openreach

Response to Openreach Industry Consultation on:

An exchange-based approach to upgrading the UK's digital infrastructure with FTTP

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Table of Contents

Revisions

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1. Context

Openreach is upgrading the UK's digital infrastructure with full fibre technology. This investment will help to maintain the UK's competitiveness and make sure homes and businesses have faster, more reliable and future-proof connectivity to the internet. On 9 May 2019 we announced an acceleration of our near-term FTTP deployment plan to reach 4m premises by March 2021, and an increase in our medium-term ambition to deploy to 15m premises – if the right regulatory and policy conditions are in place – by the mid-2020s. Agreeing an approach to FTTP build and migration with industry is a critical enabler of achieving that medium-term ambition, with the potential to unlock rapid full fibre build by Openreach through the 2020s.

We published a consultation on taking an exchange-based approach to upgrade and migration using Generic Ethernet Access - Fibre to the Premises (GEA-FTTP) on 21 March 2019. The consultation was designed to gather input – principally from Openreach's Communication Provider (CP) customers on:

1. How Openreach builds GEA-FTTP;
2. How the industry organises the smooth migration of end customers onto the new platform; and
3. How we then withdraw legacy services.

2. Summary of responses

We received 12 written responses from across the industry, with input from both larger and smaller Communications Providers, industry associations, and consumer groups. Collectively these responses represent over 90% of end customers on our network. We also engaged with a variety of business and consumer groups during the consultation process to gather their feedback. We are grateful to respondents for the quality and thoughtfulness of their responses. We have summarised below the key themes that emerged, and our initial response.

a) Acceleration of Openreach FTTP build welcomed

There is widespread CP support for large-scale full fibre deployment in the UK. CPs welcomed the acceleration of Openreach's FTTP plans which target 4m premises by the end of March 2021, and our broader ambition to reach 15m by the mid-2020s.

b) There is widespread support for an exchange-based approach

Almost all CPs agreed with the logic for taking an exchange-based approach to building FTTP and migrating customers onto the new platform. Several CPs suggested that clustering exchanges into recognisable geographic areas (e.g. towns / boroughs) would have advantages for them in terms of marketing and communication. A number of CPs were keen to have further input into the exchanges that Openreach selects for upgrade with FTTP. Several CPs were keen to ensure that we cover business as well as residential premises.

Openreach response: We will continue to deploy FTTP and migrate customers using an exchange-based approach. In selecting which exchanges to build with FTTP we consider a number of different elements including: costs to build and connect; propensity to buy; business presence; the competitiveness of our existing platform; and the volume of our existing customers. This approach reflects input from CPs received during our initial FTTP consultation in summer 2017. We would welcome further input from CPs into their priorities for exchange selection, and would ask CPs to specify which factors they want Openreach to consider and prioritise, and provide feedback on the existing selection if they feel it could be improved. We would ask that any CP wishing to provide us with input on this topic organise a meeting with the Openreach strategy team through their relationship manager.

c) CPs agree that 100% FTTP coverage in an exchange area is not feasible, but want it to be as high as possible

Given the difficulty of gaining access, CPs agree that making Openreach FTTP available to every single premises is not realistic, and so 100% Openreach FTTP coverage is highly unlikely for most exchanges. However, all CPs were keen for FTTP coverage to be as high as possible and share our desire to minimise the number of unserved premises. Several CPs were keen to ensure that areas with high business presence (e.g. high streets, business parks) were not left behind. CPs requested that Openreach make clear what proportion of an exchange would be covered with FTTP, and what would be covered with G.fast or other technologies. CPs want a robust process in place to ensure all reasonable efforts are made by Openreach to provide FTTP to as many premises as possible.

Openreach response: We share CPs' desire for FTTP coverage to be as high as possible. Where we declare an exchange to be within our Fibre First Towns, Cities and Boroughs programme, we expect to make FTTP available to the large majority of premises. The exceptions we anticipate are: premises that already have Openreach ultrafast services available to them; and premises where we are refused access or where the owner refuses permission for FTTP installation.

Over the course of 2019 we expect to complete FTTP build in a number of exchanges. This should give us a stronger indication - across a representative sample of exchanges - of the likely volume of premises which we are unable to reach. It should also provide us with more clarity on the different types of issue we are likely to encounter. Once we have more information across a reasonably representative set of exchanges then we will share this with industry. We will also develop a process detailing the steps we propose to go through in seeking to make FTTP available to all premises and share this with industry and Ofcom for input. We will do this through the already established FTTP working group.

d) Most CPs want Openreach to take a 'fibre first' approach to future G.fast deployment

Almost all CPs accept that fast copper solutions such as G.fast have a role to play in making ultrafast connectivity available to as many premises as possible. However, most agree that FTTP should be our priority, with G.fast used as an alternative only where FTTP is not practical. Several CPs asked us to clarify the long-term future of G.fast and the near-term impact of pivoting G.fast deployment to a 'fibre first' approach.

