

# **Promoting competition and investment in fibre networks: Wholesale Fixed Telecoms Market Review 2021-2026**

Pricing wholesale local access services in Geographic Area 3 with a BT Commitment to deploy a fibre network

Annex 1: Draft legal instruments

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**CONSULTATION:**

Publication date: 29 July 2020

Closing date for responses: 16 September 2020

# Part 1: Updated proposal for SMP services conditions

## NOTIFICATION OF PROPOSALS UNDER SECTIONS 48A AND 80A OF THE COMMUNICATIONS ACT 2003

### Proposals for setting SMP services conditions in relation to BT under section 45 of the Communications Act 2003

#### Background

1. On 8 January 2020, the Office of Communications published its consultation document entitled “Promoting competition and investment in fibre networks: Wholesale Fixed Telecoms Market Review 2021-2026” (the “WFTMR Consultation”). In this document, Ofcom consulted (among other things) on new proposals to identify markets, make market power determinations and set SMP conditions with respect to BT.
2. Volume 5 of the WFTMR Consultation set out the notification under sections 48A and 80A of the Communications Act 2003 (“Act”), in accordance with sections 48(1) and section 80(1) of the Act (the “WFTMR Notification”). Ofcom proposed in the WFTMR Notification to identify, among other things, the markets listed in Column 1 of Table A for the purpose of making a determination that the person specified in the corresponding row in Column 2 of that Table has significant market power in that identified services market. This included identifying a market for the supply of wholesale local access at a fixed location in WLA Area 3 in respect of which Ofcom proposed to make a market power determination in relation to BT.
3. In Schedule 1 to the WFTMR Notification Ofcom also proposed to set certain SMP services conditions (“SMP conditions”) on BT in relation, among others, the market for the supply of wholesale local access at a fixed location in WLA Area 3, including proposals to set price control conditions.<sup>1</sup>

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<sup>1</sup> These proposals were contained in proposed SMP services conditions 12B, 12C and 12D.

4. The period within which representations could be made to Ofcom about its proposals in the WFTMR Consultation ended on 22 May 2020. Ofcom received many comments on its proposals set out in the WFTMR Consultation which Ofcom is still considering.
5. On 26 June 2020, Openreach confirmed plans to extend BT's fibre network to at least 3.2 million premises in WLA Area 3 by the end of 2025/26. In light of these plans, Ofcom is setting out its further proposals in relation to certain SMP conditions proposed to be set in respect of BT in the market for the supply of wholesale local access at a fixed location in WLA Area 3.

**Proposed amendments to proposed SMP services conditions 12B and 12C set out in the WFTMR Notification**

6. Ofcom is giving notice of its proposals, in accordance with section 48A of the Act, in relation to the market for the supply of wholesale local access at a fixed location in WLA Area 3 to set the SMP price control conditions on BT as set out in proposed SMP conditions 12B and 12C<sup>2</sup>, as amended by Schedule 1 to this Notification, pursuant to their powers under section 87(9) of the Act.<sup>3</sup> Deletions to the proposal in the WFTMR Notification are shown in strike through text and additions are shown in red font. Consequently, the WFTMR Notification should be read accordingly. It is proposed that conditions 12B and 12C as amended will take effect from the date of any notification under section 48(1) of the Act adopting the proposals set out in this Notification.
7. Ofcom is also giving notice of its proposals, in accordance with section 48A of the Act, in relation to the market for the supply of wholesale local access at a fixed location in WLA Area 3 to set the SMP conditions on BT as set out in proposed SMP conditions 4<sup>4</sup>, as amended by Schedule 2 to this Notification, pursuant to their powers under section 87(6)(a)

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<sup>2</sup> Including the corrections and clarifications to these conditions which Ofcom made on 28 February 2020.

<sup>3</sup> We propose amendments to proposed SMP conditions 12B.5, 12B.8, 12C.2, 12C.5, 12C.6, 12C.9 12C.14 and 12C.20. We also propose to delete proposed Annex 2 to SMP condition 12B. We set out our proposed amendments against the proposed SMP conditions as corrected and clarified on 28 January 2020 by including insertions and deletions. We do not show any formatting changes in Schedule 1.

<sup>4</sup> Including the corrections and clarifications to these conditions which Ofcom made on 28 February 2020.

of the Act. Deletions to the proposal in the WFTMR Notification are shown in strike through text and additions are shown in red font. Consequently, the WFTMR Notification should be read accordingly. It is proposed that condition 4 as amended will take effect from the date of any notification under section 48(1) of the Act adopting the proposals set out in this Notification.

8. The effect of, and the reasons for making, the amendments set out above at paragraphs 6 and 7 are set out in the consultation document accompanying this Notification.

### **Ofcom's duties and legal tests**

9. Ofcom considers that the proposed, amended SMP conditions above comply with the requirements of sections 45 to 47, 87 and 88 of the Act, as appropriate and relevant to each such SMP condition.
10. In making all of the proposals referred to in this notification, Ofcom has considered and acted in accordance with its general duties set out in section 3 of the Act and the six Community requirements in section 4 of the Act. In accordance with section 4A of the Act, Ofcom has also taken due account of all applicable recommendations issued by the European Commission under Article 19(1) of the Framework Directive. Pursuant to Article 3(3) of Regulation (EC) No 1211/2009, Ofcom has also taken the utmost account of any relevant opinion, recommendation, guidelines, advice or regulatory practice adopted by BEREC.
11. Ofcom has also had regard to the Statement of Strategic Priorities in making the proposals referred to in this Notification.

### **Making representations**

12. Representations may be made to Ofcom about any of the proposals set out in this notification and the accompanying consultation by no later than 16 September 2020.
13. Copies of this notification and the accompanying consultation have been sent to the Secretary of State in accordance with section 48C(1) of the Act.

### **Interpretation**

14. For the purpose of interpreting this notification —

- (a) except in so far as the context otherwise requires, words or expressions shall have the meaning assigned to them in paragraph 14 below, and otherwise any word or expression shall have the same meaning as it has in the WFTMR Notification or the Act;
- (b) headings and titles shall be disregarded;
- (c) expressions which cognate with those referred to in this notification shall be construed accordingly; and
- (d) the Interpretation Act 1978 (c. 30) shall apply as if this notification were an Act of Parliament.

15. In this notification—

- (a) “**Act**” means the Communications Act 2003 (c. 21);
- (b) “**BT**” means British Telecommunications plc, whose registered company number is 1800000, and any of its subsidiaries or holding companies, or any subsidiary of such holding companies, all as defined by section 1159 of the Companies Act 2006;
- (c) “**Ofcom**” means the Office of Communications as established pursuant to section 1(1) of the Office of Communications Act 2002;
- (d) “**Statement of Strategic Priorities**” means the Statement of Strategic Priorities for telecommunications, the management of radio spectrum, and postal services designated by the Secretary of State for Digital, Culture, Media and Sport for the purposes of section 2A of the Communications Act 2003 on 29 October 2019;
- (e) “**WLA Area 3**” means the areas consisting of the postcode sectors identified as “Area 3” in Schedule 2 to the WFTMR Notification;
- (f) “**WFTMR Consultation**” has the meaning given to it in paragraph 1 above; and
- (g) “**WFTMR Notification**” has the meaning given to it in paragraph 2 above.

21. The Schedule to this notification shall form part of this notification.

**Signed**



Handwritten signature in blue ink that reads "D. Clarkson."

David Clarkson

Competition Policy Director, Ofcom

**A person duly authorised in accordance with paragraph 18 of the Schedule to the Office of Communications Act 2002**

29 July 2020

## Schedule 1: Price control SMP conditions

### Condition 12B — LLU charge control

12B.5  
(WLA  
Area  
3)

~~For each of the products and/or services~~ **In relation to MPF SML1 Rental** specified in Condition 12B.3, where the average charge for ~~the relevant product and/or that~~ service in the First Relevant Year is lower than the amount set out in Condition 12B.8, ~~as applicable,~~ the Dominant Provider shall take all reasonable steps to secure that:

- (a) at the end of the Second Relevant Year, the average charge for ~~the relevant product and/or service~~ **MPF SML1 Rental** is not more than the amount calculated by employing the following formula:

$$\underline{Year\ 2\ charge\ ceiling = \bar{p}_i(100\% + CPI_2 - X) + K_2(100\% + CPI_2)}$$

- (b) at the end of the Third Relevant Year, the average charge for ~~the relevant product and/or service~~ **MPF SML1 Rental** is not more than the amount calculated by employing the following formula:

$$\underline{Year\ 3\ charge\ ceiling = \bar{p}_i(100\% + CPI_2 - X)(100\% + CPI_3 - X) + K_2(100\% + CPI_2)(100\% + CPI_3)}$$

- (c) at the end of the Fourth Relevant Year, the average charge for ~~the relevant product and/or service~~ **MPF SML1 Rental** is not more than the amount calculated by employing the following formula:

Year 4 charge ceiling

$$\underline{= \bar{p}_i(100\% + CPI_2 - X)(100\% + CPI_3 - X)(100\% + CPI_4 - X) + K_4(100\% + CPI_2)(100\% + CPI_3)(100\% + CPI_4)}$$

- (d) at the end of the Fifth Relevant Year, the average charge for ~~the relevant product and/or service~~ **MPF SML1 Rental** is not more than the amount calculated by employing the following formula:

$$\begin{aligned} \text{Year 5 charge ceiling} = & \bar{p}_i(100\% + CPI_2 - X)(100\% + CPI_3 - X) \\ & (100\% + CPI_4 - X)(100\% + CPI_5 - X) \\ & + K_5(100\% + CPI_2)(100\% + CPI_3)(100\% + CPI_4)(100\% + CPI_5) \end{aligned}$$

Where:

*Year 2 charge ceiling* is the average charge ceiling applicable in the Second Relevant Year where the average charge for ~~the relevant product and/or service~~ **MPF SML1 Rental** in the First Relevant Year is lower than the amount set out in Condition 12B.8, ~~as applicable~~;

*Year 3 charge ceiling* is the average charge ceiling applicable in the Third Relevant Year where the average charge for ~~the relevant product and/or service~~ **MPF SML1 Rental** in the First Relevant Year is lower than the amount set out in Condition 12B.8, ~~as applicable~~;

*Year 4 charge ceiling* is the average charge ceiling applicable in the Fourth Relevant Year where the average charge for ~~the relevant product and/or service~~ **MPF SML1 Rental** in the First Relevant Year is lower than the amount set out in Condition 12B.8, ~~as applicable~~;

*Year 5 charge ceiling* is the average charge ceiling applicable in the Fifth Relevant Year where the average charge for ~~the relevant product and/or service~~ **MPF SML1 Rental** in the First Relevant Year is lower than the amount set out in Condition 12B.8, ~~as applicable~~;

