



Change Control Notification

31 March 2020

Contents

Change Control Notification for the year ended 31 March 2020

Section 1 Introduction to the Change Control Notification.....	2
Section 1.1 Introduction.....	3
Section 1.2 Overall structure of the report	3
Section 2 Impact of each of the changes on the figures at the level of the Markets and Technical Areas	4
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 2018-19 RFS figures.....	5
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 2018-19 RFS figures	7
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 2018-19 RFS figures.....	9
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 2018-19 RFS figures	11
Section 3 Explanation of methodology changes.....	13
Appendix	43
Appendix 1 - Template for change control provided in Ofcom's Regulatory Financial Reporting Final Statement (May 2014):	44

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:

- Promoting competition and investment in fibre networks - review of the physical infrastructure and business connectivity markets Final Statement dated 28 June 2019, conditions 11.21 (BCMR) and 11.21 (PIMR).
- Wholesale Broadband Access Market Review 2018 Final Statement dated 31 July 2018, condition 7.21.
- Wholesale Local Access Market Review Final Statement dated 28 March 2018, condition 12.21.
- Narrowband Market Review Final Statement dated 30 November 2017, condition 9.21.

This Change Control Notification details all methodology changes that were implemented between the Regulatory Financial Statements (RFS) for the year ended 31 March 2019 and those planned to be used for the RFS for the year ended 31 March 2020.

This Change Control Notification is not a replacement for, nor should it be regarded as an alternative to, the published RFS, for the year ended 31 March 2019. 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 8 May 2019, 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 2018-19 Accounting Methodology Documentation (AMD), dated 31 July 2019, 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 2018-19 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	PIA	WLA	Business Connectivity						Narrowband			Openreach Residual	EOI PIA Eliminations	Total Openreach	Business Connectivity	Narrowband			WBA	Total Rest of BT SMP	Total SMP Markets	Rest of BT Residual	Total Rest of BT	Eliminations	Rounding	Total Markets	
	PIA	WLA	Low Bandwidth CISBO Rest of UK	Low Bandwidth CISBO Combined Geographic	CI Access Services - BT Only Areas	CI Access Services - BT plus One Areas	High Network Reach Areas outside CLA	Technical Area - Interexchange Connectivity (Non-Dark Fibre Circuits)	Technical Area - Interexchange Connectivity (Dark Fibre Circuits)	WFAEL	ISDN2	ISDN30	Total Openreach SMP		Openreach Residual	EOI PIA Eliminations	Low Bandwidth TISBO	Fixed Call Origination	Fixed Geographic Call Termination								Technical Areas
2018/19 Published RFS figures	-	2,353	499	28	-	-	-	-	1,614	79	136	4,709	366	-	5,075	122	138	9	6	102	377	5,086	22,940	23,317	(4,966)	2	23,428
Market definition changes	619	-	(499)	(28)	385	141	19	143	-	-	-	780	(161)	(619)	-	(122)	-	-	-	-	(122)	658	122	-	-	-	-
Other methodology changes directed by Ofcom	-	(9)	-	-	5	1	-	3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(4)	(4)	4	-	-
Methodology changes proposed by BT	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(9)	(9)	9	-	-
Total effect of methodology changes	619	(9)	(499)	(28)	390	142	19	146	-	-	-	780	(161)	(619)	-	(122)	-	-	-	-	(122)	658	109	(13)	13	-	-
2018/19 RFS market figures reflecting all methodology changes	619	2,344	-	-	390	142	19	146	1,614	79	136	5,489	205	(619)	5,075	-	138	9	6	102	255	5,744	23,049	23,304	(4,953)	2	23,428

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

Figures in £m	PIA	WLA	Business Connectivity							Narrowband			Total Openreach SMP	Openreach Residual	EOI PIA Eliminations	Total Openreach	Business Connectivity	Narrowband			WBA	Total Rest of BT SMP	Total SMP Markets	Rest of BT Residual	Total Rest of BT	Eliminations	Rounding	Total Markets	
	PIA	WLA	Low Bandwidth CISBO Rest of UK	Low Bandwidth CISBO Combined Geographic	CI Access Services - BT Only Areas	CI Access Services - BT plus One Areas	High Network Reach Areas outside CLA	Technical Area - Interexchange Connectivity (Non-Dark Fibre Circuits)	Technical Area - Interexchange Connectivity (Dark Fibre Circuits)	WFAEL	ISDN2	ISDN30		Openreach Residual	EOI PIA Eliminations		Low Bandwidth TISBO	Fixed Call Origination	Fixed Geographic Call Termination	Technical Areas	WBA Market A								
2018/19 Published RFS figures	-	2,353	499	28	-	-	-	-	-	1,614	79	136	4,709	366	-	5,075	122	138	9	6	102	377	5,086	22,940	23,317	(4,966)	2	23,428	
Market definition changes																													
Section 3.01	Change of market structure for the Business Connectivity Markets	-	-	(499)	(28)	385	141	19	143	-	-	-	161	(161)	-	-	-	-	-	-	-	-	161	-	-	-	-	-	
Section 3.02	Deregulation of the TISBO market	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(122)	-	-	-	-	(122)	(122)	122	-	-	-	-	
Section 3.03	Changes to ISDN reporting	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Section 3.04	Reporting of the Physical Infrastructure Access Market	619	-	-	-	-	-	-	-	-	-	-	619	-	(619)	-	-	-	-	-	-	-	619	-	-	-	-	-	
Methodology changes directed by Ofcom																													
Section 3.05	Access Locate	-	(9)	-	-	5	1	-	3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Section 3.06	EE integration costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(3)	(3)	3	-	-	-	
Section 3.07	Access Fibre valuation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Section 3.08	ECCs decapitalisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Section 3.09	Repayment Works	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1)	(1)	1	-	-	-	
Section 3.10	Network Adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Methodology changes proposed by BT																													
Section 3.11	WLA Tie Cables	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Section 3.12	Openreach Service Centre costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Section 3.13	WLR Amendment Service	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Section 3.14	WACC rates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Section 3.15	Openreach Project Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Section 3.16	Insurance premium costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Section 3.17	GVF data availability	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Section 3.18	Group PAC methodology	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(4)	(4)	4	-	-	-	
Section 3.19	SOGEA and G Fast Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2	2	(2)	-	-	-	-	
Section 3.20	Allocation of WLR/MPF Enhanced Care SML2 costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Section 3.21	Ethernet Cablelink cost allocations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Section 3.22	IFRS 16 implementation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Section 3.23	BT Fleet sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Section 3.24	Copper CCA separation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Section 3.25	Access Fibre allocation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Section 3.26	Interexchange Fibre allocation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(7)	(7)	7	-	-	-	
Section 3.27	Access Fibre usage factors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total effect of methodology changes		619	(9)	(499)	(28)	390	142	19	146	-	-	-	780	(161)	(619)	-	(122)	-	-	-	-	(122)	658	109	(13)	13	-	-	
2018/19 RFS market figures reflecting all methodology changes		619	2,344	-	-	390	142	19	146	-	1,614	79	136	5,489	205	(619)	5,075	-	138	9	6	102	255	5,744	23,049	23,304	(4,953)	2	23,428

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 2018-19 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	PIA	WLA	Business Connectivity						Narrowband			Total Openreach SMP	Openreach Residual	EOI PIA Eliminations	Total Openreach	Business Connectivity	Narrowband			WBA	Total Rest of BT SMP	Total SMP Markets	Rest of BT Residual	Total Rest of BT	Eliminations	Rounding	Total Markets	
	PIA	WLA	Low Bandwidth CISBO Rest of UK	Low Bandwidth CISBO Combined Geographic	CI Access Services - BT Only Areas	CI Access Services - BT plus One Areas	High Network Reach Areas outside CLA	Technical Area - Interexchange Connectivity (Non-Dark Fibre Circuits)	Technical Area - Interexchange Connectivity (Dark Fibre Circuits)	WFAEL	ISDN2		ISDN30	Openreach Residual		EOI PIA Eliminations	Low Bandwidth TISBO	Fixed Call Origination	Fixed Geographic Call Termination	Technical Areas								WBA Market A
2018/19 Published RFS figures	-	1,703	430	17	-	-	-	-	1,133	40	75	3,398	188	-	3,586	100	89	86	4	54	333	3,731	21,258	21,591	(5,074)	(1)	20,102	
Market definition changes	256	133	(430)	(17)	363	110	13	92	-	140	3	6	669	(88)	(619)	(38)	(100)	-	-	(1)	-	(101)	568	119	18	20	-	-
Other methodology changes directed by Ofcom	-	7	-	-	15	7	3	2	-	(11)	-	(1)	22	16	-	38	-	-	-	-	(1)	(1)	21	(4)	(5)	7	-	40
Methodology changes proposed by BT	-	(24)	-	-	7	6	(1)	(6)	-	11	-	1	(6)	1	-	(5)	-	(1)	(1)	(1)	(1)	(9)	9	6	11	-	12	
Total effect of methodology changes	256	116	(430)	(17)	385	123	15	88	-	140	3	6	685	(71)	(619)	(5)	(100)	(1)	(1)	(1)	(2)	(105)	580	124	19	38	-	52
2018/19 RFS market figures reflecting all methodology changes	256	1,819	-	-	385	123	15	88	-	1,273	43	81	4,083	117	(619)	3,581	-	88	85	3	52	228	4,311	21,382	21,610	(5,036)	(1)	20,154

