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OFCOM'S APPROACH TO THE SECOND STAGE OF THE COPPER RETIREMENT PROCESS

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Ofcom has put in place an overarching framework for Openreach to retire its copper network, which is split into three stages and sets out when:

1. Openreach can stop selling copper services;
2. the charge control on Openreach's copper services can be removed, which will therefore provide Openreach with the opportunity to increase significantly its copper prices, Ofcom's logic being that this would help drive migration to Fibre To The Premise (FTTP) networks; and
3. Openreach can switch off its copper network.

Ofcom is currently consulting on the second of these stages. In March 2026, Ofcom decided that copper price controls should be removed at exchanges with 100% ultrafast coverage,[1] subject to exclusions. Previously, it proposed a Defined Exclusions Approach (DEA), where specific types of premises could be excluded from that target, leading to varying effective thresholds across exchanges. However, Ofcom is now proposing a fixed 90% ultrafast coverage threshold from April 2029 for all exchanges.[2] This likely represents a lower bar for deregulating copper prices in many exchanges compared to the DEA.

This report assesses the impact of the 90% ultrafast coverage threshold against two alternatives:

1. the DEA (as also considered by Ofcom); and
2. a hybrid model with a 95% default threshold, but with flexibility to reduce the threshold for exchanges where there is evidence that 95% is not realistically achievable.

Impact assessment

We have assessed the different options for the second threshold based on Ofcom's key objectives. In particular, we consider the impact of each option on: i) consumer protection; ii)

[1] By 'ultrafast' Ofcom means broadband services provided using the Openreach network capable of delivering a minimum of 300 Mbit/s services, be this by FTTP or G.fast. See: (Ofcom) Consultation: Approach to the copper retirement second threshold calculation; paragraph 1.3.

[2] A number of other requirements also have to be met i.e. i) Openreach has published a notice at least 12 months before the date on which it expects to meet that coverage threshold, ii) at least two years have elapsed since the First Threshold Notice was issued, iii) the relevant premises are passed with Openreach FTTP, with price control regulation continuing to apply to the anchor copper service at any premises that are not; and iv) Openreach has published a Second Threshold Notice confirming to industry and Ofcom that the threshold has been met. See: (Ofcom) Consultation: Approach to the copper retirement second threshold calculation; paragraph 3.6.

competition, and iii) Openreach's incentives to invest in gigabit-capable networks. With respect to Ofcom's proposed approach, we find that:

- **Consumer protection:** The 90% threshold risks exposing a significant number of remaining copper customers to higher retail prices. Given evidence of relatively slow migration to FTTP, a substantial share of customers are likely to remain on copper at the point of deregulation; Sky currently still has ✂ customers on copper services (including FTTC), whilst data from Ofcom also suggests that only 55% of customers have switched to FTTP in areas where FTTP services have been available for at least three years. Many of the customers that remain on copper are likely to be vulnerable customers, so may be disproportionately affected by any price increases.

  Ofcom has not quantified how many customers are likely to remain on copper at the point of deregulation, nor the scale of potential price increases. An illustrative static analysis of the immediate impact of deregulation on Sky's copper customers in April 2029 indicates that the cost to consumers would be significant. Assuming a ✂ per month increase in wholesale copper prices following deregulation and a ✂ pass-through rate, this implies that the aggregate impact on customer bills in the first month alone could exceed ✂ for Sky's customers. Extrapolating this estimate to all providers' copper customers would imply a significantly larger impact.

- **Competition:** Faster deregulation of copper prices may distort competition both between Openreach and altnets, and between BT Retail and its access-seeking retail competitors. Higher copper prices increase input costs for non-BT access seekers, which are likely to be at least partially passed through into higher retail prices or absorbed through reduced margins. In contrast, BT Retail is less directly affected, as these costs are internal transfer charges, creating an asymmetry in the migration process.

  In addition, to the extent that higher copper prices prompt customer migration, Ofcom has itself highlighted that there is a risk that Openreach tries to increase its copper prices more quickly in areas where altnets are yet to roll-out an FTTP network.

- **Investment:** The proposed 90% threshold is likely well below the level that is realistically achievable for Openreach in many exchanges. Indeed, Openreach is already close to or above this level of coverage in many exchanges, meaning that deregulation could be triggered before rollout is complete. This creates a risk that Openreach delays further deployment - particularly in higher-cost or less commercially attractive areas - and instead focuses on maximising returns from its existing footprint. The "prize" of deregulation may therefore be unlocked without requiring the viable level of coverage to be achieved, reducing the incentive to extend networks to harder-to-reach premises. As a result, the overall pace and completeness of FTTP rollout could be adversely affected relative to a higher or more flexible threshold.

Of the options considered, the DEA would likely offer the best protection for consumers and competition, as Openreach would need to roll out to more than 95% of premises in at least

some exchanges[3] before it would be allowed to remove price regulation on copper-based services. To the extent that Ofcom considers the DEA to be overly complex, the hybrid model would be expected to offer a more balanced alternative and provide greater protection than the proposed 90% fixed threshold.

Regardless of the option used, there are complementary ways of softening the impact of the removal of the charge control for copper services – in particular:

- To mitigate consumer harm from deregulation while many customers are still on copper, Ofcom could require that Openreach only raise copper prices at premises where FTTP has been available for a minimum period (e.g. 12 months) and the relevant exchange has met the ultrafast coverage threshold.
- Ofcom could look to the European Commission's (EC) approach, which has put in place several important safeguards on the magnitude and duration of any increases in wholesale copper prices.[4]

3 We assume that the ultrafast coverage threshold will be above 95% for some exchanges under the DEA.

4 For example, the wholesale copper price increases cannot lead to excessive increases in retail prices, cannot result in a margin squeeze, must be non-discriminatory and cannot last for longer than 2-3 years. See: (European Commission) Commission recommendation on the regulatory promotion of gigabit connectivity; paragraph 81.

1 Introduction

1.1 Context

Openreach and other providers (altnets) are in the process of rolling out gigabit capable networks. As a result, end-customers currently using Openreach's copper-based network will need to switch to retail services delivered over Openreach's FTTP network or to an alternative network.[5] Some customers will voluntarily choose to migrate, whilst others will need to be encouraged or even required to switch. Ultimately, Openreach's copper-based network will be decommissioned to avoid the cost of running two parallel networks.

The copper switch-off process therefore raises questions about how to ensure an appropriate migration of customers away from copper services. Deregulating copper prices and therefore allowing Openreach to increase its copper prices is one possible approach towards trying to accelerate the migration of copper customers. This report focuses on when it would be appropriate for Openreach's copper prices to be deregulated across different exchanges. It responds to Ofcom's consultation on its "Approach to the copper retirement second threshold calculation" (17 March 2026).

1.2 Ofcom's proposals

1.2.1 Ofcom's objectives

Under the Communications Act, Ofcom is obliged to consider a range of objectives in its policymaking.[6] In the context of copper retirement, to reflect broadly these objectives, Ofcom has applied the following framework when assessing different options:

1. the impact on Openreach's investment in gigabit-capable networks;
2. the impact on network competition; and
3. the impact on consumer protection.

