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Promoting competition and investment in fibre networks: Telecoms Access Review 2026-31 - Further consultation on WLA pricing remedies - UW response

Telecoms Access Review 2026
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Utility Warehouse was one of the first ‘challenger’ brands when it entered the retail energy market over 20 years ago, and we have a unique perspective in that we operate across numerous regulated markets: energy, telecoms and financial services. Today we serve over 1 million households. We are proud of our market-leading standing in key customer service benchmarks, most recently and notably one of the three Which? Recommended suppliers for 2025 for both broadband and energy and currently top of the Citizens Advice supplier scorecard.

Overview

The outcome of the 2026-31 Telecoms Access Review is key to continuing the progress made in delivering access to fibre across the UK at competitive prices for consumers and businesses. Utility Warehouse (‘UW’) understands that Ofcom needs to balance creating the conditions for ensuring investment over the next five years and beyond with delivering affordable services for consumers in the short term, particularly during the current “Cost of Living” crisis. UW therefore welcomes the opportunity to respond to Ofcom’s further consultation on WLA pricing remedies, and the proposals therein which will have a significant impact on the ability for Communications Providers like UW to provide affordable services to their customers.

Consultation questions

Q1	Do you agree with our proposals relating to the Contract Focused Approach?
1.1	<p>UW recognises that it is the outcome and not the means by which it is reached that ultimately matters to our customers. Having reviewed the proposals by Openreach and Ofcom we believe that Ofcom has to make several assurances in order to ensure that a Contract Focused Approach (CFA) would meet the aims and objectives in delivering the prices that Ofcom would otherwise mandate through a charge control. We set these out below:</p> <ol style="list-style-type: none"> 1. In accepting a CFA instead of imposing a charge control, Ofcom must not imply in any way that existing market conditions mean that regulatory intervention is not necessary in this case. Ofcom should be clear that Openreach still has significant market power and a charge control would otherwise be imposed if CFA did not already meet the needs that would otherwise be delivered through regulatory intervention. It is worth remembering that the contracts Openreach are proposing relying on were not created as a result of negotiation between Openreach and its customers, but instead were terms set by Openreach for industry and only exist because of competitive pressures in some areas, competition that has developed in part because of Ofcom’s previous regulatory interventions. Therefore the presence of these contracts should not be taken as proof of regulation no longer being required

2. If Ofcom is willing to rely upon Openreach contracts to meet its regulatory objectives then Ofcom needs to understand that the burden of enforcing these contracts would fall upon it. Ofcom will also have to be the arbiter of any disputes over interpretations of clauses within such contracts. Ofcom cannot on one hand use the contracts in lieu of their regulatory remedies and then rely on them being enforced through either negotiation or the courts. The imbalance of power between Openreach and their downstream customers means that Ofcom will be required to keep the behaviour of Openreach in line with the contractual conditions, and prevent Openreach from redefining any parts of the contract in their own favour. Given that Ofcom is not party to these contracts Ofcom needs to assure itself that it has appropriate mechanisms in place that would allow it to intervene and enforce these contracts to the same standard it would enforce regulation if Openreach were to breach them. Ofcom needs to set out clearly to industry any mechanism they intend to use to achieve this. Moreover if the CFA were to break down and be judged not to be delivering the outcomes Ofcom intended then Ofcom needs to be able to step back in and apply the charge control regulation it decided wasn't necessary.
3. A charge control sets an upfront price, whereas Openreach's proposal is to continue with their current pricing that provides a rebate every six months to its customers. This a significant difference given the volumes and revenues involved, the CFA therefore results in larger upfront costs to Openreach's customers, that not only cause them to lose out financially, but could result in cash flow issues that would be entirely avoided with a Charge Control. Furthermore it creates a competitive distortion between BT and its rivals, as although BT pays the same prices to Openreach and receives the same rebates, in doing so it is simply moving its own money around and is no worse off, unlike Openreach's other customers who are essentially lending BT Group large sums of money interest free for up to six months. There isn't a logical reason for Openreach to price in this way, the previous justification for charging the full amount and then rebating the difference is no longer valid. If Ofcom chose a CFA, then those contracts should be amended to provide the discounted price up front, without the need for a rebate.

1.2 If Ofcom can satisfy the conditions above then we would be ambivalent as to whether Ofcom should use a charge control or the contract focused approach they are proposing.

