Incremental Nationwide New to Openreach Customer Offer

SHARED WITH OFCOM

1 June 2026

General

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

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Introduction

1. Openreach has notified a new pricing offer for the supply of Fibre to the Premises (**FTTP**) services for New to Openreach connections where these are incremental to a pre-set baseline for each Communications Provider (**CP**). The offer will run initially for six months with the option to extend for a further six months.

2. Discounts of £35 per connection and £9.50 per month rental would be provided on the volume of circuits that were incremental compared to each CP's specific baseline, with the duration of the rental discount increasing in incremental tiers up to a maximum of 30 months. The terms of this offer are, therefore, 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 Statement 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 clearly triggers the notification requirements in SMP Condition 8.6, the conditionality within the offer is not "*overtly loyalty inducing*"[1] and does not have an "*indirect effect*"[2] 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. Our analysis at Section C below shows that a hypothetical efficient rival matching Openreach's wholesale pricing structures in competing to supply FTTP services to all available premises would earn Average Revenues Per User (**ARPUs**) above the midpoint of Ofcom's modelled range for a Reasonably Efficient Operator (**REO**).
   - We see no case to focus analysis of long-term cost recovery on the ARPUs earned only on the narrow increment of those New to Openreach lines receiving discounts under this offer. Altnets clearly do not compete for this narrow increment in isolation. However, even the ARPUs earned on this increment will be within the modelled REO range over a 5-year average customer life.
   - The notified commercial terms are expected to generate clear and demonstrable benefits as end customers will benefit from lower prices and greater retail competition, while Openreach's objective is drive incremental volumes to its network that would benefit our FTTP business case and support ongoing FTTP investment.

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1 TAR Statement, Annex 8, para. A8.67.
2 Ibid.

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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 and the process it would then expect to follow in deciding whether to grant consent, as set out at Annex 8 of the TAR Statement:

   - **Section A** provides a detailed a description of the key elements and design features of the proposed 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, including the setting of baselines.
   - **Section B** sets out our view that the conditionality within the offer structure does not act as a deterrent or barrier to the use of altnets by CPs and is therefore consistent with the TAR framework and Ofcom's policy objectives.
   - **Section C** sets out our analysis of why the discounted prices available within the offer will not undermine the ability of efficient rivals to recover costs or otherwise undermine the development of long-term network competition.

Section A: Summary of the Offer Structure

Overview

5. Openreach has notified a conditional, incremental new to Openreach customer FTTP offer, starting from 1 October 2026 for an initial six-month period, with the option to extend an additional 6 months depending on CP response and offer effectiveness. This six-month extension has been provided for in the offer terms and conditions, and we would request that Ofcom considers the offer on the basis of a full twelve-month period (including in any consultation outcome). If we do choose to extend the offer, we would then intend to notify CPs of the extension by way of a CP briefing with at least one day's notice without triggering a further formal notification requirement under SMP Condition 8.6. We should be grateful if Ofcom would confirm this approach as acceptable during the process of consultation.

6. The offer covers NTN[3] orders and other Subsequent Provide[4] orders, and would reward CPs with rebate payments for all qualifying connection volumes above a pre-set CP-specific baseline. Rebates will be paid using a tiered structure that combines a £35 connection rebate with a £9.50 monthly rental rebate whose duration increases as incremental performance rises up the tiers.[5]

Table 1: Tiered discount structure

Incremental volume tier	Discount Period	Cx discount	Rental discount
0% - up to and including 5% above baseline	18 months	£35	£9.50 p.m.
5% - up to and including 10% above baseline	24 months	£35	£9.50 p.m.
Greater than 10% above baseline	30 months	£35	£9.50 p.m.

7. It would not be practical for us to seek to identify which individual FTTP connections in any period were within the baseline which were counted as falling within the incremental tiers. Rather, we will measure the total volume of connections in the period and, therefore, identify the total volumes, if any, that fall into each tier. The fixed value of rebates per connection are based on the average connection and rental charges we expect across all FTTP connections.

    a. The £35 connection rebate has been set by reference to the current average connection fee across the blend of Area 2 NTN, Area 3 NTN and Subsequent Provide orders. The objective of the rebate is to effectively offer these incremental volumes as free connections.

3 As defined in the Equinox and previous FY26 NTN offers, essentially where there has been no active Openreach service to the premises in the previous 90 days. This excludes new build sites.

4 Any order where an inactive, powered, Openreach ONT is already in place at the premises (e.g., where there has previously been an FTTP service that has since been ceased).

