



**Incremental Ethernet Net Demand Offer**  
SHARED WITH OFCOM

June 2026

This response has been provided on the basis that it will only be used for the purpose of Ofcom's assessment of conditional offers and for no other purpose, unless otherwise agreed in writing by Openreach.

## Introduction

1. Openreach notified a new pricing offer – Incremental Ethernet Net Demand Offer (**the Offer**) – on 1 June 2026. The Offer gives a discount for the supply of Ethernet Access Direct (EAD) services where these are incremental to a pre-set baseline for each Communications Provider (CP).
2. The Offer gives a 'free connection' for each incremental order that is placed above the CP specific baseline. The terms of this offer are conditional on the volume of services purchased and have therefore been notified to Ofcom and industry under SMP Condition 8.6.
3. Ofcom has set out in the TAR how it would assess conditional offers. We have assessed the offer on this basis and believe it is consistent with the TAR framework and with Ofcom's policy objectives. In particular, the offer will not undermine the development of long-term network competition:
  - By offering discounts on incremental volumes above a baseline only, CP decisions about which network supplier to use for those potential volumes will be based on the relative prices and other terms available from Openreach and from alternative suppliers. The structure of the conditional offer does not create additional penalties or disincentives for CPs choosing to use alternative suppliers for any level of volumes – i.e. there will not be any change in the prices the CP would pay for any baseline or other incremental volumes that were placed with Openreach. While the offer triggers the notification requirements in Condition 8.6, the conditionality within the offer is not "*overtly loyalty inducing*" and does not create other "*indirect effects*" that could act as barriers to the use of altnets.
  - The level of discounts available on incremental volumes during the offer period will not undermine the ability of efficient rivals to recover their costs if they want to match Openreach's discounted price. [38]. This reflects the wider trend in the growth in constraint on Openreach's EAD services from both altnet leased lines and altnet and Openreach FTTP services. As such, the introduction of this offer will not undermine the development of long-term network competition.
  - The notified commercial terms are expected to generate clear and demonstrable benefits as it will help customers benefit from lower prices and greater retail competition. The offer allows some end-customers to purchase high-quality Ethernet services when this is their preferred option, who might otherwise not be able to do so.
4. We have structured this submission to reflect the guidance set out in the TAR Statement on how Ofcom would approach assessment of conditional offers:
  - **Section A** provides a detailed description of the key elements and design features of the Offer including the duration of the offer, services covered, and relevant prices and other terms and conditions that would apply; and how the incremental volume condition would operate.
  - **Section B** summarises Ofcom's assessment framework for conditional offers.

- **Section C** sets out our views on how this offer sits within Ofcom’s framework as set out in the TAR guidance, and why we believe this offer should be considered as consistent with Ofcom’s overarching policy objectives more broadly. [X].<sup>1</sup>
- **Section D** sets out our view on the necessity to maintain flexibility around the baseline during the 120 day notification window, and in the event that Openreach was to subsequently submit a consent request, why it would be reasonable for Ofcom to consent to Openreach resetting the baseline without a further 120 day notification.

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<sup>1</sup> As required in TAR Annex 8, paras A8.64 – A8.73.



## Section A: Summary of the Offer Structure

### Introduction

5. Openreach has notified an Incremental Ethernet Net Demand Offer.
6. [REDACTED].
7. The objective of the Offer is to attract new customers to Openreach's ethernet portfolio, where they can benefit from the high quality features of our EAD products, at a lower overall cost of ownership. By offering the discount we expect that CPs will be able to undertake further proactive engagement with end-customers about these services as well as using them as an option when reactively responding to bids. Acquisition of these new customer lines [REDACTED].
8. We have engaged with CPs to try and understand the level of expected take-up but recognise there is some uncertainty around this level. On the basis of the feedback and our own estimates, our internal governance approved launch of the offer on an estimate of<sup>2</sup>:
  - a. [REDACTED]; and
  - b. [REDACTED].

### Offer structure

9. The Incremental Ethernet Net Demand Offer starting from 1 October 2026 running for 12 months, split into two six-month periods. The offer covers volumes that exceed a baseline set as a proportion of each CP's previous 'run-rate' of net demand placed with Openreach. Table 1 below summarises the terms of the offer.

