Promoting competition and investment in fibre networks: Telecoms Access Review 2026-31

Volume 4: Pricing remedies

Statement

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Section

1. Price regulation in WLA markets

1.1 In this section we set out our decisions in relation to rental price regulation in the Wholesale Local Access (WLA) markets in WLA Area 2 and WLA Area 3.

Summary of our decisions

1.2 In each of WLA Area 2 and WLA Area 3, we have decided to adopt a Charge Control Approach, where we set:

- An inflation indexed charge control on MPF rentals.
- An inflation indexed charge control on FTTC 80/20 rentals (or FTTP 80/20 rentals where a copper-based service is not available).[1] We have decided to set the level of the charge control in the first year of the control with reference to Openreach's discounted prices. In relation to FTTP 80/20 rentals, a £1 per month uplift is included in the level of the charge control in the first year to reflect Openreach's commercial terms for its discounted prices.
- Other bandwidth rentals are subject to a requirement that charges are fair and reasonable.[2]

1.3 In Section 5, we set out our decisions in relation to price regulation for connections (and other ancillaries) in the WLA markets in WLA Area 2 and WLA Area 3.

WLA Area 2

The competition problem

1.4 In WLA Area 2, there is a risk that, absent regulation, BT would have the incentive and ability to fix and maintain wholesale prices at an excessively high level and/or impose a price squeeze so as to have adverse consequences for end-users, including through weaker retail competition.

Our objectives

1.5 Our market analysis has indicated that in WLA Area 2 there is the potential for material and sustainable competition to Openreach in the commercial deployment of competing networks.

1.6 In developing our pricing remedies for WLA Area 2, we have acted in accordance with our overarching legal duties. Consistent with the approach to remedies set out in Volume 3, Section 1, we have exercised our discretion in setting these controls in favour of an approach that meets our objectives to promote investment and competition in gigabit-

[1] A copper-based 80/20 service is not available at a premises if either of the following conditions are met: (i) Openreach does not have an active connection at the premises to enable it to provide a FTTC service; or (ii) Openreach is not required to provide a FTTC service for a new order at the premises under its network access obligations.

[2] In Volume 3, Section 4, we have also decided to impose a requirement that charges for FTTP 80/20 should be fair and reasonable in addition to the charge control.

capable networks by Openreach and other communications providers. We also seek to protect consumers and competition based on access to Openreach's networks as network competition develops.

1.7 Promoting investment and competition means:

- Promoting network competition in relation to investments that have been made in gigabit-capable networks up to 2026.
- Recognising that a significant amount of investment will be needed over the 2026-31 review period as competing networks connect customers and grow their customer base.
- Recognising that while the majority of investment in gigabit-capable networks for coverage is likely to have occurred by 2026, further investment to expand coverage is expected.

1.8 Network competition will further the interests of consumers through improving choice, quality and lowering prices in the long term. In many areas effective competition may emerge in time such that the need for regulation of WLA services falls away.

1.9 While we are starting to see competition emerge, we acknowledge this will take time and the risks arising from BT's SMP remain for the review period. Therefore, we consider regulatory intervention is required to protect consumers and existing models of downstream competition in the short term.

Summary of our proposals

1.10 In our March 2025 Consultation[3], we proposed a pricing continuity approach. We explained that pricing continuity meant:

a) Continuity in price levels for an anchor product – the maximum price of an entry-level superfast product (referred to as the anchor product) is set at current price levels in real terms; and
b) Continuity in approach for non-anchor products – for all other bandwidth services that are not subject to a charge control or basis of charge obligation, maintaining a requirement that prices are fair and reasonable, therefore allowing Openreach greater pricing flexibility on these products.[4]

1.11 More specifically, we proposed a Charge Control Approach, where:

- An inflation indexed charge control is set on MPF rentals.
- An inflation indexed charge control is set on FTTC 80/20 rentals (or FTTP 80/20 rentals where a copper-based service is not available).
  - For FTTC and FTTP rentals, we proposed to set the level of charges in the first year of the control with reference to Openreach's discounted prices.
  - In relation to FTTP 80/20 rentals, we proposed to include a £1 per month uplift in the level of the charge control in the first year to reflect Openreach's commercial terms for its discounted prices.

[3] Ofcom. March 2025. Consultation: Promoting competition and investment in fibre networks: Telecoms Access Review 2026-31.
[4] In Volume 3, Section 4, we set out our fair and reasonable pricing decisions.

- Other bandwidth rentals are subject to a requirement that charges are fair and reasonable.[5]

1.12 In our October 2025 Further Consultation[6], we set out a possible alternative approach based on relying on Openreach's contracts to achieve this outcome. We describe this 'Contract Focused Approach' in more detail in Paragraph 1.43.

1.13 In our October 2025 Further Consultation, our preliminary view was that a Contract Focused Approach was likely to achieve similar outcomes to the Charge Control Approach we proposed in our March 2025 Consultation and so could be an effective and proportionate way to achieve our objectives. However, we sought stakeholder views on this alternative approach, and noted that we would revert to considering the Charge Control Approach if we ultimately decided that the Contract Focused Approach was not appropriate.

Our reasoning and decisions

1.14 In the following sub-sections, we set out the following in relation to WLA Area 2:

- Our reasoning and decision to adopt a pricing continuity approach;
- Our reasoning and decisions relating to the details of our pricing continuity approach (choice of anchor product and the level of charges);
- Our reasoning and decision to adopt a Charge Control Approach as opposed to a Contract Focused Approach;
- An assessment of our overall approach against each of our objectives (impact on investment, consumers and competition);
- Guidance on how we will assess concerns about low FTTP prices; and finally
- Our approach to future price regulation and the fair bet.

Pricing continuity

Our proposals

1.15 In our March 2025 Consultation, we proposed to adopt a pricing continuity approach to achieve our objectives. We set out what we meant by pricing continuity above (see Paragraph 1.10).

Stakeholder responses

1.16 We did not receive objections to the pricing continuity approach in general. Stakeholders commented on specific details relating to the proposed approach which are set out later in this section.

Our reasoning and decision

1.17 Our approach to price regulation is delivering against our objectives of promoting competition and investment in fibre networks, while protecting consumers and downstream competition in the short-term.

[5] We also proposed to impose a requirement that charges for FTTP 80/20 should be fair and reasonable in addition to the charge control.

[6] Ofcom. October 2025. Consultation: Further consultation on WLA pricing remedies - Telecoms Access Review 2026-31.

1.18 Pricing continuity maintains the approach set out in the WFTMR21.[7] Since 2021, we have seen significant investment in gigabit capable networks by a range of rival network providers with Openreach responding by accelerating the deployment of its own fibre network.[8]

1.19 Our view is that adopting a pricing continuity approach would meet our objectives of promoting competition and investment while protecting consumers and competition based on access to Openreach's network while network competition develops.[9]

Details relating to our pricing continuity approach

1.20 In the next sub-sections, we set out our reasoning and decisions relating to:

- the choice of anchor; and
- the level of charges under the pricing continuity approach.

Choice of anchor

Our proposals

1.21 We proposed a pricing continuity approach that used the 80/20 product as the anchor.

Stakeholder responses

1.22 CityFibre, Sky, PXC, AllPoints Fibre, as well as the Scottish Government, Consumer Scotland and the Advisory Committee for Scotland, all supported our proposal to focus on Openreach's 80/20 products.[10] They considered that the proposal to shift the current 40/10 anchor to an 80/20 anchor would be in line with changes in the market driven by increased data use. It would directly protect more customers and create a more effective constraint on the prices of higher speed products.

1.23 CityFibre[11] and Sky[12] considered that the proposed anchor would better protect competition since it would better limit Openreach's ability to deter ISPs migrating demand to altnets through increasing copper prices.

1.24 However, some concerns were expressed about the strength of the constraint on the pricing of faster FTTP products. In brief:

a) While Sky supported the change in anchor from 40/10 to 80/20, it was concerned that Openreach might signal that it would punish ISPs moving to altnets by increasing the prices of other (non-anchor) FTTP products. [✂][13]

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[7] A summary of our approach in the WFTMR21 is set out in our March 2025 Consultation, Volume 4, Paragraphs 1.9 -1.14.
[8] See Volume 2, Section 2.
[9] As explained in our March 2025 Consultation, given the significant investment in fibre networks by both rival providers and Openreach since 2021, we no longer consider an approach to price regulation that brings Openreach's wholesale copper prices closer to costs as either relevant or meaningful. Ofcom. March 2025. Consultation: Promoting competition and investment in fibre networks: Telecoms Access Review 2026-31. Volume 4, Paragraphs 1.19 -1.24.
[10] CityFibre response to TAR26 March 2025 Consultation. Paragraph 2.23. Sky response to TAR26 March 2025 Consultation. Paragraph 18. PXC response to TAR26 March 2025 Consultation. Paragraph 2.5. AllPoints Fibre response to TAR26 March 2025 Consultation. Paragraph 35. Scottish Government response to TAR26 March 2025 Consultation. Page 2. Consumer Scotland response to TAR26 March 2025 Consultation. Page 7. Advisory Committee for Scotland response to TAR26 March 2025 Consultation. Page 7.
[11] CityFibre response to TAR26 March 2025 Consultation. Paragraph 2.26.
[12] Sky response to TAR26 March 2025 Consultation. Paragraph 16.
[13] Sky confidential response to TAR26 March 2025 Consultation. Paragraphs 31-34.

b) VodafoneThree was concerned that consumers wishing to purchase higher bandwidths in WLA Area 3 may face higher prices than those in WLA Area 2.[14]

1.25 More detail on stakeholder responses about the choice of anchor is set out in Annex 4.

Our reasoning and decision

1.26 In previous reviews, we have adopted an anchor approach to regulating rental prices. Under an anchor approach, the maximum price of an anchor product (or products) is directly controlled.

1.27 Our underlying approach has been to adopt a basic superfast broadband product as the anchor and allow price flexibility (subject to fair and reasonable requirements) on higher bandwidth products to promote investment by Openreach and competing networks while sufficiently protecting consumers.

1.28 In the WFTMR21, we maintained 40/10 as the anchor product.

1.29 We consider that our underlying approach to the anchor product in previous market reviews remains relevant and is consistent with our overarching objectives.

1.30 As explained in Annex 4, our view is that adopting an 80/20 anchor better maintains continuity with our underlying approach given subsequent changes in the market. In particular, as customer volumes have been moving to higher bandwidth products and are expected to continue in this direction over the review period.

1.31 We recognise that under the Equinox Offers, Openreach effectively has the ability to amend its FTTP prices in the event that Ofcom shifts its regulation to a new anchor product. However, we consider that its ability to increase prices will in itself be constrained by our decision to set a charge control on the 80/20 service (and the 80/20 product acting as an effective anchor). We discuss the impact of our choice of anchor on investment and consumer protection, taking into account stakeholder comments, in further detail in Annex 4.[15]

1.32 Therefore, we have decided to adopt a pricing continuity approach using the 80/20 product as the anchor.

1.33 Our choice of anchor product affects the following charges:

- MPF rental charges.[16]
- FTTC 80/20 rentals charges.
- FTTP 80/20 rental charges, in areas where a copper based 80/20 service is not available.[17]

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[14] VodafoneThree response to TAR26 March 2025 Consultation. Paragraphs 76-77.

[15] As set out in Annex 8, If Openreach were to retaliate against ISPs for using altnets, including by raising its FTTP prices, we would look closely at the actions taken. If we assess such moves by Openreach to be anti-competitive, we will consider the most appropriate means of intervention, including whether to use our competition law powers.

[16] Openreach deploys FTTC services as an overlay to its MPF service. As a consequence, the MPF rental charge is a component of the total charge for FTTC.

[17] A copper-based 80/20 service is not available at a premises if either of the following conditions are met: (i) Openreach does not have an active connection at the premises to enable it to provide a FTTC service; or (ii) Openreach is not required to provide a FTTC service for a new order at the premises under its network access obligations.

Setting the level of charges under our pricing continuity approach

Our proposals

1.34 In our March 2025 Consultation, we proposed that the maximum charges should be set with reference to Openreach's discounted prices rather than its list prices.

1.35 The Equinox 2 Offer allows for Openreach to increase FTTP rental charges from October 2026 by a further £1 per month (i.e. a £1/month uplift).[18] We proposed that this should also be reflected into the maximum charges under the pricing continuity approach.

Stakeholder responses

1.36 PXC said it would be detrimental for its retail ISP customers if Openreach made use of the clause in the Equinox 2 Offer allowing it to increase FTTP rental charges by £1/month. PXC said that retail ISPs would be highly unlikely to recover this cost. It considered that there was no evidence that Openreach needed to raise its FTTP prices in this way, or that doing so would influence Openreach's FTTP build plans.[19]

Our reasoning and decisions

1.37 The broad principle of pricing continuity is to cap the price of the anchor product at the prevailing price (in real terms).

1.38 In relation to FTTC 80/20 and FTTP 80/20, Openreach has a list price but also offers discounted prices (or actual prices) which are very different (and lower). In relation to FTTC the lower price is offered as part of an unconditional discount offer, whereas for FTTP the lower price is provided as part of Openreach's Equinox 2 Offer.[20]

1.39 We continue to consider that the discounted FTTC 80/20 price and FTTP 80/20 price are so broadly taken up that they more closely reflect the actual price customers pay than the list price and as such, are the prevailing prices.[21] Therefore, under the pricing continuity approach, we have decided that maximum prices should be set with reference to Openreach's discounted prices.

1.40 We consider that the option to increase FTTP prices by £1/month from October 2026 forms part of the expected pricing levels under the Equinox 2 Offer that Openreach has agreed with its customers, including PXC. We have decided that this should also be reflected in the maximum charges under the pricing continuity approach.

Charge Control Approach or Contract Focused Approach

Our proposals

1.41 We proposed two alternatives for implementing our pricing continuity approach – a Charge Control Approach and a Contract Focused Approach.

1.42 In our March 2025 Consultation, we proposed a Charge Control Approach whereby:

- The maximum charges of our anchor products would be capped by charge controls imposed by a set of SMP conditions.

[18] Under the Equinox 2 Offer, Openreach can choose to apply this £1/month increase between 1 October 2026 and 30 September 2027, having given 12 months' notice.
[19] PXC response to TAR26 March 2025 Consultation. Pages 6-9.
[20] Under the terms of the offers currently in place, ISPs pay the list price and receive a rebate for the difference between that and the discounted price up to six months later.
[21] Most ISPs pay the Equinox 2 Offer discounted prices.

- Other bandwidth rentals would be subject to a requirement that charges are fair and reasonable.

1.43 In our October 2025 Further Consultation, we set out a possible alternative approach, a Contract Focused Approach, whereby:

- Openreach's commercial agreements (with a set of proposed amendments), rather than charge controls in SMP conditions, would provide inflation indexed price protection for FTTC 80/20 rentals (and FTTP 80/20 rentals where a copper-based service is not available).
- FTTC and FTTP rentals across all bandwidths would remain subject to a requirement that charges are fair and reasonable.[22]
- An inflation indexed charge control would be set on MPF rentals.

1.44 Our preliminary view was that a Contract Focused Approach, including Openreach's proposed changes to its contractual arrangements, was likely to deliver a similar outcome to the Charge Control Approach we proposed in the March 2025 Consultation and so could be an effective and proportionate way to achieve our objectives.

Stakeholder responses

1.45 Overall, Openreach and BT Group were in favour of the Contract Focused Approach.[23] In contrast, CityFibre, UKCTA, INCA, VMO2, VodafoneThree, PXC, nexfibre, FCS, [✂], Gamma, Sky, Community Fibre and Utility Warehouse were concerned.[24] We received extensive stakeholder comments on this issue and for clarity have grouped them under the following headings:

- Customer certainty and enforcement.
- Rebates and cash flow impacts on ISPs and Openreach.
- Implications of the targets in the Equinox Offers.
- Other issues.

Customer certainty and enforcement

1.46 Openreach considered that the Contract Focused Approach provided certainty over the prices that customers would face.[25]

1.47 In contrast, [✂], CityFibre, VMO2, Community Fibre, INCA, nexfibre, VodafoneThree and Utility Warehouse referred to issues relating to enforcement under the Contract Focused Approach.

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[22] We also proposed to update the guidance regarding the requirement for fair and reasonable charges in the WLA market so that in addition to addressing the risk of price squeeze, it also addressed the risk of excessive pricing on the specific products covered by the Contract Focused Approach.

[23] Openreach response to TAR26 October 2025 Consultation. Page 7. BT Group response to TAR26 October 2025 Consultation. Page 1.

[24] CityFibre response to TAR26 October 2025 Consultation. UKCTA response to TAR26 October 2025 Consultation. INCA response to TAR26 October 2025 Consultation. VMO2 response to TAR26 October 2025 Consultation. VodafoneThree response to TAR26 October 2025 Consultation. PXC response to TAR26 October 2025 Consultation. nexfibre response to TAR26 October 2025 Consultation. FCS response to TAR26 October 2025 Consultation. [✂]. Gamma response to TAR26 October 2025 Consultation. Sky response to TAR26 October 2025 Consultation. Community Fibre response to TAR26 October 2025 Consultation. Utility Warehouse response to TAR26 October 2025 Consultation.

[25] Openreach response to TAR26 October 2025 Consultation. Page 4.

1.48 [✂] contrasted these problems with the Charge Control Approach, which it said would provide Ofcom with a transparent and legally binding means of controlling Openreach's prices.[26]

1.49 CityFibre and [✂] said that enforcing contracts by bringing action before the courts is expensive and uncertain, making ISPs unlikely to bring claims.[27] [28] VMO2 said that raising legal issues would potentially strain commercial relationships between Openreach and ISPs.[29] Community Fibre also expressed concerns about the enforcement and certainty of the Contract Focused Approach.[30]

1.50 CityFibre was concerned that rival networks that were not party to the contracts with Openreach would not be able to bring action before the courts, even though they might be adversely affected if (for example) Openreach were to raise its FTTC prices.[31] INCA was concerned that the Contract Focused Approach would take Ofcom 'out of the compliance loop'.[32] nexfibre expressed a similar concern.[33] VodafoneThree and Utility Warehouse said that Ofcom should make it clear that it would intervene if the Contract Focused Approach did not work as intended.[34]

1.51 Under the Contract Focused Approach, we proposed to interpret the fair and reasonable pricing requirement to mean that Openreach should not set prices that result in excessive pricing. However, CityFibre said that enforcement under this proposed fair and reasonable requirement was uncertain. It said that enforcing this requirement was necessarily more complex than under a charge control and that Ofcom had provided no guidance on how it would assess whether a price was excessive.[35] VMO2 and [✂] raised similar concerns over the interpretation of the proposed fair and reasonable requirement and with the time and effort that would be needed to resolve a dispute.[36]

1.52 In contrast, Openreach said that the proposed change to the fair and reasonable pricing requirement was unnecessary. It said that its contracts would provide sufficient assurance that prices would not be excessive. Furthermore, competition law obligations provide additional protection.[37]

1.53 Some stakeholders also queried the various contractual changes and waivers proposed as part of the Contract Focused Approach. Sky referred to Openreach's letter proposing to waive contractual rights to increase 80/20 FTTC and SOGEA rental prices above CPI and to terminate the contract. Sky considered there was a risk that this would be regarded as a waiver by estoppel and, as such, it may be possible for Openreach subsequently to unilaterally revise the terms of that waiver. Sky also made various detailed comments about

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[26] [✂]
[27] [✂].
[28] CityFibre response to TAR26 October 2025 Consultation. Pages 7-8.
[29] VMO2 response to TAR26 October 2025 Consultation. Page 8.
[30] Community Fibre response to TAR26 October 2025 Consultation. Pages 3-4.
[31] CityFibre response to TAR26 October 2025 Consultation. Pages 7-8.
[32] INCA response to TAR26 October 2025 Consultation. Page 4.
[33] nexfibre response to TAR26 October 2025 Consultation. Page 2.
[34] VodafoneThree response to TAR26 October 2025 Consultation. Page 4. Utility Warehouse response to TAR26 October 2025 Consultation. Page 2.
[35] CityFibre response to TAR26 October 2025 Consultation. Pages 7-8.
[36] VMO2 response to TAR26 October 2025 Consultation. Pages 7-8. [✂].
[37] Openreach response to TAR26 October 2025 Consultation. Page 9.

the wording of the proposed contractual changes and waivers.[38] CityFibre questioned the legal standing of Openreach's commitment to make these contract changes and said that Openreach did not provide sufficient detail.[39]

Rebates and cash flow impacts on ISPs and Openreach

1.54 Openreach and BT Group said that, under the Contract Focused Approach, customers face the same Openreach prices that would apply under the Charge Control Approach.[40]

1.55 A number of stakeholders – Sky, CityFibre, INCA, UKCTA, PXC, VodafoneThree and Utility Warehouse – said that prices under the Contract Focused Approach were not equivalent to those under the Charge Control Approach.[41] They said that the Contract Focused Approach would preserve the rebate structure relating to Openreach's existing discounted FTTC 80/20 and FTTP 80/20 rental prices. Under the rebate structure, a customer pays the list price upfront and receives the discounted price via a rebate (up to 6 months and 3 months in arrears for FTTC and FTTP rentals respectively). In comparison, under the proposed Charge Control Approach the list price is directly capped, thereby removing the rebate structure.

1.56 Stakeholders said that preserving the rebate structure under the Contract Focused Approach results in a negative cash-flow impact for non BT-ISPs. Sky estimated that the cash-flow impact to itself from the FTTC 80/20 offer rebate in 2026/27 was [✂]. PXC estimated that the FTTC rebate is [✂] every six months. It also estimated that the FTTP rebate, paid quarterly, will be [✂] in April 2026 and said that this will continue to increase in value over the review period as more customers switch to FTTP.

1.57 VodafoneThree and PXC said that the rebate structure created a competitive distortion in the ISP market since it discriminates against non-BT ISPs. This is because ISPs within BT Group are unaffected by the rebates from a cashflow perspective.

1.58 Openreach said that that the Charge Control Approach does not reflect pricing continuity as it changes the timing of cash flows given the current rebate structure, essentially amending the terms in favour of ISPs. [✂][42] BT Group made a similar observation.[43]

Implications of the targets in the Equinox Offers

1.59 Several stakeholders noted that FTTP prices under the Contract Focused Approach are conditional on meeting the requirements set out under the Equinox Offers (for example, in relation to FTTP orders as a proportion of orders placed with Openreach). If these

[38] Sky response to TAR26 October 2025 Consultation. Page 4.
[39] CityFibre response to TAR26 October 2025 Consultation. Pages 6-7.
[40] BT Group response to TAR26 October 2025 Consultation. Page 1. Openreach response to TAR26 October 2025 Consultation. Page 4.
[41] Sky response to TAR26 October 2025 Consultation. Pages 2-5. CityFibre response to TAR26 October 2025 Consultation. Pages 4-5. INCA response to TAR26 October 2025 Consultation. Pages 3-6. UKCTA response to TAR26 October 2025 Consultation. Pages 3-4. PXC response to TAR26 October 2025 Consultation. Pages 3-5. VodafoneThree response to TAR26 October 2025 Consultation. Pages 3-4. Utility Warehouse response to TAR26 October 2025 Consultation. Page 2.
[42] Openreach response to TAR26 March 2025 Consultation. Document 4, Pages 7 – 11.
[43] BT Group response to TAR26 October 2025 Consultation. Page 1.

requirements are not met customers may pay a higher price than under the Charge Control Approach.[44] [45]

1.60 Openreach considered that the Charge Control Approach would weaken these contractual incentives in the Equinox Offers that encourage ISP adoption of FTTP.[46]

Other issues

1.61 VMO2 said that, under the Contract Focused Approach, Openreach could still seek further contractual amendments during the review period, for example if the pressure from competitors were to wane. A charge control, by contrast, cannot be unilaterally revisited without formal action from Ofcom.[47] Similarly, FCS was concerned about the risk of discrimination under the Contract Focused Approach if Openreach updated its contracts or launched new offers.[48] In contrast, Openreach considered that the Contract Focused Approach does not unnecessarily disrupt commercial arrangements between Openreach and its customers, meaning Openreach is better able to compete on the merits which will ultimately benefit end customers.[49]

1.62 VMO2 considered that the differences in compliance costs for Openreach between a Contract Focused Approach and the Charge Control Approach were likely to be marginal.[50]

1.63 [✂] and VMO2 considered that adopting the Contract Focused Approach would represent a change in regulatory approach.[51] They said that investment decisions have been made on the expectation that the regulatory framework would remain in force until 2031. Changing the regulatory approach would create regulatory risk that could deter investment.

1.64 VMO2, Utility Warehouse, UKCTA, [✂] and nexfibre were concerned that the Contract Focused Approach may set a damaging precedent which could make it harder for Ofcom to revert to a charge control in future periods.[52]

1.65 CityFibre considered that a further consultation would be needed to approve the final contractual changes under the Contract Focused Approach before they are implemented.[53]

1.66 Community Fibre and [✂] considered that Ofcom should ensure that there are transparency obligations on Openreach to make its prices and terms publicly available.[54]

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[44] PXC response to TAR26 October 2025 Consultation. Page 4. CityFibre response to TAR26 October 2025 Consultation. Page 5. VodafoneThree response to TAR26 October 2025 Consultation. Page 3. Sky response to TAR26 October 2025 Consultation. Page 3.
[45] PXC also said that ISPs that are not contracted via the Equinox Offers will face a higher price than would be the case under the Charge Control Approach.
[46] Openreach response to TAR26 March 2025 Consultation. Document 4, Pages 7 – 11.
[47] VMO2 response to TAR26 October 2025 Consultation. Page 7.
[48] FCS response to TAR26 October 2025 Consultation. Page 3.
[49] Openreach response to TAR26 October 2025 Consultation. Page 7.
[50] VMO2 response to TAR26 October 2025 Consultation. Page 5.
[51] [✂]. VMO2 response to TAR26 October 2025 Consultation. Page 6.
[52] VMO2 response to TAR26 October 2025 Consultation. Page 6. Utility Warehouse response to TAR26 October 2025 Consultation. Page 2. UKCTA response to TAR26 October 2025 Consultation. Page 5. [✂]. nexfibre response to TAR26 October 2025 Consultation. Pages 1-2.
[53] CityFibre response to TAR26 October 2025 Consultation. Pages 6-7.
[54] Community Fibre response to TAR26 October 2025 Consultation. Pages 3-4. [✂].

1.67 Gamma said business customers that typically require higher bandwidths may be disproportionately affected by the Contract Focused Approach. It did not elaborate on this point.[55]

Our reasoning and decision

1.68 As set out earlier, our view is that absent regulation, BT would have the incentive and ability to fix and maintain wholesale prices at an excessively high level and/or impose a price squeeze so as to have adverse consequences for end-users, including through weaker retail competition.

1.69 We have considered two broad approaches to controlling prices:

- A Charge Control Approach, where the maximum prices are controlled through SMP conditions; and
- A Contract Focused Approach, whereby Openreach's commercial agreements (including a set of proposed amendments), in effect, control the maximum prices.

1.70 Our price regulation is designed to address the competition concerns we have identified and achieve our objectives. This is dependent on both the maximum price levels we might set and also customer certainty around those maximum price levels being maintained over the market review period.

1.71 We have therefore considered the extent to which the Contract Focused Approach delivers the same outcomes as the Charge Control Approach. Specifically:

a) The maximum level of prices for the anchor products; and
b) The degree of certainty for customers.

Whether the Contract Focused Approach delivers the same maximum price as the Charge Control Approach

1.72 In our October 2025 Further Consultation, we set out an approach where Openreach's commercial agreements would be relied on to set the same maximum prices for FTTC 80/20 and FTTP 80/20 rentals as a charge control. Under both approaches the maximum price levels for FTTC 80/20 and FTTP 80/20 rentals would have been set with reference to Openreach's discounted prices offered through its commercial agreements.

1.73 In support of the Contract Focused Approach, Openreach proposed to waive certain rights and amend its contracts to provide further customer certainty relating to the maximum prices over the market review period (which we set out in the October 2025 Further Consultation).

1.74 As an additional safeguard we also proposed to update our guidance for fair and reasonable charges in the WLA market, so that in addition to addressing the risk of price squeeze, it also applied to excessive pricing on specific products covered by the Contract Focused Approach.

1.75 We considered that, when looking at the market overall, the Contract Focused Approach would deliver comparable prices to a Charge Control Approach.[56]

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[55] Gamma response to TAR26 October 2025 Consultation. Pages 3-4.

[56] We noted that, in order to receive the full Equinox 2 discounts, ISPs must meet various conditions, including meeting targets for the proportion of their Openreach orders that are for FTTP, but we considered that in practice ISPs were likely to meet these. We also noted that, while some smaller ISPs had not signed up to

1.76 However, stakeholder responses (including from Openreach's WLA customers) have highlighted that there are gaps and complexities relating to the Contract Focused Approach that are a real concern for them.

1.77 We consider that there is a risk that, absent regulation, BT has the incentive and ability to fix and maintain wholesale prices at an excessively high level. Our ability to control the maximum price of the anchor product is therefore a key piece of our regulation in providing consumer protection in WLA markets as competition develops. It also helps protect downstream competition. The Contract Focused Approach would rely on Openreach itself delivering pricing continuity, and therefore this protection. Even a limited risk that Openreach might seek to circumvent this arrangement to increase prices is a concern (particularly in conjunction with a lack of certainty about how this could be effectively addressed - which we discuss further below).

1.78 In principle, there are a number of ways through which Openreach might seek to raise WLA prices:

a) One option would be a new commercial agreement with ISPs (for example, one that features higher prices for the FTTC and/or FTTP anchor(s) in return for lower prices on other products purchased by ISPs). Although Openreach could seek to achieve this by way of commercial agreement,[57] its ISPs customers might consider they have no alternative but to sign up to such a new offer – for example, given Openreach's position as an unavoidable trading partner and particularly if ISPs perceive that not taking advantage of the offer would a weaken their competitive position on the retail market against BT and other ISPs that might take advantage of the offer. VMO2 noted that, under the Contract Focused Approach, Openreach could still seek further contractual amendments during the review period, for example if the pressure from competitors were to wane.
b) Openreach could also seek to vary its terms unilaterally, notwithstanding the waivers and contractual terms intended to limit this. In this regard, we note that several stakeholders have flagged concerns around the effectiveness of the contractual changes and waivers that Openreach has proposed to prevent it from amending its contracts.

1.79 The Contract Focused Approach could therefore deliver comparable prices to the Charge Control Approach, but this would be critically dependent on Openreach not having the incentive or ability to circumvent the arrangement for the duration of the five year review period.

Whether the Contract Focused Approach provides sufficient customer certainty

1.80 Our price regulation is designed to address the competition concerns we have identified and achieve our objectives.

1.81 An important element of this is that the market has a clear understanding of how our regulation will work. Where this is not the case this could weaken confidence in our regulation and thereby undermine the effectiveness of our regulation in addressing our competition concerns and achieving our objectives.

Equinox 2, and therefore would pay different prices for FTTP services, the number was limited, the volumes were very low and that these ISPs also had the opportunity to sign up to Equinox 2 if they wished.

[57] The existing contracts, with the additional terms and waivers proposed by Openreach, are intended to prevent it from unilaterally imposing amendments for the review period.

1.82 In the October 2025 Further Consultation we recognised that, compared to a Charge Control Approach, relying on Openreach's commercial agreements alone to control maximum prices may provide less certainty to the market. But we considered that, taken as a package, the Contract Focused Approach would provide a sufficient degree of certainty about the maximum price levels during the forthcoming market review period.

1.83 However, as discussed above, stakeholders have real concerns, including in relation to enforcement, which weaken confidence in the effectiveness of the approach. The Contract Focused Approach would represent a novel means of regulating key Openreach products and we have placed weight on the strength of stakeholders' concerns about its effectiveness.

1.84 Under a Charge Control Approach, the market has a clear understanding of how our regulation will work. That is, were Openreach to set prices above the regulatory cap this would be in contravention of an SMP requirement. In these circumstances, enforcement is clear and certain.

1.85 If Openreach were to seek to circumvent the Contract Focused Approach, for example in one of the ways discussed above, then we do not have the same means of enforcement. In the event that Openreach were to change its terms in a way that effectively increases the anchor price(s), enforcement would not be straightforward. We are not party to Openreach's contracts and therefore, in contrast to charge controls set in SMP conditions, we have no direct route to enforce their pricing terms.

1.86 While enforcement relating to fair and reasonable requirements or resolving a dispute as to whether charges are fair and reasonable is possible, we agree with VMO2, VodafoneThree, CityFibre and [✂] that these are also less straightforward than enforcement of a price cap.

1.87 While ISPs can go to court to enforce the contracts (should this be necessary) this can be costly, complex and can strain commercial relationships between customers and Openreach, which is likely to reduce their incentive to act, should it be needed. We also agree with CityFibre's observation that a court would resolve a contractual dispute by reference to the terms of the contract, rather than Ofcom's regulatory objectives.

1.88 In summary, we recognise that even with the additional safeguard of updating our guidance on fair and reasonable charges to cover excessive pricing, there are complexities with the proposed Contract Focused Approach that mean there is insufficient certainty about its effectiveness.

1.89 In light of the concerns around the complexities and uncertainties of the Contract Focused Approach, we have concluded that there is a risk it would create a gap in the protection of customers from excessive pricing. Even if this risk is limited, if it were to materialise, it could significantly impact ISPs and ultimately consumers. Our view is therefore that the Contract Focused Approach is unlikely to deliver a similar outcome as a charge control set by way of SMP condition. Accordingly, a Charge Control Approach is preferable.

1.90 Having concluded that a Charge Control Approach is preferable, we now assess two issues raised by Openreach in relation to the Charge Control Approach. This is to shed light on the following impacts of adopting that approach:

- The impact of the Charge Control Approach on Openreach's cashflows and potentially its FTTP build.
- The impact of the Charge Control Approach on the incentives created by the Equinox Offers for ISPs to sell FTTP.

Cash flow impacts

1.91 As explained earlier, we are capping the level of FTTC 80/20 rentals (and FTTP 80/20 rentals where a copper-based service is not available) with reference to Openreach's discounted prices. Under the terms of Openreach's offers currently in place, ISPs pay the list price and receive a rebate for the difference between that and the discounted price up to 6 months later. Under our Charge Control Approach, the list price will be set at the discounted price, thereby removing the rebate structure for these products. As a result, the Charge Control Approach has a short-term negative impact on Openreach's cashflow, and a short-term positive impact on the cashflows of ISPs.

1.92 In terms of the impact on Openreach's investment in FTTP, [✂]. In relation to this concern:

- The cash flow impact from our charge control as a consequence of removing the timing differences between reconciling cash and revenues under the existing rebate structure is a short-term issue only. Our view is that total revenues are largely unaffected.
- [✂].[58] [✂]
- [✂]

1.93 In conclusion, we do not consider that the Charge Control Approach is likely to have a negative effect on Openreach's FTTP build as a result of the cashflow impacts described above.

1.94 Openreach also said that the Charge Control Approach does not reflect pricing continuity, given the impact it has on cashflows. We do not consider that pricing continuity requires our charge controls to exactly mirror all aspects of Openreach's existing terms. In any event, we adopt a pricing continuity approach given its impact on competition, consumers and investment. As explained in the preceding paragraph, we do not consider that the cashflow impacts are likely to have a negative effect on Openreach's FTTP build.[59]

Impact of the Charge Control Approach on ISPs' incentives to sell FTTP

1.95 Openreach was concerned that the Charge Control Approach could weaken the incentive on ISPs to sell Openreach FTTP via the Equinox Offers.[60] This is because those offers reward ISPs with discounts relative to the list price on FTTP products faster than 40/10, in return for selling Openreach FTTP. Under the Charge Control Approach, what is currently the discounted price for 80/20 FTTP would be available to ISPs irrespective of their performance against the targets in the Equinox Offers. Openreach stated that this weakened incentive meant that it was possible that ISPs could pursue a strategy of selling more copper-based broadband.

1.96 We disagree with Openreach and do not consider that the Charge Control Approach will have a material impact on the incentives of ISPs to sell FTTP under the Equinox Offers.

1.97 As shown in Table A4.1 in Annex 4, the discounts for FTTP rentals under the Equinox Offers are significant, between 20-45% off the list price. While an ISP selling high amounts of 80/20 FTTP may have a slightly weakened incentive to meet the targets in the Equinox

[58] [✂].
[59] We also note that the Charge Control Approach provides a short-term cashflow benefit to Openreach's ISPs customers. While we acknowledge that that because of its short-term nature, the cash-flow impact is likely to be small, it is possible that some of the (albeit small) resulting reduction in financing costs might be passed on by ISPs to end consumers and/or be re-invested by ISPs to improve their offering to consumers.
[60] Openreach response to TAR26 March 2025 Consultation. Document 4, Paragraph 19. Openreach response to TAR26 October 2025 Consultation. Paragraph 15.

Offers, the discounts on the remaining portfolio of FTTP speeds make it highly unlikely an ISP would change its strategy away from one that prioritises selling FTTP (where it is available).

1.98 ISPs have changed their purchasing and internal processes to ensure that they are prioritising FTTP sales in order to obtain the full discounts available under the Equinox Offers.[61] [62] It is unlikely that ISPs would revert to a strategy of selling significantly more copper-based broadband products.

1.99 This is even less likely when considering that many exchange areas have already passed, or will in the upcoming period pass, the First Threshold under the copper retirement framework, meaning they are subject to copper 'stop sell'.[63] As of February 2026, 14.7 million premises (almost half of UK premises) are either subject to stop sell, or Openreach has provided notice of the expected date that it expects stop sell to take effect.[64] The regulatory support for copper retirement will continue to progress as exchange areas reach higher levels of fibre coverage.

1.100 In conclusion, we do not consider that the Charge Control Approach is likely to have a material impact on ISPs' incentives to sell FTTP.

Conclusion on choice between a Charge Control Approach or a Contract Focused Approach

1.101 In light of the above, we have decided to adopt a Charge Control Approach. In particular, the Contract Focused Approach provides insufficient certainty that consumers (and downstream competition) will be protected and is therefore unlikely to deliver similar outcomes as a Charge Control Approach. We also do not consider that the Charge Control Approach is likely to have a negative effect on Openreach's FTTP investment as a result of its cashflow impacts, or on ISPs' incentives to sell FTTP.

1.102 Given our assessment set out above, it is not necessary for us to reach a view on the other issues raised by stakeholders, as set out in Paragraphs 1.61-1.67.

Summary of our decision

1.103 We have decided to set:

- An inflation indexed charge control on MPF rentals.
- An inflation indexed charge control on FTTC 80/20 rentals (or FTTP 80/20 rentals where a copper-based service is not available).
- Other bandwidth rentals are subject to a requirement that charges are fair and reasonable.[65]

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[61] In response to the October 2025 Further Consultation, Openreach stated that the Fibre Only Target in the Equinox Offers (which ISPs must meet in order to receive the full discounts unless they are very small) had been met by all ISPs that it applies to for a substantial period of time. Openreach considered that ISPs will be able to maintain their performance in the future, reflecting the changes ISPs have made in their purchasing decisions to secure the Equinox Offer discounts. Openreach confidential response to TAR26 October 2025 Consultation. [✂]

[62] For example, in the 2023 Equinox 2 Statement [✂]. 2023 Equinox 2 Statement. Paragraphs A4.33, A4.67 and A4.90.

[63] Openreach is no longer required to meet new requests for copper-based network access in the relevant exchange area.

[64] Openreach response dated 13 February 2026 to s135 notice dated 3 February 2026, question 7.

[65] We have also decided to impose a requirement that charges for FTTP 80/20 should be fair and reasonable in addition to the charge control. See Volume 3, Section 4.

1.104 In terms of setting the level of the charge control in the first year of the control, we have taken the FTTC 80/20 discounted price in 2025/26 and uplifted it by CPI.[66] This means in the first year of the control the price cap for:

- FTTC 80/20 rentals will be set at £202.63 per year (including MPF).[67] [68]
- MPF rentals will be set at £110.33 per year.[69]

1.105 For FTTP 80/20, we have taken the FTTP 80/20 discounted price in 2025/26 and uplifted it by CPI, which reflects the terms of the Equinox 2 Offer. We have then added a £1 per month uplift which, as explained earlier, also reflects the terms of the offer. This means in the first year of the control the price cap for FTTP 80/20 rentals will be set at £218.12 per year.[70]

1.106 In subsequent years, the level of the charge control caps will be inflated by CPI.[71]

Our assessment against our objectives

1.107 We now turn to considering our overall approach against our objectives. We break down our assessment by:

- Impact on competitive network investment.
- Impact on Openreach investment.
- Protection of consumers.
- Protection of downstream competition.

Impact on competitive network investment

1.108 As explained earlier, since 2021, we have seen significant investment by rival networks supported by a pricing continuity approach. These investments have long pay back periods, that extend beyond a single charge control period. We consider that it is important that our approach to regulation recognises these longer pay-back periods and is consistent with the investment signals that we have previously provided.

1.109 As set out below, we consider that a pricing continuity approach would not undermine rival networks' investments made to date and provides incentives for future investment, including the significant investment that will be needed over the 2026-2031 review period as competing networks connect customers and grow their customer base.

1.110 Pricing continuity would give less support to new entrants if the prices that resulted were significantly below the new entrants' costs. We have therefore also checked that maintaining Openreach's FTTP prices at their current level (including the £1 per month

[66] Using the ONS October 2025 12-month CPI rate of 3.6%.
[67] To calculate the First Year price we have taken the current price of £195.59 including MPF and inflated this using the ONS October 2025 12-month CPI rate of 3.6%.
[68] In Section 6, we set out our decision to charge control SOGEA 80/20 rentals on the same basis.
[69] To calculate the First Year price we have taken the current price of £106.50 and inflated this using the ONS October 2025 12-month CPI rate of 3.6%. MPF prices are not discounted.
[70] To calculate the First Year price we have taken the current price of £198.96 and inflated this using the ONS October 2025 12-month CPI rate of 3.6%. We then add £12 to reflect the £1 per month Equinox Offer uplift.
[71] ISPs have raised concerns related to using CPI to set the level of the cap in each year of charge controls. They have said that official inflation indices are not always good proxies for cost increases of a regulated firm (or customers' disposable income); and suggested setting ceilings (and floors) on CPI to limit the degree to which changes to inflation outside an ordinary level of variation feed through into the price cap. We respond to these comments in Section 6.

uplift discussed earlier) would sit within our own estimates of the range necessary to allow a reasonably efficient operator to profitably offer a range of FTTP services to the market.

1.111 We carried out a similar exercise in the WFTMR21.[72] In the WFTMR21, we estimated the costs of an entrant deploying a fibre network in WLA Area 2 using our 2021 Fibre Cost Model. In our March 2025 Consultation, we compared our proposed charge control with a revised version of the Fibre Cost Model (which we refer to as the 2025 Fibre Cost Model). The 2025 Fibre Cost Model revised elements of our 2021 Fibre Cost Model, where updated or actual information was available which could replace the forecast assumptions that we used in our 2021 Fibre Cost Model. This included:

- updates to network element unit costs;
- updates to opex costs;[73]
- updates to WACC assumptions from 2026;
- updates to the assumptions regarding costs recovered through connection charges;
- corrections to the take-up assumption we had in the 2021 Fibre Cost Model to reflect the modelling assumption in our WFTMR21 Statement; and
- updates to the geographic boundaries to reflect our proposals in the March 2025 Consultation.

1.112 Following our March 2025 Consultation, and in response to stakeholder comments and further information being available, we have updated the 2025 Fibre Cost Model. We refer to the fully updated version as the 2026 Fibre Cost Model. These updates include:

- revising our assumptions relating to the geographic footprint of a hypothetical reasonably efficient operator;
- revising our assumed WACC;
- removing our base case scenario from our estimated cost range;
- correcting modelling errors identified in our 2025 Fibre Cost Model relating to the sequencing of network deployment to postcode sectors under the scorched node or scorched earth approach; and PIA lead-in costs; and
- updates to the geographic boundaries to reflect our conclusions in the TAR26 Statement.

1.113 Our cost modelling does not seek to determine the costs of particular operators in order to support specific business models. Its aim is to estimate the reasonably efficient costs of a hypothetical operator deploying a fibre network (as opposed to the costs of any specific operator).

1.114 We recognise that, in reality, operators will have made their own choices around their networks and business models such as those relating to network design and configuration. This means evidence on actual network deployments will vary across operators. Given our aim is not to model the costs of a specific operator, there is no single correct approach to updating assumptions such as those relating to network design; scale of build; passive infrastructure re-usage; and customer take-up.

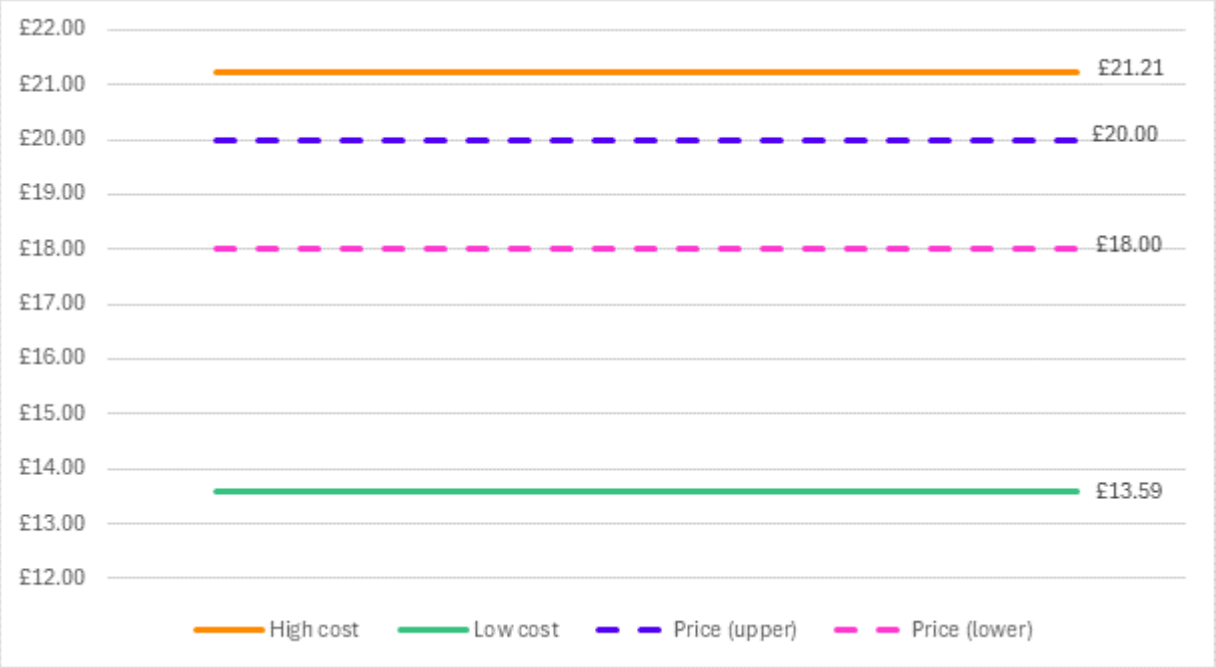
[72] Ofcom. March 2021. Promoting investment and competition in fibre networks – Wholesale Fixed Telecoms Market Review 2021-26. Volume 4. Paragraphs 1.36-1.38.
[73] This included revising the calculation for PIA lead-in opex costs from a per metre basis to a per line basis.

1.115 While our modelled network is unlikely to match the network configuration or design of any specific operator (and cannot match all operators) we consider the assumptions in our 2026 Fibre Cost Model provide a reasonable representation of a hypothetical reasonably efficient entrant operator. Full details relating to our 2026 Fibre Cost Model are set out in Annex 11.

1.116 Using our 2026 Fibre Cost Model we estimate that an entrant operator in WLA Area 2 would have to charge between £13.59 and £21.21 per month (in 2026/27 prices) to recover its efficiently incurred costs over the modelled period.[74]

1.117 In comparison, the pricing continuity approach will cap the price for FTTP 80/20 rentals at £18.18 per month at the start of the control period.[75] We estimate that Openreach's average FTTP price across all bandwidths at the start of the control period will be around [✂] £18 - £20 per month.

Figure 1.1: Comparison of the REO range with Openreach's average monthly FTTP price (2026/27 prices)



1.118 Our estimate of Openreach's average FTTP price (for the portfolio of FTTP products it offers, and given the charge control we are setting) sits within the estimated cost range of an entrant operator using our 2026 Fibre Cost Model. We acknowledge that this represents a difference to the WFTMR21 where we found that Openreach's average FTTP prices sat above our range of cost estimates for an entrant operator.

1.119 Nevertheless, our view is that our pricing continuity approach is consistent with allowing a reasonably efficient operator the opportunity to profitably offer a range of FTTP services in WLA Area 2. This is because:

[74] This shifts our range of cost estimates upwards when compared to the range we set out in our March 2025 Consultation using our 2025 Fibre Cost Model.
[75] FTTC 80/20 rentals are capped at £16.89 per month at the start of the control period.

- Our comparison of prices and costs is not a bright line test. We have estimated a range of costs of a reasonably efficient operator, as opposed to a single estimate. We therefore consider where prices sit relative to the range of costs.
- Our estimate of Openreach's average FTTP price at the start of the control is towards the upper end of our range of cost estimates for a reasonably efficient operator deploying a network in WLA Area 2. This indicates that an entrant is likely to have the opportunity to recover the costs of its investment (including upfront build/connection costs, overheads and return on capital).

1.120 As explained above, we are not intending to model the REO on specific altnet(s) or business model(s). Therefore, in practice, some altnets are likely to be in a stronger position than the hypothetical REO we have modelled or have costs towards the lower end of our cost range. These altnets will be in a more positive position under the pricing continuity approach than outlined above.

1.121 Similarly, some altnets may have higher costs than our REO and are likely to be in a less favourable position. Ofcom's goal is not to ensure that individual stakeholders (whether altnets or Openreach) achieve their business targets. Nor is it Ofcom's goal to shield stakeholders from the negative changes to the wider economic environment – that is a risk for them and their investors to bear.

1.122 More generally, the results of the 2026 Fibre Cost Model are simply one indicator of how altnets may perform given pricing continuity. In relation to this we note that our estimate of Openreach's average FTTP price, given the level of the charge control we are setting, [✂] the wholesale prices that altnets have commercially agreed with ISPs (as part of long-term agreements). These agreements (and prices) have supported the renewed financing of altnets that will continue to support investment and the development of competition.[76] [77]

1.123 In summary, we consider that a pricing continuity approach would not undermine rival networks' investments made to date and provides incentives for future investment.

Impact on Openreach investment

1.124 We consider that pricing continuity, through supporting competition in rival networks, will promote Openreach's continued investment in its fibre network. This is because Openreach will have a strong incentive to invest, due to the risk of losing volumes to competition from rival networks if it does not.

1.125 Openreach has now deployed FTTP to 20m premises.[78] It expects to reach 25m premises by the end 2026, and has plans to extend its FTTP footprint to 30m premises by the end of 2030.[79] Openreach has highlighted the importance of regulatory stability to support its plans. For example:

- Openreach's Annual Review 2024, refers to a need for a continued period of regulatory and Government policy stability.[80]

[76] [✂].
[77] As set out in Volume 2 [✂] noted that [✂]. [✂] response dated [✂] to s135 notice dated [✂], question [✂].
[78] Openreach's UK Broadband upgrade reaches 20 million. Openreach, 24 September 2025.
[79] A record year for UK broadband build and usage. Openreach, 6 January 2025.
[80] Building the connections that matter, Annual Review 2024. Openreach, 2024.

- Openreach's internal documents on the potential long-term value of FTTP investments refer, among other things, to the importance of maintaining the broad regulatory framework established by Ofcom in the WFTMR21.[81]

1.126 In addition, BT Group has referred to the need for the TAR26 to provide the long-term certainty and predictability needed for major investors such as BT Group.[82]

1.127 As set out above, we consider that our approach to pricing continues to support competition in fibre networks. We consider that this competition from rival networks is the key to driving Openreach to invest.

1.128 In addition, we also consider that our charge controls in relation to FTTC and FTTP (where FTTC is not available) provide Openreach with an opportunity to recover its efficiently incurred costs, and are consistent with providing incentives for investment in its fibre network.

Protection of consumers

1.129 In this section, we explain why pricing continuity will protect consumers in the short term while network competition develops.

1.130 We discuss the following:

- Protection of consumers on standard and superfast broadband services at speeds of 80/20 and below.
- Protection of consumers on higher speed services.

Protection of consumers on standard and superfast broadband services at speeds of 80/20 and below

1.131 Under our pricing continuity approach, customers on the Openreach copper network taking standard broadband or superfast broadband at 80/20 will be directly protected through our charge controls on MPF and FTTC 80/20. Customers on Openreach's fibre network taking FTTP 80/20 will be directly protected through our charge controls on FTTP 80/20 when it applies.

1.132 Although we are not setting a charge control on 40/10 broadband services, we consider that customers taking the 40/10 service will be protected by the charge control on the 80/20 product, since they could switch to the 80/20 product in the event of a price increase.[83]

1.133 Where FTTP is available, but no charge control applies to FTTP 80/20 – because a copper based 80/20 service is available for new provisions – we consider that FTTP customers taking speeds up to 80/20 will have protection from the FTTC 80/20 charge control. This is because:

- Openreach will be aiming to migrate the customer base from its copper network across to its fibre network, and so a charge control on the FTTC 80/20 service will provide a

[81] Openreach Valuation (OLB(24)55i Openreach Valuation Jun 24), 11 June 2024. Openreach response to the s.135 notice titled Telecoms Access Review 2026, dated 19 June 2024.
[82] Openreach's chair said that it is "vital that regulation and policies keep promoting the stable and competitive environment we've had over the last few years". BT Group. BT Group plc Annual Report 2025. Accessed on 6 March 2026.
[83] At the wholesale level, the current price differential is modest. The price of FTTC 80/20 (after discounts) is around £1.19 per month higher than the price of FTTC 40/10. The price of FTTP 80/20 (after discounts) is below the price of FTTP 40/10.

constraint on the price it is able to charge for FTTP 80/20 (given customers could remain with/switch to FTTC 80/20).

- We also anticipate that potential competition from rival networks will increasingly act as a constraint on Openreach's ability to increase the price of its FTTP 80/20 service.

1.134 We have examined the proportion of Openreach's customer base that would be taking standard and superfast broadband services at speeds of 80/20 and below, and so would be protected from our charge controls in the way described above:

- As at March 2025, around [✂] 75-85% of Openreach's broadband customer base (i.e. standard broadband, FTTC and FTTP combined) were taking products at bandwidths at or below 80/20. Given this, we expect a significant majority of Openreach customers will be taking these products at the start of the review period.
- Over the market review period we anticipate a trend of customers moving to higher bandwidths. However, in 2029/30, forecasts indicate that around [✂] 30-40% of Openreach's broadband customer base will still be taking products at bandwidths at or below 80/20. This is still a significant proportion of Openreach customers.

Protection of consumers on higher speed broadband services

1.135 Under the pricing continuity approach, there would be no direct protection on broadband services at bandwidths above 80/20, although Openreach would be required to provide those higher bandwidth services on a fair and reasonable basis.

1.136 We have examined the proportion of Openreach's customer base that are forecast to be taking services at bandwidths above 80/20 over the market review period:

- As at March 2025, around [✂] 15-25% of Openreach's broadband customer base (i.e. standard broadband, FTTC and FTTP combined) were taking products at bandwidths above 80/20.
- In 2029/30, as customers migrate to Openreach's fibre network and move to higher bandwidths around [✂] 60-70% of Openreach's total broadband customer base would not be directly protected from our charge controls. The vast majority of Openreach customers taking services above 80/20 will be those that have migrated to Openreach's fibre network.[84] Around [✂] 80-95% of Openreach's fibre customer base is forecast to be taking bandwidths above 80/20 and not directly protected from our charge controls.

1.137 Despite this, we consider that over the next market review period, a charge control on 80/20 services will provide sufficient customer protection to higher bandwidth services.

1.138 First, we anticipate that potential competition from rival networks will increasingly act as a constraint on Openreach's ability to increase prices on higher bandwidth services.

1.139 Second, the charge control on 80/20 services will act as an anchor, constraining the price of higher bandwidth services. Openreach will be aiming both to migrate its customer base from its copper network across to its fibre network and to encourage its existing fibre customers to purchase higher speed products. Increasing the relative gap between the prices of 80/20 and higher bandwidth services is likely to discourage some customers from taking Openreach's faster FTTP products.

Protection of downstream competition

[84] A small minority of customers using G.Fast will take services above 80/20 using Openreach's legacy network.

