Ofcom Call for Inputs

Openreach's proposed commercial offers

Virgin Media O2 response

June 2026

Non-confidential Response

Executive Summary

Openreach's notified offers come at a pivotal moment, with wholesale competition at an inflection point.

Ofcom needs to act now to prevent Openreach foreclosing new wholesale entrants and further weakening existing altnets' ability to act as any form of credible competitive wholesale constraint. Openreach itself has made its objective clear – not to compete on the merits, but instead to entrench its monopolistic position with Allison Kirkby announcing that "*We feel that we're going to be the only provider of fibre nationwide*"[1]. It is clear from this statement that the incumbent's objectives are contrary to those of Ofcom, which is required, pursuant to its statutory duties and regulatory objectives, to promote network competition in the long-term rather than secure short-term price reductions for consumers. It is imperative that Ofcom acts decisively and fulfils its duty of inquiry so as to recognise that these special offers are not objectively justified and will have a material impact on long-term network competition.

[✄]

TAR was intended to create the conditions for genuine network competition to emerge and strengthen over time. But that process remains at an early and fragile stage. Rival wholesale competition is not yet secure, as articulated by Ofcom in TAR. The market is still in the window in which access seekers' choices about future wholesale relationships will determine whether sustainable competition to Openreach actually develops - or whether it is choked off before it can take hold. [✄]

In VMO2's view, Openreach's special offers are not ordinary commercial promotions. Instead, they form part of a calculated pattern of conduct by Openreach designed to foreclose effective competition, particularly the emerging competition from VMO2/nexfibre, which, due to the size of their combined networks, pose the greatest potential wholesale competitive constraint to Openreach. When all of the special offers are viewed in the round, they are a concerted attempt to protect Openreach's incumbency advantages, to make rival wholesale agreements harder to strike and harder to use, and to keep access seekers commercially tied to Openreach at the very point when alternative wholesale relationships should be deepening. The likely effect is not simply to influence a narrow set of short-term customer decisions. It is to foreclose the development of wholesale competition itself.

That risk is heightened because the offers interact with each other and therefore must be assessed in the round. The VMO2 NTN Offer is expressly structured as an overlay to the nationwide NTN Offer, and the wider package creates reinforcing incentives that are more potent collectively than individually. Their combined effect is to reward continued alignment with Openreach, penalise deeper use of rival networks, and sustain uncertainty for access seekers considering whether to commit volumes away from the incumbent. If allowed, they would weaken the incentives for access seekers to enter into, operationalise, or scale rival wholesale

[1] "BT boss shrugs off challenge of rival", The Times, 27 May 2026.

agreements, and therefore weaken the very competitive process TAR was designed to support during the next five years, and into the future.

VMO2 is also concerned by what these offers represent in the wider context of TAR. Ofcom has said that regulation may adapt as competition develops. But that flexibility was not intended to give Openreach licence to press immediately for more aggressive and targeted pricing before competition has had a fair chance to mature. Openreach has openly stated that this suite of special offers is designed to “test the waters”[2] indicating that this is the tip of the iceberg and their desire to roll out further offers specifically designed to harm competition and frustrate the objectives of TAR. Indeed, many of the offers indicate that they may last for months or years, i.e. until they have been effective in choking off competition. Then Openreach can revert to core Equinox 2 pricing, without having risked diluting its own revenues in the long run.

If Ofcom takes a permissive approach now, it risks setting a dangerous precedent for the rest of the TAR period: one in which Openreach can continue to return with sharper and more exclusionary loyalty-inducing offers on the basis that competition is “evolving”, while in reality that same competition is being weakened or delayed.

For those reasons, Ofcom should approach these offers as a serious threat to the emergence of long-term network competition, not as routine pricing proposals. It should assess them both individually and cumulatively, gather the evidence needed to test their real commercial effects, and apply its geographic, conditional, fair and reasonable, and undue discrimination frameworks in a way that protects the development of sustainable competition. Having done so, Ofcom should require Openreach to withdraw the relevant offers and should refuse consent to the geographic offer.

[2] BT Group’s CEO, Allison Kirkby, statement at Enders panel, 4 June 2026.

1. Introduction

1. Virgin Media O2 ("**VMO2**") welcomes the opportunity to respond to Ofcom's Call for Inputs ("**CfI**") on Openreach's proposed commercial offers (the "**Offers**"). Ofcom explains that the CfI concerns four notified offers: the Incremental New to Openreach Customer Offer ("**National NTN Offer**"), the Incremental New Openreach Customer Offer in VMO2 areas ("**VMO2 NTN Offer**"), the Incremental Ethernet Net Demand Offer, and the six-month extension to the Equinox 550Mb incentive. In addition, Ofcom noted that it had been given 28 days' notification by Openreach of new pricing arrangements in relation to FTTP wholesale services (the "**Frontbook ARPU Share Offer**" and "**Box Swap Offer**").[3]

2. Ofcom also explains that it is inviting initial views on whether the relevant conditional and geographic offers give rise to competition concerns and whether the offers may also raise wider issues relating to low pricing, fair and reasonable pricing, and/or undue discrimination capable of harming competition.

3. VMO2's position is that, once properly assessed, the relevant conditional offers should be withdrawn, and the geographic offer should not be granted consent. In addition, Ofcom should consider, in the round, the harmful effects of the conditional Frontbook ARPU Share Offer which Openreach improperly failed to notify to Ofcom as a conditional offer under SMP Condition 8.6 and also ensure that this special offer is withdrawn from the market. In VMO2's view, all of the special offers are capable of impeding the development of long-term network competition and are inconsistent with the duties, objectives and remedial framework that Ofcom has only recently adopted in TAR. In particular, they risk frustrating the emergence of rival wholesale competition at a point when access seekers' choices about future wholesale relationships remain critically important to whether Ofcom's longer-term strategy succeeds.

4. The remainder of this response is structured as follows:

- Section 2 summarises the relevant regulatory context, including Ofcom's duties, the TAR framework and VMO2's immediate concerns regarding the regulatory process;
- Section 3 sets out our understanding of the notified offers;
- Section 4 provides our principal overarching concerns which arise in relation to all of the Special Offers collectively;

[3] Collectively we refer to Openreach's WLA offers notified in June 2026 as the "**Special Offers**".

- Sections 5-7 address specific concerns about the offers; and
- Section 8 draws out VMO2's overall conclusions.

2. Regulatory context, framework and procedure

Ofcom’s duties and objectives

5. In this section we provide an overview of Ofcom's duties and objectives as set out in the Communications Act 2003 (“**Act**”), the 2026 Statement of Strategic Priorities (“**SSP**”) and the Telecoms Access Review (“**TAR**”). These duties and objectives must underpin Ofcom's assessment of the Offers.

Communications Act 2003

6. Under section 3 of the Act, Ofcom’s principal duties in carrying out its functions are to *“(i) to further the interests of citizens in relation to communications matters; and (ii) to further the interests of consumers in relevant markets, where appropriate **by promoting competition**.*” (**emphasis added**)

7. In performing its duties, section 3(4) of the Act states that Ofcom must have regard to a range of factors including:

> *“(b) The desirability of **promoting competition** in relevant markets*
>
> *(d) The desirability of **encouraging investment** and innovation in relevant markets*
>
> *(e) The desirability of encouraging the availability and use of high speed data transfer services throughout the UK.”*

- Section 4 of the Act requires Ofcom, when carrying out its functions, to act in accordance with a number of requirements including:

- To promote competition in relation to the provision of electronic communications networks and services, associated facilities and the supply of directories;

- To encourage, to such extent as Ofcom considers appropriate the provision of network access and service interoperability for the purpose of securing: efficient and sustainable competition; efficient investment and innovation; and the maximum benefit for customers of telecoms providers and of persons who make associated facilities available; and

- To promote connectivity and access to very high-capacity networks by members of the public and businesses in the UK.

SSP

8. Ofcom is also required, under section 2B(2) of the Act to have regard to the UK Government's SSP when carrying out its functions. A key strategic priority is "*Driving growth through world-class fixed wireless digital infrastructure*" and in particular "*supporting growth through access to gigabit-capable fixed telecoms connections*"[4]. In this regard, the SSP notes that "*Ofcom should over the course of this Parliament ensure that encouraging of investment and economic growth are key factors taken into account in its regulatory decisions.*"[5].

