

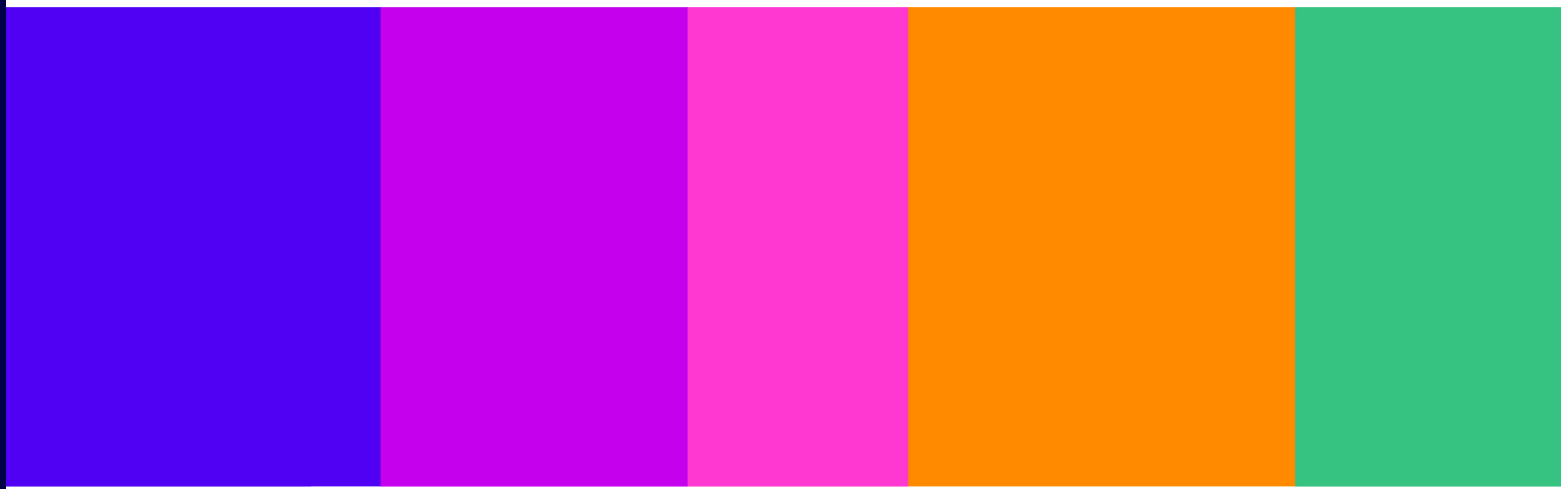
Promoting competition and investment in fibre networks: Telecoms Access Review 2026–31

Volume 6: Regulatory financial reporting

Statement

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1. Overview

1.1 In this volume we set out our decisions on BT's regulatory reporting requirements for the TAR markets. BT's regulatory reporting will be subject to these requirements for five years from April 2026. Our decisions cover the preparation and presentation of information published by BT, and information provided privately to Ofcom.

What we have decided – in brief

We have decided to impose regulatory financial reporting requirements on BT which require the production of Regulatory Financial Statements (RFS). This maintains many of the requirements imposed in WFTMR21. The main changes compared to WFTMR21 are summarised below.

BT's published RFS

- Require BT to publish a new schedule showing a breakdown of the attribution of PI costs and volumes to downstream SMP markets.
- Align service level reporting with our remedies, e.g. in WLA markets we require that BT reports FTTC and FTTP 80/20 services rather than the current 40/10 services.
- Move reporting of ancillary services associated with the WLA, LLA and IEC markets to the cross market ancillary section of the RFS.

Preparation of the RFS

- Change the annual indexation of duct, copper and pole assets from RPI to a flat 3% rate from April 2026.
- Introduce a materiality threshold for the change control notification (CCN) so that BT is required to disclose the impact of changes to the RFS that affect certain figures by the higher of 5% of that figure and £5m.
- Update the materiality threshold for the reconciliation report so it is consistent with that in the CCN and no longer require BT to report the impact of individual methodology changes already published in the CCN.
- Require BT to separately identify in its regulatory accounting system i) all services that it is required to publish in the RFS, and ii) any other services directed by, or otherwise agreed with, Ofcom. Revenues and costs must be allocated to all such services in BT's regulatory accounting system unless otherwise agreed with Ofcom.
- Require BT to separately identify in its regulatory accounting system i) costs and income associated with copper recovery and ii) volumes, revenues and costs of different types of WLA connections.

Information BT provides privately

- Remove the requirement for BT to provide us with data and models used by its cost accounting software to produce the RFS.
- Require BT to provide us with i) a product level breakdown of volumes and revenues for each service published in the RFS and ii) volume, revenue and cost information on all SMP services in its regulatory accounting system, alongside a breakdown of component costs.
- Require BT to provide us with financial information on its exchange closure and copper recovery programmes.

2. Introduction

- 2.1 BT is subject to regulatory financial reporting requirements across all of the wholesale fixed telecoms markets in which it is regulated. These requirements are imposed on BT by way of a significant market power (SMP) condition set in each regulated market, and directions imposed in each market pursuant to the associated SMP condition. The SMP condition sets out our general regulatory financial reporting requirements, including accounting separation and cost accounting. The directions then set out our detailed regulatory financial reporting requirements.
- 2.2 We consulted on our proposed regulatory financial reporting requirements on BT in relation to the markets covered by the TAR review in the March 2025 Consultation. We also consulted on some amendments to our reporting proposals in the October 2025 Consultation.

SMP markets

- 2.3 In Volume 2 we found that BT has SMP in the following product and geographic markets:
- the supply of wholesale access to telecoms physical infrastructure for deploying a telecoms network (in the UK excluding the Hull Area);
 - the supply of wholesale local access at a fixed location (Area 2 and Area 3);
 - the supply of Leased Lines Access (Area 2, Area 3 and High Network Reach areas); and
 - the supply of Inter-exchange Connectivity Services (BT only and BT+1 exchanges).
- 2.4 In this volume we explain that we have decided to apply regulatory financial reporting remedies on BT in each of these SMP markets. These reporting remedies are part of our wider package of remedies to address the competition concerns identified in our market assessment.
- 2.5 In Volume 3, we set out transitional arrangements on IEC services at exchanges that are being deregulated. The objective of these arrangements is to ensure a sustainable transition in the market for the supply of IEC services at these exchanges. We consider that the transitional arrangements are sufficient to achieve this aim and do not consider it is necessary or proportionate to impose regulatory reporting obligations on BT in relation to IEC services subject to transitional arrangements.
- 2.6 We briefly describe below the purpose of the SMP condition and changes to the directions we have imposed on BT.

SMP Condition

- 2.7 The 'Regulatory Financial Reporting' SMP condition we have decided to impose on BT includes general requirements for accounting separation and cost accounting. The SMP condition also requires BT to produce the RFS and other accounting documents as directed by us.

2.8 The purpose of this SMP condition is to ensure that sufficient and robust information is published by BT and provided privately to Ofcom to enable us to perform our duties and for stakeholders to have confidence that BT has complied with its SMP conditions. More specifically, this SMP condition serves as a basis for imposing directions on BT that set out detailed regulatory financial reporting requirements.

Directions

2.9 We currently impose on BT a set of six directions to implement our detailed regulatory financial reporting requirements, though there are exceptions in some markets where certain directions are not relevant. We reviewed the directions imposed under the current SMP Condition to ensure the information we require BT to provide continues to meet the reporting attributes set out in section 3.

2.10 As summarised in Table 2.1 below, we have decided to re-impose five of these directions (with amendments in some cases) and remove the direction relating to network components. We provide more information in relation to these directions in section 7.

Table 2.1: Regulatory reporting directions

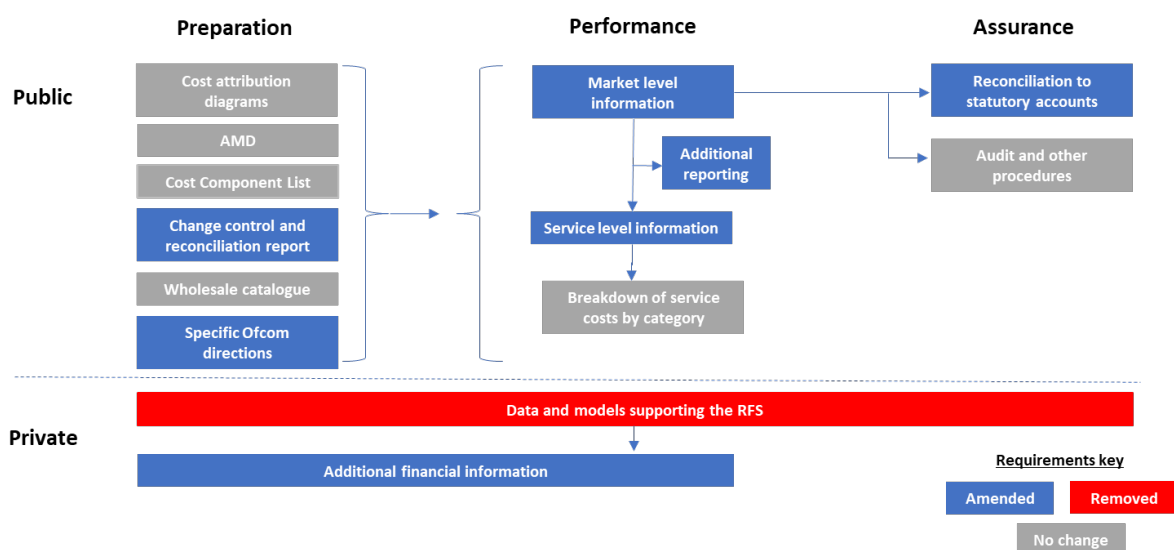
Current direction	Decision in this statement
Regulatory Accounting Principles Direction	Retain
Consistency with Regulatory Decisions and Regulatory Asset Value Direction (Consistency Direction')	Retain, with amendments
Audit of the RFS Direction	Retain
Change Control and Reconciliation Report Direction	Retain, with amendments
Preparation, Delivery, Publication, Form and Content Direction (Form and Content Direction')	Retain, with amendments
Network Components Direction	Remove

Structure of this volume

2.11 We require BT to publish information relating to the preparation of the RFS, the financial performance of regulated markets and assurance over the RFS. We also require BT to provide us with information privately.

2.12 Figure 2.2, below, illustrates the main documents and schedules we require BT to publish and provide to us in terms of preparation, performance and assurance. We have reviewed each of these and the colour coding indicates whether we have decided to amend existing requirements (blue), retain them unchanged (grey) or remove them (red).

Figure 2.2: Illustration of current public and private requirements



2.13 We discuss each of these requirements below, setting out our consultation proposals, stakeholder responses and our decisions.

2.14 We explain why we consider our decisions are appropriate by reference to the reporting attributes and the approach to regulation set out in section 3.

2.15 The rest of this Volume is structured as follows.

- **Section 3: Regulatory reporting remedies in TAR26.** This section sets out our decisions to impose an accounting separation and cost accounting remedy (together the “regulatory financial reporting remedies”) on BT in the SMP markets.
- **Section 4: Published performance schedules.** This section sets out our decisions for the market and service level schedules published in the RFS (the ‘performance’ category in the diagram above) for each of the SMP markets. These requirements will be imposed on BT via the Form and Content Direction.
- **Section 5: Preparation and assurance requirements.** This section sets out our decisions for the reports and schedules we require BT to publish to demonstrate how the RFS have been prepared and provide assurance to stakeholders (the ‘preparation’ and ‘assurance’ categories in the diagram above). This section also includes decisions on how financial information should be prepared for SMP markets to ensure consistency with regulatory decisions. It covers the Regulatory Accounting Principles Direction, the Consistency Direction, the Audit of the RFS Direction, and the Reconciliation Report Direction. It also addresses a few points that are implemented via the Form and Content Direction.
- **Section 6: Information provided to Ofcom.** This section sets out our decisions on the information BT is required to provide Ofcom privately (the ‘private’ category in figure 2.2 above). These requirements will be imposed via the Form and Content Direction.
- **Section 7: Legal tests.** This section sets out why we consider our decisions to impose SMP conditions and associated directions meet the relevant legal tests set out in the Act. The SMP condition and associated directions are set out in Volume 7.

3. Regulatory Reporting Remedies in TAR26

Regulatory framework

- 3.1 We set out the relevant regulatory framework for market reviews and the imposition of SMP conditions in Annex 1.
- 3.2 In relation to regulatory reporting, we have powers under the Act to impose SMP conditions including the following:
- a) A requirement to maintain accounting separation, including requirements about the accounting methods to be used in maintaining the separation.¹
 - b) Requirements to publish information for transparency purposes, with the information and the manner of publication to be directed by us.²
 - c) Rules about the use of cost accounting systems for the purposes of price controls and about the recovery of costs and cost orientation.³
 - d) Requirements in relation to the application of presumptions in the fixing and determination of costs for the purposes of the price controls, recovery of costs and cost orientation rules, and the cost accounting system.⁴
- 3.3 Where we impose cost accounting requirements, we also have a duty to set an SMP condition which requires the dominant provider to publish a description of the cost accounting system and to include in that description details of:
- the main categories under which costs are accounted for; and
 - the rules applied for the purposes of that system with respect to the allocation of costs.⁵

Purpose of regulatory reporting

- 3.4 As part of the regulatory reporting requirements, each year BT must prepare its RFS according to a defined framework and methodology. The RFS include published statements as well as information that is not published but submitted to Ofcom privately.
- 3.5 BT's regulatory financial reporting obligations secure the creation and retention of the information needed for our regulation of SMP markets, particularly price controls, to be, and be seen to be, effective. They provide us with the information necessary to help us make informed regulatory decisions, such as cost information to support price controls on an ongoing basis, and information necessary to assess the impact and effectiveness of our decisions, for example, trends in the usage and returns associated with regulated services.

¹ Sections 87(7) and 87(8)

² Section 87(6)(b)

³ Section 87(9)(b) and (c)

⁴ Section 87(10)

⁵ Section 87(11)

They also enable us to monitor and, if necessary, enforce no undue discrimination and some price control regulations.

- 3.6 Publication of some information helps inform stakeholders so they can have confidence that BT is complying with its obligations and that regulation is effective and appropriate to achieve its purpose. It enables stakeholders to identify and bring issues to our attention and effectively contribute to the regulatory regime. This promotes confidence in the market, which in turn creates the conditions for effective competition.
- 3.7 Stakeholders generally agreed with the purposes of regulatory reporting. VodafoneThree said that robust financial reporting is essential to monitor compliance, assess returns, and inform future regulatory decisions.⁶ PIA coalition said it was essential that appropriate data was published in the RFS and that this was done in a manner that is sufficiently transparent and understandable to ensure that BT's compliance with relevant obligations can be monitored.⁷
- 3.8 BT said it was broadly supportive of the format and principles proposed for the RFS. However, it had concerns over increasing complexity being introduced to reporting.⁸ BT recognised that the RFS will always entail some complexity to produce, but said there are hundreds of bases of allocation, the document is long, and the reporting is granular and detailed, with Ofcom adding more requirements in each review without rationalising anything that already exists.⁹
- 3.9 PXC suggested we review BT's cost allocation methodologies and said it might make sense to do so when there was certainty on BT's exchange exit and its migration to a fibre network.¹⁰
- 3.10 We have previously said that, consistent with our duties, effective reporting should have the following attributes:¹¹
- **Relevance.** The information needs to answer the right questions, in the right way and at the right time.
 - **Reliability.** The underlying data must be reliable, suitable rules for treatment of data must be chosen and those rules need to be followed.
 - **Transparency.** The basis of preparation should be understood by the users of the reports and the presentation of the data should be clear.
 - **Proportionality.** The reporting requirements should be proportionate to the benefits.
- 3.11 Consistent with the above, we have aimed to ensure that our reporting requirements on BT are proportionate. For example, as set out below, we have amended some of our consultation proposals so that some services do not need to be separately reported in each

⁶ [VodafoneThree](#) response to TAR26 March 2025 Consultation. Paragraph 159.

⁷ [PIA Coalition](#) response to TAR26 March 2025 Consultation. Paragraph 7.

⁸ [BT Group](#) response to TAR26 March 2025 Consultation. Annex 2. Paragraph 1.1.

⁹ [BT Group](#) response to TAR26 March 2025 Consultation. Annex 2. Paragraph 2.5 and 4.14.

¹⁰ [PXC](#) response to TAR26 November 2025 Consultation. Paragraphs 3.11 and 3.18.

¹¹ See for example WFTMA 2021 -2026. Ofcom. March 2021. [Promoting investment and competition in fibre networks – Wholesale Fixed Telecoms Market Review 2021-26](#). Volume 6, paragraph 1.7.

geographic market (e.g. ECCs) and taken a more flexible approach to which services need to be separately identified in BT's regulatory accounting system.

- 3.12 We currently regulate most of BT's services by reference to several geographic SMP markets, which means there is some complexity involved in identifying relevant volumes and revenues and allocating costs from BT Group to regulated services and geographic markets. While we direct BT to allocate costs in line with some regulatory accounting principles, and in some cases direct them to allocate costs in a specific way, the way costs from BT Group are categorised and allocated using multiple attribution layers is largely a decision for BT. BT's current regulatory accounting system has developed over many years to meet the needs of various market reviews, and we would support BT's objective to simplify the production of the RFS as we think this would make it easier to understand how the figures are prepared and reduce the likelihood of errors.
- 3.13 As Openreach completes its deployment of a fibre network and transitions away from copper, it will be necessary to review some of BT's allocation bases to ensure costs are appropriately allocated to regulated services and markets in accordance with the regulatory accounting principles. As changes to allocation methodologies can affect the costs allocated to regulated services and markets, it will be important to ensure that stakeholders understand the reasons and impacts of any changes, including those related to any efforts from BT to simplify production of the RFS. While BT can propose its own methodology changes as part of the change control notification process, we think there is merit in us reviewing the methodologies applied to some of the larger cost categories (e.g. fibre costs and PI attributions to downstream markets) in advance of the next market review. As a result, we intend to work with BT to review some of its cost allocation methodologies during the period covered by this market review and consult with stakeholders, as appropriate.

Regulatory financial reporting remedies

- 3.14 In the March 2025 Consultation, we proposed to impose accounting separation and cost accounting obligations in each of the proposed SMP markets.
- 3.15 No respondents to the consultation disagreed with our proposal. Responses to our consultation focused on the detailed reporting obligations considered in Sections 4, 5 and 6 of this document.
- 3.16 We have therefore decided to impose these obligations by way of a single SMP condition and associated directions (see Volume 7) which specify what information we require BT to prepare and provide for each market. Further details of the accounting separation and cost accounting obligations are set out below, with reasoning on specific aspects of them in the following sections.

Accounting separation

- 3.17 We have decided to impose an accounting separation obligation on BT in each of the TAR SMP markets. The obligation requires BT to account separately for regulated services, markets, and where appropriate, internal and external sales. We consider that this obligation is necessary to monitor the overall impact and effectiveness of the remedies imposed and, in particular, to monitor BT's activities with regard to its no undue

discrimination obligations.¹² The obligation is also necessary to give transparency to stakeholders that BT has complied with its SMP conditions. Such transparency provides reassurance to our stakeholders which promotes competition in the markets concerned and enables Ofcom to benefit from stakeholder input in monitoring compliance. Additionally, it supports the overall success of the regulatory framework by requiring robust information to be created and retained during a market review period. This provides us with an evidential base to monitor the effectiveness of the current regulation, and for designing appropriate SMP regulation for the next review period, should there be a continued need for it.

- 3.18 Requiring BT to produce financial statements on each regulated wholesale market, combined with an obligation to attribute costs in a fair, objective and transparent way (via the cost accounting obligation) can also help prevent unfair cross-subsidy by ensuring that costs are not inappropriately loaded onto one set of regulated products to the benefit of another set of regulated products or unregulated products. We consider that this helps ensure that competition develops fairly, which ultimately benefits consumers, and is the least onerous obligation necessary to ensure a mechanism exists to allow us and stakeholders to monitor potentially discriminatory behaviour by BT.
- 3.19 We consider that imposing an accounting separation obligation, together with a cost accounting obligation (see below), will help ensure the regulatory reporting objectives described above are met.

Cost accounting

- 3.20 Cost accounting obligations require the dominant provider to maintain a cost accounting system (a set of processes and systems) to capture the costs, revenues, assets and liabilities associated with the provision of services and to attribute them in a fair, objective and transparent manner to individual services in order that the costs of individual services may be determined.
- 3.21 We have decided to impose a cost accounting obligation in the TAR SMP markets to ensure that the processes and rules used by BT to attribute revenues and costs to individual markets and services are fair, objective and transparent. The cost accounting obligation is an important means of ensuring that:
- we have the necessary information to monitor and assess the effectiveness of price controls, in particular to ensure that the pricing remedies we impose continue to address the competition problems identified and to enable our timely intervention should such intervention be needed;
 - costs are attributed across markets (and the individual services within them) in a fair, objective, transparent and consistent manner. This mitigates the risk of cost over-recovery or that costs might be unfairly loaded onto particular products or markets, promoting confidence in the market;

¹² The accounting separation obligation requires BT to account separately for internal and external sales, which helps Ofcom and stakeholders monitor the activities of BT to ensure it does not discriminate unduly in favour of its own downstream business. In volume 3 we propose to apply no undue discrimination obligations on BT in each of the proposed SMP markets.

- there is transparency (via publication of the processes and rules followed by BT) which allows us to effectively challenge attribution processes and rules which we do not consider to be fair and objective;
- publication (i.e. reporting) of cost accounting information aids transparency, providing assurance to stakeholders about compliance with SMP obligations, allowing stakeholders to support Ofcom's monitoring of compliance and more generally promoting competition by providing reassurance that regulatory conditions are complied with; and
- BT records all information necessary for the purposes listed above at the time that relevant transactions occur, on an ongoing basis. Absent such a requirement, there is a possibility that the necessary information would not be available when it was required for monitoring and enforcement purposes, and in the necessary form and manner.

3.22 Absent a cost accounting requirement, some of our price controls in the current regulatory period would likely be ineffective in addressing BT's SMP, as stakeholders could not be confident that the controls were effective to enable them to compete against BT on a fair basis. Price regulation generally would be likely to be less effective because stakeholders would not have confidence that if price regulation continued to be required in the next regulatory period, the necessary information would be available for Ofcom to implement it. Finally, ongoing provision of information allows Ofcom and stakeholders to monitor, within the review period, the appropriateness of the assumptions made in setting charges and therefore enables a better ongoing understanding of the effectiveness of the remedies.

Directions

- 3.23 We have decided to impose five directions on BT under the SMP Condition as follows. The detailed requirements under each of these directions are set out in the following sections.
- **Regulatory Accounting Principles Direction.** The regulatory accounting principles are needed as a set of guiding principles with which BT's regulatory financial reporting must comply to ensure it achieves the objectives of regulation. The requirements are set out in Section 5.
 - **Form and Content Direction.** This direction is needed to provide full details of the financial information to be included in the published RFS and to be provided to us privately. The requirements are set out in Sections 4, 5 and 6.
 - **Consistency Direction.** This direction is needed to specify how BT should prepare the RFS to be consistent with our regulatory decisions. The requirements are set out in Section 5.
 - **Audit Direction.** This direction specifies the audit requirements on the RFS, which are needed to give users confidence that the information provides a fair reflection of financial performance, is free from error and has been prepared following the accounting methodology statements published by BT and relevant directions issued by Ofcom. The requirements are set out in Section 5.
 - **Change Control and Reconciliation Report Direction.** This direction sets out the materiality threshold applying to the Change Control Notification. It also requires BT to publish in a reconciliation report the impact of all material changes and errors each year with an accompanying assurance report from its regulatory auditors. The

direction is needed to ensure the impact of changes in methodology and error corrections are transparent. The requirements are set out in Section 5.

3.24 We have decided not to reimpose the Network Components Direction as explained in the section below.

4. Published Performance Schedules

Introduction

- 4.1 The publication of financial information contributes to an open and competitive market and helps create an effective regulatory regime. We have decided to make some limited changes to the information presented in the RFS to ensure they remain relevant throughout this five-year review period and help secure that SMP regulation is and remains effective.
- 4.2 In this section, we set out the format of the ‘performance’ schedules and the specific requirements for each of the TAR markets.
- 4.3 In the published RFS, financial information currently relates to three broad areas:
- **Market level information.** This is information on the revenues, operating costs, mean capital employed (MCE) and returns on MCE for each SMP market and for BT Group overall.
 - **Service level information.** This generally includes the revenue, volume, price, operating cost, MCE and returns on MCE for specific services or groups of services associated with SMP markets.
 - **Breakdown of service level costs.** This includes a breakdown of service level operating costs by cost category and division (e.g. Openreach versus rest of BT), and service level MCE by asset type (e.g. duct, fibre, etc).
- 4.4 In some SMP markets, we also require additional reporting which generally takes the form of notes to the main schedules above. For example, in the PI market BT is currently required to provide additional information on network adjustments.
- 4.5 We set out our decisions on each of these areas below.