1.140 Under the pricing continuity approach, MPF and FTTC 80/20 based products are subject to an inflation indexed cap. Consequently, downstream competition is protected from Openreach setting high wholesale prices relative to BT's retail prices, resulting in a margin squeeze, on each of these copper-based products. Other bandwidths on the copper network are not subject to a price cap. In theory, this could mean that BT could set high wholesale prices on these products that impact retail competition.

1.141 Similarly, where copper-based products are not available, the FTTP 80/20 product is also subject to an inflation indexed cap. In theory, this could mean that Openreach could set high wholesale prices for other FTTP bandwidth products, leaving competing retailers dependent on selling the FTTP 80/20 product only.

1.142 However, we do not consider this is a significant threat to retail competition over the review period for the following reasons:

- Openreach is required to provide downstream products on an Equivalence of Inputs (EOI) basis which means that all retail competition has equal access to Openreach's FTTC and FTTP services.
- Openreach is required to set wholesale charges for other FTTC and FTTP bandwidth services that are fair and reasonable to address the risk of a margin squeeze, and enable retailers to compete for those customers that demand other bandwidths.[85]
- We anticipate that competition from rival networks, that is supported by pricing continuity, will increasingly protect retail competition. For example, if BT sought to engage in a margin squeeze on higher bandwidths, we would anticipate that retailers would increasingly switch volumes to rival networks.

Our decision

1.143 We have decided to adopt a pricing continuity approach in WLA Area 2 as it meets our objectives. We have explained above how a pricing continuity approach will promote competitive network investment, promote Openreach's investment, protect consumers and protect existing models of downstream competition.

1.144 Under our decision:

- An inflation indexed charge control is set on MPF.
- An inflation indexed charge control is set on FTTC 80/20 rentals[86] (or FTTP 80/20 rentals where a copper-based service is not available). We have decided to set the level of the charge control in the first year of the control with reference to Openreach's discounted prices.
- Other bandwidth rentals are subject to a requirement that charges are fair and reasonable.[87]

Proportionality of our approach

1.145 We consider that our pricing approach is effective for the reasons set out above, and is the least onerous option for achieving our objectives. We have not identified any adverse effects that would be disproportionate to the aim pursued.

[85] Our guidance on fair and reasonable charges is set out in Volume 3, Section 4.
[86] In Section 6, we set out our decision to charge control SOGEA 80/20 rentals on the same basis.
[87] We have also decided to impose a requirement that charges for FTTP 80/20 should be fair and reasonable in addition to the charge control.

1.146 As discussed above, we consider that the Contract Focused Approach is unlikely to deliver similar outcomes as a Charge Control Approach and would therefore not be effective at achieving our objectives.

Legal tests

1.147 We are setting SMP conditions on BT in relation to the market for WLA in Area 2 to give effect to these pricing remedies. Further details of the charge controls can be found in Section 6. Our SMP conditions can be found in Volume 7.

1.148 As explained above, we consider there to be a risk that, absent regulation, BT might fix and maintain prices at an excessively high level and/or impose a price squeeze so as to have adverse consequences for end users.

1.149 As required by section 88 of the Act, we consider that the setting of each of these SMP conditions would be appropriate for the following purposes:

- promoting efficiency;
- promoting sustainable competition;
- conferring the greatest possible benefits on end users of public electronic communications services having regard, where relevant to the market analysis, to the long-term interests of end-users in the use of next-generation networks; and
- promoting the availability and use of new and enhanced networks.

1.150 We have also considered:

- the extent of the investment in the matters to which the condition relates of the person to whom it is to apply; and
- the benefits of predictable and stable wholesale prices in ensuring
  - efficient market entry; and
  - sufficient incentives for all undertakings to bring into operation new and enhanced networks.

Promoting efficiency

1.151 We consider that supporting network competition and investment by Openreach and others through our pricing regulation promotes efficiency. In addition, in the absence of competitive pressures, we believe that Openreach would have limited incentives to reduce its costs of providing WLA services. Our decisions also encourage Openreach to achieve greater productive efficiency by allowing it to keep any profits it earns from reducing costs over the review period.

Promoting sustainable competition and conferring the greatest possible benefits on end users of public electronic communications services

1.152 The pricing remedies are intended to incentivise investment in new networks by both rival network operators and Openreach. As explained above, we have seen significant network build since 2021 and we expect a substantial amount of investment to occur over the review period as competing networks look to connect customers and continue to build their networks. This will play an important and long-term role in protecting consumers and promoting sustainable retail competition.

1.153 We consider that continuing to support and incentivise investment in new, rival networks will deliver the greatest possible benefits for end users. In reaching this view, we have had regard to the long-term interests of end users in the use of next-generation networks.

Promoting the availability and use of new and enhanced networks

1.154 We are satisfied that our SMP conditions promote the availability and use of new and enhanced networks.

1.155 Our pricing continuity approach promotes investment in very high capacity networks by competing network providers. This competitive pressure provides Openreach with a strong incentive to invest. Where a copper based 80/20 service is not available, we are setting a charge control on an 80/20 equivalent on BT's full fibre network. Our decisions support a regulatory transition from copper to full-fibre services. Our decisions taken together will lead to increased availability and use of new and enhanced networks.

The extent of the investment and the benefits of predictable and stable wholesale prices

1.156 We have taken account of the extent of BT's investment in the matters to which the charge control conditions relate by encouraging network competition, which provides an incentive for Openreach to invest in fibre, ensuring Openreach can make a reasonable return on its investments.

1.157 As our SMP conditions involve price controls on the provision of network access to existing network elements, we have also taken account of the benefits of predictable and stable wholesale prices in ensuring-

- efficient market entry; and
- sufficient incentives for all undertakings to bring into operation new and enhanced networks.[88]

1.158 Our SMP conditions involve imposing a price cap on 80/20 products that reflects pricing continuity. This is the highest speed product available for the vast majority of customers on Openreach's copper network and will provide a direct cap for the majority of customers on Openreach's copper network.

1.159 We consider that for speeds not subject to a price cap, on both Openreach's copper network and fibre networks, the price cap on Openreach's 80/20 products will constrain Openreach's prices. Therefore, our SMP conditions allow predictable and stable wholesale prices. We consider that this level of price regulation promotes efficient market entry by competing network providers and promotes Openreach's investment in gigabit-capable networks. Consequently, we are satisfied that our SMP conditions provide sufficient incentives for all undertakings to bring into operation new and enhanced networks.

1.160 In Volume 4, Section 7, we explain why the setting of these SMP conditions would satisfy the test set out in section 47 of the Act.

Concerns about low FTTP prices in WLA Area 2

1.161 Several stakeholders have raised concerns about Openreach setting FTTP prices that are too low, as opposed to being too high, given the potential impact on network competition.

Our TAR26 March 2025 Consultation

1.162 In our March 2025 Consultation, we explained:

[88] We also note the provision section 88(1A) of the Act which provides that Ofcom may refrain from setting a price control (even if the other section 88 tests are satisfied) if a demonstrable retail price constraint is present and other SMP conditions other than those imposed under section 87(9) would ensure effective and non-discriminatory access. We have considered whether these tests may be satisfied in this case. We have concluded in light of our SMP determinations that they would unlikely be satisfied.

- We would be concerned if Openreach set its FTTP prices at a level that undermines the opportunity for a reasonably efficient competitor to recover its costs.
- In any consideration of whether the level of Openreach's prices raise *prima facie* concerns, one of the indicators we would look at is how Openreach's average FTTP price compares against our estimate of a reasonably efficient operator's costs derived from the Fibre Cost Model. We would not intend for this comparison to be a bright line test. Given the wide range for estimated costs, we would look at where Openreach's average price sits relative to the range.

Stakeholder responses to our TAR26 March 2025 Consultation

1.163 We received comments from several stakeholders about any potential future assessment regarding concerns over low FTTP prices (including those that might result in a margin squeeze with PIA prices).

1.164 INCA, Community Fibre and nexfibre said that a margin squeeze should be assessed in relation to each of Openreach's price points (as opposed to being assessed in relation to Openreach's weighted average FTTP price and costs).[89] nexfibre explained that this was because the mix of speeds purchased by Openreach's customers may differ from that purchased by competitors' customers.[90]

1.165 nexfibre said that although the Fibre Cost Model is a useful starting point for assessing pricing, it should not be the endpoint of margin squeeze analysis since:

- The Fibre Cost Model is a decades-long discounted cash flow model, whereas margin squeeze is a short-term tactic.
- The Fibre Cost Model is too large for many stakeholders to have the resources to analyse to any meaningful level of detail.[91]

1.166 Stakeholders also made various comments about the assumptions used in the Fibre Cost Model. These responses are summarised and addressed in Annex 11.

1.167 Openreach raised concerns over the weight that Ofcom may attach to its REO cost modelling when assessing Openreach's pricing since this could restrict its ability to compete fairly.

- It said that the REO range includes full recovery of ongoing and sunk costs. However, efficient altnets would be sustainable where they can recover their forward-looking costs. Openreach said it is possible that some altnets may move closer to marginal cost pricing and/or write off upfront investment costs through restructuring or consolidation.
- Openreach also said that VMO2 is an established player with a different cost base to altnets and with a range of options about how to generate revenue.
- Openreach said that as long as prices are set at a level that would allow an REO to compete, then they will not impact competition and will benefit consumers.[92]

Our view

[89] INCA response to TAR26 March 2025 Consultation. Paragraphs 264-265. Community Fibre response to TAR26 March 2025 Consultation. Paragraph 7.7. nexfibre response to TAR26 March 2025 Consultation. Pages 16-17, 38.
[90] nexfibre also set out its views on how costs should be allocated between different speed broadband products.
[91] nexfibre response to TAR26 March 2025 Consultation. Page 38.
[92] Openreach response to TAR26 March 2025 Consultation. Document 4, Page 14.

1.168 As set out in Volume 3, Section 9, we have decided to restrict Openreach's ability to unduly discriminate through geographically targeted price reductions by including a specific provision in our no undue discrimination condition.

1.169 In addition to geographically targeted price cuts, stakeholders are also concerned about price cuts by Openreach that are not geographically targeted (e.g. national or area-wide). Lower Openreach FTTP prices place commercial pressure on altnets. However, in itself this does not imply that those prices raise competition concerns. While Openreach is required to comply with the regulatory obligations we are imposing for the review period, it is allowed to compete on the merits with altnets and to make pricing offers.[93] Indeed, this is consistent with our objective to promote network competition in WLA Area 2.

1.170 However, we would be concerned if Openreach set its FTTP prices at a level that undermines the opportunity for a reasonably efficient operator to recover its costs. This would harm the development of competition, which would be detrimental to consumers in the long term. As set out in Volume 3, Section 4, we are imposing a requirement for Openreach's FTTP charges to be fair and reasonable at all times. If concerns are raised that Openreach's FTTP prices are too low, we would have the ability to assess whether Openreach's pricing satisfies this requirement, i.e. that there is a sufficient margin between its FTTP price(s) and its PIA price to allow a reasonably efficient operator to compete in the WLA market.

1.171 In assessing whether Openreach has engaged in a price squeeze under this requirement, we would take into account our objectives in WLA Area 2, including the promotion of network competition. Below we discuss the relevance of the 2026 Fibre Cost Model, various methodological issues when applying that model, and other evidence that we would take into account.

The REO cost range

1.172 In any consideration of whether the level of Openreach's prices raise *prima facie* concerns, one of the indicators we would look at is how Openreach's FTTP prices compare to our estimate of a reasonably efficient operator's costs derived from the 2026 Fibre Cost Model ("the REO cost range").[94]

1.173 Openreach was concerned about the weight Ofcom might attach to the REO cost range since this range includes full recovery of ongoing and upfront investment costs. While Ofcom would consider other factors (as discussed in paragraph 1.180 below), whether an REO has the opportunity to fully recover its efficiently incurred costs is relevant when assessing a price squeeze. This is for a number of reasons.

1.174 First, the WFMTR21 set out a 10-year overarching strategy to promote investment and network competition. While Openreach still has SMP, considering whether its prices allow an REO the opportunity to fully recover its efficiently incurred costs is consistent with that strategy. Conversely, if altnets are not allowed the opportunity to recover efficiently incurred historical build and connection costs, it will not be possible for them to earn a

[93] Subject also to compliance with ex post competition law.

[94] nexfibre said that many stakeholders lack the resources to analyse the Fibre Cost Model. We do not consider that this is necessary for consideration of proposals that Ofcom may make which are informed by outputs from the model and note there are practicable constraints for all stakeholders given that the model relies on confidential material. Where we consult on proposals that are informed by modelling outputs and/or other evidence, we explain the reasons for our position and provide sufficient information to enable stakeholders to comment on them.

positive return on their investments. In our view, adopting such an approach now (e.g. focusing only on forward looking costs) would represent a departure from our strategy and run counter to the principle of regulatory consistency reflected in our duties. This is because if altnets had understood that regulation at the mid-point of our 10 year strategy would allow Openreach to curtail the opportunity for them to recover efficiently incurred costs through a margin squeeze, they may not have invested in the first place.

1.175 Second, a significant amount of investment will be needed by altnets over the 2026-31 period as they connect customers and continue to expand their coverage (albeit on a smaller scale than during the WFTMR21). If altnets are not allowed the opportunity to recover efficiently incurred historical build and connection costs, it will not be possible for them to earn a positive return on their investments. This would discourage operators from making further investments and run counter to our objectives of promoting investment and competition. This is underlined by the cost structure of fibre networks where a large portion of costs relate to build of the network and connecting customers (much of which will have been incurred between 2021-26).[95]

1.176 Third, we consider that considering a full-recovery cost standard for the REO is consistent with the approach we have adopted in regulating Openreach's prices. In setting price caps on Openreach's charge controlled services we have typically used a cost standard that provides it with an opportunity for the full recovery of its efficiently incurred sunk investments (such as Fully Allocated Cost (FAC)).[96] [97]The rationale for using FAC is to maintain Openreach's investment incentives.

1.177 Openreach was also concerned about the weight Ofcom might attach to the REO cost range since it is unlikely to reflect VMO2's costs. However, numerous altnets are present in WLA Area 2. Altnets are important to the development of network competition and we do consider that the REO cost range is relevant to assessing the impact of Openreach's pricing on them.

1.178 We do not intend for any comparison of Openreach's FTTP prices with the REO cost range to be a bright line test. Given the wide range of costs, we would look at where Openreach's average price sits relative to the range. We are more likely to have concerns where prices are at the mid to lower end of the range. We would also take into account other factors, as discussed below. When competition is nascent or fragile, rivals can be more vulnerable to low price offers due to higher average costs and needing early demand to support their investment case or credibility. Conversely, once altnets have largely completed network expansion, achieved meaningful take-up and begun to benefit from economies of scale their ability to withstand or match lower prices is likely to improve.

Other methodological choices

1.179 Some stakeholders said that a margin squeeze should be assessed in relation to each of Openreach's FTTP products. This is one of several methodological choices we would need to decide on when applying the 2026 Fibre Cost Model as part of our assessment of whether

[95] Based on the 2026 Fibre Cost Model, we estimate that 50% of the cost stack for a REO will relate to the capital costs of building the network and 24% relates to capital costs of connecting customers.
[96] For example, in this Statement we set maximum PIA charges based on a FAC standard (see Section 4). In the WLA 2018 we used a FAC cost standard for setting the anchor charge control and in the BCMR 2017, we set the Ethernet basket charge control using a FAC cost standard.
[97] In Volume 2 Paragraph 2.15 of our WLA 2018 Statement, we explain there may be little difference between CCA FAC and LRIC+.

Openreach has engaged in a price squeeze and is in breach of the fair and reasonable requirement. Our approach to these choices would depend on the specific facts of the case and the circumstances at the time. To illustrate, some of the methodological choices we anticipate considering include:

- **Product scope:** This concerns the output increment for the comparison of Openreach's FTTP prices and the REO cost range. A product-by-product approach, as highlighted by INCA, Community Fibre and nexfibre, would separately consider the margin available on each of Openreach's products. Alternatively, a portfolio approach would consider the weighted average margin across all of Openreach's FTTP products. Our decision would depend on the competition concerns that we are considering in the specific case, but our starting point is likely to be the portfolio approach. This is because operators tend to compete across a range of different speed products at different price points.[98]
- **Base for calculating weighted averages:** If we follow a portfolio approach to the output increment, we will need to decide on the mix of customers to use for calculating the weighted average margin across Openreach's portfolio of FTTP products. At its widest, the mix could be calculated using Openreach's total customer base. Alternatively, the mix could be calculated using Openreach's new customer connection volumes within a particular period. We may also consider whether it is appropriate to calculate the mix using the group of customers that are eligible for a discount offer. Similar to product scope, our decision on the base will depend on the competition concerns we are considering in the specific case we are assessing.
- **Relevant period:** This concerns the period over which we carry out the comparison between Openreach's FTTP prices and the REO cost range. Typically, in margin squeeze cases the period used is the average customer lifetime. However, for practical purposes we may consider using a shorter period (e.g. a year) if we think the level of the margin is unlikely to change materially over time.

Other relevant considerations

1.180 Like any model, the outputs of the 2026 Fibre Cost Model are an approximation of reality and are reflective of the underlying modelling data and assumptions. We consider that it is important to take other evidence into account, including prevailing market conditions. In addition to the comparison of FTTP prices with the REO cost range, we would also likely consider other indicators of the impact of Openreach's price reductions on the development of competition in the long term. This may include, for example, evidence relating to:

- how many customers are likely to be affected by the price reduction;
- how the price reduction would impact any price differentials between Openreach and the prices charged by altnets;
- the impact of the price reduction on FTTP take-up for Openreach and altnets; and
- whether the price cut is targeted towards a particular segment of the market or is likely to particularly affect certain altnets' ability to compete.

1.181 Ultimately, through assessing the evidence we would be looking to understand the strength of competition (and the extent to which it has developed) and the impact of Openreach's

[98] While individual altnets may choose to sell a different suite of FTTP products to Openreach, an REO approach is not seeking to model any particular altnet. Our starting point is likely to be that an REO would be able to replicate the mix of FTTP products sold by Openreach.

price reductions on altnets' ability to exert an effective competitive constraint in the long term, and so for the sustainability of competition.

Future price regulation and the fair bet

1.182 We recognise that building a gigabit-capable network is a major investment with long payback periods, and that Openreach and other operators face risks when investing. Because of this, we recognise that the question of how we would approach regulation in the future matters for investment decisions. This is why in the WFTMR21 we provided clarity on our future regulation of fibre, setting out a long-term path for approaching future decisions.[99] In this sub-section, we are reiterating how we would expect to approach future decisions.

1.183 We believe that competition is the most effective driver for innovation and investment. Our regulatory approach in WLA Area 2 is to promote competition and investment in gigabit-capable networks and to this end we are taking a number of measures designed to support investment by BT and other operators including:

- providing access to Openreach's ducts and poles;
- indexing existing regulated copper prices (through our pricing continuity approach);
- giving pricing flexibility on services above a basic superfast product (80/20); and
- supporting the retirement of the copper network.

1.184 Since the turn of the decade, we have seen significant investment in fibre networks by Openreach and competing networks. We anticipate investment in fibre networks to continue over the next five years. With our regulation from this review in place, we expect competition from new providers to continue to develop. This will put us on a path to even greater deregulation in the future, allowing competition to replace regulation permanently. Where effective competition emerges, there will be no need for Ofcom to regulate.

1.185 However, effective competition is unlikely to emerge in all parts of the UK and this raises questions about the market conditions that would cause us to consider the need to extend price controls and how such price controls should be constructed. We cannot prejudge what actions we will take in the future, as any pricing decisions in future reviews will be made in light of the circumstances and legal framework applicable at that time. Nevertheless, we would look carefully at a range of factors when deciding what further regulation, if any, was needed to address any finding of SMP.[100] For example:

- Ongoing investment and competition beyond 2031: by 2031, our strategy will have been in place for 10 years to allow for network rollout to occur and competition to develop. It is possible that investment and the development of competition could continue beyond 2031. If this proved to be the case, we would expect to regulate in a way that continued to support this, while ensuring that consumers continue to be protected. In considering this, we would expect to look at the extent to which investment has already led to an increase in competition during the preceding ten years, and the extent to which competition may credibly intensify further beyond 2031.
- Absent investment and competition: in the future there may be areas where there is no on-going investment, and competition has not emerged and is not expected to. In these

[99] While noting that our future decisions will depend on the circumstances that exist when we carry out future reviews.
[100] Our general approach to market analysis is described in Volume 2 and Annex 1.

areas we would expect to look at consumer outcomes. It is possible that consumers in these areas benefit from competition through a common pricing approach (i.e. Openreach adopts the same prices here as in more competitive areas), or that Openreach has committed to supply on attractive commercial terms. If that is the case, it may be that light touch regulation is appropriate (or even no regulation on prices).

- Where none of these circumstances apply, we may need to set cost-based prices going forwards.

1.186 If we decided circumstances require a return to a cost-based control in parts of the UK, we would ensure that operators have a fair bet on investments. This is a principle that we have consistently supported and honoured and continue to do so.[101]

1.187 An investment is a 'fair bet' if, at the time of investment, the expected return is equal to the cost of capital. In the case of BT's full-fibre investment, we believe that the measures we have put in place since 2021 and are setting in this Statement support BT's full-fibre investment and significantly de-risk the investment case. However, we accept that some risk remains, and that BT should be allowed the opportunity to earn and keep a higher return than normal if it is successful. This is consistent with the fair bet principle.[102]

1.188 Should we need to regulate in future, we would check to ensure that BT had a fair bet. Our guiding principle in assessing this would be to consider whether, at the time BT took the decision to invest, it would have gone ahead with the investment if it had understood the regulation we were proposing to adopt.[103] In doing this we would assess the risks BT faced when making the investments and the cost of capital relevant to those investments at the time they were made. We would then look to ensure that the expected returns were sufficient to ensure that it had been compensated for those risks, i.e. the fair bet had been honoured.

1.189 In setting any future charge control, our policy would be to ensure that BT could keep any upside it had earned up to that point and ensure that it has the ability to earn its cost of capital going forward.[104]

1.190 We recognise that in the early stages of deploying a full-fibre network BT would incur significant capital expenditure with relatively low revenue from FTTP services. One important element of our approach to any future charge controls will therefore be our assumptions about how Openreach's assets have depreciated. Our approach to depreciation will determine the value that Openreach would derive from its investments in the period where it is subject to any charge control. While we would have to consider the prevailing circumstances at the time, we would expect to use economic depreciation rather than accounting depreciation when looking at Openreach's full-fibre investment. Economic depreciation calculates depreciation based on the revenue earning potential of assets (and

[101] The main recent example was Ofcom's approach to setting price regulation on FTTC in the 2018 WLA. See paragraph 1.88 of January 2020 Consultation (Ofcom. January 2020. Promoting competition and investment in fibre networks: Wholesale Fixed Telecoms Market Review 2021-26.).

[102] It is important to provide sufficient potential for BT to earn more than the cost of capital when the investment goes well to compensate for the losses BT could incur if the investment goes badly. Otherwise, BT would not have an incentive to make risky investments, and consumers would not have the benefits of its investment.

[103] This is consistent with the approach we used when assessing the fair bet in relation to FTTC investments in the 2018 WLA Statement. See: Ofcom. March 2018. 2018 WLA Statement. Annex 6.

[104] If BT makes higher profits than its cost of capital in the period to 2031 (taking into account high returns on copper products), that would be to its benefit.

the services those assets provide) rather than based on a set amount of cost each year (as with accounting depreciation).[105]

1.191 We would expect to depreciate Openreach's assets assuming that Openreach is able to achieve constant per line revenue that would be sufficient for Openreach to recover its costs (including its WACC). In the event competition does not develop to the extent we expect and we come to set a cost-based charge control, we would expect to maintain this historical assumption even if Openreach achieves greater recovery per line than we forecast. In reality, if competition does not develop, we would expect Openreach to be able to achieve a price higher than our assumed price per line, and therefore higher recovery than we would have assumed based on economic depreciation.

1.192 Under this approach BT would be able to earn a return above its cost of capital over the whole full-fibre investment cycle, even if cost-based regulation were introduced part way through the investment cycle.

1.193 This approach to pricing and deprecation would mean that in those areas where competition does not emerge, Openreach would have had ample regulatory support and funding for its full-fibre roll-out.

1.194 We consider that this description of how we might expect to approach future regulation provides Openreach (and other operators) with a sufficient basis to continue to move forward with their gigabit-capable roll outs.

WLA Area 3

The competition problem

1.195 In WLA Area 3, there is a risk that, absent regulation, BT would have the incentive and ability to fix and maintain wholesale prices at an excessively high level and/or impose a price squeeze so as to have adverse consequences for end-users, including through weaker retail competition.

Our objectives

1.196 Our market analysis has indicated that in WLA Area 3 there is unlikely to be the potential for material and sustainable competition to Openreach in the commercial deployment of competing networks.

1.197 In developing our pricing remedies for WLA Area 3, we have acted in accordance with our overarching legal duties. Consistent with the approach to remedies set out in Volume 3, Section 1, we have exercised our discretion in setting these controls in favour of an approach that:

- promotes investment in gigabit-capable networks by Openreach; and
- promotes competition based on access to Openreach's networks, and protects consumers.

[105] This avoids the inverse relationship between in-year utilisation and unit costs prevalent under accounting approaches to depreciation in these circumstances. We have used economic depreciation in the past when faced with investment in a new network (e.g. when calculating charges for mobile and fixed call termination and as a cross-check for FTTC services in the 2018 WLA).

1.198 We consider this will best serve the interests of consumers, as the roll-out of gigabit-capable networks will deliver long term consumer benefits.

Summary of our proposals

1.199 In our March 2025 Consultation, we proposed to continue a RAB approach that we had previously committed to in our WFTMR21. Specifically, we proposed a RAB approach based on pricing continuity, where:

- An inflation indexed charge control is set on MPF rentals.
- An inflation indexed charge control is set on FTTC 80/20 rentals (or FTTP 80/20 rentals where a copper-based service is not available).
  - For FTTC and FTTP rentals, Openreach has a list price but also offers discounted prices which are very different. We considered that the discounted prices were so broadly taken up that they represented the actual price customers pay. Therefore, we proposed to set the level of the charge control in the first year of the control with reference to Openreach's discounted prices.
- Other bandwidth rentals are subject to a requirement that charges are fair and reasonable.[106]

1.200 In our October 2025 Further Consultation, we continued to propose a RAB approach based on pricing continuity but set out a possible alternative of using a 'Contract Focused Approach', as described in paragraph 1.43 above.

Stakeholder responses

Pricing continuity and the RAB approach

1.201 AllPoints Fibre agreed with the pricing continuity approach in WLA Area 3.[107]

1.202 PXC referred to evidence it had provided in October 2024 on Openreach's financial returns. It said that this indicated that Openreach will materially over-recover its FTTP costs. PXC questioned whether there are effective constraints on Openreach's pricing in WLA Area 3, which is already significantly above the level needed by Openreach to make a reasonable return.

1.203 PXC believed Ofcom should consider a more robust pricing remedy for WLA Area 3. For example, a price cap of CPI-2% would counteract the lack of competitive pressure on Openreach.[108]

1.204 VodafoneThree raised a concern about the risk of high prices in WLA Area 3 as a result of Openreach's SMP. VodafoneThree said this puts in jeopardy unified national retail product promotions and pricing. It said that the aim of regulation in WLA Area 3 must be to design a framework that delivers consumers the same or similar outcomes as those in WLA Area 2. VodafoneThree argued for an additional remedy that protected customers taking higher bandwidth products in WLA Area 3, through referencing to Openreach's WLA Area 2 prices.[109]

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[106] We also proposed to impose a requirement that charges for FTTP 80/20 should be fair and reasonable in addition to the charge control.
[107] Allpoints Fibre response to TAR26 March 2025 Consultation. Page 6.
[108] PXC response to TAR26 March 2025 Consultation. Page 9.
[109] Vodafone response to TAR26 March 2025 Consultation. Page 21.

Our reasoning and decisions

1.205 In the following sub-sections, we set out the following in relation to WLA Area 3:

- our reasoning and decision to adopt pricing continuity and use a RAB approach, including choice of anchor product and the level of charges;
- our reasoning and decision to adopt a Charge Control Approach as opposed to a Contract Focused Approach;
- an assessment of our overall approach against each of our objectives (impact on Openreach investment, consumers and competition based on access to Openreach's network); and finally
- other considerations (our decision not to seek a commitment from BT on future build and low prices in WLA Area 3).

Pricing continuity, use of a RAB approach and choice of anchor

1.206 In our WFTMR21, we decided to adopt a RAB approach to encourage Openreach to invest in a fibre network where it did not face the potential of material and sustainable competition and therefore its incentives to invest were weaker. Under the RAB approach, the costs of Openreach's fibre investment can be recovered across copper and fibre services together. As such, the RAB approach is intended to allow the forward-looking expectation of cost recovery across the FTTP and copper networks, in aggregate and over the lifetime of those networks.[110]

1.207 We have decided to continue to adopt a RAB approach.

1.208 While there are various ways that we could control prices which are consistent with a RAB approach, we have decided to maintain the pricing continuity approach which is currently in place in WLA Area 3.

1.209 We consider that a RAB approach based on pricing continuity will continue to support Openreach's investment in WLA Area 3 and note that evidence from Openreach is consistent with this. For example:

- Openreach plans to extend its FTTP footprint to 30m premises by the end of 2030[111] which would be expected to commercially cover some of the remaining premises in our WLA Area 3.
- Openreach's internal documents on the potential long-term value of FTTP investments refer, among other things, to the importance of maintaining the broad regulatory framework established by Ofcom in the WFTMR21.[112] We understand this to mean pricing continuity in the review period across both WLA Area 2 and WLA Area 3.

1.210 Since 2021, a RAB approach has supported Openreach to significantly increase the coverage of its fibre network. By March 2024 it had commercially deployed to 3.2m premises based on the Area 3 boundary defined in the WFTMR21[113] and in January 2025 it announced that

[110] In contrast, Ofcom's historical approach has generally been to set pricing regulation to allow for cost recovery on each individual network/technology separately. See 2021 WFTMR Statement. Volume 4, Section 2 for further discussion.
[111] Openreach. 6 January 2025. A record year for UK broadband build and usage. Accessed on 6 March 2026.
[112] Openreach Valuation (OLB(24)55i Openreach Valuation Jun 24), 11 June 2024. Openreach response to the s.135 notice dated 19 June 2024.
[113] This was significantly ahead of the BT Commitment to reach 3.2 million premises in Area 3 by March 2026.

its fibre network had reached more than 4.3m premises in rural and hard to reach areas.[114] In addition, other altnets are also delivering (or planning to deliver) coverage to rural areas.

1.211 By pricing continuity, we mean:

a) continuity in price levels for an anchor product - the maximum price of an entry-level superfast product (referred to as the anchor product), is set at current price levels in real terms; and
b) continuity in approach for non-anchor products - for other bandwidth services, maintaining a requirement that prices are fair and reasonable, therefore allowing Openreach greater pricing flexibility on these products.

1.212 For the reasons set out in relation to WLA Area 2, we have decided to use the 80/20 product as our choice of anchor and use discounted prices as the prevailing prices to set the level of maximum prices.

1.213 VodafoneThree said that consumers taking higher bandwidth products in WLA Area 3 required further protection. We do not agree. As described in more detail in Annex 4, the purpose of the anchor is to sufficiently protect consumers, and not to prevent price differences between geographic markets. As outlined in paragraphs 1.21-1.33 above our approach is consistent with the approach we have adopted in previous market reviews, by setting a charge control on the anchor product and allowing pricing flexibility for Openreach on higher bandwidth products. Currently, prevailing prices for WLA Area 3 rentals are governed by the Equinox Offers which set a national price for rentals.

Charge Control Approach or Contract Focused Approach

1.214 We have considered two alternatives for implementing our proposed pricing continuity approach – a Charge Control Approach and a Contract Focused Approach.

1.215 We set out our reasoning for deciding to adopt a Charge Control Approach rather than a Contract Focused Approach in relation to WLA Area 2 earlier in this section. That reasoning also applies to WLA Area 3.

1.216 Therefore, we have decided to adopt a Charge Control Approach.

Summary of our decisions

1.217 Under our decision, we will set:

- An inflation indexed charge control on MPF rentals.
- An inflation indexed charge control on FTTC 80/20 rentals (or FTTP 80/20 rentals where a copper-based service is not available).
- Other bandwidth rentals are subject to a requirement that charges are fair and reasonable.[115]

1.218 In terms of setting the level of the charge control in the first year of the control, we have taken the FTTC 80/20 discounted price in 2025/26 and uplifted it by CPI.[116] This means in the first year of the control the price cap for:

[114] Openreach. 6 January 2025. A record year for UK broadband build and usage. Accessed on 6 March 2026.
[115] We have also decided to impose a requirement that charges for FTTP 80/20 should be fair and reasonable in addition to the charge control.
[116] Using the ONS October 2025 12-month CPI rate of 3.6%.

- FTTC 80/20 rentals will be set at £202.63 per year (including MPF).[117] [118]
- MPF rentals will be set at £110.33 per year.[119]

1.219 For FTTP 80/20, we have taken the FTTP 80/20 discounted price in 2025/26 and uplifted it by CPI, which reflects the terms of the Equinox 2 Offer. We have then added a £1 per month uplift which, as explained earlier, is considered an integral part of the offer. This means in the first year of the control the price cap for FTTP 80/20 rentals will be set at £218.12 per year.[120]

1.220 In subsequent years, the level of the charge control caps will be inflated by CPI.[121]

Our assessment against our objectives

1.221 In the sub-section below, we set out our assessment of the pricing continuity approach against the following objectives:

- Impact on Openreach investment;
- Protection of consumers; and
- Protection of competition based on access to Openreach's network.

Impact on Openreach investment

1.222 We have assessed the level of cost recovery that Openreach would need to support its commercial investment in the WLA Area 3 under our pricing continuity and RAB approach.

1.223 Under the RAB approach, and consistent with our approach in the WFTMR21, we assess whether Openreach is expected to recover the costs of its fibre deployment (and its copper costs) across both its copper customers and fibre customers combined. We have modelled the costs of Openreach commercially deploying a fibre network to 3.6m premises in WLA Area 3. We have assumed that deploying to approximately 0.8m premises, that have the highest build costs, would not be commercially viable (and so would need to rely on public funding and/or other technologies).[122]

1.224 Our modelling indicates that our pricing continuity approach would provide a profile of cost recovery during 2026-2031 that is consistent with giving Openreach an expectation of cost recovery (assessed across both copper services and fibre services) over a payback-period of 20-years.

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[117] To calculate the First Year price we have taken the current price of £195.59 including MPF and inflated this using the ONS October 2025 12-month CPI rate of 3.6%.
[118] In Section 6, we set out our decision to charge control SOGEA 80/20 rentals on the same basis.
[119] To calculate the First Year price we have taken the current price of £106.50 and inflated this using the ONS October 2025 12-month CPI rate of 3.6%. MPF prices are not discounted.
[120] To calculate the First Year price we have taken the current price of £198.96 and inflated this using the ONS October 2025 12-month CPI rate of 3.6%. We then add £12 to reflect the £1 per month Equinox Offer uplift.
[121] ISPs have raised concerns related to using CPI to set the level of the cap in each year of charge controls. They have said that official inflation indices are not always good proxies for cost increases of a regulated firm (or customers disposable income); and suggested setting ceilings (and floors) on CPI to limit the degree to which changes to inflation outside an ordinary level of variation feed through into the price cap. We respond to these comments in Section 6.
[122] In the WFTMR21, we assumed 2m of the 9m premises in Area 3 were not commercially viable. Since 2021, around 1.18m of those 2m premises have been deployed to by altnets using public subsidy and have been re-categorised as WLA Area 2. This leaves around 0.8m premises in our modelling that are considered as not commercially viable.

1.225 We therefore consider that this approach provides Openreach with appropriate incentives to invest in its fibre network in WLA Area 3.

1.226 Further details of our analysis are set out in Annex 12.

Protection of consumers

1.227 In this section, we explain why the pricing continuity approach would protect consumers in the short term. We discuss the following:

- whether pricing continuity allows Openreach to over-recover its costs;
- protection of consumers on standard and superfast broadband services; and
- protection of consumers on higher speed services.

Whether pricing continuity allows Openreach to over-recover its costs

1.228 Some stakeholders have said that there is evidence that Openreach will significantly over recover its FTTP costs under the pricing continuity approach.

1.229 Our RAB is intended to give Openreach an expectation of cost recovery across both the fibre and copper networks over the lifetime of network, based on a commercial deployment of FTTP in WLA Area 3. This depends on prices and expected cost recovery during the forthcoming charge control period, the previous period, and future periods.

1.230 Our charge control aims to allow for a reasonable level of cost recovery in this charge control period that is consistent with providing an expectation of cost recovery over the lifetime of the network.

1.231 We recognise that there is inherent uncertainty around forecasting costs and revenues over the lifetime of the network. Nevertheless, we consider that based on a plausible range of costs over the lifetimes of the copper and fibre networks (and prices in future charge control periods) our pricing continuity approach provides for a reasonable range of cost recovery in the forthcoming charge control period that is consistent with cost recovery over the lifetime of the network.

1.232 Therefore, we do not agree with stakeholders that our pricing continuity approach will allow Openreach to significantly over recover costs based our RAB approach.

1.233 In Annex 12, we set out details of our RAB modelling in WLA Area 3.

Protection of consumers on standard and superfast broadband services at speeds of 80/20 and below

1.234 Under our decision, customers on the Openreach copper network taking standard broadband or superfast broadband at 80/20, customers taking 40/10 services, and customers taking FTTP 80/20 but where the charge control is not yet applicable to FTTP, will have protection through our charge controls on MPF, FTTC and FTTP. The evidence and reasoning is the same as was outlined in the WLA Area 2 section in paragraph 1.131-1.134 above.[123]

Protection of consumers on higher speed services

1.235 Under the pricing continuity approach, there would be no direct control on bandwidths above 80/20, although Openreach would be required to provide those higher bandwidths services at charges that are fair and reasonable.

[123] Where Openreach is slower to deploy its fibre network in WLA Area 3, we might expect that a larger proportion of customers would be taking standard and superfast broadband services than in WLA Area 2.

1.236 As explained earlier in this section under our reasoning and decisions in relation to WLA Area 2, over the next market review period, the vast majority of Openreach customers taking services above 80/20 are those that will have migrated to Openreach's fibre network.[124]

1.237 We recognise that as customers migrate to FTTP, the charge control will not provide direct protection to a gradually increasing proportion of Openreach customers during the next market review period. In addition, unlike in WLA Area 2, we do not anticipate that potential competition from rival networks will increasingly act as a constraint on Openreach's ability to increase prices on higher bandwidth services that are not directly protected from the charge control.

1.238 Despite this, we consider that over the next market review period, a charge control on 80/20 services will provide sufficient protection to customers taking higher bandwidth services.

1.239 As in WLA Area 2, the charge control on 80/20 services will constrain the price of higher bandwidth services since Openreach will be aiming to migrate the customer base from its copper network across to its fibre network. This is because for most customers, the highest bandwidth available on Openreach's copper network is 80/20, and a key factor in influencing a customer's decision on whether and when to switch to the fibre network is the availability of higher bandwidth services and the price of those services (relative to 80/20). Increasing the relative price gap between higher bandwidth services and 80/20 is likely to discourage migration with customers (since customers are less likely to perceive a value for money benefit of switching) and decide to delay or decide against switching to fibre services. We acknowledge there is the potential for quicker migration to FTTP, where available, in rural areas compared to urban areas due the poorer performance of the copper network in rural areas.[125] However, even if this is the case, customers would still have the option of purchasing a FTTP 80/20 product if the gap in prices with higher bandwidth services is too large.

Promotion of competition based on access to Openreach's network

1.240 Under the pricing continuity approach, MPF and FTTC 80/20 based products are subject to an inflation indexed cap. Consequently, downstream competition would be protected from Openreach setting high wholesale prices relative to BT's retail prices, resulting in a margin squeeze, on each of these copper-based products. Other bandwidths on the copper network are not subject to a charge control. In theory, this could mean that BT could set high wholesale prices on these products that impacts retail competition.

1.241 Similarly, where copper-based products are not available, the FTTP 80/20 product is also subject to an inflation indexed cap. In theory, this could mean that BT could set high wholesale prices for other bandwidth products, leaving competing retailers dependent on selling the FTTP 80/20 product only.

1.242 However, we do not consider this is a significant threat to retail competition over the review period for the following reasons:

[124] A small minority of customers using G.Fast will take services above 80/20 using Openreach's legacy network.

[125] As set out in our Connected Nations UK Report 2025, rural take-up of full fibre is at 56% of premises with urban take-up at 40%. Ofcom, 19 November 2025.

- Openreach is required to provide downstream products on an Equivalence of Inputs (EOI) basis which means that all retail competition has equal access to Openreach's FTTC and FTTP services.
- Openreach is required to set wholesale charges for other bandwidth services that are fair and reasonable which would address the risk of a margin squeeze, and therefore mean that retailers will be able to compete for those customers that demand other bandwidths.[126]

Other considerations

We are not seeking a commitment from BT as part of our pricing continuity approach

1.243 In our WFTMR21, our decision to implement an RAB approach in Area 3 was backed by a BT Commitment to commercially build out its fibre network (i.e. without public subsidy) to at least 3.2m premises cumulatively by the end of 2025/26.

1.244 We have not asked that BT provides a similar commitment as part of our pricing continuity approach for the 2026-31 review period. We note that Openreach's deployment of fibre in the current Area 3 (i.e. as defined in the WFTMR21) has significantly exceeded the BT Commitment made in 2021. We consider that under our pricing continuity approach, Openreach will continue its commercial deployment given that build plans are well advanced and funded.

Concerns about low FTTP prices in WLA Area 3

1.245 As set out in Volume 3, Section 4 we are imposing a requirement for Openreach's FTTP charges to be fair and reasonable at all times. If concerns are raised that Openreach's FTTP prices are too low, we would have the ability to assess whether Openreach's pricing satisfies this requirement, i.e. that there is a sufficient margin between its FTTP price(s) and its PIA price. We set out above how we would assess this requirement in WLA Area 2.

1.246 Some stakeholders have expressed concerns about the level of prices in WLA Area 3.[127] However, in considering any concerns we would take into account our objectives in WLA Area 3.[128] As in the WFTMR21, we are not seeking to promote network competition in this market. Indeed, attempting to promote network competition would require higher WLA prices in this area. We are maintaining our approach to WLA Area 3 in this review. We recognise that since 2021 some altnets have nevertheless built in WLA Area 3 (including with support from public funds). However, their commercial decision was made against the backdrop of Ofcom's WFTMR21 objectives and Openreach's WLA pricing being subject to a cost-based charge control set using a RAB approach.

1.247 This regulatory context informs our view of the fair and reasonable requirement on Openreach's FTTP charges in WLA Area 3, and the level of protection it affords altnets that made a commercial decision to deploy in this area.

1.248 Specifically, when assessing whether there is a sufficient margin between Openreach's FTTP price(s) and its PIA prices in WLA Area 3, one of the indicators we would look at is how

[126] Our guidance on fair and reasonable charges is set out in Volume 3, Section 4.
[127] In particular, as set out in Volume 3, Section 9 several stakeholders said that the geographic discrimination prohibition should apply in WLA Area 3 and were concerned about the impact of such discounts on competition.
[128] In the 2023 Equinox 2 Statement, in response to altnet concerns about Openreach's FTTP pricing in Area 3, we reiterated our WFTMR21 stance. Ofcom. February 2023. Statement on Openreach proposed FTTP offer (Equinox 2). Paragraphs 4.81-4.83.

Openreach's WLA Area 3 prices compare to the REO cost range derived from the 2026 Fibre Cost Model. While this range reflects our estimate of the costs of an REO located in WLA Area 2, we consider this is appropriate given the context set out in the preceding paragraphs.

1.249 We may also need to consider the methodological issues illustrated in paragraph 1.179 and wider evidence as illustrated in paragraph 1.180, albeit in the context of our different objectives for WLA Area 3 and taking account of the limited prospects for competition. We would also seek to avoid undermining the RAB-based charge control that we have imposed on Openreach.

1.250 The approach set out above will allow us to assess whether there is a sufficient margin in line with our longstanding objectives in WLA Area 3, which do not include promoting network competition.

Our decision

1.251 For the reasons set out above, we have decided to adopt a pricing continuity approach in WLA Area 3 as it meets our objectives.

1.252 We consider that a pricing continuity approach has supported Openreach's investment in a fibre network in WLA Area 3 to date and that our decision will provide continued incentives for investment by giving Openreach the expectation of cost recovery across its fibre and copper network. Our view is that consumers will continue to be protected from excessive prices over the review period and that downstream competition will be protected.

1.253 Under our decision:

- An inflation indexed charge control is set on MPF.
- An inflation indexed charge control is set on FTTC 80/20 rentals[129] (or FTTP 80/20 rentals where a copper-based service is not available). We have decided to set the level of the charge control in the first year of the control with reference to Openreach's discounted prices.
  - In relation to FTTP 80/20 rentals, a £1 per month uplift is included in our calculation of the charges in the first year of the control to reflect Openreach's commercial terms for its discounted prices.
- Other bandwidth rentals are subject to a requirement that charges are fair and reasonable.[130]

Proportionality of our approach

1.254 We consider that this approach is effective and is the least onerous option for achieving our objectives. We have not identified any other impacts that would be disproportionate to the aim pursued.

1.255 As discussed above, we consider that the Contract Focused Approach is unlikely to deliver similar outcomes as a Charge Control Approach and would therefore not be effective at achieving our objectives.

[129] In Section 6, we have decided to charge control SOGEA 80/20 rentals on the same basis.
[130] We have also decided to impose a requirement that charges for FTTP 80/20 should be fair and reasonable in addition to the charge control.

Legal tests

1.256 We are setting SMP conditions on BT in relation to the market for WLA in Area 3 to give effect to the pricing remedies described above. Further details of the charge controls can be found in Section 6. Our SMP conditions can be found in Volume 7.

1.257 As explained above, we consider there to be a risk that, absent regulation, BT might fix and maintain prices at an excessively high level and/or impose a price squeeze so as to have adverse consequences for end users.

1.258 As required by section 88 of the Act, we consider that the setting of each of these SMP conditions would be appropriate for the following purposes:

- promoting efficiency;
- promoting sustainable competition;
- conferring the greatest possible benefits on end user of public electronic communications services having regard, where relevant to the market analysis, to the long-term interests of end-users in the use of next-generation networks; and
- promoting the availability and use of new and enhanced networks.

1.259 We have also considered:

- the extent of the investment in the matters to which the condition relates of the person to whom it is to apply; and
- the benefits of predictable and stable wholesale prices in ensuring
  - efficient market entry; and
  - sufficient incentives for all undertakings to bring into operation new and enhanced networks.

Promoting efficiency

1.260 We consider that the charge control is appropriate for promoting allocative efficiency, since in the absence of potential competition, BT would have limited incentives to seek to reduce its prices of providing WLA services.

1.261 We consider that our charge control encourages BT to increase its productive efficiency. This will be achieved by allowing BT to keep any profits that it earns by reducing its costs over and above the savings envisaged when the charge control is set.

1.262 In addition, the charge control has been set to allow BT to earn a reasonable rate of return (cost of capital) where it is efficient.

Promoting sustainable competition

1.263 We have set pricing remedies that aim to support BT's deployment of a fibre network while also promoting retail competition based on wholesale access to BT's network.

1.264 The SMP conditions aim to promote and maintain retail competition based on wholesale access to BT's network.

Conferring the greatest possible benefits on end user of public electronic communications services

1.265 The SMP conditions are intended to deliver the best outcome for consumers over the long term by incentivising fibre investment by BT where it would otherwise have weak incentives to deploy a fibre network. The SMP conditions also protect end users from BT setting high prices relative to cost.

Promoting the availability and use of new and enhanced networks

1.266 In WLA Area 3 we consider it unlikely that there is potential for material and sustainable competition by rival networks and therefore in the absence of regulation BT's incentives to invest are weak. Our charge control using a RAB approach supports BT's investment in deploying a fibre network by providing BT with greater certainty relating to the cost recovery of its fibre network investment.

The extent of the investment and the benefits of predictable and stable wholesale prices

1.267 We have also taken account of BT's investment in the matters to which the SMP conditions relate by modelling BT's forecast costs for copper services to allow for a reasonable rate of return on its investment. The charge control supports BT's investment in fibre networks where it would otherwise have weak incentives by ensuring that BT receives a sufficient return on its fibre investment.

1.268 We are setting a charge control for five years where services will be capped at inflation adjusted levels. This provides predictability and stability over the control period and is consistent with our objective of supporting investment.

1.269 In Section 7, we explain how these pricing SMP conditions satisfy the tests set out in section 47 of the Act.

2. Price regulation in leased line access markets

2.1 In this section we set out our decisions in relation to price regulation in leased line access (LLA) in LLA Area 2, LLA Area 3 and the HNR Area.

Summary of our decisions

2.2 We have decided to:

- In LLA Area 2: maintain a CPI-0% charge control for all active LLA services, so prices do not rise in real terms.[131]
- In LLA Area 3: retain a cost-based charge control on DFA services.[132] We are also setting charge controls on active leased lines as follows:
  - On leased line access services at bandwidths above 1Gbit/s (including WDM services), a CPI-0% control, so prices do not rise in real terms; and
  - On leased line access services at bandwidths up to and including 1Gbit/s we set a cost-based charge control.
- In the HNR Area: maintain a requirement for charges to be fair and reasonable, meaning that the terms should not constitute a price squeeze. We are not introducing a charge control for active LLA services in the HNR Area.

LLA Area 2

The competition problem

2.3 As set out in Volume 2, in LLA Area 2 there is a risk that, absent regulation, BT would have the incentive and ability to fix and maintain wholesale prices at an excessively high level and/or impose a price squeeze so as to have adverse consequences for end-users, including through weaker retail competition.

2.4 As set out below, we have decided to impose charge controls on BT's active LLA services to address this risk. Consistent with the approach to remedies set out in Volume 3, we have exercised our discretion in setting these charge controls in favour of an approach that achieves our objectives.

Our objectives

2.5 Our market analysis has indicated that in LLA Area 2 there is, or there is likely to be the potential for, material and sustainable competition to Openreach in the provision of leased lines by competing networks.

[131] This includes both EAD and WDM rental and connection charges.

[132] These decisions also apply to existing DFA circuits where transitional arrangements are in place, which are those existing DFA circuits located in postcode sectors that were classified as LLA Area 3 in the WFTMR21 and that are reclassified to other regulated LLA markets (specifically LLA Area 2 or the HNR Area) in the 2026-31 review period.

2.6 As set out in Volume 3, in LLA Area 2 our objective is to promote investment and competition in networks that offer LLA services by Openreach and other telecoms providers. We also seek to protect consumers and competition based on access to Openreach's networks as network competition develops.

Our proposals

2.7 In LLA Area 2, we proposed maintaining a CPI-0% charge control for all active LLA services.

Stakeholder responses

2.8 We received limited feedback from stakeholders on our proposed pricing regulation in LLA Area 2.

2.9 Openreach and INCA agreed with our proposals to maintain a CPI-0% charge control in LLA Area 2.[133]

2.10 VodafoneThree said that our proposals for LLA Area 2 fall short of delivering effective protection for customers. It said that Openreach faces little to no competitive constraint in large parts of LLA Area 2, that anticipated competition has not materialised at scale, and there is no credible evidence that it will do so in the foreseeable future. It said that if Ofcom is unwilling to extend DFA to LLA Area 2, then we must impose cost-based regulation on active services in LLA Area 2.[134]

Our reasoning and decisions

2.11 We have considered two broad approaches to setting charge controls on LLA services in LLA Area 2 to address the competition concerns identified above. These are:

a) **Pricing continuity:** Keeping the price caps across LLA services the same in real terms.
b) **Bringing prices closer to cost:** Setting price caps on all LLA services to bring them closer to costs.

2.12 We have assessed how each option would perform against our objectives of promoting network competition and investment in networks that offer LLA services. This competition will take time to develop and therefore we seek to provide adequate protection to consumers and existing models of competition in the short term.[135] Having assessed how each option would perform against our objectives, we have decided that a pricing continuity approach is appropriate and proportionate.

Pricing continuity

2.13 In this section we set out our view that pricing continuity (achieved by keeping price caps on all services the same in real terms), would meet our objectives in LLA Area 2.

Impact on competition and investment

2.14 We believe that pricing continuity will support investment and the development of stronger network competition in LLA Area 2.

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[133] Openreach response to TAR26 March 2025 Consultation. Document 4. Paragraph 34. INCA response to TAR26 March 2025 Consultation. Paragraph 322.
[134] VodafoneThree response to TAR26 March 2025 Consultation. Section 3. Paragraphs 287-288.
[135] The primary remedies that protect models of downstream competition based on access to Openreach's LLA network are the various access requirements set out in Volume 3, including the protections against undue discrimination. Accordingly, the discussion below mostly focuses on consumer protection.

2.15 The evidence presented in the market analysis section, Volume 2, demonstrates that the WFTMR21 package of remedies for LLA services has enabled increased competition in the LLA market to emerge over recent years. This increased competition is shown by the growth in footprint and customer volumes from some LL-only providers such as ITS.[136] An illustration of this increased competition is the increase in size of the HNR Area for the 2026-31 review period.[137] This is also shown by the expansion of CityFibre's network and its increased LLA customer volumes.[138]

2.16 The WFTMR21 remedies, including PIA and pricing continuity on LLA services, have supported this network build.

2.17 As explained above, our objective in LLA Area 2 is to promote network competition and investment in networks that offer LLA services. Maintaining the WFTMR21 remedies in the review period will allow rival providers to continue to invest in expanding and infilling their networks in LLA Area 2. Further increases in the geographic availability of rival networks that provide LLA services will allow these providers to compete with Openreach more effectively and at more locations in the future.

2.18 ITS has said that the CPI-0% charge controls set in the WFTMR21 gave it the opportunity to enter the market.[139] As outlined in Volume 2, some LL-only providers have indicated that they intend to expand further in the next review period. We consider that pricing continuity in LLA Area 2 will continue to encourage LL-only providers to further expand their networks and allow them to compete for new business.

2.19 As outlined in Volume 2,[140] CityFibre's business plans indicate that it is aiming to strengthen its position in the LLA market,[141] and increase its sales across the 2026-31 review period.[142] Specifically, CityFibre expects both leased lines volumes and absolute revenues from leased lines to increase by 2031.[143] In 2025, it relaunched its LLA offering with its XGS-PON technology underpinning its ethernet investment.[144] It is still in the process of completing its network expansion.[145] We consider that pricing continuity in LLA Area 2 will support CityFibre's leased line expansion plans and provide an opportunity for it to overcome some

[136] For example, ITS LLA customer volumes have grown to [✂] LLA circuits across the UK (excluding the CLA) as of September 2025. ITS response dated 28 January 2026 to our clarificatory question dated 21 January 2026 concerning the s135 notice dated 23 June 2025, question D1.

[137] As presented in Volume 2, the HNR Area will increase from 525 postcode sectors to 930 postcode sectors for the 2026-31 review period.

[138] As set out in Volume 2, CityFibre's LLA customer volumes have increased materially over the 2021-26 review period (and by [✂] connections over the past year). As of June 2025, CityFibre's leased line business accounted for [✂] connections (excluding the CLA). CityFibre Infrastructure Holdings Limited response dated 28 July 2025 to s135 notice dated 23 June 2025, question D1.

[139] ITS response to TAR26 March 2025 Consultation. Page 4, paragraph 18.

[140] See Volume 2, Section 5.

[141] See, for example: CityFibre. 12 June 2025. CityFibre triples business ethernet availability for its partners. Accessed on 5 February 2026.

[142] CityFibre Infrastructure Holdings Limited response dated 8 November 2024 to s135 notice dated 24 October 2024, question A1.b.

[143] CityFibre business plans forecast [✂]. CityFibre Infrastructure Holdings Limited response dated 8 November 2024 to s135 notice dated 24 October 2024, question A1.b.

[144] CityFibre Infrastructure Holdings Limited response dated 28 July 2025 to s135 notice dated 23 June 2025, page 1. CityFibre Infrastructure Holdings Limited response dated 28 July 2025 to s135 notice dated 23 June 2025, question B2.

[145] CityFibre. 14 July 2025. CityFibre agrees £2.3bn in new financing round, in major investment in UK digital infrastructure. Accessed 18 February 2026. [✂] response dated [✂] to s135 notice dated [✂], question [✂].

of the barriers we have identified in this market.[146] This, in turn, would strengthen the competitive constraint it exerts in the future.

