



Change Control Notification

31 March 2019

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Section 1
Introduction to the Change Control Notification

Section 1 – Introduction to the Change Control Notification

Section 1.1 Introduction

This Change Control Notification is published under the following Ofcom SMP services conditions:

- Wholesale Broadband Access Market Final Statement dated 31 July 2018, 7.21.
- Wholesale Local Access Market Review Final Statement dated 28 March 2018, 12.21.
- Narrowband Market Review Final Statement dated 30 November 2017, 9.21.
- Business Connectivity Markets Review Temporary Conditions dated 23 November 2017, 10.21.

This Change Control Notification details all methodology changes that were implemented between the Regulatory Financial Statements for the year ended 31 March 2018 and those planned to be used for the Regulatory Financial Statements for the year ended 31 March 2019.

This Change Control Notification is not a replacement for, nor should it be regarded as an alternative to, the published Regulatory Financial Statements (RFS), for the year ended 31 March 2018. In accordance with Section 435(1) of the Companies Act 2006, this Change Control Notification is not our statutory accounts. BT Group plc's Annual Report dated 9 May 2018, which this Change Control Notification reconciles to, was delivered to the Registrar of Companies. This Change Control Notification has not been audited.

This Change Control Notification should be read in conjunction with our 2017/18 Accounting Methodology Documentation (AMD), dated 31 July 2018, to ensure that all abbreviations, cost estimations and allocations, and descriptions are understood.

This Change Control Notification has been prepared under the Financial Capital Maintenance (FCM) convention in accordance with the principles set out in the handbook "Accounting for the Effects of Changing Prices", published in 1986 by the Accounting Standards Committee. Under the FCM convention we include changes in asset values in our income statement as unrealised holding gains or losses. The use of Current Cost Accounting (CCA) in this Change Control Notification and the RFS also includes the use of Regulatory Asset Valuation (RAV)

where Ofcom has directed an alternative methodology for valuing parts of the local access network.

Section 1.2 Overall structure of the report

The Report follows the structure and layout detailed in the SMP services conditions listed in Section 1.1. A description of each section is provided below:

- Section 2 – provides the estimated impact of methodology changes at the level of the Markets and Technical Areas (as applicable) by setting out the figures which were presented in the previous Financial Year alongside the figures that would have been presented had such changes been made in the previous Financial Year.
- Section 3 – provides an explanation of the reported methodology changes, including the reasons for making each change.
- Appendix – Ofcom's Change Control Notification template.

Section 2

Impact of each of the changes on the figures at the level of the Markets and Technical Areas

Section 2 – Impact of each of the changes on the figures at the level of the Markets and Technical Areas

Section 2.1 Total revenue impact of each of the changes on the figures at the level of the Markets and Technical Areas for published 2017/18 RFS figures

The figures in this section estimate the impact of each methodology change. Not all methodology changes take into account overlapping effects from other proposed methodology changes.

Figures in £m	WLA	Business Connectivity		Narrowband			Total Openreach SMP	Openreach Residual	Total Openreach	Business Connectivity	Narrowband			WBA	Total Rest of BT SMP	Total SMP Markets	Wholesale Residual	EOI Eliminations	Retail Residual	Rest of BT Residual	Total Rest of BT	Eliminations	Roundings	Total Markets
	WLA	Low Bandwidth CISBO Rest of UK	Low Bandwidth CISBO Combined Geographic	WFAEL	ISDN2	ISDN30				Low Bandwidth TISBO	Fixed Call Origination	Fixed Geographic Call Termination	Technical Areas	WBA Market A										
2017/18 Published RFS figures	2,368	578	31	1,644	88	165	-	-	-	157	143	11	6	425	-	5,616	2,607	(1,079)	20,950	-	-	(4,372)	1	23,723
RFS Presentation Changes	2,368	578	31	1,644	88	165	4,874	393	5,267	157	143	11	6	425	742	-	-	-	-	23,164	23,906	(5,451)	1	23,723
Market definition changes	-	-	-	-	-	-	-	-	-	-	-	-	-	(342)	(342)	-	-	-	-	126	(216)	216	-	-
Other methodology changes proposed by Ofcom	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Methodology changes proposed by BT	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total effect of methodology changes	-	-	-	-	-	-	-	-	-	-	-	-	-	(342)	(342)	-	-	-	-	126	(216)	216	-	-
2017/18 RFS market figures reflecting all methodology changes	2,368	578	31	1,644	88	165	4,874	393	5,267	157	143	11	6	83	400	-	-	-	-	23,290	23,690	(5,235)	1	23,723

Section 2 – Impact of each of the changes on the figures at the level of the Markets and Technical Areas

Figures in £m		WLA	Business Connectivity		Narrowband			Total Openreach SMP	Openreach Residual	Total Openreach	Business Connectivity	Narrowband			WBA	Total Rest of BT SMP	Total SMP Markets	Wholesale Residual	EOI Eliminations	Retail Residual	Rest of BT Residual	Total Rest of BT	Eliminations	Roundings	Total Markets
		WLA	Low Bandwidth CISBO Rest of UK	Low Bandwidth CISBO Combined Geographic	WFAEL	ISDN2	ISDN30				Low Bandwidth TISBO	Fixed Call Origination	Fixed Geographic Call Termination	Technical Areas	WBA Market A										
2017/18 Published RFS figures		2,368	578	31	1,644	88	165	-	-	-	157	143	11	6	425	-	5,616	2,607	(1,079)	20,950	-	-	(4,372)	1	23,723
RFS Presentation Changes																									
Section 3.01	Change of presentation of the RFS	2,368	578	31	1,644	88	165	4,874	393	5,267	157	143	11	6	425	742	-	-	-	-	23,164	23,906	(5,451)	1	23,723
Market definition changes																									
Section 3.02	Change of market structure for the Wholesale Broadband Access (WBA) markets	-	-	-	-	-	-	-	-	-	-	-	-	-	(342)	(342)	-	-	-	-	126	(216)	216	-	-
Section 3.03	Change of market structure for ISDN 30 and ISDN 2 markets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Section 3.04	Change of structure for the Wholesale Local Access (WLA) market	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Methodology changes proposed by Ofcom																									
Section 3.05	Installation costs to be treated as operating expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Section 3.06	Cost allocation to FTTx services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Section 3.07	BDOUK	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Section 3.08	Service level guarantees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Section 3.09	Adjusted Financial Performance Summary (AFPS) amendments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Methodology changes proposed by BT																									
Section 3.10	Co-mingling power and vent	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Section 3.11	Software	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Section 3.12	CCA valuation review	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Section 3.13	Changes to CCA indexation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Section 3.14	Openreach re-organisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Section 3.15	Enterprise simplification and re-organisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Section 3.16	Half year cost allocation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Section 3.17	Cost allocation simplification	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Section 3.18	Wholesale call volume review	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Section 3.19	Time of day simplification	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Section 3.20	LRIC simplification	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Section 3.21	Disclosure of Openreach costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total effect of methodology changes		-	-	-	-	-	-	-	-	-	-	-	-	-	(342)	(342)	-	-	-	-	126	(216)	216	-	-
2017/18 RFS market figures reflecting all methodology changes		2,368	578	31	1,644	88	165	4,874	393	5,267	157	143	11	6	83	400	-	-	-	-	23,290	23,690	(5,235)	1	23,723

Section 2 – Impact of each of the changes on the figures at the level of the Markets and Technical Areas

Section 2.2 Total CCA operating cost impact of each of the changes on the figures at the level of the Markets and Technical Areas for published 2017/18 RFS figures

The figures in this section estimate the impact of each methodology change. Not all methodology changes take into account overlapping effects from other proposed methodology changes.

