

Steve Perry
Floor 4, Competition Group
Office of Communications
Riverside House
2A Southwark Bridge Road
London SE1 9HA

Head Office
Inveralmond House
200 Dunkeld Road
Perth
PH1 3AQ

Our Reference:
Your Reference:

Telephone: 01738 456401
Facsimile: 01738 456415
Email:

Date: 4 June 2009

Dear Steve

Review of the fixed narrowband services wholesale markets

We welcome the opportunity to respond to the consultation on the above subject. SSE provides services in the retail narrowband market using BT's regulated wholesale products including wholesale line rental (WLR) so we support the continuing regulation on BT in this area. It is very important for the retail market, in our view, that appropriate regulation for access, price transparency and the range of other remedies currently in force remain on BT, as it continues to hold significant market power (SMP) in the relevant wholesale markets.

We cannot comment on the detail of the wholesale market analysis but we do have comments in relation to two specific consultation questions.

***Question 11.7:** Do you agree that BT and KCOM should provide 28 days notice of price changes following a six month transition period? If not, please explain why.*

We do not agree that notification of wholesale price changes should be reduced to 28 days. A reasonable period is needed after the notification to undertake the following activities: analysis of the wholesale price change and its effects; decision on the retail response to that wholesale price change; preparation of revised retail pricing and marketing material; and IT system changes to implement revised retail prices. In addition, where there is a retail price increase which could materially affect end customers, General Condition 9.3 requires that customers be provided with one month's notice of this.

[redacted]

Particularly in respect of increases in network charges, therefore, where there is both a margin risk to retailers until the appropriate retail charges are implemented in response to the wholesale change and a potential requirement to notify retail customers one month in advance, we do not believe there is any justification to reduce the notice period for wholesale price changes.

There may be less concern about the period of notification for a reduction in wholesale charges, provided that there is no relevant retail obligation to pass on price reductions within any specific time period. However, there still needs to be an adequate period for all retailers to consider the impact of the wholesale change on an equivalent basis to that of BT's own retail operation. We consider that the current approach of potential waivers of the formal notice period for proposed wholesale price reductions could reasonably continue in the way that these have been used recently.

***Question 13.3:** Is it appropriate for the pricing of value-added features to be subject to a basis of charges obligation? Do you think Openreach would have the correct incentives to develop new features in a regime where these may become subject to basis of charges obligations?*

Yes. As Ofcom notes, retailers using WLR have no choice but to source these additional services from Openreach and we believe it is appropriate for them to be included in a cost orientation requirement. Indeed, we would like to see greater transparency on how these charges are set and incentives for efficient development and delivery of the services maintained.

We do not believe there should be any significant adverse effect on the incentives on Openreach to develop new features if there was a cost orientation obligation as the current "statement of requirements" process appears to generate a significant pool of ideas from Openreach's own customers about innovations they would like to see.

I hope these comments are helpful and would be happy to discuss them further.

Yours sincerely

Aileen Boyd
Regulation Manager