2.20 We recognise the potential that regulation in the LLA market could affect incentives to invest in other markets, such as the WLA market. In the WFTMR21, we identified economies of scope between the provision of LLA and WLA services. While many altnets that have entered the WLA market have chosen not to provide leased lines to date, others have built networks that offer services in both the WLA and LLA markets, notably CityFibre. Take-up of leased lines is a potential source of revenue for these operators. Therefore, pricing continuity could support these operators in becoming strong competitors in the WLA market as well, by supporting their business cases for fibre network deployment, including further network infill and expansion.

Protection of customers and downstream competition

2.21 We believe that pricing continuity will support the development of stronger network competition in LLA Area 2. While VodafoneThree disputed this, we do not agree for the reasons set out in paragraphs 2.15 – 2.19 above. In our view, network competition is the best way to protect consumers in the long term.

2.22 VodafoneThree said that current levels of competition do not adequately protect consumers. We recognise that our approach does result in higher LLA prices compared to a cost-based charge control (for example). However, bringing prices closer to costs risks undermining the potential for strong network competition to develop.

2.23 Under the pricing continuity approach, consumers will continue to be protected in the short-term by price controls on Openreach active LLA services, which will remain the same in real terms. Although Openreach's recent LLA market profitability is above the relevant cost of capital in LLA Area 2, it is not a great amount higher.[147] In our view, a CPI-0% control strikes the right balance between a degree of short-term consumer protection and the potential long-term benefits to consumers from strong network competition in the future.

2.24 Consumers will benefit more significantly in the long term if network competition is intensified in LLA Area 2, with multiple providers driving down costs and increasing the quality, availability and variety of services available to business customers requiring a leased line or equivalent service. This increased network competition will also protect downstream competition that relies on access to LLA networks.

2.25 We thus consider that ensuring that real prices do not increase from current levels will provide adequate protection over the review period for customers while competition continues to develop.

2.26 We also consider that a pricing continuity approach will sufficiently reduce the risk of a price squeeze enabled via high Openreach LLA prices, which will protect downstream competition based on access to Openreach's network.

Bringing prices closer to costs

2.27 In this subsection, we explain why setting a tighter charge control to bring LLA prices down closer to costs in LLA Area 2 would not meet our objectives.

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[146] For more detail on the barriers to entry and expansion we have identified in the LLA market, see Volume 2, Section 5.

[147] Further information about Openreach profitability is provided in BT's published Regulatory Financial Commentary (RFC). Further evidence relating to LLA market profitability is set out in Annex 10.

Impact on competition and investment

2.28 We describe above why we believe that pricing continuity will support investment and the development of stronger network competition in LLA Area 2. In contrast, a significant reduction in the charge control on LLA services in LLA Area 2 would reduce the incentive for competing networks to invest in LLA Area 2, signal we are moving away from our approach of setting prices to support network competition and investment, and risk undermining the potential for stronger network competition in LLA Area 2.

2.29 In particular, the reduction in prices associated with bringing Openreach's active LLA prices much closer to costs would reduce the expected returns from initial network deployment or network extension. Tighter price regulation would make it more attractive for existing and potential purchasers of leased lines to rely on Openreach products rather than considering alternatives, at a time when network competition is developing.

Protection of customers and downstream competition

2.30 Bringing prices closer to costs would protect consumers from excessive prices and support downstream competition based on access to Openreach's network. As it would involve a reduction in prices of LLA services, this would provide a greater level of protection for consumers than pricing continuity in the short term as lower prices for Openreach's active LLA products would be guaranteed. It may also provide a greater level of protection against the risk of a price squeeze enacted via high Openreach LLA prices, which would help protect downstream competition based on access to Openreach's networks.

2.31 However, bringing prices closer to cost risks undermining the potential for stronger network competition to develop, and therefore forgoing the protection of (and benefits for) consumers that competition could deliver in the longer term, and the potential for downstream competition that is not dependent on regulation.

Our approach is pricing continuity

2.32 As explained above, we are of the view that the current approach to price regulation has been supportive of investment and competition and will continue to be so in the review period, while adequately protecting customers from excessive pricing in the short term.

2.33 We have therefore decided to maintain pricing continuity in LLA Area 2. This means we will maintain a CPI-0% charge control for all active LLA services, so prices do not rise in real terms.

2.34 Our CPI-0% charge control for active LLA services will take the form of:

a) A CPI-0% basket charge control on all Ethernet services (connections, circuit rentals and Main Link rentals) at all bandwidths;
b) A CPI+5% sub-cap on each Main Link service charge in the Ethernet basket mentioned in point a) above;
c) Service-specific CPI-0% charge controls on each WDM (Optical) modular component.

2.35 Our decisions on the design and implementation of these charge controls are explained in Section 6 of this Volume.

DFA in reclassified postcode sectors

2.36 As discussed in Volume 3, we have decided that it is appropriate to put in place arrangements for existing DFA circuits in postcode sectors that have been reclassified from LLA Area 3 to other regulated LLA markets (where BT continues to have SMP). This means that DFA circuits purchased in postcode sectors which were previously classified as LLA Area

3 and are now classified as LLA Area 2 or the HNR Area are subject to the same cost-based charge control for the duration of the 2026-31 review period (i.e. five years).

Legal tests

2.37 We are setting SMP conditions on BT in the market for LLA in LLA Area 2 to give effect to the pricing remedies described above. We set out further detail of our approach to the design and implementation of the charge controls in Section 6. Our SMP conditions can be found in Volume 7.

2.38 Our regulatory judgment is that our overall approach of maintaining price caps for active services at their current levels in real terms will adequately protect consumers, by only permitting Openreach to raise its prices in line with inflation, while allowing the opportunity for rival networks to compete on price.[148] In relation to DFA where we are maintaining cost-based controls in postcode sectors that have been reclassified from Area 3 as defined in the WFTMR21, we consider this will ensure regulatory stability and a smooth transition to alternative services.[149]

2.39 We consider that our pricing remedies for LLA in LLA Area 2 are proportionate as they go no further than is necessary to achieve our objectives, and we have not identified any adverse effects that would be disproportionate to the aim pursued.

2.40 As explained above, we consider there to be a risk that, absent regulation, BT might fix and maintain prices at an excessively high level and/or impose a price squeeze in LLA Area 2 so as to have adverse consequences for end-users, including through weaker retail competition.

2.41 As required by section 88 of the Act, we consider that the setting of the SMP conditions is appropriate for the following purposes:

a) Promoting efficiency;
b) Promoting sustainable competition;
c) Conferring the greatest possible benefits on end users of public electronic communications services, having regard, where relevant, to the market analysis and to the long term interests of end-users in the use of next-generation networks;
d) Promoting the availability and use of new and enhanced networks.

2.42 We have also considered:

a) the extent of the investment in the matters to which the condition relates of the person to whom it is to apply; and
b) the benefits of predictable and stable wholesale prices in ensuring efficient market entry and sufficient incentives for all undertakings to bring into operation new and enhanced networks.[150]

[148] While we have diverged from this approach in relation to the sub-cap for each Main Link service charge, as set out in Section 6, this is to reflect BT's CJF fibre cost reallocations and is designed to provide some protection from sharp price increases. Further, Main Link services remain subject to the overall CPI-0% charge control for the basket of Ethernet services.
[149] The relevant conditions apply to BT under section 46(8)(a) of the Act as it has SMP in LLA Area 2.
[150] We also note section 88(1A) of the Act which provides that Ofcom may refrain from setting a price control (even if the other section 88 tests are satisfied) if a demonstrable retail price constraint is present and other SMP conditions would ensure effective and non-discriminatory access. We have considered whether these

Promoting efficiency

2.43 We consider that supporting network competition promotes efficiency. In addition, in the absence of competitive pressures, we believe that Openreach would have limited incentives to reduce its costs of providing LLA services. Our regulatory approach encourages Openreach to achieve greater productive efficiency by allowing it to keep any profits it earns from reducing costs over the review period. Maintaining a cost-based control on existing dark fibre circuits in in postcode sectors that have been reclassified from Area 3 as defined in WFTMR21 promotes efficiency by providing regulatory stability and enabling a smooth transition to alternative services.

Promoting sustainable competition and conferring the greatest possible benefit on end-users

2.44 Our approach overall of maintaining the WFTMR21 remedies in the review period will allow rival providers to continue to invest in expanding and infilling their networks in LLA Area 2. Further increases in the geographic availability of rival networks that provide LLA services will allow these providers to compete with Openreach more effectively and at more locations in the future.

2.45 We also consider that incentivising investment in the expansion of rival networks offering both broadband and leased lines, and networks focused on leased lines, will deliver the greatest possible benefits for end users over the long term. We have also taken into account the extent of BT's investment in LLA Area 2 by setting a charge control on active services which ensures that Openreach can make a reasonable return on its investments.

2.46 Customers that have existing dark fibre circuits in postcode sectors that have been reclassified from Area 3 as defined in WFTMR21 are protected by the cost-based charge control on those services. This provides regulatory certainty to support downstream competition based on using dark fibre for the benefit of consumers.

2.47 We consider that efficiency gains should, in the longer term, be passed onto consumers through reductions in prices and improvements in quality.

Promoting the availability and use of new and enhanced networks

2.48 We consider our SMP conditions promote the availability and use of new and enhanced networks.

2.49 Allowing wholesale prices for active services to diverge from the cost of providing those services promotes investment in very high capacity networks by competing network providers. This competitive pressure provides Openreach with an incentive to invest as and when new services and offers based on deployments by rival networks become available. While we are maintaining cost-based controls on existing dark fibre circuits in postcode sectors that have been reclassified from Area 3 as defined in WFTMR21 to provide regulatory stability, we do not consider that this will have any material impact on investment in new networks given the small volume of circuits to which the remedy will apply.

2.50 Overall, we consider our regulatory approach will lead to increased availability and use of new and enhanced networks.

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tests may be satisfied in this case. We conclude in light of our SMP determinations that they would be unlikely to be satisfied.

The extent of the investment and the benefits of predictable and stable wholesale prices

2.51 We have also taken into account the extent of BT's investment in LLA Area 2 to which the conditions relate by setting a price control on active services which ensure that Openreach can make a reasonable return on its investments.

2.52 As our conditions involve price controls on the provision of network access to existing network elements, in accordance with the test in section 88 of the Act, we have also taken account of the benefits of predictable and stable wholesale prices in ensuring efficient market entry and sufficient incentives for all undertakings to bring into operation new and enhanced networks.

2.53 In relation to active services, our SMP conditions involve maintaining overall price caps at their current levels in real terms. Therefore, they will allow predictable and stable caps on wholesale prices. While we have increased the sub-cap for each Main Link service charge, it will provide some protection from sharp price increases and the services remain subject to the Ethernet basket cap which is unchanged. We consider that this level of price regulation promotes efficient market entry by competing network providers, and promotes Openreach's investment in gigabit-capable networks.

2.54 By maintaining cost-based controls on existing dark fibre circuits in postcode sectors that have been reclassified from Area 3 as defined in WFTMR21, we are ensuring predictable and stable wholesale prices for these services, which supports the attractiveness of the remedy for some telecoms providers and incentivises them to invest as deep into the network as possible.

2.55 Consequently, we consider our SMP conditions provide sufficient incentives for all undertakings to bring into operation new and enhanced networks.

2.56 In Section 7 we explain why the setting of these SMP conditions satisfies the test set out in section 47 of the Act.

LLA Area 3

The competition problem

2.57 As set out in Volume 2, in LLA Area 3 there is a risk that, absent regulation, BT would have the incentive and ability to fix and maintain wholesale prices at an excessively high level and/or impose a price squeeze so as to have adverse consequences for end-users, including through weaker retail competition.

2.58 As set out below, we have decided to impose charge controls on BT's active LLA and DFA services to address this risk. Consistent with the approach to remedies set out in Volume 3, we have exercised our discretion in setting these charge controls in favour of an approach that achieves our objectives.

Our objectives

2.59 Our market analysis has found that in LLA Area 3 there is not, and there is unlikely to be the potential for, material and sustainable competition to Openreach in the provision of leased lines by competing networks. Our objective in LLA Area 3 therefore continues to be to promote competition based on access to Openreach's networks and to protect leased line customers.

Background

2.60 In the WFTMR21, our market analysis found BT to have SMP in LLA Area 3, with limited prospects for material and sustainable competition from competing networks. We therefore sought to encourage competition based on access to Openreach's network through an effective cost-based access remedy. We considered that this could be achieved by introducing DFA.

2.61 We considered that dark fibre should be the primary focus of our regulation given its benefits over active leased lines. We set a cost-based charge control on DFA and considered that this would protect consumers, support take-up and encourage telecoms providers that rely on access to Openreach's network to invest as deep into the network as possible, exposing as much of the value chain as possible to competition.

2.62 We considered that DFA take-up could take some time. Therefore, to protect consumers in the meantime we also imposed a CPI inflation-adjusted (CPI-0%) charge control on active LLA services.

Our proposals

2.63 In our March 2025 Consultation, in LLA Area 3, we proposed to retain a cost-based charge control on DFA services.[151] We also proposed charge controls on active leased lines as follows:

- On leased line access services at bandwidths above 1Gbit/s (including WDM services), which we refer to as very high bandwidth (VHB) services, maintaining stable prices (in real terms) through a CPI inflation-adjusted (CPI-0%) charge control; and
- On leased line access services at bandwidths up to and including 1Gbit/s, which we refer to as lower bandwidth (LBW) services, setting a cost-based charge control.

2.64 In our November 2025 Consultation, we proposed to incorporate in our charge control modelling for the TAR Statement certain fibre cost reallocations which BT plans to capture in its 2026 Regulatory Financial Statements (RFS). We reflected this proposal in our estimates of the cost-based charge controls in LLA Area 3 on DFA services and on LBW services.[152]

Stakeholder responses

DFA

2.65 VodafoneThree supported Ofcom's proposals to retain cost-based DFA in LLA Area 3.[153]

2.66 In contrast, other stakeholders disagreed with this approach:

a) ITS said that the proposal to continue to mandate cost-based DFA (and the associated charge controls) is further threatening the viability of existing and new competitive

[151] We made similar proposals in relation to certain DFA circuits where transitional arrangements are in place, namely existing DFA circuits in postcode sectors that were classified as Area 3 in the WFTMR21 and which we proposed to reclassify to other regulated LLA markets (specifically LLA Area 2 or the HNR Area) in the 2026-31 review period.

[152] We also proposed changes to the level of the sub-cap on each Main Link service charge within each of the Ethernet charge control baskets and changes to the glidepath for the cost-based charge control in LLA Area 3. We discuss these proposals and associated stakeholder responses in Section 6, which explains the design and implementation of our charge controls.

[153] VodafoneThree response to TAR26 March 2025 Consultation. Section 3. Paragraph 215.

network deployments.[154] ITS said that the downward pressure on DFA pricing will make it harder for it to compete with regulated products.[155]

b) CityFibre said that the requirement on Openreach to provide dark fibre at cost in LLA Area 3 was likely to undermine competitors' incentives to invest in LLA Area 3.[156] It recommended that DFA have fair and reasonable pricing requirements, so that DFA prices are not excessive and do not result in a margin squeeze. It also recommended that we adopt a similar regulatory framework to that proposed for WLA and ensure that the DFA price allows entrants sufficient incentives to invest, rather than being priced at cost.[157]

c) INCA said that it does not agree with the continued obligation on BT to offer DFA in LLA Area 3. INCA believed this obligation discourages competing full-fibre network builders and operators entering the market.[158] INCA also said it harms the ability of investors to recoup their past investments since the DFA remedy devalues altnet assets in the same location.[159] INCA said that the proposed DFA charge control will harm network competition, and the reduction in the connection charge specifically is likely to make it harder for altnets to compete in the market.[160]

2.67 In terms of the design of the charge control, VodafoneThree considered that instead of the 75% starting charge adjustment (SCA) for DFA services which we proposed in our March 2025 Consultation, we should instead adopt a 100% SCA for DFA services. This would fully align prices with costs at the start of the charge control period.[161] VodafoneThree also disagreed with our proposal to use the RFS unit costs of EAD LA 10 Gbit/s services as a benchmark for estimating the unit costs of DFA services. It suggested that we should instead estimate DFA costs based on RFS data for DFA services, after completing a detailed review of BT's cost allocation methodologies for DFA services.[162]

2.68 Substantial Group stated that the changes to charge control levels proposed in the November 2025 Consultation risked pushing up the cost of key inputs used by altnets to serve business and backhaul markets and its retail/wholesale ethernet offers, making it harder for multi service networks (MSNs) to compete in leased line markets.[163]

2.69 Stakeholders also raised further comments which were specific to the modelling of the proposed cost-based charge control on DFA services in LLA Area 3. We discuss these comments in Annexes 10 and 13.

Very high bandwidth (VHB) services

2.70 VodafoneThree disagreed with the proposed approach to regulating VHB active services in LLA Area 3. It said that allowing Openreach to continue charging excessive prices on these services will dampen investment and innovation with no corresponding benefit.[164]

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[154] ITS response to TAR26 March 2025 Consultation. Paragraph 6.
[155] ITS response to TAR26 March 2025 Consultation. Paragraph 49.
[156] CityFibre response to TAR26 March 2025 Consultation. Paragraph 1.6 (g).
[157] CityFibre response to TAR26 March 2025 Consultation. Paragraphs 3.55-3.56.
[158] INCA response to TAR26 March 2025 Consultation. Paragraph 294-295, 301.
[159] INCA also appeared to suggest that this hampers merger activity by making it harder for the parties to agree on the value of their businesses. INCA response to TAR26 March 2025 Consultation. Paragraph 298-299.
[160] INCA response to TAR26 March 2025 Consultation. Paragraphs 329-330.
[161] VodafoneThree response to TAR26 March 2025 Consultation. Section 3. Paragraphs 261-265.
[162] VodafoneThree response to TAR26 March 2025 Consultation. Section 3. Paragraphs 256-260.
[163] Substantial Group response to TAR26 November 2025 Further Consultation, Pages 5-6 and 14-15.
[164] VodafoneThree response to TAR26 March 2025 Consultation. Section 3. Paragraph 219.

VodafoneThree said that in LLA Area 3, VHB services are predominantly used to support mobile cell site connectivity. Many of these lines were deployed as active services due to the unavailability of DFA at the time. It said that a targeted cost-based charge control for active VHB services in LLA Area 3 should be introduced. It suggested that this be targeted at existing circuits that were deployed when dark fibre was not available or where switching is "constrained".[165]

2.71 VodafoneThree acknowledged that its proposal could be disproportionate, as – in VodafoneThree's characterisation – it would lead to cost-based charge controls at two levels of the value chain (i.e. DFA and active VHB circuits). It agreed that in the long run cost-based DFA services should provide a competitive constraint on VHB active services, as new customers will be able to choose cost-based DFA services if VHB active services are excessively priced.[166]

Lower bandwidth (LBW) services

2.72 VodafoneThree and PXC welcomed the proposed introduction of a cost-based charge control for LBW services in LLA Area 3.[167] VodafoneThree said that the LLA Area 3 charge control must address the excessive pricing that has resulted from a lack of competitive pressure on Openreach.[168] Both PXC and VodafoneThree disagreed with the proposed use of a glidepath to bring charges into alignment with costs. VodafoneThree considered that we should make allocative efficiency the key objective and use a 100% SCA to align charges with forecast costs from 2026 onwards.[169] PXC also considered that we should use a SCA to bring forward reductions in charges, as it suggested that this approach would be more consistent with the UK Government's growth agenda given that Ethernet services are often purchased by businesses.[170]

2.73 Openreach disagreed with the proposed cost-based charge control on LBW services in LLA Area 3. Openreach set out a series of specific issues with the proposal:[171]

a) The proposal does not give network competition the chance to emerge in LLA Area 3. Openreach said that the nature of the remedy is irreversible, as it disincentivises entry now, during an industry wide cycle of investment, and means there is unlikely to be incentives for investment later.[172]
b) The proposal is an unexpected and material change from the WFTMR21. Openreach said that this change would undermine confidence both in the LLA market and more generally for investments, including in WLA markets, made by Openreach and altnets.
c) It is unnecessary and disproportionate to impose cost-based controls at three levels of the value chain (PIA, DFA and actives). Openreach said there was a lack of clarity on the expectations of the different cost-based remedies, as PIA and DFA aim to promote

[165] VodafoneThree response to TAR26 March 2025 Consultation. Section 3. Paragraphs 185, 187-188 and 283-284.
[166] VodafoneThree response to TAR26 March 2025 Consultation. Section 3. Paragraph 277.
[167] VodafoneThree response to TAR26 March 2025 Consultation. Section 3. Paragraph 215. PXC response to TAR26 March 2025 Consultation. Paragraph 3.10.
[168] VodafoneThree response to TAR26 November 2025 Further Consultation. Paragraphs 39 and 57.
[169] VodafoneThree response to TAR26 March 2025 Consultation. Section 3. Paragraphs 269-273 and VodafoneThree response to TAR26 November Further Consultation. Paragraphs 56-58.
[170] PXC response to TAR26 March 2025 Consultation. Paragraphs 3.11-3.13.
[171] Openreach response to TAR26 March 2025 Consultation. Document 4. Paragraphs 36-58.
[172] Openreach response to TAR26 November 2025 Further Consultation. Paragraph 5.

network investment and competition, whereas the cost-based charge control on LBW services is to provide protection to end customers.

d) The complicated value chain that exists in the LLA market (with ISPs, resellers and aggregators) means it is unlikely that the impact of price reductions will flow through to end customers.
e) The contrast between remedies in LLA Area 2 and LLA Area 3 is stark, which places a higher degree of importance on the market definition and presents substantial risk of regulatory error.
f) The differentiation of remedies between areas effectively requires geographic pricing between areas, which would require changes to Openreach systems (with an estimated cost of [✂] to process multiple sets of pricing). Openreach requested a transitional period of a year should it have to implement these systems changes.[173]

2.74 ITS said that the proposed introduction of a cost-based charge control on LBW services would place downward pressure on its prices. It said this would have a material impact on it, in particular given its expectations of pricing continuity from the WFTMR21.[174] ITS also said that the objectives and remedies proposed in LLA Area 3 would effectively foreclose the LLA market to altnets, denying them the economies of scope that have likely been built into business plans which form the basis for investment. It also said that it was not aware of any consumer harm from the current situation for LBW services, and that Ofcom had not demonstrated or quantified this.[175]

2.75 INCA disagreed with the proposed cost-based charge control on LBW products in LLA Area 3. It particularly highlighted the impact of this charge control on LL-equivalent products such as XGS-PON. It said that the proposed LBW charge control would be a strong disincentive for altnets to enter the business connectivity market. It said that the dynamic benefits of infrastructure competition are likely to outweigh any short-term static benefits of regulated price reductions.[176]

2.76 Similarly, Community Fibre said that the introduction of cost-based charge controls in LLA Area 3 will hinder the growth of altnet competition in the market. It said that in the interests of regulatory simplicity, and to encourage growth in the LL-equivalent market Ofcom should maintain pricing parity between LLA Area 2 and LLA Area 3.[177]

2.77 INCA was also concerned that this change from the approach adopted in the WFTMR21 would undermine the profitability of altnets' historical investment.[178] ITS made similar points.[179]

2.78 Stakeholders also raised further comments which were specific to the modelling of the proposed cost-based charge control on LBW services in LLA Area 3. We discuss these comments in Annex 10.

[173] Openreach response to TAR26 March 2025 Consultation. Document 4. Paragraphs 265-269.
[174] ITS response to TAR26 March 2025 Consultation. Pages 10-13.
[175] ITS response to TAR26 November 2025 Consultation. Paragraphs 13 and 17.
[176] INCA response to TAR26 March 2025 Consultation. Paragraphs 331-333. INCA response to TAR26 November 2025 Consultation. Paragraphs 23 and 76-79.
[177] Community Fibre response to TAR26 November 2025 Consultation. Page 6.
[178] INCA response to TAR26 March 2025 Consultation. Paragraphs 331-333.
[179] ITS response to TAR26 November 2025 Consultation. Paragraphs 15-16.

Consolidation

2.79 Some telecoms providers expressed concern that our proposed LLA regulation in LLA Area 3 could undermine the prospects for consolidation of altnets and ultimately undermine the development of competition in LLA Area 3.

2.80 ITS said that any potential acquisition target located in LLA Area 3 would almost certainly be removed from consideration, as the regulated prices would be a material deterrent.[180] INCA said that if an altnet was located in LLA Area 3 where an "aggressive charge control" is applied, it would make them an unattractive target, reducing the valuation of the company.[181]

Concerns about the impact of an incorrect geographic market definition

2.81 Some providers raised concerns that an incorrect geographic market definition could lead to the incorrect remedies applying to misclassified postcode sectors. For example, Virgin Media O2 was concerned that if postcode sectors were wrongly classified as LLA Area 3 rather than LLA Area 2, the remedies in place in LLA Area 3 would undermine the business case to roll out LLA services in those areas, and could make prospective customers more inclined to stick with Openreach's regulated offerings. It also raised concerns this would undermine funding for acquisitions in those areas.[182] CityFibre stated that Ofcom's proposed approach to market definition (which CityFibre disagreed with) would significantly reduce its incentives to invest as a charge controlled dark fibre product will reduce its margins.[183]

Our reasoning and decisions – DFA

2.82 We first present our approach to DFA pricing in LLA Area 3 and then present the charge controls on active leased line access services which we have determined are appropriate in this market.

Approach to DFA price regulation

2.83 In Volume 3, we set out our decision to continue to require Openreach to provide a specific network access remedy in the form of DFA in LLA Area 3.

2.84 DFA services are currently subject to a cost-based charge control. We have considered whether to retain this approach for the review period, or whether to take an alternative approach, such as setting a charge control that is above our estimate of Openreach's costs or relying only on a requirement that prices are fair and reasonable.

2.85 We do not consider setting a DFA charge control that is above our estimate of Openreach's costs would meet our objectives of promoting competition based on access to Openreach's networks and protecting consumers. In the absence of a cost-based charge control, we consider that Openreach would have the incentive and ability to fix and maintain DFA prices at an excessively high level, and consumers would not be adequately protected in this review period.

2.86 We recognise ITS and INCA's comments that cost-based DFA pricing makes it harder for other suppliers present in parts of LLA Area 3 to compete with regulated products

[180] ITS response to TAR26 November 2025 Consultation. Paragraph 15.
[181] INCA response to TAR26 November 2025 Consultation. Paragraph 30. INCA response to TAR26 March 2025 Consultation. Paragraph 298.
[182] Virgin Media O2 response to TAR26 November 2025 Consultation. Paragraph 15 and Page 11.
[183] CityFibre response to TAR26 November 2025 Consultation. Paragraphs 1.8-1.11.

(compared to DFA pricing that is above Openreach's costs). However, we have found that there is not, and there is unlikely to be potential for, material and sustainable competition to emerge in LLA Area 3 over the review period.

2.87 Where build has taken place since 2021 in postcode sectors that were categorised as LLA Area 3 in WFTMR21, a cost-based DFA remedy has been in place since 2021. As such, there is no change in the availability of dark fibre in these areas. These investments were undertaken with full knowledge of the product being available.

2.88 DFA will only be introduced as a new remedy in 580 postcode sectors. This number is smaller than proposed in the March 2025 Consultation. In these reclassified postcode sectors we recognise that there will be a DFA remedy that was not present when build was planned and undertaken in the 2021-26 review period. Within these, 502 postcode sectors are also classified as WLA Area 2, meaning that there is rival network presence (or planned presence) from current or potential material and sustainable competitors in relation to WLA.

2.89 We consider any impacts on investments by current or potential material and sustainable LLA providers made since 2021 are outweighed by the need to protect LLA customers, given that the prospects for LLA network competition that we identified in 2021 are not expected to materialise over this review period.[184] We do not expect that our approach to LLA price regulation will impact future network build in these areas by other providers that have built WLA networks. Given that we have found that these providers are unlikely to have the potential to become material and sustainable competitors in LLA in this review period, developments in the LLA market are unlikely to materially affect the profitability of their future network build.

2.90 Some providers expressed concern that our proposed LLA regulation in LLA Area 3 could undermine the prospects for consolidation of altnets and ultimately undermine the development of competition in LLA Area 3.

a) As set out in Volume 2, we consider that the impact of potential consolidation on LLA competitive conditions over the course of the review period is not sufficiently foreseeable. As such, we consider it is not appropraite to take it into account in our LLA geographic market definition. Given this uncertainty, we do not consider that any potential impacts on consolidation should be prioritised over promoting competition based on access to Openreach's network when determining our LLA Area 3 remedies.
b) Moreover, it is unclear that the DFA remedy or LBW cost-based charge control in LLA Area 3 would prevent mergers occurring. If a merger agreement can be struck, this is likely to be the case regardless of our LLA Area 3 remedies.[185]

2.91 We consider that any impacts on investments or consolidation are outweighed by the need to protect LLA customers, given that the prospects for network competition that we identified in 2021 have not materialised in the reclassified postcode sectors and there is unlikely to be potential for material and sustainable competition across LLA Area 3 over this review period.

[184] It is also unlikely that there has been significant leased lines build in all of these postcode sectors.
[185] Indeed, our LLA Area 3 remedies may have little impact on the transaction price for any merger since the business case for the merger would likely focus on WLA (especially given that the target network may have been developed with a geographic focus on delivering WLA rather than LLA services). Also, for some mergers only a part of the merging networks may lie in LLA Area 3.

2.92 For the same reasons, we do not think that a fair and reasonable pricing obligation for DFA rather than a cost-based charge control, as suggested by CityFibre, would sufficiently protect customers.

2.93 By contrast, we consider that a cost-based charge control will protect DFA customers from excessive prices. As such, we consider it is aligned with our objectives to promote competition based on access to Openreach's networks and protect consumers.

2.94 CityFibre drew a comparison with our approach in WLA. However, in the case of WLA Area 3, where our objectives are similar to those in LLA Area 3, we also set a cost-based charge control.

2.95 Given all the factors mentioned above, we consider that a cost-based charge control will continue to be appropriate for DFA services.

Our modelling of DFA charge controls

2.96 We have decided to set the cost-based charge control on DFA based on the fully allocated costs (FAC) of relevant components of Openreach's underlying passive infrastructure. This approach will provide Openreach with the opportunity to fully recover its efficiently incurred costs, including a return on its capital employed. This approach also directly protects DFA customers from the risk that Openreach sets excessively high prices (we discuss indirect impacts on active LLA customers below). A cost-based charge control on DFA may also reduce the risk of a price squeeze enabled via high Openreach LLA prices, which would help protect downstream competition based on access to Openreach's networks.

2.97 We set out details of our dark fibre cost modelling in Annex 13. We have determined our DFA charge controls based on updated evidence about the unit cost stack associated with providing EAD LA 10 Gbit/s services, which we consider to be an appropriate benchmark for estimating DFA costs. VodafoneThree disagreed with this approach to estimating DFA costs. In Annex 13, we explain our decision to maintain this approach in our Statement modelling.

2.98 Table 2.1 below summarises our DFA charge controls. As explained in Annex 13 and also in Section 6, we have decided to use a combination of SCAs and glidepaths to bring DFA charges into alignment with forecast costs by 2030/31. VodafoneThree disagreed with our proposed use of a 75% SCA for DFA services and it considered that we should instead adopt a 100% SCA. In Section 6, we explain our decision to maintain a 75% SCA for DFA services.

Table 2.1: Summary of our DFA charge controls

Dark fibre service	SCA[186]	CPI-X glidepath[187]
DFA connection (per circuit)	-24%	CPI – 8.25%
DFA circuit rental (per circuit per year) [188]	+10%	CPI – 0.75%

[186] The SCAs will be implemented on 1 April 2026.
[187] The CPI-X glidepaths will apply in each year of the charge control. As explained in Annex 13, the glidepaths align prices with estimated unit costs by 2030/31. Given that the SCAs will be implemented on 1 April 2026, the first year in which the CPI-X glidepath applies will be 2 April 2026 to 31 March 2027.
[188] For DFA circuit rental the SCA results in an increase in prices on 1 April 2026, which is then followed by below-inflation annual price increases (i.e. real-terms price reductions) under the glidepath charge control between 2 April 2026 and 31 March 2031. This price trend occurs because the SCA is informed by the estimated gap between prices and unit costs in 2025/26, but the unit costs of DFA circuit rental are subsequently forecast to decline in real terms between 2025/26 and 2030/31. As noted in Section 6, our

Our reasoning and decisions – active leased line access services

2.99 Below we present our approach to the charge controls on Openreach's active LLA services. Our approach takes account of the extent to which our cost-based charge control on DFA will sufficiently protect consumers and address the competition concerns we have identified.

2.100 There are many existing customers purchasing active LLA products in LLA Area 3. These customers can be protected by the charge control on DFA in two ways. First, directly, if customers of active leased lines switch to the lower priced DFA services. Second, indirectly, if Openreach decides to lower active leased line prices in response to the threat of customers migrating to DFA.

2.101 Thus, we first present our evidence on the constraint DFA exerts on active LLA circuits. We then present our charge controls for active services with bandwidths above 1Gbit/s (including WDM services), which we refer to as very high bandwidth (VHB) services. Finally, we present our charge controls for active services with bandwidths up to and including 1Gbit/s, which we refer to as lower bandwidth (LBW) services.

The constraint exerted by DFA

Introduction

2.102 In this subsection, we present evidence on the constraint exerted by DFA. As explained above, this is relevant to our subsequent decisions in relation to charge controls on active leased lines. For example, if DFA exerts a strong constraint on active prices, this reduces the stringency of charge controls on active products which are required to provide sufficient protection to consumers. On the other hand, if DFA exerts a weaker constraint on active prices, more stringent charge controls on active products may be required to provide sufficient protection to consumers.[189]

2.103 When considering this constraint, it is important to consider the following:

a) This is a forward looking assessment, considering the degree of protection likely to be offered by cost-based DFA during the 2026-31 review period. As explained below, we consider that the attractiveness of the remedy is likely to increase in the future.
b) DFA was introduced as part of the WFTMR21 and fully launched by Openreach in June 2022. It is thus early in the life cycle of this regulated product. This means that constraints to date are not necessarily indicative of the potential future constraints, and so there is some uncertainty about the future constraint that DFA will exert on active leased lines. It is thus necessary for us to exercise regulatory judgment when deciding which remedies will meet our objective in LLA Area 3.

partial (75%) SCA approach will provide a smoother overall glidepath for prices during the charge control period than a 100% SCA would.

[189] There is no inconsistency between the demand-side assessment of substitutability between Openreach's DFA and LBW products below and our product market definition. As set out in Volume 2, we conclude that dark fibre is part of the same product market as leased line services based on supply-side substitutability. However, those supply-side arguments do not apply here since in LLA Area 3 rivals to Openreach have limited presence. Thus, in practice there is limited scope for a third party dark fibre supplier to quickly and easily begin supplying active LLA products, and thereby constrain Openreach's provision of active LLA, in this area.

c) It is not necessary for all active leased line customers to be willing to switch to DFA in order for it to exert an effective constraint. The presence of a smaller number of so-called marginal customers may be sufficient.
d) The effectiveness of the constraint appears to be different for different active leased line bandwidths (as discussed below).

General observations on the constraint exerted by DFA

2.104 DFA is substitutable with active leased lines from a technical perspective. As discussed in Volume 3, DFA has a number of technical advantages over active leased lines. For example, it allows users to choose their own electronic equipment, to make decisions on bandwidth upgrades based on the underlying costs and it can eliminate inefficient equipment duplication.

2.105 In 2024/25, there were 578 DFA rental circuits in use, accounting for a small minority (1%) of all Openreach leased line and DFA circuits in Area 3.[190] With one exception ([✂]), current users of DFA tend to be small and medium-sized business-focused telecoms providers. DFA take-up has increased recently.[191] In addition, [✂] forecasts increased DFA take-up during the review period.[192] Forecast DFA growth is against a backdrop where Openreach active leased line volumes in LLA Area 3 are expected to gradually decline.[193]

2.106 We would expect customers to consider the relative price of DFA and active leased lines when choosing between them.[194]

2.107 As shown in Table 2.2, Openreach's DFA prices are lower than its leased line prices across all bandwidths (for both connections and rentals).[195] This price difference is greatest for VHB products. However, the cost differential for users of DFA is smaller than the price differential since DFA users incur various extra costs in order to be able to provide a LLA service (e.g. equipment costs, installation costs, the fibre tax, engineering).[196] [197] This means that the cost advantage of DFA compared to active leased line access services will also depend on these additional costs.[198]

[190] Page 64 of BT's published 2025 RFS.
[191] In 2023/24, there were 494 DFA rental circuits in use. See Page 60 of BT's published 2024 RFS.
[192] [✂] response dated [✂] to s135 notice dated [✂], question [✂].
[193] This is based on Ofcom's volumes forecasts, which incorporate changes in LLA geographic market boundaries. Further explanation of our approach to LLA volumes forecasting is provided in Annex 10.
[194] As indicated in [✂] response dated [✂] to s135 notice dated [✂], question [✂].
[195] Prices will change, including as a result of our regulatory decisions. However, we consider that current prices are sufficiently representative to demonstrate the relative difference between prices for DFA and active leased line circuits going forward.
[196] The fibre tax refers to business rates, for more detail see here: Business rates: Overview - GOV.UK.
[197] [✂] response dated [✂] to s135 notice dated [✂], question [✂]. [✂] response dated [✂] to s135 notice dated [✂], question [✂].
[198] These extra costs are likely to be somewhat larger where DFA is used to supply a VHB product since equipment costs are typically higher than for LBW products. However, this difference in equipment costs is likely to be significantly smaller than the difference in Openreach's current prices for LLA and DFA. Moreover, as explained in March 2021 Statement paragraph A9.15, in some instances DFA allows duplication of equipment to be avoided.

Table 2.2: Openreach LLA list prices (2025/26)

Product	Connection	Rental	Connection	Rental
	Connection charge	*Annual rental*	*% difference v. DFA single fibre*	*% difference v. DFA single fibre*
DFA - Single Fibre	£1,533	£1,089	**N/A**	**N/A**
EAD LA 1,000	£2,058	£1,800	**+34%**	**+65%**
EAD 1,000	£2,058	£2,358	**+34%**	**+117%**
EAD LA 10	£2,076	£1,800	**+35%**	**+65%**
EAD LA 100	£2,076	£1,800	**+35%**	**+65%**
EAD 100	£2,076	£2,358	**+35%**	**+117%**
DFA - Fibre Pair	£2,913	£2,178	**+90%**	**+100%**
EAD LA 10,000	£5,441	£4,146	**+255%**	**+281%**
EAD 10,000	£5,441	£4,980	**+255%**	**+357%**
OSA Filter Connect[199]	£8,590	£4,980	**+460%**	**+357%**

Source: Openreach. Online price list. Accessed 10 March 2026.

Note: All prices shown above do not require a minimum contract term except OSA Filter Connect - XG210 - Single Fibre, which has a 36 month minimum contract term.

2.108 For a customer choosing between taking a new active leased line or a new DFA circuit from Openreach, both the connection and rental charges in Table 2.2 are relevant. For a customer with an existing Openreach leased line, the comparison can be different.

a) If that customer's existing leased line remains suitable for their needs, it would need to compare the ongoing leased line rental charge against the combined DFA connection and rental charge. For these customers, DFA is thus less attractive than Table 2.2 would suggest.
b) If that customer is considering upgrading an existing active circuit to a faster VHB circuit, the upgrade fee for doing so is the same as the VHB connection charge. For these customers, both the connection and rental charges in Table 2.2 are relevant.
c) However, a customer upgrading an existing 100Mbit/s circuit to a 1Gbit/s circuit pays considerably less than the £2,058 connection charge set out in Table 2.2.[200] For these customers, DFA is thus less attractive than Table 2.2 would suggest.

2.109 In summary, the price advantage of DFA (as shown in Table 2.2) is likely to be strongest for new circuits and for existing active circuits that need to be upgraded to a VHB connection. DFA connection charges mean that this advantage is weaker for existing leased line customers that do not need a faster connection or who only need to upgrade to 1Gbit/s.

[199] This refers specifically to 'OSA Filter Connect - XG210 - Single Fibre' on the Openreach online price list.
[200] For circuits installed after 1 April 2017, currently, as a result of a special offer, the upgrade fee is £0. From 1 April 2026, the upgrade fee will be £100. For circuits installed prior to 1 April 2017, upgrade of these circuits currently costs £1,260. See Openreach response dated 9 October 2025 to s135 notice dated 10 September 2025, question F6.

2.110 Stakeholders have indicated that there are several issues that have impacted DFA take-up and which make DFA relatively less attractive.

2.111 First, telecoms providers including [✂], [✂] and [✂] have identified the initial cost of productising DFA (i.e. creating products that use DFA as an input that can then be sold to customers) as a barrier to use.[201] PXC referred to practical operational considerations in its consultation response.[202] One telecoms provider estimated the cost of productising dark fibre access as being [✂].[203] Further, several telecoms providers, including [✂], have cited the limited availability of DFA as a barrier to productising DFA.[204] As DFA is currently only available in LLA Area 3, and is not available across the entire UK, the upfront costs of productising DFA would be spread across fewer potential connections.[205]

2.112 Second, dark fibre users have raised issues with the charges they face and the process for migrating existing active circuits to DFA.

a) VodafoneThree has raised issues with the early termination charges ('ETCs') that Openreach's customers face when migrating an active circuit to DFA mid-contract. These charges depend on the type of product, the contract term, and the length of time remaining on the contract.[206] A customer upgrading from a lower bandwidth active circuit to a VHB circuit does not pay ETCs.[207] However, ETCs only apply while Openreach's customer is mid-contract. As such, this barrier is temporary. We also find the majority ([✂]%) of Openreach's active LLA circuits in LLA Area 3 as defined in WFTMR21 have less than one year remaining on the contracts (and so are near the end of the contract term during which ETCs apply).[208] Therefore, we do not expect that in general ETCs will be a significant barrier to migrating to DFA during the review period.
b) In order for an existing Openreach leased line access circuit to be switched to a dark fibre access circuit, customers must pay double rental charges while they wait for the dark fibre to be set up. This can take some time, and results in additional costs.[209]
c) Potential DFA users have also identified obstacles to migrating existing downstream customers from active LLA services to DFA. The switch over process from active LLA services to DFA may cause some end customer disruption (e.g. it requires a site visit) as

[201] [✂] response dated [✂] to s135 notice dated [✂] question [✂]. [✂] response dated [✂] to s135 notice dated [✂], question [✂]. [✂] response dated [✂] to s135 dated [✂], question [✂].
[202] PXC response to TAR26 March 2025 Consultation. Paragraph 3.14.
[203] [✂] response dated [✂] to s135 notice dated [✂], question [✂].
[204] [✂] response dated [✂] to s135 notice dated [✂], question [✂]. [✂] response dated [✂] to s135 notice dated [✂], question [✂].
[205] [✂] response dated [✂] to s135 notice dated [✂], question [✂].
[206] For most products, the ETCs remain significant into the final year of the contract. An exception is five-year EAD 10Gbit/s contracts, where there are no ETCs payable if the contract is switched in years 4 or 5. See Termination Charges. Openreach Price List. Accessed 6 March 2026 and Openreach response dated 9 October 2025 to s135 notice dated 10 September 2025, question F5.
[207] See Openreach. 8 January 2026. Connectivity Services Contract, Schedule 2, Service V37, 12 March 2025, paragraph 2.4d. Accessed 5 March 2026. and Openreach response dated 9 October 2025 to s135 notice dated 10 September 2025, question F5.
[208] Openreach response dated 9 October 2025 to s135 notice dated 10 September 2025, question F4. Based on services with bandwidths of 1 Gbit/s and above (including Optical Services). While OSA circuits tend to have longer remaining contract lengths than EAD circuits, the volume of OSA circuits is small in comparison to EAD circuits, and in any case, the majority of these contracts will expire within the review period. Evidence from Openreach data reflects the aggregate impact of contractual barriers on the market, which is relevant when considering the aggregate potential impact on switching to DFA.
[209] [✂]. [✂] response dated [✂] to s135 notice dated [✂], question [✂].

well as additional costs to customers.[210] [211] [212] In addition, telecoms providers are concerned about contacting their customers mid contract in case this causes churn.[213] However, where existing customers are already intending to upgrade to higher bandwidths, any customer disruption is likely to be less of a concern given changes will need to be made to the circuit and the customer's contract in any event.[214] We also expect that these obstacles are likely to be lower where the customer is using Openreach DFA within its own network (e.g. an MNO customer using it for mobile backhaul), rather than using it to provide connectivity to a third party. A customer using DFA in its own network in general does not have to incur the productisation costs described above and faces fewer issues in migrating existing circuits (e.g., in general it has less difficulty in gaining site access).[215]

2.113 Third, a number of telecoms providers have identified regulatory uncertainty about the long-term availability of DFA as a barrier to use (for example, if a customer site in a geographic market where DFA is available were reclassified in a subsequent market review to lie in a geographic market where DFA is generally not available).[216] At least in part, this appears to be prompted by our past approach to another dark fibre product (DFX) in the IEC market.[217]

2.114 We accept that uncertainty about the long-term availability of DFA may deter providers from using this product, particularly as downstream leased line contract lengths between telecoms providers and end customers are often long. The length of public sector contracts can be anywhere up to 20 years, and for business contracts 3-5 years.[218] Accordingly, as set out in Volume 3, we have decided that Openreach must continue to supply existing DFA circuits on regulated terms in locations reclassified from LLA Area 3 to other regulated LLA markets for a period of five years. While we cannot fetter our discretion in relation to future market reviews, this decision may provide potential DFA users with greater confidence in this product and now that we are aware of this concern, it will be a factor to consider in future decisions.[219]

Additional observations on the constraint exerted by DFA on VHB circuits

2.115 In addition to the general observations set out above, our evidence indicates that DFA is likely to be more attractive for users who need – or expect to need – VHB circuits:

[210] [✂] response dated [✂] to s135 notice dated [✂], question [✂].
[211] [✂]. [✂] response dated [✂] to s135 notice dated [✂], question [✂].
[212] [✂] cited customer disruption, such as a site visit, in its response dated [✂] to s135 notice dated [✂], question [✂].
[213] [✂] response dated [✂] to s135 notice dated [✂], question [✂].
[214] [✂] response dated [✂] to s135 notice dated [✂], question [✂].
[215] [✂] response dated [✂] to s135 notice dated [✂]
[216] [✂] response dated [✂] to s135 notice dated [✂], question [✂]. [✂] response dated [✂] to s135 notice dated [✂], question [✂].
[217] Our 2021 approach to DFX is set out in the March 2021 Statement, Volume 3, paragraph 6.158. Since the requirement for BT to offer DFA was first introduced in the WFTMR21, we did not need to impose any transitional arrangements for DFA.
[218] [✂] response dated [✂] to s135 notice dated [✂], question [✂].
[219] As set out in Volume 3, Section 7, paragraph 7.20, VodafoneThree said that this will help mitigate regulatory risk and avoid discouraging adoption of the DFA remedy.

a) DFA appears to be attractive for providing connectivity to mobile base stations (i.e. mobile backhaul).[220] [221] Where backhaul capacity at a particular site needs to be increased, [✂] typically expects to migrate 1Gbit/s circuits to DFA rather than to Openreach Ethernet EAD 10Gbit/s, citing the cost differential as a driver.[222]
b) As discussed above (see paragraphs 2.108 - 2.109), the cost advantage of DFA is likely to be largest for customers that require a VHB circuit. As a result, VHB circuits are more likely to be at the point where at least some customers would consider opting for DFA instead.

2.116 Additionally, as explained above, we expect the barriers to migrating circuits to DFA to generally be less for bandwidth upgrades.[223] Given that we expect increased demand for higher bandwidths in the review period, we expect a significant number of 1Gbit/s circuits will need to be upgraded to a faster connection. For some of these customers, DFA may be an attractive substitute.

2.117 Given these differences between VHB circuits and LBW circuits we have assessed what charge controls should apply to these products separately.

Charge control for VHB services

2.118 We have assessed the following approaches against our objectives of promoting competition based on access to Openreach's network and protecting consumers:[224]

a) Removing the charge control on VHB services, so we would be relying solely on cost-based DFA to protect VHB consumers in LLA Area 3;
b) Pricing continuity i.e. setting a CPI-0% charge control on VHB services that keeps the price caps the same in real terms; and
c) Setting a VHB charge control that brings prices closer to costs, either for all VHB circuits or (as proposed by VodafoneThree) a subset of existing VHB circuits (such as those that are more difficult to migrate to DFA or those where DFA was historically unavailable).

2.119 Based on the evidence set out above, we consider that DFA is likely to increasingly act as a constraint on VHB services during the review period (directly and indirectly).

2.120 As set out above, DFA is a technical substitute for active leased lines and has a number of technical advantages. We consider that DFA is likely to become an increasingly important substitute for VHB services since, as set out above, the cost advantage of DFA over leased lines is stronger for VHB products, and for upgrading existing LLA circuits to a VHB connection. DFA also appears to be an attractive substitute for VHB services when providing

[220] [✂].
[221] [✂] uses DFA for c.[✂] of its sites where DFA is available and forecasts this to increase by a further [✂] percentage points by the end of the current market review period. [✂] response dated [✂] to s135 notice dated [✂], question [✂].
[222] [✂] response dated [✂] to s135 notice dated [✂], question [✂].
[223] Although VHB circuits (10 Gbit/s circuits and Optical Services) tend to have a longer remaining contract length than LBW circuits, the majority of these contracts will still expire during the review period. Openreach response dated 9 October 2025 to s135 notice dated 10 September 2025, question F4.
[224] The primary remedies that protect models of downstream competition based on access to Openreach's LLA network are the various access requirements set out in Volume 3, including the protections against undue discrimination and the obligation to supply DFA. Accordingly, the discussion below mostly focuses on consumer protection, although we do discuss the extent to which these options address the risk of a price squeeze.

connectivity to mobile base stations (i.e. mobile backhaul). Increasing demand for VHB circuits could also improve the economics of productisation for DFA.

2.121 We also consider that our decision to maintain a remedy for five years for existing DFA circuits in postcode sectors which have been reclassified to LLA Area 2 or the HNR Area (see Volume 3, Section 7, paragraph 7.145) may give potential DFA users greater confidence in this product as it becomes more established.

2.122 If this constraint provided sufficient protection to consumers from excessive prices, we would not need an additional charge control on VHB services.

2.123 However, DFA is early in its life cycle and there is inherent uncertainty about the strength of this constraint across the review period. We also acknowledge that there have been some challenges to the take-up of DFA to date. We therefore consider that removing the charge control on VHB services, and just relying on a cost-based charge control on DFA services, is unlikely to adequately protect VHB consumers. As a result, we have decided that a charge control is necessary for VHB services while the constraint from cost-based DFA develops.

2.124 Accordingly, we consider that pricing continuity (retaining a CPI-0% price control) would act as an adequate safeguard to protect VHB consumers from further price increases in this review period. It is also consistent with promoting access-based competition as far up the value chain as possible.

2.125 We recognise that bringing VHB prices closer to cost would provide greater customer protection through lower prices in the short-term. However, we consider that cost-based DFA combined with pricing continuity on VHB actives (CPI-0% caps) as a safeguard will be sufficient to achieve our objectives, given that we expect DFA to increasingly act as a constraint on VHB services during the review period. Going further and introducing a VHB charge control that brings prices closer to costs would be disproportionate.

2.126 We do not agree with VodafoneThree's proposal to introduce a cost-based charge control on a subset of VHB circuits.

a) VodafoneThree proposed a cost-based charge control on existing VHB active services where switching is "constrained". However, it is not clear how such circuits could be identified in practice, particularly as the circumstances around a particular circuit are likely to change during the review period. We therefore consider that a charge control on circuits "where switching is constrained" would be impractical.[225] Insofar as VodafoneThree envisaged that such a control would only apply to circuits within the minimum contract period, the evidence set out above suggests that contractual barriers to migration are likely to be temporary.[226] We therefore consider that introducing a cost-based charge control on these would be disproportionate.
b) VodafoneThree also proposed a cost-based charge control for existing VHB active circuits that were deployed where DFA was historically unavailable. Such a charge control would only apply to active VHB circuits purchased in postcode sectors previously defined as Area 2 or the HNR Area, but which are now defined as LLA Area 3 (which

[225] It is also unclear how many circuits might reasonably be described as being constrained from switching to DFA. For example, VodafoneThree has raised concerns that the product distance limitations of DFA means that it cannot be used to serve all sites within LLA Area 3. It is unclear how many enterprise premises this applies to. However, this only applies to [✂] of its mobile sites. VodafoneThree response to TAR26 March 2025 Consultation. Section 3. Paragraph 184 and VodafoneThree response dated 23 October 2025 to s135 notice dated 10 September 2025, question F10.
[226] See paragraph 2.112a and footnote 223.

account for only 580 postcode sectors), or to active VHB circuits in any LLA Area 3 postcode sectors purchased prior to June 2022 (i.e. when DFA was fully launched as an Openreach product). However, we have not seen reasons why the constraint exerted by DFA is weaker over the review period for these older VHB circuits, compared to other VHB circuits in LLA Area 3. Thus, for the same reasons why we consider that introducing a VHB charge control that brings prices closer to costs would be disproportionate across the whole of LLA Area 3, we also believe that a charge control in a subset of that area would be disproportionate.

c) In both cases, we reiterate that it is not necessary for all active leased line customers to be willing to switch to DFA in order for it to exert a constraint. Instead, it needs sufficient active leased line circuits to be willing and able to switch to mean that the price of VHB circuits is constrained.

2.127 Our CPI-0% charge control for VHBs will take the form of:

a) A CPI-0% basket charge control on all Ethernet services (connections, circuit rentals and Main Link rentals) at bandwidths above 1Gbit/s;
b) A CPI+5% sub-cap on each Main Link service charge in the VHB Ethernet basket mentioned in point a) above;
c) Service-specific CPI-0% charge controls on each WDM (Optical) modular component.

2.128 Our approach to the design and implementation of these charge controls is explained in Section 6.

Charge control for LBW services

2.129 We have considered the following approaches against our objectives:

a) Removing the charge control on LBW services, so we would be relying solely on cost-based DFA to protect LBW consumers in LLA Area 3;
b) Pricing continuity i.e. setting a CPI-0% charge control on LBW services that keeps the price caps the same in real terms; and
c) Setting a LBW charge control that brings prices closer to costs.

2.130 Many customers have been reliant on having access to Openreach's LBW products. As discussed above, the cost advantages of using DFA where the customer only needs a LBW circuit appear to be lower. We are therefore concerned that the constraint from cost-based DFA will continue to be limited for LBW LLA across this review period (and potentially longer term). Openreach's recent profitability on LBW services in LLA Area 3 is above the relevant cost of capital (estimated via the WACC)[227], indicating that prices are currently above cost, and we expect that this would continue over the review period under a pricing continuity approach.

2.131 In the absence of a sufficient constraint from cost-based DFA on LBW services, we are therefore concerned that removing the charge control on LBW services or maintaining pricing continuity for LBW services would insufficiently protect consumers of these services from high prices, with very limited potential for future consumer benefits, increased competition or innovation. These options would thus not achieve our objective of protecting consumers in LLA Area 3.

[227] Ofcom analysis of BT 2025 AFI.01 submission (detailed RFS data). Evidence from our charge control modelling indicates that this remains true after adjusting base year costs to account for the reallocation of CJF fibre costs (this adjustment is further explained in Annex 10).

2.132 We consider that bringing prices closer to cost for LBW access circuits would protect customers. It may also reduce the risk of a price squeeze enabled via high Openreach LBW prices, which would help protect downstream competition based on access to Openreach's networks.

2.133 VodafoneThree and PXC welcomed the proposed introduction of a cost-based charge control for LBW services in LLA Area 3.

2.134 INCA and Openreach said that setting a cost-based charge control on LBW services would harm the potential future development of network competition in LLA Area 3. However, we have found there is not, and there is unlikely to be potential for, material and sustainable competition to emerge in LLA Area 3 over the review period, and as such, as set out in Volume 3 Section 1 our objective in LLA Area 3 is to protect customers (as well as promoting competition based on access to Openreach's networks) rather than to actively promote network competition. Given the limited prospects for network competition it is unlikely that investment by rival telecoms operators would constrain Openreach, or deliver benefits to consumers across LLA Area 3 as a whole that would offset any short term harm to consumers.[228] As explained above, we do not expect DFA services to act as a sufficient constraint on LBW prices, and so bringing LBW prices closer to cost is necessary to achieve this objective.

