



Ofcom Call for Inputs: Openreach's Proposed Commercial Offers

Hyperoptic Response

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And we go **beyond the expected.**

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Executive Summary

The proposed Openreach (“OR”) offers directly affect how incremental customer demand is allocated between competing networks, which is the key margin on which competition operates in the current phase of the fibre market.

While the offers may support short-term objectives of lower prices and increased FTTP adoption, their structure, including incremental incentives, geographic targeting and sustained pricing advantages, gives rise to a material and well-founded risk of influencing demand allocation in a way that affects take-up trajectories and investment outcomes over time.

In practical terms, this means that incentives which increase the attractiveness of OR-based supply at the point of acquisition can steer new customers toward that platform rather than alternative networks.

In particular, elements of the proposed offers that link incentives to both the volume and value of customer acquisition, including threshold-based front-book arrangements, reinforce these effects by shaping not only how many customers are acquired, but which customers are acquired and when, and therefore where competitive activity is directed.

Relatively small changes in effective pricing and customer allocation can translate into materially different investment outcomes due to the sensitivity and path dependence of fibre deployment models. Operator-level evidence indicates that these effects are economically significant, with relatively small changes in pricing or take-up capable of producing measurable impacts on investment returns and, in turn, on financing conditions, investor confidence and the willingness to commit the capital required to sustain network expansion and ongoing deployment in the UK fibre market.

Our starting position is therefore that the proposed arrangements are liable to affect the development of competition in a manner that is directly relevant to Ofcom’s framework, particularly under Annex 8. The appropriate regulatory test is whether it can be demonstrated that these offers do not give rise to such effects.

Ofcom should assess the offers holistically, taking into account their cumulative and dynamic impact on the allocation of demand, and on that basis determine whether conditions or modifications are required to ensure that competition continues to operate effectively at the margin and that investment incentives are not distorted.

These effects arise not from any single element of the proposed offers, but from their combined and interacting influence on customer acquisition at the margin. As such, short-term pricing benefits should be considered alongside their potential impact on the development of effective competition over time, reflecting the fact that these incentives operate on the segment of demand that determines competitive outcomes rather than applying uniformly across the customer base.

1. Introduction

Hyperoptic welcomes the opportunity to provide views on OR's proposed FTTP and Ethernet commercial offers notified on 1 June 2026.

We are an integrated fibre operator, deploying and operating our own FTTP network and providing retail broadband services directly to end customers. Outside our network footprint, we also resell OR FTTP services.

Hyperoptic is a full-fibre broadband provider focused on delivering gigabit-capable connectivity in urban areas, with a particular emphasis on high-density and multi-dwelling unit environments. Our investment model relies on achieving sustainable levels of customer take-up over time in order to support continued network expansion and sustainable infrastructure competition in the UK fibre market.

Our perspective is therefore grounded both in our role as:

- an infrastructure investor whose ability to sustain deployment depends on achieving sufficient customer take-up over time; and
- a retail competitor acquiring customers in markets where providers using OR-based inputs are also active

We recognise that the proposed offers are intended to support competition and accelerate migration to full fibre and may in the short term deliver benefits to consumers through lower prices and increased take-up.

However, the design and interaction of the offers, specifically their focus on incremental growth, geographic targeting, and portfolio-based incentives, give rise to a material and well-founded risk that they influence how competition develops in practice.

This concern is directly aligned with the Government's Statement of Strategic Priorities, which highlights the importance of preventing commercial arrangements that would have a detrimental effect on the establishment of sustained competition while it is still developing.

The central issue is therefore not whether the offers remove choice, but whether they influence the allocation of incremental customer demand in a manner that affects the trajectory of competition, investment, and consumer outcomes over time.

Even where individual effects appear modest, the cumulative and path-dependent nature of customer acquisition means that persistent differences in allocation can translate into material differences in market structure and investment outcomes.

These dynamics provide the analytical foundation for the assessment that follows, in which the interaction between incentive structure and demand allocation is considered across the proposed offers and in aggregate.

2. Market Context: Competition and Customer Behaviour

Competition in fibre markets reflects the interaction between infrastructure economics and customer decision-making and is therefore best understood as a dynamic rather than static process.

Fibre deployment is capital intensive, involving high sunk costs and long asset lives. Networks are typically built ahead of demand, with operators relying on progressive customer acquisition to recover investment. As a result, competitive outcomes depend critically on the trajectory and distribution of take-up over time, rather than simply on whether competing infrastructure is present.