**Table 1: Summary of offer terms**

| Terms          | Details                                                                                                                                                                                                                                                                                                                                                                 |
|----------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Product        | <ul style="list-style-type: none"><li>EAD1Gb and EAD100Mb (all variants)</li></ul>                                                                                                                                                                                                                                                                                      |
| Footprint      | <ul style="list-style-type: none"><li>National</li></ul>                                                                                                                                                                                                                                                                                                                |
| Notification   | <ul style="list-style-type: none"><li>1 June 2026</li></ul>                                                                                                                                                                                                                                                                                                             |
| Offer Duration | <ul style="list-style-type: none"><li>12 months</li><li>1 October 2026 to 30 September 2027</li><li>CPs must opt in at least 7 days prior to the start of the offer using the Openreach Offer Acceptance Form</li></ul>                                                                                                                                                 |
| Pricing        | <ul style="list-style-type: none"><li>100% connection rebate for each order above the Incremental Threshold</li><li>The connection rebate is based on the average connection price, including any existing connection offers</li><li>The maximum circuit volume on which Openreach will pay a discount is on a volume of 50% above the Incremental Threshold.</li></ul> |

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<sup>2</sup> Note we previously shared an estimate of 3.2k circuits with Ofcom ('Ethernet Special Offers', 11 May 2026, slide 17). Subsequent CP feedback led us to revise this estimate ahead of the internal governance that approved the offer.

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|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------|
| Baseline                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 1.                                                                                                                                                                       |                                                                                                                            |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Defined terms                                                                                                                                                            | Value in 1 June notification                                                                                               |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | The <b>Baseline Period</b> is a defined period                                                                                                                           | 1 April 2025 to 31 March 2026                                                                                              |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | The <b>Threshold Percentage</b> is a defined percentage to be applied to CPs' net demand (orders minus cancellations and subject to other exclusions)                    | 90%                                                                                                                        |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | The <b>Incremental Threshold</b> is the Threshold Percentage of the CP's net demand during the Baseline Period, pro rated to the Measurement Period.                     | Net demand * Threshold Percentage * Pro rata factor                                                                        |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | The <b>Measurement Period</b> is the period over which Openreach assesses whether a CP has exceeded the Incremental Threshold. Each Measurement Period lasts six months. | Measurement Period 1:<br>1 October 2026 to 31 March 2027<br><br>Measurement Period 2:<br>1 April 2027 to 30 September 2027 |
| <p>For example,</p> <ul style="list-style-type: none"> <li>A CP has net demand of 10,000 circuits in the Baseline Period 1 April 2025 to 31 March 2026;</li> <li>The Incremental Threshold is calculated as 10,000 (net demand) * 90% (Threshold Percentage) * 0.5 (pro-rated to six month Measurement Period) = 4,500.</li> <li>In Measurement Period 1, any circuit orders above 4,500 would be eligible for the discount</li> <li>The CP would be able to receive a maximum of 2,250 circuits eligible for the connection rebates, in line with the 50% cap (see Pricing section of this table)</li> </ul> |                                                                                                                                                                          |                                                                                                                            |

|                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|-------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Rebate approach               | Rebates are paid three months after the Measurement Period. <sup>3</sup> If, during that time, the CP's cancellation rate is more than 2 percentage points above the cancellation run rate in 25/26, net demand for the prior period will be reduced by the excess when calculating eligibility.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Other terms                   | <ul style="list-style-type: none"> <li>• Same-CP provide and cease orders are not intended to be included in the offer. If Openreach believes a CP has placed materially more of these orders during the Measurement Period than during the Baseline Period, it reserves the right to adjust the volumes accordingly.</li> <li>• Where a CP has separate retail and wholesale units of material size (each such retail or wholesale unit had a minimum of 1,250 circuits of net demand in 25/26), and can provide historic volumes and distinguish those volumes going back to at least 1<sup>st</sup> April 2025 in orders placed with Openreach, Openreach will provide separated baselines at the CP request (a maximum of 2).</li> <li>• EAD orders for the purpose of FTTP aggregation are excluded</li> </ul> <p>And for the avoidance of doubt EAD orders as part of the Exchange Exit Migration programmes, are considered migrations and excluded, as the migration activity is already compensated for under the exchange exit contract</p> |
| Interaction with other offers | <ul style="list-style-type: none"> <li>• The offer is compatible with other offers, but where other connection discounts apply, CPs will only receive a discount equivalent to those connection charges</li> <li>• For our 'EAD 1Gb LA Alternative pricing' special offer, we will treat those orders as if they had paid the list connection price</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |

