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Ofcom Consultation: Further consultation on leased lines market analysis and various pricing issues (Telecoms Access Review 2026–31)

1. Executive Summary

1.1 Introduction

Substantial Group Limited welcomes Ofcom’s Further consultation on leased lines market analysis and various pricing issues (the “Further Consultation”)¹, which forms part of its Telecoms Access Review 2026–31 for the UK (excluding the Hull Area) (TAR). As set out in Substantial Group’s submission² to the main TAR consultation, we are supportive of Ofcom’s long-term regulatory approach to promoting competition and investment, and we support efforts to make necessary regulatory modifications.

Substantial Group is a major fibre network builder and a significant user of Openreach’s PIA products, building and operating Multi-Service Networks (MSNs) that aim to compete on price, quality and innovation. Our business plan, and that of similar fibre network builders, relies critically on:

- Cost-oriented, predictable PIA pricing; and
- Clear, stable regulation of leased lines and dark fibre, so that we can layer business connectivity and other services on top of our fibre footprint.

Substantial Group is supportive Ofcom’s overall strategy set out in the main consultation for the TAR (the “TAR Consultation”)³

- Promoting network competition where viable; and
- Using proportionate, targeted Significant Market Power (SMP) remedies where competition is unlikely to be effective.

¹ Ofcom (2025) *Promoting competition and investment in fibre networks: Telecoms Access Review 2026-31 - Further consultation on leased lines market analysis and various pricing issues*, Consultation, 17 November 2025, available here: [Consultation: Further consultation on leased lines market analysis and various pricing issues - Telecoms Access Review 2026-31](#)

² [Substantial Group Limited](#)

³ Ofcom (2025) *Promoting competition and investment in fibre networks: Telecoms Access Review 2026-31*, Consultation, 20 March 2025, available here:

[Consultation: Promoting competition and investment in fibre networks: Telecoms Access Review 2026-31](#)

Substantial Group is in agreement with Ofcom that that its duct and pole remedy (PIA) is now a central enabler of infrastructure competition, and no longer a niche product. This is underlined by Substantial Groups previous responses, the PIA Coalition⁴ analysis and Ofcom’s own evidence on the growth of external PIA usage.

Substantial Group’s concerns with the Further Consultation relate in large measure to the balance of the detailed pricing changes for:

- PIA simplified lead-in charges;
- Fibre cost reallocations and sub-caps in Leased Line Access (LLA) / Inter Exchange Connectivity (IEC); and
- Dark fibre cost modelling.

Taken together, the proposed changes to the BT SMP remedies package risks weakening the economics of alternative full-fibre networks at precisely the point at which they regulatory stability and confidence is needed to drive continued investment.

1.2 Ofcom’s proposed PIA simplified lead-in pricing

In the TAR Consultation Ofcom proposed to:

- Maintain cost-based PIA charge controls,
- Continue to use “fair shares” as the mechanism for splitting duct and pole costs between Openreach and external PIA users, and
- For simplified lead-ins, apply a discount rate (rising over time) to all three components of the simplified lead-in product (lead-in duct, lead-in link duct and joint box/facility hosting), leading to a long-run fair share of 46% for lead-ins.

In Ofcom’s Further Consultation Ofcom now proposes to retain the higher forward-looking discount rate/fair share (46% in the long run). However, to apply the discount only to the lead-in duct component, and not to the lead-in link duct or joint box components, on the basis that those already embody “fair share” assumptions and that discounting them again would be “double counting”.

This change proposed by Ofcom has a large practical effect. Specifically, the base-case simplified lead-in cap in 2030/31 increases from £6.79 (TAR Consultation proposal) to £9.59 in the Further Consultation – a rise of around 41%. The first-year (2026/27) cap also rises (from £10.69 to £11.44).

Substantial Group’s position

Ofcom was right in the TAR Consultation to move towards a higher fair share for lead-ins based on forward-looking revenue opportunities and the probability of churn. That approach is conceptually sound and consistent with the Wholesale Fixed Telecom Market Review (“WFTMR”)⁵ framework.

