



# Approach to the copper retirement second threshold calculation

Sky's response to Ofcom's consultation

May 2026

## Executive Summary

1. Sky supports Ofcom's objective of enabling an orderly and efficient transition from copper to full fibre networks, while protecting consumers and maintaining incentives to invest.
2. Sky's preferred approach for achieving Threshold 2 in an exchange area remains a defined exemptions model, as this provides better incentives to maximise FTTP coverage than the alternative.
3. If Ofcom concludes that a defined exemptions model is not practicable, Sky agrees that a fixed threshold framework could be used, but we do not support a 90% coverage threshold. A threshold at this level risks incentivising Openreach to stop building FTTP, including to harder-to-reach premises once the target is met.
4. Sky therefore encourages Ofcom to consider a higher baseline threshold (e.g. 95%), potentially combined with a hybrid model in which Ofcom can grant exchange-level premises exemptions where genuine barriers prevent achievement. Having a higher threshold also mitigates the consumer risk of higher prices by delaying removal of the charge control on copper products.
5. Sky is not convinced that the removal of copper price controls and the resulting scope for higher retail prices will, by itself, be an effective incentive to migrate to FTTP for many customers. That said, Sky considers that allowing Openreach greater wholesale pricing flexibility and new (discounted) full fibre offers are a more effective way of encouraging migration, both before and after April 2029, which avoids the risk of consumer harm from higher retail prices.
6. Sky agrees with the need for a clear implementation period before Threshold 2 can apply and is comfortable with Ofcom's proposal that this should not occur before April 2029.
7. In addition to this response Sky has commissioned Frontier Economics to prepare an independent analytical report examining Ofcom's proposed Threshold 2 framework, including the economic incentives created by fixed-threshold approaches, the effectiveness of pricing as a migration lever, and the potential risks for consumers – particularly where fibre coverage is incomplete or migration is slow. This report - provided separately to this submission - finds that:
  - Ofcom's proposed 90% fixed threshold is poorly targeted, under-ambitious and risks triggering copper price deregulation too early, leaving a significant residual base of customers still on copper.
  - A large "long tail" of such 'sticky' customers – many of whom could be vulnerable – are unlikely to migrate even where FTTP is available, meaning they would be exposed to higher prices for prolonged periods.
  - Higher copper prices are an imperfect and potentially ineffective migration lever, as remaining customers are relatively insensitive to price increases; risking consumer harm without materially accelerating fibre adoption.
  - Earlier deregulation risks distorting competition, by increasing costs for access seekers relative to BT and potentially accelerating migration onto Openreach FTTP at the expense of competitors and altnets.
  - The fixed threshold weakens incentives for complete fibre rollout, as it is likely set below achievable coverage levels, creating a risk that Openreach meets the threshold and delays further build in harder-to-reach areas.

## Preference for a defined exemptions model

8. Sky continues to prefer a defined exemptions framework for Threshold 2, as we consider this to be the approach most consistent with Ofcom's objectives of encouraging FTTP coverage and ensuring efficient migration from legacy networks.
9. In our view, a defined exemptions model provides stronger and more symmetric incentives on Openreach to extend FTTP build to as many premises as is reasonably practicable. By identifying, in advance, the limited circumstances in which premises may be excluded (for example due to prohibitive cost or physical constraints), such a framework avoids creating an incentive for Openreach to optimise build decisions around a numerical threshold rather than overall coverage.
10. As Frontier Economics highlights in its report, a defined exclusions model is more targeted and adaptable to local conditions, leading to better consumer protection, fewer competition distortions, and stronger incentives for fibre rollout than a blunt fixed threshold.
11. We do not agree that a defined exemptions model would be unduly onerous to design or administer. Openreach already possesses detailed cost modelling, build data, and geographic insights as part of its FTTP rollout planning. Sky therefore considers it feasible for Ofcom to work with Openreach to define an exemptions framework grounded in existing tools and evidence.
12. Once such a framework is agreed and implemented, Sky considers that Ofcom would only need to apply a light-touch approach to administration, focused on transparency and compliance rather than ongoing case-by-case assessment. In this way, the exemptions model could deliver regulatory certainty while preserving strong incentives for near-universal FTTP deployment.

## Design of a fixed threshold model, if required

13. If Ofcom ultimately concludes that a defined exemptions model is not practicable, Sky agrees that a fixed threshold approach could provide a workable alternative. However, we do not believe that a threshold set at 90% Openreach FTTP coverage is appropriate.
14. A threshold at this level carries a real risk of reduce build incentives, whereby Openreach may rationally deprioritise or cease building FTTP to 'marginal' premises once the threshold has been reached. This could result in a material cohort of premises being left without access to FTTP despite being physically proximate to the fibre network.
15. As Frontier Economics notes in its report, a fixed 90% threshold risks creating a 'stop point' for Openreach, prematurely creating the conditions for copper price deregulation without completing further FTTP build and thereby weakening incentives to extend coverage to remaining premises and risking both competition distortion and consumer harm.
16. Ofcom's consultation evidence and the analysis undertaken by Frontier indicate many exchanges which have already met Threshold 1 are significantly past the 90% coverage level. For larger exchanges, a 90% threshold could still leave thousands of premises without FTTP availability, particularly in dense urban areas.
17. Sky therefore encourages Ofcom to consider:
  - a higher baseline threshold (for example, 95%) as a minimum floor for Threshold 2; and

- a hybrid approach, under which Ofcom retains the ability to grant an exchange-level exemption where Openreach can demonstrate that genuine and unavoidable barriers prevent full achievement of that higher threshold.
18. Such an approach would reduce the risk of strategic under-build, while preserving regulatory flexibility in cases where 95% coverage is genuinely not feasible.

### **Effectiveness of copper price deregulation as a migration lever**

19. Sky is not persuaded that higher retail pricing, enabled by the removal of wholesale charge controls at Threshold 2, will necessarily be an effective mechanism to drive migration away from copper for all customer groups.
20. Customers who remain on copper late in the migration process are likely to be:
- Less price sensitive; and/or
  - More resistant to change due to practical, behavioural, or vulnerability-related factors.
21. In these circumstances, higher prices may not materially accelerate migration but instead risk undesirable outcomes. Frontier Economics states that allowing Openreach to increase their copper prices is more likely to cause consumer harm than materially increase the rate of migration to FTTP services. It also highlights that copper prices were not increased in two European countries that have completed their copper retirement program.
22. Additionally, providers may face contractual constraints in applying higher prices under certain charging models (e.g. where retail price increases are fixed).
23. Sky therefore considers that an alternative, and potentially more effective, policy lever would be to ensure that access providers retain flexibility to introduce innovative wholesale offers—beyond existing pricing constructs—to stimulate proactive upgrade activity to full fibre.

### **Implementation timing and transitional protections**

24. Sky agrees with the principle that there should be a clear implementation period before Threshold 2 can be applied to any exchange. We are therefore satisfied with Ofcom's proposal that Threshold 2 should not take effect before April 2029.
25. In addition, Sky considers it essential that Ofcom ensures appropriate transitional protection 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 try to manage migration effectively; and
  - reduce the risk of premature exposure to unregulated wholesale pricing before migration activities have had a reasonable opportunity to complete.
26. Sky expects Ofcom to actively enforce such minimum periods as part of the Threshold 2 framework to ensure consistency with its consumer protection and migration objectives.