5 These values will not be indexed during the offer period, or period of rebate.

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Table 2: Effective connection price

FY27 Price £	List price	Equinox price	Offer rebate	Net of rebate
New to Network Area 2	£127.26	£32.07	£-35	£-2.93
New to Network Area 3	£127.26	£127.26	£-35	£92.26
Subsequent Provide	£0	N/A	£-35	£-35
Blend based on current order mix	[✂]	[✂]	[✂]	[✂]

b. The £9.50 rental discount [✂].

8. Total volume performance will be assessed quarterly and then rebates paid on incremental volumes retrospectively.

9. The objective of the offer is to bring new end customers on to the Openreach FTTP network who will either currently be purchasing no fixed line broadband - e.g. mobile-only households – or be purchasing services supplied by Virgin Media O2 (**VMO2**) or altnets. [✂].

10. Acquisition of these new customer lines will improve take-up on our FTTP network and generate a higher level of incremental revenue per customer than an existing customer upgrading from Openreach copper to FTTP broadband. This improves the return on our FTTP investment. In turn, we would expect CPs using the Openreach network to be able to compete more strongly with the low prices already offered by many altnets at the retail level, increasing consumer choice and take-up of FTTP products more generally.

11. We estimate that this offer will drive an [✂] lines in FY27 if run for six months.[6] Of these, we believe that [✂]. We estimate that of the total, [✂] These volumes would be expected to double if the offer was extended to run for 12 months.[7]

Conditional nature of offer

12. Openreach ran two NTN offers in Q3 and Q4 of FY26, both offering free connection on all NTN volumes[8] with the aim of stimulating acquisition—the first nationwide and the second focused on WFTMR Area 2. [✂]:

- [✂].
- [✂].
- [✂].

13. [✂].

[6] We would expect in conjunction with the VMO2 overlay offer this would increase [✂].
[7] Increasing [✂] in conjunction with the VMO2 overlay offer
[8] [✂].

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14. [✂]. This makes the offer conditional on the volume of services, and as such triggers SMP Condition 8.6 of the TAR which requires 120 days' notice ahead of implementation, providing time for the Ofcom assessment of the conditional offer (discussed fully in section B).

Setting of the baseline

15. To quantify what is an incremental order, there needs to be a baseline volume. This has been set for each CP with FTTP order volumes of more than 1k in April 2026.[9] For CPs with fewer orders, the baselines become less relevant (e.g., where purchases are more lumpy over time), and the operational burden in setting and monitoring baselines for a larger number of smaller CPs is disproportionate.

16. Baselines have been set for each relevant CP and communicated with them. 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 consistent and objective methodology that applies to all relevant CPs in the same way:

    - NTN and Subsequent Provide volumes for each relevant CP have been taken from April 2026. This month is not impacted by CPs' responses to the NTN offers that were run in Q3 and Q4 FY26, and also reflects the current wholesale trading patterns of our external CPs (i.e. current wholesaling agreements were in full effect during this month).
    - The April 2026 figure has then been adjusted to the start month of the offer (October 2026) to reflect an estimate of the increase in Openreach FTTP footprint availability. This has been set by assuming reaching 25m premises in December 2026 and then building 1m premises per year thereafter (all applied straight line). This is an estimate consistent with public statements, and so doesn't provide any additional information on Openreach build plans to CPs subject to the baselines. Each month from October 2026 to the end of the offer period is also adjusted for the expected increase in Openreach FTTP availability.
    - A seasonality adjustment is then also made to reflect the fact that some months see stronger or weaker trading. For example, for November 2026 we have taken the footprint adjusted baseline, and further adjusted by the change in NTN and Subsequent Provide volumes from October 2024 to November 2024 for each specific CP.
    - This generates the monthly baseline for each CP that is then aggregated into a quarterly baseline. Each quarter is then compared to actual trading in that quarter to calculate the incremental circuits by tier.

17. The volume of circuits above baseline each quarter will then be used to calculate the overall rebate level. As noted above, the rebate paid is not linked to any specific circuit, the volume discounted will remain the same for the full rebate period even if the CP ceases specific circuits.

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[9] CPs with volumes below this level will not have a baseline but instead have 12 months rental discount on the first 5% of NTN and Subsequent Provide volumes, 24 months on the next 5% and 36 month on the remaining 90% of their volumes.