⁴ SPC Network (2025), *Promoting competition and investment in fibre networks: Telecoms Access Review 2026-31 (“TAR”): Response to Ofcom regarding Physical Infrastructure Access (PIA) - Prepared by SPC Network on behalf of Fibrus, Gigaclear, Netomnia and nexfibre*, June 2025, available at: [PIA Coalition](#)

⁵ Ofcom (2021), *Promoting competition and investment in fibre networks: Wholesale Fixed Telecoms Market Review 2021-26*, Statement, 18 March 2021 (as updated), available at: [Statement: Promoting investment and competition in fibre networks – Wholesale Fixed Telecoms Market Review 2021-26](#)

Ofcom was also right originally to apply the discount to the full simplified lead-in “bundle” (duct, link duct, joint box), because churn risk and customer re-use risk attach to the *entire* local lead-in route, not only to one physical component.

- Openreach’s “double counting” argument is a matter of mathematics rather than driven by economics.
 - It is correct that the link duct and joint box components already include fair share factors in the PIA model.
 - However, those fair shares are calibrated at an asset level; the simplified lead-in discount is correcting for customer churn and sequential occupancy for the *route*. They are dealing with different economic questions. Treating them as the same and offsetting one against the other overstates the cost responsibility of PIA users.
- The PIA Coalition analysis, based on BT’s 2023/24 RFS, shows that even under the Consultation fair shares, Fibre Network Builders (FNBs) would still pay more than their true “fair share” of PIA costs:
 - Today, FNBs pay 4.6% of BT’s total PIA costs.
 - Under Ofcom’s proposed TAR fair shares, that would only fall to 4.1%, whereas BT’s own data suggest FNBs use around 3.5% of the PIA estate.
 - A further across-the-board PIA price reduction of ~19.5% would be required to align payments with the 3.5% usage share.

Against that background, raising simplified lead-in charges materially above those proposed in the Consultation moves the regime further away from, not closer to, a fair share outcome.

- The simplified lead-in product is a critical determinant of the economics of final-drop connections for alternative network providers (“Altnets”). Higher simplified lead-in charges:
 - Weaken the business case for connecting marginal premises, particularly where civil costs are high;
 - Reduce the extent to which MSNs can compete for business connectivity / HNR customers using PIA; and
 - Risk skewing the playing field back towards Openreach’s integrated FTTP portfolio, particularly in areas where Equinix wholesale pricing or similar offers are available.

Substantial Group’s position

Ofcom should review its revised application of the discount rate in Section 4 of the Further Consultation and consider reverting to the approach it was proposing to adopt in the TAR Consultation. In particular, Ofcom should:

- Revert to applying the lead-in discount to the full simplified lead-in bundle (duct, link duct, joint box/facility hosting) as originally proposed; and
- Use the updated PIA Coalition evidence to calibrate fair shares so that the total PIA revenue taken from FNBs converges towards the 3.5% cost share indicated by BT’s own Regulatory Financial Statements (RFS) commentary, removing current over-recovery.

This is fully consistent with the positions advanced in:

- Substantial Group’s main TAR submission (on fair share and over-recovery);
- The PIA Coalition’s report (on overpayment and transparency); and
- In the calls by scale Altnets for PIA to be priced so as to support sustainable infrastructure competition rather than serving to entrench BT’s SMP through Openreach’s position in the infrastructure market.

1.3 LLA buffer distance and PIA’s role in leased line competition

Substantial Group agrees with Ofcom’s high-level reasoning that PIA materially increases the distance over which an LLA provider can economically extend its network to serve business and High-Network-Reach (HNR) sites, and where used this should be reflected in the Network Reach Model (NRM). The updated evidence confirms that fibre-connected sites are largely concentrated within 50m of existing footprints and that “direct dig” distances are typically short, but that PIA enables some providers to reach further than 50m in at least a subset of cases.

However, it is important to recognise that the NRM is a static representation of a dynamic process. As Substantial Group set out in its response to the Consultation, it is important to recognise the business development cycle, even for scale Altnets. The rules that providers use today to decide whether to extend the network to serve a particular customer – especially in business connectivity – are still evolving and will, over time, likely to be driven by ever more sophisticated commercial build analysis rather than basic rules of thumb about distance.