Figures in £m	WLA	Business Connectivity		Narrowband			Total Openreach SMP	Openreach Residual	Total Openreach	Business Connectivity	Narrowband			WBA	Total Rest of BT SMP	Total SMP Markets	Wholesale Residual	EOI Eliminations	Retail Residual	Rest of BT Residual	Total Rest of BT	Eliminations	Roundings	Total Markets
	WLA	Low Bandwidth CISBO Rest of UK	Low Bandwidth CISBO Combined Geographic	WFAEL	ISDN2	ISDN30				Low Bandwidth TISBO	Fixed Call Origination	Fixed Geographic Call Termination	Technical Areas	WBA Market A										
2017/18 Published RFS figures	1,462	392	18	998	40	72	-	-	-	128	99	85	6	175	-	3,475	2,331	(1,079)	19,946	-	-	(4,372)	(1)	20,300
RFS Presentation Changes	1,462	392	18	998	40	72	2,982	428	3,410	128	99	85	6	175	493	-	-	-	-	22,168	22,661	(5,770)	(1)	20,300
Market definition changes	-	-	-	-	-	-	-	-	-	-	-	-	-	(129)	(129)	-	-	-	-	(87)	(216)	216	-	-
Other methodology changes proposed by Ofcom	51	-	-	4	-	1	56	6	62	-	-	-	-	-	-	-	-	-	-	4	4	(2)	-	64
Methodology changes proposed by BT	(25)	3	-	12	(1)	2	(9)	(211)	(220)	(1)	(10)	(3)	(1)	(1)	(16)	-	-	-	-	(25)	(41)	210	-	(51)
Total effect of methodology changes	26	3	-	16	(1)	3	47	(205)	(158)	(1)	(10)	(3)	(1)	(130)	(145)	-	-	-	-	(108)	(253)	424	-	13
2017/18 RFS market figures reflecting all methodology changes	1,488	395	18	1,014	39	75	3,029	223	3,252	127	89	82	5	45	348	-	-	-	-	22,060	22,408	(5,346)	(1)	20,313

Section 2 – Impact of each of the changes on the figures at the level of the Markets and Technical Areas

Figures in £m	WLA			Business Connectivity		Narrowband			Total Openreach SMP	Openreach Residual	Total Openreach	Business Connectivity		Narrowband			WBA	Total Rest of BT SMP	Total SMP Markets	Wholesale Residual	EOI Eliminations	Retail Residual	Rest of BT Residual	Total Rest of BT	Eliminations	Roundings	Total Markets
	WLA	Low Bandwidth CISBO Rest. of UK	Low Bandwidth CISBO Combined Geographic	WFAEL	ISDN2	ISDN30	Low Bandwidth TISBO	Fixed Call Origination				Fixed Geographic Call Termination	Technical Areas	WBA Market A													
2017/18 Published RFS figures	1,462	392	18	998	40	72	-	-	-	128	99	85	6	175	-	3,475	2,331	(1,079)	19,946	-	-	-	-	(4,372)	(1)	20,300	
RFS Presentation Changes																											
Section 3.01 Change of presentation of the RFS	1,462	392	18	998	40	72	2,982	428	3,410	128	99	85	6	175	493	-	-	-	-	22,168	22,661	(5,770)	(1)				20,300
Market definition changes																											
Section 3.02 Change of market structure for the Wholesale Broadband Access (WBA) markets	-	-	-	-	-	-	-	-	-	-	-	-	-	(129)	(129)	-	-	-	-	(87)	(216)	216	-	-	-	-	-
Section 3.03 Change of market structure for ISDN 30 and ISDN 2 markets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Section 3.04 Change of structure for the Wholesale Local Access (WLA) market	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Methodology changes proposed by Ofcom																											
Section 3.05 Installation costs to be treated as operating expenses	51	-	-	5	-	-	56	6	62	-	-	-	-	-	-	-	-	-	-	4	4	(2)	-	-	-	64	
Section 3.06 Cost allocation to FTX services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Section 3.07 BDUK	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Section 3.08 Service level guarantees	-	-	-	(1)	-	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Section 3.09 Adjusted Financial Performance Summary (AFPS) amendments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Methodology changes proposed by BT																											
Section 3.10 Co-mingling power and vent	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Section 3.11 Software	1	2	-	2	-	5	-	5	5	(1)	-	-	-	-	(1)	-	-	-	-	(4)	(5)	-	-	-	-	-	-
Section 3.12 CCA valuation review	(28)	9	-	13	-	2	(4)	(2)	(6)	-	-	-	-	-	-	-	-	-	-	(29)	(29)	-	-	-	-	(35)	
Section 3.13 Changes to CCA indexation	-	-	-	(6)	(1)	(1)	(8)	-	(8)	-	(4)	(4)	-	-	(8)	-	-	-	-	-	(8)	-	-	-	-	(16)	
Section 3.14 Openreach re-organisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Section 3.15 Enterprise simplification and re-organisation	-	-	-	-	-	-	-	-	-	(6)	(5)	(3)	(1)	-	(15)	-	-	-	-	12	(3)	3	-	-	-	-	-
Section 3.16 Half year cost allocation	(1)	(2)	-	2	-	1	-	2	2	6	-	-	-	(1)	5	-	-	-	-	(5)	-	(2)	-	-	-	-	-
Section 3.17 Cost allocation simplification	3	(6)	-	1	-	-	(2)	(2)	(4)	-	-	-	-	-	-	-	-	-	-	4	4	-	-	-	-	-	
Section 3.18 Wholesale call volume review	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Section 3.19 Time of day simplification	-	-	-	-	-	-	-	-	-	-	(1)	4	-	-	3	-	-	-	-	(3)	-	-	-	-	-	-	-
Section 3.20 LRIC simplification	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Section 3.21 Disclosure of Openreach costs	-	-	-	-	-	-	-	(209)	(209)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	209	-	-
Total effect of methodology changes	26	3	-	16	(1)	3	47	(205)	(158)	(1)	(10)	(3)	(1)	(130)	(145)	-	-	-	-	(108)	(253)	424	-	-	-	13	
2017/18 RFS market figures reflecting all methodology changes	1,488	395	18	1,014	39	75	3,029	223	3,252	127	89	82	5	45	348	-	-	-	-	22,060	22,408	(5,346)	(1)	-	-	20,313	

Section 2 – Impact of each of the changes on the figures at the level of the Markets and Technical Areas

Section 2.3 Total MCE impact of each of the changes on the figures at the level of the Markets and Technical Areas for published 2017/18 RFS figures

The figures in this section estimate the impact of each methodology change. Not all methodology changes take into account overlapping effects from other proposed methodology changes.

Figures in £m	WLA	Business Connectivity		Narrowband			Total Openreach SMP	Openreach Residual	Total Openreach	Business Connectivity	Narrowband			WBA	Total Rest of BT SMP	Total SMP Markets	Wholesale Residual	EOI Eliminations	Retail Residual	Rest of BT Residual	Total Rest of BT	Eliminations	Roundings	Total Markets	
	WLA	Low Bandwidth CISBO Rest of UK	Low Bandwidth CISBO Combined Geographic	WFAEL	ISDN2	ISDN30				Low Bandwidth TISBO	Fixed Call Origination	Fixed Geographic Call Termination	Technical Areas	WBA Market A											
2017/18 Published RFS figures	5,637	1,869	63	4,638	134	207	-	-	-	280	152	132	7	370	-	13,489	1,258	-	17,368	-	-	-	(1)	32,114	
RFS Presentation Changes	5,637	1,869	63	4,638	134	207	12,548	927	13,475	280	152	132	7	370	941	-	-	-	-	18,507	19,448	(808)	(1)	32,114	
Market definition changes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(244)	(244)	-	-	-	-	244	-	-	-	
Other methodology changes proposed by Ofcom	(393)	-	-	(19)	-	-	(412)	-	(412)	-	-	-	-	-	-	-	-	-	-	-	-	3	-	(409)	
Methodology changes proposed by BT	28	(25)	(1)	(13)	-	2	(9)	(253)	(262)	8	(3)	6	-	(3)	8	-	-	-	-	-	133	141	249	-	128
Total effect of methodology changes	(365)	(25)	(1)	(32)	-	2	(421)	(253)	(674)	8	(3)	6	-	(247)	(236)	-	-	-	-	377	141	252	-	(281)	
2017/18 RFS market figures reflecting all methodology changes	5,272	1,844	62	4,606	134	209	12,127	674	12,801	288	149	138	7	123	705	-	-	-	-	18,884	19,589	(556)	(1)	31,833	