## Section B: Consideration of conditional offers under the TAR

### Ofcom's stated competition concerns with conditional pricing offers

10. In the TAR, Ofcom stated that it "... remained concerned that Openreach could use other commercial terms to undermine the development of network competition."<sup>4</sup> Ofcom specifically set out competition concerns with terms that made Openreach pricing conditional on the volume or range of services purchased:<sup>5</sup>

*".. terms such as Openreach offering lower prices in return for large volume commitments are a particular concern because this could deter access seekers from switching demand to rival networks... Openreach could design commercial*

<sup>3</sup> We have decided that it would not be practical or commercially attractive for us to seek to identify which individual Ethernet connections in any period were within the baseline and which should be counted as incremental. Rather we will measure the total volume of net demand in the relevant measurement period and implement the discount as a rebate, after the period. Thus CP performance against the offer will be assessed over these six-month periods and then rebates paid on the incremental volumes achieved.

<sup>4</sup> TAR, vol 3, para 9.154

<sup>5</sup> TAR, vol 3, para 9.156

*terms which mean access seekers face a significantly higher average charge for services purchased from Openreach if they do not purchase all their services from Openreach... Openreach could make discounts on telecoms providers' purchases conditional on buying significant volumes and/or range of services, which mean [they]... cannot use rival networks for any meaningful volumes without losing those discounts. This could exclude rival networks even if telecoms providers found them preferable, depriving them of demand and undermining the development of network competition in the long run."*

11. In line with this specific competition concern about conditional pricing, the TAR requires at SMP Condition 8.6 that where Openreach sets pricing or other terms that are conditional on the volume or range of services purchased, we need to give 120 days' notice. This is to give Ofcom time to assess such offers on a case-by-case basis and consider whether they may undermine the development of long-term network competition.

## **Ofcom's assessment framework for conditional price offers notified under Condition 8.6**

12. Ofcom set out how they would assess conditional pricing offers in the TAR, with the process set out in volume 3 para 9.214 and guidance at Annex 8, paragraph A8.64 to A8.77.

13. Specifically, paragraph A8.68 states:

*"... our assessment of notified commercial terms will begin by considering whether the arrangement creates a potential barrier to using rival networks. If we conclude that Openreach's proposed commercial terms create a potential barrier to using rival networks, our starting point would be that the creation of any barrier to using rival network operators would only be justified where:*

- a. the impact on network competition is unlikely to be material; and*
- b. the arrangements will generate clear and demonstrable benefits..."*

14. From this, Ofcom sets out that it will consider up to three questions in assessing conditional pricing offers:

- 10. Do the notified commercial terms potentially create a barrier to using rival networks?
- 11. Are the notified commercial terms likely or unlikely to have a material impact on network competition?
- 12. Are the notified commercial terms likely to generate clear and demonstrable benefits

15. Our position is that the structure and specific terms of this conditional pricing offer do not create a barrier to using rival networks and do not raise any of the competition concerns relating to conditional pricing offers described in the TAR. Ofcom references pricing offers that could be "overtly loyalty inducing" such as exclusivity discounts, retroactive rebates and structures where the price in one geographic area was dependant on the price in another area.<sup>6</sup> Ofcom also references offers that may operate with the "indirect effect that obtaining

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<sup>6</sup> TAR Annex 8 para A8.67



discounts is in practice contingent on whether telecoms providers purchase from rival networks."