In that context, whatever buffer distance Ofcom chooses now will do more than classify geography; it will help shape the incentives for future build. If the NRM assumes a very limited effective reach for competitors and, as a result, keeps a large area in LLA Area 3 under tight cost-based price controls, that can make network extension less commercially attractive for PIA-based providers. Specifically:

- The lower the regulated Area 3 price for Openreach’s managed LLA services, the smaller the margin available to justify PIA-based extension and the harder it is for an internal investment committee to approve build in marginal areas. Indeed, this is likely to be particularly sensitive in where marginal deployments are ‘tipped’ by the forecast revenue streams available to providers from both WLA and LLA markets.
- In effect, a conservative reach assumption, combined with stringent Area 3 price caps, risks pre-determining the competitive outcome by depressing the business case for the very PIA-based build that could, over time, expand the area of genuine competitive tension.

Substantial Group’s position

For the above reasons, if Ofcom is not minded to maintain WLA / LLA Area 2/3 ‘alignment’ then there remains a sound argument for it to extend the buffer zone where there is any plausible evidence that competition might evolve. In doing so, this will give competition the maximum opportunity to evolve in the future. In the latter case, in principle, this would permit reach at buffer distances beyond 150m.

While Ofcom may consider extending the buffer zone significantly beyond 150m may over-state the prospect of competition based on current quantitative evidence. It is understood that taking a policy position on this is not riskless. In the absence of effective competition developing over this review period it is arguable that it would have been proportionate for Ofcom to applied the Area 3 protections now. In other words, it would have been appropriate where the post factum outturn is that Openreach was the only credible LLA supplier. However, while recognising the updated evidence now available to Ofcom it remains the case that this evidence does not give Ofcom perfect foresight in the way that the market will develop over this review period. As such, this is a matter of regulatory judgement.

Substantial Group's view, therefore, is that Ofcom should:

- Acknowledge PIA's role by extending the effective reach beyond the original 50m, as proposed in the Further Consultation, so that the NRM does not artificially constrain expectations of where competition might emerge;
- Permit a buffer that provides the maximum opportunity for competition to develop at a minimum of 150m and consider the case for a wider buffer zone; and
- Make clear that the chosen buffer is designed to provide the maximum opportunity to permit competition to develop and commit to revisiting it in the next review in light of actual PIA-enabled LLA build and win-rates.

In practice, the above approach provides Ofcom with a better policy balance by setting the buffer sufficiently wide such that the price controls in Area 3 do not suppress the option value of future PIA-based network extension, but are not so long that Ofcom withdraws Area 3 protection from areas where, on the evidence, PIA-based LLA competition is very unlikely to be material and sustainable over the control period (and over the period beyond).

1.4 Fibre cost reallocations, LLA / IEC charge controls and dark fibre – we do not support unwarranted price increases

Substantial Group recognise that BT has identified issues in its allocation of Core Junction Fibre and Access Spine Fibre costs which affect the distribution of costs between Wholesale Local Access (WLA) and LLA / IEC services, and that Ofcom needs to reflect this in charge control modelling.

However:

- The base-case indicative dark fibre and LLA Area 3 charge controls in Table 5.2, when combined with PIA pricing changes, risk pushing up the cost of key inputs used by Altnets to serve business and backhaul markets; and
- As Substantial Group argued in its TAR Consultation response, any LLA / Dark Fibre Access ("DFA") charge control design must avoid undermining the economics of Multi-Service Networks ("MSNs") and the viability of PIA-based entrants.

Substantial Group's position

- Ofcom's proposal to remove mobile network licence costs from Openreach cost modelling is the right approach;

- Ofcom’s proposal to use corrected fibre allocations is in principle correct, provided they are fully transparent and properly tested
- Ofcom should not support charge control outcomes which lead to material increases in dark fibre prices or in the effective cost of LLA Area 3 access, unless and until Ofcom can clearly demonstrate that:
 - The increase is strictly required to align charges with efficiently incurred costs, and
 - The impact on competition from PIA-based MSNs has been fully assessed and found proportionate.

Substantial Group does not favour price increases in dark fibre access unless clearly justified by robust cost evidence. In our view, Ofcom should, if anything, calibrate dark fibre charge controls towards the lower end of the indicative ranges in Table 5.2, particularly for DFX main link and DFA rentals.

