# Accounting Methodology Document

## Relating to the 2021 Regulatory Financial Statements

# AMD Foreword

This year the Accounting Methodology Document (AMD) has been revised and rewritten. The revised format is centred around three key principles, intended to improve the structure and **increase the transparency of our attribution methodologies**.

### Principle one: Separation of introductory content and technical detail

The AMD is structured in two parts:

**Part one** acts as an **introduction** to the Regulatory Financial Statements (RFS), intended to be accessible to all users.

**Part two** contains the **technical detail** associated with our key methodologies. This is for technical users of the RFS, who have an in-depth knowledge of regulatory reporting and the attribution methodologies used to prepare our RFS.

### Principle two: Structured content for each detailed methodology entry

All entries have a standardised tabular format detailing the key aspects to a methodology. This includes a high level overview of the methodology, followed by details of the types of cost and mean capital employed (MCE) attributed, the key destinations of the attribution base, the methodology driver and the key data sources used to determine the attributions. Calculation steps are also detailed to explain the attribution methodologies which apportion costs and MCE, rather than allocate directly.

Information on methodology drivers is set out in part one, section 5.6 and details of data sources can be found in annex six - data sources.

### Principle three: Consistent level of detail between each detailed methodology entry

The standardisation of entries has been introduced to ensure a consistent level of key detail is provided for each significant attribution methodology.

The number and length of calculation steps may vary based on complexity of the methodology, however each entry has consistent content in relation to the description and data source sections.

We will continue to improve our revised AMD, as we ensure details are reflective of any changes implemented under the new reporting conditions and directions set out in Ofcom's Wholesale Fixed Telecoms Market, and Wholesale Fixed Voice Market Reviews.

# Attribution objects covered by this AMD

This section gives an overview of the number of methodologies for attributing cost and MCE in the Regulatory Financial Statements (RFS).

The table below presents the total number of objects used in our attribution process. These totals differ year on year in line with the changes made to our methodologies, as documented in the Reconciliation Report (see appendix four of the 2020/21 RFS for details).

The number of objects covered in the 2020/21 AMD is fewer than last year, however we have comparable coverage of cost and MCE attributed to SMP markets, which remains consistent at over 98%. This is because we have focused on the methodologies that are key to SMP market attributions.

| Attribution objects | Total no. objects | No. objects in AMD | % of allocation to SMP in AMD | | Total no. objects | No. objects in AMD | % of allocation to SMP in AMD | |
|---|---|---|---|---|---|---|---|---|
| | | | Cost | MCE | | | Cost | MCE |
| | 2020/21 | | | | 2019/20 | | | |
| Journals | 25 | 14 | | | 25 | 0 | | |
| Attribution bases | 88 | 50 | **99%** | **100%** | 93 | 97 | **100%** | **100%** |
| OUC driven bases | 79 | 70 | **100%** | **99%** | 82 | 80 | **100%** | **99%** |
| Activity groups | 17 | 17 | **100%** | **100%** | 17 | 17 | **100%** | **100%** |
| Plant groups | 247 | 102 | **98%** | **99%** | 256 | 227 | **99%** | **99%** |
| Components | 285 | 115 | **99%** | **100%** | 287 | 212 | **99%** | **100%** |
| Services[1] | 1,125 | - | **-** | **-** | 1,141 | - | **-** | **-** |

[1]Services are associated with markets and are included within the wholesale catalogue. In addition to this, all material component to service allocations can be seen in annex one of this AMD (2019/20: annex nine).

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# Part one: Overview

# 1 Introduction

## 1.1 Overview of the AMD: Purpose and structure

Ofcom directs BT to act as prescribed in Direction three, paragraph four of the Regulatory Financial Reporting statement (RFR) published in July 2019: 'In preparing and maintaining the accounting records, the Accounting Methodology Documents and the Regulatory Financial Statements, BT shall ensure that any data, information, description, material or explanatory document prepared in respect of accounting and other methods used in the preparation of the accounting records and Regulatory Financial Statements shall be sufficiently transparent and prepared such that a suitably informed reader can gain a clear understanding of such data, information, description, material or explanatory document, and, if necessary, the overall structure of BT's financial and information systems from which regulatory accounting data is derived and in particular the sequence of the processing and 'cascade' effect of the intermediate cost centres; and gain a clear understanding of all the material, methodologies and drivers (e.g. systems, Processes and procedures) applied in the preparation of regulatory accounting data.'

The Accounting Methodology Document (AMD) is published annually to ensure compliance with this transparency direction, and sets out the basis on which we prepare the Regulatory Financial Statements (RFS).

It is used to describe:

- Legal and accounting frameworks under which the RFS are prepared;
- Costing principles used to prepare the RFS on a fully allocated cost basis;
- Different stages of the Accounting Separation (AS) process to attribute revenue, costs and capital employed to the defined Markets and Technical Areas of BT;
- The systems and processes used by BT to support AS; and
- Valuation principles to value assets on a current cost basis.

The AMD shows that we[2] have prepared the RFS in compliance with the Significant Market Power (SMP) conditions that apply to BT and, along with the Wholesale Catalogue, serves as the basis for the RFS' Properly Prepared in Accordance With (PPIA) audit opinions.

The Long Run Incremental Cost Model Relationships and Parameters (LRIC Model R&P) document is published as part of the AMD in a separate annex. The Wholesale Catalogue is published alongside the AMD and describes the wholesale services included in the Wholesale SMP markets and technical areas where BT has a regulatory financial reporting obligation.

The AMD is structured in the following parts:

- **Part one** provides a high level overview of BT's regulatory reporting principles and concepts;
  - Section one explains the key concepts associated with Regulatory Reporting.
  - Section two sets out BT's organisational structure.
  - Section three sets out the differences between the RFS and our Annual Report and Accounts.
  - Section four provides an overview of **key methodologies for each RFS reporting sector** for cost and MCE. The methodology details of the key attributing objects can be looked up in Part two, section six: Attribution methodologies dictionary.
  - Section five summarises the different attribution layers within our cost attribution model software, and sets out the **concept of a methodology taxonomy and driver classifications**, which are used to group methodologies of a similar nature in part two, section six.

[2]The terms 'the Group', 'the Company', 'BT', 'we', 'us' and 'our' refer collectively to BT Group plc and its subsidiary undertakings.

- **Part two** is a reference manual of methodologies[3], intended for used by technical users of the RFS;

  All entries have a standardised tabular format detailing the key aspects to a methodology, which include:

| | |
|---|---|
| **Reference** | The attribution object reference. |
| **Title** | The title of the attribution object. |
| **Overview** | A summary of the methodology is provided, except for where the attribution object allocates directly to a single destination. |
| **Description** | **1. Source cost and MCE:** The types of cost apportioned or allocated by the attribution object are explained.<br>**2. Cost and MCE categories:** The source costs and MCE are summarised into key categories, in line with a structured hierarchy. |
| | **3. Summary destination:** The key destinations the attribution object apportions or allocates to are listed. This includes other attribution objects, services and markets. |
| | **4. Methodology taxonomy:** The methodology type, based on structured hierarchy of driver.<br>**5. Driver classification:** The key driver of the attribution methodology is documented, in line with a structured hierarchy.<br>*An introduction to these methodology taxonomy and driver classifications can be found in Part one, section 5.6.* |
| | **6. Data source summary:** The key data sources used to apportion the source costs and MCE are summarised. This is not applicable for attribution objects that allocate direct to a single destination. |
| **Data sources** | The key data sources grouped and presented, as follows:<br>Data category: Data driver (Source system)<br>This is not applicable for attribution objects that allocate direct to a single destination. |
| **Calculation steps** | Calculation steps for attribution methodologies are documented, except for where the attributions are direct allocations.<br>The key aspects of each significant methodology are summarised, and the key calculations are noted.<br>A worked example is presented for each calculation step to provide transparency. The values used in these calculations are notional and do not reflect actual BT data. |

- **The Annexes** providing further relevant reference information and are published alongside the AMD or, in some cases, as a separate document on our website[4]; and
- **The Glossary** providing definitions of key terms and acronyms.

[3] Part Two: Detailed methodologies section has been written to specifically describe at least 90% of the total ledgered value allocated to SMP markets, and explains material elements of our methodologies, rather than all data and calculation steps.
[4] Key destination tables specify the destinations and are presented in Annex one which is published separately on the Company's website. This should be used in conjunction with Part two.

## 1.2 Regulatory reporting requirements

BT operates predominantly within the UK telecommunications sector and as such, we are regulated by Ofcom (the UK's independent communications regulator, www.ofcom.org.uk), the Communications Act 2003 and related legislation.

Ofcom need product profitability information from BT in order to assess competition. According to Ofcom's conditions and directions relating to its Significant Market Power (SMP) findings, BT are subject to regulatory financial reporting obligations for Markets and Technical Areas where we are deemed to have SMP. These obligations are fulfilled in the form of the RFS, a set of annual product profitability statements which show our costs, revenues, assets and liabilities against regulatory markets and services as defined by Ofcom in their market reviews.

The key purpose of regulatory reporting requirements is to provide Ofcom with the information necessary to:

- make informed regulatory decisions;
- monitor compliance with SMP conditions;
- ensure those SMP conditions continue to address the underlying competition issues; and
- investigate potential breaches of SMP conditions and anti-competitive practices.

Ofcom's directions set out the measures to be published, as well as the allocations and accounting principles to use. The resulting key differences between the RFS and the BT Group Annual Report are discussed in section three. The RFS set out the markets in which BT are considered to have SMP. These markets, along with an overview of key market details, can be found on within the 'Introduction to the Regulatory Financial Statements' section of the 2020/21 RFS.

## 1.3 Legal conditions and directions set out by Ofcom

Ofcom impose regulatory financial reporting requirements across all of the fixed telecoms markets in which we are regulated, comprising:

- Physical infrastructure access;
- Wholesale local access;
- Business connectivity;
- Narrowband; and
- Wholesale broadband access.

These requirements are imposed by Ofcom by way of an SMP condition set in each regulated market and a suite of directions imposed in each market pursuant to the associated SMP condition. The SMP condition sets out Ofcom's general regulatory financial reporting requirements, including accounting separation and cost accounting. The directions then set out the detailed regulatory financial reporting requirements.

The RFS for the year ended 31 March 2021 are prepared in line with the legal conditions and directions which can be found in the 'Basis of Preparation' section of the 2020/21 RFS.

## 1.4 Key principles and methodologies in the RFS

The RFS is governed by the Regulatory Accounting Principles (RAP) (see section 2.1 basis of preparation in the 2020/21 RFS for details) and underpinned by Activity-Based Costing (ABC), Current Cost Accounting (CCA) and Mean Capital Employed (MCE) accounting methodologies:

### 1.4.1 Activity Based Costing

A costing method that recognises the relationship between costs, activities, products and services, and uses these relationships to assigns overhead and indirect costs to related products and services.

Activity based costing first assigns costs to the activities that are the real cause of the overhead and indirect costs. It then assigns the cost of those activities only to the products and services that demand the activities.

### 1.4.2 Current Cost Accounting

A method of accounting in which assets are valued on the basis of their current replacement cost and changes as a result of their valuation are recognised against operating profit in the RFS.

### 1.4.3 Mean Capital Employed

Capital employed is the total amount of capital used for the acquisition of profits. It is the value of all the assets employed in a business, and can be calculated by adding fixed assets to working capital or by subtracting current liabilities from total assets. Capital employed is primarily used by analysts to determine the return on capital employed (ROCE).

# 2 Business overview

This section gives an overview of our business' organisational structure.

BT operates as a single business made up of different organisational units, which can be categorised in two distinct types:

| Organisational Unit | Description |
|---|---|
| Customer Facing Units (CFUs) | Sell products and services to customers |
| Corporate Units (CUs) | Support the whole of BT Group |

## 2.1 Organisational Unit Codes

An Organisational Unit Code (OUC) is used to identify a team, department or business unit performing similar activities. Costs, revenues, assets and liabilities are recorded by OUC at the general ledger account level. The codes for OUCs follow a hierarchical structure, with the first level of the OUC code defining the highest level of the organisation unit (i.e. CFUs and CUs), referred to as 'divisions' and the subsequent letters of the OUC code representing the more detailed departments within the top-level organisation unit.

The top level organisational units for the year ended 31 March 2021 were:

| Organisational Unit's Code | Organisational Unit's Name |
|---|---|
| **Consumer** | |
| S | Consumer |
| **Enterprise** | |
| N | Enterprise |
| M | Retail |
| **Openreach** | |
| B; and HM (Northern Ireland Opening Balances) | Openreach |
| **Technology** | |
| T | Technology |
| **Group Functions** | |
| C | BT Group Headquarters |
| E | Corporate Adjustments |
| F | Facilities |
| W, R, YH | Property |
| Y, NLB | Group Procurement |
| **Global** | |
| J, MB | BT Global Services |

Costs and MCE that originate in these OUCs follow different attribution rules set out in Part two, section 6.3 Organisational driven bases.

# 3 Accounting Policies

This section explains the basis of the preparation of the RFS and highlights any differences between current costs and historical cost policy as set out in BT's Annual Report. Details of how these balances are attributed are included in section four of this AMD.

## 3.1 Basis of preparation of the RFS

The RFS are 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, except where directed by Ofcom to apply alternative valuation methodologies.

The consolidated financial statements of BT Group plc have been prepared in accordance with the Companies Act 2006, Article 4 of the IAS Regulation and IAS and IFRS and related interpretations, as adopted by the United Kingdom. The consolidated financial statements also comply with IFRS as issued by the International Accounting Standards Board (the IASB). Our consolidated financial statements are prepared on the historical cost basis, except for certain financial and equity instruments that have been measured at fair value. Our RFS have been prepared on a CCA basis and as such, there are differences between the RFS and Annual Report which are set out in 'Key differences in accounting policies' within this section.

The Group's accounting policies are detailed within BT's Annual Report for the year ended 31 March 2021 which is available from our website: www.BTplc.com, or from our registered office: BT Group plc, BT Centre, 81 Newgate Street, London, EC1A 7AJ

### 3.1.1 Accounting methodology documents

The Accounting Methodology Documents are made up of the following:

1. Regulatory Accounting Principles[5];
2. Apportionment Methodologies;
3. Transfer Charge System Methodology;
4. Accounting Policies; and
5. Long Run Incremental Costs Methodology[6].

## 3.2 Key differences in accounting policies

The attribution of costs between BT and Openreach is on a different basis to the ARA. These differences are set out in reconciliation presented in section five of the RFS for the year ended 31 March 2021.

### 3.2.1 Principles of valuation of non-current assets

**Current cost accounting**

Under the current cost accounting (CCA) convention, asset values are adjusted to reflect their value to the business, usually equivalent to their net replacement cost (NRC).

NRC is derived from the asset's gross replacement cost (GRC) and equates to the current purchase price of an identical new asset, or the cost of a modern equivalent asset (MEA) with the same service potential, except where we are directed by Ofcom to apply a different valuation methodology. Holding gains and losses are recognised on the revaluation of asset, and supplementary depreciation is the in-year increase of depreciation charge resulting from the change in asset value.

Other differences between for CCA and HCA transactions are reported as 'other CCA adjustments' e.g. under CCA accounting the value of disposals and write-offs reflect their revalued NRC. All MCE numbers reported reflect the revalued NRCs. We use the same accounting policies in HCA and

[5]Published separately to this document by Ofcom in Direction 1: 'Direction specifying the Regulatory Accounting Principles' as notified in the BT Regulatory Financial Reporting Statements dated March 2019 and July 2019

[6]Published as a separate annex to this document

CCA, including the same useful economic asset lives. CCA and HCA charge the same amount to the income statement over the life of the asset (including supplementary depreciation as a result of CCA changes).

We allocate CCA adjustments to the income statement and balance sheet to Markets using the same principles and processes as we use for allocating the historical costs for the same assets. The valuation types associated with CCA, along with the different ways in which we employ them, are explained in Section nine.

### IFRS16 'Leases'

To avoid a significant increase in our asset base which would have reduced comparability between the Return on Capital Employed (ROCE) reported in the RFS and Ofcom's approach to setting prices, we have included a portion of the non-current lease liability for property leases in our asset base. This adoption of IFRS16 in the RFS means there is a minimal impact in our market ROCEs. It is therefore included as a reconciling item within the MCE reconciliation.

### Property, plant and equipment and software intangible assets

BT's fixed assets are categorised into a range of sub-accounts known as 'classes of work' (CoW) within the fixed asset register (FAR). These CoW describe the type of asset in detail and are an appropriate level of granularity for us to make our valuation decisions. They are grouped into a smaller number of asset categories for the purpose of presentation in the RFS. Details of the CoW included under each asset category are provided in Annex one.

Property, plant and equipment are stated at current cost less depreciation. The GRC of the major categories of property, plant and equipment and software intangible assets has been assessed on the following basis:

### Land and buildings

This sector contains the asset values that are booked to BT CoW for land and buildings, including BT owned corporate offices and network buildings, that are freehold, long leases and short leases.

- Property assets, which include both general purpose and specialised land and buildings, are valued at historical cost; and
- Specialised accommodation assets are valued using the indexed historic methodology.

Buildings held under leases are recognised as RoU assets, in line with IFRS16.

### Access – copper

Access copper includes all copper cables in the access network, as well as the equipment required to carry signals between the end-user and the exchange. Copper cable and dropwires are valued using the indexed historic methodology and the Office of National Statistics (ONS) published Retail Price Index (RPI).

### Access – fibre

Access fibre includes the spine and distribution cables, as well as the equipment required to connect the end-user and the exchange. Access fibre cables are valued using the historic cost accounting methodology.

### Access – backhaul fibre

Backhaul fibre cables are valued using the indexed historic methodology and the ONS published Consumer Price Index (CPI).

### Duct

Duct is a pipe, tube or conduit through which underground cables are passed. Duct is valued using either:

- the indexed historic methodology and the ONS published RPI; or
- for duct used by access cables, a prescribed Regulatory Asset Valuation ("RAV") methodology which Ofcom have directed us to use.

### Switch

Switching equipment is located in BT exchanges.

- System X local exchanges are valued using an extrapolation of the absolute valuation as at 31 March 2009.
- AXE10 local exchanges, UXD5 remote concentrators and main distribution frames are valued at historical cost.

### Transmission

Transmission includes core transmission Synchronous Digital Hierarchy (SDH), Plesiochronous Digital Hierarchy (PDH), cables and repeaters. The core transmission is used to link exchanges.

- SDH transmission equipment is valued using the indexed historic methodology.
- Backhaul and core fibre cables and equipment deployed as part of 21st Century Network are valued using the historic cost accounting.
- All other Transmission assets are valued at historical cost.

### Other non-current assets

This sector contains the asset values for a variety of assets used by BT, including Software, Motor Transport and 21st Century Network (21CN).

- Telecom power equipment is valued using the indexed historic methodology.
- All other assets, including computers, vehicles, internally developed and externally purchased software and other intangible assets are valued at historical cost.

### Depreciation

Historical Cost Accounting (HCA) depreciation is provided on property, plant and equipment on a straight line basis from the time the asset is available for use. Freehold land is not depreciated.

### Installations costs treated as operating expenses

Under IFRS (as adopted by the United Kingdom), expenditure which meets the recognition principles of IAS 16 (International Accounting Standard 16) are capitalised.

Ofcom's WLA Market Review statement, dated 28 March 2018, and Regulatory Financial Review, dated July 2019 directed a deviation from this standard for the recognition of installation and planning costs related to specific services. In 2020/21, these are:

- GEA Customer Site installation;
- Tie Cables;
- GEA Cable Links;
- Abortive Visits;
- Co-mingling services; and
- Excess Construction Charges (ECCs).

This means that certain planning and installation costs are treated as operating expenditure in the RFS, in line with connection revenues received (as compared to capital expenditure in accordance to IFRS and BT's accounting policies), and the opening mean capital employed associated with these activities are also removed.

## 3.2.2 Revenue

In most cases we use revenues directly from the accounting records and published price lists, however in some cases the service sold by Openreach differ from the service as defined by Ofcom. In these cases we use methodologies to combine or split revenues to report the services in the RFS.

More information can be found in Annex three - Openreach Reporting.

**IFRS 15 Revenue**

IFRS 15 sets out the requirements for recognising revenue and costs from contracts with customers.

The impact of IFRS 15 in the RFS is due to changes in the way we account for connections revenue. Previously, the group recognised connections revenue upon performance of the connection activity. Under IFRS 15, connections revenue is deferred and recognised on a straight-line basis over the associated line/circuit lease term[7]. This means that Openreach revenue and costs are recognised later. The largest impact is seen in our Business Connectivity and Wholesale Local Access markets. We report individual service level revenues on a pre-IFRS 15 basis, with total market revenues reported on a post-IFRS15 basis. Adjustment for deferred connection fees are recognised on an IFRS 15 specific service code.

### 3.2.3 Government grants

Government grant funding is received in relation to eligible capex spend that has been incurred and relates to grant funded assets received from a local or regional authority, or from a devolved government body (e.g. Broadband Delivery UK (BDUK) grant funding received from the Department of Culture Media and Sport; and European Regional Development Fund (ERDF) grants).

### 3.2.4 Equivalence of input services

Services are provided on an equivalent basis to all customers where Openreach are subject to an Equivalence of input (EOI) obligation. This means BT provides the same product or service to all CPs (including BT):

- on the same timescales; and
- under the same terms and conditions (including price and service levels); and
- by means of the same systems and processes.

**WBA EOI**

The 2018 Ofcom WBA Market Review directs BT to report separately on certain Openreach charges for the WBA Markets, on an EOI basis.

We identify the Openreach services used as inputs for the relevant WBA services in order to generate the EOI charges. The weighted average EOI prices are applied to the volumes of these services, to calculate the total charges. The charges are then allocated to services within each geographic market, based on the most appropriate volume driver. The charges are then loaded to EOI specific services in the regulatory accounting system, which are then mapped to individual published services.

Details can be found in section seven of this AMD.

[7] The revised lease definition introduced by IFRS 16 has required us to evaluate whether there are any arrangements that are now in scope of the standard and should therefore be accounted for as leases. The accounting for ongoing rentals is unchanged under IFRS 16, however up front connections fees are now deferred over the lease term rather than the contractual period

# 4 Overview of operational costs and MCE

This section sets out the key attribution methodologies associated with the cost and MCE sectors published in Section five of the RFS.

For reporting periods after 1 April 2021 Ofcom have directed us to publish diagrams for the largest reported balances covering the majority of costs and MCE in the "Attribution of Wholesale Operating Costs and MCE" tables which attribute to the SMP markets as part of the 2020 WFTMR.

To assist the users of the AMD we have included these diagrams in this year's AMD, we believe these diagrams provide a simplified overview of methodologies, to supplement more detailed specific methodologies in the AMD (section six).

In some cases objects at one layer may allocate to many objects at the next layer. To ensure these diagrams are clear and easy to understand, minor allocations of less than 5% of that layer are amalgamated into an "other" category.

When a cost is attributed using multiple layers of activity groups these charts only reflect the primary or first activity group on the cost allocation pathway.

This type of flow diagram does not easily accommodate a mixture of positive and negative balances therefore certain negative balances will need to be excluded. Where these are material and are greater than 5% of total costs or MCE and allocated to SMP markets we will include a brief description of the methodology.

## 4.1 Operational costs

The sectors reported in the RFS 'Attribution of Wholesale Current Cost' Statement, along with the key methodology drivers of these sectors, are outlined below. The costs within these categories follow methodologies set out within Part two, Section six of the AMD.

### 4.1.1 EOI input prices

Services provided under an EOI obligation by Openreach are provided on an equivalent basis to all customers.

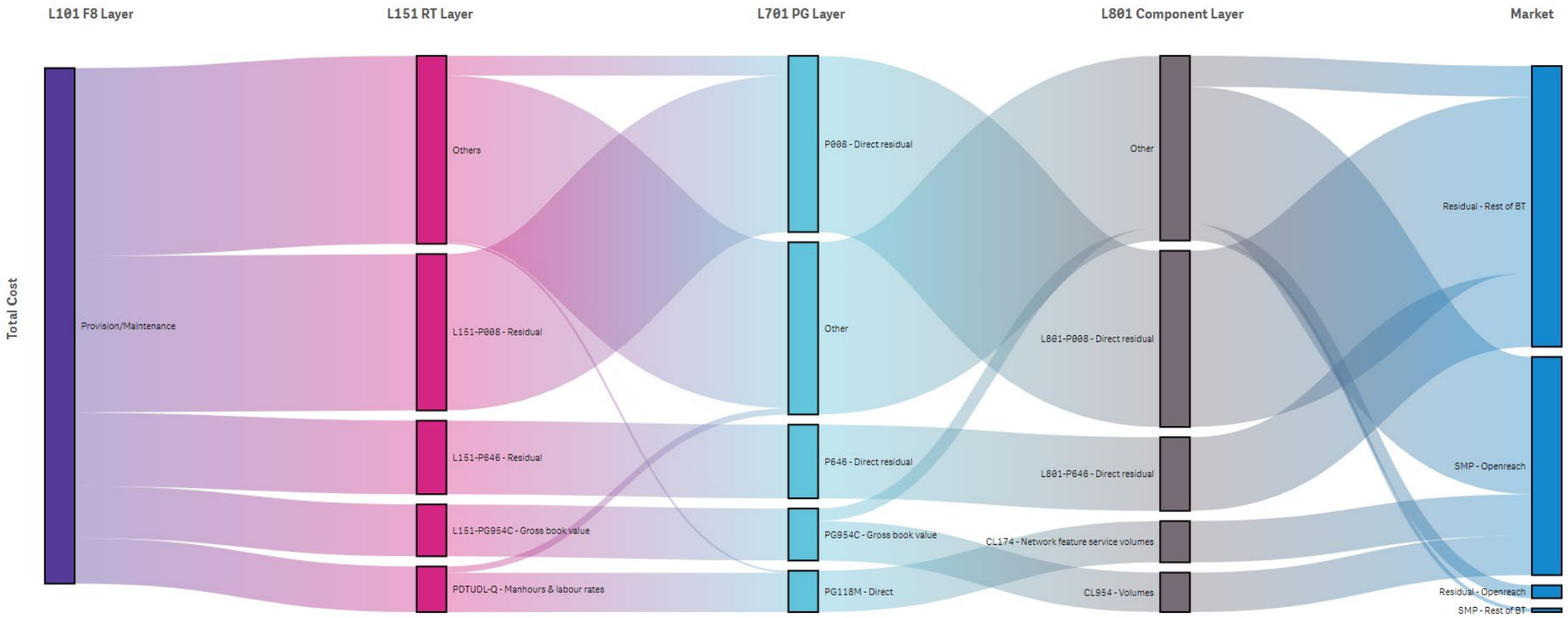
We have chosen not to present an attribution diagram as the costs attributed to SMP markets is less than five percent of the total costs.

### 4.1.2 Provision and maintenance

Provision and maintenance includes engineering pay and non-pay costs relating to network provisions, installation and maintenance of the network. The largest of these costs relates to distribution side copper maintenance which is apportioned to services based on the number of lines, relative fault rates and service levels.

The diagram below shows the key objects which attribute provision and maintenance costs to the markets. These costs are grouped in the F8 layer of CP (L101) and primarily allocated directly to Rest of BT Residual via P008 and P646 in CP Layer 151 (L151). Provision and maintenance costs are also attributed to Openreach SMP markets, predominantly via PG954C (L151) where the key attribution methodology is classified as 'Asset Metric' and driven by GBV, as well as PDTUDL-Q (L151) where the attribution methodology is classified as 'Labour' and driven by manhours and labour rates.

Technical methodology details relating to these attribution objects can be found in part two of the AMD.

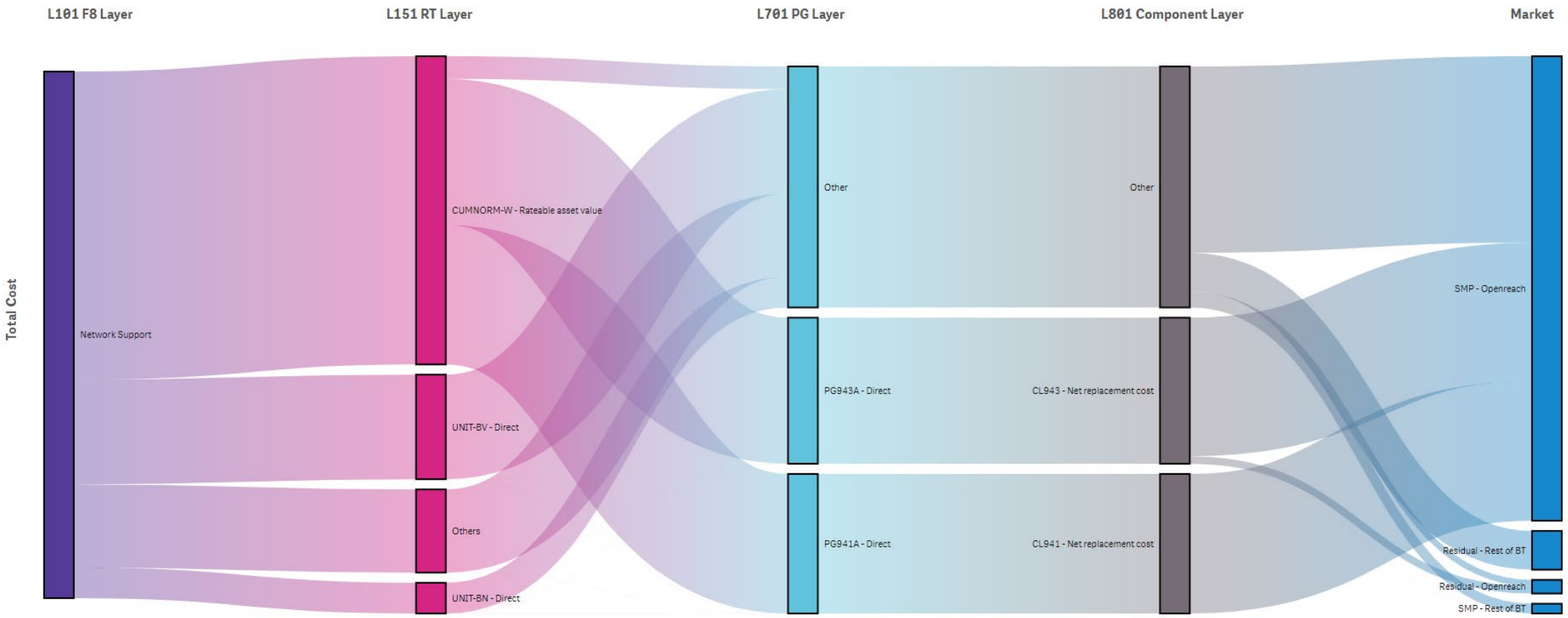


### 4.1.3 Network support

Network support contains costs of the activities necessary to support the running of BT's network including time booked by engineers to non-operational activities. The majority of these costs are apportioned using previously allocated engineers' pay.

The diagram below shows the key objects which attribute network support costs to the markets. These costs are grouped in the F8 layer of CP (L101) and are primarily apportioned via the CUMNORM-W base, as well as the Organisational driven BV and BN bases in L151, to various PGs (L701) and components (L801) representing parts of the network. The CUMNORM-W base methodology is classified as 'Asset metric' and is driven by the rateable asset value, it primarily apportions to PG943A and PG941A in L701, which allocate directly to CL943 and CL941, respectively. These components operate Asset metric methodologies, with onward attributions driven by net replacement cost on to services predominantly within Openreach SMP markets.

Technical methodology details relating to these attribution objects can be found in part two of the AMD.

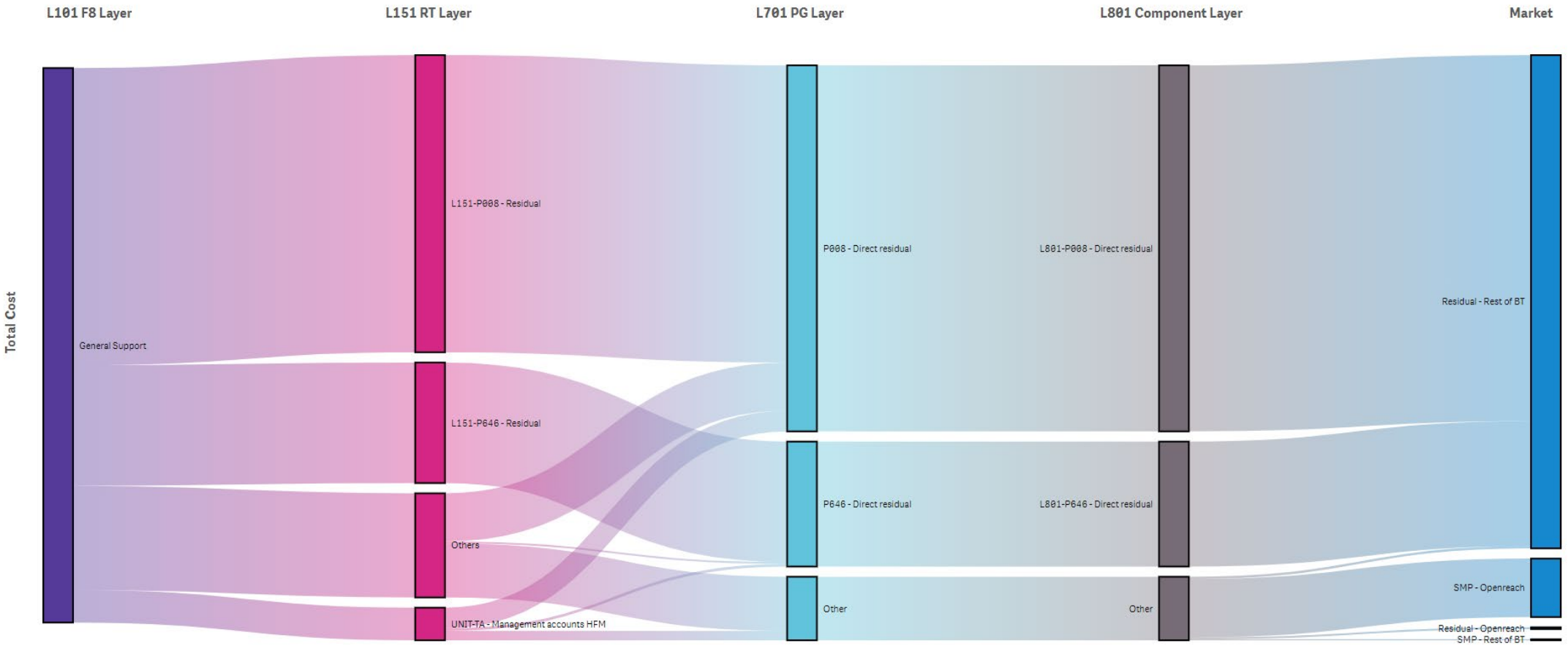


### 4.1.4 General support

General support includes planning, development, supplies, transport, computing, customer service, personnel and administration, and other general support costs. The key drivers for the apportionment of general support include activity surveys and previously allocated pay costs.