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Table 3: Example discount calculation

Example:

First measurement period (quarter):

- Baseline is 1,000
- CP achieves 1,200
    - 200 circuits receive £35 connection rebate.
    - “Cohort 1”: 50 circuits receive 3 months x £9.50 rental rebate (and for 6 quarters total)
    - “Cohort 2” 50 circuits receive 3 months x £9.50 rental rebate (and for 8 quarters total)
    - “Cohort 3”: 100 circuits receive 3 months x £9.50 rental rebate (and for 10 quarters total)

Second measurement period:

- Baseline is 1,100
- CP achieves 1,500
    - 400 circuits receive £35 connection rebate.
    - “Cohort 4”: 55 circuits will receive 3 months x £9.50 rental rebate (and for 6 quarters total)
    - “Cohort 5” 55 circuits will receive 3 months x £9.50 rental rebate (and for 8 quarters total)
    - “Cohort 6”: 290 circuits will receive 3 months x £9.50 rental rebate (and for 10 quarters total)
    - Cohorts 1 – 3 from the first measurement period will receive their second quarter of rebate with the same volumes and value.

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Section B: Consideration of conditional offers under the TAR

Ofcom's stated competition concerns with conditional pricing offers

18. In the TAR Statement, Ofcom stated that it "*… remained concerned that Openreach could use other commercial terms to undermine the development of network competition.*"[10] Ofcom specifically set out potential competition concerns with terms that made Openreach pricing conditional on the volume or range of services purchased:[11]

> *".. 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 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."*

19. In other words, the specific potential competition concern with including conditional terms within Openreach pricing offers was that these could potentially increase the effective costs of CPs using altnets – i.e. CPs may need to take account of higher Openreach prices via lost/forgone discounts in deciding whether to split supply between Openreach and altnets. This potential for conditional terms to create barriers to using altnets is in contrast with offer terms that result in clear head-to-head competition between Openreach and altnets where decisions about which network supplier to use would simply reflect the relative prices, terms and service quality available from different suppliers for relevant volumes.

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

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

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

22. 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*

[10] TAR Statement, Volume 3, para. 9.154.
[11] TAR Statement, Volume 3, para. 9.156.

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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…"

23. In doing so, Ofcom further sets out that it will consider up to three questions in assessing conditional pricing offers:

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

24. Importantly, Ofcom is clear that when answering question 1, any concern identified must go beyond a theoretical possibility – it needs to be plausible given the evidence available and based on reasonable underlying assumptions. Any anti-competitive scenarios need to be real enough to justify intervention, bearing in mind Ofcom's wider duties and responsibilities.[12]

25. 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 – this is clearly not the case here.[13] Ofcom also references offers that may operate with the "*indirect effect that obtaining discounts is in practice contingent on whether telecoms providers purchase from rival networks*". None of these issues are present in the structure and conditional terms of this offer.

26. Put simply, the structure and terms of the offer do not change the price of the volume of lines purchased from Openreach depending on whether or to what extent a CP chooses to place volumes with an altnet – there is no barrier to using rival networks. Rather, the structure and terms of the offer mean that decisions about whether and the extent to which to use an altnet for some FTTP volumes will be based on the level of pricing available from Openreach under this offer for those volumes (this is addressed fully in Section C below).

27. This will reflect the overall level of demand a CP has for FTTP connections at premises qualifying for the offer in the offer period. If that overall level of demand was expected to be above the pre-set baseline, then the CP would make purchasing decisions by direct reference to the rebates available from Openreach under the offer terms on incremental volumes

12 TAR Statement, Annex 8, para. A8.70.
13 TAR Statement, Annex 8, para. A8.67.

above the baseline. There are no direct loyalty inducing or indirect effect 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 but a separate consideration to the competition concerns driving the SMP Condition 8.6 procedure and guidance.

28. In our view, this means that Ofcom does not need to look at questions 2 and 3 in its assessment (which flow from points a and b in paragraph A8.68, which are not relevant if there is no potential barrier to using rival networks created by the conditionality in the offer). However, we would note in any event that the offer will not have a material impact on network competition (also see Section C below) and that there are clear and demonstrable benefits from this offer:

- Additional competition and choice at the retail level as a new customer offer is looking to stimulate customer churn. When consumers churn, they typically save up to 18% from switching to a better deal.[14]
- Increase in end customers on full fibre broadband – the UK's best broadband technology – supportive of Government policy objectives for growth in the digital economy. We would expect [✂]. This benefits consumers by encouraging migrations to a full fibre network capable of greater speed and reliability.
- Lower prices paid. We expect CPs using this offer to pass the discounts to consumers in order to drive incremental volumes. These consumers will therefore benefit from prices that could be c. £6 per month if the full benefit over the average customer life is passed on or £9.50 per month is the full rental discount during the offer period is passed on for the initial retail customer contract.