1.5 Dark fibre cost modelling – Openreach Sales Product Management (OSPM)

We understand and broadly accept the logic of:

- Aligning the treatment of the OSPM component with other revenue–allocated components (Ofcom Administration Fee and Notional Debtors), following BT’s 2025 RFS methodology change; and
- Recognising that, because dark fibre prices are below benchmark Openreach EAD / EAD LA prices, this revised treatment tends to reduce OSPM unit Fully Allocated Cost (FAC) for dark fibre relative to a simple revenue–share allocation.

However, we emphasise:

- The primary policy objective for dark fibre should be to provide an effective wholesale remedy that supports competition and prevents margin squeeze, not to maximise cost allocation precision in isolation; and
- Any modelling choices that tend to raise dark fibre costs (for example, other RFS methodology changes) must be treated with caution.

Substantial Group’s position

Substantial Group is therefore broadly supportive of Ofcom’s revised OSPM treatment, but only as part of an overall dark fibre charge control package that:

- Avoids net upward pressure on dark fibre charges relative to Consultation proposals without compelling cost evidence; and
- Ensures dark fibre remains an effective constraint on Openreach’s active Ethernet pricing in LLA Area 3 and in IEC SMP exchanges.

1.6 Conclusions

In conclusion, Substantial Group:

1. Supports Ofcom’s high–level TAR Consultation strategy and the recognition that PIA and dark fibre remain critical enablers of competition.
2. Supports Ofcom’s decision to extend the LLA buffer distance and considers that a buffer of at least 150m would better support competition.

3. Would recommend that Ofcom further review the application of the discount rate to simplified lead-ins and urges Ofcom to revert to the approach adopted in the TAR Consultation (discount applied to the full simplified lead-in bundle), recalibrated using updated PIA Coalition evidence on fair shares and over-recovery.
4. Accepts in principle the need to incorporate BT's corrected fibre cost allocations and to remove mobile licence costs, but does not support dark fibre or LLA Area 3 charge control outcomes that raise prices without clearly demonstrated, proportionate cost justification.
5. Broadly supports Ofcom's revised treatment of OSPM in dark fibre modelling, on the understanding that this helps avoid upward pressure on dark fibre charges and preserves dark fibre's role as an effective competitive remedy.

We consider that these adjustments would:

- Better align the TAR package with Ofcom's strategic objectives;
- Ensure that PIA users pay no more than a genuine fair share of PIA costs; and
- Strengthen, rather than weaken, the incentives for continued investment in competitive full-fibre networks and multi-service business connectivity across the UK.

If Ofcom would find it helpful, we would welcome a discussion of the points that Substantial Group has raised.

Set out in Section 2 of this response that follows is further detail that responds to each of the Further Consultation questions.

2. Responses to Further Consultation Questions

Question 3.1: Do you agree with our reasoning on the impact of consolidation?

Response to Q3.1:

Substantial Group broadly agrees with Ofcom’s reasoning on consolidation, subject to the two caveats above. Any assumed competitive benefits from consolidation must be considered alongside the impact of PIA and dark fibre pricing on the ability of consolidated Altnets to constrain Openreach in practice.

3.1.1 Consolidation and material/sustainable competition

In Substantial Group’s main TAR submission, Substantial Group agreed that consolidation can accelerate the emergence of material and sustainable competitors, particularly where fragmented footprints are combined into a single, more credible alternative to Openreach. This is consistent with Ofcom’s discussion of potential Altnet consolidation in the WLA context and now in the LLA market.

Substantial Group considers Ofcom’s approach to be broadly reasonable. Specifically:

- Ofcom first identifies which types of providers can, individually or via consolidation, exert a material and sustainable constraint on BT (Openreach) over the review period; and
- Then reflects this in the NRM by treating such providers as “relevant competitors” when determining geographic market boundaries.

Substantial Group agree that:

- LL-only providers, VMO2 and CityFibre are already material or have the potential to be material LLA competitors; and
- Consolidation involving large fibre builders (including those in the PIA Coalition) could, in principle, create additional material competitors over the review period.

3.1.2 Caveat 1 – Consolidation should not be assumed to always strengthen competition

Substantial Group would caution against assuming that any consolidation involving Altnets necessarily strengthens competition. Specifically:

- Some combinations might simply improve financial resilience without materially increasing coverage overlap with Openreach;
- Others could reduce competitive tension between Altnets themselves in certain business connectivity corridors.

