corresponding directions set out in the notification accompanying the TAR Statement (Volume 7, Part F) (the **“Directions Notification”**), except for (i) the enabling direction-making powers and (ii) the relevant markets (and services) set out in the ‘Background’ section of each direction. In respect of BT’s provision of wholesale call termination and associated Interconnection, the enabling direction-making powers are those set out in Condition 7 of the SMP conditions that we are imposing on BT, and the directions apply with respect to the wholesale call termination market and Interconnection (unless otherwise specified), and for the purposes of this Notification the corresponding directions set out in the notification accompanying the TAR Statement should be read accordingly.
17. Unless otherwise stated in the Schedule to this Notification or in the notification accompanying the TAR Statement, the directions in paragraphs 14 and 15 shall take effect on 1 April 2026 and shall have effect until the publication of a notification under section 49 of the Act withdrawing such directions.

Decision to withdraw directions

18. Ofcom is withdrawing the Direction setting requirements in relation to preparation, delivery, publication, form and content of the Regulatory Financial Statements, which was set out in [Annex 5](#) to the 2021 Voice Statement (pages 83-112).
19. Ofcom is withdrawing also each of the five directions listed in paragraph 4(b) above, in so far as they apply to BT's provision of wholesale call termination and associated interconnection.
20. The withdrawals at paragraphs 18 and 19 above shall take effect on 1 April 2026.

Ofcom's legal duties and tests

21. The effect of, and reasons for making, the decisions referred to in this Notification are set out in the 2026 Statement.
22. In making all of the decisions referred to in this Notification, Ofcom has acted in accordance with sections 49 and 49A of the Act.
23. In making all of the decisions referred to in this Notification, Ofcom has considered and acted in accordance with its general duties set out in section 3 of the Act, and the six requirements in section 4 of the Act as amended.
24. As required by section 2B(2) of the Act 2003, Ofcom has also had regard to the [Statement of Strategic Priorities](#) in making the decisions referred to in this Notification. In accordance with the "growth duty" set out in section 108 of the Deregulation Act 2015, Ofcom has also considered the importance for the promotion of economic growth of carrying out this market review in a way which ensures that regulatory action is taken only when it is needed, and any action taken is proportionate, having had regard to the "[Growth Duty: Statutory Guidance](#)".

Notification to the Secretary of State

25. Copies of this Notification and the 2026 Statement have been sent to the Secretary of State in accordance with section 49C of the Act.

Interpretation

26. For the purpose of interpreting this Notification (which for the avoidance of doubt includes the Schedule and Annexes to the Schedule),
 - (a) save where otherwise defined in this Notification, and except in so far as the context otherwise requires, words or expressions shall have the meaning assigned to them in the notification of decisions for SMP services conditions (WCT) contained in Annex A3a ("Legal Instrument for SMP services conditions (WCT)") to the 2026 Statement;
 - (b) otherwise any word or expression shall have the same meaning as it has in the Act;
 - (c) headings and titles shall be disregarded;
 - (d) expressions cognate with those referred to in this Notification shall be construed accordingly; and

(e) the Interpretation Act 1978 (c. 30) shall apply as if this Notification were an Act of Parliament.

27. The Schedule to this Notification shall form part of this Notification.

Signed

A handwritten signature in black ink, appearing to read 'J. Mackley', with a long horizontal flourish extending to the right.

Dr James Mackley

Director of Financial Analytics, Ofcom

A person duly authorised in accordance with paragraph 18 of the Schedule to the Office of Communications Act 2002

26 March 2026

SCHEDULE

Direction setting requirements in relation to preparation, delivery, publication, form and content of the Regulatory Financial Statements

Background

1. This Direction is made under:
 - (a) Section 49 of the Act;
 - (b) SMP Condition 7.2;
 - (c) SMP Condition 7.3; and
 - (d) SMP Condition 7.5.
2. This Direction applies with respect to the following markets and services, unless otherwise specified:
 - (a) the WCT market; and
 - (b) Interconnection.