This gives rise to two distinct forms of demand:

- adoption demand, where consumers decide whether to take fibre in areas with a single network; and
- allocation demand, where consumers choose between networks in areas with multiple competing infrastructures

In monopoly areas, the relevant decision is whether to switch from legacy products to fibre. In competitive areas, the relevant decision is instead between functionally substitutable services offered over different networks.

This shift fundamentally changes how competition functions.

In areas of infrastructure overlap:

- customers are more price-sensitive;
- competitive differentiation is driven primarily by pricing and commercial positioning;
- differences in take-up reflect commercial conditions rather than technological constraints

Observed outcomes across fibre markets are consistent with this. Take-up tends to be slower and more contested in competitive areas, with divergence in market share emerging over time. This suggests that small differences in commercial conditions are sufficient to influence behaviour.

As a result, competition operates primarily through the allocation of incremental demand, which represents the primary channel through which networks compete during phases of growth and the key mechanism through which commercial incentives may influence competitive outcomes.

Each marginal acquisition decision, where a customer connects, upgrades, or migrates, contributes to the overall distribution of customers across networks. Because customers typically remain with their chosen provider for a prolonged period, these decisions accumulate.

This creates path dependency. Networks that acquire customers more quickly achieve higher utilisation and stronger economics, while those that lag behind face prolonged underutilisation and increased risk.

This dynamic means that incentives influencing marginal acquisition decisions—particularly during the current phase of market development—have a direct and lasting impact on how competition evolves.

3. Pricing Conditions and Incentive Scale

The structure of FFTP retail pricing amplifies the importance of marginal incentives.

Retail offers are closely clustered across providers, reflecting both competition and convergence in product characteristics. Consumers are therefore frequently choosing between offers that differ only marginally in headline price or service features.

In such environments, demand exhibits high elasticity at the margin, with customer decisions influenced by relatively small differences in effective pricing, particularly at the point of acquisition, migration, or contract renewal.

Wholesale incentives of the scale typically observed, such as per-customer rebates or ARPU-based adjustments, translate into relatively small monthly differences in retail pricing. However, these differences fall squarely within the range capable of influencing consumer choice in a market where competing offers are otherwise tightly aligned.

These differences fall within the “decision bandwidth” of consumers, meaning that even modest variations in effective pricing are sufficient to shift outcomes at the margin where allocation decisions are made.

The significance of the proposed incentives therefore lies not in their absolute magnitude, but in their ability to shift relative competitiveness at the margin.

This is the case irrespective of whether pricing is formally conditional. In particular, front-book offers that are characterised as non-conditional may nevertheless have equivalent economic effects where they alter the relative attractiveness of competing networks at the point of acquisition. The consideration is not the presence or absence of formal conditions, but whether pricing structures, taken individually or in combination with other incentives, influence the allocation of incremental customer demand.

In this context, it is important that such offers are assessed as part of the overall structure of incentives, rather than in isolation. Their relevance arises from their interaction with other mechanisms operating on the same margin, and their combined effect on the distribution of new customer acquisition across competing networks.

This is underscored in the case of front-book ARPU share offers, where arrangements described as non-conditional in fact incorporate explicit performance thresholds. In particular, linking eligibility for full ARPU sharing to the achievement of a defined ARPU threshold introduces a clear condition based on the value of acquired customers.

This creates a non-linear incentive structure in which the economics of customer acquisition change materially once the threshold is exceeded, reinforcing incentives to concentrate both the volume and value of demand on the OR network.

These effects are ultimately reflected in downstream pricing, product positioning and customer acquisition strategies of OR-based communications providers, and therefore directly influence how demand is allocated between competing networks.

Because such shifts occur repeatedly across many individual decisions, their cumulative effect can be substantial.

These effects are further reinforced when considering the maximum level of effective discounts available at the point of customer acquisition. While individual elements of the proposed offers may appear modest in isolation, their combined operation can result in materially lower effective acquisition prices, in some cases significantly reducing the effective cost of acquiring marginal customers relative to headline pricing.

In particular, the structure of the offers allows for multiple incentives to apply simultaneously, including connection rebates (e.g. £35–£50 per connection), monthly rental discounts of £9.50 for up to 30 months, ARPU-linked mechanisms providing up to 100% ARPU share once threshold conditions are met, and, in some cases, connection rebates of up to 100% above defined thresholds. These incentives can be applied in combination and, in several cases, are explicitly designed to operate alongside one another.