9. To achieve this goal, the SSP states[6] that:

> "*Ofcom should exercise its regulatory powers to take prompt steps to remedy actions which present a risk to effective competition. Ofcom should closely monitor Openreach's commercial terms and pricing, given that Openreach benefits from economies of scale that new entrants cannot rely on yet. Ofcom should prevent Openreach from offering commercial arrangements that would have a detrimental effect on the establishment of sustained competition, while sustained competition is still developing in the market.*"
>
> "*Regulation should continue to support operators' investment in the continued roll-out of fibre networks over the next five years and beyond. As such, Ofcom should ensure predictable and evidence-based regulatory decisions, focused on its core objectives of promoting competition and protecting consumers, and should monitor the impact of regulation on investment.*"
>
> "*Promoting investment and competition in the fixed telecoms market should continue to be prioritised over regulatory measures to further reduce retail prices in the near term.*"

TAR

10. In light of its duties and objectives, Ofcom stated in TAR that its "[...] *strategy was, and remains, to promote investment in gigabit-capable networks through network competition in areas where this is viable. The network competition we are seeking to promote should also bring longer term benefits from innovation, choice, and stronger incentives to price keenly to attract customers and to further improve quality of service.*"[7]

11. Ofcom, however, acknowledged a shift in how it perceived long-term network competition could be established. "*While build by rival networks remains an important*

---

[4] Statement of Strategic Priorities for telecommunications, the management of radio spectrum, and postal services, §5
[5] SSP, §5
[6] SSP, §§5-6
[7] TAR, Vol. 3, §1.198

objective of our policy, it is no longer the central focus of competition; instead, competition has increasingly shifted toward gigabit capable networks attracting and retaining customers."[8] "*Attracting customers from legacy networks to full fibre is key to the success of all providers and to ensuring the benefits from full-fibre networks for consumers, businesses and the economy and society more broadly are realised. For altnets, take-up underpins their ability to exert a strong competitive constraint in the long term. It takes time for new networks to build customer bases and achieve scale and for competition to become established and sustainable. Altnets still face considerable challenges overcoming the incumbency advantages of Openreach in achieving this.*"[9] This shift in perspective is critical to Ofcom's consideration of Openreach's Special Offers given their material impact on the ability both from a wholesale as well as a retail perspective for altnets to grow their bases so as to enable "competition to become established and sustainable".

12. With the above general strategy in mind, Ofcom highlighted the concerns it has in relation to Openreach's use of: (i) geographic discounts which would undermine altnets' ability to become established competitors thereby undermining network competition; as well as (ii) certain conditional commercial terms that could induce loyalty and deter Internet Service Providers ("**ISPs**") from switching demand to alternative networks.

> *"Geographic discounts **could deter the use of altnets**, as well as incremental build, which could in turn **weaken the competitive constraint** they pose to Openreach in the future."*[10] *(**emphasis added**)*
>
> *"Openreach is the only operator with a national footprint. Telecoms providers wishing to offer services on a national scale have no choice but to purchase WLA and/or LLA from Openreach in certain areas. 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. For example, Openreach could make discounts on telecoms providers' purchases conditional on buying significant volumes and/or range of services, **which mean in effect telecom providers cannot use rival networks for any meaningful volumes without losing those discounts**. This could exclude rival networks even if telecoms providers found them preferable, **depriving them of demand and undermining the development of network competition in the long run**."*[11] *(**emphasis added**)*

13. The emphasised sections of the TAR above, recognise the two key barriers to use of an altnet. First, the ability and incentive of access seekers (ISPs) to enter into a contract,

[8] TAR, Vol. 3, §9.30(d)
[9] TAR, Vol. 1, §1.9
[10] TAR, Vol. 3, §9.26
[11] TAR, Vol. 3, §9.156

based on future long-term commitments, with an altnet. Second, should a contract have been entered into with an altnet, the continued ability and incentive of the ISPs to then place volumes under that contract rather than deferring to use of Openreach.

14. As acknowledged by Ofcom, the above objectives are set in the context that Openreach is currently the only operator with a national network footprint and ISPs will, for the medium- to long-term, continue to require access to some wholesale services from Openreach in order to serve their end consumers. Therefore, the incumbent provider has an inherent advantage over other network providers as an unavoidable trading partner, along with the benefits of the economies of scale and entrenched commercial relationships.

Ofcom's Duty of Enquiry / Sufficient Evidence

15. Ofcom is an evidence-based regulator. As has widely been established, Ofcom has considerable power when issuing its decisions and, as an expert regulator, is afforded a wide discretion to exercise that power.

16. Ofcom must also act rationally and reasonably. There is a wealth of case law that reinforces the fact that a public authority, such as Ofcom, must act reasonably and ensure that the inquiries it makes prior to issuing a decision are sufficient so as to arrive at a rational conclusion. As acknowledged by the Competition Appeal Tribunal ("**CAT**") in the CityFibre appeal[12], it is also an established principle that the wider the discretion conferred on a public body *"the more important it must be that he has all relevant material to enable [him] properly to exercise it"*[13] .

17. To this end, VMO2 urges Ofcom to assess, by reference to relevant evidence obtained from VMO2 and other market participants, the likely detrimental impact that the Offers together with the Frontbook ARPU Share Offer will have on VMO2's ability to enter the wholesale market and to act as a strong constraint to Openreach in the long-term. This assessment should be facilitated by Ofcom's use of its formal information-gathering powers to require Openreach and the ISPs to adduce evidence, so that Ofcom can undertake sufficient enquiry to deliver a robust decision.

[12] *CityFibre Limited v Ofcom* [2022] CAT 33, p.88
[13] *R (Pharmaceutical Services Negotiating Committee) v Secretary of State for Health* [2017] EWHC 1147, §56(6)

18. At this stage of Ofcom's process, VMO2 has identified two specific procedural points which require Ofcom to immediately take steps to ensure that it is able to reach a properly reasoned and evidence-based conclusion on this issue.

Conditionality of the Frontbook ARPU Share Offer and absence from the CfI

19. As VMO2 already set out in its letter to Ofcom (the "**Letter**")[14], VMO2 maintains that the Frontbook ARPU Share Offer constitutes a conditional offer within the meaning of SMP Condition 8.6 and should therefore be subject to the 120-day notification requirement required under that condition and be subject to a detailed investigation by Ofcom in keeping with its duty of inquiry.

20. The Frontbook ARPU Share Offer rebate is calculated on the basis of the ARPU of all new and upgrading connections, not just the revenue from those connections generating a rental amount above the £19.32 per month threshold. In order to exceed the threshold, an ISP needs to purchase from Openreach a higher proportion of higher-priced, high bandwidth products. The offer is therefore conditional on the range of services purchased – that is, the ISP's wholesale product mix. Openreach's decision to notify the offer under the 28-day process applicable to simple price reductions was incorrect and seeks to avoid Ofcom undertaking a proper assessment of the offer before it takes effect.

21. In VMO2's view, the relevant question is not whether the offer expressly specifies a volume or range target in absolute terms, but whether, in economic effect, rebate eligibility depends on the range of services purchased. Here, the threshold mechanism makes qualification for the rebate depend on the ISP's overall product mix across new and upgrading orders. The fact that the Frontbook ARPU Share Offer does not state that condition in express terms does not alter the substance of the incentive it creates.

22. That remains so even if Openreach does not prescribe a fixed target that an ISP must meet in advance. In practice, eligibility turns on whether the ISP's purchases, taken together, produce an average above the threshold. To that extent, the structure of the offer makes the range of services purchased determinative of rebate availability. The fact that an ISP retains freedom to decide what mix of services to purchase does not mean that the offer is not conditional; conditional offers, by their nature, operate by influencing voluntary purchasing decisions through the incentives they create.

[14] Letter from Enrique Medina Malo to Natalie Black dated 12 June 2026.

23. In addition, the Frontbook ARPU Share Offer is conditional by virtue of the fact that it modifies the pre-existing Equinox 2 Offer which is itself a conditional offer. As set out in the Letter, the Frontbook ARPU Share Offer directly interacts with and modifies the operation of Equinox 2:

    a. For ISPs participating in Equinox 2, the Frontbook ARPU Share Offer is calculated using the applicable Equinox rental prices.

    b. Openreach determines, for each Contract Quarter, whether in respect of frontbook circuits an ISP is "better off" under the Frontbook ARPU Share mechanism than under the Equinox ARPU Share mechanism.

    c. Where Openreach determines that an ISP is better off under the Frontbook ARPU Share Offer, the ISP is treated as having temporarily waived its entitlement to the Equinox ARPU Share in respect of frontbook circuits for that Contract Quarter.

24. The Frontbook ARPU Share Offer therefore represents a material modification to the terms of the Equinox 2 conditional offer. Given that Equinox 2 was itself subject to notification as a conditional offer, any material amendment to its terms should similarly be subject to notification under SMP Condition 8.6 and review by Ofcom. The interaction between the two offers creates a complex incentive structure that warrants careful scrutiny by Ofcom.

25. The construction of the Frontbook ARPU Share Offer does not reflect simple competition on the merits by Openreach (such as by offering lower prices or improved service quality); it is not an offer designed simply to increase ISPs' purchases from Openreach but instead creates complex incentives for ISPs to shift their purchases to a category of higher-bandwidth Openreach services.

26. The Frontbook ARPU Share Offer is designed to have precisely the same economic effect as the loyalty inducing arrangements of the type set out in Annex 8 of TAR and is likely to foreclose rival networks for the same reasons. TAR recognises that "*A range of different pricing terms could potentially result in incentives which deter telecoms providers from switching to rival networks*"[15] and that *"[o]ther schemes may operate with the indirect effect that obtaining discounts is in practice contingent on whether telecoms providers purchase from rival networks."*[16] The Frontbook ARPU Share Offer operates in

[15] TAR, Annex 8, §A8.67
[16] Ibid.

this manner by strongly incentivising ISPs to concentrate their higher bandwidth orders with Openreach.

27. These complex incentives risk having a negative effect on competition; therefore, it is important that Ofcom has the opportunity to properly assess the Frontbook ARPU Share Offer before it takes effect.

28. In addition to the above, VMO2 notes that the interconnected and cumulative nature of the Frontbook ARPU Share Offer and the Offers provide another reason for Ofcom to assess the Frontbook ARPU Share Offer as a conditional offer alongside the Offers. Both the Frontbook ARPU Share Offer and the Offers have a negative effect on competition, but the full effect can only be assessed in the round.