2.135 Openreach, ITS and INCA also stated that the proposal to introduce a cost-based charge control on LBW active services was a material change from the WFTMR21, which they said went against the 10-year consistency and continuity pledged in 2021.[229] ITS said that the proposed introduction of a cost-based charge control on LBW services would have a material impact on it, in particular given its expectations of pricing continuity from the WFTMR21.[230] In WFTMR21, in LLA Area 3, our intention was to impose effective cost-based access to Openreach's network. We are maintaining this approach, adapting our remedies to deliver that same outcome, based on assessing the evidence of how the market has developed. In particular, our view on the effectiveness of DFA as a constraint on LBW active services has changed. As set out in paragraph 2.130, the evidence demonstrates a need to introduce a cost-based control on LBW prices in the review period, in order to meet our objectives in LLA Area 3.[231]

2.136 To Openreach's comment that this entails cost-based charge controls at three levels of the value chain, we do not agree with this characterisation. Effectively, there are two levels of cost-based charge control that are relevant in respect of LBW services, the PIA charge control and the LBW charge control. The DFA remedy is expected to be preferred by customers seeking VHB services rather than LBW services (and for VHB services we have not imposed a cost-based charge control).

2.137 In any event, for the reasons set out elsewhere in this Statement, each of those charge controls performs a different function. In particular, the DFA charge control protects those

[228] The arguments in paragraphs 2.90 - 2.91 about the impact of cost-based DFA on consolidation also apply to cost-based LBW services.
[229] INCA response to TAR26 March 2025 Consultation. Paragraph 332. Openreach response to TAR26 March 2025 Consultation. Document 4. Paragraphs 38-39. ITS response to TAR26 March 2025 Consultation. Paragraph 52.
[230] ITS response to TAR26 March 2025 Consultation. Page 13.
[231] The arguments in paragraphs 2.88 - 2.89 about the impact of cost-based DFA given changing market boundaries also apply to cost-based LBW services.

customers that prefer DFA while the LBW charge control protects customers taking LBW services, given that we do not consider that cost-based DFA will act as a sufficient constraint.

2.138 To Openreach's comment that price reductions may not flow through to end customers, we do not need a guarantee of complete pass-through to retail prices in order for a cost-based charge control to be an appropriate and proportionate remedy. Our objective in LLA Area 3 is to protect consumers of the services in question, not just end users. In any case, it is reasonable to assume a proportion will be passed through given the degree of competition in the retail market, to the benefit of end users, even if pass-through is incomplete. Moreover, we would expect greater pass-through to end customers from a cost-based charge control than in the alternative options we have considered (i.e. maintaining price continuity or removing the charge control altogether).

2.139 Openreach said that our consultation proposals would create a "stark" contrast between remedies in LLA Area 2 and LLA Area 3. However, remedies already differ between these two geographic markets – as they did in the 2021-26 review period – reflecting their different circumstances. In LLA Area 3 we impose effective cost-based access to Openreach's network, with DFA being available only in LLA Area 3. In LLA Area 2, we adopt pricing continuity.

2.140 In light of the above, we have decided to set a cost-based charge control on leased line access circuits at bandwidths up to and including 1Gbit/s.

Our modelling of LBW charge controls

2.141 Our charge control is summarised in the table below.

Table 2.3: Summary of our charge control for leased line access circuits at bandwidths up to and including 1Gbit/s

Service	SCA	CPI-X glidepath[232]
Ethernet services at bandwidths up to and including 1Gbit/s (basket charge control)	No SCA	Year 1: CPI – 0% Year 2: CPI – 5.00% Years 3-5: CPI – 1.50%

2.142 Our basket charge control will apply to all Ethernet services (connections, circuit rentals and Main Link rentals) at bandwidths of 1Gbit/s and below. In addition to the basket charge control, there will be a CPI+5% sub-cap on each Main Link service charge in the basket. The design and implementation of the cost-based charge control are explained in Section 6.

2.143 We do not consider that the potential system costs to Openreach in implementing an LBW charge control would be disproportionate. Openreach will often need to change the specific prices it can set in regulated markets as a result of Ofcom decisions. We do not consider that the costs cited ([✂]) are significant enough to suggest that the decision is disproportionate, given the evidence of potential harm in the LLA market. As explained in Section 6, we have decided to allow for a one-year transition period to 1 April 2027 (during which CPI-0% pricing can be maintained) before the introduction of the cost-based control, as we consider this to be a pragmatic approach that reflects the operational issues that Openreach faces in

[232] The CPI-X glidepath is calibrated to ensure that forecast revenues align with forecast costs by 2030/31. Consistent with our standard approach, the cost-based CPI-X glidepaths that we are setting in this Statement have been calculated based on rounding to the nearest 25 basis points.

updating its billing systems to accommodate the changes from our existing regulation. Therefore, we consider that this approach is proportionate.

2.144 As mentioned earlier in this section, VodafoneThree and PXC disagreed with our proposed use of a glidepath only approach to bring charges into alignment with costs, and they considered that we should instead apply an SCA. In Section 6, we explain our decision to maintain a glidepath only approach for LBW services in LLA Area 3. In Section 6, we also explain our decision to apply a re-profiled glidepath which allows for CPI-0% pricing in year 1 (as mentioned above) without giving any additional revenue to Openreach over the entire charge control period.

Response to concerns about the impact of an incorrect market definition

2.145 As set out in Volume 2, we consider that our geographic market definition boundaries are appropriate and best reflect the evidence available to us. Defining market boundaries over a forward-looking period is, however, inherently uncertain. Insofar as there are uncertainties in relation to postcode sectors that we have defined as LLA Area 3, we consider that the balance of risks favours applying the remedies set out above. That is, we consider that the risks of failing to adequately protect LLA customers in these postcode sectors outweigh any risks from any impacts on investment or consolidation, given there is unlikely to be potential for material and sustainable competition across LLA Area 3 over this review period that would offset any short term harm to consumers.

Legal tests

2.146 We are setting SMP conditions on BT in the market for LLA in LLA Area 3 to give effect to the pricing remedies described above. We set out further detail of our approach to the design and implementation of the charge controls in Section 6. Our SMP conditions can be found in Volume 7.

2.147 We consider that our LLA charge controls are proportionate as they go no further than is necessary to achieve our objectives, and we have not identified any adverse effects that would be disproportionate to the aim pursued. We are setting them at a level to enable Openreach to recover its costs and we do not consider that they will undermine investment in rival networks in view of our assessment that there is limited potential for this in LLA Area 3.

2.148 As explained above, we consider there to be a risk that, absent regulation, BT might fix and maintain prices at an excessively high level in the LLA Area 3 market so as to have adverse consequences for end-users through weaker retail competition.

2.149 As required by section 88 of the Act, we consider that the setting of the SMP conditions would be appropriate for the following purposes:

a) Promoting efficiency;
b) Promoting sustainable competition;
c) Conferring the greatest possible benefits on end users of public electronic communications services, having regard, where relevant to the market analysis, to the long term interests of end-user in the use of next general networks;
d) Promoting the availability and use of new and enhanced networks.

2.150 We have also considered:

a) the extent of the investment in the matters to which the condition relates of the person to whom it is to apply; and

b) the benefits of predictable and stable wholesale prices in ensuring efficient market entry and sufficient incentives for all undertakings to bring into operation new and enhanced networks.[233]

Promoting efficiency

2.151 In the absence of competitive pressures, we believe that Openreach would have limited incentives to reduce its costs of providing leased lines services. Our approach encourages Openreach to achieve greater productive efficiency by allowing it to keep any profits it earns from reducing costs over the review period.

2.152 We also consider that each of our charge controls promote efficiency by, inter alia:

a) ensuring BT cannot set high prices relative to cost;
b) allowing BT to earn a reasonable rate of return if it is efficient;
c) providing BT with flexibility to change prices to meet demand conditions by recovering common costs in the most efficient manner across groups of services.

2.153 In the case of the charge control for active leased lines, we have decided overall on regulatory approaches of pricing continuity for VHB services and a cost-based LBW remedy. While we have increased the sub-cap for each Main Link service charge, it will provide some protection from sharp price increases and the services remain subject to the Ethernet basket caps. We are also setting a cost-based charge control on DFA. We consider that in combination this will provide BT with a strong incentive to reduce costs over the period and thereby improve productive efficiency.

Promoting sustainable competition and conferring the greatest possible benefit on end-users

2.154 We consider that our charge controls are each appropriate to promote sustainable competition and confer the greatest possible benefits on end users of public communications services.

2.155 Customers that prefer DFA are protected by the cost-based charge control on those services. We expect that customers who prefer active VHB services are likely to be increasingly protected by the DFA charge control over the review period, but we are setting a safeguard cap of CPI-0% on VHB actives to protect consumers while the constraint from cost-based DFA develops. Customers that prefer LBW actives are protected by the cost-based charge control on those services, as we do not consider that cost-based DFA will provide sufficient protection for them.

2.156 Overall, we consider our approach will promote and maintain retail competition.

2.157 Our charge control for DFA at cost will support downstream competition based on using dark fibre and result in lower downstream prices (compared to setting DFA prices above cost).

2.158 We consider that efficiency gains should, in the longer term, be passed onto consumers through reductions in prices and improvements in quality.

[233] We also note section 88(1A) of the Act which provides that Ofcom may refrain from setting a price control (even if the other section 88 tests are satisfied) if a demonstrable retail price constraint is present and other SMP conditions would ensure effective and non-discriminatory access. We conclude in light of our SMP determinations that these tests would not be satisfied in this market.

Promoting the availability and use of new and enhanced networks

2.159 Our charge controls reflect our finding that there is unlikely to be the potential for material and sustainable competition to Openreach in the provision of leased lines by competing networks in LLA Area 3.

2.160 Our cost-based charge control on DFA, rather than a charge control set at a higher level, supports the attractiveness of the remedy for some providers and incentivises them to invest as deep into the network as possible.

The extent of the investment and the benefits of predictable and stable wholesale prices

2.161 We have also taken into account the extent of BT's investment in LLA Area 3 to which the conditions relate by setting charge controls which allow BT to recover its efficiently incurred costs and make a reasonable return on its investments.

2.162 As our conditions involve price controls on the provision of network access to existing network elements, in accordance with the amended test in section 88 of the Act, we have also taken account of the benefits of predictable and stable wholesale prices in ensuring efficient market entry and sufficient incentives for all undertakings to bring into operation new and enhanced networks.

2.163 Our SMP conditions involve cost-based charge controls for active LBW leased line access and DFA services. However, they will enable Openreach to recover its costs. Further, with the exception of the sub-cap for each Main Link service, we are maintaining the existing price cap on the basket control for VHB (including Main Link services) at current levels in real terms. Overall, we consider our approach to price regulation promotes Openreach's investment in gigabit-capable networks and supports efficient market entry by competing telecoms providers.

2.164 In Section 7 we explain why the setting of these SMP conditions would satisfy the test set out in section 47 of the Act.

The HNR Area

The competition problem

2.165 As set out in Volume 2, in the HNR Area there is a risk that, absent regulation, BT would have the incentive and ability to impose a price squeeze so as to have adverse consequences for end-users, through weaker retail competition. We have taken this into account in our pricing remedies.

Our objectives

2.166 As set out in Volume 3, our objectives in the HNR Area are to promote investment and competition in networks that offer LLA services by Openreach and other telecoms providers. As network competition develops, we also seek to protect consumers and competition based on access to Openreach's networks.

Our proposals

2.167 In our March 2025 Consultation, we proposed LLA services in the HNR Area should continue to be subject to a requirement for charges to be fair and reasonable, meaning that the

terms should not constitute a price squeeze. We did not propose to introduce a charge control for active LLA services in the HNR Area.

Stakeholder responses

2.168 Openreach agreed with our proposal to apply the fair and reasonable charges obligation on services in the HNR Area.[234] VodafoneThree also supported our approach, stating that while competition in the HNR Area is more developed than in other geographic markets, it remains nascent, and continued regulatory oversight is therefore necessary.[235]

2.169 INCA said that for the fair and reasonable pricing requirement to be effective, Ofcom should set out transparent rules for this test. In relation to the price squeeze test, INCA did not agree that an equally efficient operator (EEO) based assessment was appropriate. It said that whilst competition is emerging it is appropriate to apply a reasonably efficient operator (REO) based price squeeze test in order to promote investment by network operators.[236]

Our reasoning and decisions

2.170 Our market analysis has found BT to have SMP in the HNR Area. However, we also find that a greater level of competition is present in the HNR Area compared to LLA Area 2 and LLA Area 3. We have taken this into consideration when developing our remedies.

2.171 Given the competition concern we have identified in the HNR Area, we have considered whether additional regulation is necessary to address the risk of a price squeeze.

2.172 As outlined in Volume 3, where no charge control applies, a fair and reasonable charging requirement is applied to protect customers from a price squeeze. This is because a fair and reasonable charging requirement ensures that access seekers would be able to purchase the wholesale services they rely on, on terms that do not constitute a price squeeze. It thus protects downstream competition based on access to Openreach's networks.

2.173 While we would assess any dispute or potential enforcement case as to whether charges are fair and reasonable on the relevant facts, we consider that a reasonable starting point is that BT should maintain a sufficient margin between its weighted average retail and wholesale services, and that our assessment of the margin would be based on the costs of an equally efficient operator (EEO).

2.174 INCA favoured an REO test in order to promote investment by network operators. However, our fair and reasonable requirement relates to the wholesale LLA market and its corresponding retail market, not the upstream network level. This EEO standard would be applied when assessing retail-level costs, in order to understand whether access seekers (i.e. the downstream telecoms providers purchasing LLA) are subject to a retail-level price squeeze. Typically, when considering such a potential price squeeze it is not necessary to model upstream (network-level) costs, since the assessment can simply use Openreach's prices. Use of an EEO standard in the HNR Area continues the WFTMR21 approach.[237] It is appropriate since we are not seeking to promote competition at the retail level in the same

[234] Openreach response to TAR26 March 2025 Consultation. Document 4. Paragraph 34.
[235] VodafoneThree response to TAR26 March 2025 Consultation. Section 3. Paragraphs 289-291.
[236] INCA response to TAR26 March 2025 Consultation. Paragraphs 316-319.
[237] Ofcom. March 2021. Promoting investment and competition in fibre networks – Wholesale Fixed Telecoms Market Review 2021-26. Volume 4. Footnote 82.

way that we are promoting network competition. We therefore disagree that our starting point should be an REO-based price squeeze test.

2.175 We expect a fair and reasonable charging requirement, but no charge control, to preserve investment incentives for both Openreach and competing network providers by allowing prices to be above cost to some degree.

2.176 We have therefore decided a fair and reasonable requirement to be sufficient to address the risk of a price squeeze in the HNR Area and to achieve our objectives. Given the level of competition present, the comments received by stakeholders on our proposals and our competition concerns in the HNR Area, we consider that additional regulation would be disproportionate.

Our decision to maintain a fair and reasonable charging requirement

2.177 For the reasons we set out above, we have decided to require Openreach to set charges for LLA in the HNR Area that are fair and reasonable. We are not introducing a charge control on LLA in the HNR Area, other than the charge control which applies as part of the measures in place for existing dark fibre circuits in postcode sectors which have been reclassified from LLA Area 3 as defined in the WFTMR21.

Legal tests

2.178 We are setting SMP conditions on BT in relation to the market for LLA in the HNR Area to give effect to the pricing remedies described above. The SMP conditions can be found in Volume 7.[238]

2.179 For the reasons set out above, we consider that a requirement for Openreach to set fair and reasonable charges is proportionate as it goes no further than is necessary to achieve our objectives and we have not identified any adverse effects that would be disproportionate to the aim pursued.

2.180 As explained above, we consider there to be a risk that, absent regulation, BT might impose a price squeeze so as to have adverse consequences for end users.

2.181 As required by section 88 of the Act, we consider that the setting of the SMP condition is appropriate for the following purposes:

a) Promoting efficiency;
b) Promoting sustainable competition;
c) Conferring the greatest possible benefits on end users of public electronic communications services, having regard, where relevant, to the market analysis and to the long term interests of end-users in the use of next-generation networks;
d) Promoting the availability and use of new and enhanced networks.

2.182 We have also considered:

a) the extent of the investment in the matters to which the condition relates of the person to whom it is to apply; and

[238] Paragraphs 2.37 – 2.56 above set out our assessment of the legal tests in relation to the price control applying to existing dark fibre circuits in post code sectors which have been reclassified from Area 3 as defined in the WFTMR21.

b) the benefits of predictable and stable wholesale prices in ensuring efficient market entry and sufficient incentives for all undertakings to bring into operation new and enhanced networks.[239]

Promoting efficiency

2.183 We consider that supporting network competition promotes efficiency. Our approach also encourages Openreach to achieve greater productive efficiency by allowing it to keep any profits it earns from reducing costs over the review period.

Promoting sustainable competition and conferring the greatest possible benefit on end-users

2.184 The conditions maintain incentives for investment by competing networks. Our decision to set a condition requiring fair and reasonable prices is intended to protect downstream competition while allowing the potential for stronger network competition to develop. This will deliver the greatest possible benefits for end users over the long term.

Promoting the availability and use of new and enhanced networks

2.185 We consider that our SMP conditions promote the availability and use of new and enhanced networks.

2.186 We expect a fair and reasonable charging requirement to preserve investment incentives by allowing prices to be above cost to some degree. This is likely to create incentives for investment by competing network providers. This competitive pressure provides Openreach with a strong incentive to invest. Together, this regulation will lead to increased availability and use of new and enhanced networks.

The extent of the investment and the benefits of predictable and stable wholesale prices

2.187 We have also taken into account the extent of BT's investment in the matters to which the condition relates by setting a condition which ensures that Openreach can make a reasonable return on its investments.

2.188 As our condition involves a price control on the provision of network access to existing network elements, we have also taken account of the benefits of predictable and stable wholesale prices in ensuring efficient market entry and sufficient incentives for all undertakings to bring into operation new and enhanced networks.

2.189 We consider that this level of price regulation promotes efficient market entry by competing network providers and promotes Openreach's investment. Consequently, we consider that our condition provides sufficient incentives for all undertakings to bring into operation new and enhanced networks.

2.190 In Section 7 we explain why the setting of the SMP condition satisfies the test set out in section 47 of the Act.

[239] We also note section 88(1A) of the Act which provides that Ofcom may refrain from setting a price control (even if the other section 88 tests are satisfied) if a demonstrable retail price constraint is present and other SMP conditions would ensure effective and non-discriminatory access. We have considered whether these tests may be satisfied in this case. We conclude in light of our SMP determinations that they would not be satisfied.

3. Inter-exchange connectivity charge controls

3.1 In this section we set out our decisions for pricing remedies in the IEC markets where Openreach is required to provide active IEC services and dark fibre for inter-exchange (DFX) (see Volume 3).

The competition problem

3.2 We consider that absent regulation, BT would have the incentive and ability to fix and maintain prices for IEC services from BT Only and BT+1 exchanges at an excessively high level and/or impose a price squeeze so as to have adverse consequences for end-users (including through a weakening of downstream competition).

3.3 As set out below we have decided to impose charge controls on these services to address this risk. Consistent with the approach to remedies set out in Volume 3, we have exercised our discretion in setting these charge controls in favour of an approach that achieves our objectives.

Objectives for the IEC market

3.4 As set out in Volume 3 Section 1, at all regulated BT exchanges (BT Only and BT+1) our objectives are to promote competition based on access to Openreach's network and to protect consumers. Consistent with the approach to remedies set out in Volume 3 Section 1, we have exercised our discretion in setting charge controls in the IEC market in favour of an approach that achieves our objectives.

Summary of our decisions

3.5 We have decided to:

- Retain a cost-based charge control for DFX connections, circuit rentals and main link rentals, at all BT Only exchanges and BT+1 exchanges.[240]
- Set a CPI-0% charge control for active IEC services at BT Only exchanges and BT+1 exchanges.[241]

Dark fibre for inter-exchange connectivity (DFX)

Our proposals

3.6 In our March 2025 Consultation, we proposed a cost-based charge control for DFX services at BT Only exchanges and BT+1 exchanges. This comprised of charge controls on each of DFX connection, circuit rental and main link rental services, with 50% of the gap between current prices and estimated unit costs (in 2025/26) being removed by means of a Starting

[240] These charge controls also apply on a transitional basis for three years to DFX services at exchanges that were classified as BT Only DFX in the WFTMR21 and are reclassified to BT+2 in the 2026-31 review period.
[241] These charge controls also apply on a transitional basis for one year to active IEC services at exchanges that were classified as BT Only or BT+1 in the WFTMR21 and are reclassified to BT+2 in the 2026-31 review period.

Charge Adjustment (SCA) at the start of the 2026-31 control period, and a CPI-X glidepath used thereafter to align prices to costs by 2030/31. The March 2025 Consultation proposed charge controls (as modified in Ofcom's update of 29 May 2025[242]) are summarised in Table 3.1 below.

Table 3.1: Summary of our March 2025 Consultation proposed cost-based charge controls for dark fibre for inter-exchange (DFX)

	High costs scenario		Base costs scenario		Low costs scenario	
Service	**SCA**	**CPI-X glidepath**	**SCA**	**CPI-X glidepath**	**SCA**	**CPI-X glidepath**
DFX connection (per circuit)	-8%	CPI – 6.00%	-10%	CPI – 8.00%	-11%	CPI – 9.00%
DFX circuit rental (per circuit per year)	-31%	CPI – 19.00%	-31%	CPI – 24.25%	-29%	CPI – 25.25%
DFX main link rental (per metre per year)	-11%	CPI – 2.25%	-14%	CPI – 3.50%	-17%	CPI – 4.75%

3.7 In the November 2025 Consultation, we proposed to incorporate in our charge control modelling certain fibre cost reallocations which BT plans to capture in its 2026 RFS. We reflected this proposal in our estimates of the cost-based charge control on DFX connections, circuit rentals and main link rentals. As in our March 2025 proposals, we proposed removing 50% of the gap between current prices and estimated unit costs (in 2025/26) by means of a Starting Charge Adjustment (SCA) at the start of the 2026-31 control period, and thereafter using a CPI-X glidepath to align prices to costs by 2030/31. The November 2025 Consultation proposed charge controls are summarised in Table 3.2 below.

Table 3.2: Summary of our November 2025 Consultation proposed cost-based charge controls for dark fibre for inter-exchange (DFX)

	High costs scenario		Base costs scenario		Low costs scenario	
Service	**SCA**	**CPI-X glidepath**	**SCA**	**CPI-X glidepath**	**SCA**	**CPI-X glidepath**
DFX connection (per circuit)	+7%	CPI – 0.75%	+5%	CPI – 2.25%	-10%	CPI – 8.00%
DFX circuit rental (per circuit per year)	-31%	CPI – 18.75%	-31%	CPI – 24.00%	-29%	CPI – 25.00%

[242] On 29 May 2025, we published a document which set out corrections to the March 2025 Consultation, including corrections to Table A17.2.

	High costs scenario		Base costs scenario		Low costs scenario	
DFX main link rental (per metre per year)	+36%	CPI + 9.25%	+29%	CPI + 7.25%	0%	CPI – 0%

Stakeholder responses

3.8 As set out in more detail in Volume 3, Openreach raised broad concerns regarding our proposed DFX remedy, rather than specifically focusing on the proposed charge controls.[243]

3.9 VodafoneThree and INCA agreed with our proposal to apply a cost-based charge control for DFX connections, circuit rentals and main link rentals, and these stakeholders also agreed with the extension of this remedy to cover all BT Only exchanges and BT+1 exchanges.[244] [245] Similarly, CityFibre supported our proposals for charge controlling IEC products, particularly DFX.[246]

3.10 However, VodafoneThree considered that instead of the 50% SCA for DFX services which we proposed in our March 2025 Consultation, we should instead adopt a 100% SCA, which would fully align prices with costs at the start of the charge control period.[247]

3.11 Stakeholders also made further comments which were specific to the modelling of the proposed cost-based charge control on DFX services. We discuss these comments in Annex 13.

3.12 In relation to the November 2025 Consultation proposals, stakeholders commented on the proposed incorporation of BT's fibre cost reallocations in our charge control modelling for the TAR Statement (which impacts the level of the cost-based charge controls for DFX services). We discuss these comments in Annex 10.

3.13 A number of altnets who are building networks to offer FTTP services raised concerns about the impact of higher DFX prices on competition and rollout in the WLA market. Several altnets purchase Openreach DFX services to connect their access networks to aggregation nodes, interconnect locations, and core or peering sites. INCA stated that the DFX product is a critical input for rural altnets and therefore increases in DFX prices will materially disadvantage Openreach's rural competitors.[248] A joint response from FullFibre, Zzoomm, GoFibre, Ogi, and Commsworld stated that the DFX price has a material impact on the business case for rural and semi-rural FTTP deployment.[249] GoFibre specifically raised concerns about the impact of higher DFX prices on existing Project Gigabit commitments.[250] Substantial Group stated that the proposed changes risked pushing up the cost of key inputs used by altnets to compete in leased line markets.[251] Substantial Group also considered that Ofcom should provide additional transparency in the TAR Statement on

[243] Openreach response to TAR26 March 2025 Consultation. Document 3. Paragraphs 432-437.
[244] VodafoneThree response to TAR26 March 2025 Consultation. Section 3. Paragraphs 292-294.
[245] INCA response to TAR26 March 2025 Consultation. Paragraphs 348-349.
[246] CityFibre response to TAR26 March 2025 Consultation. Page 109.
[247] VodafoneThree response to TAR26 March 2025 Consultation. Section 3. Paragraph 300.
[248] INCA response to TAR26 November 2025 Further Consultation. Paragraph 56.
[249] FullFibre, Zzoomm, GoFibre, Ogi, Commsworld joint response to TAR26 November 2025 Further Consultation. Page 7.
[250] GoFibre response to TAR26 November 2025 Further Consultation. Page 2, 4-6, 8.
[251] Substantial Group response to TAR26 November 2025 Further Consultation. Paragraph 1.4.

how Ofcom has assessed the impact of its dark fibre charge controls on competition from PIA-based networks.[252]

3.14 The joint response from FullFibre, Zzoomm, GoFibre, Ogi, and Commsworld also stated that BT would gain a competitive advantage in the WLA market, not as a result of its greater efficiency but due to "regulatory price design". This is because BT is not exposed to regulated DFX pricing (since it largely uses internal backhaul routes) and because costs are being reallocated away from WLA.[253]

Our reasoning and decisions

3.15 We have decided to set a cost-based charge control for DFX connections, circuit rentals and main link rentals at BT Only exchanges and BT+1 exchanges, for the reasons set out below.[254]

3.16 As set out in Volume 3, we have decided to continue to require Openreach to provide a specific network access remedy in the form of DFX, and to extend its availability to cover all BT Only and BT+1 exchanges.

3.17 Currently, DFX services are subject to a cost-based charge control. We have considered whether to retain a cost-based charge control for the 2026-31 review period, or whether to take an alternative approach such as removing the charge control altogether or adopting a pricing continuity (CPI-0%) approach.

3.18 We do not consider that alternative approaches would best meet our objective of promoting competition based on access to Openreach's network and protecting consumers. This is because in the absence of a cost-based charge control, we consider that Openreach has the incentive and ability to fix and maintain DFX prices at an excessively high level, which would not adequately protect consumers.

3.19 By contrast, we consider that a cost-based charge control will protect DFX customers from excessive prices. As such, we consider it is aligned with our objective to promote competition based on access to Openreach's networks and protect consumers. As explained in Volume 3, further investment by competing providers of IEC at BT Only and BT+1 exchanges is unlikely in the review period. We thus consider that the risks to investment and network competition of setting DFX charges at cost are low.

3.20 Respondents to the November 2025 Consultation were concerned about the impact of higher DFX prices on users. We consider that a cost-based charge control is appropriate, even where it results in DFX prices rising. As set out below, we consider that the cost reallocations will improve the accuracy of BT's cost attribution, and therefore result in a more accurate estimate of the efficient costs of DFX. This is reflected in our cost-based charge control for DFX. Such a control sends price signals to potential users that reflect the resources used to provide DFX, encouraging the use of the product where it is efficient to do so.

3.21 Some respondents expressed concern about the impact on rural FTTP deployment. However, we do not consider that this justifies setting Openreach's prices below cost,

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[252] Substantial Group response to TAR26 November 2025 Further Consultation. Paragraphs 1.4 and 5.1.3.
[253] FullFibre, Zzoomm, GoFibre, Ogi, Commsworld joint response to TAR26 November 2025 Further Consultation. Page 7.
[254] These charge controls also apply to DFX services on a transitional basis for three years at exchanges which were classified as BT Only DFX in the WFTMR21 and are reclassified to BT+2 in the 2026-31 review period.

which would deny Openreach the opportunity to recover efficiently incurred costs. In locations where FTTP build is not economic (even with inputs priced at cost), there are public subsidy schemes to support FTTP build.

3.22 Respondents were also concerned that there could be an asymmetric impact between BT and competitors from higher DFX prices, which could lead BT to gain a competitive advantage in retail fibre markets. As set out below, we consider that the reallocations will more accurately reflect the costs of DFX circuits. Insofar as BT uses Openreach IEC products to provide its services, competitors can also choose to purchase the same products as BT to provide FTTP services if they wish. Where altnets build networks using a different approach so that they, unlike BT, need to purchase DFX, a cost-based charge control means the altnets only face Openreach's cost of providing the service they need based on their own network design decisions. Further, as we are setting a cost-based charge control for DFX, we consider the risk of a price squeeze that harms downstream competition to be low.[255]

3.23 Given all of the factors mentioned above, we have decided that a cost-based charge control continues to be appropriate for DFX services.

Our modelling of DFX charge controls

3.24 We set out details of our dark fibre cost modelling in Annex 13. In setting DFX charges for connections, circuit rentals and main link rentals, we have decided to set charges based on the fully allocated costs (FAC) of relevant components of Openreach's underlying passive infrastructure. This approach will provide Openreach with the opportunity to fully recover its efficiently incurred costs, including a return on its capital employed.

3.25 We have determined our DFX charge controls based on updated evidence about the unit cost of providing EAD 10 Gbit/s services, which we consider to be an appropriate benchmark for estimating DFX costs.[256] In Annex 13, we explain our decision to maintain this approach in our Statement modelling.

3.26 Table 3.3 below summarises our DFX charge controls. As explained in Annex 13 and also in Section 6, we have decided to use a glidepath only approach to bring DFX charges into alignment with forecast costs by 2030/31. As mentioned earlier in this section, VodafoneThree disagreed with our proposed use of a 50% SCA for DFX services and it considered that we should instead adopt a 100% SCA. In Section 6, we explain our decision to use a glidepath only approach for DFX services.

Table 3.3: Summary of our DFX charge controls

Dark fibre service	CPI-X glidepath[257]
DFX connection (per circuit)	CPI + 2.25%
DFX circuit rental (per circuit per year)	CPI – 56.50%
DFX main link rental (per metre per year)	CPI + 14.50%

[255] See our assessment in Volume 3 Section 4 of when to impose a requirement that Openreach's charges are fair and reasonable.
[256] Further details of our benchmarking approach are provided in Annex 13.
[257] The CPI-X glidepaths will apply in each year of the charge control.

Active leased lines for inter-exchange connectivity

Our proposals

3.27 In our March 2025 Consultation, we proposed to set a CPI-0% charge control for active IEC services at BT Only exchanges and BT+1 exchanges.

3.28 In the November 2025 Consultation, we also proposed changes to the level of the sub-cap on each main link service charge within each of the Ethernet charge control baskets in the LLA and IEC markets (from CPI-0% to CPI+5%). We discuss these proposals and associated stakeholder responses in Section 6, which explains the design and implementation of our charge controls.

Stakeholder responses

Active leased lines for inter-exchange connectivity

3.29 Openreach said it was broadly supportive of the proposed CPI-0% charge control for active IEC services.[258] It agreed that the evidence of take up suggests that the availability of DFX at cost-based prices reduces the risk of excessive prices for active IEC services and that our proposed charge control for active IEC services of CPI-0% provides a proportionate level of consumer protection without undermining incentives to migrate to DFX services.

3.30 VodafoneThree stated that BT/Openreach is earning returns of 88% on IEC services, nearly ten times the regulated WACC, which it said is an indicator of market failure.[259] Both PXC and VodafoneThree were concerned that our proposals would not address excessive recovery by Openreach on its active IEC products.[260] In contrast, Openreach said that it expects a number of trends to depress its longer term returns (reduced demand from ISPs for backhaul links between serving exchanges as a result of migration from copper to FTTC or FTTP, rollout of EAD 2.0 removing main link services revenue, and the exchange exit programme meaning many IEC connections will cease to exist).[261]

3.31 Stakeholders gave various reasons for why they considered that there are limited constraints on the price of Openreach's active IEC products.

a) PXC said that the scope to use active IEC services from alternative providers is limited, and that none of these providers (apart from [✂]) will be attractive suppliers of IEC circuits.[262] It raised concerns that DFX repair times do not match those of active Ethernet/WDM services, which represents a significant disadvantage to switching critical backhaul circuits over to DFX. PXC stated that it had completed a [✂] programme to reconfigure its backhaul network and that doing so again would be costly, complex and disruptive.[263] PXC also said it was [✂], which limits it ability to change.[264] PXC said that investing in new DFX circuits at non-enduring exchanges is

[258] Openreach response to TAR26 March 2025 Consultation. Document 4. Paragraph 108.
[259] VodafoneThree response to TAR26 March 2025 Consultation. Section 3. Paragraph 205.
[260] PXC response to TAR26 March 2025 Consultation. Pages 16-17. VodafoneThree response to TAR26 March 2025 Consultation. Section 3. Paragraph 205.
[261] Openreach response to TAR26 March 2025 Consultation. Document 3. Pages 102-103.
[262] PXC response to TAR26 March 2025 Consultation. Paragraphs 4.4 and 4.7.
[263] PXC confidential response to TAR26 March 2025 Consultation. Paragraph 4.3.
[264] PXC confidential response to TAR26 March 2025 Consultation. Paragraph 4.3.

becoming unattractive due to the exchange exit programme, and that the remaining enduring exchanges are less suitable for DFX coverage.[265]

b) VodafoneThree expressed concerns that migration to DFX was not immediate. It highlighted operational and economic barriers, including operational planning, down time due to network freezes, dual running costs and early termination charges (ETCs).[266] It said that the proposal to retain the CPI-0% charge control on active IEC products offers minimal protection for circuits that are not migrated, or are in the process of being migrated.[267] It estimated that it would take a period of [✂] to plan and migrate its existing services to DFX.[268]

c) VodafoneThree also said that reclassifications of exchanges in the WFTMR21 (which resulted in the removal of DFX from some exchanges) had significantly harmed its confidence in the stability of the DFX product and made it more difficult for teams to plan, invest and advocate for its use.[269]

d) UKCTA also raised concerns about customers being trapped in long-term contracts where ETCs act as a barrier to migrating to DFX when it becomes available at new locations.[270]

3.32 In response to the November 2025 Consultation, VodafoneThree stated that the proposed increase in dark fibre main link charges means it is no longer economic to switch from in situ active services to dark fibre for exchange backhaul.[271] It said that [✂].[272]

3.33 Given the above issues, PXC said that there is a strong argument for a cost-based charge control on active IEC products, at least for existing circuits.[273] UKCTA and VodafoneThree suggested additional remedies to deal with these issues, including transitional protections, targeted charge controls for existing active services where switching is constrained, or a requirement on Openreach to waive ETCs where providers want to migrate to DFX within newly regulated areas.[274]

Our reasoning and decisions

3.34 We have decided to maintain a CPI-0% charge control for these active services, so that prices do not rise in real terms, for the reasons set out below.[275] [276] This takes into account our objectives and our assessment of the constraint from DFX.

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[265] PXC response to TAR26 March 2025 Consultation. Paragraph 4.3.
[266] VodafoneThree response to TAR26 March 2025 Consultation. Section 3. Paragraph 204. VodafoneThree confidential response to TAR26 November 2025 Further Consultation. Paragraph 68.
[267] VodafoneThree response to TAR26 March 2025 Consultation. Section 3. Paragraph 205.
[268] VodafoneThree confidential response to TAR26 November 2025 Further Consultation. Paragraph 68.
[269] VodafoneThree response to TAR26 March 2025 Consultation. Section 3. Paragraph 202.
[270] UKCTA response to TAR26 March 2025 Consultation, Paragraphs 29-31.
[271] VodafoneThree response to TAR26 November 2025 Further Consultation. Page 13.
[272] VodafoneThree confidential response to TAR26 November 2025 Further Consultation. Paragraph 69.
[273] PXC response to TAR26 March 2025 Consultation. Paragraph 4.8.
[274] UKCTA response to TAR26 March 2025 Consultation, Paragraph 32. VodafoneThree response to TAR26 March 2025 Consultation. Pages 64-65.
[275] As discussed in Section 6, this includes a CPI+5% sub-cap on each main link service charge in the Ethernet IEC basket.
[276] These charge controls also apply on a transitional basis to active services for one year at exchanges which were classified as BT Only or BT+1 in the WFTMR21 and are reclassified to BT+2 in the 2026-31 review period.

The constraint exerted by DFX

3.35 The availability of DFX, which will be subject to a cost-based charge control, will directly protect customers that choose to use DFX (and the consumers they serve). It also potentially indirectly constrains the prices Openreach chooses to charge for active IEC services due to the threat of customers switching.

3.36 When considering this constraint it is important to take the following into account:

a) This is a forward-looking assessment, considering the degree of protection offered by DFX during the 5-year review period.
b) It is not necessary for all active IEC customers to be willing to switch to DFX in order for it to exert an effective constraint. The presence of a smaller number of what are known as 'marginal customers' may be sufficient.

3.37 Below we set out our assessment of the constraint cost-based DFX exerts on Openreach's active IEC services, taking into account evidence and stakeholder comments on the following topics: (i) DFX take-up; (ii) the relative price of DFX and its benefits; (iii) barriers to the use of DFX; (iv) the time needed to switch to DFX; (v) the profitability of active IEC services; and (vi) the impact of Openreach's exchange exit programme.

DFX take-up

3.38 The evidence suggests that DFX is useful for a wide range of users. Current DFX users include [✂], [✂], [✂], [✂], [✂] and [✂].[277] Some users rely exclusively on DFX at those exchanges where it is available. Examples of this are [✂] and [✂].[278] This is consistent with our view that dark fibre has some intrinsic benefits over active products, such as giving users a more flexible input to downstream services, as explained further in Volume 3.

3.39 Current DFX take-up is substantial where it is available, and we forecast that take-up will continue to grow (at existing DFX exchanges as well as new DFX exchanges) across the review period. As of 2024/25, there were 3,218 DFX rental circuits in use, accounting for around 17% of all Openreach IEC rentals (i.e. active IEC and DFX rentals) across all BT Only exchanges (including BT Only exchanges at which DFX is not currently available).[279] We forecast that DFX rentals at BT Only exchanges will increase to 6,238 rental circuits by 2030/31. Additionally, we forecast that at BT+1 exchanges (where DFX is not currently available) there will be 1,100 DFX rental circuits by 2030/31.[280]

3.40 DFX as a share of new Openreach IEC connections (i.e. active IEC and DFX connections) across all BT Only exchanges (including those where DFX is not currently available) has increased year on year since 2022. In 2024/25, DFX accounted for around 38% of all

[277] [✂] response dated [✂] to s135 notice dated [✂], question [✂]. [✂] response dated [✂] to s135 notice dated [✂], question [✂]. [✂] response dated [✂] to s135 notice dated [✂], question [✂]. [✂] response dated [✂] to s135 notice dated [✂], question [✂]. [✂] response dated [✂] to s135 notice dated [✂], question [✂]. [✂] response dated [✂] to s135 notice dated [✂], question [✂].
[278] [✂] response dated [✂] to s135 notice dated [✂], question [✂]. [✂] response dated [✂] to s135 notice dated [✂], question [✂].
[279] 2024/25 volumes are sourced from BT's published 2025 RFS (schedule 9.1.1).
[280] 2030/31 volumes are sourced from Ofcom volumes forecasts and incorporate changes in the number of BT Only exchanges for 2026-31 as set out in Schedule 4 of this Statement. Further explanation of our approach to IEC volumes forecasting is provided in Annex 10.

connections, with 472 new DFX connections.[281] At these exchanges, this share is forecast to increase to around 93% by 2030/31.[282] [283]

Relative price and benefits of DFX to active IEC circuits

3.41 Our view is that the connection and annual rental prices of DFX single fibre are likely to remain significantly cheaper than for active IEC circuits after accounting for the charge controls in this Statement.

3.42 Table 3.4 below shows the forecast prices of DFX single fibre, EAD 1,000 and EAD 10,000 services at the end of the charge control period (2030/31). To generate these forecast prices, we have started with the 2025/26 list prices and assumed that:

a) DFX single fibre prices in 2030/31 are determined by our 2026-31 cost-based charge controls.[284]
b) Connection and annual circuit rental prices for EAD 1,000 and EAD 10,000 increase by CPI-0% each year. This assumption matches the Ethernet IEC basket charge control level (as set out later in this section).
c) Annual main link rental prices for EAD 1,000 and EAD 10,000 increase by CPI+5% each year. This assumption matches the sub-cap on main link rental service charges in the Ethernet IEC basket (as set out later in this section).[285]

3.43 We have used forecast CPI data from the cost forecast model to do this.[286]

3.44 Table 3.4 shows that the forecast prices of Openreach DFX single fibre are significantly lower than the forecast prices of EAD 1,000 and EAD 10,000 for both connections and rentals. As set out in Annex 10, insofar as Openreach increases charges to the full extent permitted under the cost-based charge control for DFX main link services and the CPI+5% sub-cap for Ethernet main link services, then DFX main link services are forecast to remain cheaper than EAD main link services throughout the 2026-31 charge control period. This is also demonstrated by the forecasts in Table 3.4.

3.45 We recognise that DFX users incur additional costs to purchase, operate and maintain their own active equipment, and so the overall cost differential to users of DFX is smaller than price differential in Table 3.4. Nonetheless the prices in Table 3.4 provide an indication of why DFX is likely to be an attractive alternative. More generally, it is unsurprising that DFX is cheaper than active IEC products. DFX is subject to a cost-based charge control while active

[281] 2024/25 volumes are sourced from BT's published 2025 RFS (schedule 9.1.1).
[282] 2030/31 volumes are sourced from Ofcom volumes forecasts and incorporate changes in the number of BT Only exchanges for 2026-31 as set out in Schedule 4 of this Statement.
[283] The absolute number of new Openreach IEC connections at BT Only exchanges is forecast to decline between 2024/25 and 2030/31.
[284] The DFX connection online list price includes an initial testing charge, which is a dark fibre ancillary service subject to a CPI-0% charge control in this Statement. Consistent with this, we have forecast the initial testing charge portion of the DFX connection list price at CPI-0%, with the remaining portion forecast using the DFX connection charge control.
[285] We recognise that if Openreach increases main link rental prices at CPI+5% (i.e. the maximum rate allowed by the sub-cap), it would need to increase some other charges in the Ethernet IEC basket (connection and circuit rental charges) by less than CPI-0% to ensure compliance with the CPI-0% basket charge control for Ethernet IEC services. However, amending the precise choice of price increase assumption for EAD connection and circuit rental charges would not materially change the findings from Table 3.4, and we have therefore applied a CPI-0% price increase assumption across these services for simplicity.
[286] For forecasting 2026/27 list prices, we have used the relevant CPI figure from October 2025, which is 3.6% (source: ONS, CPI ANNUAL RATE 00: ALL ITEMS 2015=100). This is consistent with the pricing forecasts within our top-down revenue and cost modelling, which are explained in Annex 10.

IEC products are not (and as set out below current profitability is high for active IEC services).

Table 3.4: Ofcom forecast list prices of Openreach IEC services in 2030/31

Product	Connection	Rental	Connection	Rental
	Connection charge	*Annual rental*	*% difference v DFX single fibre*	*% difference v DFX single fibre*
DFX - Single Fibre	£507	Circuit rental: £0.72 Main link rental: £274 per kilometre (km)	N/A	N/A
EAD 1,000	£2,310	Circuit rental: £2,647 Main link rental: £309 per km	+355%	Circuit rental: > +1,000% Main link rental: +13% per km
EAD 10,000	£6,107	Circuit rental: £5,590 Main link rental: £309 per km	> +1,000%	Circuit rental: > +1,000% Main link rental: +13% per km

Source: Openreach. Online price lists. Accessed 10 February 2026; Ofcom cost forecast model; Ofcom dark fibre cost model. Note: All prices shown above do not require a minimum contract term.

3.46 Also, as set out in Volume 3, DFX has advantages over active products. In particular, DFX offers users more flexibility. DFX allows users choice over active equipment and more efficient decisions on bandwidth upgrades, as the cost to the user of upgrading would reflect the underlying cost. It can also lead to less equipment duplication.

3.47 VodafoneThree stated that the proposed increase in dark fibre main link charges means it is no longer economic to switch from in situ active services to dark fibre for exchange backhaul. To the extent that this is driven by migration costs, we set out our response on this below.

Barriers to the use of DFX

3.48 The evidence of take-up suggests that there are no major barriers to DFX use and stakeholders' responses to information requests tend to confirm this.[287] Some DFX users such as [✂] and [✂] did not identify any barriers to ordering DFX, or migrating existing IEC circuits to DFX.[288] In its response to an information request [✂] did not identify any technical barriers to ordering DFX, or migrating existing IEC circuits to DFX.[289] Similarly, [✂]

[287] VodafoneThree and UKCTA raised concerns in their consultation responses that contractual barriers (such as ETCs) may prevent existing circuits being quickly migrated to DFX, we consider these in paragraph 3.52 below.
[288] [✂] response dated [✂] to s135 notice dated [✂], questions [✂]. [✂] response dated [✂] to s135 notice dated [✂], question [✂].
[289] [✂] response dated [✂] to s135 notice dated [✂], question [✂].

uses DFX extensively where available, and considers the development, and complexity, of DFX relatively low.[290] [✂] stated that it used DFX if it was available.[291]

3.49 However, some specific users have identified issues. These varied between stakeholders, so appear to be specific to their individual circumstances. For example, [✂] said that resilience is only offered on DFX to DFX circuits (and not on DFX to active products).[292] [293] [✂] cited non-availability of capacity along the fibre routes between requested sites, as well as fibre paths being too far.[294] PXC raised concerns that DFX repair times do not match those of active Ethernet/WDM. It also said that enduring exchanges are less suitable for DFX coverage.[295] In any case, some [✂] users have made significant use of DFX, which suggests that they do not find the issues [✂] to represent material barriers to use.

3.50 As noted above, VodafoneThree said that the reclassification of exchanges in the WFTMR21 (which resulted in the removal of DFX from some exchanges) harmed confidence in using DFX. [✂] expressed a similar concern.[296] However, to mitigate this specific issue, as set out in Volume 3, we have decided to implement transitional arrangements for a period of three years for DFX services at exchanges that have been reclassified from BT Only DFX in the WFTMR21 to BT+2 exchanges for this review period. We expect this will provide stakeholders with increased confidence in taking up DFX in this review period.

The time needed to switch to DFX

3.51 We recognise that it will take time for customers to switch existing active IEC circuits to DFX (for example, due to operational planning, and to reconfigure their backhaul architecture), and that customers may choose to stagger this migration given the criticality of IEC services. For example, PXC said that the reconfiguration of its backhaul architecture [✂].[297] VodafoneThree estimated that it would take [✂] to plan and migrate its existing services to DFX.[298]

3.52 We also recognise that some customers may face some temporary barriers to migrating some of their active IEC services to DFX. VodafoneThree and UKCTA raised concerns that contractual barriers (such as ETCs) may prevent existing circuits being quickly migrated to DFX. However, any barriers related to ETCs will only apply for the duration of existing contracts and so will be temporary. We therefore expect that customers would be able to migrate at some point during the review period.[299]

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[290] [✂] pre-consultation (confidential) submission dated [✂], [✂] and [✂] response dated [✂] to s135 notice dated [✂], question [✂].
[291] [✂] response dated [✂] to s135 notice dated [✂], question [✂].
[292] [✂] response dated [✂] to s135 notice dated [✂], question [✂].
[293] There is no provision capability for cross product resilience that enables users to order a DFX resilient service against a new or existing Openreach active service (such as EAD). Only resilience monitoring between two DFX resilient services is possible. Openreach. 17 September 2024. DFX Product Description, Issue: Final 3.0, page 16. Openreach. September 2024. Dark Fibre X. Accessed 4 March 2026.
[294] [✂] response dated [✂] to s135 notice dated [✂], question [✂].
[295] PXC response to TAR26 March 2025 Consultation. Paragraph 4.3.
[296] [✂] response dated [✂] to s135 notice dated [✂], question [✂].
[297] PXC confidential response to TAR26 March 2025 Consultation. Paragraph 4.3.
[298] VodafoneThree confidential response to TAR26 November Further Consultation. Paragraph 68.
[299] VodafoneThree raised specific concerns in relation to [✂] OSA circuits with a 7-year contract length beginning in 2021-22. [✂]. However, these contracts will expire during the review period. VodafoneThree confidential response to TAR26 March 2025 Consultation. Section 3. Paragraph 204. [✂]. We also expect that the majority of active IEC circuits purchased by customers would not have lengthy outstanding contract terms.

Profitability of active IEC services

3.53 As raised by PXC and VodafoneThree, we recognise that current profitability is high for active IEC services.[300] As set out in Volume 3, we do not consider that the trends outlined by Openreach are, by themselves, likely to materially reduce the long-run profitability of IEC services.[301]

3.54 However, as set out above, we are expecting take-up of DFX to continue to grow over the review period. This is because we are extending the DFX remedy to more exchanges and because we expect that our approach to transitional arrangements provides stakeholders with increased confidence in taking up DFX; and as barriers to migrating to DFX from active IEC services are temporary and will be overcome in the review period. We expect DFX will exert a constraint on active IEC services, and expect that customers' ability to switch to cost-based DFX reduces the risk associated with excessive prices for active IEC services.

Impact of Openreach's exchange exit programme

3.55 We have considered whether Openreach's exchange exit programme could have an impact on providers' willingness to use DFX. We recognise that the exchange exit programme could reduce the effectiveness of the DFX remedy to act as a constraint on active IEC services at exchanges that are expected to close in the future.

3.56 However, the majority of exchanges are not expected to close until after 2030 (and for some, well beyond this date), meaning that customers will be able to purchase DFX at these exchanges for at least the 2026-31 review period. As set out in Volume 3, Openreach will continue to have an obligation to provide IEC services at all regulated exchanges up to the point where an exchange has been fully exited.

3.57 Further, as discussed in Volume 3, we continue to encourage Openreach to provide as much detail as possible to providers about when exchanges are expected to close, to ensure they are able to make informed decisions about future investments.

3.58 Taking these factors into account and given the benefits of DFX that we set out above, we expect that customers will still see DFX circuits as a sufficiently attractive option at these exchanges in the review period such that the ability to purchase further DFX circuits (or migrate existing active IEC circuits to DFX) will act to some degree as a constraint on the prices of active IEC services.[302]

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[300] This can be seen in schedules 9.1.1 and 9.2.1 of BT's 2025 RFS, which report return on capital employed (ROCE) for the Ethernet services basket and Optical services at BT Only exchanges and BT+1 exchanges. These schedules show ROCE for 2023/24 and 2024/25. In Annex 21 of the WFTMR 2021 Statement, Ofcom determined the pre-tax nominal WACC to be 7.0% for Openreach category services and 7.8% for Other UK Telecoms (OUKT) category services. The outturn profitability of active IEC services is slightly lower than reported in the 2025 RFS, as BT's reallocation of core junction fibre (CJF) costs, which BT plans to capture in its 2026 RFS, is likely to reduce the reported 2024/25 profitability of active IEC services relative to the 2025 RFS. In Annex 10, we explain our decision to incorporate BT's CJF cost reallocation in our charge control modelling for the TAR Statement (and not to incorporate BT's spine fibre cost reallocation). However, even after the CJF cost reallocation, outturn active IEC profitability remains high. This is evident from Section 3.1.3 and 3.1.4 of the 'Part 1' Change Control Notification for 2026, which BT published on 3 October 2025.

[301] Even if overall active IEC volumes fall as we have forecast over the review period, and there may be some gradual reduction in demand for main link, active IEC services are likely to continue to generate profits above the cost of capital, unless Openreach were to reduce active IEC prices in response to the competitive constraint exerted by DFX. Consumers can also avoid high prices on active IEC services by switching to DFX.

[302] We recognise that if in a future market review an exchange is deregulated due to an increase in competitive presence at that exchange, then DFX may no longer be available (subject to any transitional arrangements we

Conclusion on the constraint exerted by DFX

3.59 Given the above, we consider that the availability of DFX at cost-based prices reduces the risk associated with excessive prices for active IEC services. We recognise that switching to DFX takes time. We also recognise that some users may face some issues. However, these vary between users and some [✂] users have made significant use of DFX, which suggests that they do not find these issues [✂] to represent material barriers to use. DFX provides a cost-based alternative to active IEC services, and we expect the use of DFX to continue to grow. Moreover, even if there are some circumstances or locations where some customers are reluctant to use DFX, there may be other customers that are. As we set out above, it is not necessary for all active IEC customers to be willing to switch to DFX in order for it to exert an effective constraint on the price of active IEC products. It is in this context that we consider our approach to charge controlling active IEC services for this review period.

Assessment of charge control options

3.60 We have considered the following approaches for charge controlling active IEC services:

a) **Removing the charge control:** Instead, we would solely rely on the cost-based charge control on DFX.
b) **Pricing continuity:** Maintaining the approach set out in the WFTMR21 of setting a CPI-0% charge control for all active IEC services, preventing prices from rising in real terms.
c) **Bringing prices closer to cost:** Setting a tighter charge control to reduce active IEC prices in real terms such that they align with costs by 2031.

3.61 As outlined above, to date we have seen significant DFX take-up at exchanges where it is available, and for the review period we forecast this to increase. However, we recognise that it will take time for customers to switch to DFX. Active IEC services will continue to account for a significant proportion of volumes in this review period. Given this, we consider that some form of price control protection on active IEC services continues to be necessary in this review period.

3.62 Given our expectations as to the attractiveness and effectiveness of a cost-based DFX remedy for this review period, we consider that continuing our WFTMR21 approach of applying a safeguard cap on active IEC services in the form of a CPI-0% charge control would provide adequate protection to consumers while services migrate to DFX. This would ensure that prices do not increase in real terms.

3.63 We recognise that bringing prices closer to cost on active IEC services could provide even greater protection against the risk of excessive pricing than a CPI-0% charge control. We also recognise that there is some uncertainty over the extent and speed of switching across customers from active IEC services to DFX across the review period.

3.64 However, our evidence set out above shows that there is already established demand for DFX from a range of customers. While migrating active IEC services to DFX does take time, we do not think there are any major, enduring barriers to active IEC customers switching to DFX during the course of the review period. We therefore consider that imposing a cost-based charge control, or a charge control closer to cost, on active IEC services in addition to a cost-based charge control on DFX would be disproportionate as it would go further than is necessary to achieve our objective of consumer protection.

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decide to impose) unless Openreach chooses to supply it. However, this is the same risk as for any other regulated product when the relevant market is deregulated.

We have decided to adopt a pricing continuity approach

3.65 We consider that overall pricing continuity for active IEC services at BT Only and BT+1 exchanges is the most effective and proportionate way to achieve our objectives. When taken with our DFX charge control, this achieves our objective to promote competition based on access to Openreach's networks and protect consumers.

3.66 We have therefore decided to maintain a CPI-0% charge control for all active services, so that prices do not rise in real terms.

3.67 We do not agree with VodafoneThree's proposal to introduce a cost-based charge control on a subset of active IEC circuits:

a) VodafoneThree proposed a cost-based charge control for active IEC services where switching is "constrained". Insofar as VodafoneThree envisaged that such a control would only apply to circuits within the minimum contract period, the evidence set out above suggests that contractual barriers to migration are likely to be temporary. We therefore consider that introducing a cost-based charge control on these would be disproportionate.
b) VodafoneThree proposed a cost-based charge control for existing IEC active circuits that were deployed where DFX was historically unavailable. Such a charge control would only apply to active IEC circuits purchased at the 1,296 exchanges where DFX is being introduced (around 26% of the total exchanges where DFX will be present during the review period). We have not identified reasons why the constraint exerted by DFX on IEC active circuits is significantly weaker over the review period at these exchanges, compared to those exchanges where it is already in place. Thus, for the same reasons why we consider that introducing a charge control on existing active IEC circuits that brings prices closer to costs would be disproportionate at all BT Only and BT+1 exchanges, we also believe that a charge control in a subset of those exchanges would be disproportionate.

3.68 In practice, our CPI-0% charge control on active IEC services comprises:

a) A CPI-0% charge control applicable to a basket of Ethernet IEC connection, circuit rental and main link rental services sold at BT Only exchanges and BT+1 exchanges;
b) A CPI+5% sub-cap on each main link rental service charge in the Ethernet IEC basket; and
c) CPI-0% charge controls applicable to each WDM (Optical) service modular component sold at BT Only exchanges and BT+1 exchanges.

