



**Ofcom Telecoms Access Review 2026:
Further consultation on LLA pricing remedies
TalkTalk Communications Ltd t/a PlatformX Communications (PXC)
Response**

16th December 2025

PUBLIC VERSION

1 EXECUTIVE SUMMARY

1.1 PXC welcomes the opportunity to respond to Ofcom's Further Consultation on Local Leased Access (LLA) Pricing Remedies. We have carefully reviewed Ofcom's revised proposals and engaged with partners and industry peers to formulate this response.

1.2 Our position reflects a commitment to promoting fair competition, regulatory transparency, and market stability. While we acknowledge Ofcom's objectives, we have significant concerns regarding the timing, methodology, and potential market impact of certain proposals. These concerns are outlined below and explored in detail within the main body of this document:

1.3 Key Points

a) WLA Cost Reallocations to LLA

- I. In principle, we question the approach taken; however, our primary concern is **timing**. Ofcom published its initial TAR 2026 proposals in March 2025 with a consultation period that closed in June 2025; introducing a major cost reallocation and requesting it influences the outcome of the regulatory review just 4 months from the conclusion of the market review and new rules coming into effect, causes uncertainty and undermines stability and transparency.
- II. The proposed £80m cost shift from WLA to LLA is too late in the process to be properly scrutinised for its impact on LLA and also, the now closed, consultation on the WLA market.
- III. Any adjustments should be subject to full audit and addressed in a dedicated review of regulatory financial reporting, not incorporated into TAR26 at this stage.
- IV. We suggest deferring this proposal until a full and thorough cost review can be undertaken in a future consultation.

b) Charge Control and Glide Path

- I. For up to 1Gb Ethernet in Area 3, the proposed glide path introduces unnecessary delays and will distort market behaviour.
- II. Deferring charge control elements until 2027 will discourage investment, delay upgrades for critical national infrastructure, and negatively impact the UK PLC's growth agenda, which is at the heart of the UK Government's plans.
- III. We advocate for a more stable and transparent approach that avoids disruptive pricing shocks.
- IV. Furthermore, the proposed sub-cap Charge Control of CPI+5% for Main Link pricing is excessive. Given CPI has averaged over 4% for the last 5 years, it is therefore likely annual increases will be in the region of 8 to 9%. Over 5 years, that will **increase Main Link pricing by a half**.

c) Buffer Distance

- I. We oppose an increase in the buffer distance beyond the previously proposed limit.
- II. If extended, the buffer distance should be 75 metres as the maximum.

- III. Extending the buffer distance risks reducing competitive pressure in a shrinking Area 3, and potentially creates credibility / reliability concerns for the services provided.
- IV. Evidence shows that 100 meters is a 'cliff-edge' threshold with competition dropping sharply beyond that distance and minimal network build activity.

d) Transparency and Integrity

- I. During the TAR26 process, it has become evident that stakeholders within the Telecoms industry are only being **given one month** to review and comment on significantly altered proposals by Ofcom for the LLA market based on **limited data**, which in itself has only been in the public sphere for two months.
- II. It is unclear as to when Ofcom and Openreach became aware of the issues with the cost allocations which were later posted in the CJF RFS documentation.
- III. However, the TAR process has been ongoing for over 18 months. With stakeholders providing pre-consultation submissions to Ofcom from the summer of 2024. This included evidence provided by independent economists like Frontier Economics, based on analysis of previous BT regulatory accounts. Changing allocations at this late stage does not give stakeholders sufficient time to conduct similar reviews, lacks transparency and **risks the integrity** of the TAR process.