29. This requires Ofcom to assess the extent to which the Frontbook ARPU Share Offer and the Offers, in aggregate, create a material non-hypothetical barrier to the use of rival networks which overrides any potential benefits that Openreach may try to postulate. Ofcom must therefore ensure that it intervenes to prevent the Frontbook ARPU Share Offer coming into force on the 1 July, so that Ofcom may have the ability to gather evidence from the third-party competitors as to the material impact the Offers, individually and in the round, will have on long-term network competition.

30. As noted in the Letter and in Section 4 of this response, all the offers represent a clear strategy by Openreach to create barriers to ISPs switching to rival networks and thereby foreclosing nascent competition especially by virtue of the fact that rivals to Openreach, including VMO2, tend to be strongest in relation to higher bandwidth services. By creating strong incentives for ISPs to concentrate their higher bandwidth orders with Openreach, the Frontbook ARPU Share Offer (together with the Offers) is directly targeted at rival network operators with both the objective and likely effect being to deprive rival networks of demand in precisely the segment of the market where they are most competitive and in respect of which they recover the high costs of network rollout. This will undermine the development of wholesale competition in the long-term. As set out above, Ofcom has a statutory obligation to promote competition pursuant to Section 3 of the Act and a strategic purpose to promote investment and competition in the fixed telecoms market over and above any measures to reduce retail prices in the near term.[17]

31. VMO2 notes that, where Openreach proposes commercial terms which are not conditional on the volume and/or range of services purchased but which nevertheless

[17] SSP, §§5-6

undermine network competition, Ofcom may also consider the use of its ex ante powers to direct Openreach to modify such terms. In particular, Openreach's pricing disincentivises ISPs from committing volume to Openreach's nascent competitors, undermining their investment case and choking off demand at a critical juncture in their development. Accordingly, even if Ofcom were to conclude that the Frontbook ARPU Share Offer does not technically qualify as a conditional offer, Ofcom should still exercise its regulatory powers and fulfil its duty of enquiry to prevent the offer from taking effect given the serious risk of harm to network competition it poses both on a stand-alone basis, and when combined with the other notified offers.

Appropriate procedure for assessing the geographic offer

32. VMO2 supports Ofcom taking sufficient time in order to reach its rational conclusion, not least because this is the first test of Ofcom's ex ante review process post TAR coming into effect. Ofcom's review and decision making in this case will shape how Openreach act for the next five-year period. As noted above, Openreach has openly stated that this suite of special offers is designed to "test the waters". Ofcom's reaction will determine whether Openreach feels emboldened to introduce a greater number of special offers, on a more frequent basis all designed to chip away and undermine any ability for altnets to establish a meaningful network and wholesale constraint on Openreach. Furthermore, the prospect of future offers creates further disincentives on ISPs to commit volumes to Openreach's competitors, for fear that the ISP will miss out on richer discounts within the TAR timeframe.

33. To this end, VMO2 is concerned that Openreach has, by virtue of the twin elements of the VMO2 NTN Offer, sought to prescribe a 120-day timeframe for Ofcom's consent process that is not set out in Ofcom's own procedural guidance in Annex 8 of TAR and which risks undermining Ofcom's ability to follow due process. Ofcom itself acknowledged it was "*not appropriate to pre-set fixed timeframes for our assessment*"[18] and that "*the time required will depend on the specifics and complexity of each case.*"[19] In any given offer, the appropriate review period is set by the most problematic term in that offer, not the least. In this case, as Ofcom itself accepts, there is a general prohibition on geographic discounts and therefore, this term should determine the review timeframe for the whole of that offer.

[18] TAR, Vol. 3, §9.147
[19] Ibid.

34. Whilst VMO2 fervently agrees that Ofcom should review the Offers (together with the Frontbook ARPU Share Offer) in the round and consider the full impact of the Offers on altnets given their cumulative effect, VMO2 urges Ofcom to adopt a process that enables it to carry out an effective, evidence based, assessment. Given that geographic offers are *per se* prohibited under Openreach's SMP Conditions, its review should take precedence and should not be constrained by the conditional offer process and associated timeframe.

35. SMP Condition 8.6 only obligates Openreach to notify Ofcom of its commercial terms which are conditional on a range of services being purchased no less than 120 days before it proposes to implement the commercial terms. SMP Condition 8.6 places no time restrictions on Ofcom's review, nor could it. As Ofcom acknowledged by virtue of its extended timeline for the review of Equinox 2[20], Ofcom is under no obligation to issue its final decision even for its review of the conditional offers within the 120-day period. This is particularly true if the evidence adduced regarding the anti-competitive effects of the Special Offers requires further complex investigation by Ofcom.

36. VMO2 therefore urges Ofcom to take the time it needs to conduct the required thorough and comprehensive review. As noted above, Ofcom has a statutory duty to promote competition and a common law duty of sufficient inquiry, such that it must take the time to ensure it is meeting its duty and objectives and not being rushed into a decision by an arbitrary date set by Openreach. Whilst Openreach may have a desire to launch these Special Offers on 1 October, citizens and consumers would be better served, in the short- and long-term, if Ofcom is able to take the proper time for due consideration, given this 'small window of opportunity' to foster genuine competition to Openreach.

[20] Ofcom sought to defer its decision by up to two months in order to undertake further analysis and issue its final decision.

3. Overview of the notified offers

Below we briefly set out our understanding of the offers notified by Openreach on 1 June, and how these interact with each other and Equinox 2.

National NTN Offer

- **Start date:** 1 October 2026
- **Duration:** 6 months (extendable to 12 months)
- **Geographic scope:** Nationwide
- **Discount mechanism:** £35 connection rebate + £9.50/month rental rebate
  - Rental rebate duration is 18, 24 or 30 months depending on scale of incremental NTN volumes above baseline i.e. +5% incremental volumes above baseline results in 18-month rental rebate duration, >+10% results in 30 months.
- **Product scope:** FTTP NTN and Subsequent Provide orders (applicable to all Equinox speed tiers)
- **Methodology:** Openreach estimated 'baseline' – standardised methodology results in CP-specific baseline[21]; incremental volumes above baseline earn tiered rebates, assessed quarterly

VMO2 NTN Offer

- **Start date:** 1 October 2026
- **Duration:** 6 months (extendable to 12)
- **Geographic scope:** VMO2 footprint only (postcode-defined)
- **Discount mechanism:** £50 connection rebate (paid retrospectively)
  - Connection rebate would be in addition to Nationwide offer i.e. £85 (£35 + £50) connection discount
- **Product scope:** FTTP NTN + Subsequent Provide (Equinox bandwidths)
- **Methodology:** CP-specific baseline derived from April 2026 VMO2-area run-rate + footprint growth + seasonality; quarterly incremental volumes above baseline earn rebate

Frontbook ARPU Share Offer + Box Swap Offer

- **Start date:** 1 July 2026
- **Duration:** Offer window 12 months (benefits run ≥24 months per circuit, up to June 2029)
- **Geographic scope:** Nationwide
- **Discount mechanism:**
  - ARPU share rebate (CP retains 100% above threshold via quarterly rebate)

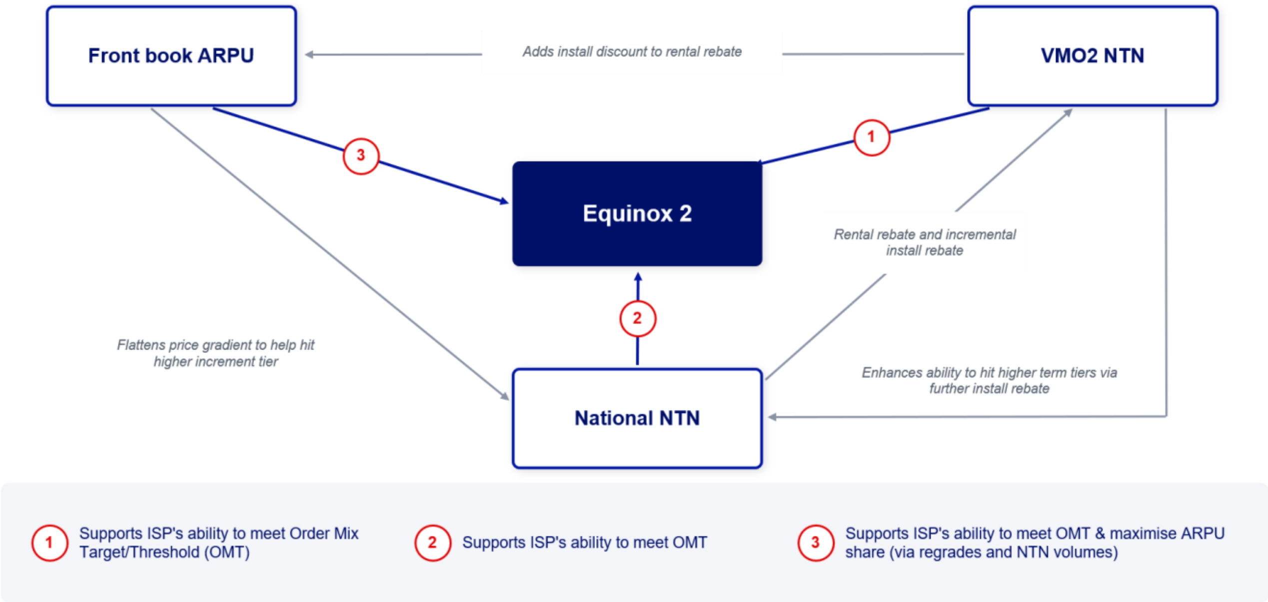
[21] Communications Provider (**"CP"**)

    - Free ONT upgrade (box swap) for customers upgrading to 1.8Gbps tier

- **Product scope:** FTTP provision and bandwidth modify orders at 1.8Gbps tier
- **Methodology:** Threshold-based ARPU comparison; rebate triggered when Frontbook ARPU exceeds defined (CPI-adjusted) threshold, paid quarterly

How the FTTP offers interact

Below we set out the mechanisms by which these offers reinforce each other and collectively all contribute to enhancing Equinox 2.