3.69 Further explanation of the design of our charge controls is set out in Section 6.

Legal tests

3.70 We are setting SMP conditions on BT to give effect to pricing remedies described above. We set out further detail of our approach to the design and implementation of the charge controls in Section 6. Our SMP conditions can be found in Volume 7.

3.71 We consider that our approach of imposing a cost-based charge control for DFX and a CPI-0% charge control on active IEC services at BT Only and BT+1 exchanges is proportionate. We consider that this will provide adequate protection for consumers against the risk of excessive pricing, whilst going no further than is necessary to achieve that objective. We have not identified any adverse effects that would be disproportionate to the aim pursued.

3.72 As required by section 88 of the Act, we consider that the setting of the SMP conditions is appropriate for the following purposes:

a) promoting efficiency;
b) promoting sustainable competition;
c) conferring the greatest possible benefits on end users of public electronic communications services having regard, where relevant to the market analysis, to the long-term interests of end-users in the use of next-generation networks; and
d) promoting the availability and use of new and enhanced networks.

3.73 We have also taken into account:

a) the extent of the investment in the matters to which the condition relates of the person to whom it is to apply; and
b) the benefits of predictable and stable wholesale prices in ensuring efficient market entry; and sufficient incentives for all undertakings to bring into operation new and enhanced networks.[303]

Promoting efficiency

3.74 In respect to its DFX services, we consider that setting charge controls based on BT's FAC (for benchmark EAD 10 Gbit/s services) allows BT to retain any profits it earns over forecast efficient costs. This will encourage BT to reduce costs and achieve greater efficiency. We consider that a cost-based charge control will promote efficiency:

a) by ensuring that BT cannot set prices high relative to costs;
b) by allowing BT to earn a reasonable rate of return if it is efficient; and
c) by providing BT with flexibility to change prices to meet demand as we anticipate an increase in the use of DFX services.

3.75 We believe that the extended availability of DFX and our cost-based charge controls for DFX (both of which will apply at reclassified exchanges for a transitional period) will also increase competitive alternatives to active IEC services. In combination with our decision to maintain a CPI-0% cap on active IEC services, this should incentivise BT to reduce costs over the period and promote efficiency in BT's provision of active IEC services.

Promoting sustainable competition and conferring the greatest possible benefit on end-users

3.76 We consider that cost-based charge controls for DFX services will:

a) Protect telecoms providers and the consumers they serve from excessive prices;
b) Promote sustainable competition by promoting access to BT's network at competitive prices.

3.77 We are extending DFX services to all BT Only and BT+1 exchanges and setting cost-based charge controls on these services. We believe that this extension of the DFX charge controls at cost-based prices will lead to greater take-up of DFX and support competition in the downstream markets that rely on this service. Our decision to maintain our DFX charge

[303] We also note section 88(1A) of the Act which provides that Ofcom may refrain from setting a price control (even if the other section 88 tests are satisfied) if a demonstrable retail price constraint is present and other SMP conditions would ensure effective and non-discriminatory access. We have considered whether these tests may be satisfied in this case. We provisionally conclude in light of our proposed SMP determinations that they would be unlikely to be satisfied.

controls at reclassified exchanges for a transitional period will also contribute to this by increasing confidence in the availability and pricing of these services. As we do not expect to see significant rival network investment in the BT Only and BT+1 exchanges, our charge controls support our aim of encouraging telecoms providers who rely on access to BT's network to invest in the provision of DFX services on the network and will bring benefits for end users, having regards to the long-term interests of end-users in the use of next-generation networks. We have set a charge control for active IEC services that provides price stability and protects customers from price rises in real terms, in parallel with the cost-based DFX remedy. While we have increased the sub-cap for each main link service charge, it will provide some protection from sharp price increases and the services remain subject to the Ethernet basket cap. We consider that our active IEC charge controls will provide customer protection as volumes migrate towards DFX over time.

Promoting the availability and use of new and enhanced networks

3.78 We forecast that the take-up of DFX will increase over the review period as our evidence suggests that DFX is useful for a wide range of telecoms providers and users. We believe that in combination with our price control on active IEC services to provide price stability, a cost based DFX remedy provides an appropriate incentive for telecoms providers to invest as deep into the network as possible with DFX services.

3.79 When taken together with our remedies in Volume 3 to strengthen regulatory certainty over the future availability of DFX, our view is that these measures will promote the availability and use of new and enhanced networks.

The extent of the investment and the benefits of predictable and stable wholesale prices

3.80 We have taken account of BT's investment in the matters to which the conditions relate by ensuring that our charge controls allow BT to recover its efficiently incurred costs and make a reasonable return on its investment.

3.81 Our charge controls also provide for a predictable path of wholesale prices for the five-year control period. This will encourage telecoms providers to compete as deep into the network as possible using dark fibre, and it will also provide price predictability for telecoms providers choosing to purchase active IEC services from Openreach. By retaining a cost-based charge control on DFX in exchanges which are reclassified to BT+2 for a transitional period, confidence in the availability and pricing of these services will increase. Overall, we consider the price regulation promotes Openreach's investment in gigabit-capable networks and supports efficient market entry by competing telecoms providers.

3.82 In Section 7 we explain why the setting of these SMP conditions will satisfy the test set out in section 47 of the Act.

4. PIA charges

4.1 Physical Infrastructure Access (PIA) services provide telecoms providers with access to Openreach's Physical Infrastructure, including ducts, footway boxes, and poles, to enable them to build their own communications networks.

4.2 In this section we set out our decisions for PIA charges.

Introduction

4.3 We have decided to maintain our existing approach of setting cost-based price caps for PIA rental charges that telecoms providers other than Openreach will pay. Firstly, the total cost of the physical infrastructure that Openreach needs to recover is allocated to individual units of infrastructure (e.g. cost per metre of spine duct, cost per lead-in, cost per pole). The PIA rental charge for each type of infrastructure is then set as a share of the unit cost of that physical infrastructure, to reflect the fact that both Openreach and a third party (or third parties) are sharing the physical infrastructure.[304]

4.4 The way we set price caps for PIA rental charges means they are not intended to be paid by Openreach[305] in relation to its own use of the physical infrastructure. This is because the maximum charges are set assuming they will apply to infrastructure that is being shared, i.e. used by third parties as well as Openreach. A large part of Openreach's own use of its physical infrastructure occurs where there are no third parties using the infrastructure, so there are no revenues from third parties paying rental charges. Therefore, if Openreach were to pay the PIA rental charges we set, it would not recover its costs where infrastructure is not shared.[306]

4.5 However, Openreach does still face the cost of its physical infrastructure under our approach. The PIA charges determine how much of Openreach's physical infrastructure costs are recovered from third party PIA users. The remaining costs are then allocated to Openreach's downstream services and recovered from charges for these downstream services. This means that where infrastructure is shared, Openreach recovers the share of the cost not recovered from third party PIA users from its own downstream services.[307] Where there are no third parties using the physical infrastructure, Openreach recovers 100% of the cost from its own downstream services.

4.6 One of our objectives when setting maximum PIA rental charges is to ensure a level playing field between Openreach and third parties using PIA. We consider that setting the share of the unit cost that a third party pays at a "fair" level ensures a level playing field. Some stakeholders have suggested that Openreach should pay PIA rental charges to ensure a level playing field. However, for the reasons above, this would require a change to the way

[304] As an illustrative example, if the cost of a metre of single bore spine duct was £1, then the PIA rental charge is set at a 35% share of this, i.e. £0.35 per metre.
[305] Whether that is Openreach charging itself to use PIA, or used to determine the physical infrastructure costs that are attributed to Openreach's downstream services and reflected in Openreach's regulatory financial accounts.
[306] Using the illustrative example in the footnote above, if Openreach only paid £0.35 per metre of single bore spine duct that is not shared, the other £0.65 per metre of cost would be unrecovered or not reflected in the cost of downstream services in its regulatory accounts.
[307] As an illustrative example, if PIA users pay 50% of the cost, Openreach effectively pays the remaining 50%.

PIA rental charges are set to avoid under-recovery. It would also create instability in PIA rental pricing and could result in more complex and/or higher PIA rental charges. Accordingly, we consider that stakeholders should look primarily at the proposed fair shares that we set to understand how the PIA prices result in a level playing field.[308]

4.7 Some stakeholders proposed an alternative PIA pricing structure for operators in high-cost rural areas, based on a per premises charge. We have decided to maintain our approach to setting price caps for PIA charges on a usage basis and to not regulate on the basis of per premises prices for rural areas. Our objective is to promote network investment where it is commercially viable. To date, our approach has resulted in prices that reflect a fair share of costs for PIA users and has been successful at promoting commercial build across both urban and rural areas, and we expect this to continue in this review period. We consider that reducing PIA charges in high-cost rural areas would not resolve the fundamental challenge of building to high-cost rural areas, while raising a number of issues that we identify. We consider that build in non-commercial areas is better addressed through public subsidy programmes, which have been effective at supporting build in high-cost areas to date. We set out our reasoning more fully later in this section. We note that our position is consistent with the Government's view that we should not move to a per premises model of PIA charging for the most expensive rural areas.[309]

Summary of our decisions

4.8 We have decided to implement the approach described above in a way that is broadly consistent with the approach set out in the 2021 WFTMR, but with some adjustments to the methodology and using updated cost and volume information. In summary, we have decided to:

- Continue to set cost-based maximum charges for key PIA services based on Fully Allocated Costs (FAC) that reflect current cost accounting (CCA). We have decided to assume duct and pole asset price inflation of 3% per annum for forecast years rather than linking to RPI, consistent with the RFS treatment, and assume a slightly higher opex efficiency of 4% per annum.
- Maintain a forward-looking approach to the fair share assumptions. While most fair share assumptions are already consistent with this, we have decided to adjust the fair share assumptions on multi-end-user pole attachments, simplified lead-in and single-end-user pole attachment costs recovered from third parties via PIA rental charges.
- Update the fair share assumption for single bore duct to reflect the fact that in some areas more than one third party will be sharing the duct and in some cases third parties use multiple sub-ducts.
- Maintain our approach to the recovery of network adjustment costs, including the financial limit of £4,750 per km of spine duct.

4.9 The fair shares, forecast costs and maximum charges for duct and footway box services are set out in Table 4.1 below and for pole services in Table 4.2 below. These charges are per annum excluding VAT.

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[308] We discuss our fair share assumptions in paragraphs 4.98 below. We discuss what stakeholders can infer from BT's Regulatory Financial Statements about the level playing field in Volume 6.

[309] UK Government. 11 February 2026. Proposed Statement of Strategic Priorities for telecommunications, the management of radio spectrum, and postal services: government response. Accessed 9 March.

Table 4.1: Nominal current charges, 2030/31 forecast unit costs, fair share of unit costs and 2030/31 indicative charges for PIA duct and footway box services[310]

	Current charges (2025/26)	2030/31 forecast unit costs	Fair share of unit costs	2026/27 maximum charges	2030/31 indicative charges[311]	CPI-X for Maximum Charge
Simplified lead-in	£11.96	£19.67	46%	£11.33	£9.05	CPI – 7.5%
Single bore spine duct	£0.39	£1.00	35%	£0.38	£0.35	CPI – 4.2%
2 bores spine duct	£0.28	£1.52	25%	£0.30	£0.38	CPI + 4.2%
3+ bores spine duct	£0.19	£2.00	10%	£0.19	£0.20	CPI – 1.0%
Facility hosting per manhole entry	£11.73	£503.33	3.3%	£12.59	£16.61	CPI + 5.1%
Facility hosting per joint box entry	£2.75	£20.87	15%	£2.83	£3.13	CPI + 0.6%

Source: Ofcom PIA charges model

Table 4.2: Nominal current charges, 2030/31 forecast unit costs, fair share of unit costs and 2030/31 indicative charges for PIA pole services

	Current charges (2025/26)	2030/31 forecast unit costs	Fair share of unit costs	2026/27 maximum charges	2030/31 indicative charges[312]	CPI-X for Maximum Charge
Multi-end-user attachment	£6.77	£15.07	47.5%	£6.85	£7.16	CPI – 0.9%
Single-end-user attachment	£2.64	£4.37	46%	£2.50	£2.01	CPI – 7.4%

[310] The charges apply to cables or sub-duct of up to 25mm diameter, and we would expect cables or sub-ducts with diameters larger than this to face charges that are multiples of our proposed charges below.
[311] These are estimates based on forecast CPI but future PIA charges will be based on actual CPI.
[312] These are estimates based on forecast CPI but future PIA charges will be based on actual CPI.

	Current charges (2025/26)	2030/31 forecast unit costs	Fair share of unit costs	2026/27 maximum charges	2030/31 indicative charges[312]	CPI-X for Maximum Charge
Pole top equipment (manifolds)	£1.98	n/a	n/a	£0	£0	n/a
Cable up a pole (per cable)	£1.32	n/a	n/a	£0	£0	n/a

Source: Ofcom PIA charges model

The competition problem

4.10 Given our finding that BT has SMP in the Physical Infrastructure market (see Volume 2 Section 3), we consider that BT has the incentive and ability to set PIA prices at an excessively high level and/or impose a price squeeze, as to have adverse consequences for end-users. In particular:

- **Excessively high prices:** There is a risk that BT sets high prices relative to cost to maximise the profit it earns from providing access to its Physical Infrastructure.
- **Price squeeze:** There is a risk that BT sets high prices relative to cost to increase the overall cost of building a network using PIA, with the intention of preventing or limiting the emergence of further network competition by undermining the investment case for network deployment based on PIA, and/or undermining sustainable network competition from becoming established.

4.11 The adverse price effects could undermine the effectiveness of the obligation to provide PIA, and result in higher retail prices, all of which is ultimately against the interests of consumers. We are therefore setting a cost-based charge control on PIA rentals to address these competition risks.

Our objectives

4.12 In developing our charge controls, we have had regard to our overarching legal duties. Consistent with the approach to remedies set out in Volume 3, Section 1, we have exercised our discretion in setting these controls in favour of an approach that is aimed at promoting network competition based on access to Openreach's physical infrastructure.

4.13 Our decisions seek to support efficient investment in network competition by ensuring:

- Charges are simple and easy to implement;
- Charges provide good pricing signals for network investment;
- A level playing field exists between Openreach and other telecoms providers that make use of PIA; and

- Openreach can recover its efficiently incurred costs as this provides the regulatory certainty that supports its incentives to invest in its physical infrastructure, i.e. maintain the assets that network providers are seeking access to.[313]

4.14 The PIA remedy, including our decisions on pricing, is designed to promote competitive network build across the UK where this is commercially viable. This includes both urban and rural areas. We recognise that private sector investment is unlikely to deliver everywhere, particularly in higher cost areas, and expect public subsidy will play an important role in delivering connectivity to these areas. The PIA remedy supports publicly funded rollout by reducing the time and cost (and therefore amount of public subsidy required) for altnets to deploy to these areas.

Cost based charge control

Our proposals

4.15 We proposed to set cost-based maximum charges for key PIA services based on Fully Allocated Costs (FAC) as reported within BT's Regulatory Financial Statement (RFS).

Stakeholder responses

4.16 Stakeholders agreed with our overall objectives for PIA and that there should be a charge control in the PIA market.[314] [315] [316]

4.17 Openreach supported the approach of using audited RFS reports for PIA costs. However, Openreach said that PIA contributes very little to non-PIA fixed and common costs. A significant proportion of the recoverable costs for PIA are investments with asset lives of 40 years, which inherently bring risks for cost recovery. Moreover, Openreach stated that it has had to make additional investments to make its infrastructure easy to use for altnets, which it said will not be fully recovered for decades.[317] In contrast, INCA and CityFibre were in favour of resetting the asset life of existing ducts assets to 40 years to reflect the increased economic life of these assets resulting from the deployment of the FTTP network.[318] CityFibre further noted that the PIA cost model indicates that approximately 1% of poles are forecast to be replaced each year suggesting an asset life of 100 years.[319]

4.18 INCA stated that there is a case for extending the asset lives of physical infrastructure from an asset lifecycle management perspective. This is because Openreach will consider the remaining life of existing duct when installing new subducts and fibre. If the existing duct physical infrastructure has a shorter life compared to the life of the new infrastructure being installed within it, it would be economically rational to replace the duct infrastructure whilst installing the new asset. Otherwise Openreach would face the replacement of both the existing and new assets before the end of the life of the new assets. The fact that this is not happening demonstrates that the economic life of physical infrastructure is either

[313] In addition, providing Openreach the opportunity to recover its efficiently incurred costs via PIA charges also provides the appropriate regulatory signals to ensure the correct investment signals for Openreach in general.
[314] Openreach response to TAR26 March 2025 Consultation. Document 4. Page 35.
[315] PIA Coalition response to TAR26 March 2025 Consultation. Page 4.
[316] INCA response to TAR26 March 2025 Consultation. Paragraph 86-87.
[317] Openreach response to TAR26 March 2025 Consultation. Document 4. Page 38.
[318] INCA response to TAR26 March 2025 Consultation. Page 29-31.
[319] CityFibre response to TAR26 March 2025 Consultation. Paragraph 4.19-4.22.

substantially longer than Ofcom assumes or that the repairs affected when installing the new cables or subducts effectively extend the life of that infrastructure.[320]

4.19 Altnets had concerns over the accuracy and transparency of the RFS data. Community Fibre was concerned that BT would provide Ofcom with input data designed to inflate the regulated PIA prices to over recover its fair costs.[321] The PIA Coalition recommended more transparency for PIA users to understand how inputs to the PIA charge model are derived. In particular, the PIA Coalition said that the degree to which inputs into the PIA Charge Model published by Ofcom were randomised by +/- 20% undermined transparency, diminishing the value of the model for investors. PIA Coalition recommended that the degree of randomisation should be reduced to +/-2% at most.[322]

4.20 INCA and CityFibre stated that unexpectedly high inflation has resulted in large increases in asset costs that PIA users will pay for in future charges via very high holding gains. CityFibre supported the approach of adopting a 2% inflation index figure in the model going forward, but suggested that Ofcom should consider SCAs to offset the effects of the holding gains.[323] INCA commented that asset costs should be devalued by the amount of holding gains created by the higher than forecast levels of inflation.[324] VodafoneThree also said that windfall gains arising from RPI indexation are exogenous and do not reflect efficient investment, so future charges should be adjusted to remove this windfall gain.[325]

4.21 INCA stated that altnets incur a high level of costs in managing PIA procurement because of operational difficulties and high levels of administration involved in consuming PIA. These costs are not incurred by BT's own downstream businesses and therefore contribute to an uneven playing field. INCA estimated that 16% of PIA costs relate to the administration of managing PIA procurement, with 50% of these costs relating to new build. INCA proposed that Ofcom applies a discount of 8% (based on ongoing usage) to BT's PIA rental charges to ensure altnets are not disadvantaged.[326]

Our reasoning and decisions

4.22 We have decided to set a cost-based charge control for key PIA services based on Fully Allocated Costs (FAC) as reported within BT's Regulatory Financial Statement (RFS). We consider this will continue to provide strong incentives for rival fibre network investment across the UK while allowing Openreach to recover the costs of its infrastructure, including a reasonable allocation of common costs to PIA assets. We consider that a cost-based charge control supports our aim of ensuring a level playing field between telecoms providers and Openreach when making use of the physical infrastructure.

4.23 We have considered two overarching issues in developing our cost-based charge control:

- Which costs are relevant and how should they be measured?
- How should these costs be recovered?

[320] INCA response to TAR26 March 2025 Consultation. Paragraph 107-110.
[321] Community Fibre response to TAR26 March 2025 Consultation. Page 13.
[322] PIA Coalition response to TAR26 March 2025 Consultation. Pages 16-20.
[323] CityFibre response to TAR26 March 2025 Consultation. Paragraph 4.23-4.28.
[324] INCA response to TAR26 March 2025 Consultation. Page 28.
[325] VodafoneThree response to TAR26 March 2025 Consultation. Paragraph 315.
[326] INCA response to TAR26 March 2025 Consultation. Page 36-37.

Which costs are relevant are how should they be measured?

4.24 Historically, we have used costs reported in the RFS. We continue to believe that this provides a relatively simple, transparent, and predictable basis on which to set prices whilst providing Openreach an opportunity to recover its efficiently incurred costs.

4.25 Regarding Community Fibre's concerns over the accuracy of the RFS data, we consider that there are sufficient quality assurance checks in place. The RFS is published and externally audited, and we examine the information we use from it in detail when updating our models, which includes adjustments if there is any misalignment of costs.

4.26 On the presentation of inputs in the PIA model, we note stakeholder concerns about transparency and the degree of randomisation used in the PIA pricing model, while also recognising that transparency needs to be balanced with protecting confidential information. We are maintaining the +/-20% ranges in the PIA pricing model published alongside this statement. We consider this approach provides an appropriate level of transparency while safeguarding commercially sensitive information.

4.27 We have decided to assume a 40-year asset life for duct and poles. This assumption is based on BT's assessment, which we continue to consider reasonable for the review period. Asset lives are inherently uncertain; however the asset lives in the RFS are consistent with those in BT's annual report which are subject to a true and fair audit opinion and ensures the company is following appropriate accounting standards.

4.28 In response to CityFibre's point on pole replacement, the PIA cost model provides a short term view on pole replacement over the review period and is not necessarily reflective of the entire asset life as other factors could impact the timing of the replacement.

4.29 INCA have said that duct infrastructure should have a longer asset life because it is economically rational to replace it if its expected life is shorter than the new infrastructure being installed within it. However, such replacement is not happening currently. This may be because ducts are part of a large network and replacing ducts often requires significant costs and disruption. Even if the main duct's remaining life is shorter than the infrastructure that is being installed within it, it can still be rational to avoid these costs and disruptions until nearer the end of the physical life of the asset.

4.30 For all these reasons, we have concluded that there are insufficient grounds for altering our assumption of a 40 year asset life for duct and poles. This assumption will remain subject to further consideration in the next review.

4.31 Several stakeholders suggested that Openreach's future cost recovery should be adjusted to account for historical holding gains. We remain of the view that it would be inappropriate to offset historical revenue against costs in future charge controls as this would amount to a retrospective change to past charge controls. Our charge controls set the level of costs we expect Openreach to recover during the forward-looking period based on what we consider to be reasonable cost and volume estimates. They allow Openreach to keep any upside (or bear any downside) it achieves. This incentivises Openreach to be more efficient as it keeps some of the upside it achieves. To change our charge controls retrospectively risks undermining these incentives we are aiming to provide. It would also risk undermining regulatory certainty and would create additional risk for both regulated parties and those purchasing regulated services. This view is consistent with our previous decisions on charge controls and the overarching legal framework.

4.32 With regards to INCA's comments on the high level of costs altnets incur in managing PIA procurement, we do not consider it appropriate to discount PIA charges on this basis. While network operators may incur administrative costs in procuring PIA, these are costs for PIA users to bear. Openreach also incurs administrative costs in respect of its own use of the physical infrastructure. The requirement on Openreach not to unduly discriminate in relation to PIA (see Volume 3, Section 4) means that any differences in processes must not put PIA users at a disadvantage, including in terms of extra cost, compared to the processes Openreach follows internally.[327] We also note that Openreach has made improvements since the WFTMR21 to improve the efficiency of its systems by responding to requests to make interoperability easier for PIA users. Where PIA users are concerned that Openreach's processes are inefficient and result in unnecessary costs for their businesses, these concerns should be raised through industry groups to improve these processes in the first instance.

Approach to setting a cost-based control for PIA rental charges

General approach

4.33 As explained above, we set a cost-based charge control for PIA rental charges that telecoms providers other than Openreach will pay. However, we proposed to adjust base year data to smooth certain costs that substantially vary each year, e.g. leaver payments and restructuring costs. For 2022/23, as used in the March 2025 Consultation, we specifically uplifted PIA costs by £3m and £190k for leavers and restructuring costs, respectively.

Stakeholder views

4.34 We did not receive any stakeholder comments on our approach to determining the regulatory cost base in the base year.

Our reasoning and decisions

4.35 We have decided our base year costs will include operating costs, depreciation (including holding gains) and a return on capital employed. As set out in Annex 14, we have decided to use costs relating to the 2024/25 RFS. We consider the audited RFS provides a robust starting point from which to estimate PIA charges going forward.[328]

4.36 We have decided to adjust base year data to smooth certain costs that substantially vary each year, e.g. leaver payments and restructuring costs. For 2024/25, we have specifically uplifted PIA costs by £38m and £8m for leavers and restructuring costs, respectively.

[327] As set out in Volume 3, Section 4, we will carefully monitor Openreach's compliance with its obligations to provide products that are not unduly discriminatory.

[328] Some of the relevant information for PIA is published but a significant amount of confidential information is also provided to Ofcom through AFIs and s135 information requests. We note that the confidential information provided is often reconciled to the published information which provides an additional benefit to using costs from BT's RFS.

Forecast the regulatory cost base over the charge control period

Our proposals

4.37 We proposed to broadly follow the same forecasting approach as in the WFTMR21, specifically:

- For pay and non-pay operating costs we proposed using our standard cost forecasting equations with assumptions about efficiency and cost volume elasticities (CVEs). However, we proposed to use a slightly lower efficiency rate of 3%, compared to the 3.5% in the WFTMR21.
- We proposed to use Openreach's forecast of capex for both duct and poles.
- We proposed to increase capital costs by 2% per annum over the forecast period, instead of RPI.
- We proposed to use Openreach's estimates for network adjustments below the financial limit.
- We proposed not to make any adjustments for pole testing costs as we considered that these costs will be sufficiently captured within the 2024/25 base year as well as the forecast capex.

Stakeholder views

4.38 City Fibre and VodafoneThree said that 3% is not a sufficient efficiency challenge in the PIA Charge Control so does not drive meaningful improvements in Openreach's PIA provisioning, nor does it recognise the efficiencies that Openreach is already making. They said that the efficiency target should be increased, with CityFibre proposing a target of 5%.[329] [330]

4.39 On asset inflation, Openreach stated that the proposed 2% assumption for duct and pole inflation may create a gradual misalignment with the true economic value of the asset over time, even if in theory this change would have a negligible impact on charge controls and cost recovery. Openreach stated that it preferred Ofcom to maintain an RPI-based index in line with CCA precedent, but that, if Ofcom were to apply a flat index instead, it would accept a higher index of 3% rate.[331] The PIA Coalition also said that asset inflation should be set at a constant 3%, which would represent the 2.07% opex inflation plus a 0.9% uplift to represent the long-term difference between RPI and CPI.[332]

Our reasoning and decisions

4.40 We have decided to adopt our consultation proposal, with the exception of asset inflation where we have decided to increase this to 3% per annum over the forecast period and have increased the efficiency rate to 4%.

[329] CityFibre response to TAR26 March 2025 Consultation. Paragraph 4.29-4.32.
[330] VodafoneThree response to TAR26 March 2025 Consultation. Paragraph 318.
[331] Openreach response to TAR26 March 2025 Consultation. Document 4. Page 38-39.
[332] PIA Coalition response to TAR26 March 2025 Consultation. Page 25.

4.41 For pay and non-pay operating costs we have decided to use our standard cost forecasting equations with assumptions about efficiency and cost volume elasticities (CVEs). We have decided to use an efficiency rate of 4%. This takes into account changes in component costs and considers both historical and forecast Openreach management accounting information. Annex 10 sets out further information on our efficiency analysis, including our responses to stakeholder comments on this issue.

4.42 We have decided to use Openreach's forecast of capex for both duct and poles because they:

- are consistent with Openreach's wider medium-term plan (MTP) which we consider to be the most accurate forecast of overall capex by Openreach;[333] and
- appear reasonable based on recent expenditure (i.e. capex over the last two years) and expected trends (e.g. slowdown of FTTP build).[334]

4.43 As expected, duct and pole capex is forecast to decrease as Openreach's fibre build approaches completion, and then stabilise at a level consistent with historical levels prior to Openreach ramping up its network investment.[335]

4.44 We have decided to use Openreach's estimates for network adjustments below the financial limit as we consider Openreach's estimates to be more consistent with recent actuals, as reported in the RFS.

4.45 We have decided to increase duct and pole asset price inflation by 3% per annum over the forecast period. This is consistent with our decision in Volume 6, Section 5 on how to index duct and pole assets.

4.46 We have decided not to make any adjustments for pole testing costs as we consider that these costs will be sufficiently captured within the 2024/25 base year as well as the forecast capex.

Attributing the regulatory cost base between different PIA services

4.47 As BT's accounting systems do not record costs separately for different PIA services the regulatory cost base needs to be attributed to different PIA services for which we are setting rental charges.

Our proposals

4.48 For duct services, we proposed applying the WLA 2018 attribution of duct costs for assets installed up to 31 March 2018 and apply an adjusted attribution for assets installed after 31 March 2018 based on actuals and forecasts.

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[333] Given that overall capex forecasts are used by Openreach as part of its business plans, we consider it likely that there is a low risk of regulatory gaming. However, we have assessed Openreach's breakdown of its overall capex into duct and pole capex as this breakdown is only provided for and used by Ofcom, i.e. it is not used by Openreach.

[334] We also consider the capex forecasts to be consistent with unit costs and Openreach forecast duct and pole asset volumes, which we also consider to be reasonable and consistent with actuals.

[335] Openreach has already deployed FTTP to 20m premises and plans to build to 25m by the end of 2026, and recently announced plans to extend full fibre to 30 million premises, beyond the existing target. See Volume 2, Section 2.

4.49 For pole services, we proposed to simplify charges by setting the pole top equipment and the cable up a pole charges to zero, and instead recovering all costs from the single-end-user and multi-end-user attachment charges.

Stakeholder views

4.50 We did not receive any comments on our proposals for duct services. Stakeholder views differed on our proposals to simplify charges for pole services.

4.51 Openreach disagreed with our proposals to remove charges for pole top equipment and cables up a pole. Openreach commented that free access to these services would lead to inefficient use and does not simplify charges as PIA customers still need to record all inventories and locations of equipment.[336] Openreach stated that they would need to consider stricter contract and engineering rules around usage to mitigate misuse. Openreach also disagreed with the application of sharing factors to these services.[337]

4.52 PIA Coalition and INCA supported the simplification of cost-based pricing for pole services. PIA Coalition were in favour of simplifying the presentation of PIA charges further by specifying a "conversion factor" between multi-user attachments and single-user attachments.[338] INCA also requested Ofcom to consider where there could be further simplification to reduce reliance on assumptions and reduce administrative costs.[339]

Our reasoning and decisions

4.53 For duct services, we have decided to continue to apply the WLA 2018 attribution of duct costs for assets installed up to 31 March 2018 and apply an adjusted attribution for assets installed after 31 March 2018 based on actuals and forecasts.

4.54 For pole services, we have decided to set the pole top equipment and the cable up a pole charges to zero, and instead recover all costs from the single-end-user and multi-end-user attachment charges. Based on responses from PIA users, we consider it is beneficial for PIA users to have fewer charges. This simplification of charges, and cost modelling, will provide greater transparency and pricing certainty for PIA users whilst still providing Openreach the opportunity to recover its efficiently incurred costs. We consider it unlikely that reducing the already low charges for these services to zero will have a significant impact on the efficient use of Openreach poles. We consider that the activity required by telecoms providers to install pole top equipment or cable up poles is sufficient to discourage inefficient use. We recognise Openreach may seek to apply rules to minimise misuse, but such rules should be supportive of different altnet plans and approaches. Any rules should be compliant with Openreach's obligations to provide services that are not unduly discriminatory and should be agreed with industry via the OTA2.

4.55 We note that both pole top equipment and cable up a pole services represent a small proportion of overall cost recovery. We consider our approach supports price stability for PIA while also basing cost attributions on the basis on which costs were incurred at the time. This will mean that Openreach will have the opportunity to recover the cost of its sunk assets and its forward-looking costs, ensuring that it is incentivised to continue to

[336] Openreach response to TAR26 March 2025 Consultation. Document 4. Page 46-47.
[337] Openreach response to TAR26 March 2025 Consultation. Document 4. Paragraph 187.
[338] PIA Coalition response to TAR26 March 2025 Consultation. Page 26-29.
[339] INCA response to TAR26 March 2025 Consultation. Paragraph 116-118.

invest in its physical infrastructure. With regards to sharing factors, given that the costs for these services are small, we do not consider there is any risk to Openreach cost recovery from this approach.

4.56 Our decision to set at zero the charges for pole top equipment and cable up pole services is responsive to the calls from PIA Coalition and INCA for simplification. We have not identified further simplification of PIA charges that would meet our objectives at this time.

Calculate unit costs for each service in each year

4.57 The result of the previous stages is to produce a fully allocated regulatory cost in each year for each PIA cost component, e.g. for single bore or multi bore duct, junction boxes, poles, etc. We then divide those costs by the respective volumes in each year to estimate unit costs. For example, we calculate the cost per metre for single bore duct and for multi-bore duct, the cost per footway box, and the cost per pole attachment.

Simplified Lead In

4.58 We also calculate unit costs for simplified lead-ins. The simplified lead-in service was introduced in 2020 to simplify how telecoms providers access the final part of Openreach's duct network that connects customer premises – it covers the route from the network provider's distribution point to the customer's building.[340] It combined three pricing components that each contribute to a flat, aggregated charge: (i) lead-in duct, (ii) lead-in link duct, and (iii) facility hosting.

4.59 These pricing components correspond to different physical sections of duct along the route from the premises to the local spine network, plus any intermediate footway boxes or chambers in the route. In practice, the physical lead-in route (i.e. lead-in duct and lead-in link duct) comprises three engineering duct sub-types:

a) lead in duct: any duct section that is dedicated to serving a single premises;
b) shared rider duct: any section of rider duct containing more than one lead-in cable. Rider duct emanates from a single joint box and is a duct section connected with one or more swept tee(s);[341]
c) shared spine duct: in the context of the 'Simplified Underground Lead-in Product' this is any duct section that carries more than one lead-in cable but does not connect to a swept tee at either end.

4.60 The lead-in link duct is comprised of shared rider duct and shared spine duct.

4.61 In the WFTMR21, Openreach said they do not routinely keep records of their underground infrastructure beyond the distribution point, the lengths of lead-in ducts, lengths of lead-in link ducts and the number of facility hostings (i.e. number of ingress/egress from any

[340] Previously telecoms providers using a lead-in cable to serve a single premises needed to purchase a combination of several infrastructure rental services including lead-in duct (charged per metre), potentially lead-in link duct (charged per metre), and one or more facility hostings (to enter and exit the distribution point and pass through any intermediate footway boxes or chambers). Each of these services had a separate charge with different unit costs.
[341] Swept-tee joints are commonly used to connect Openreach's underground lead-in ducts to Openreach's spine duct (and thereafter they connect to other parts of Openreach's physical infrastructure)

chamber in the route) required to serve every premises are not known.[342] [343] When setting charges for the simplified lead-in service, Openreach estimated the average quantities of lead-in ducts, lead-in link ducts and facility hosting components used to provide a connection on approximately 386,952 new site premises across the UK where lead-in measurements were recorded in Openreach's inventory systems.[344]

Our proposals

4.62 In the March 2025 Consultation, we proposed to maintain the approach to calculating the unit cost for each PIA cost component and the simplified lead-in service used in the WFTMR21.

4.63 In relation to the simplified lead-in, we considered the lead-in length assumptions based on the initial analysis carried out by Openreach were reasonable and proposed using them to set the simplified lead-in charge control.

Stakeholder views

4.64 In response to the March 2025 Consultation, Openreach said that the assumptions for simplified lead-in lengths should be adjusted upwards. Openreach provided supplementary information to support its view that average lead-in lengths should be adjusted upwards. Using a dataset of 515k lead-ins self-provided by PIA users, Openreach estimated that the average lead-in length for external PIA users and found this to be longer than the average lead-in length used to derive the current price.[345]

4.65 In its response to the November 2025 Consultation, although it was not an issue on which we invited views in that consultation, Openreach re-iterated that the average lead-in length assumption should be increased by analysing new and additional data from its inventory system (PIPeR) which measured the distances of duct used and number of joint boxes that are passed through the dataset.[346]

Our reasoning and decisions

4.66 We have decided to maintain the approach to calculating the unit cost for each PIA cost component and the simplified lead-in used in the WFTMR21.

4.67 In relation to simplified lead-in lengths, we have reviewed the information provided by Openreach.[347] However, we consider that the information provided is only a sample of lead-in lengths for external users and therefore does not present a complete picture of the average lead in lengths. We consider that the average lead-in length should be set based on the long-term average used by all users of the infrastructure, including Openreach.

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[342] Lead-in ducts link customer premises to the main, shared, duct network. Lead-in cables generally run from a distribution point, i.e. a joint chamber and/or footway box, through lead-in duct to reach the end-customer premises.

[343] Lead-in link duct refers to any additional duct segments that link the main distribution point to the lead-in duct.

[344] Openreach's response dated 10 December 2019 to the s.135 notice titled Promoting competition and investment in fibre networks dated 2 December 2019.

[345] Openreach response to TAR26 March 2025 Consultation. Document 4. Page 45-46.

[346] Openreach response to TAR26 November 2025 Consultation. Page 30-32.

[347] Openreach provided information self-reported by communications providers declaring the geographic locations of both ends of the underground lead-ins for premises they registered. Using this, they calculated the average lead-in length for external PIA users.

Additionally, we believe PIA users and Openreach are likely to build to more premises through the review period. This could impact the average lead-in length in future, although the position is not yet clear. We consider that Openreach's original analysis is the best evidence we currently have on the long-term average used by all users. We currently do not have sufficient evidence on which to make forward-looking adjustments, but can take into account any further evidence on this in our next review.

Set maximum rental charges as a share of these unit costs

4.68 As a final step, we set price caps for PIA charges based on a share of the forecast unit costs calculated above. Specifically, we multiply the unit costs by an assumed 'fair share'. These fair shares determine what proportion of the unit costs should be recovered by third party PIA users, reflecting the long-term sharing of PIA assets, with the remaining duct and pole costs to be recovered by downstream Openreach/BT services.

4.69 For lead-ins, in principle only one communications provider is connected to the customer at any one time.[348] This might suggest the communications provider should pay 100% of the cost. However, as the provider is unlikely to remove cables connected to the customer's premises if it loses the customer, requiring the provider to pay 100% of the cost would lead to an outcome that is not consistent with a level playing field. For example, it could result in a provider paying 100% of the cost where it has lost the customer to Openreach (meaning Openreach makes no contribution to the costs of that lead-in), or it could result in Openreach being paid twice if another external communications provider using PIA won the customer. Therefore, we apply a discount rate to appropriate lead-in components to account for the possibility that the communications provider may continue to pay rental charges even after losing the end customer. This results in a fair share below 100%.

4.70 This section is structured as follows:

a) Our proposals in our March 2025 and November 2025 Consultations.
b) Stakeholder responses to our March 2025 Consultation and November 2025 Consultation, split by:
    i) General Comments.
    ii) Multi-use impact on fair shares.
    iii) Simplified lead-ins.
    iv) Glidepaths.
c) Our reasoning and decisions on:
    i) Unchanged fair shares from the WFTMR21.
    ii) Fair share for single bore spine duct.
    iii) Fair share for multi-end-user pole attachments.
    iv) Fair share for simplified lead-in.
    v) Fair share for single-end-user pole attachments.
    vi) Glidepaths.

[348] Lead-ins could include the simplified lead-in product for ducted lead-ins, or single end-user attachments where the customer is connected using an overhead drop wire.

Our proposals

4.71 In the March 2025 Consultation, we proposed shares of unit costs for each PIA service based on various assumptions which we considered met our objectives of ensuring a level playing field exists between Openreach and competing telecoms providers, whilst providing good pricing signals for network investment and competition and providing Openreach with an opportunity to recover its efficiently incurred costs.

4.72 We proposed to continue to use the fair shares from the WFTMR21 for:

a) multi-bore duct;
b) joint boxes; and
c) manholes.

Table 4.3: fair shares we proposed to maintain from WFTMR21

	Proposed fair shares
2 bore duct	25%
3+ bore duct	10%
Joint boxes	15%
Manholes	3.3%

4.73 We said that the proposed fair shares for multi-bore duct, joint boxes and manholes continue to represent the expected equal revenue opportunity for PIA users in the future, for the same reasons set out in WFTMR21.[349]

4.74 However, we proposed to adjust the fair shares for:

- single bore spine duct;
- Simplified lead-in and single-end-user pole attachments; and
- multi-end-user pole attachments.

Table 4.4: fair shares we proposed to adjust from WFTMR21

	WFTMR21	Proposed fair shares
Simplified lead-in	90%	46%
Single bore spine duct	50%	46%
Multi-end-user attachment	63%	47.5%
Single-end-user attachment	90%	46%

4.75 We proposed these adjustments to the fair share assumptions due to more recent and relevant data being made available, as explained in greater detail below. We proposed to adjust the single bore spine duct fair share to account for the estimated overlap of network build based on the altnet presence at a postcode sector level, while for multi-end-user

[349] See Volume 4 of the March 2021 Statement, paragraphs 4.102 to 4.107.

attachments we proposed to adjust the fair share to one more similar to single bore spine duct and to account for expected increase in PIA usage over the review period.

4.76 In the March 2025 Consultation, for simplified lead-in, we also proposed to glide to a discount rate of 54% over the review period, resulting in a fair share of 46% at the end of the review period. We applied this discount rate to each component of the simplified lead-in (i.e. lead-in, lead-in link and facility hosting).

4.77 We also proposed to glide to the discount rate of 54% for single-end-user attachments, resulting in a fair share of 46% at the end of the review period.

4.78 In our November 2025 Consultation, we proposed to adjust the approach to the discount rate for the simplified lead-in compared to the March 2025 Consultation by applying the discount rate to only the lead-in duct element of simplified lead-in, and not the lead-in link duct or facility hosting elements. A detailed explanation for the application of a discount rate is explained in the fair shares for simplified lead-in subsection, below.

Stakeholder views

General comments

4.79 We received the following comments in response to the March 2025 Consultation.

4.80 Openreach disagreed with our proposals on fair shares, saying we made selective changes to reduce various PIA prices based on a partial review. It said that investment in gigabit capable networks has exceeded expectations and so changes to PIA pricing should only be considered if there is compelling evidence requiring change. Openreach said that our proposals had been made against a backdrop of low PIA price levels, with Openreach making a disproportionate contribution to costs that significantly benefited communications providers in the 2021-26 review period. Given this context, Openreach said that it was not appropriate for Ofcom to intervene at this time and instead should carry out a holistic review of PIA pricing in 2031.[350]

4.81 VodafoneThree said that Ofcom should revise the fair share assumptions to reflect physical occupation to account for Openreach's dual occupancy of ducts with both copper and fibre.[351] CityFibre proposed that PIA prices should be lower in the short-term to take into account the partial recovery of infrastructure costs from copper services.[352] On copper retirement, CityFibre, Glide, Hyperoptic, VMO2, Vitrifi and Vorboss said that PIA charges were allowed to be higher under a previous market review with the expectation that Openreach would remove copper cables and increase capacity.[353]

4.82 Community Fibre and INCA said that BT should pay PIA charges to ensure a level playing field. Community Fibre proposed that BT should charge its own downstream services the same price for their use of PIA services as it charges its competitors, disapplying the fair share percentage where ducts are not shared.[354] INCA proposed that BT should apply the same price for internal and external PIA users. INCA said the RFS should show revenues and

[350] Openreach response to TAR26 March 2025 Consultation. Document 4. Page 36.
[351] VodafoneThree response to TAR26 March 2025 Consultation. Paragraph 314.
[352] CityFibre response to TAR26 March 2025 Consultation. Paragraph 4.13-4.15.
[353] CityFibre, Glide, Hyperoptic, VMO2, Vitrifi and Vorboss response to TAR26 March 2025 Consultation. Paragraph 33-34.
[354] Community Fibre response to TAR26 March 2025 Consultation. Page 13-14.

costs for shared and non-shared assets separately to provide transparency around BT's cost recovery.[355]

4.83 INCA said that BT may recover up to £1bn from the sale of scrap copper. They therefore proposed that any net profit from the sale of scrap copper should be distributed to consumers and not returned to BT shareholders as a 'windfall gain'; and that this should be done by lowering the cost of PIA asset components which are used across all of BT's network services.[356]

4.84 We did not receive additional comments on our overall approach to fair shares in response to the November 2025 Consultation.

Multi-use impact on fair shares

4.85 We received the following comments on how multi-use impacts on fair share assumptions in response to the March 2025 Consultation.

4.86 PIA Coalition and Nexfibre supported our proposal to reduce the single bore sharing factor to 46%, based on our analysis that around 24% of single bore ducts will have more than one altnet present.[357] [358] The PIA Coalition also said that the fair share for multi-bore ducts and multi-user attachments should be similarly adjusted to reflect the increased level of network competition and overbuild.[359] Community Fibre and INCA said that Ofcom's assumption for multi-use in a single bore duct should be higher than 24%, based on BT's figures for multi-use and that Ofcom's analysis does not take account of scenarios where an altnet may have purchased more than one sub-duct to serve different property clusters in a single bore duct.[360] [361]

4.87 We did not receive additional comments on the impact of multi-use on fair shares in response to the November 2025 Consultation.

Simplified Lead-ins

4.88 We received the following comments on our proposed discount rate for simplified lead-in in response to the March 2025 Consultation.

4.89 Openreach disagreed with our proposal to apply a 54% discount rate to simplified lead-ins and single user pole attachments. Openreach highlighted that the dynamics of sharing are different for lead-ins compared to single bore ducts. While single bore duct sharing is determined by how many operators (including Openreach), use the same section of single bore duct, lead-in sharing is determined by end user churn levels and the network operator's approach to maintaining lead-ins when a customer churns. Openreach said that Ofcom had not forecast churn nor explained why 54% is an appropriate discount rate.[362] INCA also asked for clarification of how the discount rate for simplified lead-ins was determined, and said that lead-in charges should only apply when a PIA user is actively serving the customer.[363]

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[355] INCA response to TAR26 March 2025 Consultation. Page 34-36.
[356] INCA response to TAR26 March 2025 Consultation. Paragraph 144.
[357] PIA Coalition response to TAR26 March 2025 Consultation. Page 31.
[358] Nexfibre response to TAR26 March 2025 Consultation. Document 2. Page 38.
[359] PIA Coalition response to TAR26 March 2025 Consultation. Page 31-32.
[360] Community Fibre response to TAR26 March 2025 Consultation. Page 12.
[361] INCA response to TAR26 March 2025 Consultation. Paragraph 126.
[362] Openreach response to TAR26 March 2025 Consultation. Document 4. Page 42-43.
[363] INCA response to TAR26 March 2025 Consultation. Page 32.

4.90 On whether to apply the discount rate to all elements of the simplified lead-in, Openreach agreed with our November 2025 consultation proposal to apply the discount rate to only the lead-in duct element of simplified lead-in because lead-in link duct and facility hosting already had sharing factors built into their costs.[364]

4.91 PIA Coalition supported our original March 2025 Consultation proposal to apply the lead-in discount rate to all component parts of the simplified lead-in service, and said that the discount should be increased each year to reflect churn.[365] PIA Coalition also said that since communications providers use single bore spine duct for their own subducts, there is the potential for them to be paying twice for the spine duct if they also have lead-in cables running through the same spine duct. Given that the proportion of the cost in the model for the lead-in service that is due to the use of single-bore spine duct is around 27%, they believe this is a material amount and forms a significant portion of the total costs. [366]

4.92 Nexfibre and Substantial Group Limited said that the discount rate should be applied to all three simplified lead-in elements. They said that the fair share assumption that applies to the lead-in link duct and facility hosting components does not factor in the churn effect, but is based solely on the anticipated likelihood of more than one altnet being present at the end of the review period. As the fair share and discount rate are dealing with two economic problems (asset sharing and churn), they say that both the fair share and the discount rate should be applied to all three elements of the simplified lead-in.[367] [368]

4.93 Community Fibre agreed with the discount rate correction if an error has been found but said that errors identified by external communications providers should also be corrected or a valid reason be provided for not doing so.[369]

Glidepaths

4.94 We received the following comments on our proposed use of glidepaths in response to the March 2025 Consultation.

4.95 Nexfibre supported our proposal to glide to our agreed upon discount rate over the charge control period. They said that the potential impact of a sudden adjustment is more significant for PIA users, given the significance of PIA costs within operating expenses. Price shocks relating to PIA costs would also undermine investor confidence.[370]

4.96 VodafoneThree and CityFibre suggested that starting charge adjustments would be more appropriate ahead of glidepaths. They said that glidepaths benefit Openreach at the expense of altnets and Ofcom had not provided justification as to why glidepaths are being used. They added that a starting charge adjustment is needed to unwind the continuation of excessive profitability by Openreach.[371] [372]

4.97 In response to our November 2025 Consultation on the application of discount rates, Gigaclear, Virgin Media O2, INCA, Hyperoptic and UKTCA did not raise issues with the

[364] Openreach response to TAR26 November 2025 Consultation. Page 30. See also Openreach response to TAR26 March 2025 Consultation. Document 4. Page 46-48.
[365] PIA Coalition response to TAR26 March 2025 Consultation. Page 34.
[366] PIA Coalition response to TAR26 March 2025 Consultation. Page 34-35.
[367] nexfibre response to TAR26 November 2025 Consultation.
[368] Substantial Group Limited response to TAR26 November Consultation. Page 2-4.
[369] Community Fibre response to TAR26 November 2025 Consultation. Page 3-6.
[370] nexfibre response to TAR26 March 2025 Consultation. Main response. Page 41.
[371] VodafoneThree response to TAR26 March 2025 Consultation. Page 77-78.
[372] CityFibre response to TAR26 March 2025 Consultation. Paragraph 4.35.

proposal to apply the discount rate only to the lead-in duct element of the simplified lead-in. However, they said that the use of glidepaths to apply the discount rate is not appropriate as this is not a change due to efficiency gains but a change in approach. They therefore considered that a Starting Charge Adjustment (SCA) should be made instead to correct this at the earliest opportunity.[373] [374] [375] [376] [377]

Our reasoning and decisions

4.98 We have decided to set the fair shares in Table 4.5 below.

Table 4.5: fair shares for PIA services

	WFTMR21 fair shares	TAR26 fair shares
Simplified lead-in	90%	46%
Single bore spine duct	50%	35%
2 bores spine duct	25%	25%
3+ bores spine duct	10%	10%
Facility hosting per manhole entry	3.3%	3.3%
Facility hosting per joint box entry	15%	15%
Multi-end-user attachment	63%	47.5%
Single-end-user attachment	90%	46%
Pole top equipment (manifolds)	52%	n/a
Cable up a pole (per cable)	56%	n/a

Source: Ofcom assumptions

4.99 The shares we set are broadly based on the expected future revenue opportunity that a PIA user is likely to obtain from that asset in the long run, i.e. when fibre network build has finished, and market shares have stabilised. They also reflect the long run number of PIA users paying charges for lead-in duct or poles.

4.100 For example, as a starting point, we expect the majority of spine duct that is close to the end-customer, i.e. single bore spine duct, to be shared by Openreach and at least one PIA user. In the long run we would expect Openreach and that one PIA user to have an equal opportunity to generate revenues from that shared segment of duct. Where duct has greater revenue opportunities, e.g. because that duct serves more end-customers, we assume a greater number of sub-ducts will be used and thus apply a lower fair share.

[373] Gigaclear response to TAR26 November 2025 Consultation. Page 4-6.
[374] Virgin Media O2 response to TAR26 November 2025 Consultation. Page 8-10.
[375] INCA response to TAR26 November 2025 Consultation. Paragraph 43-51.
[376] Hyperoptic response to TAR26 November 2025 Consultation. Page 4-5.
[377] UKCTA response to TAR26 November 2025 Consultation. Page 4-5.

4.101 We consider that this approach is appropriate given our objectives:

a) It provides good pricing signals for network investment and competition as it reflects the expected long run steady state rather than short term volatility.
b) It results in a level playing field as the allocation of costs is based on an expected equal revenue opportunity in the future.
c) It provides Openreach an opportunity to recover its efficiently incurred duct and pole costs.

4.102 We disagree with Openreach's comments that our proposals were based on only a partial review since we have considered whether to revise the assumptions underpinning the fair shares in light of the evidence we have gathered, including the information provided in responses to our consultations. Our overall approach and methodology to PIA pricing remains the same, ensuring consistency, but where we have updated information which improves the accuracy of our long term assumptions and resulting fair shares we have made appropriate changes. We have not made changes to fair shares where we consider the underpinning assumptions remain reasonable.

4.103 Several stakeholders said that the fair shares should, in the short-term, take into account Openreach's dual occupancy of ducts with both copper and fibre as not including this would result in an under-attribution of costs to Openreach and an over-recovery from PIA users. Therefore, they say that fair share assumptions should reflect actual physical occupation during the review period. As set out above, we have based the fair shares on the expected future revenue opportunity that a PIA user is likely to obtain from that asset in the long run. We consider that this results in good pricing signals for network investment, rather than introducing any short term price volatility. Contrary to the suggestion of some stakeholders, it is not the case that PIA price controls were set higher in previous reviews on the basis that Openreach would remove copper and increase capacity.

4.104 In response to INCA's suggestion that PIA users should benefit from the sale of scrap copper, we set out in Annex 10 our estimate of the operating income from scrap copper sales in nominal terms over the five-year review period which we then allocate to the copper products that use those assets. The value of scrap copper is difficult to assess but our assessment is significantly lower than INCA's.[378] BT does not currently allocate scrap copper sales to physical infrastructure components. Allocating this to physical infrastructure asset components so that any revenues from copper sales are reflected in prices faced by all consumers (and not just those on copper services) is likely to have an immaterial impact on PIA prices during the review period.[379] We have therefore decided to maintain our approach in WFMTR21. We will continue to assess the value of copper sales as the copper retirement programme progresses in future review periods.

4.105 Regarding stakeholder comments that BT should pay PIA charges to ensure a level playing field, this would require a change to the way PIA rental charges are set (see paragraphs 4.5 and 4.6) to avoid under-recovery. It would create instability in PIA rental pricing and could result in more complex and/or higher PIA rental charges. In terms of transparency around PIA reporting, this is addressed in Volume 6, Section 5.

[378] The value of scrap copper will depend on a number of factors including the proportion of the copper that can be recovered, the cost of recovery, and the price of copper at the point in time that it is sold.
[379] This is due both to the level of estimated value of scrap copper sales and that only a proportion of this (equivalent to an estimate of external usage of physical infrastructure) would be allocated to PIA charges.

4.106 We explain specific fair shares in greater detail below.

Fair shares unchanged from WFTMR21

4.107 We have decided to continue to use the fair shares from the WFMTR21 Statement for:

a) multi-bore duct;
b) joint boxes; and
c) manholes.

4.108 We consider that these fair shares continue to represent the expected equal revenue opportunity for PIA users in the future, for the same reasons set out in WFTMR21.[380] There is no uniquely correct answer as to what the shares should be, but we consider that the existing shares are based on assumptions which continue to be reasonable.

4.109 We have obtained information from Openreach about total usage and unique usage of multi-bore ducts.[381] After reviewing this data, we have decided that the data does not suggest we need to update the fair shares for multi-bore ducts. Our current approach to multi-bore ducts fair share is based on the assumed number of sub-ducts per bore (e.g. for 2 bore ducts, the 25% fair share we have adopted is consistent with there being four sub-ducts within two bores). The data collected for multi-bore ducts shows current usage is lower than these assumptions, but as network rollout is still occurring, the usage of multi-bore ducts will continue to develop over the period. Based on this, we do not consider that the data suggests a change in approach is required from our WFMTR21 position. This is different from single bore spine duct – as we discuss below, the data on current usage is materially different to the assumptions on the average subducts purchased in the WFMTR21 and as such required updating.

Fair share for single bore spine duct

4.110 We have decided to adjust the single bore fair share to 35% for the following reasons:

- as per the March 2025 Consultation, to reflect our expectations for the likelihood that two PIA-using altnets will access single bore duct in parts of the Openreach's network; and
- to reflect updated analysis on the average number of subducts used per altnet.

4.111 We have obtained information from Openreach about total usage and unique usage of single bore spine duct.[382] The Openreach data indicates that on average there are 1.65 subducts for each metre of single bore spine duct rented. This multi-use, i.e. the number of subducts for each metre of single bore spine duct, can be driven by two factors:

a) Multiple altnets using the same single bore spine duct; and/or
b) An altnet installing multiple subducts in the same single bore spine duct.