As a result, once threshold conditions are met, the effective price of acquiring additional customers may be significantly reduced relative to headline or average pricing levels. This is the relevant reference point for competition, as customer decisions are determined by front-book pricing and promotional conditions at the margin rather than by average prices across the customer base.

4. Offer 2: Incremental Customer Incentives in VMO2 Areas

The geographic scope of the VMO2-targeted offer appears aligned with areas where competing infrastructure is present. This suggests that the differentiation in pricing is driven by the presence of competition, rather than by underlying differences in the cost of supply.

We have not identified evidence indicating that the cost of supplying FTTP services differs materially between VMO2 and non-VMO2 areas. Annex 8 indicates that differences in competitive conditions alone are unlikely to constitute an objective justification for geographic differentiation, and in the absence of cost-based evidence it is therefore appropriate for Ofcom to examine whether such justification is present.

In light of Annex 8, it is therefore necessary for Ofcom to assess whether any objective justification is present, consistent with the framework it has established for evaluating geographically differentiated pricing.

From a competitive effects perspective, the interaction between geographic targeting and incremental incentives is particularly significant.

As set out in Section 2, competition in fibre markets is determined primarily through the allocation of incremental customer demand, particularly in areas where multiple networks are present.

The proposed offer is structured specifically to influence this mechanism. By applying an incentive only to incremental customer acquisition above a baseline, it affects the economics of acquiring the next customer, rather than reducing prices for all customers equally, focusing its effect on the decisions that determine growth.

This remains the case irrespective of whether elements of the pricing structure are presented as non-conditional. In particular, front-book offers that are characterised as non-conditional may nevertheless have equivalent economic effects where they alter the relative attractiveness of competing networks at the point of acquisition.

This effect is further strengthened where incentives are contingent on achieving defined ARPU thresholds. In such cases, the return from acquiring additional customers depends not only on volume but also on the expected revenue associated with that customer. This introduces a tipping dynamic, whereby the incentives to acquire additional customers increase once threshold conditions are approached or exceeded, reinforcing the allocation of both volume and higher-value customers to the OR network, as reflected in downstream pricing, product positioning and customer acquisition outcomes.

These effects are compounded by the fact that multiple incentive mechanisms are designed to operate in conjunction, meaning that the marginal returns from customer acquisition reflect the combined impact of several overlapping pricing structures.

As a result, the incentive is likely to influence the allocation of marginal demand at the point of acquisition.

This effect is further reinforced by the fact that many of the proposed incentives apply specifically to new customer acquisition, including customers switching from alternative networks, and are concentrated in areas where infrastructure competition is present. In practice, this creates an incentive for OR-based communications providers to direct marketing, pricing and sales activity toward those segments where the combined effect of incentives is greatest. Given that these incentives apply primarily to incremental customer acquisition in areas of infrastructure competition, and stack most strongly where customers are switching networks, the effect is to encourage acquisition activity focused on customers currently served by competing networks, including alternative network providers.

To the extent that these incentives increase the relative returns from acquiring customers onto OR-based supply in these areas, they may disproportionately encourage switching toward that platform, in a manner that is not replicated symmetrically across alternative networks. At the same time, equivalent incentives do not apply symmetrically to customer movements in the opposite direction or between alternative networks. As a result, the structure of incentives may influence not only the level

of customer acquisition but also the direction and geographic concentration of competitive activity. It is precisely this focus on incremental and switching customers that makes the incentives economically significant, as it targets the segment of demand on which competitive outcomes are determined rather than applying uniformly across the customer base.

The timing of the offer further reinforces this effect. The migration from legacy broadband to FTTP represents a period during which customers are making new purchasing decisions, rather than simply renewing existing services. Targeted incentives introduced at this stage can therefore have a disproportionate impact on outcomes, as customer decisions are not yet fixed and competitive positions are still being established.

Taken together, these factors indicate that the offer may influence how demand is distributed between competing networks in the areas where competition is most active.

These effects reflect a broader feature of competition in markets with overlapping infrastructure, where sustainable competition depends on multiple networks having a reasonable opportunity to acquire customers and achieve efficient utilisation.

Where targeted and incremental incentives systematically influence where new customers are acquired, particularly during key phases such as migration to fibre, they may affect the distribution of customers across networks over time. Even relatively small but persistent differences in acquisition rates can lead to divergence in take-up across competing networks.