Openreach response: Pivoting G.fast deployment to a 'fibre first' approach could comprise two elements: a further build of G.fast premises ahead of FTTP in selected towns and cities; and further G.fast build to reach 'difficult' premises as part of an exchange-based FTTP build. We will learn more about the potential scale of G.fast build as part of this exchange-based approach over 2019, and we will update CPs through the already established Copper & Fibre Products Commercial Group (CFPCG), Plan of Record updates, and bilateral discussions.

e) CPs want better visibility of Openreach FTTP build plans, and more granularity

Most CPs asked for longer-term visibility of Openreach FTTP plans, and a premises-level view by technology. The latter would enable CPs to understand, for example, when FTTP will be available at a specific premises. In the context of exchange-based migration, better visibility would help CPs to manage their own costs more effectively, minimising wasted investment in legacy equipment or Customer Premises Equipment (CPE) for example.

Openreach response: We agree that we need to provide CPs with better visibility of our FTTP deployment plans. We also recognise that effective migration will depend on our providing a granular view of what technology will be available at individual premises and when. We are still in a relatively early phase of FTTP deployment, but as our experience grows we expect to improve the information we provide to CPs significantly. We anticipate that this area will require considerable ongoing work to improve information flows and provide greater visibility. We also expect that as we provide longer term visibility of our plans then we will need to agree with CPs some mechanism to accommodate a degree of flex in those plans. We propose to use the existing FTTP working group to develop our approach and bring this to the CFPCG in due course.

f) CPs agree that the large majority of the migration should be voluntary. CPs emphasised that further clarity on the portfolio and commercials would be needed to secure this outcome

CPs share our desire to maximise the scope for voluntary adoption of the FTTP platform. Several emphasised the need for more detail on our proposed portfolio and pricing to enable this and highlighted the potential costs and risks of migration for CPs. Particular areas raised included: the scale of connection charges from Openreach and a desire for these to be minimised or waived in some circumstances; a request that the initial connection cost be spread across several cycles so that first movers are not disadvantaged; an ask for clarity on the bandwidths available and suggestions that these should be comparable to existing FTTC services to help smooth the transition; a request for greater certainty of pricing over time. Some CPs highlighted the need for capacity planning as service take-up and bandwidth growth rises.

Openreach response: We understand that CPs need further clarity on our FTTP pricing and portfolio before they can fully commit to the exchange-based migration and timelines outlined in our consultation. We are in the process of re-assessing our FTTP published pricing and expect to refresh this over the summer. In due course we expect to strike commercial deals that encourage large-scale migration onto the platform and that reflect commitment to the platform. Some of these schemes may also unlock cost reductions. We will continue to discuss these with CPs through bilateral engagement, and we would also remind CPs that we have attractive pricing available today in trial areas to enable them to trial use of FTTP in towns, cities and boroughs.

Our portfolio will also evolve to reflect market needs, and we intend to offer both a low bandwidth data product dimensioned to carry voice-only service as well as a superfast broadband anchor product. The low bandwidth data product will be priced close to WLR rates, and the superfast anchor product will include a modest premium to today's VDSL anchor pricing. We intend the low bandwidth data service to be available on both FTTP and SOGEA/SOG.FAST platforms.

g) CPs agree that an ultrafast coverage trigger should be reached before a 'stop-sell' on legacy services is applied, but want clarity on what happens next for premises not covered at the point of the trigger

Some CPs felt that the ultrafast coverage trigger point should be higher than the proposed 75%. Some also proposed that it should apply only to FTTP rather than ultrafast. Almost all CPs highlighted the need for clarity about what happens with the remaining 25% of premises. Several felt that the acceptability of the proposed 75% trigger depended on how quickly the remaining 25% of premises would be reached with ultrafast technology. Several CPs contended that clarity about plans for the remaining 25% would be important to avoid unnecessary migrations.

Openreach response: Firstly, we would like to clarify that our intent is for stop-sell on legacy services to apply only at premises where ultrafast is available. We would not implement stop-sell at premises unable to receive an ultrafast service.

Secondly, we agree that further clarity is needed on what happens after the ultrafast stop-sell threshold is reached, and that providing such clarity would give CPs confidence that 75% is an appropriate threshold. We would like to re-iterate that our intention is to continue building FTTP once the 75% threshold is met, reaching as much of the exchange area as possible. However, in parallel we also want to kick-start the migration where FTTP or SOG.FAST is available, since we consider stop-sell as key to minimising 'double migrations' and unnecessary investment in legacy infrastructure.