4. Overarching concerns across all of the Special Offers

37. VMO2 sets out below a number of concerns which affect the Special Offers collectively rather than relating to a specific offer in isolation.

38. These concerns arise from the combined effect of all Special Offers and from the incentives they create for Openreach, access seekers, and rival wholesale networks and therefore how the overall market dynamics are materially affected as a result of their introduction. Ofcom's impact assessment must review the effects in the round, analysis which is central to the correct application of Ofcom's TAR framework.

39. [✂]

Signalling, repeated notifications and drip-feeding of offers

40. VMO2 is concerned that these offers may influence market behaviour not only through their immediate price terms, but also by the signals they send about Openreach's future conduct. A repeated pattern of notifications, or progressively enhanced offers, can encourage access seekers to preserve commercial flexibility so that they remain able to respond to future Openreach initiatives, rather than committing meaningful volumes to rival wholesale networks.

41. The risk is therefore not limited to the direct effect of any one discount. It also lies in the strategic hesitation and optionality that a repeated pattern of notifications can induce.

42. That concern is directly relevant to the rationale behind Ofcom's conditional terms regime. Ofcom explains in the CfI that, in the absence of regulation, Openreach could use commercial terms to undermine the development of network competition in the longer term, and that it was particularly concerned about loyalty discounts and pricing contingent on large volume commitments.

Effect of repeated notifications on access seeker incentives

43. In VMO2's view, a continuing pattern of targeted or evolving offers can itself become part of the mechanism through which those harms are realised, because it shapes what access seekers perceive to be the cost of reducing their flexibility in relation to Openreach. When making their decisions to commit volumes to other wholesale networks, access seekers will be increasingly likely to lessen/constrain their demand in order to benefit from future offers from Openreach, if they expect offers may be extended, enhanced, repeated and/or expanded. Even where those future offers are

likely to be subject to Ofcom review before being implemented, in its *Bulk Mail Delivery* decision, which concerned price changes which were announced by Royal Mail but suspended from coming into effect pending an Ofcom review, Ofcom recognised that "*Forward-looking business planning has to take account of the potential costs and risks to the business, and therefore any potential consequences for the business that would flow from the implementation (in whole or in part) of [announced but] suspended price changes. Pending the withdrawal of the price differential, or the determination that it was unlawful, it is unrealistic to suggest that a rational operator / investor would ignore the implications of the price differential for its business.*"[22]

44. Implicit in our expectation about the effect of this continuing pattern is the assumption that rival wholesale networks will not currently be able or willing to offer equivalent discounts such that access seekers would always be better off maintaining loyalty with Openreach. In our view this is not a contentious assumption. Wholesale competition has not achieved a material and sustainable state such that Openreach's rivals have the scale to match the scale or scope of Openreach's offers and therefore by design, especially with respect to the National NTN Offer and its absolute tiered incremental volume design, would face a severe challenge to meet or beat Openreach's offer construct in a way that would nullify the signalling and drip-feeding incentive pattern that we believe these offers create.

[✂]

45. [✂]

46. As noted by Ofcom in TAR, "*For altnets, take-up underpins their ability to exert a strong competitive constraint in the long term. It takes time for new networks to build customer bases and achieve scale and for competition to become established and sustainable. Altnets still face considerable challenges overcoming the incumbency advantages of Openreach in achieving this.*"[23] Without an ability to secure wholesale bases at scale, the level of investment needed for wholesale entry becomes untenable. The number and depth of the Special Offers act as a signal to the ISPs that Openreach can be expected to offer improved terms in the future in response to offers from competing networks where needed to retain its market share and that it will be permitted to do so. [✂]

[22] CW/01122/01/14 Ofcom decision in Bulk Mail Delivery, §7.224(b).
[23] TAR, Vol. 1, §1.9

Ofcom's prior concerns and why they are now engaged

47. VMO2 is also concerned that these offers may unduly influence market behaviour. This may not just be via their immediate pricing effects, but also through the pattern by which Openreach discusses, trails, updates and repeatedly brings forward FTTP pricing initiatives. Ofcom also recognised that risk in its open letter to industry, where it undertook to "*monitor whether frequent price changes by Openreach are creating market uncertainty*"[24]. In TAR, Ofcom identified three potential theories of harm by which such a pattern of behaviour might raise competition concerns.[25]

48. The first was that this could create an ISP expectation that Openreach may in future introduce conditional discounts that are difficult to obtain if the ISP uses, or commits to use, altnet FTTP. The second was that it could create an expectation of future reductions in Openreach's FTTP prices, such that ISPs would prefer not to commit to altnet FTTP because they anticipate benefiting from lower Openreach prices later. The third was that ISPs might, in practice, lack the resources to engage properly with altnets whilst simultaneously engaging with Openreach on an evolving series of offers.

49. As the sequence set out below illustrates, the relevant concern is not confined to the formal notification of any one offer. Ofcom itself recognised in TAR that the issue may arise from a pattern of Openreach behaviour, including the discussion, trailing and updating of FTTP offers.

50. In VMO2's view, that is material here because Openreach's engagement with wholesale customers in relation to prospective offers is liable to influence expectations and behaviour before any scheme is formally notified to Ofcom or published more widely.

51. The chronology below shows that these concerns do not arise from an isolated notification, but from a broader and repeated pattern of Openreach pricing initiatives and related regulatory developments.

Name	Reference	Date
Special offer on FTTP New to Network Connections	NGA2013/25	04/09/2025
FTTP proactive upgrades special offer and new product inclusion	NGA2014/25	11/09/2025
Ofcom Open Letter to industry on offer concerns		09/10/2025
Special offer where the rental charge will effectively be £0 (after rebate) for the first 12 months on all FTTP New to Network (NTN) that originate from Fixed Wireless Access (FWA)	NGA2015/25	16/10/2025
Area 2 FTTP New to Network Connection Offer	NGA2025/25	22/12/2025
TAR finalisation and appeal window		

[24] Ofcom, Concerns raised with Ofcom about Openreach's recent proactive upgrades special offer, p. 3
[25] TAR, Vol. 3, §§9.219–9.223

Extending Equinox 10Gb GEA Cablelink discount and 550Mb try-before-you-buy incentives	NGA2010/26	01/06/2026
FTTP Frontbook ARPU Share Offer and Box Swap Offer	NGA2011/26	01/06/2026
Incremental New to Openreach Customer Offer	NGA2012/26	01/06/2026
Incremental New to Openreach Customer Offer in VMO2 areas	NGA2013/26	01/06/2026

52. VMO2 recognises that Ofcom did not, in TAR, consider that the evidence then before it was sufficient to establish those theories of harm. However, the present record is materially different.

53. [✂]

54. In VMO2's view, the first and second theories of harm are now particularly relevant. The pattern reflected in the table above is capable of creating precisely the expectation that Ofcom identified: namely, that Openreach may return with further or enhanced pricing initiatives where necessary to retain volumes.

55. That expectation matters even if no single future offer can be predicted in advance. For an access seeker considering whether to enter into, deepen or operationalise a rival wholesale agreement, the reasonably foreseeable possibility of further Openreach offers may itself increase the perceived cost of committing volumes away from the incumbent.

56. In that sense, the drip-feeding concern is not limited to any one specific proposal. It lies in the cumulative effect of repeated and evolving interventions on ISP expectations and incentives.

57. That mechanism is especially relevant here because the current offers are not isolated price changes, but a package of overlapping and mutually reinforcing discounts. An ISP observing this pattern may rationally conclude that preserving flexibility with Openreach has option value, whether because future discounts may be introduced, because existing offers may be extended or refined, or because Openreach may respond selectively where rival wholesale competition begins to gain traction.

58. The practical consequence is that access seekers may defer or dilute commitments to rival wholesale providers not because they have concluded that rival offers are unattractive on their merits, but because they expect that waiting may improve their position with Openreach.

59. [✂]

60. VMO2 also considers that the third theory of harm now warrants closer scrutiny than Ofcom attached to it in TAR. The issue is not simply whether large ISPs can, in the abstract, hold meetings with more than one supplier at the same time.

61. [✂]

62. Ofcom should therefore revisit these theories of harm in light of the current pattern of conduct and the evidence now available. In particular, Ofcom should test whether the sequence and timing of Openreach's recent pricing initiatives have altered ISP expectations about future Openreach pricing, reduced willingness to commit volumes away from Openreach, or diverted attention and resource away from concluding and operationalising rival wholesale agreements.

63. If so, that would indicate that repeated notifications and drip-feeding form part of a broader mechanism by which Openreach's conduct risks undermining the development of network competition in the long-term.