The diagram below shows the key objects which attribute general support costs to the markets. These costs are grouped in the F8 layer of CP (L101) and are primarily allocated directly to Rest of BT Residual via P008 and P646. A small proportion of these costs are allocated to Openreach SMP markets via various other attribution bases, PGs and Components.

Technical methodology details relating to these attribution objects can be found in part two of the AMD.

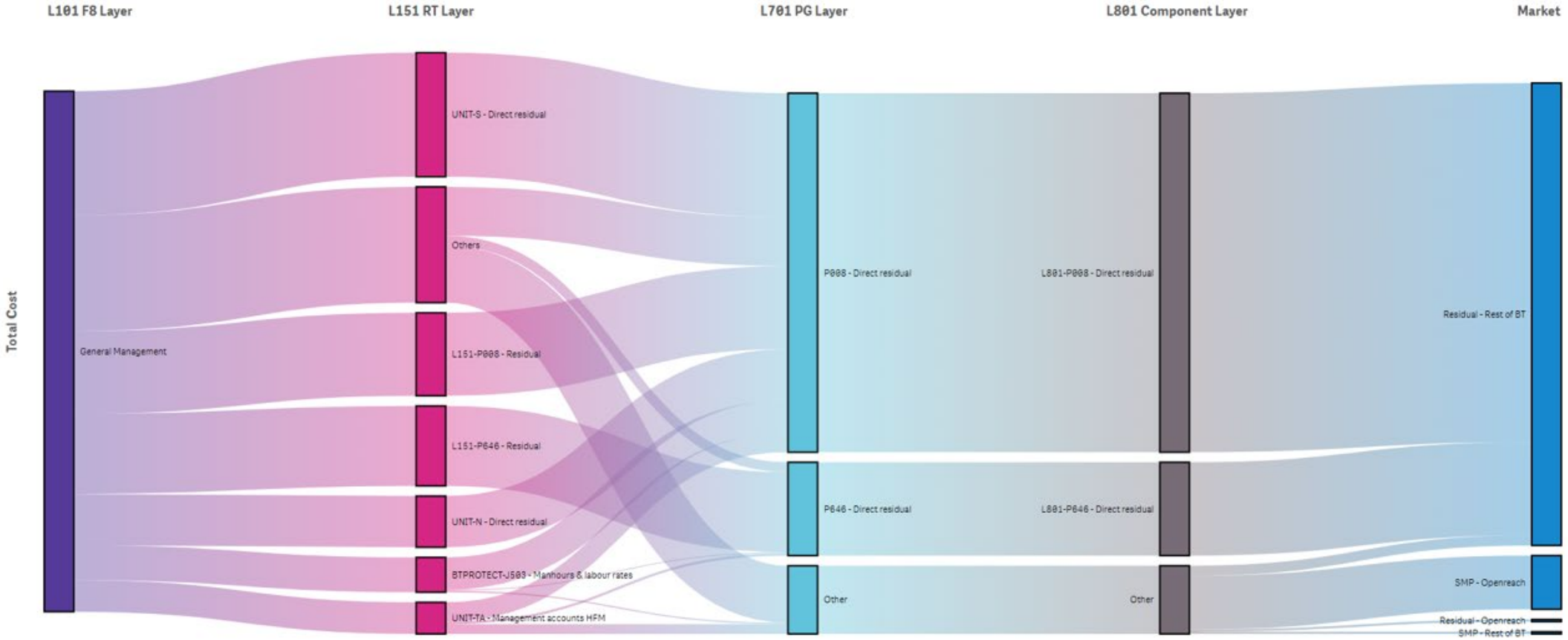


### 4.1.5 General management

General management includes operator services, costs of general management activities and other general expenses. The key drivers are pay costs and asset values.

The diagram below shows the key objects which attribute general management costs to the markets. These costs are grouped in the F8 layer of CP (L101) and primarily allocated directly to Rest of BT Residual via Organisational driven bases S and N, as well as P008 and P646. A small proportion of costs are allocated to Openreach SMP markets via the Organisational driven TA base, which is an other miscellaneous methodology driven by the management accounts, through a number of other PGs and components.

Technical methodology details relating to these attribution objects can be found in part two of the AMD.



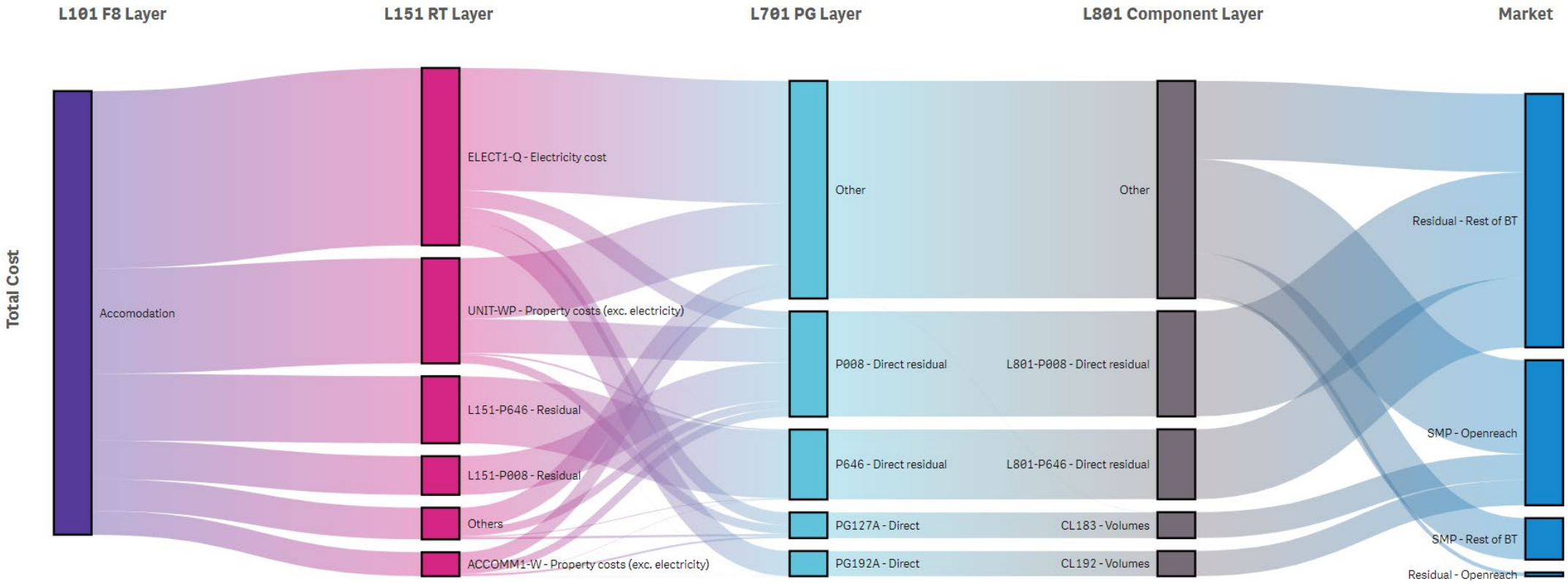
### 4.1.6 Accommodation

Accommodation includes building depreciation, business rates, facilities management and utility bills. Accommodation costs are mainly apportioned based on the use of floor space and power consumption.

The diagram below shows the key objects which attribute accommodation costs to the markets. These costs are grouped in the F8 layer of CP (L101) and are primarily apportioned via ELECT1-Q which is driven by electricity costs, and the Organisational driven WP base which is driven by property costs (excl. electricity). These bases attribute these costs to various PGs (L701) and components (L801) representing parts of the network. ELECT1-Q apportions costs to a number of PGs, primarily to PG192A and PG127A which then allocates directly to CL192 and CL183 respectively (L801), and onto services within Openreach SMP markets. The other PGs apportion costs to various components and services within both Rest of BT Residual and Openreach SMP markets.

A portion of these accommodation costs are also allocated directly to Rest of BT Residual via P008 and P646.

Technical methodology details relating to these attribution objects can be found in part two of the AMD.



### 4.1.7 Other costs

This includes other costs including:

- PIA costs recharged to downstream markets - all infrastructure that is attributed directly to PIA services is recharged to active services in the same proportions as if the PIA market didn't exist - however, these are not included in the diagram below;
- finance and billing costs;
- bad debts;
- elimination of intra group transactions[8]; and
- payments to other UK CPs, which are allocated to Rest of BT Residual.

The majority of other costs are allocated directly to Rest of BT Residual via P008 and P646, with a small proportion allocated from PG599A to CB599 and on to services within Rest of BT Residual markets. Therefore we have chosen not to present an attribution diagram.

[8] Transfer charges are predominately recognised in Rest of BT Residual, see Section ten for details. In some instances, the elimination of these transactions may not net within the same sector.

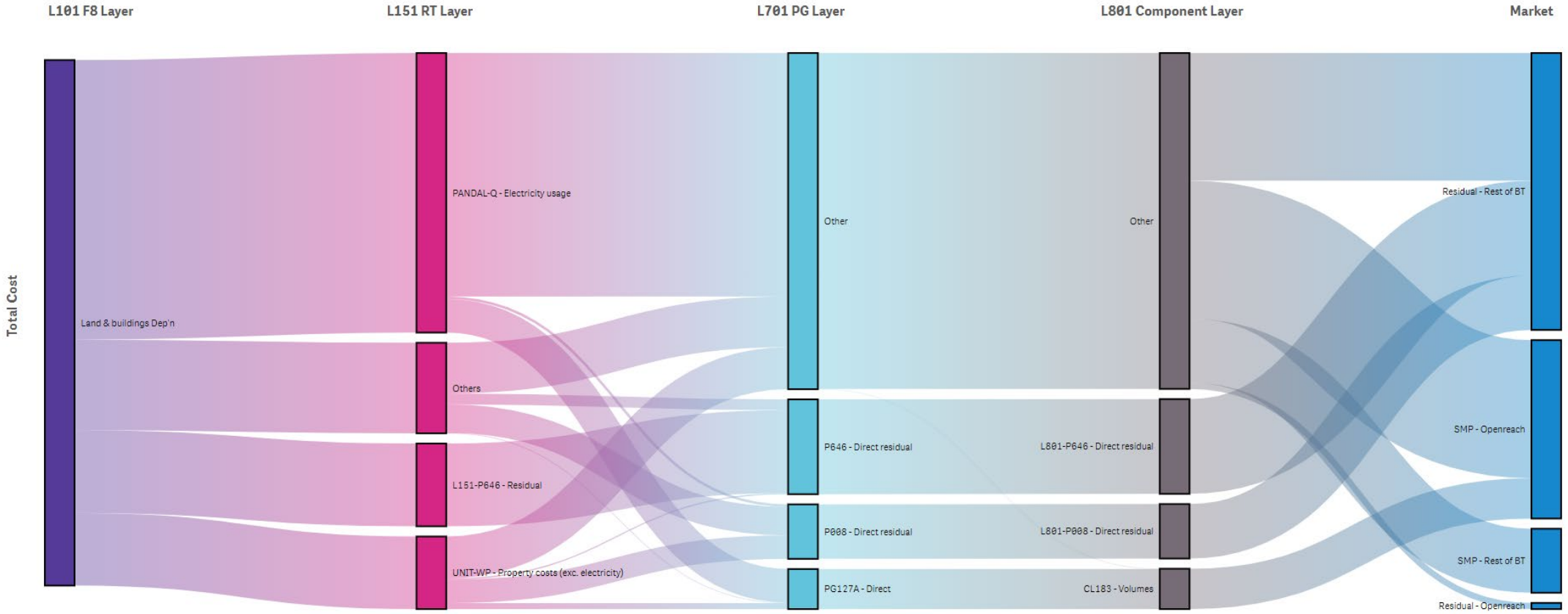
### 4.1.8 Depreciation

Depreciation is analysed between 'land and buildings', 'Duct, access copper and access fibre', 'switch and transmission' and 'other related' (including network power, computers and amortisation of software). The key drivers are engineering models and direct mapping of BT classes of work to network components and then onto the appropriate service based on usage factors and service volumes.

#### *Land and buildings*

The diagram below shows the key objects which attribute depreciation charges associated with land and buildings to the markets. These costs are grouped in the F8 layer of CP (L101) and are primarily allocated by the PANDAL-Q which is classified as an electricity methodology and driven by electricity usage, and Organisational driven WP which is classified as a property and insurance methodology and driven by property costs (excluding electricity) in L151. These bases attribute the depreciation costs onto a number of PGs and components, on to services within the Openreach and Rest of BT SMP markets, as well as to Rest of BT Residual. A portion of these costs are also allocated directly to Rest of BT Residual via P646.

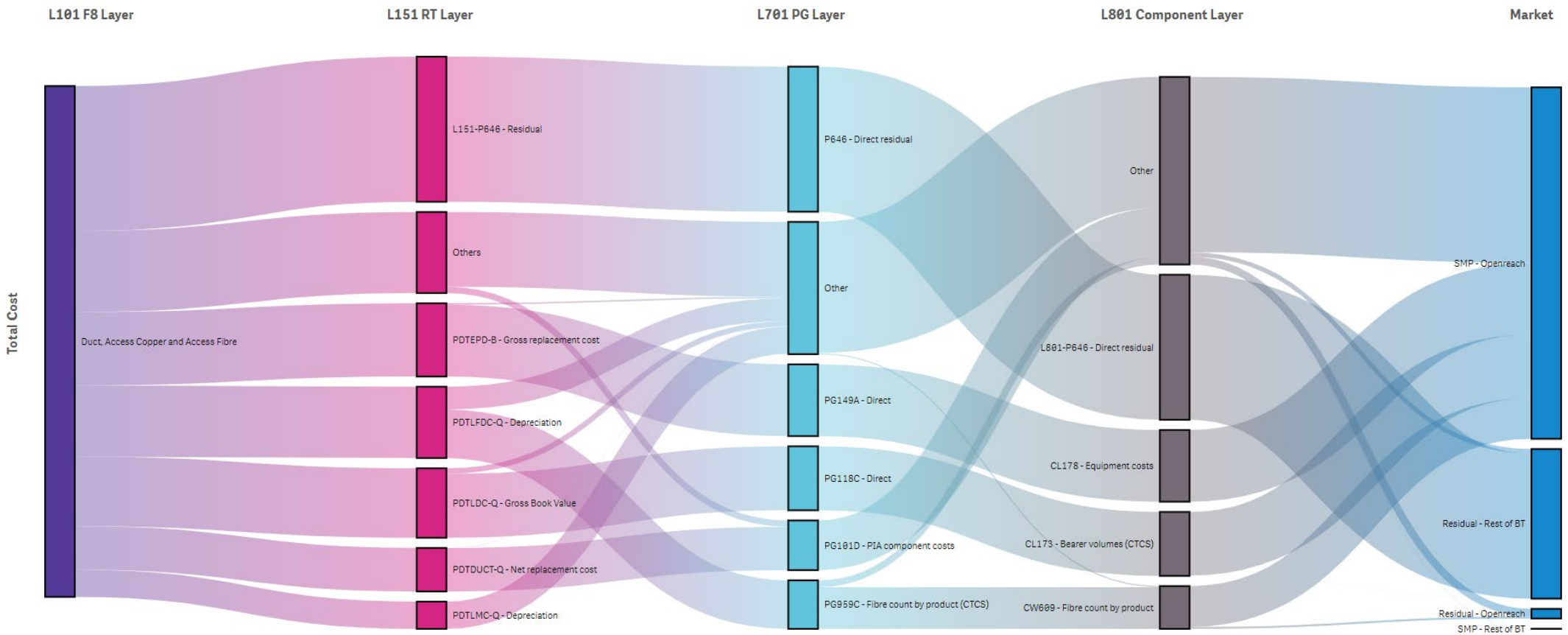
Technical methodology details relating to these attribution objects can be found in part two of the AMD.



### *Duct, Access Copper and Access Fibre*

The diagram below shows the key objects which attribute depreciation charges associated with Duct, Access Copper and Access Fibre to the markets. These costs are grouped in the F8 layer of CP (L101) and are allocated by a number of attribution bases in L151, including PDTEPD-B, PDTLFDC-Q, PDTLDC-Q, PDTDUCT-Q and PDTLMC-Q, based on asset metric methodologies with various drivers as noted in the diagram. The majority of these costs are attributed to services within Openreach SMP markets, with a proportion total cost also allocated directly to Rest of BT Residual via P646.

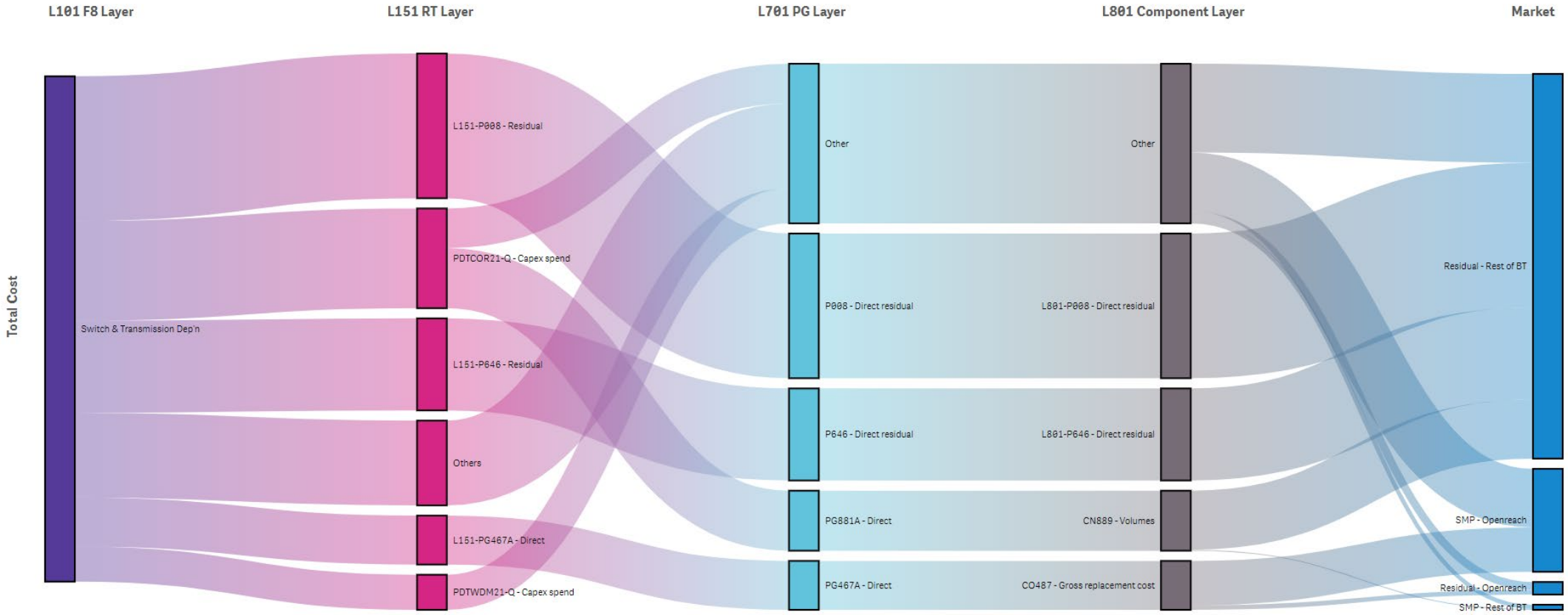
Technical methodology details relating to these attribution objects can be found in part two of the AMD.



### *Switch and transmission*

The diagram below shows the key objects which attribute depreciation charges associated with Switch and Transmission to the markets, excluding a negative balance attributed predominantly to Rest of BT residual by AG118. These costs are grouped in the F8 layer of CP (L101) and predominantly allocate directly to Rest of BT Residual via P008 and P646. The PDTCOR21-Q base apportions costs based on capex spend predominantly to PG881A, which then allocates directly to CN889 where costs are apportioned to markets based on volumes. A portion of costs are also allocated directly to Openreach SMP markets via PG467A and CO487 which is an asset metric methodology driven by gross replacement cost.

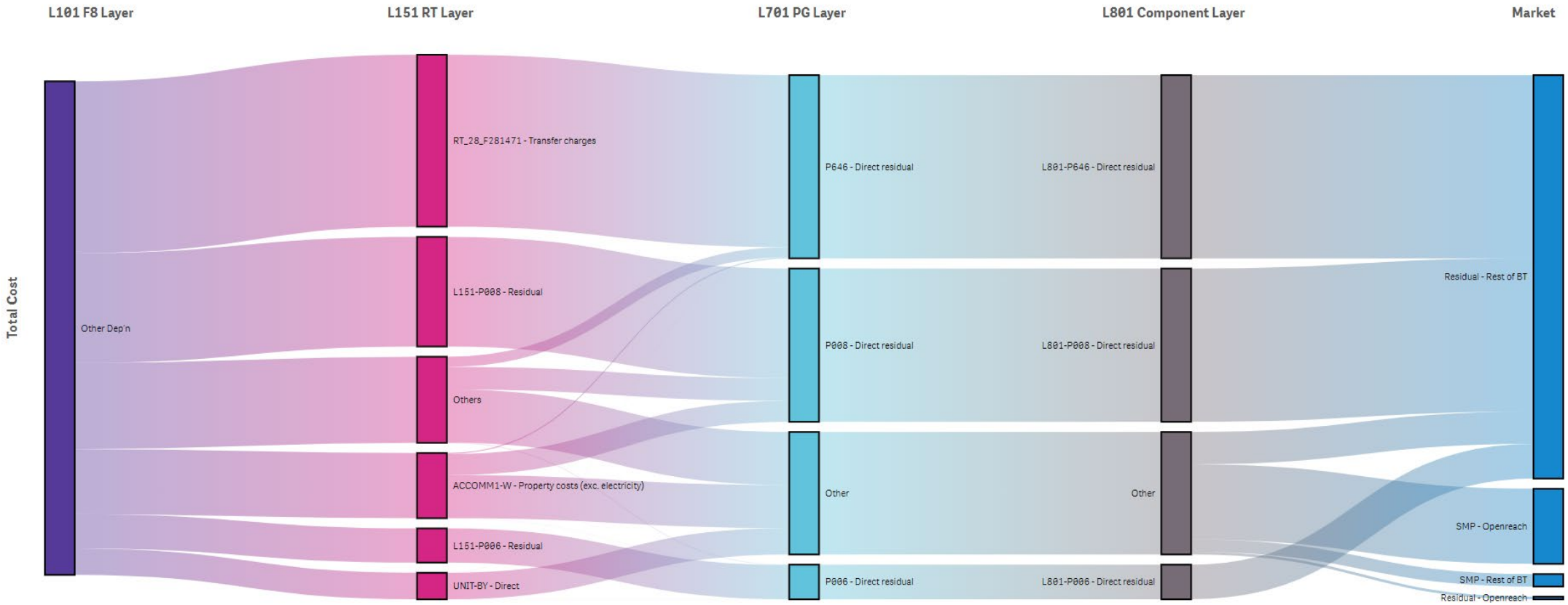
Technical methodology details relating to these attribution objects can be found in part two of the AMD.



### *Other Related*

The diagram below shows the key objects which attribute 'other related' depreciation charges to the markets. These costs are grouped in the F8 layer of CP (L101) and predominantly allocate directly to Rest of BT Residual via P008 and P006. Transfer charges follow a rule type 28 (RT_28) methodology which allocates the costs directly to P646 and onto Rest of BT residual market. Details on RT_28 are set out in section 5.3.2 and transfer charges are explained in section ten. A portion of costs are also apportioned via the ACCOMM1-W base which is a property and insurance methodology driven by property costs (excluding electricity), as well as the Organisational driven BY base. These bases attribute costs to various PGs and components, on to services within to Openreach SMP markets, Rest of BT Residual and Rest of BT SMP markets.

Technical methodology details relating to these attribution objects can be found in part two of the AMD.



## 4.2 Mean Capital Employed

The sectors reported in the RFS 'Attribution of Wholesale Current Cost Mean Capital Employed' Statement, along with the key drivers of these sectors, are outlined below. The MCE within these categories follow methodologies set out within Part two, Section six of the AMD.

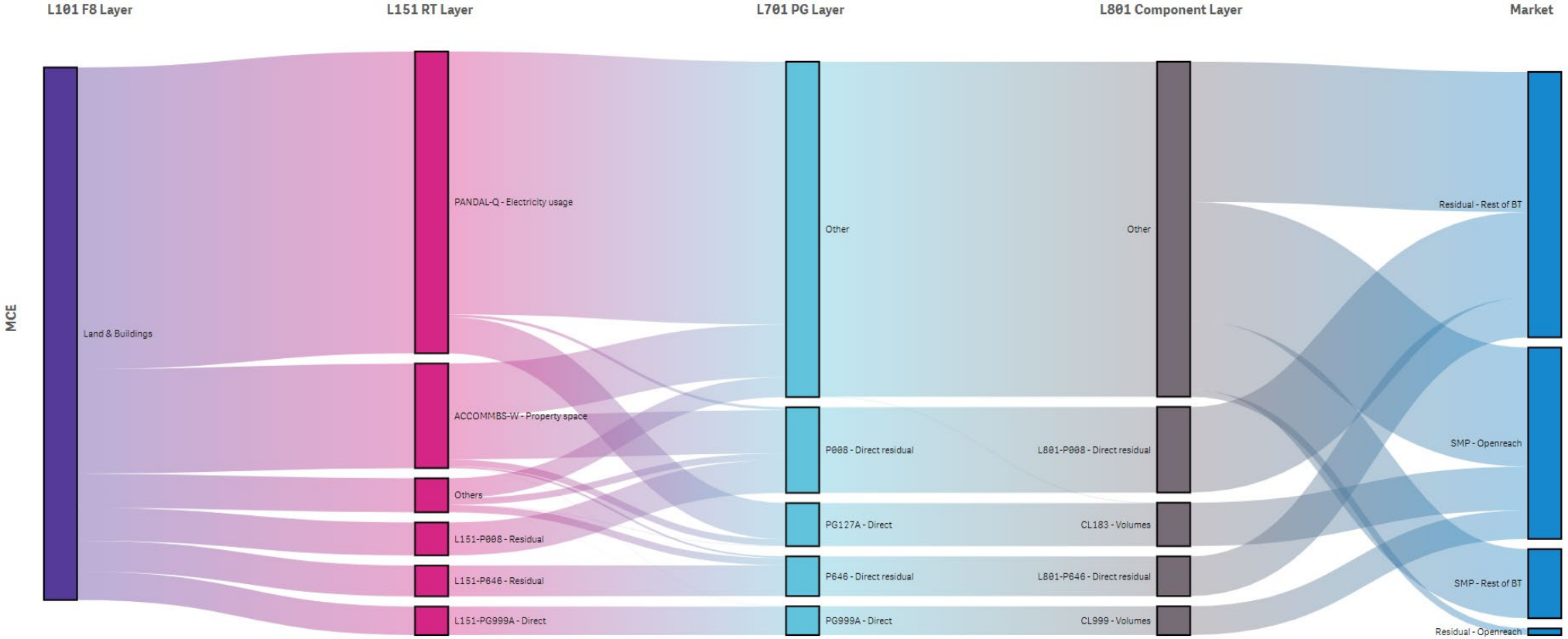
### 4.2.1 Land and buildings

This sector contains the MCE values that are booked to BT Classes of Work (CoW) for land and buildings, including freehold, long leases and short leases. It includes corporate offices and network buildings owned or leased by BT.

Buildings held under leases are recognised as RoU assets under IFRS16. To maintain comparability between the ROCE reported in the RFS and Ofcom's approach to setting prices, we have included the RoU liability due after more than one year for the Telereal property lease in our asset base, as it forms the majority of the IFRS 16 balance. Asset values are mainly apportioned based on the use of floor space.

The diagram below shows the key objects which attribute MCE related to land and buildings to the markets. These asset balances are grouped in the F8 layer of CP (L101) and predominantly allocated via the PANDAL-Q base which is an electricity methodology driven by electricity usage, on to various PGs and components to services within all markets. The ACCOMMBS-W base also apportions these asset balances, it is a property and insurance methodology driven by property space.

Technical methodology details relating to these attribution objects can be found in part two of the AMD.

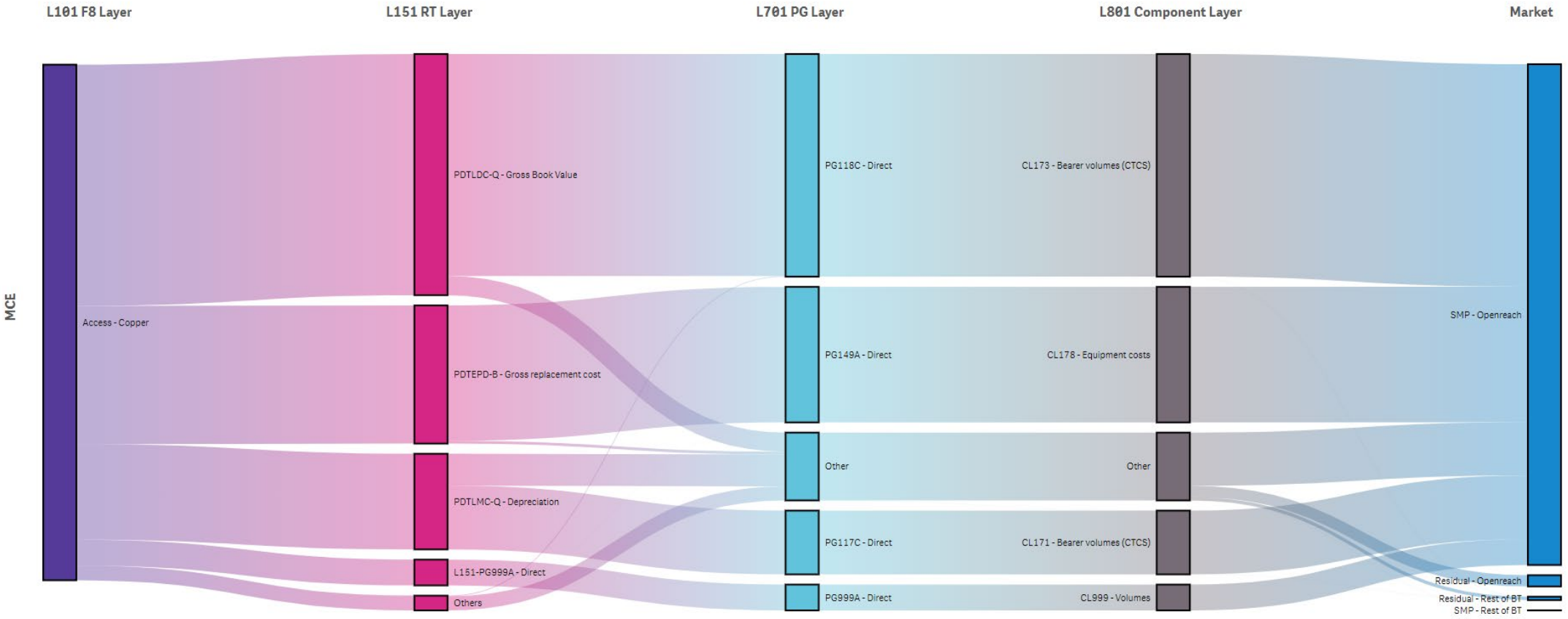


### 4.2.2 Access - copper

This sector contains the MCE values for access copper, which includes copper cables in the access network, as well as all other necessary equipment required to carry signals between the user and the exchange. The key driver is direct mapping of CoW to network components and then onto the appropriate service based on usage factors and actual service volumes.

The diagram below shows the key objects which attribute MCE related to Access Copper to the markets. These MCE balances are grouped in the F8 layer of CP (L101) and predominantly attributed via asset metric bases including PDTLDC-Q driven by gross book value, PDTEPD-B driven by gross replacement cost and PDTLMC-Q driven by depreciation. PDTLDC-Q and PDTLMC-Q apportion MCE mainly to PG118C and PG117C, respectively, which allocate directly to CL173 and CL171, respectively. These components then attribute the MCE on to services in Openreach SMP markets driven by bearer volumes. This does not cover the downstream PIA recharge.

Technical methodology details relating to these attribution objects can be found in part two of the AMD.