Section 2 – Impact of each of the changes on the figures at the level of the Markets and Technical Areas

Figures in £m	WLA	Business Connectivity		Narrowband			Total Openreach SMP	Openreach Residual	Total Openreach	Business Connectivity	Narrowband			WBA	Total Rest of BT SMP	Total SMP Markets	Wholesale Residual	EOI Eliminations	Retail Residual	Rest of BT Residual	Total Rest of BT	Eliminations	Roundings	Total Markets
	WLA	Low Bandwidth CISBO Rest of UK	Low Bandwidth CISBO Combined Geographic	WFAEL	ISDN2	ISDN30				Low Bandwidth TISBO	Fixed Call Origination	Fixed Geographic Call Termination	Technical Areas	WBA Market A										
2017/18 Published RFS figures	5,637	1,869	63	4,638	134	207	-	-	-	280	152	132	7	370	-	13,489	1,258	-	17,368	-	-	-	(1)	32,114
RFS Presentation Changes																								
Section 3.01 Change of presentation of the RFS	5,637	1,869	63	4,638	134	207	12,548	927	13,475	280	152	132	7	370	941	-	-	-	-	18,507	19,448	(808)	(1)	32,114
Market definition changes																								
Section 3.02 Change of market structure for the Wholesale Broadband Access (WBA) markets	-	-	-	-	-	-	-	-	-	-	-	-	-	(244)	(244)	-	-	-	-	244	-	-	-	-
Section 3.03 Change of market structure for ISDN 30 and ISDN 2 markets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Section 3.04 Change of structure for the Wholesale Local Access (WLA) market	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Methodology changes proposed by Ofcom																								
Section 3.05 Installation costs to be treated as operating expenses	(393)	-	-	(19)	-	-	(412)	-	(412)	-	-	-	-	-	-	-	-	-	-	-	-	3	-	(409)
Section 3.06 Cost allocation to FTTx services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Section 3.07 BDUK	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Section 3.08 Service level guarantees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Section 3.09 Adjusted Financial Performance Summary (AFPS) amendments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Methodology changes proposed by BT																								
Section 3.10 Co-mingling power and vent	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Section 3.11 Software	(3)	(1)	-	(1)	-	-	(5)	-	(5)	(1)	-	-	-	(1)	(2)	-	-	-	-	7	5	-	-	-
Section 3.12 CCA valuation review	40	(10)	-	(19)	(1)	(2)	8	(2)	6	(1)	-	-	-	1	-	-	-	-	-	114	114	-	-	120
Section 3.13 Changes to CCA indexation	-	-	-	3	1	-	4	-	4	-	2	2	1	-	4	-	-	-	-	-	4	-	-	8
Section 3.14 Openreach re-organisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Section 3.15 Enterprise simplification and re-organisation	-	-	-	-	-	-	-	-	-	(10)	(1)	(1)	-	(2)	(14)	-	-	-	-	14	-	-	-	-
Section 3.16 Half year cost allocation	(8)	(15)	(1)	4	-	4	(16)	17	1	20	(2)	(2)	-	(1)	15	-	-	-	3	18	(19)	-	-	-
Section 3.17 Cost allocation simplification	(1)	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Section 3.18 Wholesale call volume review	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Section 3.19 Time of day simplification	-	-	-	-	-	-	-	-	-	-	(2)	7	-	-	5	-	-	-	-	(5)	-	-	-	-
Section 3.20 LRIC simplification	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Section 3.21 Disclosure of Openreach costs	-	-	-	-	-	-	-	(268)	(268)	-	-	-	-	-	-	-	-	-	-	-	-	268	-	-
Total effect of methodology changes	(365)	(25)	(1)	(32)	-	2	(421)	(253)	(674)	8	(3)	6	-	(247)	(236)	-	-	-	-	377	141	252	-	(281)
2017/18 RFS market figures reflecting all methodology changes	5,272	1,844	62	4,606	134	209	12,127	674	12,801	288	149	138	7	123	705	-	-	-	-	18,884	19,589	(556)	(1)	31,833

Section 2 – Impact of each of the changes on the figures at the level of the Markets and Technical Areas

Section 2.4 Total returns impact of each of the changes on the figures at the level of the Markets and Technical Areas for published 2017/18 RFS figures

The figures in this section estimate the impact of each methodology change. Not all methodology changes take into account overlapping effects from other proposed methodology changes.

Figures in £m	WLA			Business Connectivity			Narrowband			Total Openreach SMP	Openreach Residual	Total Openreach	Business Connectivity			Narrowband			WBA	Total Rest of BT SMP	Total SMP Markets	Wholesale Residual	EOI Eliminations	Retail Residual	Rest of BT Residual	Total Rest of BT	Eliminations	Roundings	Total Markets
	WLA	Low Bandwidth CISBO Rest of UK	Low Bandwidth CISBO Combined Geographic	WFAEL	ISDN2	ISDN30	Low Bandwidth TISBO	Fixed Call Origination	Fixed Geographic Call Termination				Technical Areas	WBA Market A															
2017/18 Published RFS figures	906	186	13	646	48	93	-	-	-	29	44	(74)	-	250	-	2,141	276	-	1,004	-	-	-	-	-	-	-	2	3,423	
RFS Presentation Changes	906	186	13	646	48	93	1,892	(35)	1,857	29	44	(74)	-	250	249	-	-	-	-	-	996	1,245	319	2	-	-	3,423		
Market definition changes	-	-	-	-	-	-	-	-	-	-	-	-	-	(213)	(213)	-	-	-	-	-	213	-	-	-	-	-	-		
Other methodology changes proposed by Ofcom	(51)	-	-	(4)	-	(1)	(56)	(6)	(62)	-	-	-	-	-	-	-	-	-	-	-	(4)	2	-	-	-	-	(64)		
Methodology changes proposed by BT	25	(3)	-	(12)	1	(2)	9	211	220	1	10	3	1	1	16	-	-	-	-	-	25	41	(210)	-	-	-	51		
Total effect of methodology changes	(26)	(3)	-	(16)	1	(3)	(47)	205	158	1	10	3	1	(212)	(197)	-	-	-	-	-	234	37	(208)	-	-	-	(13)		
2017/18 RFS market figures reflecting all methodology changes	880	183	13	630	49	90	1,845	170	2,015	30	54	(71)	1	38	52	-	-	-	-	-	1,230	1,282	111	2	-	-	3,410		

Section 2 – Impact of each of the changes on the figures at the level of the Markets and Technical Areas