Market level information

Our proposals

- 4.6 BT is currently required to publish three market performance schedules:
- **Performance summary by market:** this shows revenues, operating costs, returns, MCE and return on MCE for each SMP market as well as Openreach, the rest of BT and BT Group overall.
 - **Attribution of operating costs.** This shows a breakdown of operating costs and depreciation by cost category for each SMP market as well as Openreach, the rest of BT and BT Group overall. It also shows a breakdown of operating costs by division.
 - **Attribution of MCE.** This shows a breakdown of MCE by asset category for each SMP market as well as Openreach, the rest of BT and BT Group overall.

- 4.7 In our March 2025 Consultation, we proposed:
- a) to continue to require BT to publish these three market performance schedules in their current formats;
 - b) to continue to require BT to publish in these schedules aggregate information on non-SMP parts of Openreach and the rest of BT; and
 - c) that BT includes a note under the performance summary by market schedule to explain the reason for any allocation of PI costs outside of Openreach.
- 4.8 We noted that as we had proposed to change the boundaries of geographic markets for this review period (e.g. WLA Area 2 will be larger and WLA Area 3 smaller compared to WFTMR21), market level information in the RFS from April 2026 would not be directly comparable to previous periods.

Stakeholder comments

- 4.9 No stakeholders disagreed with our proposals. VodafoneThree, commenting on our proposals for performance schedules more generally, said the schedules help assess the effectiveness of the remedies imposed and understand the returns BT is earning from SMP markets.¹³

Our reasoning and decisions

- 4.10 We have decided to continue to require BT to provide the three market performance schedules because they provide an overview of the markets where BT has SMP and demonstrate that BT is providing the data required under its reporting obligations. They also help us and stakeholders assess the ongoing impact and effectiveness of the remedies imposed on each market, e.g. by reference to trends in revenues, costs and returns which have been prepared on a consistent basis across all markets. The schedules also show the outcome of BT's cost attribution decisions.
- 4.11 We have also decided to require BT to publish aggregate information on non-SMP parts of Openreach and rest of BT to ensure the overall coherence of the RFS and that Openreach and BT Group information can be reconciled to the BT Group statutory financial statements. This is consistent with our requirements to date.
- 4.12 We describe the format of each market performance schedule below.¹⁴ These schedules are set out in the Form and Content Direction in Volume 7.

Performance summary by market schedule

- 4.13 We have decided to retain the current format of this schedule.
- 4.14 As per the current schedule, financial information on each SMP market will be reported in a separate column, along with a column for ancillaries which are shared across SMP markets like accommodation and power.
- 4.15 The PI market will continue to be reported on the same basis as at present. For PI revenues, the schedule will show external purchases of PI, internal purchases of PI (e.g. sales to other parts of BT such as BT's Business division) and inputs to downstream services (i.e. the

¹³ [VodafoneThree](#) response to TAR26 March 2025 Consultation. Paragraph 3.30.

¹⁴ These schedules can be found on BT. [RFS 31/03/2025](#) . Pages 22 to 27. Accessed on 11th March 2026.

balancing figure to be attributed to downstream Openreach services).¹⁵ Consistent with our proposal, BT must include a note under the performance summary by market schedule to explain the reason for any allocation of PI costs outside of Openreach.¹⁶

- 4.16 The schedule will also continue to include an operating cost row called ‘attribution of PI costs.’ This row will be blank for the PI market column but for other markets it will show the attribution of PI costs from the PI market to other downstream markets. This means that downstream markets will not include assets associated with duct and poles but instead, include an operating cost attribution from the PI market. This is consistent with how the PI market is currently reported.
- 4.17 We consider the reporting of PI in this schedule would be consistent with our approach to PI pricing (Volume 4, Section 4) and guidance on no undue discrimination in relating to PI pricing (Annex 7). As explained in Annex 7, Openreach is not required to pay for PI services on the same basis as other telecoms providers. However, there needs to be an attribution of PI costs (net of external sales) to downstream SMP markets for using the PI assets, and the performance summary by market schedule shows that allocation.
- 4.18 Consistent with current requirements, the schedule will show a single line for current cost accounting (CCA) adjustments, with the detail (i.e. holding gains/losses, supplementary depreciation and other CCA adjustments) reported in the attribution of operating costs schedule (discussed in the next section) to avoid duplication.
- 4.19 Also consistent with current requirements, specific items will be shown as a separate row in the schedule. As the nature and size of specific items can change significantly year to year, we also continue to require BT to include a note below the summary of market performance schedule explaining which specific items reported in the BT Group statutory financial statements have been attributed to SMP markets.

Attribution of operating costs and MCE schedules

- 4.20 We have decided to retain the current format of these schedules, which provide further information on the operating costs and MCE reported in the performance summary by market schedule. These schedules help stakeholders understand the main categories of operating costs and MCE in SMP markets, how these have been allocated between regulated and unregulated markets and how these relate to service costs (as explained below, we have decided that service costs continue to be broken down using the same cost and asset categories).
- 4.21 The attribution of operating cost schedule will continue to show the following:
- A breakdown of operating costs (before depreciation) using the same cost categories as used in BT’s annual report. This will allow stakeholders to directly compare operating costs in SMP markets with operating costs in BT’s annual report. We think

¹⁵ The ‘inputs to downstream services’ item includes a return on capital employed.

¹⁶ BT included such a note in its RFS. BT [RFS 31/03/2025](#) . Page 22. Accessed on 11 March 2026, which said “The attribution of PI costs to the rest of BT represents the usage of PI by BT’s core network. Although Openreach manages all PI assets, under the BT Commitments Openreach does not provide core connectivity, so we think it is appropriate to allocate usage of PI by the core network to the rest of BT rather than Openreach non-SMP. To date, downstream divisions of BT (e.g. Consumer and Business) do not consume PI services”.

this will help stakeholders assess the impact of BT's attribution decisions, enabling them to bring issues to our attention.¹⁷

- A breakdown of depreciation costs using the same non-current asset categories as the attribution of MCE schedule.
- A breakdown of CCA adjustments by holding gains/losses, supplementary depreciation and other CCA adjustments, consistent with requirements to date.
- A separate summary of operating costs for cumulo, service level guarantees (SLGs) and leaver costs as these are costs that we typically consider when setting charge controls and which are important to Openreach services.
- A breakdown of operating costs by BT division. For Openreach, we have decided to continue requiring BT to provide a split by 'service and network delivery' and 'Openreach support functions'.¹⁸ The schedule will also include a line for attribution of PI costs, consistent with current requirements. For other divisions, the breakdown should align with the names of BT's divisions. In the 2024/25 RFS, this meant BT provided a breakdown by Group Centre, Property and Facilities, Technology units, and Consumer and Business. We consider this will help stakeholders understand which other divisions contribute costs to SMP services and identify changes in cost allocations from other divisions over time.

4.22 The attribution of MCE schedule will continue to show a breakdown of non-current assets by asset category. We have decided to maintain the current categories of duct, poles, copper, fibre, electronics, software, land and buildings, right of use assets, other assets and funded assets (e.g. BDUK). The schedule will also continue to include summary rows for current assets, current liabilities and provisions.

Service level information

Our proposals

4.23 Consistent with previous reviews, we proposed to require BT to publish service level information on SMP markets.

4.24 We proposed that this would continue to include information on internal and external revenues, volumes, prices, operating costs, MCE and ROCE for each service we direct BT to report.

4.25 We proposed that where we require BT to publish volume, revenue and cost information on a service, BT must estimate and publish such information unless otherwise directed by Ofcom.¹⁹ However, we recognised that it might be difficult or unreliable to allocate costs to some services in the cost accounting system (e.g. where volumes are very low), so we also

¹⁷ E.g. where stakeholders consider a category of costs has inappropriately been allocated to one or more SMP markets.

¹⁸ 'Service and network delivery' largely captures the operating costs of Openreach's Service Delivery, Fibre and Network Delivery and Strategic Infrastructure Development teams while 'Openreach support functions' captures the 'headquarters' team described on its website: Openreach.

<https://www.openreach.com/about/our-company>. Accessed 11 March 2026.

¹⁹ For example, we proposed to require BT to allocate costs associated with some pole services to other PI services, to be consistent with our modelling approach.

proposed that BT can, with our agreement, include revenues and costs for some services within revenues and costs reported for other services, but must include a note to the relevant schedule explaining what it has done and why.

Stakeholder comments

- 4.26 BT considered that stakeholders would find it more helpful to understand returns at a market level than service level.²⁰ BT said that service level costs may not reflect cost causality (e.g. where we require BT to calculate costs on a national basis) or the way some services are bought (e.g. VHB solutions).²¹
- 4.27 BT agreed that reporting at a service level is not reliable in all cases and said it would work with Ofcom on these cases.²²

Our reasoning and decisions

- 4.28 We have decided to require BT to publish service level information because it can help demonstrate BT's compliance with remedies which are imposed at the service level (e.g. safeguard caps, basis of charges obligations and no undue discrimination), show the impact of our decisions on the performance of services in SMP markets (e.g. trends in usage and returns associated with regulated services) and, in some cases, illustrate the effectiveness of the remedies imposed (e.g. by comparing trends in costs against charges set by reference to BT's costs).
- 4.29 We have decided that information on internal and external revenues, volumes and prices should continue to be provided as this will help stakeholders assess BT's compliance with, and the overall impact and effectiveness of, our remedies on particular services or groups of services.
- 4.30 Consistent with our views in WFTMR21, we consider that service costs, where required, should be presented on the same basis as market level costs discussed above, i.e. operating costs, MCE and a ROCE, so that they can be directly compared across markets. The ROCE earned by each reported service would also be transparent, making it clearer which services contribute to market returns and allow an assessment of the impact and effectiveness of remedies imposed. For these reasons, we disagree with BT that service level returns are not helpful and have decided to continue to require BT to report internal and external operating costs, MCE and ROCE for each service where cost reporting is required.
- 4.31 We explain in the sections below which services we require BT to publish information on and why, and the rationale for requiring BT to calculate costs for geographic markets on a national basis.
- 4.32 Further, we have decided that BT must publish service level information on the services we direct, unless otherwise agreed with Ofcom. As noted in the consultation, we recognise that it might be difficult or unreliable to allocate costs to some services in the cost accounting system (e.g. where volumes are very low) such that it might be more appropriate for BT to include revenues and costs for some services within revenues and costs reported for other

²⁰ [BT Group](#) response to TAR26 March 2025 Consultation. Annex 2. Paragraph 4.22.

²¹ [BT Group](#) response to TAR26 March 2025 Consultation. Annex 2. Paragraphs 4.18 to 4.21.

²² [BT Group](#) response to TAR26 March 2025 Consultation. Annex 2. Paragraph 4.23.

services. Where we agree that BT can do this, BT must include a note to the relevant schedule explaining what it has done and why.

Breakdown of service level information

- 4.33 Consistent with current requirements, we proposed to require BT to publish a breakdown of service level costs (where service level costs are required to be published).
- 4.34 No stakeholders disagreed with our proposal, so we have decided to continue to require BT to publish breakdown of service level costs.
- 4.35 This requirement can help stakeholders assess the extent to which our remedies are addressing some of the underlying competition concerns and how service costs have developed since our decision. Publishing this information will also help stakeholders understand the impact of BT's cost attribution decisions and provide assurance that attributions have been made appropriately and that the RFS are reliable.
- 4.36 The service level cost breakdowns will use the same operating cost and asset categories as the market level breakdowns, which means service cost breakdowns would be directly comparable across markets. We consider this would help stakeholders understand the impact of BT's cost attribution decisions.

Requirements for each SMP market

- 4.37 This section focuses on the specific requirements for each SMP market in terms of information to be published in the RFS. Given our decisions above, published information broadly falls into three categories: market level information, service level information and any additional market specific reporting. Below we set out our decisions for:
- the market level information to be published in the RFS;
 - the service level information to be published for each SMP market; and
 - any additional reporting required for each SMP market.

Market level information to be published in the RFS

- 4.38 Market level information refers to the performance summary by market, attribution of operating costs and attribution of MCE schedules.

Proposals

- 4.39 We proposed to require BT to publish market level information for each of the SMP markets and cross market ancillaries.²³

Stakeholder comments

- 4.40 No stakeholders commented on our proposal.

Our reasoning and decisions

- 4.41 We consider that where we find BT has SMP in a market, and we impose regulatory reporting obligations, it is important to publish some information relating to that market. In our view, information on market revenues, costs and returns would generally represent the

²³ Previously termed 'shared ancillaries' in the WFTMR21.

minimum level of detail on SMP markets that would allow stakeholders to have some confidence that BT has complied with its SMP conditions, that BT is providing the required data to Ofcom, and the reporting regime overall is working as planned.

- 4.42 The market level schedules show the results of BT's cost allocations between individual regulated markets and between regulated and unregulated markets. We consider that providing stakeholders with the opportunity to assess the outcome of cost attributions provides reasonable assurance to stakeholders that such costs have been allocated consistently and appropriately. It can also mitigate the risk that costs might be unreasonably loaded onto particular markets (and services) since it allows stakeholders to scrutinise and challenge the outcomes of the bases of attribution.
- 4.43 Publication of market level information also allows stakeholders to assess the impact and effectiveness of the remedies imposed, for example by reference to trends in revenues, costs and returns that have been prepared on a consistent basis. This enables stakeholders to contribute to the regulatory regime, bring issues to our attention and ultimately ensure that SMP conditions including our price controls continue to address underlying competition issues.
- 4.44 We consider it is appropriate to continue to require BT to publish market level information to demonstrate the overall reliability and robustness of the RFS. Consistent with current requirements, we have therefore decided to require BT to publish market level information for each of the SMP markets.
- 4.45 Further, we have decided to continue to require BT to report market level information on certain ancillary services (discussed further below) which support network access in multiple markets. As there could be practical difficulties in identifying whether some of these ancillaries are supporting network access in one SMP market over another,²⁴ BT is required to report on each service separately, but in aggregate across all SMP markets, rather than report them by SMP market.
- 4.46 In practice, this means that each SMP market and cross market ancillaries will continue to be reported in a separate column in the performance summary by market, attribution of operating costs and attribution of MCE schedules.

Service level information to be published in the RFS

- 4.47 Service level information includes the revenue, volume, price and costs of specific services or groups of services associated with relevant markets.

Proposals

- 4.48 We said the objectives of publishing service level information included assessing compliance with remedies, assessing the impact and effectiveness of remedies, understanding the impact of BT's cost attribution decisions and contributing to an open and competitive market.
- 4.49 We considered that service level information should be published at the level at which prices are regulated (e.g. basket, sub-basket or individual service level) but said we may

²⁴ For example, identifying whether a communications provider has purchased accommodation space to support network access in the PI market versus the WLA market.

require BT to publish more detail or group services together depending on the circumstances.

- 4.50 For each service or group of services, we proposed that BT must publish internal and external volumes, revenues and prices. Where appropriate, we also proposed that BT must report service level operating cost, MCE and returns information and a breakdown of these costs.

Stakeholder comments

- 4.51 BT did not consider that service level reporting was appropriate given our pricing approach. BT thought that service level reporting would give undue prominence to service level returns which would not be in line with the way that we have set prices. BT proposed that reporting returns at a market or basket level would be more appropriate and proportionate.²⁵
- 4.52 Other stakeholder responses focused on the service reporting for individual SMP markets, discussed below, rather than the objectives and principles set out in this section.

Our reasoning and decisions

- 4.53 We have decided to adopt our consultation proposals when considering what service level information to require BT to publish. The objectives of requiring BT to publish service level information include:
- **Assess compliance with remedies.** For example, publishing internal and external service level information helps demonstrate compliance with no undue discrimination obligations (e.g. by showing differences between internal and external prices) and provides information to help assess compliance with charge controls.²⁶ It also helps demonstrate that BT is complying with its accounting separation obligations.
 - **Assess impact and effectiveness of remedies.** Service level information helps assess the extent to which our remedies are addressing some of the underlying competition concerns and provides financial indicators that help stakeholders understand how regulated services develop over the review period. For example: i) where charge controls are cost based and designed to allow BT the opportunity to recover its costs, publishing cost information helps assess the effectiveness of those controls; and ii) where there are concerns about discriminatory behaviour, service level information provides transparency about the relative usage of services by BT and external telecoms providers which could help assess if those concerns have been addressed.
 - **Understand the impact of BT's cost attribution decisions.** Where costs are shared with services in the same market or in other markets, enabling stakeholders to see the effects of BT's attribution of costs on different services provides reasonable assurance that attributions have been made appropriately and that the RFS are reliable.

²⁵ [BT Group](#) response to TAR26 March 2025 Consultation. Annex 2. Paragraph 4.6.

²⁶ For example, cost information where services are subject to basis of charges obligation, revenue information used in basket weightings and price information to compare average prices to price caps.

- **Contribute to an open and competitive market.** Publishing service level information allows stakeholders to identify and bring issues to our attention which adds credibility to the regulatory accounting regime and ultimately contributes to an open and competitive market.
- 4.54 Given these objectives, we disagree with BT that requiring it to publish service level information is inappropriate. In general, we consider that service level information should be published at the level at which prices are regulated (e.g. basket, sub-basket or individual service level). Further, in some circumstances we may require BT to publish information on sub-groups of services, or individual services within a basket, where this meets any of the objectives above.
- 4.55 However, we recognise it may not always be proportionate to require BT to publish service level information. For example, where the remedy is at the individual service level, but each service is relatively small, it may be proportionate to limit the number of services reported in the RFS by aggregating some services. Similarly, we may require BT to report groups of services rather than individual services where it would not be proportionate to require detailed service reporting or to ensure the overall coherence of the RFS.²⁷
- 4.56 In the rest of this section, for each of the TAR markets and cross market ancillaries, we set out the service level information to be published in the RFS. For each service or group of services we identify, BT must publish information on internal and external volumes, revenues, prices, cost, MCE and returns.
- 4.57 For some markets we also require additional reporting to monitor the impact and effectiveness of particular remedies e.g. network adjustments for PI.

Physical infrastructure (PI)

Proposals

- 4.58 We made proposals relating to PI rentals, network adjustments and other ancillaries, and the allocation of PI costs to downstream Openreach services.

PI rentals

- 4.59 We proposed to continue to require BT to publish revenue, volume, average price and cost information for PI rentals, split between internal and external customers, at the level they are regulated (i.e. each duct, footway box and pole charge). We also proposed that BT continues to separately report external purchases of PI rentals and those same services provided as inputs to downstream Openreach services. We said that, in practice, this meant that the format of the PI schedule would look the same as it does now.
- 4.60 We did not propose to require BT to separately report in the RFS the pole services where we proposed to set charges to zero (pole top equipment and cable up a pole).
- 4.61 We proposed to retain the notes to the PI market schedule regarding i) the kilometres of lead-in duct and ii) the number of poles.

²⁷ For example, where only some services in a market are subject to charge controls, we may require an aggregation of 'other services' in that market to be reported so that service totals reconcile to market totals.

Network adjustments and other ancillaries

4.62 We proposed to retain the requirements on BT to:

- Publish revenue, volume, average price and cost information for network adjustments above the financial limit, split between internal and external customers.
- Publish a single line to capture ancillaries required specifically for PI.
- Publish a note showing the operating costs and MCE associated with network adjustments and how these are split between those below and above the financial limit.
- Publish an appendix showing cumulative internal and external network adjustments, both above and below the financial limit, on an MCE basis.

4.63 We also proposed to require BT to provide an explanation under the PI schedule as to what the internal and external revenue for ‘ancillary charges’ relates to.

Allocation of PI costs to downstream Openreach services

4.64 We proposed that BT publishes an appendix which provides a breakdown by Openreach SMP market of:

- the attribution of PI costs (as currently summarised in the performance summary by market schedule); and
- internal PI volumes (as currently reported in the PI market level schedule).

Stakeholder comments

PI rentals

4.65 BT said that:²⁸

- Reporting on PI rentals would not provide comfort on its compliance with pricing remedies, as compliance is demonstrated through published price lists.
- There was no value in publishing internal prices as internal PI prices were not comparable to external prices.
- The reporting obligation for pole top equipment and cable up a pole should align with the price control decision on these services.

4.66 SPC Networks said that:²⁹

- Alternative volume metrics should be adopted for some internal PI services. There is no description of how internal volumes have been assessed, and unlike external volumes, it did not consider that the currently reported internal volumes reflected anything tangible. For example, SPC Networks suggested internal volumes for spine duct should reflect trench kms and external volumes should reflect billed km.
- Additional columns should be added to the schedule for internal and external CCA return (equal to MCE multiplied by ROCE) and total CCA costs (operating costs plus

²⁸ [BT Group](#) response to TAR26 March 2025 Consultation. Annex 2. Paragraphs 4.28 to 4.30.

²⁹ [PIA Coalition](#) response to TAR26 March 2025 Consultation. Paragraphs 41 to 52. Prepared on their behalf by SPC Network.

CCA return). It said this would show the total amount for BT's internal use of PI which could be traced through to other schedules.

Network adjustments and other ancillaries

4.67 No stakeholders commented on our proposals.

Allocation of PI costs to downstream Openreach services

4.68 SPC Networks agreed that our proposals would improve transparency of PI cost allocations.³⁰ It considered that a schedule should be provided showing to which downstream markets PI costs have been allocated, including the percentage of PI cost allocated to each.

4.69 BT considered that the schedule should show the allocation of duct and pole costs at an aggregate level rather than a detailed breakdown by duct size, manholes etc. It considered that a detailed breakdown would be disproportionate, make the schedule harder to understand, and increase the risk of errors in production.³¹

Our reasoning and decisions

Summary of other remedies imposed

4.70 We first summarise some of the other remedies imposed in the PI market as reporting information could be used to assess the impact and effectiveness of these, as well as monitor BT's compliance.

4.71 In Volume 4, Section 4 we have decided to impose cost-based controls on PI rentals for duct, footway box and pole attachment services. These are broadly the same PI rental services that were charge controlled in WFTMR21. We have also decided to set charges for two pole services (pole top equipment and cable up a pole) to zero, with costs for these services recovered from pole attachment services. Consistent with current controls, PI charges apply to external customers and have been set based on what we considered to be a fair contribution from external customers to total PI costs. We have also applied a basis of charges obligation on PIA ancillaries.

4.72 In Volume 3, Section 4 we have also decided to impose a no undue discrimination requirement on BT in the PI market. In Annex 7 we explain how we interpret this requirement in relation to pricing for PI rentals and ancillary charges such as network adjustments (this is unchanged from WFTMR21).

4.73 In relation to network adjustments, in Volume 4, Section 4 we explain that we have decided that the cost of network adjustments should continue to be recovered over all users of Openreach's Physical Infrastructure, subject to a financial limit. We have decided to retain a financial limit of £4,750 per km of spine duct. For poles, where network adjustments are required to provide capacity on a pole, or replace a defective pole, for the purposes of providing a dropwire, we have decided that the costs of all such network adjustments are spread across all users of PI without limitation. This is consistent with current requirements.

³⁰ [PIA Coalition](#) response to TAR26 March 2025 Consultation. Paragraph 39. Prepared on their behalf by SPC Network.

³¹ [BT Group](#) response to TAR26 March 2025 Consultation. Annex 2. Paragraph 4.33.