16. None of these issues are present in the structure of this offer.
17. Put simply, the structure and terms of the offer do not change the price of the volume of circuits purchased from Openreach depending on whether or to what extent a CP chooses to place volumes with an altnet. Rather the structure and terms of the offer mean that decisions about whether, and the extent to which, to use an altnet for some business customers volumes will be based on the level of pricing available from Openreach under this offer for those volumes.
18. This will reflect the overall level of demand a CP has for Ethernet services in the offer period. If that overall level of demand was expected to be above the baseline, then the CP would make purchasing decisions by direct reference to the rebates available from Openreach under the offer terms on incremental volumes above the baseline. There are no direct loyalty inducing or indirect effects arising from the conditionality within the offer that will act as a deterrent or barrier to the CP using an altnet. The relevant question is not, therefore, around the structure or terms of the conditionality within the offer but on whether the level of pricing available within the offer creates challenges to competition. This is an important consideration that we address in Section C.
19. In our view this means that Ofcom does not need to look at questions 2 and 3 in its assessment. However, we would note that there are clear benefits from this offer:
  - Additional competition at the retail level, as a new customer offer helps stimulate customer churn.
  - Increased customers taking Ethernet services and benefiting from the high-quality features of those services. [X].
  - Lower price paid. We expect CPs using this offer to pass the discounts to the market in order to drive incremental volumes. Consumers will therefore benefit from prices that could be c£2,000 cheaper than the list price, in the first year of the service.
20. For Openreach we expect to generate additional volumes. [X]. These additional volumes will support Openreach's ongoing focus and support for Ethernet as a key part of its portfolio. This is critical in a time where despite its high-quality features, Ethernet is increasingly coming under competitive pressure from different services including FTTP.

## Section C: Assessment of price levels within the offer

### Introduction

21. In this section we consider whether the prices available within the offer could themselves be considered problematic under the TAR framework, by reference to:

- Whether the offer pricing could be considered “too low” and undermine the opportunity for competitors to recover its costs.
- How CP purchasing decisions between Openreach and rival wholesale networks could be impacted by this offer in practice.

### Whether the offer pricing could be considered “too low”

22. We recognise that Ofcom may wish to ensure that prices offered by Openreach are not ‘too low’ relative to a relevant cost benchmark. We recognise that Ofcom has used a range of cost benchmarks in different circumstances and describe the approach we have used below. In the approach below we have taken a conservative approach to assessment by looking at the price and costs associated with the incremental volumes. An assessment that looked at the overall average EAD prices and costs would pass the same tests even more comfortably.

[REDACTED]

23. [REDACTED].

24. [REDACTED].<sup>7 8</sup>

25. [REDACTED].<sup>9 10</sup>

[REDACTED]

26. [REDACTED].

27. [REDACTED].

28. [REDACTED].

### How rival wholesale networks may be impacted by offer price in practice

29. [REDACTED].<sup>11</sup>

30. [REDACTED].

31. [REDACTED]:

32. [REDACTED].

33. [REDACTED].

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<sup>7</sup> Ofcom, Thus/Gamma vs BT, [2013-04-25 Final Decision - New Master.docx](#), para 6.28.

<sup>8</sup> For example, see, the European Commission’s draft [Guidelines on exclusionary abuses of dominance](#).

<sup>9</sup> Ofcom Openreach – ethernet cost estimates May 2026.pdf, shared via email from Paul Oxley (Openreach) to Ofcom, 19 May 2026.

<sup>10</sup> Ofcom/Openreach meeting on Ethernet LRIC estimates held 10 June 2026.

<sup>11</sup> TAR, Annex 8, A8.70.

## **Section D: Ability to flex the baseline in line with market trends**

34. The Offer is designed such that the discount only applies where CPs achieve volumes above a baseline. In this section, we recap how the baseline will be determined for each CP. We also explain why it is necessary to maintain some flexibility to amend that baseline within the notification period. We believe this can be achieved through finalising the baseline before each six-month monitoring period. In previous correspondence, Ofcom has stated that revising the baseline in this way would trigger SMP Condition 8.6 and a further notification period. We explain why this should be waived.

### **The notified baseline**

35. The baseline will be calculated using a consistent formula that is applied to all CPs, but then generates an individualised absolute baseline for each CP.

36. Our objective has been to set baselines at levels that are achievable and fair across CPs and offer opportunities for them to drive incremental volumes in the offer period. To do this, the baselines for each CP have been calculated using the following methodology.

37. We set the baseline based on CPs' past net demand during a specific period. We then adjust this to reflect overarching market trends. From this we calculate each CP's absolute baseline.

38. We have notified the offer with the threshold percentage (90%) and baseline period (2025/26). The absolute volumes of each CP's threshold would be incorporated into the 'Offer Acceptance' that would be issued to each CP.

