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# Ofcom Call for Inputs: Openreach's proposed commercial offers

## 1. Summary

1.1 Introduction

Substantial Group Limited ("Substantial Group") welcomes Ofcom's Call for Inputs[1] ("CfI") on Openreach's proposed commercial offers. The CfI arises at an important stage in the Telecoms Access Review 2026-31[2] ("TAR") framework. It is also an important test of whether the Significant Market Power ("SMP") Conditions imposed on BT and discharged through Openreach are capable of protecting the process of network competition as the market moves from a build phase into a take-up and wholesale-scale phase.

Substantial Group is supportive of Ofcom's long-term regulatory approach. We agree with Ofcom's overall objective of promoting investment and competition in gigabit-capable networks, while maintaining targeted and proportionate SMP remedies where competition is not yet effective. The current market review period is critical because alternative networks are seeking to convert network coverage into active customers, wholesale relationships and sustainable cash flow.

Substantial Group also recognises that Openreach should be able to compete. Openreach is entitled, as a matter of commercial imperative, to decide how it wishes to price and promote its products, subject to the SMP framework that applies to it. Substantial Group does not argue that Openreach should be prevented from lowering prices, improving value, accelerating Fibre to the Premises ("FTTP") migration or responding to competitive pressure.[3] The concern is more specific. In particular, Openreach's notified pricing arrangements[4] are not ordinary, transparent,

[1] Ofcom (2026), *Openreach's proposed commercial offers: Proposed FTTP and Ethernet offers*, 2 June 2026, available at: [Openreach's proposed commercial offers]
[2] [Telecoms Access Review 2026]
[3] "Ofcom has said that Openreach should be allowed to compete, and we agree. We want the whole UK to benefit from the world-class network we've built at a world-class cost. We realise competition is tough for some, but we plan to keep competing and keep stepping up for our customers and the UK." Powell, E. (2026) 'Openreach accused of tightening 'Darth Vader-like' grip on broadband', *The Times*, 15 June, available at: [Openreach accused of tightening 'Darth Vader-like' grip on broadband]
[4] These comprise: (i) The Incremental New to Openreach Customer Offer, ACCN OR1108, effective on 1 October 2026 (available at: [Pricing manager] and supported by Openreach's associated customer briefing that is available at: [NGA2012/26]); (ii) Incremental New Openreach Customer Offer in VMO2 areas, ACCN OR1109, effective on 1 October 2026 (available at: [Pricing manager] and supported by Openreach's associated customer briefing that is available at: [NGA2013/26]); (iii) Incremental Ethernet Net Demand Offer, ACCN OR1110, effective on 1 October 2026 (available at: [Pricing manager] and supported by Openreach's associated customer briefing that is available at: [ETH022/26]); (iv) Six month extension to Equinox 550Mb incentive, ACCN OR1105, on 1 October 2026 (available at: [Pricing manager] and supported by

uniform price competition. They are conditional, incremental, geographic and Average Revenue Per User ("ARPU")-related incentives which change Communications Provider ("CP") purchasing incentives and increase the value of contracting with Openreach for wholesale FTTP services in the Wholesale Local Access ("WLA") market and, separately, Ethernet services in the Leased Lines Access ("LLA") market.

1.2 Substantial Group's position and summary case for Ofcom intervention

Substantial Group considers that Openreach's notified offers raise clear competition issues that Ofcom should test before deciding whether the offers can proceed in their current form. Openreach can, in principle, reduce prices, improve value and respond to competitive pressure. Substantial Group does not object to competition on the merits. The concern is more specific: the notified offers are conditional, incremental, partly geographic and ARPU-related mechanisms that may change the expected value of routing marginal demand to Openreach at a critical point in the FTTP migration window.
The key points are as follows:

- **The ACCNs should not be treated as ordinary price reductions.** Their legal form and commercial operation matter. They affect expected value, CP routing incentives and the allocation of marginal demand, rather than simply lowering headline tariffs.

- **The primary FTTP harm is retail-led.** The notified FTTP price changes do not directly reduce Substantial Group's own WLA input costs. The concern is that lower effective Openreach FTTP prices may worsen Substantial Group's on net retail economics by reducing achievable retail ARPU, increasing acquisition costs, slowing take-up and weakening utilisation in contested areas. Any future WLA equivalent wholesale impact is secondary and dynamic.

- **The offers are economically layered onto the Equinox pricing environment.** They are not all formal Equinox 2 amendments, but CPs will assess them against the prevailing Openreach commercial framework. Analytical separation is necessary, but it does not make the FTTP offers benign.

- **The concern does not depend on every benefit stacking on every line.** Stacking is relevant where it occurs, but substitutability is equally important. CPs can optimise across the best available Openreach outcome even where particular offers do not mechanically combine. Ofcom should therefore test expected effective prices, eligible marginal line incentives and portfolio average effects together.

- **The VMO2 area overlay raises a provider targeted geographic pricing concern.** Substantial Group does not challenge that VMO2 may be a legitimate competitive constraint. The concern is that a geography defined by reference to VMO2 may also overlap materially with other Altnet footprints. The VMO2 label should not be treated as limiting the competitive effect to VMO2 where the same postcodes include Substantial Group or other Altnet infrastructure.

- **The VMO2 geography requires objective justification and local evidence.** Ofcom should test whether the provider defined geography is justified by local competitive or

Openreach's associated customer briefing that is available at: [NGA2010/26](). Separately, On 1 June 2026 Openreach also notified Ofcom of new pricing arrangements in relation to FTTP wholesale services (FTTP Frontbook ARPU share offer and Box Swap offer). It published ACCN OR1106 (available at: [Pricing manager]()) and ACCN OR1107 (available at: [Pricing manager]()) and associated customer briefings which sets out the terms of the offer. This offer did not fall under the conditional offer or geographic offer process and was notified pursuant to the requirement imposed in the TAR26 Statement for Openreach to give 28 days' notice for price reductions and associated conditions.

cost conditions, particularly given that VMO2 presence was not treated in the TAR as creating a separate stable sub market within Area 2. The assessment should be conducted at postcode and regional cluster level, not only by reference to national averages.