Substantial Group therefore welcomes Ofcom’s commitment to assess “foreseeable developments” in consolidation based on case-specific evidence rather than treating consolidation as mechanically pro-competitive.

3.1.3 Caveat 2 – Interaction with PIA pricing and MSNs

The extent to which consolidated Altnets can actually exert competitive pressure in LLA depends critically on:

- PIA pricing, particularly for lead-ins and spine ducts; and

- The economics of MSNs, which rely on layering LLA/IEC and business connectivity services on top of residential fibre footprints.

If PIA prices and dark fibre/LLA charges are set too high, consolidation will not be sufficient to overcome Openreach’s entrenched advantages. For this reason, our support for Ofcom’s consolidation reasoning is conditional on PIA and dark fibre being priced in a way that supports, rather than undermines, MSN-based competition.

Question 3.2: Do you agree with our revised proposals relating to the buffer distance? Do you have a view on the most appropriate value?

Response to Q3.2:

Substantial Group supports the use a revised buffer distance and the recognition of PIA’s potential to extend reach. It is our view that this should be set, at the widest distance to provide the maximum opportunity for competition to develop. In principle, this is likely to be at a minimum of 150m, which captures dig-reachable sites.

3.2.1 Evidence on dig distances and “within reach”

Ofcom’s updated analysis confirms that:

- Fibre-connected LLA end-user sites are largely concentrated within 50m of a relevant network footprint; and
- On current evidence, dig distances for customer-specific extensions are typically short (with median values well below 50m for most providers).

This is consistent with earlier WFTMR evidence and with Substantial Group’s current operational practice. While it may be the case that in the case of certain geotypes and at certain distances, direct dig at present may be uneconomic for most sites, especially for SMBs and in lower-value locations. However, as the focus moves to business connectivity markets the engineering capabilities that enable faster and more cost-effective direct dig (e.g. MicroBORE technology) are likely to act to extend reach and the competition within a wider buffer zone.

3.2.2 PIA-enabled extensions

Substantial Group agrees with Ofcom that:

- PIA materially increases the economically feasible reach of LLA providers; and
- This effect should be reflected in the NRM by allowing network presence to be counted at greater distances where PIA is realistically available and economic.

Substantial Group’s own deployment experience, and the PIA Coalition evidence, confirm that:

- Access to ducts and poles at regulated prices enables fibre builders to extend networks faster and more cheaply than self-build; and
- The growth in PIA usage has exceeded the expectations at the time of the WFTMR, strengthening the case for Ofcom’s revised buffer distance.

3.2.3 Appropriate value and implementation

On balance, Substantial Group:

- Where Ofcom remains minded to depart in its effective 'alignment' between WLA and LLA areas, it supports a revised buffer distance;
- Considers that a minimum 150m baseline for dig-only is appropriate but that there is a case for moving the buffer beyond this; and
- Agree, in principle, that PIA-enabled reach beyond 50m can be reflected through modelling.

Substantial Group would, however, ask Ofcom to:

- Look again at the case for extending the buffer zone and either event, commit to revisit the buffer distance assumption in future reviews as more evidence on PIA-based LLA usage emerges; and
- Provide transparency to industry on how PIA usage data are feeding into NRM parameters.

Question 4.1: Do you agree with our revised approach to the application of the discount rate when calculating the charge control for simplified lead-in duct?

Response to Q4.1:

Substantial Group considers Ofcom's original approach set out in the Consultation (updated in the manner suggested by the PIA Coalition) as it relates to the application of the discount rate to simplified lead-ins to be correct in principle. The revised approach gives undue weight to Openreach's double-counting argument, leads to significantly higher simplified lead-in prices, and is inconsistent with Ofcom's own fair share objective and the evidence on PIA over-recovery.

4.1.1 What the Consultation proposed and why

In the WFTMR21, Ofcom applied a 10% discount to lead-in costs, giving a fair share of 90% for lead-ins, to reflect the probability of customer churn and the risk that a Communications Provider ("CP") continues paying for lead-ins even after losing a customer.

In the Consultation, Ofcom proposed to:

- Move to a forward-looking discount of 54%, giving a long-run fair share of 46% for lead-ins;
- Apply this updated discount rate to all three components of the simplified lead-in product (lead-in duct, lead-in link duct and joint box/facility hosting); and
- Treat fair shares across PIA as reflecting expected future revenue opportunities and the number of PIA users over the long run.