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

Figures in £m	PIA	WLA	Business Connectivity							Narrowband			Total Openreach SMP	Openreach Residual	EOI PIA Eliminations	Total Openreach	Business Connectivity	Narrowband			WBA	Total Rest of BT SMP	Total SMP Markets	Rest of BT Residual	Total Rest of BT	Eliminations	Rounding	Total Markets
	PIA	WLA	Low Bandwidth CISBO Rest of UK	Low Bandwidth CISBO Combined Geographic	CI Access Services - BT Only Areas	CI Access Services - BT plus One Areas	High Network Reach Areas outside CLA	Technical Area - Interexchange Connectivity (Non-Dark Fibre Circuits)	Technical Area - Interexchange Connectivity (Dark Fibre Circuits)	WFAEL	ISDN2	ISDN30		Openreach Residual	EOI PIA Eliminations		Low Bandwidth TISBO	Fixed Call Origination	Fixed Geographic Call Termination	Technical Areas	WBA Market A							
2018/19 Published RFS figures	-	1,703	430	17	-	-	-	-	1,133	40	75	3,398	188	-	3,586	100	89	86	4	54	333	3,731	21,258	21,591	(5,074)	(1)	20,102	
Market definition changes																												
Section 3.01 Change of market structure for the Business Connectivity Markets	-	-	(430)	(17)	331	103	11	83	-	-	-	81	(81)	-	-	-	-	-	-	-	-	81	-	-	-	-	-	-
Section 3.02 Deregulation of the TISBO market	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(100)	-	-	-	-	-	(100)	(100)	100	-	-	-	-	-
Section 3.03 Changes to ISDN reporting	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Section 3.04 Reporting of the Physical Infrastructure Access Market	256	133	-	-	32	7	2	9	-	140	3	6	588	(7)	(619)	(38)	-	-	(1)	-	(1)	587	19	18	20	-	-	-
Methodology changes directed by Ofcom																												
Section 3.05 Access Locate	-	(8)	-	-	4	1	-	3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Section 3.06 EE integration costs	-	(1)	-	(1)	-	-	-	-	(1)	-	-	(3)	-	-	(3)	-	-	-	(1)	(1)	(4)	1	-	3	-	-	-	-
Section 3.07 Access Fibre valuation	-	22	-	(6)	(3)	-	-	-	1	-	(1)	13	(2)	-	11	-	-	-	-	-	-	13	-	-	1	-	12	-
Section 3.08 ECs decapitalisation	-	-	-	-	20	9	3	-	-	-	-	32	(2)	-	30	-	-	-	-	-	-	32	(5)	(5)	3	-	28	-
Section 3.09 Repayment Works	-	(6)	-	(2)	-	-	(1)	-	(11)	-	-	(20)	20	-	-	-	-	-	-	-	(20)	-	-	-	-	-	-	-
Section 3.10 Network Adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Methodology changes proposed by BT																												
Section 3.11 WLA Tie Cables	-	12	-	-	-	-	-	-	-	-	-	12	-	-	12	-	-	-	-	-	-	12	-	-	-	-	-	12
Section 3.12 Openreach Service Centre costs	-	8	-	(4)	(2)	(1)	-	-	3	-	-	4	(4)	-	-	-	-	-	-	-	-	4	(1)	(1)	1	-	-	-
Section 3.13 WLR Amendment Service	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Section 3.14 WACC rates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Section 3.15 Openreach Project Services	-	(4)	-	-	4	2	-	-	(3)	-	(1)	(2)	2	-	-	-	-	-	-	-	-	(2)	-	-	-	-	-	-
Section 3.16 Insurance premium costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Section 3.17 GVF data availability	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Section 3.18 Group PAC methodology	-	(12)	-	(2)	-	(1)	(1)	-	(8)	-	-	(24)	(1)	-	(25)	-	-	-	-	-	-	(24)	21	21	4	-	-	
Section 3.19 SOGEA and G Fast Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2	2	(2)	-	-	-	
Section 3.20 Allocation of WLR/MPF Enhanced Care SML2 costs	-	(12)	-	(1)	(1)	-	-	-	15	-	-	1	-	-	1	-	-	-	-	-	-	1	(1)	(1)	-	-	-	
Section 3.21 Ethernet Cablelink cost allocations	-	-	-	(2)	-	-	1	-	-	-	-	(1)	1	-	-	-	-	-	-	-	(1)	-	-	-	-	-	-	
Section 3.22 IFRS 16 implementation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Section 3.23 BT Fleet sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Section 3.24 Copper CGA separation	-	(4)	-	-	-	-	-	-	4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Section 3.25 Access Fibre allocation	-	(36)	-	-	21	7	1	-	-	-	2	(5)	3	-	(2)	-	-	-	-	-	-	(5)	1	1	1	-	-	
Section 3.26 Interexchange Fibre allocation	-	24	-	(8)	(1)	-	(6)	-	-	-	-	9	-	-	9	-	(1)	(1)	(1)	(3)	6	(13)	(16)	7	-	-	-	
Section 3.27 Access Fibre usage factors	-	-	-	(1)	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total effect of methodology changes	256	116	(430)	(17)	385	123	15	88	-	140	3	6	685	(71)	(619)	(5)	(100)	(1)	(1)	(1)	(2)	(105)	580	124	19	38	-	52
2018/19 RFS market figures reflecting all methodology changes	256	1,819	-	-	385	123	15	88	-	1,273	43	81	4,083	117	(619)	3,581	-	88	85	3	52	228	4,311	21,382	21,610	(5,036)	(1)	20,154

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 2018-19 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	PIA	WLA	Business Connectivity								Narrowband			Total Openreach SMP	Openreach Residual	EOI PIA Eliminations	Total Openreach	Business Connectivity		Narrowband			WBA	Total Rest of BT SMP	Total SMP Markets	Rest of BT Residual	Total Rest of BT	Eliminations	Rounding	Total Markets
	PIA	WLA	Low Bandwidth CISBO Rest of UK	Low Bandwidth CISBO Combined Geographic	CI Access Services - BT Only Areas	CI Access Services - BT plus One Areas	High Network Reach Areas outside CLA	Technical Area - Interexchange Connectivity (Non-Dark Fibre Circuits)	Technical Area - Interexchange Connectivity (Dark Fibre Circuits)	WFAEL	ISDN2	ISDN30	Openreach Residual		EOI PIA Eliminations	Low Bandwidth TISBO		Fixed Call Origination	Fixed Geographic Call Termination	Technical Areas	WBA Market A	Low Bandwidth TISBO	Fixed Call Origination							
2018/19 Published RFS figures	-	6,077	1,980	63	-	-	-	-	-	4,518	125	195	12,958	801	-	13,759	217	147	143	6	131	644	13,602	20,692	21,336	(503)	1	34,593		
Market definition changes	5,101	(1,994)	(1,980)	(63)	1,057	318	30	225	-	(1,959)	(45)	(23)	667	(659)	-	8	(217)	(22)	(25)	(1)	(41)	(306)	361	(33)	(339)	331	-	-		
Other methodology changes directed by Ofcom	-	(113)	-	-	(327)	(116)	(12)	(10)	-	(158)	(3)	(12)	(751)	134	-	(617)	-	(2)	(2)	-	(4)	(8)	(759)	(41)	(49)	71	-	(595)		
Methodology changes proposed by BT	-	84	-	-	28	35	7	(74)	-	(1)	-	8	87	27	-	114	-	(10)	(10)	(1)	(16)	(37)	50	(82)	(119)	(1)	-	(6)		
Total effect of methodology changes	5,101	(2,023)	(1,980)	(63)	758	237	25	141	-	(2,118)	(48)	(27)	3	(498)	-	(495)	(217)	(34)	(37)	(2)	(61)	(351)	(348)	(156)	(507)	401	-	(601)		
2018/19 RFS market figures reflecting all methodology changes	5,101	4,054	-	-	758	237	25	141	-	2,400	77	168	12,961	303	-	13,264	-	113	106	4	70	293	13,254	20,536	20,829	(102)	1	33,992		