1.3 However UW does not necessarily recognise the supposed benefits of using a CFA instead of a charge control, and feels Ofcom can be more explicit as to what these benefits are and how they justify this change in approach. Whilst less regulation is generally welcome we do not necessarily always subscribe to the view that it is a benefit in and of itself and we would be concerned if Ofcom were to move away from proposing charge controls in the future in favour of other "commercial" mechanisms. In particular the removal of the charge control for 2026-31 should not influence Ofcom's decision of whether charge controls are necessary on either the 80/20Mbit/s product currently under consideration, or other full fibre products that might be considered during the next market review.

1.4 In general as an economic regulator Ofcom's starting point should always be to determine the appropriate pricing levels first, and then if it deems Openreach's contracts and offers to meet the requirements UW is happy for them to consider alternatives to charge controls like the CFA. However they should always be wary of allowing Openreach to propose prices and contract terms in lieu of regulation, as Openreach will naturally want to lead Ofcom towards accepting prices and terms that meet its objectives rather than those that benefit the wider market and the end consumer.

Q2	Do you agree with our proposals relating to charge controlling FTTP connections (where copper-based services are not available)?
2.1	Yes, the logic to any charge control for FTTC 80/20Mbit/s charge control applies to the equivalent FTTP product if no FTTC product is available. So UW agrees with the overarching principle that whatever charge controls (or indeed whatever agreements from a CFA) are in place for FTTC 80/20Mbit/s should apply to FTTP 80/20Mbit/s products in cases where FTTC 80/20Mbit/s is not available.
2.2	In terms of the specifics around discounts and geographic areas, we have provided our thoughts below, which would also apply here.
Q3	Do you agree with our proposal to amend the proposed geographic discrimination prohibition by introducing a carve-out that would permit geographic differences in connection charges, where such differences reflect the terms of the Equinox 1 or Equinox 2 contracts (as applicable) and also align with WFTMR21 geographic market boundaries?
3.1	No, whilst UW understands the need for pricing stability we believe this can best be achieved by ensuring all geographic areas face the same prices, which would also ensure digital divide between urban and rural areas is not deepened.
3.2	Ofcom have dismissed PXC's arguments that connection charges in Area 3 shouldn't be higher than in Area 2 because they believe their regulatory regime ensures prices are low enough to prevent consumer harm regardless of whether an area has discounts or not ¹ . However this conclusion is based on a stand alone assessment of the prices in each area and they do not appear to have considered the potential consumer harm caused in general by allowing different prices in different areas.
3.3	Openreach is able to charge different prices - with Ofcom's consent - based upon geography, and essentially makes their choice based on whether they face competitive pressures or not. This allows Openreach to segment the market to maximise their profits by selling at higher prices where they face less competition and offering discounts where competition is higher to maintain their market share.
3.4	Different input prices can result in downstream Communication Providers (CPs) charging their customers different prices based on their location, and in doing so means that many customers across the UK are being financially disadvantaged due to their geography.
3.5	Even where CPs don't alter their pricing, differing costs would mean that customers of Openreach have different profit margins based on where their customer is located. CPs are therefore incentivised to promote the higher speed products in Area 2 more than they are in Area 3. There is already a 'digital divide' between urban and rural areas ² and given the composition of Areas 2 and 3 this could lead to it widening, which appears to be antithetical to Ofcom's aims.
3.6	UW believes on this basis that there should be no geographic differences in connection charges, and that all areas should benefit from the existing discounts. As Ofcom deems Area 3 to not be potentially competitive clearly there would be no competition concerns with Openreach offering discounts in those areas. Openreach can afford to offer these discounts and remain profitable as demonstrated by the fact the current discounts cover 70% of the UK [check]. The fact they choose not to offer such discounts only where they face no competition is simply taking advantage of their monopolistic position in these areas, and therefore by definition is resulting in monopolistic pricing, even if Ofcom believes the prices are not causing consumer harm.