$\bar{p}_i$  is the amount set out in Condition 12B.8, ~~as applicable~~;

$CPI_2$  is CPI for the Second Relevant Year;

$CPI_3$  is CPI for the Third Relevant Year;

$CPI_4$  is CPI for the Fourth Relevant Year;

$CPI_5$  is CPI for the Fifth Relevant Year

$X$  is ~~0~~CPI

~~$K_2$  is the level of K in Table A in Annex 2 to this Condition 12B that corresponds to the cumulative Homes passed by Openreach's FTTP network in Area 3 (rounded to the nearest 200,000), excluding any Homes passed that were funded by government subsidies, on 31 October in Prior Year;~~

~~$K_3$  is the level of K in Table A in Annex 2 to this Condition 12B that corresponds to the cumulative Homes passed by Openreach's FTTP network in Area 3 (rounded to the nearest 200,000), excluding any Homes passed that were funded by government subsidies, on 31 October in Prior Year;~~

~~$K_4$  is the level of K in Table A in Annex 2 to this Condition 12B that corresponds to the cumulative Homes passed by Openreach's FTTP network in Area 3 (rounded to the nearest 200,000), excluding any Homes passed that were funded by government subsidies, on 31 October in Prior Year;~~

~~$K_5$  is the level of K in Table A in Annex 2 to this Condition 12B that corresponds to the cumulative Homes passed by Openreach's FTTP network in Area 3 (rounded to the nearest 200,000), excluding any Homes passed that were funded by government subsidies, on 31 October in Prior Year;~~

The average charge for ~~the relevant product and/or service~~ MPF SML1 Rental in the First Relevant Year, in the Second Relevant Year, in the Third Relevant Year, in the Fourth Relevant Year and in the Fifth Relevant Year shall be calculated by employing the formula set out in Condition 12B.10 for the Relevant Year Weighted Average Charge, excluding any discounts offered by the Dominant Provider, and its references to individual service ~~i~~ shall be treated as references to charges for MPF SML1 Rental ~~the specific product and/or service in the single charge category in question.~~

**12B.8** The Dominant Provider shall:

**(WLA  
Area  
3)**

for MPF SML1 Rental, take all reasonable steps to secure that, on average by the end of the First Relevant Year it does not charge more than the amount of ~~£84.95 plus  $K_1$ .~~ £86.65

(a)

where:

the average charge in that year shall be calculated by employing the formula set out in Condition 12B.9 for the Relevant Year Weighted Average Charge, excluding any discounts offered by the Dominant Provider, and its references to individual service *i* shall be treated as references to charges for MPF SML1 Rental.;

~~$K_1$  is the level of  $K$  in Table A in Annex 2 to this Condition 12B that corresponds to the cumulative Homes passed by Openreach's FTTP network in Area 3 (rounded to the nearest 200,000), excluding any Homes passed that were funded by government subsidies, on 31 October 2020.~~

**Annex 2 to Condition 12B**

For the purposes of Condition 12B.45, K is as set out in Table A below:

Homes passed in Area 3 by Openreach fibre network (excluding those funded by government subsidies)	K
0	0.00
— 200,000	0.53 – 1.09
— 400,000	1.06 – 2.18
— 600,000	1.59 – 3.27
— 800,000	2.12 – 4.36
— 1,000,000	2.65 – 5.45
— 1,200,000	3.18 – 6.54
— 1,400,000	3.71 – 7.63
— 1,600,000	4.24 – 8.72
— 1,800,000	4.77 – 9.81
— 2,000,000	5.30 – 10.90
— 2,200,000	5.83 – 11.99
— 2,400,000	6.36 – 13.08
— 2,600,000	6.89 – 14.17
— 2,800,000	7.42 – 15.26
— 3,000,000	7.95 – 16.35
— 3,200,000	8.48 – 17.44
— 3,400,000	9.01 – 18.53
— 3,600,000	9.54 – 19.62
— 3,800,000	10.07 – 20.71
— 4,000,000	10.60 – 21.80
— 4,200,000	11.13 – 22.89
— 4,400,000	11.66 – 23.98
— 4,600,000	12.19 – 25.07

<del>—4,800,000</del>	<del>12.72—26.16</del>
<del>—5,000,000</del>	<del>13.25—27.25</del>
<del>—5,200,000</del>	<del>13.78—28.34</del>
<del>—5,400,000</del>	<del>14.31—29.43</del>
<del>—5,600,000</del>	<del>14.84—30.52</del>
<del>—5,800,000</del>	<del>15.37—31.61</del>
<del>—6,000,000</del>	<del>15.90—32.70</del>
<del>—6,200,000</del>	<del>16.43—33.79</del>
<del>—6,400,000</del>	<del>16.96—34.88</del>
<del>—6,600,000</del>	<del>17.49—35.97</del>
<del>—6,800,000</del>	<del>18.02—37.06</del>
<del>—7,000,000</del>	<del>18.55—38.15</del>

## Condition 12C – VULA charge control

12C.2

(WLA  
Area 3)

Subject to Condition 12C.3, the Dominant Provider shall take all reasonable steps to secure that, at the end of each Relevant Year, the Percentage Change (determined in accordance with ~~Condition 12C.5 for Condition 12C.2(a) and~~ Condition 12C.7 for Condition 12C.2(a)) to (m)) in:

- (a) ~~the Rental Charges Basket;~~ the charge for FTTC 40/10 Rental, except for the First Relevant Year in relation to which the charge ceiling specified in Condition 12C.4(a) applies;
- (b) the charge for FTTC PCP Only Install Connection, except for the First Relevant Year in relation to which the charge ceiling specified in Condition 12C.6 (a) applies;
- (c) the charge for FTTC Start of Stopped Line Connection, except for the First Relevant Year in relation to which the charge ceiling specified in Condition 12C.6 (b) applies;
- (d) the charge for VULA Migration, except for the First Relevant Year in relation to which the charge ceiling specified in Condition 12C.6 (c) applies;
- (e) the charge for VULA Bandwidth Change, only where it relates to: (i) Copper-based network access services, or (ii) GEA-FTTP services at locations at which no Copper-based network access services are available, except for the First Relevant Year in relation to which the charge ceiling specified in Condition 12C.6 (d) applies;
- (f) the charge for FTTP 40/10 Voice and Data Connection, at locations at which no Copper-based network access services are available, for connections to premises that are new to

Openreach, except for the First Relevant Year in relation to which the charge ceiling specified in Condition 12C.6(e) applies;

(g) the charge for FTTP 40/10 Transition Connection, at locations at which no Copper based network access services are available, for connections to premises that are new to Openreach, except for the First Relevant Year in relation to which the charge ceiling specified in Condition 12C.6(f) applies;

(h) for 1 Gbit Cablelink Connection, except for the First Relevant Year in relation to which the charge ceiling specified in Condition 12C.6(i) applies;

(i) for 10 Gbit Cablelink Connection, except for the First Relevant Year in relation to which the charge ceiling specified in Condition 12C.6(j) applies;

(j) for 1 Gbit Cablelink Rental, except for the First Relevant Year in relation to which the charge ceiling specified in Condition 12C.6(k) applies;

(k) for 10 Gbit Cablelink Rental, except for the First Relevant Year in relation to which the charge ceiling specified in Condition 12C.6(l) applies;

(l) for Superfast Visit Assure, only where it relates to: (i) Copper-based network access services, or (ii) GEA-FTTP services at locations at which no Copper-based network access services are available, except for the First Relevant

Year in relation to which the charge ceiling specified in Condition 12C.6(m) applies; and

(m) for VULA Cease, except for the First Relevant Year in relation to which the charge ceiling specified in Condition 12C.6(n) applies.

is not more than the Controlling Percentage (as determined in accordance with Condition 12C.7).

~~In this Condition 12C, the Rental Charges Basket shall be construed as including the following services, subject to such changes as Ofcom may direct from time to time:~~

~~i. the charge for FTTC 40/10 Rental;~~

~~ii. the charge for FTTC 55/10 Rental;~~

~~iii. the charge for FTTC 80/20 Rental.~~

## 12C.5

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~~The Percentage Change for the purposes of the Rental Charges Basket specified in Condition 12C.2 shall be calculated, for the purposes of complying with Condition 12C.2, by employing the following formula:~~

$$G_t = \frac{\sum_{i=1}^n R_i \left[ \frac{(\bar{p}_{t,t} - \bar{p}_{t,t-1})}{\bar{p}_{t,t-1}} \right]}{\sum_{i=1}^n R_i}$$

Where:

—  $C_t$  is the Percentage Change in the aggregate of charges for the services in the Basket for Relevant Year  $t$ ;

$n$  is the number of individual services in the Basket;

$i$  is a number from 1 to  $n$  for each of the  $n$  individual services in the Basket;

—  $R_t$  is the Total Revenue accrued during the Prior Year in respect of the individual service  $i$  that forms part of the Basket;

$t$  is the Relevant Year;

$t-1$  is the Prior Year;

—  $\bar{p}_{i,t}$  is the Relevant Year Weighted Average Charge made by the Dominant Provider for the individual service  $i$  that forms part of the Basket during the Relevant Year, excluding any discounts offered by the Dominant Provider:

Where such Relevant Year Weighted Average Charge shall be calculated by employing the following formula:

$$\bar{p}_{i,t} = \sum_{j=1}^m (w_{i,j,t} p_{i,j,t})$$

Where:

$m$  is the number of time periods for which there are distinct charges during the Relevant Year;

$j$  is a number from 1 to  $m$  for each of the  $m$  time periods during which a distinct charge is in effect;

—  $w_{i,j,t}$  is the proportion of the Relevant Year in which each charge,  $p_{i,j,t}$  is in effect, calculated by the number of days during which the charge is in effect and dividing:

for the First Relevant Year, by 365;

- 1) for the Second Relevant Year, by 365;
- 2) for the Third Relevant Year, by 366;
- 3) for the Fourth Relevant Year, by 365;
- 4) for the Fifth Relevant Year, by 365.
- 5)  $p_{i,j,t}$  is the charge for the specified period,  $j$ , during the Relevant Year  $t$  for the individual service,  $i$ ;

—  $\bar{p}_{i,t-1}$  is, for the purposes of calculating the Percentage Change for the First Relevant Year, the Initial Charge for the individual service  $i$  that forms part of the Basket during the Prior Year, excluding any discounts offered by the Dominant Provider. For the purposes of calculating the Percentage Change for the Second Relevant Year and the Third Relevant Year,  $\bar{p}_{i,t-1}$  is the Prior Year Weighted Average Charge made by the Dominant Provider for the individual service  $i$  that forms part of the Basket during the Prior Year, excluding any discounts offered by the Dominant Provider;