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[5] For a relatively small share of premises, an FTTP network may not be available even once the copper network has been switched off, so customers will need to move to another type of network instead e.g. mobile or satellite.

[6] Under Section 4 of Communications Act Ofcom has to:

a) promote competition;

b) promote the interests of all members of the public in the United Kingdom;

c) take account of the desirability of Ofcom carrying out its functions in a manner which, so far as practicable, does not favour one form of or means of providing electronic communications network, services or associated facilities over another;

d) encourage the provision of network access for the purposes of securing efficiency and sustainable competition, efficient investment and innovation and the maximum benefit for persons who are customers of communications providers and of persons who make the associated facilities available; and

e) promote connectivity and access to very high-capacity networks by members of the public and business in the United Kingdom.

See: (UK Government) Communications Act; section 4.

It is also important to note that Section 3(4) of the Communications Act requires Ofcom to have regard to the needs and interests of specific groups of people, which include:

- the vulnerability of children and of others whose circumstances appear to us to put them in need of special protection;
- the needs of persons with disabilities, older persons and persons on low incomes; and
- the different interests of persons in the different parts of the UK, of the different ethnic communities within the UK and of persons living in rural and in urban areas.

This is especially important in the context of copper retirement as some of those customers at most risk of harm are more vulnerable groups.

In this report, we take Ofcom's objectives as a given. However, when assessing the impact on competition, we also consider the impact on competition between BT Retail and its access-seeking retail competitors using Openreach's network.

1.2.2 Ofcom's three stage approach towards copper retirement

In its March 2026 Statement, Ofcom confirmed that it would retain its three-stage, exchange-by-exchange framework for managing the migration from copper-based services to FTTP:

- **First threshold**. The first threshold determines when Openreach may implement a "stop sell" of copper-based services in an exchange area. This applies to premises where FTTP is available, provided Openreach has satisfied the relevant notification requirements and ultrafast services are available to at least 75% of premises in that exchange area.
- **Second threshold**. The second threshold determines when charge control regulation on copper services may be withdrawn in an exchange area. This threshold is met where:
  - Openreach has made ultrafast services available to 100% of premises in the exchange area, excluding any premises that Ofcom directs should be excluded;
  - Openreach has published a notice at least 12 months before the date on which it expects to meet that coverage threshold;
  - at least two years have elapsed since the First Threshold Notice was issued;
  - the relevant premises are passed with Openreach FTTP, with price control regulation continuing to apply to the anchor copper service at any premises that are not; and
  - Openreach has published a Second Threshold Notice confirming to industry and Ofcom that the threshold has been met.
- **Third threshold**. The third threshold will determine when the regulation of copper services can be withdrawn in full in areas where ultrafast services are available. In the March 2026 Statement, Ofcom decided not to specify criteria for the third threshold during the 2026-31 review period. Ofcom's current position is that full deregulation of copper-based services may begin to take effect from 2031.

1.2.3 Ofcom's approach towards stage two

The focus of this report is on Ofcom's second stage and how it sets the threshold for when the charge control can be removed on copper services for different exchanges.

The second threshold requires Openreach to make ultrafast services available to 100% of premises in an exchange area, subject to any exclusions directed by Ofcom. Under the current arrangements, Openreach can only issue a Second Threshold Notice where ultrafast coverage has reached 100% of premises in the relevant exchange area. In practice, this means that no premises in a given exchange area are currently excluded from the assessment of whether the second threshold has been met.

In its consultation document, Ofcom set out two possible approaches to identifying premises that could be excluded when assessing whether the second threshold has been met.

- **Defined Exclusions Approach (DEA)**. Under this approach, Ofcom would specify the categories of premises that may be excluded from the second threshold assessment. This would mean that the effective coverage requirement could vary across Openreach's exchange areas, depending on the number and type of premises that satisfy the exclusion criteria. This approach is consistent with the framework that Ofcom envisaged in its Wholesale Fixed Telecoms Market Review 2021-26 (WFTMR21). Ofcom indicated that, if it adopted the DEA, it would exclude the following categories of premises:
  - premises that Openreach is unable to access;
  - high-cost premises served by non-Openreach providers using public funding; and
  - other premises where the cost to Openreach of providing ultrafast services is very high and where existing public funding is not expected to support deployment.
- **Fixed Percentage Approach (FPA)**. Under this approach, Ofcom would apply a uniform percentage for excluded premises across all exchange areas. The excluded share would be intended to approximate the proportion of premises that cannot receive ultrafast services due to exceptional circumstances outside Openreach's control. In its consultation document, Ofcom proposed to:
  - Set the fixed exclusion percentage at 10%. This would allow Openreach to exclude 10% of premises in an exchange area when assessing whether the second threshold has been met i.e. 90% ultrafast coverage would be required. The same percentage would apply across all UK exchange areas;
  - Introduce a date from which the exclusion allowance could be used. Ofcom proposed that exclusions would only apply from 1 April 2029. Before that date, Openreach would still need to meet the full 100% ultrafast coverage requirement to satisfy the second threshold.

Under either approach, the remaining second threshold conditions would continue to apply. These include the advance notice requirements, the minimum period since the First Threshold

Notice, the requirement that premises are passed with Openreach FTTP where price control regulation is to be withdrawn, and the publication of a Second Threshold Notice.

1.3 Alternatives considered

Ofcom has proposed to remove the charge control from services in any exchange where Openreach's ultrafast coverage reaches 90% (subject to the other conditions set out above). In this report, we have considered the merits of two alternatives to this:

1. **Hybrid model with an increased threshold**. Increasing the ultrafast coverage threshold to 95% but allowing Openreach to apply to Ofcom for a threshold of lower than 95% at any exchange where it can demonstrate that 95% ultrafast coverage is not achievable.[7]
2. **Defined Exclusions Approach (DEA)**. Using a (DEA) rather than a fixed threshold. We have focused more on the economic case for such a model, rather than the practicalities and required data to implement such a model.

We have also considered complementary ways of softening the impact of copper deregulation – in particular, requiring that Openreach can only raise prices for copper services for a given premises after FTTP has been available for a certain minimum period (12 months). We also consider the use of FTTP discounts, which Ofcom's framework already allows for, as an alternative means of encouraging migration, particularly in the period before the second threshold is triggered.

1.3.1 European Commission

As part of the Gigabit Recommendation, the European Commission (EC) also allows for the possibility that SMP operators may increase their wholesale copper prices to help encourage migration to Very High Capacity Networks (VHCN).[8] However, the EC requires that important safeguards are put in place:

1. The NRA should set out the detailed rules for that price increase in advance;
2. There must be products delivered over the VHCNs for all end-users in the areas concerned by the price increase to ensure that end-users and access seekers can effectively migrate to the VHCN;
3. The price increase should not lead to excessive retail prices hampering the conditions for competition in the market;
4. The price increase should be non-discriminatory and should not allow for margin squeeze;
5. The price increase should be subject to a binding and enforceable commitment by the SMP operator as to the end date of all services provided over the copper network; and

[7] I.e. where the number of premises i) where Openreach is unable to access, ii) that are high-cost premises served by non-Openreach providers using public funding or iii) where the cost to Openreach of providing ultrafast services is very high and where existing public funding is not expected to support deployment.