2 BUFFER DISTANCE

- 2.1 PXC does not wholly agree with Ofcom’s revised proposal to expand the buffer distance to the suggested 100m. Instead, we believe that the buffer distance should at maximum, be expanded to 75m. The actual “buffer distance” is the maximum amount of distance an Alternative Network (Altnet) leased line or leased line equivalent provider is prepared to extend from their network to connect a new leased line customer.
- 2.2 Keeping the distance shorter ensures that Area 3 remains larger and leaves the door ajar for network investment and network competition in that space. If the distance were to be increased, this could have the opposite impact on the investment opportunities and network development. The buffer distance is not the only factor which needs to be considered when ensuring effective competition remains.
- 2.3 PXC are keen to support the position of Altnets, as they remain a key part of our existing network and future network plans.
- 2.4 However, when assessing if the buffer distance changes are supporting effective competition in the LLA market, Ofcom must also consider additional factors to aid that decision. Including; financial strength, scale, reach, reliability and technological capability of the networks rivalling the incumbent.
- 2.5 Ofcom should also consider the rate of network build and LLA connections beyond 50m. The build data shows us that the challenger brands / network builders’ presence is reduced as the buffer distance increases. Ofcom concludes that for 100 meters and beyond, Openreach’s competitors win fewer than 1 in 10 new connections. Thus, clearly 100 meters is too long a distance for setting the buffer zone as the evidence points to a “cliff-edge” threshold for competition.

“The share of new business won by competing LLA networks relative to Openreach declines for sites further away from each competing network’s footprint. For example, it is largely below 10% for distances beyond 100m. This would suggest that Openreach has generally been able to win at least nine in ten of the new connections provisioned over distances beyond 100 meters against an individual LLA competitor.”¹

- 2.6 As we stated in our response to the March 2025 consultation², an LLA rival, for example an XGS-PON supplier, provides a less competitive constraint to the incumbent on LLA services, than if we were discussing the same on WLA services.
- 2.7 This logic applies when discussing the buffer distance, as the XGS-PON providers still have significant cost disadvantages vs Openreach, meaning that the increased build costs to cover the connection distance required beyond the existing 50m threshold, will either need to be absorbed by the XGS-PON provider or alternatively will fall to the customer to pay.
- 2.8 There is currently, no proven “track record” in terms of performance or stability for XGS-PON providers supplying the types of customers currently seen on the LLA product set. Both this and the former surrounding price are key to the government and public sector body customers who saturate the majority of the LLA market provision.
- 2.9 A recent market analysis conducted by Enders³ stated:

¹ Ofcom [Further consultation on leased lines market analysis and various pricing issues](#) para. 3.43

² PXC response to Ofcom March 2025 TAR26 consultation [page 13](#).

³ Enders Analysis | TAR 2026: You can’t always get what you want... |Page 8

“there has been quite limited increased competition in business connectivity, with most altnets highly consumer-focused and not even offering leased lines ... This is likely not due to a lack of capability, but difficulty with small providers developing the credibility and reputation of reliability required for the business market. ... According to BT’s latest [RFS], Openreach is making a return of 22% on its regulated leased line products ... with competition (or lack thereof) clearly having an effect here.”

- 2.10 An increase to the buffer distance may be more suitable in the next Telecoms Access Review period, in 2031 when there has been more opportunity for challenger technologies to prove their suitability and credibility as LLA alternatives.

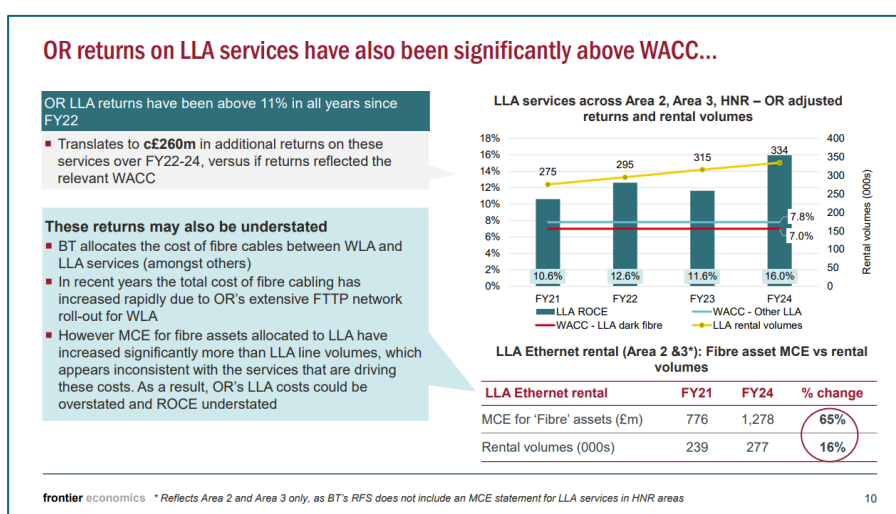
3 CHARGE CONTROLLING ACTIVE LLA SERVICES IN LLA AREA 3 AND DARK FIBRE SERVICES IN THE LLA AND IEC MARKETS