Existing requirements from the WFTMR21 Statement

- 4.74 BT is currently required to report information on PI rentals and on network adjustments and other ancillaries.³²
- 4.75 For PI rentals, BT publishes revenue, volume, average price and cost information (split between internal and external customers, at the level they are regulated (i.e. each duct, facility hosting and pole charge)). BT separately reports external purchases of PI rentals (i.e. sales made to external customers and other parts of BT like its Business division) and those rentals provided as inputs to downstream Openreach services.
- 4.76 Network adjustments are undertaken by Openreach to make its physical infrastructure accessible and ready for use by other telecommunications providers. BT publishes revenue, volume, average price and cost information for network adjustments above the financial limit (currently £4,750 per km of spine duct), split between internal and external customers.
- 4.77 For ancillaries, BT publishes a single line to capture financial information on ancillaries required specifically for PI. This captures PI-specific ancillary services purchased on a one-off basis and excludes any ancillaries included in network adjustments.
- 4.78 BT also publishes two additional schedules relating to network adjustments. The first is a note showing the operating costs and MCE associated with network adjustments and how these are split between those below and above the financial limit. Of those below the limit, the schedule shows whether they have been included in the 'inputs into existing downstream services' or 'PI rentals' categories.³³ The second is an appendix showing cumulative internal and external network adjustments, both above and below the financial limit, on an MCE basis.³⁴
- 4.79 In the WFTMR21 we also noted that, while in principle the remedies in the PI market applied to all duct and poles, in practice some duct assets may not be shareable (e.g. duct used for cabinet connectivity). We required BT to provide an explanation for any duct and pole assets reported outside of the PI market.³⁵

PI rentals

- 4.80 As we are imposing charge controls on the same set of PI rental services as in WFTMR21, we have decided to continue to require BT to publish revenue, volume, average price and cost information for PI rentals, split between internal and external customers, at the level they are regulated (i.e. each duct, footway box and pole charge). We have also decided that BT continues to separately report external purchases of PI rentals and those same services provided as inputs to downstream Openreach services. In practice, this means that the format of the PI schedule will look the same as it does now.
- 4.81 We have considered the comments from SPC Networks in relation to the volume metrics used for PI services in the RFS. To date we have not directed BT which volume metrics to publish in the PI market. Where possible, we expect internal and external volume metrics to

³² PI market reporting in the 2024/25 RFS. BT [RFS 31/03/2025](#) . Page 33 to 37. Accessed on 11 March 2026.

³³ In the 2024/25 RFS this note is published at BT [RFS 31/03/2025](#). Pages 33 and 34. Accessed on 11 March 2026.

³⁴ In the 2024/25 RFS this appendix is published at BT [RFS 31/03/2025](#) . Page 103 . Accessed on 11 March 2026. We have decided that these appendices will be published after the PI Market Summary.

³⁵ BT includes a note to this effect under the attribution of MCE schedule see BT [RFS 31/03/2025](#). Page 26. Accessed on 11 March 2026. In 2024/25 all pole assets and 90% of duct assets were included in the PI market.

be consistent to aid comparability. We understand that the duct volumes reported in the RFS represent 25mm sub-duct equivalents. However, we consider that BT could more clearly define the volume metrics reported in the RFS in the PI market to help stakeholders understand the volume metrics presented in the RFS. We have therefore included a requirement for BT to explain in the RFS what the internal and external PI volume metrics represent.

- 4.82 In line with our consultation proposal, we have decided not to require BT to separately report in the RFS information on the pole top equipment and cable up a pole services given we have set charges for these to zero. In section 5, we set out our decision to direct BT to allocate costs associated with these two pole services to pole attachment services, consistent with our approach to cost modelling. In response to BT's comment, this means the reporting obligation for these services aligns with the price control decision.
- 4.83 BT currently reports as notes to the PI market schedule i) the kilometres of lead-in duct and ii) the number of poles. We consider this disclosure is helpful to stakeholders and complements the other volume information presented in this schedule and have decided to require BT to retain these notes.
- 4.84 While we agree with BT that the publication of price lists helps demonstrate compliance with pricing remedies, we consider that publishing information on PI rentals more broadly demonstrates the impact and effectiveness of the remedies imposed on the PI market to enable fair and effective competition, in particular:
- Publishing cost information will help Ofcom and stakeholders assess the effectiveness of the cost-based charge control remedy, for example by showing trends in costs over time.
 - Publishing internal and external revenues and volumes provides transparency about the relative usage of PI by BT and external telecoms providers and indicates how take up of PI is developing. In turn, this helps stakeholders assess the effectiveness of our remedies and contributes to an open and competitive market by allowing stakeholders to bring issues to our attention.
 - Showing external average prices allows stakeholders to see how these compare to the charge controls, which are set based on our fair share assumptions. Showing external average prices also allows stakeholders to see that where non-Openreach parts of BT purchase PI rentals, this meets no undue-discrimination requirements.³⁶
 - Showing equivalent information for the same service headings under 'inputs to downstream Openreach services', including the volumes consumed internally and the associated internal revenue, helps demonstrate and promote confidence that BT is attributing PI costs to downstream markets consistent with our fair share assumptions.
- 4.85 We noted in the March 2025 Consultation that many stakeholder comments received pre-consultation on the difference in the approach to internal and external pricing of PI rentals

³⁶ We expect downstream divisions of Openreach (e.g. BT Business) to pay the external PIA price where they use PI to deliver their services.

were similar to those expressed in the WFTMR21.³⁷ We remain of the view that our approach to regulatory reporting requirements is consistent with the broader set of remedies we are imposing in the PI market. The following paragraphs explain why.

- 4.86 Within the PI schedule, the external average price for ‘PI rental’ services (i.e. external purchases) reflects the regulated prices we have set.³⁸ However, as explained in Volume 4, Section 4, we have not set ‘internal’ PI prices (i.e. prices that Openreach should charge itself for using PI).
- 4.87 We have set charges for external PI rentals based on what we think is a fair share of PI costs. These PIA charges determine how much of Openreach’s physical infrastructure costs are recovered from external users of PI. Openreach then recovers the balance of costs not recovered from external users of PI from its downstream services. That is, the PI cost to be attributed to downstream Openreach services represents total PI rental costs (including a return on capital employed) net of any external purchases of PI (e.g. from sales to external customers and other parts of BT like BT Business). The PI cost transferred to downstream Openreach markets, along with the corresponding ‘internal revenue’, is captured by the PI rental services reported under the ‘inputs to downstream services’ heading. The additional note we referenced above is intended to demonstrate that the inputs to downstream services amount is derived as intended.
- 4.88 The internal average prices for ‘inputs to downstream Openreach markets’ are calculated by dividing the internal revenue by the internal volume (where internal revenue is set equal to the balance of total PI rental costs not recovered from external users of PI, as described above).³⁹
- 4.89 Under this approach, we would not expect the external average price to be the same as the internal average price. This is because where infrastructure is shared, Openreach and external PI users share the cost of the infrastructure, but where there are no external users using the physical infrastructure, Openreach recovers 100% of the cost from its own downstream services. To the extent that future PI costs and utilisation rates are similar to the assumptions made in our PI cost modelling, we would expect the internal average price to be higher than the external average price.⁴⁰ On this basis, we disagree with BT that there is no value in publishing internal PI prices.
- 4.90 As in WFTMR21, we say in Annex 7 that any concerns about discrimination between the level of rental charges paid by external customers and what Openreach pays for its use of the PI infrastructure are sufficiently addressed by our approach to setting external PI rental charges – i.e. in relation to PI rental prices we do not have a concern relating to undue discrimination.⁴¹

³⁷ See WFTMA 2021-2026 Ofcom. March 2021. [Promoting investment and competition in fibre networks – Wholesale Fixed Telecoms Market Review 2021-26](#). Volume 6, paragraphs 3.135 to 3.140.

³⁸ External revenue for PI rentals will equal the regulated price multiplied by volumes.

³⁹ As noted in WFTMR21, this approach to estimating internal PI rental revenue will mean that the reported ROCE for total PI rentals should equal the ‘Openreach’ WACC determined in this review (which is the WACC applicable to PI services).

⁴⁰ Going forward, our changes to asset valuation in Section 5 will mean CCA holding gains in the RFS and in the cost modelling would be aligned.

⁴¹ We expect downstream divisions of Openreach (e.g. BT Business) to pay the external PIA price where they use PI to deliver their services.

4.91 We do not consider it is necessary to require BT to publish additional columns in the PI schedule, as suggested by SPC Networks. The total amount for BT’s internal use of PI is already shown in the ‘inputs to downstream services’ line. However, we agree it would be helpful for stakeholders to understand how the input to downstream services amount (i.e. the costs to be recovered from downstream services) in the PI schedule has been derived, and in particular, that it has been derived as intended (as explained above). We have therefore decided to require BT to include a further note below the PI market schedule to this effect.

Network adjustments and other ancillaries

4.92 As our remedies on network adjustments and ancillaries are the same as those imposed in WFTMR21, we have decided to retain the requirements on BT to:

- Publish revenue, volume, average price and cost information for network adjustments above the financial limit, split between internal and external customers. This will help demonstrate BT’s compliance with the no-undue discrimination requirements and provide reasonable assurance to stakeholders that it is accounting for these separately.
- Publish a single line to capture ancillaries required specifically for PI. We expect this to capture PI-specific ancillary services purchased on a one-off basis and exclude any ancillaries included in network adjustments.
- Publish a note showing the operating costs and MCE associated with network adjustments and how these are split between those below and above the financial limit. Of those below the limit, the schedule should show whether they have been included in the ‘inputs into existing downstream services’ or ‘PI rentals’ categories. We consider that this schedule will help demonstrate BT’s compliance with the requirements for reporting network adjustments set out in section 5.
- Publish an appendix showing cumulative internal and external network adjustments, both above and below the financial limit, on an MCE basis. This would mean that, regardless of the treatment of network adjustments in the RFS,⁴² stakeholders could compare network adjustments on a consistent basis, and it would help provide assurance that BT was complying with its no undue discrimination obligations.

4.93 In the 2024/25 RFS BT reported £6.7m of external revenue associated with “Ancillary charges (excl. network adjustments)” with no internal revenue.⁴³ As noted in our March 2025 consultation, we understand that most external revenue relates to Openreach engineers verifying network adjustments undertaken by CPs. To ensure it is transparent to stakeholders what these ancillary charges represent, we have decided to require BT to provide an explanation in a note under the PI schedule as to what the internal and external charges relate to. As noted in Volume 4, some stakeholders commented on the high returns on PI ancillaries reported in the RFS.⁴⁴ These ancillaries are subject to a basis of

⁴² For example, all network adjustments below the financial limit are capitalised in the PI market, while external network adjustments above the limit will be expensed in the PI market and internal network adjustments above the limit could be expensed or capitalised in downstream markets.

⁴³ See BT [RFS 31/03/2025](#). Page 33. Accessed on 11 March 2026.

⁴⁴ The 2024/25 RFS reports returns of over 2000% on PI ancillaries. BT [RFS 31/03/2025](#). Page 33. Accessed on 11 March 2026.

charges obligation and BT provides us with information comparing the price of these ancillaries to the unit FAC, estimated using inputs such as contractor rate cards.⁴⁵ This information indicates that the price and unit FAC for PI ancillaries are similar. However, in the published RFS, few costs appear to be allocated to PI ancillaries, resulting in high reported returns. The information provided to us suggests that BT may not be allocating sufficient costs to PI ancillaries in the RFS, and we expect BT to review its approach in the 2025/26 RFS. We will continue to monitor BT's compliance with its basis of charging obligations on these services.

Allocation of PI costs to downstream Openreach services

- 4.94 Currently, PI costs allocated to downstream Openreach markets and services are reported as a single operating cost item in the performance summary by market schedule and the breakdown of service level operating cost schedules. For example, in 2024/25, £297m of PI costs were attributed to the WLA Area 2 market.⁴⁶ However, stakeholders have no visibility of how PI inputs are allocated to downstream markets.
- 4.95 We have previously said it is important that market schedules ensure the relationship between PI and downstream markets is clear to help show:
- a) the extent to which downstream markets are consuming PI;
 - b) how this compares to external purchases; and
 - c) that attributions of PI costs are transparent, helping stakeholders assess if they are fair and objective.⁴⁷
- 4.96 In relation to c), we said in the March 2025 consultation that we thought the transparency of the PI allocation should be improved, and we proposed that BT publishes an appendix showing a breakdown by Openreach SMP market of the attribution of PI costs and internal PI volumes.
- 4.97 This appendix would show a breakdown of the attribution of costs and volumes for the PI inputs (single bore duct, two bore duct, etc) already reported in PI market. As such, we disagree with BT that this detail would be disproportionate or harder for stakeholders to understand than a more aggregated breakdown.⁴⁸ PI costs represent a reasonable proportion of downstream operating costs (in 2024/25, around 12% of downstream Openreach SMP CCA operating costs related to attributed PI costs) and we think the appendix will help promote confidence in the PI market and help stakeholders understand how PI costs are allocated to downstream markets, which in turn creates the conditions for effective competition.
- 4.98 We have therefore decided to require BT to publish an appendix which provides a breakdown by Openreach SMP market of:

⁴⁵ This information is provided as part of AF112. The private information we require BT to give us is set out in section 6.

⁴⁶ See BT [RFS 31/03/2025](#), section 5.1 'performance summary by market' Pages 22 and 23. Accessed on 11 March 2026.

⁴⁷ WFTMA 2021-2026 Ofcom, March 2021. [Promoting investment and competition in fibre networks – Wholesale Fixed Telecoms Market Review 2021-26](#) Volume 6, paragraph 3.6.

⁴⁸ We also do not consider that the schedule would increase the risk of errors in production. BT already allocates costs to PI components corresponding to internal PI inputs (see BT [AMD 31/03/25](#) Annex 8, pages 164 -165 Accessed 11 March 2026).

- the attribution of PI costs (as currently summarised in the performance summary by market schedule); and
- internal PI volumes (as currently reported in the PI market level schedule). The format of the schedule is shown below, with illustrative totals taken from the 2024/25 RFS.

4.99 We have also adopted SPC Network’s suggestion to include a row showing the percentage of PI costs allocated to each downstream market. This is illustrated in Table 4.1.

4.100 As noted above, some PI costs may be attributed to the rest of BT where this relates to the use of duct by core cables which are not provided by Openreach. BT should disclose these costs and provide an explanation in the market performance summary.

Table 4.1: PI appendix: breakdown of attribution of PI costs and internal volumes

Appendix on attribution of PI costs to downstream markets

	WLA Area 2	WLA Area 3	etc	Total SMP	Openreach Non	Rest of BT	Total
Spine duct - 1 bore							
Spine duct - 2 bore							
Spine duct - 3+ bore							
Footway box - manholes							
Footway box - joint boxes							
Poles - multi-end-user attachment							
Poles - single-end-user attachment							
Other PI rentals (if applicable)							
Total	297	172	x	542	182	17	741
% allocation	40%	23%	x	73%	25%	2%	100%

Internal volumes

	WLA Area 2	WLA Area 3	etc	Total SMP	Openreach Non SMP	Rest of BT	Total int volume
Lead-in duct							9,648,642
Spine duct - 1 bore							798,121
Spine duct - 2 bore							367,051
Spine duct - 3+ bore							586,646
Footway box - manholes							6,923,637
Footway box - joint boxes							57,322,370
Poles - multi-end-user attachment							2,790,652
Poles - single-end-user attachment							20,546,766
Other PI rentals (if applicable)							x

Note: total PI costs and volumes are illustrative and taken from the 2024/25 RFS (Schedules 5.1 and 6.1.1). All SMP markets would be shown in the appendix, but many have been omitted for brevity in this table.

4.101 We set out in Volume 7 the schedules for the PI market. For each service a breakdown of operating costs and MCE will also need to be provided as set out above (see ‘Breakdown of service level costs’ section).

Wholesale local access

Proposals

WLA service level schedules

- 4.102 In each of WLA Area 2 and WLA Area 3 we proposed in our March 2025 consultation that BT must publish revenue, volume, average price, and cost information for several services, split between internal and external customers. Given our proposed pricing continuity approach, we only proposed the following changes from pre-existing requirements: i) replace reporting of 40/10 rental services with 80/20 rental services ii) require BT to separately report FTTP connections and iii) remove the existing 'other ancillaries' line and amend the existing 'other WLA services' line to split out rental, connection and ancillary services.
- 4.103 The list of proposed services was amended in our October 2025 consultation to reflect the remedies we were consulting on (a contracts focused approach and an amendment to the proposed charge control on FTTP connections). In relation to the proposed charge control on FTTP connections, we proposed to require BT to separately report service level information for FTTP standard connections and FTTP business connections (covering premium and advanced connections). We also proposed minor changes to the service labels if we adopted a contracts focused approach (rather than a charge control approach) to FTTC, FTTP and SOGEA rental and connection services.
- 4.104 In Volume 4 we set out our decision to adopt a charge control approach in WLA markets.
- 4.105 Under a charge control approach we proposed to require BT to publish information on the following services:
- MPF SML1 rentals (charge controlled only)
 - MPF other rentals
 - FTTC 80/20 rentals (charge controlled only)
 - FTTC other rentals
 - FTTP 80/20 rentals (charge controlled, where applicable)
 - FTTP 80/20 rentals (non-charge controlled, where applicable)
 - FTTP other rentals
 - SOGEA 80/20 rentals (charge controlled)
 - SOGEA other rentals
 - FTTP 80/20 standard connections (charge controlled).
 - FTTP 80/20 business connections (charge controlled).
 - FTTP other connections
 - WLA – specific ancillaries (CPI – 0%) – separately list each controlled ancillary where total revenue (i.e. the sum of internal and external revenue) exceeds £5m. Ancillaries capped at CPI-0% where total revenue is below £5m can be aggregated and reported together on a separate row.
 - WLA specific ancillaries (£0 cap) – aggregate of all zero capped ancillaries
 - Other WLA services (split between rental, connection and ancillary services where applicable i.e. this will capture any WLA services that BT is not required to separately report in the categories above).

FTTP rollout in WLA Area 3

4.106 We proposed to retain the requirement on BT to publish a note for WLA Area 3 on homes passed with FTTP to allow us and stakeholders to assess how FTTP rollout develops in Area 3. As we proposed that Area 3 would be smaller compared to WFTMR21, we noted that the information on homes passed with FTTP will not be directly comparable to that currently published by BT.

Stakeholder comments

WLA service level schedules

- 4.107 BT did not agree with our proposal to split out Other WLA services between rentals, connections and ancillaries. It said this was not proportionate, noting that each additional service adds 300+ published numbers per geographic market.⁴⁹
- 4.108 Openreach said it would not easily be able to separate out premium connections undertaken at a business premise rather than a residential premise and suggested the RFS reports on 'FTTP 80/20 premium and advanced connections' rather than 'FTTP 80/20 business connections'.⁵⁰
- 4.109 VodafoneThree considered that there would be poorer visibility of new connection variants in BT's RFS.⁵¹ It thought there should be transparency over the costs of premium and advanced connections in the RFS.

FTTP rollout in WLA Area 3

4.110 No stakeholders commented on our proposal.

Our reasoning and decisions

Summary of other remedies imposed

- 4.111 We first summarise some of the other remedies imposed in the WLA Area 2 and WLA Area 3 markets as regulatory reporting information could be used to assess the impact and effectiveness of these, as well as monitor BT's compliance.
- 4.112 In Volume 4 we decided to:
- Set an inflation-indexed charge control on MPF SML1 rentals.
 - Set an inflation-indexed charge control on FTTC 80/20 and SOGEA 80/20 rentals (or FTTP 80/20 rentals where a copper based service is not available). This is a change from the current controls on 40/10 rental services.
 - Set an inflation-indexed charge control on FTTC 80/20 standard, premium and advanced connections where copper-based services are not available.

⁴⁹ [BT Group](#) response to TAR26 March 2025 Consultation. Annex 2. Paragraph 7.13.

⁵⁰ [Openreach](#) response to TAR26 October 2025 Consultation. Paragraph 56.

⁵¹ [VodafoneThree](#) response to TAR26 October 2025 Consultation. Paragraph 21.

- Set charge controls on WLA specific ancillaries. These controls consist of service or basket controls of CPI-0% on around 25 WLA-specific ancillaries across Area 2 and Area 3, with some ancillary charges capped at £0.
- Impose a requirement that charges are fair and reasonable for other bandwidth rentals

4.113 In Volume 4, Section 6 we also impose a no undue discrimination obligation on BT in relation to services in the WLA markets.

WLA service level schedules

Rentals and connections

4.114 In each of WLA Area 2 and WLA Area 3⁵² we have decided that BT must publish revenue, volume, average price, and cost information for the following rental and connection services, split between internal and external customers:

- MPF SML1 rentals (charge controlled only)
- MPF other rentals
- FTTC 80/20 rentals (charge controlled only)⁵³
- FTTC other rentals
- FTTP 80/20 rentals (charge controlled, where applicable)
- FTTP 80/20 rentals (non-charge controlled, where applicable)
- FTTP other rentals
- SOGEA 80/20 rentals (charge controlled)
- SOGEA other rentals
- FTTP 80/20 standard connections (charge controlled) This line would report aggregated information on the five charge controlled 80/20 connection services
- FTTP 80/20 premium and advanced connections (charge controlled). This line would report aggregated information on 80/20 premium and advanced connections.
- FTTP other connections
- Other WLA services (split between rental and connections where applicable i.e. this will capture any WLA services that BT is not required to separately report in the categories above).

4.115 We consider that requiring BT to publish information on these services is consistent with the level that prices are regulated (e.g. individual controls on MPF, FTTC, SOGEA and FTTP rental and connection services).

4.116 While FTTP 80/20 rentals and connections may not initially be subject to a charge control (as the charge controls only apply where copper-based services are not available), FTTP services are subject to no undue discrimination obligations and (where copper based services are available) fair and reasonable charging obligations. As such, the take up of FTTP, and the 80/20 services in particular, is an important test of the impact of our SMP remedies in Area 2 and 3, including our charge controls. Further, separately reporting FTTP rentals and connections allows stakeholders to see the outcome of BT's cost attributions

⁵² As we have decided to change the boundaries of geographic markets for this review period (e.g. WLA Area 2 will be larger and WLA Area 3 smaller compared to WFTMR21), information reported on these markets in the RFS from April 2026 will not be directly comparable to previous periods.

⁵³ FTTC includes G.fast.

between FTTP and FTTC across Areas 2 and 3. For FTTP 80/20 rentals, requiring BT to separately report information where copper-based services are and are not available is consistent with the current reporting for FTTP 40/10 rentals.⁵⁴

- 4.117 We have decided to require BT to publish information on all MPF and FTTC rentals (with MPF split between charge controlled MPF SML 1 and other MPF rentals, and FTTC rentals split between FTTC 80/20 rentals and other FTTC rentals) to enable a comparison of these services across Area 2 and Area 3 and allow stakeholders to assess the outcome of BT's cost attributions between these products and between areas.⁵⁵
- 4.118 In relation to FTTP 80/20 connections, we have adopted Openreach's suggestion to require BT to separately report 'FTTP 80/20 premium and advanced connections' rather than FTTP 80/20 business connections. The only difference to our proposal is that this will not require BT to separately identify connections made at a business rather than residential premise. We disagree with Vodafone that there will be poorer visibility of connection variants in the RFS. In the current RFS, no information on FTTP connections is reported, but our decision means information will be reported on FTTP 80/20 standard connections, FTTP 80/20 premium and advanced connections, and FTTP other connections.
- 4.119 Under the 'other WLA services' line we have decided that BT should separately include aggregate figures for rental and connections that it is not required to separately report (we would expect these to be non-charge controlled WLA services which BT is not required to disclose under one of the other headings). We disagree with BT that this requirement is disproportionate. In the 2024/25 RFS, total revenue for other WLA services (across Area 2 and Area 3) was around £235m, and one of the largest reported items. While we do not expect these rental and connection services to be charge controlled WLA services, they are subject to other remedies like no undue discrimination, and for the reasons set out in below, we consider it is appropriate to require BT to separately report them alongside other services to increase visibility of what 'other WLA services' includes.⁵⁶

WLA ancillaries

- 4.120 For WLA ancillary services, we consider it would be more proportionate to require BT to publish information in aggregate rather than provide a breakdown by SMP market – i.e. to report them within the cross-market ancillary section of the RFS rather than in each individual WLA market. This would be consistent with our approach to controlling ancillary prices, where we set the same charge control in each WLA market, and also our decisions in relation to LLA and IEC ancillaries set out in sections below. We think this will allow stakeholders to continue to assess compliance and demonstrate the impact and effectiveness of the remedies imposed and avoid placing an undue burden on BT to prepare and present information in the RFS.

⁵⁴ In the BT [RFS 31/03/2025](#) (for example on page 39- Accessed 11 March 2026), BT separately reports FTTP 40/10 rentals (charge controlled) and FTTP 40/10 rentals (non charge controlled) in WLA markets.

⁵⁵ The 'charge controlled' qualification is required for MPF since, once ultrafast rollout is complete and a minimum of two years after the stop sell (triggered by ultrafast coverage exceeded 75% in an exchange area) the controls on MPF SML1 rentals will be removed. This means that when ultrafast coverage in an exchange is complete, Openreach will have pricing freedom on copper services where FTTP is available (and hence it could be selling non-charge controlled MPF in some exchange areas).

⁵⁶ However, as noted above, BT may, with our agreement, aggregate and disclose service level information in an alternative way but must include a note to the relevant Market Summary explaining what it has done and why.