Where such Prior Year Weighted Average Charge shall be calculated by employing the following formula:

$$\bar{p}_{i,t-1} = \sum_{j=1}^m (w_{i,j,t-1} p_{i,j,t-1})$$

Where:

$m$  is the number of time periods for which there are distinct charges during the Prior Year;

$j$  is a number from 1 to  $m$  for each of the  $m$  time periods during which a distinct charge is in effect;

—  $w_{i,j,t-1}$  is the proportion of the Prior Year in which each charge,  $p_{i,j,t-1}$ , is in effect, calculated by the number of days during which the charge is in effect and dividing:

~~for the First Relevant Year, by 365;~~

~~1) for the Second Relevant Year, by 365;~~

~~2) for the Third Relevant Year, by 365;~~

~~3) for the Fourth Relevant Year, by 366;~~

~~4) for the Fifth Relevant Year, by 365.~~

~~$p_{i,j,t-1}$  is the charge for the individual period,  $j$ , during  
the Prior Year,  $t-1$ , for the individual service,  $i$ .~~

## 12C.6

The Dominant Provider shall not charge more than:

(WLA Area

3)

(a) for FTTC 40/10 Rental, the amount of £61.18 in the First Relevant Year;

(b) for FTTC PCP Only Install Connection, the amount of £47.78 in the First Relevant Year;

(c) for FTTC Start of Stopped Line Connection, the amount of £3.12 in the First Relevant Year;

(d) for VULA Migration, the amount of £3.12 in the First Relevant Year;

(e) for VULA Bandwidth Change, only where it relates to: (i) Copper based network access services, or (ii) GEA-FTTP services at locations at which no Copper-based network access services are available, the amount of £5.70 in the First Relevant Year;

(f) for FTTP 40/10 Voice and Data Connection, at locations at which no Copper-based network access services are available, for connections to premises that are new to Openreach the amount of £127.76 in the First Relevant Year;

- (g) for FTTP 40/10 Transition Connection, at locations at which no Copper-based network access services are available, for connections to premises that are new to Openreach the amount of £100.46 in the First Relevant Year;
- (h) at locations at which no Copper-based network access services are available, for connections to premises that are not new to Openreach, for FTTP 40/10 Voice and Data Connection, the amount of £0 in each Relevant Year;
- (i) at locations at which no Copper-based network access services are available, for connections to premises that are not new to Openreach, for FTTP 40/10 Transition Connection, the amount of £0 in each Relevant Year;
- (j) for 1 Gbit Cablelink Connection, the amount of £531.42 in the First Relevant Year;
- (k) for 10 Gbit Cablelink Connection, the amount of £1,062.84 in the First Relevant Year;
- (l) for 1 Gbit Cablelink Rental, the amount of £0 in each Relevant Year;
- (m) for 10 Gbit Cablelink Rental, the amount of £0 in each Relevant Year;
- (n) for Superfast Visit Assure, only where it relates to: (i) Copper-based network access services, or (ii) GEA-FTTP services at locations at which no Copper-based network

access services are available, the amount of £132.60 in the First Relevant Year; and

(o) for VULA Cease, the amount of £0 in each Relevant Year.

**12C.9**  
**(WLA Area**  
**3)**

(a) Subject to Conditions 12C.9(b) to 12C.9(e) below, the Controlling Percentage in relation to any Relevant Year for each of the services specified in Condition 12C.2 shall be calculated by employing the following formula:

$$CP_t = CPI_t + X$$

Where:

$CP_t$  is the Controlling Percentage for Relevant Year  $t$ ;

$CPI_t$  is CPI for the Relevant Year,  $t$ ;

$X$  means:

- ~~for the services specified in 12C.2(a) 5.75% to 15%~~
- for the services specified in Condition 12C.2 (a**b**) to (o): Zero

(b) For each of the services specified in Condition 12C.2, and unless Condition 12C.3 applies, where the Percentage Change at the end of the First Relevant Year, Second Relevant Year, Third Relevant Year, or Fourth Relevant Year is less than the Controlling Percentage (“**Deficiency**”), then the Controlling Percentage for the following Relevant Year shall be determined in accordance with Condition 12C.9(d).

(c) For each of the services specified in Condition 12C.2, and unless Condition 12C.3 applies, where the Percentage Change at the end of either the First Relevant Year, Second Relevant Year,

Third Relevant Year, Fourth Relevant Year is more than the Controlling Percentage (“**Excess**”), then the Controlling Percentage for the following Relevant Year shall be determined in accordance with Condition 12C.9(d).

- (d) For each of the services specified in Condition 12C.2, and unless Condition 12C.3 applies, in the case of Deficiency or Excess, the Controlling Percentage will be calculated by employing the following formula:

$$CP_t = \left[ \frac{(100\% + CPI + X)(100\% + CP_{t-1})}{(100\% + C_{t-1})} \right] - 100\%$$

Where:

$CP_t$  is the Controlling Percentage for the Second Relevant Year (in the case of Deficiency or Excess in the First Relevant Year), for the Third Relevant Year (in the case of Deficiency or Excess in the Second Relevant Year), for the Fourth Relevant Year (in the case of Deficiency or Excess in the Third Relevant Year), or for the Fifth Relevant Year (in the case of Deficiency or Excess in the Fourth Relevant Year);

$CP_{t-1}$  is the Controlling Percentage for the First Relevant Year (in the case of Deficiency or Excess in the First Relevant Year) for the Second Relevant Year (in the case of Deficiency or Excess in the Second Relevant Year), for the Fourth Relevant Year (in the case of Deficiency or Excess in the Third Relevant Year), or for the Fifth Relevant Year (in

the case of Deficiency or Excess in the Fourth Relevant Year).

$C_{t-1}$  is the Percentage Change in the Charge for the services specified in Condition 12C.2 during the First Relevant Year (in the case of Deficiency or Excess in the First Relevant Year) for the Second Relevant Year (in the case of Deficiency or Excess in the Second Relevant Year), for the Fourth Relevant Year (in the case of Deficiency or Excess in the Third Relevant Year), or for the Fifth Relevant Year (in the case of Deficiency or Excess in the Fourth Relevant Year) calculated in accordance with the formula for  $C_t$  set out in Condition 7B.3;

$X$  is as set out in Condition 12C.9(a); and

*CPI* has the meaning ascribed to it in Part 2 of the Schedule to this Notification.

- (e) For each of the services specified in Condition 12C.2, and unless Condition 12C.3 applies, where the Percentage Change in any Relevant Year is more than the Controlling Percentage, the Dominant Provider shall, to the extent reasonably possible, and as soon as reasonably practicable, repay the Relevant Excess Revenue to the relevant Affected Communications Provider.

#### **12C.14**

The Dominant Provider must record, maintain and supply to Ofcom in an electronic format, no later than three months after the end of each Relevant Year, the data necessary for Ofcom to

**(WLA Area  
2, WLA  
Area 3)**

monitor compliance of the Dominant Provider with this Condition 12C. The data must include:

- i. pursuant to Condition 12C.7, the calculated Percentage Change relating to each service listed in Condition 12C.1 and 12C.2;
- ii. all relevant data the Dominant Provider used in the calculation of the Percentage Change as set out in ~~Condition 12C.5 and~~ Condition 12C.7, including for each specific service;
- iii. all charges, excluding any discounts, published by the Dominant Provider from time to time during the Relevant Year and the Prior Year, including the dates and time periods during which they were in force;
- iv. the Relevant Year Weighted Average Charges and the Prior Year Weighted Average Charges for all of the services for which Condition 12C.7 applies and calculations thereof;
- v. other data necessary for monitoring compliance with the charge control; and
- vi. such data as Ofcom may from time to time direct.

The Dominant Provider must publish on its website a non-confidential version of the information provided under (i) to (vi).

The information provided to Ofcom under (i) to (vi) must be accompanied by a statement from an independent third party providing

assurance on the data. This assurance will be in the form of Agreed upon procedures. The statement provided to Ofcom by the independent third party will set out the results of the tests carried out in order to give the Agreed upon procedures assurance.

**12C.20**

In this Condition 12C:

**(WLA Area**

**2, WLA**

**Area 3)**

- (a) **“1 Gbit Cablelink Connection”** shall be construed as having the same meaning as the connection charge for ‘1 Gigabit GEA Cablelink (provides access to the Fibre-enabled customer base)’ as provided by the Dominant Provider on its website for definitions and explanations of its GEA – FTTC and GEA – FTTP products;
- (b) **“10 Gbit Cablelink Connection”** shall be construed as having the same meaning as the connection charge for ‘10 Gigabit GEA Cablelink (provides access to the Fibre-enabled customer base)’ as provided by the Dominant Provider on its website for definitions and explanations of its GEA – FTTC and GEA – FTTP products;
- (c) **“1 Gbit Cablelink Rental”** shall be construed as having the same meaning as the annual rental charge for ‘1 Gigabit GEA Cablelink (provides access to the Fibre-enabled customer base)’ as provided by the Dominant Provider on its website for definitions and explanations of its GEA – FTTC and GEA – FTTP products, should the Dominant Provider introduce such a charge after 1 April 2018;

- (d) **“10 Gbit Cablelink Rental”** shall be construed as having the same meaning as the annual rental charge for ‘10 Gigabit GEA Cablelink (provides access to the Fibre-enabled customer base)’ as provided by the Dominant Provider on its website for definitions and explanations of its GEA – FTTC and GEA – FTTP products, should the Dominant Provider introduce such a charge after 1 April 2018;
- (e) **“Charge Controlled Service”** means a service and/or product listed in Condition 12C.1, 12C.2 or 12C.4;
- (f) **“Controlling Percentage”** is to be determined in accordance with Condition 12C.~~87~~ or 12C.~~98~~ as applicable;
- (g) **“Excess Revenue”** means the difference between (a) the revenue which the Dominant Provider earned in the Relevant Year from providing the services and/or products listed in Condition 12C.1 or 12C.2, and (b) the revenue the Dominant Provider would have earned in the Relevant Year from providing the services and/or products listed in Condition 12C.1 or 12C.2 if it had complied with Condition 12C.1 or 12C.2 as applicable;
- (h) **“FTTC 40/10 Rental”** shall be construed as having the same meaning as ‘Up to 40Mbit/s downstream and up to 10Mbit/s upstream (including Simultaneous Provide)’ as provided by the Dominant Provider on its website for definitions and explanations of its GEA – FTTC products;