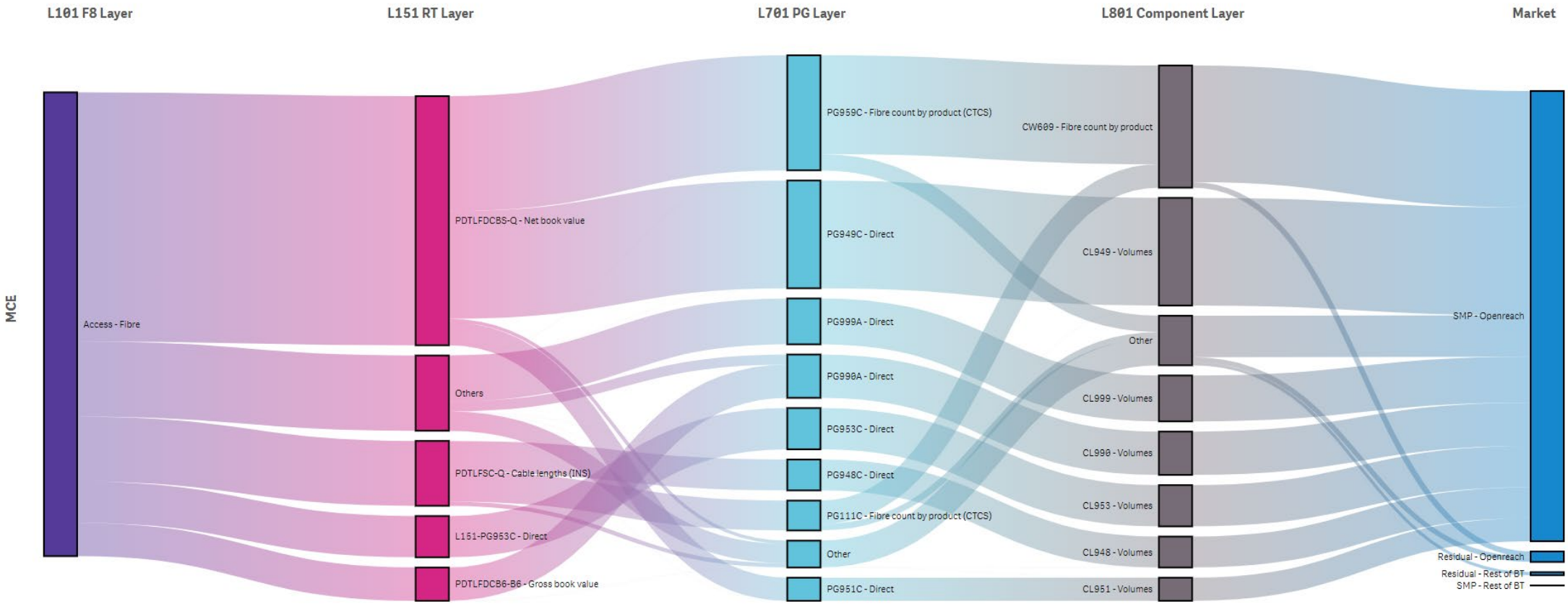


### 4.2.3 Access - fibre

This sector contains the MCE values for access fibre, which includes the spine and distribution cables, as well as all other necessary equipment required to connect the end-user and the exchange. The key driver is the mapping of CoW to network components and then onto the appropriate service based on usage factors and actual service volumes.

The diagram below shows the key objects which attribute MCE related to Access copper to the markets, excluding the impact of negative balances attributed by PG003Y and PG006Y to Openreach SMP markets. These MCE balances are grouped in the F8 layer of CP (L101) and predominantly attributed via PDTLFDCBS-Q base categorised as an asset metric methodology driven by net book value. This base apportions MCE to PG959C, which attributes based on fibre count product predominantly to CW906 and other components. PDTLFDCBS-Q also apportions MCE to PG949C and PG951C which allocate directly to services in Openreach SMP markets. This does not cover the downstream PIA recharge.

Technical methodology details relating to these attribution objects can be found in part two of the AMD.

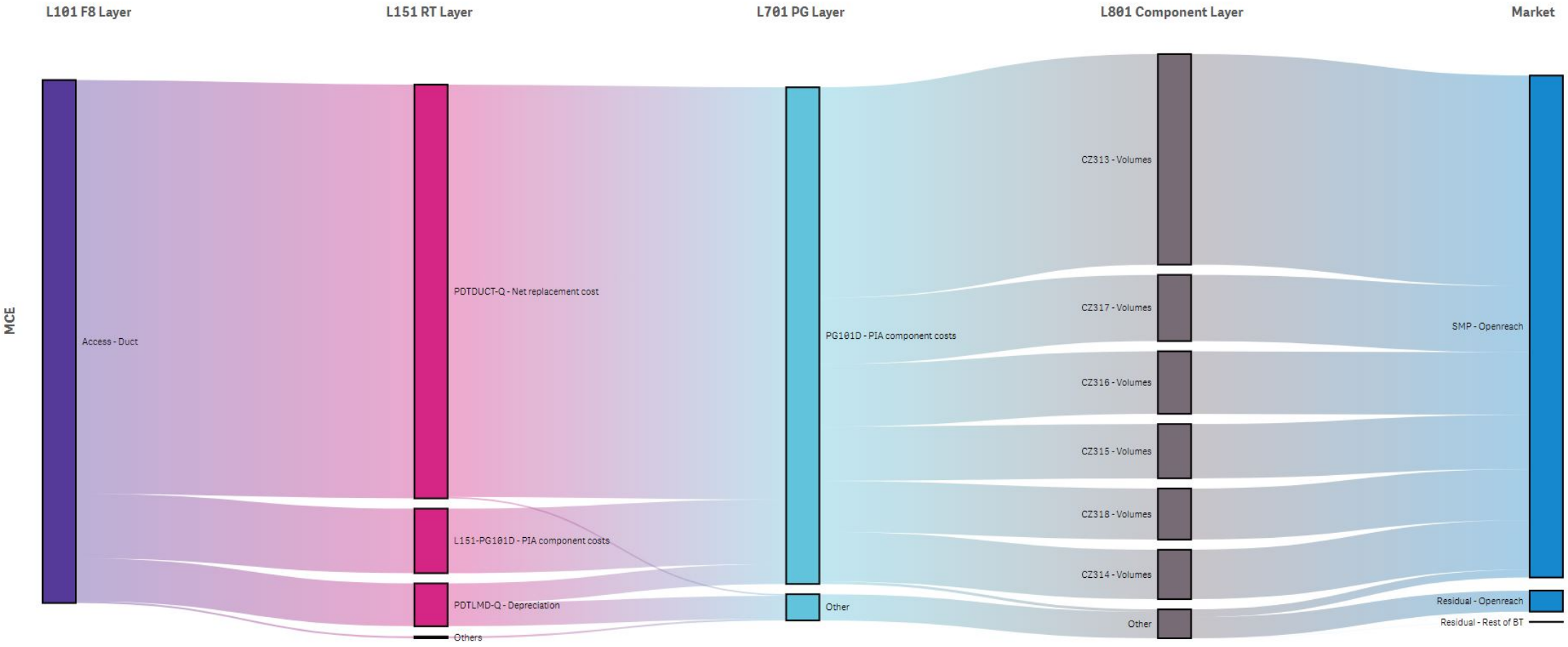


### 4.2.4 Duct

This sector contains the MCE values for duct, which is a pipe, tube or conduit through which underground cables are passed. The key driver is a duct model that allocates CoW to PIA components and then onto the appropriate service based on usage factors and actual service volumes.

The diagram below shows the key objects which attribute MCE related to Access duct to the markets. This does not cover the downstream PIA recharge. These MCE balances are grouped in the F8 layer of CP (L101) and predominantly attributed via PDTDUCT-Q base categorised as an asset metric methodology driven by net replacement cost, on to PG101D. This PG is an asset metric methodology driven by PIA component costs, and apportions the MCE to various components which are driven by volumes and onto services within Openreach SMP markets. PG100D includes a CCA adjustment for Regulatory asset value (RAV), which attributes to Openreach SMP markets, however this is not reflected in the underlying values used to produce the diagram below. Details on the calculation of the RAV adjustment are set out in section nine of part two of this AMD.

Technical methodology details relating to these attribution objects can be found in part two of the AMD.

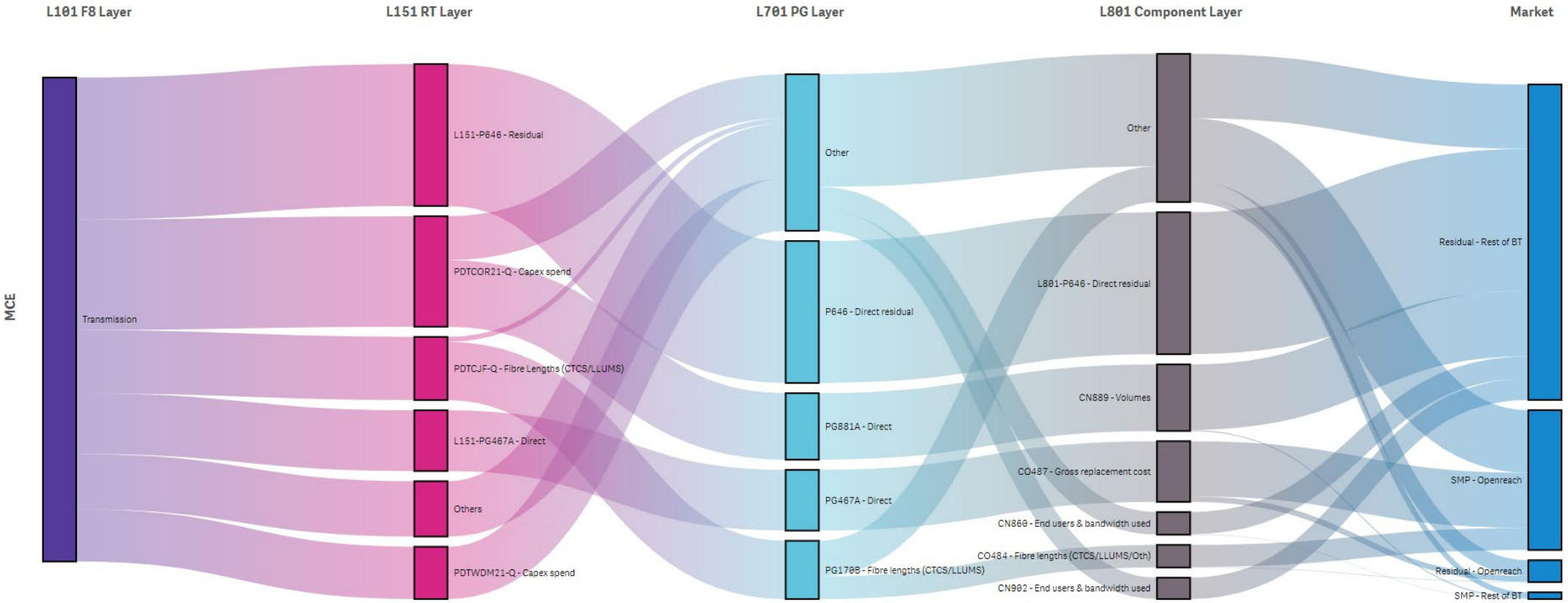


### 4.2.5 Transmission

This sector contains the MCE values for transmission. Transmission includes core transmission Synchronous Digital Hierarchy (SDH), Plesiochronous Digital Hierarchy (PDH), cables and repeaters. The core transmission is used to link exchanges. The key drivers are engineering inventories and models that allocate CoW to network components and then onto the appropriate service based on usage factors and service volumes.

The diagram below shows the key objects which attribute MCE related to transmission to the markets, excluding P008 which allocates to Rest of BT residual markets. These MCE balances are grouped in the F8 layer of CP (L101) and allocated directly to Rest of BT Residual via P646 and directly to Openreach SMP markets via PG467A and CO487. PDTCORP21-Q is an asset metric methodology driven by capex spend and attributes MCE to services within the Rest of BT Residual markets via PG881A and CN889, as well as various other PGs and components. PDTCJF-Q is a network data methodology driven by fibre lengths, which apportions MCE predominantly to PG170B which also apportions based on fibre lengths to CO484 and various other components.

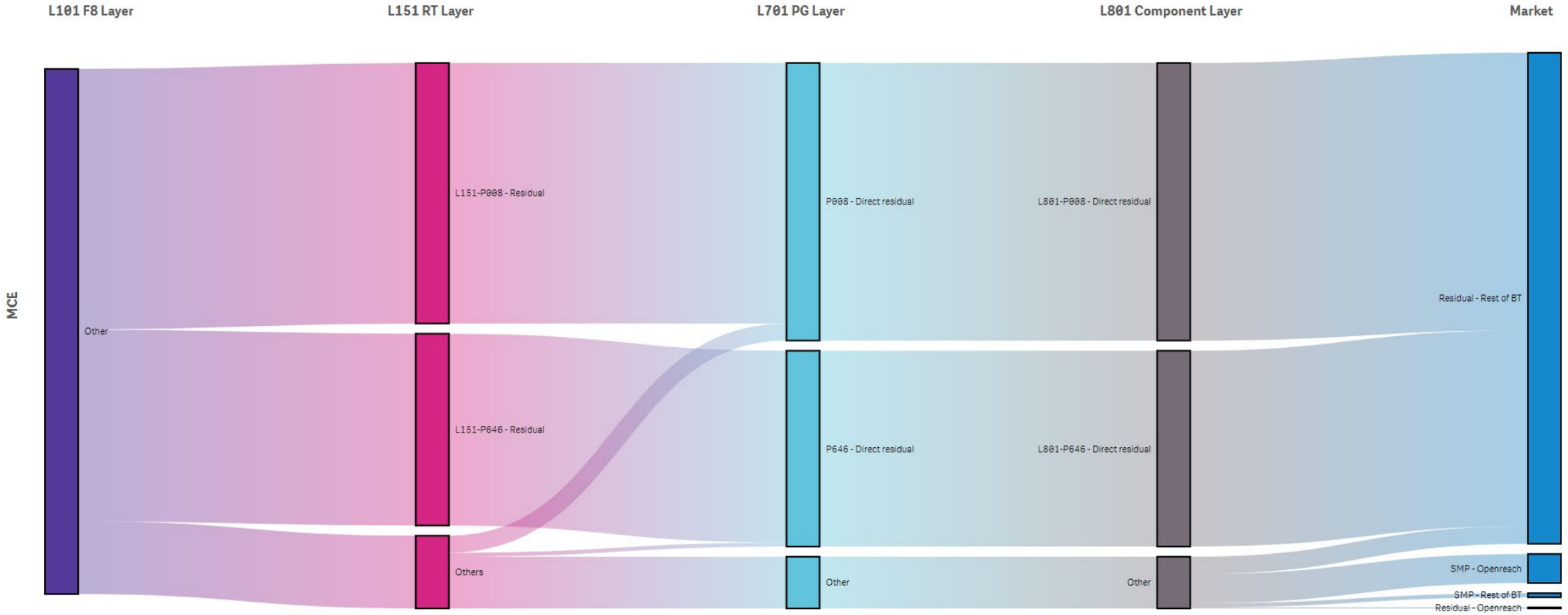
Technical methodology details relating to these attribution objects can be found in part two of the AMD.



### 4.2.6 Other

This sector contains the MCE values for a range of assets used by BT businesses including categories such as Software, Motor Transport and 21st Century Network (21CN). The key drivers are surveys, engineering models and direct mapping of CoW to network components and then onto the appropriate service based on usage factors and actual service volumes.

The diagram below shows the key objects which attribute other MCE to the markets. These MCE balances are grouped in the F8 layer of CP (L101) and are primarily allocated directly to Rest of BT Residual via P008 and P646. A small proportion of MCE is attributed to services within the Openreach SMP markets, however each attributing object is less than five percent of the total MCE attributed, therefore they are presented in combination as 'Others'.



### 4.2.7 Switch

This sector contains the MCE values for switching equipment located in BT exchanges. The key drivers are engineering models that allocate CoW to network components and then onto the appropriate service based on usage factors and actual service volumes. 92% of MCE relating to switch is attributed to Rest of BT Residual, and no allocation pathway of the remaining 8% is greater than 5% of the total MCE allocated at each layer. Therefore we have chosen not to present a diagram.

### 4.2.8 Government grants

This sector includes receipt of government grant funding in relation to eligible capital expenditure incurred and relates to grant funded assets received from a local or regional authority or from a devolved government body. Examples includes:

- Broadband Delivery UK (BDUK) grant funding received from the Department of Culture Media and Sport; and
- European Regional Development Fund (ERDF) grants.

Allocation to FTTP and FTTC is based on capital expenditure.

### 4.2.9 Working capital

Working capital includes internal receivables and payables, external receivables and payables, and cash.

Receivables and payables include an approximation of the internal “notional” receivables and payables that would be incurred if trades between BT’s business units were undertaken with a third party and at arm’s length. They are based upon the average trading terms of the Group’s external trade.

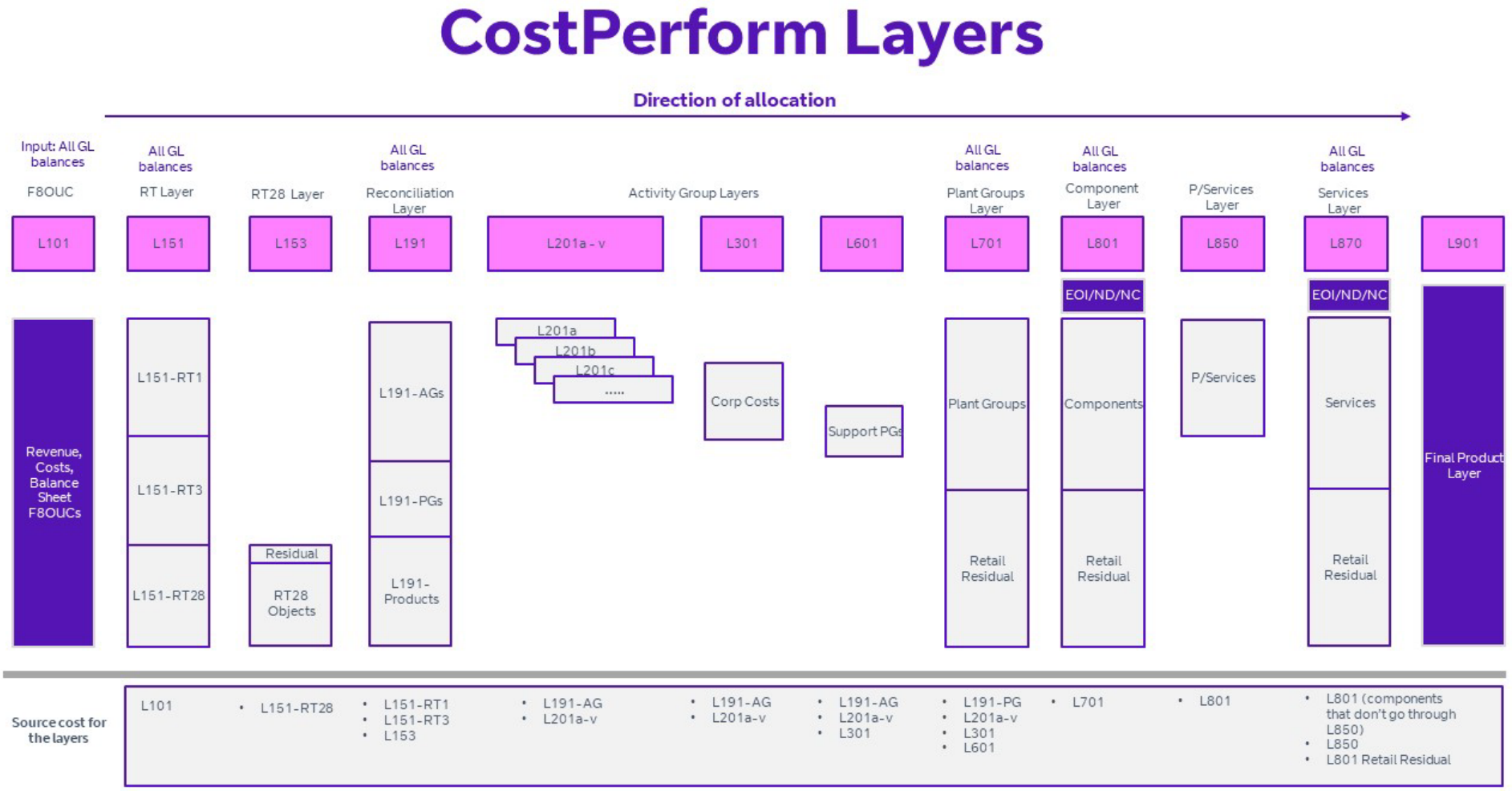
Other working capital is attributed based on previously allocated costs and capital expenditure.

# 5 Attribution overview

CostPerform (CP) is an activity based costing system that attributes the costs, revenues, assets and liabilities to regulated and non-regulated markets, using a series of predetermined rules and bases which are detailed in Part two of this AMD.

The CP model is structured in hierarchical layers. Costs, revenues, assets and liabilities are attributed through different layers to components and services, which are presented in the RFS, and ultimately to products in the final layer. The order of attribution is important as some onward attributions are based on 'Previously Allocated Costs' (PAC).

The diagram below illustrates the layer structure of CP used to prepare the RFS:



### Layer 101 - F8 OUC layer

The first layer of CP is L101 and includes all balances recorded in the general ledger (GL).

GL accounts are the lowest level at which financial data is used within preparation of the RFS. GL balances are reported by OUC and may also be assigned a Class of Work (CoW) which specifies the type of activity or asset engineers are engaged in, so costs can be reported by cost type or organisational dimensions.

We group GL codes which are similar in nature into 'F8 codes', which have a series of markers assigned to provide additional information about the cost or asset. Attribution rules are applied to these F8 codes for any given OUC. These 'F8 codes by OUC' are a form of data input to CP, and allocated to Activity Groups (AGs) and Plant Groups (PGs) before being allocated on to Components, or directly to products, depending on the attribution rule.

F8 codes are grouped into 'AS Sectors', categorised based on similar functionalities, with each sector associated with either 'Income Statement' or 'Balance Sheet' for reporting purposes. These AS sectors are then further aggregated to SMP reporting sectors, which are reported in the RFS.

### Layer 151 - Rule type layer

The second layer in CP is L151 and contains all balances in Layer 101 split based on attribution rule types which are explained in section 5.1.

In some instances CP calculates the attribution rules and for the rest, rules are uploaded to the system in the form of percentage apportionments, as set out in section 6.

### Layer 153 - Rule type 28 layer

The third layer in CP is L153 and this attributes L151 balances associated with rule type 28, which is explained in section 5.2.

### Layer 191 - Reconciliation layer

This layer includes all balances, and attributions are driven by bases.

### Layers 201, 301 and 601 - Activity group layers

These layers include the proportion of balances which are allocated between different AGs. An overview of AGs is outlined in section 5.3, with attribution methodologies set out in section 6.4.

### Layer 701 - Activity group to plant group layer

This layer includes all balances. Costs and assets which relate to activities such as training, development, facilities management and general corporate costs are attributed to PGs and Rest of BT Residual, using either defined system rules or methodologies appropriate to the type of costs they attribute. An overview of AGs is outlined in section 5.4, with attribution methodologies set out in section 6.5.

### Layer 801 - Plant group to component processing layer

This layer includes all balances, as well as EOI recharges (see section 7 for details), notional debtors and creditors. The costs and assets relating to network overheads (e.g. accommodation costs for network building; cost of providing power to exchanges and transmission assets), are attributed from PGs onto components using methodologies specific to the type of cost or assets being attributed. An overview of PGs is outlined in section 5.4, with attribution methodologies set out in section 6.5.

### Layer 870 - Component to service processing layer

This layer includes all balances, as well as EOI recharges (see section 7 for details), notional debtors and creditors. The balances are reported as 'Components' or 'Retail Residual', based on previous allocation pathways. Components contain costs and assets which use BT's network and these are attributed onwards to the relevant services using factors and volumes. An overview of components is outlined in section 5.5 with attribution methodologies set out in section 6.6.

### Layer 901 - Product layer

This layer includes all balances, aggregating services into specific products. This layer is not used for RFS reporting.

## 5.1 Journals overview

Journals are required in the RFS where we are unable to use the ledgered data in its original format. There are two types of journal, which are set out below:

| Journal Type | Description |
|---|---|
| Accounting adjustment | Where the RFS demands an asset is either recognised or derecognised, typically creating a P&L impact resulting in a difference between the RFS and ARA. |
| Allocation adjustment | In some cases, where the data in the underlying ledger does not provide the granularity required to apply a specific methodology rule, the most efficient way to apply a methodology is via a journal. This does not alter the overall profit of BT Group, or create a difference between the RFS and ARA. |

Journal methodologies are set out in Part Two of the AMD, section 6.1.

## 5.2 Rule type layer overview - L151

All costs, revenues, assets and liabilities are attributed using one of three types of attribution. These attribution rule types are sequential, with the later rules creating their attribution logic using the results of the earlier attribution stages:

| Order | Rule Type | Name | Calculation | Allocation basis |
|---|---|---|---|---|
| 1 | Rule type 1 | Direct allocation | Fixed in CostPerform | Allocates 100% of costs to one specific AG, PG, or directly to Rest of BT Residual, based on F8/OUC combination. |
| 2 | Rule type 3 | Attribution bases | Apportionment workflow | Apportions costs between multiple cost pools, based on F8/OUC combination, using a % attribution rule calculated within a workflow. |
| 3 | Rule type 28 | Transfer charges | System generated | System generated, attributing transfer charge receipts in the same way as the corresponding transfer charge payments between different business units. As such, the two net off. |

### 5.2.1 Rule Type 1 direct allocations

Rule Type 1 allocations refer to instances where we assign revenues, costs, assets and liabilities that can be directly attributed to one distinct destination using their OUC and F8 code combination.

Many costs are attributed using Rule Type 1 based on the CoW and OUC combinations, or based on just the CoW. The following are examples of CoWs where 100% of their costs are attributed using direct apportionments:

| CoW | Description | Destination |
|---|---|---|
| ADSL | Construction, Digital Subscriber-line (FAR) | • OUC B costs are attributed to PG152B (Other Openreach Repairs)<br>• Other OUC costs attributed to PG153N (DSLAM - Equipment) |
| APARR | P&I Tele Answering & Recording M/cs, Residential | • All costs are attributed to Rest of BT Residual |
| APCTB | Provision & Installation IT Products & Services-Business | • All costs are attributed to Rest of BT Residual |

| | | |
|---|---|---|
| APMSB | Apparatus - Provision (& installation) of a medium and small switch for customers. | • OUC B costs are attributed to PG981R (Regulated Time Related Charges)<br>• All costs are attributed to Rest of BT Residual |
| APOPR | P&I, Other A.S.B. Products for Customers | • All costs are attributed to Rest of BT Residual |
| CPDSL | Circuit Provision - Asymmetric Digital Subscriber line (ADSL) | Predominantly OUC S (BT Consumer) costs that are attributed to Rest of BT Residual except for:<br>• OUC C,N,T to PG145N (WBA End User NTEs)<br>• OUC B to PDTCPDSL |
| DTTS | Construction, Short-Haul Multimode of Private Ccts | • PG457A (Optical Ethernet Electronics Capital) |
| DTTSW | Construction of SHDS links for BT Enterprise Products | • Construction of SHDS links for BT Wholesale Products: PG467A (EAD Electronics Capital)<br>• Excluding OUC TNQ which goes to Residual |
| FTTX | FTTx Customer Premises Provision | • PG954C (GEA Customer Site Installations) |
| GFA | Grant Funded Assets | • PG998A (Fibre Rollout Funding)<br>• Excluding OUC TNQ which goes to Residual |
| HK | Repayment Work - Alterations (Statutory) | • Openreach OUCs to PG980R (Repayment works)<br>• Other OUCs to Rest of BT Residual |
| HSW | Repayment Work - Alterations (Major Works) | • Openreach OUCs to PG980R (Repayment works) except for BDUK to PG197A (FTTC Service Delivery & Development)<br>• Other OUCs to Rest of BT Residual |
| J | P&I-Jumpering in Exchanges | • PG142A (MDF Hardware Jumpering) |
| JLU | Jumpering in Exchanges Specific to LLU | • PG142A (MDF Hardware Jumpering) |
| LDC | Construction, Local Distribution Cable | • All OUCs to PDTLDC, except for Repayment works OUCs to PG980R (Repayment works), OUC V to Residual, and BDUK OUCs to PG990A (FTTP Funded Fibre Rollout Spend) or PG999A (FTTC Funded Fibre Rollout Spend) |
| LFME | Construction, Local Network Service Module Equipment | • PG953C (GEA DSLAM and Cabinets), unless BDUK (to PG999A or PG990A) |
| LFXE | Construction Local Line of Exchange Service Module | • PG952C (GEA Electronics) unless BDUK (to PG999A or PG990A) |
| PT | Routine Testing of Poles and Wire & Cable Clearance | • PG201P (Poles Repair) |
| TPWA | Construction, Access Radio Systems | • PG115C (Access Radio Equipment), excluding OUC TNQ which goes to Residual and BDUK (to PG999A or PG990A) |

A list of material direct allocations are published in Annex one.

### 5.2.2 Rule Type 3 apportionments

This section provides an overview of bases methodologies which can be grouped into two categories; 'attribution bases' and 'organisational driven bases'.

#### Attribution bases

We have defined a set of attribution bases methodologies to attribute F8/OUC costs to AGs, PGs, and Rest of BT Residual cost categories.

These methodologies (sub-divided by OUC in some instances) either:

- attributes100% of the F8/OUC costs to a particular cost category; or
- apportion the cost across multiple cost categories.

They attribute costs onwards based upon the functions of CoWs and how they support regulated services. This can involve combinations of OUCs, therefore a methodology is applied to cover this more general cost base than is associated with an Organisational driven base.

Details of specific methodologies are set out in part two of this AMD, under section 6.

#### Organisational driven bases

Where there is a consistent and straight forward attribution treatment of the Division at either a first, or lower level OUC, the same attribution process is applied to the Division as a whole.

In instances where most of an OUC's cost/income are attributed in a certain way, the specific treatment will be detailed in part two of this AMD, under section 6.3 'organisational driven bases'. Explanations will indicate that for lower level OUCs, the relevant base dictionary will contain the methodology for the attribution of the exceptional costs/income. For example OUC C attributes costs/income to the Activity Group AG118 'BT Group PAC – including Overseas', however an exception to this is that OUC CS (a sub-OUC of C) attributes costs onwards to various Plant Groups and Residual products.

### 5.2.3 Rule Type 28 transfer charges

Cost are attributed between different business units via 'transfer charges'. A CFU/CU transfer charge receipt has a corresponding transfer charge payment recognised in another CFU/CU.

- The purpose of transfer charging is to:
- Enable customer-facing units, which are responsible for their own profitability, to receive a correct allocation of income and expenditure;
- Enable support functions to charge for their services to other group units;
- Enable control to be exercised over the use of key resources; and
- Maintain proper control in accounting units of certain balance sheet items.

There is a well-established process for the recording transfer charges between organisational units, to ensure the charge is calculated and recharged to the correct organisational unit in accordance with the transfer charge agreement.

Rule type 28 is a system generated base that ensures the attribution of these receipts follows the attribution pathway of the corresponding payment, so the transaction nets to nil[9].

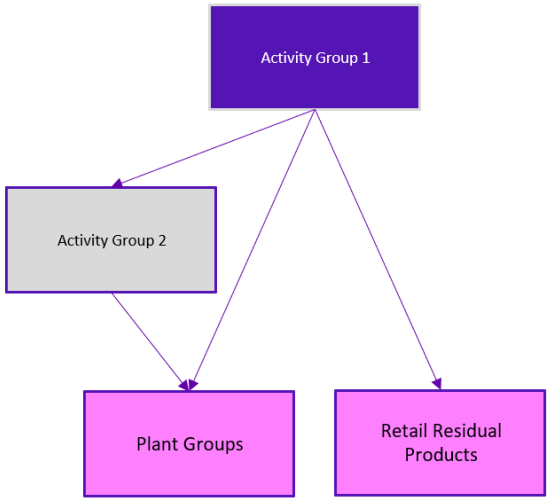
Methodology details relating to transfer charges are set out in part two, section ten.

[9] There are exceptions to this principle, which are detailed in Part two, Section ten.

## 5.3 Activity group layer overview - L301

Activity Groups (AGs) are used to attribute large pools of costs or capital expenditure which relate to parts of the business (e.g. support functions including Group Property and Facilities Management), rather than specific groups of services. The majority of AG attributions are system driven calculations based on simple drivers such as headcount, or previously allocated costs.

We attribute the costs of all AGs into other AGs (intra AG allocation), PGs or Residual products, as illustrated below:




Details of AG methodologies can be found in Section 6.4 of this AMD.

## 5.4 Plant group layer overview - L701

Plant groups (PGs) are used to attribute the costs and asset values of activities, equipment and infrastructure for the purposes of running and selling network services (e.g. Provision and maintenance activities, MSAN equipment, Copper infrastructure), to components.

Approximately one third of PGs have a direct allocation to Components, and the remaining two-thirds use a methodology to apportion costs across multiple Network Components.

Details of PG methodologies can be found in Section 6.5 of this AMD.

## 5.5 Component layer overview - L801

Components are groupings of costs and are used to attribute costs and asset values representing discrete parts of BT's Network. Component attribution is the final stage of attribution process, with cost and asset values allocated to Services. These services are then grouped to represent different Markets for regulatory purposes.

### Component to service attribution

The cost of each component can either be:

- directly allocated to an individual product/service; or
- an attribution methodology can be used to apportion the cost to multiple products/services.

The attribution methodologies are often directly linked to service volumes and hence drive the attribution of costs.

For example, if Component A is used by two services, each with equal volume usage, then the attribution of costs of Component A to the two services will reflect an equal split.

### Introduction to factors and factored volumes

The total costs of the Wholesale Markets can be obtained by aggregating the costs of all components. However, it is necessary to attribute that total cost to individual wholesale services.

In cases where components are used by multiple services it is necessary to factorise the component volume per service to determine the cost attribution. For services provided on a cost basis, the cost to Wholesale Markets of providing such service is the cost of each component used in providing the service.

For some Wholesale services, the calculation of the cost of service provision is more complicated, as each service represents the utilisation of one or more network components, and its cost is therefore determined by an attribution of component costs. This attribution can involve the calculation and application of route factors, usage factors or other appropriate basis of apportioning components costs.

Usage factors are one of the most common ways of determining a service's usage of a particular component.

### Derivation of usage factors

Usage factors reflect the use of a particular component by different services. Variation in usage factors arise because individual Markets use different components which are representative of costs incurred and measurable in very distinct ways. For example, call routes and route sampling are relevant in determining call related component to service usage factors, whereas in the Business Connectivity Markets usage factors for services depend on the type of circuit and level of competitiveness of the different segments in the network used to provide the service (i.e. whether it is an Access or Inter-exchange circuit and whether BT is the only provider at a given exchange or if there are other competitors).

The example below shows how component costs are attributed to services:

Component x has total cost of £1,000 and allocates onwards to two services. Service A uses two lines to deliver the service, and service B uses just one of the same type of lines, therefore the usage factors are two and one.

| | Unfactored volume (units) | Usage factors | Factored volume | Calculation step | | Cost attributed to service |
|---|---|---|---|---|---|---|
| Service A | 600 | 2 | 1,200 | cost x factored volume / total factored volume | 1,000 x 1,200 / 1,600 = £750 | £ 750 |
| Service B | 400 | 1 | 400 | | 1,000 x 400 / 1,600 = £250 | £ 250 |
| **Total** | **1,000** | | **1,600** | | | £1,000 |

1. The component factored volume is calculated by multiplying the service volume by the component-service usage factor (i.e. how many components are used by that service). The costs are those that have been attributed through to the component layer in CP.
2. The component factored volumes are then used to calculate the cost of the service.

