



Addendum to BT's response to Ofcom's consultation document

*"BT Regulatory Financial Reporting:
Consultation on proposed
regulatory reporting directions covering all regulated
fixed telecoms markets."*

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NON-CONFIDENTIAL VERSION

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1. Introduction

- 1.1 In our response to Ofcom's 2018 Reporting Consultation¹, we provided a list of components² which we proposed should be added to or removed from the network components list in the Network Components Direction.
- 1.2 In response to Ofcom's request of 21 February 2019³, we provide below further information as to why we believe these components should be added or removed.
- 1.3 As explained in more detail below, our proposals will ensure the network components list in the Network Components Direction:
 - 1.3.1 is consistent with Ofcom's reporting directions in the 2018 WLA Statement;⁴
 - 1.3.2 is consistent with BT's published 2017/18 RFS; and
 - 1.3.3 increases transparency of our RFS and cost allocation methods.

2. Addition of components to the network components list

- 2.1 We agree with Ofcom that there should be *"...consistency between the network components list and BT's RFS"*⁵.
- 2.2 In our response to the 2018 Reporting Consultation, we proposed that a number of components should be added to the network components list to ensure such consistency.
- 2.3 The addition of these components will also ensure consistency with Ofcom's reporting directions in the 2018 WLA Statement and further transparency of our cost allocation methods.
- 2.4 We have categorised the list of components into five categories⁶, and for each we explain why we believe these should be added to the network components list.

¹ "BT Regulatory Financial Reporting: Consultation on proposed regulatory reporting directions covering all regulated fixed telecoms markets", published on 4 December 2018 (2018 Reporting Consultation).

² Paragraph 8.8, Annex 1 of BT's Response to the 2018 Reporting Consultation, 18 January 2019.

³ Email from [redacted] (Ofcom) to [redacted] (BT), of 21 February 2019.

⁴ Wholesale Local Access Market Review: Statement, 28 March 2018.

⁵ Paragraph 3.58 of the 2018 Reporting Consultation.

⁶ The Annex to this addendum sets out a list of components by category.

Category description	Number of components	Reason for adding to the network components list
Specifically directed by Ofcom in the 2018 WLA statement	19	<ul style="list-style-type: none"> • These components were listed by Ofcom in the network components list in the 2018 WLA Statement⁷. • Ofcom did not include these components from the network components list in the 2018 Reporting Consultation. Ofcom has not provided any reason for omitting these components. • To ensure compliance with both Directions, Ofcom must ensure they are consistent.
Generally directed by Ofcom in the 2018 WLA statement	7	<ul style="list-style-type: none"> • These components relate to the following broader components listed by Ofcom in the 2018 WLA Statement⁸: <ul style="list-style-type: none"> ○ Cumulo ○ Funded Fibre Rollout Spend ○ FTTP Fibre Rollout Funding These broader components have been omitted from the Reporting Consultation, with no clear justification. • We propose to provide further granularity on the above broader components to increase transparency of our cost allocation methods. For example, we propose to publish Cumulo NGA, Cumulo Non NGA – Openreach and Cumulo Non NGA – Non Openreach components instead of a single Cumulo component.
Published in the 2017/18 RFS	1	<ul style="list-style-type: none"> • We propose to continue publishing components published in the 2017/18 RFS unless these relate to services or markets which are no longer regulated. This is to ensure we do not reduce transparency of the RFS unless it is disproportionate to do so.
SLG components	10	<ul style="list-style-type: none"> • In the 2018 Reporting Consultation, Ofcom proposed that we publish a single component in the RFS called “Service Level Guarantees”⁹.

⁷ Refer to pages 189 to 197 of Annex 33, Schedules B and C, 2018 WLA Statement.

⁸ Refer to pages 189 to 197 of Annex 33, Schedules B and C, 2018 WLA Statement.

⁹ Annex 5, 2018 Reporting Consultation.