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

Figures in £m	PIA	WLA	Business Connectivity							Narrowband			Total Openreach SMP	Openreach Residual	EOI PIA Eliminations	Total Openreach	Business Connectivity		Narrowband			WBA	Total Rest of BT SMP	Total SMP Markets	Rest of BT Residual	Total Rest of BT	Eliminations	Rounding	Total Markets
	PIA	WLA	Low Bandwidth CISBO Rest of UK	Low Bandwidth CISBO Combined Geographic	CI Access Services - BT Only Areas	CI Access Services - BT plus One Areas	High Network Reach Areas outside CLA	Technical Area - Interexchange Connectivity (Non-Dark Fibre Circuits)	Technical Area - Interexchange Connectivity (Dark Fibre Circuits)	WFAEL	ISDN2	ISDN30		Openreach Residual	EOI PIA Eliminations		Low Bandwidth TISBO	Fixed Call Origination	Fixed Geographic Call Termination	Technical Areas	WBA Market A								
2018/19 Published RFS figures	-	6,077	1,980	63	-	-	-	-	-	4,518	125	195	12,958	801	-	13,759	217	147	143	6	131	644	13,602	20,692	21,336	(503)	1	34,593	
Market definition changes																													
Section 3.01 Change of market structure for the Business Connectivity Markets	-	-	(1,980)	(63)	1,494	403	39	408	-	-	-	-	301	(301)	-	-	-	-	-	-	-	-	301	-	-	-	-	-	
Section 3.02 Deregulation of the TISBO market	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(217)	-	-	-	-	(217)	(217)	217	-	-	-	-	
Section 3.03 Changes to ISDN reporting	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Section 3.04 Reporting of the Physical Infrastructure Access Market	5,101	(1,994)	-	-	(437)	(85)	(9)	(183)	-	(1,959)	(45)	(23)	366	(358)	-	8	-	(22)	(25)	(1)	(41)	(89)	277	(250)	(339)	331	-	-	
Methodology changes directed by Ofcom																													
Section 3.05 Access Locate	-	(14)	-	-	7	2	-	5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Section 3.06 EE integration costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Section 3.07 Access Fibre valuation	-	-	-	-	(82)	(23)	(2)	(1)	-	-	(10)	(118)	(10)	-	(128)	-	-	-	-	-	-	-	(118)	(4)	(4)	4	-	(128)	
Section 3.08 ECs decapitalisation	-	-	-	-	(216)	(90)	(10)	-	-	-	-	(316)	(152)	-	(468)	-	-	-	-	-	-	-	(316)	(56)	(56)	57	-	(467)	
Section 3.09 Repayment Works	-	(99)	-	-	(36)	(5)	-	(14)	-	(158)	(3)	(2)	(317)	296	(21)	-	(2)	(2)	-	(4)	(8)	(325)	19	11	10	-	-		
Section 3.10 Network Adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Methodology changes proposed by BT																													
Section 3.11 WLA Tie Cables	-	(2)	-	-	-	-	-	-	-	(3)	-	(5)	-	-	(5)	-	-	-	-	-	-	-	(5)	(1)	(1)	-	-	(6)	
Section 3.12 Openreach Service Centre costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Section 3.13 WLR Amendment Service	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Section 3.14 WACC rates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Section 3.15 Openreach Project Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Section 3.16 Insurance premium costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Section 3.17 GVF data availability	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Section 3.18 Group PAC methodology	-	1	-	-	-	-	-	-	-	(1)	-	-	-	-	-	-	-	-	-	1	1	1	(1)	-	-	-	-	-	
Section 3.19 SOGEA and G Fast Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Section 3.20 Allocation of WLR/MPF Enhanced Care SML2 costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Section 3.21 Ethernet Cablelink cost allocations	-	-	-	-	(4)	-	-	-	-	-	-	(4)	4	-	-	-	-	-	-	-	-	-	(4)	-	-	-	-	-	
Section 3.22 IFRS 16 implementation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Section 3.23 BT Fleet sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Section 3.24 Copper CCA separation	-	(4)	-	-	-	-	-	-	-	4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Section 3.25 Access Fibre allocation	-	(212)	-	-	128	38	6	-	-	-	10	(30)	27	-	(3)	-	-	-	-	-	-	-	(30)	4	4	(1)	-	-	
Section 3.26 Interexchange Fibre allocation	-	301	-	-	(90)	(8)	-	(74)	-	(1)	(2)	126	(4)	-	122	-	(10)	(10)	(1)	(17)	(38)	88	(84)	(122)	-	-	-	-	
Section 3.27 Access Fibre usage factors	-	-	-	-	(6)	5	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total effect of methodology changes	5,101	(2,023)	(1,980)	(63)	758	237	25	141	-	(2,118)	(48)	(27)	3	(498)	-	(495)	(217)	(34)	(37)	(2)	(61)	(351)	(348)	(156)	(507)	401	-	(601)	
2018/19 RFS market figures reflecting all methodology changes	5,101	4,054	-	-	758	237	25	141	-	2,400	77	168	12,961	303	-	13,264	-	113	106	4	70	293	13,254	20,536	20,829	(102)	1	33,992	

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 2018-19 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	PIA	WLA	Business Connectivity							Narrowband			Total Openreach SMP	Openreach Residual	EOI PIA Eliminations	Total Openreach	Business Connectivity	Narrowband			WBA	Total Rest of BT SMP	Total SMP Markets	Rest of BT Residual	Total Rest of BT	Eliminations	Rounding	Total Markets
	PIA	WLA	Low Bandwidth CISBO Rest of UK	Low Bandwidth CISBO Combined Geographic	CI Access Services - BT Only Areas	CI Access Services - BT plus One Areas	High Network Reach Areas outside CLA	Technical Area - Interexchange Connectivity (Non-Dark Fibre Circuits)	Technical Area - Interexchange Connectivity (Dark Fibre Circuits)	WFAEL	ISDN2	ISDN30		Openreach Residual	EOI PIA Eliminations		Low Bandwidth TISBO	Fixed Call Origination	Fixed Geographic Call Termination	Technical Areas	WBA Market A							
2018/19 Published RFS figures	-	650	69	11	-	-	-	-	-	481	39	61	1,311	178	-	1,489	22	49	(77)	2	48	44	1,355	1,682	1,726	108	3	3,326
Market definition changes	363	(133)	(69)	(11)	22	31	6	51	-	(140)	(3)	(6)	111	(73)	-	38	(22)	-	-	1	-	(21)	90	3	(18)	(20)	-	-
Other methodology changes directed by Ofcom	-	(16)	-	-	(10)	(6)	(3)	1	-	11	-	1	(22)	(16)	-	(38)	-	-	-	-	1	1	(21)	-	1	(3)	-	(40)
Methodology changes proposed by BT	-	24	-	-	(7)	(6)	1	6	-	(11)	-	(1)	6	(1)	-	5	-	1	1	-	1	3	9	(18)	(15)	(2)	-	(12)
Total effect of methodology changes	363	(125)	(69)	(11)	5	19	4	58	-	(140)	(3)	(6)	95	(90)	-	5	(22)	1	1	1	2	(17)	78	(15)	(32)	(25)	-	(52)
2018/19 RFS market figures reflecting all methodology changes	363	525	-	-	5	19	4	58	-	341	36	55	1,406	88	-	1,494	-	50	(76)	3	50	27	1,433	1,667	1,694	83	3	3,274