In many cases the product or service volume weighting is one, and in this instance, we can use raw volumes to derive the cost of the service, as set out in section 6.6 Volume Driven Components.

In the above example without using factors the cost would be split between A and B in the ratio £600:£400, this demonstrates that because Service A uses Component X comparatively more than Service B does, it should take a higher proportion of its cost.

The calculation of usage factors for the most significant components, as well methodology details can be found in Part two of this AMD, section 6.6.

## 5.6 Methodology categories

Under activity based costing we allocate costs and MCE directly to products and services wherever possible. We have classified these methodologies as:

- Direct; and
- Direct residual.

Where there is not a direct relationship, we follow specific methodologies utilising a common driver. We have grouped our methodologies in part two of the AMD based on the common drivers listed below:

- Asset metrics
- Electricity
- Labour
- Network data
- Other Miscellaneous
- Property and Insurance
- Revenue and volumes
- Service Level Guarantees (SLGs)
- Activity Groups

Within each category, the methodology can be further split as either:

- Organisational - e.g. OUC driven; or
- Cost based - e.g. LFDC CoW driven.

### 5.6.1 Direct

A 'Direct' allocation methodology involves a 100% apportionment pathway, at any layer in our CP model, from either:

- Layer 101 to a base, AG or PG, using a RT1
- One base to one PG
- One PG to one Component

No data sources are required to calculate the allocation pathway.

### 5.6.2 Direct residual

A 'Direct residual' allocation methodology involves a 100% apportionment pathway directly to an unregulated, residual market from Layer 101 in our CP model using a RT1.

No data sources are required to calculate the allocation pathway.

### 5.6.3 Asset metrics

An asset metric is a measure associated with an asset base, such as network equipment, infrastructure and BT buildings.

Methodologies classified as 'asset metrics' use the below key drivers throughout our cost allocation process, depending on the type of cost and MCE apportioned:

| Driver | Description |
|---|---|
| Asset useful life | The useful life of an asset is used to recalculate depreciation, and determine the allocation. |
| Capex spend | Capital expenditure, usually per CoW, is used to calculate the allocation of an asset. |
| CCA indexation values | CCA indexation values are used to calculate the allocation of CCA adjustments. |

| | |
|---|---|
| Gross book value (GBV) | Total capital employed for each asset class, primarily split by CoW, is used to apportion assets that are not impacted by CCA adjustments. |
| Gross replacement cost (GRC) | Current GRC is primarily used to apportion expedite provision costs. |
| In year depreciation | Current year depreciation charge relating to particular assets is used to determine the apportionment of bases/PGs that contain depreciation opex costs. |
| Net book value (NBV) | The current value of assets is used to apportion bases/PGs that contain assets that are not impacted by CCA adjustments. |
| Net replacement cost (NRC) | The replacement cost of assets is used to apportion bases/PGs that contain assets that are impacted by CCA adjustments. |
| Network adjustment costs | Cost are apportioned based on existing physical infrastructure for network accessibility. |
| PIA component costs | Apportionment is based on the average unit cost of PIA network components (e.g. ducts and poles). |
| PIA component volumes | Apportionment is based on volumes of PIA network components (e.g. ducts and poles) measured either in units (e.g. manholes) or distance (e.g. duct). |
| Rateable asset value (RAV[1]) | Apportionment is based on the rateable network assets within BT's network, in order to allocate Cumulo property tax charges and liabilities. |

### 5.6.4 Electricity

An 'electricity' base relates to methodologies centred around the provision of power.

Methodologies classified as 'electricity' use the below key drivers throughout our cost allocation process, depending on the type of cost and MCE apportioned:

| Driver | Description |
|---|---|
| Electricity cost | Allocations are determined based on costs for particular CoWs, calculated as either total billed value, or unit price per kWh. |
| Electricity usage | Allocations for particular buildings or equipment are determined based on total actual usage, or average usage rates per item. |

### 5.6.5 Labour

A 'labour' base relates to methodologies centred around the provision of staff.

Methodologies classified as 'labour' use the below key drivers throughout our cost allocation process, depending on the type of cost and MCE apportioned:

| Driver | Description |
|---|---|
| FTE costs | Cost of full time equivalent employees are used as the basis of allocation. |
| FTE headcount | The number of FTE employees drives the basis of allocation. |
| FTEs using employee broadband | The number of FTE employees that have taken up the employee broadband offer drives the basis of allocation. |
| Man-hours and labour rates | Total man-hours multiplied by labour rates are used to determine the allocation split. |

### 5.6.6 Network data

Methodologies based on 'network data' utilise various non-financial metrics that relate to the BT/Openreach Network (e.g. stats for Equipment, Circuits, Calls, Fibres, and Bandwidth). These metrics can be sourced from a wide range of systems and sources within the business.

Methodologies classified as 'network data' use the below key drivers throughout our cost allocation process, depending on the type of cost and MCE apportioned:

| Driver | Description |
|---|---|
| Bearer volumes (CTCS) | Allocations are determined using volumes of 'bearers' on the network, per product platform. |
| Cable lengths (INS) | Allocations are based on the total number of cables, factoring cable density, within the fibre network being used for FTTx (NGA) and BCMR services. |
| Channels per circuit | Allocations are based on average number of channels per circuit. |
| CISL platform volumes and factors (CCMIS) | Allocations are based on the volumes on the Common Intelligence Service Layer (CISL) platform. |
| CNA call volumes and duration (SDW) | Allocations are based on the change number announcement (CNA) volumes and hold-time durations from Recorded Information Distribution Equipment (RIDE). |
| End-users / bandwidth and depreciation | Allocations are based on the total number of end users or average Bandwidth per end user depending on products and platforms on the network. |
| Equipment hits (CTCS) | Allocations are based on the number of elements of transmission equipment utilised by a number of active circuits on the network, per CoW. |
| Equipment volumes / bandwidths (CTCS) | Allocations are based on volumes and bandwidths of specific types of transmission related equipment utilised across the network, by location and function. |
| Fibre count by product (CTCS/Other) | Allocations are based on ethernet fibre circuit volumes for Business Connectivity Market services, based on current (EAD) and legacy (WES & BES) circuits. |
| Fibre lengths (CTCS/LLUMS/Other) | Allocations are based on fibre lengths (km) across the network, including bandwidth usage for data, voice and different technologies (e.g. NGA and Non-NGA). |
| Network topology mapping | Allocations are based on network topology mapping. |
| Operator assistance (OA) call volumes and duration (CCMIS) | Allocations are based on OA call volumes and duration by call or service type, including Emergency Operator Assistance (999) calls. |

### 5.6.7 Other miscellaneous

Methodologies classified as 'other miscellaneous' utilise various financial and non-financial metrics that relate to the BT and Openreach business. These metrics can be sourced from a wide range of systems and sources within the business.

These methodologies use the below key drivers throughout our cost allocation process, depending on the type of cost and MCE apportioned:

| Driver | Description |
|---|---|
| BT PC and laptop volumes | General computer costs associated with employee own use machines and equipment, which are recognised in the ledger, are used to determine the basis of allocation. |
| Class of work (CoW) list | The CoW list is used to determine which CoWs receive an allocation of cumulo charges. |
| Contract revenue per GL | Contract revenue per GL is used to determine the allocation costs to REVDTAT011 for OUCs K and N. |
| Corporate special project costs | This driver uses the proportion of cost spent by CPZ on retail and non-retail projects in order to determine allocations. |
| CPDSL CoW costs | Costs recognised against the 'Circuit Provision Asymmetric Digital Subscriber line' (ADSL) CoW are used to calculate the allocation pathway. |
| Cumulo charges | Determines the ledgered cumulo cost to be allocated. |
| Cumulo service tagging | Cumulo service tagging is used to determine which services receive an allocation of cumulo charges. |
| Equipment costs | Equipment costs recognised in the ledger are used to determine the allocation pathway. |
| Fleet recharge costs | Fleet recharges are set out in section ten. |
| Head-end equipment cost | Head-end equipment costs are used to determine allocations to PG952C and the decapitalisation of co-mingling recognised via a journal. |
| Internal profit margin | The global service team's assessment of internal profit margin is used as the basis of allocation. |
| Management accounts (HFM) | The management accounts are used to determine allocations to UNIT TA and prepare journals (e.g. liquid funds, salary provisions, software capitalisation). |
| Supplier contract values | Total supplier contract costs are used to calculate the cost allocation pathway. |
| Supply chain recharges | Supply chain recharge data is identified in the ledger, recorded by LoB, and used to calculate the allocation pathway. |
| Total costs per service | Allocation of cumulo costs to services is calculated using ledgered costs per service. |
| Total opex cost per GL | Opex costs are used to calculate journal (e.g. FTTX, tie cables) and determine the amount of electricity charges. |
| Wayleaves payments | Poles & Duct Wayleaves payments are identified in the ledger and used to calculate the cost allocation pathway. |

### 5.6.8 Property and insurance

A 'property and insurance' base relates to methodologies centred around the insurance premium costs and property costs (excluding electricity).

Methodologies classified as 'property and insurance' use the below key drivers throughout our cost allocation process, depending on the type of cost and MCE apportioned:

| Driver | Description |
|---|---|
| Insurance premium costs | Allocations are based on insurance premiums. |
| Property costs (excl. electricity) | Allocations are based on the usage of building floor space. |
| Property sale proceeds | Allocations are based on the underlying property costs associated with the property sold. |
| Property space | Allocations are based on the usage of building floor space. |

### 5.6.9 Revenue and volumes

'Revenue and Volumes' relate to methodologies for revenue, price and volumes specific to Markets, Technologies and Services.

Volumes are obtained from the business and used to derive revenue and allocate costs from components to services. Examples of such drivers are:

- Connection service volumes
- Ethernet revenue and volumes
- Ethernet service circuit volumes
- Openreach and Wholesale service revenue
- Openreach revenue and volumes
- Wholesale broadband access revenue and volumes
- Wholesale calls and revenue volumes
- Wholesale interconnect revenue and volumes
- Wholesale partial private circuit revenue and volumes
- Wholesale revenue and volumes.

Revenue and volumes drives with specific methodologies are set out below:

| Driver | Description |
|---|---|
| Network feature service volumes | The volumes for network feature services are used to calculate the cost allocation basis. |
| RBS service revenue | Used to calculate the price for Partial Private Circuits (PPC) services. |
| Redcare CCTV circuits | CCTV circuit data is used to determine the basis of allocation. |
| Scrap sales volumes (tonnes) | The volumes for scrap sales are used to calculate the allocation basis of other income relating to the sale of copper. |
| Total revenue by CFU | The total revenue by CFU is used to calculate the allocation basis of the Ofcom License fee. |

### 5.6.10 Service level guarantees

Service level guarantees (SLGs) set out specific compensation a customer would be entitled to if the agreed quality of service set out in a 'Service Level Agreement' (SLA) is not met.

Methodologies classified as 'SLGs' are primarily driven by SLG compensation payments, which are categorised by product and SLG type.

### 5.6.11 Activity Group (AG)

Activity Groups are summarised in section 5.3 and the methodologies associated with AGs are grouped as follows:

- System driven, where allocation are determined in CP. These methodologies are further categorised as:
    - Pay - Pay or factorised pay costs are apportioned
    - PAC - Previously allocated costs, following the same apportionment from the base stage in CP.
    - Other - including fleet and other operational costs are apportioned.
- Property and insurance - drivers are set out under the 'Property and Insurance' section.

# Part two: Detailed methodologies

# 6 Attribution methodologies dictionary

## Introduction

This section documents the details of methodologies applied to costs and MCE throughout the allocation process. It should be used in conjunction with the tables presented in Annex one, which set out the attribution pathways from one stage to the next.

The values presented within the calculation step worked examples are notional and do not represent actual data.

## 6.1 Journals

### Decapitalisation journals

As first directed by Ofcom's WLA Market Review statement (28 March 2018), we make an adjustment in the RFS (relative to IFRS and BT's accounting policies) to treat installation and planning costs related to GEA Customer Site installation, Tie Cables, GEA Cable Links, Abortive Visits, Co-mingling services and Excess Construction Charges as operating expenditure in the RFS in line with connection revenues received (rather than capital expenditure), and the opening capital employed associated with these activities is also removed.

| | | | | |
|---|---|---|---|---|
| **Reference** | Decapitalisation | | | |
| **Title** | Decapitalisation of AVC asset | | | |
| **Overview** | This journal, impacting both the balance sheet and income statement, is an accounting adjustment to de-capitalise Abortive Visits Costs (AVC) that have been recognised as asset in line with the IFRS and BT's accounting policies.<br>As first directed by Ofcom's WLA Market Review statement (28 March 2018), adjustments are made to treat installation and planning costs related to Abortive Visits as operating expenditure in the RFS in line with connection revenues received (rather than capital expenditure), and the opening capital employed associated with these activities is also removed. | | | |
| **Description** | **1. Source Costs and MCE:** This journal is created to decapitalise Abortive Visit Costs (AVC), and reverse depreciation costs. In-year additions are then booked as the P/L charge. This impacts the NWB (Provision & Installation, Exchange lines (Business)) and NWR (Provision & Installation, Exchange lines (Residential)) Classes of Work.<br>**2. Cost and MCE Categories:**<br>• De-capitalisation: Non-Current Assets (Copper), and Depreciation (Copper)<br>• In-Year Additions Cost: Rest of BT OPEX - excl. Depreciation (Other) | | | |
| | **3. Summary Destination:** PDTEPD; PG150B; and P999. | | | |
| | **4. Methodology Taxonomy:** Asset Metrics.<br>**5. Driver classification:** Gross Book Value (GBV), Asset Useful Life, Depreciation. | | | |
| | **6. Data Source Summary:** Balance Sheet opening and closing from pre-allocation MCE report relating to the base PDTEPD (expedites) (consisting of NWB and NWR CoWs). | | | |
| **Data Source** | Asset metrics: GBV (General ledger); and<br>Other Misc: Total Opex (General ledger). | | | |
| **Calculation Steps** | **#** | **Summary** | **Calculation** | **Worked Example** | **Example Results** |
| | 1 | This step first summarises the Opening and Closing NBV balances for the NWB and NWR classes of work and the related CCA adjustments. Then, it adds the NBV and CCA adjustments to calculate the Opening and Closing NRC balances. **NBV data is obtained from the "Pre-Allocation MCE report" and the CCA adjustments are obtained from the "CCA CP Output", both filtered for PDTEPD base (NWB/NWR CoWs).** | For each relevant CoW (NWB and NWR):<br>Opening NBV = Sum of [Opening NBV for all GL codes within CoW]<br>Opening CCA adjustments = Sum of [Opening CCA adjustments for all GL codes within CoW] | Opening NBV = £200k +£500k + £300k<br>Opening CCA adjustments = £100k + £100k | Opening NBV = £1,000k<br>Opening CCA adjustments = £200k |

| | | | | |
|---|---|---|---|---|
| | *Relevant classes of work:*<br>• *NWB (Provision & Installation, Exchange lines (Business))*<br>• *NWR (Provision & Installation, Exchange lines (Residential)) Classes of Work.* | Closing NBV = Sum of [Closing NBV for all GL codes within CoW]<br>Closing CCA adjustments = Sum of [Closing CCA adjustments for all GL codes within CoW]<br>Opening NRC = [Opening NBV$_{(Result\ from\ above)}$] + [Opening CCA adjustments$_{(Result\ from\ above)}$]<br>Closing NRC = [Closing NBV$_{(Result\ from\ above)}$] + [Closing CCA adjustments$_{(Result\ from\ above)}$] | Closing NBV = £1,000k + £300k<br>Closing CCA adjustments = £200k + £100k<br>Opening NRC = £1,000k + £200k<br>Closing NRC = £1,300k + £300k | Closing NBV = £1,300k<br>Closing CCA adjustments = £300k<br>Opening NRC = £1,200k<br>Closing NRC = £1,600k |
| 2 | This step:<br>• Summarises the depreciation expense for the NWB and NWR classes of work.<br>• Calculates the additions during the year by adding depreciation expense to the NRC movements.<br>• Calculates the proportional balances for the AVC Provision using the AVC Proportion. **Proportion % is obtained from the calculations for PDTEPD (Expedite costs) step 11.** | For each relevant CoW (NWB and NWR):<br>Depreciation expense = Sum of [depreciation expense for all GL codes within CoW]<br>Additions = [Closing NRC$_{(Result\ from\ step\ 1)}$] – [Opening NRC$_{(Result\ from\ step\ 1)}$] + [Depreciation expense$_{(Result\ from\ above)}$]<br>AVC Opening NRC = [Opening NRC$_{(Result\ from\ step\ 1)}$] * [AVC Provision Proportion]<br>AVC Deprecation expense = [Depreciation expense $_{(Result\ from\ above)}$] * [AVC Provision Proportion]<br>AVC Additions = [Additions $_{(Result\ from\ above)}$] * [AVC Provision Proportion] | Depreciation expense = £300k + £100k<br>Additions = £1,600k - £1,200k + £400k<br>AVC Opening NRC = £1,200k * 2%<br>AVC Deprecation expense = £400k * 2%<br>AVC Additions = £800k * 2% | Depreciation expense = £400k<br>Additions = £800k<br>AVC Opening NRC = £24k<br>AVC Deprecation expense = £8k<br>AVC Additions = £16k |
| 3 | This step calculates the Closing Journal as below:<br><u>Removal of capitalisation in the Fixed Assets opening balance:</u><br>• **Debit**: Capital & Funding<br>• **Credit**: FA GBV<br><br><u>Removal of current year depreciation:</u><br>• **Debit**: FA GBV<br>• **Credit**: Depreciation expense<br><br><u>Removal of current year capitalisation in the Fixed Assets and booking as current year cost:</u><br>• **Debit**: AVC Opex<br>• **Credit**: FA GBV | <u>Removal of capitalisation in the Fixed Assets opening balance:</u><br>• **Debit**: Capital & Funding = [AVC Opening NRC$_{(Result\ from\ step\ 2)}$]<br>• **Credit**: FA GBV = [AVC Opening NRC$_{(Result\ from\ step\ 2)}$]<br><u>Removal of current year depreciation:</u><br>• **Debit**: FA GBV = [AVC Depreciation expense$_{(Result\ from\ step\ 2)}$]<br>• **Credit**: Depreciation expense = [AVC Depreciation expense$_{(Result\ from\ step\ 2)}$]<br><u>Removal of current year capitalisation in the Fixed Assets and booking as current year cost:</u><br>• **Debit**: AVC Opex = [AVC Additions$_{(Result\ from\ step\ 2)}$]<br>• **Credit**: FA GBV = [AVC Additions$_{(Result\ from\ step\ 2)}$] | Amounts as per step 2. | Amounts as per step 2. |
| 4 | This step calculates the Opening Journal. **Balances are obtained from the Closing Journal from last year.**<br>Note: This is the same journal as in step 3. | Note: This is the same journal as in step 3. | Amounts as per last year. | Amounts as per last year. |

| | |
|---|---|
| **Reference** | Decapitalisation |
| **Title** | Decapitalisation of Above the Financial Limit Network Adjustments Asset |
| **Overview** | This journal is an accounting adjustment, impacting both the balance sheet and income statement, to decapitalise Network Adjustments cost above the Financial Limit and book as operating cost. It also reverses the related depreciation expense.<br>Ofcom's RFR statement (12 July 2019) directed BT to identify Network Adjustment costs both above the financial limit (of £4,750 per km) including network adjustments BT undertakes for itself (internal) and those requested by third parties (external). Network adjustment costs above the financial limit are to be treated as operating cost in the PIA market and the recovery of these costs for third parties (if external) are to be treated as operating income in the PIA market. |
| **Description** | **1. Source Costs and MCE:** Network Adjustments related to duct assets that exceed the Financial Limit of £4,750 per km.<br>**2. Cost and MCE Categories:** Non-Current Assets (PIA); and Depreciation (PIA). |
| | **3. Summary Destination:** PG304N. |
| | **4. Methodology Taxonomy:** Asset metrics.<br>**5. Driver classification:** Network Adjustment Costs. |
| | **6. Data Source Summary:** Openreach provide data on network adjustments carried out on poles and ducts, the data is split into costs above and below a threshold. |
| **Data Source** | Asset metrics: Internal Network Adjustments. |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | This step calculates the Network Adjustments operating cost (P&L) by filtering the Network Adjustments Additions above the Financial Limit (FL) for duct assets. **Network Adjustments are obtained from the "OR Data - Network Adjustments (Internal & External)" input.** | Network Adjustments operating cost = [Network Adjustments additions above the FL (Duct assets related only)] | Network Adjustments operating cost = £600k | Network Adjustments operating cost = £600k |
| 2 | This step calculates the reversal of depreciation expense (P&L) for the Network Adjustments Additions above the FL. **Asset life for LFSC Asset code (Local Fibre Spine Cable) are obtained from the "Asset Lives" input.** | Network Adjustments Depreciation expense reversal = [-1] * [Network Adjustments operating cost (Result from step 1)] / [Asset Life] | Network Adjustments Depreciation expense reversal = -1 * (£600k / 20) | Network Adjustments Depreciation expense reversal = -£30k |
| 3 | This step maps the Network Adjustments Additions and Depreciation to the GL account codes. **Mapping is obtained from the "GL Codes & Descriptions" input.**<br><br>This step also calculates the reversal impacts for the Network Adjustments Additions above the Financial Limit (FL). | Network Adjustments GBV reversal = [-1] * [Network Adjustments operating cost (Result from step 1)] | Network Adjustments GBV reversal = -1 * £600k | Network Adjustments GBV reversal = -£600k |
| 4 | This step calculates the reversal of accumulated depreciation. | Network Adjustments accumulated depreciation reversal = [-1] * [Network Adjustments Depreciation expense reversal (Result from step 2)] | Network Adjustments accumulated depreciation reversal = -1 * -£30k | Network Adjustments accumulated depreciation reversal = £30k |
| 5 | This step calculates the Closing Journal as below:<br><br><u>Removal of current year capitalisation in the Fixed Assets and booking as current year cost:</u><br>• **Debit**: 52500729 (Network Adj Above The Line - PL Charge)<br>• **Credit**: 52500724 (Network Adj Above The Line - FA GBV) | <u>Removal of current year capitalisation in the Fixed Assets and booking as current year cost:</u><br>• **Debit**: [Network Adjustments operating cost (Result from step 1)]<br>• **Credit**: [Network Adjustments GBV reversal (Result from step 3)] | Amounts as per steps 1, 2, 3 and 4. | Amounts as per steps 1, 2, 3 and 4. |

| | | | | |
|---|---|---|---|---|
| | Removal of current year depreciation:<br>• **Debit**: 52500725 (Network Adj Above The Line - FA Acc Dep)<br>• **Credit**: 52500728 (Network Adj Above The Line - PL Depn)<br><br>**Opening Journal**<br>**Balances are obtained from the Closing Journal from last year.**<br>Note: This is the same journal as closing journal. | Removal of current year depreciation:<br>• **Debit**: [Network Adjustments accumulated depreciation reversal (Result from step 4)]<br>• **Credit**: [Network Adjustments Depreciation expense reversal (Result from step 2)]<br><br>Note: This is the same journal as closing journal. | Amounts as per last year. | Amounts as per last year. |

| | |
|---|---|
| **Reference** | Decapitalisation |
| **Title** | Decapitalisation of Cablelink Asset |
| **Overview** | This journal, impacting both the balance sheet and income statement, is an accounting adjustment to de-capitalise Cable Links costs that have been recognised as asset in line with the IFRS and BT's accounting policies.<br>As first directed by Ofcom's WLA Market Review statement (28 March 2018), adjustments are made to treat installation and planning costs related to GEA Cable Links as operating expenditure in the RFS in line with connection revenues received (rather than capital expenditure), and the opening capital employed associated with these activities is also removed. |
| **Description** | **1. Source Costs and MCE:** This journal is created to decapitalise Cablelink costs, and reverse depreciation costs. In-year additions are then booked as the profit/loss (P/L) charge. This impacts LFDC and LFSC Classes of Work.<br>**2. Cost and MCE Categories:**<br>• De-capitalisation: Non-Current Assets (Fibre), and Depreciation (Fibre)<br>• In-Year Additions Cost: Rest of BT OPEX - excl. Depreciation (Other) |
| | **3. Summary Destination:** PG960A, PDTLFDC, PDTLFDCBS, PDTLFSC and P999 |
| | **4. Methodology Taxonomy:** Asset metrics.<br>**5. Driver classification:** Gross Book Value (GBV), Asset Useful Life, Depreciation. |
| | **6. Data Source Summary:** Cablelink capital expenditure (CAPEX) |
| **Data Source** | Asset metrics: GBV<br>Network Data: Head end equipment costs (Orbit). |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | This step calculates additions for Cablelink by deducting closing balance by the opening balance. **Data is obtained from the CAPEX report of Cablelinks (CoW: LFDC and LFSC).**<br>Notes:<br>• LFDC - Construction, Local Line OF Distribution Cable<br>• LFSC - Construction, Local Line OF Spine Cable | For each relevant Cablelink spend:<br>Opening Cablelink GBV = Cablelink spend for all years excluding the current year<br>Closing Cablelink GBV = Cablelink spend for all years including the current year<br>Additions = Closing Cablelink GBV - Opening Cablelink GBV | For each Cablelink spend<br>Addition= £200k - £50k | Additions = £50k |
| 2 | This step calculates the Opening Accumulated Depreciation (AD), In-year Depreciation and the Closing Accumulated Depreciation (AD) for the capitalised Cablelink spend. **Useful economic lives (UEL) are obtained from "Fixed Asset book Lives by CoW and policy code". Period & Year of spend are obtained from the CAPEX report of Cablelinks (CoW: LFDC and LFSC).** | For each relevant Cablelink spend:<br>Months of Depreciation = Months since period & year of spend until end of last year<br>Opening Cablelink AD = [Opening Cablelink GBV (from step 1)] / [UEL] * [Months of Depreciation] | Opening months in use = Apr-2017 to Mar-2020<br>Opening Cablelink AD = £900 / 180 months * 36 months | Opening months in use = 36 months<br>Opening Cablelink AD = £180 |

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| | This step then summarises spend by GL codes. | In-year depreciation = [Closing Cablelink GBV$_{(from\ step\ 1)}$] / [UEL] * [Months in use during current year]<br>Closing Cablelink AD = [Opening Cablelink AD$_{(Result\ from\ above)}$] + [In-year depreciation$_{(Result\ from\ above)}$]<br><br><u>For each relevant GL code:</u><br>$GL_{\chi}$ Opening Cablelink GBV = Sum of Opening Cablelink GBV for all spend with $GL_{\chi}$<br>$GL_{\chi}$ Closing Cablelink GBV = Sum of Closing Cablelink GBV for all spend with $GL_{\chi}$<br>$GL_{\chi}$ Opening Cablelink AD = Sum of Opening Cablelink AD for all spend with $GL_{\chi}$<br>$GL_{\chi}$ Closing Cablelink AD = Sum of Closing Cablelink AD for all spend with $GL_{\chi}$ | In-year depreciation = £1,200 / 180 months * 12 months<br>Closing Cablelink AD = £180 + £80<br><br>$GL_{1}$ Opening Cablelink GBV = ∑ [Opening Cablelink GBV for all spend with $GL_{1}$]<br>$GL_{1}$ Closing Cablelink GBV = ∑ [Closing Cablelink GBV for all spend with $GL_{1}$]<br>$GL_{1}$ Opening Cablelink AD = ∑ [Opening Cablelink AD for all spend with $GL_{1}$]<br>$GL_{1}$ Closing Cablelink AD = ∑ [Closing Cablelink AD for all spend with $GL_{1}$] | In-year depreciation = £80<br>Closing Cablelink AD = £260<br><br>$GL_{1}$ Opening Cablelink GBV = £90k<br>$GL_{1}$ Closing Cablelink GBV = £120k<br>$GL_{1}$ Opening Cablelink AD = £18k<br>$GL_{1}$ Closing Cablelink AD = £26k |
| 3 | This step calculates the Opening NBV for the capitalised Cablelink spend.<br><br>This step then calculates the Closing Balances (CB) Journal for the reversal of the Opening NBV for the capitalised Cablelink spend:<br><br>Total opening balance is then calculated.<br><br>**Debit**: Capital & Funding<br>**Credit**: FA GLs | <u>For each relevant GL code:</u><br>$GL_{\chi}$ Opening Cablelink NBV = [$GL_{\chi}$ Opening Cablelink GBV $_{(Result\ from\ step\ 2)}$] – [$GL_{\chi}$ Opening Cablelink AD $_{(Result\ from\ step\ 2)}$]<br>Total Opening balance GBV = ∑ [$GL_{\chi}$ Opening Cablelink GBV $_{(Result\ from\ step\ 2)}$]<br>Total Closing balance GBV = ∑ [$GL_{\chi}$ Closing Cablelink GBV $_{(Result\ from\ step\ 2)}$]<br>Total Opening balance AD = ∑ [$GL_{\chi}$ Opening Cablelink AD $_{(Result\ from\ step\ 2)}$]<br>Total Closing balance AD = ∑ [$GL_{\chi}$ Opening Cablelink AD$_{(Result\ from\ step\ 2)}$] | $GL_{1}$ Opening Cablelink NBV = £90k - £18k<br>Total Opening balance GBV = £10k + £20k<br>Total Closing balance GBV = £20k + £30k<br>Total Opening balance AD = £40k + £50k<br>Total Closing balance AD = £60k + £70k | $GL_{1}$ Opening Cablelink NBV = £72k<br>Total Opening balance GBV = £30k<br>Total Closing balance GBV = £50k<br>Total Opening balance AD = £90k<br>Total Closing balance AD = £130k |
| 4 | This step calculates the Closing Balances (CB) Journal for the reversal of the In-Year Dep (LFDC).<br><br>**Debit**: FA GLs<br>**Credit**: Depreciation Expense | <u>For each relevant GL code for LFDC CoW:</u><br>$GL_{\chi}$ In-year depreciation = [$GL_{\chi}$ Closing Cablelink AD $_{(Result\ from\ step\ 2)}$] – [$GL_{\chi}$ Opening Cablelink AD $_{(Result\ from\ step\ 2)}$]<br>Total in year depreciation = ∑ [$GL_{\chi}$ in year depreciation Cablelink $_{(Result\ from\ step\ 3)}$] | $GL_{1a}$ In-year depreciation = £15k - £10k<br>Total in year depreciation = £10k + £20k | $GL_{1a}$ In-year depreciation = £5k<br>Total in year depreciation = £35k |
| 5 | This step calculates the Closing Balances (CB) Journal for the reversal of the In-Year Dep (LFSC).<br><br>**Debit**: FA GLs<br>**Credit**: Depreciation Expense | <u>For each relevant GL code for LFSC CoW:</u><br>$GL_{\chi}$ In-year depreciation = [$GL_{\chi}$ Closing Cablelink AD $_{(Result\ from\ step\ 2)}$] – [$GL_{\chi}$ Opening Cablelink AD $_{(Result\ from\ step\ 2)}$]<br>Additions = Closing Cablelink GBV - Opening Cablelink GBV | $GL_{1b}$ In-year depreciation = £11k - £8k<br>Additions = £15k - 10k | $GL_{1b}$ In-year depreciation = £3k<br>Additions = £5k |

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| | 6 | This step calculates the Closing Balances (CB) Journal for the reversal of the Cablelink spend Additions for the year and booking them as operating expenditure.<br><br>**Debit**: GEA Cable Link pay<br>**Credit**: FA GLs<br>**Debit**: GEA Cable Link non-pay<br>**Credit**: FA GLs | <u>For each relevant GL code:</u><br>$GL_x$ Current Year Additions = [$GL_x$ Closing Cablelink GBV $_{(Result\ from\ step\ 2)}$] – [$GL_x$ Opening Cablelink GBV $_{(Result\ from\ step\ 2)}$] | $GL_1$ Current Year Additions = £120k - £90k | $GL_1$ Current Year Additions = £30k |
| | 7 | This step calculates the Opening Balances (OB) reversal Journal. **Balances are obtained from the Closing Balances (CB) Journal from last year**.<br>Note: This is the same journal as in steps 3, 4, 5 and 6. | Note: This is the same journal as in steps 3, 4, 5 and 6. | Amounts as per last year. | Amounts as per last year. |

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| **Reference** | Decapitalisation |
| **Title** | Decapitalisation of Co-Mingling Asset |
| **Overview** | This journal, impacting both the balance sheet and income statement, is an accounting adjustment to de-capitalise Co-mingling costs that have been recognised as asset in line with the IFRS and BT's accounting policies.<br>As first directed by Ofcom's WLA Market Review statement (28 March 2018), adjustments are made to treat installation and planning costs related to Co-mingling services as operating expenditure in the RFS in line with connection revenues received (rather than capital expenditure), and the opening capital employed associated with these activities is also removed. |
| **Description** | **1. Source Costs and MCE:** This journal is created to decapitalise co-mingling pay costs, and reverse depreciation costs. In-year additions are then booked as the P/L charge. This impacts the ACPA Class of Work.<br>**2. Cost and MCE Categories:**<br>• De-capitalisation: Non-Current Assets (Fibre), and Depreciation (Fibre)<br>• In-Year Additions Cost: Rest of BT OPEX - excl. Depreciation (Other) |
| | **3. Summary Destination:** P136A, PG132B and P999. |
| | **4. Methodology Taxonomy:** Asset metrics.<br>**5. Driver classification:** Gross Book Value (GBV), Asset Useful Life, Depreciation. |
| | **6. Data Source Summary:** The general ledger is used to obtain operational expenditure and MCE booked to the ACPA CoW. |
| **Data Source** | Asset metrics: GBV (General ledger); and<br>Network data: Head end equipment costs (General ledger). |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | This step summarises the opening balance for GL accounts for ACPA CoW (Accommodation Plant - Access Services Division). **Pre-allocation GL data is obtained from "Co-mingling BS MCE Ledger" input.** | ACPA CoW Total Opening Balance = Sum of Opening Balance of all relevant GL Codes (CoW: ACPA) | ACPA CoW Total Opening Balance = £50k + £70k | ACPA CoW Total Opening Balance = £120k |