- 4.121 Given the large number of charge controlled WLA ancillaries we have decided it would be proportionate, consistent with current requirements, to only require BT to disclose those capped at CPI-0% where total revenue exceeds £5m.⁵⁷ All other ancillaries capped at CPI-0% should be aggregated and reported on a separate row.
- 4.122 We have decided that BT should separately report other WLA ancillaries, which we would expect to be non-charge controlled WLA ancillary services which BT is not required to disclose under one of the other ancillary headings. As noted above, we disagree with BT that separately reporting rental, connection and ancillary services previously reported under a single ‘other WLA services’ heading is disproportionate given that ‘other WLA services’ was one of the largest reported items in the 2024/25 RFS and these services are subject to other remedies like no undue discrimination.
- 4.123 In the cross market ancillary section of the RFS, BT must therefore publish revenue, volume, average price, and cost information on the following WLA ancillary services:
- WLA – specific ancillaries (CPI – 0%) – separately list each controlled ancillary where total revenue (i.e. the sum of internal and external revenue) exceeds £5m. Ancillaries capped at CPI-0% where total revenue is below £5m can be aggregated and reported together on a separate row.
 - WLA specific ancillaries (£0 cap) – aggregate of all zero capped ancillaries.
 - Other WLA ancillaries (a single row capturing other WLA ancillaries that BT is not required to separately report in the categories above).
- 4.124 We have also decided to remove the requirement to publish an ‘other ancillaries’ line in the WLA schedules as all WLA ancillaries will be reported in the cross market ancillaries section of the RFS.

Conclusion

- 4.125 We consider that publishing information on the above rental and connection services in WLA Area 2 and Area 3, and WLA ancillary services in the cross market ancillaries section of the RFS, promotes confidence in the market, which in turn creates the conditions for effective competition. For example, publication will provide assurance to stakeholders that BT is complying with its obligations and demonstrate the impact and effectiveness of the remedies imposed. In particular, we consider that:
- Publishing internal and external prices helps demonstrate compliance with non-discrimination obligations (e.g. by showing differences between internal and external prices).
 - Publishing internal and external prices allows stakeholders to see how these compare to price caps, where these apply, and enables effective monitoring for enforcement purposes.
 - Publishing cost and returns information will help stakeholders assess the impact of the remedies on the performance of WLA services and, in some cases, assess their effectiveness (e.g. by comparing trends in costs against charges set by reference to BT’s costs). Publication of this information will also help stakeholders understand how service information relates to market level information. Since BT is required to

⁵⁷ For example, based on the BT [RFS 31/03/2025](#) (page 39, Accessed 11 March 2026) we would expect this to include items like MPF New Provides, NGA Visit Assure and WLA Time Related Charges.

publish the same service level cost information in each of the WLA markets, it will help stakeholders understand the impact of BT's cost attribution decisions (e.g. how it has implemented its cost accounting obligations for the purposes of allocating costs associated with WLA services between geographic markets).

- Publishing internal and external revenues and volumes provides transparency about trends and relative usage of these services by BT and external telecoms providers and indicates how take up of these services is developing. This helps stakeholders assess the impact of the remedies imposed.

4.126 We set out in Volume 7 the service level information for WLA markets to be published in the RFS from 2026/27. For each service a breakdown of operating costs and MCE will also need to be provided as set out above (see 'Breakdown of service level costs' section).

FTTP rollout in WLA Area 3

4.127 In WFTMR21, we required BT to publish a note for WLA Area 3 summarising the number of non-subsidised homes passed with FTTP as we said this would help us and stakeholders assess how FTTP rollout is developing against the rollout commitment BT made in Area 3.⁵⁸

4.128 We have decided to retain this requirement on BT to publish a note on homes passed with FTTP to allow us and stakeholders to assess how Openreach's FTTP rollout develops in Area 3.

Leased lines access and inter-exchange connectivity

Proposals

4.129 As the controls on different services were similar across LLA Access and IEC markets, we considered the services to be reported in the RFS for each category of controlled service.

Dark fibre

4.130 In the LLA Area 3, IEC BT Only and IEC BT+1 markets (i.e. the markets where we proposed BT would be required to provide dark fibre services) we proposed that BT must publish revenue, volume, average price, cost and ROCE information for the following services, split between internal and external customers:

- Connections, split by single and dual fibre
- Rentals, split by single and dual fibre
- Main link
- Patch panels – customer premises
- Patch panels – exchanges
- Initial testing
- Cessation charges
- Right when tested charges

4.131 As main link could be required as part of an access circuit or an interexchange circuit, we proposed to continue to require BT to describe how it has determined where to report main link in the RFS.

⁵⁸ WFTMA 2021-2026 Ofcom. March 2021. [Promoting investment and competition in fibre networks – Wholesale Fixed Telecoms Market Review 2021-26](#) Volume 6, paragraphs 3.183 to 3.186.

Active leased lines

- 4.132 In the LLA Area 2, LLA Area 3, IEC BT only and IEC BT+1 markets we proposed that BT must publish revenue, volume, average price, cost and ROCE information for the following services, split between internal and external customers. In the HNR area we proposed that BT only needs to publish revenue, volume and average price information for these services given we did not propose to impose charge controls.
- Low bandwidth services
 - Connections
 - EAD rentals
 - EAD LA rentals
 - Other rentals
 - Main link
 - Other services (if applicable)
 - High bandwidth services
 - Connections
 - EAD 10 Gbit/s rentals
 - Other EAD rentals
 - EAD LA 10 Gbit/s rentals
 - Other EAD LA rentals
 - Other rentals
 - Main link
 - Other services (if applicable)
- 4.133 We proposed that separate information should be published for low bandwidth services (up to 1 Gbits/s) and high bandwidth services (greater than 1 Gbits/s). We said this represented a change to how these services were currently reported in RFS but would be consistent with the level of the proposed regulation in LLA Area 3 (where we proposed separate low and high bandwidth baskets). While our proposed charge controls did not distinguish between low and high bandwidths in other LLA and IEC markets, we proposed to require BT to publish information on the same set of services in these markets to enable stakeholders to make comparisons across markets and see the effects of BT's cost attribution decisions in relation to these services. We proposed that the market schedules show total rows to align with the basket controls (i.e. a low and high bandwidth basket total for LLA Area 3, and a single total basket row for LLA Area 2 and IEC markets).
- 4.134 Consistent with current requirements, we proposed to require BT to report EAD, EAD LA, main link and other rentals separately to help provide assurance to stakeholders that they are not subject to undue discrimination.
- 4.135 For high bandwidth services, we proposed that EAD 10 Gbit/s and EAD 10 Gbit/s LA rentals are separately reported. This represented a change in how these services are currently reported in the RFS but was consistent with our proposal that the EAD and EAD LA 10 Gbit/s variants are used as reference services for our dark fibre rental prices and reporting information on these services could help stakeholders assess the effectiveness of those controls.
- 4.136 As main link could be required as part of an access circuit or an interexchange circuit, we proposed to continue to require BT to describe how it has determined where to report main link in the RFS.

Optical services

4.137 In the LLA Area 2, LLA Area 3, IEC BT Only and IEC BT+1 markets we proposed to require BT to publish revenue, volume, average price, cost and ROCE information on rental, connection and main link optical services, consistent with current requirements. In the HNR area we proposed that BT only needs to publish revenue, volume and average price information for these services given we did not propose to impose charge controls.

Other services

4.138 In the LLA Area 2, LLA Area 3, IEC BT only and IEC BT+1 markets we proposed that BT must publish revenue, volume, average price, cost and ROCE information for the following services, split between internal and external customers.⁵⁹ In the HNR area we proposed that BT only needs to publish revenue, volume and average price information for these services given we did not propose to impose charge controls.

- Direct ECCs basket
- Contractor ECCs
- Time related charges
- Other ancillaries - separately list each controlled ancillary where total revenue exceeds £5m. Ancillary services where total revenue is less than £5m can be aggregated and reported together.

Stakeholder comments

Dark fibre

4.139 No stakeholders commented on our proposals.

Active leased lines

4.140 BT thought the relevant schedules would be more readable if all rental services below the speed of 1Gbit/s were grouped in the 'lower bandwidth' section and those at 10Gbit/s in the 'high bandwidth' section. It considered this would reduce the reporting requirement while aligning with pricing proposals.⁶⁰

4.141 In relation to our proposal that BT describes in its RFS how it has determined where to report main link, BT suggested this would be better to include in its Accounting Methodology Document (AMD).⁶¹

Optical services

4.142 No stakeholders commented on our proposals.

Other services

4.143 BT said that reporting contractor ECCs across five geographic markets would require the preparation and assurance of 1000+ more figures in the RFS. More generally, BT said that ECC costs are not tracked by order so that information by geographic market cannot be easily provided, and any resulting apportionment methodology would be onerous and disproportionate for BT to apply and make financial information on ECCs appear falsely

⁵⁹ We noted that average price and volume information may not be available where services with different volume measures are combined into a single reporting line.

⁶⁰ [BT Group](#) response to TAR26 March 2025 Consultation. Annex 2. Paragraphs 7.15 to 7.16.

⁶¹ [BT Group](#) response to TAR26 March 2025 Consultation. Annex 2. Paragraph 4.27.

precise. BT suggested it continues to present direct ECCs in the RFS and provide private information to Ofcom on contractor ECCs.⁶²

Our reasoning and decisions

Summary of other remedies imposed

4.144 We first summarise some of the other remedies in the LLA and IEC markets as regulatory reporting information could be used to assess the impact and effectiveness of these, as well as monitor BT’s compliance.

4.145 Our main price regulation in these markets is as follows:

Table 4.2: Summary of main charge control decisions in LLA and IEC markets

Market	Dark fibre	Active leased lines		Optical services
LLA Area 2	Not applicable	CPI-0% basket control, sub cap on each main link charge		CPI-0% on all individual modular services including main link
LLA Area 3	Cost-based charge controls on dark fibre rentals and connections, CPI-0% on ancillaries	<u>Low bandwidth</u> Cost-based basket control, sub cap on each main link charge	<u>High bandwidth</u> CPI-0% basket control, sub cap on each main link charge	
IEC BT only	Cost-based charge controls on dark fibre rentals and connections, CPI-0% on ancillaries	CPI-0% basket control, sub cap on each main link charge		
IEC BT+1	Cost-based charge controls on dark fibre rentals and connections, CPI-0% on ancillaries	CPI-0% basket control, sub cap on each main link charge		
HNR Area	Not applicable	Fair and reasonable charging on all services		

4.146 We have also imposed the following controls:⁶³

- **Excess Construction Charges (ECCs):**
 - a) Direct ECC basket is subject to a CPI-0% cap, and a sub-cap of CPI+5% on individual charges across Leased Lines Access Area 2, Leased Lines Access Area 3, IEC BT only and IEC BT+1 markets.

⁶² [BT Group](#) response to TAR26 March 2025 Consultation. Annex 2. Paragraphs 4.25 to 4.26.

⁶³ As set out in Volume 4, Section 5.

b) Contractor ECCs are subject to a basis of charges obligation across Leased Lines Access Area 2, Leased Lines Access Area 3, IEC BT only and IEC BT+1 markets.

- **Ethernet Time Related Charges (TRCs):** cap of CPI-0% on each Ethernet TRC across the LLA Area 2, LLA Area 3, IEC BT only and IEC BT+1 markets.
- **Other ancillaries:** cap of CPI-0% for each charge across LLA Area 2, LLA Area 3, IEC BT only and IEC BT+1 markets.

4.147 In the LLA HNR area, we have imposed a fair and reasonable charging obligation on BT in relation to the ancillaries listed in the previous paragraph.

4.148 We have also imposed a no undue discrimination obligation on BT in relation to services in each of these markets.

LLA Access and IEC services to be reported

4.149 We set out below our decisions on the services to be reported in the RFS for each category of controlled service in the LLA and IEC markets.

4.150 The format of the market level schedules for each LLA and IEC market can be found in the Form and Content direction in Volume 7.

4.151 Where we require service level cost information to be published, for each service a breakdown of operating costs and MCE will also need to be provided as per our proposals above.

4.152 Where we require main link to be reported we have decided to continue to require BT to describe how it has determined where to report main link in the RFS. We agree with BT's suggestion that this description could be included in its AMD. ⁶⁴

Dark fibre

4.153 In the LLA Area 3, IEC BT Only and IEC BT +1 markets, we have decided that, consistent with current requirements, BT must publish revenue, volume, average price, cost and ROCE information for the following services, split between internal and external customers:

- Connections, split by single and dual fibre
- Rentals, split by single and dual fibre
- Main link
- Patch panels – customer premises
- Patch panels – exchanges
- Initial testing
- Cessation charges
- Right when tested charges

4.154 We consider that publishing information on each of these dark fibre services is consistent with the level of the regulation as each of these services is subject to a charge control. We consider publishing this information is justified because:

- Publishing internal and external prices helps demonstrate compliance with non-discrimination obligations (i.e. by showing differences between internal and external

⁶⁴ In the BT [RFS 31/03/2025](#) (page 22, Accessed 11 March 2026) a note is included under the performance summary by market schedule on main link.

prices) and allows stakeholders to see how these compare to individual service price caps.

- Publishing revenue, cost and ROCE information will help stakeholders assess the effectiveness of the cost-based charge controls on dark fibre services.
- Since we require BT to publish cost information on dark fibre in each of the LLA Area 3, IEC BT only and IEC BT+1 markets, it would help stakeholders assess the impact of BT's cost attribution decisions (e.g. how it has implemented its cost accounting obligations when allocating costs of dark fibre between geographic markets).
- Publishing internal and external revenues and volumes provides transparency about trends and relative usage of dark fibre services by BT and external telecoms providers and indicates how take up of these services is developing (e.g. dark fibre vs active services). This helps stakeholders assess the effectiveness of remedies.

Active leased lines

4.155 In the LLA Area 2, LLA Area 3, IEC BT only and IEC BT+1 markets we have decided that BT must publish revenue, volume, average price, cost and ROCE information for the following services, split between internal and external customers. In the HNR area BT only needs to publish revenue, volume and average price information for these services given we have not imposed charge controls in this area.

- Low bandwidth services
 - Connections
 - EAD rentals
 - EAD LA rentals
 - Other rentals
 - Main link
 - Other services (if applicable)
- High bandwidth services
 - Connections
 - EAD 10 Gbit/s rentals
 - Other EAD rentals
 - EAD LA 10 Gbit/s rentals
 - Other EAD LA rentals
 - Other rentals
 - Main link
 - Other services (if applicable)

4.156 While we recognise that this increases the number of services BT is required to report in these markets compared to current requirements, we consider this is proportionate for the reasons set out below. However, as set out above, BT may, with our agreement, aggregate and disclose service level information in an alternative way but must include a note to the relevant Market Summary explaining what it has done and why.⁶⁵

4.157 We have decided that separate information should be published for low bandwidth services (up to and including 1 Gbits/s) and high bandwidth services (greater than 1 Gbits/s). This approach is consistent with the level of the regulation in LLA Area 3 (where we are imposing

⁶⁵ This may be appropriate, for example, where volumes are low and where it is difficult or unreliable to apportion costs to individual services.

separate low and high bandwidth baskets). While our charge controls do not distinguish between low and high bandwidths in other LLA and IEC markets, we have decided to require BT to publish information on the same set of services in these markets to enable stakeholders to make comparisons across markets and see the effects of BT's cost attribution decisions in relation to these services. The market schedules will show total rows to align with the basket controls (i.e. a low and high bandwidth basket total for LLA Area 3, and a single total basket row for LLA Area 2 and IEC markets).

- 4.158 We disagree with BT that no further service-level disaggregation of low and high bandwidth services would be appropriate. Consistent with current requirements, BT will be required to report EAD, EAD LA, main link and other rentals separately to help provide assurance to stakeholders that they are not subject to undue discrimination.
- 4.159 Additionally, for high bandwidth services, we have decided that EAD 10 Gbit/s and EAD 10 Gbit/s LA rentals are separately reported. This is consistent with our use of the EAD and EAD LA 10 Gbit/s variants as reference services for our dark fibre rental prices and reporting information on these services could help stakeholders assess the effectiveness of those controls.
- 4.160 We consider that publishing information on these Ethernet services will help stakeholders assess compliance and demonstrate the impact and effectiveness of the remedies imposed, in particular:
- Publishing internal and external prices helps demonstrate compliance with non-discrimination obligations (e.g. by showing differences between internal and external prices) and allows stakeholders to see how these compare to basket and individual service controls.
 - Revenue is used to weight price changes in Ethernet services baskets so publishing this information helps show that the information used by BT to demonstrate compliance is reliable.
 - Publishing revenue, cost and ROCE information will help stakeholders assess the impact of the remedies imposed on the performance of Ethernet services.
 - Publishing cost information for the same services in each of the LLA and IEC markets will help stakeholders assess the impact of BT's cost attribution decisions (e.g. how it has implemented its cost accounting obligations for the purposes of allocating costs associated with Ethernet services between geographic markets).
 - Publishing internal and external revenues and volumes provides transparency about trends and relative usage of these services by BT and external telecoms providers and indicates how take up of these services is developing (e.g. dark fibre vs active services). This helps us and stakeholders assess the effectiveness of the remedies imposed.

Optical services

- 4.161 Given the large number of optical services subject to our control, we consider it is proportionate to require BT only to disclose information on rental, connection and main link services, consistent with current requirements. We have therefore decided that BT must publish revenue, volume, average price, cost and ROCE information for the following services, split between internal and external customers, across the LLA Area 2, LLA Area 3, IEC BT Only and IEC BT+1 markets. In the HNR area BT only needs to publish revenue,

volume and average price information for these services given we have not imposed charge controls in this area.

- Connections
- Rentals
- Main link

4.162 We consider that publishing information on these optical services is consistent with the level of the regulation (i.e. a control on rental, connection and main link optical charges).

4.163 We consider that publishing information on optical services will help stakeholders assess compliance and demonstrate the impact and effectiveness of the remedies imposed, in particular:

- Publishing internal and external prices helps demonstrate compliance with non-discrimination obligations (e.g. by showing differences between internal and external prices) and allows stakeholders to see how these compare to the price cap.
- Publishing revenue, cost and ROCE information will help stakeholders assess the impact of the remedies on the performance of these services.
- Publishing cost information for the same services in each of the LLA and IEC markets will help stakeholders assess the impact of BT's cost attribution decisions (e.g. how it has implemented its cost accounting obligations for the purposes of allocating costs associated with optical services between geographic markets).
- Publishing internal and external revenues and volumes provides transparency about trends and relative usage of these services by BT and external telecoms providers and indicates how take up of these services is developing. This helps stakeholders assess the effectiveness of the remedies imposed.

Other services

4.164 As noted above, we have also imposed controls on direct ECCs, contractor ECCs, Ethernet TRCs and other ancillaries. The controls in the LLA Area 2, LLA Area 3, IEC BT Only and IEC BT+1 markets are the same (i.e. either a CPI-0% control or a basis of charges obligation on contractor ECCs) while in the HNR area all these ancillary services are subject to a fair and reasonable charging obligation.

4.165 In the LLA Area 2, LLA Area 3, IEC BT Only and IEC BT+1 markets we have decided that BT must publish revenue, volume, average price, cost and ROCE information on these services, split between internal and external customers.⁶⁶

4.166 However, given that these controls apply across five SMP markets (LLA Area 2, LLA Area 3, IEC BT Only and IEC BT+1 markets), we consider it would be more proportionate to require BT to publish information on these ancillary services in aggregate, rather than provide a breakdown by SMP market – i.e. to report them within the cross-market ancillary section of the RFS rather than in each individual LLA and IEC market. We think this would allow stakeholders to continue to assess compliance and demonstrate the impact and effectiveness of the remedies imposed and avoid placing an undue burden on BT to prepare and present information. Consistent with the markets in which these controls are imposed, information reported on these services in the cross-market ancillary section of the RFS

⁶⁶ Average price and volume information may not be available where services with different volume measures are combined into a single reporting line.

should only include amounts relating to LLA Area 2, LLA Area 3, IEC BT Only and IEC BT+1 markets, and not include information relating to the HNR area (where charge controls on these services do not apply).

- 4.167 In the HNR area, consistent with our consultation proposal, we have decided that BT must publish revenue, volume and average price information for these services, given these services are subject to a fair and reasonable charging obligation in this market rather than a charge control.⁶⁷ We note that in 2024/25 around 5% of revenue associated with these services was reported in the HNR area.
- 4.168 We disagree with BT that contractor ECCs and direct ECCs should not be separately reported. We have imposed different remedies on these services in the LLA Area 2, LLA Area 3, IEC BT Only and IEC BT+1 markets – a basket control on direct ECCs and a basis of charges obligations on contractor ECCs – so we consider separately reporting these services would be consistent with the level of the regulation. Publishing the same set of services in the HNR area allows stakeholders to make comparisons across markets and assess the effectiveness of the remedies imposed.
- 4.169 In the cross market ancillary section and HNR market, BT should therefore report service level information on the following LLA and IEC services:
- Direct ECCs basket ('Direct ECCs' in the HNR area)
 - Contractor ECCs
 - Time related charges
 - Other ancillaries - separately list each ancillary where total revenue exceeds £5m. Ancillary services where total revenue is less than £5m can be aggregated and reported together.
- 4.170 We consider that publishing information on these services is consistent with the level of the regulation (e.g. each charge controlled basket or service or basis of charges obligations).⁶⁸ Consistent with our approach in WLA markets, we consider that it is proportionate to only require BT to disclose individual 'other ancillaries' where total revenue across the LLA and IEC markets exceeds £5m.
- 4.171 We consider that publishing information on these groups of services will help stakeholders assess compliance and demonstrate the impact and effectiveness of the remedies imposed, in particular:
- Publishing internal and external prices for some services helps demonstrate compliance with non-discrimination obligations (e.g. by showing differences between internal and external prices) and allows stakeholders to see how these compare to price caps, where relevant.

⁶⁷ As noted above, BT may, with our agreement, aggregate and disclose service level information in an alternative way but must include a note to the relevant Market Summary explaining what it has done and why. For example, where BT's prices for these ancillary services are the same between charge-controlled and non-charge-controlled areas, it may be more straightforward to include all information on these services in the cross market ancillary section.

⁶⁸ While BT is not currently required to separately report contractor ECCs, we think it is appropriate to report this separately given our decision to apply a basis of charging obligation to these services.

- Revenue is used to weight price changes in the Direct ECC basket so publishing this information helps show that the information used by BT to demonstrate compliance is reliable.
- Publishing revenue, cost and ROCE information will help stakeholders assess the impact of the remedies imposed on the performance of these services.
- Publishing cost information for contractor ECCs will help stakeholders assess if BT is recovering its costs under the basis of charges obligation.
- Publishing internal and external revenues and volumes provides transparency about trends and relative usage of these services by BT and external telecoms providers. This helps stakeholders assess the effectiveness of the remedies imposed.

Cross-market ancillaries

Proposals

- 4.172 We proposed that BT must publish revenue, volume, average price and cost information for the following cross market ancillaries, split between internal and external customers: cablelink, co-mingling basket, accommodation services and electricity charge.
- 4.173 We also proposed that BT should separately report each accommodation service where total revenue exceeds £5m, while accommodation services with revenue below £5m can be aggregated and reported together.

Stakeholder comments

- 4.174 BT said the proposal to separately report each accommodation service where total revenue exceeds £5m would add complexity and increase the risk of error in the preparation of the RFS, without benefitting users of the information. It noted that each additional service reported in the RFS creates 300+ figures in the published RFS.⁶⁹
- 4.175 BT also suggested removing the requirement to report accommodation services and electricity on the basis that these are only provided externally.⁷⁰

Our reasoning and decisions

- 4.176 In Volume 4, Section 5 we set out the following controls on cross market ancillaries (i.e. ancillaries that are used in multiple SMP markets). These controls apply to the WLA (Area 2 and Area 3), LLA (Area 2 and Area 3) and IEC (BT Only) markets, while a fair and reasonable charging obligation applies to these services in the HNR area.
- Cablelink basket: CPI-0% for the basket.
 - Accommodation services (Co-location for MPF, VULA, LLA and IEC): CPI-0% on each charge.
 - Accommodation comingling services: CPI-0% for a basket of these services in WLA markets, with prices no higher for equivalent services in LLA/IEC markets.
 - Electricity charges: basis of charges obligation.

⁶⁹ [BT Group](#) response to TAR26 March 2025 Consultation. Annex 2. Paragraph 4.34.

⁷⁰ [BT Group](#) response to TAR26 March 2025 Consultation. Annex 2. Paragraph 4.35.

4.177 To align services reported in the RFS with the level that they are regulated, we have decided that BT must publish revenue, volume, average price and cost information for the following cross market ancillaries, split between internal and external customers:

- Cablelink.⁷¹
- Co-mingling.⁷²
- Accommodation services: BT should separately report each accommodation service where total revenue exceeds £5m. Accommodation services with revenue below £5m can be aggregated and reported together.
- Electricity charges.