## Flexibility around the baseline

39. The Ethernet market is in a period of change [3X]. While we do our best to forecast future trends, inevitably this involves some uncertainty. Over the course of a 120-day notification period there is time for material changes to occur.
40. Accordingly, we believe that there may be circumstances where overall industry demand increases or decreases in a way that justifies a revision to the baseline. Without such revisions CPs may end up facing a baseline that is irrelevant, either because it is too low (so they will easily achieve it) or too high (such that it is not feasible to achieve it), and therefore the offer itself becomes irrelevant. In a market that is at an inflection point, with the potential for material movements in demand, a 120 days' notice period could lead to a position where an offer is never effective as the baseline is always irrelevant by the time it comes into force.
41. Our preference is that the baseline remains the same as it is in the Notification for both measurement periods. However, pragmatically for the reason above we would like the flexibility to adjust the baseline if needed. Therefore, we have included within the contractual terms of the offer the ability for Openreach to unilaterally change the threshold percentage and baseline period in advance of any measurement period, subject to the notice required by regulation or at least a minimum of 28 days. In our view 28 days would be an appropriate period for a revision to the baseline, given CPs and industry are aware of the overall structure and nature of the offer.
42. Given this, we wish to understand and clarify the level of notice that is in fact needed under regulation for such an offer.
43. Ofcom has previously indicated<sup>12</sup> that where the proposed contractual amendment alters the volume requirements for an offer, condition 8.6 is triggered. Since the Threshold Percentage and Baseline Period determine the volume requirements that a CP must meet in order to qualify for the discount under the Ethernet Incremental Demand offer document, a revision to these terms could be interpreted as engaging the notification requirement in condition 8.6.
44. If the view as set out in para 43 continues to apply, then for this specific special offer, we would like consent from Ofcom (under SMP Condition 8.1), to be able to vary the baseline period and threshold percentage, without triggering the requirement to give 120 days' notification (under SMP Condition 8.6).
45. We have been considering the best way to seek this consent (for avoidance of doubt, the above statement is not a formal consent request, nor is the notification of the offer).
46. In our view, changing the baseline does not alter the assessment of the offer because the key features of the offer – its structure (purely incremental and non-retrospective) and price level (comfortably above a relevant cost threshold) – should not raise competition concerns.
47. Accordingly we invite Ofcom to consider the role of the baseline alongside its consideration of the Offer as a whole following notification, which could also include gathering stakeholder

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<sup>12</sup> Email from James King (Ofcom) to Paul Oxley (Openreach) dated 26 May 2026.

feedback, which could then make the subsequent process of a consent request more streamlined. For example, if Ofcom agreed with our position during the initial review of the Offer, if we later determined that we did need to flex the baseline, we could submit to Ofcom a consent request alongside the revised baseline, and would hope Ofcom could rapidly engage with and approve this request. For example, we might submit such a request in August 2026, ahead of a 28 notification of a revision to the baseline in September 2026, for implementation in October 2026.

48. We understand that in many circumstances where Ofcom contemplates granting a waiver from an SMP Condition, it would expect to consult on that waiver. The Communications Act Section 49A, sets out this requirement. However, the requirements under Section 49A do not apply if Ofcom determines that the proposed waiver would not have a substantial impact on the market.<sup>13</sup>
49. The reduction of the notice period to a change in the baseline number from 120 days to 28 days will not have a substantial impact on the market and accordingly, we propose that, in the future circumstances of Openreach submitting a waiver request, Ofcom grants a waiver rapidly and without consultation. Once Ofcom will have established that our proposal does not raise any issue under its framework, there will be no need to conduct another assessment if we change the base line, since the same conclusion will necessarily apply.
50. We note that Ofcom has taken this approach previously.<sup>14</sup> If we find we do need to apply for waiver, we will prepare a separate submission to Ofcom to that effect at the time.

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<sup>13</sup> Communications Act 49A1(b).

<sup>14</sup> Ofcom, [Consent to BT for provision of access for proof-of-concept trial](#), April 2023, para 2.6, and, Ofcom, [Consent to the waiver of a notification period for changes to Openreach network access charges, terms and conditions](#), 21 May 2020, para 1.24, [openreach-notification-waiver-covid19.pdf](#).