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

Figures in £m		PIA	WLA	Business Connectivity							Narrowband			Total Openreach SMP	Openreach Residual	EOI PIA Eliminations	Total Openreach	Business Connectivity	Narrowband			WBA	Total Rest of BT SMP	Total SMP Markets	Rest of BT Residual	Total Rest of BT	Eliminations	Rounding	Total Markets
PIA	WLA	Low Bandwidth CISBO Rest of UK	Low Bandwidth CISBO Combined Geographic	CI Access Services - BT Only Areas	CI Access Services - BT plus One Areas	High Network Reach Areas outside CLA	Technical Area - Interexchange Connectivity (Non-Dark Fibre Circuits)	Technical Area - Interexchange Connectivity (Dark Fibre Circuits)	WFAEL	ISDN2	ISDN30	Openreach Residual	EOI PIA Eliminations		Low Bandwidth TISBO	Fixed Call Origination		Fixed Geographic Call Termination	Technical Areas	WBA Market A									
2018/19 Published RFS figures	-	650	69	11	-	-	-	-	481	39	61	1,311	178	-	1,489	22	49	(77)	2	48	44	1,355	1,682	1,726	108	3	3,326		
Market definition changes																													
Section 3.01	Change of market structure for the Business Connectivity Markets	-	-	(69)	(11)	54	38	8	60	-	-	-	80	(80)	-	-	-	-	-	-	-	-	80	-	-	-	-	-	
Section 3.02	Deregulation of the TISBO market	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(22)	-	-	-	-	(22)	(22)	22	-	-	-	-	-	
Section 3.03	Changes to ISDN reporting	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Section 3.04	Reporting of the Physical Infrastructure Access Market	363	(133)	-	-	(32)	(7)	(2)	(9)	-	(140)	(3)	(6)	31	7	-	-	-	1	-	1	32	(19)	(18)	(20)	-	-		
Methodology changes directed by Ofcom																													
Section 3.05	Access Locate	-	(1)	-	-	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Section 3.06	EE integration costs	-	1	-	-	1	-	-	-	1	-	-	3	-	-	-	-	1	1	4	(4)	(3)	-	-	-	-	-		
Section 3.07	Access Fibre valuation	-	(22)	-	-	6	3	-	-	(1)	-	1	(13)	2	-	(11)	-	-	-	-	-	(13)	-	(1)	-	(12)	-		
Section 3.08	ECCs decapitalisation	-	-	-	-	(20)	(9)	(3)	-	-	-	-	(32)	2	-	(30)	-	-	-	-	-	(32)	5	(3)	-	(28)	-		
Section 3.09	Repayment Works	-	6	-	-	2	-	-	1	-	11	-	20	(20)	-	-	-	-	-	-	-	20	(1)	(1)	1	-	-		
Section 3.10	Network Adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Methodology changes proposed by BT																													
Section 3.11	WLA Tie Cables	-	(12)	-	-	-	-	-	-	-	-	(12)	-	-	(12)	-	-	-	-	-	-	(12)	-	-	-	-	(12)		
Section 3.12	Openreach Service Centre costs	-	(8)	-	-	4	2	1	-	(3)	-	-	(4)	4	-	-	-	-	-	-	-	(4)	1	1	(1)	-	-		
Section 3.13	WLR Amendment Service	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Section 3.14	WACC rates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Section 3.15	Openreach Project Services	-	4	-	-	(4)	(2)	-	-	3	-	1	2	(2)	-	-	-	-	-	-	-	2	-	-	-	-	-		
Section 3.16	Insurance premium costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Section 3.17	GVF data availability	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Section 3.18	Group PAC methodology	-	12	-	-	2	-	1	1	8	-	-	24	1	-	25	-	-	-	-	-	24	(25)	(25)	-	-	-		
Section 3.19	SOGEA and G Fast Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Section 3.20	Allocation of WLR/MPF Enhanced Care SML2 costs	-	12	-	-	1	1	-	-	(15)	-	-	(1)	-	(1)	-	-	-	-	-	-	(1)	1	1	-	-	-		
Section 3.21	Ethernet Cablelink cost allocations	-	-	-	-	2	-	-	(1)	-	-	-	1	(1)	-	-	-	-	-	-	-	1	-	-	-	-	-		
Section 3.22	IFRS 16 implementation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Section 3.23	BT Fleet sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Section 3.24	Copper CCA separation	-	4	-	-	-	-	-	-	(4)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Section 3.25	Access Fibre allocation	-	36	-	-	(21)	(7)	(1)	-	-	-	(2)	5	(3)	-	2	-	-	-	-	-	5	(1)	(1)	(1)	-	-		
Section 3.26	Interexchange Fibre allocation	-	(24)	-	-	8	1	-	6	-	-	-	(9)	-	(9)	-	-	1	1	1	3	(6)	6	9	-	-	-		
Section 3.27	Access Fibre usage factors	-	-	-	-	1	(1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Total effect of methodology changes		363	(125)	(69)	(11)	5	19	4	58	-	(140)	(3)	(6)	95	(90)	5	(22)	1	1	1	2	(17)	78	(15)	(32)	(25)	-	(52)	
2018/19 RFS market figures reflecting all methodology changes		363	525	-	-	5	19	4	58	-	341	36	55	1,406	88	-	1,494	-	50	(76)	3	50	27	1,433	1,667	1,694	83	3	3,274

Section 3
Explanation of methodology changes

Section 3 – Explanation of methodology changes

Section 3.01 – Change of market structure for the Business Connectivity markets

Type	Other
Key driver for change	Consistency with regulatory decisions
Trigger for change	Regulatory decision
Description of change	<p>Ofcom’s Regulatory Financial Reporting (RFR) statement, dated 12 July 2019, and the Business Connectivity Market Review (BCMR), dated June 2019, redefined the Business Connectivity markets and directs changes to:</p> <ul style="list-style-type: none"> - Differentiate services based on product type and the presence of alternative providers in the proximity of exchanges, rather than solely geographical locations as was previously the case; and - Identify a single product market covering all bandwidths. <p>The existing three markets (Low Bandwidth CISBO Rest of UK, Low Bandwidth CISBO Combined Geographic, and CISBO Residual) will be replaced with five new reported markets (listed below) and two residual markets with no reporting obligation (CI Access Services – CLA and Inter-exchange Connectivity – BT plus two or more):</p> <ol style="list-style-type: none"> i. CI Access services – BT Only Areas ii. CI Access services – BT plus one Areas iii. High Network Reach Areas Outside CLA iv. Technical Area - Inter-exchange Connectivity (Dark Fibre Circuits); and

	<p>v. Technical Area – Inter-exchange Connectivity (Non-Dark Fibre Circuits).</p> <p>BT is required to provide access to dark fibre (on reasonable request) for inter-exchange connectivity circuits from certain BT Only exchanges. As such, Ofcom’s RFR statement, dated 12 July 2019 (Direction 8 of the A1 Directions), directs BT to report Dark Fibre Revenues and Costs in respect of the 2019 Business Connectivity Markets for six new Services and two new Network Components.</p>
Effect of change	<p>Impact of this change is primarily within the Business Connectivity markets due to the allocation to the new directed markets. Regulated Business Connectivity markets Return on Capital Employed (ROCE) has increased due to the movement of high-bandwidth products into the regulated markets.</p> <p>Further, on the basis that Dark Fibre products are newly created products and were not sold in the 2018-19 year, there is no restatement impact.</p>
Support for change	Ofcom’s RFR statement, dated 12 July 2019, Direction 8 of the A1 Directions. Annex A, Section 3 to Section 7 and Schedule A.
Key changes in accounting documents	<p>The Accounting Methodology Document (AMD) will be updated for these methodology changes in the following sections:</p> <ul style="list-style-type: none"> - Section 10.2 (Plant Group Dictionary), addition of PG451A (Dark Fibre Specific Rental costs) and PG452A (Dark Fibre Specific Connections costs) - Section 10.3 (WACC Percentages), addition of PG451A and PG452A to the table - Section 11.2.2 (Derivation of usage factors), updated for the new Business Connectivity markets - Section 11.3 (Component to Super Component mapping and Usage Factors), updates to CN620, CN623, CN624, CO447, CO450, CO484, CW609

Section 3 – Explanation of methodology changes

	<ul style="list-style-type: none">- Section 11.3 (Component to Super Component mapping and Usage Factors), addition of CO488 (Dark Fibre Specific Rental costs) and CO499 (Dark Fibre Specific Connections costs)- Section 12 (Equivalence of input services), replacement of SD services with new SS services- Annex 2 Openreach reporting, Section 2.2 Openreach product groups, updated for the new Business Connectivity markets. <p>The BT Wholesale Catalogue will be updated for this methodology change:</p> <ul style="list-style-type: none">- Market: Low Bandwidth CISBO Rest of UK and Low Bandwidth CISBO Combined Geographic, updated for the new Business Connectivity markets.
--	---

Section 3 – Explanation of methodology changes

Section 3.02 – Deregulation of the TISBO market

Type	Other
Key driver for change	Consistency with regulatory decisions
Trigger for change	Regulatory decision
Description of change	Ofcom’s 2019 Physical Infrastructure Market Review (PIMR) and BCMR statement directs that low bandwidth Traditional Interface (TI) services will be deregulated throughout the UK.
Effect of change	<p>The impact of this change is that the Low Bandwidth TISBO market will now be reported in Rest of BT Residual, rather than being reported separately as its own market. As such, the impact on markets is:</p> <ul style="list-style-type: none"> - Movement in revenue of £122m from Low Bandwidth TISBO to Rest of BT Residual markets; - Movement in cost of £100m from Low Bandwidth TISBO to Rest of BT Residual markets; and - Movement in MCE of £217m from Low Bandwidth TISBO to Rest of BT Residual markets.
Support for change	Ofcom’s PIMR and BCMR Statement, dated 28 June 2019, Volume 2, Section 1.14, Legacy Services.
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 10 (Plant Groups), removal of PG300T (PPC Point of Handover) from table

	<ul style="list-style-type: none"> - Annex 2 (Openreach reporting), Section 2.2 (Openreach product groups), removal of the Low Bandwidth TISBO market. <p>The BT Wholesale Catalogue will be updated for this methodology change:</p> <ul style="list-style-type: none"> - Removal of Market: Low Bandwidth TISBO.
--	--

Section 3 – Explanation of methodology changes

Section 3.03 – Changes to ISDN reporting

Type	Other
Key driver for change	Consistency with regulatory decisions
Trigger for change	<ul style="list-style-type: none"> i. Regulatory decision ii. Change in available evidence
Description of change	<ul style="list-style-type: none"> i. Ofcom’s Narrowband Market Review (NBMR) Final Statement, dated November 2017, directs BT to report ISDN Circuit Connections, ISDN30 DDI Connections, and ISDN30 DDI Planning services under ‘Other ISDN’ published services. ii. We also intend to make the following immaterial revenue changes: <ul style="list-style-type: none"> - ISDN transfer volumes and revenues will be split between ‘pre’ and ‘post’ December 2018 service; and - Service Level Guarantee (SLG) revenues will now be allocated to the ‘post’ December 2018 ISDN services.
Effect of 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 change	<ul style="list-style-type: none"> i. Ofcom’s NBMR, dated November 2017, Annexes 9-10: Legal instruments, Page 173 for ISDN2 and page 174 for ISDN30. ii. The changes to ISDN transfers and SLG services will improve the accuracy of our reporting.