- **The competition concerns map directly onto the SMP framework.** SMP Condition 8.6 is engaged by conditionality, baselines and purchasing incentives. SMP Condition 4 is engaged by the VMO2 area geographic overlay. SMP Conditions 1.3 to 1.5 are engaged because Ofcom should test expected effective prices against the headroom required by a reasonably efficient PIA based operator, including the dynamic effect of reduced Altnet take-up on cost recovery.

- **Openreach's expected defences do not remove the risk.** Short run price benefits, limited duration, above-baseline mechanics, non-stacking, non-exclusivity, notification and VMO2 targeting are all relevant, but none is determinative. Notification is not clearance. Non-exclusivity does not remove opportunity cost effects. Portfolio averages must not obscure the incentive on the contestable marginal customer that Altnets need to win.

- **The FTTP and Ethernet issues should be assessed separately.** The FTTP offers raise WLA issues because they target incremental, frontbook, switching and upgrade broadband demand. The Ethernet Net Demand Offer is a separate LLA market offer and should be assessed by reference to Ethernet inputs, EAD demand, fixed and mobile network use and downstream business connectivity. It should not be folded into the FTTP price stack.

- **Ofcom should require targeted evidence before implementation.** Openreach should provide CP level, postcode level and expected effective price evidence showing whether the offers create a material risk of harm to Altnet retail take-up, investment incentives or future wholesale (WLA) entry where the economics support it. For the VMO2 overlay, Ofcom should require evidence on actual Altnet overlap, eligible volumes, rebate concentration and likely effects on retail campaign intensity, sales incentives, customer acquisition costs, routing and integration decisions.

- **Less distortive alternatives are available.** A transparent, line specific migration or activation credit could support fibre migration and customer value without the same CP specific baseline and geographic overlay effects. That is relevant to proportionality and to whether the notified package is necessary.

- **Timing and precedent matter.** The offers arrive immediately after the TAR is published, during the finite FTTP migration and Altnet take-up window. If permitted without robust evidence and safeguards, they may create an expectation that Openreach can introduce further targeted ACCNs whenever Altnets approach scale or seek wholesale commitments, weakening the regulatory stability needed for long-term investment.

For the above reasons, Substantial Group therefore asks Ofcom to apply the SMP framework in a precautionary but proportionate way. Where Openreach cannot demonstrate, with robust CP level, postcode level and expected effective price evidence, that the notified offers do not create a material risk of harming Altnet retail take-up, investment incentives or future scale wholesale entry where the economics support it, Ofcom should be prepared to intervene or withhold consent where the SMP framework permits it.

1.3 Why Ofcom should consider intervention at this stage

The proposed offers are being introduced at a particularly sensitive point in the market. Ofcom has recognised that the focus of competition is shifting from network build to the ability of rival networks to attract and retain customers. That migration window is finite. Once customers have been acquired, marketing budgets committed, systems integration delayed and wholesale demand routed elsewhere, the competitive opportunity for Altnets may not be capable of being restored by a later ex post finding.

The appropriate regulatory question is therefore whether the ACCNs materially increase the risk that reasonably efficient Altnets are denied a fair opportunity to increase take-up. On the evidence available, the structure gives rise to a credible risk of material harm that Ofcom should test with CP level, postcode level and effective price evidence. The offers do not need to be exclusive, universally available or fully stackable in every case to affect CP incentives. They only need to change the expected value of routing marginal demand to Openreach. That is what the sensitivity analysis illustrates.

Substantial Group therefore asks Ofcom to use this CfI to apply the SMP framework in a precautionary but proportionate way. Specifically, where Openreach cannot demonstrate, with robust CP level and postcode level evidence, that the offers do not create a material risk of harming Altnet retail take-up, and investment incentives, Ofcom should be prepared to intervene or withhold consent where the SMP framework permits it.

1.4 Ofcom's procedural approach and requested next steps

Substantial Group welcomes that staged approach. This response should therefore be treated as an input to Ofcom's initial assessment of the pricing notifications, rather than as a response to a final remedies or 'clearance' consultation. Importantly, Ofcom is asked to consult on any provisional view that would determine the regulatory treatment of one or more of the notified pricing arrangements. In particular, if Ofcom is minded to close its review of any notified conditional terms on the basis that there are no substantive competition concerns requiring *ex ante* intervention, Substantial Group asks Ofcom to consult on that provisional view before doing so. Equally, if Ofcom is minded to find one or more competition concerns or to make a direction in relation to any conditional terms, Substantial Group expects Ofcom to consult in accordance with the process set out in the CfI. That procedural step is important because the notified offers are commercially complex and may affect different markets, CPs, geographies and customer groups in different ways. A provisional view consultation would allow stakeholders to test the evidence on effective prices, marginal line incentives, postcode level overlap, Ethernet effects and any proposed clearance, direction, consent refusal or conditions before Ofcom reaches a final decision.

## 2. Substantial Group and the role of the TAR framework

Substantial Group companies build and operate full fibre networks and include downstream retail broadband providers. Netomnia provides MSN infrastructure, while YouFibre provides retail broadband services. The Group's investment model depends primarily on converting FTTP coverage into network utilisation by driving the take-up of full fibre broadband services in retail markets. Substantial Group considers this retail-led approach effectively supports a sustainable financial model that offers a credible opportunity for Substantial Group's investors to obtain a return on their fibre investment. Indeed, it has been Substantial Group's experience that even with its demonstrable capital efficiency, investors have become increasingly reticent to provide additional funding to support other investment models with higher risk profiles, including those with larger scale network deployments. Substantial Group considers this to be a common experience in the wider Altnet sector.