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| 2 | This step summarises the transfers balance for GL accounts for ACPA CoW (Accommodation Plant - Access Services Division). **Pre-allocation GL data is obtained from "Co-mingling BS MCE Ledger" input.** | ACPA CoW Total Transfers Balance = Sum of Closing Balance of all relevant Transfer GL Codes (CoW: ACPA) | ACPA CoW Total Transfers Balance = £2k + £8k | ACPA CoW Total Transfers Balance = -£10k |
| 3 | This step summarises the closing balance for GL accounts for ACPA CoW (Accommodation Plant - Access Services Division). **Pre-allocation GL data is obtained from "Co-mingling BS MCE Ledger" input.** | ACPA CoW Total Closing Balance = Sum of Closing Balance of all relevant GL Codes (CoW: ACPA) | ACPA CoW Total Closing Balance = £100k + £45k | ACPA CoW Total Closing Balance = £145k |
| 4 | This step summarises the depreciation expense for GL accounts for ACPA CoW (Accommodation Plant - Access Services Division). **Pre-allocation GL data is obtained from "Co-mingling OPEX Ledger" input.** | ACPA CoW Total Depreciation Expense = Sum of Depreciation Expense of all relevant GL Code & OUC combinations (CoW: ACPA) | ACPA CoW Total Depreciation Expense = £20k + £10k | ACPA CoW Total Depreciation Expense = -£30k |
| 5 | This step summarises the opening balance for BDUK (Broadband Delivery UK) in GL accounts for ACPA CoW (Accommodation Plant - Access Services Division). **Data is obtained from "BDUK Opening Balances" input, this is from step 3 of BDUK HCA adjustment with FTTC and FTTP split journal.** | ACPA CoW Total BDUK Opening Balance = Sum of Opening BDUK Balance of all relevant GL Codes (CoW: ACPA) | ACPA CoW Total BDUK Opening Balance = £5k + £15k | ACPA CoW Total BDUK Opening Balance = £20k |
| 6 | This step summarises the closing balance for BDUK (Broadband Delivery UK) in GL accounts for ACPA CoW (Accommodation Plant - Access Services Division). **Data is obtained from "BDUK Closing Balances" input, this is from step 3 of BDUK HCA adjustment with FTTC and FTTP split journal.** | ACPA CoW Total BDUK Closing Balance = Sum of Closing BDUK Balance of all relevant GL Codes (CoW: ACPA) | ACPA CoW Total BDUK Closing Balance = £15k + £10k | ACPA CoW Total BDUK Closing Balance = £25k |
| 7 | This step takes-off the BDUK balances (CoW: ACPA) from the total GL balances (CoW: ACPA) – this is done for both Opening and Closing balances.<br><br>This step then calculates the additions balance for the GL accounts for ACPA CoW (Accommodation Plant - Access Services Division); by subtracting the opening balance, depreciation, and transfers from the closing balance | ACPA CoW Total Opening Balance excluding BDUK = [ACPA CoW Total Opening Balance$_{(Result\ from\ step\ 1)}$] – [ACPA CoW Total BDUK Opening Balance$_{(Result\ from\ step\ 5)}$]<br><br>ACPA CoW Total Closing Balance excluding BDUK = [ACPA CoW Total Closing Balance$_{(Result\ from\ step\ 3)}$] – [ACPA CoW Total BDUK Closing Balance$_{(Result\ from\ step\ 6)}$]<br><br>ACPA CoW Total Additions Balance = [ACPA CoW Total Closing Balance excluding BDUK $_{(Result\ from\ above)}$] – [ACPA CoW Total Opening Balance excluding BDUK $_{(Result\ from\ above)}$] – [ACPA CoW Total Transfers Balance$_{(Result\ from\ step\ 2)}$] – [ACPA CoW Total Depreciation Expense$_{(Result\ from\ step\ 4)}$] | ACPA CoW Total Opening Balance excluding BDUK = £120k - £20k<br><br>ACPA CoW Total Closing Balance excluding BDUK = £145k - £25k<br><br>ACPA CoW Total Additions Balance = £120k - £100k – (-£10k) – (-£30k) | ACPA CoW Total Opening Balance excluding BDUK = £100k<br><br>ACPA CoW Total Closing Balance excluding BDUK = £120k<br><br>ACPA CoW Total Additions Balance = £60k |
| 8 | This step calculates the apportioned balances for co-mingling services. **Co-mingling apportionment rate is obtained from "Co-mingling apportionment" input.**<br><br>Note: The split of the ACPA (specialised accommodation) CoW between PG132B Co-mingling Recurring Costs and PG136A Survey Costs is driven by PDTACPA base. This base is fixed with | Co-mingling Opening Balance = [ACPA CoW Total Opening Balance excluding BDUK$_{(Result\ from\ step\ 7)}$] * 30%<br><br>Co-mingling Depreciation Expense = [ACPA CoW Total Depreciation Expense$_{(Result\ from\ step\ 4)}$] * 30% | Co-mingling Opening Balance = £100k * 30%<br><br>Co-mingling Depreciation Expense = -£30k * 30% | Co-mingling Opening Balance = £30k<br><br>Co-mingling Depreciation Expense = -£9k |

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| | 70% allocation to recurring costs and 30% allocation to survey costs. | Co-mingling Additions Balance = [ACPA CoW Total Additions Balance$_{(Result\ from\ step\ 7)}$] * 30%<br><br>Co-mingling Transfers Balance = [ACPA CoW Total Transfers Balance$_{(Result\ from\ step\ 2)}$] * 30% | Co-mingling Additions Balance = £60 * 30%<br><br>Co-mingling Transfers Balance = -£10 * 30% | Co-mingling Additions Balance = £18k<br><br>Co-mingling Transfers Balance = -£3k |
| 9 | This step calculates the Closing Balances (CB) Journal as below:<br><br><u>Removal of capitalisation in the Fixed Assets opening balance:</u><br>• **Debit**: Capital & Funding<br>• **Credit**: FA GBV<br><br><u>Removal of current year depreciation:</u><br>• **Debit**: FA GBV<br>• **Credit**: Depreciation expense<br><br><u>Removal of current year capitalisation in the Fixed Assets and booking as current year cost:</u><br>• **Debit**: Co-mingling Opex<br>• **Credit**: FA GBV<br><br><u>Removal of transfers in the Fixed Assets:</u><br>• **Debit**: FA GBV<br>• **Credit**: Capital & Funding | <u>Removal of capitalisation in the Fixed Assets opening balance:</u><br>• **Debit**: Capital & Funding = [Co-mingling Opening Balance$_{(Result\ from\ step\ 8)}$]<br>• **Credit**: FA GBV = [Co-mingling Opening Balance$_{(Result\ from\ step\ 8)}$]<br><br><u>Removal of current year depreciation:</u><br>• **Debit**: FA GBV = [Co-mingling Depreciation Expense$_{(Result\ from\ step\ 8)}$]<br>• **Credit**: Dep exp = [Co-mingling Depreciation Expense$_{(Result\ from\ step\ 8)}$]<br><br><u>Removal of current year capitalisation in the Fixed Assets and booking as current year cost:</u><br>• **Debit**: Co-mingling Opex = [Co-mingling Additions Balance$_{(Result\ from\ step\ 8)}$]<br>• **Credit**: FA GBV = [Co-mingling Additions Balance$_{(Result\ from\ step\ 8)}$]<br><br><u>Removal of transfers in the Fixed Assets:</u><br>• **Debit**: FA GBV = [Co-mingling Transfers Balance$_{(Result\ from\ step\ 8)}$]<br>• **Credit**: Capital & Funding = [Co-mingling Transfers Balance$_{(Result\ from\ step\ 8)}$] | Amounts as per step 8. | Amounts as per step 8. |
| 10 | This step calculates the Opening Balances (OB) Journal. **Balances are obtained from the Closing Balances (CB) Journal from last year.**<br>Note: This is the same journal as in step 9. | Note: This is the same journal as in step 9. | Amounts as per last year. | Amounts as per last year. |

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| **Reference** | Decapitalisation |
| **Title** | Decapitalisation of FTTX Customer Premises Provision Asset |
| **Overview** | This journal, impacting both the balance sheet and income statement, is an accounting adjustment to de-capitalise FTTX Customer Premises Provision (Customer Site installation) costs that have been recognised as asset in line with the IFRS and BT's accounting policies.<br>As first directed by Ofcom's WLA Market Review statement (28 March 2018), adjustments are made to treat installation and planning costs related to GEA Customer Site installation as operating expenditure in the RFS in line with connection revenues received (rather than capital expenditure), and the opening capital employed associated with these activities is also removed. |
| **Description** | **1. Source Costs and MCE:** This journal has been created to de-capitalise FTTX (Customer Premises Provision) costs, and reverse depreciation costs. In-year additions are then booked as the profit/loss charge. This impacts FTTX Class of Work.<br>**2. Cost and MCE Categories:**<br>• De-capitalisation: Non-Current Assets (Fibre), and Depreciation (Fibre)<br>• In-Year Additions Cost: Rest of BT OPEX - excl. Depreciation (Other) |
| | **3. Summary Destination:** PG954C, UNIT and P999 |
| | **4. Methodology Taxonomy:** Asset metrics.<br>**5. Driver classification:** Gross Book Value (GBV), Asset Useful Life, Depreciation |
| | **6. Data Source Summary:** The general ledger is used to obtain operational expenditure and MCE booked to the FTTX CoW. |
| **Data Source** | Asset metrics: GBV (General ledger); and<br>Other misc: Total opex (General ledger). |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | This step summarises the Opening balances for the FTTX CoW (Customer Premises Provision) GL accounts. **Pre-allocation GL data is obtained from "MCE Report (FTTX CoW)" input.**<br>This step then calculates the Closing Balances (CB) Journal for the reversal of the Opening FTTX NBV:<br>**Debit**: Capital & Funding<br>**Credit**: FA GL | For each relevant GL code (FTTX COW):<br>$GL_x$ Opening FTTX NBV = Sum of Opening balances across all OUCs for $GL_x$ | $GL_1$ Opening FTTX NBV = £50k + £350k | $GL_1$ Opening FTTX NBV = £400k |
| 2 | This step summarises the Depreciation expense balances for the FTTX CoW (Customer Premises Provision) GL accounts. **Pre-allocation GL data is obtained from "OPEX Report (FTTX CoW)" input.**<br>This step then calculates the Closing Balances (CB) Journal for the reversal of the In-Year FTTX Depreciation:<br>**Debit**: FA GL<br>**Credit**: Depreciation Expense | For each relevant GL code (FTTX COW):<br>$GL_x$ In-Year FTTX Depreciation = Sum of In-Year Depreciation across all OUCs for $GL_x$ | $GL_1$ In-Year FTTX Depreciation = £10k + £40k | $GL_1$ In-Year FTTX Depreciation = £50k |
| 3 | This step summarises the Closing balances for the FTTX CoW (Customer Premises Provision) GL accounts. **Pre-allocation GL data is obtained from "MCE Report (FTTX CoW)" input.** | For each relevant GL code (FTTX COW): | | |

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|---|---|---|---|---|
| | This step then calculates the Closing Balances (CB) Journal for the reversal of the Current Year FTTX Additions and booking them as operating expenditure:<br>**Debit**: FTTX Pay costs<br>**Credit**: FA GL<br>**Debit**: FTTX Non-Pay costs<br>**Credit**: FA GL | $GL_x$ Current Year FTTX Additions = Sum of Closing balances across all OUCs for $GL_x$ | $GL_1$ Current Year FTTX Additions = £40k + £65k | $GL_1$ Current Year FTTX Additions = £65k |
| 4 | This step calculates the Opening Balances (OB) reversal Journal. **Balances are obtained from the Closing Balances (CB) Journal from last year**.<br><br>Note: This is the same journal as in steps 1, 2, and 3. | Note: This is the same journal as in steps 1, 2, and 3. | Amounts as per last year. | Amounts as per last year. |

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|---|---|
| **Reference** | Tie Cables |
| **Title** | Decapitalisation of WLA Tie Cables |
| **Overview** | This journal, impacting both the balance sheet and income statement, is an accounting adjustment to de-capitalise Tie Cables costs that have been recognised as asset in line with the IFRS and BT's accounting policies.<br>As first directed by Ofcom's WLA Market Review statement (28 March 2018), adjustments are made to treat installation and planning costs related to Tie Cables as operating expenditure in the RFS in line with connection revenues received (rather than capital expenditure), and the opening capital employed associated with these activities is also removed. |
| **Description** | **1. Source Costs and MCE:** This journal is created to decapitalise Tie Cables costs, and reverse depreciation costs. In-year additions are then booked as the P/L charge. This impacts the LMC Class of Work.<br>**2. Cost: and MCE Categories:**<br>• De-capitalisation: Non-Current Assets (Copper), and Depreciation (Copper)<br>• In-Year Additions Cost: Rest of BT OPEX - excl. Depreciation (Other) |
| | **3. Summary Destination:** PG130A; PDTLMC; and P999. |
| | **4. Methodology Taxonomy:** Asset metrics.<br>**5. Driver classification:** Gross Book Value (GBV), Asset Useful Life, Depreciation. |
| | **6. Data Source Summary:** The general ledger is used to identify the operational expenditure and MCE associated with LMC CoW. |
| **Data Source** | Asset metrics: GBV (General ledger); and<br>Other misc: Total opex (General ledger). |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | This step calculates the depreciation expense *excluding BDUK* for class of work LMC (Construction, Local/Main Exchange-side Cable). | For each relevant F8 code:<br>LMC Depreciation *ex. BDUK* = [Total LMC Depreciation] – [BDUK LMC Depreciation] | LMC Depreciation *ex. BDUK* = £44,000 - £4,000 | LMC Depreciation *ex. BDUK* = £40,000 |

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| | **Total depreciation expense is obtained from the OPEX GL filtered for LMC CoW and the BDUK LMC depreciation taken from BDUK model.** | | | |
| 2 | This step calculates the:<br>• Closing LMC GBV *BDUK* % split between relevant F8 codes<br>• Average % split from the % splits for current and last two years<br>• Proportional LMC closing NBV *BDUK* using the GBV % split<br>• Proportional LMC depreciation expense *BDUK* using the GBV % split<br>• Proportional LMC additions *BDUK*<br>**GBV and AD balances are obtained from the MCE GL filtered for LMC CoW and the BDUK LMC data taken from BDUK model. Opening NBV *ex. BDUK* balances are obtained from prior years.** | For each relevant F8 code:<br>LMC closing GBV *ex. BDUK* = [Total LMC closing GBV] – [BDUK LMC closing GBV]<br>F8 code % split = [F8 code LMC closing GBV *ex BDUK*] / [LMC closing GBV *ex BDUK*]<br>Average F8 code % split = [% split for current year] + [% split for the last year] + [% split for year before last]<br>Proportional F8 code LMC closing NBV *ex. BDUK* = [Average F8 code % split] * [LMC Closing NBV *ex BDUK*]<br>Proportional F8 code LMC depreciation expense *ex. BDUK* = [Average F8 code % split] * [LMC Depreciation *ex. BDUK*$_{(\text{Result from step 1})}$]<br>Proportional F8 code LMC additions *ex. BDUK* = [Proportional F8 code LMC closing NBV *ex. BDUK*$_{(\text{from above})}$] + [Proportional F8 code LMC depreciation expense *ex. BDUK*$_{(\text{from above})}$] – [Proportional F8 code LMC closing NBV *ex. BDUK* $_{(\text{from last year})}$] | LMC closing GBV *ex. BDUK* = £220,000 - £20,000<br>F8 code % split = £10,400 / £200,000<br>Average F8 code % split = (5.2% + 4.7% + 5.1%)<br>Proportional F8 code LMC closing NBV *ex. BDUK* = 5% * £100,000<br>Proportional F8 code LMC depreciation expense *ex. BDUK* = 5% * £40,000<br>Proportional F8 code LMC additions *ex. BDUK* = £5,000 - £,4000 + £2,000 | LMC closing GBV *ex. BDUK* = £200,000<br>F8 code % split = 5.2%<br>Average F8 code % split = 5%<br>Proportional F8 code LMC closing NBV *ex. BDUK* = £5,000<br>Proportional F8 code LMC depreciation expense *ex. BDUK* = £2,000<br>Proportional F8 code LMC additions *ex. BDUK* = £3,000 |
| 3 | This step brings in the tie cable percentage allocated to PG103A$_{(\text{Result from PDTLMC-Q, calculation step 8})}$. | PG103A % allocation from PDTLMC base | PG103A % allocation = 17.5% | PG103A % allocation = 17.5% |
| 4 | This step calculates the allocated amounts for additions, depreciation and opening GBV balances using the PG103A % allocation. | Tie Cable additions allocation = [Proportional F8 code LMC additions *ex. BDUK*$_{(\text{Result from step 2})}$] * [PG103A % allocation$_{(\text{Result from step 3})}$]<br>Tie Cable depreciation expense allocation = [Proportional F8 code LMC depreciation expense *ex. BDUK*$_{(\text{Result from step 2})}$] * [PG103A % allocation$_{(\text{Result from step 3})}$]<br>Tie Cable opening NBV allocation = [Tie Cable closing NBV allocation from last year] | Tie Cable additions allocation = £3,000 * 17.5%<br>Tie Cable depreciation expense allocation = £2,000 * 17.5%<br>Tie Cable Opening NBV allocation = £1,450 | Tie Cable additions allocation = £525<br>Tie Cable depreciation expense allocation = £350<br>Tie Cable Opening NBV allocation = £1,450 |
| 5 | This step calculates the Closing Journal as below: | | | |

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| | Removal of capitalisation in the Fixed Assets opening balance:<br>• **Debit**: Capital & Funding<br>• **Credit**: FA GBV<br><br>Removal of current year depreciation:<br>• **Debit**: FA GBV<br>• **Credit**: Depreciation expense<br><br>Removal of current year capitalisation in the Fixed Assets and booking as current year cost:<br>• **Debit**: Tie Cable Opex<br>• **Credit**: FA GBV | Removal of capitalisation in the Fixed Assets opening balance:<br>• **Debit**: Capital & Funding = [Tie Cable opening NBV allocation(Result from step 4)]<br>• **Credit**: FA GBV = [Tie Cable opening NBV allocation(Result from step 4)]<br><br>Removal of current year depreciation:<br>• **Debit**: FA GBV = [Tie Cable depreciation expense allocation(Result from step 4)]<br>• **Credit**: Depreciation expense = [Tie Cable depreciation expense allocation(Result from step 4)]<br><br>Removal of current year capitalisation in the Fixed Assets and booking as current year cost:<br>• **Debit**: Tie Cable Opex = [Tie Cable additions allocation(Result from step 4)]<br>• **Credit**: FA GBV = [Tie Cable additions allocation(Result from step 4)] | Amounts as per step 4. | Amounts as per step 4. |
| 6 | This step calculates the Opening Journal. **Balances are obtained from the Closing Journal from last year.**<br><br>Note: This is the same journal as in step 5. | Note: This is the same journal as in step 5. | Amounts as per last year. | Amounts as per last year. |

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| **Reference** | Decapitalisation |
| **Title** | Decapitalisation of Excess Construction Charges (ECC) assets. |
| **Overview** | This journal, impacting both the balance sheet and income statement, is an accounting adjustment to de-capitalise Excess Construction Charges (ECC) costs that have been recognised as asset in line with the IFRS and BT's accounting policies.<br>As first directed by Ofcom's WLA Market Review statement (28 March 2018), adjustments are made to treat installation and planning costs related to Excess Construction Charges as operating expenditure in the RFS in line with connection revenues received (rather than capital expenditure), and the opening capital employed associated with these activities is also removed.<br>Excess construction charges (ECCs) are levied when the capital investment required to provide a new connection exceeds a certain amount. In these cases, the costs are recovered upfront in an excess construction charge. However, the construction costs incurred in providing these new connections are capitalised in the same way for normal network construction i.e. under class of works for fibre and duct. This means that BT's duct and fibre costs include costs that have already been recovered from the customer as an ECC. To ensure that these assets are not allocated to other regulated products this journal is raised to move the depreciation and asset values associated with work which has incurred ECCs. |
| **Description** | **1. Source Costs and MCE:** This journal:<br>• Reverses historical MCE (asset category - Access: Fibre & Radio) and depreciation relating to ECCs in the Business Connectivity and Residual Markets – with the contra impact recognised in Equity;<br>• Reverses capital expenditure (current year additions) and depreciation from PDTDUCT base for Physical Infrastructure market (PIA) purposes; and |

- Allocates capital expenditure (current year additions) relating to LFD, LFDC and LFSC CoWs to ECC services to be recognised as operating costs (category - Plant Support and General Mgmt & Other).

**2. Cost and MCE Categories:** Non-Current Assets - PIA and Copper. Depreciation - PIA and Copper.

**3. Summary Destination:** This journal attributes cost to PDTLFDCBS (Local Fibre Distribution Cable - Balance Sheet), PDTLFDC_B1 and B6 (Local Line Optical Fibre Distribution Cable – FTTC and FTTP) and to PG002Y, PG003Y, PG005Y, PG006X and PG006Y (CISBO Excess Construction Capex Debit and Credit).

**4. Methodology Taxonomy:** Asset metrics.

**5. Driver classification:** Net Book Value (NBV), Depreciation and Capex Spend.

**6. Data Source Summary:** Several reports providing information for various cows relating to capex spend, gross book value (GBV) and revenues and volumes information.

**Data Source**

Depreciation and capex spend (Loplist), Revenue & volumes (ARC), PPC Revenues, NIMS (Network Instruction Management System) and the ECC Calculator (ECC activity volumes), Capital Reporting via ORBIT

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | TISBO and Residual: This step calculates the weighting splits for TISBO and Ethernet (Duct and Fibre) and Residual (Copper and Duct) ECCs, driven by Gross Book Value and Asset Life.<br>**Data is obtained from "Openreach Loplist" and "ECC Asset Life".**<br>*Classes of work:*<br>*LDC – Local Distribution Cable (Access Copper Cable)*<br>*LDD – Local Distribution Duct for Copper Cable (Backhaul and Core Duct)*<br>*LFDC – Local Fibre Distribution Cable (Access Fibre Cable)* | For each relevant class of work [calculated separately for TISBO (LDD & LFDC) and Residual (LDC & LDD)]<br>$CoW_x$ Average Asset Life (years) = $\sum_{(\text{all assets within CoW})}$ ([$Asset_x$ Book life (months)] * [$Asset_x$ GBV]) / [$CoW_x$ GBV] / 12<br>$CoW_x$ GBV weighting = [$CoW_x$ Average Asset Life (years)] * [$CoW_x$ GBV]<br>$CoW_x$ weighting split = [$CoW_x$ GBV weighting] / [Total of all CoW GBV weighting] * 100 | $CoW_{LDD}$ Average Asset Life (years) = ∑ [(216 months * £2m) + (480 months * £4m) + (180 months * £6m)] / £12m / 12<br>$CoW_{LDD}$ GBV weighting = 23.83 years * £12m<br>$CoW_{LDD}$ weighting split = £286m / £1,021m * 100 | $CoW_{LDD}$ Average Asset Life (years) = 23.83 years<br>$CoW_{LDD}$ GBV weighting = £286m<br>$CoW_{LDD}$ weighting split = 28% |
| 2 | TISBO and Residual: This step calculates Capex Additions, In-Year Depreciation and NBV (MCE) for TISBO and Residual ECCs, driven by Revenues for ECC services as well as historic (PY) calculated outputs.<br>**Data is obtained from PPC Revenue (from TISBO Other Single Payment services) and ARC Revenues (from the Residual Openreach Other Activities services).**<br>*Market & Category combinations*<br>*$Market_{TISBO}$ & $Category_{Duct}$ = LDD CoW*<br>*$Market_{TISBO}$ & $Category_{Fibre}$ = LFDC CoW*<br>*$Market_{Residual}$ & $Category_{Copper}$ = LDC CoW*<br>*$Market_{Residual}$ & $Category_{Duct}$ = LDD CoW* | For TISBO market only<br>$Market_x$ Capex Additions = ECC cost for services SE476 and SO475 (price * volume)<br>For Residual market only<br>$Market_x$ Capex Additions = ECC cost for services SK986 and SK995<br>For both TISBO and Residual markets<br>$Market_x$ In-Year Depreciation = ($Market_x$ Capex Additions (Result from above) / Asset Life) + $Market_x$ Depreciation on Opening GBV (obtained from last year's $Market_x$ In-Year Depreciation)<br>$Market_x$ Closing NBV = $Market_x$ Opening NBV + $Market_x$ Capex Additions (Result from above) – $Market_x$ In-Year Depreciation (Result from above) | $Market_{TISBO}$ Capex Additions = £2m<br>$Market_{Residual}$ Capex Additions = £1.5m<br>$Market_{TISBO}$ In-Year Depreciation = (£2m / 40 years) + £1m<br>$Market_{TISBO}$ Closing NBV = £15m + £2m - £1.05m | $Market_{TISBO}$ Capex Additions = £2m<br>$Market_{Residual}$ Capex Additions = £1.5m<br>$Market_{TISBO}$ In-Year Depreciation = £1.05m<br>$Market_{TISBO}$ Closing NBV = £15.95m |

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| | | For each relevant Market & Category combination:<br>$Market_{\chi}$ & $Category_{\chi}$ In-Year Depreciation = [$Market_{\chi}$ In-Year Depreciation $_{(Result\ from\ above)}$] * [$CoW_{\chi}$ weighting split $_{(Result\ from\ step\ 1)}$]<br>$Market_{\chi}$ & $Category_{\chi}$ Closing NBV = [$Market_{\chi}$ Closing NBV $_{(Result\ from\ above)}$] * [$CoW_{\chi}$ weighting split$_{(Result\ from\ step\ 1)}$] | $Market_{TISBO}$ & $Category_{Duct}$ In-Year Depreciation = £1.05m * 28%<br>$Market_{TISBO}$ & $Category_{Duct}$ Closing NBV = £15.95m * 28% | $Market_{TISBO}$ & $Category_{Duct}$ In-Year Depreciation = £0.30m<br>$Market_{TISBO}$ & $Category_{Duct}$ Closing NBV = £4.47m |
| 3 | CISBO: This step calculates the ECC apportionment from the total cost of ECC jobs (i.e. the costs of providing circuits between ECCs and common network)<br>**Data is obtained from NIMS (Network Instruction Management System) and the ECC Calculator (ECC activity volumes).** | For each relevant ECC category<br>$ECC\ category_{\chi}$ apportionment of total ECC jobs cost = [Total costs from NIMS] * [Lower of volume as per NIMS and ECC Calculator] / [Total volume from NIMS] | $ECC\ category_{Cabling}$ apportionment of total ECC jobs cost = £500m * (£200m / £250m) | $ECC\ category_{Cabling}$ apportionment of total ECC jobs cost = £400m |
| 4 | CISBO: This step calculates the Revenue Adjustment Ratio for ECC Revenue vs ARC/RFS Revenue<br>**Data is obtained from ARC Revenues and ECC Calculator (ECC activity volumes).** | Revenue Adjustment Ratio = ([Total ECC Revenue from RFS] + [ECC connection revenue per service @ fixed fee]) / [Total ECC Revenue from ECC Calculator] | Revenue Adjustment Ratio = (£1,200m + £1,350m) / £2,500m | Revenue Adjustment Ratio = 1.02 |
| 5 | CISBO: This step allocates ECC costs to class of work and cost type (Pay, Stores and Contracts (Other)), with distinct working for survey (planning) costs.<br>**Total Costs of all connections with or without ECCs is obtained from Capital Reporting via ORBIT. Survey cost is obtained from the ECC Calculator.** | For each relevant ECC category:<br>$CoW_{\chi}$ $ECC\ category_{\chi}$ proportion = [$CoW_{\chi}$ $ECC\ category_{\chi}$ cost] / [Sum of ECC cost for all $CoW_{\chi}$ ECC categories]<br>$CoW_{\chi}$ $ECC\ category_{\chi}$ allocated cost = [$CoW_{\chi}$ $ECC\ category_{\chi}$ proportion$_{(Result\ from\ above)}$] * [$ECC\ category_{\chi}$ apportionment of total ECC jobs cost$_{(Result\ from\ step\ 3)}$]<br>For each relevant class of work (LFD, LFDC, LFSC):<br>Total $CoW_{\chi}$ allocated cost = Sum of $CoW_{\chi}$ allocated cost for all ECC categories<br>$CoW_{\chi}$ Survey cost = [Total Survey cost] * [Total $CoW_{\chi}$ allocated cost$_{(Result\ from\ above)}$] / [Sum of Total allocated cost for all CoWs]<br>$CoW_{\chi}$ total connection cost = [$CoW_{\chi}$ $CostType_{PAY}$ cost] + [$CoW_{\chi}$ $CostType_{STORES}$ cost] + [$CoW_{\chi}$ $CostType_{CONTRACT}$ cost] | $CoW_{LFD}$ $ECC\ category_{Cabling}$ proportion = £500m / £1,800m<br>$CoW_{LFD}$ $ECC\ category_{Cabling}$ allocated cost = 0.27 * £400m<br>Total $CoW_{LFD}$ allocated cost = ∑ [[$CoW_{LFD}$ allocated cost for all ECC categories]<br>$CoW_{LFD}$ Survey cost = £120m * £600m / £1,200m<br>$CoW_{LFD}$ total connection cost = £50m + £70m + £80m | $CoW_{LFD}$ $ECC\ category_{Cabling}$ proportion = 0.27<br>$CoW_{LFD}$ $ECC\ category_{Cabling}$ allocated cost = £108m<br>Total $CoW_{LFD}$ allocated cost = £600m<br>$CoW_{LFD}$ Survey cost = £60m<br>$CoW_{LFD}$ total connection cost = £200 |

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| | | For each CostType (Pay, Stores and Contract (Other)):<br>$CoW_{\chi}$ $CostType_{\chi}$ Ratio = [$CoW_{\chi}$ $CostType_{\chi}$ $cost_{(Result\ from\ above)}$] / [$CoW_{\chi}$ total connection $cost_{(Result\ from\ above)}$]<br><br>$CoW_{\chi}$ allocated $CostType_{\chi}$ costs = ([Total $CoW_{\chi}$ allocated cost] $_{(Result\ from\ above)}$ * [CoW $CostType_{\chi}$ Ratio] $_{(Result\ from\ above)}$) + [CoW Survey $cost_{(Result\ from\ above)}$ {Survey cost is added to CostType Pay only} ] | $CoW_{LFD}$ $CostType_{PAY}$ Ratio = £50m / £250m<br><br>$CoW_{LFD}$ allocated $CostType_{PAY}$ costs = £600m * 0.2 + £60m | $CoW_{LFD}$ $CostType_{PAY}$ Ratio = 0.2<br><br>$CoW_{LFD}$ allocated $CostType_{PAY}$ costs = £180m |
| 6 | CISBO: This step calculates the CY Capex balances for the CISBO market (LFD, LFDC and LFSC) driven largely by Revenue for ECCs | For each relevant CoW and CostType (Pay, Stores and Contract (Other)) combination:<br>$CoW_{\chi}$ ECCs Adjusted cost (Capex Additions) for $CostType_{\chi}$ = [CoW allocated costs for $CostType_{\chi(Result\ from\ step\ 5)}$] * [Revenue Adjustment $Ratio_{(Result\ from\ step\ 4)}$] | $CoW_{LFDC}$ ECCs Adjusted cost (Capex Additions) for $CostType_{PAY}$ = £180m * 1.02 | $CoW_{LFDC}$ ECCs Adjusted cost (Capex Additions) for $CostType_{PAY}$ = £183.6m |
| 7 | CISBO: This step calculates the NBV and CY Depreciation balances for the CISBO market. **Data is obtained from Historic Capex (GBV), Depreciation and MCE (NBV).**<br><br>*Classes of work:*<br>*LFD – Local Fibre Duct*<br>*LFDC – Local Fibre Distribution Cable*<br>*LFSC – Local Fibre Spine Cable*<br><br>*Note: Following data sets are used to calculate NBV and CY Depreciation balances:*<br>• *CY – Capex split across LFD, LFDC and LFSC (from step 5)*<br>• *16/17 to 18/19 – Capex and Depreciation split across LFD, LFDC and LFSC*<br>• *Upto 15/16 – GBV and NBV (weighting is used to apportion between Duct and Cable and then Spine/Distribution Ratio is used to apportion cable between LFDC and LFSC)* | For each relevant class of work (LFD, LFDC, LFSC):<br><br>CY Fibre Capex Spine/Distribution Ratio $CoW_{\chi}$ = ([$CoW_{\chi}$ CY Capex] + [$CoW_{\chi}$ Capex from 16/17 to PY]) / ([Total CY Capex for Fibre Cable] + [Total Fibre Cable Capex from 16/17 to PY])<br><br>$CoW_{\chi}$ Capex upto15/16 = [GBV upto 15/16] * [$CoW_{\chi}$ weighting split $_{(Result\ from\ step\ 1)}$] * [CY Fibre Capex Spine/Distribution Ratio $CoW_{\chi}$ $_{(Result\ from\ above)}$ ] {Note: Spine/Distribution Ratio not used for LFD}<br><br>$CoW_{\chi}$ NBV upto15/16 = [$CoW_{\chi}$ NBV upto 15/16] * [$CoW_{\chi}$ weighting split $_{(Result\ from\ step\ 1)}$] * [Historic Fibre Capex Spine/Distribution Ratio $CoW_{\chi}$ ] {Note: Spine/Distribution Ratio not used for LFD}<br><br>$CoW_{\chi}$ In-Year Depreciation = `([$CoW_{\chi}$ CY Capex] + [$CoW_{\chi}$ Capex from 16/17 to PY] + [$CoW_{\chi}$ Capex upto15/16] $_{(Result\ from\ above)}$) / [$CoW_{\chi}$ Average Asset Life (years)]<br><br>$CoW_{\chi}$ Total NBV = [$CoW_{\chi}$ NBV upto $15/16_{(Result\ from\ above)}$] + [$CoW_{\chi}$ Capex from 16/17 to PY] – [$CoW_{\chi}$ Depreciation from 16/17 to PY] – [$CoW_{\chi}$ In-Year $Depreciation_{(Result\ from\ above)}$] | CY Fibre Capex Spine/Distribution Ratio $CoW_{LFDC}$ = (£89m + £80m) / (£100m + £90m)<br><br>$CoW_{LFDC}$ Capex upto15/16 = £500m * 0.42 * 0.89<br><br>$CoW_{LFDC}$ NBV upto15/16 = £300m * 0.42 * 0.88<br><br>$CoW_{LFDC}$ In-Year Depreciation = `(£89 + £124.1m + £186.9m) / 40 years<br><br>$CoW_{LFDC}$ Total NBV = £110.88m + £124.1m – £18.98 – £10m | CY Fibre Capex Spine/Distribution Ratio $CoW_{LFDC}$ = 0.89<br><br>$CoW_{LFDC}$ Capex upto15/16 = £186.9m<br><br>$CoW_{LFDC}$ NBV upto15/16 = £110.88m<br><br>$CoW_{LFDC}$ In-Year Depreciation = £10m<br><br>$CoW_{LFDC}$ Total NBV = £206m |