A way of managing this may be as follows:

- Once an exchange is declared ultrafast-enabled and stop-sell becomes effective ("milestone 3" as set out in the March consultation document), Openreach could publish at a premises level:
    - List A – Complete: Premises at which ultrafast is available (whether FTTP or SOG.FAST) and where stop-sell will apply
    - List B – Pending: Premises at which Openreach expects to make ultrafast available
    - List C – At risk: Premises at which Openreach is unlikely to make ultrafast available (because, for example, landlord permission has been refused)
- Openreach would continue to build ultrafast to the premises in list B, releasing premises for sale as the platform is built. The lists would need to be refreshed as the build effort continued and premises moved from list B into either list A or list C
- Stop-sell could be applied progressively at a premises level as premises move from list B into list A. This would minimise the risk of wasted investment in legacy technology.

We will need to work though the practicalities of such an approach with CPs and understand the potential systems implications. There may be other information that CPs want to make communication with their customers easier (such as an estimated availability date). We also need to consider the data implications, since the solution outlined above would require a high degree of consistency in UK premises-level information used by the industry. We propose to take forward discussion of the trigger level and process at the FTTP industry working group.

h) CPs want to ensure there is enough time and appropriate protection before legacy service withdrawal

CPs were keen to ensure that Openreach had used all endeavours to make FTTP available and to connect premises to the platform before withdrawing legacy services.

Openreach response: We agree that service withdrawal for customers not yet on the FTTP platform is a last resort, and that all reasonable endeavours need to be made to make service available and connect customers. We also consider that neither Openreach nor the industry can reasonably be expected to keep services active indefinitely when they are no longer commercially viable.

As part of our WLR withdrawal programme Openreach, with the help of the OTA, is developing an industry process to manage the later stages of migration that may need to include a more forced upgrade of customers. This process will ensure that all reasonable attempts have been made to migrate a customer before any services are withdrawn. This process is being developed and agreed with industry through the WLR working group and we would expect to follow these principles.

In respect of exchange-based upgrade and migration, we think two processes are needed: one for customers at risk of being 'orphaned' because it has not been possible to make an Openreach ultrafast platform available; and a second for customers for whom ultrafast is available, but a voluntary migration has not been achieved. In developing these processes, we propose to take a similar approach, working with the OTA and through the WLR working group.

i) Minimising the volume of double migrations was a priority, with CPs suggesting ways to help with this

Given the need for a national WLR withdrawal in December 2025 CPs acknowledged that some double migration would be inevitable (i.e. moving from WLR to SOTAP/SOGEA/SOG.FAST and then a subsequent move from SOTAP/SOGEA/SOG.FAST to FTTP). CPs had several suggestions to mitigate this including:

- Providing early visibility of exchanges we expect to build with FTTP before national WLR withdrawal in 2025;
- Extending WLR support in exchanges that are declared ultrafast enabled before December 2025 to allow migration to be aligned in those exchange areas;
- Not undertaking bulk migration of customers to SOGEA in exchanges which will be Ultrafast-Enabled
- Not withdrawing SOGEA in Ultrafast Enabled exchanges;
- Not charging for SOGEA to FTTP migrations for a period

Openreach response: We absolutely agree with the need to minimise the volume of double migrations. We will investigate each of the ideas above in full. We will come back to industry through the WLR withdrawal working group with our findings.

j) CPs welcomed the concept of bulk migration

Most CPs were open to the idea of migrating customers at scale within a given window and felt that this could be achieved either on a CP-by-CP basis, or as an industry.

Openreach response: we will bring forward proposals to encourage bulk migration in due course, through bilateral discussions and the CFPCG.

k) CPs highlighted the implications of our proposals for their own network design

Several CPs highlighted the ways in which our proposals will affect their network plans and economics. Among the issues highlighted were: that the economics of delivering services using legacy platforms will deteriorate as volumes fall; that Openreach will need to work closely with CPs to help them manage their own network capacity roll-out efficiently; and that CPs will incur costs from re-arranging their networks. Some CPs asked for greater clarity on our exchange closure plans, noting that this would also drive costs for CPs and be an important component of CP business cases.