In previous TAR submissions, Substantial Group has highlighted the importance of Ofcom distinguishing between network coverage and effective competition. Coverage is a necessary condition for competition but not a sufficient condition. Openreach based retail offers may receive additional wholesale value at the same point in time that Substantial Group must win active retail lines to support utilisation, ARPU, customer acquisition efficiency and the return on its network investment. The ACCNs need to be viewed against that background. They are introduced at the point where alternative networks are seeking to turn coverage into active lines. If the offers divert frontbook and switching demand to Openreach during this period, they risk weakening the very process of competition that the TAR is intended to foster. Indeed, it is clear that Openreach overbuild has a diversionary effect with Substantial Group take-up falling where Openreach is present. This is before the Openreach offers become operable.

## 3. The offers that Ofcom should assess

Ofcom's CfI identifies the Incremental New to Openreach Customer Offer, the Incremental New Openreach Customer Offer in VMO2 areas, the Incremental Ethernet Net Demand Offer, and the six month extension to the Equinox 550Mb incentive. Openreach has also separately notified the FTTP Frontbook ARPU Share offer and the 2.5G ONT Box Swap offer.

The formal notification route should not determine the scope of Ofcom's economic assessment. The wholesale FTTP offers apply in the WLA market and are used as inputs to retail consumer and business broadband. The Ethernet Net Demand Offer applies to Ethernet wholesale services in the LLA market and is used by CPs as an input to fixed and mobile networks and to retail business connectivity services for large enterprise and public sector customers. Ofcom should therefore assess the FTTP offers cumulatively for WLA effective price purposes, while assessing the Ethernet offer separately under the LLA framework.

Table 3.1 Openreach Offer (ACCN)

| Offer element | Wholesale market / downstream use | Economic relevance |
|---|---|---|
| Incremental New to Openreach Customer Offer | WLA - wholesale FTTP used as an input to retail consumer and business broadband. | Rewards eligible New to Openreach and Subsequent Provide FTTP volumes above CP specific baselines and may affect FTTP routing, retail broadband acquisition and Altnet take-up. |
| Incremental New Openreach Customer Offer in VMO2 areas | WLA - geographically targeted wholesale FTTP overlay. | Adds value in a provider defined VMO2 geography and may create collateral effects for other Altnets in overlapping postcodes or regional clusters. |
| Frontbook ARPU Share | WLA - wholesale FTTP frontbook/upgrade pricing. | Reduces the effective rental cost of eligible frontbook or upgrade FTTP lines, particularly at higher speeds. |
| Six month extension to Equinox 550Mb incentive | WLA - wholesale FTTP rental incentive under Equinox 1 and 2. | Maintains a lower effective first year price for a higher speed FTTP tier that may otherwise support Altnet differentiation. |

| Offer element | Wholesale market / downstream use | Economic relevance |
|---|---|---|
| 2.5G ONT Box Swap waiver | WLA - wholesale FTTP upgrade / high speed enablement. | Reduces friction and cost for high speed Openreach FTTP upgrades. |
| Incremental Ethernet Net Demand Offer | LLA - Ethernet wholesale services, including Openreach EAD inputs used for CP fixed/mobile networks and business connectivity. | May affect Ethernet demand, network input economics and retail business connectivity competition. It should be assessed separately from the WLA effective price model. |

Substantial Group does not suggest that every FTTP line will receive every Openreach FTTP benefit. The point is that Openreach is creating a set of FTTP incentives that CPs can optimise across. This may materially affect CP routing of wholesale volumes and retail broadband incentives even where the maximum FTTP stack does not occur.

For the avoidance of doubt, while Substantial Group understands that the Equinox 550Mb extension is a distinct Equinox related conditional offer, it is relevant to the cumulative assessment because, to the extent it preserves a lower effective price for a higher speed Openreach product, it affects the same CP choice and the same Altnet differentiation case. Ofcom should therefore assess the FTTP/WLA offers on an expected value basis. A rational CP will consider the probability that an FTTP line qualifies, the value of the relevant rebate or waiver, the duration of the benefit, the risk of missing a baseline, and the value of alternative Openreach FTTP overlays. Those expected values can influence marketing allocation and wholesale routing even where the ultimate rebate is paid retrospectively. Separately, Ofcom should assess whether the Ethernet Net Demand Offer changes CP incentives in LLA by reducing the cost of incremental EAD demand used for network deployment, mobile/fixed backhaul or retail business connectivity.

For FTTP, Ofcom should not simply compare Openreach headline price versus Altnet headline price. It is Openreach expected effective FTTP price, after all applicable or substitutable FTTP incentives, versus the Altnet price required to sustain a reasonably efficient PIA based network and downstream broadband competition. Ofcom should also compare the ACCN adjusted FTTP price with standalone Equinox 2 pricing, because that shows the incremental compression of the margin available to Altnets and, secondarily, to any future WLA equivalent wholesale access option. For Ethernet, the appropriate comparison is different. In this case, Ofcom should assess the Ethernet Net Demand Offer against Ethernet / leased line costs, CP network input requirements, business connectivity competition and any relevant LLA fair and reasonable or undue discrimination benchmark.

## 4. How the ACCNs operate: Equinox, separability, timing and objectives

Substantial Group considers that Ofcom should distinguish between the formal legal route by which each offer has been notified and the way in which the offers will operate commercially. They are not all amendments to Equinox 2. However, they are economically introduced into, and will be assessed by CPs against, the existing Equinox pricing environment.

### 4.1 Relationship with Equinox 2

The proper characterisation is that the ACCNs are formally mixed, but economically layered. The following table summarises the position.