[8] (European Commission) Commission recommendation on the regulatory promotion of gigabit connectivity; paragraph 81.

6. The price increase should not last longer than the notice period for the copper switch-off, i.e. the price increases cannot last for longer than 2-3 years.

In contrast, Ofcom does not have any equivalent safeguards in place for the magnitude of the copper price increases or the duration of the copper price increases. In particular, points 1), 3), 4), 5) and 6) are all missing from Ofcom's proposals. If Ofcom decides to keep its proposals not to put any equivalent safeguards in place, then it needs to take this into account when deciding on the most appropriate approach for defining when the second threshold has been met (i.e. it suggests that a more cautious approach may be justified).

1.4 Structure of this report

In the rest of this report, we assess Ofcom's proposed 90% ultrafast coverage threshold using Ofcom's framework (i.e. the impact on consumer protection, impact on competition and impact on investment). We also consider how the alternative proposals would perform under Ofcom's framework.

The rest of this report is structured as follows:

- In Section 2, we assess the impact of the proposals on consumer protection;
- In Section 3, we consider the impact of the proposals on competition;
- In Section 4, we analyse the impact of the proposals on investment; and
- In Section 5, we set out our conclusions.

2 Consumer protection

There is a risk that Ofcom's proposals could lead to consumer harm in the short term, as Ofcom itself recognises.[9] This comes at a time when consumers are struggling with the cost of living, which tops the list of public concerns, with household bills singled out as the area of spending households are most concerned about.[10]

Customers on copper services will need to migrate to FTTP services (or other services) at some stage to help incentivise the roll-out of FTTP networks, and so that Openreach's copper network can eventually be switched off. However, the key question is how to best protect consumers who are unable or lack the incentive to switch to FTTP services (or other services).

In its impact assessment, when assessing the different options, Ofcom has not quantified i) how many customers may still be on copper services by the time that price regulation of copper services is removed, and ii) by how much Openreach is likely to increase copper prices and in turn how this may affect retail prices. Given this, Ofcom does not have any form of quantitative assessment of the downsides of its proposals for consumer protection.

In the rest of this Section, we set out that:

- A long tail of sticky customers is likely to be exposed to price changes when price regulation of copper services is removed;
- Data on Sky's customer base suggests that the number of residual customers exposed to price deregulation could be significant;
- Removal of price regulation may give Openreach the incentive and ability to charge these customers very high copper prices;
- Under Ofcom's proposals, most customers would face higher prices for longer compared to setting a higher threshold for price deregulation;
- In any case, copper prices may not be the best lever to migrate remaining customers onto FTTP networks; and
- Ofcom should therefore consider alternative approaches that offer better consumer protection, consistent with its stated objectives.

9 (Ofcom) Consultation: Approach to the copper retirement second threshold calculation; paragraphs 2.25-2.28.

10 YouGov reported that the cost of living topped the list of most important national issues to Britons. Britons were most likely to single out energy and utility bills as the area of household spending they are most concerned about. See: (YouGov) Britons and the cost of living, January 2026.

2.1 A long tail of sticky customers is likely to be exposed to price changes when price regulation of copper services is removed

Initial take-up of FTTP services has showed signs of progressing in areas where FTTP has been rolled out: FTTP take-up was 47% of premises passed as of January 2026.[11] This continues a trend of steadily increasing take-up, with an increase of 1.8 million new FTTP connections in the six months to January 2026.[12]

However, the majority of customers (53%, or 12.5m premises) have not yet migrated to FTTP services where they have been rolled out.[13] While FTTP take-up is expected to continue to increase over time, evidence suggests there will be a long tail of 'sticky' copper customers who are particularly unlikely to switch to FTTP services even by April 2029.

Existing evidence suggests that remaining copper customers are increasingly 'sticky'

Even where FTTP services have been available to customers for between three and four years, take-up is only 55% (as of July 2025). In areas where FTTP has been available for *longer* than four years, take-up is also 55%, suggesting that customers who do not migrate in the first three years of FTTP services being available are particularly resistant to migrating to FTTP services.[14] This aligns with evidence from a survey of broadband customers we conducted in 2024. We found that, when presented with options to upgrade to higher speeds, existing copper customers[15] chose to retain their existing speed 39% of the time, implying a large share of customers that remain on copper will be difficult to migrate to FTTP services.

This is consistent with the industry's experience in other technology transitions, where a significant minority of customers have proven resistant to migration, even following price increases and other inducements to migrate. For example, in the migration from PSTN to digital voice, 19% of residential landline customers still use the PSTN, with Ofcom noting that *"it is also likely that more complex customers will make up a larger proportion of the remaining PSTN customers than has been the case to date".*[16]

A long tail of sticky customers is likely to remain on copper by April 2029

Customer stickiness is likely to persist, meaning a significant share of customers are likely to remain on copper services by April 2029 (the earliest date when price regulation of copper-based services could be removed under Ofcom's proposals[17]), even where FTTP services are

11 (Ofcom) Connected Nations update: Spring 2026

12 (Ofcom) Connected Nations update: Spring 2026

13 (Ofcom) Connected Nations update: Spring 2026

14 (Ofcom) Connected Nations UK Report 2025; Table 2.6.

15 Specifically, customers who reported being on a broadband product with a download speed of 17 Mbps.

16 (Ofcom) Connected Nations UK Report 2025; page 24.

17 Except for exchanges where Openreach reaches 100% ultrafast coverage.

available. In 2022, we forecasted that between a sixth and a third of customers could remain on copper services by 2030.[18] This reflects that stickiness is driven by both 'rational' and behavioural barriers to migration.

The Gigabit Take-up Advisory Group (GigaTAG) has previously identified the following three broad types of 'rational' barriers to FTTP take-up:[19]

- Consumers may **lack awareness** of the existence of FTTP, or they may be unaware that FTTP broadband is available at their home. Some consumers will be aware that FTTP broadband 'exists', but they may not know how it differs to other types of broadband, partly because of confusion surrounding terminology.

- Customers say that they **do not want to pay more for FTTP** services,[20] either because they do not recognise the superiority of the FTTP experience, do not want a superior broadband experience, or are not willing to pay more than they do for their current package.

- **Practical barriers to migration**, such as perceived hassle involved with switching and installation, which requires an engineer to come to your home with the possibility of intrusive engineering work on the customer's premises.

While these 'rational' or 'conscious' barriers are important, there are also important 'behavioural' or 'unconscious' barriers at play, which can be particularly difficult to overcome. Key behavioural barriers to FTTP migration include that:

- **Migration does not create a 'feel good factor' (reward)** – many consumers perceive the short-term benefit of FTTP migration to be low, as they may not have experienced FTTP services and/or consider copper sufficiently/reliably meets their current needs.

- **Consumers avoid risking what they have (loss aversion)** – broadband is important for consumers' work and leisure, meaning consumers may overestimate the risk of outages or deterioration in service.