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| 8 | TISBO, Residual and CISBO: This step calculates the Closing and Opening Journals as below:<br>**Closing Journal**<br>Removal of capitalisation in the Fixed Assets opening balance:<br>• Debit: Capital & Funding<br>• Credit: FA NBV<br><br>Removal of current year depreciation:<br>• Debit: FA NBV<br>• Credit: Depreciation expense<br><br>Removal of current year capitalisation in the Fixed Assets and booking as current year cost:<br>• Debit: ECC Opex<br>• Credit: FA NBV<br><br>**Opening Journal**<br>**Balances are obtained from the Closing Journal from last year.**<br>Note: This is the same journal as closing journal. | Removal of capitalisation in the Fixed Assets opening balance:<br>TISBO and Residual<br>Debit: Capital & Funding = [$Market_{\chi}$ & $Category_{\chi}$ Closing NBV (Result from step 2)]<br>Credit: FA NBV = [$Market_{\chi}$ & $Category_{\chi}$ Closing NBV (Result from step 2)]<br>CISBO<br>Debit: Capital & Funding = [$CoW_{\chi}$ Total NBV (Result from step 7)]<br>Credit: FA NBV = [$CoW_{\chi}$ Total NBV (Result from step 7)]<br><br>Removal of current year depreciation:<br>TISBO and Residual<br>Debit: FA NBV = [$Market_{\chi}$ & $Category_{\chi}$ In-Year Depreciation (Result from step 2)]<br>Credit: Dep exp = [$Market_{\chi}$ & $Category_{\chi}$ In-Year Depreciation (Result from step 2)]<br>CISBO<br>Debit: FA NBV = [$CoW_{\chi}$ In-Year Depreciation (Result from step 7)]<br>Credit: Dep exp = [$CoW_{\chi}$ In-Year Depreciation (Result from step 7)]<br><br>Removal of current year capitalisation in the Fixed Assets and booking as current year cost:<br>CISBO<br>Debit: ECC Opex = [$CoW_{\chi}$ ECCs Adjusted cost (Capex Additions) for $CostType_{\chi}$ (Result from step 6)]<br>Credit: FA NBV = [$CoW_{\chi}$ ECCs Adjusted cost (Capex Additions) for $CostType_{\chi}$ (Result from step 6)]<br><br>Note: This is the same journal as closing journal. | Amounts as per steps 2, 6 and 7.<br><br>Amounts as per last year. | Amounts as per steps 2, 6 and 7.<br><br>Amounts as per last year. |

# BDUK journals

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| **Reference** | BDUK CCA |
| **Title** | BDUK CCA Adjustments |
| **Overview** | This journal posts the BDUK associated Current Cost Accounting (CCA) adjustments (Gross Replacement Cost, Current Cost Accumulated Depreciation, Holding Gain/Loss, Supplemental Depreciation, and Other CCA Adjustment) split between Fibre to the Cabinet (FTTC) and Fibre to the Premises (FTTP) balances. |
| **Description** | **1. Source Costs and MCE:** This journal posts CCA adjustments for BDUK and adjustments are split between FTTC and FTTP.<br>**2. Cost and MCE Categories:** Non-Current Assets (Fibre); and Depreciation (Fibre).<br>**3. Summary Destination:** This journal attributes to PG999A (FTTC Fibre Funded Fibre Rollout Spend) and PG990A (FTTP Fibre Funded Fibre Rollout Spend). A reversal is also made against GL Codes covering Openreach Non-Current Assets (Fibre) and associated Depreciation costs.<br>**4. Methodology Taxonomy:** Asset metrics.<br>**5. Driver classification:** CCA Indexation Values.<br>**6. Data Source Summary:** Openreach provide data on BDUK spend. Some items are tagged as either FTTC or FTTP. For untagged items, a separate data source is used, which uses Total Homes Passed (THP) data in the UK to generate a split between FTTC and FTTP.<br>The above gives us HCA (Historical Cost Accounting) values, which is the basis upon which CCA is calculated. CCA values are calculated by applying indexation on the HCA value. Indices are sourced from the Office of National Statistics website. |
| **Data Source** | Asset metrics: Asset useful life (BT Intranet); CCA indexation value (Office of National Statistics); and<br>Network data: Capex Spend (Orbit). |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
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| 1 | This step calculates the Historical Cost Accounting (HCA) Opening and Closing balances for Gross Book Value (GBV) and Accumulated Depreciation (AD). Current Year (CY) Depreciation is also calculated in this step. **GBV and Opening AD balances are obtained from the "Capex Reports" from each BU and Useful Asset Lives are obtained from "Book Lives" input.**<br><br>This step is done separately for Openreach (OR), Northern Ireland (NI) and Technology, Services and Operations (TSO) using the same logic/methodology. | HCA Opening Balances:<br>GBV Opening = Amount per Source Data (This is set to nil if the Asset Service Date has not started at the Current Financial Year (FY) Start Date)<br>Accumulated Depreciation (AD) Opening = Prior Year (PY) Closing Accumulated Depreciation<br>HCA CY Depreciation:<br>Monthly Depreciation = Gross Book Value (GBV) / Useful Asset Life (UAL) in months<br>Current Year (CY) Depreciation = Monthly Depreciation * No. of months in use during CY<br>HCA Closing Balances:<br>GBV Closing = Amount per Source Data (This is set to nil if the Asset Service Date has not started at the Current Financial Year (FY) Start Date)<br>Accumulated Depreciation (AD) Closing = PY Closing AD + CY Depreciation | HCA Opening Balances:<br>GBV Opening = £1,000<br>AD Opening = £200<br>HCA CY Depreciation:<br>Monthly Depreciation = £1,000 / 100 months<br>CY Depreciation = £10 * 12 months<br>HCA Closing Balances:<br>GBV Closing = £1,000<br>AD Closing = £200 + £120 | HCA Opening Balances:<br>GBV Opening = £1,000<br>AD Opening = £200<br>HCA CY Depreciation:<br>Monthly Depreciation = £10<br>CY Depreciation = £120<br>HCA Closing Balances:<br>GBV Closing = £1,000<br>AD Closing = £320 |

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| 2 | This step calculates the Current Cost Account (CCA) Opening and Closing balances for Gross Replacement Cost (GRC) and Current Cost Accumulated Depreciation (CCAD). **Price indices are sourced from the Office for National Statistics (ONS).**<br><br>This step is separately done for Openreach (OR), Northern Ireland and Technology, Services and Operations (TSO) using the same logic/methodology.<br><br>Note: Not all BDUK Assets are subject to Current Cost Accounting (CCA). In this case, the HCA values are used, and the indexation is not applied. For BDUK Assets which are subject to CCA, the driver which determines the price index is the Lead Class of Work. Please refer to the CCA Methodology for further information. | <u>CCA Opening Balance</u><br>Gross Replacement Cost (GRC) Opening = [GBV Opening (Result from step 1)] * [Index @ FY Start Date] / [Index @ 01/09/xx (xx = Year of Asset Registration)]<br>Current Cost Accumulated Depreciation (CCAD) Opening = [AD Opening (Result from step 1)] * [Index @ FY Start Date] / [Index @ 01/09/xx (xx = Year of Asset Registration)]<br><u>CCA Closing Balance</u><br>Gross Replacement Cost (GRC) Closing = [GBV Closing (Result from step 1)] * Index @ [FY End Date] / [Index @ 01/09/xx (xx = Year of Asset Registration)]<br>Current Cost Accumulated Depreciation (CCAD) Closing = [AD Closing (Result from step 1)] * [Index @ FY End Date] / [Index @ 01/09/xx (xx = Year of Asset Registration)] | <u>CCA Opening Balance</u><br>GRC Opening = £1,000 * 105 / 100<br>CCAD Opening = £200 * 105 / 100<br><u>CCA Closing Balance</u><br>GRC Closing = £1,000 * 110 / 100<br>CCAD Closing = £320 * 110 / 100 | <u>CCA Opening Balance</u><br>GRC Opening = £1,050<br>CCAD Opening = £210<br><u>CCA Closing Balance</u><br>GRC Closing = £1,100<br>CCAD Closing = £352 |
| 3 | This step calculates the allocated values for the Fibre to the Cabinet (FTTC) and the Fibre to the Premises (FTTP) based on Percentage Split.<br><br>The FTTC & FTTP Split is obtained as below:<br>• OR and TSO: Some records are identified as either FTTC or FTTP from the Openreach Source Data. These records are treated as either 100% FTTC or 100% FTTP. For unidentified records, the Total Homes Passed (THP) data is used to generate the FTTC & FTTP Split. This is applied to all unidentified records and is updated annually.<br>• NI: The FTTC & FTTP Split is identified using the Northern Ireland Source Data. | For each FibreType (FTTC and FTTP):<br><br><u>Opening</u><br>GBV FibreType$_x$ Opening = [FibreType$_x$ %] * [GBV Opening (Result from step 1)]<br>AD FibreType$_x$ Opening = [FibreType$_x$ %] * [AD Opening (Result from step 1)]<br>GRC FibreType$_x$ Opening = [FibreType$_x$ %] * [GRC Opening (Result from step 2)]<br>CCAD FibreType$_x$ Opening = [FibreType$_x$ %] * [CCAD Opening (Result from step 2)]<br><u>Closing</u><br>GBV FibreType$_x$ Closing = [FibreType$_x$ %] * [GBV Closing (Result from step 1)]<br>AD FibreType$_x$ Closing = [FibreType$_x$ %] * [AD Closing (Result from step 1)]<br>GRC FibreType$_x$ Closing = [FibreType$_x$ %] * [GRC Closing (Result from step 2)]<br>CCAD FibreType$_x$ Closing = [FibreType$_x$ %] * [CCAD Closing (Result from step 2)] | GBV FibreType$_{(FTTC)}$ Opening = 75% * £1000<br>AD FibreType$_{(FTTC)}$ Opening = 75% * £200<br>GRC FibreType$_{(FTTC)}$ Opening = 75% * £1050<br>CCAD FibreType$_{(FTTC)}$ Opening = 75% * £210<br>GBV FibreType$_{(FTTC)}$ Closing = 75% * £1000<br>AD FibreType$_{(FTTC)}$ Closing = 75% * £320<br>GRC FibreType$_{(FTTC)}$ Closing = 75% * £1100<br>CCAD FibreType$_{(FTTC)}$ Closing = 75% * £352 | GBV FibreType$_{(FTTC)}$ Opening = £750<br>AD FibreType$_{(FTTC)}$ Opening = £150<br>GRC FibreType$_{(FTTC)}$ Opening = £787.50<br>CCAD FibreType$_{(FTTC)}$ Opening = £157.50<br>GBV FibreType$_{(FTTC)}$ Closing = £750<br>AD FibreType$_{(FTTC)}$ Closing = £240<br>GRC FibreType$_{(FTTC)}$ Closing = £825<br>CCAD FibreType$_{(FTTC)}$ Closing = £264 |
| 4 | This step calculates the Net Book Values (NBVs) and Net Replacement Costs (NRC). | For each FibreType (FTTC and FTTP):<br><br><u>Opening</u><br>NBV FibreType$_x$ Opening = [GBV FibreType$_x$ Opening (Result from step 3)] – [AD FibreType$_x$ Opening (Result from step 3)] | NBV FibreType$_{(FTTC)}$ Opening = £750 - £150 | NBV FibreType$_{(FTTC)}$ Opening = £600 |

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| | | NRC FibreType$_{\chi}$ Opening = [GRC FibreType$_{\chi}$ Opening (Result from step 3)] – [CCAD FibreType$_{\chi}$ Opening (Result from step 3)]<br><u>Closing</u><br>NBV FibreType$_{\chi}$ Closing = [GBV FibreType$_{\chi}$ Closing (Result from step 3)] – [AD FibreType$_{\chi}$ Closing (Result from step 3)]<br>NRC FibreType$_{\chi}$ Closing = [GRC FibreType$_{\chi}$ Closing (Result from step 3)] – [CCAD FibreType$_{\chi}$ Closing (Result from step 3)] | NRC FibreType$_{(FTTC)}$ Opening = £787.50 - £157.50<br><br>NBV FibreType$_{(FTTC)}$ Closing = £750 - £240<br>NRC FibreType$_{(FTTC)}$ Closing = £825 - £264 | NRC FibreType$_{(FTTC)}$ Opening = £630<br><br>NBV FibreType$_{(FTTC)}$ Closing = £510<br>NRC FibreType$_{(FTTC)}$ Closing = £561 |
| 5 | This step calculates the CCA - Holding Gain/Loss, Supplemental Depreciation and Other CCA Adjustments. | For each FibreType (FTTC and FTTP):<br><br>Total CCA Adjustments FibreType$_{\chi}$ = ( [NRC FibreType$_{\chi}$ Opening (Result from step 4)] – [NRC FibreType$_{\chi}$ Closing (Result from step 4)] ) – ( [NBV FibreType$_{\chi}$ Opening (Result from step 4)] – [NBV FibreType$_{\chi}$ Closing (Result from step 4)] )<br><br>Indexation % CY = ( [Index @ FY End Date] – [Index @ FY Start Date] ) / [Index @ FY Start Date]<br><br>Holding Gains/Losses FibreType$_{\chi}$ = – ( ( [GRC FibreType$_{\chi}$ Opening (Result from step 3)] * [Indexation % CY] ) – ( [CCAD FibreType$_{\chi}$ Opening (Result from step 3)] * [Indexation % CY] ) + ( [GBV FibreType$_{\chi}$ Closing (Result from step 3)] – [GBV FibreType$_{\chi}$ Opening (Result from step 3)] ) * ( √(1+ [Indexation % CY]) – 1))<br><br>Supplemental Depreciation FibreType$_{\chi}$ = ( [AD FibreType$_{\chi}$ Closing (Result from step 3)] – [AD FibreType$_{\chi}$ Opening (Result from step 3)] * ( ( [GRC FibreType$_{\chi}$ Closing (Result from step 3)] + ( [GRC FibreType$_{\chi}$ Opening (Result from step 3)] ) / ( [GBV FibreType$_{\chi}$ Closing (Result from step 3)] + [GBV FibreType$_{\chi}$ Opening (Result from step 3)] ) ) – ( [AD Closing FibreType$_{\chi}$ (Result from step 3)] – [AD Opening FibreType$_{\chi}$ (Result from step 3)] )<br><br>Other CCA Adjustments FibreType$_{\chi}$ = [Total CCA Adjustments FibreType$_{\chi}$ ] – [Holding Gains/Losses FibreType$_{\chi}$ ] – [Supplemental Depreciation FibreType$_{\chi}$ ] | Total CCA Adjustments FibreType$_{(FTTC)}$= (£630 - £561) - (£600 - £510)<br><br>Indexation % CY = (100 - 95) / 100<br><br>Holding Gains/Losses FibreType$_{(FTTC)}$= - ((£787.50 * 0.05) - (£157.50 * 0.05) + (£750 - £750) * (√(1+0.05) - 1))<br><br>Supplemental Depreciation FibreType$_{(FTTC)}$= (£240 - £150) * ((£825 + £787.50) / (£750 + £750)) - (£240 - £150)<br><br>Other CCA Adjustments FibreType$_{(FTTC)}$= -£21 - (-£31.50) - £6.75 | Total CCA Adjustments FibreType$_{(FTTC)}$ = -£21<br><br>Indexation % CY = 0.05<br><br>Holding Gains/Losses FibreType$_{(FTTC)}$ = –£31.50<br><br>Supplemental Depreciation FibreType$_{(FTTC)}$ = £6.75<br><br>Other CCA Adjustments FibreType$_{(FTTC)}$ = £3.75 |
| 6 | This step first maps the GL+COWs combinations to OUC (Journal entries require GL and OUC information) and then calculates the elimination and FTTC/FTTP split journal entries. **Mapping is obtained from "Journal Mapping Tables" input.** | **<u>Opening Journal</u>**<br><u>Eliminations</u>:<br>**Credit:** GBV to GRC Adjustment = [GRC Opening (Result from step 2)] – [GBV Opening (Result from step 1)]<br>**Debit:** AD to CCAD Adjustment = – [CCAD Opening (Result from step 2)] – [AD Opening (Result from step 1)] | Numbers as calculated above | Numbers as calculated above |

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| | *GL Codes Summary:*<br>*GBV to GRC Adjustment*<br>*AD to CCAD Adjustment*<br>*Balance Sheet Movements*<br>*Holding Gain/Loss*<br>*Supplemental Depreciation*<br>*Other CCA Adjustment* | <u>Posting of FTTC/FTTP split - for each FibreType (FTTC and FTTP):</u><br>**Debit:** GBV to GRC Adjustment = [GRC FibreType$_{x}$ Opening (Result from step 3)] – [GBV FibreType$_{x}$ Opening (Result from step 3)]<br>**Credit:** AD to CCAD Adjustment = – [CCAD FibreType$_{x}$ Opening (Result from step 3)] – [AD FibreType$_{x}$ Opening (Result from step 3)]<br><br>**<u>Closing Journal</u>**<br><u>Eliminations:</u><br>**Credit:** GBV to GRC Adjustment = [GRC Closing (Result from step 2)] – [GBV Closing (Result from step 1)]<br>**Debit:** AD to CCAD Adjustment = – ( [CCAD Closing (Result from step 2)] – [AD Closing (Result from step 1)] )<br>**Credit:** Balance Sheet movements = – ( Sum of [NBV FibreType$_{x}$ Opening (Result from step 4)] – Sum of [NBV FibreType$_{x}$ Closing (Result from step 4)] ) (both FTTC and FTTP)<br>**Debit:** Holding Gain/Loss = Sum of [Holding Gains/Losses FibreType$_{x}$ (Result from step 5)] (both FTTC and FTTP)<br>**Credit:** Supplemental Depreciation = Sum of [Supplemental Depreciation FibreType$_{x}$ (Result from step 5)] (both FTTC and FTTP)<br>**Debit:** Other CCA Adjustment = Sum of [Other CCA Adjustments FibreType$_{x}$ (Result from step 5)] (both FTTC and FTTP)<br><br><u>Posting of FTTC/FTTP split - for each FibreType (FTTC and FTTP):</u><br>**Debit:** GBV to GRC Adjustment = [GRC FibreType$_{x}$ Closing (Result from step 3)] – [GBV FibreType$_{x}$ Closing (Result from step 3)]<br>**Credit:** AD to CCAD Adjustment = – ( [CCAD FibreType$_{x}$ Closing (Result from step 3)] – [AD FibreType$_{x}$ Closing (Result from step 3)] )<br>**Debit:** Balance Sheet movements = – ( [NBV FibreType$_{x}$ Opening (Result from step 4)] – [NBV FibreType$_{x}$ Closing (Result from step 4)] )<br>**Credit:** Holding Gain/Loss = [Holding Gains/Losses FibreType$_{x}$ (Result from step 5)]<br>**Debit:** Supplemental Depreciation = [Supplemental Depreciation FibreType$_{x}$ (Result from step 5)]<br>**Credit:** Other CCA Adjustment = [Other CCA Adjustments FibreType$_{x}$ (Result from step 5)] | | |

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| **Reference** | BDUK HCA |
| **Title** | BDUK HCA Adjustments – Elimination of GL (General Ledger) balances and reposting with FTTC/FTTP split |
| **Overview** | This journal eliminates the BDUK balances (Gross Book Values, Accumulated Depreciation and Current Year Depreciation) in the General Ledger, and then reposts them split between Fibre to the Cabinet (FTTC) and Fibre to the Premises (FTTP) balances. |
| **Description** | **1. Source Costs and MCE:** This journal posts adjustments for BDUK CCA balances split between FTTC and FTTP.<br>**2. Cost and MCE Categories:** Non-Current Assets (Fibre); Depreciation (Fibre); Holding Gains (Fibre); Supplementary Depreciation (Fibre); and Other CCA Adjustments (Fibre).<br>**3. Summary Destination:** This journal attributes to PG999A (FTTC Fibre Funded Fibre Rollout Spend) and PG990A (FTTP Fibre Funded Fibre Rollout Spend). A reversal is also made against GL Codes covering Openreach Non-Current Assets (Fibre) and associated Depreciation costs.<br>**4. Methodology Taxonomy:** Asset metrics.<br>**5. Driver classification:** Asset Useful Life, Depreciation, CCA Indexation Values, Gross Book Value (GBV), and Gross Replacement Cost (GRC).<br>**6. Data Source Summary:** Openreach provide data on BDUK spend. Some items are tagged as either FTTC or FTTP. For untagged items, a separate data source is used, which uses Total Homes Passed (THP) data in the UK to generate a split between FTTC and FTTP. |
| **Data Source** | Asset metrics: Asset useful life (BT Intranet); CCA indexation value (ONS); and<br>Network data: Capex Spend (Orbit). |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | This step calculates the Historical Cost Accounting (HCA) Opening and Closing balances for Gross Book Value (GBV) and Accumulated Depreciation (AD). Current Year (CY) Depreciation is also calculated in this step. **GBV balances and asset registration dates are obtained from the "Capex Reports" from each BU and Useful Asset Lives are obtained from "Book Lives" input.**<br><br>This step is done separately for Openreach (OR), Northern Ireland (NI) and Technology, Services and Operations (TSO) using the same logic/methodology. | <u>HCA Opening Balances:</u><br>GBV Opening = Amount per Source Data (This is set to nil if the Asset Service Date has not started at the Current Financial Year (FY) Start Date)<br>Accumulated Depreciation (AD) Opening = Prior Year (PY) Closing Accumulated Depreciation<br><br><u>HCA CY Depreciation:</u><br>Monthly Depreciation = Gross Book Value (GBV) / Useful Asset Life (UAL) in months<br>Current Year (CY) Depreciation = Monthly Depreciation * No. of months in use during CY<br><br><u>HCA Closing Balances:</u><br>GBV Closing = Amount per Source Data (This is set to nil if the Asset Service Date has not started at the Current Financial Year (FY) Start Date)<br>Accumulated Depreciation (AD) Closing = PY Closing AD + CY Depreciation | <u>HCA Opening Balances:</u><br>GBV Opening = £1,000<br>AD Opening = £200<br><br><u>HCA CY Depreciation:</u><br>Monthly Depreciation = £1,000 / 100 months<br>CY Depreciation = £10 * 12 months<br><br><u>HCA Closing Balances:</u><br>GBV Closing = £1,000<br>AD Closing = £200 + £120 | <u>HCA Opening Balances:</u><br>GBV Opening = £1,000<br>AD Opening = £200<br><br><u>HCA CY Depreciation:</u><br>Monthly Depreciation = £10<br>CY Depreciation = £120<br><br><u>HCA Closing Balances:</u><br>GBV Closing = £1,000<br>AD Closing = £320 |
| 2 | This step calculates the allocated values for the Fibre to the Cabinet (FTTC) and the Fibre to the Premises (FTTP) based on Percentage Split.<br>The FTTC & FTTP Split is obtained as below: | For each FibreType (FTTC and FTTP):<br>GBV FibreType$_x$ Opening = [FibreType$_x$ %] * [GBV Opening $_{(Result\ from\ step\ 1)}$] | GBV FibreType$_{(FTTC)}$ Opening = 75% * £1000 | GBV FibreType$_{(FTTC)}$ Opening = £750 |

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| | • OR and TSO: Some records are identified as either FTTC or FTTP from the Openreach Source Data. These records are treated as either 100% FTTC or 100% FTTP. For unidentified records, the Total Homes Passed (THP) data is used to generate the FTTC & FTTP Split. This is applied to all unidentified records and is updated annually.<br>• NI: The FTTC & FTTP Split is identified using the Northern Ireland Source Data. | AD $FibreType_{\chi}$ Opening = [$FibreType_{\chi}$ %] * [AD Opening (Result from step 1)]<br>CY Depreciation $FibreType_{\chi}$ = [$FibreType_{\chi}$ %] * [CY Depreciation (Result from step 1)]<br>GBV $FibreType_{\chi}$ Closing = [$FibreType_{\chi}$ %] * [GBV Closing (Result from step 1)]<br>AD $FibreType_{\chi}$ Closing = [$FibreType_{\chi}$ %] * [AD Closing (Result from step 1)] | AD $FibreType_{(FTTC)}$ Opening = 75% * £200<br>CY Depreciation $FibreType_{(FTTC)}$ = 75% * £120<br>GBV $FibreType_{(FTTC)}$ Closing = 75% * £1000<br>AD $FibreType_{(FTTC)}$ Closing = 75% * £320 | AD $FibreType_{(FTTC)}$ Opening = £150<br>CY Depreciation $FibreType_{(FTTC)}$ = £90<br>GBV $FibreType_{(FTTC)}$ Closing = £750<br>AD $FibreType_{(FTTC)}$ Closing = £240 |
| 3 | This step first maps the COWs to GL+OUC combinations (Journal entries require GL and OUC information) and then calculates the elimination and FTTC/FTTP split journal entries. **Mapping is obtained from "Journal Mapping Tables" input.**<br><br>*GL Codes Summary:*<br>*FA GBV*<br>*Accumulated depreciation*<br>*CY depreciation* | **Opening Journal**<br>Eliminations:<br>**Credit:** GBV Opening (Result from step 1)<br>**Debit:** AD Opening (Result from step 1)<br>Posting of FTTC/FTTP split - for each FibreType (FTTC and FTTP):<br>**Debit:** GBV $FibreType_{\chi}$ Opening (Result from step 2)<br>**Credit:** AD $FibreType_{\chi}$ Opening (Result from step 2)<br><br>**Closing Journal**<br>Eliminations:<br>**Credit:** GBV Closing (Result from step 1)<br>**Debit:** AD Closing (Result from step 1)<br>**Credit:** CY Depreciation (Result from step 1)<br>Posting of FTTC/FTTP split - for each FibreType (FTTC and FTTP):<br>**Debit:** GBV $FibreType_{\chi}$ Closing (Result from step 2)<br>**Credit:** AD $FibreType_{\chi}$ Closing (Result from step 2)<br>**Debit:** CY $FibreType_{\chi}$ Depreciation (Result from step 2) | Numbers as calculated above | Numbers as calculated above |

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|---|---|
| **Reference** | DFX Cl |
| **Title** | Dark fibre inter-exchange component allocation |
| **Overview** | This journal is an adjustment for reallocating cost and MCE and impacts the balance sheet only. It move costs from Openreach miscellaneous and Testing related costs to Dark Fibre Specific Patch Panel and Initial Testing Components. |
| **Description** | **1. Source Costs and MCE:** Moving costs from Openreach miscellaneous and Testing related costs to Dark Fibre Specific Patch Panel and Initial Testing Components.<br>**2. Cost and MCE Categories:** Openreach Opex (Other) and Non-Current Assets (Other)<br>**3. Summary Destination:** PG451A, PG452A and UNIT<br>**4. Methodology Taxonomy:** Allocation<br>**5. Driver classification:** Ethernet Revenues & Volumes (including Price)<br>**6. Data Source Summary:** Volume, price and revenue data for Dark Fibre Services. Estimated costs of patch panel and initial testing labour hours per Ofcom modelling |
| **Data Source** | Openreach revenue, volumes and prices: ARC<br>Other: Ofcom DFX cost model |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | This step calculates the following:<br>• Factored DFX Fixed Cost per Volume. **DFX Fixed Cost per Volume is obtained from the "Dark Fibre fixed cost rates and Journal mapping" input. DFX usage factor is obtained from the "DFX Prices" input by dividing the dual fibre prices by the single fibre prices.**<br>• Total DFX Cost. **Dark fibre volumes are obtained from PVORREV and adjusted for the period.**<br>• Closing Journal as below:<br>• **Debit**: Stores Issues - Misc - DFX<br>• **Credit**: Stores Issues - Misc<br>• **Debit**: Other Payments - TM - DFX<br>• **Credit**: Other Payments - TM<br>*Note: Following services are used:*<br>*SS500 - Dark Fibre (DFX) Rentals (Patch Panel Cost) Single Fibre*<br>*SS501 - Dark Fibre (DFX) Rentals (Patch Panel Cost) Fibre Pair*<br>*SS502 - Dark Fibre (DFX) Connections (Initial Testing Cost) Single Fibre*<br>*SS503 - Dark Fibre (DFX) Connections (Initial Testing Cost) Fibre Pair* | For each relevant service:<br>Factored DFX Fixed Cost per Volume = [DFX Usage Factor] * [DFX Fixed Cost per Volume]<br>Total DFX Cost = [DFX Volume] * [Factored DFX Fixed Cost per Volume (Result from above)] * [Period] / 12<br>For each relevant GL account:<br>**Debit**: Stores Issues - Misc – DFX = Sum of [Total DFX Cost] for services SS500 and SS501<br>**Credit**: Stores Issues – MISC = Sum of [Total DFX Cost] for services SS500 and SS501<br>**Debit**: Other Payments - TM – DFX = Sum of [Total DFX Cost] for services SS502 and SS503<br>**Credit**: Other Payments – TM = Sum of [Total DFX Cost] for services SS502 and SS503 | Factored DFX Fixed Cost per Volume = 2 x £80<br>Total DFX Cost = 100 x £160 x 12 / 12 | Factored DFX Fixed Cost per Volume = £160<br>Total DFX Cost = £16,000 |

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| **Reference** | IFRS16 Telereal Lease |
| **Title** | Reallocation of Telereal lease liability carrying value, for IFRS16 adjustment. |
| **Overview** | This journal is for the accounting adjustment to reverse the recognition of certain leases as Right-of-Use assets under IFRS 16. This impacts only the balance sheet.<br>Following the adoption of IFRS 16, BT has started recognising certain arrangements, that were previously disclosed as operating lease commitments, as 'right-of-use (RoU) assets' within MCE in the statutory accounts from the year ended 31 March 2020. To avoid a significant increase in asset base which would have reduced comparability between the ROCE reported in the RFS and Ofcom's approach to setting prices, a portion of the lease liability over one year for property leases is included in the asset base (i.e. to cancel the effects of RoU assets recognition). |
| **Description** | **1. Source Costs and MCE:** This journal moves the Telereal Non-Current Liability Carrying Value from the "Opening Lease liability due over 1 year" GL account to "IFRS 16 ROU Negative Asset - Land & Bldg" GL account (to reverse the recognition of assets under IFRS 16).<br>**2. Cost and MCE Categories:** Non-current assets (Land and Buildings).<br>**3. Summary Destination:** ACCOMMBS, P999.<br>**4. Methodology Taxonomy:** Asset Metrics.<br>**5. Driver classification:** Gross Book Value (GBV).<br>**6. Data Source Summary:** Details of the Right of Use assets that existed prior to IFRS16, and new lease assets subsequent to the implementation of IFRS16. |
| **Data Source** | Asset metrics: NBV (Horizon). |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | This step calculates the Right of Use assets balance that was recognised as asset following the adoption of IFRS 16.<br>RoU assets split is used to identify non-current liability balance in relation to assets that were in existence prior to the IFRS 16 adoption (these mainly relate to Telereal landlord). **Data is obtained from the "ROU assets split (pre IFRS adoption assets and post IFRS adoption assets)" input.**<br><br>Adjustments are made to take away rent smoothing and impairment for previous onerous lease provision. **Data is obtained from the "ROU Adjustments - Inputting impairment figures" input.**<br><br>Closing Journal is calculated as below:<br>○ **Debit**: Non-current lease liability (due over 1 year)<br>○ **Credit**: ROU Negative Asset - Land & Bldg<br><br>Opening Journal is calculated. This is same as the Closing Journal. **Balances are obtained from the Closing Journal from last year**. | Closing Journal:<br>**Debit**: Non-current lease liability (due over 1 year) = [Total Non-Current Liability Carrying Value for Telereal] – [Rent Smoothing] – [Impairment for previous onerous lease provision]<br>**Credit**: ROU Negative Asset - Land & Bldg = ( [Total Non-Current Liability Carrying Value for Telereal] – [Rent Smoothing] – [Impairment for previous onerous lease provision] ) * -1<br><br>Opening Journal:<br>**Debit**: Non-current lease liability (due over 1 year) = [RoU assets reversal adjustment from last year]<br>**Credit**: ROU Negative Asset - Land & Bldg [RoU assets reversal adjustment from last year] | Closing Journal<br>**Debit:** Non-current lease liability (due over 1 year) = £3bn - £500m - £250m<br><br>**Credit:** ROU Negative Asset - Land & Bldg = (£3bn - £500m - £250m) * -1 | Closing Journal<br>**Debit:** 2.25bn<br><br>**Credit:** -2.25bn |

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| **Reference** | Liquid Funds |
| **Title** | Reallocation of five year average cash position |
| **Overview** | This journal is an allocation adjustment for cash at bank and impacts the balance sheet. The median cash position over five years is recognised on AG113, with the offset in Rest of BT Residual. |
| **Description** | **1. Source Costs and MCE:** The average cash position for the last 5 years is calculated, using the year end cash position from the annual report and accounts (ARA), and a journal is posted into the RFS.<br>**2. Cost and MCE Categories:** Current assets (Cash at bank).<br>**3. Summary Destination:** AG113 - Liquid funds and interests.<br>**4. Methodology Taxonomy:** Other.<br>**5. Driver classification:** Cash.<br>**6. Data Source Summary:** This journal is calculated using data on cash from the Annual Reports. |
| **Data Source** | Other Misc: Management Accounts (Annual Reports). |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | This step calculates "Cash at bank and in hand" using current year data from the Annual Report. | Cash at bank and in $hand_{CY}$ = Total held with Banks in Sterling + Total held with Banks in other currencies + Cash in Hand | Cash at bank and in $hand_{CY}$ = £100 + £200 + £300 | Cash at bank and in $hand_{CY}$ = £600 |
| 2 | This step calculates "Total Cash Equivalents" for current year by summing the values of UK, US, European and other deposits. | Total Cash $Equivalents_{CY}$ = UK Deposits + US Deposits + European Deposits + Other Deposits | Total Cash $Equivalents_{CY}$ = £100 + £200 + £150 + £25 | Total Cash $Equivalents_{CY}$ = £475 |
| 3 | This step calculates "Liquid funds" for current year, derived from total cash and cash equivalents plus assets and investments minus loans falling due within one year. | Liquid $Funds_{CY}$ = Cash at bank and in $hand_{CY(Result\ from\ Step\ 1)}$ + Total cash $equivalentsd_{CY(Result\ from\ Step\ 2)}$ + Current Asset Investments + Loans and other borrowing (due within 1 year) | Liquid $Funds_{CY}$ = £600 + £475 + £200 - £150 | Liquid $Funds_{CY}$ = £1,050 |
| 4 | This step calculates the debit side of the journal, which is the median of Liquid Funds over the last five financial years, and is recognised against AG113. | Debit = MEDIAN (Liquid $Funds_{CY}$, Liquid $Funds_{CY-1}$, Liquid $Funds_{CY-2}$, Liquid $Funds_{CY-3}$, Liquid $Funds_{CY-4}$) | Debit = MEDIAN (£1,050, -£80, £1,600, £3,000, £3,800) | Debit = £1,600 |
| 5 | This step calculates the credit, which is the reverse of step four, and is recognised in rest of BT residual. | Credit = -1 * $Debit_{(Result\ from\ step\ 4)}$ | Credit = -1 * £1,600 | Credit = -£1,600 |