Figures in £m	Business Connectivity			Narrowband			Total Openreach SMP	Openreach Residual	Total Openreach	Business Connectivity		Narrowband			WBA	Total Rest of BT SMP	Total SMP Markets	Wholesale Residual	EOI Eliminations	Retail Residual	Rest of BT Residual	Total Rest of BT	Eliminations	Roundings	Total Markets
	WLA	Low Bandwidth CISBO Rest of UK	Low Bandwidth CISBO Combined Geographic	WFAEL	ISDN2	ISDN30				Low Bandwidth TISBO	Fixed Call Origination	Fixed Geographic Call Termination	Technical Areas	WBA Market A											
2017/18 Published RFS figures	906	186	13	646	48	93	-	-	-	29	44	(74)	-	250	-	2,141	276	-	1,004	-	-	-	2	3,423	
RFS Presentation Changes																									
Section 3.01 Change of presentation of the RFS	906	186	13	646	48	93	1,892	(35)	1,857	29	44	(74)	-	250	249	-	-	-	-	-	996	1,245	319	2	3,423
Market definition changes																									
Section 3.02 Change of market structure for the Wholesale Broadband Access (WBA) markets	-	-	-	-	-	-	-	-	-	-	-	-	-	(213)	(213)	-	-	-	-	-	213	-	-	-	-
Section 3.03 Change of market structure for ISDN 30 and ISDN 2 markets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Section 3.04 Change of structure for the Wholesale Local Access (WLA) market	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Methodology changes proposed by Ofcom																									
Section 3.05 Installation costs to be treated as operating expenses	(51)	-	-	(5)	-	-	(56)	(6)	(62)	-	-	-	-	-	-	-	-	-	-	-	(4)	(4)	2	-	(64)
Section 3.06 Cost allocation to FTTx services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Section 3.07 BDUK	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Section 3.08 Service level guarantees	-	-	-	1	-	(1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Section 3.09 Adjusted Financial Performance Summary (AFPS) amendments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Methodology changes proposed by BT																									
Section 3.10 Co-mingling power and vent	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Section 3.11 Software	(1)	(2)	-	(2)	-	-	(5)	-	(5)	1	-	-	-	-	1	-	-	-	-	-	4	5	-	-	-
Section 3.12 CCA valuation review	28	(9)	-	(13)	-	(2)	4	2	6	-	-	-	-	-	-	-	-	-	-	-	29	29	-	-	35
Section 3.13 Changes to CCA indexation	-	-	-	6	1	1	8	-	8	-	4	4	-	-	8	-	-	-	-	-	-	8	-	-	16
Section 3.14 Openreach re-organisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Section 3.15 Enterprise simplification and re-organisation	-	-	-	-	-	-	-	-	-	6	5	3	1	-	15	-	-	-	-	-	(12)	3	(3)	-	-
Section 3.16 Half year cost allocation	1	2	-	(2)	-	(1)	-	(2)	(2)	(6)	-	-	-	1	(5)	-	-	-	-	-	5	-	2	-	-
Section 3.17 Cost allocation simplification	(3)	6	-	(1)	-	-	2	2	4	-	-	-	-	-	-	-	-	-	-	-	(4)	(4)	-	-	-
Section 3.18 Wholesale call volume review	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Section 3.19 Time of day simplification	-	-	-	-	-	-	-	-	-	-	1	(4)	-	-	(3)	-	-	-	-	-	3	-	-	-	-
Section 3.20 LRIC simplification	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Section 3.21 Disclosure of Openreach costs	-	-	-	-	-	-	-	209	209	-	-	-	-	-	-	-	-	-	-	-	-	-	(209)	-	-
Total effect of methodology changes	(26)	(3)	-	(16)	1	(3)	(47)	205	158	1	10	3	1	(212)	(197)	-	-	-	-	-	234	37	(208)	-	(13)
2017/18 RFS market figures reflecting all methodology changes	880	183	13	630	49	90	1,845	170	2,015	30	54	(71)	1	38	52	-	-	-	-	-	1,230	1,282	111	2	3,410

Section 3
Explanation of methodology changes

Section 3 – Explanation of methodology changes

Section 3.01 – Change of presentation of the RFS

Type	Methodology - Other
Key driver for change	Consistency with regulatory decisions
Trigger for change	Regulatory decision
Description of change	<p>Ofcom’s BT Regulatory Financial Reporting Review, dated 20 March 2019, directs changes to schedules presented in the RFS and the removal of others.</p> <p>Changes:</p> <ul style="list-style-type: none"> - Section 5 - Performance Summary by Market - Section 11 - Attribution of Wholesale Current Costs - Section 12 - BT Group Reconciliation. <p>Removal:</p> <ul style="list-style-type: none"> - Section 6 - Openreach Information. <p>To remain compliant with the financial reporting obligations of the Commitments, Openreach information has been incorporated in the schedules which detail Attribution of Wholesale Current Costs and the Performance Summary by Market.</p> <p>The changes to Section 5 will include:</p> <ul style="list-style-type: none"> - Change in Residual Markets - the presentation of Openreach Residual revenue, costs and MCE will be split out from Wholesale Residual and the remaining balances relating to Wholesale Residual services will be combined with Retail Residual into a new market entitled “Rest of BT Residual”.

	<ul style="list-style-type: none"> - Costs associated with non SMP Openreach services are included in the Openreach Residual market, these are offset in the Eliminations services. - Change in Eliminations services - EOI eliminations and eliminations markets will be combined into a single Eliminations market.
Effect of the change	By presenting total Openreach in Section 5, Openreach residual will now include costs associated with non SMP Openreach services that are reversed out in eliminations. This change in presentation for the costs associated with non SMP Openreach services increases residual costs by £319m to £428m and MCE by £808m to £927m, offset in eliminations.
Support for the change	Ofcom’s BT Regulatory Financial Reporting Review, dated 20 March 2019, A1 Directions sub Annex A, ‘Performance Summary by Market or Technical Area 20XX’.
Key changes in accounting documents	The AMD will have residual and elimination references updated for this methodology change.

Section 3 – Explanation of methodology changes

Section 3.02 – Change of market structure for the Wholesale Broadband Access (WBA) markets

Type	Methodology - Other
Key driver for change	Consistency with regulatory decisions
Trigger for change	Regulatory decision
Description of change	<p>Ofcom's Wholesale Broadband Access Market Review, dated 31 July 2018 directs the following changes:</p> <p>Revision of geographic boundaries classifying exchanges as WBA Market A or B, to reflect where BT have SMP. Per Annex 6.4, the number of exchanges and proportion of UK premises, without accounting for “committed” planned LLU and Fibre roll out, in Market B will represent 98.85% of the overall market. The Point of Handover adjustment, that relates to cabinets held in Market B associated with a ‘child’ exchange located in Market A, will no longer be required as the majority of exchanges will now be in Market B. The cost attribution methodologies have been updated to reflect the change in classification.</p> <p>Service disclosure changes for Section 10 – Review of Wholesale Broadband Access Markets:</p> <ul style="list-style-type: none"> - Market summary: only report services that have both total revenue in excess of £5m and EOI costs of £1m. The remaining services will be aggregated into 'Other WBA (Market A)'. - Calculation of FAC summary: no longer required to be disclosed.

	<ul style="list-style-type: none"> - EOI summary: only report inputs that have total revenue in excess of £1m. The remaining EOI inputs will be aggregated into service 'EOI Other'.
Effect of the change	There is a decrease in revenue of £342m, operating cost of £129m, and MCE of £244m in WBA Market A. This is offset by an increase in revenue of £126m, and MCE of £244m and a decrease in operating cost of £87m in Rest of BT Residual, with the remaining increase in revenue and cost of £216m in Eliminations.
Support for the change	<p>Ofcom’s Wholesale Broadband Access Market Review, dated 31 July 2018, details the following:</p> <ul style="list-style-type: none"> - Annex 1 Legal Instruments, Schedule 1 (BT Exchanges in Market A) and Appendix 2 (BT Exchanges in Market B). - Market Statement, Section 7 – Regulatory Financial Reporting, points 7.77, 7.80 and 7.81.
Key changes in accounting documents	<p>The BT Wholesale Catalogue will be updated for this methodology change:</p> <ul style="list-style-type: none"> - Wholesale Broadband Access – Market A.

Section 3 – Explanation of methodology changes

Section 3.03 – Change of market structure for ISDN 30 and ISDN 2 markets

Type	Methodology - Other
Key driver for change	Consistency with regulatory decisions
Trigger for change	Regulatory decision
Description of change	<p>Ofcom's Narrowband Market Review, dated 20 November 2017 directs changes to ISDN2 and ISDN30, requiring the revised renaming of the following services:</p> <ul style="list-style-type: none"> - ISDN 2 Rentals* - ISDN 2 Connections* - ISDN 2 Transfers* - ISDN 30 Rentals* - ISDN 30 Channel connections* - ISDN 30 Line connections* - ISDN 30 Transfers* - ISDN 30 SML3/4* - ISDN 30 Direct dialling rentals* - ISDN 30 Direct dialling planning* - ISDN 30 Direct dialling connections*. <p>* ordered before 30 November 2018.</p> <p>Revenue and volumes on these services for circuits ordered on/after 1 December 2018 will be reported under the 'ISDN 2 other' and 'ISDN 30 other' services.</p>
Effect of the change	The new methodology is to be applied from 1 December 2018, therefore there is no restatement impact.

Support for the change	Ofcom's Narrowband Market Review, dated 20 November 2017, Annex 10, Annex A, notes to the statement entitled "Market/Technical Area Summary" points 2 and 3.
Key changes in accounting documents	<p>The BT Wholesale Catalogue will be updated for this methodology change in the following sections:</p> <ul style="list-style-type: none"> - Wholesale ISDN 2 Exchange Line Services - Wholesale Business ISDN 30 Exchange Line Services.