This has implications not only for individual operators, but for the overall effectiveness of competition. Differences in take-up affect network utilisation, cost recovery and investment incentives, and therefore the strength of competitive pressure in local markets.

The relevance of these effects to Ofcom's assessment does not depend on whether competition is foreclosed in an absolute sense. Rather, it arises from the risk that the structure of incentives may shape competitive outcomes at the margin, in a way that influences the development of sustainable infrastructure competition over time.

This is relevant not only in areas of existing overlap, but also in shaping how customers are distributed across networks ahead of future competitive interaction, and therefore how competition develops over time.

5. Offer 1: Incremental FTTP Incentives

Offer 1 links discounts directly to performance above a defined baseline level of activity, creating a relationship between incremental customer acquisition on the OR network and the financial benefit received by communications providers.

This structure does not prevent providers from using alternative networks. However, it alters the relative economics of growth. Because the value of the discount depends on achieving incremental increases in OR volumes, providers have a commercial incentive to prioritise customer acquisition through OR-based supply in order to secure those benefits.

In a market where growth is driven by incremental demand, this type of incentive can influence how providers allocate their efforts over time. Decisions regarding pricing, marketing, and customer targeting are shaped by the relative returns available, particularly where those returns are linked to incremental volume and sustained over a defined period.

As set out in earlier sections, this effect operates directly on the allocation margin that determines competitive outcomes in fibre markets, reinforcing the link between incentive structure and demand allocation.

The relevance of this mechanism is not limited to competition within specific geographic areas. While we do not currently serve customers using OR inputs within our own network footprint, the offer affects how providers grow their customer bases across network types and over time.

In particular, the incentive rewards incremental growth on the OR network irrespective of geography. This creates a structural bias in favour of OR-based supply when providers are determining how and where to expand their customer base. As a result, the offer influences not only the level of pricing, but also the pattern of growth across different infrastructure platforms.

This is relevant both to our position and to the wider market.

As our network expands and begins to overlap with other infrastructure, competitive outcomes in those areas will depend on the distribution of customers established during earlier phases of growth. Incentives that influence where customers are acquired during this growth phase therefore have implications for future competition.

This introduces an intertemporal dimension to the analysis: incentives that influence marginal allocation decisions today shape the starting conditions for competition in future periods, particularly as network footprints evolve and overlap increases.

More broadly, the effect should be understood at a market level. Providers across the market are making decisions about how to allocate incremental demand between networks. Where incentives favour growth on one platform, they may systematically influence the overall distribution of customers across infrastructure providers, even if this effect is not observed within any single footprint today.

The duration and magnitude of the discount further reinforce this effect. Sustained differences in input costs are typically reflected in retail pricing and commercial positioning, shaping customer acquisition outcomes over time. In combination, these factors mean that the offer may influence not only short-term pricing, but also the evolution of customer distribution across networks.

Consistent with the analysis in Section 4, the effect arises not from restricting choice, but from influencing the relative attractiveness of alternative platforms at the point of acquisition, thereby shaping outcomes at the margin.

6. Offer 3: Ethernet Net Demand Offer

The Ethernet net demand offer introduces a link between eligibility for incentives and cancellation behaviour.

To the extent that cancellations reflect migration to alternative infrastructure, the presence of a clawback mechanism may influence CP decisions regarding whether and when to migrate customers.

While the primary purpose may be to prevent gaming, the design of the mechanism warrants consideration where it may affect behaviour at the margin.

In particular, where migration decisions are finely balanced, introducing a financial consequence linked to cancellations may alter the relative economics of retention versus switching, thereby influencing allocation decisions implicitly rather than explicitly restricting them.

This is consistent with the broader pattern identified across the offers, whereby incentives operate through marginal adjustments to behaviour rather than direct constraints, but may nevertheless influence how demand is distributed over time.

7. Offer 4: Equinox Extension

The extension of Equinox incentives maintains a pricing environment in which OR FTTP products remain competitively positioned across key speed tiers over an extended period.

In a market characterised by close substitution between competing fibre providers, sustained pricing differentials have effects that extend beyond immediate price competition. They influence not only current customer choices but also expectations about future pricing and relative platform attractiveness.

From our perspective, the relevance of these effects does not depend on competing with OR at the wholesale level. Rather, they operate through downstream retail markets. Where OR-based providers are able to maintain a structural input cost advantage over time, this is reflected in their retail pricing and commercial positioning, shaping the competitive conditions under which customers are acquired.