Loyalty inducement, disloyalty punishment and protection of incumbency advantages

64. A second overarching concern is that the economic logic of the notified offers favours those access seekers that remain most commercially aligned with Openreach or renew their loyalty, while imposing a practical penalty on those that seek to deepen rival wholesale arrangements.

65. These offers do not apply to competition that takes place over lines already on Openreach's network, but they seek to increase loyalty to Openreach by incentivising volumes to be switched from altnets, or to prioritise Openreach more broadly when serving entirely new volumes. An access seeker that wishes to maximise the value of Openreach's notified offers is likely to place a premium on retaining freedom to keep, or return, incremental volumes to Openreach. By contrast, an access seeker that has entered firmer or deeper commitments with a rival network may be less able to respond in a way that maximises the Openreach benefit.

66. To put that another way, the NTN offers do little for BT's own brands in allowing them flexibility to compete with retail altnets. BT's brands already put 100% of their business on Openreach, so increasing their run rate of business on the Openreach platform is likely to be difficult. By contrast, ISPs that are using alternative wholesale platforms, or intending to do so, can easily take advantage of these discounts by shifting all their demand back to Openreach. The offer timing is deliberately ambiguous, indicating that

it may be extended, and potentially repeated, if Openreach needs to deny demand to its rivals for longer.

67. This matters especially because of Openreach's incumbency position. Openreach remains the only operator with a national footprint (which has the largest FTTP footprint), and providers serving customers on a national basis will continue to require wholesale services from Openreach in at least some areas. The combined effects of the special offers are therefore to induce loyalty by incentivising greater levels of new to network customers as well as hardening the existing base through up-selling to the higher band services to take advantage of the Frontbook ARPU Share Offer.

68. These offers make clear that wholesale customers that are not loyal to Openreach find it harder to maximise the benefits of special offers relevant to a material portion of their business and that they are likely to face sharper competition from other Openreach customers uniquely where they place volumes on rival networks.

Foreclosure of wholesale market development and deterrence of rival wholesale agreements

69. VMO2's central concern is not limited to whether the offers affect short-term customer churn or incremental sales placement. The deeper concern is that the offers are capable of foreclosing the development of wholesale competition itself by making access seekers less willing to enter into rival wholesale agreements, or less willing to place volumes via existing agreements, or to contemplate enhancing them in terms of scale, depth or duration.

70. Openreach has dominated the wholesale broadband market for decades, with other competitors (including VMO2) only entering or trying to enter the market in recent years. The Frontbook ARPU Share Offer (as well as the NTN Offers) represents a clear strategy by Openreach to create barriers to access seekers switching to rival networks and thereby foreclosing nascent competition.

71. Ofcom itself recognised in TAR that take-up is critical to enabling rival networks to become strong long-term constraints, and that Openreach could design commercial terms that effectively deprive rival networks of the demand they need to enter that market and to develop as a material and sustainable constraint in that market.[26]

[26] For example, TAR, Vol. 3, §9.38

72. If an access seeker perceives that even modest commitments to a rival network may reduce its future freedom to maximise the benefit of Openreach's notified terms, that access seeker may delay or avoid entering into rival wholesale agreements, or may be less willing to place volumes via existing rival wholesale agreements, or to renew or enhance such agreements in terms of their scope, scale or duration.

73. The practical effect is that the Special Offers can affect the incentives of access seekers to negotiate with rival wholesale providers and dampen the very process through which long-term wholesale competition would become established. In VMO2's view, that is the central competition concern raised by the notified package.

74. Finally, we note that by using offers, Openreach is not damaging its own revenues in the long run. Once demand is back on the Openreach platform and wholesale competition has abated, the offers will be discontinued. Underlying Equinox 2 pricing will then prevail, but with no competition around to provide incremental long run benefits to consumers.

Dynamic / repeated-game effects and precedent risk

75. VMO2 is also concerned by the dynamic and precedential implications of the notified package. Ofcom should consider not only the immediate effect of these offers, but also the future expectations they may create if tolerated at a point when rival wholesale competition remains formative.

76. A permissive early decision can change how access seekers and investors perceive the commercial environment over the remainder of the TAR period, including how likely it is that Openreach will be permitted to return with further or sharper offers if these initial proposals are accepted.

77. That concern is closely related to Ofcom's prospective "adaptive" approach in TAR. VMO2 acknowledges that Ofcom signalled its intention that regulatory flexibility may become more appropriate if material and sustainable competition genuinely develops.[27] The critical point, however, is that such adaptation should follow that development, not precede it.

78. Allowing aggressive or highly targeted offers before rival wholesale competition has had a fair opportunity to deepen risks resetting expectations in a way that itself undermines the competitive development Ofcom says it wishes to support.

---

[27] For example, TAR, Vol. 3, §1.67

79. Furthermore, a permissive approach to these offers at this stage of TAR would serve as a floor, such that Openreach would be incentivised to return with evermore aggressive offers later in TAR, on the basis that wholesale competition has continued to evolve and therefore further adaptations and flexibilities are required.

Cumulative pricing pressure and stacked competitive effects

80. As noted above in Section 3, ISPs are able to “stack” the Special Offers so as to maximise the level of discount they can obtain. The cumulative effect of the suite of Special Offers is itself a distinct source of concern.

81. Where pricing initiatives are layered, targeted or conditional in ways that work together, the combined effect on rival wholesale networks may be materially greater than any one component viewed in isolation.

82. This cumulative effect is particularly important because Openreach can sustain and spread concessions across a far larger and more entrenched base than rival wholesale networks can.

83. A package of offers that Openreach can sustain because of its scale and incumbency may nonetheless create a severe barrier for rivals that are still trying to establish scale, and thereby stymie material and sustainable competitors to Openreach from emerging.

84. For that reason, Ofcom should assess the suite of Special Offers in the round, through the lens of long-term competitive development, rather than through a narrow comparison of individual price elements in isolation.

85. It is also important not to lose sight of the broader context in which these Special Offers have been proposed. The Special Offers are layered atop the existing and long-term discount framework of Equinox 2, which itself has already been incrementally expanded and enhanced; and still further, was an enhancement to the original Equinox scheme. Collectively, this Equinox framework of offers was previously introduced to provide strong and long-term commercial incentives for Openreach’s wholesale customers to migrate from Openreach’s copper services to Openreach FTTP.

Fair and reasonable pricing obligations

86. Based on our understanding of the offers, including the ability for Openreach access seekers to stack these offers, it seems apparent that these offers result in wholesale

price points below the costs a Reasonably Efficient Operator ("**REO**") would incur, as informed by Ofcom's range estimates set out in TAR.

Contestable demand is the relevant frame of reference

87. In our view, Ofcom's assessment should consider the impact on competition where that competition is taking place, namely in relation to NTN volumes. It is this segment of demand that these Special Offers seek to influence, and it is this segment that is key to both the establishment of rival wholesale agreements and the prospect of rival vertically integrated altnets sustaining take-up.

88. A coarser analysis that instead views these price points across Openreach's entire incumbent base, similar to the broad averaging approach applied by Ofcom in the context of the Equinox offers, would be highly susceptible to type II errors. In our view, the harmful effects of these offers would be highly likely to go undetected under such a coarse approach.

89. The relevant question is not whether Openreach's average price across its wider incumbent base remains within Ofcom's estimated REO range in TAR. The question is whether, on the lines and volumes that are actually contestable, the package of monthly rental discounts, connection rebates and related incentives produces an effective wholesale price that a rival operator could not reasonably match or sustain.

90. Where the Special Offers are targeted at new acquisitions, incremental volumes or other frontbook demand, it is those volumes that matter for the development of material and sustainable competition. They are the flows of demand on which rival wholesale relationships are built and through which altnets seek to establish scale, recover sunk investment and maintain the prospect of becoming a credible long-term competitive constraint.

Why aggregate averaging would obscure the competitive effect

91. An approach where the discount is spread over a larger base, including the back book, may find no issue with the offers whereas, in reality, the atomised nature of supply, linked to the fact that competition is not yet effective or sustainable, makes it materially more difficult for altnets to absorb the discount. Openreach can sustain targeted reductions by spreading them across a far larger and more entrenched customer base. Rival networks cannot assume the same ability.

92. Ofcom should therefore assess fair and reasonable pricing by reference to the contestable segment of demand and the real conditions under which competition is developing, not by reference to a blended average across Openreach's overall base. In

doing so, Ofcom should account for network overlaps, namely how much of the 'contestable base' an altnet can actually serve, and the overall scale of an altnet network over which any discounting could in principle be absorbed or spread. These factors are central to whether a rival could respond to the notified package in practice, rather than only in theory.

93. If the effective price produced by these stacked and targeted Special Offers falls below the level a reasonably efficient rival would need to recover on the relevant contestable volumes, in our view that is a strong indication that the offers are unlikely to be fair and reasonable. Ofcom should not allow that concern to be obscured by an aggregate analysis that averages the discount across a much wider and larger base that these Special Offers do not seek to contest. That would be inconsistent with TAR's objective of allowing rival networks a fair opportunity to become established and sustainable competitive constraints.

Arrangements that give preferential treatment targeted at larger telecoms providers

94. In TAR, Ofcom explained that additional concerns may arise from conditional terms that exhibit certain features, including *"[a]rrangements that give preferential treatment targeted at larger telecoms providers*".