- 3.1 PXC does not agree with Ofcom’s revised proposals. Whilst we support cost-based regulation in principle for Area 3 LLA and dark fibre in LLA/IEC, the amended proposals are:
- a) **Late and material** – Allowing an £80m fibre cost reallocation from WLA to LLA to be considered and impact the parameters of the Market Review this late in the process is significant. Instead, Ofcom should continue to base its assessment on the evidence that was available to all stakeholders and examines Openreach’s proposals for reattributing costs as a separate exercise which takes a full review of Openreach cost allocation across the board as there could be other costs which should be re-pointed in the opposite direction.
 - b) **Market distorting** - The proposed glidepath distorts market behaviour and will incentivise delaying network upgrades (E.g. in Year 1 prices will rise by CPI%, in Year 2 the Base Case will be adjusted by CPI-7.58%. thus, customers will logically defer major network investment until the product is cheaper) as well as being counter-productive to the Openreach exchange exit programme; and
 - c) **Causing uncertainty** - CPI+5% Main Link sub-cap will cause an increase in charges in markets with minimal competition.
- 3.2 Collectively, in addition to undermining the UK Government’s growth duty, these three elements have the potential to harm customer, “UK PLC” Critical National Infrastructure (CNI) and Public Services.
- 3.3 **£80m Fibre Cost Movement**
- 3.4 Based on the latest proposals in this consultation, as a matter of principle, PXC does not support a move away from the LLA modelling originally provided in the March consultation.
- 3.5 We strongly advocate that Ofcom **should not, at this time**, take into account the reallocation of BT group finance figures relating to moving WLA Core Junction Fibre (CJF) costs to the LLA market, because there has been insufficient notice for stakeholders to review and validate. The proposal to move the costs fundamentally alters not only the charge control outcomes in the (now closed) WLA consultation, but also the consultation process itself.
- 3.6 If the change is accepted at this point in time, then industry stakeholders have been denied the opportunity to fairly and accurately complete a detailed financial assessment. This is

compounded by the lack of availability of further BT group finance narrative and data which supports BT Groups proposal.

- 3.7 The lateness of the proposal to move the costs could also be seen to trigger uncertainty in the regulation of competition and cause a knock-on effect of uncertainty for investors.
- 3.8 At present, it is unclear publicly when Ofcom became aware of the miscalculation from BT Group. Industry stakeholders formally became aware of the issue as part of this consultation dated 17th November. The BT issued notification of changes to their Regulatory accounts in October lacked context and definitive guidance on impact. Industry does not therefore have a sufficient timeframe to conduct a fair, reasonable and diligent assessment. Ofcom needs to take this into account and advise BT that the information is too late to trigger such a substantial amendment to the TAR proposals.
- 3.9 Transparency and fairness would dictate that issues relating to material changes in data, which significantly impact proposed charge controls, should be disclosed when they are disclosed to Ofcom. Furthermore, the TAR process has been underway for some time and any change of this magnitude should have been made clear to all stakeholders before the publication of Ofcom’s consultation in March. All stakeholders would then have had chance to review and scrutinise as part of their evidence in response to the consultation.
- 3.10 Additionally, Openreach’s proposed cost re-allocation is very specific and there has not been a transparent review of the whole of the regulatory accounts cost allocations by BT Group. Therefore, exists a risk that BT has been selective in its approach.
- 3.11 Consequently, and given we are now so advanced in the TAR process, we suggest Ofcom instead looks to conduct a separate, full, robust and externally audited Regulatory Financial Reporting review of the RFS accounting of BT Group.
- 3.12 Additionally, external economic analysis, for example the Frontier Economica profitability assessment commissioned by CPs in 2024⁴, found that Openreach made excess returns over and above the WACC in the FY22 to FY24 period. This report was shared with Ofcom in 2024, so Openreach have had ample time to flag to external stakeholders if they sought to challenge these findings based on reattributed costs.