Table 4.1: formal route and market specific economic operation

| Offer | Formal operation | Market specific economic operation |
|---|---|---|
| National incremental FTTP offer | Separate ACCN notified under the conditional terms framework. | WLA - Operates against the prevailing Openreach FTTP price base, which for many CPs is Equinox 2, by adding value to incremental eligible FTTP volumes. |
| VMO2 area incremental offer | Separate geographic/conditional offer requiring consent; an overlay to the national incremental FTTP offer. | WLA - Adds additional geographic value in a provider defined geography. It may increase the expected value of routing marginal FTTP demand to Openreach where VMO2 presence overlaps with other Altnet coverage, without implying that a response to VMO2 is itself illegitimate. |
| Equinox 550Mb extension | Expressly linked to Equinox 1 and Equinox 2. | WLA - Continues a lower effective price for a higher speed FTTP product that may otherwise support Altnet differentiation. |
| Frontbook ARPU Share and 2.5G ONT Box Swap | Separately notified under the 28-day price reduction route. | WLA - Not formally part of the conditional / geographic process, but economically relevant because CPs optimise across applicable FTTP mechanisms. |
| Ethernet Net Demand offer | Separate Ethernet offer notified under the conditional terms framework. | LLA - Relevant to Ethernet net demand, CP fixed/mobile network inputs and business connectivity economics. It is not part of the FTTP effective price stack. |

## 4.2 Separability does not make the offers benign

The offers can and should be analysed separately. The national incremental offer, the VMO2 area overlay, the Frontbook ARPU Share, the ONT waiver, the 550Mb extension and the Ethernet net demand offer each has a distinct mechanism. That separate analysis is important because it allows Ofcom to identify which elements raise concerns under which SMP Conditions.

However, while legally separable, the FTTP offers operate on the same commercial margin: incremental, frontbook, switching and upgrade FTTP demand. These are the customers that Altnets need to win to build retail broadband take-up and to support any commercially viable Altnet wholesale WLA expansion. A CP does not need every FTTP incentive to stack for its routing behaviour to change. If the best available Openreach FTTP outcome is materially improved for a customer or portfolio, the Altnet must still match or compensate for that expected Openreach value.

The FTTP offers are therefore both additive and substitutable. Where FTTP benefits stack, the cumulative effect may be large. Where they do not stack, the CP may still select the most valuable Openreach FTTP route. The Ethernet Net Demand Offer is separate: it may be relevant to a CP's wider Openreach account strategy, network planning or business connectivity economics, but it should not be blended into the FTTP effective price calculations.

Table 4.2: market specific combination logic

| Category | Relevant offers | Combination treatment | Economic question |
|---|---|---|---|
| FTTP cumulative assessment | National incremental FTTP, VMO2 overlay, Frontbook ARPU Share, 550Mb extension and 2.5G ONT Box Swap. | Assess together where applicable or substitutable. (See section 6) | Does Openreach's expected effective FTTP price alter retail broadband acquisition, CP FTTP routing, Altnet take-up in concentrated overlap areas or future WLA scale wholesale entry? |
| LLA/Ethernet assessment | Incremental Ethernet Net Demand Offer. | Assess separately. Do not include in the FTTP price stack or residential broadband examples. | Does the Ethernet offer affect CP fixed/mobile network inputs, EAD demand or retail business connectivity competition? |
| Cross market account effects | Commercial relationship across Openreach FTTP and Ethernet services. | Treat as contextual evidence only unless Openreach terms link behaviour across markets. | Do combined customer level incentives, timing or commercial negotiations affect CP willingness to use Altnets or alternative Ethernet suppliers? |

## 5. Economic character of the ACCNs

The FTTP offers have five characteristics that distinguish them from ordinary price competition 'on the merits'. Specifically:

- **The offers are incremental.** The national FTTP offer rewards volumes above CP specific baselines. This means the value of a marginal Openreach order depends on the CP's wider Openreach purchasing position.
- **The offers are conditional.** Rebate value depends on volume growth, eligibility and purchasing behaviour. That creates a portfolio level incentive to route contestable demand to Openreach.
- **The offers are partly geographic.** The VMO2 area overlay provides additional value in defined locations. Those locations will overlap with Altnet footprints and will affect CP decisions in those areas.
- **The offers are frontbook focused.** They target new customers, switching customers and upgrades. These are precisely the flows of demand that Altnets require to achieve take-up and scale.
- **The offers interact with Equinox pricing.** The ACCNs are not introduced into a neutral pricing environment. They are layered on top of an existing Equinox framework that already changes the relative economics of Openreach and rival networks.

These characteristics matter because Altnet foreclosure is not only caused by explicit exclusivity. It can also arise where the SMP operator increases the opportunity cost to CPs of using rival networks. That is the economic mechanism at the heart of these ACCNs.

The mechanism is amplified by Openreach's national footprint. Large CPs cannot avoid Openreach in many areas and already have operational, commercial and systems relationships with Openreach. An Altnet competing for a subset of premises cannot replicate a national portfolio incentive. It must instead compensate the CP for the expected Openreach value that may be lost or diluted if marginal demand is routed away from Openreach. This is a classic scale asymmetry: the incumbent can monetise ubiquity in the design of a rebate, while the entrant must win each marginal line on a narrower footprint.

The Ethernet Net Demand Offer has a related but distinct economic character. It is also conditional and incremental, but it applies to Ethernet wholesale services in the LLA market rather than to FTTP lines in the WLA market. The concern is whether a baseline linked or net demand Ethernet incentive can reinforce Openreach as the default active Ethernet supplier at the margin, especially for CP fixed and mobile network inputs and for retail business connectivity services supplied to large enterprise and public sector customers. Substantial Group's previous TAR submissions emphasised that PIA enables MSNs to layer business connectivity and other services over fibre footprints, and that LLA competition depends on the economics of extending network reach, dark fibre, active Ethernet pricing and predictable cost recovery. Ofcom's final TAR similarly adopts differentiated LLA remedies across Area 2, Area 3 and in its treatment of the HNR Area. Against that background, Ofcom should test whether the Ethernet Net Demand Offer affects CP choices between Openreach EAD, dark fibre and alternative network or PIA based inputs, and whether it reduces the order flow or margin needed for emerging MSN based LLA competition. It should not be used to amplify the FTTP numerical examples unless Openreach terms or CP evidence show a cross market linkage.