At that point, Ofcom rejected calls (primarily from Openreach) for lower fair shares across the board, correctly recognising that:

- PIA users were already paying more than their true fair share of PIA costs; and
- Any further weakening of fair shares risked undermining the economics of PIA-based competition.

Substantial Group strongly supported this direction in its main TAR response, as did the PIA Coalition and other Altnets.

4.1.2 Ofcom's revised approach and Openreach's "double counting" argument

In the further consultation Ofcom now proposes to:

- Maintain the higher discount rate/fair share (46%); but
- Apply the discount only to the lead-in duct component, not to lead-in link duct or joint box components.

This is explicitly in response to Openreach's argument that:

- Lead-in link duct and joint boxes already include fair share assumptions in the PIA model; and
- Applying the lead-in discount to those elements as well would "double count" the effect of sharing.

As Table 4.1 shows, this raises the simplified lead-in cap in the final year from £6.79 (March 2025) to £9.59 (base case), and significantly reduces the speed of real price reductions (from CPI-12.8% to CPI-6.3%).

4.1.3 Issues with the "double counting" argument

Substantial Group accept that:

- At the component level, fair share factors already account for sharing of lead-in link duct and joint box infrastructure between multiple CPs; and
- In a purely mechanical model, applying another discount to those components could be described as an additional adjustment.

Substantial Group's position

However, the above framing ignores the economic purpose of the discount and how PIA is used in practice.

- The discount is about churn and sequential occupancy, not just sharing.
 - Fair shares applied in the PIA cost model to ducts and joint boxes determine the *proportion of asset costs* that PIA users bear versus Openreach downstream services.
 - The lead-in discount, by contrast, is designed to address the fact that a single CP may continue to pay for lead-in rental even after losing a customer, and that the same physical route can be used sequentially by different CPs over time.
 - The economic question is therefore: what share of the long-run cost of a lead-in route should be attributed to each CP, given churn and sequential use? That is different from the question of how shared assets are split between Openreach and all external users at any point in time.
- At the product level, the simplified lead-in is a bundle.
 - In practice, a CP purchasing simplified lead-in is buying a route from the distribution point to the customer premises, not a menu of separable components.
 - The relevant economic unit for churn and sequential occupancy is the whole route, because if a CP loses the customer, it loses the benefit of all three components (duct, link duct and joint box access) along that route.

- Applying the discount only to the lead-in duct component while leaving the other components at higher, undiscounted fair shares overstates the long-run cost responsibility of external CPs for routes used over multiple customer lifecycles.
- Evidence shows PIA users are still paying above their fair share overall.
 - The PIA Coalition/SPC analysis, which uses BT's own 2023/24 RFS data, shows that FNBs currently pay 4.6% of BT's total PIA costs and would still pay 4.1% under Ofcom's TAR fair shares, compared to an estimated usage share of 3.5%.
 - This implies that, even with Ofcom's March 2025 fair share/discount approach, PIA users would remain over-paying relative to their share of the PIA estate.
 - Further increasing simplified lead-in prices pushes the system further into over-recovery and is therefore inconsistent with Ofcom's stated objective that PIA users should pay only their fair share of costs.
- Openreach should be permitted to recover its PIA costs.
 - It is entirely correct that Openreach should be able to recover its legitimately incurred PIA costs.
 - However, evidence submitted by the PIA Coalition suggests the opposite: even under TAR fair shares, FNBs would still over-contribute relative to their usage.
 - Moreover, Openreach's internal transfer charges being lower than external PIA charges, and in some cases implying negative returns on internal PI usage, indicate that the risk is currently tilted towards over-recovery from external PIA users, not under-recovery.
- Improvements in the internal consistency with other PIA components.
 - Internal consistency is desirable but cannot override the core policy goal: ensuring cost-oriented, non-discriminatory prices that support competition.
 - If achieving internal consistency would exacerbate over-recovery from PIA users, then the correct response is to re-examine the underlying fair shares and allocations, not to raise prices for a critical product like simplified lead-in.
- A "mathematically tidy" approach isn't necessarily economically consistent.
 - We recognise that Ofcom's revised approach brings a certain mathematical neatness: each component is either fair-shared or discounted, but not both.
 - However, from the perspective of CPs making build and connection decisions, what matters is the total expected cost of using PIA over the lifetime of a route, adjusted for churn.
 - A structure that is internally neat but results in long-run over-recovery from PIA users presents an economic challenge.