3.13 ⁵



⁴ Frontier Economics report pg 10.

⁵ Frontier Economics report pg 10.

- 3.14 There continues to be a significant information imbalance which gives BT considerable scope to make adjustments to its regulatory financial reporting, particularly where there is limited transparency around the underlying methodologies or any changes applied. Within the assignment of the SMP it is essential that Ofcom provides a level of oversight which ensures both competition and consumers are fully protected.
- 3.15 Between 2008 and 2011, BT introduced five major restatements of costs within its RFS statements, which ultimately had the effect of strengthening its commercial position.
- 3.16 In 2013/14, when BT sought to reallocate costs from a market already subject to charge control, into another market which was not, Ofcom **rightfully** intervened and concluded that such changes would be **disregarded** for the purposes of setting the charge control. This set **a precedent** which must be followed in this term.
- 3.17 We would urge Ofcom to create consistency by taking the same bold approach as it did in in 2014 when it rejected BT's commercially motivated attribution changes. Ofcom cannot protect the consumer interest if it presides over a system that can be so easily manipulated by a dominant firm at this stage in a market review process.
- 3.18 Openreach has announced that they aim to migrate to a single fibre network (SFN) post the exchange exit programme and deployment of EAD 2.0, however, EAD 2.0 remains delayed. Arguably, **a more logical approach is to review all the cost allocations when there is certainty on those dates.**
- 3.19 **Glide Path**
- 3.20 The new proposal for the Charge Control glide path for up to 1Gb Ethernet in Area 3 is not fit to support the UK growth agenda.
- 3.21 The first year CPI-0%, followed in (in the Base Case) by a reduction in Year 2, with later years likely to be less than inflationary increases means that customers will be incentivised to delay any new connections or contract extensions. This causes distortion to the market.
- 3.22 A far better proposal for customers and UK Plc. would be to have a starting charge adjustment, which is the approach Ofcom have advocated on most of the other Charge Controls in the LLA / IEC markets.
- 3.23 If the Openreach counter argument is that they need time to develop changes to their billing systems, that is a weak argument.
- Firstly, Openreach has many years of experience in applying differential geographic pricing for Ethernet services, such as in the CLA and HNR.
 - Secondly, there are several precedents where the regulator has required Openreach to utilise tactical solutions until such time as strategic systems are up and running, otherwise there will always be an incentive on the dominant provider to under-prioritise system investment programmes. Thus, for example Openreach could use manual solutions to apply the reduced rates to the invoices for Area 3 circuits, with appropriate checks, until the system changes are fully autonomised. We understand manual billing and validations have been employed by Openreach previously such as with Events Changes like TRCs and AVCs.

3.24



We believe that our customers will struggle to credibly plan for 5-year contracts with a two-year step change. The rate and message is not smooth and too unpredictable.

3.25 Proposed CPI-X Glidepath for **LLA Area 3 LBW Services (up to 1Gbit/s) (vs mid-range scenario reduction of CPI - 6.75% pa as previously consulted)**

<u>Relevant Year (Period)</u>	<u>CPI-X Glidepath</u>	<u>High Costs Scenario</u>	<u>Base Costs Scenario</u>	<u>Low Costs Scenario</u>
Year 1 (2026/27)	Transitional Charge Control	CPI – 0%	CPI – 0%	CPI – 0%
Year 2 (2027/28)	Adjustment Year	CPI – 1.28%	CPI – 7.58%	CPI – 16.98%
Year 3 (2028/29)	Standard Glidepath	CPI + 0.25%	CPI – 1.75%	CPI – 5.25%
Year 4 (2029/30)	Standard Glidepath	CPI + 0.25%	CPI – 1.75%	CPI – 5.25%
Year 5 (2030/31)	Standard Glidepath	CPI + 0.25%	CPI – 1.75%	CPI – 5.25%

3.26 **CPI + 5% for Main Link**

3.27 As with the Area 3 Ethernet Charge Control glide path, the CPI + 5% Main Link sub-cap is also unfit & harmful to the UK Government’s growth agenda.

