Your response

Question	Your response
Question 1: Do you agree with the conclusion in our Equality Act impact assessment	Confidential? – N 1.1. Yes, we agree with the conclusion in your Equality Act impact assessment set out in your consultation on prohibiting inflation-linked price rises (“the Consultation”) that there are no adverse impacts on specific groups of persons that are likely to be affected in a different way to the general population.
Question 2: Do you agree with our assessment of the potential impact of our proposal on the Welsh language? Do you think our proposal could be formulated or revised to ensure, or increase, positive effects, or reduce / eliminate any negative effects, on opportunities to use the Welsh language and treating the Welsh language no less favourably than English?	Confidential? – N 2.1. Yes, we agree with your assessment of the potential impact of your proposals on the Welsh language. 2.2. No, we don’t think your proposal could be formulated or revised to ensure, or increase, positive effects, or reduce / eliminate any negative effect, on opportunities to use the Welsh language and treating the Welsh language no less favourably than English.
Question 3: Do you agree with our assessment of the consumer harm arising from inflation-linked price variation terms? **We invite evidence from respondents on the matters addressed in section three.**	Confidential? – N 3.1. Our key concern is in relation to the definition of consumer in this context. To the extent that **consumers** are **residential customers**, we agree in principle with some of the conclusions drawn from your research report set out in your assessment of the **consumer** harm arising from inflation-linked price variation terms. Specifically, we agree: i) That price plays a central role in **consumers’** choice of broadband and mobile services (Consultation paragraph 3.45) and, ii) that inflation-linked price variation terms are an important component of price (Consultation paragraph 3.46) and,

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	iii) that inflation-linked price variations terms increase cognitive burden on **consumers** (Consultation paragraph 3.50). 3.2. However, we do not fully agree with the conclusion in Consultation paragraph 3.50 that the increased cognitive burden on consumers referred to above can lead to them not finding the best deal for their needs. Ofcom has concluded that most of the UK's largest providers have adopted an inflation-linked price increase term of CPI +3.9 % (Figure 1). If the percentage price increase is the same for most providers, it is possible to choose the best deal without calculating what the annual price increase will be in £/p. 3.3. Further, Ofcom has proposed to roll out the additional protections to groups other than consumers. The evidence-gathering and assessment focused solely on the impact of inflation-linked and fixed percentage price variation terms on consumers, i.e. residential customers (Consultation paragraph 4.99), and not on Microenterprise, Small Enterprise and Not-For-Profit Customers, i.e. business customers. We do not agree that you can draw the same conclusions from the research for business customers. 3.4. The fact that research found that the majority of micro-SMEs are on residential contracts (Consultation footnote 143 on pg. 58) does not mean that all Microenterprise, Small Enterprise and Not-For-Profit business customers are likely to be in the same position as residential customers. 3.5. Our experience as a micro-SME B2B service provider is that our customers are used to inflation-linked price increase terms and have no challenges understanding them. They are already familiar with this type of price increase as they have experience of them in other contracts such as energy

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	supply, mortgages/rent and business rates. Therefore, the conclusion that these business owners/managers, who manage cashflow, budgets and complete tax returns, cannot overcome the "cognitive burden" of inflation-linked price increases is misplaced and underestimates the capabilities of Microenterprise, Small Enterprise and Not-For-Profit business customers. 3.6. Whether or not providers have a wider range of tools at their disposal to manage financial risks and mitigate the impact of inflation (Consultation paragraph 3.75) is irrelevant. The telecommunications market is structured in such a way that providers are themselves subject to unknown annual price rises based on inflationary measures such as CPI; Ofcom regulates the price that Openreach can charge, and these charges are subject to annual CPI increases[1]. Additionally, providers are subject to other costs which rise in line with inflation such as minimum wage for employees, utilities, lending and premises costs. 3.7. Without the inclusion of an inflation-linked price increase term in customer contracts, if providers are to remain financially viable, they will have to build the additional cost to serve to which they're exposed over the course of a customer contract term into either headline customer pricing or a fiscally conservative fixed £/p annual price increase (as proposed by Ofcom). This may stifle competition, result in less choice for customers and present a barrier to entry for new providers. Smaller providers do not benefit from brand awareness, economies of scale, buying power or access to the best wholesale rates in the same way that larger providers do. If the proposed changes are implemented, we believe that small providers would need to choose a fiscally