4.112 In the March 2025 Consultation, we proposed to update our approach for point a) above by using information about network build obtained for Connected Nations. Using this, we estimated the likely overlap of network build for single bore duct based on altnet presence at a postcode sector level. We used all altnets' current footprint and planned footprint up to January 2030, which is the latest data available to us, but excluded [✂] as we do not expect them to generally use PIA. Furthermore, we assumed an altnet is present in a

[380] See Volume 4 of the March 2021 Statement, paragraphs 4.102 to 4.107.
[381] Openreach provided Q2 2025-26 PIA Usage report broken down by single bore, 2 bores and 3+ bores ducts.
[382] Openreach provided Q2 2025-26 PIA Usage report broken down by single bore, 2 bores and 3+ bores ducts.

postcode sector if it covers at least 50% of the premises in that postcode sector.[383] This analysis suggested that c. 25% of single bore spine duct will have more than one altnet accessing that duct using PIA, giving an average of 1.25 altnets accessing each single bore spine duct. We have decided that this remains a reasonable approach to assessing multiple altnets using the same single bore spine duct.[384]

4.113 For point b), in the March 2025 Consultation, we assumed that each altnet purchases one subduct per single bore spine duct. However, in light of Openreach data showing that the multi-use figure for single bore spine duct is on average 1.65 per duct, and given that Connected Nations data suggests that there are 1.25 altnets per single bore duct, we estimate that each altnet purchases an average of 1.32 subducts.[385] This would mean that in approximately a third of cases, altnets deploy two subducts in each length of single bore duct and one subduct in the remaining two thirds.

4.114 We continue to assume, as we did in the WFTMR21, that each provider using a section of single bore duct has an equal revenue opportunity in the long run and base our approach to calculating charges on reflecting this. Therefore, where there is one altnet, we assume they have the opportunity to earn 50% revenue (i.e. the altnet attracts 50% of the customers connected via the duct, and Openreach attracts the other 50%). Where there are two altnets, each provider would gain a 33% share. Applying the assessment that there are 2 altnets 25% of the time, and that altnets on average use 1.32 sub-ducts, gives a fair share of 35%.[386]

Fair share for multi-end-user pole attachments

4.115 We have decided to apply a fair share of 47.5% for multi-end-user pole attachments.

4.116 Competing telecoms providers and Openreach can simultaneously use poles to attach aerial cables to provide services to consumers (so called multi-end-user attachments). However, in contrast to single-end-user pole attachments, both Openreach and the competing telecoms provider are likely to be receiving revenue from customers which multi-end-user attachments serve.

4.117 We calculate the fair share based on the expected number of attachments that Openreach and the competing telecoms providers will have on a pole. This is effectively the ratio of the number of (Openreach) multi-end-user attachments per pole divided by the total number of multi-end-user attachments (i.e. Openreach and altnets) per pole after the uplift for PIA use.

4.118 In 2021, we assumed one additional multi-end-user attachments for each PIA user which effectively resulted in a fair share of 63% over the previous charge control period. We do not consider this assumption is appropriate for this review period due to expected increased in PIA usage compared to the previous review period.

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[383] This is consistent with our WLA market analysis.
[384] Connected Nations analysis suggested that 25% of the time there are two altnets per single bore duct, while 75% of the time there is 1. This gives an average of 1.25 altnets accessing each duct.
[385] The average of number of subducts purchased (1.32) is calculated by dividing the multi-use (1.65) by the average number of altnets accessing each single bore spine duct (1.25).
[386] This is calculated by using both the Connected Nations data to determine the weighted average fair share divided by the average number of sub-ducts implied by Openreach's data. The calculation is how often 2 altnets are present (25%) multiplied by the share when 2 altnets are present (33%) + how often 1 altnet is present (75%) multiplied by the share when one altnet is present (50%), all divided by the average sub-ducts used (1.32).

4.119 In the March 2025 Consultation, we proposed a fair share that is similar to single bore spine duct would be more appropriate. If we uplift the number of additional multi-end-user pole attachments from PIA users by two rather than the previously assumed one in the PIA charges model, we achieve a fair share of 47.5%. We did not receive stakeholder comments on these assumptions and so have decided to take maintain this approach. We also note this updated assumption is consistent with the expected increase in PIA usage over this review period.

Fair share for simplified lead-in

4.120 For the simplified lead-in service, we have decided to apply a discount rate to the lead-in duct component to determine the fair share of the costs to be recovered from PIA users. This is to account for the possibility that the telecoms provider may continue to pay rental charges even after losing the end customer (see paragraph 4.69 above).

4.121 In 2021, we applied a discount rate of 10% based on the probability that the competing telecoms provider may lose a customer over the 2021-26 review period.[387] We consider it is necessary to update this discount rate for this review period. In doing so, we have decided to use a long-term forward-looking approach to the discount rate, rather than just assessing over the review period, as we consider this will result in greater pricing certainty and is consistent with the approach taken to the other duct fair shares.

4.122 We have decided to apply a discount rate of 54%, resulting in a fair share of 46%, as proposed in the March 2025 Consultation. In response to Openreach's and INCA's comments, we remain of the view that this is a reasonable long term assumption, for the reasons set out below.

4.123 The appropriate discount rate requires regulatory judgement, as we need to make assumptions about the long term which we cannot observe (e.g. network presence, provider behaviour and customer switching behaviour). We consider it reasonable to assume that altnets will not remove lead-ins when a customer churns. Openreach did not provide evidence to suggest this assumption is incorrect. We consider it reasonable to assume that in the long run, customers switch between the networks available to them. For example, where there are two networks available (e.g. an altnet and Openreach), the revenue opportunity of their lead-ins in the long run is 50%, pointing to a discount rate of 50%. We know that there are overlapping altnets, which, all else equal, points to a lower long run revenue opportunity and higher discount rate. In paragraph 4.112, we estimate the likely overlap of network build based on presence at postcode sector level. This data suggests that 25% of the time there are two altnets, and 75% of the time there is one altnet. Based on this data, we consider it reasonable to assume a discount rate of 54% (rather than 50%), resulting in a fair share of 46%.[388] [389]

4.124 In relation to the lead-in link duct component of simplified lead-in, we have decided not to apply this discount rate to this component. The discount rate described above is designed to account for the specific issue that arises in relation to customer-specific physical

[387] See Volume 4 of the March 2021 Statement, paragraphs 4.97 and 4.98.
[388] The calculation is how often 2 altnets are present (25%) multiplied by the opportunity of revenue share when 2 altnets are present (33%) + how often 1 altnet is present (75%) multiplied by the opportunity of revenue share when one altnet is present (50%).
[389] For completeness, we note that for single bore duct we also make an adjustment for altnets installing multiple sub-ducts. Given lead-in duct is generally dedicated to serving a single premises, we do not make any adjustment for individual altnets installing multiple lead-ins in the lead-in duct.

infrastructure, namely lead-in duct. The fact that only one provider is connected to the customer at any one time might have suggested they should pay 100% of the cost, but this approach would mean they pay 100% of the cost even after losing the end customer if they do not remove the lead-in. However, the lead-in link duct is not customer specific. At any one time, multiple providers may be using these components to connect to customers. We apply fair share assumptions to the costs of this component to account for this. As such, we consider that applying a further discount rate is not necessary.[390]

4.125 In relation to the fair share for the lead-in link duct component (shared spine and shared rider duct), we consider it unlikely that a provider would need multiple sub-ducts. As such, we assume a fair share of 46% rather than the 35% rate assumed more generally for single bore duct.

4.126 The simplified lead-in service also includes joint box exits. These are treated as shared infrastructure, with costs calculated using a 15% fair share assumption. Since this already reflects sharing between providers, we consider that applying a further discount rate is not necessary.

4.127 In response to nexfibre and Substantial Group Limited's point that both the fair share and the discount rate should be applied to these elements of the simplified lead-in (i.e. the lead-in link duct and joint box exits), we do not believe this is necessary. For the reasons set out above, we consider that the fair shares we are applying to these elements are reasonable.

4.128 In relation PIA Coalition's concern about the risk of paying twice for spine duct, we consider that there is no material scope for double counting (i.e. paying twice for the same spine duct). The concern arises because communications providers may use single-bore spine duct both for their own sub-ducts and for lead-in cables, which could in principle give rise to double counting. However, only the shared spine duct element is susceptible to this risk, and this constitutes a small proportion of the simplified lead-in duct. We estimate that shared spine duct accounts for around 10% of the shared ducts used to serve multiple premises, with shared rider duct accounting for the remaining 90%. As only 27% of the simplified lead-in comprises of single-bore spine duct, and only around 10% of this is potentially susceptible to double counting, any double charging would be less than 3% overall. We therefore consider the impact to be immaterial.

4.129 In response to Community Fibre's comment about errors identified by other providers, we give due consideration to all submissions and concerns we receive. We have responded to the issues that Community Fibre has raised throughout the statement. Where errors are identified, whether by Openreach or third parties, which warrant changes to our analysis, we make such changes as are appropriate.

Fair share for single-end-user pole attachments

4.130 We consider that a fair share of 46% is appropriate for single-end-user pole attachments for the same reasons as our determination that a 46% fair share is appropriate for simplified lead-in.

Glidepaths

4.131 We have decided to maintain our approach in the March 2025 Consultation and will glide to a discount rate of 54%.

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[390] We recognise that where customers churn, and providers do not remove the lead-in, providers will continue to pay for these (shared) network elements.

4.132 Respondents to our November 2025 Consultation have said that an SCA should be used to update the discount rate for the simplified lead-in as this change is not due to efficiency gains but is instead a change in approach which should be made at the earliest opportunity. However, we have shifted from a short-term view of the discount rate as set out in the WFTMR21 to a long-term figure for this rate. It will take time to get to our long-term position and so we are gliding into this long-term figure as this better represents what is likely to happen over time than applying a SCA. We therefore do not consider that an SCA is required.

4.133 We also consider that a glidepath provides a stable and predictable way to transition discount rates toward their long-run levels, avoiding abrupt price changes that could create volatility or distort investment incentives. This supports efficient planning and ensures pricing evolves in a way that reflects long-term steady-state conditions rather than short-term fluctuations. This approach balances customer protection by providing price stability with the need to maintain strong incentives for network build and sustainable competition.

Rental charges for rural build proposal

Our proposal

4.134 Consistent with our approach in the WFTMR21, and the longstanding approach to PIA pricing – we proposed that PIA charges should be based on the usage of the assets by the altnet – for example so that duct charges are distance based, set on a per metre basis. We proposed that the same charges would apply everywhere, with no difference between urban and rural areas.

Stakeholder views

4.135 Fibrus, Go Fibre, Quickline, the Scottish Government and the Communications Consumer Panel commented that the current distance-based PIA charging structure discourages rural build. [391] [392] [393] Fibrus estimated that, due to the distance between properties in rural areas, the current pricing it pays is on average 10 times the PIA rental costs of an urban provider. Fibrus, Go Fibre and Quickline stated that rural operators are disadvantaged as they compete in wholesale and retail markets, where substantially more infrastructure is required, but prices reflect lower nationally averaged costs. They said this difference between national wholesale pricing and rural PIA charging squeezed operators' margins. In addition, as they incur PIA costs during network rollout ahead of generating revenue from customers, this increases up-front investment costs and reduces the viability of rural build.

4.136 To address these issues, Fibrus, Go Fibre and Quickline proposed an alternative PIA charging structure that would reduce PIA costs for rural operators and improve the financial viability of rollout to marginal areas. The proposed charging structure would be based on a price per connection rather than the current price per metre structure. It was proposed as an optional pricing scheme available only to operators in high-cost areas, defined as the 20% of premises in postcode areas with the highest costs. The optionality of the scheme would mean that rural operators with low PIA use could choose to remain on the existing pricing structure. The proposal would reduce PIA costs in high cost areas, which would result in a

[391] Communications Consumer Panel response to TAR26 March 2025 Consultation. Page 2.
[392] Scottish Government response to TAR26 March 2025 Consultation. Page 4.
[393] Fibrus response to TAR26 March 2025 Consultation. Page 5-9.

small reduction to Openreach's cost recovery from PIA users. It was proposed that this reduction could be mitigated by a small increase in WLA pricing.

4.137 While Openreach noted that there could be different approaches to PIA pricing, it disagreed with an alternative PIA pricing structure for rural altnets. Openreach stated that a second pricing structure would create an arbitrage opportunity for certain altnets to pay lower, below-cost prices for PIA. Openreach stated that this approach would undermine Openreach's fair opportunity of recovering its legitimate costs, and would result in cross subsidisation between PIA and WLA markets. It commented that this approach would not be fair to altnets that use differing amounts of PIA and that incentives for altnets to use PIA efficiently would be weakened. It stated that PIA costs are only a small part of the cost stack for deploying and operating a fibre network, and there are many other costs that are higher in rural areas. This means that reducing PIA costs in rural areas will not fundamentally change that it is more costly to deploy and operate fibre networks in rural areas.

Our reasoning and decisions

4.138 We have carefully considered the alternative PIA charging structure proposal put to us by respondents, and whether it would be appropriate given our objectives, which are informed by our legal duties.

4.139 Our ultimate goal, in line with our principal duty, is to secure the best outcome for consumers, and to do this by promoting competition wherever appropriate. PIA seeks to promote competition and investment in WLA and LLA networks, as it reduces the cost and increases the speed of network rollout by Openreach's competitors.

4.140 Our view is that an approach to PIA pricing based on usage gives clear signals for business planning between purchasing PIA and network build to drive efficient investment decisions and sustainable build. We have adopted an approach to PIA pricing based on usage in past market reviews, most recently the WFTMR21. This approach aimed to support build at scale, rather than build specifically targeted at high-cost areas. To date, our approach has been successful at promoting sustainable commercial build across both urban and higher cost rural areas by Openreach and altnets. Our approach has also supported public funding schemes that seek to deliver high-quality broadband to areas not otherwise reached by commercial deployments, where altnets delivering publicly funded contracts have made use of PIA.

4.141 We recognise the issues raised by Fibrus, GoFibre and Quickline, which affect the commercial viability of build in high-cost areas. It costs more to deploy in rural areas given the longer distances involved, and rural focussed altnets (or altnets focussed on high-cost areas) are unable to average costs in the same way as a scale builder. However, these issues are not caused by our approach to PIA pricing. Rather, they fundamentally reflect the economics of building a network and would arise irrespective of the PIA pricing framework. PIA rental charges are just one way in which costs are higher in these areas. For example, longer distances mean more fibre is required and more engineering time is required to install the network. As such, irrespective of PIA prices, rural focussed altnets (with higher average costs) will find it harder to compete with networks that have deployed to a mix of

high and low-cost areas that are then able to set lower prices in rural areas based on their (lower) average costs.[394] [395]

4.142 Given geographic cost differences, we do not expect build in all areas to be commercially viable. Build in these areas is being addressed through public subsidy programmes, which have been effective at supporting build in high-cost areas to date, and, as noted above, the PIA remedy continues to support these interventions.

4.143 We recognise that lower PIA rental payments – however achieved – could improve the business case for commercial build to even more high cost areas. However, this would not resolve the fundamental challenge of building to high cost areas, due to other costs also being higher in these areas. Based on our Fibre Cost Model, PIA costs amount to only 13.3% of total costs faced by altnets building to Area 3.[396] As a result, we do not consider that reducing PIA costs would dramatically alter the business case of building to rural areas, and it would not unlock build in all high-cost areas. We consider that public subsidy offers a more complete solution to the problem of extending coverage to areas that would not be served by commercial build.

4.144 Moreover, we do not consider it appropriate to further reduce PIA prices to reduce the cost of building in high-cost areas. The price caps we have decided to set reflect our objectives to support efficient investment in network competition. Specifically, the price caps are designed to be simple and easy to implement, give good pricing signals for network investment, ensure a level playing field through the share of unit costs that PIA users pay, and ensure Openreach can recover its efficiently incurred costs.

4.145 The proposal put to us by respondents would not achieve our objectives for the following reasons.

- It would not be straightforward to set a charge control for the per premises service. A number of additional assumptions would be needed, including estimating how many metres of each type of duct and how many poles are required for the average rural premises. This is likely to be challenging, not least given the different approaches taken by different network builders and the wide range of premises and geographic locations that may be considered relevant for this approach.
- We have set PIA prices based on what we think is a fair share of unit costs that PIA users should pay. The respondents accept that the proposal results in Openreach recovering less from PIA users (i.e. less than the fair share). Unless these costs are recovered elsewhere, it creates a risk of Openreach not being able to recover its efficiently incurred costs. The respondents' proposal assumes Openreach should recover these costs from its own downstream services but does not explain why that is consistent with the level playing field.
- We consider there are issues in introducing a per premises pricing structure alongside the current approach. Having two parallel pricing structures in the PIA market could negatively impact altnets that have already deployed networks, to the extent they have

[394] Openreach is not the only network that is able to take this approach. Altnets such as CityFibre have also built to a mix of urban and rural areas allowing prices to be set based on average costs.
[395] Conversely, altnets focussed on low cost areas find it easier to compete with networks that have deployed to a mix of high and low-cost areas.
[396] This is calculated based on the assumptions of an altnet building only to Area 3 with a 30% take-up achieved after 5 years of deployment. On a total cash cost basis, PIA payments amount to 13.31% of total costs (opex and capex).

overlapping footprints (actual or planned). These altnets will have made decisions about the commercial viability of rollout based on the current pricing model. If new altnets can enter and pay on a per premises basis, resulting in lower costs, the altnet that used the current PIA pricing approach could be unable to compete in order to obtain the market share needed for its business plan (or could be forced to reduce pricing to compete), meaning the investment is no longer commercially viable due to a shift in regulation, which would not align with our objective of providing long term stability.

- Further, if PIA prices were to be set on a per premises basis, with operators only paying when a premises is connected, this would mean that the PIA usage would be free where the operator does not have any customers.[397] The pricing structure would result in less efficient signals to network builders. In particular, they would not need to consider the long term costs and revenue opportunity of using PIA, which could weaken incentives to use duct space efficiently.

4.146 For the reasons above, we have decided not to implement the alternative PIA charging structure proposal put to us by respondents, and maintain our approach to setting price caps on PIA charges on a usage basis.

4.147 We note that our position is consistent with the Government's view that we should not move to a per premises model of PIA charging for the most expensive rural areas, set out in its response to its consultation on the proposed Statement of Strategic Priorities.[398]

4.148 We note that our approach to setting price caps does not prevent Openreach from offering different PIA products (including pricing) that could help address challenges of building in high cost areas. As explained in Volume 3, stakeholders can submit a Statement Of Requirements (SOR) and industry could further explore approaches.[399]

Approach to ancillaries, in particular network adjustments and the financial limit

4.149 In addition to the charges for rental services, PIA has a range of associated ancillary activities. In this section we will discuss the recovery of network adjustment costs, the need and level for a financial limit on those, and our decisions for Customer Apparatus Cable Coil Hosting and Customer Apparatus In-line Splice hosting and distribution joints services. Our decisions for other PIA ancillaries are set out in Section 5.

Our proposals

Network adjustments

4.150 We proposed to maintain the WFTMR21 approach to network adjustment costs. Specifically, we proposed that the cost of network adjustments below the financial limit should be recovered over all users of Openreach's Physical Infrastructure; whilst costs

[397] While some responses compared the current approach to PIA charges as being different to that for VULA which is paid for on a per connection basis, we would note that in using VULA a provider will generally also contract for accommodation services that provide space and power in the Openreach exchanges. These services are paid for when provisioned, irrespective of the number of end users connected, similar to the approach for PIA services.

[398] UK Government. 11 February 2026. Proposed Statement of Strategic Priorities for telecommunications, the management of radio spectrum, and postal services: government response. Accessed 9 March.

[399] We note for example that this is the process through which the simplified lead-in product was developed.

above the limit should be recovered directly from the telecoms provider requesting the network adjustment.

Customer Apparatus services

4.151 Consistent with the continued use of Openreach's simplified lead-in service and the approach taken in the March 2021 Statement, we proposed to set charges for customer apparatus services at zero as the cost for these ancillary services are recovered by the proposed PIA main rental charges.

Financial limit

4.152 We proposed maintaining the current £4,750 (per km of spine duct) financial limit for network adjustments.

4.153 However, we proposed that the costs of making network adjustments for the purpose of attaching dropwires should be treated differently and instead be recovered from all PIA users without limitation.

4.154 We proposed not to impose a separate financial limit for poles network adjustments. Specifically, the costs related to enabling poles to be used for dropwires would not included for the purposes of determining whether the financial limit has been exceeded. Other network adjustments on poles, would still be subject to the financial limit.

Stakeholder responses

4.155 Openreach stated that, given physical infrastructure asset lives are typically 25 to 40 years, Openreach is unlikely to have enduring market power over that period, so Openreach is not guaranteed to recover network adjustment cash costs over the long term. Furthermore, Openreach said that our network adjustment cost recovery proposals did not take into account the impact of cash flows on business investment decisions.[400] It cited some concerns remain, including that PIA users are not subject to the same incentives to minimise civil engineering costs that are chargeable to Openreach.

4.156 Openreach also suggested Ofcom should consider how to place appropriate limits on pole adjustments. In particular, Openreach suggested that Ofcom should give clearer guidance on reasonable "PIA pole adjustments", and that new additional poles should be classified as "new infrastructure" rather than a pole adjustment.[401]

4.157 Openreach also disagreed with continuation of free cable coil and in-line splice hosting services as altnets are consuming a greater volume of these products and are incentivised to target these products as they are free.[402]

4.158 On the level of the financial limit, Openreach said that the existing financial limit for network adjustments of £4,750 per kilometre is set too high. It said that the baseline costs for this limit were based on an excessive list of activities, which then had a mark-up added to account for cost variations and was then rounded up. This meant that the limit was significantly above average network adjustment costs, which results in inefficient build as altnets are not incentivised to drive down costs.[403]

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[400] Openreach response to TAR26 March Consultation. Document 4, Page 52.
[401] Openreach response to TAR26 March 2025 Consultation. Document 4. Page 55-56.
[402] Openreach response to TAR26 March 2025 Consultation. Document 4. Page 48-50.
[403] Openreach response to TAR26 March 2025 Consultation. Document 4. Page 53-55.

4.159 PIA users expressed general support for our approach to ancillaries.

Our reasoning and decisions

4.160 We have decided to maintain our approach to network adjustments, customer apparatus services and the financial limit.

Network adjustments

4.161 We have decided that the cost of network adjustments below the financial limit should be recovered over all users of Openreach's Physical Infrastructure; costs above the limit should be recovered directly from the telecoms provider requesting the network adjustment.

4.162 Generally, the cost of infrastructure build and network adjustments required to accommodate the deployment and maintenance of BT's networks are recovered by Openreach from all users of its Physical Infrastructure. This reflects the view that the Physical Infrastructure is a shared asset used to provide a range of downstream services.

4.163 As we have said previously, if PIA users faced the full up-front costs of network adjustments and recovered these across their own customer base, this is likely to render the remedy ineffective as a basis for promoting the deployment of competing networks at scale. Therefore, it is important that Openreach recovers the costs of network adjustments related to PIA users in the same way as network adjustments in support of BT's own use, i.e. shared across all users.[404]

4.164 However, we also consider it appropriate to maintain a financial limit on this shared recovery of network adjustments. This addresses any risk that, without a financial limit, our policy might promote investment where the benefits to consumers are not outweighed by the costs of deployment. We have not seen any evidence that the existence of a financial limit has undermined the effectiveness of the PIA remedy.

4.165 With regards to Openreach's comments on cost recovery, we do not consider our approach transfers significant risk regarding cost recovery. As we set out in Volume 4, Section 1, Paragraph 1.187-1.189, we believe that the measures we have put in place since 2021 support BT's full fibre investment and significantly de-risk the investment case.

4.166 The issue of the timings of cashflows in relation to network adjustments is no different to any other upfront addition BT makes to its regulatory assets, in that when we set charges for regulated markets that use those assets, we allow BT to recover its efficiently incurred costs.

4.167 In response to Openreach's comments about the long-term position of the Network Adjustment obligations and its funding of adjustments, we consider that the current requirements continue to be appropriate and proportionate, for the reasons set out above.

4.168 Finally, we note that when network adjustments are undertaken, existing users of the infrastructure (including Openreach) may be required to temporarily remove their equipment so that the works can be carried out. To clarify, the costs incurred in temporarily removing and replacing a telecoms provider's equipment so that a network adjustment can be undertaken should be covered by that telecoms provider, and not recovered across all users of the Physical Infrastructure.[405]

[404] For further details, see Volume 4 of the March 2021 Statement, paragraphs 4.174 to 4.178.
[405] This applies to Openreach and competing telecoms providers.

Customer Apparatus services

4.169 Consistent with our approach in the WFTMR21, we have decided to set charges for customer apparatus services at zero as the cost for these ancillary services are recovered by the PIA main rental charges. Specifically, we have decided that the following services should be charged at £0:

- Customer Apparatus Cable Coil Hosting – small (per manhole);
- Customer Apparatus Cable Coil Hosting – medium (per manhole);
- Customer Apparatus Cable Coil Hosting – large (per manhole);
- Customer Apparatus Cable Coil Hosting – small (per joint box);
- Customer Apparatus Cable Coil Hosting – medium (per joint box);
- Customer Apparatus Cable Coil Hosting – large (per joint box);
- Customer Apparatus In-line Splice hosting and distribution joints (per manhole splice); and
- Customer Apparatus In-line Splice hosting and distribution joints (per joint box splice).

4.170 As highlighted in the stakeholder feedback on the charges for pole top equipment and cable up a pole, we consider it is beneficial for PIA users to have fewer charges to provide greater transparency and pricing certainty. While we acknowledge Openreach's concern that this incentivises altnets to use more of these products, we consider that the benefits of maintaining this approach outweigh the risk of inefficient use of customer apparatus services. We recognise Openreach may seek to apply rules to minimise misuse, but such rules should be supportive of different altnet plans and approaches. Any rules should be compliant with any NUD obligations and should be agreed with industry via the OTA2.

Financial limit

4.171 We have decided to maintain the current nominal £4,750 (per km of spine duct) financial limit and to maintain our approach of not imposing a separate financial limit on pole adjustments.

4.172 We consider this appropriate as both the 2022/23 and 2023/24 RFS suggests that

a) the level of the financial limit has a limited impact on network competition given that PIA users have yet to be charged for any network adjustments above the limit.
b) The impact of any excessively expensive build is likely to be limited given that network adjustments in total represent only a small fraction of total capital expenditure, and we expect most network adjustments would not be excessively expensive. We disagree with Openreach's view that the level of the financial limit is too high and incentivises inefficient build by altnets. We consider that the level of the financial limit continues to serve the purpose of mitigating the risk that our policy might promote investment where the benefits to consumers are not outweighed by the cost of deployment.

4.173 However, we remain of the view that the costs of making network adjustments for the purpose of attaching dropwires should be treated differently from other network adjustments and we have decided that such costs should instead be recovered from all PIA

users without limitation. We view the balance of risk for overhead lead-ins to be materially different from other types of network adjustment.[406]

4.174 We disagree with Openreach's comments that there should be a financial limit on pole network adjustments for drop wires as well as guidance on what should be considered a "reasonable" pole adjustment. Overhead lead-ins are likely to be the lowest cost means of connecting individual premises to a network. This is because using an aerial cable avoids the costly civil works required to deploy underground lead-ins. Therefore, we think the risks associated with not applying a financial limit for these network adjustments are small.

4.175 Moreover, the barriers to installing additional poles (for example, opposition from residents) make BT's existing pole infrastructure a particularly important enabler of commercially viable network competition. If we subject these network adjustments to a financial limit, there is a risk that we will undermine the effectiveness of the remedy.

4.176 Therefore, we have decided not to impose a separate financial limit for poles network adjustments, i.e. to continue with the regime as it currently operates. Specifically, the costs associated with the following network adjustments are not included for the purposes of determining whether the financial limit has been exceeded:

a) Network adjustment costs related to the provision of capacity for dropwires; and
b) Network adjustment for making poles (used for providing dropwires) usable which are currently not usable because they are damaged, decayed or defective.

4.177 Other network adjustments on poles, but not related to enabling poles to be used for dropwires, would still be subject to the financial limit. New additional poles, where a new pole is required because the existing pole does not have further capacity, would also be subject to the financial limit.

Legal tests

4.178 We have decided to set SMP conditions on BT in the market for Physical Infrastructure Access to give effect to the pricing remedies described above for PIA and PIA related ancillaries. Our SMP conditions can be found in Volume 7.

4.179 As explained above, there is a risk that, absent regulation, BT might fix and maintain prices at an excessively high level and/or impose a price squeeze in that market with adverse consequences for end-users.

4.180 Our pricing remedies for PIA and PIA ancillaries are proportionate as they go no further than is necessary to achieve our objectives, and we have not identified any adverse effects that would be disproportionate to the aim pursued.

4.181 As required by section 88 of the Act, we consider that the setting of each of these SMP conditions would be appropriate for the following purposes:

a) promoting efficiency;
b) promoting sustainable competition;
c) conferring the greatest possible benefits on end user of public electronic communications services having regard, where relevant to the market analysis, to the long-term interests of end users in the use of next-generation networks; and
d) promoting the availability and use of new and enhanced networks.

[406] See Volume 4 of the March 2021 Statement, paragraphs 4.186 to 4.188.

4.182 We have also considered:

a) the extent of the investment in the matters to which the condition relates of the person to whom it is to apply; and
b) the benefits of predictable and stable wholesale prices in ensuring efficient market entry and sufficient incentives for all undertakings to bring into operation new and enhanced networks.

Promoting efficiency

4.183 The form of control we are imposing on PIA rental charges encourages Openreach to increase its productive efficiency, as it allows Openreach to keep any profits it earns within the defined period by reducing its costs compared to those envisaged in setting the control, while protecting consumers by setting cost-based charges (i.e. allocative efficiency).[407]

4.184 With respect to PIA ancillaries, if telecoms providers were to pay the full cost incurred in undertaking any network adjustments this could deter efficient investment, as it does not reflect the benefits to BT and other telecoms providers, now and in the future.

Promoting sustainable competition and conferring the greatest possible benefits on end user of public electronic communications services

4.185 As set out above, our approach to PIA rental charges will further promote sustainable competition in that it provides altnets with pricing stability which facilitates investment in competing networks using PIA. With respect to PIA ancillaries, we consider that sharing the cost of network adjustments can unlock competitive network investment that would not otherwise take place.

4.186 There are significant benefits to deploying fibre networks at scale and encouraging such entry and expansion provides the greatest possible benefits to end-users in the long-term. Furthermore, our approach to PIA rental charges will reduce the duplication of duct and pole assets, and which would otherwise need to be recouped through higher charges to end users of public electronic communications services.

Promoting the availability and use of new and enhanced networks

4.187 The charge controls we are imposing for PIA rental charges and PIA ancillaries will continue to support competitive investment in new and enhanced gigabit capable networks.

4.188 In particular, the PIA rental charge control addresses the risk of Openreach setting high rental prices relative to cost which could undermine competitive network investment. The charge controls for PIA ancillaries also encourage competitive investment in new and enhanced gigabit capable networks by pooling the costs of network adjustments below the financial limit. They also ensure that there is a level playing field between Openreach and competing networks.

[407] The benefits of any cost savings would potentially accrue to the regulated company in the short run and this would give BT incentives to make those efficiency savings. In the longer run, these cost savings could be passed to consumers through reductions in prices, either because of competition or through subsequent charge controls. In our view, this form of price regulation is also preferable to a rate of return type of control.

4.189 Promoting competitive network investment also gives Openreach a strong incentive to invest in new and enhanced networks. We are also allowing appropriate cost recovery which supports Openreach's incentives to invest more generally.

The extent of the investment and the benefits of predictable and stable wholesale prices

4.190 We have taken account of the extent of BT's investment as our remedies provide for an appropriate return on the capital employed to be included in the charges.

4.191 As our SMP conditions involve price controls on the provision of network access to existing network elements, in accordance with the test in section 88 of the Act, we have also taken account of the benefits of predictable and stable wholesale prices in ensuring:

a) efficient market entry; and
b) sufficient incentives for all undertakings to bring into operation new and enhanced networks.[408]

4.192 The changes we are making to the share of unit costs that PIA users should pay seek to create a level playing field with relatively stable pricing. Transparency and predictability over the level of charges for PIA facilitates its use for competitive network deployment.

4.193 With respect to PIA rental charges, although the charges in a given year will be very modest compared to the significant upfront costs of deploying a network using PIA, network investment decisions are typically evaluated over a long time horizon, over which time the total PIA rental charges could represent a material proportion of total costs over the lifetime of the investment. We consider that our PIA rental charge control achieves predictability for the level of charges over the period.

4.194 With respect to PIA ancillaries, setting a basis of charges obligation[409] and our approach to network adjustments below the financial limit provides altnets with greater certainty over the level of these charges. Any network adjustment charges will generally be incurred upfront and so will be a critical input into any investment decision. Having greater certainty on these will therefore help facilitate competitive network investments using PIA.

4.195 In Section 7, we explain why setting these SMP conditions satisfies the test set out in section 47 of the Act.

[408] We also note section 88(1A) of the Act which provides that Ofcom may refrain from setting a price control (even if the other section 88 tests are satisfied) if a demonstrable retail price constraint is present and other SMP conditions imposed as part of a different market review would ensure effective and non-discriminatory access. We have considered whether these tests may be satisfied in this case. We conclude in light of our SMP determinations that it is unlikely that they would be satisfied.
[409] See Volume 4, paragraphs 5.10 to 5.15.

5. Ancillaries

5.1 As set out in Volume 3 Section 5 (PIA specific remedies), Volume 3 Section 6 (WLA specific remedies), Volume 3 Section 7 (LLA specific remedies) and Volume 3 Section 8 (IEC specific remedies), we have decided to require the provision of such ancillary services (ancillaries) as are reasonably necessary for the use of network access remedies in the PIA, WLA, HNR, LLA and IEC markets. In this section we explain our approach to price regulation for these ancillary services.

The competition problem

5.2 Absent regulation in each of the PIA, WLA, LLA and IEC markets, there is a risk that BT would have the incentive and ability to fix and maintain prices for ancillaries at an excessively high level and/or impose a price squeeze so as to have adverse consequences for end-users.

Summary of our decisions

5.3 A summary of our decisions for each market is set out in Tables 5.1-5.5 below. Our decisions for cross-market ancillaries such as Accommodation, Cablelink, WLA (Area 2 and Area 3), LLA (Area and Area 3) and IEC are summarised in Table 5.6.

Table 5.1: Physical infrastructure market

Ancillaries basket/service	Ancillary services/detail	Control for review period
Network adjustment – Pole related[410]	(See Physical Infrastructure Access section below)	£0
Network adjustment – Non Pole related		Basis of charges obligation for each charge for the amount that exceeds the financial limit
Productisation activities and order processing activities		£0[411]
Other or any new ancillaries used for PIA		Basis of charges obligation for other and each new ancillary

[410] Related to network adjustments undertaken to provide capacity on poles or to make poles useable for dropwires.

[411] Included in the PIA rental charge control and so, to avoid double recovery, Openreach should not charge for these as additional ancillaries.

Table 5.2: WLA Areas 2 and 3

Ancillaries basket/service	Ancillary services/detail	Control for review period
Co-mingling New Provides and Rentals basket	(Some services available as cross-market ancillaries – see Table 5.6[412])	CPI-0% for the basket
MPF Single Migration		CPI-0% for each charge
MPF Bulk Migration		CPI-0% for each charge
MPF New Provides basket		CPI-0% for the basket
MPF Soft Cease		£0
Hard Ceases basket		CPI-0% for the basket
Special Fault Investigations[413]		CPI-0% for each charge
WLA Time Related Charges		CPI-0% for each WLA TRC
LLU Tie Cables basket		CPI-0% for the basket
MPF Standard Line Test		CPI-0% for each charge
Cancellation of MPF orders		CPI-0% for each charge
Amend MPF orders		CPI-0% for each charge
PCP Only Install		CPI-0% for each charge
Start of Stopped Line		CPI-0% for each charge
FVA with GEA (FTTP) Connection		CPI-0% for each charge
GEA (FTTP) 80/20 Connections	Our decisions relating to FTTP 80/20 connections are set out in detail below	CPI-0% for each charge
GEA (FTTC and FTTP) CP to CP Migration		CPI-0% for each charge
GEA (FTTC and FTTP) Ceases		£0 for each charge
1 Gbit/s GEA Cablelink		CPI-0% for connection charge; Rentals at £0
10 Gbit/s GEA Cablelink		CPI-0% for connection charge; Rentals at £0
VLAN moves applied to GEA Cablelink		CPI-0% for each charge
GEA Cancel/Amend/Modify – CRD		CPI-0% for each charge
GEA Cancel/Amend/Modify – Regrading		CPI-0% for each charge
GEA Bandwidth Modify Charges		CPI-0% for each charge
Visit Assure		CPI-0% for each charge

[412] As set out in Volume 6, these will be reported within Cross market Ancillaries in the published RFS.
[413] Under Conditions 12D.6(b) the amount of time determined as being required by an engineer in order to complete Special Fault Investigations must be fair and reasonable.

Ancillaries basket/service	Ancillary services/detail	Control for review period
Other ancillaries[414]	All other ancillaries excluding the WLA ancillaries listed above	CPI-0% for each charge

Table 5.3: LLA in Area 2 and Area 3, LLA Area 2 (Transitional), LLA HNR (Transitional), and IEC BT Only, IEC BT+1 and IEC BT+2

Ancillaries basket/service	Ancillary services/detail	Control for review period
Excess Construction Charges (ECCs)	Direct ECCs e.g. blown fibre, internal cabling, survey fees	CPI-0% for the basket with a sub-cap on each charge: CPI+5%[415]
	Contractor ECCs	Basis of charges obligation for each charge
Ethernet Time Related Charges (TRCs)	Individual Ethernet TRCs	CPI-0% for each Ethernet TRC
Other ancillaries[416]	All other ancillaries excluding the leased lines ancillaries listed above	CPI-0% for each charge

Table 5.4: Dark fibre access in LLA Area 3, LLA Area 2 (Transitional) and LLA HNR (Transitional), and Dark Fibre inter-exchange at IEC BT Only, IEC BT+1 and IECDF Transition.

Ancillaries basket/service	Ancillary services/detail	Control for review period
Right when tested (RWT), dark fibre cessation, initial testing, and patch panels		CPI-0% for each charge
TRCs and ECCs	As per leased lines above	Set to the same charge as required per leased lines above[417]

Table 5.5: LLA in HNR areas

Ancillaries basket/service	Ancillary services/detail	Control for review period
All Leased Lines ancillaries listed in Table 5.3 and 5.6		Fair and reasonable

[414] This includes price list products which are categorised under 'Other Ancillaries CPI-0%' service codes in BT's published Wholesale Catalogue Annex 2025.
[415] Direct ECCs related to Dark fibre are also included in this basket.
[416] See the services and charges in the definition of 'Miscellaneous Ancillary Service' in SMP Condition 12E.
[417] For direct ECCs, Dark Fibre ECCs are included in the same basket as LLA and IEC ECCs.

Table 5.6: Cross-market, WLA (Area 2 and Area 3), LLA Area 2 and Area 3, LLA Area 2 (Transitional), LLA HNR (Transitional) and IEC (BT only, BT +1, IEC BT+2, IEC DF Transition)[418]

Ancillaries basket/service	Ancillary services/detail	Control for review period
Cablelink basket[419]	External Cablelink, Internal Cablelink	CPI-0% for the basket
Accommodation services	Co-location for MPF, VULA, LLA and IEC	CPI-0% for each charge
Overlapping Accommodation Services		Set to no higher than the charge for the equivalent service within the WLA Co-Mingling New Provide and Rental Services basket above (Table 5.2)
Power/electricity		Basis of charges

Physical Infrastructure Access

5.4 PIA has a range of associated ancillary activities. These broadly fall into the following categories:

a) Network adjustments. This is where Openreach makes adjustments to its network where this is necessary for its physical infrastructure to be available to telecoms providers for the purpose of deploying their own networks, for example, repairing existing faulty infrastructure;

b) Productisation activities, order processing activities;[420]

c) Other ancillaries related to PIA such as, engineer accreditation activities or survey activities requiring input from Openreach.

5.5 This section covers all services listed within Table 5.1.

Our proposals

5.6 We proposed:

a) to cap network adjustments undertaken to provide capacity on poles or to make poles useable for dropwires at zero;
b) for all other network adjustments, allowing Openreach to charge only the amount that exceeds the financial limit;[421]
c) that network adjustment charges should continue to be subject to a basis of charges obligation;[422]
d) Openreach should not charge for productisation activities and order processing activities as additional ancillaries;
e) to maintain our existing approach to other ancillaries related to PIA so they are subject to a basis of charges obligation which requires that charges are cost oriented.

[418] As set out in Volume 6, these will be reported within Cross market Ancillaries in the published RFS.
[419] The Cablelink basket does not include GEA Cablelink.
[420] This could include accessing network records or validating telecoms providers' plans.
[421] See Volume 4 Section 4 where we have decided to maintain the current £4,750 financial limit.
[422] Which requires that charges for these network adjustments are cost oriented, including when being calculated for the purposes of applying the financial limit.

Stakeholder responses

5.7 Openreach broadly agreed with our proposals that non-pole network adjustments and other ancillaries related to PIA should be subject to a basis of charges obligation and that network adjustments costs below the financial limit should be shared across users of the infrastructure under a cost recovery framework.[423]

5.8 Openreach also made arguments regarding the level of the financial limit for network adjustments and PIA pole adjustments.[424] We have addressed those arguments in Volume 4, Section 4.

5.9 INCA argued that the revenues BT report for its PIA ancillary services are significantly higher than the costs reported in the FAC.[425] We have addressed this concern in Volume 6, Section 4.

Our reasoning and decisions

PIA Network adjustments

5.10 Taking into account the discussion on financial limits in Volume 4, Section 4, we have decided to cap ancillary charges related to network adjustments undertaken to provide capacity on poles or to make poles useable for dropwires at zero. This reflects our view that the costs of these network adjustments should be recovered from all users of the infrastructure without limitation.

5.11 For all other network adjustments, we have decided to allow Openreach to charge only the amount that exceeds the financial limit.[426] This reflects our view that the costs of network adjustments should be recovered from all users of the infrastructure up to the financial limit; whilst costs above the limit should be recovered directly from the telecoms provider requesting the network adjustment.

Productisation activities and order processing activities

5.12 Productisation activities and order processing activity charges are included in the PIA rental charge control and so, to avoid double recovery, Openreach should not charge for these as additional ancillaries.

Other PIA ancillaries

5.13 We have decided to maintain our existing approach to other PIA ancillaries, including any new PIA products introduced in this review period for the purpose of providing PIA, on the grounds that a basis of charges obligation is more appropriate and proportionate than a charge control given the current size of these ancillary charges.[427]

Basis of charges obligation

5.14 We have decided that the basis of charges obligation that applies to PIA ancillaries means the price for each PIA ancillary should reflect any incremental external charges paid by

[423] Openreach response to TAR26 March 2025 Consultation. Document 4, Page 51-52.
[424] Openreach response to TAR26 March 2025 Consultation. Document 4, Page 53-56.
[425] INCA response to TAR26 March 2025 Consultation. Page 39-40.
[426] See Volume 4 Section 4 where we have decided to maintain the current £4,750 financial limit.
[427] Within BT's 2025 RFS, total revenue for PIA ancillary charges excluding network adjustments was £4.3 in 2024/25 and £6.1m in 2023/24 – see pages 33-34 of BTs 2025 RFS.

Openreach (e.g. the cost of external labour used to provide the ancillary). We have also decided that the ancillary price could include an allowance for any incremental costs incurred by Openreach when providing ancillaries (e.g. Openreach's internal labour and planning costs relating to PIA ancillaries), including an appropriate mark-up for common costs (e.g. general overheads) and a return on capital employed (where applicable).

5.15 The total costs associated with PIA ancillaries under the basis of charges obligation should be consistent with the operating and capital costs associated with the relevant PIA ancillaries. As a result, we expect prices for PIA ancillaries to be similar to FAC rather than an alternative cost standard such as distributed standalone cost DSAC.

5.16 We note there could be a gap between Openreach setting prices in advance and contemporaneous cost information becoming available, but we expect BT to be able to explain and justify any significant differences between PIA ancillary prices and associated FAC for the purposes of the basis of charges obligation.

WLA and LLA in Area 2 and Area 3, IEC markets

5.17 This section covers our decisions with respect to ancillaries in WLA Area 2 and Area 3, LLA Area 2 and Area 3, and IEC.

Our proposals

5.18 We proposed to maintain our approach as set out in the WFTMR 2021.

5.19 For the majority of ancillaries, we proposed implementing a CPI-0% control on charges. Consistent with the WTFMR21 we proposed that where Openreach has an obligation to provide the same ancillary service in different geographic markets, the same charge control should be applied in each market; essentially setting a national price.

Stakeholder responses

5.20 VodafoneThree argued that the prices of ancillary services are set too high, and that given these services are non-contestable these charges should be set at WACC.[428]

5.21 Sky stated that the WLA ancillary charges for Hard Ceases (the removal of left-in jumpers and tie cables associated with copper-based services) and VLAN moves (for re-routing ethernet traffic between cablelinks) are no longer cost reflective. Sky commented that as there are no longer capacity constraints at exchanges, the removal of left-in jumpers is no longer necessary. Sky stated that VLAN moves are automated software processes with zero incremental cost.[429]

5.22 We did not receive any comments on national pricing.

Our reasoning and decisions

5.23 We have decided to maintain a CPI-0% charge control for the majority of ancillaries, and to maintain our approach of setting the same charge control in each market where Openreach has an obligation to provide the same ancillary service in different geographic markets.

[428] VodafoneThree response to TAR26 March 2025 Consultation. Page 21.
[429] Sky response to TAR26 November 2025 Consultation. Page 3.

Cost recovery

5.24 We consider that by maintaining a CPI-0% control on ancillaries in these markets, Openreach will be able to recover its efficiently incurred costs in aggregate across the relevant WLA, LLA and IEC markets as a whole.[430] In deciding on the level of the charge controls on ancillaries, we have considered aggregate forecast cost recovery over the 2026/27 to 2030/31 period for rentals, connections and Main Link services in the relevant WLA, WFAEL, LLA and IEC markets,[431] in addition to forecast cost recovery for ancillaries. We consider that this approach reflects how ancillaries are used in conjunction with other services. In summary, we forecast aggregate cost recovery as follows:

a) To forecast costs for rentals, connections and Main Link services, we used the cost forecast model which is described in detail in Annex 10.
b) To forecast revenues for rentals, connections and Main Link services, where we are applying charge controls, we have incorporated those charge controls in our net recovery assessment. For services where we are not applying charge controls, we have assumed that prices increase annually by CPI-0%.
c) To forecast cost recovery for ancillaries, we have assumed that from 2024/25 onwards, prices increase by CPI-0%, in accordance with our proposed control. We have forecast costs using the assumptions for efficiency, WACC and inflation set out in Annex 10 and have assumed that ancillary volumes change in line with the main rental volumes within each relevant market.

5.25 Our analysis indicates that, over the 2026/27 to 20230/31 period, there will be some under recovery of costs in the WLA market[432] and some over recovery of costs in the WFAEL[433], LLA[434] and IEC[435] markets, which largely cancel out in aggregate.

5.26 In relation to VodafoneThree's response, the recent increase in Openreach's return on capital employed (ROCE) on certain ancillary services does not indicate excessive forward-looking returns when assessed across the broader set of ancillary, rental, connection and Main Link services in relevant markets (as described above). Maintaining CPI-0% regulation also provides continued price stability and protections for consumers, while allowing Openreach sufficient flexibility to recover costs efficiently.

[430] By efficiently incurred costs, we mean the incremental cost plus an allocation of common costs which would be sufficient for Openreach to recover the fully allocated cost (FAC) of providing the services in question.
[431] Our analysis does not include FTTP services in the WLA market, because these services are not within the scope of the cost forecast model.
[432] In WLA Area 2, we forecast recovery of £513m less than fully accounted cost (FAC); in WLA Area 3 we forecast recovery of £187m less than FAC. These recovery estimates (and those for the other markets mentioned below) are expressed in 2024/25 real terms.
[433] In the WFAEL market, we forecast recovery of £78m more than FAC in 2024/25 real terms. The (deregulated) WFAEL market concerns the provision of wholesale analogue voice services; the product offered by BT in this market is called WLR. We include forecast volumes and costs for WLR rental and connection services because (1) they share a significant proportion of fixed and common costs with WLA services and (2) non single order FTTC services are sometimes purchased with WLR so WLR is still relevant for downstream FTTC provision.
[434] Across the relevant LLA markets, we forecast recovery of £529m more than FAC in 2024/25 real terms.
[435] Across the relevant IEC markets, we forecast recovery of £209m more than FAC in 2024/25 real terms.

5.27 Implementing VodafoneThree's proposed approach would require cost forecasts for each ancillary service, which would only provide spurious accuracy.[436] Assessing ancillaries collectively allows for diversification of forecasting risk across the ancillary charge pool.

5.28 With regards to Sky's response, we would generally expect to set charges for services at a level that allows Openreach the opportunity to recover its costs. In relation to the cost allocation for Hard Ceases, we assess forecast cost recovery in the round across the full set of CPI-0% charge controlled ancillaries in the relevant WLA, LLA and IEC markets. To the extent that Sky considers industry processes around removal of jumper cables need to be reconsidered (either due to there no longer being a capacity issue and/or exchange exit), we discuss this in Volume 3, Section 3.

5.29 In relation to VLAN moves, these charges have historically been set in alignment with GEA bandwidth modifications given that they are similar services as they only require software changes to be made. The GEA bandwidth modification charge was set based on its costs and we considered that this would provide a reasonable estimate for the cost of VLAN moves (for which we did not have cost data at the time).[437] We consider it continues to be appropriate to align the charges of VLAN moves with the charges for other software processes and that these charges are not excessive.

National prices

5.30 With the exception of FTTP connection charges (which we discuss below), we have decided to set the same charge control in each market where Openreach has an obligation to provide the same ancillary service in different geographic markets because:

- there continue to be practical difficulties in separating out costs between different geographic areas and where costs are common across markets;
- we expect that the cost components relevant to ancillaries (e.g. labour rates, power, and accommodation) to be at broadly the same levels in each of our proposed geographic areas and markets;
- we do not consider that any reasonable variation in charges between geographic areas would further our overall objectives.

Leased Lines Access High Network Reach areas

Our proposals

5.31 We proposed to maintain our approach of imposing a fair and reasonable charges obligation, introduced in the WFTMR21, that obliges Openreach to supply the relevant ancillaries on terms which do not constitute a price squeeze.

Stakeholder responses

5.32 We did not receive stakeholder comments on this proposal.

[436] Calculating the individual costs of services that have relatively small direct costs is likely to provide spurious results given the requirement to attribute Openreach's large fixed and common costs across them.
[437] In the year to March 2022 (the last year VLAN moves were published in the RFS) VLAN Moves had revenues of £3.3m and they did not recover their cost (see page 31 2022 RFS). VLAN Moves were not subsequently reported in the RFS as BT is not required to report on services below £5m. We also note that [✂].

Our reasoning and decisions

5.33 We have decided to maintain our approach of imposing a fair and reasonable charging obligation for ancillaries for LLA in HNR areas.

5.34 For the reasons explained in Volume 2, Section 5, we are of the view that whilst BT still has SMP in HNR areas, competitive conditions are sufficiently well-established to differentiate HNR areas from Area 2 and 3. Because of this, our proposed approach to setting charges for ancillaries in the market for LLA in HNR areas is different to that in the Leased Lines Areas 2 and 3, reflecting the different degree of competition in these markets. Our view is that the greater degree of competition in HNR Areas will constrain Openreach's ability to raise ancillary prices, and the fair and reasonable charging obligation would protect retail competition.

WLA FTTP connections

Our proposals

TAR26 March 2025 Consultation

5.35 In our TAR26 March 2025 Consultation, we proposed a pricing continuity approach. More specifically, we proposed:

- To set a charge control on FTTP 80/20 connection charges that, with reference to the current level of prices, capped prices (in real terms) where copper-based services are not available.[438] These prices included discounted prices under Openreach's Equinox Offers.
- To set the charge control in each of the proposed WLA Area 2 and WLA Area 3 in the form of a basket control. Under its Equinox Offers, Openreach offers different 80/20 FTTP connection prices in locations based on the geographic market boundaries defined in our WFTMR21. The intention of our proposed charge control was to allow Openreach the opportunity to maintain its current connection prices, despite the proposed change from the market boundaries specified in the WFTMR21.

TAR26 October 2025 Consultation

5.36 In our TAR26 October 2025 Consultation, we invited views on whether it would be appropriate to adopt an alternative approach to achieving pricing continuity in the WLA markets by relying on Openreach's contracts – the Contract Focused Approach – rather than imposing charge controls.[439]

5.37 In the event that we decided not to adopt the Contract Focused Approach, we also proposed an update to the FTTP connection charge control. More specifically, we proposed to maintain the pricing continuity approach we set out in our TAR26 March 2025 Consultation, but with the following modifications:

a) To include the £20 uplift allowed in the Equinox Offers into the level of our charge control (where relevant);

[438] A copper-based 80/20 service is not available at a premises if either of the following conditions are met: (i) Openreach does not have an active connection at the premises to enable it to provide a FTTC service; or (ii) Openreach is not required to provide a FTTC service for a new order at the premises under its network access obligations.

[439] In Section 1, we set out our assessment and decisions relating to the Contract Focused Approach.

b) To replace the basket control proposed in the TAR26 March 2025 Consultation with single service controls for each FTTP 80/20 connection variant that Openreach currently supplies.

   i) Under the Equinox Offers, Openreach offers different FTTP connection prices based on the geographic boundaries defined in the WFTMR21. Therefore, to support pricing continuity, we proposed charge controls that enabled Openreach to continue to provide the existing FTTP connection services at the current prices in the current locations, regardless of whether the locations in question end up in a different geographic market in this review.

c) To set single service controls on FTTP 80/20 Premium Connections and FTTP 80/20 Advanced Connections. These products are priced above FTTP 80/20 standard connections and are designed for use at premises with non-residential requirements (i.e. premises with more complex requirements).

Stakeholder responses

5.38 Stakeholder comments in relation to the use of a Contract Focused Approach are set out in Section 1.

FTTP Standard Connections

5.39 Openreach said that by setting a charge control at the same level as a special offer, Ofcom is sending a signal that could significantly reduce Openreach's incentives to offer further discounts going forward.[440]

5.40 PXC said that the £20 uplift proposed in the 80/20 FTTP Standard Connections charge control was unnecessary given present progress with FTTP roll-out. It also argued that the uplift could slow FTTP adoption.[441]

5.41 Zen[442] and UKCTA[443] said that the £20 uplift will probably lead to higher consumer prices.

5.42 UKCTA was concerned about connection charges being higher in Area 3, where competitive constraints are weaker, than in Area 2. UKCTA was unclear over the evidence to justify the higher charges. It was keen to discourage regulatory action that might exacerbate a digital divide through higher prices in Area 3.[444] Utility Warehouse made similar points and considered that different input prices can result in ISPs charging their customers different prices based on their location which would mean that some customers are being financially disadvantaged.[445]

5.43 Utility Warehouse[446] and INCA[447] also said that Openreach should not be able to vary its WLA prices within a geographic market. We address these arguments in Volume 3 Section 9

[440] Openreach. 12 June 2025. Openreach response to TAR26 October 2025 Consultation, Document 4, Page 56.
[441] PXC. November 2025. PXC response to TAR26 October 2025 Consultation. Page 6.
[442] Zen. 17 November 2025. Zen response to TAR26 October 2025 Consultation. Page 5.
[443] UKCTA. 17 November 2025. UKCTA response to TAR26 October 2025 Consultation. Page 6.
[444] UKCTA. 17 November 2025. UKCTA response to TAR26 October 2025 Consultation. Page 6.
[445] Utility Warehouse. 17 November 2025. Utility Warehouse response to TAR26 October 2025 Consultation. Page 3.
[446] Utility Warehouse. 17 November 2025. Utility Warehouse response to TAR26 October 2025 Consultation. Page 5.
[447] INCA. 17 November 2025. INCA response to TAR26 October 2025 Consultation. Page 7.

in the context of the carve-out for existing Equinox Offer connection charges from the geographic discrimination prohibition.

5.44 Utility Warehouse was concerned that 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 0.5Mbit/s, SOGEA 0.5Mbit/s or SOTAP. Utility Warehouse considered it was unfair that Openreach charged connection fees as part of an initiative to modernise its network. It argued that Ofcom should review the pricing of these products to ensure it is fair and reasonable and consider imposing a charge control if it finds Openreach is taking advantage of its position.[448]

FTTP Premium and Advanced Connections

5.45 Openreach recognised that the proposal to charge control FTTP Premium and FTTP Advanced Connections was consistent with Ofcom's aim of protecting all consumers from the risk of excessive pricing. However, it said that these services were recently launched and so it was still learning about ISPs' requirements and the cost to deliver to different premises. Given this uncertainty, it said that it would not be appropriate to set a maximum price for these products at this time (and therefore supported the Contract Focused Approach).