29. For Openreach, we expect to generate [✂] incremental new to Openreach network lines over the initial six-month period.[15] [✂].

Commented [A1]: Also mark confidential?

14 18% difference between backbook and front book pricing: see Ofcom: [1.6 million Brits hit switch on their landline or broadband provider](https://www.ofcom.org.uk).

15 We estimate this offer [✂] over the initial 6 months term.

Section C: Assessment of price levels within the offer

Introduction

30. In this section we consider whether the prices available through the offer are consistent with the TAR framework and Ofcom's policy objectives, by reference to:

- Whether the offer pricing could be considered "too low" and undermine the opportunity for a reasonably efficient competitor to recover its costs by reference to the guidance set out in the TAR.
- How CP purchasing decisions about the use of rival wholesale networks could be impacted by this offer in practice.

Whether the offer pricing could be considered "too low" under the TAR framework

31. Within the TAR Statement, Ofcom set out how it would consider whether FTTP price levels are "too low" and assess whether Openreach was setting its FTTP prices "*at a level that undermines the opportunity for a reasonably efficient competitor to recover its costs*".[16]

32. In considering whether Openreach's prices may raise *prima facie* concerns, Ofcom states that it would look at, among other things how "*Openreach's average FTTP price*" compares against estimates of the costs of a REO derived from Ofcom's Fibre Cost Model 2026 (**FCM26**). Ofcom states that it "*…would not intend for this comparison to be a bright line test. Given the wide range for estimated costs, we would look at where Openreach's average price sits relative to the range.*"[17]

33. To assess whether the offer pricing could be considered "too low" we have therefore first updated the REO range within Ofcom's FCM26 to align with pricing in the offer period and then considered how the offer pricing impacts the relevant "average FTTP price".

The relevant REO range to consider pricing under this offer

34. Ofcom's FCM26, as published with the TAR Statement, has a monthly unit cost range for a REO of £13.30 to £20.76 for FY26. Indexed by 3.6% CPI,[18] this increases to £13.78 to £21.51 for FY27 (when the offer will be running), with a midpoint of £17.64.

35. Ofcom's FCM26 estimates the costs a REO would incur in building a network covering 5 million to 20 million premises in Area 2 and in connecting and serving customers from that network over a 40-year period. Unit cost estimates are driven by, among other things, assumptions on the level of take-up a REO will see over the 40-year period. This approach means that the significant upfront costs of building the network are recovered from recurring monthly charges over the full 40-year timeframe. Upfront connection costs – i.e. the costs of provisioning an active FTTP line from the built network connecting – are also

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[16] See, in particular, TAR Statement, Volume 4, paras. 1.161 to 1.181.

[17] TAR Statement, Volume 4, para. 1.162.

[18] CPI for the 12 months ending 31 October 2025, which was the reference CPI for charge controls used within the TAR.

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recovered over the full 40-year period albeit after netting off any upfront charges applied for initial connection.

36. The upfront charges for connection assumed in the FCM26 is £40.04 and reflects the blended average of Openreach upfront charges at Equinox discounted prices. Ofcom treats upfront charges in the FCM26 as a contribution towards the amount invested in FTTP build and provisioning. The FCM26 therefore effectively considers the recurring monthly revenue the REO would require, on average, from each active line if the REO received the same average level of upfront contribution as Openreach. If this Openreach upfront contribution changes as a result of new Openreach pricing it is appropriate to reflect this in the FCM26. Consistent with this, Ofcom says that if assessing price levels "*…it would likely amend the connection charges in the model to reflect Openreach's pricing at that time.*"[19]

37. We have therefore made an adjustment to this REO range for FY27 in order to reflect the additional connection rebates available on incremental volumes within this offer as well as those that remain available under Equinox. [✂].

38. [✂]:

Table 4: Blended connection contribution as impacted by this proposed offer

Connection Type	FY27 Price (with NTN discount)	% of total FY27 FTTP orders
NTN Area 2	£(2.93)	[✂]
NTN Area 3	£92.26	[✂]
Subsequent	£(35.00)	[✂]
Total NTN - Subsequent Provide	[✂]	[✂]
Acquisitions (Visited) Area 2	£64.15	[✂]
Acquisitions (Visited) Area 3	£127.23	[✂]
Same CP Migrations Area 2	£31.02	[✂]
Same CP Migrations Area 2	£86.45	[✂]
Proactive Migrations	-	[✂]
Non-Visited	£3.94	[✂]
Blended Total	[✂]	**100%**

39. [✂].