4.178 In BT's 2024/25 RFS it reported revenue of almost £150m for shared ancillaries, £105m (70%) of which related to accommodation. While we recognise that requiring BT to report on individual services with revenue greater than £5m would increase the number of services in the RFS we consider it is a proportionate requirement given that the accommodation charge control is imposed on a per-service basis. We note that this requirement does not apply to co-mingling services, which should be included within the co-mingling basket line. However, as set out above, BT may, with our agreement, aggregate and disclose service level information in an alternative way but must include a note to the relevant Market Summary explaining what it has done and why.

4.179 As explained above, BT should also report service level information in the cross market ancillary section relating to the following:

- LLA and IEC services:
 - Direct ECCs.
 - Contractor ECCs.
 - Ethernet TRCs.
 - Other ancillaries - separately list each ancillary where total revenue exceeds £5m. Ancillary services where total revenue is less than £5m can be aggregated and reported together.
- WLA services;
 - WLA – specific ancillaries (CPI – 0%) – separately list each controlled ancillary where total revenue (i.e. the sum of internal and external revenue) exceeds £5m. Ancillaries capped at CPI-0% where total revenue is below £5m can be aggregated and reported together with LLA and IEC ancillaries on a separate row.
 - Specific ancillaries (£0 cap) – aggregate of all zero capped ancillaries.
 - Other WLA ancillaries (a single row capturing other WLA ancillaries that BT is not required to separately report in the categories above)

4.180 We disagree with BT that services which are only provided externally should not be reported. There are a number of reasons for requiring BT to publish information on the services listed above, as noted in our consultation. We consider that this information will help stakeholders assess the impact and effectiveness of the remedies imposed on these

⁷¹ Excluding GEA Cablelink.

⁷² Comingling refers to the services listed in section 4 of Annex 1 to Condition 12B. This row should include WLA services charge controlled in the Comingling new provide and rentals basket together with 'Overlapping Accommodation Services', which are where the same services are available in LLA and IEC markets but charged at the same price as those within the basket.

services. In particular, it will show how average prices compare to the price cap and allow a comparison of revenues to costs where BT is subject to a basis of charges obligation. Publishing internal and external information will also help assess the relative usage of these ancillaries, how important they are in supporting network access and demonstrate compliance with no undue discrimination obligations where these apply.

- 4.181 We set out in the Form and Content Direction in Volume 7 the format of the market level schedule for cross market ancillaries, which is consistent with the format of the current schedule published in the RFS.

5. Preparation and assurance requirements

Background

- 5.1 Preparation requirements include
- i) Requiring BT to disclose how it has prepared the RFS helps us assess whether its regulatory accounting system attributes costs, revenues, assets and liabilities to markets and services in a fair, objective and transparent manner. Requiring BT to publish information on the basis of preparation contributes to an effective regulatory regime because it allows us to benefit from stakeholder insights when considering compliance, assessing the effectiveness of remedies and considering whether any adjustments may be needed to the basis of preparation to ensure BT's RFS are reliable.
 - ii) Requiring BT to prepare information in the RFS in a particular way, e.g. the use of specific attribution rules consistent with our regulatory decisions.⁷³
- 5.2 Assurance requirements include requiring BT to reconcile its RFS to its annual report and to obtain an audit opinion on whether the RFS have been prepared following the documentation published by BT and relevant directions issued by Ofcom.
- 5.3 In the March 2025 consultation, we set out proposals on the following areas:
- Publication requirements relating to preparation of the RFS.
 - Basis of preparation – directions applicable to all markets.
 - Basis of preparation – directions applicable to specific markets.
 - Assurance.
- 5.4 In the rest of this section we summarise our proposals and stakeholder comments before setting out our decisions on each of these areas.

Publication requirements relating to preparation of the RFS

- 5.5 In the March 2025 Consultation, we proposed that BT should continue to publish the following documents describing the preparation of the RFS:
- **Wholesale Catalogue.** This describes the services reported in the RFS.

⁷³ We have the power to impose consistency directions on BT under the SMP condition. BT is required to comply with the consistency direction while it is in force. Otherwise, BT is able to make changes to its attribution methods or policies, subject to compliance with the regulatory accounting principles, but must put those changes through the annual change control process. BT cannot propose a change that conflicts with a consistency direction.

- **Accounting Methodology Document (AMD).** This describes the attribution methods and policies BT has applied in its cost attribution system.
- **Change control notification (CCN).** This sets out the methodology changes BT intends to make to the RFS, including the estimated impact of these changes based on prior year figures.
- **Reconciliation report.** This is published alongside the RFS and sets out the changes actually made, the impact of those changes and any material errors also corrected.
- **Cost allocation diagrams.** These diagrams illustrate how operating costs and assets flow through the different layers in BT's cost allocation system.
- **Cost component list.** This is a list of the cost components used in BT's cost accounting system.

5.6 We set out our decisions on each of these below.

Wholesale Catalogue

5.7 The Wholesale Catalogue⁷⁴ describes each service published in the RFS, arranged by the SMP market the service relates to. It also includes a mapping of services published in the RFS (and their service codes) to the services used in BT's regulatory accounting system and to the published price list services. We proposed that BT should continue to publish the Wholesale Catalogue.

5.8 No stakeholders commented on our proposals.

5.9 We consider that the Wholesale Catalogue aids stakeholders' understanding of the RFS by providing descriptions of each service published in the RFS. We also consider that the mapping between services in the RFS and services in published price lists helps stakeholders understand where the regulated services they buy are reported in the RFS. We have therefore decided to implement our proposals.

5.10 The SMP condition in Volume 7 reflects our decision on the Wholesale Catalogue.

AMD

5.11 The AMD describes the attribution methods and policies BT has applied in its cost attribution system. We proposed that BT should continue to publish the AMD in line with existing requirements.

5.12 No stakeholders commented on our proposals

5.13 Where we impose an obligation relating to rules about the use of cost attribution systems, we are required also to impose an obligation to provide a description of the cost attribution system.⁷⁵

5.14 We consider that requiring BT to publish the AMD contributes to an effective regulatory regime because it allows us to benefit from stakeholders' insights in considering compliance, assessing the effectiveness of remedies and considering whether any

⁷⁴ The wholesale catalogue can be found here: BT <https://www.bt.com/content/dam/bt-plc/assets/documents/about-bt/policy-and-regulation/our-governance-and-strategy/regulatory-financial-statements/2025/wholesale-catalogue-2025.pdf> (Accessed 11 March 2026)

⁷⁵ Section 87(11) Communications Act 2003.

adjustments may be needed to the basis of preparation to ensure BT's RFS are reliable. It is also one of the main documents used to audit the RFS. We have therefore decided to require BT to continue publishing an AMD describing the attribution methods and policies it has applied in its cost attribution system.

5.15 The SMP condition in Volume 7 reflects our decision on the AMD.

CCN and reconciliation report

5.16 The CCN sets out all BT's proposed methodology changes.⁷⁶ It must be published by 31 March and we can direct BT not to apply a methodology change where we disagree with its proposals.

5.17 The audited reconciliation report, published alongside the RFS, details methodology changes actually made and any corrected material errors.⁷⁷ The reconciliation report requires disclosure of all "material errors" and "material changes", which are currently defined as those affecting any figure in the RFS by the higher of £1m or 5%. An explanation of non-material changes is provided but the estimated impact is aggregated into a single figure.

5.18 We proposed to require BT to continue publishing a CCN and reconciliation report. However, we proposed to:

- introduce a materiality threshold to the CCN; and
- align the materiality threshold for the reconciliation report with that proposed for the CCN.

5.19 We also sought views on whether BT should be required to continue publishing in the reconciliation report the impact of individual methodology changes in the current year, given that their impact on prior year figures would have already been reported in the CCN. We said alternative options included requiring BT to report the aggregate impact of methodology changes in the current year or removing the requirement altogether.

5.20 No stakeholders disagreed with our proposal to require BT to continue publishing a CCN and reconciliation report. We have therefore adopted our proposal to help provide transparency on the methodology changes included in the RFS and the impact of these.

5.21 We set out our decisions on our other proposals below.

Introducing a materiality threshold for the CCN

5.22 The CCN provides stakeholders with notice of changes that BT is planning to make in the RFS and sets out the estimated impact of these changes at a market level based on the prior year RFS. Currently there is no materiality threshold for methodology changes included in the CCN. This information allows stakeholders to raise any concerns with Ofcom. We have decided to require BT to continue publishing a CCN, subject to the changes discussed below, and this is reflected in the SMP condition at Volume 7.

⁷⁶ Including those associated with Ofcom directions, e.g. BT is required to put any changes to its cost component list through the CCN.

⁷⁷ The impact of methodology changes is calculated by reference to current year figures, while the impact of material errors is calculated based on prior year figures.

Our proposal

- 5.23 We proposed introducing a materiality threshold for the CCN. This meant that BT would only need to publish in its CCN a list of material methodology changes rather than all methodological changes. We proposed to define a material change as one that, based on the previous year's RFS, would result in a change (whether positive or negative) in any figure in either the performance summary by market schedule or any of the market level summary schedules⁷⁸ which exceeds the higher of 5% or £5m.
- 5.24 We proposed that BT would still need to disclose in the CCN any changes associated with Ofcom directions (regardless of whether they meet the materiality threshold).⁷⁹ We also proposed that BT included in its CCN any methodology changes where the impact on the prior year figures could not be estimated as such changes could be significant. We said BT could also disclose non-material changes if it wanted, e.g. where the impact of a change was marginal in relation to the materiality threshold, or where BT considered the change could be of particular interest to users of the RFS, however it would not be required to do so.

Stakeholder comments

- 5.25 BT supported the proposed change.⁸⁰ Nexfibre said it understood the rationale for our proposal but noted it may not always be possible to foresee unintended consequences of the threshold being in place.⁸¹

Our reasoning and decision

- 5.26 Since WFTMR21, some methodology changes published in the CCN had a limited impact, if any, on market level figures presented in the RFS. We do not consider it is proportionate to require BT to publish the impact of such changes and think the CCN would be more accessible and useful to stakeholders if it focused on methodology changes proposed by BT which had a material impact on the financial information presented for SMP markets. We have therefore decided to introduce a materiality threshold in line with our proposal outlined above. This will mean the CCN becomes a more focused document that still allows stakeholders to raise concerns with us.
- 5.27 The CCN materiality threshold is reflected in Condition 11⁸² and the Change Control and Reconciliation Report direction in Volume 7.

Reconciliation report – materiality threshold and disclosure of current year impacts

- 5.28 As noted above, the reconciliation report sets out the methodology changes that were actually made and the impact of material changes and any material errors that have been corrected. We have decided to continue to require BT to publish the reconciliation report, subject to the changes discussed below. The requirement to publish a Reconciliation Report is in the SMP condition and further requirements on the preparation and audit of the Reconciliation Report are in the Reconciliation Report Direction in Volume 7.

⁷⁸ The market level summary schedules show service level revenue, cost and MCE for each market.

⁷⁹ For example, any changes to the cost component list should continue to be included in the CCN.

⁸⁰ [BT Group](#) response to TAR26 March 2025 Consultation. Annex 2. Paragraph 5.4.

⁸¹ [nexfibre](#) response to TAR26 March 2025 Consultation. Main response. Response to Q6.4.

⁸² See Volume 7, Conditions 11.27 to 11.29.

Our proposal

- 5.29 We proposed to amend the materiality threshold for the reconciliation report, so it was consistent with our proposal for the CCN (i.e. the higher of 5% or £5m for any figure presented in certain schedules). This would also apply to the threshold for reporting material errors in the reconciliation report.
- 5.30 We said that it was appropriate for the reconciliation report to include the impact on current year figures of:
- i. methodology changes published in the CCN;⁸³ and
 - ii. any methodology changes not published in the CCN that have a material impact on current year figures.⁸⁴
- 5.31 Under i), we sought stakeholder views on whether to continue to require BT to publish the current year impact of every methodology change published in the CCN (as the CCN already includes the prior year impacts) or instead require BT to report the aggregate impact of methodology changes in the current year or remove this requirement altogether.
- 5.32 As per current requirements, we proposed the reconciliation report should also present the aggregated impact on current year figures of all other non-material methodology changes, alongside the prior year impact of material errors.

Stakeholder comments

- 5.33 In relation to the materiality threshold, BT supported the change.⁸⁵ No other stakeholders commented.
- 5.34 In relation to the disclosure of current year impacts, BT said it would support the removal of the requirement. BT considered this requirement added significant cost for little benefit given that the impact of the methodology change is already reported in the CCN.⁸⁶
- 5.35 Nexfibre said BT should continue to publish in the reconciliation report the impact of individual methodology changes in the current year. It considered this would help stakeholders understand the impact of BT's methodology changes, as the impact could be seen over two consecutive financial years. It said this level of transparency would be lost if the impact was only shown for the prior year.⁸⁷

Our reasoning and decision

- 5.36 We recognise that resource is needed to estimate and audit the impacts presented in the Reconciliation Report, however, we consider that our proposed change to the materiality threshold will ensure the requirements on BT remain proportionate while allowing stakeholders to understand the impact of any significant changes being made to the RFS.

⁸³ Regardless of the reason why it was published in the CCN (e.g. it was above the proposed materiality threshold, was associated with an Ofcom direction, or BT decided to publish a non-material change).

⁸⁴ For example, a methodology change may not have been published in the CCN because it did not have a material impact on prior year figures. However, if the change had a material impact on current year figures, it must be published in the reconciliation report. The reconciliation report may also include changes made because of recommendations from the audit review, which would typically always come after the publication of the CCN.

⁸⁵ [BT Group](#) response to TAR26 March 2025 Consultation. Annex 2. Paragraph 5.5

⁸⁶ [BT Group](#) response to TAR26 March 2025 Consultation. Annex 2. Paragraph 5.5.

⁸⁷ [nexfibre](#) response to TAR26 March 2025 Consultation. Main response. Response to Q6.4.

- 5.37 We have therefore decided to amend the materiality threshold applying to the reconciliation report in line with our proposals set out above.
- 5.38 In relation to reporting the current year impacts of methodology changes reported in the CCN, we recognise that BT must effectively re-run production of the RFS to estimate each individual impact and that this can be a resource-intensive exercise which needs to happen at the same time as the RFS is being prepared. Given that the impacts of individual changes on the prior year are already reported in the CCN, we do not consider it remains proportionate to require BT to repeat this exercise in full for the current year. However, we also recognise that the impact of methodology changes could differ year to year and that it would be helpful for stakeholders to understand the actual impact of BT's methodology changes on the current year results. We have therefore decided to require BT to report the aggregate impact on the current year of methodology changes set out in the CCN.
- 5.39 This means that the reconciliation report will include the following:
- i. the aggregate impact on current year figures of methodology changes published in the CCN;
 - ii. the impact on current year figures of any methodology changes not published in the CCN that have a material impact on current year figures;
 - iii. the aggregate impact on current year figures of all other non-material methodology changes; and
 - iv. the impact of material errors on prior year figures.
- 5.40 For ii) and iv), 'material' means the higher of 5% or £5m for any figure presented in certain schedules.
- 5.41 These changes are reflected in Condition 11 and the Change Control and Reconciliation Report Direction in Volume 7.

Cost allocation diagrams

Our proposal

- 5.42 We proposed to continue to require BT to publish diagrams for each operating cost and asset category published in the market performance schedules in the RFS.⁸⁸
- 5.43 Consistent with current requirements we proposed that the diagrams must show the following:
- the key allocation stages, including as a minimum the following allocation stages:
 - i) initial cost associated with the cost category;
 - ii) activity group (where relevant) and/or plant group;
 - iii) component; and
 - iv) SMP and non-SMP markets (with each SMP market being identified);
 - the main cost pools at each allocation stage, to include either the five largest cost pools, or any cost pool representing 20% or more of the total cost associated with

⁸⁸ The attribution diagrams published by BT for 2024/25 can be found here BT [Appendix three: attribution diagrams](#). (Accessed 11 March 2026)

the relevant operating cost or MCE category at that stage. Other cost pools may be aggregated into an 'other' cost pool to make the diagrams easier to read and interpret;

- the cost drivers associated with each identified cost pool at each stage,
- the percentage allocation using those cost drivers at each stage; and
- the percentage of cost allocated to each Openreach SMP market, Openreach residual and rest of BT.

5.44 We also proposed that BT continues to publish a narrative to help stakeholders understand the diagrams and explain where information on each cost driver can be found in the AMD, and that any assumptions made must also be published.

Stakeholder responses

5.45 BT agreed that cost allocation diagrams can be useful but proposed that, in line with what it produces currently, diagrams are not required where i) all of the cost is attributed to Rest of BT in current and prior years, ii) there are no costs in the current and prior years, iii) there are significant negative balances within a cost category (as these distort the diagrams) or iv) Ofcom has agreed that a diagram is not required.⁸⁹

5.46 BT noted that some allocations to SMP markets are minimal and proposed it should be able to aggregate markets together into "sensible groupings" to provide clearer information to stakeholders.⁹⁰

Our reasoning and decision

5.47 We consider that these diagrams facilitate understanding of BT's regulatory accounting system by highlighting which attribution rules are most important when attributing costs to services. This transparency helps provide assurance that BT is not unfairly loading costs onto SMP markets, thereby increasing the reliability of the RFS and confidence in the regulatory regime.

5.48 We have therefore decided to continue to require BT to publish cost allocation diagrams.

5.49 We agree with BT's examples of where an allocation diagram is not required and, given this largely reflects current practice, we have changed the requirement to reflect these and ensure the diagrams remain useful to stakeholders and proportionate for BT to prepare. Where BT omits a diagram for any cost category it must explain which cost category it has omitted and why.

5.50 We also agree that BT can combine some SMP markets where they receive a small allocation of cost but it should clearly indicate which markets it has combined and why.

5.51 We have included these requirements in the 'form and content' Direction in Volume 7.

Cost component list

5.52 Network cost components represent the building blocks of regulated services and typically represent discrete parts of the network. In BT's RFS, costs are attributed through various

⁸⁹ [BT Group](#) response to TAR26 March 2025 Consultation. Annex 2. Paragraphs 5.11 and 5.12.

⁹⁰ [BT Group](#) response to TAR26 March 2025 Consultation. Annex 2. Paragraph 5.13.

cost pools to cost components. These cost components are then attributed to regulated services based on volumes and usage factors.

Our Proposal

- 5.53 We proposed that BT should continue to publish a list of cost components used in its cost accounting system. The list must include all components used to prepare the RFS, a description of each component and diagrams illustrating the network segment or activity represented by each component.⁹¹ Consistent with current requirements, we proposed that BT can introduce or remove cost components by including details of its proposal in the CCN.
- 5.54 We also proposed to remove the network components direction imposed in WFTMR21 as this only set out the initial list of components that BT needed to include in its list as of 1 April 2021.

Stakeholder comments

- 5.55 BT did not consider that the component list was useful to stakeholders, saying it was not clear how stakeholders could use the information, nor how it could provide confidence that BT is complying with its obligations. BT suggested that it provide the information to Ofcom privately instead.⁹²

Our reasoning and decision

- 5.56 The cost accounting obligation requires BT to describe how it has attributed costs to regulated markets. Although component costs are no longer published in the RFS, they are fundamental building blocks of BT's cost accounting system and they are used in our cost modelling to set and inform charge controls, so it is important that stakeholders are able to understand which components BT is using to attribute costs and what those components represent. We therefore do not agree with BT that publishing a list of cost components alongside diagrams showing which parts of the network they represent is not useful.
- 5.57 We have decided to retain the obligation to publish a cost component list per our proposals. We have also removed the network components direction imposed in WFTMR21 as it is no longer needed.
- 5.58 The SMP condition in volume 7 reflects our decisions.

Basis of preparation – directions applicable to all markets

- 5.59 In previous market reviews, we have directed BT to prepare the RFS following a set of regulatory accounting principles and, in some circumstances, on a specific basis so that BT's reporting was, as far as possible, consistent with our regulatory decisions. This allowed us to assess the impact and effectiveness of our remedies and provided assurance to stakeholders that information was being created and retained so that appropriate regulation could continue to be maintained in future.

⁹¹ The current list and component diagrams are set out in Annex 2, pages 136 to 143 BT [AMD](#) (Accessed 11 March 2026).

⁹² [BT Group](#) response to TAR26 March 2025 Consultation. Annex 2. Paragraph 5.6.

5.60 We proposed to retain the following directions on BT in relation to the basis of preparation unchanged from WFTMR21:

- Regulatory Accounting Principles Direction.
- The Consistency Direction, in respect of:
- Geographic markets;
- Externally funded network build; and
- SLGs.

5.61 We proposed changes to the Consistency Direction on BT in relation to:

- Asset valuation;
- Services included in BT's regulatory accounting system;
- Exchange closures; and
- The copper recovery programme.

5.62 In the following sections we set out our decisions on each of these proposals.

Regulatory Accounting Principles

5.63 The Regulatory Accounting Principles (RAPs) represent the fundamental principles with which BT's regulatory financial reporting must comply. The direction says that these principles must be applied to all material items of revenue, costs, assets and liabilities in the RFS, or material changes in those items.⁹³ In order of priority, the current RAPs are:⁹⁴

- Consistency with regulatory decisions:** Regulatory Financial Reporting must be consistent with Ofcom's regulatory decisions as directed by Ofcom.
- Completeness:** Regulatory Financial Reporting must encompass all revenues, costs, assets and liabilities of the markets, together with residual activities (including wholesale and retail).
- Accuracy:** Regulatory Financial Reporting must maintain an adequate degree of accuracy, such that the information included in the RFS is free from material errors and double-counting (the definition of materiality is set out in the direction).
- Objectivity:** Each element of Regulatory Financial Reporting, so far as is possible, must take account of all the available financial and operational data that is relevant to that element. Where an element of Regulatory Financial Reporting is based on assumptions, those assumptions must be justified and supported by all available relevant empirical data. The assumptions must not be formulated in a manner which unfairly benefits BT or any other operator or entity or creates undue bias towards any part of BT's or any other operator's business or product. The dominant provider must take account of the way in which services are charged when considering how to attribute costs. In particular, where costs are recovered from upfront revenues, they must not be capitalised and attributed to rental services. Where revenue is allocated to residual, associated costs must not be included in SMP markets.

⁹³ The direction says a material item is one which may reasonably be expected by virtue of its magnitude or nature, to affect the views of any user of the RFS.

⁹⁴ In WFTMR21, we amended the order of priority so that consistency with regulatory decisions was the highest priority.

- e) **Causality:** Regulatory Financial Reporting must ensure that:
- i) revenues (including revenues resulting from transfer charges);
 - ii) costs (including costs resulting from transfer charges);
 - iii) assets; and
 - iv) liabilities

are attributed in accordance with the activities which cause the revenues to be earned, or costs to be incurred, or assets to be acquired, or liabilities to be incurred, respectively. Costs attributed to Markets must be relevant to and required by the services provided in those Markets.

- f) **Compliance with statutory accounting standards:** Regulatory Financial Reporting must comply with the accounting standards applied in BT's statutory accounts, with the exception of any departures as Ofcom may direct from time to time.
- g) **Consistency of the Regulatory Financial Statements as a whole and from one period to another:** Regulatory Financial Reporting must be applied consistently in all the Regulatory Financial Statements relating to the same period. Regulatory Financial Reporting must be applied consistently from one period to another. All the changes in Regulatory Financial Reporting from one period to another must be justified by reference to the RAPs. If there are material changes in Regulatory Financial Reporting from one period to another, BT must restate the previous period's Regulatory Financial Statements, applying the changes to the Regulatory Financial Statements for that period.

Our Proposal

- 5.64 We proposed to continue to require BT to prepare its RFS in accordance with the RAPs to ensure an absence of bias, and consistency with regulatory decisions.

Stakeholder comments

- 5.65 Although not directly commenting on the RAPs, BT said that divergence of the RFS from GAAP presents challenges to stakeholders who seek to compare the RFS to the statutory accounts and adds complexity in the preparation of the RFS.⁹⁵ BT gave the examples of property cost reporting and revenue reporting journals where it proposed to align reporting in the RFS to BT's statutory accounts.⁹⁶

Our reasoning and decision

- 5.66 No stakeholders disagreed with our proposal, and we have decided to impose the Regulatory Accounting Principles Direction unchanged from the March 2025 Consultation.
- 5.67 The RAP Direction in Volume 7 reflects our decision.
- 5.68 While consistency with accounting standards is important, we consider that in some cases there is value for stakeholders in requiring BT to prepare the RFS in a way consistent with our charge control modelling, which could depart from how BT prepares financial information in its statutory accounts. This ensures the RFS are prepared on a basis that

⁹⁵ [BT Group](#) response to TAR26 March 2025 Consultation. Annex 2. Paragraph 4.11b.