# Repayment works journals

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|---|---|
| **Reference** | RW Capital |
| **Title** | Repayment works - transfer to non-regulated services (capital) |
| **Overview** | This journal calculates and transfers the Repayment Works capitalised cost from the General Accounts (Fixed Asset and Accumulated Depreciation) in the General Ledger to the Repayment Works Accounts. It impacts the Balance Sheet. This impacts the Fixed Assets summary type, as well as sectors relating to cables, copper, and duct. |
| **Description** | **1. Source Costs and MCE:** This journal transfers the Openreach Repayment Works cost that have been capitalised. Ofcom's RFR statement (12 July 2019) directed BT to remove all costs that have been capitalised in relation to repayment alterations and repayment damages, since the creation of Openreach. These costs are no longer attributed to regulated services. The main role of the Repayment Works unit is to ensure the integrity and protection of BT's network, where the highway infrastructure is required to be altered due to promoting authority works under an act of parliament and protecting the network from damage as a result of third party works.<br>The relevant classes of works (CoW) for repayment works capitalised costs are: LDC, LDD, CJC, CJF.<br>**2. Cost and MCE Categories:** Non-current assets - other<br>**3. Summary Destination:** PG980R, PDTCJF, PDTLDC, PDTDUCT<br>**4. Methodology Taxonomy:** Asset Metrics<br>**5. Driver classification:** Gross Book Value (GBV), Asset Useful Life, Depreciation<br>**6. Data Source Summary:** Annual capitalised repayment works by CoW and GBV data from ORBIT |
| **Data Source** | Gross Book Value (Orbit) |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | This step calculates the estimated amount of capitalised cost for repayment works for the years 2006/07, 2007/08 and 2008/09. Estimates amounts are based on the average capitalised cost for all years since 2009/10 excluding current year.<br>**Data is obtained from the "GBV additions" for following classes of work (CoW):**<br>• **LDD (Construction, Local Distribution Duct)**<br>• **LDC (Construction, Local Distribution Cable)**<br>• **CJC (Construction, Junction Metallic Pair Cable)**<br>• **CJF (Construction, Junction Cable – Optical Fibre)** | For each relevant CoW:<br>Capex for years since 2009/10 to date = [GBV additions balances for Repayment Works]<br>Capex (estimated) balances for missing years (2006/07, 2007/08 and 2008/09) = Average of [Capex in all years with records, excluding the current year] | $CoW_{(LDD)}$ Repayment Works Capex $Year_{(2019/20)}$ = £400k<br>$CoW_{(LDD)}$ Repayment Works Capex $Year_{(2006/07)}$ = £3,300k / 11 years | $CoW_{(LDD)}$ Repayment Works Capex $Year_{(2019/20)}$ = £400k<br>$CoW_{(LDD)}$ Repayment Works Capex $Year_{(2006/07)}$ = £300k |
| 2 | This step summarised the GBV balances CoW and maps them to the GL accounts. Opening balances (i.e. excluding current year) and closing balances (i.e. including current year) are calculated. **Mapping is obtained from the "GL Details" input**.<br>Journal amounts are calculated as Capex Opening and Closing balances and posted as below (to transfer capitalised cost from General Fixed Asset Account to Repayment Works Capex Account):<br>**Debit**: Repayment works Capex GL accounts [separate for each CoW] with OUC BD7<br>**Credit**: Fixed Asset GL accounts [separate for each CoW] with OUC BD7 | For each relevant CoW:<br>Capex Opening Balances = Sum of [Capex for all years since 2006/07 excluding current year $_{(Result\ from\ step\ 1)}$]<br>Capex Closing Balances = Sum of [Capex for all years since 2006/07 including current year $_{(Result\ from\ step\ 1)}$] | $CoW_{(LDD)}$ Repayment Works Capex Opening = £300k + ..... + £400k<br>$CoW_{(LDD)}$ Repayment Works Capex Closing = £300k + ..... + £400k + £450k | $CoW_{(LDD)}$ Repayment Works Capex Opening = £4,200k<br>$CoW_{(LDD)}$ Repayment Works Capex Closing = £4,650k |

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| | *Repayment works GL for CJC, CJF, LDC, LDD*<br>*Fixed Assets GL for CJC, CJF, LDC, LDD* | | | |
| 3 | This step calculates the accumulated depreciation by multiplying GBV values for each year with the depreciation rates and number of years in use. Opening balances (i.e. excluding current year) and closing balances (i.e. including current year) are calculated.<br>**Asset lives for each CoW are obtained from "Estimated useful asset life" data input**. | For each relevant CoW:<br>Depreciation rate = 1 / [Asset Lives per policy]<br><br>Opening Accumulated Depreciation (AD) for each year = [Capex balance for each year (Result from step 1)] * [Depreciation rate] * [Number of years since capitalised excluding current year]<br><br>Closing Accumulated Depreciation (AD) for each year = [Capex balance for each year (Result from step 1)] * [Depreciation rate] * [Number of years since capitalised including current year] | $CoW_{(LDD)}$ Depreciation rate = 1 / 40 years<br><br>$CoW_{(LDD)}$ Opening AD $Year_{(2019/20)}$ = £400k * 0.025 * 1<br><br>$CoW_{(LDD)}$ Closing AD $Year_{(2019/20)}$ = £400k * 0.025 * 2 | $CoW_{(LDD)}$ Depreciation rate = 0.025<br><br>$CoW_{(LDD)}$ Opening AD $Year_{(2019/20)}$ = £10k<br><br>$CoW_{(LDD)}$ Closing AD $Year_{(2019/20)}$ = £20k |
| 4 | This step maps the Accumulated Depreciation (AD) for each CoW to the GL accounts. **Mapping is obtained from the "GL Details" input**<br><br>Journal amounts are calculated as AD Opening and Closing balances and posted as below (to transfer AD from General AD Account to Repayment Works AD Account):<br>**Debit**: Fixed Asset Acc Dep GL accounts [separate for each CoW] with OUC BD7<br>**Credit**: Repayment works Acc Dep GL accounts [separate for each CoW] with OUC BD7<br><br>*Fixed Assets AD GL for CJC, CJF, LDC, LDD*<br>*Repayment works AD GL for CJC, CJF, LDC, LDD* | For each relevant CoW:<br><br>AD Opening Balances = Sum of [Opening AD for all years excluding current year (Result from step 3)]<br><br>AD Closing Balances = Sum of [Closing AD for all years including current year (Result from step 3)] | $CoW_{(LDD)}$ AD Opening = £105k + …… + £10k<br><br>$CoW_{(LDD)}$ AD Closing = £112.5k + …… + £20k + £11.25k | $CoW_{(LDD)}$ AD Opening = £780k<br><br>$CoW_{(LDD)}$ AD Closing = £896.25k |

| | |
|---|---|
| **Reference** | Repayment works - in year depreciation |
| **Title** | Transfer of in year depreciation to non-regulated services |
| **Overview** | This journal calculates and transfers the Repayment Works current year depreciation expense from the General Depreciation Accounts in the General Ledger to the Repayment Works Accounts. It impacts the Profit & Loss. This impacts the Current Other summary type, as well as sectors relating to cables, copper, and duct. |
| **Description** | **1. Source Costs and MCE:** This journal captures the current year depreciation expense related to the Openreach Repayment Works cost that have been capitalised. Ofcom's RFR statement (12 July 2019) directed BT to remove all costs that have been capitalised in relation to repayment alterations and repayment damages, since the creation of Openreach. These costs are no longer attributed to regulated services. The main role of the Repayment Works unit is to ensure the integrity and protection of BT's network, where the highway infrastructure is required to be altered due to promoting authority works under an act of parliament and protecting the network from damage as a result of third party works.<br>**2. Cost and MCE Categories:** Depreciation - Other |
| | **3. Summary Destination:** PG980R, PDTCJF, PDTLDC, PDTDUCT |
| | **4. Methodology Taxonomy:** Asset Metrics<br>**5. Driver classification:** Gross Book Value (GBV), Asset Useful Life, Depreciation |
| | **6. Data Source Summary:** Annual capitalised repayment works by Class of Work and Gross Book Value data |
| **Data Source** | Gross Book Value (ORBIT) |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | This step calculates the estimated amount of capitalised cost for repayment works for the years 2006/07, 2007/08 and 2008/09. Estimates amounts are based on the average capitalised cost for all years since 2009/10 excluding current year.<br>**Data is obtained from the "GBV additions" for following classes of work (CoW):**<br>• **LDD (Construction, Local Distribution Duct)**<br>• **LDC (Construction, Local Distribution Cable)**<br>• **CJC (Construction, Junction Metallic Pair Cable)**<br>• **CJF (Construction, Junction Cable – Optical Fibre)** | For each relevant CoW:<br>Capex for years since 2009/10 to date = [GBV additions balances for Repayment Works]<br>Capex (estimated) balances for missing years (2006/07, 2007/08 and 2008/09) = Average of [Capex in all years with records, excluding the current year] | $CoW_{(LDD)}$ Repayment Works $Capex\ Year_{(2019/20)}$ = £400k<br>$CoW_{(LDD)}$ Repayment Works $Capex\ Year_{(2006/07)}$ = £3,300k / 11 years | $CoW_{(LDD)}$ Repayment Works $Capex\ Year_{(2019/20)}$ = £400k<br>$CoW_{(LDD)}$ Repayment Works $Capex\ Year_{(2006/07)}$ = £300k |
| 2 | This step calculates the Current Year (CY) Depreciation by multiplying GBV values for each year with the depreciation rates. **Asset lives for each CoW are obtained from "Estimated useful asset life" data input.**<br>This step then maps the CY Depreciation for each CoW to the GL accounts. **Mapping is obtained from the "GL Details" input**<br><u>Journal amounts are calculated as CY Depreciation and posted as below (to transfer depreciation expense from General Depreciation Account to Repayment Works Depreciation Account):</u><br>**Debit**: Repayment Works Depreciation GL accounts [separate for each CoW] with OUC BD7<br>**Credit**: Depreciation P&L GL accounts [separate for each CoW] with OUC BD7 | For each relevant CoW:<br>Depreciation rate = 1 / [Asset Lives per policy]<br>Current Year (CY) Depreciation for each year= [Capex balance for each year (Result from step 1)] * [Depreciation rate]<br>CoW total CY Depreciation = Sum of [CY Depreciation for all years (Result from above)] | $CoW_{(LDD)}$ Depreciation rate = 1 / 40 years<br>$CoW_{(LDD)}$ CY Depreciation $Year_{(2019/20)}$ = £400k * 0.025<br>$CoW_{(LDD)}$ total CY Depreciation = £7.5k + ..... + £10k + £11.25k | $CoW_{(LDD)}$ Depreciation rate = 0.025<br>$CoW_{(LDD)}$ CY Depreciation $Year_{(2019/20)}$ = £10k<br>$CoW_{(LDD)}$ total CY Depreciation = £116.25k |

## 6.2 Attribution bases

**Bases using direct methodologies**

The following allocation bases are categorised as Direct methodologies. An explanation of direct methodology drivers is set out within section 5.6 of Part one of this AMD.

| | |
|---|---|
| **Reference** | PDTRAR-Q |
| **Title** | Routing and Records Base - Openreach |
| **Description** | **1. Source Costs and MCE:** This base allocates the provision and installation pay costs relating to routing and records activity. This activity is the physical verification of routings within the network, and records the time associated with the initial recording of routing details on BT systems.<br>**2. Cost and MCE Categories:** Openreach Opex (Service and Network Delivery). |
| | **3. Summary Destination:** PG140A (Routing and Records). |
| | **4. Methodology Taxonomy:** Direct<br>**5. Driver classification:** Direct |
| | **6. Data Source Summary:** 100% allocation, no data source. |

| | |
|---|---|
| **Reference** | PDTURSFI-Q |
| **Title** | Dropwire repair Underground Cable |
| **Description** | **1. Source Costs and MCE:** This base allocates repair costs for drop wires (CoW UR).<br>**2. Cost and MCE Categories:** Openreach Opex (Other). |
| | **3. Summary Destination:** PG122M (Dropwire Maintenance Residential). |
| | **4. Methodology Taxonomy:** Direct<br>**5. Driver classification:** Direct |
| | **6. Data Source Summary:** 100% allocation, no data source. |

| | |
|---|---|
| **Reference** | SOFTCAP-B |
| **Title** | Software Capitalisation for Openreach |
| **Description** | **1. Source Costs and MCE:** This base allocates software capitalisation entries in the Profit and Loss and Balance Sheet relating to Openreach OUCs.<br>**2. Cost and MCE Categories:** Openreach Opex (Other); and Non-Current Assets (Software). |
| | **3. Summary Destination:** AG410 (Openreach Pay plus % Fixed Asset driver). |
| | **4. Methodology Taxonomy:** Direct.<br>**5. Driver classification:** Direct. |
| | **6. Data Source Summary:** 100% allocation, no data source. |

| | |
|---|---|
| **Reference** | SOFTCAP-C |
| **Title** | Software capitalisation OUC C (Group) |
| **Description** | **1. Source Costs and MCE:** This base allocates software capitalisation entries on the Profit and Loss and Balance Sheet relating to Group Organisational Unit Codes (OUCs).<br>**2. Cost and MCE Categories:** Non-current assets (Software). |
| | **3. Summary Destination:** AG118 (BT Group PAC). |
| | **4. Methodology Taxonomy:** Direct.<br>**5. Driver classification:** Direct. |
| | **6. Data Source Summary:** 100% allocation, no data source |

| | |
|---|---|
| **Reference** | SOFTDEP-C |
| **Title** | Software depreciation for OUC C (Group). |
| **Description** | **1. Source Costs and MCE:** This base allocates software depreciation on the Profit and Loss and Balance Sheet (Fixed Asset Accumulated Depreciation) for BT Group Organisational Unit Code C for Classes of Work COMPG (Externally purchased software) and COMPS (Internally developed software).<br>**2. Cost and MCE Categories:** Depreciation (Software) and Non-current assets (Software). |
| | **3. Summary Destination:** AG118 (BT Group PAC). |
| | **4. Methodology Taxonomy:** Direct.<br>**5. Driver classification:** Direct. |
| | **6. Data Source Summary:** 100% allocation, no data source. |

**Bases using asset metrics methodologies**

The following apportionment bases are categorised as Asset metrics methodologies. An explanation of asset metrics methodology drivers is set out within section 5.6 of Part one of this AMD.

| | |
|---|---|
| **Reference** | CUMNORM-W |
| **Title** | BT's Cumulo Rates Costs |
| **Overview** | CUMNORM apportions BT's Cumulo rates liability to NGA, Openreach non-NGA and non-Openreach plant groups based on their share of the Cumulo Rateable Asset Value. This is calculated on a bottom-up unit cost basis for NGA, and the remaining share is split between Openreach non-NGA and non-Openreach based on MCE. |
| **Description** | **1. Source Costs and MCE:** This base apportions the costs related to BT Cumulo rates. The Cumulo rates are non-domestic rates (e.g. property tax) BT pays in on rateable network assets in the UK. These include exchange buildings, poles, duct, manholes, cabinets, payphones, copper and fibre. Under rating principles these are assessed together, hence the term "Cumulo". Other parts of BT's property estate - e.g. offices and workshops - are assessed separately and do not form part of BT's Cumulo assessment.<br>**2. Cost and MCE Categories:** Rest of BT OPEX (Cumulo). |
| | **3. Summary Destination:** This base apportions predominantly to PG941A (Cumulo Rates NGA) and PG943A (Cumulo Non NGA OR), as well as to PG942A (Cumulo Non NGA BTW). |
| | **4. Methodology Taxonomy:** Asset Metrics.<br>**5. Driver classification:** Rateable Asset Value (RAV[1]). |
| | **6. Data Source Summary:** The total cumulo charge apportionment is based on Asset metric RAV[1] of assets used by NGA, non-NGA and Wholesale services, by CoW derived from MCE. Information is obtained from the Valuation Office Agency (VOA) and Ofcom. |
| **Data Sources** | Asset Metrics: Rateable Asset Value (NRC/BT cumulo RV), Mean Capital Employed (CostPerform), WACC;<br>Revenue and Volumes: Openreach revenue & volumes; and<br>Other Miscellaneous: Cumulo service tagging (Cost Perform), Cumulo charged (CID). |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | This step calculates the RAV[1] £pa for FTTC and FTTP Fibres, based on total volumes for FTTC and FTTP rental services. ***Volumes are obtained from the Revenue and Volumes Report.*** | FTTC RAV = FTTC Volumes * FTTC Rateable Value<br>FTTP RAV = FTTP Volumes * FTTP Rateable Value | FTTC RAV = 30 * £1k<br>FTTP RAV = 10 * £1k | FTTC RAV = £30k<br>FTTP RAV = £10k |
| 2 | This step calculates the % split of RAV[1] between both FTTP and FTTC. | FTTC % split = FTTC RAV £ (Result from step 1) / Total RV<br>FTTP % split = FTTP RAV £ (Result from step 1) / Total RV | FTTC % split = £30k / £100k<br>FTTP % split = £10k / £100k | FTTC % split = 30%<br>FTTP % split = 10% |
| 3 | This step calculates the NGA and Non-NGA cumulo charge split based on the RAV[1]. | Total Non NGA % split = (Total RV - Total NGA (FTTC+FTTP) RAV ) / Total RV<br>Total NGA (FTTC+FTTP) % split = FTTP % split + FTTC % split<br>Note that: Total NGA (FTTC+FTTP) RAV = FTTP RAV + FTTC RAV | Total Non NGA % split = (£100k - £40k ) / £100k<br>Total NGA (FTTC+FTTP) % split = 30% + 10%<br>Total NGA (FTTC+FTTP) RAV = £30k + £10k | Total Non NGA % split = 60%<br>Total NGA (FTTC+FTTP) % split = 40%<br>Total NGA (FTTC+FTTP) RAV = £40k |
| 4 | This step calculates the % split of cost of MCE for Non-NGA BTW and Non-NGA OR | Non NGA BTW % split = Non NGA BTW Weighted Return / Total MCE<br>Non NGA OR % split = Non NGA OR Weighted Return / Total MCE | Non NGA BTW % split = £630k / £900k<br>Non NGA OR% split =£270k / £900k | Non NGA BTW % split = 70%<br>Non NGA OR% split = 30% |
| 5 | This step calculates the PG allocations to Non-NGA Wholesale, Non-NGA Openreach and NGA. A weighting is applied to Non-NGA, which splits it by Openreach and Wholesale. | PG942A Allocation = Total Non NGA % split (Result from step 3) * Non NGA OR % split (Result from step 5)<br>PG943A Allocation = Total Non NGA % split( Result from step 3) * Non NGA BTW % split (Result from step 5)<br>PG941A Allocation =Total NGA (FTTC+FTTP) % split(Result from step 3) | PG942A Allocation = 60% * 30%<br>PG943A Allocation = 60% * 70%<br>PG941A Allocation = 40% | PG942A Allocation = 18%<br>PG943A Allocation = 42%<br>PG941A Allocation = 40% |

| | |
|---|---|
| **Reference** | PDTCOR21-Q |
| **Title** | Metro and Core Nodes – All Suppliers |
| **Overview** | PDTCOR21-Q apportions the historical cost and balance sheet for metro and core node equipment between PGs, based on a more detailed split of depreciation by network elements. |
| **Description** | **1. Source Costs and MCE:** This base apportions the 21 Century Network (21CN) CoW depreciation cost and balance sheet for Fujitsu and Huawei manufactured Multi Service Access Nodes (MSANs) equipment.<br>**2. Cost and MCE Categories:** Depreciation (Switch and Transmission); and Non-Current Assets (Switch and Transmission).<br>**3. Summary Destination:** This base apportions to multiple PGs, predominantly PG881A (Metro BRAS and MSE), PG896A (Network Router Metro), PG887A (Metro-Edge Ethernet Bandwidth), PG895A (Network Router Core) and PG888A (Metro-Edge Ethernet Port).<br>**4. Methodology Taxonomy:** Asset Metrics.<br>**5. Driver classification:** Capex Spend.<br>**6. Data Source Summary:** Capex from the 21CN associated CoW's which has been allocated out to Network Entities. This is then used to allocate the total deprecation cost for this base to each PG. |
| **Data Sources** | Asset Metrics: Capex spend (GVF); and<br>Network data: Network topology mapping (GVF). |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | Percentage allocation based on Network Depreciation (%) | For all relevant PGs:<br>$PG_x = PG_x$ Network depreciation / $\sum PG_{1...n}$ Network depreciation | $PG_1$ = ( £45m / £100m ) | $PG_1$ = 45%<br>$\sum PG_{1...n}$ = 100% |

| | |
|---|---|
| **Reference** | PDTDUCT-Q |
| **Title** | Duct |
| **Overview** | PDTDUCT-Q apportions all costs relating to the Duct asset. Those elements relating to network adjustments are separately identified, and the remainder is allocated to PG101D. |
| **Description** | **1. Source Costs and MCE:** This base apportions costs relating to the duct asset. It covers all duct (core access and shared) within the BT network.<br>**2. Cost and MCE Categories:** Depreciation (PIA); Supplementary depreciation; and Non-current assets (PIA).<br>**3. Summary Destination:** This base apportions predominantly to PG101D (Duct Infrastructure), as well as to PG300N (Duct Network Adjustments Internal) and PG303N (Duct Network Adjustments External).<br>**4. Methodology Taxonomy:** Asset Metrics<br>**5. Driver classification:** Net Replacement Cost (NRC)<br>**6. Data Source Summary:** This base allocates Duct Asset costs using data from network adjustment costs, local distribution ducts and gross replacement costs |
| **Data Sources** | Asset Metrics: Gross Replacement cost, Mean capital employed, Network adjustment costs and CCA indexation values. |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | This step calculates the internal and external duct network adjustments. | Part A: Network Adj Cost GRC = Network Adj Cost GBV * Indexation<br>Part B: Annual Depreciation Exc CCA = Network Adj Cost GBV / Asset Life<br>Part C: Annual Depreciation Inc CCA = Network Adj Cost GRC (Result from step 1 part A) / Asset Life<br>Part D: NBV = Network Adj Cost GBV - Annual Depreciation Exc CCA (Result from step 1 part B) | Part A = £1.69m * 1.005<br>Part B = £1.69m / 18<br>Part C = £1.70m / 18<br>Part D = £1.69m - £0.093m | Part A = £1.70m<br>Part B = £0.093m<br>Part C = £0.094m<br>Part D = £1.6m |
| 2 | This step calculates the Net Replacement Cost (NRC) for duct network adjustments for each COW both Internal and External. | For each relevant COW (both Internal and External):<br>NRCx = Network Adj Cost GRC (Result from step 1 part A) - Annual Depreciation Inc CCA (Result from step 1 part C) | $NRC_1$ = £1.60m - £0.094m<br>$NRC_2$ = £0.24m - £0.01m | $NRC_1$ = £1.50m<br>$NRC_2$ = £23m |

| | | | | | |
|---|---|---|---|---|---|
| | 3 | This step calculates the total NRC for the internal and external duct network adjustments by adding together NRC Below and Above the Fin Limit for each CoW. | Total $NRC_{(Internal)}$ = Below Fin $Limit_{(Internal)}$ + Above Fin $Limit_{(Internal)}$<br><br>Total $NRC_{(External)}$ = Below Fin $Limit_{(External)}$ + Above Fin $Limit_{(External)}$<br><br>**Total NRC** = Total $NRC_{(Internal)}$ + Total $NRC_{(External)}$ | Total $NRC_{(Internal)}$ = £7m + £2m<br><br>Total $NRC_{(External)}$ = £2m + £1m<br><br>**Total NRC** = £9m + £3m | Total $NRC_{(Internal)}$ = £9m (75% of Total NRC)<br>Total $NRC_{(External)}$ = £3m (25% of Total NRC)<br>**Total NRC** = £12m |
| | 4 | This step calculates the Total NRCs allocated to PDTDUCT, which is the total of Total CCA Amount obtained from CCA BDUK, and the closing ledgered balance. | Total NRCs = Total CCA Amount + Closing balance | Total NRCs = £150m + £100m | Total NRCs = £250m |
| | 5 | This step calculates the NRC % to be allocated, by dividing the Total NRC of network adjustments by the total NRCs, calculated in step four. | NRC % Allocation = **Total NRC** (Result from step 3) / Total NRCs allocated to PDTDUCT (Result from step 4) | NRC % Allocation = £12m / £250m | NRC % Allocation = 4.8% |
| | 6 | This step calculates the % allocation to PG300N, PG303N and PG101D.<br>PG300N and PG303N are calculated by multiplying the & NRC % split across Internal (PG300N) and External (PG303N) (from step 3) by the NRC % Allocation (from step 4). | PG300N = $NRC_{(Internal)}$% (calculated from step 3) * NRC % Allocation (calculated from step 5).<br>PG303N = $NRC_{(External)}$% (calculated from step 3) * NRC % Allocation (calculated from step 5). | PG300N = 75% * 4.8%<br><br>PG303N = 25% * 4.8% | PG300N = 3.6%<br><br>PG303N = 1.2% |
| | 7 | This step calculates the % allocation to PG101D.<br>This is calculated as the total amount left unallocated after the allocations to PG300D and PG303D in step 6. | PG101D = 100% - PG300N % Allocation - PG303N % Allocation | PG101D = 100% - (75% * 4.8%) - (25% * 4.8%) | PG101D = 95.2% |

| | |
|---|---|
| **Reference** | PDTEPD-B |
| **Title** | Expedites |
| **Overview** | PDTEPD-B apportions the derived Expedite provision costs from NWB and NWR classes of work to PGs. The GRC value for each CoW is used to determine the percentage allocation. |
| **Description** | **1. Source Costs and MCE:** This base apportions the depreciation costs from the derived Expedite Provision Costs and assets from NWB (Provision & Installation, Exchange lines (Business)) and NWR (Provision & Installation, Exchange lines (Residential)) classes of work to PGs.<br>**2. Cost and MCE Categories:** Depreciation (Copper); and Non-current assets (Copper). |
| | **3. Summary Destination:** This base apportions predominantly to PG149A (Analogue Line Final Drop), as well as to PG200P (Poles Capex) and PG155B (Expedite Provision Costs). |
| | **4. Methodology Taxonomy:** Asset Metrics.<br>**5. Driver classification:** Gross Replacement Cost (GRC). |
| | **6. Data Source Summary:** The base allocates based on proportion of Gross Replacement Costs (GRC) Asset values, engineer task time, AVC hours and expedite volumes. |
| **Data Sources** | Asset metrics: Gross replacement cost (ARC, LOPList), CCA Indexation values;<br>Labour: Labour costs: Man-hours & labour costs (Drag);<br>Revenue & volumes: Openreach revenue & volumes; and<br>Other miscellaneous: Wayleaves payment. |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | This step calculates the total abortive visits (AV) repair costs. The AV labour cost per hour is calculated and used to determine the total cost of repairs.<br><br>***Values for this calculation are obtained from AVC and SD Card Inputs.*** | Part A: Labour Cost per hour = (Manhour Rate (Band B) * Proportion (Band B)) + (Manhour Rate (Band C) * Proportion (Band C))<br><br>Part B: Total cost of AV repairs = (Labour cost per hour (Result from Part A) * Hours) | Part A: Labour cost per hour = (35 * 0.96) + (44 * 0.04 ) = £35<br><br>Part B: Total cost of AV repairs = (£35 * 56k) | Total cost of AV repairs = £1.96m |

| | | | | |
|---|---|---|---|---|
| 2 | This step calculates the total cost of abortive visits (i.e provision and repair) and Expedites, taking into consideration the task time, labour cost per hour and the total number of visits.<br>**Provision and repair is calculated for Expedites and the following Markets: WLR, NGA, MPF*<br>***Values for this calculation are obtained from AVC Historic Data, Expedite Raw Volumes and Raw Volumes Inputs.*** | Part A: Total cost of Expedites = Task Time * Raw Volumes * Labour cost per hour (Result from step 1, Part A)<br>Part B: Total cost of AV = Task Time * Raw Volumes * Labour cost per hour (Result from step 1, Part A) | Part A: Total cost of Expedites = 1.37 * 46k * £35<br>Part B: Total cost of AV = 1.58 * 259k * £35 | Part A: Total cost of Expedites = £2.2m<br>Part B: Total cost of AV = £14.3m |
| 3 | This step calculates the indexation factor to index historical costs for a blended average.<br>***Values are obtained from RPI Index on the Office of National Statistics*** | Indexation = Mar Current Year RPI / Sept Year of Purchase RPI | Indexation = 4,000 / 3,980 | Indexation = 1.005 |
| 4 | This step indexes the total costs of abortive visits for both provision and repair *(For current year only)*. | Indexed total cost of AV = Total cost of AV (Result from step 2, Part B) * Indexation (Result from step 3) | Indexed total cost of AV = £14.3m * 1.005 | Indexed total cost of AV = £14.4m |
| 5 | This step indexes the total AV repair costs, for current year only. | Indexed total cost of AV repairs = Total AV repair costs (Result from step 1, Part B) * Indexation (Result from Step 3) | Indexed total cost of AV repairs = £1.96m * 1.005 | Indexed total cost of AV repairs = £1.97m |
| 6 | This step calculates the total cost for installation only, for current year only. | Indexed total cost of AV provisions = Indexed total cost of AV (Result from Step 4) - Indexed total cost of AV repairs (Result from Step 5) | Indexed total cost of AV provision = £14.4m - £1.97m | Indexed total cost of AV provision = £12.4m |
| 7 | This step calculates the percentage of AV costs that relate to installation only, which is used to apply to previous years. *(For current year only)* | % = Indexed total cost of AV provision (Result from step 6) / Indexed total cost of AV (Result from step 4) | % = £12.4m / £14.4m | % = 86.8% |
| 8 | This step calculates for historic years only the following:<br>Part A: Provision & Repair Indexed Costs<br>Part B: Provision AVC Only Costs<br>Part C: Repair AVC Indexed Costs<br>Part D: Repair AVC Costs | Part A: Provision & Repair Indexed Costs (£k) = Provision & Repair Costs (calculation from step 2, Part B) * Indexation (calculation from step 3)<br>Part B: Provision AVC Only Costs (£k) = Provision & Repair Costs (calculation from step 2, Part B) * % (calculation from step 7)<br>Part C: Repair AVC Indexed Costs (£k) = Provision & Repair Indexed Costs (result from Part A) * Provision AVC Only Costs (result from Part B)<br><br>Part D: Repair AVC Costs (£k) = Repair AVC Indexed Costs (£k) (result from Part C) / Indexation (calculation from step 3) | Part A: Provision & Repair Indexed Costs = £12k * 1.03<br>Part B: Provision AVC Only Costs = £12k * 0.87<br>Part C: Repair AVC Indexed Costs = £12.7k - £10.4k<br><br>Part D: Repair AVC Costs = £2m / 1.03 | Part A: Provision & Repair Indexed Costs = £12.4k<br>Part B: Provision AVC Only Costs = £10.4k<br>Part C: Repair AVC Indexed Costs = £2k<br>Part D: Repair AVC Costs = £1.9k |
| 9 | This step calculates total additions, which is the total capital expenditure on the lead CoWs NWB and NWR for current and historic years, using data from the FAR. | Total Additions = NWB Additions In Yr Total + NWR Additions In Yr Total | Total Additions = £1m + £1.3m | Total Additions = £2.3m |
| 10 | This step calculates the expedite costs for historic years only<br><br>***Values for this calculation are obtained from AVC Historic Data, Expedite Raw Volumes and Task Time Inputs.*** | Total Cost of Expedites (Historic Years) = Manhour Rate * Task Time * Volume | Total Cost of Expedites (Historic Years) = 30 * 1.37 * 100k | Total Cost of Expedites (Historic Years) = £4.1m |
| 11 | This step calculates the proportion of abortive visits as percentage of the total NWB/NWR capital expenditure. | Part A: AVC Proportion (Expedites) = (Total cost of AV (Expedites) (Sum of all results from Step 10 and Step 2 part A ) / Total Additions (Result from Step 9)) * 100<br>Part B: AVC Proportion (Poles GRC) = (Total cost of AV (Poles GRC) / Total Additions (Result from Step 9)) * 100 | Part A: AVC Proportion (Expedites) = £22k / £2.3m * 100<br>Part B: AVC Proportion (Poles GRC) = £17k / £2.3m * 100 | Part A: AVC Proportion (Expedites) = 0.96<br>Part B: AVC Proportion (Poles GRC) = 0.77 |