- (i) **“FTTC 40/10 PCP Only Install Connection”** shall be construed as having the same meaning as ‘PCP Only Install’ as provided by the Dominant Provider on its website for definitions and explanations of its GEA – FTTC products where the connection is to allow the Third Party to access a bandwidth of up to 40Mbit/s downstream and up to 10Mbit/s upstream;
- (j) **“FTTC PCP Only Install Connection”** shall be construed as having the same meaning as ‘PCP Only Install’ as provided by the Dominant Provider on its website for definitions and explanations of its GEA – FTTC products where the connection is to allow the Third Party to access a bandwidth of up to 40Mbit/s downstream and up to 10Mbit/s upstream, 55Mbit/s downstream and up to 10Mbit/s upstream or 80Mbit/s downstream and up to 20Mbit/s upstream;
- (k) **“FTTC 40/10 Start of Stopped Line Connection”** shall be construed as having the same meaning as ‘Start of Stopped Line’ as provided by the Dominant Provider on its website for definitions and explanations of its GEA – FTTC products where the connection is to allow the Third Party to access a bandwidth of up to 40Mbit/s downstream and up to 10Mbit/s upstream;
- (l) **“FTTC Start of Stopped Line Connection”** shall be construed as having the same meaning as ‘Start of Stopped Line’ as provided by the Dominant Provider on its website for definitions and explanations of its GEA – FTTC products where the connection is to allow the Third Party to access a bandwidth of up to 40Mbit/s downstream and up to 10Mbit/s upstream, 55Mbit/s

downstream and up to 10Mbit/s upstream or 80Mbit/s downstream and up to 20Mbit/s upstream;

(m) **“FTTP 40/10 Transition Connection”** shall be construed as having the same meaning as the connection charge for ‘Up to 40Mbit/s / 10Mbit/s "Transition product" (including Simultaneous Provide)’ as provided by the Dominant Provider on its website for definitions and explanations of its GEA – FTTP products;

(n) **“FTTP 40/10 Transition Rental”** shall be construed as having the same meaning as the annual rental charge for ‘Up to 40Mbit/s / 10Mbit/s "Transition product" (including Simultaneous Provide)’ as provided by the Dominant Provider on its website for definitions and explanations of its GEA – FTTP products;

(o) **“FTTP 40/10 Voice and Data Connection”** shall be construed as having the same meaning as the connection charge for ‘Fibre Voice Access Combination with Generic Ethernet Access up to 40Mbit/s/10Mbit/s’ as provided by the Dominant Provider on its website for definitions and explanations of its GEA – FTTP products;

(p) **“FTTP 40/10 Voice and Data Rental”** shall be construed as having the same meaning as the annual rental charge for ‘Fibre Voice Access Combination with Generic Ethernet Access up to 40Mbit/s/10Mbit/s’ as provided by the Dominant Provider on its website for definitions and explanations of its GEA – FTTP products;

- (q) **“Percentage Change”** has the meaning given to it in Condition ~~12C.5 or~~ 12C.7 as applicable;
- (r) **“Prior Year Weighted Average Charge”** is to be determined in accordance with the relevant formula in Condition ~~12C.5 or~~ 12C.7 as applicable;
- (s) **“Relevant Year Weighted Average Charge”** is to be determined in accordance with the relevant formula in Condition ~~12C.5 or~~ 12C.7 as applicable;
- (t) **“Superfast Visit Assure”** shall be construed as having the same meaning as ‘Visit Assure – Visit to customer premises’ as provided by the Dominant Provider on its website for definitions and explanations of its GEA – FTTC and GEA – FTTP products;
- (u) **“VLAN Move”** shall be construed as having the same meaning as ‘VLAN moves applied to GEA Cablelink Modify transactions’ as provided by the Dominant Provider on its website for definitions and explanations of its GEA – FTTC and GEA – FTTP products;
- (v) **“VULA 40/10 Cancel/Amend/Modify – CRD”** shall be construed as having the same meaning as ‘Cancel/Amend/Modify - CRD Amend, order notes amend, order cancellation, Care Level’ as provided by the Dominant Provider on its website for definitions and explanations of its GEA – FTTC and GEA – FTTP products, where the change is to allow the Third Party to access a bandwidth of up to 40Mbit/s downstream and up to 10Mbit/s upstream;

- (w) **“VULA 40/10 Cancel/Amend/Modify – Regrading”** shall be construed as having the same meaning as ‘Cancel/Amend/Modify - Regrading of existing upstream or downstream speed, both at point of sale and in-life’ as provided by the Dominant Provider on its website for definitions and explanations of its GEA – FTTC and GEA – FTTP products, where the change is to allow the Third Party to access a bandwidth of up to 40Mbit/s downstream and up to 10Mbit/s upstream;
- (x) **“VULA Cease”** shall be construed as having the same meaning as ‘Service cessation (any product variant)’ as provided by the Dominant Provider on its website for definitions and explanations of its GEA – FTTC and GEA – FTTP products; and
- (y) **“VULA Migration”** means the transfer of control of a Virtual Unbundled Local Access service between Third Parties purchasing Virtual Unbundled Local Access from the Dominant Provider.

## Schedule 2: No undue discrimination SMP conditions

### Condition 4 – No undue discrimination

- 4.1 (WLA Area 3)** Except insofar as Ofcom may from time to time otherwise consent in writing, the Dominant Provider must not unduly discriminate against particular persons or against a particular description of persons, in relation to the provision of network access in accordance with Conditions 1 and 2, as applicable.
- 4.2 (WLA Area 3)** In this Condition, the Dominant Provider may be deemed to have shown undue discrimination if it unfairly favours to a material extent an activity carried on by it so as to place one or more Third Parties at a competitive disadvantage in relation to activities carried on by the Dominant Provider.
- 4.3** [Left deliberately blank for the consultation]
- 4.4 (WLA Area 3)** In this Condition, the Dominant Provider may be deemed to have shown undue discrimination if in a Relevant Year it charges different prices in different geographic areas for rental services used to provide network access to VULA other than VULA that is provided over GEA-FTTP, or for other rental services where those services are being provided in conjunction with such a VULA service for the purposes of providing electronic communications services to end users. This Condition 4.4 does not apply to Local Serving Exchanges where the Dominant Provider has published a Second Threshold Notice in relation to that Local Serving Exchange.
- 4.5 (WLA Area 3)** In this Condition, the Dominant Provider may be deemed to have shown undue discrimination if in a Relevant Year it charges different prices in different geographic areas for rental services used to provide network access to VULA that is provided over GEA-FTTP, or for other rental services where those services are being provided in

conjunction with such a VULA service for the purposes of providing electronic communications services to end users.

**4.6** [Left deliberately blank for the consultation]

**4.7** The consent dated [Date] published at Annex [X] of the statement entitled “Measures to support Openreach’s trials in Salisbury and Mildenhall” shall apply as if it has been given under condition 4.1 from the date that this condition enters into force and that consent must be read accordingly.

**(WLA Area 3)**

## Part 2: Updated proposal for Directions

### **NOTIFICATION OF PROPOSALS UNDER SECTION 49A OF THE COMMUNICATIONS ACT 2003**

#### **Proposals for a direction in relation to BT under section 49 of the Communications Act 2003 and given under SMP conditions**

1. On 8 January 2020, Ofcom published a consultation document entitled “Promoting competition and investment in fibre networks: Wholesale Fixed Telecoms Market Review 2021-2026” (the “Main Document”). In it, Ofcom consulted on proposals to identify markets, make market power determinations and set SMP conditions with respect to BT. It gave notice of proposals for a suite of SMP conditions to be imposed on BT but left a placeholder at Condition 11 for Regulatory Accounting Conditions. It also proposed to revoke the suite of SMP conditions currently applicable to BT, including all the existing regulatory accounting conditions.
2. On 6 February 2020, Ofcom published a consultation document entitled “Promoting competition and investment in fibre networks: BT Regulatory Financial Reporting requirements covering wholesale fixed telecoms markets 2021-2026” (the “February 2020 Reporting Consultation”). That document contained a notification of proposals to impose SMP conditions on BT relating to regulatory financial reporting.
3. Pursuant to the proposed SMP conditions, Ofcom may give certain directions relating to them.
4. Ofcom proposed in a notification in the February 2020 Reporting Consultation to give directions under the proposed SMP conditions.
5. Ofcom received comments on its proposals set out in the February 2020 Reporting Consultation, which Ofcom is still considering.
6. On 26 June 2020, Openreach confirmed plans to extend BT’s fibre network, as a consequence of which this consultation contains further proposals in relation to certain of

the SMP conditions proposed in the Main Document. For the reasons set out in the consultation accompanying this notification, Ofcom is therefore making further proposals in relation to one of the directions proposed in the February 2020 Reporting Consultation, in respect of the markets in which Ofcom has either found or proposed that BT has SMP in the Main Document. This notification contains its proposals for that direction.

## **Proposals to give a direction**

7. Ofcom is proposing to give Direction 2 as set out in the February 2020 Reporting Consultation, as amended by the Schedule to this Notification, pursuant to section 49 of the Act and the SMP conditions proposed in the February 2020 Reporting Consultation. Deletions to the proposal in the February 2020 Reporting Consultation are shown in strike through text and additions are shown in red font. The February 2020 Reporting Consultation should be read accordingly.
8. Pursuant to proposed Condition 11.5, Ofcom may make directions in relation to BT's obligations under the proposed conditions.
9. Pursuant to proposed Condition 11.2, the Dominant Provider must maintain a separation for accounting purposes between such different matters relating to network access to the relevant network or the availability of the relevant facilities as is required by the regulatory accounting SMP conditions including as Ofcom may from time to time direct.
10. Pursuant to proposed condition 11.3, the Dominant Provider must comply with such rules made by Ofcom about the use of cost accounting systems as required by the regulatory accounting SMP conditions and must comply with such requirements about the description to be made available to the public of the cost accounting system as required by the regulatory accounting SMP conditions in each case including as Ofcom may from time to time direct.
11. Pursuant to proposed condition 11.35, the Dominant Provider must provide to Ofcom all data and models used in the Regulatory Accounting System within four months after the end

of the Financial Year to which the Regulatory Financial Statements relate, as directed by Ofcom from time to time.

12. The proposed direction set out in the Schedule to this notification shall apply in relation to the markets specified in it.
13. The proposed direction set out in the Schedule to this notification shall take effect on the date of a subsequent notification under section 49 of the Act adopting the proposals set out in this notification.

### **Ofcom's legal duties and tests**

14. The effect of this proposed direction, and Ofcom's reasons for giving it, are set out in the February 2020 Reporting Consultation and in the consultation document accompanying this notification and, for the reasons therein, Ofcom provisionally considers that the directions would comply with the requirements of section 49(2) of the Act. Ofcom has considered and acted in accordance with its general duties set out in section 3 of the Act, the six community requirements in section 4 of the Act and the duty to take account of European Commission recommendations for harmonisation in section 4A of the Act. Pursuant to Article 3(3) of Regulation (EC) No 1211/2009, Ofcom has also taken the utmost account of any relevant opinion, recommendation, guidelines, advice or regulatory practice adopted by BEREC.
15. Ofcom has also had regard to the Statement of Strategic Priorities in making the proposals referred to in this notification.