- **Consumers avoid thinking about migration (status quo bias)** – consumers are attracted to 'easy' choices when making a decision, even though this may be at the expense of making complicated but ultimately 'welfare enhancing' choices – the easy or default choice for broadband consumers is to not think about migrating to FTTP services.

- **Consumers will look to what others are doing to inform their decision making (social proof)** – it may not be obvious to consumers who else has migrated to FTTP services, and whether that migration was a positive experience.

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18 (Frontier Economics) Unlocking the Gigabit dividend - Using behavioural insights to accelerate FTTP take-up.

19 (Gigabit Take-up Advisory Group) Final Report, June 2021

20 We note that in practice some providers may not charge more for FTTP services than for comparable FTTC services.

Under Ofcom's proposals these customers will be exposed to deregulated prices

Under Ofcom's proposals, many of the sticky customers that remain on copper from April 2029 will be exposed to higher prices. Importantly, qualitative research by Ofcom has shown that vulnerable customers are more likely to exhibit 'sticky' behaviours than others.[21] This implies that many of the long tail of 'sticky' customers that remain on copper by April 2029 are likely to be vulnerable customers. Ofcom recognises this in its impact assessment and equality impact assessment within the Consultation.[22]

2.2 Data on Sky's customer base suggests that the number of residual copper customers exposed to price deregulation could be significant

The risk that a material long tail of customers will remain on copper services by April 2029 is also supported by Sky's own customer data. Figure 1 below shows forecasts of the number of Sky copper customers (in thousands) between April 2029 and April 2031, split between customers for whom Openreach FTTP is available and customers for whom Openreach FTTP is not available.[23]

The forecast shown assumes that customer migration rates continue to evolve in line with current trends and does not assume any incremental migration or switching response to copper price deregulation from April 2029. The figure should therefore be interpreted as illustrating the scale of the Sky customer base that could remain at risk of exposure to deregulated copper prices at different points in time, absent any additional behavioural response to price increases.

Figure 1 Evolution of Sky's copper customers

✂

A significant number of copper customers are forecast to remain on copper at the point at which price deregulation could first begin to apply. In April 2029, of the ✂ total Sky customers,[24] around ✂ Sky copper customers are forecast to remain on copper, comprising around ✂ customers without FTTP coverage and around ✂ customers for whom FTTP is already available but have who not yet migrated to FTTP services.

The latter group is particularly relevant to Ofcom's assessment of consumer protection. These are customers for whom the availability of FTTP services has not been sufficient to prompt

21 (Ofcom) Helping consumers get better deals: A review of pricing practices in fixed broadband; paragraph 3.22.

22 (Ofcom) Consultation: Approach to the copper retirement second threshold calculation; paragraph 2.28.

23 ✂

24 ✂

migration. The forecast therefore indicates that there is likely to be a large residual group of customers who remain on copper despite having access to FTTP services. The size of this group is also expected to fall more slowly than the number of customers without FTTP coverage. This is because, over time, some customers who previously could not access FTTP will become newly covered by Openreach FTTP. If those customers do not migrate immediately, they move from the "without FTTP coverage" group into the "FTTP available but not migrated" group. These new additions partly offset the reduction in that group caused by ongoing migration to FTTP services.

This reinforces concerns around consumer protection. Even as Openreach coverage expands, there is likely to remain a material cohort of copper customers for whom FTTP services are available, but who have not yet migrated. This is consistent with the wider evidence discussed above that customers who remain on copper late in the migration process are likely to be particularly sticky, less engaged, or more resistant to migration because of practical and behavioural barriers.

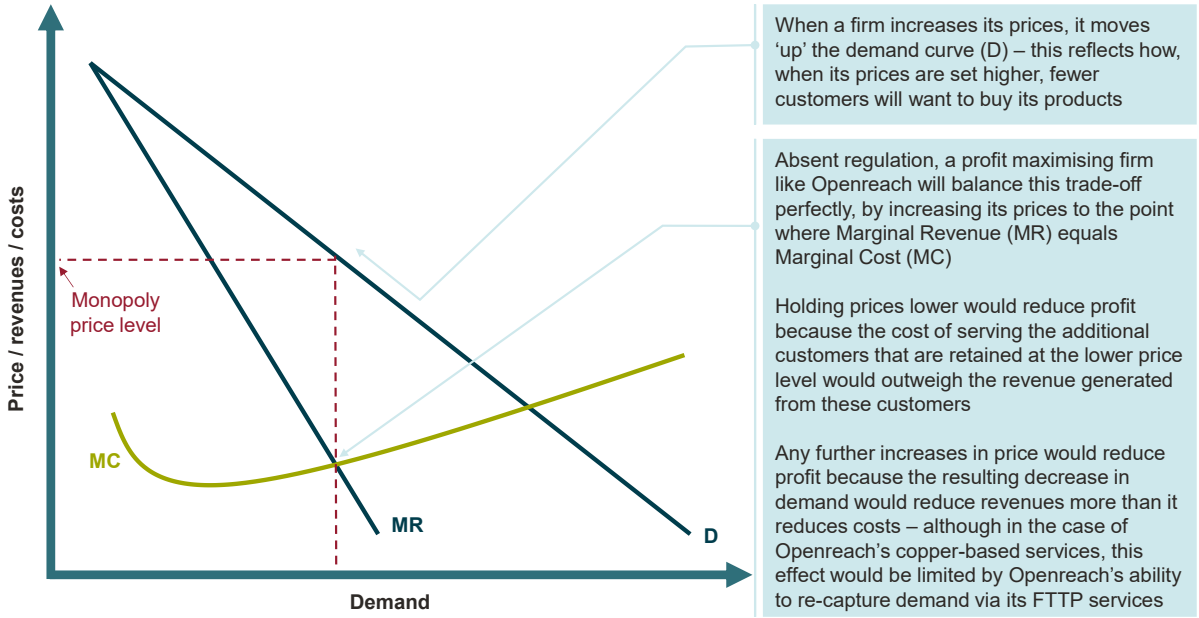
The figure also shows that the number of Sky copper customers is expected to decline over time under the status quo, as Openreach's FTTP coverage expands and take-up continues to increase. This is important for Ofcom's assessment. It suggests that a more cautious approach to copper price deregulation, such as a higher default threshold (under a hybrid model) or a DEA would reduce the number of customers at risk of exposure to higher copper prices without necessarily preventing ongoing migration to FTTP services.

However, the persistence of a sizeable residual copper base by April 2029 and beyond indicates that a 90% threshold could still leave a material cohort of customers at risk of paying higher copper prices for longer. This suggests that higher copper prices may not materially accelerate migration for all customers and could instead create undesirable distributional outcomes for customers who remain on copper services late in the transition.

2.3 Removal of price regulation may give Openreach the incentive and ability to charge these customers very high copper prices

Openreach's overriding incentive is to maximise its profits. Therefore, absent regulation, Openreach's *incentive* when setting copper prices would be to increase copper prices until the profit-limiting effect of customers migrating away from copper outweighs the profit-increasing effect of generating greater revenues/profits from customers that remain on copper.