## 6. Illustrative effective price calculations

Substantial Group has considered illustrative FTTP effective price calculations for an Area 2 New to Openreach residential FTTP connection over a 24 month comparison period. The calculations distinguish between recurring monthly rental effects and the effect of connection charges, bill credits and other one off waivers. They focus on a scale national CP / major ISP case, because that is the setting in which a CP is most likely to access Equinox pricing, manage order volumes against baselines, target qualifying orders and optimise across Openreach mechanisms.

Table 6.1: WLA/FTTP eligible marginal line and line level pricing effect

| Case | Metric type | Base effective monthly price | Scenario effective monthly price | Saving / month | Assumptions |
|---|---|---|---|---|---|
| Scale national CP / major ISP, Equinox - base benchmark | Line level benchmark | £24.10 | £24.10 | £0.00 | Equinox benchmark for scale CP case; 1Gbps headline rental plus Area 2 New To Openreach Equinox connection charge over 24 months. |
| Scale national CP / major ISP, Equinox - aggressive eligible line | Eligible marginal line | £24.10 | £7.61 | £16.48 | Upper bound eligible line exposure case; not a portfolio average or confirmation that all components mechanically stack in every case. |
| Scale national CP / major ISP, Equinox - risk weighted national only eligible line case | Risk weighted marginal line | £24.10 | £12.07 | £12.02 | Frontbook cap plus national connection rebate plus 75% expected national rental benefit; excludes VMO2. Not a conservative portfolio average case. |

Note to Table 6.1: Table 6.1 reports illustrative line level effective monthly prices for a 1Gbps Area 2 New To Openreach residential FTTP connection over a 24 month comparison period, focused on a scale national CP / major ISP case. It is not a CP portfolio average and should not be read as a prediction of any named CP's actual effective price. The Equinox base is calculated as Equinox 2 headline 1Gbps rental plus the Area 2 New to Openreach Equinox connection charge over the same period. The aggressive eligible line case assumes, for illustrative purposes, that the Frontbook ARPU cap, national rental discount, national connection rebate and VMO2 area overlay rebate apply to the same eligible line. The risk weighted national only case excludes the VMO2 overlay and applies a 75% expected value to the national rental discount. The table therefore shows the possible strength of the marginal line incentive, not the average effect across a CP's whole Openreach portfolio or confirmation that all components mechanically stack in every case. If a CP is already receiving an Equinox ARPU equivalent price, the saving relative to that lower starting point would be smaller, but the eligible line incentive may still remain material.

Table 6.2: FTTP portfolio average pricing effects

| Case | Metric type | Base effective monthly price | Scenario effective monthly price | Saving / month | Assumptions |
|---|---|---|---|---|---|
| Scale national CP / major ISP, Equinox - portfolio average at 5% incremental | Rental only portfolio average | £24.10 | £23.76 | £0.34 | First 5% tranche spread across all actual orders; excludes one off, VMO2, Frontbook, 550Mb and ONT effects. |
| Scale national CP / major ISP, Equinox - portfolio average at 10% incremental | Rental only portfolio average | £24.10 | £23.34 | £0.76 | First 5% and next 5% tranches spread across order volumes with modest average effect. This does not remove the marginal incentive. |

Note to Table 6.2: Table 6.2 reports rental only portfolio average sensitivities for the same scale national CP / major ISP framework. It is constructed on a conservative basis and is not comparable with the eligible line values in Table 6.1 above. The calculation assumes a baseline of 100 relevant Openreach orders and actual volumes of either 105 or 110 orders. The national rental rebate is then spread across all actual orders over a 24 month comparison period. On a tranche based reading, the 5% case applies an 18 month rental rebate to the first five incremental orders, producing an average saving of approximately £0.34 per actual order per month. The 10% case applies an 18 month rebate to the first five incremental orders and a 24 month rebate to the next five incremental orders, producing an average saving of approximately £0.76 per actual order per month. These figures exclude the national connection rebate, the VMO2 area rebate, the Frontbook ARPU Share, the 550Mb incentive and the 2.5G ONT waiver. The purpose of the table is to show that portfolio averaging can make the average effect appear modest, while leaving the eligible marginal line incentive economically relevant.

These cases are illustrative in nature, not predictive. The 5% and 10% portfolio average cases are conservative in nature as they include only the national rental rebate and spread this across total order volumes. They exclude the national connection rebate, VMO2 area rebate, Frontbook ARPU effect, 550Mb first year effect and 2.5G ONT waiver. The £12.07 major ISP sensitivity discounts the national rental benefit to 75% expected value and excludes the VMO2 overlay; it is a sensitivity, not a forecast of any named CP's actual effective price.

The distinction between an eligible marginal line exposure case and a portfolio average case remains central. A portfolio average may be relevant to proportionality and pass through, but it is not sufficient to test the incentive on the contestable marginal customer that determines whether a CP earns incremental rebate value and whether an Altnet builds take-up. Ofcom should therefore test both measures: portfolio average effects and eligible marginal line effects.

The distributional and geographic effect is distinct from the arithmetic logic in the illustrative FTTP cases. The national incremental offer may be relevant wherever it is available, including in Area 2 and any Area 3 application. The VMO2 overlay is different. In this case it is geographically targeted to areas defined by reference to VMO2 presence. That targeting criterion may be commercially explicable, but it is not a general proxy for the absence of effects on other Altnets. A targeted VMO2 area benefit may therefore have a concentrated effect in overlap postcodes and regional clusters even if its average effect across a national ISP portfolio appears modest.

While illustrative, the economic logic of the numerical examples is important. They show that an eligible marginal line can carry materially more Openreach value than is visible from headline tariffs or from a portfolio average calculation. They also show why an average price defence is incomplete: portfolio averaging can make the average effect appear modest, while the incentive on the contestable customer remains economically relevant. That distinction is central to the economic concern. A scale national CP or major ISP is more likely to be able to access Equinox pricing, manage order volumes against baselines, focus marketing on qualifying orders, and maximise the available national and geographic incentives. The examples therefore reinforce the economic arguments in Sections 4 and 5: Ofcom should test expected effective prices, eligible marginal line incentives, portfolio averages and local overlap area effects together, rather than relying on headline tariffs or national averages. The same point can be expressed in customer flow terms. A CP seeking growth will compare the expected value of winning contestable switching, upgrade or off net lines through Openreach with the economics of serving those lines through an Altnet. If Openreach incentives attach disproportionately to those flows, an Altnet may need to respond on the very customer cohort that determines utilisation and scale, even where the average effect across an Openreach portfolio appears modest.