### **Making representations**

16. Representations may be made to Ofcom about any of the proposals set out in this notification and the accompanying consultation document by no later than 16 September 2020.
17. In accordance with section 49C(1)(a) of the Act, a copy of the notification, together with the Schedules, has been sent to the Secretary of State.

## Interpretation

18. For the purpose of interpreting this notification -
- (a) words or expressions shall have the meaning assigned to them in the notification of proposals for SMP services conditions and directions in the February 2020 Reporting Consultation;
  - (b) save where otherwise defined in the February 2020 Reporting Consultation, and except in so far as the context otherwise requires, words or expressions shall have the meaning assigned to them in the notification on proposals for SMP services conditions contained in Volume 5 (Draft legal instruments) of the Main Document;
  - (c) otherwise any word or expression shall have the same meaning as it has in the Act;
  - (d) headings and titles shall be disregarded;
  - (e) expressions cognate with those referred to in this notification shall be construed accordingly; and
  - (f) the Interpretation Act 1978 (c. 30) shall apply as if this notification were an Act of Parliament.

19. The Schedule to this notification shall form part of this notification.

**Signed**



David Clarkson

Competition Policy Director, Ofcom

**A person duly authorised in accordance with paragraph 18 of the Schedule to the Office of Communications Act 2002**

29 July 2020

## SCHEDULE

### Direction 2: Direction setting requirements in relation to preparation, delivery, publication, form and content of the Regulatory Financial Statements

#### Background

1. This Direction is made under:
  - (a) Section 49 of the Act;
  - (b) SMP Condition 11.2;
  - (c) SMP Condition 11.3;
  - (d) SMP Condition 11.5; and
  - (e) SMP Condition 11.35.
  
2. This Direction applies with respect to the following markets unless otherwise specified:
  - (a) PI
    - (a) WLA Area 2
    - (b) WLA Area 3
    - (c) LLA HNR
    - (d) LLA Area 2
    - (e) LLA Area 3
    - (f) IEC; and
    - (g) IEC BT + 1

#### Interpretation

3. In this Direction, the following terms have the following meanings:
  - (a) “Market” means:
    - i) each of the SMP markets identified in the [*insert reference to SMP notification*]; and
    - ii) Shared Ancillaries.

- (b) **“Shared Ancillaries”** means ancillaries that are used in any of the SMP markets identified in the *[insert reference to SMP notification]*.
- (c) **“PAC”** means a 'previously allocated cost' methodology whereby costs are attributed pro-rata to each cost category which has received an allocation of operating costs, depreciation and return on mean capital employed at the preceding level of the Regulatory Accounting System.

## Direction

- 4. Ofcom hereby directs BT as follows.
- 5. BT shall prepare and deliver to Ofcom two weeks before they are published the following final statements, in accordance with the obligations in paragraph 6 and 7 below:
  - (a) Introduction to the Regulatory Financial Statements;
  - (b) Basis of Preparation;
  - (c) Statement of Responsibility;
  - (d) Performance Summary by Market;
  - (e) Attribution of Wholesale Current Costs;
  - (f) Attribution of Wholesale Current Cost Mean Capital Employed;
  - (g) Reconciliation Statement – Income Statement;
  - (h) Reconciliation Statement – Mean Capital Employed;
  - (i) Attribution rules applied to Wholesale Current Costs;
  - (j) Attribution diagrams for Wholesale Current Cost Mean Capital Employed;
  - (k) Market Summaries;
  - (l) Analysis of Service Wholesale Current Costs and Mean Capital Employed; and
  - (m) Appendix for Physical Infrastructure Market.
  - (n) Glossary
- 1. BT shall publish the statements set out in paragraph 5 of this Direction, and in addition the following statements:
  - (a) Statement by Ofcom; and
  - (b) Report of the Regulatory Auditor,within four months after the end of the Financial Year to which they relate.

2. Except where BT is entitled to amend the form and content of the Regulatory Financial Statements, BT shall prepare the statements described in paragraphs 5 and 6 in the form provided for and containing the content specified in Annex A to this Direction.
3. BT shall publish the Regulatory Financial Statements in Excel spreadsheet format as well as in portable document format (“PDF”).
4. BT shall prepare and deliver to Ofcom at the same time it delivers its Regulatory Financial Statements the following additional financial information in respect of each Market in the form and content described in Annex B:
  - i) Data supporting the cost attribution system;
  - ii) CCA fixed asset movement statement;
  - iii) Data supporting CCA valuations;
  - iv) Asset values and depreciation;
  - v) Regulatory Asset Value (RAV) adjustment applied to Access Duct;
  - vi) PAC breakdown
  - vii) Cost component mapping
  - viii) Grant funded assets
5. BT shall prepare and deliver to Ofcom at the same time as it delivers its Regulatory Financial Statements the following additional financial information in respect of the PI Market in the form and content described in Annex B
  - i) Costs of lead-in duct and single bore spine duct;
  - ii) Attributions of duct costs to PI services;
  - iii) PI utilisation metrics
6. BT shall prepare and deliver to Ofcom at the same time it delivers its Regulatory Financial Statements the following additional financial information in respect of the WLA - Area 2 and WLA – Area 3 Markets in the form and content as described in Annex B:
  - i) FTTP investment in Area 2 and Area 3
  - ii) FTTP roll-out and mark-up on MPF rentals
  - iii) Time related charges
  - iv) Special fault investigations
7. BT shall prepare and deliver to Ofcom at the same time it delivers its Regulatory Financial Statements the following additional financial information in respect of Leased Lines Access and IEC Markets in the form and content as described in Annex B

- i) Time related charges
8. BT shall prepare and deliver to Ofcom at the same time it delivers its Regulatory Financial Statements the following additional financial information in respect of Leased Lines Access – Area 3 and IEC – BT only in the form and content as described in Annex B
- i) Dark fibre patch panels and initial testing
9. BT shall prepare and deliver to Ofcom at the same time it delivers its Regulatory Financial Statements the following additional financial information in respect of Shared Ancillaries in the form and content as described in Annex B
- i) Electricity Charges
10. Where the additional financial information can be extracted from the data provided in paragraph 9(i), BT is not required to provide separate schedules.
11. The Annexes to this direction form part of the Direction.

## **Annex A**

### **Statement by Ofcom**

The statement provided by Ofcom commenting on the figures in, the notes to, or the presentation of any or all of the Regulatory Financial Statements, in relation to each of the Markets.

## **Introduction to the Regulatory Financial Statements**

The Introduction to the Regulatory Financial Statements (RFS) shall be included in the RFS as a separate statement.

The Introduction must include a summary of the Dominant Provider's financial performance in a way which helps the reader to understand the RFS. The summary must include a brief but complete commentary on its financial performance in relation to each Market separately, prepared on an objective basis.

The Introduction should also set out an analysis of the changes and developments affecting each Market, including changes in market conditions, the introduction or announcement of new services, new and discontinued activities and relevant acquisitions and disposals.

## **Basis of Preparation**

The Regulatory Financial Statements (RFS) shall contain, as a separate statement, notes, modelled on generally accepted accounting principles, to assist the user in the interpretation of the RFS.

The notes must address issues necessary to ensure the proper preparation of the RFS (in accordance with the requirement to obtain an audit to “properly prepared in accordance with” standard). They should set out to the extent necessary the basis of accounting, accounting policies, changes for restatement, non-compliance with the International Accounting Standards and any other information that will enable users to properly understand the RFS.

The notes should make clear issues of comparability that assist the reader’s understanding of the RFS and highlight accounting policies that are key to the understanding of performance, focusing on those which have required the particular exercise of judgement in their application and those accounting policies which have changed in the year.

## **Statement of Responsibility**

The statement provided by the board of directors of BT shall set out the basis of preparation of the Regulatory Financial Statements and confirm the approval of the Regulatory Financial Statements by BT's board of directors.

## **Report of the Regulatory Auditor**

The statement by the Regulatory Auditor shall set out the duties and responsibilities of BT and of the Regulatory Auditor, the basis of audit opinion in accordance with current auditing standards, to whom a duty of care is owed and their opinion in respect of each Regulatory Financial Statement.

## Performance Summary by Market

The Performance Summary by Market schedule shall be in the form specified below, and contain the information required by the column and row headings.

**Performance Summary by Market 20XX**  
**For the year ended 31 March 20XX**

Section	Openreach					Rest of BT			BT Group			Total SMP markets
	Physical Infrastructure	SMP markets (additional column for each market)	Non-SMP	Eliminations	Total	SMP markets (additional column for each market)	Non-SMP	Total	Eliminations	Roundings	Total	
<b>PI revenues</b>												
External purchases	£m											
Internal purchases	£m											
Inputs to downstream services	£m											
<b>Total PI revenues</b>	£m											
<b>Other revenues</b>												
External revenue	£m											
Internal revenue	£m											
Total other revenues	£m											
<b>Total revenue</b>	£m											
Attribution of PI costs	£m											
Operating costs - Openreach	£m											
Operating costs - Rest of BT	£m											
Depreciation	£m											
<b>Total HCA operating costs</b>	£m											
CCA adjustments	£m											
<b>Total CCA operating costs</b>	£m											
<b>CCA Return</b>	£m											
<b>Mean capital employed</b>	£m											
<b>Return on MCE %</b>	%											

### Note on specific items:

Below the Performance Summary by Market schedule BT must include a schedule showing which specific items reported in the BT Group statutory financial statements have been attributed to SMP markets

Notes for completing the Performance Summary by Market schedule

- PI revenues: these rows should only be completed for the PI market
- Other revenues: these rows should be completed for all columns except that relating to the PI market
- Attribution of PI: this row should be completed for all columns except that relating to the PI market. The total in this row should reconcile to the row called 'inputs to downstream services'
- All other rows: these should be completed for all columns
- Row names can be modified, or rows added or removed with agreement from Ofcom

Within Openreach, "SMP markets" must include a separate column for each of:

- Wholesale local access – Area 2
- Wholesale local access – Area 3
- Leased lines access – Area 2
- Leased lines access – Area 3
- Leased lines access – High Network Reach
- IEC – BT only exchanges
- IEC – BT + 1 exchanges
- Shared Ancillaries

## Attribution of Wholesale Current Costs

The Attribution of Wholesale Current Costs schedule shall be in the form specified below, and contain the information required by the column and row headings.