Section 3 – Explanation of methodology changes

Section 3.04 – Change of structure for the Wholesale Local Access (WLA) market

Type	Methodology – Other
Key driver for change	Consistency with regulatory decisions
Trigger for change	Regulatory decision
Description of change	<p>Ofcom's WLA Market Review, dated 28 March 2018, directs changes in our reporting at the service level. This will result in disaggregation of the service level analysis.</p> <p>From LLU Ancillary Services:</p> <ul style="list-style-type: none"> - MPF Cancellation of orders - MPF Amend orders - MPF Standard Line Test. <p>From Other WLA:</p> <ul style="list-style-type: none"> - GEA FTTC 40/10 Rentals - GEA Other 40/10 Rentals - GEA Other Bandwidth Rentals - GEA FTTC 40/10 PCP Only Install* - GEA FTTC 40/10 Start of Stopped Line* - GEA FTTP 40/10 Connections Voice and Data - GEA FTTP 40/10 Connections Transition - GEA Cablelink 1 Gbps Connections - GEA Cablelink 10 Gbps Connections - GEA Bandwidth Modify to 40/10 - GEA VLAN Moves Applied to Cablelink - GEA 40/10 Cancel/Amend/Modify - CRD

	<ul style="list-style-type: none"> - GEA 40/10 Cancel/Amend/Modify - Regrades - GEA CP to CP Migrations* - GEA Superfast Visit Assure* <p>In addition, the following services will no longer be separately reported but included within 'Other WLA':</p> <ul style="list-style-type: none"> - SMPF Rentals - SMPF New Provide Services - SMPF Single Migrations - SMPF Bulk Migrations and - VULA Migrations. <p>The Market Review also directs the creation of Cumulo components.</p> <p>* The legal direction has specified the following two services: 'GEA 40/10 (FTTC) PCP Only Install and GEA Start of a Stopped Line 40/10' and 'Other WLA'. These relate to several baskets and therefore have been disaggregated to align to the different baskets.</p>
Effect of the change	There is no impact on revenue, operating cost or MCE, at the level of detail reported in Sections 2.1 to 2.3.
Support for the change	<p>Ofcom's WLA Market Review, dated 28 March 2018:</p> <ul style="list-style-type: none"> - Annex 33, Sub Annex A, Notes to the statements entitled "Market/ Technical Area Calculation of FAC based on component costs and usage factor." 1(c) information is required to be provided for the following Network Services. The service names listed above represent shorter versions of those service names provided in the legal direction.

Section 3 – Explanation of methodology changes

	<ul style="list-style-type: none">- Annex 33, Direction under section 49 of the Communications Act 2003 and Condition 12.4 specifying network components, Schedule B.
Key changes in accounting documents	<p>The following will be updated for this methodology change:</p> <p>BT Wholesale Catalogue - Inclusion of all new services Section - Wholesale Local Access.</p> <p>The AMD will have updates in the following sections:</p> <ul style="list-style-type: none">- Section 7 (Apportionment models), for CUMNORM base- Section 11 (Plant Groups), for PG941A, PG942A and PG943A, and WACC tables- Section 12 (Components), for CL941, CL942 and CL943.

Section 3 – Explanation of methodology changes

Section 3.05 – Installation costs to be treated as operating expenses

Type	Methodology – Change in valuation methodology
Key driver for change	Consistency with regulatory decisions
Trigger for change	Regulatory decision
Description of change	<p>Ofcom's WLA Market Review, dated 28 March 2018, directs a change in treatment of installation costs related to GEA Customer Site installation, Tie Cables, Cablelink, Abortive Visits and Co-mingling. Previously these were capitalised, but this new methodology means that these costs are expensed in the year of installation. Costs which were capitalised in previous years have been reversed and recognised against equity, this is not recognised within our MCE.</p> <p>The identification of installation costs for the above services is taken directly from the general ledgers.</p>
Effect of the change	<p>The impact is an increase in operating cost of £56m and a reduction in MCE of £412m to Openreach SMP markets (primarily to WLA). There is also an increase to cost of £4m to Rest of BT Residual and a reduction of £2m to eliminations, with an increase in MCE of £3m to eliminations.</p> <p>There is no impact on revenue at the level of detail reported in Sections 2.1 to 2.3.</p>
Support for the change	This implements changes from Ofcom's WLA Market Review Final Statement, dated 28 March 2018, Part 12 Annex 33, Schedule 2 part 2:

	<p>12. BT shall remove all capitalised installation and planning costs from the Mean Capital Employed within the network components used by any WLA Tie cable, WLA Co-mingling Rental service or WLA Co-mingling Connections service where BT reports the revenue in full on delivery of the service. The installation and planning costs instead shall be reported in full within the WLA Ancillary operating network component as an operating expense when BT delivers that service.</p> <p>13. BT shall ensure all installation, planning and short form pluggable ("SFP") compact, modular laser transceiver device costs relating to GEA Cablelink services are treated as an operating expense within WLA Ancillary operating network component.</p> <p>14. BT shall remove all capitalised installation and planning asset from the GRCs and NRCs for all network components that are attributed to the Abortive Visit Charge service where BT reports the revenue in full on delivery of the Abortive Visit Charge service. The installation and planning costs instead shall be included in full within the WLA Ancillary operating cost component as an operating expense when BT delivers the Abortive Visit Charge service.</p>
Key changes in accounting documents	<p>The AMD will be updated for this methodology change:</p> <ul style="list-style-type: none"> - Section 4 (Accounting Policies) - Section 11 (Plant Groups), PG960A Tie Cables - Section 12 (Components), CL962 Tied Cables.

Section 3 – Explanation of methodology changes

Section 3.06 – Cost allocation to FTTx services

Type	Methodology - Change in allocation basis
Key driver for change	Consistency with regulatory decisions
Trigger for change	Regulatory decision
Description of change	<p>Ofcom's WLA Market Review, dated 28 March 2018, directs the creation of the following four components: GEA FTTP, FTTC Customer Site Installation, GEA FTTC, FTTP Electronics (see direction 2.4). In addition the allocation of costs to these components has been reviewed and updated (see direction 2.2):</p> <ul style="list-style-type: none"> - GEA customer site installation costs are allocated to the FTTC and FTTP components based on information from the fixed asset register. The allocation of FTTC customer installation costs to 'managed installations' and 'PCP only installations' services will be on the basis of task times. - GEA electronics cost, which relates to Optical Line Terminals (OLT), was allocated to FTTx services on the basis of rental volumes in prior years. Following the creation of the new separate GEA FTTC Electronics and GEA FTTP Electronics components, the allocation methodology will be based on the actual volumes of OLTs and OLT cards, weighted by the costs of the OLT equipment. - The splitting of maintenance and provision costs will change the allocation to the GEA Electronics plant group which attributes to the new components. Provisioning costs for MegaStream services will be attributed to the MPF plant group. Provisioning costs serving exchanges and customer sites, including end to end testing, will be

	attributed to the GEA customer site provisioning plant group.
Effect of the change	There is no impact on revenue, operating cost or MCE, at the level of detail reported in Sections 2.1 to 2.3.
Support for the change	<p>Ofcom's WLA Market Review, dated 28 March 2018, Annex 33, Schedule 2 to direction specifying requirements in relation to consistency with regulatory decisions and regulatory asset value, Part 2: Direction:</p> <p>2.4. Customer installation costs for GEA services should be separately identified for FTTP, FTTC and other FTTx services and attributed separately to those services in accordance with the Regulatory Accounting Principles;</p> <p>Schedule C – The Networks Components list includes the new components.</p> <p>2.2. Subdivide GEA Network plant groups where they include both provisioning and maintenance costs. The relevant plant groups are PG492A (FTTC Copper Tie cables), PG592C (GEA Electronics), PG953C (GEA DSLAM Cabinets) and PG954C (GEA Customer Site electronics)</p>
Key changes in accounting documents	<p>The AMD will be updated for this methodology change:</p> <ul style="list-style-type: none"> - Section 7 (Apportionment Models), PDTCPDSL customer site installation base. - Section 12 (Components), listing out new components.