## 7. Retail and wholesale routes to sustainable network competition

The most important dynamic harm is the weakening of the routes through which Altnets convert network coverage into sustainable competitive constraint. For Substantial Group, the immediate route is retail-led: Netomnia and Brsk build the network, while YouFibre and Brsk ISP convert that coverage into active retail customers, utilisation, ARPU and cash flow.

A network can pass premises without imposing a material competitive constraint. To become a durable competitor, an Altnet must convert coverage into active customers. Active customers generate ARPU, support operating leverage, improve funding prospects and provide the evidence base for further investment. Indeed, this is especially important for Openreach based CPs that receive additional wholesale value in postcodes where Altnets are still building take-up.

### 7.1 Downstream retail impacts in VMO2 overlap areas

In a vertically integrated retail model, the Altnet must win customers on its own network in order to recover network costs, improve utilisation and demonstrate that its network imposes a material constraint on Openreach. The VMO2 area overlay is therefore not merely a geographic wholesale discount or a response to one provider's footprint. In regional clusters where VMO2, Openreach based CPs and standalone Altnets all overlap, it can change the retail economics of Openreach based CPs at the point at which Substantial Group needs to acquire customers and build penetration.

If the ACCNs allow Openreach based CPs to fund more aggressive retail acquisition, retention or upgrade activity in those postcodes, the likely effects are lower achievable retail ARPU, higher customer acquisition costs, slower active line growth and weaker network utilisation. Those effects directly affect the investment case for an Altnet with built or planned coverage in the same localities.

This is a downstream retail competition concern, not only a concern about third-party wholesale. The customer flows at risk are frontbook, switching and upgrade customers. Those are the customers that determine whether coverage becomes active competition. If they are captured by Openreach based retailers during the migration window, the Altnet may not be able to recover the lost retail opportunity later.

For the retail-led theory of harm, the practical point is commercial: where VMO2, Openreach based CPs and standalone Altnets overlap, additional Openreach funded wholesale value can make Openreach based retail offers more aggressive in the same local market.

For the VMO2 area overlay, Ofcom should not grant consent unless Openreach demonstrates, with postcode level evidence and CP level modelling, that the offer does not create a material risk of harm in Altnet overlap areas. If Ofcom is minded to grant consent, it should consider whether an Altnet overlap safeguard is required. If such a safeguard is not practicable, that should support caution before consent is granted.

The ACCNs cut across the retail-led investment route in several ways:

- **Downward pressure on retail ARPU**. By lowering Openreach's effective frontbook and high speed prices, the offers reduce the retail price that Altnets can credibly sustain in contested localities. Retail customers benchmark against the offers available in their postcode, not against Openreach headline wholesale tariffs.

- **Higher acquisition costs**. Where Openreach based retailers can use incremental rebates, Frontbook ARPU effects or VMO2 area rebates to support retail promotions, an Altnet may need to increase discounts, sales commissions, marketing expenditure or retention activity to win the same customer.

- **Slower penetration and lower utilisation**. Slower retail take-up means that fixed and semi fixed network costs are recovered across fewer active lines. That weakens operating leverage and can reduce the economic justification for further build, infill, product development and service expansion.

- **Funding and investment risk**. Lower ARPU, higher acquisition costs and slower utilisation can affect debt capacity, covenant headroom, refinancing assumptions and the ability to fund further network investment. The harm is therefore not limited to a short run transfer of customers; it can affect the future investment path of the network.

- **Loss of differentiation**. Higher speed and premium FTTP propositions are one of the areas in which Altnets can seek to differentiate from Openreach. The Frontbook ARPU Share, the 550Mb extension and the 2.5G ONT waiver reduce the Openreach cost of competing in those segments and therefore weaken an area of retail differentiation.

### 7.2 Wholesale and wider investment effects

For the WLA/FTTP offers, the primary evidenced route of harm is the retail broadband and take-up route. An Altnet CP may constrain Openreach indirectly by competing for end customers through a vertically integrated retail model. It may also, if the commercial case is viable, constrain Openreach more directly by offering a scale wholesale (WLA) alternative capable of serving third-party CPs. Both routes are relevant to Ofcom's objective of promoting sustainable network competition, but the retail route is a key concern to Substantial Group in this case because it is the route through which Substantial Group currently converts coverage into active scale.

Substantial Group has no current scaled WLA proposition, and it does not consider that such a proposition is viable under current market conditions. The relevant concern is therefore not the foreclosure of existing Substantial Group WLA wholesale volumes, but the wider dynamic effect on Altnet economics. Where Openreach's conditional, geographic and ARPU-related incentives reduce achievable retail ARPU, slow penetration and lower the expected effective Openreach price against which Altnets must compete, they also make it less likely that any Altnet could develop a viable scale wholesale access proposition in future, thereby undermining Ofcom's long-term objective of enabling sustainable network competition. The ACCNs make the WLA entry case harder because they push the effective Openreach FTTP price below the standalone

Equinox 2 benchmark against which any Altnet offering a scaled wholesale (WLA) access would need to compete.

The same point applies to CP behaviour. A large CP is unlikely to incur the cost and complexity of integrating with an Altnet wholesale access platform unless it expects stable margins, sufficient addressable demand and a credible long-term alternative to Openreach. Conditional and geographic Openreach incentives can reduce that confidence by lowering the expected value of moving demand away from Openreach and by making Altnet wholesale entry appear less durable. That can weaken a potential direct wholesale constraint even where no existing wholesale order is immediately diverted.