Figure 2 Illustration of Openreach's price incentives



Source: Frontier Economics
Note: Figure is for illustrative purposes

Full removal of price regulation of copper prices means Openreach may additionally have the *ability* to set copper prices at the level that maximises its profits, given it holds significant market power (SMP) in WLA markets.[25] Increases in Openreach's copper prices will be expected to be at least partly passed on to retail customers.

Crucially, given that the long tail of customers that would be exposed to such price increases are particularly 'sticky' (i.e. they are relatively insensitive to price increases due to 'irrational' biases against switching), demand may be highly inelastic (the marginal revenue curve will be steep). This means Openreach could increase copper prices *significantly* without losing customers.[26] As a result, the profit maximising copper price may be very high, causing considerable consumer harm.

Table 1 below presents an illustrative static analysis of the immediate impact that the removal of copper price regulation would have on Sky's copper customers in April 2029.[27] Assuming an increase of wholesale copper prices of £3,[28] and a Sky pass-through rate of either 50%,

25 (Ofcom) Promoting competition and investment in fibre networks: Telecoms Access Review 2026-31 Volume 1: Overview, summary and structure; Table 2.2.

26 It is worth noting that Openreach's ability and incentive to increase prices following deregulation will be particularly strong in areas where it could expect to re-capture any customers that do switch from copper on its own FTTP network (as opposed to areas where customers switching from copper may be captured by altnets).

27 ✂

28 A £3 increase in the monthly copper wholesale prices would represent a 17-30% increase relative to the charge-controlled MPF and 80/20 FTTC prices set out in the TAR. See: (Ofcom) Promoting competition and investment in fibre

75% or 100%,[29] the aggregate impact on customer bills in April 2029 could range from ✂ to ✂. Obviously, extrapolating this impact beyond Sky's customer base to cover all customers expected to use copper (within Openreach's FTTP footprint) in April 2029 would imply a significantly higher impact.

Table 1 Illustrative impact of deregulation on 1 April 2029

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Source: Frontier Economics
Note: As this is an illustrative example, figures are rounded to the nearest thousandth.

2.4 Under Ofcom's proposals, most consumers would face higher prices for longer compared to setting a higher threshold for price deregulation

If Ofcom's proposed 90% threshold was adopted, Openreach would be able to increase significantly copper prices sooner than if there was a higher (e.g. 95%) threshold. Ofcom acknowledges this in the Consultation.[30]

While Ofcom notes that financially vulnerable consumers may be eligible for social tariffs, which would mitigate the potential negative impacts, it is not clear that all the affected 'sticky' consumers would be eligible.[31] Even those who are eligible for social tariffs may not take up the support.

As such, Ofcom's proposals will likely translate to longer-lasting consumer harm rather than a material acceleration of FTTP migration. Ofcom's lower threshold for copper price deregulation may lead to some customer benefit from faster FTTP migration (as customers would ultimately benefit from higher value offers), but this benefit is unlikely to outweigh the harm caused by a significant share of customers facing higher copper prices for longer. This is clearly contrary to Ofcom's objectives.

networks: Telecoms Access Review 2026-31. Volume 4: Pricing remedies; paragraph 1.104. We consider a 20-30% increase a reasonably conservative assumption given the very limited constraints that Openreach would face in relation to its copper pricing following deregulation. In particular: as explained above, customers remaining on copper are likely to be relatively unresponsive to price increases; and to the extent that customers do switch as a result of price increases, this will most likely be to Openreach's FTTP network.

29 Under linear demand and constant marginal cost, a monopolist passes through 50% of cost increases. Under perfect competition with perfectly elastic supply, pass-through is 100% (though in practice it may be lower if supply is upward sloping). We would expect Sky's pass-through rate to sit somewhere in the middle – e.g. 75%. However, we note that a firm's pass-through incentives may differ somewhat in the case of legacy products that are subject to a stop-sell.

30 (Ofcom) Consultation: Approach to the copper retirement second threshold calculation; paragraphs 2.27 and 3.142.

31 We also note that retailers set the price of social tariffs, meaning wholesale price increases could in theory be passed through to social tariffs to some extent by retailers.

Ofcom sets out in the Consultation that it considers its proposed FPA *"provides adequate protection to consumers"* given that only deregulating copper prices from April 2029 at the earliest allows additional time for customers to migrate to FTTP services in areas where the threshold would already have been reached.[32] It appears that Ofcom has not fully considered the likelihood that a significant number of customers could remain on copper by 2029, as would be expected based on historical evidence and current data. The earliest time at which Openreach can switch-off parts of its copper network will be April 2031, but in many cases, it will likely be much later. Given this, for the ✂ of exchanges where copper prices would likely increase in April 2029, consumers would face at least two years of higher copper prices.

To the extent that Ofcom has considered the risk of its proposals for 'sticky' copper customers, its explanation of how these customers would be protected is unclear – Ofcom simply states that *"the inclusion of a date in the FPA limits the risk that customers who are unable or unwilling to move to FTTP face higher copper prices for a prolonged period of time"*.[33] In particular, it is unclear why a 'sticky' customer that does not initially switch to FTTP services following the increase in copper prices would not therefore face copper prices for a prolonged period of time.

2.5 In any case, copper prices may not be the best lever to migrate remaining customers onto FTTP services

A key assumption underlying Ofcom's proposed approach is that reducing (or reversing) the price differential between copper and FTTP services will result in most of the remaining copper customers switching away and thereby enable copper switch-off.

To the extent that Ofcom is concerned about delaying the deregulation of copper prices, this concern is mitigated by the fact that i) it is unclear that deregulation of copper prices would be effective at supporting migration for a significant share of the remaining copper customers[34] and ii) Ofcom already allows Openreach to implement FTTP price discounts which can help to incentivise migration. Indeed, Ofcom has noted that the current copper retirement framework has not been a barrier to Openreach using commercial levers to incentivise migration. Openreach's commercial rationale for the Equinox 1 Offer was to increase the speed of FTTP take-up, ultimately supporting its investment in its FTTP network.[35]

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32 (Ofcom) Consultation: Approach to the copper retirement second threshold calculation; paragraphs 3.143-3.145.

33 (Ofcom) Consultation: Approach to the copper retirement second threshold calculation; paragraph 3.143.

34 For example, Ofcom removed cost-based price charge controls for Wholesale Line Rental (WLR) in 2017. Almost ten years later, WLR has not been fully phased out (i.e. migration to digital alternatives is not complete). Openreach's latest attempt to accelerate migration involves doubling its WLR prices from January 2026 to October 2026. While we note that there are various contextual differences between WLR deregulation and copper WLA deregulation, this does suggest there are limits to the effectiveness of price deregulation in incentivising migration. See: (Openreach) Openreach announces price changes to encourage digital adoption of newer, more reliable and better value technology.

35 (Ofcom) Statement on Openreach proposed FTTP offer (Equinox 2); paragraph 2.24.

2.6 Ofcom should therefore consider alternative approaches that offer better consumer protection, consistent with its stated objectives

Given the risk that the consumer harm from Ofcom's proposed FPA with a 90% threshold outweighs the benefits, Ofcom should consider alternative approaches.