⁹⁶ [BT Group](#) response to TAR26 March 2025 Consultation. Annex 2. Paragraph 4.7.

allows us to assess the impact and effectiveness of our remedies. We set out below the consistency directions we are imposing on BT.

- 5.69 In response to BT’s comment on property cost reporting, (i.e. IFRS 16 property leases) in WFTMR 21, our position was that, since the nature of leases remained unchanged with the introduction of IFRS 16 and our cost modelling approach aligned with previous reviews, if IFRS 16 was reflected in the RFS, it should be implemented in a way to minimise any impact on reported returns. We chose not to prescribe how BT should account for IFRS 16 within the RFS as we considered the method BT adopted in its 2019/20 RFS was reasonable. Consistent with this approach, BT may make changes to how it accounts for leases in the RFS through the annual CCN process. If we disagree with BT’s proposed change as set out in the CCN (e.g. if reporting on an IFRS 16 basis in the RFS significantly impacted reported returns in SMP markets) we can, after consultation, direct BT not to make a change set out in the CCN.
- 5.70 In response to BT’s comment on revenue reporting journals, BT may on occasion need to report revenue in the RFS on a different basis to the statutory accounts to comply with our directions or the prioritisation of the RAPs, where compliance with accounting standards has a lower priority than other principles. One example is service level guarantees (SLGs), where to date we have required BT to treat these as operating costs, requiring a revenue journal so they are not reported in revenue in the RFS. In the section on SLGs below we have amended our requirement so that BT may not need to make revenue journals for SLGs in future. BT’s reference to revenue reporting journals may also capture journals associated with decapitalisations, which may be required to align with the objectivity principle which says, “where costs are recovered from upfront revenues, they must not be capitalised and attributed to rental services” (see above). To the extent these journals relate to relatively small amounts, they may not be required as the RAPs apply to material items of revenue and cost as noted above. For more significant amounts, these journals may be required to avoid cost over-recovery.⁹⁷

Geographic markets

- 5.71 BT is currently required to prepare costs in geographic SMP markets on a national unit cost basis.

Our proposals

- 5.72 We proposed to require BT to continue to prepare costs in geographic SMP markets on a national unit cost basis, consistent with our modelling approach.
- 5.73 By national unit costs, we mean a unit cost per service that does not take account of any differences in costs that could vary by geography,⁹⁸ such that total costs in a geographic market would be estimated by multiplying the national unit cost per service by the volume of services in the geographic market.

Stakeholder comments

- 5.74 No stakeholders commented on our proposal.

⁹⁷ See also WFTMA 2021-2026 Ofcom. March 2021. [Promoting investment and competition in fibre networks – Wholesale Fixed Telecoms Market Review 2021-26](#) Volume 6, paragraph 4.94.

⁹⁸ For example, differences in cable size, cable length, network density and input costs (e.g. pay rates, wayleaves, traffic management) could result in unit costs varying between geographic SMP market.

Our reasoning and decision

- 5.75 We explain in Annex 10 that our cost modelling has been done by reference to national unit costs. Whilst costs could vary by geography (i.e. between Area 2 and Area 3) we have decided to require BT to continue to prepare costs in geographic SMP markets on a national unit cost basis (as defined above). This would allow us to monitor BT's performance in geographic SMP markets on a basis consistent with how we have set prices.
- 5.76 Our Consistency Direction in Volume 7 requires BT to prepare costs in geographic markets by reference to national unit costs.

Externally funded network build

- 5.77 Parts of BT's network are funded by external entities such as BDUK,⁹⁹ network adjustments in the PI market¹⁰⁰ and excess construction charges (ECCs).¹⁰¹
- 5.78 While externally funded assets can be attributed to relevant SMP markets, for the purposes of setting prices we also take account of the associated funding when assessing the cost base of regulated prices. It is important that these assets can be identified alongside the funds obtained for them so we can take steps when setting prices to ensure BT does not over recover the costs associated with them.

Our proposals

- 5.79 Consistent with current requirements, we proposed to require BT to separately identify externally funded assets and associated funding in its regulatory accounting system.

Stakeholder comments

- 5.80 No stakeholders commented on our proposals.

Our reasoning and decision

- 5.81 We have decided to require BT to separately identify externally funded network build and corresponding funding within its regulatory accounting system. This will continue to provide reasonable assurance that BT is treating grant funding appropriately in its RFS during this review period and ensure such amounts can be deducted when setting charge controls where relevant, avoiding additional recovery of network build costs funded by grants (e.g. BDUK) or customer charges (e.g. network adjustments and ECCs).
- 5.82 The Consistency Direction in Volume 7 reflects our decision.

SLGs

- 5.83 In our cost modelling, we treat SLG payments as operating costs (see Annex 10). In the March 2025 Consultation, we noted that since the introduction of the IFRS 15 accounting standard (dealing with recognising revenue from contracts with customers) SLG payments

⁹⁹ Building Digital UK – a DCMS scheme where Openreach was provided with 'gap' funding to deploy broadband (mainly FTTC) in areas that were not commercially viable.

¹⁰⁰ Where telecoms providers are required to pay for certain activities to enable the deployment of FTTP utilising BT's duct. Telecoms providers are required to pay where the cost of network adjustments exceeds £4,750 per km of spine duct.

¹⁰¹ Where telecoms providers request an EAD or EAD LA connection and the construction work in providing that connection is above £2,800, they are required to pay the additional amount.

under GAAP are usually recognised as a reduction to revenue rather than an operating cost in financial statements.¹⁰²

Our proposal

5.84 We proposed that BT should continue to present SLG payments as operating costs in the RFS. In line with current practice, we said BT can include reconciling items relating to IFRS15 in the RFS where required.

Stakeholder comments

5.85 BT said the treatment of SLGs in the RFS is different from the treatment of SLGs under IFRS15. It considered that stakeholders would have a better understanding of its business without having to reconcile two different sets of numbers.¹⁰³

5.86 No other stakeholders commented on our proposal in relation to SLGs.

Our reasoning and decision

5.87 We consider it is important that SLG payments are visible in the RFS given that they represent compensation for failure to adhere to service level agreements and we forecast these payments separately for modelling purposes. It would be consistent with our modelling approach to continue to report SLG payments under operating costs, but we recognise that visibility could also be achieved by requiring BT to report the service-level SLG payments that have been accounted for in revenue, for example as a note under the relevant market schedules.

5.88 We have therefore decided to require BT to report SLG payments for each service published in the RFS but give it flexibility in how to do this. BT could continue to include SLG payments in operating costs (and include associated reconciling line items) or it could include a note under the relevant market schedules providing a breakdown of SLG payments by service in that market.¹⁰⁴ We think this ensures information on SLGs is visible to us and stakeholders while being proportionate for BT to implement.

5.89 Our decision is included in the Consistency Direction in Volume 7, and the flexibility provided to BT is also reflected in the performance schedules set out in section 4.

Asset Valuation

5.90 The RFS are prepared on a Current Cost Accounting (CCA) basis, which involves valuing assets by estimating their current replacement cost rather than their historical cost. The RFS have been prepared on a CCA basis since 1997, when Ofcom's predecessor Oftel changed the way BT accounted for assets in the RFS. The main advantage of CCA is that regulated prices can be set using information that reflects the replacement costs of relevant assets, which gives better signals for efficient investment and entry than using historical costs.

¹⁰² See also 2019 BT Regulatory Financial Reporting Ofcom. March 2019, [2019 BT Regulatory Financial Reporting](#). Paragraphs 3.72 to 3.81

¹⁰³ [BT Group](#) response to TAR26 March 2025 Consultation. Annex 2. Paragraph 4.11b.

¹⁰⁴ In LLA markets, for example, we note that the BT [RFS 31/03/2025](#) (page 58-59, Accessed 11 March 2026) only reports SLG payments relating to connections.

- 5.91 BT generally applies an inflation index to the historical cost when valuing assets on a CCA basis. We currently direct BT how to value the following assets—which accounted for around 95% of SMP market assets in 2024/25:
- The valuation of duct must incorporate a regulatory asset value (RAV) adjustment. The RAV adjustment refers to the value placed on duct used for access cables installed prior to 1 August 1997. These assets must be valued by indexing the historical cost value as at 1 April 2005 by RPI. BT must value all other duct by indexing historical spend by RPI.
 - Copper and poles must be indexed using RPI.
 - Fibre must be held constant in nominal terms, i.e. valued on a historical cost accounting (HCA) basis (we consider that HCA and CCA are equivalent in the case of valuing fibre).

Our proposal

- 5.92 We proposed to continue requiring BT to prepare the RFS on a CCA basis.
- 5.93 In relation to specific assets, we proposed to continue to require BT to value fibre on an HCA basis.¹⁰⁵ However, we proposed to replace the current RPI indexation approach to duct, copper and pole asset valuation with a flat 2% indexation approach from 1 April 2026 for two reasons.
- 5.94 First, RPI lost its status as a National Statistic in 2013¹⁰⁶ and will no longer be published in its current form from 2030 as it will be aligned with CPIH.¹⁰⁷ During the period of this market review therefore, RPI could cease to exist in its current form.
- 5.95 Second, high inflation rates—including those measured by RPI—have led to volatile CCA movements in the RFS, especially in the PI market, where most index-linked assets (i.e. duct and poles) are reported.
- 5.96 We noted that a flat rate of 2% was consistent with the Bank of England’s long run CPI inflation target and we considered that estimating the replacement cost of these assets in line with this long run view of inflation would provide a reasonable allowance for potential changes in replacement costs.

Stakeholder responses

- 5.97 Openreach recognised that inflation volatility had affected returns reported in the RFS and made the RFS difficult for some users to interpret. Openreach said that our proposal would have a negligible effect in practice on charge controls and cost recovery but noted there was a risk it could create a misalignment over time between Ofcom’s view and the true economic value of the assets, which could decrease investment incentives.¹⁰⁸
- 5.98 Openreach did not think inflation volatility was sufficient reason to change the valuation approach and considered we should maintain RPI indexation, which would be less volatile in

¹⁰⁵ For the reasons set out in the Physical Infrastructure Market review Ofcom. 2019. [Promoting competition and investment in fibre networks: review of the physical infrastructure and business connectivity markets](#). Annex 19, Paragraphs A19.38-A19.55.

¹⁰⁶ UK Statistics Authority. 8 March 2018. [Press release](#). Accessed 11 March 2026.

¹⁰⁷ GOV.UK. 11 March 2020. [A consultation on the Reform to Retail Prices Index \(RPI\) Methodology](#). Accessed 11 March 2026

¹⁰⁸ [Openreach](#) response to TAR26 March 2025 Consultation. Document 4. Paragraph 143.

the future once it aligns with CPIH. If we wanted to use a fixed percentage, Openreach recommended using 3% rather than 2% as inflation indices have generally averaged above long run assumptions.¹⁰⁹

- 5.99 SPC and Nexfibre supported the use of a fixed rate but did not consider the long-term target for CPI was appropriate. They suggested using a fixed rate of 3%, where the uplift represents the long-term difference between RPI and CPI.¹¹⁰
- 5.100 Nexfibre said moving to a fixed rate could risk a gradual mismatch between the replacement cost of assets reported in the RFS and the costs incurred by competitive network builders. They suggested we monitor how the inflation rate used reflects 'reality on the ground' and that it might be something to adjust in future market reviews.¹¹¹

Our reasoning and decisions

- 5.101 We have decided to continue requiring BT to prepare the RFS on a CCA basis since this is consistent with our approach to cost modelling and we consider that the use of current cost valuations gives better signals for efficient investment and entry than historical costs.¹¹²
- 5.102 No stakeholders disagreed with our proposal in relation to fibre and we have decided to continue to require BT to value fibre on an HCA basis.
- 5.103 In relation to duct, copper and pole asset valuation, we have decided to require BT to use a flat indexation approach, but, in light of stakeholder responses, we have adopted a rate of 3% as explained below.
- 5.104 We explained in the March 2025 consultation that we started indexing BT's duct and copper assets using RPI in our 2012 LLU WLR Statement.¹¹³ Prior to this BT used an absolute valuation approach. At the time, we did not consider BT's approach to be robust, and considered it was more appropriate to estimate replacement cost by indexing historical spend, reduced to reflect the scope for a cost discount for a single large scale rebuilding project. We considered that RPI was a reasonable index as it was a widely used and understood index and appeared to sit within a range informed by a building cost index adjusted for potential national build discounts.¹¹⁴ RPI did not, however, represent a uniquely correct index to estimate the CCA adjustments to duct, copper and pole assets.
- 5.105 We do not consider it is appropriate to continue to value these assets using RPI indexation for the reasons set out in our consultation, i.e. that RPI will no longer be published in its current form from 2030 (when it will align with CPIH) and high levels of RPI (along with other inflation indices such as CPI and CPIH) in recent years have led to volatile CCA movements in the RFS.

¹⁰⁹ [Openreach](#) response to TAR26 March 2025 Consultation. Paragraphs 145 – 146.

¹¹⁰ [PIA Coalition](#) response to TAR26 March 2025 Consultation. Paragraphs 75 to 79. Prepared on their behalf by SPC Network. [nexfibre](#) response to TAR26 March 2025 Consultation. Main response. Response to Q6.4.

¹¹¹ [nexfibre](#) response to TAR26 March 2025 Consultation. Main response. response to Q6.4.

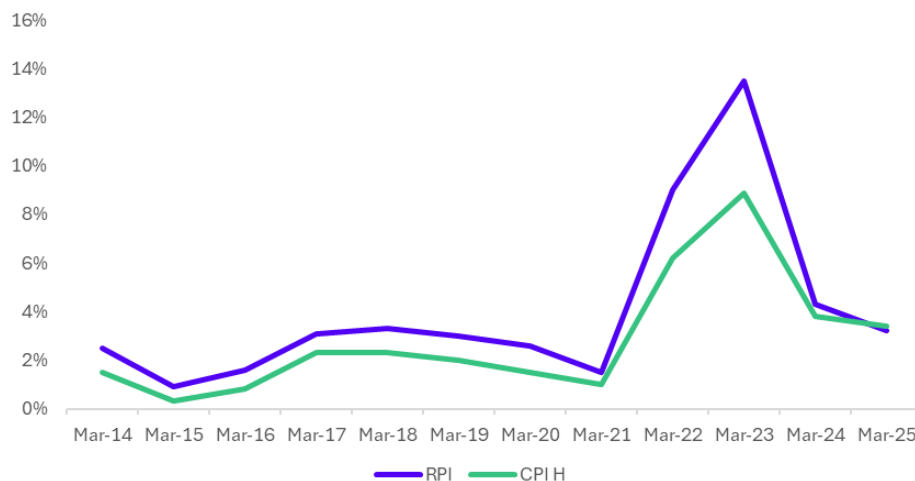
¹¹² From an accounting point of view, only the original asset value is depreciated to the income statement under HCA and CCA, although the profile of that depreciation (net of any holding gains) is different (with CCA depreciation is generally lower than HCA at the start of an asset's life, and higher towards the end when replacement costs are increasing). However, switching between HCA and CCA during an asset's life can mean the amount of depreciation is higher or lower than the original asset value and give rise to potential cost recovery concerns. This was the basis for the introduction of the RAV adjustment mentioned above.

¹¹³ Ofcom. 2013. LLU WLR Determination. [2013 LLU WLR Determination](#) Annex 1.

¹¹⁴ Ofcom. 2013. LLU WLR Determination. [2013 LLU WLR Determination](#) Annex 1. Paragraphs A1.165 - A1.172.

- 5.106 When inflation is high, holding gains reported the RFS can be significant. Holding gains have the effect of reducing CCA operating costs in the year.¹¹⁵ In the PI market, for example, holding gains in some years were so large that CCA operating costs were negative.¹¹⁶ Such volatile movements can make the RFS harder to interpret, as returns can appear very high and, in the case of PI, internal prices can appear negative.
- 5.107 Where inflation is persistently higher than the forecast used to set cost-based prices, there is also a risk that BT will over recover the cost associated with some assets (as the higher asset value could be reflected in future prices, via higher depreciation and return on capital employed, but not the offsetting in-year holding gains which will have been set as part of any price control). Similarly, where inflation is persistently lower than the forecast used to set cost-based prices, there is a risk that BT may under recover costs on some assets.
- 5.108 While we agree with BT that CPIH is likely to be less volatile than RPI, it follows a similar trend, and had duct, copper and pole assets been indexed using CPIH rather than RPI in recent years, we would have had the same concerns around volatility and cost recovery. As illustrated in Figure 5.1, both RPI and CPIH inflation in the years to March 2022 and March 2023 were particularly high compared to the rest of the period.

Figure 5.1: RPI and CPIH, 2014 to 2025



Source: Data shows RPI and CPIH in March each year sourced from BT AF13 2024/25 (RPI) and ONS (CPIH).

- 5.109 Given these issues, we have decided to replace the current RPI indexation of these assets with a flat indexation approach from 1 April 2026. Our view is that there are benefits in using a CCA approach in our cost modelling to give better signals for efficient investment and entry than historical costs, and to reflect that CCA approach in the RFS. In our view a flat rate would continue to deliver these benefits while using the same fixed rate for cost modelling and in the RFS will help avoid the volatility and cost recovery risks (i.e. under- and over-recovery) that could be associated with linking asset valuation to a particular inflation index.

¹¹⁵ Holding gains represent the in-year increase in the replacement cost of the asset. Holding gains are reflected in the income statement and have the effect of reducing costs in the year (if the replacement cost of assets increases).

¹¹⁶ Ofcom. March 2025. [Consultation: Promoting competition and investment in fibre networks: Telecoms Access Review 2026-31](#). Volume 6, figure 5.2

- 5.110 Many of the costs associated with duct, copper and pole assets relate to (capitalised) labour and other costs such as the cost of closing roads and securing wayleaves, whose costs are likely to increase over time. There may be cost savings associated with replacing these assets on a planned basis over a short period which could mean replacement costs would not directly increase with changes in average earnings or other input costs, but it is reasonable to assume that the replacement cost of these assets will generally increase over time.
- 5.111 Stakeholders recommended using a flat rate closer to 3% than 2%. Our view is that a rate higher than 2% could be justified based on a comparison of construction indices published by the ONS to CPI and CPIH.¹¹⁷ While these construction indices may not precisely align with asset inflation associated with BT's duct, copper and pole assets, we think they provide a guide on whether it would be appropriate to use a flat rate higher than long term forecasts of CPI or CPIH.
- 5.112 Between 2015 and 2024 we estimate that the average annual inflation implied by the construction indices we looked at was around 0.5 to 1 percentage points higher than CPI or CPIH over the same period. Given that the OBR expects long run CPI of around 2% and CPIH of 2.4%,¹¹⁸ we think this analysis would support using a flat rate higher than 2% and we have decided to use a rate of 3% in line with the suggestion from Openreach and SPC Network.
- 5.113 A figure of 3% versus 2% slightly changes the future cost recovery profile of PI assets but does not have a significant impact on costs or, subsequently, the prices we set in the PI market. It also has no effect on Openreach's expected cost recovery for PI assets. We estimate that in 2026/27 PI prices will be circa 1% lower than had we used a rate of 2%. We would expect to review the appropriate inflation rate in future market reviews.
- 5.114 The Consistency Direction in Volume 7 reflects our decision.

Services included in BT's regulatory accounting system

- 5.115 As set out in section 4, we require BT to publish financial information on certain services in its RFS. In some cases, the service information published in the RFS is an aggregation of smaller services that BT provides.
- 5.116 The services included in BT's regulatory accounting system are generally the same as the services it is required to publish in the RFS and are not further disaggregated. For example, if we require BT to publish financial information on 'other WLA rentals', this is the 'service' that it allocates cost to in its regulatory accounting system, and costs are not separately allocated to individual services which are a part of 'other WLA rentals.' For some combinations of services this may not matter as it may be reasonable to assume the same unit cost for each individual service. For other combinations of services this may not be a reasonable assumption, for example if individual services are very different.

¹¹⁷ ONS. We used the following ONS construction indices: i) [construction output price indices](#) (12 February 2026) and ii) [average weekly earnings \(AWE\) construction index](#) (17 February 2026) . The construction output price indices include various indices - we used the infrastructure new work index for this analysis. We referenced the AWE construction index as a large part of the capitalised costs for duct, poles and copper could relate to labour. Accessed 11 March 2026.

¹¹⁸ OBR. 21 May 2025. [OBR CPIH inflation forecast](#). Accessed 12 December 2025.

5.117 During this market review, we found that we did not have granular cost and returns information on all services in SMP markets that we were interested in monitoring. While BT may be able to estimate costs and returns for such services, this may need to be done outside of its regulatory accounting system, meaning that cost and profitability information may not be prepared on a basis consistent with other services reported in the RFS.

Our proposals

5.118 We proposed that BT must separately identify in its regulatory reporting system i) all services that it is required to publish in the RFS, and ii) all services in SMP markets where total revenue (across all SMP markets) exceeds £5m.

5.119 We proposed that BT must attribute costs and revenues to those services in its regulatory accounting system. We recognised that it may not always be possible or practicable for BT to allocate costs and revenues to services, so we proposed that BT can, with our agreement, adopt an alternative treatment for particular services, such as aggregating them with other services or not allocating costs to them.

Stakeholder responses

5.120 BT said it understood the purpose of our proposal was to have better visibility of new and/or fast-growing services which are not published in the RFS but for which we may require further information.¹¹⁹

5.121 However, BT considered that the proposal could lead to a significant number of additional services being included in its regulatory accounting system which would increase the complexity of its cost allocations. It gave the example of FTTP Other rentals (a 'service' published in the RFS comprising a number of individual bandwidth variants) which could be associated with an additional 30 services.¹²⁰

5.122 BT suggested it would be more proportionate to provide us privately with more granular revenue reporting, which could be used as a basis to agree which services are separately included in its regulatory accounting system.¹²¹

Our reasoning and decisions

5.123 We set out in section 4 our decisions on which services BT should publish in the RFS, many of which represent combinations of services or service variants. We have decided that each service required to be published in the RFS should be separately identified in BT's regulatory accounting system. BT must allocate costs and revenues to these services in its regulatory accounting system.

5.124 However, it is important that financial information is available on a more granular list of services, especially services that are growing fast or have significant amounts of revenue, to help us monitor developments in SMP markets and ensure any remedies remain appropriate.

5.125 We recognise however that separately identifying more services in its regulatory accounting system may require BT to collect additional data and potentially revise cost allocations,

¹¹⁹ [BT Group](#) response to TAR26 March 2025 Consultation. Annex 2. Paragraph 5.18.

¹²⁰ [BT Group](#) response to TAR26 March 2025 Consultation. Annex 2. Paragraph 5.19.

¹²¹ [BT Group](#) response to TAR26 March 2025 Consultation. Annex 2. Paragraph 5.20.

which may be unnecessary where it is reasonable to assume the same unit cost for similar services. A threshold such as our proposed £5m could also require BT to regularly monitor if services are above or below the threshold to assess if they need to be separately identified.

- 5.126 To ensure the requirement is proportionate, we have decided to adopt a version of BT's suggestion. In section 6 we explain that BT will be required to give us a product level breakdown of revenue and volume for all services published in the RFS. This will give us visibility of services that are growing or have significant amounts of revenue.
- 5.127 Where we identify from this breakdown additional services for which it would be helpful to have revenue, cost and returns information separately identified in the regulatory accounting system, we may direct, or otherwise agree with BT, that these services should be separately identified in its regulatory accounting system. BT should allocate costs and revenues to these services in its regulatory accounting system, but in some cases, we may agree that BT can provide us with a separate estimate of costs and revenues for relevant services where it would be difficult to include them in its regulatory accounting system.
- 5.128 We have updated the Consistency Direction to reflect our decision.

Exchange closure

- 5.129 BT has announced plans to close exchanges that it will no longer need to support its future network plans. BT leases most of its exchange buildings. Openreach could start to exit some exchange buildings during this review period as BT's lease agreement contains break clauses in 2031 and 2041.¹²²
- 5.130 Openreach is likely to incur costs exiting exchanges, including in relation to moving CPs out of exchanges, migrating lines to enduring exchanges and preparing the buildings to be vacated. There may also be income associated with exiting and returning exchanges to the lessor.
- 5.131 BT had told us that in the RFS any costs associated with exchange closure would be attributed using the same allocation pathways as other exchange related costs,¹²³ while any income would be recognised as other operating income.¹²⁴

Our proposal

- 5.132 Given the expected growth in the exchange closure programme, we wanted to ensure BT could separately identify costs and income associated with exchange closure in its regulatory accounting system. We therefore proposed to require BT to separately identify costs and income associated with exchange closure in its regulatory accounting system.