For a retail-route operator, this matters because competition takes place directly for end customers. The persistence of a pricing advantage changes how those customers are contested, even where networks do not currently overlap geographically.

More broadly, sustained pricing advantages also shape expectations. Communications providers form views about future pricing trajectories when making commercial decisions. Where there is a credible expectation that OR will maintain competitive pricing advantages over time, providers may rationally place greater weight on that platform in their strategy.

This affects not only short-term pricing behaviour but also longer-term decisions about where to direct growth and engagement. In this sense, the extension of Equinox incentives contributes to a set of conditions that may influence how demand is allocated across infrastructure platforms over time.

The relevance for Ofcom's assessment lies in the fact that these effects are systemic rather than firm-specific. They influence market-wide expectations and behaviour, and are therefore directly relevant to how competition develops across the sector as a whole.

In combination with the mechanisms described in earlier sections, these expectation effects reinforce the persistence of any marginal advantage in customer acquisition, contributing to cumulative differences in take-up over time.

8. Cumulative Impact

The effects of the proposed offers are most appropriately understood as a combined set of incentives that operate simultaneously on the same decision margin, namely, the allocation of incremental customer demand.

Each individual offer influences a particular aspect of commercial behaviour:

- incremental incentives affect the economics of acquiring new customers;
- geographic targeting concentrates those effects in areas where competition is, or will become, most relevant; and
- ongoing pricing incentives maintain a baseline level of competitiveness

When considered together, these mechanisms create a coherent set of incentives that shape how providers approach growth. From an economic perspective, this alignment is important because firms respond to the overall structure of incentives they face, rather than to any single mechanism in isolation.

The combined effect of these offers is therefore unlikely to be neutral. Instead, it creates a consistent set of signals that may influence how incremental demand is allocated across infrastructure platforms.

Importantly, these effects do not depend on any single dominant mechanism. A set of individually modest incentives, operating consistently on the same margin, can produce a persistent directional effect on customer allocation that shapes take-up trajectories over time and leads to divergence between networks.

These effects operate through a sequence of related channels: first, individual incentives influencing marginal customer acquisition decisions; second, the aggregation of those decisions across providers at market level; and third, the persistence of resulting differences in customer distribution over time.

Where incentive structures include threshold-based features linked to ARPU, these effects may be further amplified over time. Once threshold conditions are met, the enhanced returns from additional customer acquisition reinforce existing allocation patterns, increasing the likelihood that relatively small initial differences translate into sustained divergence in take-up between networks.

This dynamic is particularly relevant in retail markets characterised by customer inertia and contract duration, where improvements in early acquisition performance can have persistent downstream effects on pricing, customer distribution and competitive intensity.

This is relevant both to individual operators and to the market as a whole. Individual firms respond to these incentives when making decisions about pricing, customer acquisition, and growth strategy. At the same time, the aggregate effect of these individual responses determines how customers are distributed across networks at market level.

Because competition in fibre markets is cumulative and path-dependent, these aggregate effects are particularly important. Decisions taken at the margin today influence the distribution of customers over time, which in turn shapes the intensity and effectiveness of competition in future periods.

Once established, these differences tend to persist due to customer inertia and contract duration, reinforcing the long-term impact of marginal allocation effects.

9. Implications for Competition and Investment

The implications of the proposed offers are most clearly understood in the context of the economics of infrastructure competition and the role of take-up in determining outcomes.

Fibre networks are characterised by high fixed costs and low marginal costs. Under this cost structure, profitability depends critically on achieving sufficient levels of customer take-up to recover upfront investment. The trajectory of customer acquisition is therefore a key determinant of both short-term financial performance and long-term competitive viability.

In this context, competition operates dynamically rather than statically. Networks do not compete solely on price at a given point in time; they compete to secure customers over a multi-year horizon. The rate at which customers are acquired determines how quickly a network moves toward efficient utilisation and, in turn, the level of returns it is able to generate.

Where incentives influence the allocation of incremental demand, they also influence this trajectory. This occurs in practice through changes in downstream commercial behaviour, including pricing strategies, promotional activity and customer targeting, as providers respond to the relative returns created by the incentive structure. Even relatively small changes in the proportion of new customers captured by different networks can result in meaningful differences in take-up over time.

From an economic perspective, this can be illustrated through a simple example.