- The effect of overall change in the PIA basket may not be as “modest” as first thought.
 - Simplified lead-ins are a large and growing share of PIA usage for both residential and business connectivity.
 - A 41% higher end-of-period cap than previously indicated is not necessarily modest from the perspective of FNBs’ business cases; it directly affects the Net Present Value (NPV) of connecting marginal premises, particularly in higher-cost territories.

Ofcom’s change may ‘work’ within the confines of the cost model, but it fails the economic test when set against real-world usage, churn dynamics and the fair share objective.

Substantial Group therefore invites Ofcom to:

- retain the Consultation long-run fair share (46%) and discount rate for lead-ins;
- continue to apply that discount to the full simplified lead-in bundle, as originally proposed; and
- use updated RFS and PIA usage data (including the PIA Coalition/SPC work) to recalibrate fair shares across PIA, with the explicit objective of aligning FNBs’ overall contribution towards the indicated 3.5% usage share.

Question 5.1: Do you agree with our revised proposals relating to charge controlling active LLA services in LLA Area 3 and dark fibre services in the LLA and IEC markets?

Response to Q5.1:

Substantial Group supports the aim of reflecting corrected cost allocations and removing inappropriate costs, but we are concerned that the proposed package could lead to unnecessary increases in dark fibre and LLA Area 3 prices. Substantial Group does not favour dark fibre price increases unless clearly justified by robust, transparent cost evidence. Ofcom should calibrate dark fibre and Main Link charge controls towards the lower end of the indicative ranges and ensure that the combined effect of PIA, LLA and dark fibre pricing supports, rather than undermines, MSN-based competition.

5.1.1 Fibre cost reallocations and Main Link sub-caps

Substantial Group recognises that:

- BT has identified under-allocation of backhaul fibre costs to IEC services and proposed a revised allocation methodology for Core Junction Fibre and Access Spine Fibre costs in its 2026 RFS change control notification; and
- Ofcom has examined BT’s evidence and is proposing to incorporate the adjusted cost data in its cost models, leading to revised indicative charge controls.

Substantial Group also notes that:

- The proposed Main Link sub-caps in LLA and IEC baskets are loosened from CPI-0% to CPI+5%, reflecting higher costs after reallocations.

From a pure cost allocation perspective, this may be internally consistent. However:

- Main Link charges are a key driver of end-to-end Ethernet and dark fibre pricing for business connectivity, and

- They are a critical input to the business case for MSNs seeking to serve SMB and enterprise customers in Area 3 and at IEC exchanges.

In the absence of robust transparency and cross-checks, there is a risk that:

- Cost reallocations from WLA to LLA / IEC, combined with looser sub-caps, simply shift more cost recovery onto wholesale inputs most used by Altnets, thereby weakening competition rather than enhancing it.

5.1.2 One-year transition and glidepath re-profiling for LLA Area 3

Substantial Group understand Ofcom's rationale for:

- Allowing a one-year CPI-0% glidepath in 2026/27 for LLA Area 3 Ethernet services up to 1Gbps, to give Openreach time to implement geographic pricing in its systems; and
- Compensating this with a steeper glide in 2027/28 and a re-profiled path thereafter to avoid giving Openreach any net financial benefit from the transition.

Substantial Group agrees that:

- System constraints are a legitimate implementation consideration; and
- Ofcom's proposal not to grant any additional NPV benefit to Openreach is appropriate.

However, as with PIA, what matters for competition is not just the NPV of Openreach's revenues, but:

- The relative trajectory of LLA and PIA/dark fibre prices, and
- The ability of PIA-based MSNs to offer a sustainable alternative in high-cost, low-competition areas.

5.1.3 Dark fibre price paths and competition

Table 5.2 shows that, under the revised cost modelling:

- DFA rentals and DFX main link rentals can see significant positive SCAs and/or relatively mild downward CPI-X paths compared to earlier indications.