Key changes in accounting documents	<p>The BT Wholesale Catalogue will be updated for this methodology change:</p> <ul style="list-style-type: none"> - Updates to Market: Wholesale ISDN2 Exchange Line Services - Updates to Market: Wholesale Business ISDN30 Exchange Line Services.
--	--

Section 3 – Explanation of methodology changes

Section 3.04 – Reporting of the Physical Infrastructure Access Market

Type	Change in allocation basis
Key driver for change	Consistency with regulatory decisions
Trigger for change	Regulatory decision
Description of change	<p>Ofcom’s RFR Statement, dated 12 July 2019, directs BT to provide performance summary by market or technical area (Direction 8 of the A1 Directions, paragraph 5) and Ofcom’s PIMR statement, dated 28 June 2019, provides further details in relation to this. As a result, BT will now isolate total costs and MCE of the physical duct and pole infrastructure to the new Physical Infrastructure Access (PIA) market, and then recharge them to downstream markets.</p> <p>Ofcom also directs BT to use three new published services; Physical Infrastructure for Active Services, PIA Rentals, and PIA Ancillary Charges.</p> <p>Further details are set out below.</p> <p>Duct:</p> <p>Under the new methodology, three existing Activity Groups (AGs) will be closed; AG135 (Duct used by Access Cables), AG148 (Duct used by Backhaul Cables) and AG149 (Duct used by Core Cables). Two new duct Plant Groups (PGs) will be created; PG101D (Duct Infrastructure) and PG100D (Duct RAV). Total duct cost and MCE within the below three existing CoWs, bases PDTDUCT and PDTLMD, as well as RAV F8 codes will be allocated to these new PGs:</p>

	<ul style="list-style-type: none"> i. LFD (Construction, Local Duct for Optical Fibre Cable); ii. CJD (Construction, Junction Duct); and iii. LDD (Construction, Local Distribution Duct for Copper Cable). <p>Poles:</p> <p>Under the new methodology, total pole cost and MCE within the below six existing CoWs will be allocated to two new PGs; PG200P (Poles Capex) and PG201P (Poles Repair):</p> <ul style="list-style-type: none"> i. LDC (Construction, Local Distribution Cable); ii. NWR (P&I Exchange Lines (Res)); iii. NWB (P&I Exchange Lines (Business)); iv. LFSC (Construction, Local Line of Spine Cable); v. LFDC (Construction, Local Line of Distribution); and vi. PT (Poles testing). <p>Productisation and Wayleaves:</p> <p>Productisation costs relating to PIA products are now separately identified and apportioned to the new PIA market. In addition to Ofcom’s directed changes, BT has also changed the treatment of Wayleaves costs, now allocating them to the PIA components, rather than to the dropwire component.</p>
Effect of change	<p>Duct and pole cost and MCE are now reported separately in the PIA market, which will be reported in the RFS for the first time.</p> <p>For the downstream markets, duct and pole cost and MCE have been removed, and replaced with a recharge from the PIA market. The ROCE of downstream markets varies primarily due to the replacement of duct and pole MCE with a cost recharge equal to the MCE multiplied by the PIA WACC.</p> <p>In addition, the changes to the allocation of Productisation and Wayleave costs slightly impact the downstream service ROCEs.</p>
Support for change	Ofcom's RFR Statement, dated 12 July 2019, Direction 8 of the A1 Directions.

Section 3 – Explanation of methodology changes

	<p>Changes to Wayleaves allocation are due to wayleave costs being closely associated with physical infrastructure costs, and so more appropriately allocated to this market.</p>
<p>Key changes in accounting documents</p>	<p>The AMD will be updated for this methodology change in the following sections:</p> <ul style="list-style-type: none"> - Section 7.2 (Apportionment Model Dictionary – Rule Type 3 Bases), updates to PDTDUCT, PDTLFDC, PDTLFDCBS, PDTLFSC, and PDTLMD, and addition of PDTLDC (Local Distribution Cable Construction) - Section 9.2 (Activity Group dictionary), updates to AG135, AG148 and AG149 - Section 10.2 (Plant Group dictionary), addition of PG100D (Duct RAV), PG101D (Duct Infrastructure), PG200P (Poles Capex) and PG201P (Poles Repair) - Section 10.3 (WACC Percentages), updates to Plant Groups to which a WACC rate of 7.1% is used - Section 11.3 (Component to Super Component mapping and Usage Factors), updates to CZ327, CZ328, CZ329, CZ330, CZ331 and CZ332 - Section 12 (Equivalence of input services), addition of services associated with the PIA market - Annex 2 Openreach reporting, Section 2.2 Openreach product groups, updated for the new PIA market. <p>The Wholesale Catalogue will be updated for this methodology change:</p> <ul style="list-style-type: none"> - Addition of the new PIA market.

Section 3 – Explanation of methodology changes

Section 3.05 – Access Locate

Type	Change in allocation basis
Key driver for change	Consistency with regulatory decisions
Trigger for change	Regulatory decision
Description of change	<p>Ofcom’s RFR statement, dated 12 July 2019 (Annex A of the A1 Directions, Sections 3 to section 7), directs BT to report financial information, including the Accommodation Services sub basket, in the Market/Technical Area Summary. Annex 26 Legal Instruments of the 2019 BCMR Statement, Annex to Condition 10C, Section 1, defines Accommodation Services to include Access Locate services, excluding Access Locate Plus.</p> <p>Previously Access Locate was not expressly disaggregated from other accommodation services and therefore not reflected explicitly within the Business Connectivity markets.</p>
Effect of change	This methodology change will result in a movement in revenue of £9m, costs of £8m and MCE of £14m from the WLA market to the Business Connectivity markets, due to accommodation services being previously accounted for within the WLA market.
Support for change	Ofcom’s RFR statement, dated 12 July 2019, Annex A of the A1 Directions, Sections 3 to section 7.
Key changes in accounting documents	<p>The BT Wholesale Catalogue will be updated for this methodology change:</p> <ul style="list-style-type: none"> - Updates to Accommodation Services across all markets.

Section 3 – Explanation of methodology changes

Section 3.06 – EE Integration costs

Type	Change in allocation basis
Key driver for change	Consistency with regulatory decisions
Trigger for change	Regulatory decision
Description of change	<p>Ofcom’s RFR directions, dated July 2019, directs any transactional or integration costs in relation to the acquisition and integration of EE to not be attributed to any of the following:</p> <ul style="list-style-type: none"> - 2017 NMR Market; - 2018 WLA Market; - 2018 WBA Market; - 2019 BCMR Markets; or - 2019 PIMR Markets. <p>All integration costs relating to EE Integration will now be reallocated to Rest of BT Residual.</p>
Effect of change	<p>This methodology change will result in a movement in revenue of £3m from Rest of BT Residual markets to eliminations.</p> <p>There is also a movement in costs of £4m from SMP markets to Rest of BT Residual markets (£1m) and eliminations (£3m).</p> <p>There is no impact on MCE at the level of detail reported in Sections 2.1 to 2.3.</p>
Support for change	Ofcom’s RFR directions, dated July 2019, Annex 1, Page 18, Paragraph 10.

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 7.3 (OUC driven bases – Rule Type 3 base), updates for EE integration costs to be attributed directly to Rest of BT Residual.
--	--

Section 3 – Explanation of methodology changes

Section 3.07 – Access Fibre valuation

Type	Change in valuation methodology
Key driver for change	Consistency with regulatory decisions
Trigger for change	Regulatory decision
Description of change	Ofcom’s RFR Statement, dated 12 July 2019, directs BT to no longer apply an indexation to its CCA methodology for Access Fibre Cables and is required to restate the Gross Replacement Cost (GRC), Net Replacement Cost (NRC) and accumulated depreciation on the basis that a flat nominal indexation basis was applied for the purpose of CCA valuation from when the asset was acquired. BT will also use a flat nominal indexation basis for the purpose of future CCA valuation.
Effect of change	<p>The overall impact of this change is an increase in total CCA Operating Costs of £12m and a decrease in MCE of £128m.</p> <p>The methodology will also result in a change in the allocation of Distribution Fibre, which is based on NRC. The removal of historic holding gains has a greater impact on non-Next Generation Access (NGA) assets than NGA assets, as non-NGA assets are typically older.</p> <p>Within Openreach SMP markets, the net impact of the reduction in CCA valuation and the change in attribution on markets is as follows:</p> <ul style="list-style-type: none"> - WLA market: increase in costs of £22m and no impact on MCE; and - Business Connectivity markets: decrease in costs of £9m and a decrease in MCE of £108m.