Attribution of Wholesale Current Costs 20XX  
For the year ended 31 March 20XX

£m	Openreach				Rest of BT			BT Group			Total SMP markets	
	Physical Infrastructure	SMP markets (additional column for each market)	Non-SMP	Eliminations	Total	SMP markets (additional column for each market)	Non-SMP	Total	Eliminations	Roundings		Total
Section												
EOI input prices (if applicable)												
Attribution of PI costs												
<b>Openreach opex (excl depreciation)</b>												
- Service and network delivery												
- Openreach central functions												
- Leaver costs												
- SLG payments												
- Other opex												
<b>Rest of BT opex (excl depreciation)</b>												
- Exchanges												
- Other property												
- Cumulo												
- Central functions - Technology												
- Central functions - Group												
- Other opex												
<b>Depreciation</b>												
- Duct												
- Poles												
- Other PIA assets (if applicable)												
- Copper												
- Fibre												
- Electronics												
- Software												
- Land and buildings												
- Other depreciation												
- Less funded assets (BDUK, etc)												
<b>Total opex excl other operating income</b>												
Other operating income												
<b>Total operating costs</b>												
<b>Total CCA adjustments</b>												
- Holding gains												
- Supplementary depreciation												
- Other CCA adjustments												
Roundings												
<b>Total CCA operating costs</b>												

Notes for completing the 'Attribution of Wholesale Current Costs' schedule:

- **Openreach 'Other opex'**: BT must provide a further breakdown of these costs where they exceed 10% of total Openreach operating costs, with the additional breakdown to be agreed with Ofcom.
- **Rest of BT 'Other opex'**: BT must provide an additional breakdown of these costs where they exceed 10% of total rest of BT Operating costs attributed to Openreach, with the additional breakdown to be agreed with Ofcom.
- Row names can be modified, or rows added or removed with agreement from Ofcom.

Within Openreach, "SMP markets" must include a separate column for each of:

- Wholesale local access – Area 2
- Wholesale local access – Area 3
- Leased lines access – Area 2
- Leased lines access – Area 3
- Leased lines access – High Network Reach
- IEC – BT only exchanges
- IEC – BT + 1 exchanges
- Shared Ancillaries

## Attribution of Wholesale Current Cost Mean Capital Employed

The Attribution of Wholesale Current Cost Mean Capital Employed schedule shall be in the form specified below, and contain the information required by the column and row headings.

### Attribution of Wholesale Current Cost Mean Capital Employed XX For the year ended 31 March 20XX

£m	Openreach				Total	Rest of BT			BT Group			Total SMP markets
	Physical Infrastructure	SMP markets (additional column for each market)	Non-SMP	Eliminations		SMP markets (additional column for each market)	Non-SMP	Total	Eliminations	Roundings	Total	
Section												
<b>Non-current assets</b>												
- Duct												
- Poles												
- Other PI assets (if applicable)												
- Copper												
- Fibre												
- Electronics												
- Software												
- Land and buildings												
- Other depreciation												
- Less funded assets (BDUK, etc)												
<b>Current assets</b>												
<b>Current liabilities</b>												
<b>Provisions</b>												
Roundings												
<b>Total MCE</b>												

### Notes for completing the 'Attribution of Wholesale Current Cost Mean Capital Employed' schedule:

Row names can be modified, or rows added or removed with agreement from Ofcom.

Within Openreach, "SMP markets" must include a separate column for each of:

- Wholesale local access – Area 2
- Wholesale local access – Area 3
- Leased lines access – Area 2
- Leased lines access – Area 3
- Leased lines access – High Network Reach
- IEC – BT only exchanges
- IEC – BT + 1 exchanges
- Shared Ancillaries

## Reconciliation Statement - Income Statement

The Reconciliation Statement - Income Statement schedule shall be in the form specified below, and contain the information required by the column and row headings.

### Reconciliation Statement - Income Statement 20XX

For the year ended 31 March 20XX

	Openreach			BT Group plc		
	Revenue	Operating Cost	Return or operating profit	Revenue	Operating Cost	Return or operating profit
	£m	£m	£m	£m	£m	£m
As in the Annual Report (before specific items)						
Adjustments						
Specific items						
Use of Technology Assets						
Attribution differences						
Net short term interest						
Share of post tax loss of associated and joint ventures						
Capitalised costs treated as operating expenses						
CCA adjustments						
Roundings						
As in the RFS						

### Note on completion of Reconciliation Statement – income statement/Profit and Loss Account

With agreement from Ofcom, the row names under the 'adjustments' heading can be modified, or rows added or removed.

BT must include a brief description of each adjustment



## Attribution rules applied to Wholesale Current Costs

BT must publish a schedule showing the attribution rules applied to each of the Openreach and Rest of BT operating cost categories published in the Attribution of Wholesale Current Cost schedule.

For each cost category information on the following types of attribution rules should be provided, alongside a brief description of the attribution rule:

- **Direct to Openreach services.** E.g. SLG payments could be directly associated with particular services or groups of services.
- **Direct to rest of BT.** This would capture costs that are directly allocated to residual markets or services outside of Openreach.
- **Pay driver.** A separate row must be provided for each pay driver used (e.g. Openreach Pay, BT Group Pay, Technology Pay, BT Group Factorised pay).
- **PAC driver.** A separate row must be provided for each PAC driver (e.g. Openreach PAC, Group PAC and Technology PAC).
- Additional rows for any attribution rule applied to 10% or more of the relevant cost category.

For each attribution rule the schedule should show:

- the amount of operating cost attributed;
- the proportion of total operating cost attributed; and
- the percentage of costs that are attributed to Openreach SMP markets.

## **Attribution diagrams for Wholesale Current Cost Mean Capital Employed**

For each asset reported in the Attribution of Wholesale Mean Capital Employed schedule BT must publish a diagram showing the principal cost pools used in the Regulatory Accounting System alongside a description of the basis of allocation and the associated allocation percentages. These diagrams can be published as an appendix to the RFS.

## Market Summaries

BT must publish the schedules set out in this section:

- i. PI Summary with Note on network adjustments above and below the financial Limit;
- ii. Wholesale Local Access – Area 2 Summary;
- iii. Wholesale Local Access – Area 3 Summary with Note on FTTP rollout in Area 3 and associated mark-up;
- iv. Leased Lines Access – Area 2 Summary;
- v. Leased Lines Access – Area 3 Summary;
- vi. Leased Lines Access – High Network Reach 3 Summary;
- vii. IEC – BT Only Summary;
- viii. IEC – BT + 1 Summary; and
- ix. Shared Ancillaries

Each schedule shall be in the form specified for it below, and contain the information required by the column and row headings. In each schedule, with agreement from Ofcom, BT can include additional rows i) where required to ensure total revenues or costs reconcile to the Performance Summary by Market schedule or ii) where these row items would be better presented in the Market Summary schedules than in the Reconciliation Statements. For example, in relation to IFRS15 (relating to revenue from contracts with customers) BT could include rows such as.:

- IFRS15 Deferred Revenue
- IFRS15 Outpayments required to be treated as a credit to revenue

## i) PI Summary

### Physical Infrastructure Summary 20XX

For the year ended 31 March 20XX

#### Detailed service analysis

	Internal Revenue	External Revenue	Total Revenue	Internal Volume	External Volume	Measure	Internal Average Price	External Average Price	Internal opex	External opex	Internal MCE	External MCE	Internal ROCE	External ROCE
	£m	£m	£m				£	£	£m	£m	£m	£m	%	%
<b>Inputs into existing downstream services</b>														
Simplified underground lead-in														
Spine duct - 1 bore														
Spine duct - 2 bore														
Spine duct - 3+ bore														
Manholes														
Joint Boxes														
Poles - multi-end-user attachment														
Poles - single-end-user attachment														
Pole top equipment														
Cable up a pole														
Other PI rentals (if applicable)														
<b>Total</b>														
<b>PI Rentals</b>														
Simplified underground lead-in														
Spine duct - 1 bore														
Spine duct - 2 bore														
Spine duct - 3+ bore														
Manholes														
Joint Boxes														
Poles - multi-end-user attachment														
Poles - single-end-user attachment														
Pole top equipment														
Cable up a pole														
Other PI rentals (if applicable)														
<b>Total</b>														
Ancillary Charges (excl. network adjustments)														
Network adjustments above financial limit														
Other PI Charges (if applicable)														
<b>Total Physical Infrastructure</b>														

**Note on network adjustments above and below the financial Limit**

This note should appear below the PI Summary schedule

	<b>Internal opex</b>	<b>External opex</b>	<b>Internal MCE</b>	<b>External MCE</b>
<hr/>				
Gross network adjustments				
Less network adjustments above financial limit				
<hr/>				
Network adjustments below the limit				
- of which, included in downstream services				
- of which included in PI rentals				

## ii) Wholesale Local Access – Area 2 Summary

### X.X.X Wholesale Local Access - Area 2 20XX

For the year ended 31 March 20XX

#### Detailed service analysis

Service	Internal Revenue £m	External Revenue £m	Total Revenue £m	Internal Volume	External Volume	Measure	Internal Average Price £	External Average Price £	Internal opex £m	External opex £m	Internal MCE £m	External MCE £m	Internal ROCE %	External ROCE %
MPF Rentals (SML1) charge controlled														
FTTC 40/10 Rentals charge controlled														
FTTC other rentals														
FTTP 40/10 rentals charge controlled (if applicable)														
FTTP 40/10 rentals non-charge controlled														
FTTP other bandwidth rentals														
Fibre Voice Access charge controlled														
GEA-FTTP 40/10 Transition charge controlled														
Ancillaries (CPI-0%, list where revenue > £5m)														
Ancillaries (£0 cap)														
Other ancillaries														
Other WLA Area 2														
Rounding														
<b>Total WLA Area 2</b>														

#### Note on completion of ii) Wholesale Local Access – Area 2 Summary

- ‘Ancillaries (CPI-0%, list where revenue > £5m)’ means that each ancillary subject to a CPI-0% control with total revenue exceeding £5m should be reported on a separate row

### iii) Wholesale Local Access – Area 3 Summary

#### X.X.X Wholesale Local Access - Area 3 20XX

For the year ended 31 March 20XX

##### Detailed service analysis

Service	Internal Revenue £m	External Revenue £m	Total Revenue £m	Internal Volume	External Volume	Measure	Internal Average Price £	External Average Price £	Internal opex £m	External opex £m	Internal MCE £m	External MCE £m	Internal ROCE %	External ROCE %
MPF Rentals (SML1) charge controlled														
<del>FTTC rentals basket</del>														
FTTC 40/10 Rentals charge controlled														
FTTC other rentals														
<del>FTTC other bandwidth rentals – charge controlled</del>														
<del>Total FTTC rentals basket</del>														
<del>Other FTTC rentals</del>														
FTTP 40/10 rentals charge controlled (if applicable)														
FTTP 40/10 rentals non-charge controlled														
FTTP other bandwidth rentals														
Fibre Voice Access charge controlled														
GEA-FTTP 40/10 Transition charge controlled														
Ancillaries (CPI-0%, list where revenue > £5m)														
Ancillaries (£0 cap)														
Other ancillaries														
Other WLA Area 3														
Rounding														
<b>Total WLA Area 3</b>														

**Note on FTTP rollout in Area 3 ~~and associated mark up~~**

This note should appear below the Wholesale Local Access – Area 3 Summary schedule.