The nature of the threshold

The best way to protect consumers, while retaining a strong incentive for Openreach to deliver maximum FTTP coverage at pace, would be to adopt a DEA. As Ofcom states in the Consultation:

> *"as the DEA would set a high bar for exclusions, it is likely to result in a slow pace of the regulatory transition from copper to full fibre. As a result, the number of consumers paying higher prices for an extended period of time – and the associated risk of harm to vulnerable customers – would be lower."*[36]

An alternative would be for Ofcom to implement a hybrid approach where the default ultrafast coverage threshold would be set at 95%, but Openreach would be able to apply to Ofcom to get the threshold reduced to below 95% for exchanges where 95% coverage is difficult to achieve. This would also provide better consumer protection on average than Ofcom's proposed 90% threshold.

How to incentivise migration

As noted above, copper prices may not be the best lever to migrate remaining customers onto FTTP services. Therefore, Ofcom should consider the benefits of alternative approaches that put less emphasis on copper price increases as a lever for accelerating migration away from copper, and more emphasis on other commercial levers, which may have fewer adverse effects.

Additional protections

Irrespective of the approach Ofcom ultimately takes to copper price deregulation, it is essential that Ofcom ensures appropriate transitional protections at the individual premises level. There should be a minimum period following FTTP being made available at a premises during which wholesale charge controls for any live copper services at that premises remain in place. This would:

- Allow providers sufficient time to engage customers and manage migration effectively; and

[36] (Ofcom) Consultation: Approach to the copper retirement second threshold calculation; paragraph 3.83.

- Reduce the risk of premature exposure to high copper prices before migration activities have had a reasonable opportunity to be completed.

3 Impact on competition

When customers choose to migrate from copper to FTTP services, it is important that there is effective competition between FTTP providers to capture such customers. However, there is a risk that Ofcom's current proposals could distort competition between:

1. BT Retail and its access-seeking retail competitors using Openreach.
2. BT Retail and altnets.

Ofcom considered the second of these effects, but not the first effect.

Ofcom's approach would provide BT (including BT Retail and Openreach) with significant flexibility in terms of how and when it increases its copper prices once the second threshold has been met. In addition, Ofcom's approach would allow BT potentially to vary the magnitude and timing of its price increases across different geographic areas e.g. depending on the competitive conditions. This creates a key asymmetry between BT and its rivals in the migration process from copper to FTTP services. In general, the lower that Ofcom sets the second threshold, the greater this asymmetry and the higher the risk of competitive distortions.

3.1 Distortion of competition between BT Retail and its access-seeking retail competitors

There is an important asymmetry between the impact of higher copper prices on BT Retail and its access-seeking retail competitors:

- For BT Retail, any increase in copper prices would just be an internal transfer charge, so would not directly increase its true underlying costs (and hence would not exert upward pressure on its own prices).
- For BT Retail's access-seeking competitors, the increase in copper prices would represent a real cost, so it is likely to be at least partially passed onto higher retail prices. To the extent that the higher copper prices are not passed onto higher retail prices, this would reduce the margins of these access seekers.

This asymmetry gives Openreach significant control over the FTTP migration process. For example, it might decide that forcing a quick migration to FTTP for access seekers' customers might be the best way for BT Retail to capture customers from these access seekers. A large increase in copper prices might erode the reputation of access seekers if they are forced to then significantly increase their retail prices. Alternatively, if access seekers felt obliged to absorb a large share of the increase in copper prices themselves, then this could weaken their financial position. In an extreme case, access seekers could even decide that they must stop offering copper services, as it is no longer financially viable.

In contrast, BT Retail would have a lot more flexibility in terms of whether and when it increases its copper prices. If it decided that it was more likely to retain its customers as they migrate to

FTTP services by using a more gradual approach, then it could decide to limit or not increase its copper prices at all at the retail level.

Ex-post competition law on margin squeeze could possibly help prevent very large copper price increases by Openreach. However, in a stop-sell environment for copper services, the scope for standard margin squeeze constraints to apply may be limited, as copper services will no longer be actively contested. As a result, this asymmetry may persist largely unconstrained, potentially distorting competition during the migration process by weakening rivals' ability to retain and transition customers relative to BT.

3.2 Distortion of competition between BT Retail and altnets

As Ofcom itself recognised, there is a risk that its proposals could distort competition between BT Retail and altnets.[37] In areas where altnets have more limited network roll-out, Openreach may have an incentive to accelerate copper migration by significantly increasing copper prices very quickly.[38] This would therefore increase the chances of copper customers switching to Openreach's FTTP services before altnets have rolled out their networks to these areas. Indeed, most altnets prefer slower deregulation of copper services[39].

Under Ofcom's proposals, Openreach would only be allowed to start increasing its copper prices after April 2029.[40] This therefore provides altnets with more time to roll-out their networks before Openreach is able to start increasing its copper prices. Nonetheless, FTTP roll-out by altnets may still not be complete by April 2029.

The following table shows that Ofcom expects that 73% of premises in the UK will be covered by two or more operators by January 2029. This is below the 95% total FTTP coverage that Ofcom expects by the same date. This suggests that there may still be further scope for roll-out by altnets, given that Ofcom has classified most premises (86%) as falling under WLA 2 (i.e. where there is scope for network competition).

37 "we said that Openreach's flexibility to increase copper-based prices could be positive or negative for the development of network competition. Where the choice of altnet or Openreach FTTP is available, then the development of network competition is unlikely to be harmed. Conversely, where customers are not yet able to move to an altnet, then giving Openreach flexibility to encourage customers off copper more quickly could have an impact on the development of network competition." See: (Ofcom) Consultation: Approach to the copper retirement second threshold calculation; paragraph 3.55.

38 "to the extent that customers are not yet able to move to an altnet, an option that allows Openreach greater flexibility to encourage customers off copper very quickly could pose a greater risk to maintaining that reasonable opportunity compared to an option with a slower pace of deregulation (all else equal)." See: (Ofcom) Consultation: Approach to the copper retirement second threshold calculation; paragraph 3.57.

39 "while some altnets may benefit from a faster pace of migration, stakeholders were generally more concerned about changes to the copper retirement regulation that would result in more and/or faster deregulation of copper-based services, than the reverse" See: (Ofcom) Consultation: Approach to the copper retirement second threshold calculation; paragraph 3.81.

40 Except for the exchanges where it reaches 100% ultrafast coverage.

Table 2 Gigabit-capable coverage anticipated by January 2029 when all plans are included

	Percentage of properties covered by 2 or more operators	Percentage of properties covered by 3 or more operators	Percentage of properties covered by 4 or more operators
UK	73%	36%	3%
England	74%	36%	3%
Northern Ireland	88%	57%	1%
Scotland	67%	34%	1%
Wales	60%	36%	1%

Source: *(Ofcom) Connected Nations - Planned Network Deployments 2026*

Further, while the scope for new network rollout by altnets may be more limited in future, the potential distortionary effects of the second threshold remain relevant for competition within existing footprints. This is because, to the extent that higher copper prices accelerate migration from copper to FTTP services, they could undermine altnets' ability to grow share by compressing a critical window - the copper-to-fibre transition - when the opportunity to build scale (essential for altnets' long-term viability) is likely to be greatest.