Section 3 – Explanation of methodology changes

Section 3.07 – BDUK

Type	Methodology - Change in allocation basis
Key driver for change	Consistency with regulatory decisions
Trigger for change	Regulatory decision
Description of change	<p>Ofcom's WLA Market Review, dated 28 March 2018, directs that BDUK funding and costs be attributed to the separate FTTx services. BDUK funding and costs were previously allocated to FTTC rentals only, within Other WLA.</p> <p>Allocation to FTTx will be based on capital expenditure, where identifiable in the underlying information. The remaining capital expenditure is apportioned across FTTx, based on cumulative total homes passed, specific to BDUK programmes.</p> <p>Allocation of MCE, depreciation, other costs and funding to FTTx services will be apportioned in proportion to capital expenditure.</p> <p>Total BDUK funding will now be reported separately in Section 11.2.1 Attribution of Wholesale Current Cost Mean Capital Employed in the RFS.</p>
Effect of the change	There is no impact on revenue, operating cost or MCE, at the level of detail reported in Sections 2.1 to 2.3.
Support for the change	Ofcom's WLA Market Review, dated 28 March 2018, Annex 33, Schedule 2 to direction specifying requirements in relation to consistency with regulatory decisions and regulatory asset value, Part 2: Direction:

	<p>2.5 BDUK funding and the costs of deployment in BDUK areas should be attributed to the separate FTTP, FTTC and other FTTx services in accordance with the Regulatory Accounting Principles.</p> <ul style="list-style-type: none"> - Sub Annex A, Notes to the statement entitled 'Attribution of Wholesale Current Cost Mean Capital Employed'.
Key changes in accounting documents	<p>The AMD will be updated for this methodology change:</p> <ul style="list-style-type: none"> - Section 7 (Apportionment Models), BDUK plant groups.

Section 3 – Explanation of methodology changes

Section 3.08 – Service level guarantees

Type	Methodology - Change in allocation basis
Key driver for change	Consistency with regulatory decisions
Trigger for change	Regulatory Decision
Description of change	<p>Ofcom’s Regulatory Financial Reporting Review, dated 20 March 2019, directs creation of the following components for Service level guarantee (SLG):</p> <ul style="list-style-type: none"> - WLR and Ethernet - the blended SLG Provision and SLG Assurance components will be separated into ‘SLG Provision - Int’, ‘SLG Assurance - Int’, ‘SLG Provision - Ext’, ‘SLG Assurance - Ext’, based on information in the general ledger. The attribution of these components has also been expanded to include ISDN 30 for consistency. - WLA - the blended SLG component will be separated into two distinct components: ‘SLG WLA - Int’ and ‘SLG WLA - Ext’, based on GEA and non-GEA information from the general ledger.
Effect of the change	<p>The impact is a movement in cost of £1m from WFAEL to ISDN 30, in the Openreach SMP markets.</p> <p>There is no impact on revenue or MCE, at the level of detail reported in Sections 2.1 to 2.3.</p>
Support for the change	Ofcom’s Regulatory Financial Reporting Review, dated 20 March 2019 A1 Directions, Direction 6: Direction specifying network components, Schedule A, points 132 to 141.

Key changes in accounting documents	<p>The AMD will be updated for this methodology change:</p> <ul style="list-style-type: none"> - Section 12 (Components), listing out new components.
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Section 3 – Explanation of methodology changes

Section 3.09 – Adjusted Financial Performance Summary (AFPS) amendments

Type	Methodology - Other
Key driver for change	Consistency with regulatory decisions
Trigger for change	Regulatory decision
Description of change	<p>Ofcom's WLA Market Review, dated 28 March 2018, directs the following new adjustments for Appendix 2 – Adjusted Performance Summary:</p> <ul style="list-style-type: none"> - Property Rationalisation and Restructuring – in line with existing BCMR market adjustments, present the same adjustment that is detailed in 'Support for Change' below. - Residual copper – present an annual adjustment to recognise at a discounted present value the net proceeds of the scrap copper estimated to occur in 2030, the time at which BT is expected to move to a fibre-only network. - Adjusted NRC for WLA network components – in line with the existing WBA and BCMR market adjustments for DSLAMs, SDH and line cards, present the same adjustment for the directed WLA components that is detailed in 'Support for Change' below. <p>Ofcom's Narrowband Market Review, dated 20 November 2017, and Wholesale Broadband Access Market Review, dated 31 July 2018, no longer require the adjustments to NRC for SDH, DSLAMs and line cards, and the other CCA adjustments for WBA Market A.</p> <p>This proposal will not change the underlying cost allocation methodology for SMP markets.</p>

Effect of the change	<p>There is no impact on revenue, operating cost or MCE, at the level of detail reported in Sections 2.1 to 2.3.</p> <p>The impact of the Property Rationalisation and Restructuring adjustments on the AFPS will be a decrease in costs of £4m in WLA.</p> <p>There will be no restatement impact for the residual copper adjustment as the period for the NPV calculation starts in 2018/19. The expected impact for 2018/19 in the AFPS is a decrease in adjusted WLA costs by £16m.</p> <p>The impact of the Adjusted NRC for WLA components on the AFPS is in an increase in costs of £13m and MCE of £87m in WLA.</p> <p>There is no restatement impact for the removal of the Narrowband and WBA Market adjustments. They will no longer be reported in the AFPS going forward.</p>
Support for the change	<p>This implements changes from Ofcom's WLA Market Review Final Statement, dated 28 March 2018, Annex 33, Part 2 Direction specifying the requirement in relation to additional reporting of information relating to BT's adjusted financial performance.</p> <p>1. BT shall prepare the "Adjusted Financial Performance at a market review level" statement and the "Adjusted Financial Performance at a market level" statement in order to show for each Financial Year the impact on the Regulatory Financial Statements of:</p> <p>a) calculating a moving average of the Property Rationalisation Costs incurred in the three prior Financial Years and attributing that average to the WLA market;</p> <p>b) calculating a moving average of the Restructuring Costs incurred in the three prior Financial Years and attributing that average to the WLA market.</p> <p>2. BT shall calculate the net proceeds in scrap value that BT will recoup when it moves to an FTTx only network. BT should discount its calculation using its WACC and treat the calculated income as a credit against the E-Side Copper Capital network component</p>

Section 3 – Explanation of methodology changes

	<p>3. BT shall set and maintain the NRC: GRC ratio at 50% and adjust the asset lives to equate to the accounting book lives to calculate the OCM depreciation for the following network components:</p> <ul style="list-style-type: none">a) LLU Line testing systemsb) LLU systems developmentc) Wholesale Local Access specificd) Local exchanges general frames capitale) Local exchanges general currentf) Analogue line testing equipmentg) Analogue line cardsh) Co-mingling power and ventilation andi) Combi Card Voice.
Key changes in accounting documents	Appendix 2 in the RFS will include a new line for the adjustment.

Section 3 – Explanation of methodology changes

Section 3.10 – Co-mingling power and vent

Type	Methodology - Change in allocation basis
Key driver for change	Accuracy
Trigger for change	BT judgment
Description of change	<p>The usage assumption of the Co-mingling power and vent component will be updated to be based on the proportional rental volumes of the chargeable items within the services Co-mingling Rentals and Other WLA.</p> <p>The original usage assumption was based on the proportional allocation of maintenance and non-maintenance costs to the above named services by several activity groups that have been closed.</p>
Effect of the change	There is no impact to revenue, operating cost or MCE, at the level of detail reported in Sections 2.1 to 2.3.
Support for the change	The activity groups driving the usage assumption are no longer in use.
Key changes in accounting documents	<p>The AMD will be updated for this methodology change:</p> <ul style="list-style-type: none">- Section 12 (Components), updating description of CT134 Co-mingling power and vent.