95. In that context, Ofcom stated:

> *"We may be concerned about arrangements which give preferential treatment to certain types of telecoms providers. Our particular concern is terms that 'tie in' the largest and most valuable telecoms providers, encouraging them to stay on the Openreach network.* ***If the volumes of larger telecoms providers are not contestable, it removes an opportunity for rival networks to win volumes and so could undermine the development of network competition in the long run.****"*[28] *(**emphasis added**)*

96. In VMO2's view, that concern is directly engaged here. The notified Special Offers, both individually and in the round, are liable to have precisely that practical effect. Their design and commercial logic are directed at influencing the behaviour of the largest access seekers at the very point when their wholesale purchasing decisions matter most to whether rival wholesale competition can emerge and scale.

[28] TAR, Annex 8, §A8.75

Why the offers are especially apt to influence the largest access seekers

97. That is not merely a theoretical concern. The immediate market reaction to the Offers appears to have recognised this feature. Analysts understood the Offers as part of a strategy to reduce Openreach's losses of demand to rival infrastructure and to strengthen Openreach's ability to defend market share against competing networks.

98. As New Street Research observed[29]:

> *"BT is guiding for Openreach line losses to improve to c.-800k in FY27 (-825k in FY26), which would represent a partial reversal of recent trends that have seen line losses steadily deteriorating over recent years.* ***The new-to-network offer announced today will be active in H2 of this year, and is likely a key part of Openreach's strategy for achieving that guidance****. We expect UK market wireline broadband net adds to be broadly flat in 2026,* ***so for Openreach to improve their line losses, they must reduce their net losses to other infrastructure providers (i.e. the altnets, VMO2 and nexfibre). This strategy will clearly encourage ISPs to add subscribers from competing infrastructure****. Our concern is that these discounts will result in increasing pricing competition, both at a wholesale and retail level – and often the only winner in these situations is the consumer." (****emphasis added****)*

99. Goldman Sachs similarly stated[30]:

> *"The offers are designed to stimulate demand, improve volume mix and enable more agile market share defence for Openreach before pricing reverts to previous levels."*

100. Goldman Sachs also highlighted[31]:

> *"We highlight: 1) price adjustments were already factored into guidance, as indicated by management at FY26 results; 2) the proposal includes offers targeted at new customers within VMO2's footprint.* ***We believe this could present a challenge to VMO2's wholesale ambitions, although we note timing on the launch of VMO2 wholesale is unclear. It should also help to alleviate concerns around a potential partnership between one of BT's largest wholesale customers, Sky, and VMO2/nexfibre.*** *[...]" (****emphasis added****)*

101. While Openreach appears to have included certain adjustments intended to avoid formally excluding access seekers with lower baseline volumes, VMO2 does not consider that accommodation germane to the core concern identified by Ofcom in TAR. The central commercial purpose of these Special Offers is still to influence the incentives

---

[29] New Street Research, James Ratzer, BT (Neutral): Increased competition likely with new Openreach offers, 3 June 2026, page 2

[30] Goldman Sachs Research, Andrew Lee, BT Group (BT.L): Submits targeted, time-limited Openreach pricing proposals to Ofcom, 2 June 2026

[31] Ibid.

of the access seekers whose volume decisions matter most to whether rival wholesale networks secure meaningful scale.

102. That is commercially unsurprising. Larger ISPs are, by their nature, those most able to contemplate and operationalise wholesale relationships with rival networks. The scale of their customer bases allows them to absorb the upfront and ongoing costs of multi-sourcing over sufficient volumes, and gives them the countervailing buyer power to negotiate substantive agreements with alternative suppliers. They are therefore the very subset of the market through which contestable wholesale demand can emerge on a scale capable of supporting long-term network competition.

103. [✂]

104. In VMO2's view, that is a key competitive significance of this offer construct. It is preferential to large telecoms providers not because of the specific nuances of the offer mechanics favouring them, but because the structure and practical operation of the Special Offers are directed at the competitive choices that only large providers are realistically positioned to make. Where those choices are distorted, the contestable volumes that rival networks need in order to establish and scale are correspondingly reduced.

105. [✂]

106. In those circumstances, VMO2 considers that these Special Offers fall squarely within the class of arrangements Ofcom identified in TAR as giving rise to particular concern. They are liable to provide preferential treatment targeted at large telecoms providers in a way that undermines the development of network competition in the long run.

[✂]

107. [✂]

108. [✂]

109. [✂]

110. [✂]

5. National NTN Offer

Offer-specific concerns

111. VMO2 is concerned that the National NTN Offer is an especially aggressive conditional construct because it operates as a targeted win-back and retention mechanism directed at precisely the flows of demand that would otherwise move away from the Openreach network and which rival networks need in order to establish meaningful scale.

112. The specific discounting mechanism, which is based on absolute incremental volume increases and structured as a tiered incremental rebate, seems tailored to disrupt and reverse recent wholesale customer behaviour of placing wholesale volumes with rival networks, as well as delay, dilute or dissuade further wholesale agreements with rival networks being finalised or brought into effect.

113. The National NTN Offer is directed at those customers or volumes that would otherwise have remained off the Openreach network or moved away from it absent the National NTN Offer.

114. As the National NTN Offer is framed by reference to incremental performance against historical baselines, it does not simply reward genuinely new growth but encourages access seekers to reduce or avoid existing and future "leakage" away from Openreach, including through rival wholesale arrangements, where such leakage would make it harder to outperform the relevant baseline.

Baseline and tiering mechanics

115. The tiered aspect of the National NTN Offer is a further and important source of concern. The value of the discount does not increase only incrementally as volumes rise. Rather, an access seeker that surpasses a defined threshold becomes eligible for a longer rebate duration and therefore a materially more valuable discount. That creates a stronger incentive to place incremental lines with Openreach so as to ensure that the relevant threshold is reached and the higher-value tier is secured.

116. The concern is heightened because the tiering appears capable of operating in a quasi-retroactive manner. On VMO2's understanding of the Offer, where an access seeker moves beyond a threshold, the longer rebate duration applies not merely to the marginal lines that take it over that threshold, but to all qualifying lines above the baseline. In practice, that means that a relatively small number of incremental lines may determine the level of discount available across a much wider body of demand.

117. An access seeker that expects to be near one of the relevant thresholds may therefore rationally seek to build in a degree of headroom in favour of Openreach. That would reduce the risk of under-performance causing it to miss the higher-value tier.

118. That dynamic matters particularly where rival networks can serve only a subset of the access seeker's demand. Given Openreach's large national footprint, an access seeker may necessarily continue to take at least some lines from Openreach even where it is seeking to place meaningful volumes with a rival network. In those circumstances, spreading incremental demand across wholesale providers may make it harder to attain the threshold required to secure the higher-value Openreach discount.

119. The practical consequence is that, in order to compete effectively for the contestable subset of lines, a rival network may need to compensate the access seeker not only for the price of the lines it can itself supply, but also for the value of the Openreach discount forgone on lines that the rival cannot serve and which must continue to be supplied by Openreach.

120. This issue should be considered in the broader commercial context in which the National NTN Offer has been introduced. Openreach is experiencing year-on-year line losses as wholesale competition emerges. It follows that some of Openreach's major wholesale customers are likely to have experienced flat or declining NTN performance, particularly where they have entered into alternative wholesale arrangements, or have been considering doing so. As a result, it is reasonable to expect that NTN volumes have been reducing.

121. Ofcom should also carefully examine how the baseline is set and the extent to which it already embeds a growth expectation. The baselining methodology appears not only to reflect historic run-rate performance, but also to incorporate adjustments linked to factors such as footprint growth and seasonality.

122. To the extent that this builds an implicit growth requirement into the baseline itself, access seekers may be further incentivised to curtail the placement of demand with rival networks in order first to keep pace with the baseline and then to exceed it sufficiently to obtain a discount at all, let alone the higher-value tiers.

123. That concern may be sharpened if underlying FTTP take-up growth is slowing. Access seekers may then face greater difficulty in achieving the required outperformance without redirecting contestable volumes towards Openreach.

Effect on rival agreements and volume commitments

124. For those reasons, the National NTN Offer is liable to affect access seekers' incentives both to use existing rival-network agreements and to enter into new or deeper such agreements in future. If an access seeker considers that placing volumes with a rival network may reduce its ability to secure a higher-value Openreach tier, it may rationally delay entering into a rival agreement, delay operationalising such an agreement so as to avoid triggering contractual commitments, constrain the scale or duration of that agreement, or seek to preserve greater flexibility in its contractual arrangements.

125. [✂]

126. In VMO2's view, that is precisely the sort of barrier to the use of rival networks with which Ofcom said in TAR it would be concerned. The importance of the National NTN Offer lies in the way its tiered structure, baseline methodology and interaction with Openreach's footprint may deter access seekers from placing meaningful contestable volumes with rival networks, not just in the depth of the discount on any individual line. Taken together, those features are capable of having a material adverse effect on the development of network competition in the long-term.

127. VMO2 is also concerned that the National NTN Offer design creates a particularly strong loyalty inducing effect in the way it ties commercial benefit to stronger Openreach volume performance over time. Ofcom's prior consideration of Equinox did not involve this same style of explicit individualised volume-outperformance construct, and the later addition of Failsafe Mechanism[32] in that context reflected concern about unintended impacts on rival-network demand.