3.3 The impact of the alternative proposals

The distortion of competition between BT Retail and its competitors (other access seekers and altnets) is likely to be reduced if the time at which copper prices are deregulated is pushed further into the future. This is because fewer customers will remain on copper by this point (see Figure 1). Therefore, the distortion to competition may be lower under a hybrid model with a higher default threshold. The distortion of competition is also likely to be lower under the DEA if this results in copper prices being deregulated at a later date in many exchanges compared to Ofcom's proposals.

There are also other complementary measures that could reduce the distortion to competition[41] - in particular, requiring Openreach to wait 12 months[42] after i) the ultrafast

[41] Limiting the extent of any copper price increases would also help reduce the distortion to competition. We understand that Ofcom has ruled this out in its 17 March 2026 Statement though.

[42] In its 17 March 2026 Statement, Ofcom requires that Openreach has to provide 90 days' notice for any price changes of existing services. However, this may not be long enough to limit the harms from any increases in copper prices following the removal of the charge control. See: (Ofcom) Promoting competition and investment in fibre networks: Telecoms Access Review 2026-31, Volume 3: Non-pricing remedies; paragraph 4.189.

coverage threshold has been met and ii) FTTP has been rolled out to the premises in question before increasing its copper prices.

4 Openreach's incentives to invest in gigabit-capable networks

Ofcom explains how it sees the interaction between the second threshold and Openreach's investment incentives in the following terms:

> *"we are not seeking to incentivise Openreach to build more than it otherwise would, in order to meet the conditions for regulation to move from copper to full fibre. Rather, the copper retirement framework is intended to support Openreach's full-fibre investment case more generally, by gradually shifting regulation away from copper services. This gives Openreach increasing flexibility to encourage customers to migrate off its legacy copper network, thereby potentially limiting the extent to which it incurs the costs of operating both copper and full-fibre networks in parallel."*[43]

Put another way, Ofcom considers that its proposed framework supports the fibre investment case by encouraging migration from copper, rather than by directly incentivising additional FTTP build. Ofcom appears to reject the DEA on investment grounds primarily because stakeholders view it as setting a high bar for excluding premises, making the second threshold unlikely to be widely achievable:

> *"While some exchanges may reach the second threshold in this review period, it is unlikely to be widely achievable. As such, we do not consider the DEA would support Openreach's full-fibre investment case."*[44]

By contrast, with regards to the FPA, Ofcom considers that a 10% exclusion level is achievable in many exchanges, therefore providing Openreach with increasing flexibility to increase prices as it completes its build, noting: "*we aim to set a fixed percentage of exclusions that is realistic and achievable, while being at a level where there is a reasonable prospect of Openreach actually retiring copper-based services*."[45] The implication is that Ofcom considers that its proposed approach will better support investment on the basis that it is "achievable."

In the rest of this section, we set out that:

- Adopting a fixed threshold risks delaying fibre build in some areas;
- Ofcom's proposed 90% ultrafast coverage threshold is likely well below what Openreach can realistically achieve in many exchanges; and
- Adopting an approach that is more closely calibrated to the level of viable build will deliver better investment outcomes.

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43 (Ofcom) Consultation: Approach to the copper retirement second threshold calculation; paragraph 3.51.

44 (Ofcom) Consultation: Approach to the copper retirement second threshold calculation; paragraph 3.76.

45 (Ofcom) Consultation: Approach to the copper retirement second threshold calculation; paragraph 3.109.

4.1 Setting a fixed threshold risks delaying fibre build in some areas

Absent copper deregulation, in any given exchange area, Openreach will have a commercial incentive to cover a certain number of premises with FTTP. When deciding whether to roll out FTTP services, as the incumbent operator, Openreach will likely also consider whether it would be more profitable to delay the roll-out of FTTP (or never build FTTP to some premises) and sweat its copper network for longer.[46] This may therefore lead to a slower speed of FTTP roll-out. A genuinely independent fibre operator, without a legacy copper network to sweat, would not face this distortionary effect.

Allowing Openreach to deregulate copper prices once it has rolled-out FTTP to a given number of premises in an exchange can be viewed as providing Openreach with a "prize". This is because Openreach will be able to make greater profit because:

- It will be able to increase copper prices for all those premises where it has rolled out FTTP, but that still decide to stay on copper services at least for a period of time. As explained in Section 2, a considerable share of customers are likely to stay on copper services despite price increases.
- To the extent that customers do switch from copper to FTTP services as a result of the increase in copper prices, Openreach may be able to earn higher margins on these customers.

The level of the threshold can therefore play a role in offsetting the potential bias that Openreach could have towards sweating its copper assets in the more marginal parts of an exchange. However, where the ultrafast coverage threshold is set too low relative to what could realistically be achieved, there is a risk that Openreach delays any further FTTP roll-out once it has reached the threshold and decides to sweat its existing copper network rather than extending FTTP coverage to the remaining premises – in particular, in areas where the case for build is relatively less attractive due to high costs and/or the absence of competitive pressure from alternative networks. As a result, there is a risk that setting the threshold at the wrong level may result in slower FTTP deployment.

4.2 Ofcom's 90% ultrafast coverage threshold is likely well below what Openreach can realistically achieve in many exchanges

Ofcom's proposed fixed threshold of 90% ultrafast coverage is likely significantly below what Openreach can realistically be expected to achieve for many exchanges. As shown by Figure 3, Openreach's current progress with rolling-out FTTP varies significantly across

[46] Once Openreach can switch-off its copper network from April 2031 at the earliest, this may affect its incentives to sweat its existing copper network.

exchanges.[47,48] However, a significant number of exchanges already have more than 90% ultrafast coverage, with many exchanges not far behind. This implies that, for the reasons outlined in the previous section, there is a material risk that applying a fixed 90% threshold will delay or prevent completion of build in a significant number of exchange areas, relative to what a better calibrated threshold could achieve.

Figure 3 Distribution of FTTP coverage across Openreach's exchanges

✂

Source: Frontier Economics analysis of data from Openreach.

4.3 The impact of the alternative proposals

4.3.1 Hybrid approach

If implemented appropriately, using a hybrid approach is likely to reduce the risk of Openreach sweating its copper network and slowing down its FTTP roll-out in exchanges where a higher level of coverage would have been achievable. Ofcom could increase the default threshold to 95% but allow Openreach to apply for a lower threshold where the 95% threshold is not achievable. This is likely to have the following impact on Openreach's investment incentives:

- In areas where the 95% is achievable (with copper price deregulation), then Openreach is likely to roll out to at least 95% of premises. This is therefore likely to increase investment in some exchanges relative to Ofcom's proposed threshold of 90% and reduce the risk of Openreach sweating its copper network for remaining premises once it reaches 90% coverage.
- In areas where 95% coverage is not achievable, then Openreach would be able to apply for a lower threshold under a hybrid approach, ensuring that the build required to trigger copper price deregulation (and unlock the associated financial incentives) remains achievable.

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47 We note that Ofcom has stated that *"at present, there are a total of around 5,600 exchanges. As of 12 February 2026, a First Threshold Notice had been published in 1,863 exchanges. Based on Openreach's build plans provided to Ofcom for Connected Nations, we expect that around a third [□] of exchanges will reach the first threshold coverage requirement of 75% by April 2026."* See: (Ofcom) Promoting competition and investment in fibre networks: Telecoms Access Review 2026-31 Volume 3, paragraph 2.58.