Interpretation

3. In this Direction, the following terms have the following meanings:
 - (a) **"Gross Replacement Cost" or "GRC"** means the cost of replacing an existing tangible fixed asset with an identical or substantially similar new asset having a similar production or service capacity;
 - (b) **"IP Interconnection"** means Interconnection provided at IP Points of Connection;
 - (c) **"Market"** means:
 - i) the WCT market;
 - ii) IP Interconnection; and
 - iii) Cross Market Ancillaries.
 - (d) **"Mean Capital Employed" or "MCE"** means total assets less current liabilities, excluding corporate taxes and dividends payable, and provisions other than those for deferred taxation. The mean is computed from the start and end values for the period, except in the case of short-term investments and borrowings, where daily averages are used in their place;
 - (e) **"Net Replacement Cost" or "NRC"** means the Gross Replacement Cost less accumulated depreciation based on Gross Replacement Cost; and
 - (f) **"PAC"** means a 'previously allocated cost' methodology whereby costs are attributed pro-rata to each cost category which has received an allocation of operating costs, depreciation and return on mean capital employed at the preceding level of the Regulatory Accounting System.

Direction

4. Ofcom has decided to direct BT as follows.
5. BT shall prepare and deliver to Ofcom two weeks before they are published the following statements, in accordance with the obligations in paragraph 6 and 7 below:
 - (a) Introduction to the Regulatory Financial Statements;
 - (b) Basis of Preparation;
 - (c) Statement of Responsibility;
 - (d) Performance Summary by Market;
 - (e) Attribution of Operating Costs;
 - (f) Attribution of Mean Capital Employed;
 - (g) Reconciliation Statement – Income Statement;
 - (h) Reconciliation Statement – Mean Capital Employed;
 - (i) Attribution Diagrams for Operating Costs and Mean Capital Employed;
 - (j) Market Summaries;
 - (k) Analysis of Service Operating Costs and Mean Capital Employed;
 - (l) Appendix for Physical Infrastructure Market; and
 - (m) Glossary.
6. BT shall publish the statements set out in paragraph 5 of this Direction, and in addition the following statements:
 - (a) Statement by Ofcom; and
 - (b) Report of the Regulatory Auditor,within four months after the end of the Financial Year to which they relate.
7. Except where BT is entitled to amend the form and content of the Regulatory Financial Statements, BT shall prepare the statements described in paragraphs 5 and 6 in the form provided for and containing the content specified in Annex A to this Direction.
8. BT shall publish the Regulatory Financial Statements in Excel spreadsheet format as well as in portable document format (“PDF”).
9. BT shall prepare and deliver to Ofcom at the same time it delivers its Regulatory Financial Statements the following additional financial information in respect of each Market in the form and content described in Annex B:
 - i) A product-level breakdown of revenue and volume for each service published in BT’s Regulatory Financial Statements;
 - ii) Breakdown of volumes, revenues and costs for all SMP services in BT’s regulatory accounting system;
 - iii) Breakdown of service level operating costs and MCE by component;
 - iv) CCA fixed asset movement statement;

- v) Data supporting CCA valuations;
- vi) Asset values and depreciation;
- vii) Regulatory Asset Value (RAV) adjustment applied to Access Duct;
- viii) PAC breakdown;
- ix) Cost component mapping;
- x) Grant funded assets;
- xi) Exchange exit and closure; and
- xii) Copper recovery net proceeds.

10. BT shall prepare and deliver to Ofcom at the same time as it delivers its Regulatory Financial Statements the following additional financial information in respect of Interconnection in the form and content described in Annex B:

- i) Costs of IP interconnection.

11. The Annexes to this direction form part of the Direction.

Annex A to Direction

Statement by Ofcom

1. The statement provided by Ofcom commenting on the figures in, the notes to, or the presentation of any or all of the Regulatory Financial Statements (RFS), in relation to each of the Markets.