128. In VMO2's view, the National NTN Offer should therefore be observed as a step-change by Openreach in its approach to stemming or reversing volumes flowing to rivals, via disincentivising ISP behaviours to place volume off-net and by providing very deep discounts only when its ISPs are competing to win-back rival network volumes.

Offer-specific data and questions Ofcom should ask

129. Ofcom should not assess the National NTN Offer solely by reference to any assertion by Openreach[33] that the discounts apply only to incremental volumes above baseline and therefore do not affect the use of rival networks. Instead, it should carry out a full analysis to understand the materiality of the impact on use of rival networks. Similarly, it would

[32] See Ofcom Statement Equinox 2 Annexes, Annex 5
[33] See Openreac-External-Stakeholder-Offer-Summary-1-online.pdf, p. 2.

be too narrow to observe that these offers are highly targeted and so when compared to Openreach's broader volumes, the effect averages out. Such an approach would be highly likely to risk type II errors, in that the harmful effects of highly targeted offers are not detected by a coarse assessment.

130. Ofcom's assessment should instead focus on the impact on competition for FTTP lines during the period for which the offers are available and the impact this will have on ISP incentives during this period, especially as these offers have been notified at a nascent and critical point for the development of effective wholesale competition.

131. This is particularly important given the atomistic make-up of a large share of altnets, which may be less able to respond effectively to the level of the discount (which Openreach is able to effectively absorb/offset across its significant customer base), but also the as yet undeveloped state of wholesale competition (given the limited extent of wholesale agreements signed and operationalised with major ISPs).

132. An approach where the discount is spread over a larger base (including the back book) may find no issue with the offers whereas, in reality, the atomised nature of the supply (linked to the fact that competition is not yet effective or sustainable) will make it more challenging for altnets to absorb the discount. Similarly, offers which sharply disincentivise incremental wholesale arrangements may be decisive to those individual decisions, but muffled when framed within Openreach's overall incumbent base.

133. The core question is whether the offer creates a plausible barrier to the use of rival networks by influencing decisions about future commercial flexibility, rival commitments and volume placement. Similarly, whether the depth of this offer is sufficient to forestall end-users having the incentive to switch.

134. Ofcom should also ensure that it has the evidence needed to assess, on a targeted basis, whether the effective prices generated by the National NTN Offer are consistent with REO costs. In particular, whether existing scenarios are appropriately calibrated to the offer in isolation, and when considered cumulatively, that adequately accounts for impacts to take-up assumptions once the offer is modelled and impacts on contestable NTN demand.

135. Therefore, we would expect Ofcom to gather evidence and analyse:

   a. Evidence from altnets (especially vertically integrated) on their ability to meet or beat Openreach's offers to continue to grow take-up. That is, will this undermine their 'entry pricing' strategy and/or do they have sufficient financial resilience to respond with further offers.

b. [✂]

c. Openreach's rationale and business case analysis of the impact of these offers, including scenario analysis about how (and why) this may have the effect of reversing line losses.

d. Openreach's detailed methodology, assumptions and working papers used to derive CP-specific baselines. Although Openreach describes the methodology in broad terms as consistent and objective across CPs, the notification indicates only at a high level that it starts from April 2026 NTN and Subsequent Provide run rates and then adjusts for estimated FTTP footprint growth and CP-specific seasonality before aggregating the results into quarterly benchmarks. Ofcom should therefore test the specific choices made in applying that methodology, and whether alternatives were considered, including in relation to the selection of the April 2026 starting point, the assumptions used for estimated footprint growth, the calculation of seasonality adjustments, and the way in which those inputs are converted into quarterly benchmark volumes for each CP.

e. Assess the depth of the discount (i) in isolation and (ii) alongside (a) the other notified offers (notably the VMO2 NTN Offer), (b) the Frontbook ARPU Share Offer and (c) the Equinox 2 offer to fully understand the potential implications. This should also reflect the value of longer discounts available through the tiering. Ofcom should assess this against the range set out in its TAR fibre network cost modelling. In doing so, Ofcom should consider the appropriateness of different model parameter values to provide a narrower view of a potential REO's costs than the wide range presented in TAR (also accounting for evidence gathered from altnets that we note above).

f. Evidence on network footprint overlaps is likely to be important for understanding which lines are 'contestable' across Openreach and other altnets. This could inform the extent to which there may be concerns around altnets needing to offer deeper discounts to compensate an ISP for forgone discounts on those lines that it would need to take with Openreach (where it is the only available supplier for that demand).

g. We expect Ofcom will also require evidence on the mix of FTTP services taken to inform any weighted average or bespoke cost analysis. It is also necessary for Ofcom to gather extensive long-term data on historic NTN trends, beyond the time window Openreach specifies for its baselining methodology, so that it can test whether Openreach has selected a starting point or methodology that materially affects the difficulty of meeting the baseline or exceeding it to achieve the higher tiers of discount.

6. VMO2 NTN Offer

Offer-specific concerns

136. The VMO2 NTN Offer raises similar concerns associated with the National NTN Offer, but in a more targeted form because it overlays a conditional volume-based construct with geographic differentiation directed at areas associated with a specific emerging rival.

137. A key question will be the extent to which this level of incremental rebate is deemed to be fair and reasonable. Even if this offer is not perceived as problematic in isolation, it aggravates potential fairness concerns when identified alongside the effect of the National NTN Offer and other offers. Given the offer's design, it is applicable to other altnets beyond VMO2. Furthermore, as it applies to Openreach's estimate of VMO2's network, it is likely to encompass a material proportion of recent network build by other rival networks.

138. In the TAR, Ofcom explains that it will assess differential geographic pricing by reference to the following two questions:

    a. whether there is any objective justification for the differential pricing;

    b. if not, whether it is consistent with Ofcom's overarching policy objectives, including its strategy to promote network competition. In this respect, Ofcom will consider whether the differential pricing is capable of harming competition in the long term.

139. It is clear that the VMO2 NTN Offer is not objectively justified and does not therefore meet Ofcom's primary question in relation to geographic offers. The areas targeted are defined by reference to Openreach's estimate of VMO2's footprint, which does not of itself demonstrate any clear causal link to genuine underlying cost differences.

No objective justification for geographic targeting

140. If Openreach wishes to justify differential pricing on a cost-reflective basis, it should be required to demonstrate clearly which costs differ, how they differ, and why the chosen areas reflect those differences rather than simply identifying areas of rivalry.

141. To do so, Openreach would need to show various costs associated with provisioning are somehow distinct in these locations, for example:

    a. Direct or contractor resources for installs;

b. IT systems for order handling and provisioning; or

c. Support functions and other overhead costs.

142. There is no reason why Openreach's costs associated with provisioning would differ between areas inside compared to outside VMO2's network footprint/postcode areas.

143. Instead, the offer appears simply to be a targeted response to the rivalry posed by VMO2's widely discussed wholesale market entry. As Ofcom notes in TAR, "*We are unlikely to consider differences in competitive conditions in and of themselves to be an objective justification*"[34].

144. In relation to the second-stage question, Ofcom has already recognised in TAR that geographic discounts can deter the use of altnets, weaken the future competitive constraint they pose, and deprive rival networks of the take-up needed to become strong and sustainable competitors. Those concerns are especially acute where the targeted rival is seeking not merely to deploy network, but to translate that footprint into wholesale demand and meaningful customer scale.

Harm to wholesale entry and spill-over beyond the notified geography

145. VMO2 is concerned that the effect of the VMO2 NTN Offer is that VMO2 will not have a fair opportunity to establish the customer base, wholesale relationships and take-up needed to become the kind of competitive constraint Ofcom has said it wishes to encourage. A geographically targeted overlay that intensifies the commercial value of strong Openreach performance precisely in those areas is likely to frustrate VMO2's entry into the wholesale market before it has had a fair opportunity to become established.

146. VMO2 is also concerned that the geographic overlay intensifies the already-problematic incentives associated with the wider National NTN Offer mechanism. If access seekers can derive additional benefit by outperforming on Openreach in VMO2 areas specifically, the commercial penalty associated with deepening rival-network relationships in those areas becomes even more acute. In that sense, the VMO2 NTN Offer should be assessed not only as a geographic proposal in its own right, but also as a mechanism that amplifies the exclusionary effect of the wider National NTN Offer construct.

[34] TAR, Annex 8, §A8.53

147. Ofcom has also recognised in TAR[35] that geographic discounts may be capable of harming competition where they are targeted at areas in which a rival network is present, but not yet ready to compete at the wholesale level because of temporary factors. Ofcom's concern is that such discounts may encourage migration to Openreach before the rival is in a position to compete for those volumes.

148. [✂] In these circumstances, a targeted geographic offer may have the practical effect of pre-empting the opportunity for rival networks to compete for migration volumes once those temporary barriers are overcome.

149. In VMO2's view, Ofcom should consider carefully whether the VMO2 NTN Offer is liable to pre-empt migration volumes at precisely the point when rival wholesale competition is close to becoming operational, thereby undermining the development of network competition before that competition has had a fair opportunity to take hold.