Openreach response: We agree that our proposals will impact CPs' network design and economics. We want to work with CPs to reduce the costs of migration by providing notice of our plans, improving transparency, and innovating in products or processes to lower the cost of adopting our FTTP and SOGEA/SOG.FAST platforms. Given the lengthy notice periods set out in the consultation we do not believe that it is reasonable that we should compensate CPs for the required changes, but we are committed to working with industry to minimise the costs. We do not have detailed plans for exchange-closure now, but we agree that the exchange-based upgrade programme we have outlined brings this prospect significantly closer for exchanges built with FTTP and SOGEA/SOG.FAST and which are not handover exchanges. When we have detailed plans for exchange closure and exit then we will bring them forward for discussion with industry. In the interim we are happy to provide CPs with further clarity on exchange exit costs.

l) The overall timeline for exchange-based build and migration appears a reasonable planning assumption, pending the findings from trials

We proposed an end-to-end timeframe of five years from starting FTTP build in an exchange to completing the migration. We also proposed that timelines should be aligned with the existing WLR withdrawal programme to maximise the scope for synergies and learning between the two initiatives. As a result, the end-to-end timeline for exchanges declared as part of Openreach's 2019 build would be closer to seven years. Whilst several CPs reserved their position given the need to understand more detail about the portfolio, pricing and processes, no CP rejected the proposed timeline, several felt it was right, and some felt longer may be needed. Several CPs highlighted the importance of aligning the timelines for stop-sell and service withdrawal with those already announced from WLR services.

Openreach response: We recognise that the final timelines will need to incorporate learning from the trials. In the interim, we intend to plan exchange-based upgrade in line with the timelines outlined in the consultation. As a result, we will shortly notify CPs of the set of exchanges that we expect to declare Ultrafast Enabled in 2 years' time i.e. in mid-2021. These exchanges will include those we have built with GEA-FTTP in 2018 and those we intend to build in 2019. In July 2020 we expect to serve a formal notice of stop-sell on legacy services at these exchanges. At that point we expect to implement several policy changes at premises in these exchanges where GEA-FTTP is available. These are:

The introduction of a 'no move back' policy on end customers once they move from copper-based services onto the GEA-FTTP platform. This is equivalent to implementing a stop-sell on end customers that already have GEA-FTTP.

We will stop further GEA-FTTC capacity investment, meaning that if capacity is exhausted customers wanting a new or upgraded superfast service will need to move to the GEA-FTTP platform.

We will offer GEA-FTTP as an alternative to any 'expensive' repair activity on legacy platforms. Expensive repair could include repair requiring time consuming engineering work where moving to GEA-FTTP may provide the end customer with preferred outcome.

To align with WLR withdrawal time-lines we expect to implement stop-sell at these exchanges in September 2023, and to implement service withdrawal in December 2025 so for these earlier exchanges we will be providing longer than 12 months' notice of stop sell.

m) There was widespread support for a trial

CPs agreed that a trial would be needed subject to further consultation on the details and timing. CPs noted that for a trial to be effective, Openreach would need to clarify its portfolio and customer journeys. CPs highlighted the difficulties of bringing forward WLR withdrawal as part of the trial, especially in relation to critical national infrastructure and special services. The areas to investigate as part of a trial included: Openreach's ability to roll-out to 100% of properties in an exchange and the timescales associated with this; access to more detailed Openreach build information at a premises level; the appetite of customers to migrate voluntarily; the FTTP customer experience and provisioning process; the legacy stop-sell process; processes for managing 'orphaned' customers for whom FTTP is not available and those who have FTTP available but have chosen not to upgrade; maintaining access to emergency services in the event of a power cut.

Openreach response: In parallel with this summary we have launched a consultation on a proposed trial of exchange-based upgrade and migration. We will ensure the areas raised by CPs are covered as part of the

trial. We recognise the difficulties associated with special services and critical national infrastructure and agree that these will have to be managed in any trial that brings forward the date for WLR withdrawal.

n) There was widespread agreement that a customer charter would be useful

CPs were supportive of developing a charter to protect customers and suggested that this should cover business and residential customers. CPs felt the charter should cover general principles for how migrations are handled, especially for vulnerable groups. Common language around the benefits of next generation services was also seen as something that would be potentially helpful. Consumer groups highlighted the opportunity to engage with customers in early trial locations to learn lessons and use this to inform the charter.

Openreach response: We will develop a customer charter with industry through the WLR withdrawal working group. Once we have a reasonable draft we propose to share this with consumer and business groups to stress-test our approach.

3. Next steps

Many of the issues raised in the consultation and responses will require careful working through with Openreach, CPs, the OTA and Ofcom. We propose to do this through the established industry processes and working groups wherever possible, as we have indicated above.

In parallel, we are also launching a consultation on 17 June 2019 regarding two proposed trials which would provide a practical basis for the industry to explore some of the issues raised by exchange-based migration and by WLR withdrawal.

We would welcome further engagement with CPs to discuss these issues on a bilateral basis. We will also continue to engage with other stakeholders such as business and consumer groups as we develop our proposals. If you would like to provide further input or discuss the issues raised in this consultation, please arrange a meeting through your relationship manager.