Introduction to the Regulatory Financial Statements

2. The Introduction to the RFS shall be included in the RFS as a separate statement.
3. The Introduction must include a summary of BT's financial performance in a way which helps the reader to understand the RFS. The summary must include a brief but complete commentary on its financial performance in relation to each Market separately, prepared on an objective basis.
4. The Introduction should also set out an analysis of the changes and developments affecting each Market, including changes in market conditions, the introduction or announcement of new services, new and discontinued activities and relevant acquisitions and disposals.

Basis of Preparation

5. The RFS shall contain, as a separate statement, explanations based on generally accepted accounting principles (GAAP), to assist the user in the interpretation of the RFS.
6. The explanations must address issues necessary to ensure the proper preparation of the RFS (in accordance with the requirement to obtain an audit to "properly prepared in accordance with" standard). They should set out to the extent necessary the basis of accounting, accounting policies, changes for restatement, non-compliance with the International Accounting Standards and any other information that will enable users to properly understand the RFS.
7. The explanations should make clear issues of comparability that assist the reader's understanding of the RFS and highlight accounting policies that are key to the understanding of performance, focusing on those which have required the particular exercise of judgement in their application and those accounting policies which have changed in the year.

Statement of Responsibility

8. The statement provided by the board of directors of BT shall set out the basis of preparation of the RFS and confirm the approval of the RFS by BT's board of directors.

Report of the Regulatory Auditor

9. The statement by the Regulatory Auditor shall set out the duties and responsibilities of BT and of the Regulatory Auditor, the basis of audit opinion in accordance with current auditing standards, to whom a duty of care is owed and their opinion in respect of each Regulatory Financial Statement.

Performance Summary by Market

10. The Performance Summary by Market schedule shall be in the form specified below, and contain the information required by the column and row headings.

Performance Summary by Market 20XX
For the year ended 31 March 20XX

		Openreach				Rest of BT	BT Group			
		Physical Infrastructure	SMP markets (additional column for each market)	Non-SMP	Eliminations	Total	Total	Eliminations	Roundings	Total
PI revenues										
External purchases	£m									
Internal purchases	£m									
Inputs to downstream services	£m									
Total PI revenues	£m									
Other revenues										
External revenue	£m									
Internal revenue	£m									
Total other revenues	£m									
Total revenue	£m									
Attribution of PI costs	£m									
Operating costs	£m									
Depreciation	£m									
Specific items	£m									
Total HCA operating costs	£m									
CCA adjustments	£m									
Total CCA operating costs	£m									
CCA Return	£m									
Mean capital employed	£m									
Return on MCE %	%									

Attribution of Operating Costs

11. The Attribution of Operating Costs schedule shall be in the form specified below, and contain the information required by the column and row headings.

Attribution of operating costs 20XX
For the year ended 31 March 20XX

(i) Operating costs by type
 £m

	Openreach					RoBT	BT Group		
	Physical Infrastructure	SMP markets (additional column for each market)	Non-SMP	Eliminations	Total	Total	Eliminations	Roundings	Total
EOI input prices (if applicable)									
Attribution of PI costs									
Wages and salaries									
Social security costs									
Other pension costs									
Share-based payment expense									
Own work capitalised									
Net indirect labour costs									
Product costs									
Sales commissions									
Payments to telecommunications operators									
Property & energy costs									
Network operating and IT costs									
TV programme rights charges									
Provision and installation									
Marketing and sales									
Net impairment of losses on TR and contract sales									
Other operating costs									
Other operating income									
Total operating costs before depreciation									
Depreciation									
Duct									
Poles									
Copper									
Fibre									
Electronics									
Software									
Right of use assets									
Land and buildings									
Other assets									
Less funded assets (BDUK, etc)									
Total depreciation									
Specific items									
Total HCA operating costs									
CCA adjustments									
Holding gains									
Supplementary depreciation									
Other CCA adjustments									
Roundings									
Total CCA operating costs									
Total CCA operating costs includes the following:									
Cumulo charges									
Openreach SLGs									
Leaver costs									