For Substantial Group and other PIA-based full-fibre builders, dark fibre is a potential:

- Backhaul and trunk solution, and
- Wholesale remedy to Openreach's active Ethernet services.

If dark fibre charges are set too high, in combination with:

- Higher PIA simplified lead-in charges; and
- Looser Main Link sub-caps, then the overall package risks:
 - Reducing the headroom between Openreach's underlying costs and its retail/wholesale Ethernet offers;
 - Making it harder for MSNs to compete in leased line markets; and
 - Undermining one of Ofcom's central TAR objectives: promoting effective network competition where viable.

Substantial Group's position

Substantial Group therefore:

- Supports Ofcom's intention to remove mobile licence costs from Openreach cost modelling;
- Accepts that some fibre cost reallocations may be necessary, provided they are fully transparent and independently tested; but
- Do not support dark fibre or LLA Area 3 charge control outcomes that lead to net price increases relative to the proposals in the Consultation unless Ofcom can clearly demonstrate that these are strictly required to align with efficiently incurred costs and are proportionate in their impact on competition.

In practical terms, Substantial Group asks Ofcom to:

- calibrate dark fibre charge controls towards the lower end of the indicative ranges in Table 5.2, particularly for DFX main link rental and DFA rental; and provide additional transparency in the TAR statement on:
 - The magnitude of cost shifts from WLA to LLA / IEC;
 - How these shifts affect aggregate returns across Openreach's regulated portfolio; and
 - How Ofcom has assessed the impact on competition from PIA-based MSNs.

Question 6.1: Do you agree with our revised proposals relating to the estimation of Openreach sales product management costs within our dark fibre charge controls?

Response to Q6.1:

Substantial Group broadly supports Ofcom's revised proposals for the treatment of OSPM costs in dark fibre cost modelling. However, this agreement is conditional on the net effect of all modelling changes not leading to unwarranted increases in dark fibre charges and on dark fibre remaining an effective wholesale remedy that supports competition and prevents margin squeeze.

6.1.1 What is changing and why

Since the TAR Consultation, BT has:

- Changed the RFS methodology for the Openreach Sales Product Management (OSPM) component;
- Moved to a pure revenue-based allocation of OSPM costs across services; and
- Introduced separate components for current liabilities related to Equinox and Project 112 discounts.

Ofcom now proposes to:

- Align its dark fibre cost modelling with this new methodology by treating OSPM similarly to other revenue-based components (Ofcom Admin Fee and Notional Debtors); and
- Adjust OSPM unit FAC for dark fibre by reference to the price ratios between dark fibre services and their benchmark EAD/EAD LA services.

Given dark fibre prices are below the corresponding EAD/EAD LA benchmarks, this adjustment tends to reduce OSPM unit FAC for dark fibre relative to a naïve revenue-share allocation, partially offsetting the upward effect of BT's methodology change.

6.1.2 Our assessment

We consider this approach to be conceptually reasonable, for three reasons:

- (i) It is appropriate to ensure that dark fibre, as a lower-priced wholesale remedy, does not bear disproportionately high allocations of sales/product management costs.
- (ii) Aligning treatment across similar revenue-based components improves transparency and avoids arbitrary differences.
- (iii) Ofcom's qualitative assessment indicates that its proposed treatment reduces the OSPM unit FAC for dark fibre compared to the simple application of BT's revised allocation methodology, supporting more cost-reflective dark fibre charges.

However, Substantial Group emphasise that:

- OSPM is only one component among several changes to dark fibre cost modelling; and
- Other RFS methodology changes and updated forecasts could still push overall dark fibre charges higher.

Substantial Group's position

Substantial Group therefore:

- Support Ofcom's revised treatment of OSPM in principle, as it appears to mitigate an otherwise upward shift in dark fibre costs due to BT's methodology change but ask Ofcom to:
 - Demonstrate in the TAR statement that the net effect of OSPM and other modelling changes does not lead to unwarranted increases in dark fibre charges;
 - Confirm that dark fibre will remain a genuinely effective constraint on active Ethernet pricing in LLA Area 3 and IEC SMP exchanges, by testing margin squeeze scenarios that reflect realistic PIA-based business models; and
 - Commit to reviewing OSPM treatment again if future discounts or commercial offers (e.g. successors to Equinix) materially alter the relationship between dark fibre and benchmark active prices.