- Assume a network requires long-term take-up of $\geq 10\%$ to achieve efficient scale
- If annual customer acquisition is reduced marginally, for example from 10% to 8% of the addressable base
- the time required to reach that level increases materially

This has a direct effect on the investment case. A slower path to take-up increases the payback period, reduces the net present value of the investment, and increases exposure to risk.

Internal modelling and observed project-level outcomes indicate that investment returns in fibre deployment are highly sensitive to relatively small changes in pricing and take-up assumptions. This can be illustrated through both stylised examples and observed operator economics.

For example, a reduction of approximately £3 in blended ARPU, of the type that may arise where providers match downstream pricing effects of the proposed incentives, would typically require in the order of 3 additional gross customer acquisitions to offset. At an individual site level, such a change could be expected to reduce internal rates of return by around 3%, depending on the characteristics of the deployment.

The effective pricing outcomes described in earlier sections are consistent with changes of this order of magnitude. Where multiple incentives apply in combination, including connection rebates, sustained rental discounts, and ARPU-linked mechanisms operating above threshold conditions, the resulting impact on effective acquisition pricing can reasonably be expected to translate into changes in blended ARPU of this scale.

This provides a direct link between the structure of the proposed offers and their potential to influence investment outcomes, demonstrating that the mechanisms identified are not only theoretically relevant but also economically material in practice and of a scale capable of influencing investment decision-making.

A complementary perspective is provided by considering sensitivity to changes in take-up. For a typical deployment area, a reduction of around 3% in achieved penetration relative to plan could be expected to have a comparable impact on project-level returns, with corresponding effects on payback and investment viability.

These examples are illustrative of the underlying sensitivity of fibre investment models, and highlight how relatively small changes in effective pricing and customer allocation can translate into material differences in investment outcomes. In capital-intensive deployment models, where returns depend on achieving both sufficient take-up and sustained revenue levels, such changes are directly relevant to the viability, timing and risk profile of investment.

These effects are particularly relevant in markets with overlapping infrastructure. Where multiple networks depend on achieving sufficient take-up in the same or adjacent areas, differences in customer acquisition rates may determine which networks reach efficient scale.

The relevance of these dynamics does not depend on the presence of direct wholesale competition. For retail-route operators, the mechanism operates through changes in retail pricing and customer acquisition conditions. Incentives that improve the relative attractiveness of one platform influence how customers are distributed, which in turn affects the performance of all networks.

From Ofcom's perspective, the key issue is therefore not whether competition is eliminated in a static sense, but whether the structure of incentives influences the path by which competition develops over time.

This is consistent with Ofcom's own assessment in the Telecoms Access Review, which recognises that take-up underpins the ability of alternative networks to exert a strong competitive constraint over time and that regulation should maintain an opportunity for reasonably efficient operators to build scale during this period¹.

Because customer acquisition is cumulative and customers tend to remain with providers for extended periods, early differences in allocation can have lasting effects. This introduces an element of path dependency, whereby small initial advantages can translate into persistent differences in market outcomes.

In this context, incentives that systematically influence the allocation of incremental demand are directly relevant to the development of sustainable infrastructure competition.

These dynamics also interact with financing conditions. Slower or more uncertain take-up trajectories increase perceived investment risk, which may affect the cost of capital and the availability of funding for further network expansion. In practice, these factors are reflected in investor confidence and the willingness to commit capital to ongoing network deployment.

As a result, marginal differences in customer allocation can propagate through to broader investment outcomes, reinforcing the importance of assessing how incentives influence demand distribution.

10. Conclusion and Suggested Approach

We support measures that promote FTTP adoption and deliver benefits to consumers, including through lower prices and increased take-up during the transition to full fibre.

However, the presence of lower prices or increased take-up in the short term is not, in itself, sufficient to conclude that such arrangements are consistent with effective competition. Ofcom's framework recognises that pricing structures can produce immediate consumer benefits while still giving rise to longer-term risks where they influence the allocation of demand in a way that affects the development of sustainable infrastructure competition.

In this context, the relevant question is not whether the proposed offers may reduce prices or increase adoption, but whether their structure and operation are consistent with the maintenance of effective competition over time. This requires an assessment of their potential impact on demand allocation, investment incentives and the evolution of competitive conditions.

At the same time, it is important that the structure of commercial incentives supporting these objectives does not undermine the conditions necessary for effective and sustainable infrastructure competition.