19 TAR Statement, Annex 11, para. A11.107.

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Methodological choices in assessing "average FTTP prices" under the offer

40. In the TAR, Ofcom sets out the methodological choices it will decide on when considering Openreach's FTTP prices and whether they may be "*too low*".[20] Some stakeholders had argued that Ofcom should assess price levels and potential margin squeeze by reference to each of Openreach's FTTP prices. Ofcom stated that it would make choices based on the "*specific facts of the case and the circumstances at the time*", highlighting three specific methodological choices in how is considers price levels: product scope, the base for calculating weighted averages and the relevant period.

41. Our overall position on these methodological choices is that in order for them to be specific to the facts of the case and the circumstances at the time of any assessment they should be consistent with how rivals are competing with Openreach in supplying Wholesale Local Access (**WLA**) services in their network footprint. Methodological choices in assessing the New to Openreach offer prices should reflect how those offer prices will impact the prices rivals competing with Openreach could charge in the market and how this will shape the ARPU they can generate for the overall sale of FTTP services in their network footprint.

42. Rivals may of course respond to Openreach's pricing structures and specific offers in a variety of ways, but Ofcom should consider how Openreach's pricing would impact the ARPUs available to a hypothetical rival assumed to be matching the Openreach pricing structures, including any short-term offers, precisely. This is then the relevant reference point for assessing whether Openreach's pricing *could* undermine the ability of the hypothetical rival to recover its costs as modelled in the FCM and captured in the REO range.

43. Specifically, in terms of methodological choices, this means:

    a. Product scope: Ofcom should assess prices over the whole FTTP portfolio rather than on a specific bandwidth or subset of bandwidths as this best reflects how rival FTTP networks will compete. Ofcom have suggested this would be their starting point for any assessment, "…*because operators tend to compete across a range of different speed products at different price points*".[21] We agree, and it is particularly appropriate in the case of this offer given the discount will be applied to all bandwidths.

    b. Weighted averages: FTTP prices should be averaged across the supply of services to all premises and customer types within the rival's network footprint as this captures the full scope of the market they are competing for. Averages should be captured for the prices rivals charge to both new customers (frontbook) but also allowing for prices paid by their existing base of customers (backbook). Different views on frontbook and backbook pricing are set out below. Ofcom's analysis of average pricing should not focus solely on sales to premises eligible for the NTN and Subsequent Provide rebates under this offer as no rival would only sell

[20] TAR Statement, Volume 4, para. 1.179.
[21] TAR Statement, Volume 4, para. 1.179. See also TAR Annex 8 A8.40

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services to such a narrow subset and this will not be informative about long-term recovery of the costs of building and providing services from the rival's network.

c. Relevant period: The impact of the discounted rental prices available under the terms of this offer for a limited period of time (18 to 30 months) on the ARPUs a rival could earn should be assessed across the expected average customer life for new customers. A rival matching Openreach's on sales of FTTP to premises qualifying for the offer terms would reasonably expect to generate revenues at non-discounted prices after the discount period had ended. Ofcom's data on customer switching is that 18% of fixed broadband customers switch in any year, which equates back to a switch once every five years on average.[22] Ofcom also considered discounts over this period in the Equinox decisions.[23] ([✂]).

44. We have reflected these methodological choices in considering how the offer pricing could impact the relevant APRUs hypothetical rivals would generate if matching Openreach FTTP prices in the market. In other words, we are applying the methodological choices to assess "average Openreach prices" using weightings across sales of different FTTP bandwidths to different customer types/premises and across timeframes for generating revenues that reflect how a hypothetical rival would need to price services in the WLA market. This makes sense in thinking about the impact of Openreach offer prices on the rival's ability to recover the total costs of building and operating an FTTP network over the long term. It is also clearly consistent when considering cost recovery by reference to the outputs of the REO range in the FCM26 which effectively show the level of monthly ARPU the modelled REO would need to generate over a 40-year period to deliver full cost recovery on the assumed 5 million to 20 million network build.