Category description	Number of components	Reason for adding to the network components list
		<ul style="list-style-type: none"> • In the 2018 WLA Statement, Ofcom directed that we publish “Service Level Guarantees WLA” and “Service Level Guarantees” components separately¹⁰. • In the 2017/18 RFS, we published service level guarantee data at a more granular level, disclosing service level guarantee costs for the WLA, WLR and Ethernet markets. • To ensure compliance with the 2018 WLA statement, consistency between the network components list and the RFS, and to continue providing transparency to users of the RFS, we propose to continue publishing service level guarantee data at a greater level of granularity than suggested in the 2018 Reporting Consultation. • Consequently, we propose to publish 10 components relating to service level guarantee costs.
New Components	2	<p>We propose to add 2 new components to the network components list:</p> <ul style="list-style-type: none"> • GEA Cable links. We propose to add this component so that we can disclose costs relating to GEA Cable links in the WLA market, as directed by Ofcom in the 2018 WLA Statement. • NGA E side copper capital. This component captures the cost of tie-cables in street cabinets and attributes cost to FTTC services. We propose to add this component so that we can publish the fully allocated cost of GEA services in the WLA market.
Total	39	

¹⁰ Refer to pages 189 to 197 of Annex 33, Schedules B and C, 2018 WLA Statement.

3. Removal of components from the network components list

3.1 In our response to the 2018 Reporting Consultation, we proposed that a number of components should be removed from the network components list.¹¹ The reasons for this are discussed below:

To remove from 2018/19

Component	Reason to remove
Medium TISBO 3rd Party Equipment Depn	BT is no longer deemed to have SMP in the high and medium bandwidth TISBO markets and therefore should have no reporting obligations in these areas. ¹²
High TISBO 3rd Party Equipment Depn	
AISBO Excess construction	
Service Centre – provision WLR NGA	We propose to publish Openreach Service Centre Provision NGA as stated above. This is per Ofcom’s reporting direction in the 2018 WLA Statement.
SLG Ethernet Provision	We propose to provide more granular components for service level guarantee costs, hence propose to remove existing components from the network components list.
SLG Ethernet Assurance	
SLG WLR Provision	
SLG WLR Assurance	
Service Level Guarantees WLA	

To remove from 2019/20

Component	Reason to remove
Low TISBO 3rd Party Equipment Depn	If BT is no longer deemed to have SMP in the TISBO market from 2019/20, then we should have no reporting obligations in this area. ¹³
TISBO Excess construction	

¹¹ Paragraph 3.46 and 8.8 of BT’s response to the 2018 Reporting Consultation.

¹² Paragraph 1.26 of the 2016 BCMR statement.

¹³ 2018 BCMR consultation.

4. Glossary

- AISBO. Alternative Interface Symmetric Broadband Origination
- BCMR. Business Connectivity Market Review
- FTTP. Fibre to the premises
- GEA. Generic Ethernet Access
- NGA. Next Generation Access
- RFS. Regulatory Financial Statements
- SLG. Service Level Guarantee
- SMP. Significant Market Power
- TISBO. Traditional Interface Symmetric Broadband Origination
- WLA. Wholesale Local Access
- WLR. Wholesale Line Rental

5. Annex: Breakdown of components by category

Proposed components to be added to the network components list

Category description	Number of components	Component names
Specifically directed by Ofcom in the 2018 WLA statement	19	<ul style="list-style-type: none"> • Pair gain • OR Service Centre – Provision GEA • OR Service Centre – Assurance GEA • Ofcom Administration Fee Wholesale • Ofcom Administration Fee Openreach • FTTP Development • GEA FTTP Access Fibre Spine • GEA FTTP Distribution Fibre Spine • GEA FTTC Access Fibre Spine • GEA FTTC Distribution Fibre Spine • GEA FTTP Electronics • GEA FTTC Electronics • GEA DSLAM Cabinets • GEA FTTP Customer Site Installation • GEA FTTC Customer Site Installation • GEA FTTP Repairs • GEA FTTC Repairs • GEA FTTP Provisions • GEA FTTC Provisions
Generally directed by Ofcom in the 2018 WLA statement	7	<ul style="list-style-type: none"> • Cumulo Rates NGA • Cumulo Rates Non NGA – Openreach • Cumulo Rates Non NGA – Non Openreach • FTTP Funded Fibre Rollout Spend • FTTC Funded Fibre Rollout Spend

Category description	Number of components	Component names
		<ul style="list-style-type: none"> • FTTP Fibre Rollout Funding • FTTC Fibre Rollout Funding
Published in the 2017/18 RFS	1	<ul style="list-style-type: none"> • Expedite Provision Costs
SLG components	10	<ul style="list-style-type: none"> • SLG Ethernet Provision Internal • SLG Ethernet Provision External • SLG Ethernet Assurance Internal • SLG Ethernet Assurance External • SLG WLR Provision Internal • SLG WLR Provision External • SLG WLR Assurance Internal • SLG WLR Assurance External • SLG WLA Internal • SLG WLA External
New Components	2	<ul style="list-style-type: none"> • GEA Cable links • NGA E side copper capital
Total	39	