(ii) Operating costs by division

£m

Openreach						RoBT	BT Group		
Physical Infrastructure	SMP markets (additional column for each market)	Non-SMP	Eliminations	Total	Total	Eliminations	Roundings	Total	

EOI input prices (if applicable)

Attribution of PI costs

Openreach

Service and network delivery

Openreach support functions

Openreach total

Rest of BT

Group centre

Property and facilities

Technology

Consumer and Business

Rest of BT total

Operating costs before depreciation

Note for BT

Directions for the completion of the Attribution of Operating Costs schedule and the markets to include in the Openreach columns are set out in Direction 2 of the Directions Notification, TAR Statement, Volume 7 Part F.

Attribution of Mean Capital Employed

12. The Attribution of Mean Capital Employed schedule shall be in the form specified below, and contain the information required by the column and row headings.

Attribution of Mean Capital Employed XX For the year ended 31 March 20XX

£m	Openreach					RoBT	BT Group		
	Physical Infrastructure	SMP markets (additional column for each market)	Non-SMP	Eliminations	Total	Total	Eliminations	Roundings	Total
Non-current assets									
- Duct									
- Poles									
- Copper									
- Fibre									
- Electronics									
- Software									
- Land and buildings									
- Right of use assets									
- Other assets									
- Less funded assets (BDUK, etc)									
Total non-current assets									
Current assets									
Current liabilities									
Provisions									
Roundings									
Total MCE									

Note for BT

Directions for the completion of the Attribution of Mean Capital Employed schedule and the markets to include in the Openreach columns are set out in Direction 2 of the Directions Notification, TAR Statement, Volume 7 Part F.

Reconciliation Statement - Income Statement

13. The Reconciliation Statement - Income Statement schedule shall be in the form specified below, and contain the information required by the column and row headings.

Reconciliation Statement - Income Statement 20XX

For the year ended 31 March 20XX

	Openreach			BT Group plc		
	Revenue	Operating Cost	Return or operating profit	Revenue	Operating Cost	Return or operating profit
	£m	£m	£m	£m	£m	£m
As in the Annual Report						
<u>Adjustments</u>						
Specific items						
Use of Technology Assets						
Other trading differences						
Net short term interest						
Share of post tax loss of associated and joint ventures						
Installations costs treated as operating expenses						
CCA adjustments						
Roundings						
As in the RFS						

Note for BT

Directions for the completion of the Reconciliation Statement – Income Statement schedule are set out in Direction 2 of the Directions Notification, TAR Statement, Volume 7 Part F.

Note for BT

Directions for the completion of the Reconciliation Statement – Mean Capital Employed schedule are set out in Direction 2 of the Directions Notification, TAR Statement, Volume 7 Part F.

Attribution Diagrams for Operating Costs and Mean Capital Employed

15. For each operating cost and asset category reported in the Attribution of Operating Costs and Attribution of Mean Capital Employed schedules BT must publish a diagram showing the following:
- The key allocation stages. As a minimum, this must include the following allocation stages:
 - Initial cost of the cost category
 - Activity group and/or plant group
 - Network Component
 - SMP and non-SMP markets (each SMP market must be identified);
 - At each allocation stage (including the initial cost of the cost category), either the 5 largest cost pools, or any cost pool representing 20% or more of the total cost associated with the relevant operating cost or asset category of that allocation stage. Other cost pools can be aggregated together into an 'other' cost pool;
 - The cost drivers associated with each identified cost pool at each stage;
 - The percentage allocation using those cost drivers at each stage; and
 - The percentage of cost allocated to each Openreach SMP market, Openreach residual and rest of BT.

Notes on preparing these diagrams

For the 'Fibre' asset category, where BT categorises this as access, backhaul or core fibre in its Regulatory Accounting System, the attribution diagram must illustrate how each of access, backhaul and core fibre is attributed.