	Measure	Additions for year	Cumulative total as at 31 <del>October</del> March 20XX
Qualifying <del>Non-subsidised</del> homes passed with FTTP	000s		
	Measure		Year to 31- March 20XX
<del>Mark up</del>	<del>£</del>		
<del>Total relevant MPF volumes</del>	<del>rentals</del>		
<del>– of which internal</del>	<del>rentals</del>		
<del>– of which external</del>	<del>rentals</del>		
<del>Total allowed mark-up</del>	<del>£m</del>		

Note on completion of iii) Wholesale Access – Area 3 Summary

- ~~FTTC rentals basket means the services included in the Rental Charges Basket as defined in Condition 12C.2~~
- ‘Ancillaries (CPI-0%, list where revenue > £5m)’ means that each ancillary subject to a CPI-0% control with total revenue exceeding £5m should be reported on a separate row

#### iv) Leased Lines Access – Area 2

##### X.X.X Leased Lines Access - Area 2 Summary 20XX

For the year ended 31 March 20XX

###### Detailed service analysis

Service	Internal	External	Total	Internal	External								
	Revenue	Revenue	Revenue	Volume	Volume								
	£m	£m	£m			£	£	£m	£m	£m	£m	%	%
<b>Ethernet and WDM basket</b>													
Connections													
EAD 1Gbit/s rentals													
Other EAD rentals													
EAD LA 1Gbit/s rentals													
Other EAD LA rentals													
Other rentals													
Main link													
Other services													
<b>Total basket</b>													
<b>ECC basket</b>													
Time related charges													
Ancillaries (list where revenue > £5m)													
Other ancillaries													
Other services (where applicable)													

###### **Total Leased Lines Access - Area 2**

BT must include a note under this schedule on the amount of capitalised ECCs expensed within the year.

###### Note on completion of iv) Leased Lines Access – Area 2 Summary

- ‘Ethernet and WDM basket’ means the services included in the Ethernet and WDM Basket as defined in the Annex to Condition 12E
- ‘ECC basket’ means the services included in the Direct ECC Services Basket as defined in the Annex to Condition 12G
- ‘Ancillaries (list where revenue > £5m)’ means that each ancillary with total revenue exceeding £5m should be reported on a separate row

## v) Leased Lines Access – Area 3

### X.X.X Leased Lines Access - Area 3 Summary 20XX

For the year ended 31 March 20XX

#### Detailed service analysis

Service	Internal	External	Total	Internal	External								
	Revenue	Revenue	Revenue	Volume	Volume								
	£m	£m	£m		Measure	Price	Price	£m	£m	£m	£m	%	%
<b>Dark fibre access</b>													
Connections - single fibre													
Connections - dual fibre													
Rentals - single fibre													
Rentals - dual fibre													
Main link													
Patch panels - customer premises													
Patch panels - exchanges													
Initial testing													
Cessation charges													
Right when tested charges													
<b>Ethernet and WDM basket</b>													
Connections													
EAD 1Gbit/s rentals													
Other EAD rentals													
EAD LA 1Gbit/s rentals													
Other EAD LA rentals													
Other rentals													
Main link													
Other services													
Total basket													
<b>ECC basket</b>													
Time related charges													
Ancillaries (list where revenue > £5m)													
Other ancillaries													
Other services (where applicable)													
<b>Total Leased Lines Access - Area 3</b>													

BT must include a note under this schedule on the amount of capitalised ECCs expensed within the year.

Note on completion of v) Leased Lines Access – Area 3 Summary

- 'Ethernet and WDM basket' means the services included in the Ethernet and WDM Basket as defined in the Annex to Condition 12E
- 'ECC basket' means the services included in the Direct ECC Services Basket as defined in the Annex to Condition 12G
- 'Ancillaries (list where revenue > £5m)' means that each ancillary with total revenue exceeding £5m should be reported on a separate row

vi) Leased Lines Access – High Network Reach

**X.X.X Leased lines access - High Network Reach Summary 20XX**

For the year ended 31 March 20XX

**Detailed service analysis**

<b>Service</b>	<b>Internal Revenue</b>	<b>External Revenue</b>	<b>Total Revenue</b>	<b>Internal Volume</b>	<b>External Volume</b>	<b>Measure</b>	<b>Internal Average Price</b>	<b>External Average Price</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>				<b>£</b>	<b>£</b>

**Ethernet and WDM services**

Connections

EAD 1Gbit/s rentals

Other EAD rentals

EAD LA 1Gbit/s rentals

Other EAD LA rentals

Other rentals

Main link

Other services

ECCs

Time related charges

Ancillaries (list where revenue > £5m)

Other ancillaries

Other services (if applicable)

---

**Total Leased lines access - HNR**

Note on completion of vi) Leased Lines Access – High Network Reach Summary

- ‘Ancillaries (list where revenue > £5m)’ means that each ancillary with total revenue exceeding £5m should be reported on a separate row

## vii) IEC – BT Only Summary

### X.X.X Inter-Exchange Connectivity Services - BT Only Exchanges Summary 20XX

For the year ended 31 March 20XX

#### Detailed service analysis

Service	Internal	External	Total	Internal	External	Measure	Internal	External	Internal	External	Internal	External	Internal	External
	Revenue	Revenue	Revenue	Volume	Volume		Average	Average	opex	opex	MCE	MCE	ROCE	ROCE
	£m	£m	£m				£	£	£m	£m	£m	£m	%	%
<b>Dark fibre access</b>														
Connections - single fibre														
Connections - dual fibre														
Rentals - single fibre														
Rentals - dual fibre														
Main link														
Patch panels - exchange														
Patch panels - customer premises														
Initial testing														
Cessation charges														
Right when tested charges														
<b>Ethernet and WDM basket</b>														
Connections														
EAD 1Gbit/s rentals														
Other EAD rentals														
EAD LA 1Gbit/s rentals														
Other EAD LA rentals														
Other rentals														
Main link														
Other services														
Total basket														
<b>ECC basket</b>														
Time related charges														
Ancillaries (list where revenue > £5m)														
Other ancillaries														
Other services (if applicable)														
<b>Total IEC BT only exchanges</b>														

BT must include a note under this schedule on the amount of capitalised ECCs expensed within the year.

Note on completion of vii) IEC – BT Only Summary

- 'Ethernet and WDM basket' means the services included in the Ethernet and WDM Basket as defined in the Annex to Condition 12E
- 'ECC basket' means the services included in the Direct ECC Services Basket as defined in the Annex to Condition 12G
- 'Ancillaries (list where revenue > £5m)' means that each ancillary with total revenue exceeding £5m should be reported on a separate row
- Where services listed in this schedule are not applicable to the IEC – BT only market, BT can, with agreement from Ofcom, omit them from this schedule

### viii) IEC – BT + 1 Summary

#### X.X.X Inter-Exchange Connectivity Services - BT + 1 Exchanges Summary 20XX

For the year ended 31 March 20XX

##### Detailed service analysis

Service	Internal	External	Total	Internal	External								
	Revenue	Revenue	Revenue	Volume	Volume								
	£m	£m	£m			Price	Price	£m	£m	£m	£m	%	%
<b>Ethernet and WDM basket</b>													
Connections													
EAD 1Gbit/s rentals													
Other EAD rentals													
EAD LA 1Gbit/s rentals													
Other EAD LA rentals													
Other rentals													
Main link													
Other services													
<b>Total basket</b>													
<b>ECC basket</b>													
Time related charges													
Ancillaries (list where revenue > £5m)													
Other ancillaries													
Other services (where applicable)													

##### **Total IEC BT + 1 exchanges**

BT must include a note under this schedule on the amount of capitalised ECCs expensed within the year.

##### Note on completion of vii) IEC – BT + 1 Summary

- ‘Ethernet and WDM basket’ means the services included in the Ethernet and WDM Basket as defined in the Annex to Condition 12E
- ‘ECC basket’ means the services included in the Direct ECC Services Basket as defined in the Annex to Condition 12G
- ‘Ancillaries (list where revenue > £5m)’ means that each ancillary with total revenue exceeding £5m should be reported on a separate row

- Where services listed in this schedule are not applicable to the IEC – BT only market, BT can, with agreement from Ofcom, omit them from this schedule

## ix) Shared Ancillaries

### X.X.X Shared Ancillaries Summary 20XX

For the year ended 31 March 20XX

#### Detailed service analysis

Service	Internal Revenue	External Revenue	Total Revenue	Internal Volume	External Volume Measure	Internal Average Price	External Average Price	Internal opex	External opex	Internal MCE	External MCE	Internal ROCE	External ROCE
	£m	£m	£m			£	£	£m	£m	£m	£m	%	%

Cablelink

Accommodation

Electricity charges

---

#### Total Shared Ancillaries

#### Note on completion of ix) Shared Ancillaries

- 'Cablelink' means the services included in the definition of Cablelink Services in section 3 of the Annex to Condition 12F
- 'Accommodation' means the services included in the definition of:
  - Co-Mingling New Provide and Rental Services in Part 4 of Annex 1 to Condition 12B
  - Accommodation Services in section 1 of the Annex to Condition 12F
  - Overlapping Accommodation Services in section 2 of the Annex to Condition 12F
- Electricity charge means Electricity Charge as defined in Condition 6.4(a)

### **Analysis of Service Wholesale Current Costs and Mean Capital Employed**

Immediately after each Market Summary schedule listed below, BT must also publish the following schedules:

- a) Analysis of Service Wholesale Current Cost; and
- b) Analysis of Service Wholesale MCE.

Each such schedule must include a column for each service/basket required in the Market Summary schedule concerned.

The Market Summary schedules in relation to which this requirement applies are:

- i) PI Summary
- ii) WLA – Area 2 Summary
- iii) WLA – Area 3 Summary
- iv) LLA – Area 2 Summary
- v) LLA – Area 3 Summary
- vii) IEC – BT Only Summary
- viii) IEC – BT + 1 Summary
- ix) Shared Ancillaries Summary

a) Analysis of Service Wholesale Current Costs

The Analysis of Service Wholesale Current Costs schedule shall be in the form specified below, and contain the information required by the column and row headings.