Based on our analysis of Openreach data, the percentage of exchanges with greater than 75% FTTP coverage is much higher than this i.e. ✂. As we do not have access to Ofcom's analysis, it is unclear what is driving this discrepancy. Overall, there are 5,633 exchanges in the data that we have analysed, which is similar to Ofcom's statement that there are around 5,600 exchanges.

48 This excludes G.Fast coverage.

4.3.2 The impact of moving to a Defined Exclusions Approach

Ofcom has stated that:

> *"stakeholders see the DEA as setting a very high bar for excluding premises. This will make it more difficult for Openreach to reach the conditions required to trigger the second threshold. While some exchanges may reach the second threshold in this review period, it is unlikely to be widely achievable. As such, we do not consider the DEA would support Openreach's full-fibre investment case."*[49]

It is unclear why setting the threshold using the DEA would not support Openreach's FTTP investment case. If implemented appropriately, moving to a DEA is likely to increase investment for some exchanges relative to Ofcom's proposed 90% fixed threshold and thereby reduce the risk of Openreach sweating its copper assets. This is because under such an approach, the ultrafast coverage threshold can vary by exchange depending on what is achievable. The incentive to roll out FTTP is likely to vary widely across Openreach's exchanges. For example, for some exchanges Openreach has already fully rolled-out FTTP whereas for other exchange it is yet to start. The DEA does, however, rely on there being good data on Openreach's business case for rolling out FTTP to different premises, so that premises that are not commercially viable can be excluded from the threshold at each exchange.

[49] (Ofcom) Consultation: Approach to the copper retirement second threshold calculation; paragraph 3.76.

5 Conclusion

The overarching issue with Ofcom's proposed fixed 90% ultrafast coverage threshold for all exchanges is that it is not clear what benefits it achieves, while it creates the risk of considerable harm. Ofcom recognises that its proposals could harm consumers and distort competition between Openreach and altnets if Openreach has an incentive to increase significantly copper prices in areas where altnets are yet to roll out. In addition, whilst Ofcom did not consider this effect, there is also a risk that its proposals could distort competition between BT Retail and its access-seeking retail competitors – in particular, Ofcom's proposals create a significant asymmetry between Openreach/BT Retail and its access-seeking retail competitors when it comes to the copper migration process.

Ofcom has stated that it is not trying to use the threshold to increase Openreach's investment in FTTP roll-out. Based on our analysis of data from Openreach, it already has at least ✂ coverage in ✂ of its exchanges, with this percentage expected to increase by April 2029. Therefore, under Ofcom's proposals, there is a risk that Openreach decides to sweat its copper network and delay FTTP roll-out for some of the remaining premises in the significant number of exchanges where it will likely have met the 90% ultrafast coverage threshold by April 2029. Therefore, rather than supporting Openreach's FTTP investment case, Ofcom's proposals may lead to a slower pace of FTTP roll-out.

In general, Ofcom's 90% threshold is likely to lead to the quickest deregulation of copper prices followed by the hybrid model. The impact of the three options reflects the speed at which the deregulation of copper prices would be permitted. Some differences also arise due to the use of a fixed 90% threshold by Ofcom being quite a blunt tool, especially given that the commercial case for rolling-out FTTP varies a lot across different exchanges.

The DEA would likely offer the best protection for consumers and competition, as Openreach would need to roll out to more than 95% of premises in at least some exchanges before it would be allowed to remove price regulation on copper-based services. However, there is a debate about whether implementing the DEA will be overly burdensome. If Ofcom continues to consider that the DEA is difficult to implement in practice, then the hybrid model would be expected to lead to better protection for consumers and competition than Ofcom's 90% fixed threshold.

6 Annex

6.1 Forecast of number of Sky copper customers exposed to price deregulation

Data sources

The model used to forecast the number of Sky copper customers that could be exposed to deregulation of copper prices under Ofcom's proposals uses the following data sources.

- **Sky customer base data**: Sky provided the following customer base data as of 01/03/2026.
  - Total Sky residential customer base ✂;[50]
  - Customers already on FTTP services ✂;
  - Copper customers for which FTTP is unavailable ✂; and
  - Headroom customers, i.e. customers currently on copper but with the option to migrate to FTTP: ✂ for whom (only) Openreach FTTP is available and ✂ for whom CityFibre (or both CityFibre and Openreach) FTTP is available.
- **Openreach coverage target**: Openreach's published target is to reach up to 30m households by the end of 2030, equivalent to around 90% of premises.[51]
- **Ofcom FTTP take-up rates**: As cited in the main body, the Connected Nations 2025 report shows the FTTP take-up rates after 1, 2, and 3 years after FTTP services have become available.

Methodology

Our forecast of the number of Sky copper customers relies on the following steps.

1. **Calculate Sky's FTTP coverage on Openreach's network**. Using Sky's customer base data, we estimate FTTP coverage to be ✂ in March 2026. This is calculated as ✂ customers already on FTTP, plus ✂ Openreach headroom customers, as a share of the total Sky customer base of ✂.
2. **Forecast Sky's FTTP coverage using Openreach targets**. Openreach's 90% FTTP coverage target by the end of 2030 implies that the non-coverage rate falls from ✂ in March 2026 to 10% by the end of 2030. This represents a reduction of around ✂ in the

50 ✂

51 (Openreach) Where and when we're building Full Fibre Broadband.

non-covered population. Applied on a compound monthly basis, this implies a monthly reduction in the non-covered population of ✂.

3. **Estimate a monthly migration rate from copper to FTTP services**. Ofcom data shows that, once FTTP services are available, take-up reaches 55% after between three and four years. Using a midpoint of 42 months, this implies a compound monthly migration rate of 1.9% among customers for whom FTTP services are available. While migration rates tend to be higher in the first year after FTTP becomes available, we use the long-term average rate to capture both customers who are willing and able to migrate quickly and the long tail of customers with lower propensity to migrate, as discussed in the main body.

4. **Model the customer evolution path to estimate potential exposure to deregulation**.

    a. **Customers without FTTP**. At the end of each month, the number of Sky copper customers without FTTP coverage equals the number without FTTP coverage at the beginning of the month, minus the number of customers for whom FTTP becomes available during that month. The number of newly covered customers is calculated by applying the monthly reduction in the non-covered population from step 2, i.e.✂, to the opening base of customers without FTTP coverage.

    b. **Headroom customers**. Headroom customers are those Sky copper customers for whom FTTP is available, but who have not yet migrated. At the start of each month, the headroom base equals the previous month's remaining headroom plus the customers newly covered by FTTP during the month. The number of migrations in each month is then calculated by applying the monthly migration rate from step 3, i.e. ✂%, to the headroom base. As such, the number of headroom customers falls only where migrations to FTTP exceed the number of customers newly entering the headroom base as FTTP coverage expands.

Note that this forecast does not assume any incremental migration or switching response as a result of copper price deregulation from April 2029.