These diagrams may be published as a separate appendix to the RFS on BT's website.

BT must publish a narrative alongside these diagrams explaining how to interpret the diagrams and where to find information on each cost driver in the Accounting Methodology Document. Any assumptions made when preparing these diagrams must be published.

BT can omit a diagram in the following cases, but where it does so it must set out the reason:

- Where 100% of the operating cost or asset category in the current and prior year is attributed to Rest of BT.
- Where there are no costs associated with the operating cost or asset category in the current and prior year.
- Where there are significant negative balances within the operating cost or asset category that would distort the diagram.
- Where Ofcom has agreed a diagram can be omitted.

BT can combine some SMP markets where they individually receive a small allocation of cost. Where this is done, BT must clearly indicate which markets have been combined and explain the reason in a note to the diagram.

Market Summaries

16. BT must publish the schedules set out in this section:

- i) PI Summary with Notes on a) network adjustments above and below the financial Limit, b) lead-in duct kilometres, c) number of poles, d) Ancillary charges, e) volume metrics explanation, and f) Derivation of 'inputs to downstream services';
- ii) Wholesale Local Access – Area 2 Summary;
- iii) Wholesale Local Access – Area 3 Summary with Note on FTTP homes passed in Area 3;
- iv) Leased Lines Access – Area 2 Summary;
- v) Leased Lines Access – Area 3 Summary;
- vi) Leased Lines Access – High Network Reach Summary;
- vii) IEC – BT Only Summary;
- viii) IEC – BT + 1 Summary;
- ix) Cross Market Ancillaries;
- x) WCT Summary; and
- xi) IP Interconnection Summary.

Note for BT

Directions for the completion of schedules i) to viii) are set out in Direction 2 of the Directions Notification, TAR Statement, Volume 7 Part F.

17. Each schedule shall be in the form specified for it below, and contain the information required by the column and row headings. In each schedule, BT can include additional rows i) where required to ensure total revenues or costs reconcile to the Performance Summary by Market schedule or ii) where these row items would be better presented in the Market Summary schedules than in the Reconciliation Statements. For example, in relation to IFRS15 (relating to revenue from contracts with customers) BT can include rows such as:

- IFRS15 Deferred Revenue;
- IFRS15 Outpayments required to be treated as a credit to revenue (e.g. in relation to SLGs);
- SLGs – Where SLG's are included within the service breakdown, the IFRS Outpayment note can be omitted.

18. BT may, with agreement from Ofcom, aggregate and disclose service level information in an alternative way but must include a note to the relevant Market Summary explaining what it has done and why.

19. BT may include other notes under each Market Summary schedule to help users of the RFS understand the schedules.

ix) Cross Market Ancillaries

X.X.X Cross Market Ancillaries Summary 20XX

For the year ended 31 March 20XX

Detailed service analysis	Internal Revenue	External Revenue	Total Revenue	Internal Volume	External Volume	Measure	Internal Average Price	External Average Price	Internal opex	External opex	Internal MCE	External MCE	Internal ROCE	External ROCE
Service	£m	£m	£m				£	£	£m	£m	£m	£m	%	%
Cross market ancillaries														
Cablelink														
Accommodation services (separately list each service where total revenue > £5m)														
Accommodation services (aggregated total of services with revenue of < £5m)														
Accommodation comingling services														
Electricity charges														
WLA ancillaries														
WLA ancillaries (CPI-0%) (separately list each ancillary where revenue > £5m)														
WLA ancillaries(CPI-0%) (aggregated total of ancillaries with revenue of < £5m)														
WLA ancillaries (£0 cap) (aggregated in a single line)														
Other WLA ancillaries														
LLA and IEC market ancillaries														
Direct ECC basket														
Contractor ECCs														
Ethernet Time Related Charges														
Other ancillaries (separately list each ancillary where revenue > £5m)														
Other ancillaries (aggregated total of other ancillaries with revenue of < £5m)														

Note on completion of ix) Cross Market Ancillaries

This schedule should include Cablelink, Accommodation and Electricity charges required for IP Interconnection.