5.46 Openreach said that these charge controls should only apply to business premises that are unable to order a lower service connection type. Openreach considered that as a matter of principle, if an ISP chooses to purchase a higher service level product then this should not be charge controlled. It considered that this was in line with the approach that Ofcom had followed in the past where only the lowest service level is charge controlled (for example, where Ofcom has charge controlled WLR basic rental but not WLR premium rental).[449]

5.47 UKCTA did not object to the implementation of two new connection service grades for FTTP, with higher pricing for Premium and Advanced Connections. However, it was concerned that pricing is frequently determined by automated processes, such as referencing Ordinance Survey data to assign the connection charge band. It considered that this can result in incorrect outcomes and potential over-charging.[450] VodafoneThree and UKCTA argued that a final manual check is needed at the point of installation to ensure the price paid by the ISP (and indirectly by the end customer) is reflective of the actual work undertaken.[451]

Our reasoning and decision

5.48 In Section 1, we set out our reasoning and decision for adopting pricing continuity and a Charge Control Approach in relation to WLA rental prices. Our reasoning in Section 1 also applies to FTTP connections. Below we discuss how these should be applied to FTTP connection charges.

Use of an anchor

5.49 In Section 1, and in Annex 4, we have decided to adopt an anchor pricing approach for WLA rental charge controls at speeds of 80/20 and explain why this meets our objectives. For the

[448] Utility Warehouse. 17 November 2025. Utility Warehouse response to TAR26 October 2025 Consultation. Page 5.
[449] Openreach. 12 November 2025. Openreach response to TAR26 October 2025 Consultation. Pages 13-14.
[450] UKCTA. 17 November 2025. UKCTA response to TAR26 October 2025 Consultation. Page 6.
[451] VodafoneThree. November 2025. VodafoneThree response to TAR26 October 2025 Consultation. Pages 5-6.

same reasons, we have decided to adopt an anchor approach for WLA FTTP connections where a price cap is applied to FTTP 80/20 connections only.

5.50 Our view is that this approach:

- directly protects customers purchasing the FTTP anchor product; and
- provides sufficient protection for consumers taking other speeds while also allowing Openreach pricing flexibility on those other speed products (including in relation to their connection charges).

5.51 Our objectives in WLA Area 2 and WLA Area 3 are set out in Volume 3. When considering how setting caps on connection charges for the FTTP 80/20 anchor supports those objectives, we have paid particular attention to the following interrelated issues:

a) Protecting consumers from high FTTP 80/20 connection charges, particularly where copper-based broadband products are difficult to get or unavailable and (in the case of WLA Area 3) where prospects for network competition are limited; and
b) Addressing the risk that Openreach sets high FTTP 80/20 connection charges to undermine the effectiveness of our anchor approach as a constraint on the pricing of other Openreach products.

5.52 We do not agree with Openreach that it is premature to apply a charge control to Premium Connections and Advanced Connections. Openreach possesses SMP in relation to the supply of these products, so we consider that it is important to protect business customers from high connection charges. While Openreach submits that it is still learning about the cost of providing these services, as explained below our charge controls are set by reference to the prices that Openreach has chosen. We consider this allows Openreach a reasonable opportunity to recover its costs while protecting customers.

When the price cap applies

5.53 In order to protect customers, we have decided to apply a charge control to FTTP 80/20 connections where Openreach copper services are not available.[452]

5.54 Specifically, we have decided:

1) Prior to the First Threshold Notice[453] being published in an exchange area, a price cap on FTTP 80/20 connections would only apply where there is no active FTTC connection at a premises. For example, this could be the case where FTTP is the first technology being deployed at that premises.
2) Following publication of the First Threshold Notice in an exchange area, a price cap on FTTP 80/20 connections applies to all premises in that exchange area. This will apply regardless of whether BT chooses to make copper-based broadband products available at premises in that exchange area.[454]

[452] A copper-based 80/20 service is not available at a premises if either of the following conditions are met: (i) Openreach does not have an active connection at the premises to enable it to provide a FTTC service; or (ii) Openreach is not required to provide a FTTC service for a new order at the premises under its network access obligations.
[453] We define the First Threshold Notice in Volume 3 Section 2 which sets out our decisions to support copper retirement.
[454] Further details on why we proposed this approach are set out at paragraph 5.42 of Volume 4 of the TAR26 March 2025 Consultation.

5.55 We have decided not to set a charge control on FTTP connections to premises where Openreach can and must meet new requests for a charge-controlled copper-based broadband product (i.e. FTTC 80/20). In these circumstances, we expect that the charge-controlled copper-based 80/20 product will act as a constraint on FTTP connection prices and adequately protect customers.

Application of the pricing continuity approach

5.56 As explained above, we have decided to adopt an approach to charge controlling FTTP connections that aligns with our pricing continuity approach to WLA price regulation that we set out in Volume 4, Section 1.

5.57 Under our pricing continuity approach, we set an inflation indexed charge control on FTTP 80/20 connections (where copper-based services are not available) with reference to the prevailing prices.

Background on FTTP Standard Connections and FTTP Business Connections

5.58 Openreach offers different FTTP connection products for residential premises and business premises.

5.59 On 1 June 2025, Openreach announced restrictions on the FTTP connection products ISPs are able to order to sites that Openreach has assessed to be business premises.[455] Based on those restrictions, Openreach's products are categorised as follows:

a) Standard Connection: This is the minimum level of connection available at residential premises or at business premises that Openreach identifies as equivalent to residential premises.
b) Premium Connection: This is the minimum level of connection available at non-residential sites which may require, for example, the Openreach engineer to perform additional cabling. Examples of sites in this category are restaurants and bars, libraries, medical centres and supermarkets.
c) Advanced Connection: This is the minimum level of connection available to public sector and complex non-residential premises, which may need significant additional cabling and civil works. Examples of sites in this category are hospitals, schools, industrial and agricultural sites.

5.60 If an ISP orders a connection type below the minimum level for that premises, it can either opt-in to Openreach upgrading the connection type automatically to the minimum for that premises, or the order is returned to the ISP to manually upgrade the order.

5.61 Below we set out our decisions relating to charge controlling FTTP Standard connections (primarily relating to residential premises) before moving on to our decisions relating to charge controlling Premium and Advanced Connections (primarily relating to business premises).

FTTP Standard Connections

5.62 In relation to FTTP Standard Connections, Openreach has a list price but also offers a set of discounted prices through its Equinox 2 Offer. Openreach's discounted prices vary by geographic area (i.e. Area 2 and Area 3) and relate to specific types of connection.

[455] Openreach's classification of a premises uses Ordnance Survey data. The introduction of the restrictions followed feedback from ISPs that they had been unable to accurately identify the appropriate connection service level for business customers, resulting in poor customer experience for connections in complex non-residential sites where a Standard Connection was ordered.

Table 5.7: Openreach's Standard Connection prices (2025/26)[456]

	Current price (2025/26) (£)
Standard Connection – List price	£122.84
Equinox 2 Offer Area 2	
Standard Connection: New to BT Network – Residential Area 2 premises	£30.96
Standard Connection: Non New To BT Network – Residential Area 2 premises that are not same CP regrades	£61.93
Standard Connection: Non New To BT Network – Residential Area 2 premises same CP regrades	£29.95
Equinox 2 Offer Area 3	
Standard Connection: Non New To BT Network – Residential Area 3 premises same CP regrades	£83.45

5.63 The broad principle of pricing continuity is to cap the price of the anchor product with reference to prevailing prices.

5.64 Our view is that the Equinox 2 Offer prices are so widely taken up by ISPs that, where applicable, they represent the prevailing prices and therefore should be referenced in our charge controls.

5.65 We do not agree with Openreach that it is inappropriate to set our charge controls based on its discounted prices, rather than (for example) its list prices.[457]

a) We consider that setting our charge controls based on list prices would fail to adequately protect consumers. Such charge controls would allow considerable scope for Openreach to raise prices from the current levels that its customers are actually paying.
b) We do not agree with Openreach that our approach significantly reduces Openreach's incentives to offer further discounts in the future. The reason for using discounted prices in this instance is because they effectively represent the prevailing prices that the majority of ISPs are paying. Therefore this issue only arises if Openreach expects future charge controls to be set based on price continuity (rather that cost-based controls or no charge control at all), and the discount is so widely taken up it is the appropriate reference under a continuity approach. Our approach to regulation in future periods, to the extent this is necessary, will be based on the evidence at that time.

[456] Openreach highlighted two errors in the 2025/26 prices stated in our TAR26 October 2025 Consultation. Standard Connection – List price was incorrectly stated as £122.81; and Standard Connection: Non New To BT Network – Residential Area 3 premises same CP regrades was incorrectly stated as £83.46. These have been corrected.

[457] We note that Openreach's position would also seem to apply to our rental charge controls, which also reflect its discounted prices.

c) In any event, Openreach will also weigh up the commercial advantages when considering whether to offer further discounts in the future.

5.66 The Equinox 2 Offer gives Openreach the right, subject to providing 12 months' notice to customers, to increase prices between October 2026 and September 2027 for FTTP rentals (by up to £1 per month) and FTTP connections (by up to £20).[458]

5.67 We have decided to incorporate the £20 uplift (where relevant) into the level of our FTTP 80/20 connection charge control since we consider this forms part of the expected pricing levels under the Equinox 2 Offer. This is consistent with our approach to including the uplift in the charge control in relation to FTTP 80/20 rentals that we set out in Section 1.

5.68 Some stakeholders have raised concerns around the impact on consumer prices as a result of including the £20 uplift. However, our view is that the inclusion of the £20 uplift is consistent with our pricing continuity approach which is supportive of investment in fibre networks which will provide benefits to customers. We also consider that overall, our charge control will provide effective price protection to customers – by setting charge controls at the prevailing prices (which include the right to increase by up to £20) – and thereby address our competition concern.

5.69 We have decided to adopt separate single service controls for each FTTP 80/20 Standard Connection variant currently offered under Openreach's Equinox 2 Offer in each of WLA Area 2 and WLA Area 3; and for the FTTP 80/20 Standard Connection list price in each of WLA Area 2 and WLA Area 3.

5.70 Some stakeholders raised concerns over higher connection charges typically applying in WLA Area 3. As explained in our TAR26 March 2025 Consultation, we are not seeking to reduce FTTP 80/20 connection charges compared to the contractual position (which would be required if our charge control aligned WLA Area 3 prices to those currently applying in WLA Area 2 under the Equinox Offer). Under our pricing continuity approach, we want to set charge controls at the prevailing prices. In line this, we have set our charge controls consistently with the Equinox 2 Offer terms, which vary geographically between WLA Area 2 and WLA Area 3.

5.71 Utility Warehouse considered it was unfair that Openreach charged connections fees for voice only customers currently taking products such as MPF that switch due to the PSTN shutdown and IP migration. As set out above, we consider that our price cap for FTTP 80/20 connections (alongside fair and reasonable requirements) meets our objective of providing customer protection. More generally, we are supportive of Openreach's PSTN switch-off as part of upgrading its network and note Openreach's current offers regarding SOGEA connections as part of its PSTN shutdown programme.[459]

Further details on the specific products that the charge controls apply to

5.72 In Volume 2, we have defined new WLA Area 2 and WLA Area 3 geographic boundaries. We refer to these in the remainder of this subsection as 'TAR26 WLA Area 2' and TAR26 'WLA Area 3'. TAR26 WLA Area 2 consists of a mix of locations in Area 2 and Area 3 (as those geographic markets are defined in the WFTMR21). We refer to each of these geographic markets in the remainder of this section as 'WFTMR21 Area 2' and 'WFTMR21 Area 3'.

[458] This uplift is in addition to annual price increases allowed under the Equinox 2 Offer.
[459] Openreach. 12 November 2025. Openreach announces price changes to encourage digital adoption of newer, more reliable and better value technology.

Similarly, TAR26 WLA Area 3 consists of a mix of locations in WFTMR21 Area 2 and WFTMR21 Area 3.

5.73 Under the Equinox Offers, Openreach offers different FTTP connection prices based on the geographic boundaries defined in the WFTMR21.[460] Therefore, to support pricing continuity, we are setting charge controls that enable Openreach to continue to provide the existing FTTP connection services at the current prices in the current locations, regardless of whether the locations in question are now in a different geographic market following our decisions in Volume 2. For example, Openreach offers a FTTP 80/20 Standard Connection service for existing customers in WFTMR21 Area 3 which is more expensive than the equivalent connection service which it makes available in WFTMR21 Area 2. We have decided to apply separate charge controls to each of these connection services in TAR26 WLA Area 2, as set out in Table 5.8. This will mean that where Openreach provides the service in a location which was previously in WFTMR21 Area 3 but which now falls within TAR26 WLA Area 2, it will continue to be able to charge the existing price (i.e. the price that applies in WFTMR21 Area 3) for the connection in that location.

5.74 In Table 5.8 and Table 5.9, we set out the single service controls in TAR26 WLA Area 2 and TAR26 WLA Area 3.

5.75 The level of the cap in the First Year has been calculated by inflating the current price by CPI and then adding the £20 uplift (not inflated) where this is relevant.[461] In Years 2 – 5 of the control the cap for each single service will be maintained in real terms (i.e. through a CPI+0 control).

[460] FTTP 80/20 Standard Connections charged at the list price (i.e. non-discounted) are priced at the same level in WFTMR21 Area 2 and WFTMR21 Area 3. The Equinox 1 Offer only discounts FTTP connections at premises in WFTMR21 Area 2; The Equinox 2 Offer has different discounts on FTTP connections in each of WFTMR Area 2 and WFTMR21 Area 3.

[461] In Table 5.8 and Table 5.9 we calculate the First Year price by inflating the current price using the ONS October 2025 12-month CPI rate of 3.6%. We then add £20 (where relevant) to reflect the Equinox Offers uplift. The ONS CPI 12-month rate for October in each prior year will then be used to calculate the level of the cap in Years 2 – 5 of the control.

Table 5.8: TAR26 WLA Area 2: Single service charge controls – FTTP (80/20) Standard Connections

	Part of Equinox Offer	£20 Uplift included in First Year of charge control	Current price (2025/26) (£)	Level of cap at 1 April 2026 (£)
TAR26 WLA Area 2				
Standard Connection: New to BT Network – Residential Area 2 premises *	✓	✓	£30.96	£52.07
Standard Connection: Non New To BT Network – Residential Area 2 premises that are not same CP regrades *	✓	✓	£61.93	£84.16
Standard Connection: Non New To BT Network – Residential Area 2 premises same CP regrades *	✓	✓	£29.95	£51.03
Standard Connection: Non New To BT Network – Residential Area 3 premises same CP regrades **	✓	✓	£83.45	£106.45
Standard Connection (list price)	✗	✗	£122.84	£127.26

** Applicable to postcode sectors that are in both TAR26 WLA Area 2 and WFTMR21 Area 2.*

*** Applicable to postcode sectors that are in both TAR26 WLA Area 2 and WFTMR21 Area 3.*

Table 5.9: TAR26 WLA Area 3: Single service charge controls – FTTP (80/20) Standard Connections

	Part of Equinox Offer	£20 Uplift included in First Year of charge control	Current price (2025/26) (£)	Level of cap at 1 April 2026 (£)
TAR26 WLA Area 3				
Standard Connection: Non New To BT Network – Residential Area 3 premises same CP regrades *	✓	✓	£83.45	£106.45
Standard Connection: New to BT Network – Residential Area 2 premises **	✓	✓	£30.96	£52.07
Standard Connection: Non New To BT Network – Residential Area 2 premises that are not same CP regrades **	✓	✓	£61.93	£84.16
Standard Connection: Non New To BT Network – Residential Area 2 premises same CP regrades **	✓	✓	£29.95	£51.03
Standard Connection (list price)	×	×	£122.84	£127.26

** Applicable to postcode sectors that are in both TAR26 WLA Area 3 and WFTMR21 Area 3.*

*** Applicable to postcode sectors that are in both TAR26 WLA Area 3 and WFTMR21 Area 2.*

Business FTTP connections

5.76 In addition to FTTP Standard Connections, Openreach also offers FTTP Premium Connections and FTTP Advanced Connections. These are services tailored towards business premises that may have different requirements to residential customers.

5.77 As explained above, Openreach no longer sells FTTP Standard Connections at business premises unless these are identified by Openreach as equivalent to residential premises based on their connection requirements.

5.78 Given this, our charge controls on FTTP 80/20 Standard Connections will not constrain the price of FTTP Premium Connections or FTTP Advanced Connections at business premises that are categorised as having non-residential connection requirements. Business customers at these premises therefore require protection from high FTTP connection charges.

5.79 To address our competition concern, we have decided to adopt a pricing continuity approach so that where copper-based services are not available, we set a charge control on FTTP 80/20 Premium Connections and FTTP 80/20 Advanced Connections that caps prices

of each service at the current level in real terms in each of TAR26 WLA Area 2 and TAR26 WLA Area 3.

5.80 In Table 5.10 below, we set out the level of the cap in the First Year of the control.[462]

Table 5.10: Single service charge controls – FTTP (80/20) Premium Connections and FTTP (80/20) Advanced Connections

	Current price (2025/26) (£)	Level of cap at 1 April 2026 (£)
TAR26 WLA Area 2		
FTTP 80/20 Premium Connection	£152.84	£158.34
FTTP 80/20 Advanced Connection	£297.84	£308.56
TAR26 WLA Area 3		
FTTP 80/20 Premium Connection	£152.84	£158.34
FTTP 80/20 Advanced Connection	£297.84	£308.56

5.81 Openreach said that our charge control conditions should make clear that the charge controls only apply to premises that Openreach has categorised as business premises that are unable to order a lower service connection type. However, such an approach would add complexity to the precise specification of the charge controls and the associated compliance process. Our charge controls are intended to provide customers with price protection for each service connection type as specified in our charge control conditions. Therefore, the price cap applies irrespective of whether the customer is able to order a lower service connection type. However, this does not prevent Openreach from launching new products that allow its customers to choose add-ons to upgrade charge-controlled products.

5.82 Some stakeholders have raised concerns of potential overcharging because of premises being inaccurately categorised as part of Openreach's automated process. We expect Openreach to clearly set out in its terms how it categorises premises for the purposes of applying either FTTP Premium or FTTP Advanced Connections so that its customer can check this using the same basis as Openreach. We would also expect there to be a

[462] We calculate the First Year price by inflating the current price using the ONS October 2025 12-month CPI rate of 3.6%. The ONS CPI 12-month rate for October in each prior year will then be used to calculate the level of the cap in Years 2 – 5 of the control.

mechanism in place for Openreach's customers to raise concerns where premises are being mis-identified.

Openreach Excess Construction Charges

Our proposals

5.83 We proposed to maintain our approach of adopting a separate basket for Direct Excess Construction Charges (ECCs) controlled at CPI-0% with a CPI+5% sub-cap on each individual charge within the basket.[463]

5.84 We proposed that the cost of ECCs incurred for the provision of new Openreach EAD services would be exempted up to a threshold amount ("the threshold charge"). Openreach would make up the resulting loss of revenue with a balancing charge which will be recovered through relevant EAD connection prices. We said this balancing charge could change based on the volumes and pricing of relevant ECCs and the volume of EAD or EAD LA circuits sold in the prior financial year.

5.85 We proposed to update the threshold charge at the start of the review period to £3,680, which is the level it would be expected to be mid-way through the period, were the threshold to increase by CPI-0% per annum.[464] The proposed approach was to account for Openreach's concern that increasing the threshold charge each year would require significant system changes and incur a non-material amount of costs.

Stakeholder responses

5.86 We did not receive any comments on our proposed basket approach for Direct ECCs.

5.87 Openreach disagreed with our proposed increase in the threshold charge for EAD services and argued for the current threshold of £2,800 to be maintained. Openreach said that at the time of the introduction of the £2,800 exemption, this resulted in 92% of orders having ECCs of £2,800 or less. Openreach commented that while ECC charges have increased in the interim, this has been offset by a lower incidence of ECCs. Based on current data, Openreach said the proposed increase in the threshold would result in 93.8% of orders being covered by the exemption, which would result in an increase in EAD connection charges.[465] [466]

5.88 VodafoneThree agreed with our proposal to increase the ECC threshold and to fix the amount to £3,680 for the review period, arguing that the approach balanced administrative simplicity with fairness. However, VodafoneThree was concerned that Openreach had shifted the boundary between what is recovered under the standard connection charge and

[463] ECCs for cable (fibre or copper) including any jointing required, blown fibre, blown fibre tubing in duct, internal cabling (including internal blown fibre tubing), overblow services, fibre cable and survey fee/planning charges using Openreach direct labour.
[464] The ECC threshold reflects the average of the exit position of the threshold, £3,493, from our decisions in the WFTMR 21 and where the ECC threshold would be at the end of the 2030/31 had the threshold increased by CPI each year, £3,870.
[465] Openreach response to TAR26 March 2025 Consultation. Document 4, Page 29.
[466] Openreach also commented on certain drafting points in the draft SMP Condition 12G in relation to the ECC balancing charge, which are considered in Annex 17.

what is recovered through ECCs, arguing for Ofcom to undertake a comparison of cost allocations between 2014 and 2025.[467]

Our reasoning and decisions

5.89 We consider the use of a CPI-0% control on the Direct ECC basket continues to strike the appropriate balance between mitigating the risk of high pricing relative to cost and ensuring cost recovery. In our view a CPI+5% sub-cap offers an appropriate level of flexibility to rebalance the basket while preventing significant price increases for individual services.

5.90 We have decided to maintain the approach of exempting the provision of new Openreach EAD services from the threshold amount of ECCs ("the threshold charge") and for Openreach to make up the resulting loss of revenue with a balancing charge which will be recovered through relevant EAD connection prices. This balancing charge can change based on the volumes and pricing of relevant ECCs and the volume of EAD or EAD LA circuits sold in the prior financial year.

5.91 We have decided to update the threshold charge at the start of the review period to £3,680. We remain of the view that the threshold charge should increase in line with CPI to reflect the rising underlying input costs of ECCs to ensure most EAD orders are covered by the threshold, and that a small increase in the proportion of orders covered by the exemption, from 92% to 93.8% based on Openreach's assessment, would not alter our approach.

5.92 We have decided that the balancing charge will be subject to a basis of charges obligation in that it must be based on the volumes and cost of relevant ECCs and the volume of EAD or EAD LLA circuits sold in the prior financial year. We continue to prefer flexibility for the balancing charge over a fixed amount because we consider there to be a continued risk of Openreach not maintaining revenue neutrality and not recovering efficiently incurred costs if both the threshold and the balancing charge are fixed.

5.93 As the balancing charge added to EAD connections for any given year is designed to ensure Openreach is revenue neutral, we do not have any cost recovery concerns from this approach. We recognise that the balancing charge could lead to higher connection charges, but as the change to the threshold is small, any increase to connection charges should be relatively modest.

5.94 In regards to VodafoneThree's comments, we impose obligations on what is recovered through ECCs and we can investigate if we see evidence that Openreach is recovering charges unrelated to ECCs through this mechanism.

Contractor Excess Construction Charges

Our proposals

5.95 We proposed to maintain the WFTMR21 approach of controlling Contractor ECCs through a basis of charges obligation on Openreach.

[467] VodafoneThree response to TAR26 March 2025 Consultation. Page 4.

Stakeholder responses

5.96 We did not receive any stakeholder comments on Contractor ECCs.

Our reasoning and decisions

5.97 We have decided to maintain our current approach of controlling Contractor ECCs through a basis of charges obligation on Openreach. We consider that this approach strikes an appropriate balance between mitigating the risk of high pricing relative to cost while ensuring cost recovery.

Ethernet Time Related Charges (TRCs)

Our proposals

5.98 We proposed to maintain the WFTMR21 approach of CPI-0% charge controls for ethernet TRCs.

Stakeholder responses

5.99 We did not receive any stakeholder comments on ethernet TRCs.

Our reasoning and decisions

5.100 We have decided to continue to set CPI-0% charge controls for ethernet TRCs. We consider this approach allows Openreach to recover its costs whilst also protecting against excessive pricing.

Dark fibre access in Area 3 and Dark fibre inter-exchange in BT only and BT + 1 exchanges

Our proposals

Time related charges (TRCs) and ECCs

5.101 We proposed that it was appropriate for the charges for TRCs and ECCs used for dark fibre to be the same as those used for active circuits.

Other dark fibre ancillaries

5.102 We proposed to continue to cap other dark fibre ancillaries at CPI-0%.

Stakeholder responses

5.103 We did not receive any responses on dark fibre ancillaries from stakeholders.

Our reasoning and decisions

Time related charges (TRCs) and ECCs

5.104 We have decided for the charges for TRCs and ECCs used for dark fibre to be the same as those used for active circuits. This is because the activities that need to be carried out, and the costs incurred are the same for dark fibre as they are for active circuits.

5.105 Specifically for dark fibre ECCs, the lost revenue from the balancing charge has been factored into the dark fibre connection prices we are setting. Because of this, we would not

expect an additional amount to cover the balancing charge to be added on top of the connection price in the same way as occurs for specific EAD connections.

Other dark fibre ancillaries

5.106 We have decided to continue to cap these services at CPI-0%. We do not consider that the charges for other dark fibre ancillaries should be the same as those for active circuits because the activities needed, and the costs incurred, are different for dark fibre as they are for active circuits. For example, the dark fibre variants require engineering call-outs whereas active circuits can be ceased and tested remotely.

5.107 For these non TRC Dark Fibre ancillaries, BT's 2022/23,2023/24 and 2024/25 RFS show that the revenue and the allocated costs relating to these ancillary services range from c£20k-c£100k. Given these low revenues and costs we do not consider over or under-recovery to be a significant concern.

Cross-market ancillaries

Our proposals

5.108 We proposed to maintain the approach of setting the same control for ancillaries that can be used in conjunction with services in multiple markets.

5.109 We proposed that this should apply to the following ancillaries:

- power/electricity subject to a basis of charges requirement;
- a Cablelink basket subject to a CPI-0% control; and
- LLA and IEC accommodation services individually and the WLA comingling basket[468] subject to CPI-0% controls.

Stakeholder responses

5.110 PXC argued that the return on capital employed (ROCE) for shared ancillary services is too high. PXC noted that a number of shared ancillaries are currently priced above cost and suggests applying a CPI-2% indexation to bring these charges closer to cost.[469]

Our reasoning and decisions

5.111 We have decided to maintain the approach of setting the same control for ancillaries that can be used in conjunction with services in multiple markets.

5.112 We continue to consider that it would be inappropriate for the same ancillary service to have different charges where they are provided in relation to different forms of network access. We consider that allowing telecoms operators the flexibility to use ancillary services across multiple types of access would facilitate more efficient use of the network.

5.113 In response to PXC's comments regarding the high returns on some cross-market ancillary services, we do not consider that Openreach's profitability margins (ROCE) are excessive when assessed holistically alongside other ancillaries plus rentals, connections and Main Link services. As set out earlier in this section, we have forecasted cost recovery for these

[468] Services also available in LLA and IEC ("Overlapping Accommodation Services") must not exceed the WLA charge.
[469] PxC response to TAR26 March 2025 Consultation. Page 17.

services in aggregate across the relevant WLA, WFAEL, LLA and IEC markets as a whole. Our analysis of forward-looking cost recovery finds that our charge controls (which include CPI-0% charge controls for the majority of ancillaries) enable Openreach to recover its efficiently incurred costs across relevant services over the review period, but the expected over recovery is small because the forecast under recovery in the WLA market largely cancels out the forecast over recovery in the WFAEL, LLA and IEC markets. We therefore do not consider that it is appropriate to apply a CPI-2% indexation for cross-market ancillaries.

Electricity

Our proposals

5.114 In the March 2025 Consultation, consistent with WFTMR21, we proposed:

- a basis of charges obligation on BT which requires it to set electricity charges that are reasonably derived from its relevant electricity purchase costs plus a small markup fee to reflect its own internal costs;
- directing BT to provide additional compliance reporting to give stakeholders reasonable assurance that BT is complying with the basis of charges obligation. This proposal required BT to publish an explanation of how it sets its electricity charges by reference to its wholesale electricity costs and any mark-ups to reflect its own internal costs; and
- directing BT to provide a statement from an independent third party (e.g. the auditor of the Regulatory Financial Statements) confirming that BT has set its electricity prices by following its published explanation. We proposed that this assurance is in the form of Agreed Upon Procedures (AUP).

Stakeholder responses

5.115 There were no responses on our basis of charges proposal and two responses to our proposal for additional compliance reporting.

5.116 VodafoneThree referenced the fluctuation in electricity prices during the current charge control period and endorsed our proposal for BT to publish its methodology for setting charges, with independent third party verification.

5.117 Openreach in contrast, was concerned that our proposal would require them to provide an explanation of the timing of BT's purchases of wholesale electricity and the impact this has on the setting of the electricity charge and said that the timing of BT Group's wholesale electricity purchases is commercially sensitive information.[470] Openreach have also queried the operation of the AUP and assumed that the proposed publication would be a one off-exercise, which would need to take place by 1 April 2026. Openreach also said, in relation to the publication requirements they recognise though that this publication needs to be balanced with a need to be transparent in our demonstration of regulatory compliance.[471]

[470] Openreach response to TAR26 March 2025 Consultation. Document 4, Page 65-66, Paragraph 248-249.
[471] Openreach response to TAR26 March 2025 Consultation. Document 4, Page 68, Paragraph 249.

Our reasoning and decisions

5.118 Our objective is to provide stakeholders with reasonable assurance that Openreach has complied with its basis of charges obligation. The published information should enable providers to better understand the underlying costs associated with these charges.

5.119 We do not expect Openreach or BT to publish confidential information – only enough information to provide reasonable assurance that BT is complying with the basis of charges obligation.

5.120 Compliance information should be published annually with other compliance schedules.[472] We have amended the Direction to make this clear. So, in the first year (ending 31 March 2027) for example, publication must occur in line with the RFS deadline (30 July 2027), including the Agreed Upon Procedure (AUP).[473] This schedule addresses timeline concerns and enables us to work with BT on the format.

Cablelink services

Our proposals

5.121 We proposed to maintain a separate basket for Cablelink services to apply across all markets, capped at CPI-0%, and for GEA 1Gbit and 10Gbit Cablelink connection charges to be subject to individual charge controls set at CPI-0%.

Stakeholder responses

5.122 Openreach noted that Cablelink products that serve leased line products and GEA Cablelink products will likely be consolidated into a new product. Openreach suggested that this new Cablelink product should be launched at a fair and reasonable price and then included in the Cablelink basket.[474]

Our reasoning and decisions

5.123 We have decided to continue our approach of maintaining a separate basket for Cablelink services, capped at CPI-0%, to apply across all markets. The revenues and costs are very low and so we do not consider over or under-recovery to be a significant concern.

5.124 We have decided to continue our approach of considering GEA Cablelink separately to cross-market Cablelink services. BT's 2025 and 2024 RFS's show that BT's prices in both years were not materially out of line with costs. This supports our decision to continue subjecting connection charges for GEA 1Gbit and 10Gbit Cablelink to individual charge controls set at CPI-0%.

5.125 In relation to the indication from Openreach that it was likely consolidating its GEA Cablelink and leased line Cablelink services, it subsequently clarified that from April 2026 it would be piloting a new service that supports higher fibre-count Cablelinks to support EAD2.0 and FTTP at scale.[475] Openreach confirmed it had no approved plans to withdraw its existing Cablelink services. Given that the new service is still at the pilot phase, we agree that it should be initially priced on a fair and reasonable basis. Depending on the decisions

[472] BT. Regulatory Financial Statements. Accessed 9 March 2026.
[473] See Volume 5, Section 6, Paragraphs 5.174-5.176.
[474] Openreach response to TAR26 March 2025 Consultation. Document 4, Page 89, Paragraphs 391-393.
[475] Openreach response dated 13 February 2026 to section 135 notice dated 3 February 2026, Q14(d).

that Openreach takes at the end of the pilot, it may then be appropriate to include the service in the Cablelink basket(s) under the provisions of the relevant SMP condition which allow for changes in the event of a material change or a substituted service.

Accommodation

Our proposals

5.126 We proposed to maintain a CPI-0% control on the charge for each accommodation service in the IEC and LLA markets. In the WLA markets, we proposed that accommodation services within the co-mingling new provide and rental services baskets be subject to a basket control at CPI-0%. We also proposed that the charges for each overlapping accommodation service provided in the IEC and LLA markets should be no higher than the corresponding charge when the equivalent relevant service is provided for the purpose of co-mingling new provide and rental services in the WLA market.

5.127 We considered accommodation services to be cross market ancillaries, as BT prices Access Locate (an accommodation service provided for leased lines and WLA) the same as LLU Accommodation (an accommodation service provided for WLA).

Stakeholder responses

5.128 We did not receive any responses specifically on accommodation services.

Our reasoning and decisions

5.129 We have decided to implement the proposals as described above.

5.130 We consider that by maintaining a CPI-0% control on accommodation services, Openreach will be able to recover its efficiently incurred costs in aggregate across the relevant WLA, LLA and IEC markets as a whole, i.e. across ancillaries, rentals and connections for each of these markets in isolation Openreach will be able to recover its costs.

New ancillaries

Our proposals

5.131 We proposed for any new ancillaries, with the exception of those relating to PIA, charges should be set on a fair and reasonable basis.[476]

Stakeholder responses

5.132 PXC and VodafoneThree argued that Ofcom should impose a safeguard cap on all services not currently charge controlled and an obligation that the price should be cost reflective. They gave the example of FTTP late cancellation charges as a charge that should be controlled.[477] [478]

[476] As set out in each of the relevant SMP conditions, if BT introduces a new ancillary service as a substitute for an existing service, then the same charge control will apply to that substitute service (subject to such adjustment as we may direct).
[477] PxC response to TAR26 March 2025 Consultation. Page 17-18.
[478] VodafoneThree response to TAR26 March 2025 Consultation. Page 22.

Our reasoning and decisions

5.133 We have decided that charges should be set on a fair and reasonable basis for any new ancillaries, with the exception of those relating to PIA. We do not consider there are any new ancillaries that are sufficiently material to be charge controlled. Moreover, we do not currently have a basis on which to set any such caps, including on FTTP cancellation charges. This would require a bottom-up analysis of costs that, given the materiality of the charges, would be disproportionate.

Our approach to baskets

Our proposals

5.134 For most services we proposed to maintain the current basket design for ancillaries.

Stakeholder responses

5.135 Openreach argued for the removal of the cap on cancellation charges and Early Termination Charges (ETCs) for ethernet products. It said that the current approach results in complexity in the presentation of charges and requires adjustments to percentage rates within its billing systems. Openreach proposed instead to maintain cancellation charges and ETCs as fixed percentages of connection and rental charges, respectively, which it considered would provide a proportionate level of protection to customers.[479]

Our reasoning and decisions

5.136 We have decided to maintain the same basket design for ancillary services as proposed in the consultation. We indicate in Tables 5.1-5.6 above whether the ancillary service is subject to a basket or single service charge control. In Volume 4 Section 6 we set out our principles and approach to basket design.

5.137 With regards to the cap on cancellation charges and ETCs for ethernet products, we note Openreach's concern that the current approach has resulted in some complexity and issues for its billing systems. However, the cap does not prevent Openreach from reducing its charges to mitigate these issues. Further, while Openreach has proposed that these charges should be fixed at between 97 – 100% of rental and connection charges, we note that this is materially higher than the percentage specified in its standard terms, which it says set ETCs at 20% of remaining minimum period rental charges. We consider that determining an appropriate level and methodology to fix these charges as Openreach proposes is likely to be a complex exercise. In contrast, maintaining the current approach, which Openreach's customers are familiar with, should ensure a greater degree of customer protection and pricing stability. We are therefore satisfied that a CPI-0% control remains appropriate for these charges.

Proportionality

5.138 We consider that our pricing remedies for ancillaries are proportionate as they address the competition problems we have identified in Volume 2 and go no further than is necessary

[479] Openreach response to TAR26 March 2025 Consultation. Document 4, Page 63-65.

to do so. Our view is that a CPI-0% control for the majority of ancillary services is proportionate as it is the least onerous means of addressing the risk of excessive pricing for these services. In instances where a CPI-0% control would not be appropriate, such as when forecasting prices would be difficult or costs are largely beyond the control of BT and Openreach, we consider that a basis of charges obligation which allows BT to recover its costs is the most proportionate way to address these risks. We have not identified any adverse effects of our remedies that would be disproportionate to the aim pursued.

Legal tests

5.139 For the reasons set out above, we consider there to be a risk that, absent regulation, BT might fix and maintain prices for ancillary services in the WLA, LLA and IEC markets[480] at an excessively high level and/or impose a price squeeze so as to have adverse consequences for end- users.

5.140 We are setting SMP conditions on BT to give effect to pricing remedies in relation to:

5.141 the ancillary services in the markets set out in Tables 5.1,[481] 5.2, 5.3. 5.4 and 5.6[482] above;

- WLA FTTP connection charges.

5.142 We are also making a Direction, requiring BT to publish information about the costs on which it bases electricity charges it sets in connection with the provision of network access.

5.143 Our SMP conditions and the Direction can be found in Volume 7.

5.144 As required by section 88 of the Act, we consider that the setting of each of the SMP conditions would be appropriate for the following purposes:

- promoting efficiency;
- promoting sustainable competition;
- conferring the greatest possible benefits on end user of public electronic communications services having regard, where relevant to the market analysis, to the long-term interests of end-users in the use of next-generation networks; and
- promoting the availability and use of new and enhanced networks.

5.145 We have also considered:

- the extent of the investment in the matters to which the condition relates of the person to whom it is to apply; and
    - the benefits of predictable and stable wholesale prices in ensuring efficient market entry; and sufficient incentives for all undertakings to bring into operation new and enhanced networks.[483]

[480] We consider the application of the legal tests to our pricing remedies for PIA-related ancillary services in paragraphs 1.76 – 1.93 of Section 4, Volume 4 (PIA Charges).
[481] Pole-related and non-pole-related adjustments only.
[482] To the extent that cross-market ancillary services are used in PIA markets, these are considered in paragraphs 1.76 – 1.93 of Section 4, Volume 4 (PIA Charges).
[483] We also note section 88(1A) of the Act which provides that Ofcom may refrain from setting a price control (even if the other section 88 tests are satisfied) if a demonstrable retail price constraint is present and other SMP conditions imposed as part of a different market review would ensure effective and non-discriminatory

Promoting efficiency

5.146 We consider that each of the charge controls will encourage BT to achieve greater productive efficiency by allowing it to keep any profits it earns by reducing its costs over and above the efficiency gains we have assumed in setting the controls.

5.147 We consider that our charge controls and other pricing requirements, such as the basis of charges obligations, on ancillary services will:

- address the risk of high prices relative to cost;
- allow BT to earn a reasonable rate of return if it is efficient; and
- provide BT with flexibility to change prices to meet demand conditions by recovering common costs in the most efficient manner across groups of services.

Promoting sustainable competition and conferring the greatest possible benefits on end-users of public communications services

5.148 We consider that each of our charge controls and other pricing obligations are appropriate to promote sustainable competition by preventing excessive pricing and providing price stability. This will provide customer protection as the charge controls on ancillaries ensure that the remedies outlined in Section 1, Section 2 and Section 3 of this Volume will be effective and will support sustainable competition that benefits end-users. We have also had regard to the long-term interests of end-users in the use of next-generation networks, in particular of very high-capacity networks.

5.149 In relation to the basis of charges obligation on electricity and contractor excess construction charges, we consider that this requirement promotes efficiency and sustainable competition and provides the greatest possible benefits to end-users by enabling competing providers to buy network access at levels that might be seen in a competitive market.

Promoting the availability and use of new and enhanced networks

5.150 We have taken into account the need to ensure that the cost recovery methodology that we have implemented will serve to promote the deployment of new and enhanced networks.

5.151 We consider that the charge controls that we are imposing on ancillary services will support the charge controls that we are setting in Section 1, Section 2 and Section 3 of this Volume which we consider will promote the availability and use of new and enhanced networks, as outlined in those sections. We therefore consider that the charge controls we are imposing on ancillary services will also serve to promote the availability and use of new and enhanced networks.

access. We conclude in light of our SMP determinations that these tests would unlikely to be satisfied in these markets.

The extent of the investment and the benefits of predictable and stable wholesale prices

5.152 We have taken account of BT's investment in the matters to which the SMP conditions relate by ensuring that, on the whole, our charge controls on ancillary services, the majority of which are set at CPI-0%, will allow BT to recover its efficiently incurred costs and make a reasonable return on its investment.

5.153 As our SMP conditions involve price controls on the provision of network access to existing network elements, in accordance with the test in section 88 of the Act, we have also taken account of the benefits of predictable and stable wholesale prices in ensuring:

- efficient market entry; and
- sufficient incentives for all undertakings to bring into operation new and enhanced networks.

5.154 These considerations have been reflected in a set of charge controls that we consider will best promote competition through investment in rival networks (where there is potential for rival network competition) and through wholesale access to BT's network where there is limited potential for network investment.

5.155 We have taken account of the long-term nature of network investment by setting charge controls on ancillary services for the duration of the review period. This gives investors certainty on the level of prices for the next five years, allowing them to develop and deploy business plans on the basis of these predictable and stable prices. It also ensures regulation addresses BT's SMP in a way which maintains a reasonable opportunity for new entrants to compete and increase take-up during this review period.

5.156 In Volume 4 Section 7 we explain why the setting of our SMP conditions satisfies the tests set out in section 47 of the Act.

5.157 We also set out in Volume 4, Section 7 why the Direction in relation to electricity charges satisfies the tests in section 49 of the Act.

6. Charge control design and implementation

6.1 In the sections above, we set out our approach to setting charge controls for WLA services, leased line access services, inter-exchanges services, PIA and ancillaries.

6.2 In Annexes 10-16 we set out further details relating to the levels of the charge controls.

6.3 In this section we set out our decisions for the following elements of our charge controls:

- Duration of the charge controls.
- Speed of alignment where we are making changes to the charge control levels.
- Mechanism of charge control implementation.
- Basket design.
- Weighting price changes within baskets as part of measuring compliance.
- Deficiency and excess provisions.
- Further issues relating to the specifications of our charge controls.

6.4 In reaching our decisions, we have considered whether the resulting conditions would be appropriate for the purposes of promoting efficiency, promoting sustainable competition, conferring the greatest possible benefits on end-users of public communication services and promoting the availability and use of new and enhanced networks.

Duration of all our charge controls

Our proposals

6.5 We proposed to set a 5-year charge control period for all our proposed charge controls which aligns with the market review period.

Stakeholder responses

6.6 We did not receive comments relating to our proposal.

Our reasoning and decisions

6.7 We consider that regulatory stability is important for promoting competition and investment in new networks. Therefore, we have decided to set a 5-year charge control period for all our charge controls which aligns with the market review period.

Speed of aligning charges

Our framework for deciding the speed to adjust prices

6.8 Where we are making changes to the level of prices as part of a charge control (for example, closing any gap between prices and forecast unit costs within a cost-based charge control), we considered three broad options for implementing the change:[484]

- **glidepath only**: charges gradually glide over time, usually determined by a CPI-X control targeting a particular level of charges (in real terms) in the final year of the control;
- **one-off starting charge adjustment (SCA)**: charges are adjusted to cost at the beginning of the control period. Thereafter, charges glide to reach a target cost level at the end of the control usually determined by a CPI-X control; and
- **combination of one-off SCA and a glidepath**: charges are adjusted at the start of the control period to bring them closer to cost, but some of the gap between charges and cost is closed in subsequent years to reach a target cost level at the end of the control period usually determined by a CPI-X control.

6.9 We have a general preference for glidepaths because we are of the view that they promote both productive and dynamic efficiency. Using a glidepath allows the regulated firm to keep the benefits of unit cost reductions, beyond those forecast when the charge control was set. Consequently, the use of a glidepath gives the regulated firm better incentives to pursue improvements in productive efficiency and/or grow volumes than an SCA.

6.10 Glidepaths also avoid discontinuities in charges over time and lead to a more stable and predictable background against which investment and other decisions may be taken. This is a particularly important consideration when we are seeking to provide the right conditions to promote competitive infrastructure investment.

6.11 We might use starting charge adjustments for currently controlled services if the risk to economic efficiency or competition from distorted pricing signals is particularly significant or where prices are significantly above or below cost for reasons other than efficiency or volume growth.

6.12 Where services are charge controlled for the first time, we have often preferred a starting charge adjustment to cost. This is because we do not have the same concerns that our charge control will remove the ability of the regulated firm to keep the benefits of unit cost reductions from outperforming an existing change control and thereby reduce incentives to pursue future improvement in productive efficiency.

Wholesale local access services

Our proposals

6.13 We proposed to set a charge control in each of WLA Area 2 and WLA Area 3 for MPF rentals at CPI-0%.

6.14 We proposed to set charge controls in each of WLA Area 2 and WLA Area 3 for GEA FTTC 80/20 rental services for the first time. Under our proposals the charge cap starting at 1

[484] We have previously set out our general approach on how to adjust prices to cost in the BCMR 2016 Statement (Ofcom. 2016. Business Connectivity Market Review Statement) and the WLA 2018 Statement (Ofcom. 2018. Wholesale Local Access Statement).

April 2026 was set with reference to Openreach's discounted price (which was considered the prevailing price) of FTTC 80/20 and indexed by CPI.

6.15 Where copper services were not available[485], we proposed to set charge controls in each of WLA Area 2 and WLA Area 3 for GEA FTTP 80/20 rental services for the first time. Under our proposals the charge cap starting at 1 April 2026 was set with reference to Openreach's discounted price offered as part of its Equinox Offer (which was considered the prevailing price) indexed by CPI. We also proposed to incorporate a £1 per month uplift in the charge cap starting at 1 April 2026 to reflect the terms in the Equinox Offer.

6.16 Under each of the above proposed charge controls, the question of how quickly to change charges did not arise.

Stakeholder responses

6.17 We did not receive comments relating to our proposals.

Our reasoning and decisions

6.18 In Section 1, we have decided to adopt a pricing continuity approach for WLA rentals. Under this approach the question of how quickly to change prices does not arise.

6.19 In each of WLA Area 2 and WLA Area 3, we have decided:

- To set the charge cap for MPF rentals starting at 1 April 2026 with reference to the charge cap at the end of the previous charge control and indexed by CPI.
- To set the charge cap for FTTC 80/20 rentals starting at 1 April 2026 with reference to Openreach's discounted price (which is considered the prevailing price) indexed by CPI.
- To set the charge cap for FTTP 80/20 rentals (where copper services are not available)[486] starting at 1 April 2026 with reference to Openreach's discounted price offered as part of its Equinox Offer (which is considered the prevailing price) indexed by CPI and then adding £12 to reflect the £1 per month uplift relating to the Equinox Offer.

Leased line access services in LLA Area 2

Our proposals

6.20 We proposed a pricing continuity approach for leased line access services in LLA Area 2. Therefore, the issue of how quickly to adjust prices was not relevant.

Stakeholder responses

6.21 We did not receive comments relating to our proposal.

Our reasoning and decisions

6.22 In Section 2, we have decided to adopt a pricing continuity approach in LLA Area 2 that sets:

- a charge control on leased line services (rentals, connections and Main Link) at all bandwidths at CPI-0%.

6.23 Therefore, the issue of how quickly to adjust prices is not relevant.

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[485] We proposed this was the case if either it is not possible for BT to provide copper services or it is not required to provide them in response to new requests for network access.
[486] This is the case if either it is not possible for BT to provide copper services or it is not required to provide them in response to new requests for network access.

Leased line access services in LLA Area 3 and dark fibre access in LLA Area 3

Our proposals – Leased line access services

6.24 In our March 2025 Consultation, we proposed a cost-based control on leased line access services up to and including 1Gbit/s and to align prices to costs by 2030/31 using a glidepath approach.

6.25 In our November 2025 Further Consultation, we proposed to re-profile the glidepath on leased line access services up to and including 1Gbit/s to allow for a one-year transition period to 1 April 2027 in the implementation of cost-based prices, while also not allowing Openreach any additional revenue over the 2026/27 to 2030/31 period.[487]

6.26 We proposed a pricing continuity approach for leased line access services above 1Gbit/s (including WDM services). Therefore, the issue of how to quickly to change prices was not a relevant consideration.

Stakeholder responses – Leased line access services

6.27 In relation to the charge control for leased line access services up to and including 1Gbit/s, PXC suggested that in light of the government's growth agenda it is more appropriate to make a starting charge adjustment at the start of the review period rather than use a glidepath. It considered that this would speed up adoption of Ethernet and assist UK businesses by reducing their communications budgets, freeing up cash for investment and improving their competitive position.[488]

6.28 PXC said that a one-year transition period until the implementation of cost-based charges would cause a distortion in the market since customers will be incentivised to delay any new connections or contract extensions. It also raised a concern that its customers could struggle to credibly plan for 5-year contracts with a two-year step change.

6.29 PXC considered arguments around Openreach needing time to develop billing systems to implement the charge control were weak since:

- Openreach has many years of experience in applying differential geographic pricing for Ethernet services, such as in the CLA and HNR.
- 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.[489]

6.30 VodafoneThree also said there should be a large SCA. It considered that allocative efficiency concerns are currently acute and, without an SCA, prices would prolong consumer harm and distort purchasing decisions. It also considered there was no evidence of dynamic or productive efficiency benefits from glide paths.[490]

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[487] In Openreach's response to the March 2025 Consultation, it explained the implementation of the proposed cost-based charge control for leased line access services up to and including 1Gbit/s sold in LLA Area 3 would require significant development of its pricing systems, which cannot be completed in time for the start of the TAR period, on 1 April 2026. Openreach response to TAR26 March 2025 Consultation. Document 4. Paragraphs 265-269.

[488] PXC response to TAR26 March 2025 Consultation. Page 14.

[489] PXC response to TAR26 November 2025 Consultation. Page 7-8.

[490] VodafoneThree response to TAR26 March 2025 Consultation. Page 76.

6.31 In relation to the one-year transition period, VodafoneThree said that the proposed delayed implementation of cost-based pricing in Area 3 would allow prices to increase (with CPI) for another year.[491] It said this would further extend the pattern of price increases for Ethernet customers observed during the 2021-26 period, which it considered to be out of line with costs and excessive.

6.32 INCA raised a concern that the proposed re-profiling of the glidepath for leased line access services up to and including 1Gbit/s could lead to lower prices at the end of the TAR period, which would make market entry harder.[492]

Our reasoning and decisions – Leased line access services

6.33 In Section 2, we set out our decisions to set charge controls in LLA Area 3. We have decided to:

- set a cost-based charge control on leased line access services (rentals, connections and Main Link) at bandwidths up to and including 1Gbit/s.
- adopt a pricing continuity approach that sets a charge control on leased line access services (rentals, connections and Main Link) at bandwidths above 1Gbit/s (including WDM services) at CPI-0%.

6.34 In relation to our cost-based control for leased line access services up to and including 1Gbit/s we have decided to allow for a one-year transition period before using a re-profiled glidepath to align prices to cost by 2031, which means Openreach will not earn any additional revenue in total over the 2026/27 to 2030/31 period relative to a typical five-year glidepath.

6.35 As set out earlier, we have a general preference to set charge controls using a glidepath since this incentivises productive efficiency and/or volume growth. We consider that improving productive efficiency is supportive of the Government's growth agenda.

6.36 We consider that allowing a one-year transition for the implementation of a cost-based control in LLA Area 3 is a pragmatic approach that reflects the operational issues that Openreach faces in updating its billing systems to accommodate the changes from our existing regulation. We do not agree that a one-year transitional period will create a material distortion in customers' purchasing patterns. Neither do we agree that customers will face difficulties in planning their investments due to the one-year transitional period given the glidepath is known and so Openreach's customers can readily understand the profile of prices. We acknowledge that the one-year transition period will allow prices to increase by CPI-0% for an additional year, but as noted above, we have used a re-profiled glidepath which not only aligns prices to cost by 2031, but also does not allow Openreach to earn any additional revenue in total over the 2026/27 to 2030/31 period relative to a typical five-year glidepath.

6.37 INCA raised concerns that our reprofiled glidepath (to incorporate a one-year transitional period) would result in lower prices at the end of the control compared to a glidepath without a transitional period, thereby making entry harder. However, this is not the case. Under our charge control, prices remain above cost in each year until the final year of the control. In the final year of the control, where prices are set at cost, prices are the same under each glidepath variant under our cost-based control.

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[491] VodafoneThree response to TAR26 November 2025 Consultation. Paragraph 57.
[492] INCA response to TAR26 November 2025 Consultation. Page 18.

6.38 We have decided to adopt a pricing continuity approach for leased line access services above 1Gbit/s (including WDM services). Therefore, the issue of how to quickly to change prices is not a relevant consideration.

Our proposals – Dark fibre access services

6.39 We proposed to set a cost-based charge control on dark fibre access services.

6.40 We proposed to apply a SCA that would reduce the current misalignment between prices and costs by 75% at the start of the control period and thereafter use a glidepath that aligned prices to costs by 2030/31. This applied to both:

- DFA connections, where the SCA reduced prices at the start of the period; and
- DFA rentals, where the SCA increased prices at the start of the period.

Stakeholder responses – Dark fibre access services

6.41 VodafoneThree supported the proposal for a large SCA at the start of the control period to enhance customer protection by bringing prices closer to costs from the outset. However, it said it was not entirely clear why Ofcom was proposing a partial SCA of 75%, rather than a full 100% adjustment.

6.42 VodafoneThree noted that although Ofcom cited a risk of price volatility for DFA rentals, it did not understand how such volatility would be inconsistent with Ofcom's stated objectives. Therefore, it supported a 100% SCA.[493]

Our reasoning and decisions – Dark fibre access services

6.43 In Section 2, we set out our decisions to set charge controls in LLA Area 3. We have decided to:

- set a cost-based charge control on dark fibre access services.

6.44 In relation to dark fibre access services, there is currently a large gap between prices and estimated unit costs, which by the end of the current charge control on 31 March 2026 is likely to have persisted for several years.

6.45 By the end of the current charge control period, DFA connection prices are forecast to be significantly above their unit FAC (£1,380.22 compared to £929.65), whereas DFA circuit rental prices are forecast to be below their unit FAC (£1,088.76 per year compared to £1,238.74 per year).

6.46 A misalignment between current prices and costs does not, in itself, override our general preference for glidepaths given their productive efficiency benefits. However, in this case, we consider that greater emphasis should be placed on improving allocative efficiency by reducing the current misalignment of prices and cost. This is for two reasons:

- We are concerned that the large gap between current prices and costs, particularly for DFA connections, could be distorting purchasing decisions for DFA which may impede the effectiveness of the remedy.[494]

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[493] PXC response to TAR26 March 2025 Consultation. Page 75.

[494] We recognise that for DFA, the gaps between current prices and costs for DFA connections and DFA rentals cancel each other out to an extent. However, we consider that the misalignment between current prices and costs still has the potential to distort purchasing decisions for DFA. For example, a substantial reduction in DFA connection charges will reduce the upfront investment required to purchase new DFA services, irrespective of an increase in annual DFA rental charges. As noted in Volume 4, Section 2, stakeholders have cited various types of upfront costs (and their scale) as an issue impacting take-up of DFA.

- To date DFA has had relatively low take-up (and therefore volumes are low). This reduces our concern that a SCA might undermine Openreach's future incentives to improve efficiency since any benefit it may have gained from unit cost reductions as a result of outperforming the existing control will be small.

6.47 We have decided to apply a SCA that will reduce the current misalignment between prices and costs by 75% at the start of the control period and thereafter use a glidepath to align prices to costs by 2030/31. This will apply to both:

- DFA connections, where the SCA will reduce prices at the start of the period; and
- DFA rentals, where the SCA will increase prices at the start of the period.

6.48 We have decided to implement a partial SCA, as opposed to a 100% SCA, as this will reduce the risk of volatility in prices for DFA rentals. The partial SCA will result in a less sharp increase in DFA rental prices at the start of the control followed by shallower price reductions in subsequent years which provides a smoother glidepath for prices during the charge control period. VodafoneThree did not understand why a risk of price volatility under a 100% SCA adjustment would be inconsistent with our objectives. As explained above, we aim to avoid discontinuities in charges over time and therefore provide a more stable and predictable background against which investment and other decisions may be taken where competition is based on access to Openreach's network.

6.49 We consider that our approach will largely address the misalignment between prices and costs at the start of the control period thereby mitigating our concerns around distortions to purchasing decisions. It will also improve customer protection by bringing prices closer to costs at the start of control.

IEC services and dark fibre inter-exchange (from BT only and BT+1 exchanges)

Our proposals - IEC services

6.50 We proposed a pricing continuity approach that set a charge control on IEC services (rentals, connections and Main Link) at all bandwidths (including WDM services) at CPI-0%. Therefore, the issue of how quickly to adjust prices was not relevant.