**Analysis of Service Wholesale Current Costs 20XX**  
**For the year ending March 20XX**

	Include column for each service/basket published in market summary	Total
EOI input prices		
Attribution of PI costs		
<b>Openreach opex (excl depreciation)</b>		
- Service and network delivery		
- Openreach central functions		
- Leaver costs		
- SLG payments		
- Other opex		
<b>Rest of BT opex (excl depreciation)</b>		
- Exchanges		
- Other property		
- Cumulo		
- Central functions - Technology		
- Central functions - Group		
- Other opex		
<b>Depreciation</b>		
- Duct		
- Poles		
- Other PI assets (if applicable)		
- Copper		
- Fibre		
- Electronics		
- Software		
- Land and buildings		
- Other depreciation		
- Less funded assets (BDUK, etc)		
<b>Total opex excl other operating income</b>		
Other operating income		
<b>Total operating costs</b>		
<b>Total CCA adjustments</b>		
- Holding gains		
- Supplementary depreciation		
- Other CCA adjustments		
Roundings		
<b>Total CCA operating costs</b>		

Notes for completing the Analysis of Service Wholesale Current Costs schedule.

- **Openreach 'Other opex'**: BT must provide a further breakdown of these costs where they exceed 10% of total Openreach operating costs, with the additional breakdown to be agreed with Ofcom.
- **Rest of BT 'Other opex'**: BT must provide an additional breakdown of these costs where they exceed 10% of total rest of BT Operating costs attributed to Openreach, with the additional breakdown to be agreed with Ofcom.
- Row names can be modified, or rows added or removed with agreement from Ofcom.

b) Analysis of Service Wholesale MCE

The Analysis of Service Wholesale MCE schedule shall be in the form specified below, and contain the information required by the column and row headings

**Analysis of Service Wholesale MCE 20XX**  
**For the year ending March 20XX**

	Include column for each service/basket published in market summary	Total
<hr/>		
<b>Non-current assets</b>		
- Duct		
- Poles		
- Other PI assets		
- Copper		
- Fibre		
- Electronics		
- Software		
- Land and buildings		
- Other depreciation		
- Less funded assets (BDUK, etc)		
<b>Current assets</b>		
<b>Current liabilities</b>		
<b>Provisions</b>		
Roundings		
<b>Total MCE</b>		

Notes for completing the 'Analysis of Service Wholesale MCE' schedule

Row names can be modified, or rows added or removed with agreement from Ofcom.

**Appendix for Physical Infrastructure Market**

The Appendix for the Physical Infrastructure Market may be published either after the PI Market Summary schedule or after all the Market Summary schedules. It shall be in the form specified below, and contain the information required by the column and row headings

**Network adjustments restated on an MCE basis**

For the year ended 31 March 20XX

	MCE £m		
	Internal	External	Total
Above the financial limit			
Below the financial limit			

## **Glossary**

The Glossary shall be included in the RFS as a separate statement.

The Glossary must include definitions of financial and non-financial terms used in the RFS as necessary to secure that it is reasonable to consider that a person with an understanding of regulatory accounting principles has sufficient information, clearly enough presented, to understand the RFS.

**Annex B**

Reference	Additional Financial Information	Description
<u>A) Additional Financial Information to be provided in respect of each Market</u>		
(i)	Data supporting the cost attribution system	<p>All data, metadata and models used to run the cost attribution system (CostPerform as at the date of this notice) for the current and the prior year.</p> <p>The data and models provided must be sufficient for Ofcom to:</p> <ul style="list-style-type: none"> <li>• generate the Regulatory Financial Statements when using the same software as BT;</li> <li>• extract information on Openreach and each reported SMP market;</li> <li>• extract information on all services and cost components for each reported SMP market</li> <li>• calculate unit costs for services and components by reference to total costs and volumes;</li> <li>• understand how the cost of capital has been employed in the RFS to attribute costs;</li> <li>• see all attribution levels in the cost attribution system, including attributions to non-SMP parts of BT.</li> </ul> <p>The information should also be accompanied by any additional spreadsheets or models used to prepare the schedules published in the Regulatory Financial Statements.</p>

(ii)	CCA fixed asset movement statement	<ul style="list-style-type: none"> <li>• For each asset category for BT Group: <ul style="list-style-type: none"> <li>a) gross replacement costs brought forward, additions (including capex and assets in the course of construction)/disposals/transfers, holdings gains/(loss), gross replacement costs carried forward; and</li> <li>b) gross depreciation brought forward, HCA depreciation charge, supplementary CCA depreciation, disposals/transfers/other movements, holding gains/(loss), gross depreciation carried forward)</li> </ul> </li> <li>• A reconciliation to the HCA fixed assets movement statement in the BT Group statutory financial statements</li> </ul>
(iii)	Data supporting CCA valuations	Tabular data showing the indices, index weightings and composite indices used by BT to revalue assets onto a current cost basis.
(iv)	Asset values and depreciation	<p>For each asset category:</p> <ul style="list-style-type: none"> <li>• Asset life</li> <li>• Valuation basis (e.g. HCA or CCA)</li> <li>• Depreciation basis</li> <li>• Description of index used for CCA valuations</li> <li>• Description of samples or surveys used to determine asset value, if used</li> <li>• HCA and CCA depreciation (including information on supplementary depreciation and holding gains/losses for CCA depreciation)</li> <li>• Gross Book Value (GBV) by year of acquisition</li> <li>• Gross Replacement Cost (GRC)</li> <li>• Net Replacement Cost (NRC)</li> </ul>

(v)	Regulatory Asset Value (RAV) adjustment applied to Access Duct	<p>The following information, including all formulae:</p> <ol style="list-style-type: none"> <li>1. A breakdown of the GBV and NBV of duct, including all annual changes (including capital expenditure, disposals and assets in the course of construction);</li> <li>2. A breakdown of the CCA valuation of duct, showing the valuation of pre- and post-1997 Access Duct consistent with Schedule A of Direction 3, as well as non-Access Duct;</li> <li>3. The RAV adjustment made to the valuation of duct in the RFS (and a reconciliation to duct values in the RFS); and</li> <li>4. An explanation of how this information has been used to attribute duct costs to PI services.</li> </ol>
(vi)	PAC breakdown	<p>A breakdown of costs attributed using PAC methodologies (e.g. BT Group PAC, Openreach PAC, Technology PAC) by two-digit OUC (Organisation Unit Code along with a description of the activities undertaken by each OUC.</p> <p>(In this direction, OUC has the meaning it is given in BT's accounting systems as at the date of this notification)</p>
(vii)	Cost component mapping	<p>A mapping between the operating cost and MCE of each cost component and the operating cost and MCE cost categories from the Attribution of Wholesale Current Costs and Attribution of Wholesale Current Cost Mean Capital Employed schedules.</p>
(viii)	Grant funded assets	<p>The following information on all grant funded investments:</p> <ul style="list-style-type: none"> <li>• Total expenditure funded by grant, both in the year and on a cumulative basis, split by asset type and a reconciliation to where this information is reported in the RFS</li> <li>• Total grant funding in the year and on a cumulative basis, split by the asset types to which the funding has been allocated and a reconciliation to where this information is reported in the RFS</li> <li>• Explanation of the grant funding arrangements</li> </ul>

<b>B) Additional Financial Information to be provided in respect of the PI Market</b>		
(i)	Costs of lead-in duct and single bore spine duct	<ul style="list-style-type: none"> <li>• Total capital and operating costs on lead-in and single bore spine duct</li> <li>• Estimates of the unit cost of lead-in and single bore spine duct</li> <li>• A reconciliation of these figures to the PI market summary</li> </ul>
(ii)	Attributions of duct costs to PI services	<p>A schedule showing how duct costs have been attributed to PI services, including:</p> <ul style="list-style-type: none"> <li>• How pre- and post- March 2018 duct has been attributed</li> <li>• Any assumptions made</li> <li>• A reconciliation of duct costs in the PIA Market to duct costs in the RAV schedule</li> </ul>
(iii)	PI utilisation metrics	<p>The following information, as at 30 September each year.</p> <ul style="list-style-type: none"> <li>• Kilometres of lead-in duct</li> <li>• Average occupancy (per 25mm sub-duct equivalent) for spine duct single bore, 2 bores and 3+ bores</li> <li>• Average number of sub-ducts crossing i) a joint box and ii) a manhole</li> <li>• Number of pure and mixed DP poles</li> <li>• Number of pure and mixed feeder poles</li> <li>• Number of cable poles</li> <li>• Number of single and multi-premise attachments for i) cable poles ii) pure DP poles iii) mixed DP poles iv) pure feeder poles and v) mixed feeder poles</li> <li>• Average number of cables up a pole for all poles</li> <li>• Number of manifold attachments for all poles</li> </ul>

<b>C) Additional Financial Information to be provided in respect of WLA Markets</b>		
i)	FTTP investment in Area 2 and Area 3	<p>Provide information on incremental FTTP investment in each of Area 2 and Area 3 on an annual and cumulative basis, including:</p> <ul style="list-style-type: none"> <li>• capital costs (by asset type e.g. lead-in duct, single bore spine duct, poles and fibre) and operating costs</li> <li>• FTTP revenues in Area 2 and 3</li> </ul>
(ii)	FTTP roll-out <del>and mark-up on MPF rentals</del>	<p>Provide full details and calculations behind the <b>FTTP</b> roll out <del>and K-factor mark-up</del> figures published in the RFS, including:</p>

		<ul style="list-style-type: none"> <li>• Total FFTP homes passed in Area 2 and Area 3, less homes passed funded by government subsidies and other grants</li> <li>• A breakdown of homes passed with FFTP by exchange area</li> <li>• Cumulative revenue generated from the K-factor mark up on MPF rentals</li> </ul>
(iii)	Time related charges	Provide hourly costs for TRCs, split by direct and overhead costs.
(iv)	Special fault investigations	Provide hourly costs for SFIs, split by direct and overhead costs, and total costs for each SFI module

**D) Additional Financial Information to be provided in respect of the Leased Lines Access and Inter-exchange connectivity services markets**

(i)	Time related charges	Provide hourly costs for TRCs, split by direct and overhead costs.
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**E) Additional Financial Information to be provided in respect of the Leased Lines Access – Area 3 and IEC-BT only markets**

(i)	Dark fibre patch panels and initial testing	<p>Provide information on the unit costs and volumes of:</p> <ul style="list-style-type: none"> <li>• Patch panel equipment at exchanges</li> <li>• Patch panel equipment at customer premises</li> </ul> <p>Provide information on labour costs associated with i) installing patch panels and ii) undertaking initial testing of dark fibre circuits, including:</p> <ul style="list-style-type: none"> <li>• Hourly engineering pay</li> <li>• Average time to complete the task</li> <li>• Any differences between single and dual fibre testing</li> <li>• Any differences between patch panels at the exchange and customer premises</li> </ul>
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**F) Additional Financial Information to be provided in respect of Shared Ancillaries**

(i)	Electricity Charges	Provide information setting out the calculation of Electricity Charges including the precise level of BT's Mark up on the purchase of electricity costs which is reconciled to the published Regulatory Financial Statements.
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