Section 3 – Explanation of methodology changes

Section 3.11 – Software

Type	Methodology - Change in source data
Key driver for change	Accuracy
Trigger for change	Changes in available evidence
Description of change	<p>Openreach software depreciation costs will now be attributed based on the level of GEA investment over the full life of the asset, rather than in-year investment.</p> <p>Following the Technology re-organisation in the prior year Technology software development costs will be attributed on an Openreach or Enterprise previously allocated costs basis as applicable.</p>
Effect of the change	<p>The impact is an increase to operating cost of £5m in Openreach SMP and a reduction of £1m in Rest of BT SMP, offset in Rest of BT Residual.</p> <p>The impact is a reduction to MCE of £5m in Openreach SMP, £2m in Rest of BT SMP and an increase of £7m in Rest of BT Residual.</p>
Support for the change	The changes will improve the accuracy of our reporting.
Key changes in accounting documents	<p>The AMD will be updated for this methodology change in the following section:</p> <ul style="list-style-type: none">- Section 7 (Apportionment models), for SOFTCAP and SOFTDEP.

Section 3 – Explanation of methodology changes

Section 3.12 – CCA valuation review

Type	Methodology - Change in valuation methodology
Key driver for change	Objectivity
Trigger for change	BT judgment
Description of change	<p>We conduct an annual review of network asset classes of work (CoW) to check the valuation method is still appropriate. The following criteria are used in the AMD to identify assets where CCA is no longer required:</p> <p>“The network assets:</p> <ul style="list-style-type: none"> - have a relatively low value - have a short asset life and only modest price movements have been observed - are virtually fully depreciated - have been recently acquired (so the current and historical costs are similar) or where - attribution to regulated markets is immaterial. <p>There will be little impact on the RFS as a result of the differences between their historical and current replacement cost. Therefore, these assets will be valued at their historical cost.”</p> <p>We therefore intend to no longer apply CCA to the following CoWs: SDH, ETHER, MSAN, COR21 and WDM21. These assets have an immaterial attribution to regulated markets and are virtually fully depreciated. In addition for WDM21, HCA has been identified as a reasonable proxy for CCA values.</p>

	Replacing REFINE with CostPerform has also improved matching of the CCA valuation methodology to the corresponding assets.
Effect of the change	<p>The impact as a result of removal of CCA methodology for the above referenced CoWs on the SMP markets is a reduction in cost of £1m for CISBO Rest of UK and an increase in MCE of £4m for CISBO Rest of UK.</p> <p>The impact as a result of the improved allocation is primarily an increase in holding gain of £28m in WLA, which is offset by an increase in holding loss of £13m for WFAEL and £10m for Low Bandwidth CISBO Rest of UK. The impact on MCE is primarily an increase of £40m in WLA, which is offset by a decrease of £19m for WFAEL and £14m for Low Bandwidth CISBO Rest of UK.</p> <p>There is no impact on revenue at the level of detail reported in Sections 2.1 to 2.3.</p>
Support for the change	These CoWs no longer meet the CCA revaluation criteria. The update in matching will improve accuracy.
Key changes in accounting documents	<p>The AMD will be updated for this methodology change in the following section:</p> <ul style="list-style-type: none"> - Annex 7 (Indices and Trends Used in Current Cost Accounting Valuations), for Classes of Work reference updates.

Section 3 – Explanation of methodology changes

Section 3.13 – Changes to CCA indexation

Type	Methodology - Change in valuation methodology
Key driver for change	Accuracy
Trigger for change	BT judgment
Description of change	<p>The CoW LDX is subject to an absolute valuation methodology. We intend to make the following changes:</p> <ul style="list-style-type: none"> - Align the assumption for the end of asset life with BT Group accounting policy, which uses an expectation of migration to modern voice services by 2025. - The current methodology combines the indices of: Software, Hardware and Average Earnings, to create a combined index that determines the CCA valuation of LDX. We propose to freeze this index, as there have been minimal recent changes in the valuation.
Effect of the change	<p>The impact as a result of the change in asset life is a reduction on operating cost of £8m in Openreach SMP markets (primarily to WFAEL) and a reduction of £4m on both Fixed Call Origination and Fixed Geographic Call Termination. The impact is primarily an increase on MCE of £3m in WFAEL, and £2m in both Fixed Call Origination and Fixed Geographic Call Termination.</p> <p>There is no impact as a result of the freezing of LDX indices on revenue, operating cost or MCE, at the level of detail reported in Sections 2.1 to 2.3.</p>

Support for the change	<p>The update in our asset life assumption will improve accuracy.</p> <p>The freezing and removal of immaterial methodologies will support accuracy and transparency.</p>
Key changes in accounting documents	<p>The AMD will be updated for this methodology change in the following sections:</p> <ul style="list-style-type: none"> - Section 5 (CCA Valuation Methods), for LDX Class of Work. - Annex 7 (Indices and Trends Used in Current Cost Accounting Valuations), for LDX Class of Work.

Section 3 – Explanation of methodology changes

Section 3.14 – Openreach re-organisation

Type	Methodology - Change in allocation basis
Key driver for change	Business re-organisation
Trigger for change	Changes in available evidence
Description of change	<p>From 1 April 2018, Openreach changed its organisational structure to create two new units: Fibre & Network Delivery (FND) and Strategic Infrastructure Development (SID).</p> <p>To reflect this new organisation, process changes have been applied to update our attributions:</p> <ul style="list-style-type: none"> - Identification of BDUK costs - FND costs will be attributed based on subledger records to allocate the costs relating to BDUK. Government Grant funding costs will be updated to continue to allocate to BDUK funding, PG999A (FTTC Funded Fibre Rollout Spend). - Openreach Northern Ireland will be included within Openreach reporting from 1 January 2019. Openreach Northern Ireland was previously reported within BT's Business and Public Sector unit. - The cost attribution methodologies have been updated to reflect the new organisation.
Effect of the change	There is no restatement impact as the new organisation structure was introduced in 2018/19.
Support for the change	The changes in data source and attributions will reflect the change in Openreach's organisational structure.

Key changes in accounting documents	<p>The AMD will be updated for this methodology change in the following sections:</p> <ul style="list-style-type: none"> - Section 7 (Apportionment Models), for PDT CJF and PDT LMD in relation to Northern Ireland networks. - Section 8 (OUC Driven Bases), for Project Services. - Section 10 (Activity Groups), for AG407. - Annex 2 (Openreach Reporting), for Northern Ireland networks description changes.
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Section 3 – Explanation of methodology changes

Section 3.15 – Enterprise simplification and re-organisation

Type	Methodology - Change in allocation basis
Key driver for change	Business re-organisation
Trigger for change	BT judgment
Description of change	<p>From 1 January 2019 Wholesale and Ventures (WAV) and Business and Public Sector (BPS) were combined to create a new Customer Facing Unit called Enterprise.</p> <p>We intend to directly allocate SG&A and software costs, previously reported in WAV, to Rest of BT Residual rather than the new Enterprise organisation.</p> <p>The remaining cost attributions will be updated reflect the new organisation.</p>
Effect of the change	<p>The impact is a reduction to operating cost of £15m for Rest of BT SMP markets (primarily Low Bandwidth TISBO and Fixed Call Origination). This is offset in Rest of BT Residual and eliminations.</p> <p>The impact is a reduction on MCE of £14m in Rest of BT SMP markets (primarily in Low bandwidth TISBO). This is offset in Rest of BT Residual.</p>
Support for the change	The change in attributions reflects the change in organisational structure.
Key changes in	The AMD will be updated for this methodology change in the following sections:

accounting documents	<ul style="list-style-type: none"> - Section 7 (Apportionment Models), for SOFTDEP and SOFTCAP. - Section 8 (OUC Driven Bases), for Enterprise description updates re-organisation description updates. - Section 10 (Activity Groups), for AG409 and WACC tables update. - Section 11 (Plant Groups), for PG506N, PG512A, PG583N, PG584N, PG586N and PG609N. - Section 12 (Components), for CO506, CO512, CO583, CO586 and CO609.
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Section 3 – Explanation of methodology changes

Section 3.16 – Half year cost allocation

Type	Methodology - Change in source data
Key driver for change	Causality
Trigger for change	BT judgment
Description of change	<p>We have identified several usage assumptions where the half-year position better represent the in-year trend as opposed to the year-end position. These are usage assumptions such as: full time equivalent staff, usage of buildings, take-up of employee benefits, task time and hourly rate data, and circuit volumes.</p> <p>We propose that these assumptions be based on half-year information.</p>
Effect of the change	<p>The impact is an increase in operating cost of £2m to WFAEL, £1m to ISDN 30 and £5m to Rest of BT SMP markets. This is offset by a reduction in cost of £1m to WLA and £2m to Low Bandwidth CISBO Rest of UK, £5m to Rest of BT Residual and £2m to eliminations.</p> <p>The impact is a reduction to MCE of £16m to Openreach SMP (primarily in Low Bandwidth CISBO Rest of UK) and £19m to eliminations. This is offset by an increase in MCE of £17m to Openreach Residual, £15m to Rest of BT SMP markets and £3m to Rest of BT Residual.</p> <p>There is no impact on revenue at the level of detail reported in Sections 2.1 to 2.3.</p>
Support for the change	The use of half year data will result in improved cost causality.

