



20th November 2009

BT's response to Ofcom's Consultation document:

***Proposed Variation to and Exemption from
BT's Undertakings under the Enterprise
Act 2002 related to Fibre-to-the-Premises
and Fibre Integrated Reception System***

BT would welcome any comments on the contents of this document which is also available electronically at <http://www.btplc.com/responses>

Comments on this response should be addressed to Alan Lazarus, BT Group Regulatory Affairs, pp C8, BT Centre, 81 Newgate Street, London, EC1A 7AJ or by e-mail to alan.lazarus@bt.com.

Ofcom's Consultation Questions

Question 1: Do you have any comments on our analysis as set out in this document, and do you agree with our provisional conclusion that we should agree to this variation as proposed in the legal text in Annex 5?

BT's Response

1. BT supports Ofcom's consultation on the proposed variation to the Undertakings and the recommendation that Openreach should be able to control and operate FTTP related NGA electronics.
2. In our view, supported by the rationale set out in the consultation document, we believe that the Openreach active operating model will provide the most efficient cost base and the best customer experience for BT's FTTP NGA deployment. It will allow efficient supporting processes for provisioning, operation and repair to be designed to support an active and equivalent Generic Ethernet Access (GEA) product for the benefit of all downstream CPs and end-users. We also agree that the alternative operating models explored in the consultation would have major cost impacts and service issues associated with them.
3. We continue to believe that active products are best-placed to drive scale NGA deployment given the challenging economics, and we welcome both Ofcom's support on this matter and the evidence of already strong and growing support in the wider community reflected in Ofcom's March 2009 statement "Delivering super-fast broadband in the UK":

"5.2The economic and practical advantages of active products and the uncertainty about the economic viability of passive alternatives, led respondents to the September consultation to express strong interest in using active access. All respondents agreed that a high quality product is essential to the future development of the market..... There was also strong interest in the development process for the active wholesale products (known as GEA – Generic Ethernet Access) that Openreach plans to offer to retail service providers."

4. We welcome the acknowledgment by Ofcom (and others) that operational and service issues such as service activation and migration are also important factors in making NGA products successful in the market for both the service providers and most importantly their end-users:

"5.20 In addition to the technical characteristics, a number of systems and processes will be needed to best ensure active products are effective inputs for communications providers. Many respondents to the September

consultation commented on these in the context of GEA, emphasising that they are fundamental to a successful product..... ”

5. **Active Products** - The extension of the Variation to incorporate FTTP electronics along with FTTC makes the active product concept even stronger in our view and of greater benefit to end-users. CPs will now be able to economically deploy new next generation services using standardised interfaces (in the home and at the exchange) regardless of the underlying physical infrastructure. We have consistently supported the active product concept through our participation in Ofcom’s Ethernet Active Line Access (EALA) related work and have also made a number of commitments in the Undertakings with regard to our own active product (GEA) and the evolving technical requirements and standards in this area. We see the evolution of these standards as important to our customers and to Openreach as they will facilitate the continued investment by BT in SFBB and enable the mixed economy approach to be deployed to the widest possible extent in the UK.
6. **Passive Products** - BT also supports Ofcom’s conclusion at this stage that it is not clear what form of competition based on the use of passive FTTP inputs would be effective and sustainable in the long term. We note that Ofcom will investigate options as part of the WLA/WBA Market Reviews which have just commenced, and we look forward to contributing to these reviews. For us it is critical that any future competition models continue to support the ability of end-users to receive high-quality and efficiently delivered access services that will stimulate and maintain the customer experience and demand for SFBB products. We also agree with Ofcom’s view that should any potential passive remedies be identified in future, the pricing for such products must reflect the cost recovery principles as set out in Ofcom’s policy statement. We believe this is the best way of ensuring there is regulatory certainty in this area to enable both BT and industry to proceed with confidence.
7. **NGA Voice Access** - We agree with Ofcom’s view that voice access services are an important enabler for the evolution of voice over NGA. In our view it is important that regulation pays due regard to end-users in terms of choice of supplier, product and price. There is a need to consider how migration processes will work and the needs of voice-only and rural customers. Openreach is already consulting extensively with its customers on this topic and has at this time identified two types of product¹ which aim to fulfil the needs of the broad CP community (who operate essentially two different business models) and those of their customers. We are keen to progress both these options as rapidly as we possibly can and hence further enhance the appeal of NGA services going forwards.

¹ These are commonly referred to as a “WLR like” access product and a “Direct controlled ATA” product.

Ofcom has indicated that it will initially be looking at voice access in the forthcoming WLA/WBA Market Reviews, and we look forward to contributing to these reviews. It should be noted that our preliminary analysis does not indicate a material effect on voice competition in the UK from NGA voice access for a number of years due to the prospective volumes of these products².

8. This variation is essential to the development of an Openreach active NGA product. It will enable it to be delivered in the most cost-effective and customer-friendly manner to CP's and will immediately help support those customers actively working towards the initial deployment phases in 2010. In addition, we continue to receive significant positive feedback and support for our active product proposals from the wider NGA community. This variation helps to give regulatory certainty which will enable and allow scale NGA deployment in the UK to begin.
9. As Ofcom readily acknowledge, plans in this area are now gathering pace and a timely resolution to this issue is very important to provide clarity for all stakeholders. We look forward to this Variation being confirmed at the earliest opportunity.

Question 2: Do you have any comments on our analysis of the proposed exemption set out in this document, and do you agree with our provisional conclusion that we should agree to this exemption as proposed in the legal text in Annex 6?

10. BT considers that it is appropriate for Openreach to be able to control and operate FIRS related electronics at the Ebbsfleet deployment.
11. This is important for consumers at Ebbsfleet. It will help minimise the costs involved in operating FIRS and ensure its continued and efficient operation in their locality, where geographic and other constraints would otherwise limit effective reception of broadcast services by local residents.

² These figures are commercially confidential at this stage but have been provided to Ofcom in previous submissions.