	There is no impact on revenue at the level of detail reported in Sections 2.1 to 2.3.
Support for change	Ofcom’s RFR Statement, dated 12 July 2019; Direction 2, Schedule C, Part 2. We have implemented the change as directed but will raise with Ofcom whether this is the correct approach to valuation.
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 4.4 (Current Cost of Property, Plant and Equipment and Software Intangible Assets), update to Access Fibre - Section 5.2 (Choice of Valuation Method), replacement of Access Fibre Cable with Backhaul/Core Fibre Cable in the table - Section 5.3.4 (Detailed methodology), update to Fibre - Section 7.2 (Apportionment Model Dictionary - Rule Type 3 Bases), updates to PDTLFCM, PDTLFDC and PDTLFDCBS - Section 9.2 (Activity Group Dictionary), update to AG135 - Annex 7 (Indices and trends used in current cost accounting), removal of Access Fibre Cables from the table.

Section 3 – Explanation of methodology changes

Section 3.08 – ECCs decapitalisation

Type	Change in allocation basis
Key driver for change	Consistency with regulatory decisions
Trigger for change	Regulatory decision
Description of change	Ofcom’s RFR statement, dated July 2019, directs all costs attributed to Excess Construction Charges (ECCs) to be decapitalised. These costs will now be treated as operating expenses and no ECC costs will be capitalised in the future.
Effect of change	<p>The impact of this change is:</p> <ul style="list-style-type: none"> - An increase in costs of £32m and a decrease in MCE of £316m in the Business Connectivity markets; - A decrease in costs of £2m and a decrease in MCE of £152m in the Openreach residual markets; and - A decrease in costs of £5m and a decrease in MCE of £56m in the Rest of BT Residual markets. <p>There is no impact on revenue at the level of detail reported in Sections 2.1 to 2.3.</p>
Support for change	Ofcom’s RFR statement, dated July 2019, Direction 2, Paragraph 11.

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 10.2 (Plant Group Dictionary), updates to PG002X, PG002Y, PG003X, PG003Y, PG005X, PG005Y, PG006X, and PG006Y - Section 11.3 (Component to Super Component mapping and Usage Factors), updates to CE103, CE104, CE105 and CE106.
--	---

Section 3 – Explanation of methodology changes

Section 3.09 – Repayment Works

Type	Change in allocation basis
Key driver for change	Consistency with regulatory decisions
Trigger for change	Regulatory decision
Description of change	Ofcom's RFR statement dated 12 July 2019 (Direction 2 of the A1 Directions, Schedule C, Part 2, Section 12) directs BT to remove all costs that have been capitalised in relation to repayment alterations and repayment damages, since the creation of Openreach, from the GRCs and NRCs of all network components used in regulated services. These costs will no longer be attributed to regulated services.
Effect of change	<p>This methodology change will result in a movement of £20m in costs from Openreach SMP markets to Openreach Residual markets.</p> <p>Similarly, the impact on MCE is a movement of £325m from regulated markets (£317m from Openreach SMP markets and £8m from Rest of BT SMP markets) to residual markets (£296m to Openreach Residual, £19m to Rest of BT Residual markets and £10m to Eliminations).</p> <p>There is a movement of £1m in revenue from Rest of BT Residual markets to eliminations.</p>
Support for change	Ofcom's RFR statement dated 12 July 2019 (Direction 2 of the A1 Directions, Schedule C, Part 2, Section 12).

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 10.2 (Plant Group Dictionary), update to PG980R - Section 11.3 (Component to Super Component mapping and Usage Factors), update to CK980.
--	---

Section 3 – Explanation of methodology changes

Section 3.10 – Network Adjustments

Type	Other
Key driver for change	Consistency with regulatory decisions
Trigger for change	Regulatory decision
Description of change	<p>Ofcom’s RFR Review, dated 12 July 2019, directs BT to identify Network Adjustment costs both above and below the financial limit (of £4,750 per km) including network adjustments BT undertakes for itself (internal) and those requested by third parties (external).</p> <p>Network adjustment costs below the financial limit are capitalised within the PIA market and attributed to all network access services that use the physical infrastructure. Network adjustment costs above the financial limit are treated as operating cost in the PIA market and the recovery of these costs for third parties (if external) are treated as operating income in the PIA market.</p> <p>Ofcom directs BT to decapitalise network adjustments above the financial limit in the PIA market but permits BT to recapitalise them in the downstream markets. On the basis that the value of these adjustments in 2019-20 is very small, BT will treat these adjustments as expenses in the downstream markets in the 2019-20 RFS. It is expected that the value of network adjustments above the financial limit will rise in future years and BT will keep this under review.</p>
Effect of change	There is no restatement impact as the new methodology is to be applied for the 2019-20 RFS.
Support for change	Ofcom’s RFR statement, dated 12 July 2019, Direction 2 of the A1 Directions, Schedule C, Part 2, Paragraphs 2 to 7.

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 7.2 (Apportionment Model Dictionary – Rule Type 3 Bases), updates to PDLFDC, PDLFDCBS and PDLFSC - Section 10 (Plant Group dictionary), addition of PG300N (Duct Network Adjustments – Internal), PG301N (Poles Network Adjustments – External), PG302N (Poles Network Adjustments – Internal) and PG303N (Duct Network Adjustments – External) - Section 10.3 (WACC Percentages), updates to Plant Groups to which a WACC rate of 7.1% is used - Section 11 (Component to Super Component mapping and Usage Factors), updates to CZ327, CZ328, CZ329, CZ330, CZ331, and CZ332.
--	--

Section 3 – Explanation of methodology changes

Section 3.11 – WLA Tie Cables

Type	Change in allocation basis
Key driver for change	Causality
Trigger for change	BT judgment
Description of change	<p>We have identified that our previous methodology resulted in the closing prior year balance and opening current year balance used to calculate WLA Tie Cables installation costs being different.</p> <p>Going forward, we propose that the opening current year balance will equal the prior year closing balance. This approach ensures that WLA Tie Cable costs are calculated consistently across different periods.</p>
Effect of change	<p>The impact of this change is an increase in costs of £12m and a decrease in MCE of £2m for the WLA market.</p> <p>There is also a decrease in MCE of £3m for the WFAEL market.</p> <p>There is no impact on revenue at the level of detail reported in Sections 2.1 to 2.3.</p>
Support for change	The new methodology is more cost causal, as opening and closing journal balances now align without an income statement impact.
Key changes in accounting documents	None

Section 3 – Explanation of methodology changes

Section 3.12 – Openreach Service Centre costs

Type	Change in allocation basis
Key driver for change	Accuracy
Trigger for change	BT judgment
Description of change	<p>Openreach Service Centre costs will now be allocated to products and markets based on a survey of Full Time Equivalents (FTEs) that work with copper planning, surveying and service engineering optimisation. The FTEs primarily work on products within WFAEL and WLA markets. This cost allocation is consistent with the methodologies used for similar Organisational Unit Codes (OUCs).</p> <p>Previously, these costs were allocated using Openreach Pay methodology.</p>
Effect of change	<p>The impact of this methodology change is a movement in costs of £4m from the Openreach Residual markets to the Openreach SMP markets. There is also a movement in cost of £1m from Rest of BT Residual markets to eliminations.</p> <p>There is no impact to revenue or MCE at the level of detail reported in Sections 2.1 to 2.3</p>
Support for change	The change will improve 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 7.3 (OUC driven bases – Rule Type 3 bases), addition of BVL3 and BVL8 to row “BVL5, BVL6 and BVL7” of the table.
--	---

Section 3 – Explanation of methodology changes

Section 3.13 – WLR Amendment Service

Type	Change in allocation basis
Key driver for change	Accuracy
Trigger for change	BT judgment
Description of change	We have identified that WLR amendment services did not get allocated a share of Openreach service centre and development component costs. These Openreach service centre component costs and Openreach development component costs will now be allocated to WLR amendment services in the WFAEL market.
Effect of 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 change	This change will improve the accuracy and consistency of our reporting.
Key changes in accounting documents	None

Section 3 – Explanation of methodology changes

Section 3.14 – WACC rates

Type	Change in valuation methodology
Key driver for change	Accuracy
Trigger for change	Other – review of WACC rates
Description of change	WACC rates are determined at a market level and are based on the relevant market reviews published by Ofcom. The rationale for classification between the three key categories i.e. Openreach, Other UK Telecoms and Rest of BT can be found in Annex 21.158 of the 2019 PIMR and BCMR statement. We have reviewed the WACC rates and propose updating a small number of AG and PG classifications to improve accuracy of our reporting in line with the last Ofcom market review guidance.
Effect of 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 change	The change will improve the accuracy of our reporting.
Key changes in accounting documents	The AMD will be updated for this methodology change in the following sections: <ul style="list-style-type: none">- Section 9.3 (WACC Percentages), updates to WACC percentages for AGs- Section 10.3 (WACC Percentages), updates to WACC percentages for PGs.