Key changes in accounting documents	<p>The AMD will be updated for this methodology change in the following section:</p> <ul style="list-style-type: none"> - Section 7 (Apportionment Models).
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Section 3 – Explanation of methodology changes

Section 3.17 – Cost allocation simplification

Type	Methodology - Change in source data
Key driver for change	Accuracy
Trigger for change	BT judgment
Description of change	<p>We have removed or simplified several immaterial or redundant apportionment methodologies:</p> <ul style="list-style-type: none"> - Simplified the PAC methodology to create a consistent allocation of opening and closing balances, by using MCE and closing operating cost. - Simplified the matching of Engineering Capitalisation Credits to underlying costs by using an Activity Group (AG407, Openreach Engineering Pay) rather than using a complex allocation methodology. - Simplified the allocation of Security FTE costs by using an Activity Group (AG118, Group PAC). - Removed a journal that split out <£3m costs within the PPC market. - Simplified the allocation of legacy Intelligent Network and Call Handling costs (DMC and DC bases) by replacing a manual model with system-driven apportionment. <p>We have frozen several immaterial apportionment models (related to Rest of BT Residual and Enterprise):</p> <ul style="list-style-type: none"> - Call Origination switch records and Payphone assumptions

	<ul style="list-style-type: none"> - Billing, where circa 96% of costs are annually allocated to Residual markets - Split of costs between PPC and Interconnect - DSLAM volumes between WBA market and market B.
Effect of the change	<p>The impact from the simplification of PAC is an increase to operating cost of £2m to WLA, £1m to WFAEL and £5m to Rest of BT Residual. This is offset by a reduction of £6m to Low Bandwidth CISBO Rest of UK, and £2m to Openreach Residual.</p> <p>The impact from the simplification of PAC is an increase in MCE of £1m to Low Bandwidth CISBO Rest of UK. This is offset in WLA.</p> <p>The impact from the other simplifications is an increase to operating cost of £1m to WLA, that is offset in Rest of BT Residual.</p> <p>There is no impact on revenue at the level of detail reported in Sections 2.1 to 2.3.</p>
Support for the change	Removal of immaterial or redundant methodologies and simplification of immaterial methodology from our processes will help maintain the transparency and accuracy of our system.
Key changes in accounting documents	<p>The AMD will be updated for this methodology change in the following section:</p> <ul style="list-style-type: none"> - Section 7 (Apportionment Models), for DTNCAP2.

Section 3 – Explanation of methodology changes

Section 3.18 – Wholesale call volume review

Type	Methodology - Change in source data
Key driver for change	Completeness
Trigger for change	BT judgment
Description of change	<p>We propose the following changes to the Fixed Call Origination and Fixed Geographic Call Termination markets:</p> <ul style="list-style-type: none"> - As the network records system 'Craft' used to derive call routing factors has been decommissioned, we intend to freeze these routing factors. Factors have remained static over the past few years and the Calls markets continue to have declining revenues. - We will improve our assumption on ported calls revenue to include ported calls between BT OLO (Other Licensed Operators) products, in addition to BT-to-BT.
Effect of the change	There is no impact on revenue, operating cost or MCE, at the level of detail reported in Sections 2.1 to 2.3.
Support for the change	These changes will improve the completeness of our reporting.
Key changes in accounting documents	<p>The AMD will be updated for this methodology change in the following section:</p> <ul style="list-style-type: none"> - Section 11 (Plant Groups), for PG280C, PG283A, PG284A, PG285C, PG288A and PG289A.

Section 3 – Explanation of methodology changes

Section 3.19 – Time of day simplification

Type	Methodology - Change in allocation basis
Key driver for change	Objectivity
Trigger for change	BT judgment
Description of change	In the Fixed Call Origination and Fixed Geographic Call Termination markets, where prices have no time of day variance, we intend to remove the redundant time of day gradient methodology.
Effect of the change	The impact is an increase to operating cost of £3m and to MCE of £5m to Rest of BT SMP markets, primarily in Fixed Geographic Call Termination.
Support for the change	This simplification drives consistency and supports transparency and accuracy.
Key changes in accounting documents	The AMD will be updated for this methodology change in the following section: <ul style="list-style-type: none">- Section 12 (Components), for CO210, CO212, CO214, CO215, CO325 and CO326.

Section 3 – Explanation of methodology changes

Section 3.20 – LRIC simplification

Type	Methodology - Other
Key driver for change	Accuracy
Trigger for change	BT judgment
Description of change	<p>Long run incremental costs (LRIC) are calculated using data from the cost allocation system, with adjustments to ensure it is a suitable input to the LRIC calculations. We intend to simplify, by reducing the number of adjustments, by:</p> <ul style="list-style-type: none"> - removing the Bad Debt repayments adjustment. Currently repayments are split out from Bad Debts in our cost allocation system but consolidated into one cost category for LRIC. It is proposed that our cost allocation system also consolidates these two cost categories, removing the need for the adjustment for LRIC. - removing Other Operating Income adjustment. Currently accommodation recharges are split out from Other Operating Income for LRIC, but this adjustment is immaterial. <p>This proposal will not change the underlying cost allocation methodology for SMP markets.</p>
Effect of the change	There is no impact on revenue, operating cost or MCE, at the level of detail reported in Sections 2.1 to 2.3.
Support for the change	This change simplifies the process of calculating LRIC and improving accuracy.

Key changes in accounting documents	These changes will be reflected in the 'LRIC Model Relationships and Parameters (R&P)' annex to the AMD.
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Section 3 – Explanation of methodology changes

Section 3.21 – Disclosure of Openreach costs

Type	Methodology - Other
Key driver for change	Causality
Trigger for change	BT judgment
Description of change	<p>Using more granular data, we have identified that costs relating to exchange MSANs and TDM transmission electronics, which are specific to ePPC services, do not contribute to the products and services that Openreach provides. These will no longer be disclosed as Openreach costs in the Openreach reconciliation disclosures.</p> <p>This proposal does not change the underlying cost attribution methodology for SMP markets.</p>
Effect of the change	There is a reduction to operating cost of £209m and MCE of £268m to Openreach Residual that is offset in eliminations.
Support for the change	This improves the accuracy of the disclosure of Openreach Markets and Activities (with no SMP reporting obligations) costs and MCE.
Key changes in accounting documents	None

Appendix

Appendix

Appendix 1 - Template for change control provided in Ofcom's Regulatory Financial Reporting Final Statement (May 2014):

Title	<i>Short title for each change</i>
Type	<i>Select from 1) Change in allocation basis; 2) change in valuation methodology; 3) change in source data; or 4) other</i>
Key driver for change	<i>State key driver based on Regulatory Accounting Principles Select from: 1) more complete; 2) more accurate; 3) more objective; 4) more consistent with regulatory decisions; 5) more cost causal; 6) more compliant with statutory accounting standards; or 7) more consistent</i>
Trigger for change	<i>Select from 1) BT judgment; 2) Regulatory decision; 3) changes in available evidence; or 4) other</i>
Description of change	<i>A short explanation of the new methodology and how it differs from the old methodology</i>
Effect of the change	<i>A description of the impact of the change in terms of the components most affected and the general impact of the change and the markets and services that are most affected by the changes</i>
Support for the change	<i>A detailed justification for the change and the evidence taken into account to support the change</i>
Key changes in accounting documents	<i>Set out key changes to accounting documents</i>