Calculating ARPUs for hypothetical rivals reflecting the offer pricing

45. Ahead of the offer taking effect, CPs can purchase FTTP from Openreach on Equinox terms to supply broadband at premises where network is available. The starting assumption is that a hypothetical REO will match Openreach Equinox prices to compete and, as such, can generate ARPUs in line with Openreach's ARPU performance under Equinox. This is forecast to be [✂] in 2026/27. For simplicity, we also assume that the hypothetical rival would match Equinox pricing for any sales to premises where Openreach FTTP was not available and the rival was competing with Openreach copper/VDSL broadband on the basis that the rival is offering a higher value broadband connection. The start point assumption, therefore, is that the hypothetical rival matching Openreach Equinox pricing structure could generate a monthly ARPU of [✂] in FY27 above the midpoint of the REO range in the FCM26 of £17.64. The relevant question in assessing the offer price is how this could impact the ARPU of the hypothetical rival.

46. A hypothetical rival would be competing with Openreach to supply CPs with broadband services to all available customer premises in its network footprint. This will include premises which are:

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[22] Sourced from Pricing and consumer engagement report December 2025, page 14.

[23] See Statement: Openreach proposed FTTP offer starting 1 October 2021, para. A2.11, and Statement: Openreach proposed FTTP offer starting 1 April 2023 (Equinox 2), para. 3.72.

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- currently connected to Openreach copper-based lines (including FTTC and SOGEA);
- currently connected to Openreach FTTP lines;
- currently connected to other fixed network providers; and
- not currently connected to any fixed network.

47. This offer impacts the price paid by CPs for supplying broadband services in the final two categories where Openreach has FTTP network available. Within this, the offer structure means that rebates will only be paid on the subset of lines that are incremental to the baseline within the offer period. Those which are more than 10% above the baseline will benefit from the deepest discount, as the £9.50 monthly rental rebate will apply for 30 months.

48. If a CP's demand for broadband services to the last two categories in the offer period is no higher than the CP's baseline set by the offer, then the offer will have no impact on a hypothetical rival's market pricing. In considering impacts on hypothetical rivals, we assume that CPs will have demand in excess of the baseline and therefore rivals would need to match prices to those available on any of the three tiers for the relevant period in respect of NTN premises where Openreach FTTP is available. In considering the impact on the prices a hypothetical rival would need to set, in the extreme case they would need to match the discounts available on the highest tier – i.e. offering a £9.50 rental rebate for 30 months.

49. We have then considered the ARPUs hypothetical rivals would earn if they:

- matched Openreach prices considering all new broadband customers; or
- matched Openreach prices considering all new and existing broadband customers.

50. In considering the relevant weightings to calculate the impact on ARPUs for the hypothetical rival we have again used volumes from our forecast for FY27 to align with the period of the offer. That is, in matching our offer prices and overall structure of pricing for all FTTP sales, the hypothetical rival will be selling to the same mix of new customers as we sell to and is therefore assumed to provide discounts to the same subset of customers as we do under the offer.

Table 5: Weightings mix for discounted volumes in broadband frontbook and base

Connection Type	% of total FTTP orders	% of total Broadband orders	% of total Broadband base
NTN Area 2	[✂]	[✂]	[✂]
NTN Area 3	[✂]	[✂]	[✂]
Subsequent	[✂]	[✂]	[✂]
Total NTN - Subsequent Provide	[✂]	[✂]	[✂]
Of which generated by offer:	[✂]	[✂]	[✂]
Other FTTP orders	[✂]	[✂]	[✂]
Copper Orders		[✂]	[✂]

Blended Frontbook Total	**100%**	**100%**	[✂]
Backbook			[✂]
Blended Base Total			**100%**

51. These weightings reflect the uplift in volumes of NTN and Subsequent Provide expected from the offer and of the overall increase in FTTP availability from Openreach as network build progresses ahead of and through the offer period.

52. Specifically, we have adjusted the weightings of the overall broadband base to reflect expected growth in coverage of Openreach's FTTP network through the offer period. Openreach has currently built FTTP to [✂] of UK premises, currently expected to increase to [✂] in September 2027 when the 12-month offer would expire. For a specific altnet the overlap with the Openreach FTTP footprint will vary based on their build location strategy. For example, we estimate that currently [✂] of CityFibre FTTP premises are within the Openreach FTTP footprint and so the remaining [✂] would not need any discount in order to protect levels of demand.

53. The tables below show the relevant ARPUs based on this mix for frontbook sales only and including backbook volumes. The impact of the discounted offer pricing on frontbook ARPUs reflects the assumed 5-year customer life and is shown based on the duration for which the rebate would apply under each incremental volume tier. When calculating the average discount gives across the three tiers of the offer, we have assumed [✂].