Section 3 – Explanation of methodology changes

Section 3.15 – Openreach Project Services

Type	Change in allocation basis
Key driver for change	Accuracy
Trigger for change	BT judgment
Description of change	We are making two changes to the cost allocation for the Openreach Project Services component. Firstly, we have identified a more accurate mapping of the OUCs within the Fibre and Network Delivery unit in Openreach that work on Project Services. Secondly, we have identified that these OUCs also work on Ethernet Provision, and so we are using FTE analysis to allocate some of the cost of these OUCs to Ethernet Provision services.
Effect of change	The market impact is a movement in costs of £8m from the Narrowband SMP markets (£4m) and WLA market (£4m) to the Business Connectivity markets (£6m) and Openreach Residual markets (£2m). There is no impact on revenue or MCE at the level of detail reported in Sections 2.1 to 2.3.
Support for change	The new mapping of OUCs and use of FTE analysis to allocate costs is a more accurate reflection of the work performed by these teams.

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 7.3 (OUC driven bases – Rule Type 3 bases), replacement of OUC "BN" (Fibre and Network Delivery) with "BQ", and addition of OUC "BN" and its relevant OUC Description and Methodology to the table.
--	---

Section 3 – Explanation of methodology changes

Section 3.16 – Insurance Premium costs

Type	Change in allocation basis
Key driver for change	Consistency
Trigger for change	Changes in available evidence
Description of change	Due to the consolidation of Business Public Sector (BPS) and Wholesale and Ventures (WAV) into Enterprise last year (1 July 2019), the data used for the allocation of Insurance Premium Costs is no longer available at the sub-unit (BPS and WAV) level of granularity. We will now allocate all insurance premium costs in Enterprise using AG406.
Effect of 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 change	This change drives consistency and supports accuracy of our reporting.
Key changes in accounting documents	None

Section 3 – Explanation of methodology changes

Section 3.17 – GVF data availability

Type	Change in source data
Key driver for change	Other
Trigger for change	Change in available evidence
Description of change	As the GVF system no longer captures actual group volumes at a granular level for products, 2018-19 actual volumes will be used to allocate 21CN capital costs to plant groups. In order to increase accuracy, for specific products we were able to obtain 2019-20 actual group volumes from a different reliable source and have used these instead.
Effect of change	There will be no restatement impact as the data is no longer available in 2019-20.
Support for change	Change in available data.
Key changes in accounting documents	None

Section 3 – Explanation of methodology changes

Section 3.18 – Group PAC methodology

Type	Change in allocation basis
Key driver for change	Accuracy
Trigger for change	BT judgment
Description of change	<p>We propose the following changes to the allocation of costs that were previously allocated using Group PAC:</p> <p>Security</p> <ul style="list-style-type: none"> (OUCs VR, VU, VL, VN, and VP) – The activities carried out within these OUCs include BT Security Design & Delivery, Security Solutions UK Global & UK Enterprise and Security Solutions AMEA, Americas and Europe. These costs will be allocated fully to Rest of BT Residual. <p>Technology</p> <ul style="list-style-type: none"> (OUC TNQ) – in 2018-19 the activities carried out within this OUC include design, plan, and build of the Global network servicing 190+ countries world-wide. These costs will be allocated fully to Rest of BT Residual. In 2019-20 these activities moved to OUC TNK and will be allocated to Rest of BT Residual. (OUC TLB) – The activities of the teams within OUCs TLB1, TLB2, TLB4, TLB6, TLB7 and TLB9 are all Non-UK. These costs will be allocated fully to Rest of BT Residual.
Effect of change	The impact of this change is a movement in revenue of £4m from Rest of BT Residual markets to eliminations.

	<p>There is a movement in costs of £25m from the WLA market (£12m), Business Connectivity markets (£4m), WFAEL market (£8m) and Openreach Residual markets (£1m) to Rest of BT Residual markets (£21m) and eliminations (£4m).</p> <p>There is also a movement in MCE of £2m from WFAEL (£1m) and Rest of BT Residual (£1m) markets to WLA (£1m) and WBA Market A (£1m) markets.</p>
Support for 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 7.3 (OUC driven bases – Rule Type 3 bases), updates to OUC TLB (Voice) and OUC V (Security), and removal of TNQ under OUC T (Technology).

Section 3 – Explanation of methodology changes

Section 3.19 – SOGEA and G Fast Services

Type	Change in allocation basis
Key driver for change	Accuracy
Trigger for change	BT judgment
Description of change	<p>We are setting up new services for SOGEA and allocating costs and MCE from existing components.</p> <p>We are also improving the allocations to G Fast services by allocating costs and MCE from existing components. We are also including these services in the calculation of Equivalence of Input (EOI) for WBA services as this aligns with the way we treat Fibre to the Cabinet (FTTC) services.</p>
Effect of change	<p>For SOGEA services, there is no impact on revenue, operating cost or MCE, at the level of detail reported in Sections 2.1 to 2.3, as this is a new product for 2019-20.</p> <p>For G Fast services, there is a movement in both revenue and cost of £2m from eliminations to Rest of BT Residual markets, resulting from the inclusion of G Fast services in the calculation of EOI. There is no impact on MCE at the level of detail reported in Sections 2.1 to 2.3.</p>
Support for change	These changes will improve the accuracy of our reporting.

Key changes in accounting documents	<p>The BT Wholesale Catalogue will be updated for this methodology change:</p> <ul style="list-style-type: none"> - Market: Wholesale Local Access, updates to Other WLA Service Offering to include G Fast and SOGEA connections and rentals.
--	---

Section 3 – Explanation of methodology changes

Section 3.20 – Allocation of WLR/MPF Enhanced Care SML2 costs

Type	Change in allocation basis
Key driver for change	Causality
Trigger for change	BT judgment
Description of change	We now have more detailed data on how Openreach engineers spend their time on enhanced service maintenance repair activities, including additional costs which relate to the time spent by engineers on standby to undertake Service Maintenance Level 2 (SML2) repair jobs. The cost allocation is based on a time allocation model and standard labour rate assumptions. This means that we will allocate additional costs to WLR and MPF services with SML2. This change moves costs from other services that include repair activities.
Effect of change	The impact of this methodology change is a movement in costs of £15m from the WLA (£12m), Business Connectivity (£2m) and Rest of BT Residual (£1m) markets to the WFAEL market. There is no impact on revenue or MCE at the level of detail reported in Sections 2.1 to 2.3.
Support for change	This change will improve the cost causality of our reporting.

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 10 (Plant Groups), addition of PG166A (WLR Enhanced Care Resource Level 3 and 4), PG167A (WLA Enhanced Care Resource Level 3 and 4), PG168A (WLR Enhanced Care Resource Level 2) and PG169A (WLA Enhanced Care Resource Level 2) - Section 11 (Components), addition of CL166 (WLR Enhanced Care Resource Level 3 and 4), CL167 (WLA Enhanced Care Resource Level 3 and 4), CL168 (WLR Enhanced Care Resource Level 2) and CL169 (WLA Enhanced Care Resource Level 2).
--	---

Section 3 – Explanation of methodology changes

Section 3.21 – Ethernet Cablelink cost allocations

Type	Change in allocation basis
Key driver for change	Causality
Trigger for change	BT judgment
Description of change	<p>We propose the following changes to our cost allocation methodology for Ethernet Cablelink services:</p> <ul style="list-style-type: none"> - Allocate network costs to Ethernet Cablelink services directly based on more granular COW and capital employed data provided by Openreach. - Allocate SLG costs for Ethernet and WFAEL services based on revenue, rather than volume. This excludes Cablelink services as these do not attract SLGs.
Effect of change	<p>The changes will result in a movement in costs of £2m from the CI Access Services - BT Only Areas market to the Technical Area – Interexchange Connectivity (Non-Dark Fibre Circuits) (£1m) and Openreach Residual (£1m) markets, primarily driven by allocating costs directly to Ethernet Cablelink services as well as higher SLG costs due to high connection charges.</p> <p>There is a movement in MCE of £4m from the CI Access Services - BT Only Areas market to the Openreach Residual markets.</p> <p>There is no impact on revenue at the level of detail reported in Sections 2.1 to 2.3.</p>
Support for change	The new methodology is more cost causal and will also improve the consistency of our reporting.