In particular, this sensitivity arises through the mechanisms identified in the preceding sections, which operate on the allocation of incremental demand and accumulate over time.

¹ <https://www.ofcom.org.uk/siteassets/resources/documents/consultations/statement-promoting-competition-and-investment-in-fibre-networks-telecoms-access-review-2026-31/main-documents/volume-1-overview-summary-and-structure.pdf?v=413672> paras 1.9 and 1.10

The analysis set out above indicates that the proposed offers give rise to a clear and economically coherent risk that they may influence the allocation of incremental customer demand, particularly during a phase of the market where such allocation is the primary driver of competitive outcomes.

The relevance of this effect lies not in any immediate restriction on competition, but in its influence on how competition evolves over time. Where incentives systematically shape the distribution of customers across networks, they may alter the trajectory of take-up, with implications for investment, utilisation, and long-term competitive dynamics.

As set out in Section 8, these effects arise through a sequence of related channels, from marginal customer acquisition decisions to persistent differences in customer allocation over time. The proposed offers must therefore be assessed in light of their combined and dynamic impact, rather than by considering individual mechanisms in isolation.

These considerations are directly aligned with Ofcom's objective of promoting sustainable competition, highlighting the importance of assessing not only the immediate effects of pricing arrangements, but also their impact on the development of competition over time.

Viewed through this analytical framework, and taking into account both the economic mechanisms identified and their quantified impact on investment outcomes, the proposed offers give rise to a clear and well-founded basis for concern within Ofcom's existing analytical framework. Taken together, these elements represent a coherent structure of incentives affecting both the volume and value of customer acquisition, rather than a set of isolated pricing measures. This reflects their combined and interacting effects rather than their individual characteristics.

In particular, the combination of incremental incentives, geographic targeting and sustained pricing advantages corresponds directly to the types of pricing structures that Ofcom has previously identified as capable of influencing the development of competition where providers are competing for incremental demand.

In this context, our starting position is that these arrangements are likely to affect the development of competition in a manner that is directly relevant to Ofcom's framework, particularly where they influence the allocation of incremental demand during a critical phase of market development, and should be treated as giving rise to competition concerns unless it can be demonstrated that they do not have such effects. The appropriate regulatory test is therefore whether it can be demonstrated that the structure and operation of these offers do not give rise to such effects, rather than whether adverse outcomes have already materialised. In practical terms, this implies that the onus lies on demonstrating that such arrangements do not distort competitive outcomes, rather than on stakeholders to evidence that harm has already occurred. This is particularly relevant where such arrangements include threshold-based features and value-linked incentives that amplify their effects over time.

This applies in particular to front-book ARPU share offers that are described as non-conditional but in practice incorporate explicit ARPU thresholds. Such arrangements condition the level of benefit on the

value and distribution of customer acquisition and operate in conjunction with other incentives affecting acquisition volumes.

As a result, they form part of a coherent set of mechanisms influencing the allocation of incremental demand. They should therefore be assessed within the same analytical framework as the other offers, rather than on the basis of formal characterisation or in isolation from their combined effects.

This applies to all elements of the proposed commercial arrangements, including front-book pricing that is presented as non-conditional, to the extent that it influences customer acquisition decisions and interacts with other incentives operating on the same margin.

In light of these factors, we consider that the offers warrant careful scrutiny, with particular attention to:

- the justification for geographic targeting;
- the extent to which incentives influence incremental customer acquisition; and
- the cumulative and dynamic effects of the offers

If elements of the offers are permitted, proportionate safeguards may be appropriate. The objective of such safeguards should be to preserve the integrity of competition at the margin, ensuring that customer allocation reflects underlying competitive conditions rather than being systematically influenced by targeted incentives.

Accordingly, where such arrangements are maintained, they should be subject to conditions that ensure they do not distort the allocation of incremental demand across competing networks.

Considered in this way, the appropriate starting point for assessment is not one of neutrality, but of recognising that such arrangements are liable to affect the development of competition unless demonstrated otherwise.

A holistic assessment is therefore required to ensure that the interaction and cumulative impact of these mechanisms is properly understood. The objective should be to ensure that the benefits of increased take-up and lower prices are realised in a manner that remains consistent with effective and sustainable infrastructure competition, and with the investment conditions necessary to support it over the long term.

In fibre markets, relatively small and sustained differences in pricing and customer allocation can shape long-term outcomes for investment, competition and ultimately consumer choice.