3.28 It could also be argued that the CPI+5% increase aims to ensure that Openreach is able to recover the costs it incurred whilst upgrading its existing network at the same time as allowing it to benefit from more flexible regulation. The increase, arguably, could be seen to be “double standards” on the part of Openreach as Openreach is effectively requesting that industry supports its exchange exit plan and allows a CPI+5% Main link rise, whilst simultaneously allowing EAD 2.0 to be delayed until at least December 2026.

3.29 Ofcom considers that allowing BT to recover its efficiently incurred costs and earn a reasonable return on investment is essential for promoting efficiency and promoting the availability and use of new and enhanced networks. However, Openreach are already recouping excessive returns in the LLA market as shown in the Frontier Economics analysis of fiscal years between 2022 – 2024, [see para 3.13] equating to circa £260million in above the WACC. Stating that the CPI+5% is generated by Ofcom’s model as the required rate of inflation to account for the reallocation cannot be the most appropriate number.

3.30 In addition to the distortion, network upgrades to connections of customers in the CNI and public sectors will be delayed or at risk. The action directly opposes the Openreach exchange exit strategy. Customers should be encouraged to migrate to enduring exchanges with stable pricing on long term contracts, that cannot be done when the five-year pricing is varying so steeply.

3.31 OR recognise the disruption and distortion that this activity can cause in the market, so much so that in the “108 Exchange Exit” programme, new circuit customers are enticed to switch to the appropriate enduring exchange (in relation to the relationship between closing and enduring exchanges in the 108) with a 0% uplift. This activity is a good example of how the transition should be executed and as such should apply nationally until the EAD 2.0 product is released.

4 CONCLUSION

- 4.1 PXC firmly urges Ofcom to revert to the original proposals in the March Consultation.
- 4.2 BT's selective £80m cost reallocation from WLA to LLA, coupled with insufficient transparency and data, is far too late in the process to be properly reviewed and scrutinised. It fundamentally alters Charge Control outcomes and jeopardises the integrity of the process. It would be far better for Ofcom to consider this as a separate longer-term process reviewing the whole of BT's Regulatory Accounts.
- 4.3 PXC strongly recommends postponing these changes and conducting a fully audited review of BT Group's financial allocations, ensuring stability, transparency, and a regulatory framework that supports long-term growth and effective competition.
- 4.4 PXC's preference surrounding the buffer distance is to retain the original proposal put forward in the March consultation. If there is however a necessity to change the distance, we would suggest that this expansion should be to no longer than a distance of 75m.
- 4.5 Introducing CPI+5% sub-caps for Main Links and an unstable glide path for up to 1gb Ethernet in Area 3 will create market distortion, delay investment, and undermine critical national infrastructure development, as well as hampering the UK's growth agenda. Furthermore, it is unnecessary, as Openreach has already achieved significant excess returns and continues to court uncertainty with the delay to EAD 2.0.
- 4.6 The main-link product is integral in the enabling and execution of the Openreach exchange exit program. The pricing of this product will have a direct impact on the success of the project and as it stands currently, the pricing will force customers away from the technological advancements (and logical path) of enduring metro exchanges, to connecting to cheaper local exchanges, causing disruption and increased costs further down the line, in an effort to reduce costs and avoid the loss of business or squeezing Openreach competitions margins.
- 4.7 Ofcom's wide and asymmetric pricing ranges further erode predictability for industry and public sector customers. These proposals risk harming competition, investment, and customer confidence.