Note for BT

Further directions for the completion of schedule ix) Cross Market Ancillaries are set out in Direction 2 of the Directions Notification, TAR Statement, Volume 7 Part F.

x) WCT Summary

WCT Summary

For the year ended 31 March 20xx

	Internal Revenue	External Revenue	Total Revenue	Internal Volume	External Volume	Measure million minutes	Internal average price	External average price
	£m	£m	£m				pence / min	pence / min
Service								
Wholesale call termination								
Total WCT								

Note on completion of x) WCT Summary

BT must explain how it has derived volume information for WCT in the Accounting Methodology Documents, including any assumptions made, and put any methodology changes throughout the annual Change Control Notification.

xi) IP Interconnection Summary

IP Interconnection Summary

For the year ended 31 March 20xx

	External Revenue	External Volume	Measure	External average price
	£k			£
Service				
IP Exchange service set-up charges				
IP Exchange interoperability testing charges				
IP Exchange circuit charges – direct access at BT exchanges (if BT offers this service)				
IP Exchange port charges (1)				
Total IP Interconnection				

Note for completing xi) IP Interconnection Summary

(1) BT must separately report external revenues, volumes and average prices for IP Exchange port charges by access type (i.e., for direct access at BT exchanges, direct access at neutral access points and indirect access) where BT levies separate charges for these services. Where IP Exchange port charges are zero, BT can aggregate and report service information for IP Exchange port charges in a single row.

(2) BT must include a note under the IP Interconnection Summary schedule showing an estimate of the costs associated with:

- i) IP Exchange service set-up charges;
- ii) IP Exchange interoperability testing charges;
- iii) IP Exchange port charges – direct access at neutral access points; and
- iv) IP Exchange port charges – indirect access.

BT does not need to include an estimate of costs where BT does not offer these services, or they do not levy a charge for these services.

The cost estimate should separately show incremental costs (such as costs directly associated with the provision of these services), any mark up for common costs (such as general overheads) and return on capital employed (where applicable).

BT can estimate these costs outside of its cost attribution system. Where this is the case, BT must explain its approach to estimating these costs in its Accounting Methodology Documents, including a description of any assumptions made and how costs have been allocated between different IP interconnection services, where applicable.

BT must include in its Accounting Methodology Document an explanation of how it has derived volumes of IP interconnection, including any assumptions made. Any methodology changes must be put through the annual Change Control Notification.

Analysis of Service Operating Costs and Mean Capital Employed

20. Immediately after each Market Summary schedule listed below, BT must also publish the following schedules:
 - (a) Analysis of Service Operating Costs; and
 - (b) Analysis of Service MCE.
21. Each such schedule must include a column for each service/basket required in the Market Summary schedule concerned.
22. The Market Summary schedules in relation to which this requirement applies are:
 - i) PI Summary;
 - ii) WLA – Area 2 Summary;
 - iii) WLA – Area 3 Summary;
 - iv) LLA – Area 2 Summary;
 - v) LLA – Area 3 Summary;
 - vii) IEC – BT Only Summary;
 - viii) IEC – BT + 1 Summary; and
 - ix) Cross Market Ancillaries Summary.

Note for BT

Directions for the completion of schedules a) Analysis of Service Operating Costs and b) Mean Capital Employed are set out in Direction 2 of the Directions Notification, TAR Statement, Volume 7 Part F.

Appendices for Physical Infrastructure Market

23. Appendices for the Physical Infrastructure Market should be published after the PI Market Summary schedule. They shall be in the form specified below, and contain the information required by the column and row headings.