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 7.2 (Apportionment Model Dictionary - Rule Type 3 Bases), updates to PDTLFD and PDTLFD for PG171A Ethernet Cablelink - Section 10 (Plant Groups), updates to PG171A, PG213C, PG217E, and PG217F - Section 11 (Components), updates to CL601, CL602, CL603, CL604, CL606, CL607, CL611.
--	--

Section 3 – Explanation of methodology changes

Section 3.22 – IFRS 16 implementation

Type	Change in source data
Key driver for change	More compliant with statutory accounting standards
Trigger for change	Other
Description of change	<p>IFRS 16 is a new accounting standard for leases under which a right-of-use (RoU) asset and offsetting liability is recognised for all leases, including operating leases for buildings.</p> <p>Implementation of IFRS 16 has led to the removal of existing operating lease costs and a creation of RoU assets and liabilities, which significantly increase BT's asset base in the RFS. To maintain comparability between the ROCE reported in the RFS and Ofcom's approach to setting prices we will include the RoU liability for the Telereal property lease in BT's asset base, as it forms majority of the IFRS 16 balances.</p> <p>IAS 17 GL codes will be replaced by new IFRS 16 GL codes that will be allocated to the RFS where appropriate following existing allocations.</p>
Effect of change	<p>The 2018-19 year-end is not being restated in the Annual Report and our proposal is to reflect this within the regulated accounts, hence there will be no restatement impact.</p> <p>As disclosed in the press release IFRS 16 Applied to BT (dated 3 July 2019), implementation of IFRS 16 in BT's statutory accounts is forecast to lead to the recognition of £5.6bn to £6.6bn of liabilities. The proposed treatment of the IFRS 16 liabilities in the 2019-20 RFS maintains comparability between</p>

	the ROCE reported in the RFS and Ofcom's approach to setting prices.
Support for change	IFRS 16 was implemented in BT's statutory accountings system in 2019-20, which forms the basis of the RFS.
Key changes in accounting documents	<p>The AMD will be updated for IFRS 16 accounting treatment in the following sections:</p> <ul style="list-style-type: none"> - Section 4.3 (Property, Plant and Equipment and Software Intangible Assets) - Section 5.3.2 (Land & Buildings) - Section 7.2 (Apportionment Model Dictionary – Rule Type 3 Bases).

Section 3 – Explanation of methodology changes

Section 3.23 – BT Fleet sale

Type	Change in allocation basis
Key driver for change	Consistency
Trigger for change	Other – Organisational change
Description of change	<p>BT Fleet was sold to the Aurelius Group in September 2019, which has been rebranded as Rivus Fleet Solutions Ltd. This sale resulted in:</p> <ul style="list-style-type: none"> i. The transfer of specialist vehicles to Openreach, which will now be wholly allocated directly through AG407 Openreach Operations Pay to reflect the use by Openreach engineers, rather than via AG101 Motor Vehicles; and ii. ROU assets, depreciation, current liabilities and associated interest costs relating to BT's leasing of non-specialist vehicles from Rivus Fleet Solutions Ltd will be allocated via AG101 Motor Vehicles in line with operational costs recharged to CFUs.
Effect of change	There is no restatement impact as the sale of BT Fleet was completed in 2019-20.
Support for change	The change in attributions will reflect the change in ownership of BT Fleet.

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 7.3 (OUC driven bases – Rule Type 3 bases), update to OUC C (Group) to include CU Group Fleet Services - Section 8.1 (Introduction to transfer charging), updates to Transfer Charges from Group Fleet Services - Section 9.2 (Activity Group dictionary), updates to AG101 and AG407 to include reference to RoU assets and associated balances, and specialist vehicles held by Openreach respectively.
--	---

Section 3 – Explanation of methodology changes

Section 3.24 – Copper CCA separation

Type	Other
Key driver for change	Accuracy
Trigger for change	BT judgment
Description of change	<p>We are now able to perform CCA calculations for Local Distribution Copper (LDC) and Local Main/Exchange Copper (LMC) on a separate COW level, which improves accuracy by reflecting the different amount of spend over the years.</p> <p>Previously, this calculation used to be performed at an aggregated level and then split back based on in year depreciation due to historic system limitations.</p>
Effect of change	<p>The revised calculation leads to an increase in LDC costs and a decrease in LMC costs. This results in a movement of £4m in both costs and MCE from the WLA market to the WFAEL market.</p> <p>There is no impact to revenue at the level of detail reported in Sections 2.1 to 2.3.</p>
Support for change	The revised calculation more accurately splits the CCA costs between LDC and LMC.
Key changes in accounting documents	None

Section 3 – Explanation of methodology changes

Section 3.25 – Access Fibre allocation

Type	Change in allocation basis
Key driver for change	Accuracy
Trigger for change	BT judgment
Description of change	<p>This methodology change consists of the following changes that will make the allocation of costs more consistent with the usage of Access Fibre assets:</p> <ul style="list-style-type: none"> i. We have removed BDUK funded assets from the calculation of Access Fibre Spine Cable (LFSC) and Fibre Distribution Cable (LFDC) cost allocations, as BDUK funded assets are allocated separately via BDUK components and so should not be included in calculating the allocation of non-BDUK assets. ii. Changes to the allocation of Spine Fibre: <ul style="list-style-type: none"> - Where multiple Distribution cables are ‘chained’ together, and only one is directly interfacing with the Spine network, we will now only include that first cable segment when calculating our allocation of Spine Fibre costs. We previously included all distribution cable segments. - The logic used to map fibre nodes to NGA FTTC and NGA Fibre to the Premise (FTTP) has been updated to include additional tags.
Effect of change	The impact of the change is a decrease in costs of £36m for the WLA market, with the offsetting increase primarily in the Business Connectivity markets of £29m.

	<p>Similarly, there is a decrease in MCE of £212m for the WLA market, with the offsetting increase primarily in the Business Connectivity markets of £172m.</p> <p>There is no impact on revenue at the level of detail reported in Sections 2.1 to 2.3.</p>
Support for change	The change will improve the accuracy of our reporting.
Key changes in accounting documents	None

Section 3 – Explanation of methodology changes

Section 3.26 – Interexchange Fibre allocation

Type	Change in allocation basis
Key driver for change	Accuracy
Trigger for change	BT judgment
Description of change	Interexchange fibre and duct costs and MCE will now be allocated to FTTC and FTTP services in line with their usage of these assets. Previously, FTTC and FTTP services did not get a share of inter-exchange fibre.
Effect of change	<p>There is a decrease in revenue of £7m for the Rest of BT Residual markets, with an offsetting increase in eliminations of £7m.</p> <p>The impact of the change is an increase in costs of £24m for the WLA market and an increase of £7m in Eliminations, with the offsetting decrease primarily in the Business Connectivity (£15m) and Rest of BT Residual (£13m) markets.</p> <p>Similarly, there is an increase in MCE of £301m for the WLA market, with the offsetting decrease primarily in the Business Connectivity (£172m), Rest of BT Residual (£84m), WBA Market A (£17m), Fixed Call Origination (£10m) and Fixed Geographic Call Termination (£10m) markets.</p>
Support for change	The change 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 10.2 (Plant Group Dictionary), updates to PG170B, PG948C, and PG950C - Section 11.3 (Component to Super Component mapping and Usage Factors), updates to CL948 and CL950.
--	---

Section 3 – Explanation of methodology changes

Section 3.27 – Access Fibre usage factors

Type	Change in allocation basis
Key driver for change	Accuracy
Trigger for change	BT judgment
Description of change	Usage factors for the allocation of the Ethernet Access Direct Fibre, Backhaul Extension Services Fibre and Wholesale Extension Services Fibre components to Business Connectivity services will now be based on analysis of actual inventory data. Previously the usage factors were based on static historical assumptions.
Effect of change	<p>The impact of the change is a movement in costs of £1m from the CI Access Services - BT Only Areas market to the CI Access Services - BT plus One Areas market.</p> <p>There is also a movement in MCE of £6m from the CI Access Services - BT Only Areas market to the CI Access Services - BT plus One Areas (£5m) and High Network Reach Areas outside CLA (£1m) markets.</p> <p>There is no impact on revenue at the level of detail reported in Sections 2.1 to 2.3.</p> <p>At a service level, the impact of the change is a movement in costs of £17m and MCE of £83m from Standard Services to Local Access Services.</p>
Support for change	The change 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 11.3 (Component Directory), updates to CW609, CO447 and CO450.
--	---

Appendix

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

Title	Short title for each change
Type	Select from 1) Change in allocation basis; 2) change in valuation methodology; 3) change in source data; or 4) other
Key driver for change	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
Trigger for change	Select from 1) BT judgment; 2) Regulatory decision; 3) changes in available evidence; or 4) other
Description of change	A short explanation of the new methodology and how it differs from the old methodology
Effect of the change	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
Support for the change	A detailed justification for the change and the evidence taken into account to support the change
Key changes in accounting documents	Set out key changes to accounting documents