Strategic uncertainty also matters. Repeated targeted Openreach offers can lead CPs and investors to expect further Openreach discounting whenever Altnets approach material scale. That expectation itself can weaken Altnet investment and CP commitment, particularly where the Altnet is seeking to build retail penetration in concentrated provider overlap areas.

This is why coverage metrics alone are an incomplete indicator of competition. A network may be present in an area but not yet have the active retail line base, wholesale relationships, systems integration or financial resilience needed to constrain Openreach. Offers that divert early demand can prevent coverage from maturing into effective competition.

The ACCNs may therefore be problematic even if they produce some short run retail discounts. The long run consumer interest lies in sustainable infrastructure competition, not in a short lived diversion of migration demand back to the SMP operator. That remains true where the immediate effect is felt through vertically integrated retail competition, and not only where it affects third-party wholesale.

The Ethernet route is different, but it should still be treated as a substantive potential concern. Ethernet services such as EAD are used by CPs as inputs to fixed and mobile networks and as inputs to retail business connectivity services for large enterprise and public sector customers. In previous TAR submissions, Substantial Group emphasised that PIA and dark fibre are critical enablers of MSN based competition because they allow Altnets to use their fibre footprints to serve business connectivity needs as well as broadband customers. A conditional Ethernet Net Demand Offer may therefore matter if it increases the expected value of placing incremental EAD demand with Openreach, reduces incentives to use dark fibre or alternative Ethernet inputs, or weakens the incremental business case for PIA enabled network extensions. That is not evidence of residential FTTP harm; it is a separate LLA concern that Ofcom should test using LLA specific evidence.

## 8. Why Openreach's expected defences do not resolve the regulatory concern

Openreach is likely to argue that the notified offers are transparent, time limited, non-exclusive, above-baseline, responsive to competition and capable of generating consumer or business customer benefits. Substantial Group recognises that those points are relevant to Ofcom's assessment. They do not, however, answer the central SMP questions. For FTTP, the issue is whether the structure and cumulative operation of the FTTP offers materially increase the expected value of routing contestable broadband demand to Openreach. For Ethernet, the separate issue is whether the Ethernet Net Demand Offer is capable of distorting CP decisions for Ethernet inputs and business connectivity. Importantly:

- Openreach's characterisation of the offers as supporting genuine growth should also be tested on an additionality basis. A New to Openreach or Subsequent Provide order is not necessarily a net new full fibre customer. It may instead be demand that would otherwise have been served by an Altnet, won by an Altnet retail brand, or used to support a CP's Altnet integration case. Ofcom should therefore test whether the offers generate genuinely additional fibre migration, or whether they mainly divert contestable frontbook, switching and upgrade demand towards Openreach during the finite migration window. That assessment should include rebate incidence: expected Openreach rebate value may be used to fund retail promotions, retention activity, sales channel incentives or customer acquisition budgets even where the rebate is paid retrospectively.

- Non-exclusivity is not determinative. A CP does not need to be contractually prohibited from using Altnets for the offer to affect its purchasing behaviour. If using an Altnet reduces the probability of earning, maintaining or maximising Openreach rebate value, the CP faces an opportunity cost. That is sufficient to affect marketing allocation, sales channel priorities, wholesale routing and integration decisions.

- Ofcom should assess Reasonably Efficient Operator (REO) headroom dynamically, not only by reference to a static national average price and cost comparison. If Openreach incentives reduce Altnet penetration, fixed and semi fixed network costs are recovered across fewer active lines, increasing the monthly cost recovery requirement of a reasonably efficient rival network and narrowing, or eliminating, apparent headroom.

- The above-baseline design does not cure the incentive effect. The marginal order is the order that determines whether the CP exceeds or maintains performance against the baseline. It is also the order that an Altnet must win to build take-up. An above-baseline rebate can therefore be especially material at the margin even where its average effect across the CP's whole Openreach order base appears modest. In addition, Openreach's own external stakeholder briefing indicates that, for CPs below the relevant order threshold, discounts may apply across all eligible New to Openreach and Subsequent Provide volumes rather than only to volumes above a baseline. Ofcom should therefore test separately the incentive effects for larger CPs subject to baseline mechanics and smaller CPs for whom the offer may operate more like a broader acquisition subsidy.

- Portfolio average and average long-term cost recovery evidence are useful but incomplete. They may be relevant to proportionality, pass through and Openreach's defence of the offers, but they can dilute the effect on the contestable customer flows and local overlap areas that matter for Altnet take-up. Openreach should therefore not be permitted to rely only on an average price comparison where discounts are concentrated on incremental, frontbook, switching or geographically targeted demand. Ofcom should require both portfolio average and eligible marginal line analysis, including whether local overlap area effective prices preserve sufficient headroom for a reasonably efficient PIA based operator.

- Consumer benefit must be assessed dynamically. A short run wholesale discount may produce some retail pass through and accelerate some FTTP migration. But the long run consumer interest depends on sustainable infrastructure competition. If the offers divert the migration demand that Altnets need to reach active scale, the short run benefit may be outweighed by reduced future network competition, reduced wholesale choice and weaker incentives to invest.

- Provider based geographic framing is not a substitute for postcode level and regional cluster evidence. VMO2 may plainly be a legitimate competitive constraint on Openreach. The regulatory issue is whether a geography framed by reference to VMO2 also concentrates additional Openreach value in postcodes where CityFibre or other Altnets are trying to convert coverage into wholesale credibility and active customers.

Openreach's objective based defence should also be tested against the less distortive reformulation discussed in Section 10. Openreach can discount. The point is that Ofcom should not treat the FTTP combination of conditional, baseline linked and geographic incentives as benign unless Openreach can demonstrate, with CP level, postcode level and effective price evidence, that the FTTP offers do not create a material risk of harming Altnet take-up, investment incentives or future scale wholesale (WLA) entry. Separately, Openreach should evidence that the Ethernet Net Demand Offer does not create a material risk of harm in LLA, including through effects on EAD demand, alternative network inputs or business connectivity competition.