Table 6: Hypothetical rival 5-year ARPU if matching Openreach prices for all NTN within broadband frontbook

5-year ARPU	Tier 1	Tier 2	Tier 3	Blended
Discounted applied [✂]	[✂]	[✂]	[✂]	[✂]
Remaining Broadband connections at Equinox ARPU [✂]	[✂]	[✂]	[✂]	[✂]
Total Broadband Frontbook	[✂]	[✂]	[✂]	[✂]

54. These weighted ARPUs are above the midpoint of the relevant REO range to consider this offer of [✂].

55. Including ARPUs earned from the base of the hypothetical existing broadband customers (backbook) based on Openreach's mix of front and backbook customers increases ARPUs even further into the top half of the range.

Table 7: Hypothetical rival ARPU including assumed existing base

5-year ARPU	Tier 1	Tier 2	Tier 3	Blended
Total Broadband Frontbook [✂]	[✂]	[✂]	[✂]	[✂]
Broadband Backbook [✂]	[✂]	[✂]	[✂]	[✂]
Total Broadband base	[✂]	[✂]	[✂]	[✂]

56. We believe this is a more relevant blend to consider how the offer price could affect cost recovery for an efficient rival:

- A hypothetical rival will be generating revenues across both existing backbook customers and new frontbook customers.
- A hypothetical rival would not need to discount [✂] of all their broadband revenues to match the Openreach offer pricing which would only be available to [✂] new customers in the offer period.
- As previously noted, the REO range in the FCM26 generates ARPUs needed to give a full return on upfront build and provision costs over a 40-year period. Assessing cost recovery from ARPUs generated from a frontbook of new customers during the offer period – even if assessed over the expected average customer life – would be too narrow.
- We note that in Ofcom's assessment of the Proactive Migrations "try before you buy" offer, it considered the full base as well as the frontbook.[24]

Sensitivity assessment of our analysis of ARPUs

57. There are a number of sensitivities that could be considered that would increase or decrease the ARPU figures above:

- The average customer life could be increased [✂].
- Weighting of frontbook completions that are NTN or Subsequent Provide: [✂].
- Reducing the proportion of FTTP backbook volumes assumed to generate Equinox ARPUs to reflect a different mix of backbook and frontbook volumes [✂].
- Reducing the proportion of backbook volumes assumed to generate Equinox ARPUs to reflect potential for the rival's backbook pricing to come under pressure for retention discounts because of the impact of the offer. [✂].

Why we consider it is not appropriate to assess ARPUs on a narrower increment of FTTP sales

58. We set out above our view that it is appropriate to assess a hypothetical rival's ARPUs across its total volume of FTTP sales – i.e. all bandwidths to all customer and/or premises type within the network footprint and covering sales to existing as well as new customers – and also to consider the impact of short duration discounts/rebates over the expected average customer life.

59. Altnets might seek to argue that Ofcom's assessment should focus on the price for the incrementally discounted lines – i.e. a rental rebate of £9.50 [✂], below the bottom of the

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[24] Letter from Natalie Black to Industry on Concerns raised with Ofcom about Openreach's recent proactive upgrades special offer: *"Openreach's current average FTTP price is above the top end of our REO range estimates.4 Based on the information we have, we expect this to remain the case under the offer across both its entire FTTP base and for new connections, even allowing for a potential impact on volumes. This includes the fact that proactive migrations represent a small proportion of all new connections to Openreach's FTTP."*

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REO range in the FCM26. But the fact that the discounted price is beneath the bottom of the range says nothing about the ability of rivals to recover long-term costs. No rival who has invested in FTTP will sell services only to this narrow increment of customers and all sales to all other customers will contribute towards cost recovery. Even on the narrowest view of frontbook sales to NTN customers, it would not be appropriate to take account of the ARPUs generate across the expected average customer life, as shown below.

Table 8: Hypothetical rival 5-year ARPU if match offer prices for NTN customers for offer period

5-year ARPU	Tier 1	Tier 2	Tier 3	Blended
Match discount on all NTN / Subsequent Provide volumes	[✂]	[✂]	[✂]	[✂]

60. We note here that even at the tier 3 discount period of 30 months, the ARPU of [✂] is at least within the REO range.

61. But we stress that <u>we do not consider this to be an appropriate increment to assess cost recovery by reference to the REO range</u>. If any consideration is given to cost recovery across this narrow increment of customers, it would be logical in turn to focus on a much narrower increment of costs relevant to supplying this group:

- This would include the incremental costs of operating services to this subset of customers alongside the costs of supplying the wider base. We note that Ofcom's FCM26 includes average operating costs for FTTP lines of c. £4.50 and strictly marginal costs related to this subset of customers would be much lower. These costs are clearly covered even during the short period that rebates apply.
- Narrower costs might include the average costs of connecting these lines to the FTTP network, net of upfront charges, as these costs are at least initially driven by the sales to New to Openreach customers. However, we note again that these costs are recovered over a 40-year period in the REO model and are not therefore purely incremental to the supply of services to the set of NTN customers covered by the Openreach offer.
- Incremental costs of serving New to Openreach customers would not include the significant upfront costs of deploying the FTTP network that is serving the much wider range of customers. These are included in the REO range in the FCM26, which again is why we do not consider it appropriate to assess the narrow APRUs on NTN and Subsequent Provide sales under this offer to the REO range.