150. Ofcom should also consider carefully the competitive harm that the VMO2 NTN Offer may cause beyond the geographic boundary of the offer as notified. While TAR indicates that Ofcom may have fewer concerns, in some circumstances, about geographic offers targeted at areas of overlap with VMO2's existing network, Ofcom also recognised that concerns may nonetheless arise where such an offer adversely affects other altnets active within that footprint. That point is important here because the potential harm is not confined to VMO2 alone but extends to wider rival network competition in those postcode areas. On its face, the VMO2 NTN Offer appears to be defined by reference to Openreach's estimate of VMO2's footprint alone, rather than by reference to the footprint of nexfibre. But that does not mean the competitive effects of the offer are confined to the boundaries by which it has been defined.

151. [✂]

152. In VMO2's view, that possibility is not remote or merely theoretical. Ofcom should therefore assess the VMO2 NTN Offer not only by reference to the areas formally targeted by the offer, but also by reference to whether it is liable indirectly to foreclose or delay wholesale demand that would otherwise support rival network competition more broadly.

153. VMO2 also notes that the terms of the VMO2 NTN Offer expressly contemplate the possibility of subsequent geographic special offers. In particular, Openreach reserves the ability, where it introduces a later geographic special offer covering all or part of the

[35] TAR, Annex 8, from §A8.25

relevant footprint, to vary the Offer Footprint for the purposes of the VMO2 NTN Offer and to recalculate the associated baseline, incremental assessment and rebate calculations accordingly.[36]

154. VMO2 does not suggest that the inclusion of such a clause is, in itself, improper. However, it is relevant context. The clause indicates that Openreach itself envisages the potential for further geographic offers or variations during the Offer Period and therefore signals to wholesale access seekers that the current offer may be supplemented, adjusted or refined if Openreach considers that commercially necessary.

155. In VMO2's view, that signal is capable of reinforcing the wider incentive to preserve flexibility in dealings with Openreach rather than commit volumes away from the Openreach network. Ofcom should therefore take this drafting into account as further evidence that the VMO2 NTN Offer is not simply a static geographic proposal, but part of a wider and potentially evolving geographic pricing strategy.

Offer-specific data and questions Ofcom should ask

156. In assessing the VMO2 NTN Offer, Ofcom should seek evidence on both stages of its geographic framework and on the interaction between the geographic and conditional elements. It is important not to overlook that the offer, due to its construct, would also need to be assessed under the conditional terms framework, given that it has conditionality built into it via the eligibility requirement defined with reference to the baseline volume requirements.

157. If Openreach contends that the geographic targeting is objectively justified by cost differences, Ofcom should require clear evidence of what those cost differences are, how they arise, why they justify the specific postcode areas selected, and why the chosen geographic scope is not simply a proxy for rivalry.

158. Ofcom should analyse rival network coverage in order to assess how Openreach's offer postcodes overlap with VMO2's actual footprint, nexfibre and other altnets.

159. Consistent with the questions raised above in relation to the National NTN Offer baselining methodology, Ofcom should also require Openreach to disclose the detailed methodology, assumptions and working papers used to derive the VMO2 NTN Offer baselines by CP. Although Openreach describes the approach in broad terms as consistent and objective across CPs, the notification indicates only at a high level that

[36] See VMO2 NTN Offer T&Cs, Clauses 6.1–6.2.

the baseline is derived from April 2026 volumes and run rates in VMO2 areas, and then adjusted for estimated footprint growth and CP-specific seasonality before being aggregated into quarterly benchmarks. Ofcom should therefore test the specific choices made in applying that methodology, and whether alternatives were considered with regard to the assumptions used for estimated growth, the calculation of seasonality adjustments, and the way in which those inputs are converted into quarterly benchmark volumes for each CP.

160. [✂]

161. [✂]

162. Consistent with the wider concerns raised in this response, Ofcom should assess the effective level of discount created by the VMO2 NTN Offer both in isolation and alongside the National NTN Offer, the Frontbook ARPU Share Offer and Equinox 2. The relevant question is not simply the nominal size of the additional rebate, but whether the combined package creates pricing and incentive effects on contestable demand that rival networks could not reasonably match or sustain in the targeted geography, particularly when considered alongside the wider notified package. In doing so, Ofcom should ensure that it has the evidence and inputs necessary to test REO cost scenarios appropriately tailored to this specific offer construct and geography, rather than relying only on broader or more aggregated analytical assumptions.

163. Finally, insofar as Ofcom considers the extent of any competitive harm beyond the notified boundary, it should obtain evidence on the extent to which the VMO2 NTN Offer may in practice impede or delay broader wholesale agreements that would otherwise support rival network competition more widely.

7. Six-month extension to Equinox 550Mb incentive

Offer-specific concerns

164. The six-month extension to the 550Mb incentive should not be viewed in isolation or as a standalone continuation of a historic discount. In VMO2's view, it is better understood as the continued maintenance of a pre-existing enhancement to the wider Equinox framework, which still reinforces Openreach's FTTP proposition during a period in which rival wholesale competition remains nascent.

165. While the incentive may originally have been presented as a temporary mechanism to encourage take-up of higher-speed FTTP services and more sharply compete with VMO2's 500Mb speed tier at that time, its repeated extension means that it now operates in practice as an embedded feature of the wider Equinox construct. Openreach is therefore able to preserve an advantageous pricing differential on unchanged terms, whilst still retaining the discretion to withdraw, amend or simply decline to extend it further when it no longer considers that commercially necessary.

166. That matters because the 550Mb incentive does not sit apart from the other notified offers. It continues to interact with the wider Equinox framework and with the package of NTN-related pricing initiatives notified alongside it. Even if the effect of this extension is less acute in isolation than the National NTN or VMO2 NTN Offers, it nonetheless contributes to the overall pattern of layered and mutually reinforcing incentives that Ofcom should assess in the round.

167. The notified terms also confirm that this remains a conditional incentive, available only where CPs meet the Fibre Only Threshold. Its competitive significance therefore lies not merely in the level of the discounted 550Mb rental, but in the continued use of a conditional Equinox enhancement directed at contestable NTN demand and higher-speed FTTP take-up.

168. VMO2 is concerned that this rolling approach allows Openreach to continue supporting demand for Openreach FTTP at a speed tier of commercial significance, without locking itself into a genuinely enduring price commitment. In that sense, the extension preserves the benefits of an established enhancement to Equinox while allowing Openreach to maintain that support only for so long as it assists in defending or recovering demand, and then to withdraw it once that purpose has been served.

169. In VMO2's view, this is properly seen as part of the same broader strategy evident across the notified package: the preservation and layering of selective pricing enhancements which strengthen Equinox, interact with the NTN offers, and allow Openreach to influence contestable demand during a critical period for the development of rival wholesale competition, without bearing the long-term revenue consequences once that competitive threat has been blunted.

Offer-specific data and questions Ofcom should ask

170. Ofcom should seek sufficient evidence to assess the competitive significance of this extension, both on a standalone basis and as part of the wider package of notified offers.

171. Ofcom should require Openreach to provide the internal rationale for extending the 550Mb incentive on unchanged terms, including any board papers, pricing committee papers, strategy documents, internal forecasts and business case analysis addressing why the incentive remains necessary, what competitive or commercial objective it is intended to achieve, and how long Openreach expects that objective to remain relevant.

172. Ofcom should also obtain historic data on the operation of the 550Mb incentive since its introduction, including take-up volumes and the proportion of relevant NTN volumes taking the incentive. That evidence would help Ofcom assess whether this is in substance a temporary promotional mechanism, or a repeatedly extended enhancement that continues to support Openreach's position in relation to contestable demand.

173. Ofcom should also seek contemporaneous evidence from major wholesale access seekers as to how the continuing availability of the 550Mb incentive affects their buying incentives and expectations. In particular, Ofcom should test whether the repeated extension of this incentive is treated as an enduring feature of Openreach's FTTP commercial framework, whether it influences expectations as to future Openreach pricing at higher-speed tiers, and whether it affects the willingness of CPs to place contestable NTN demand with rival wholesale providers.

174. Finally, insofar as Ofcom considers the fair and reasonable pricing implications of the wider notified package, it should assess the effective value of the maintained 550Mb incentive alongside the other notified offers, rather than in isolation. The relevant question is whether the continuing extension of this enhancement contributes materially to a package of pricing terms that rival networks could not reasonably match or sustain on contestable demand during the period in which wholesale competition is still developing.

8. Conclusion

175. Ofcom's task is to assess these offers by reference to the statutory duties and long-term competitive framework it has only recently reaffirmed in TAR. Those duties and objectives include promoting competition, encouraging investment and innovation, and ensuring that Openreach does not use its position to undermine the longer-term development of network competition. TAR further emphasises that take-up and demand are central to whether rival networks become strong and sustainable competitive constraints in the long-term.

176. For the reasons set out above, VMO2 considers that the notified offers should be assessed both individually and cumulatively, and that Ofcom should give central weight to their likely effect on the emergence and deepening of rival wholesale competition.

177. Ofcom should use its formal powers to gather the evidence necessary to test those effects properly, should not allow the structure of Openreach's notification to truncate the scope of its review, and should apply its conditional, geographic, fair and reasonable, and undue discrimination frameworks in a manner that is fully consistent with the duties and policy objectives it has recently reaffirmed.

178. Having done so, Ofcom should require Openreach to withdraw the relevant conditional offers and should not grant consent to the notified geographic offer. In VMO2's view, that is the outcome required to protect the development of long-term network competition and to ensure that TAR's pro-investment and pro-competition strategy is not undermined at the very point when that strategy must begin to take real effect in the market.