Stakeholder responses – IEC services

6.51 We did not receive comments relating to our proposal.[495]

Our reasoning and decisions – IEC services

6.52 In Section 3, we have decided to adopt a pricing continuity approach that sets a charge control on IEC services (rentals, connections and Main Link) at all bandwidths (including WDM services) at CPI-0%. Therefore, the issue of how to quickly change prices is not relevant.

Our proposals - Dark-fibre inter-exchange from BT only and BT+1 exchanges

6.53 We proposed to set a cost-based charge control on DFX services from BT only and BT+1 exchanges.

6.54 We proposed:

[495] Some stakeholders suggested we should adopt a cost-based charge control (as opposed to a pricing continuity approach). Our consideration of these arguments is covered in Section 3.

- to apply a SCA that reduced the current misalignment between prices and costs by 50% at the start of the control period and thereafter applying a glidepath to align prices to costs by 2030/31.
- In our March 2025 Consultation, the SCA reduced prices at the start of the period for DFX connections, circuit rentals and main link rentals.
- In our November 2025 Further Consultation, following the proposed reallocation of fibre costs, the SCA reduced DFX rental prices at the start of the control; increased DFX connection prices at the start of the control; and increased DFX main link rentals at the start of the control.[496]

Stakeholder responses - Dark-fibre inter-exchange from BT only and BT+1 exchanges

6.55 In response to our March 2025 Consultation, VodafoneThree said Ofcom's primary objective should be to deliver benefits to end users as quickly as possible. In this context, it considered there is no clear justification for delaying the full alignment of prices with costs and therefore believed Ofcom should adopt a 100% SCA.[497]

6.56 In response to our November 2025 Further Consultation, Openreach supported the SCA for DFX main link rentals since this recognised the costs that it incurred as a result of fibre investment and more fairly allocates those costs to the services that use those fibres. It considered that a combination of an SCA and glidepath best balanced investment incentives and Ofcom's objectives to protect consumers.[498]

6.57 In response to our November 2025 Further Consultation, GoFibre said that a SCA is disproportionate and inconsistent with Ofcom's historic preference for glidepaths.[499]

6.58 In response to our November 2025 Further Consultation FullFibre, Zzoomm, Ogi, Go Fibre and Commsworld said that a step increase in DFX costs which results from Ofcom's proposed starting charge adjustment is not appropriate as it will have a de-stabilising effect on competition in the WLA market.

6.59 They said that a sudden increase in costs would invalidate altnet business cases built on assumptions of continuity with Ofcom's previous charge controls; disrupt the economics of build programmes which are already under way; increase marginal build costs, especially in harder-to-reach areas; reduce and/or delay FTTP deployment by altnets, thereby reducing competitive tension in retail FTTP markets, leading to reduced FTTP availability to consumers and higher prices.[500]

Our reasoning and decisions - Dark-fibre inter-exchange from BT only and BT+1 exchanges

6.60 In Annex 13, we set out our decisions relating to modelling the costs of DFX services from BT only and BT+1 exchanges. In Annex 10, we explain our decisions relating to incorporating the reallocation of fibre costs that we proposed in our November 2025 Further Consultation.

6.61 We estimate by the end of the current charge control period:

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[496] The SCA adjustment did not increase prices for DFX rentals and DFX main link rentals under our low-cost scenario.
[497] VodafoneThree response to TAR26 March 2025 Consultation. Page 81.
[498] Openreach response to TAR26 November 2025 Consultation. Page 36-37.
[499] GoFibre response to TAR26 November 2025 Consultation. Page 5.
[500] FullFibre, Zzoomm, Ogi, GoFibre and Commsworld response to TAR26 November 2025 Consultation. Pages 8-9.

- DFX connection prices to be below their unit FAC (£269.34 compared to £301.81).
- DFX rental prices to be above their unit FAC (£35.98 compared to £0.80).
- DFX main link rental prices to be below their unit FAC (£126.00 per kilometre compared to £162.30 per kilometre).

6.62 We recognise that altnets have made investments based on the signals we have given in previous charge controls. We consider it is important that our charge controls do not undermine those investment signals we have previously given.

6.63 In Annexes 10 and 13, we set out our approach to modelling the cost of DFX services. Importantly, we have decided to incorporate a reallocation of core junction fibre (CJF) costs into our cost modelling. While we consider it appropriate to incorporate a reallocation of CJF costs in our modelling, we recognise that this results in a step change in our cost estimates for DFX services.

6.64 Given the importance of preserving investment signals, we want to avoid our charge controls resulting in sudden price changes (particularly where these have been driven by our reallocation of CJF costs which could not have been anticipated by altnets in their previous investment decisions). A glidepath approach, by its nature, will avoid sudden price changes in our charge control.

6.65 Therefore, we have decided to adopt a glidepath for DFX rentals, DFX connections and DFX main link which will align prices to costs by 2030/31.

PIA services

Our proposals

6.66 We proposed to set a cost-based charge control on PIA services and use a glidepath approach to align prices to cost by 2030/31.[501]

Stakeholder responses

6.67 CityFibre said that Ofcom's choice to use glidepaths rather than starting cost adjustments to reflect its updated view of Openreach costs benefits Openreach in allowing it to continue to over recover in the short term. It considered that Ofcom provided no reasoning for adopting a glidepath other than to indicate that this is the approach it has followed previously. CityFibre considered that Ofcom makes no assessment of the impact of using glidepaths on PIA users' ability to compete in doing so, thereby favouring Openreach's interests over those of its rivals.[502]

6.68 Nexfibre supported the glidepath approach. It did not support making significant one-off price increases due to the potential for "bill shock" for those reliant on the product/service in question, particularly if internal financial plans, and/or customer pricing, could be impacted. It considered that the potential impact of sudden adjustment is more significant for PIA users, given the significance of PIA costs in overall opex. Bill shocks relating to PIA costs would also undermine investor confidence.[503]

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[501] In Section 4, we also explain that we glide to a new discount rate by the end of the control period for lead-in ducts and single-end user pole attachments (which feeds into each price through the fair share). We consider it appropriate to glide to this forward-looking discount rate as it provides relatively stable pricing whilst capturing the long-run discount rate within the period.
[502] CityFibre response to TAR26 March 2025 Consultation. Page 45.
[503] nexfibre response to TAR26 March 2025 Consultation. Page 41.

Our reasoning and decisions

6.69 We have decided to adopt a glidepath approach to implementing our cost-based charge controls relating to PIA.

6.70 CityFibre said that we did not provide any reasoning for adopting a glidepath. As explained earlier, we have a general preference for adopting glidepaths because of the productive and dynamic efficiency incentives that these provide.[504] We consider that adopting a glidepath will deliver lower PIA prices overall in the long-term and supports our objective of promoting network competition. We have not seen evidence that our glidepath approach has a significant impact on altnets' investment decisions. We note that building networks is a major investment with long payback periods, and investment decisions are made on the basis of expected costs and revenues over the long, rather than, short term.

Mechanism of charge control implementation

Target Average Charge (TAC) and Maximum Annual Charge (MAC)

6.71 There are two broad mechanisms to implement our various charge controls:

- A Target Average Charge (TAC) approach, used where the charge control applies to a basket of services or where the charge control applies to a single service; or
- A Maximum Annual Charge (MAC) approach, used where the charge control applies to a single service only.

TAC approach

6.72 Under the TAC approach, Openreach is required to comply with the charge control such that its average weighted charges in the relevant control year do not exceed the charge control cap. Under a basket control the weighted average is with reference to both time and across services within the basket; whereas for a single service control the weighted average is with reference to time only.

6.73 Under the TAC approach, the charge control formula takes into account the timing of any changes Openreach makes. Openreach can change charges for services at any time during a particular year. However, the charge control formula explicitly takes into account how long each charge is in place.

MAC approach

6.74 Under the MAC approach, Openreach is required to comply with the charge control such that the maximum price it charges during the relevant year does not exceed the charge control cap. As such, the charge control formula does not need to take into account when changes to charges occur in a year, since compliance is assessed through comparing whether the charge exceeded the maximum cap (at any point in the relevant year). This is in contrast to a TAC approach where Openreach would have flexibility to adjust prices during the year to ensure that on average across the year its charges do not exceed the cap

[504] In Section 4, we also explain that we have decided to glide to a new discount rate by the end of the control period for lead-in ducts and single-end user pole attachments (which feeds into each price through the fair share). We consider it appropriate to glide to this forward-looking discount rate as it provides relatively stable pricing whilst capturing the long-run discount rate within the period.

Our proposals

6.75 We proposed the following mechanisms for implementing our charge controls.

Table 6.1: Proposed mechanisms for the charge controls

Charge control	Year 1	Years 2-5
WLA Area 2: **MPF, FTTC 80/20, FTTP 80/20 rentals**	TAC	MAC
WLA Area 3: **MPF, FTTC 80/20, FTTP 80/20 rentals**	TAC	MAC
LLA Area 2: Ethernet leased lines services and Optical leased line services	TAC	TAC
LLA Area 3: Ethernet leased lines services and Optical leased line services	TAC	TAC
IEC: Ethernet leased lines services and Optical leased line services	TAC	TAC
IEC dark fibre	TAC	MAC
LLA Area 3 dark fibre	TAC	MAC
PIA	TAC	MAC
Ancillaries	TAC	Both MAC and TAC

6.76 We explained that where we are setting single service charge caps, and where practical, we have a general preference for setting these on a MAC basis. This gives access seekers more certainty about the maximum price they will face during any point of a control year; and can be a simpler way of implementing a charge control.

6.77 However, we recognised that complying with a MAC control from 1 April 2026 may present practical difficulties for Openreach in the first year of the control. This is because Openreach may not have sufficient time to undertake a set of governance and operational activities as part of implementing the set of price changes by 1 April 2026 (since these can only be completed following the publication of our Statement).

6.78 In light of these practical considerations, where we proposed to set a control under a MAC approach, we proposed this would only apply from the second year of the control (with a TAC control applying in the first year).

Stakeholder responses

6.79 Openreach requested that at the start of the review period, normal notification periods are waived and the new prices can take effect from 1 April 2026.

6.80 Openreach noted that under the proposed charge controls, prices will increase up to CPI for the first year of the review period for the majority of products. Typically, a price increase would require 90 days' notice, and the time and transparency allows an ISP to adjust to the higher price. However, at the start of a charge control, the price proposals will have been

known to industry from the point of consultation, rendering the 90 days' notice ineffective as they will have had a year of notice. Openreach said that by setting weighted average price controls for year 1, Ofcom has understood this and reflected this in the charge control compliance calculation, rather than waiving the notice period for the start of the control.

6.81 Openreach said that the delay in the implementation of the price changes does not impact the average price charged across the year, but will negatively impact the timing of cash flows for Openreach.

6.82 Openreach was also concerned about the negative impact on transparency of compliance. It said that in previous reviews where the charge control was designed to allow 90 days' notice for new prices (for example the WFTMR prices coming into effect from 1 July 2021) this created confusion for ISPs. Price changes to comply with the control are based on the change in weighted average price from one period to the next, which uses the average price that was charged across the year. When price changes happen during a review period, it means that the price at a point in time during the year and the average price over the year will be different, and the price increase will not match CPI. Openreach considered that this is little understood outside of regulatory teams and leads ISPs to misunderstand what price will come into effect and if a price increase has been compliant or not. ISPs also expect price changes to be on 1 April each year and budget with this in mind.

6.83 Openreach considered that if Ofcom does not accept that notice periods for the start of the control should be waived due to transparency and cash flow impact, then Ofcom must waive the notice period for items that need to reduce to zero by 1 April 2026 to be compliant. This is applicable to Pole Top Equipment and Cable up a Pole for PIA, where the price cap is £0 from 1 April 2026.[505]

Our reasoning and decisions

6.84 A summary of our decisions relating to the mechanism of our charge controls is provided in Table 6.2.

Table 6.2: Mechanisms for the charge controls

Charge control	Year 1	Years 2-5
WLA Area 2: **MPF, FTTC 80/20, FTTP 80/20 rentals**	TAC	MAC
WLA Area 3: **MPF, FTTC 80/20, FTTP 80/20 rentals**	TAC	MAC
LLA Area 2: Ethernet leased lines services and Optical leased line services	TAC	TAC
LLA Area 3: Ethernet leased lines services and Optical leased line services	TAC	TAC
IEC: Ethernet leased lines services and Optical leased line services	TAC	TAC

[505] Openreach. 12 June 2025. Openreach response to TAR26 March 2025 Consultation. Pages 72-73.

Charge control	Year 1	Years 2-5
IEC dark fibre	TAC	MAC
LLA Area 3 dark fibre	TAC	MAC
PIA	TAC	MAC
Ancillaries	TAC	Both MAC and TAC

6.85 We note Openreach's request that all notifications are waived under our charge controls to allow prices to come into effect on 1 April 2026 (as opposed to later in the control year after giving up to 90 days' notification).

6.86 We do not accept Openreach's suggestion that since our price proposals will have been known to industry from the point of consultation this renders the 90 days' notification requirement unnecessary. Given these were proposals only, they were potentially subject to change and therefore did not give ISPs certainty on price levels that would apply as a result of our decisions in this Statement. Moreover, were we to waive notification requirements, this would typically require us to consult with stakeholders for a minimum of 30 days. Therefore, it is not clear that this would provide any material benefit in bringing forward the date at which prices can come into effect when also taking into account the time for Ofcom to review consultation responses and produce a final statement.

6.87 In addition, we do not accept Openreach's argument that by requiring 90 days' notification for price changes this creates transparency issues in relation to compliance with the charge controls. We consider that our explanation of a TAC approach and a MAC approach, and how and why we apply them, should provide sufficient transparency for stakeholders as to how these charge controls apply.

6.88 Notwithstanding this, under Condition 8.4 where it is necessary for Openreach to make a price change to comply with or as a consequence of an SMP obligation then it is not required to comply with its notification requirements under Condition 8.3. For the avoidance of doubt, this would apply in relation to Pole Top Equipment and Cable up a Pole for PIA, where the price cap is £0 from 1 April 2026. It would also apply where we have decided to implement Starting Charge Adjustments on 1 April 2026 as part of our charge controls.[506]

6.89 Where we are setting single service charge caps, and where practical, we have a general preference for setting these on a MAC basis. However, we also recognise that complying with a MAC control from 1 April 2026 will present practical difficulties for Openreach in the first year of the control because Openreach would need to undertake a set of governance and operational activities as part of implementing the set of price changes by 1 April 2026 that can only be completed following the publication of our Statement).

6.90 In light of these considerations, where we have decided to set a control under a MAC approach, we are only applying this from the second year of the control (with a TAC control applying in the first year). We consider this to be a pragmatic approach to implementing

[506] See SMP Condition 12I.1. Although this gives Openreach a discretion about the level of the prices it sets under the Starting Charge Adjustment, it is required to make any change on 1 April 2026 as a consequence of the condition set, since a different charge control applies on 2 April 2026.

our charge controls which should mean that over the year there is no revenue impact for Openreach. We do not consider that any short-term cashflow impact is sufficiently material to change this approach.

Principles for basket design

6.91 A charge control basket is defined as the group of services that are subject to a common charge control restriction. Combining services in a single basket means that the price cap (e.g. CPI-X) would apply to the changes in the charges of all the services in the basket weighted by revenue.

6.92 In designing our charge control baskets, we have been guided by the following principles:

- Where the services being considered share substantial common costs, a single basket is more conducive to efficient pricing and cost recovery.
- Where the services being considered face different competitive conditions or where BT does not use the same wholesale inputs as its rivals, placing them in the same charge control basket may give BT an incentive to set charges in a way that adversely affects competition. In this case, we might consider introducing sub-caps or placing the services in separate baskets.
- Differences in charges for substitutable inputs covered by charge controls should reflect the incremental cost difference. The usual argument for a broad basket, that there are benefits from being able to vary relative prices within the basket to reflect differences in demand elasticities, does not apply to substitutable inputs.

Advantages of broad baskets

6.93 A broad basket would give BT the most pricing flexibility to determine the structure of prices to meet the charge control. Where relative prices can be set to reflect the way demand responds to price changes, this pricing flexibility is more likely to result in charges that recover costs, particularly common costs, in an efficient way.

6.94 A broad basket also allows BT to respond to changes in demand and costs by changing relative prices and re-optimising charges for new patterns of demand. Subject to sufficient constraint on its pricing at the basket level, BT is better placed to assess demand and set the prices for services at a more granular level.

6.95 We consider, however, that such considerations are less directly applicable to migration type services. This is because retail demand for migration services may not be closely linked to the wholesale migration charge; and because migration charges increase switching costs faced by BT's competitors.

Disadvantages of broad baskets

6.96 The main disadvantage of broad baskets is that, in some circumstances, the flexibility to set relative charges can be exploited to harm competition. Two sets of circumstances are particularly relevant:

- BT may have an incentive to price in a manner that favours its downstream operations. Where BT and competing operators use different wholesale services to provide the same downstream service, BT may have an incentive to reduce the price of the wholesale service it uses most and increase the price of the wholesale service used by

its competitors. Placing both wholesale services in a single charge control basket without further restrictions could give BT the ability to behave in a way that harms competition.

- There may be differences in the intensity of competition that BT faces in the provision of different services. If competitive conditions differ between services within a single basket, BT may have an incentive to concentrate price cuts on the most competitive services and offset these with increases where competition is weaker.

6.97 In some cases, it is possible for the competition concerns identified above to be addressed by using more narrowly defined baskets. Each basket could be defined to include only services where there is broadly the same degree of competition, and there could be separate baskets for services that are used predominantly by BT on the one hand, and for services which are mainly used by its competitors, on the other.

6.98 Alternatively, or in addition, sub-caps on particular services within a basket can be used to address these competition concerns. In this way, the potential harm to competition can be mitigated while, at the same time, retaining the pricing flexibility benefits of basket controls.

6.99 Where baskets cause the concerns set out above, or where there is only one product, we set single product controls.

Wholesale local access services

Our proposals

6.100 We proposed to set a single product control for each of:

- MPF rentals; and
- GEA FTTC 80/20 rentals.

6.101 We proposed that a charge control will apply to FTTP 80/20 rentals where copper services are not available using a single product charge control for:

- GEA FTTP 80/20 rentals.

Stakeholder responses

6.102 We did not receive comments relating to our proposal.

Our reasoning and decisions

6.103 In Section 1, we explain that we have decided to set charge controls in WLA Area 2 and WLA Area 3. We have also decided to set a charge control in each of WLA Area 2 and WLA Area 3 for MPF and GEA FTTC 80/20 rental services at CPI-0%.

6.104 A single basket combining both MPF and GEA FTTC 80/20 rental services could provide greater price flexibility to allow BT to recover common costs more efficiently compared to separate controls for each of the services.

6.105 However, we consider that a separate control for MPF rentals will provide better customer protection to standard broadband customers since it will ensure that BT does not raise MPF prices as customers transition to higher speed services and rivals becomes more focused on competing for those higher bandwidth services (and less focused on competing for standard broadband customers).

6.106 Therefore, consistent with our current approach, we have decided to set a single product control for each of:

- MPF rentals; and
- GEA FTTC 80/20 rentals.

6.107 As part of our decisions to support of BT's copper-retirement, our charge control will apply to FTTP 80/20 rentals where copper services are not available. Therefore, we have decided a single product charge control for:

- GEA FTTP 80/20 rentals.

Leased lines access and inter-exchange services

Our proposals - Leased line access services in LLA Area 2

6.108 In our March 2025 Consultation, we proposed:

- an Ethernet services basket across all bandwidths (including connections, rentals and Main Link) charge controlled at CPI-0%.
- A CPI-0% sub-cap on each Main Link service charge in the Ethernet services basket.

6.109 In our November 2025 Further Consultation, we revised our proposals relating to the sub-cap on each Main Link service charge in the Ethernet services basket.[507] We proposed:

- A CPI+5% sub-cap on each Main Link service charge in the Ethernet services basket.

6.110 In our March 2025 Consultation, we proposed:

- a set of single CPI-0% charge caps on each WDM Service modular component.

Stakeholder responses - Leased line access services in LLA Area 2

6.111 UKCTA said that a "basket control" mechanism for leased line pricing provides flexibility for Openreach to offset price changes across multiple services. It considered that this has a disproportionate negative impact on alternative CPs that do not purchase the full suite of services. It believed that stricter controls are necessary to ensure fair and proportionate pricing.[508]

6.112 PXC disagreed with our revised proposal relating to loosening the sub-cap on each Main Link service charge in the Ethernet services basket to CPI+5%. It said:

- Openreach is already recouping excessive returns in the LLA market.
- the increase 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.
- 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. It said that Openreach recognised 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.[509]

[507] This was a consequence of proposing to incorporate BT's planned fibre cost reallocations (which BT is planning to capture in its 2026 RFS) in our charge control modelling for the TAR26 Statement.
[508] UKCTA response to TAR26 March 2025 Consultation. Page 3.
[509] PXC response to TAR26 November 2025 Consultation. Page 8.

6.113 VodafoneThree opposed loosening the sub-cap on each Main Link service charge in the Ethernet services basket to CPI+5%. It said that [✂].[510]

Our reasoning and decisions – Leased line access services in LLA Area 2

6.114 In Section 2, we have decided to set:

- a charge control on leased line services (rentals, connections and Main Link) at all bandwidths at CPI-0%.

6.115 We have traditionally used broader baskets for leased line services (relative to WLA services) that include both rentals and connections.

6.116 The use of broader baskets reflects the significant level of common costs between services and that business customers (and communications providers) purchasing leased lines are more likely to make their choices based on the cost of a package of services relating to a leased line.

6.117 Given the significant level of common costs between services, we have decided to adopt an Ethernet services basket across all bandwidths including rentals, connections and Main Link.[511]

6.118 By their nature, charge control baskets are intended to allow Openreach the flexibility to adjust individual prices to recover the significant level of common costs. However, we have also decided to adopt a sub-cap on Openreach's Main Link charges.

6.119 Openreach's Main Link charge is incurred where a leased line circuit spans two BT exchanges. This is relevant to leased lines circuits connecting end-user sites (i.e. access segments). The Main Link charge is a distance related charge.

6.120 Given the importance of Main Link to connectivity spanning BT exchanges we consider that it is important to mitigate the risk of sharp price increases in Main Link charges because of its relatively low weighting in the Ethernet basket. Therefore, to address this competition concern we have decided that Main Link charges are subject to a CPI+5% sub-cap in the Ethernet basket.

6.121 We note that several stakeholders have raised concerns about setting the sub-cap for Main Link charges at CPI+5% (compared to the existing sub-cap of CPI-0% and that proposed in our March 2025 Consultation). However, our estimate of Main Link unit costs indicates that that a CPI-0% sub-cap would result in Main Link prices being below FAC. We are setting a sub-cap at CPI+5% to avoid Main Link prices being held below their forecast unit FAC over the 2026/27 to 2030/31 period.

6.122 VodafoneThree opposed loosening the Main Link sub-cap because [✂]. However, we consider that setting the Main Link sub-cap at CPI+5% provides sufficient protection to downstream competition from the risk of sharp increases in charges.

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[510] VodafoneThree response to TAR26 November 2025 Consultation. Pages 14-15.

[511] We note Openreach's intention to launch EAD 2.0 products in December 2026. Our SMP conditions at Volume 7 (specifically in the Annex to Condition 12E) specify the services currently available that we include in the Ethernet Baskets. On launch of the EAD2.0 product we would be likely to issue a direction amending our SMP conditions to include EAD 2.0 products within the scope of the relevant Ethernet Baskets. Before any such direction takes effect, the new product would be subject to the requirement to set prices on fair and reasonable terms; once the direction takes effect, the relevant Ethernet Basket charge controls would apply to its prices.

6.123 We note that PXC has raised concerns around setting the Main Link sub-cap at CPI+5% given it considers excessive returns are being earned in the LLA market. To be clear, our decision to set a sub-cap on Main Link at CPI+5% does not impact the overall level of cost recovery under our basket control (it only impacts how costs can be recovered between services within the basket).

6.124 PXC also points to a Main Link sub-cap at CPI+5% potentially conflicting with Openreach's exchange exit strategy. As explained above, we have set a sub-cap on Main Link to achieve our objectives of protecting customers while also allowing Openreach the flexibility to set prices that recover the unit costs of Main Link. Therefore, while we are supportive of Openreach exiting exchanges as part of modernising its network and explain how we are doing this in Volume 3, Section 2 and Volume 3, Section 3, our charge control is intended to achieve specific objectives. Ultimately, it is Openreach's responsibility to implement its strategy for exchange exit subject to meeting its regulatory obligations.

6.125 In relation to WDM Services, Openreach does not have revenue weightings for each price list item, so it is unable to operate a basket. Therefore, we have decided to set a single charge cap on each WDM Service modular component.

6.126 In summary, in LLA Area 2, we have decided to adopt:

- an Ethernet services basket across all bandwidths (including connections, rentals and Main Link) charge controlled at CPI-0%.
- A CPI+5% sub-cap on each Main Link service charge in the Ethernet services basket.
- a set of single CPI-0% charge caps on each WDM Service modular component.

Our proposals – Leased line access services in LLA Area 3

6.127 In our March 2025 Consultation, we proposed:

- an Ethernet services basket at bandwidths up to and including 1Gbit/s (including connections, rentals and Main Link) subject to a cost-based control.
- a CPI-0% sub-cap on each Main Link service charge in the up to 1Gbit/s Ethernet services basket.
- an Ethernet services basket at bandwidths above 1Gbit/s (including connections, rentals and Main Link) subject to a CPI-0% control.
- a CPI-0% sub-cap on each Main Link service charge in the above 1Gbit/s Ethernet services basket.

6.128 In our November 2025 Further Consultation, we revised our proposals relating to the sub-cap on each Main Link service charge in the Ethernet services basket.[512] We proposed:

- A CPI+5% sub-cap on each Main Link service charge in the up to 1Gbit/s Ethernet services basket; and
- a CPI+5% sub-cap on each Main Link service charge in the above 1Gbit/s Ethernet services basket.

6.129 In our March 2025 Consultation, we proposed:

[512] This was a consequence of proposing to incorporate BT's planned fibre cost reallocations (which BT is planning to capture in its 2026 RFS) in our charge control modelling for the TAR26 Statement.

- a set of single charge caps on each WDM Service modular component.

Stakeholder responses – Leased line access services in LLA Area 3

6.130 Several stakeholders raised comments relating to the proposals to set a CPI+5% sub-cap on each Main Link service charges in each of the Ethernet baskets. These comments are set out above under LLA Area 2.

Our reasoning and decisions – Leased line access services in LLA Area 3

6.131 In Section 2, we set out our decision to set charge controls in LLA Area 3. We have decided to:

- set a cost-based charge control on leased line access services (rentals, connections and Main Link) at bandwidths up to and including 1Gbit/s; and
- set an index inflated charge control on leased line services (rentals, connections and Main Link) at bandwidths above 1Gbit/s (including WDM services).

6.132 Given we are setting different charge controls for leased line access services at bandwidths up to and including 1Gbit/s and at bandwidths above 1Gbit/s, we have decided to separate Ethernet baskets for LLA Area 3. More specifically, we have decided to:

- set an Ethernet services basket for bandwidths up to and including 1Gbit/s including connections, rentals and Main Link; and
- set an Ethernet services basket for bandwidths above 1Gbit/s including connections, rentals and Main Link.

6.133 For the reasons set out under LLA Area 2, we have decided to set a sub-cap at CPI+5% on each Main Link charge in each Ethernet services basket.

6.134 As explained earlier, in relation to WDM Services, Openreach does not have revenue weightings for each price list item, so it is unable to operate a basket. Therefore, we have decided to set a single charge cap on each WDM Service modular component.

6.135 In summary, in LLA Area 3, we have decided to adopt:

- an Ethernet services basket at bandwidths up to and including 1Gbit/s (including connections, rentals and Main Link) subject to a cost-based control.
- a CPI+5% sub-cap on each Main Link service charge in the up to 1Gbit/s Ethernet services basket.
- an Ethernet services basket at bandwidths above 1Gbit/s (including connections, rentals and Main Link) subject to a CPI-0% control.
- a CPI+5% sub-cap on each Main Link service charge in the above 1Gbit/s Ethernet services basket.
- a set of single charge caps on each WDM Service modular component.

Our proposals – IEC services from BT only and BT+1 exchanges

6.136 In our March 2025 Consultation at BT only and BT+1 exchanges, we proposed:

- An Ethernet services basket across all bandwidths (including connections, rentals and Main Link) across BT only and BT+1 exchanges combined.
- A CPI-0% sub-cap on each Main Link service charge in the Ethernet services basket.

6.137 In our November 2025 Further Consultation, we revised our proposals relating to the sub-cap on each Main Link service charge in the Ethernet services basket.[513] We proposed:

- A CPI+5% sub-cap on each Main Link service charge in the Ethernet services basket.

6.138 In our March 2025 Consultation, we proposed:

- A set of single charge caps on each WDM Service modular component for IEC services.

6.139 We proposed transitional arrangements for IEC services from any exchanges that are reclassified as BT+2 for the 2026/27-2030/31 period. We proposed IEC services from those reclassified exchanges would be subject to our proposed charge controls and would be included in the respective Ethernet basket or WDM single service controls for the transitional period.

Stakeholder responses - IEC services from BT only and BT+1 exchanges

6.140 Several stakeholders raised comments relating to the proposals to set a CPI+5% sub-cap on each Main Link service charges in each of the Ethernet baskets. These comments are set out above under LLA Area 2.

Our reasoning and decisions - IEC services from BT only and BT+1 exchanges

6.141 In Section 3, we have decided to adopt a pricing continuity approach, that:

- sets a CPI-0% charge control on IEC services (connections, rentals and Main Link) across all bandwidths (including WDM services) at BT Only and BT+1 exchanges.

6.142 Given the significant level of common costs between services, we propose:

- an Ethernet services basket across all bandwidths (including rentals, connections and Main Link) at BT only and BT+1 exchanges combined.

6.143 For the reasons set out under LLA Area 2, we have decided to set a sub-cap at CPI+5% on each Main Link charge in each Ethernet services basket.

6.144 As explained earlier, in relation to WDM Services, Openreach does not have revenue weightings for each price list item, so it is unable to operate a basket. Therefore, we have decided to set a single charge cap on each WDM Service modular component.

6.145 In summary, at BT only and BT+1 exchanges, we have decided to adopt:

- An Ethernet services basket across all bandwidths (including connections, rentals and Main Link) across BT only and BT+1 exchanges combined.
- A CPI+5% sub-cap on each Main Link service charge in the Ethernet services basket.
- A set of single charge caps on each WDM Service modular component for IEC services.

6.146 In Volume 3, Section 8, we set out transitional arrangements for IEC services from any exchanges that we are reclassifying as BT+2 for the 2026/27-2030/31 period. Under our decision Openreach is required to provide existing IEC services in exchanges that have been reclassified to BT+2 for a period of one year. As such, IEC services from those reclassified exchanges are included in the respective Ethernet basket or WDM single service controls for the transitional period.

[513] This was a consequence of proposing to incorporate BT's planned fibre cost reallocations (which BT is planning to capture in its 2026 RFS) in our charge control modelling for the TAR26 Statement.

Local access dark fibre and inter-exchange dark fibre services

Our proposals

6.147 In our March 2025 Consultation, we proposed:

- Single service charge controls for each local access dark fibre service in LLA Area 3; and
- Single service charge controls for each inter-exchange dark fibre service at BT only and BT+1 exchanges.

6.148 In our November 2025 Further Consultation, we revised the levels of the proposed charge controls as a consequence of proposing to incorporate BT's planned fibre cost reallocations (which BT is planning to capture in its 2026 RFS) in our charge control modelling.

6.149 We proposed transitional arrangements for existing DFA services in postcode sectors that are reclassified from LLA Area 3 to other regulated LLA markets for the 2026/27-2030/31 review. Under our proposals, DFA services from those reclassified exchanges would have been subject to our proposed charge controls in LLA Area 3 for the transitional period. [514]

6.150 We proposed transitional arrangements for DFX services from BT only exchanges that we proposed to reclassify to BT+2 for the 2026/27-2030/31 review period. We proposed that DFX services from those reclassified exchanges would be subject to our proposed charge controls for the transitional period.

Stakeholder responses

6.151 VodafoneThree raised a concern that the November 2025 Further Consultation proposals reduce the differential between dark fibre Main Link and EAD Main Link which disrupts the active-minus pricing in place since 2019. It said that Ofcom must address this relationship to ensure that dark fibre remains a genuinely lower-cost pro-competitive option.[515]

Our reasoning and decisions

6.152 In Section 2 and 3 we have decided to set cost-based charge controls on dark fibre access in LLA Area 3 and dark fibre inter-exchange from BT only and BT+1 exchanges.

6.153 We consider that it is important that customers have certainty about the path of these prices to support the transition from active leased line services to dark fibre services. We consider that single service charge controls will provide greater certainty for access seekers regarding future prices than using a basket approach.

6.154 Therefore, we have decided to adopt:

- Single service charge controls for each local access dark fibre service in LLA Area 3; and
- Single service charge controls for each inter-exchange dark fibre service at BT only and BT+1 exchanges.

6.155 In relation to Main Link services for DFX and DFA, we have increased the level of the charge controls to avoid Main Link prices being held below their forecast unit FAC over the 2026/27 to 2030/31 period (following the change in the level of the costs as a result of the CJF fibre cost reallocation). As set out above, we have increased the EAD Main Link sub-caps to CPI+5%. Insofar as Openreach price Main Link services up to these sub-caps, EAD Main Link will remain more expensive than DFX and DFA Main Link (including after

[514] We set out stakeholder responses and our decisions relating to transitional arrangements for DFA services in Volume 3, Section 7.
[515] VodafoneThree response to TAR26 November 2025 Consultation. Page 13.

subtracting the forecast costs of active equipment from EAD Main Link prices). We therefore consider that the pricing incentives to take-up dark fibre services will remain. We further discuss these points in Section 4 and in Annex 10.

6.156 In relation to the reclassification of exchanges, in Volume 3, Section 7, we set out our decision relating to transitional arrangements for existing DFA services in postcode sectors that we are reclassifying from LLA Area 3 to other regulated LLA markets for the 2026/27-2030/31 review. Under our decision Openreach is required to provide existing DFA services in postcode sectors that have been reclassified from LLA Area 3 for a period of five years. As such, DFA services from those reclassified exchanges will be subject to our DFA charge controls for the transitional period.

6.157 In Volume 3, Section 8, we set out our decisions relating to transitional arrangements for DFX services from BT only exchanges that we are reclassifying to BT+2 for the 2026/27-2030/31 review period. Under our decision Openreach is required to provide existing DFX services from BT only that have been reclassified to BT+2 for a period of three years. As such, DFX services from those reclassified exchanges will be subject to our DFX charge controls for the transitional period.

6.158 Further details relating to the charge controls is found in Annex 13.

Physical infrastructure access

Our proposals

6.159 We proposed single service charge controls for each physical infrastructure access service.

Stakeholder responses

6.160 We did not receive comments on our proposals.

Our reasoning and decisions

6.161 In Section 4 we explain our decision to set cost-based charge controls on physical infrastructure services.

6.162 Physical infrastructure services are fundamental components in facilitating altnets to design, build and operate their networks. As such it is important that access seekers have certainty about the path of the prices of physical infrastructure services. We consider that single service charge controls provide greater certainty for access seekers regarding future prices than using a basket approach.

6.163 Therefore, we have decided to adopt:

- Single service charge controls for each physical infrastructure access service.

Ancillaries

6.164 We set out our decisions in Section 5.

Weighting price changes within a basket

6.165 A basket control limits the maximum weighted average increase in prices in any given year. The weighting we use is the amount of revenue earned by each service. When Openreach sets prices each year we need to consider how these revenue weights should be determined, e.g. whether they should be based on the previous year's revenues or a forecast of the current year revenue weighting.

6.166 We consider there are three broad approaches to set basket weights:

- Current year weighting: the weights are set equal to the proportion of current year basket revenues accounted for by each service as a proportion of total current year revenues.
- Prior year weighting: basket weights are set equal to the proportions of basket revenues accruing to the relevant services in the year prior to the one in which the price change occurs.
- The "snapshot" approach: similar to the prior year weighting approach, but we change the definition of prior year revenue so that it is calculated as a "snapshot" using actual volumes at a suitably recent point in time multiplied by the average price during the 12 months prior to the start of the charge control year.

Our proposals

6.167 We proposed to use prior year weightings where we proposed basket controls since we considered that this would best enable BT to plan its charges in a year to meet the overall basket control.

Stakeholder responses

6.168 We did not receive comments on our proposals.

Our reasoning and decisions

6.169 We have decided to use prior year weightings where we have decided to adopt basket controls since we consider that this will best enable BT to plan its charges in a year to meet the overall basket control. This is consistent with our current approach.

Deficiency and excess provisions

6.170 Deficiency and excess provisions set out how any under- or over-recovery of revenues against the amount they can recover as part of the charge control should be dealt with. We have included such provisions in previous charge controls and may use them where we adopt a TAC mechanism. These have two functions:

- Where Openreach charges below the cap they give the ability to use the deficiency created by setting charges below the charge control requirements within a given year towards the charge control compliance in the following year. Therefore, the deficiency avoids penalising Openreach for bringing forward a charge reduction or increasing charges less than permitted within the cap.
- Where Openreach charges above the cap, it is required to make up the excess the following year by charging less than the cap would otherwise have allowed. We expect any difference to be small and not adversely affect the pricing stability created by our charge controls.

6.171 We consider that symmetrical provisions remain appropriate i.e. symmetrical with respect to whether Openreach charges below the cap or whether the control is exceeded. We also consider that such a provision requiring Openreach to automatically repay its wholesale customers any over recovery of revenue from the charge controls fits well with our prior year revenue weights approach. This is because at the start of each control period Openreach will know (at least to a significant extent) the prior year volumes/revenues, and

thus will not be subject to the risk of being unable to recover the allowed revenue of a basket in that period or subsequent ones.

Our proposals

6.172 We proposed to continue using deficiency and excess provisions for our charge controls. Where appropriate, we also proposed to continue to require BT to make repayments to other affected telecoms providers (as soon as is reasonably practicable) if it charges in excess of the cap in any given year for any services or basket of services.

Stakeholder responses

6.173 We did not receive comments on our proposals.

Our reasoning and decisions

6.174 We have decided to continue using deficiency and excess provisions for our charge controls. Where appropriate, we have also decided to continue to require BT to make repayments to other affected telecoms providers (as soon as is reasonably practicable) if it charges in excess of the cap in any given year for any services or basket of services.

Other details relating to the specification of our charge controls

MPF rental service specification

6.175 Openreach offers MPF rental services including two different service maintenance levels (SMLs). These are MPF rental including SML1 (that has a lower price with a 2-day repair time target) and MPF rental including SML2 (a higher priced service with a 1-day repair target). The majority of MPF lines are on the SML1 variant.

Our proposals

6.176 We proposed to maintain our current approach and impose a charge control on MPF SML1.

Stakeholder responses

6.177 We did not receive comments on our proposals.

Our reasoning and decisions

6.178 We have decided to maintain our current approach and impose a charge control on MPF SML1. We consider that a charge control on SML1 will have greater benefits for downstream competition given the majority of MPF lines use this variant. We also consider that it will act as a price constraint on MPF rentals with other SMLs.

Single Order Generic Ethernet Access

6.179 Virtual Unbundled Local Access (VULA) services are provided by Openreach using its FTTC deployment in two ways:

- By supplying VULA as an overlay to the existing copper services it has developed (i.e. WLR and MPF); or
- Via Single Order Generic Ethernet Access (SOGEA) where the copper bearer is included within the VULA service so that it can be purchased without also purchasing WLR or MPF.

Our proposals

6.180 We proposed to charge control FTTC services at speeds of 80/20 which are provided using SOGEA on the same basis as services provided using VULA as an overlay to the existing copper service.

Stakeholder responses

6.181 We did not receive comments on our proposals.

Our reasoning and decisions

6.182 We consider that our charge controls should provide the same protection to customers using SOGEA as those using VULA as an overlay to the copper service. Therefore, we have decided to charge control FTTC services at speeds of 80/20 which are provided using SOGEA on the same basis as services provided using VULA as an overlay to the existing copper service. This will apply in both the WLA Area 2 and the WLA Area 3 markets.

Calculating prices in our charge controls using CPI

Our proposals

6.183 We proposed that price levels in each year of our CPI-X charge controls are calculated with reference to the Consumer Prices Index (CPI) in the prior 12 month period ending on 31 October.

Stakeholder responses

6.184 ISPs have raised concerns related to using CPI to set the level of the cap in each year of charge controls. They have said that official inflation indices are not always good proxies for the cost increases of a regulated firm (or customers' disposable income); and suggested setting ceilings (and floors) on CPI to limit the degree to which changes to inflation outside an ordinary level of variation feed through into the price cap.

6.185 FCS[516], Sky[517], PXC[518] and VodafoneThree[519] raised concerns about the impact of our proposed inflation-indexed caps for retail providers.

6.186 FCS noted that regulatory changes have banned the sale of inflation-based retail contracts and instead require prices to be expressed in currency over the duration of the contract. This meant the retailer must estimate the expected price increases of Openreach based on predicting the future rate of inflation. FCS said that a surge in inflation, as has been seen in recent years, results in an unanticipated price increase for the access services to retailers, which may dramatically squeeze retail margins. It considered that while larger retail CPs are better placed to manage such a risk, particularly where they are vertically integrated, for smaller CPs and resellers this change causes significant challenges.

6.187 Sky considered that while allowing the anchor price caps to increase annually in line with inflation (e.g., CPI) may be appropriate during periods where inflation is stable and relatively low, in more exceptional circumstances where inflation is very high (or very low) Ofcom should limit the amount by which the price caps can change. During periods of high inflation, neither Openreach's cost base nor consumers' disposable income increase by anywhere near as much as the CPI anchor price caps. Given that a proportion of the higher wholesale prices are passed through to retail prices, consumers are materially harmed.

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[516] FCS response to TAR26 March 2025 Consultation. Page 4.
[517] Sky response to TAR26 March 2025 Consultation. Paragraph 39-52.
[518] PXC response to TAR26 March 2025 Consultation. Page 22.
[519] VodafoneThree response to TAR26 March 2025 Consultation. Page 21.

Further, to the extent that Openreach's external customers cannot fully pass through their wholesale cost increases, they are disadvantaged compared to BT and retail competition is weaker as a result.

6.188 Sky considered that Ofcom has implicitly recognised that official inflation indices may not always be good proxies for changes in regulated firms' costs or consumers' disposable income. It noted that in relation to PIA, Ofcom is proposing to move to a fixed percentage indexation of Openreach's duct and poles asset cost increases (as opposed to using CPI) which will limit holding gains (and subsequent increases in future depreciation costs and returns on capital when the control is updated for 2031-36).

6.189 Sky suggested that an appropriate method for mitigating extraordinary inflation risk would be to limit the degree to which changes to inflation outside an ordinary level of variation feed through into the price cap, e.g., by setting a floor and ceiling on the rate of inflation used to set the charge control. It considered that if the floor and ceiling were set symmetrically, for example 0% and 4% respectively (symmetric with respect to the Bank of England 2% CPI target), then this would still be consistent with a 'fair bet', as Openreach investors would face equally upside and downside risk.

6.190 FCS, PXC and VodafoneThree considered that Ofcom should consider an option of capping CPI (for example, above 5%). PXC and VodafoneThree suggested that if after review Ofcom found sector costs had genuinely increased above 5%, the cap would not apply.

Our reasoning and decisions

6.191 In our WFTMR21, we implemented a pricing continuity approach in several markets including the WLA market. We explained that pricing continuity meant maintaining existing price caps at their current levels in real terms i.e. by indexing prices by CPI. We considered this was necessary to support investment in fibre networks and provide stability.

6.192 Since 2021, we have seen significant investment in fibre networks, that has been supported by our pricing continuity approach. For the reasons set out in Volume 4, we are adopting a pricing continuity approach in several markets in our TAR26 for 2026-2031.

6.193 Several stakeholders have suggested that we should cap CPI, for example during periods of high inflation. However, as we have explained, by definition our pricing continuity approach means maintaining prices in real terms. Capping CPI (or setting thresholds on CPI) would effectively mean a departure from our pricing continuity approach that is delivering against our objectives, and risks undermining the stable regulatory environment we have sought to create.

6.194 FCS has referred to the challenges for retail providers where there is an unexpected surge in inflation. While we acknowledge these challenges, we also consider it is the responsibility of retail providers to manage the risks relating to their own business models.

6.195 In relation to end customers and affordability issues, we note the availability of social tariffs which are cheaper broadband and phone packages for people claiming Universal Credit and other benefits.[520]

6.196 Sky has suggested that we have implicitly recognised that official indices of inflation are not a good proxy for changes in a regulated firms' costs given our fixed indexation of PIA assets as part of our cost-based charge control.

[520] Ofcom. Social tariffs: Cheaper broadband and phone packages.

6.197 However, this is potentially conflating different parts of our charge controls. By way of explanation, firstly, in terms of modelling PIA costs, we have decided to use a fixed indexation for asset prices when forecasting PIA costs rather than indexing them by a forecast of RPI. PIA costs (including capital costs and operating costs) are however, then converted into real terms (using forecasts of CPI) in our cost models. Secondly, in terms of determining the controlling percentage in our controls, we calculate them so that current prices are brought into line with the real costs in our cost models. We do this by indexing prices using the same index that we convert costs into real terms in our cost models (i.e. CPI).

6.198 We consider that the forecasts of CPI used to convert costs into real terms in our cost modelling are unbiased. This means the upside and downside risks to ISPs and Openreach as a result of actual future rates of CPI not matching our forecasts when indexing prices are also unbiased. That is, it represents a "fair bet" and does not favour one over the other.

6.199 More generally, we consider that setting thresholds on CPI in our charge controls could introduce bias and thereby alter the risk profile between ISPs and Openreach (and altnets). For example:

- where a ceiling on CPI is set too low, risks would be transferred from ISPs to Openreach (and altnets).
- where a floor on CPI is set too high, risk would be transferred from Openreach (and altnets) to ISPs.

6.200 In Volume 4, we have explained how our price regulation, either under a pricing continuity approach or where we have set cost-based controls, furthers our objectives. We consider that introducing thresholds on CPI would represent a departure from those approaches.[521]

Compliance with our charge controls

Our proposals

6.201 We proposed to retain our current approach in relation to BT's requirements to demonstrate compliance with our proposed charge controls.

Stakeholder responses

Agreed Upon Procedures

6.202 Openreach noted that throughout Condition 12 there are requirements for the information provided by Openreach to Ofcom to demonstrate compliance to have been through assurance in the form of Agreed Upon Procedures (AUPs). It said that having experienced almost a full market review period of performing these checks, it would like Ofcom to consider if these have offered a proportionate level of value, given the significant administrative burden.

6.203 Openreach said that each year as part of the compliance submission Ofcom receive queries connected with all tests. It considered that a review of these would show nothing substantive - i.e. that would have impacted the compliance outcome - has been identified. This is due to the extensive checks within Openreach on the compliance models, that start

[521] This would have implications for our estimates of the cost of capital for investing in networks.

when pricings are proposed, are repeated mid-year to confirm compliance, and repeated again at end of year when the compliance submission is made.

6.204 Openreach said that the procedures currently cost BT Group around [✂] each year and require significant additional administrative effort. Given there have been no impacts on compliance outcomes, it requested that the requirement for assurance on the compliance submission be removed. Openreach said that this could also have the benefit of reducing the time needed to publish the compliance statement, and reinstate the end of June publication deadline.[522]

Condition 12E Basket Design - Ethernet Basket Prior Year Revenues

6.205 Openreach said that for the purpose of measuring compliance against the proposed Ethernet baskets in the first year of the control 2026/27, it would not be able to provide revenue reconciliations aligned to the 2025/26 RFS, as the 2025/26 revenues will be published aligned to the WFTMR21 market definitions/boundaries. It said that 2025/26 revenues aligned to the TAR market areas will not be published until 2026/27 RFS is published, at which point the prior year to that RFS will be restated based on the TAR26 market areas. However, at this point in time there would be no ability to influence the compliance outcome of the year one pricing.

6.206 Therefore, it proposed that for 2026/27, it will derive 2025/26 prior year revenues by remapping the Ethernet data that is provided for RFS production to the new TAR areas and associating the output with the individual basket/products. This will see the top level total Ethernet revenue reconcile to the 25/26 RFS total Ethernet revenues, however there will not be a reconciled RFS TAR individual market for year one. From 2027/28, the prior year revenues from the 2026/27 RFS will reflect TAR markets.[523]

Our reasoning and decisions

6.207 We have decided to retain our current approach in relation to BT's requirements to demonstrate compliance with our charge controls. Under this approach:

- BT is required to submit spreadsheets to Ofcom by 31 August each year demonstrating compliance with the charge controls for the prior year. The spreadsheets are required to reflect the breakdown of all the services and variants that are under the charge control.
- BT's compliance spreadsheets relating to basket charge controls are accompanied by a statement from an independent third party (e.g. the auditor of the RFS) confirming that the data in the spreadsheets (e.g. that pricing, volume and revenue inputs have been properly extracted from BT's systems and that the calculations are in accordance with the SMP conditions). We continue to believe the value of BT obtaining AUP's exceeds their cost because it adds additional scrutiny to compliance monitoring that has contributed to BT's ongoing positive compliance outcomes.
    - BT's regulatory auditors have greater access to the revenue extracts used in the compliance model than we have and are in a better position to question and challenge the compliance model's more detailed outputs. This provides added reassurance to us that BT has complied with its charge control.

[522] Openreach response to TAR26 March 2025 Consultation. Page 86.
[523] Openreach response to TAR26 March 2025 Consultation. Page 66.

  - Unlike Ofcom, other stakeholders do not have access to the volume weights used in checking compliance. Whilst other stakeholders do not see the results of the AUP for themselves, they also see value in the additional scrutiny (see stakeholder responses to November 2025 Further Consultation – Annex 10).
  - Neither Ofcom or other stakeholders are concerned that the confidential and non-confidential compliance models are published four months later than the RFS due to the requirements for AUPs.
- BT is required to publish non-confidential versions of the compliance spreadsheets on its website.

Condition 12E Basket Design – Ethernet Basket Prior Year Revenues

6.208 We acknowledge the compliance issue raised by Openreach's regarding it being unable to reconcile revenues aligned to the 2025/26 RFS in the first year of the control. We consider Openreach's proposed alternative approach to be acceptable given the issue identified.

Legal tests

6.209 In the discussion above, we have considered how to design and implement the charge controls we decided upon earlier in this document. We have therefore considered whether our decisions set out above and the resulting SMP conditions would meet the tests in section 88 of the Act in the context of our broader decisions for the charge controls. We explain why our charge controls meet the relevant legal tests in each of Volume 4, Section 1 to Section 5.

7. Legal Tests

7.1 In Sections 1 to 6 and Volume 3, Section 4[524],we set out our pricing remedies in the physical infrastructure, wholesale local access (WLA Area 2 and WLA Area 3), leased lines access (LL Area 2, LL Area 3 and the HNR areas) and IEC services markets (BT Only exchanges and BT+1 exchanges, and for a transitional period BT+2 exchanges).

7.2 To give regulatory effect to our decisions, we are setting the SMP conditions and Direction set out in Volume 7.

Section 47 tests

7.3 We consider that each SMP condition we have decided to impose in this volume satisfies the tests set out in section 47 of the Act, namely that the obligation is:

- objectively justifiable in relation to the networks, services or facilities to which it relates;
- not such as to discriminate unduly against particular persons or against a particular description of persons;
- proportionate to what it is intended to achieve; and
- transparent in relation to what it is intended to achieve.

Objectively justifiable

7.4 We consider that each of the SMP conditions we are setting is objectively justifiable. The remedies that we are setting are designed to address the competition concerns that we have identified in our market analysis (see Volume 2, Section 7). In particular, we have found that Openreach has the ability and incentive to set excessive wholesale charges or, in combination with downstream prices, engage in a price squeeze behaviour (also referred to as "margin squeeze") (or can be treated as such under s.46(8A) of the Act regarding the inter-exchange connectivity BT+2 markets). Consequently, we have found that there is a relevant risk of adverse effects arising from price distortion.

7.5 Therefore, in the absence of regulatory intervention, BT could refuse or impede access to its network, or it could provide access on less favourable terms and conditions compared to those obtained by its own downstream businesses. We are therefore setting conditions which are intended to promote competition and investment in gigabit-capable networks, by Openreach and other providers, in areas where there is or there is the potential for material and sustainable competition, while protecting consumers and existing models of downstream competition in the short term. In the remaining areas, we have chosen an approach to remedies to promote access-based competition and protect consumers and additionally in WLA Area 3 to promote investment by Openreach.

[524] We set out in that section our decision to impose in each relevant fixed telecoms market an obligation for charges for network access to be fair and reasonable. In relation to FTTP prices in WLA Area 2 and Area 3, we have determined that the fair and reasonable obligation applies at all times. Otherwise, we have determined that it applies except to the extent that a charge control or a basis of charges obligation applies (the latter being a type of cost orientation obligation).

7.6 We explain in Sections 1 to 6 and Volume 3, Section 4 why we consider each obligation is objectively justified in the context of the markets we have identified.

Not such as to discriminate unduly

7.7 We consider that each of the SMP conditions does not discriminate unduly against BT. We find that BT is the only telecoms provider to hold SMP in the markets that we have identified (or can be treated as such under s.46(8A) of the Act regarding IEC BT+2 exchanges) and the SMP conditions seek to address that market position.

Proportionate

7.8 We consider that each of the SMP conditions we are setting is proportionate to what that condition is intended to achieve. In each case, we are imposing an obligation on BT that: is effective to achieve our aim; is no more onerous than is required to achieve that aim; and does not produce adverse effects which are disproportionate to our aim. We explain why we consider each remedy is proportionate in Sections 1 to 6 and Volume 3 Section 4 in the context of the markets we have identified.

Transparent

7.9 We consider that each of the SMP conditions is transparent in relation to what is intended to be achieved. The text of the SMP conditions is published in Volume 7, and the operation of those conditions is aided by our explanations in this Statement. Our Statement sets out the basis for our pricing remedies, including our responses to comments we received in respect of the March 2025 Consultation, the October 2025 Consultation and the November 2025 Consultation respectively.

Section 46 tests

7.10 In Volume 4 we are setting pricing SMP conditions to apply to newly deregulated BT exchanges[525] for a transitional period of 12 months in relation to active IEC services and a transitional period of 3 years in relation to DFX.

7.11 Section 46(8A) of the Act provides that we can continue to treat a person (here BT) previously determined as having SMP in a given market, who we determine no longer has SMP in that market, as continuing to have SMP in that market for so long as we consider necessary to ensure a sustainable transition for those benefitting from the obligations imposed as a result of the previous SMP determination.

7.12 For the reasons we set out in Volume 3, Section 8, we have determined that the 12 month period for active IEC services is necessary for these purposes. In relation to DFX and as set out in Section 8 of Volume 3, we have determined that a longer transitional arrangement is necessary, specifically a period of 3 years. We are therefore satisfied that our decisions to impose transitional remedies in relation to these services are consistent with section 46(8A) of the Act.

[525] i.e. those exchanges we define as BT+2 in this Statement.

Section 88 tests

7.13 We are imposing SMP conditions which require BT to adhere to: (i) certain price controls, rules about the recovery of costs and cost orientation; and (ii) an obligation for charges for network access to be fair and reasonable, in each of the physical infrastructure, wholesale local access, leased lines access and inter-exchange connectivity markets. We set out in Sections 1 to 5 how we consider the SMP conditions satisfy the tests in section 88 of the Act.

Section 49 tests

Direction in relation to publication of cost information in relation to electricity charges

7.14 In Section 5 we set out our decision to make a Direction in the markets in which we consider BT has SMP, requiring it to publish information about the costs on which it bases electricity charges it sets in connection with the provision of network access.

7.15 We are making this Direction under SMP Condition 6 which imposes obligations on BT in relation to the basis of certain charges, including the requirement that its average charge for electricity is reasonably derived from the cost of provision

7.16 We consider that the Direction meets the criteria set out in section 49(2) of the Act because it is:

a) objectively justifiable, in that it provides greater transparency for telecoms providers purchasing network access about how BT sets its electricity charges;

b) not unduly discriminatory, in that the Direction applies only to BT, which is the only operator to have a finding of SMP in the markets in which the Direction will apply;

c) proportionate, in that the information that BT is required to provide under the Direction is no more than necessary to achieve the intended objective;

d) transparent, in that it is clear in its requirements and intention, as explained in this document and the text of the Direction is set out at Volume 7.

Ofcom's duties

7.17 As set out in Volume 1, we consider the package of SMP conditions and the Direction we are setting both individually and together meet our duties in sections 3 and 4 of the Act.