Appendix 1: Network adjustments restated on an MCE basis

Network adjustments restated on an MCE basis

For the year ended 31 March 20XX

	MCE £m		Total
	Internal	External	
Above the financial limit			
Below the financial limit			
Total			

Appendix 2: Allocation of PI costs to downstream markets

	WLA Area	WLA Area	LLA Area	LLA Area	LLA HNR	IEC BT	IEC	Cross market	Total SMP	Openreach	Rest of BT	Total
	2	3	2	3	£'m	Only	BT+1	ancillaries	£'m	Non SMP	£'m	£'m
	£'m	£'m	£'m	£'m		£'m	£'m	£'m		£'m		
Lead-in duct												
Spine duct - 1 bore												
Spine duct - 2 bore												
Spine duct - 3+ bore												
Footway box - manholes												
Footway box - joint boxes												
Poles - multi-end-user attachment												
Poles - single-end-user attachment												
Other PI rentals (if applicable)												
Total												
% allocation												

Internal volumes	WLA Area	WLA Area	LLA Area	LLA Area	LLA HNR	IEC BT	IEC	Cross market	Total SMP	Openreach	Rest of BT	Total int.
	2	3	2	3		Only	BT+1	ancillaries		Non SMP		volume
Lead-in duct												
Spine duct - 1 bore												
Spine duct - 2 bore												
Spine duct - 3+ bore												
Footway box - manholes												
Footway box - joint boxes												
Poles - multi-end-user attachment												
Poles - single-end-user attachment												
Other PI rentals (if applicable)												
Total												
% allocation												

[Note: The above Appendices for Physical Infrastructure are not relevant to the provision of WCT or IP Interconnection and are included to preserve the integrity of the RFS.]

Glossary

24. The Glossary shall be included in the RFS as a separate statement.
25. The Glossary must include definitions of financial and non-financial terms used in the RFS as necessary to secure that it is reasonable to consider that a person with an understanding of regulatory accounting principles has sufficient information, clearly enough presented, to understand the RFS.

Annex B to Direction

Reference	Additional Financial Information	Description
A) Additional Financial Information to be provided in respect of each Market		
(i)	Product level breakdown of revenues and volumes	For each service in the published RFS, a product level breakdown of volumes and revenues. Where the breakdown does not reconcile to the revenue and volume information in the published RFS, BT should explain why.
(ii)	Breakdown of revenue and costs for all SMP services in BT's regulatory accounting system	<p>For each SMP service in BT's regulatory accounting system:</p> <ul style="list-style-type: none"> • Service identifiers (service name symbol, market code, service code, wholesale catalogue number); • Volumes (split by internal and external); • Revenues (split by internal and external); • CCA operating costs split by operating cost category (split by internal and external); and • MCE split by asset type (split by internal and external). <p>Total revenues, CCA operating costs and MCE should reconcile to the published RFS.</p> <p>BT should explain:</p> <ul style="list-style-type: none"> • Where any figures do not reconcile to the RFS. • Where costs have been estimated outside of BT's regulatory accounting system.

(iii)	Breakdown of service level operating costs and MCE by component for all SMP services in BT's regulatory accounting system	<p>For each SMP service included in AFI A(ii):</p> <ul style="list-style-type: none"> • CCA operating costs split by network cost component (split by internal and external); and • MCE split by network cost component (split by internal and external).
(iv)	CCA fixed asset movement statement	<ul style="list-style-type: none"> • For each asset category for BT Group: <ul style="list-style-type: none"> a) Gross Replacement Costs brought forward, additions (including capex and assets in the course of construction)/disposals/transfers, holdings gains/(loss), Gross Replacement Costs carried forward; and b) gross depreciation brought forward, HCA depreciation charge, supplementary CCA depreciation, disposals/transfers/other movements, holding gains/(loss), gross depreciation carried forward. • A reconciliation to the HCA fixed assets movement statement in the BT Group statutory financial statements.
(v)	Data supporting CCA valuations	Tabular data showing the indices, index weightings and composite indices used by BT to revalue assets onto a current cost basis, stating, in relation to each index, the assets in relation to which it is used.