[1] Regulated prices - Ofcom

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	conservative fixed £/p increase, to avoid being left financially at risk. 3.8. Further, if providers can only implement mid-term price increases on a £/p basis, the annual price increase will be set on the basis of the rate of inflation at the time the customer enters into their contract, which means customers will not benefit from any reduction in inflation.
Question 4: Do you agree with the conclusion in our impact assessment?	Confidential? – N 4.1. We agree with Ofcom's policy objectives outlined in Consultation paragraph 4.59 which refer to consumers' need to understand price with clarity and certainty in order to make informed decisions and increase competition. However, we believe that the protections currently in place achieve these objectives, specifically: 4.1.1. the changes to the General Conditions in June 2022 and the accompanying guidance that requires providers to give an example to the customer of how any planned price increase during a fixed term is likely to affect the price they pay; and 4.1.2. the recent guidance which took effect from December 2023, issued by the CAP / BCAP, that obliges providers to present information about price rises more prominently in advertising. 4.2. We do not believe that the changes outlined above in 4.1.1 and 4.1.2. have had sufficient time to embed. Only a small number of customers will have entered new contracts or switched providers since these changes were implemented and therefore it may be difficult for Ofcom to draw the conclusion that further regulation is required without first waiting to see if existing measures already achieve the desired objectives.

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	4.3. We do not agree with the conclusion in your impact assessment that targeted regulation in the form of the £/p requirement is both appropriate and proportionate to protect the interests of consumers. 4.4. As mentioned above in 3.2 – 3.5, your research has not taken into consideration Microenterprise, Small Enterprise and Not-For-Profit customers. Ofcom has therefore not provided any evidence of customer harm for Microenterprise, Small Enterprise and Not-For-Profit customers and, accordingly, the inclusion of these customers within the proposal is not appropriate or proportionate. 4.5. We also disagree with the conclusion in Consultation paragraph 4.80 that the risk of unspecified price rises is low since any unspecified price rise can only be implemented whilst notifying customers of their right to exit. We believe providers may be more willing to take the risk that comes with unspecified price rises and the right to exit, building the risk of churn into their price increases, detrimentally impacting disengaged customers.
Question 5: Do you agree with our proposal to require providers to ensure that the following information is drawn prominently to the customer's attention in a clear and comprehensible manner before a customer is bound by a contract: i) the Core Subscription Price; ii) if the Core Subscription Price is to change during the Commitment Period, that changed Core Subscription Price, in pounds and pence; and iii) the date from which any changed Core Subscription Price shall have effect?	Confidential? – N 5.1. We agree with this approach should the proposed changes be implemented. However, we fundamentally disagree that the proposed changes are necessary for the reasons outlined in our response to questions 3 and 4.

Question	Your response
Question 6: Do you agree with our proposal to require providers to include in the Contract Summary: i) the Core Subscription Price; ii) if the Core Subscription Price is to change during the Commitment Period, that changed Core Subscription Price in pounds and pence; and iii) the date from which any changed Core Subscription Price during the Commitment Period shall have effect?	Confidential? – N 6.1. We agree with this approach should the proposed changes be implemented. However, we fundamentally disagree that the proposed changes are necessary for the reasons outlined in our response to questions 3 and 4.
Question 7: Do you agree with our proposal to require providers to include in the Contract Information: i) if the Core Subscription Price is to change during the Commitment Period, that changed Core Subscription Price in pounds and pence, and ii) the date from which any changed Core Subscription Price during the Commitment Period shall have effect?	Confidential? – N 7.1. We agree with this approach should the proposed changes be implemented. However, we fundamentally disagree that the proposed changes are necessary for the reasons outlined in our response to questions 3 and 4.
Question 8: Do you agree with our proposed additions and amendments to GC C1 (see detailed amendments in annex 5)?	Confidential? – N 8.1. We agree with this approach should the proposed changes be implemented. However, we fundamentally disagree that the proposed changes are necessary for the reasons outlined in our response to questions 3 and 4.
Question 9: Do you agree with our proposed additions and amendments to existing GC C1 guidance to clarify our expectations on how providers could comply with the new requirements (see detailed amendments in annex 6)?	Confidential? – N 9.1. We agree with this approach should the proposed changes be implemented. However, we fundamentally disagree that the proposed changes are necessary for the reasons outlined in our response to questions 3 and 4.
Question 10: Do you agree with the proposed implementation period of four months from publication of the	Confidential? – N 10.1. As outlined, we do not agree with the proposed changes to GC C1 and associated

Question	Your response
statement and the changes to GC C1 and guidance?	guidance. However, if these changes are made following the consultation process, then we do not agree with a four-month implementation period. To be able to implement a £/p price increase term, providers would need to re-negotiate with their suppliers and wholesalers to agree fixed price increases. 4 months is an unrealistic timeframe to expect providers to be able to do this, particularly as many will be subject to fixed terms with suppliers and therefore may have to wait to implement any changes.

Please complete this form in full and return to cameron.bailey@ofcom.org.uk.