¹ Paragraph 5.12 of the consultation

² [Exploring Digital Disadvantage research report by Blue Marble for Ofcom](#)

<p>3.7</p> <p>3.8</p> <p>3.9</p>	<p>Despite this fact if Ofcom is satisfied with the scenario of differentiated pricing across geographies, UW does not agree with the proposed geographic carve outs based on areas drawn in 2021. The principle of having different geographic areas was to allow different levels of regulatory intervention based upon levels of prospective competition. If Ofcom’s assessment of the competitiveness of a location has changed, then the rules in place around that location should change to reflect that. Otherwise there is little point in Ofcom redefining areas in the first place.</p> <p>Whilst UW understands the need for pricing certainty, this is only beneficial in one direction, by preventing prices from rising. UW accepts that a location moving from Area 2 to Area 3 (which incidentally, should be rare given Ofcom’s proposed expansion of the size of Area 2) would cause issues if it meant Openreach had to stop offering the discounts they previously provided. However a location moving from Area 3 to Area 2 and thus becoming subject to the discounts in place would not cause the same issues for downstream customers.</p> <p>This problem can be easily solved by allowing a carve out for any areas that are in Area 2 and move to Area 3, but not having a carve out for places that are redesignated from Area 3 to Area 2. This asymmetrical carve out would ultimately meet Ofcom’s objective of delivering the benefits of pricing stability, without the downsides of locking in higher prices.</p>
<p>4</p>	<p>Further comments</p>
<p>4.1</p> <p>4.2</p> <p>4.3</p> <p>4.4</p>	<p>UW notes that Ofcom’s proposed charge control or Openreach’s contracts that will determine the prices over the next 5 years are all subject to inflationary price rises, notably CPI. Unfortunately over the last few years the UK has experienced more volatile and higher levels of inflation than previous years. UW understands the need to index prices to inflation given that we cannot predict accurately how much costs will rise over the next five years.</p> <p>However one of Openreach’s costs remains fixed - the amount of compensation they pay for missed appointments, and hasn’t risen since 2021. This means that as their prices rise year on year, the difference between their revenues and the compensation payments for failure becomes wider. This reduces the incentive for Openreach to offer quality service and reduce failures thus undermining one of Ofcom’s key objectives in creating the Autocompensation scheme³. Furthermore as a signatory to the Autocompensation code of practice UW faces rising costs in the compensation we pay out to our customers when Openreach fails to live up to expectations as the compensation levels are also indexed against CPI, and have been since April 2021. This means that over time CPs will end up losing larger amounts by remaining signatories to the code of practice, and ultimately it may become unsustainable which would only result in a negative outcome for consumers.</p> <p>Ofcom can head off this risk by applying the same logic it applies to the charge controls, and to the compensation paid to customers, to the compensation paid by Openreach to CPs. This market review seems like an ideal opportunity for Ofcom to introduce fairness, stability and certainty into the compensation process by uprating Openreach compensation payments in line with inflation since 2021 and indexing them to CPI going forwards.</p> <p>Finally, in this market review Ofcom are considering whether to impose a charge control on the “anchor” broadband product in order to ensure Openreach is not able to take advantage of its position of significant market power in broadband as a whole. However Openreach still enjoys significant market power in the voice only market, despite this market shrinking year on year it is still a vital product for many consumers, and the</p>

³ Paragraph 2.10 - Ofcom, November 2017 - [Automatic Compensation](#), “an automatic compensation scheme would incentivise providers to improve service quality”

existence of an “anchor” broadband product does not help regulate these prices. The lack of competition in this area means Openreach should face similar regulatory intervention, if not more, than they do in providing broadband lines.

4.5

Due to the PSTN shutdown and IP migration Openreach is essentially forcing its downstream customers to move their voice only customers off products such as WLR / MPF onto products such as:

FTTP 0.5mb
SOGEA 0.5mb
SOTAP

But at the same time it is charging the following connection fees to its downstream customers who have little alternative but to pay them:

FTTP 0.5mb £122.84
SOGEA 0.5mb £63.70
SOTAP £30.91

Given these high costs are driven by an Openreach initiative to modernise their network, which will in the long run save them money, UW believes it is unfair for CPs, and by extension their customers (who are often vulnerable), to foot the bill for this. Considering the lack of alternatives or competitive constraints on Openreach in this area UW believes that Ofcom should review this pricing to ensure it is fair and reasonable and consider imposing a charge control if it finds Openreach is taking advantage of its position. Any such charge control should reflect not just the current costs to Openreach of the migration, but also factor in the future savings they will derive from it when they achieve the ability to close their legacy networks.

UW notes that Openreach is making use of time limited incentives where some of these costs are reduced, for example [Special Offer on connection charge for WLR migrations to SOGEA](#). However this is limited to one type of product and creates uncertainty for other copper based voice only products and the potential costs CPs will incur to modernise the service.