Stakeholder responses

- 5.133 BT recognised the need for information on exchange closure to be available to us but did not consider that the direction needed to explicitly state that the information must be available within the Regulatory Accounting System.¹²⁵
- 5.134 BT said that the exchange closure programme is in its early stages and it did not yet know the types of balances that would be involved or how they would be appropriately

¹²² BT, 22 May 2025. [2025 Annual report](#). Page 177

¹²³ Most property costs in the RFS are allocated to WLA services.

¹²⁴ BT response dated 17 January 2025 to s135 notice dated 23rd October 2024, question B3.

¹²⁵ [BT Group](#) response to TAR26 March 2025 Consultation. Annex 2. Paragraph 6.7.

identified. BT requested flexibility in how to obtain and store this information and suggested that it provides us with information on exchange closure in the form of an AFI so that we can agree together how this should be incorporated into the regulatory accounting system, if at all. ¹²⁶

Our reasoning and decision

- 5.135 Our main objective is to ensure that information on exchange closure is available so that we can take account of income and costs when setting charge controls, where relevant. However, we recognise at this stage that it is not clear how BT or Openreach might account for exchange closure costs and income, meaning that it could be disproportionate to require BT to separately identify relevant amounts in its regulatory accounting system, especially before such amounts become material. We also note that the exchange closure programme is a long-term programme, with most exchange closures expected to occur after this review period.
- 5.136 In section 6, we impose a requirement on BT to provide us privately with certain data relating to exchange closure. We consider that, at least initially, this will provide us with the information we need and allow us to monitor how BT is accounting for exchange closure and the materiality of amounts involved. We have therefore removed the proposed direction from the Consistency Direction in Volume 7. We will engage with BT on how exchange closure income and costs are identified in the regulatory accounting system and retain the ability to direct BT should we consider it necessary.

Copper Recovery Programme

- 5.137 As Openreach moves its customers from its copper network to its fibre network, the redundant copper cables may be extracted and sold. BT told us that net proceeds from copper recovery increased in the last four years, though remain relatively low. ¹²⁷ However, as Openreach accelerates the migration to fibre, net proceeds from copper recovery may become more significant.
- 5.138 The AMD does not explain how BT allocates net proceeds from copper recovery in the RFS. BT told us that net proceeds from core network copper recovery are allocated to non-SMP markets, while net proceeds from exchange side copper recovery are allocated to WLA markets (representing 54% of net proceeds in 2023/24) and non-SMP markets. ¹²⁸
- 5.139 As more copper cable is extracted from the exchange side in future, a higher proportion of net proceeds is likely to be allocated to WLA markets. ¹²⁹

Our proposal

- 5.140 Since copper recovery proceeds related to the exchange side are expected to increase, we proposed to require BT to separately identify income and costs related to copper recovery in its regulatory accounting system.

¹²⁶ [BT Group](#) response to TAR26 March 2025 Consultation. Annex 2. Paragraphs 6.7 – 6.8.

¹²⁷ Openreach response dated 27 January 2025 to s135 notice dated 13 January 2025, question A1.

¹²⁸ BT response dated 17 January 2025 to s135 notice dated 23 October 2024, question B3.

¹²⁹ BT response dated 17 January 2025 to s135 notice dated 23 October 2024, question B3.

Stakeholder Responses

5.141 There were no specific comments on our proposals for reporting copper recovery income in BT's regulatory reporting system.

Our reasoning and decision

5.142 As we received no stakeholder comments on our proposal, we have therefore decided to adopt our proposal.

5.143 Given the expected growth in copper recovery net proceeds, we want to ensure BT can separately identify costs and income associated with copper recovery in its regulatory accounting system. Our main objective is to ensure that information on copper recovery is available so that we can take account of this when setting charge controls, where relevant.¹³⁰ Separate reporting will also help build confidence that BT is accounting for copper recovery appropriately in its RFS and will also support the private reporting we have imposed on BT in relation to copper recovery in section 6.

5.144 This requirement is included in the Consistency Direction in Volume 7.

Basis of preparation – directions applicable to specific markets

5.145 In this section we set out requirements on BT in relation to specific SMP markets which we consider are required to maintain consistency with our regulatory decisions. These requirements are included in the Consistency Direction in Volume 7. This direction ensures the RFS are prepared on a basis that allows us to assess the impact and effectiveness of our remedies. It provides assurance to stakeholders that information is being created and retained in a way that appropriate regulation can continue to be maintained in future.

Physical infrastructure

Our proposals

5.146 We proposed to retain, with or without amendments, certain requirements imposed via direction in the WFTMR21, and not to retain other requirements:

- **Identification of pole costs.** Historically, BT recorded pole costs under multiple classes of work (e.g. copper and fibre); however, since April 2021, it has maintained a separate class of work for new poles. BT is currently required to separately identify and report the volumes and capital costs of pole assets and was directed to commission additional procedures in 2021/22 when it introduced a methodology to comply with this requirement.¹³¹ With BT's regulatory accounting system now supporting the separate reporting of pole data, we did not propose to retain this direction.
- **Poles asset life.** In WFTMR21, we applied a 40-year asset life to poles in our cost modelling and required BT to depreciate capitalised pole costs accordingly from April

¹³⁰ For example, in the 2018 WLA Statement we set prices for copper services that took account of the expected future recovery of exchange side copper cables. See Ofcom. 2018. [Wholesale Local Access Statement](#) Annex 1-9, table A8.2

¹³¹ See BT. 31 March 2022. [BT's 2021/22 CCN](#) section 2.1.7: Accessed 14 January 2026.

2021. We also required BT to put any subsequent changes to the pole asset life through the CCN process. As BT continues to depreciate poles over 40 years, we proposed not to retain this direction.

- **Lead-in duct.** WFTMR21 introduced a simplified lead-in duct product and noted Openreach's lack of routine record-keeping for such infrastructure. To address this, BT was required to separately identify and report the volume and cost of lead-in duct. As BT's regulatory accounting system now provides this information, we proposed not to retain this direction.
- **Attribution of duct to PI services.** In WFTMR21, for the purposes of setting prices, we allocated duct costs to PI services on two different methodologies depending on whether they were installed before or after 31 March 2018. To ensure the RFS are prepared on a basis consistent with our modelling approach, we proposed to retain the current requirements on BT to:
 - i) separately identify the net replacement cost and associated depreciation of duct installed before and after 31 March 2018;
 - ii) attribute pre- March 2018 duct to PI services using percentages set out in the direction (consistent with our modelling approach and unchanged from WFTMR21); and
 - iii) attribute post-March 2018 duct to PI services in proportion to the estimated standard cost of each PI service, where the standard cost is estimated by reference to standard unit costs and volumes.
- **Network adjustments.** To ensure that BT reports network adjustments on a basis consistent with the proposed PI charge control and non-discrimination obligations, we proposed to retain the requirements on BT imposed in WFTMR21 to:
 - i) identify and record network adjustment costs (both above and below the financial limit);
 - ii) capitalise internal and external network adjustments below the limit in the PI market;
 - iii) expense internal and external network adjustments above the limit in the PI market; and
 - iv) attribute to pole services all costs of Network Adjustments undertaken to provide capacity on poles or to make poles useable for dropwires and ensure that these Network Adjustments can be separately identified.
- **Mapping BT's physical infrastructure records and financial records.** In WFTMR21, we required BT to map additions to its physical infrastructure records to additions to financial records. The objective of this direction is to ensure that the asset costs recorded against PI (from the fixed asset register) capture all relevant PI assets, and that those assets exist (from the physical infrastructure records). We proposed to retain this requirement.

5.147 To align with our cost modelling approach in the March 2025 consultation, we also proposed a new requirement on BT to allocate costs associated with cable up a pole and pole top equipment to pole attachment services in proportion to the volume of pole attachment services.

Stakeholder comments

5.148 No stakeholders commented on our proposals.

Our reasoning and decision

5.149 We have decided to implement these proposals for the PI market.

WLA

Our proposals

5.150 SOGEA connections within BT's regulatory accounting system currently include revenues and costs associated with new connections requiring an engineer to install at a premises or cabinet ('standard connections') alongside connections for start of a stopped line and transfers.

5.151 There are large differences in pricing for these connection services reflecting the different activities associated with them (e.g. whether or not an engineer needs to carry out the installation).¹³² In Annex 14 of the March 2025 consultation, we explained that, in our cost modelling, we estimated the split of costs between standard connections and start of a stopped line/transfers for SOGEA connections.

5.152 We said that it was possible that a similar issue could arise with FTTC and FTTP connection services, where the Openreach price list reports similarly priced services.¹³³

5.153 We proposed to require BT to separately identify in its regulatory accounting system volumes, revenues and costs associated with:

- i) start of stopped lines, transfers, CP to CP migrations and working line takeovers (and other similar services); and
- ii) other connections.

Stakeholder comments

5.154 No stakeholders commented on our proposals, although we consider that BT's comments on the complexity of separately identifying in its regulatory accounting system services with revenue above £5m (discussed above) apply here as well.

Our reasoning and decisions

5.155 We have decided to require BT to separately identify in its regulatory accounting system volumes, revenues and costs associated with:

- i) start of stopped lines, transfers, CP to CP migrations and working line takeovers (and other similar services) - i.e. connection services with relatively low prices; and
- ii) other connections, i.e. connection services with relatively high prices.

¹³² For example, as of 1 April 2025, the price of a SOGEA start of a stopped line or transfer is £3.81 compared to £103.70 for a standard SOGEA engineer [Standard] install at premises. [Openreach : Single Order GEA \(SOGEA and SOGFast\) price list](#) .

Accessed 11 March 2026

¹³³ For example, as of 1 April 2025 FTTP CP to CP migrations and working line takeovers, and FTTC start of stopped lines are also priced at £3.81, compared to higher charges for other types of connections requiring an engineer visit. [Openreach GEA \(FTTC\) price list](#). Accessed 11 March 2026

- 5.156 This will align with our cost modelling approach for SOGEA (see Annex 10) and ensure that more meaningful cost and return information on these services is available, and, where relevant, reported.¹³⁴
- 5.157 To ensure the requirement remains proportionate, the direction allows BT to agree an alternative approach with us where appropriate, for example where elements of the requirement are complex to implement.

Leased lines access and inter-exchange connectivity services

- 5.158 We proposed to remove the following requirements.
- **ECCs:** We proposed to remove the requirement on BT to expense, rather than capitalise, costs associated with ECCs, so that the treatment matched the approach to recognising ECC revenues. This was because the principle of objectivity in the RAPs already required BT not to capitalise costs recovered through upfront charges (such as ECCs).
 - **Dark fibre costs derived from EAD component costs:** We proposed to remove the requirement on BT to separately identify i) systems and development costs for dark fibre services; and ii) SLG payments in relation to provision and assurance for dark fibre services. This was because BT now attributes costs from relevant components to dark fibre services in its regulatory accounting system.
 - **Patch panel depreciation:** We proposed to remove the requirement on BT to depreciate the capitalised cost of patch panels over seven years from 1 April 2021 as BT already depreciates patch panels over seven years.
- 5.159 We proposed to retain one requirement in relation to dark fibre services. We proposed BT continue to separately identify various inputs and assumptions related to costs for patch panel, initial testing, RWT and cessation charges reported in the RFS, derived from an apportionment approach where necessary.
- 5.160 No stakeholders commented on our proposals, and we have decided to adopt our proposals to remove the three requirements listed above and retain the requirement in relation to dark fibre services.
- 5.161 This requirement will support: i) the reporting of cost information on these dark fibre services in the published RFS; and ii) the AFI provided to Ofcom with detailed cost information on these services.
- 5.162 In its CCN dated 3 October 2025, BT proposed to change the way it allocates costs associated with CJF and spine fibre cables to its regulated services.¹³⁵ As set out in Annex 10, we have incorporated the change relating to CJF fibre into our charge control modelling, but not the change relating to spine fibre. We considered whether it was appropriate to consult on directing BT to exclude the change relating to spine fibre in its 2025/26 RFS to ensure these are prepared on a basis consistent with our regulatory decisions in this statement. We have decided not to consult on this at this time, given i) the relatively small

¹³⁴ Whether BT is required to separately publish information on these services in its RFS will depend on whether they meet the thresholds for reporting set out in section 4. Our decisions for private reporting in section 6 would mean we would receive information on these services.

¹³⁵ See BT. 3 October 2025. [Change Control Notification: Part 1 - 3 October 2025](#). Accessed 11 March 2026.

size of the adjustment relating to spine fibre¹³⁶ and ii) our intention to review some of BT's cost allocations in this review period, which we would expect to include spine fibre.

Assurance

- 5.163 Some reporting requirements on BT exist to provide assurance to stakeholders that the RFS have been properly prepared.
- 5.164 We proposed to continue to impose the following requirements:
- Reconciliation to statutory financial statements.
 - Audit of the published RFS.
 - Additional procedures.

Reconciliation to statutory accounts

- 5.165 The reconciliation statement BT is currently required to prepare identifies the main differences in revenues, operating costs and returns between the RFS and the statutory financial statements for both Openreach and BT Group plc. For BT Group the reconciliation statement additionally reconciles mean capital employed.
- 5.166 We consider that requiring BT to publish the main reconciling adjustments, alongside an explanation of what they relate to, provides some assurance that the RFS are consistent with the audited statutory financial statements. This in turn gives stakeholders confidence that the data in the RFS is properly extracted from the books and records used to prepare the audited statutory financial statements.
- 5.167 In the March 2025 consultation, we proposed to require BT to publish a reconciliation statement to provide assurance that the RFS is complete and includes all relevant financial records. The reconciliation statement has two parts – a reconciliation to the BT Group income statement and a balance sheet reconciliation.
- 5.168 We proposed that the format of these schedules remains the same as current requirements, that BT continues to provide a brief description of each adjustment shown in the reconciliation statement and that BT can add or remove rows at its discretion (but must publish a description of any changes).
- 5.169 For the income statement, we also proposed that BT continues to publish a breakdown of the reconciling amount for Openreach described as 'other trading differences'.¹³⁷ As per current requirements, this breakdown would use the cost categories reported in the attribution of operating costs schedule. In WFTMR21, we also required BT to provide an explanation for the different accounting treatment between the RFS and BT annual report for any cost category representing 10% or more of the other trading differences reconciling item. We proposed to amend this requirement to require BT to publish an explanation of the main drivers of difference in the 'other trading differences' breakdown to align with the approach taken (with our agreement) in the 2023/24 RFS.

¹³⁶ See Annex 10, para A10.52.

¹³⁷ This relates to differences between Openreach operating costs reported in BT's annual report and Openreach operating costs published in the RFS. Differences mainly relate to how BT costs/internal transfer charges are attributed to Openreach.

5.170 No stakeholders disagreed with our proposal to require BT to publish a reconciliation statement and we have decided to require BT to publish a reconciliation statement consistent with our proposals. BT suggested two changes to the templates in the directions to i) include specific items in the income statement reconciliation and ii) remove the reference to rest of BT SMP in the MCE reconciliation.¹³⁸ Both suggestions are consistent with the reconciliation statement published in BT's 2024/25 RFS and we have reflected these in the templates in the directions. The income statement and balance sheet reconciliation schedules are set out in the Form and Content Direction in Volume 7.

Audit of the published RFS

- 5.171 The Audit Direction sets out the standard of audit review BT is required to obtain for the financial information contained in the RFS. Audit of the RFS gives confidence that the RFS is free from material error and has been prepared following the AMD published by BT and relevant directions issued by Ofcom.
- 5.172 We proposed no changes to current requirements.
- 5.173 No stakeholders commented on our proposals, and we have decided to retain the audit requirement unchanged from current requirements.

Additional procedures

- 5.174 Additional procedures are defined in SMP condition 11.1 as “an engagement under which the Regulatory Auditor or another person independent from the Dominant Provider performs a set of procedures required by Ofcom and based on Ofcom’s specific requirements in relation to the Regulatory Financial Statements, and reports the findings of that work to Ofcom.” In some circumstances ‘additional procedures’ could be in the form of agreed upon procedures (AUP) from the regulatory auditor¹³⁹ but in other circumstances it could be a broader piece of work commissioned from another independent third party.
- 5.175 Consistent with current requirements, we proposed to continue to require BT to commission ‘additional procedures’ as and when we request, to allow us to respond to issues that may arise during the review period.
- 5.176 No stakeholders commented on our proposals and we have decided to impose this requirement on BT consistent with current requirements. This requirement is included in SMP Condition 11 in Volume 7.

¹³⁸ [BT Group](#) response to TAR26 March 2025 Consultation. Annex 2. Paragraphs 7.6 to 7.8.

¹³⁹ Under AUP auditors carry out specific tests without giving an opinion. In some circumstances AUP may be sufficient to meet our objectives (e.g. checking calculations in a compliance submission), but they may not be appropriate where an opinion or judgement is required.

6. Information provided to Ofcom

Background

- 6.1 We require BT to supply some information to us privately. This information is necessary for us to make informed regulatory decisions, monitor compliance with SMP conditions, and ensure that those conditions continue to effectively address the underlying competition concerns.
- 6.2 The information provided by BT currently includes data and models supporting the RFS, as well as ‘additional financial information’ (AFIs) relevant to SMP markets. In this section, we set out our decisions regarding these requirements. The form and content direction in Volume 7 reflects our decisions.

Data and models supporting BT’s cost accounting system

- 6.3 BT is currently required to provide us with the data and models used in its cost accounting system (currently CostPerform) and any other spreadsheets or models used to prepare the schedules in the RFS.
- 6.4 We proposed to remove this requirement as we no longer considered that this was a cost effective means of obtaining information from BT or analysing the data supporting the RFS. We also no longer had access to the relevant software.
- 6.5 To ensure we can continue to interrogate the information used to prepare the RFS and understand how BT is complying with its cost accounting obligations, we proposed additional AFIs, which are discussed below.
- 6.6 No stakeholders disagreed with our proposals and for the reasons set out above, we have decided to remove the requirement for BT to provide the data and models from its cost accounting system. This change has been reflected in SMP condition 11 and the form and content direction in Volume 7.

AFIs relating to all markets - retention of existing requirements

- 6.7 We currently require several AFIs in relation to all markets. These are set out in the form and content direction in Volume 7. We proposed not to retain the requirement to provide data supporting the cost attribution system, as explained above, but retain all other requirements listed below.¹⁴⁰

¹⁴⁰ These requirements were discussed in WFTMA 2021-2026 Ofcom. March 2021. [Promoting investment and competition in fibre networks – Wholesale Fixed Telecoms Market Review 2021-26](#) Volume 6, paragraphs 5.23 to 5.25.

- CCA fixed asset movement statement
- Data supporting CCA valuations
- Asset lives and depreciation
- Regulatory Asset value (RAV) adjustment applied to Access duct
- PAC breakdown
- Cost component mapping
- Grant funded assets

6.8 No stakeholders commented on our proposal and we have decided to continue to require BT to provide these AFIs.

AFIs relating to all markets – new requirements

6.9 We proposed to require BT to provide the following four additional AFIs in relation to all markets:

- Breakdown of service-level revenue and costs
- Breakdown of service level opex and MCE by component
- Exchange closure
- Copper recovery

Breakdown of service level revenue and costs, and opex and MCE by component

Our proposals

6.10 We proposed two new AFIs requiring:

- A breakdown of revenues and costs for all services in SMP markets in BT’s regulatory accounting system; and
- A breakdown of service level opex and MCE by component for the same services.

6.11 The first new AFI would include a breakdown of costs and assets for all services using the same CCA operating cost categories and MCE cost categories reported in the RFS, as well as volume information for each service.

6.12 We said that, given our proposal that BT’s regulatory accounting system must separately identify all services with revenue from SMP markets exceeding £5m (unless we otherwise agree), we would expect this AFI to include details of all such services, not just those reported in the RFS.

6.13 We also said that BT could satisfy the requirement by continuing to provide a file which it currently gives to us under the ‘Data supporting the cost attribution system’ AFI.¹⁴¹

6.14 The second new AFI would require a breakdown by total CCA operating cost and MCE by component for each service provided in BT’s regulatory accounting system. These figures

¹⁴¹ The 2024/25 file is called “AFI.01 Master RFS FY25”.

would reconcile with those in the first new AFI. We said BT could meet the requirements of both new AFIs through a single consolidated schedule.

Stakeholder responses

6.15 No stakeholders commented on these proposed new AFIs, though as set in section 5, BT suggested that it provides us with an AFI providing a detailed breakdown of service revenue to help us determine which services should be separately identified in its regulatory accounting system.¹⁴²

Our reasoning and decisions

6.16 The two new AFIs will ensure we continue to receive information previously obtained under the ‘Data supporting the cost attribution system’ requirement.

6.17 In addition to these two new AFIs, to reflect our decision in section 5 in relation to services included in BT’s regulatory accounting system, BT will be required to give us a product level breakdown of revenue and volume for all services published in the RFS. This will give us visibility of services that are growing or have significant amounts of revenue and will help us assess if we should require BT to separately identify additional services, or combinations of services, in its regulatory accounting system. In section 5 we said that in some cases, we may also agree that BT can provide us with a separate estimate of costs for relevant services where it would be difficult to include them in its regulatory accounting system.

6.18 Therefore, the new AFIs require BT to provide:

- A product-level breakdown of revenue and volume for each service published in the RFS. Where this breakdown does not reconcile to the revenue and volume information published in the RFS, BT should explain why.
- A breakdown of revenues and costs for all services in SMP markets in BT’s regulatory accounting system,¹⁴³ including any costs for services estimated outside of BT’s regulatory accounting system.¹⁴⁴ And
- A breakdown of service level opex and MCE by component for all services in SMP markets in BT’s regulatory accounting system.

6.19 These new AFI requirements are set out in the form and content direction in Volume 7.

Exchange exit and closure

Our proposal

6.20 We proposed that BT provide us with:

- i. A breakdown of total income and costs associated with exchange closure between SMP and non-SMP markets.

¹⁴² See section headed ‘services included in BT’s regulatory accounting system’ in section 5.

¹⁴³ Where we direct BT, or otherwise agree with BT, that additional services should be separately identified in its regulatory accounting system, this AFI will include a breakdown of revenues and costs for such services.

¹⁴⁴ Where costs for services have been estimated outside of its regulatory accounting system, BT should explain how they have been derived and explain why it was not possible to use its regulatory accounting system to estimate costs.

- ii. An updated list of planned exchange closures, including the name of each exchange, the closure or hand back timetable, current rental charges and where available, an estimate of annualised benefit.
 - iii. Details of any provisions and contingent liabilities related to future exchange closures included in BT's statutory accounts but not reflected in the RFS.
- 6.21 We said this information would assist us in understanding how revenues and costs associated with exchange closure are reported in the RFS, assess the impact on regulated services and markets, and provide insights into the potential scale of future revenues and costs.

Stakeholder responses

- 6.22 BT understood why we needed information on exchange closure but noted that the exchange closure programme is in its early stages and it is not clear what information on exchange closure might be included in its regulatory accounting system.¹⁴⁵
- 6.23 In respect of requirement ii) of the proposed AFI, BT said:¹⁴⁶
- Information on strategic decisions such as exchange closure should come from Openreach rather than via an AFI.
 - The “estimate of annualised benefit” requires a clear definition. BT said the cash rental charge could be provided but this would ignore the balance sheet treatment in the RFS.
 - There may be inconsistencies between exchange rental costs (considered as a cash outflow) and the financial reporting in the annual report and RFS (prepared under IFRS16).
- 6.24 In relation to requirement iii) BT said that if information on provisions and liabilities was used to calculate future revenues and costs, there will be a mismatch with the current costs reported on a different basis.¹⁴⁷

Our reasoning and decisions

- 6.25 The objective of the AFI is to provide insight into costs and revenues associated with exchange exit and closure.¹⁴⁸
- 6.26 We have decided to require BT to provide us with a breakdown of total income and costs associated with exchange exit and closure between SMP and non-SMP markets (consistent with requirement i) of our proposed AFIs). We recognise that, at this stage, it is not clear what information on exchange closure BT will include in its regulatory accounting system. To the extent income and costs associated with exchange closure are included in the RFS, this AFI will help us understand those items and to which markets they have been allocated.

¹⁴⁵ [BT Group](#) response to TAR26 March 2025 Consultation. Annex 2. Paragraphs 6.6 to 6.8.

¹⁴⁶ [BT Group](#) response to TAR26 March 2025 Consultation. Annex 2. Paragraphs 6.10 to 6.12.

¹⁴⁷ [BT Group](#) response to TAR26 March 2025 Consultation. Annex 2. Paragraph 6.13.

¹⁴⁸ We would expect operational decisions on exiting exchanges to be made by Openreach with decisions on exchange closure made by BT.