## 9. Regulatory stability and the risk of successive ACCNs

Substantial Group's concern is not confined to the immediate arithmetic of these ACCNs, but extends to the precedent they would set for the 2026-31 TAR period. Network investment and CP wholesale integration decisions depend on stable expectations about effective Openreach pricing, CP routing incentives and the opportunity for Altnets to convert coverage into active lines. If Ofcom permits a broad package of conditional, geographic and ARPU-related incentives at the start of the review period, CPs may rationally preserve optionality and defer or dilute Altnet integration and volume commitments in expectation of further Openreach responses as Altnets approach scale. Investors may similarly discount Altnet forecasts for ARPU, take-up, refinancing and further build. Ofcom should therefore assess the offers not only as individual price changes, but as a potential precedent that could weaken the regulatory stability on which its investment strategy depends; any mitigation should remove that practical uncertainty, not merely reduce the theoretical maximum value of this package.

## 10. A less distortive downstream reformulation

Substantial Group recognises that it is Openreach's commercial prerogative to decide how it wishes to compete, subject to the SMP Conditions that apply to it. Ofcom should not substitute its own commercial judgement for Openreach's. However, where Openreach seeks to justify a package of conditional and geographic downstream incentives by reference to objectives such as fibre migration, customer value and efficient use of infrastructure, it is relevant to ask whether those objectives could be achieved through a less distortive downstream formulation.

The appropriate downstream fallback is a transparent, line specific migration or activation credit. The notified ACCNs could be reformulated in a materially less distortive way because Openreach's stated objectives do not require a CP specific, baseline linked and geographically overlaid incentive structure. This would therefore support FTTP migration without increasing the opportunity cost of using an Altnet for other contestable demand.

A less distortive alternative would likely comprise the following conditions:

- The offer would be available on equivalent published terms to all CPs;
- The offer would not be conditional on CP specific Openreach volume growth, Openreach order share, or performance against an Openreach baseline;

- Any rental discount would be bounded by an explicit REO / PIA headroom safeguard so that Openreach's effective FTTP price does not undermine the opportunity for a reasonably efficient PIA based operator to compete;

- Any geographic element would either be removed or limited to areas where Openreach can demonstrate, with postcode level and regional cluster evidence, that the provider defined geography does not create a material risk of collateral harm to Altnet take-up, including no material downstream retail risk;

- Any interaction with Equinox, Frontbook ARPU Share, ONT waivers or connection credits should be transparent and assessed cumulatively; and

- The offer would be time limited and subject to reporting on eligibility, take-up, effective prices, rebate incidence and geographic distribution.

This formulation would preserve Openreach's ability to compete and to support FTTP migration, while removing the features that give rise to the greatest competition concern. In particular, it would shift the commercial logic from 'route more incremental demand to Openreach in order to earn additional value' to 'where an objectively eligible migration occurs, the line receives a transparent and bounded benefit'. That distinction matters. The former creates a portfolio incentive that can reduce CP appetite to use Altnets; the latter is a more transparent price reduction that can be assessed against Ofcom's fair and reasonable pricing framework.

Substantial Group does not suggest that Ofcom should design Openreach's commercial strategy. The point is narrower. The existence of a less distortive downstream formulation is relevant to necessity and proportionality. If Openreach's objectives can be achieved through a transparent line specific mechanism, then Openreach has not shown why a CP specific, baseline linked and geographically overlaid package is necessary.

Substantial Group's primary input is that Ofcom should not allow the notified FTTP package to proceed without testing whether the features that create the principal competition concern can be removed, justified or safeguarded. If Ofcom considers that some form of customer migration support may be capable of being justified, the appropriate focus for this CfI is whether that support could be reformulated in a transparent, line specific and non baseline linked way.

## 11. Conclusion

Substantial Group welcomes competition on the merits. Openreach should be able to compete. However, the FTTP ACCNs are not ordinary, transparent price competition. They are conditional, incremental and partly geographic incentives that are capable of changing CP routing behaviour and artificially directing demand to Openreach. The Ethernet Net Demand Offer is separate and should be assessed as an LLA market offer affecting Ethernet inputs and business connectivity, not as part of the FTTP numerical stack.

Absent robust evidence and effective safeguards, the FTTP offers may be difficult to reconcile with the purpose of the SMP Conditions and with Ofcom's wider TAR strategy. The primary FTTP risk is that they weaken Altnet retail broadband take-up in concentrated provider overlap and other contested areas by depressing achievable retail ARPU, increasing customer acquisition costs, slowing penetration and increasing funding risk. As a secondary dynamic effect, the same FTTP incentives may also place further downward pressure on the future wholesale (WLA) business case. The Ethernet concern is separate and should be assessed by reference to CP network inputs, EAD demand and business connectivity effects. However, it should also be recognised that many wholesale models seek to exploit the full scale and scope of the MSN, and that Ethernet services can provide incremental support for the wider wholesale business case.

Ofcom should use this CfI stage to test these risks before they crystallise. Once migration demand has been diverted and retail take-up has been weakened, the opportunity to secure durable infrastructure competition may be materially reduced. The future wholesale (WLA) concern reinforces that conclusion, but from Substantial Group's perspective, the immediate focus concerns the risk to retail take-up, utilisation and investment incentives.

Substantial Group's proposed approach would preserve Openreach's ability to compete while ensuring that Ofcom tests whether any permitted offer is transparent, proportionate and bounded by effective safeguards in the relevant market. On the current evidence, Ofcom should not assume that FTTP conditional and geographic incentives are compatible with the SMP framework unless Openreach can demonstrate no material risk of harm to Altnet retail take-up, investment incentives or long-term network competition.

Ofcom should also consider the forward looking signal sent by its decision. If these ACCNs are permitted without robust evidence and effective safeguards, CPs and investors may reasonably expect further Openreach targeted pricing interventions during the TAR period. That expectation would reinforce the primary retail / take-up risk and may also weaken CP incentives to integrate with Altnets and any prospective Altnet wholesale (WLA) access entry case.