62. More simply, it would be economically rational for a hypothetical rival to match Openreach's prices for sales of FTTP to any subset of customers so long as the prices recovered the incremental costs of supply to that subset *<u>and</u>* where average pricing across all customer subsets was recovering the total costs of supplying FTTP to all customers. Our analysis of the ARPUs hypothetical rivals can generate in competing with Openreach shows this is true under the terms of the offer. We therefore see no basis for Ofcom to conclude that offer prices are "too low" and give rise to concerns that efficient rivals could not recover costs.

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

63. The above analysis focussed on a hypothetical rival seeking to match Openreach's FTTP prices including those available under the offer. As we have set out in the analysis, there are different methodological approaches and/or data assumptions that could be used to estimate ARPUs for hypothetical rivals but we believe the analysis clearly points towards the hypothetical rival being able to recover costs by reference to ARPU ranges being above the midpoint of the REO range. But given the hypothetical nature of this exercise and the judgements involved, it is also relevant to consider how, in practice, the introduction of this offer is likely to impact actual wholesale network rivals by potentially changing the purchasing behaviour of CPs or other market dynamics. In short, we see no scope for this offer to change current purchasing by wholesale CPs.

64. All large external CPs have wholesale arrangements with rival networks, [✂]:

- [✂].
- [✂].

65. [✂]:

- [✂]. [25] [26]
- [✂].

66. [✂].

67. Based on this we do not expect there to be a plausible concern that network competition will be impacted.

How rival retail networks may be impacted effecting network competition

68. The analysis set out above estimating the ARPUs for a hypothetical rival is focussed on wholesale network competition for lines supplied by retail CPs. A number of altnets only supply services at the retail level at the current time. We note the following additional points about retail level network competition in practice in addition to the points above about wholesale competition:

- Providing lower wholesale prices to our CPs would allow them to offer lower retail prices for supplying FTTP to qualifying premises. We consider two broad options for how this could happen, both of which suggest impacts of the offer on the ARPUs retail altnets could generate would be lower than modelled for the hypothetical wholesale altnet:
  a. [✂].
  b. [✂].

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[25] Based on information presented by Clayton Nash, Strategy Director at CityFibre reported here: [CityFibre Presentation Talks Wholesale, Take-up and Future UK Broadband Plans - ISPreview UK](#).

[26] From Enders report "*UK Altnets: somethings got to give*" published December 2025: [UK Altnets: Something's got to give | Enders Analysis](#).

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- [✂].[27]

[27] Current ARPUs sourced from Enders report "*UK Altnets: The ARPU growth mirage*" published May 2026: [UK Altnets: The ARPU growth mirage | Enders Analysis].

Conclusion

69. Ofcom's assessment of conditional offers is focussed on if the commercial terms create …" *a potential barrier to using rival networks".* The structure and specific terms of this conditional pricing offer do not create a barrier to using rival networks. They do not raise any of the competition concerns relating to conditional pricing offers described in the TAR, such as exclusivity discounts, retroactive rebates and structures where the price in one geographic area was dependant on the price in another area. The terms of the offer do not change the price of the volume of lines purchased from Openreach depending on whether or to what extent a CP chooses to place volumes with an altnet – there is no barrier to using rival networks.

70. On that basis, Ofcom's questions on material impact on rival networks and clear benefits are not relevant. Notwithstanding this, we would note in any event that the offer will not have a material impact on network competition and that there are clear and demonstrable benefits arising from this offer (for example, additional choice, competition and lower prices for UK consumers).

71. In considering the level of pricing, our analysis shows that when this offer is taken into account over new connections (frontbook), the ARPU would allow a hypothetical REO to compete within the top half of Ofcom's range. It is correct to consider ARPUs over the frontbook to reflect the market the REO will be competing in. Further, the level of pricing is not a concern as rival networks currently compete at a price below the level of this offer.

General

Annex 1: Baselines

[✂]

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