- 6.27 Long term liabilities are generally not included in the RFS.¹⁴⁹ Where BT includes provisions or liabilities associated with exchange exit or closure in its annual report which are not included in the RFS, details of these could help us understand the potential scale of future revenues and costs. We have therefore decided to require BT to provide us with details of any provisions and contingent liabilities related to future exchange exit and closure included in BT's statutory accounts but not reflected in the RFS (consistent with requirement iii) of our proposed AFIs).
- 6.28 We have decided not to impose requirement ii) of our proposed AFIs. We agree with BT that it would be more appropriate to obtain details of its exchange exit and closure plans via a statutory information request, where necessary, rather than an AFI.
- 6.29 The AFI requirements are included in the Form and Content Direction in Volume 7.

Copper recovery net proceeds

Our proposal

- 6.30 We proposed that BT provides us with details of total net proceeds from its copper recovery programme, broken down by the amount allocated to SMP and non-SMP markets. We said this would help us understand how BT's copper recovery programme is reported in the RFS.

Stakeholder responses

- 6.31 No stakeholders commented on our proposal

Our reasoning and decision

- 6.32 We have decided to require BT to provide this information to us in line with our proposal. This new AFI requirement is included in the form and content direction in Volume 7.

AFIs related to specific markets

Retention of existing requirements

- 6.33 We proposed to retain the following AFIs unchanged from current requirements. No stakeholders commented on this proposal, and we have decided to retain these AFIs. These requirements are in the form and content direction in Volume 7.

Physical infrastructure market AFIs¹⁵⁰

- Costs of lead-in duct and single bore spine duct.
- Attributions of duct costs to PI services.
- PI utilisation metrics.
- PIA ancillaries related to network adjustments and other PIA ancillaries.

¹⁴⁹ The reconciliation report in the RFS shows the differences between the MCE reported in the RFS and the assets and liabilities reported in BT's annual report.

¹⁵⁰ The purpose of these requirements was set out in WFTMA 2021-2026 Ofcom. March 2021. [Promoting investment and competition in fibre networks – Wholesale Fixed Telecoms Market Review 2021-26](#) Volume 6 paragraphs 5.31 to 5.55.

- Mapping physical infrastructure records and financial records.

WLA markets AFIs¹⁵¹

- FTTP investment in Area 2 and Area 3.
- FTTP homes passed.
- Time related charges.
- Special fault investigations.

LLA and IEC markets AFIs

- AFIs that apply to all LLA and IEC markets
 - Time related charges
 - Contractor ECCs
- LLA Area 3, IEC BT Only and IEC BT+1 markets
 - Dark fibre patch panels, initial testing, Right When Tested (RWT) and Cessation charges¹⁵²

Amended and new requirements

6.34 We proposed to amend the AFI on optical services to require BT to provide additional information and introduce a new AFI on Direct ECCs.

Optical services

6.35 BT is currently required to provide us with a breakdown of the volumes and revenues of optical services published in the RFS by reference to the following optical service categories: Optical Spectrum Access (OSA), Optical Spectrum Extended Access (OSEA), Optical Spectrum Access Filter Connect (OSA Filter Connect), Optical Spectrum Extended Access Filter Connect (OSEA Filter Connect) and other optical services.

Our proposals

- 6.36 Given growth in optical services, we said it is important that we can monitor the profitability of the main types of optical services sold to assess the effectiveness of our CPI-0% charge control within the LLA and IEC markets.
- 6.37 We therefore proposed to require BT to additionally provide, for each LLA and IEC market, volume, revenue, cost and MCE information for major services within these optical service categories.
- 6.38 As BT provides a large number of optical services, we considered it would be proportionate to only require this information for any individual service where total revenue for that service (across all LLA and IEC markets) exceeds £5m within the OSA, OSEA, OSA Filter Connect and OSEA Filter Connect categories. Where information on individual services is

¹⁵¹ The purpose of these requirements was set out WFTMA 2021-2026 Ofcom. March 2021. [Promoting investment and competition in fibre networks – Wholesale Fixed Telecoms Market Review 2021-26](#) Volume 6 Paragraphs 5.61 to 5.71.

¹⁵² While we proposed to apply the AFI to the IEC BT+1 market, in line with our proposal to apply the dark fibre remedy to LLA Area 3, IEC BT Only and IEC BT+1 markets, we proposed that the information included in the AFI would be unchanged.

not available from BT's regulatory accounting system, we said BT must explain how it has estimated the data provided or explain why it cannot be provided.

Stakeholder responses

6.39 BT said that our proposal would create disproportionate additional complexity in its regulatory accounting system given the level of regulation in this area. BT suggested that the current AFI requirement is retained which provides a breakdown of revenue and volumes. BT considered that cost and MCE allocation should only be required at a total revenue, connection and main link level as reported in the RFS.¹⁵³

Our reasoning and decisions

6.40 Our CPI-0% charge control on optical services in LLA and IEC markets applies to individual modular services in the following categories: OSA, OSEA, OSA Filter Connect, and OSEA Filter Connect. We consider it is important that we can monitor the profitability of the main types of optical services in these categories to help assess the effectiveness of our charge control.

6.41 To help us understand how BT has prepared the revenue information published in the RFS (which reports information on optical service rentals, connections and main link) and how this relates to the structure of the price list, we have decided to require BT to provide a product level breakdown of revenue and volume for each optical service published in the RFS by the categories listed above. We would expect this breakdown to include, for example, volumes and revenues associated with bearer and wavelength modules. BT may be able to provide this information as part of the new AFI listed above which requires a product level breakdown of revenue and volume for each service published in the RFS.

6.42 In relation to cost and profitability information, we disagree with BT that the information published in the RFS is sufficient to allow us to monitor profitability of the main types of optical services in the categories listed above. However, we recognise that BT provides many different modular components which can be purchased in different combinations, such that it may not be proportionate to require cost and profitability information for all services, or for all services with revenue above £5m. We also recognise that requiring cost information to be provided via the regulatory accounting system could create additional complexity.¹⁵⁴

6.43 To ensure our requirement is proportionate and gives BT flexibility in how to provide the information we need, we have decided to require BT to provide us with an analysis of cost and profitability of the largest modular components and/or most common combinations of modular components in each of the categories listed above. This analysis does not need to be derived from the regulatory accounting system but BT must explain how it has estimated the information provided or explain why it cannot be provided.

6.44 We expect the information provided by BT in relation to this requirement will develop over this review period, and as a result we have not precisely defined which modular components / combination of modular components should be included in the analysis.

¹⁵³ [BT Group](#) response to TAR26 March 2025 Consultation. Annex 2. Paragraph 6.16.

¹⁵⁴ Though as noted above, we can direct BT, or otherwise agree with BT, that additional services should be separately identified in its regulatory accounting system.

However, at a minimum BT must provide an analysis of cost and profitability for bearer and wavelength modules in these categories (or explain why it cannot be provided).

Direct ECCs

- 6.45 In Volume 4, we decided to apply a basket control of CPI-0% to Direct ECCs alongside a CPI+5% sub-cap for each individual Direct ECC service.
- 6.46 We set out in section 4 that BT will be required to separately publish information on the Direct ECCs basket in the RFS. We also want information on costs for individual Direct ECC services, to allow us assess profitability of these services and the impact of any price rebalancing BT undertakes. We think this will help us understand the effectiveness of our regulation.
- 6.47 In the March 2025 consultation, we proposed that BT provide an AFI that included the volumes, revenues, operating costs, and MCE for each Direct ECC. We said that, where possible, operating costs should be split between direct labour and overheads and that BT should reconcile this information to the numbers in the RFS or explain why this is not possible. Further, where information on individual services is not available from BT's regulatory accounting system, we said BT must explain how it has estimated the data provided or explain why it cannot be provided.
- 6.48 No stakeholders commented on our proposal and we have decided to impose the requirement on BT in line with our proposals. This AFI requirement is in the form and content direction in Volume 7.

Cross-Market Ancillaries

- 6.49 BT currently provides an AFI detailing the calculation of electricity charges, including BT's markup on the purchase of electricity. This data is reconciled against the published RFS.
- 6.50 We proposed amending the direction to require BT to submit a more detailed annual breakdown of its electricity costs than is presently provided. The detail we requested was consistent with information BT had previously provided us with when we had sought further information.
- 6.51 BT thought providing additional information was disproportionate.¹⁵⁵
- 6.52 We have previously obtained from BT more detailed information on its electricity charges to help us understand the costs BT incurs and the basis of its electricity charges. The revised AFI is consistent with the information previously provided by BT and we consider it will help us assess BT's compliance with its basis of charges obligation.
- 6.53 Accordingly, we have implemented our proposal without modification and specified the format of the AFI in the Form and Content Direction set out in Volume 7.

¹⁵⁵ [BT Group](#) response to TAR26 March 2025 Consultation. Annex 2. Paragraph 6.19.

7. Legal tests

Introduction

- 7.1 In sections 1 to 6 above, we set out our decisions to impose regulatory financial reporting obligations on BT in relation to each of the markets in which we have decided to make an SMP finding. In order to give effect to our decisions, we have decided to set a regulatory financial reporting SMP condition in relation to each of those markets: SMP Condition 11, which can be found in Volume 7.
- 7.2 Under SMP Condition 11, we may from time to time make such directions as we consider appropriate in relation to BT's reporting obligations.
- 7.3 We have also decided to make five directions under section 49 of the Act and SMP Condition 11 in relation to each of the SMP markets. The directions are set out in full in Volume 7. The directions are:
- a) Regulatory Accounting Principles Direction
 - b) Preparation, Delivery, Publication, Form and Content Direction
 - c) Consistency with Regulatory Decisions and Regulatory Asset Value Direction
 - d) Audit of the RFS Direction
 - e) Change Control and Reconciliation Report Direction

SMP Condition

- 7.4 In order to carry out our duties it is essential that robust financial information is available on the services and markets that we regulate. The availability of this information helps us understand the volumes, revenues, costs and returns of services and in markets, which allows us to monitor the impact and effectiveness of, and (for certain remedies) compliance with, the remedies imposed as part of a market review.
- 7.5 We consider that accounting separation including where appropriate some cost accounting rules provide us with the information necessary to help us make informed regulatory decisions, such as cost information to support price controls on an ongoing basis, and information necessary to assess the impact and effectiveness of our decisions, for example, trends in the usage and returns associated with regulated services. They also enable us to monitor and, if necessary, enforce no undue discrimination and some price control regulations.
- 7.6 Publication of some information helps inform stakeholders so they can have confidence that BT is complying with its obligations and that regulation is effective and appropriate to achieve its purpose. It enables them to identify and bring issues to our attention and effectively contribute to the regulatory regime. This promotes confidence in the market, which in turn creates the conditions for effective competition.

Accounting Separation

- 7.7 Our accounting separation obligation requires BT to account separately for regulated services, markets and where appropriate for internal and external sales.

- 7.8 Under sections 87(7) and 87(8) of the Act the dominant provider may be required to maintain a separation for accounting purposes between different matters relating to network access or the availability of relevant facilities. We believe this obligation is required to monitor the overall impact and effectiveness of the remedies proposed, and especially to monitor BT's activities with regard to its non-discrimination and EOI obligations.
- 7.9 Section 87(6)(b) of the Act provides for a dominant provider to publish information for the purpose of securing transparency in relation to matters connected with network access to or with the availability of relevant facilities. The obligation is also necessary to support transparency. It provides a greater detail of information on the relevant markets than could be derived from BT's statutory financial statements and gives visibility, and thus reassurance, to stakeholders that BT has complied with its SMP conditions.
- 7.10 The specific accounting separation requirements we are imposing on BT in these markets are set out in SMP Condition 11 in Volume 7.

Cost Accounting

- 7.11 The imposition of a cost accounting obligation ensures that BT has in place a system of rules that support the attribution of revenues and costs to individual markets and services. It therefore supports the accounting separation obligation, which requires BT to prepare and report financial information relating to individual markets and services, by ensuring that the rules attributing revenues and costs to individual markets and services are fair, objective and transparent.
- 7.12 Section 87(9)(c) authorises conditions imposing such rules as we may make for the purposes of matters connected with the provision of network access to the relevant network, or with the availability of relevant facilities about the use of cost accounting systems. These would include conditions enabling Ofcom to require the dominant provider to explain what assumptions it has used in determining costs and charges, for the purposes of setting price controls, rules and obligations imposed in relation to price controls, cost recovery and cost orientation, cost accounting systems and adjusting of prices in accordance with directions from Ofcom. Where such conditions are imposed, section 87(11) imposes a duty on us to also set an SMP condition which imposes an obligation:
- a) to make arrangements for a description to be made available to the public of the cost accounting system used in pursuance of that condition; and
 - b) to include in that description details of:
 - i) the main categories under which costs are brought into account for the purposes of that system; and
 - ii) the rules applied for the purposes of that system with respect to the allocation of costs.
- 7.13 We consider that the condition would fulfil our duty under section 87(11) in that the cost accounting conditions require the publication of a description of the cost accounting system used and the main categories of cost and the cost allocation rules applied.
- 7.14 We believe the cost accounting obligation is necessary to ensure the processes and rules used by BT to attribute revenues and costs to individual markets and services are fair, objective and transparent. Therefore, we are imposing a cost accounting requirement on BT.

7.15 The specific cost accounting requirements are set out in SMP Condition 11 in Volume 7.

Legal tests

Section 47

- 7.16 We consider that SMP Condition 11 satisfies the tests set out in section 47 of the Act, namely that each obligation is:
- a) objectively justifiable in relation to the networks, services or facilities to which it relates;
 - b) not such as to discriminate unduly against particular persons or against a particular description of persons;
 - c) proportionate to what the condition or modification is intended to achieve; and
 - d) transparent in relation to what it is intended to achieve.

Objectively justified

- 7.17 We consider that SMP Condition 11 is objectively justifiable. The remedies that we are imposing are designed to address the competition concerns that we have identified in our market analysis.
- 7.18 In the absence of a requirement to provide network access, supported by associated obligations, Openreach could refuse or impede access, or it could provide access on less favourable terms and conditions compared to those obtained by its own downstream businesses. The accounting separation and cost accounting obligations we are proposing to impose form part of a package of remedies to address these competition concerns. In particular:
- a) The accounting separation requirement allows us and stakeholders to monitor the activities of BT to ensure that, where relevant, it does not discriminate unduly in favour of its own downstream business and to monitor BT's activities in respect of the non-discrimination and EOI obligations. This, combined with the cost accounting obligation, helps us to ensure that costs are not inappropriately loaded onto one set of regulated services to the benefit of BT, where BT uses primarily another set of regulated services.
 - b) The cost accounting obligation is necessary to ensure the appropriate maintenance and provision of accounts in order to monitor BT's activities with regard to the pricing remedies we are proposing and monitor their effectiveness at addressing the competition concerns. It is also necessary to secure that information continues to be created and captured so as to secure, and to give stakeholders confidence, that pricing can continue to be appropriately regulated in future, creating the conditions for the price controls we are now imposing to be effective. It also relates to the need to ensure competition develops fairly, to the benefit of consumers, by providing transparency of BT's compliance with rules set to address the risk of exploitative or anti-competitive pricing.

Not such as to discriminate unduly

- 7.19 We consider that SMP Condition 11 does not discriminate unduly against BT. BT is the only telecoms provider to hold SMP in the markets that we have identified and the conditions seek to address that market position.

Proportionate

- 7.20 We consider that SMP Condition 11 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 above why we consider our decisions are proportionate in the context of the markets we reviewed.

Transparent

- 7.21 We consider that SMP Condition 11 is transparent in relation to what is intended to be achieved. The text of the condition is published in Volume 7, and the operation of the condition is aided by our explanations in this document. This document sets out our analysis of responses to the consultation and the basis for our final decision.

Section 87 tests

- 7.22 As discussed above, we have taken into account the factors set out in section 87(4) of the Act and we consider that the condition would fulfil our duty under section 87(11).

Section 88 tests

- 7.23 In setting cost accounting conditions, we must also ensure that the network access pricing conditions set out in section 88 are also satisfied.
- 7.24 We consider that imposing a cost accounting obligation would be consistent with section 88. We also consider that imposing a cost accounting obligation is necessary for price controls to be effective.

Directions

- 7.25 As discussed above, to give effect to our decisions we are giving five directions under section 49 of the Act and SMP Condition 11 in relation to each of the SMP markets.

Section 49 tests

- 7.26 We consider that these Regulatory Reporting Directions satisfy the tests set out in section 49(2) of the Act, namely that in each case the Direction is objectively justifiable, non-discriminatory, proportionate and transparent.
- 7.27 We set out our reasoning below separately in relation to each Direction.

Regulatory Accounting Principles Direction

- 7.28 The RAP are a set of guiding principles with which BT's Regulatory Financial Reporting must comply. To preserve the integrity and consistency of the RFS we consider that the RAP should be implemented across all regulated markets as there are significant advantages to BT and other stakeholders of BT applying one set of principles across all markets.

- 7.29 We have decided to give the Regulatory Accounting Principles Direction in relation to BT in each of the SMP markets as set out in Volume 7.
- 7.30 We consider that the Regulatory Accounting Principles Direction would meet the tests set out in section 49(2) of the Act in that it is:
- a) objectively justifiable because by specifying the Regulatory Accounting Principles we will establish the attributes for BT's regulatory financial reporting;
 - b) not unduly discriminatory in that BT is the only telecoms provider on which we are imposing specific pricing and financial reporting remedies, as the only telecoms provider which we find holds SMP in the markets concerned;
 - c) proportionate because our direction requires no more than what is required to ensure an absence of bias and consistency with regulatory decisions. While we have established the Regulatory Accounting Principles, BT retains an important role in determining the basis of preparation of the RFS, and can continue to put through methodology changes where this is in line with the RAP and such changes have been notified to Ofcom; and
 - d) transparent because the intention of our direction is to ensure we take a role in the basis of preparation of the RFS to ensure an absence of bias and consistency with regulatory decisions.

Preparation, Delivery, Publication, Form and Content of the RFS Direction

- 7.31 This Direction provides details of the financial information to be included in the published RFS and to be provided to Ofcom privately. It therefore plays an important role in ensuring the RFS provide relevant information to stakeholders and Ofcom. Some elements of the published RFS relate to all of BT while others are specific to particular markets. To preserve the integrity and consistency of the RFS, we consider that all SMP markets should be subject to appropriate reporting requirements.
- 7.32 We have decided to give the Preparation, Delivery, Publication, Form and Content of the RFS Direction in relation to BT in each of the SMP markets as set out in Volume 7. This direction reflects our decisions set out in sections 4, 5 and 6 above. All other requirements of this direction remain unchanged from those included in the WFTMR21.
- 7.33 We consider that the Preparation, Delivery, Publication, Form and Content of the RFS Direction meets the tests set out in section 49(2) of the Act in that it is:
- a) objectively justifiable because the information to be provided, both in public and in private, seeks to ensure that stakeholders have sufficient information about the products and services they purchase to provide them with reasonable confidence about BT's compliance with its SMP conditions and that we have sufficient information necessary to carry out our functions. This direction will ensure visibility of financial information for each SMP market;
 - b) not unduly discriminatory in that BT is the only telecoms provider on which we are imposing specific pricing and financial reporting remedies, as the only telecoms provider which we find holds SMP in the markets concerned. We have explained in this document the reasons for requiring relevant additional information from BT both publicly and privately;

- c) proportionate because the direction will be no more than is required to ensure the effectiveness of our decisions in this market review and will ensure that Ofcom and stakeholders are provided with a sufficient level of information; and
- d) transparent because the intention of the direction is to make sure that the RFS remain fit for purpose and that Ofcom and stakeholders are provided with a sufficient level of information.

Consistency with Regulatory Decisions and Regulatory Asset Value Direction

- 7.34 This direction specifies how BT should prepare the RFS to be consistent with our regulatory decisions. This ensures that the RFS are prepared on a basis that allows us to assess the impact and effectiveness of our remedies and provides assurance to stakeholders that information is being created and retained such that appropriate regulation can continue to be maintained in future.
- 7.35 We have decided to give the Consistency with Regulatory Decisions and Regulatory Asset Value Direction in relation to BT in each of the SMP markets as set out in Volume 7. This direction reflects our decisions set out in section 5 above. All other requirements of this direction remain unchanged from those included in the WFTMR21.
- 7.36 We consider that the Consistency with Regulatory Decisions and Regulatory Asset Value Direction meets the tests set out in section 49(2) of the Act in that it is:
- a) objectively justifiable because it is necessary for us to give a direction which specifies the accounting treatment of various costs across the SMP markets in order that the RFS fulfils its purpose in enabling the monitoring of our SMP conditions, securing the effectiveness of our price controls and stakeholder confidence in the market. For example, in the physical infrastructure market we need to specify the accounting treatment of the physical infrastructure costs so that the RFS is consistent with our regulatory decision to set maximum charges on PIA; in the Leased Lines Access – Area 3 and IEC – BT only and BT+ 1 markets we need to specify the accounting treatment of dark fibre costs so that the RFS is consistent with our regulatory decision to set prices for dark fibre at cost; in other markets where we have decided some form of price regulation it is necessary to specify the accounting treatment of various costs to ensure consistency with our regulatory decisions to set price controls. Furthermore, the direction is objectively justifiable in that the requirements specifying the RAV methodology establish further detail and provide BT with clarity as to the requirements which BT will need to follow to ensure that the RFS are prepared on the RAV current cost basis. We also need to specify what services and categories of cost should be separately identified in its regulatory accounting system to ensure BT is capable of providing the information we need;
 - b) not unduly discriminatory, in that BT is the only telecoms provider on which we are imposing specific pricing and financial reporting remedies, as the only telecoms provider which we find holds SMP in the markets concerned;
 - c) proportionate because our direction is no more than would be required to ensure consistency with our decisions. Further, BT retains a key role in determining the basis of preparation of the RFS; and
 - d) transparent because it is clear that the intention of our direction is to ensure that BT’s RFS are consistent with our decisions in relation to the price controls proposed in the SMP markets, and the wider pricing obligations in other markets.

Audit of the RFS Direction

- 7.37 Audit of the RFS gives users confidence that the information provides a fair reflection of financial performance, is free from error and has been prepared following the accounting methodology statements published by BT and relevant directions issued by Ofcom. To preserve the integrity and consistency of the RFS we consider that all markets should be subject to the same audit direction.
- 7.38 We have decided to give the Audit of the RFS Direction in relation to BT in each of the SMP markets.
- 7.39 We consider that the Audit of the RFS Direction meets the tests set out in section 49(2) of the Act in that it is:
- a) objectively justifiable because it is important for both stakeholders and Ofcom that an appropriate level of assurance is provided on the RFS;
 - b) not unduly discriminatory in that BT is the only telecoms provider on which we are imposing specific pricing and financial reporting remedies, as the only telecoms provider which we find holds SMP in the markets concerned;
 - c) proportionate because the audit requirements are no more than is necessary to ensure that an appropriate level of assurance is provided on the RFS; and
 - d) transparent because the intention of our changes is to ensure that an appropriate level of assurance is provided on the RFS.

Change Control and Reconciliation Report Direction

- 7.40 The Change Control and Reconciliation Report Direction sets out the materiality threshold for the CCN and would require BT to publish the impact of all material changes and errors each year with an accompanying assurance report from its regulatory auditors.
- 7.41 Changes to attribution methods or the correction of errors can affect all markets reported in the RFS. As a result, to preserve the integrity and consistency of the RFS, we consider that the CCN and Reconciliation Report should be subject to the same materiality threshold. Therefore, we have decided to give the Change Control and Reconciliation Report Direction in relation to BT in each of the SMP markets as set out in Volume 7. This reflects our decisions set out in section 5 above in relation to materiality thresholds for the CCN and Reconciliation Report.
- 7.42 We consider that the Change Control and Reconciliation Reporting Direction meets the tests set out in section 49(2) of the Act in that it is:
- a) objectively justifiable because in all markets it is necessary that there is visibility in relation to error corrections and methodology changes made in RFS, both for us and other stakeholders, and it is therefore necessary for us to specify the requirements in relation to the content of the reconciliation report and the accompanying audit opinion;
 - b) not unduly discriminatory in that BT is the only telecoms provider on which we are imposing specific pricing and financial reporting remedies, as the only telecoms provider which we find holds SMP in the markets concerned;
 - c) proportionate because our direction is no more than is required to provide visibility in relation to error corrections and methodology changes for us and other stakeholders; and

- d) transparent because our direction seeks to provide visibility in relation to error corrections and methodology changes for us and other stakeholders and to provide BT with clarity about the requirements specifying the content of the reconciliation report and the accompanying audit opinion.

Ofcom's duties

- 7.43 As set out in Volume 1, we consider the package of SMP Conditions and related Directions both individually and together meet our duties in sections 3 and 4 of the Act.