(vi)	Asset values and depreciation	<p>For each asset category:</p> <ul style="list-style-type: none"> • Asset life; • Valuation basis (e.g. HCA or CCA); • Depreciation basis; • Description of index used for CCA valuations; • Description of samples or surveys used to determine asset value, if used; • HCA and CCA depreciation (including information on supplementary depreciation and holding gains/losses for CCA depreciation); • Gross Book Value (GBV) by year of acquisition; • Gross Replacement Cost (GRC); and • Net Replacement Cost (NRC).
(vii)	Regulatory Asset Value (RAV) adjustment applied to Access Duct	<p>The following information, including all formulae:</p> <ol style="list-style-type: none"> 1) A breakdown of the GBV and NBV of duct, including all annual changes (including capital expenditure, disposals and assets in the course of construction); 2) A breakdown of the CCA valuation of duct, showing the valuation of pre- and post-1997 Access Duct consistent with Annex A of Direction 3, as well as non-Access Duct; 3) The RAV adjustment made to the valuation of duct in the RFS (and a reconciliation to duct values in the RFS); and 4) An explanation of how this information has been used to attribute duct costs to PI services.
(viii)	PAC breakdown	<p>A breakdown of costs attributed using PAC methodologies (e.g. BT Group PAC, Openreach PAC, Technology PAC) by two-digit OUC (Organisation Unit Code) along with a description of the activities undertaken by each OUC.</p>

		(In this direction, OUC has the meaning it is given in BT's accounting systems as at the date of this Notification)
(ix)	Cost component mapping	A mapping between the operating cost and MCE of each Network Component and the operating cost and MCE cost categories from the Attribution of Wholesale Current Costs and Attribution of Wholesale Current Cost Mean Capital Employed schedules.
(x)	Grant funded assets	The following information on all grant funded investments: <ul style="list-style-type: none"> • Total expenditure funded by grant, both in the year and on a cumulative basis, split by asset type and a reconciliation to where this information is reported in the RFS; • Total grant funding in the year and on a cumulative basis, split by the asset types to which the funding has been allocated and a reconciliation to where this information is reported in the RFS; and • Explanation of the grant funding arrangements.
(xi)	Exchange exit and closure	Provide the following information on exchange exit and closure (i.e. vacating and returning an exchange building to Telereal or another third party): <ol style="list-style-type: none"> 1) Total income and costs (including movements in provisions) associated with exchange exit and closure, broken down by the amount allocated to each SMP market and non-SMP markets. Provide an explanation of what is included in income and costs; 2) Details of any provisions and contingent liabilities associated with exchange exit and closure which have been included in BT's statutory accounts but not included in the RFS.
(xii)	Copper recovery net proceeds	Details of total net proceeds from copper recovery, broken down by the amount allocated to each SMP market and non-SMP markets.

Note to BT

Requirements B to F of Annex B are set out in Direction 2 of the Directions Notification, TAR Statement, Volume 7 Part F.

G) Additional Financial Information to be provided in respect of Interconnection		
(i)	Costs of IP Interconnection	<p>Provide information on the operating and capital costs of each service published in the IP Interconnection Summary (if applicable) to include:</p> <ul style="list-style-type: none"> • Direct costs, split by type of cost • Maintenance costs • Indirect costs and other overheads • Capital cost of assets, by asset category • Depreciation of assets, by asset category <p>Where cost information has been published in a note under the IP Interconnection Summary, full details and calculations supporting these costs must be provided where they have been estimated outside of the cost attribution system.</p> <p>Any assumptions, judgements or estimates made when providing this information must be explained. This must include an explanation of how assets or costs shared with other services have been allocated to the services published in the IP interconnection Summary and how any uplift for overheads has been estimated (by reference to RFS information where used). Supporting information such as spreadsheets should be provided.</p> <p>This information does not have to be generated from the cost attribution system.</p>