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| | ***Provision & Repair for Total Additions is the remaining % left after deducting Additions for Expedites, Poles GRC and Provision AVC only from the Total Additions.** | Part C: AVC Proportion (Provision AVC Only) = (Total cost of AV (Provision AVC Only)(Sum of all results from Step 8 part b ) / Total Additions (£m)(Result from Step 9)) * 100 | Part C: AVC Proportion (Provision AVC Only) = £90k / £2.3m * 100 | Part C: AVC Proportion (Provision AVC Only) = 3.98 |
| 12 | This calculation step re-bases the allocation % excluding abortive visits. | Part A: Sum AVC Proportion = 100 - Provision AVC only (result from step 11, Part C)<br><br>Part B: AVC Proportion (Expedites) **(PG155B)**= AVC Proportion (Expedites)(Result from step 11, Part B) / Sum AVC Proportion (result from Part A) * 100<br>Part C: AVC Proportion (Poles GRC) **(PG200P)**= AVC Proportion (Poles GRC)(Result from step 11, Part C) / Sum AVC Proportion (result from Part A) * 100<br>Part D: AVC Proportion (Total additions) **(PG149A)**= (Sum AVC Proportion (result from Part A) - AVC Proportion (Expedites)(Result from step 11) - AVC Proportion (Poles GRC)(Result from step 11) ) / Sum AVC Proportion (result from Part A) * 100 | Part A: Sum AVC Proportion = 100 - 3.98 = 96.02<br><br>Part B: AVC Proportion (Expedites) **(PG155B)**= 0.96 / 96.02 * 100<br>Part C: AVC Proportion (Poles GRC) **(PG200P)**= 0.77 / 96.02 * 100<br>Part D: AVC Proportion (Total additions) **(PG149A)**= (96.02 - 0.96 - 0.77) / 96.02 * 100 | <br><br>**PG155B**= 1.002%<br>**PG200P** = 0.798%<br>**PG149A**= 98.2% |

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| **Reference** | PDTGFA-Q |
| **Title** | Grant Funded Assets |
| **Overview** | PDTGFA-Q apportions MCE relating to grant funded assets based on the proportion of the MCE that relates to duct and pole assets. |
| **Description** | **1. Source Costs and MCE:** This base apportions funding MCE relating to the CoW Grant Funded Assets (GFA).<br>**2. Cost and MCE Categories:** Depreciation (Other); and Non-current assets (Grant Funded Assets). |
| | **3. Summary Destination:** This base apportions predominantly to PG998A (Fibre Rollout Funding) and PG101D (Duct Infrastructure), as well as to PG200P (Poles Capex). |
| | **4. Methodology Taxonomy:** Asset Metrics.<br>**5. Driver classification:** Gross book value. |
| | **6. Data Source Summary:** Data relating to BDUK, network adjustments, COW and depreciation are used in the allocation of this base. |
| **Data Sources** | Asset Metrics: Network Adjustment costs, Depreciation (Cost Perform), Gross book value (Network Instruction Management System (NIMS), ARTISAN (Pole volumes) and Analysis), Gross book cost (Network Instruction Management System (NIMS), ARTISAN (Pole volumes) and Analysis) and CCA indexation values. |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | This step calculates Total BDUK Gross Book Value for CoW's CJD, LDD and LFD.<br>Values are obtained from BDUK GBV Data. The only values required belong to OUC B1, which is FTTC, therefore it does not consider FTTP. | BDUK GBV FTTC for CJD/LDD/LFD (Including Planning Cost) = BDUK GBV for CJD/LDD/LFD * FTTC% | BDUK GBV for CJD = £300k * 50% | BDUK GBV for CJD = £150k |
| 2 | This step sums the BDUK GBV (Results from Step 1) to calculate total GBV for PG101D (Duct Infrastructure).<br>***These values come from BDUK Funding GBV*** | Closing duct GBV = sum of closing GBV for CJD, LDD and LFD (Results from Step 1) (OUC=B1) | Closing duct GBV = £150k + £300k + £250k | GBV for PG101D = £700k |
| 3 | This step calculates the total GBV for FTTC + total GBV for FTTP (we use the total BDUK Assets amount as a proxy for PG998A (BDUK Funding)) | Total BDUK GBV for FTTC/FTTP assets | Closing GBV for PG998A= £1500k + £1000k | Closing GBV for BDUK Assets = £2.5m |
| 4 | This step calculates the total LFDC/LFSC BDUK GRC (PG200P).<br>***Values are obtained from the Poles Investment data.*** | Total GRC for LFDC BDUK = £10k<br>Total GRC for LFSC BDUK = £5k | Total GRC for LFDC BDUK = £10k<br>Total GRC for LFSC BDUK = £5k | Total GRC for LFDC/LFSC BDUK = £15k |

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| | 5 | This step calculates GBV for PG998A | GBV for PG998A = Total closing BDUK GBV (Result from Step 3) - Sum of LFDC & LFSC Poles GRC (Result from Step 4) - Sum of Closing Duct GBV (Result from Step 2) | GBV for PG998A = £2.5m-£15k-£700k | GBV for PG998A = £1785k |
| | 6 | This step calculates the allocation percentage of this base using values from steps 2-5 above. | PG101 = GBV BDUK Duct Infrastructure(Result from step 2) / Total BDUK GBV (Result from step 3)<br>PG200P = GBV BDUK Poles (Capex)(Result from step 4) / Total BDUK GBV (Result from step 3)<br>PG998A = (GBV of Non-Duct/Poles - GBV Pole BDUK Assets)(Result from step 5) / Total BDUK GBV (Result from step 3) | PG101 = £700k/ £2.5m<br>PG200P =£15k/ £2.5m<br>PG998A = £1785k / £2.5m | PG101 = 28%<br>PG200P = 0.6%<br>PG998A = 71.4% |

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| **Reference** | PDTLDC-Q | | | | |
| **Title** | Local Distribution Cable (LDC) Construction | | | | |
| **Overview** | PDTLDC-Q apportions the costs associated with D-Side Copper Cable to PGs based on their proportion of depreciation. | | | | |
| **Description** | **1. Source Costs and MCE:** This base apportions the costs associated with D-Side Copper Cable including depreciation, stores and pay costs. The Access Network for Regulatory Accounting purposes is split between E side and D-Side copper cable. E-Side cable links the local exchange to the primary cross connection point. D-Side cable links the primary cross connection point to the distribution point.<br>**2. Cost and MCE Categories:** Depreciation (Copper) and Non-current assets (Copper). | | | | |
| | **3. Summary Destination:** This base apportions to PG118C (D-side Copper Cable) and PG200P (Poles Capex). | | | | |
| | **4. Methodology Taxonomy:** Asset Metrics<br>**5. Driver classification:** Gross Book Value | | | | |
| | **6. Data Source Summary:** The poles investment LDC data provides the base (PDTLDC) which apportions costs from CoW LDC between PG118C (D-side copper capital) & PG200P (Poles Capex) | | | | |
| **Data Sources** | Asset Metrics: Depreciation. | | | | |
| **Calculation Steps** | **#** | **Summary** | **Calculation** | **Worked Example** | **Example Results** |
| | 1 | This step calculates OCM Depreciation by adding SuppD to the total of LDC depreciation.<br>**SuppD is obtained from CCA workflow, please see CCA proportion of AMD for further guidance on SuppD.**<br>**LDC depreciation is obtained from the Opex report.** | Total LDC depreciation = Sum of all LDC depreciation GLs<br><br>OCM depreciation = Total LDC depreciation + SuppD | Total LDC depreciation = £0.2m + £0.5m<br><br>OCM depreciation = Result from above + £0.13m | Total LDC depreciation = £0.7m<br><br>OCM depreciation = £0.83m |
| | 2 | This step calculates Pole Capex depreciation as a proportion of OCM Depreciation (Result from Step 1).<br>**Poles Capex is obtained from the Openreach report.** | Pole investment allocation =Poles capex depreciation / OCM Depreciation for LDC(Result from Step 1)) | Pole investment allocation = £0.31m / £0.83m | Pole investment allocation = 37.3% |
| | 3 | This step calculates the allocation percentage to D-side Copper Cable (PG118C) by subtracting the Pole investment allocation percentage from 100%. | Allocation to PG118C = 100% - Poles investment base allocation (Result from Step 2) | PG118C = 100% - 37.3% | PG118C = 62.7% |

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| **Reference** | PDTLFDCB1-B1 |
| **Title** | Local Line Optical Fibre Distribution Cable – FTTC |
| **Overview** | PDTLFDCB1-B1 apportions costs (profit & loss) and MCE (balance sheet) for grant funded FTTC distribution cables by identifying the amount relating to Poles, and allocating the remainder to the FTTC Funded Fibre Rollout Spend component. |
| **Description** | **1. Source Costs and MCE:** This base apportions costs and MCE relating to the asset side of BDUK for Construction, Local Line Optical Fibre Distribution Cables (LFDC) that is FTTC.<br>**2. Cost and MCE Categories:** Non-Current Assets (Fibre). |
| | **3. Summary Destination:** This base apportions to PG200P (Poles Capex) and PG999A (FTTC Funded Fibre Rollout Spend). |
| | **4. Methodology Taxonomy:** Asset Metrics.<br>**5. Driver classification:** Gross Book Value. |
| | **6. Data Source Summary:** GBV for BDUK CoWs, Poles Investment based on Gross Book Value and GBV split for FTTP & FTTC. |
| **Data Sources** | Asset Metrics: Gross Book Values (Network Instruction Management System (NIMS), ARTISAN (Pole volumes) and Analysis), Gross Book costs (Network Instruction Management System (NIMS), ARTISAN (Pole volumes) and Analysis), Depreciation (CostPerform), CCA Indexation values and Network adjustment costs. |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | Calculate the FTTC% split<br>***Values are obtained from FTTX Split inputs*** | FTTC% split = FTTC / Sum of FTTC & FTTP across all years (grand total) | FTTC% split = 7/100 | FFTC% split =7% |
| 2 | This step calculates Poles Investment GBV by multiplying GRC by FTTC percentage split.<br>***Values for this calculation are obtained from Poles Investment and FTTX Split inputs*** | Poles Investment GBV = GRC * FTTC percentage split (Result from step 1) | Poles Investment GBV = £15m * 7% | Poles Investment GBV = £1.05m |
| 3 | This step calculates Poles Allocation % by dividing Poles Investment GBV (Result from step 2) by Total Investment GBV.<br>***Values for Total Investment GBV are obtained from BDUK Assets GBV input*** | Poles Allocation % = Poles Investment GBV (Result from step 2) / Total Investment GBV | Poles Allocation % = £1.05m / £300m | Poles Allocation % = 0.35% |
| 4 | The final step calculates Non-Poles Allocation %. To do so Poles Investment GBV (Result from step 2) is taken away from Total investment (GBV). This number is then divided by Total investment (GBV).<br>***Values for Total Investment GBV are obtained from BDUK Assets GBV input*** | Non-Poles Allocation % = (Total investment (GBV) - Poles Investment GBV (Result from step 2)) / Total investment (GBV) | Non-Poles Allocation % = (£300m - £1.05m) / £300m | Non-Poles Allocation % = 99.65% |

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| **Reference** | PDTLFDCB6 - B6 |
| **Title** | Local Line Optical Fibre Distribution Cable - FTTP |
| **Overview** | PDTLFDCB6-B6 apportions costs (profit & loss) and MCE (balance sheet) for grant funded FTTP distribution cables by identifying the amount relating to Poles, and allocating the remainder to the FTTP Funded Fibre Rollout Spend component. |
| **Description** | **1. Source Costs and MCE:** This base apportions the costs and MCE relating to the asset side of BDUK for Construction, Local Line Optical Fibre Distribution Cable (LFDC) that is FTTP.<br>**2. Cost and MCE Categories:** Non-Current Assets (Fibre). |
| | **3. Summary Destination:** This base apportions predominantly to PG990A (FTTP Funded Fibre Rollout Spend), as well as to PG200P (Poles Capex). |
| | **4. Methodology Taxonomy:** Asset Metrics.<br>**5. Driver classification:** Gross Book Value. |
| | **6. Data Source Summary:** GBV for BDUK CoWs, Poles Investment based on Gross Book Value and GBV split for FTTP & FTTC. |
| **Data Sources** | Asset Metrics: Gross Book Values (Network Instruction Management System (NIMS), ARTISAN (Pole volumes) and Analysis), Gross Book costs (Network Instruction Management System (NIMS), ARTISAN (Pole volumes) and Analysis), Depreciation (CostPerform), CCA Indexation values and Network adjustment costs. |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | This step calculate the FTTP% split.<br>***Values are obtained from FTTX Split inputs*** | FTTP% split = FTTP / Sum of FTTC & FTTP across all years (grand total) | FTTP% split = 7/100 | FTTP% split = 7% |
| 2 | The step calculates Poles Investment (GBV) by multiplying GRC by FTTP percentage split.<br>***Values for this calculation are obtained from Poles Investment and FTTX Split inputs*** | Poles Investment GBV = GRC * FTTP percentage split | Poles Investment GBV = £15m * 7% | Poles Investment GBV = £1.05m |
| 3 | This step calculates Poles Allocation %<br>This is done by dividing Poles Investment GBV (Result from step 1) by Total Investment GBV<br>***Values for Total Investment GBV are obtained from BDUK Assets GBV inputv*** | Poles Allocation % = Poles Investment GBV (Result from step 2) / Total Investment GBV | Poles Allocation % = £1.05m / £300m | Poles Allocation % = 0.35% |
| 4 | The final step calculates Non-Poles Allocation %. To do so Poles Investment GBV (Result from step 2) is taken away from Total investment (GBV). This number is then divided by Total investment (GBV).<br>***Values for Total Investment GBV are obtained from BDUK Assets GBV input*** | Non-Poles Allocation % = Total investment GBV - Poles Investment GBV (Result from step 2) / Total investment GBV | Non-Poles Allocation % = (£300m - £1.05m / £300m | Non-Poles Allocation % = 99.65% |

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|---|---|
| **Reference** | PDTLFDCBS-Q |
| **Title** | Local Fibre Distribution Cable - Balance Sheet |
| **Overview** | This base apportions the balance sheet items associated with local fibre distribution cable (into PGs for FTTC, FTTP, Ethernet, Ethernet Cablelink, Poles, Network Adjustments Poles and Network Adjustments Duct), based on their proportion of the Total NBV. All NBV balances in this apportionment are calculated after excluding the BDUK balances. |
| **Description** | **1. Source Costs and MCE:** This base apportions the balance sheet items associated with local fibre distribution cable.<br>**2. Cost and MCE Categories:** Non-current assets (Fibre). |
| | **3. Summary Destination:** This base predominantly apportions costs to PG959C (Access Distribution Fibre), PG949C (GEA FTTP Distribution Fibre); and PG951C (GEA FTTC Distribution Fibre). It also allocates to PG300N (Duct Network Adjustments – Internal), PG303N (Poles Network Adjustments – Internal) and PG200P (Poles Capital Expenditure). |
| | **4. Methodology Taxonomy:** Asset Metrics.<br>**5. Driver classification:** Net Book Value. |
| | **6. Data Source Summary:** NBV (Fixed Asset Data for LFDC), Network Adjustment GBV (used to calculate Network Adjustments NBV), Poles NBV and Ethernet Cablelink NBV are used to as drivers to allocate costs across the relevant Plant Groups for Distribution Fibre. |
| **Data Sources** | NBV (Fixed Asset Data for LFDC), Network Adjustment GBV (used to calculate Network Adjustments NBV), Poles NBV and Ethernet Cablelink NBV are used to as drivers to allocate costs across the relevant Plant Groups for Distribution Fibre. |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | This step calculates Total BDUK NBV for LFDC (FTTC and FTTP).<br>Values are obtained from BDUK GBV Data. | BDUK GBV FTTx for LFDC = BDUK GBV for LFDC * FTTx%<br>BDUK AD FTTx for LFDC = BDUK AD for LFDC * FTTx%<br>BDUK NBV FTTx for LFDC = BDUK GBV FTTx for LFDC - BDUK AD FTTx for LFDC | BDUK GBV FTTC for LFDC = £100 * 60%<br>BDUK GBV FTTP for LFDC = £100 * 40%<br>BDUK AD FTTC for LFDC = £50 * 60%<br>BDUK AD FTTP for LFDC = £50 * 40%<br>BDUK NBV FTTC for LFDC = £60 - £30<br>BDUK NBV FTTP for LFDC = £40 - £20 | BDUK GBV FTTC for LFDC = £60<br>BDUK GBV FTTP for LFDC = £40<br>BDUK AD FTTC for LFDC = £30<br>BDUK AD FTTP for LFDC = £20<br>BDUK NBV FTTC for LFDC = £30<br>BDUK NBV FTTP for LFDC = £20 |
| 2 | This step calculates BDUK Planning Cost for LFDC (FTTC and FTTP). | [Calcs are the same as Step 1 but filtered for Policy Code FCDG]<br>BDUK GBV (Planning Cost) FTTx for LFDC = BDUK GBV [Policy Code FCDG] * FTTx% | BDUK GBV (Planning Cost) FTTC for LFDC = £10 * 60%<br>BDUK GBV (Planning Cost) FTTP for LFDC = £10 * 40% | BDUK GBV (Planning Cost) FTTC for LFDC = £6<br>BDUK GBV (Planning Cost) FTTP for LFDC = £4 |

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| | | BDUK AD (Planning Cost) FTTx for LFDC = BDUK AD [Policy Code FCDG] * FTTx%<br>BDUK NBV (Planning Cost) FTTx for LFDC = BDUK GBV (Planning Cost) FTTx for LFDC - BDUK AD (Planning Cost) FTTx for LFDC | BDUK AD (Planning Cost) FTTC for LFDC = £5 * 60%<br>BDUK AD (Planning Cost) FTTP for LFDC = £5 * 40%<br>BDUK NBV (Planning Cost) FTTC for LFDC = £6 - £3<br>BDUK NBV (Planning Cost) FTTP for LFDC = £4 - £2 | BDUK AD (Planning Cost) FTTC for LFDC = £3<br>BDUK AD (Planning Cost) FTTP for LFDC = £2<br>BDUK NBV (Planning Cost) FTTC for LFDC = £3<br>BDUK NBV (Planning Cost) FTTP for LFDC = £2 |
| 3 | This step strips out BDUK Planning Costs from Total BDUK NBV (FTTC and FTTP). | BDUK NBV FTTx Net of Planning Cost for LFDC = BDUK NBV FTTx for LFDC (Result from Step 1) - BDUK NBV (Planning Cost) FTTx for LFDC (Result from Step 2) | BDUK NBV FTTC Net of Planning Cost for LFDC = £30 - £3<br>BDUK NBV FTTP Net of Planning Cost for LFDC = £20 - £2 | BDUK NBV FTTC Net of Planning Cost for LFDC = £27<br>BDUK NBV FTTP Net of Planning Cost for LFDC = £18 |
| 4 | This step sums together BDUK FTTC and FTTP NBV (net of Planning Costs) calculated in Step 3, to give us totals. | Total NBV of BDUK element in LFDC = BDUK NBV FTTC Net of Planning Cost for LFDC (Result from Step 3) + BDUK NBV FTTP Net of Planning Cost for LFDC (Result from Step 3) | Total NBV of BDUK element in LFDC = £27 + £18 | Total NBV of BDUK element in LFDC = £45 |
| 5 | This step adjusts NBV for FTTC and FTTP by removing the BDUK element. NBV in FTTC and FTTP is obtained from Ledger Data and NBV for the BDUK element is taken from step 4. | For both FTTP and FTTC:<br>FTTx BDUK Adj NBV = FTTx LFDC NBV - BDUK NBV FTTx Net of Planning Cost for LFDC (Result from Step 3)<br>Total BDUK Adj NBV in LFDC = Total LFDC NBV - Total NBV of BDUK element in LFDC (Result from Step 4) | FTTC BDUK Adj NBV = £217 - £27<br>FTTP BDUK Adj NBV = £108 - £18<br>Total BDUK Adj NBV in LFDC = £545 - £45 | FTTC BDUK Adj NBV = £190<br>FTTP BDUK Adj NBV = £90<br>Total BDUK Adj NBV in LFDC = £500 |
| 6 | This step calculates the NBV for Internal Network Adjustments (NA), in relation to Poles & Duct. External Network Adjustments are not considered currently as they are not material. Note that other CoWs are subject to CCA, however LFDC is not adjusted for CCA so indexation is not applied here.<br>It utilises GBV data for Network Adjustments from Openreach. | Part a: Depreciation Calculation<br>Depreciation of Poles Internal NA in LFDC = GBV of Poles Internal NA in LFDC / Asset Life<br>Depreciation of Duct Internal NA in LFDC = GBV of Duct Internal NA in LFDC / Asset Life<br>Part b: NBV Calculation<br>NBV of Poles Internal NA in LFDC = GBV of Poles Internal NA in LFDC - Depreciation of Poles Internal NA in LFDC (Result from step 6a)<br>NBV of Duct Internal NA in LFDC = GBV of Duct Internal NA in LFDC - Depreciation of Duct Internal NA in LFDC (Result from step 6a)<br>Part c: Total NBV Calculation<br>Total NBV of Internal NA in LFDC = NBV of Duct Internal NA in LFDC (Result from step 6b) + NBV of Poles Internal NA in LFDC (Result from step 6b) | Part a: Depreciation Calculation<br>Depreciation of Poles Internal NA in LFDC = £5 / 10 years<br>Depreciation of Duct Internal NA in LFDC = £10 / 10 years<br>Part b: NBV Calculation<br>NBV of Poles Internal NA in LFDC = £5 - £0.5<br>NBV of Duct Internal NA in LFDC = £10 - £1<br>Part c: Total NBV Calculation<br>Total NBV of Internal NA in LFDC = £4.5 + £9 | Part a: Depreciation Calculation<br>Depreciation of Poles Internal NA in LFDC = £0.5<br>Depreciation of Duct Internal NA in LFDC = £1<br>Part b: NBV Calculation<br>NBV of Poles Internal NA in LFDC = £4.5<br>NBV of Duct Internal NA in LFDC = £9<br>Part c: Total NBV Calculation<br>Total NBV of Internal NA in LFDC = £13.5 |
| 7 | This step calculates the Network Adjustment (NA) NBV percentage, based on LFDC poles NBV as a proportion of total LFDC NBV. | Internal NA Percentage Poles = NBV of Poles Internal NA in LFDC (Result from Step 6b) / Total BDUK Adj NBV in LFDC (Result from Step 5)<br>Internal NA Percentage Duct = NBV of Duct Internal NA in LFDC (Result from Step 6b) / Total BDUK Adj NBV in LFDC (Result from Step 5)<br>Total Non NA Percentage = 100% - (Internal NA Percentage Poles + Internal NA Percentage Duct) | Internal NA Percentage Poles = £4.5 / £500<br>Internal NA Percentage Duct = £9 / £500<br>Non-NA Percentage = 100% - (1% + 2%) | Internal NA Percentage Poles = 1%<br>Internal NA Percentage Duct = 2%<br>Non-NA Percentage = 97% |

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| | 8 | This step calculates the Poles percentage, based on LFDC poles NBV as a proportion of total LFDC NBV. | Poles Percentage = NBV of Poles in LFDC / Total BDUK Adj NBV in LFDC (Result from Step 5) | Poles Percentage = £50 / £500<br>Non-Poles Percentage = 100% - 10% | Poles Percentage = 10% |
| | 9 | This step calculates the adjustment to exclude Poles and NA. | Adj to Exclude Poles and NA = 100% - [ NA Percentage (Result from Step 7) + Poles Percentage (Result from Step 8) ] | Adj to Exclude Poles and NA = 100% - ( 3% + 10% ) | Adj to Exclude Poles and NA = 87% |
| | 10 | This step calculates the Ethernet Cablelink adjustment. | NBV in Ethernet Excl. Cablelink = NBV in Ethernet for LFDC - NBV in Ethernet Cablelink for LFDC | NBV in Ethernet Excl. Cablelink = £220 - £10 | NBV in Ethernet Excl. Cablelink = £210 |
| | 11 | This step calculates the percentage allocations to PGs, before Poles and Network Adjustments. | FTTx PGs = BDUK Adj NBV in FTTx (Result from Step 5) / Total BDUK Adjusted NBV in LFDC (Result from Step 5)<br>Ethernet PG = NBV in Ethernet Excl Cablelink for LFDC (Result from Step 10) / Total BDUK Adjusted NBV in LFDC (Result from Step 5)<br>Ethernet Cablelink PG = NBV in Ethernet Cablelink for LFDC (Result from Step 10) / Total BDUK Adjusted NBV in LFDC (Result from Step 5) | FTTC PG = £190 / £500<br>FTTP PG = £90 / £500<br>Ethernet PG = £210 / £500<br><br>Ethernet Cablelink PG = £10 / £500 | FTTC PG = 38%<br>FTTP PG = 18%<br>Ethernet PG = 42%<br><br>Ethernet Cablelink PG = 2% |
| | 12 | Percentage Allocations after Poles and Network Adjustments | FTTC PG = FTTC PG Before Poles and NA (Result from Step 11) * Adjustment to Exclude Poles and NA (Result from Step 9)<br>FTTP PG = FTTP PG Before Poles and NA (Result from Step 11) * Adjustment to Exclude Poles and NA (Result from Step 9)<br>Ethernet PG= Ethernet PG Before Poles and NA (Result from Step 11) * Adjustment to Exclude Poles and NA (Result from Step 9)<br>Ethernet Cablelink PG = Ethernet Cablelink PG Before Poles and NA (Result from Step 11) * Adjustment to Exclude Poles and NA (Result from Step 9)<br>Poles PG = Poles Percentage (Result from Step 8)<br>Internal NA Poles PG = Internal NA Percentage Poles (Result from Step 7)<br>Internal NA Duct PG = Internal NA Percentage Duct (Result from Step 7) | FTTC PG = 38% * 87%<br><br>FTTP PG = 18% * 87%<br><br>Ethernet PG = 42% * 87%<br><br>Ethernet Cablelink PG = 2% * 87%<br><br>Poles PG = 10%<br>Internal NA Poles PG = 1%<br><br>Internal NA Duct PG = 2% | FTTC PG = 33%<br><br>FTTP PG = 16%<br><br>Ethernet PG = 36%<br><br>Ethernet Cablelink PG = 2%<br><br>Poles PG = 10%<br>Internal NA Poles PG = 1%<br><br>Internal NA Duct PG = 2% |

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|---|---|
| **Reference** | PDTLFDC-Q |
| **Title** | Local Fibre Distribution Cable - Profit and Loss |
| **Overview** | This base apportions the profit and loss items (depreciation) associated with local fibre distribution cable (into PGs for FTTC, FTTP, Ethernet, Ethernet Cablelink, Poles, Network Adjustments Poles and Network Adjustments Duct), based on their proportion of the Total Depreciation. All depreciation balances in this apportionment are calculated after excluding the BDUK balances. |
| **Description** | **1. Source Costs and MCE:** This base apportions the depreciation associated with local fibre distribution cable.<br>**2. Cost and MCE Categories:** Depreciation (Fibre). |
| | **3. Summary Destination:** This base apportions costs predominantly to PG959C (Access Distribution Fibre), PG949C (GEA FTTP Distribution Fibre) and PG951C (GEA FTTC Distribution Fibre). It also apportions to PG300N (Duct Network Adjustments – Internal), PG303N (Poles Network Adjustments – Internal) and PG200P (Poles Capital Expenditure). |
| | **4. Methodology Taxonomy:** Asset Metrics.<br>**5. Driver classification:** Depreciation. |
| | **6. Data Source Summary:** Depreciation (Fixed Asset Data for LFDC), Network Adjustment GBV (used to calculate Network Adjustments Depreciation), Poles Costs and Ethernet Cablelink Costs are used to as drivers to allocate costs across the relevant Plant Groups for Distribution Fibre. |
| **Data Sources** | Depreciation (Loplist), Network adjustment GBV data, Poles costs; and Ethernet Cablelink costs. |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | This step calculates Total BDUK Depreciation for LFDC (FTTC and FTTP).<br>Values are obtained from BDUK GBV Data. | BDUK Depreciation FTTx for LFDC (Including Planning Cost) = BDUK Depreciation for LFDC * FTTx% | FTTP BDUK Depreciation (Including Planning Cost) = £100 * 70%<br>FTTC BDUK Depreciation (Including Planning Cost) = £100 * 30 % | FTTP BDUK Depreciation (Including Planning Cost) = £70<br>FTTC BDUK Depreciation (Including Planning Cost)= £30 |
| 2 | This step calculates BDUK Planning Cost for LFDC (FTTC and FTTP). | [Calcs are same as Step 1 but filtered for Policy Code FCDG]<br>BDUK Depreciation (Planning Cost) BDUK FTTx for LFDC = BDUK Depreciation FTTx for LFDC [Policy Code FCDG] * FTTx% | FTTP BDUK Planning Costs (Depreciation) = £14 * 70%<br>FTTC BDUK Planning Costs (Depreciation) = £17 * 30% | FTTP BDUK Planning Costs (Depreciation) = £10<br>FTTC BDUK Planning Costs (Depreciation) = £5 |
| 3 | This step strips out BDUK Planning Costs from Total BDUK Depreciation (FTTC and FTTP). | BDUK Depreciation FTTx Net of Planning Cost for LFDC = BDUK Depreciation FTTx for LFDC (Result from step 1) - BDUK Depreciation (Planning Cost) FTTx for LFDC (Result from step 2) | FTTP BDUK LFDC Depreciation = £70 - £10<br>FTTC BDUK LFDC Depreciation = £30 - £5 | FTTP BDUK LFDC Depreciation = £60<br>FTTC BDUK LFDC Depreciation = £25 |
| 4 | This step sums together BDUK FTTC and FTTP Depreciation (net of Planning Costs) calculated in Step 3, to give us totals. | Total Depreciation of BDUK element in LFDC = BDUK Depreciation FTTC Net of Planning Cost for LFDC (Result from part 3) + BDUK Depreciation FTTP Net of Planning Cost for LFDC (Result from part 3) | Total BDUK Depreciation = £60 + £25 | Total BDUK Depreciation = £85 |
| 5 | This step adjusts depreciation for FTTC and FTTP by removing the BDUK element. Depreciation for FTTC and FTTP is obtained from ledger data and the depreciation for BDUK element is calculated in Step 1. | For both FTTP and FTTC:<br>FTTx BDUK Adj Depreciation in LFDC = FTTx LFDC depreciation - BDUK FTTx LFDC depreciation (Result from Step 3)<br>Total BDUK Adj LFDC Depreciation = Total LFDC Depreciation - Total BDUK depreciation (Result from Step 4) | FTTP BDUK Adj Depreciation in LFDC = £100 - £25<br>FTTC BDUK Adj Depreciation in LFDC = £200 - £60<br>Total BDUK Adj Depreciation in LFDC = £500 - £85 | FTTP BDUK Adj Depreciation in LFDC = £75<br>FTTC BDUK Adj Depreciation in LFDC = £140<br>Total BDUK Adj Depreciation in LFDC = £415 |
| 6 | This step calculates the Depreciation for Internal Network Adjustments (NA), in relation to Poles & Duct. External Network Adjustments are not considered currently as they are not material. Note that other CoWs are subject to CCA, however LFDC is not adjusted for CCA so indexation is not applied here.<br>It utilises GBV data for Network Adjustments from Openreach. | Depreciation of Poles Internal NA in LFDC = GBV of LFDC Poles Internal NA / Asset Life<br>Depreciation of Duct Internal NA in LFDC = GBV of LFDC Duct Internal NA / Asset Life<br>Total Depreciation of Internal NA in LFDC = Depreciation of Duct Internal NA in LFDC + Depreciation of Poles Internal NA in LFDC | Depreciation of Poles Internal NA in LFDC = £300 / 10 years<br>Depreciation of Duct Internal NA in LFDC = £115 / 10 years<br>Total Depreciation of Internal NA in LFDC = £30 + £11.5 | Depreciation of Poles Internal NA in LFDC = £30<br>Depreciation of Duct Internal NA in LFDC = £11.5<br>Total Depreciation of Internal NA in LFDC = £41.5 |
| 7 | This step calculates the NA percentage, based on LFDC NA depreciation as a proportion of Total BDUK Adjusted LFDC depreciation. | Internal NA Percentage Poles = Depreciation of Poles Internal NA in LFDC (Result from Step 6) / Total BDUK Adj Depreciation in LFDC (Result from Step 5)<br>Internal NA Percentage Duct = Depreciation of Duct Internal NA in LFDC (Result from Step 6) / Total BDUK Adj Depreciation in LFDC (Result from Step 5)<br>Non-NA Percentage = 1 - (Internal NA Percentage Poles + Internal NA Percentage Duct) | Internal NA Percentage Poles = £30 / £415<br>Internal NA Percentage Duct = £11.5 / £415<br>Non-NA % = 100% - (7% + 3%) | Internal NA Percentage Poles = 7%<br>Internal NA Percentage Duct = 3%<br>Total NA Percentage = 10% |
| 8 | This step calculates the Poles percentage, based on LFDC poles depreciation as a proportion of Total BDUK Adjusted LFDC depreciation | Poles Percentage = Depreciation of Poles in LFDC / Total BDUK Adj Depreciation in LFDC (Result from Step 5) | Poles Percentage = £83 / £415 | Poles Percentage = 20% |

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| | 9 | This step calculates the adjustment to exclude Poles and NA. | Adj to Exclude Poles and NA = 100% - [ NA Percentage (Result from Step 7) + Poles Percentage (Result from Step 8) ] | Adj to Exclude Poles and NA = 100% - (10% + 20%) | Adj to Exclude Poles and NA = 70% |
| | 10 | This step calculates the Ethernet Cablelink adjustment. | Depreciation in Ethernet Excl. Cablelink = Depreciation in Ethernet for LFDC - Depreciation in Ethernet Cablelink for LFDC | Depreciation in Ethernet Excl. Cablelink = £200 - £10 | Depreciation in Ethernet Excl. Cablelink = £190 |
| | 11 | This step calculates the percentage allocations to PGs, before Poles and Network Adjustments. | For FTTP and FTTC PGs:<br>Depreciation before Poles and NA = BDUK Adjusted Depreciation in FTTx (Result from Step 5) / Total BDUK Adjusted Depreciation in LFDC (Result from Step 5)<br>For Ethernet and Ethernet Cablelink PGs:<br>Depreciation before Poles and NA = Depreciation in Ethernet for LFDC (Result from Step 10) / Total BDUK Adjusted Depreciation in LFDC (Result from Step 5) | FTTC PG = £140 / £415<br>FTTP PG = £75 / £415<br>Ethernet PG= £190 / £415<br>Ethernet Cablelink PG = £10 / £415 | FTTC PG = 34%<br>FTTP PG = 18%<br>Ethernet PG = 46%<br>Ethernet Cablelink PG = 2% |
| | 12 | This step calculates the percentage allocations to PGs after Poles and Network Adjustments. | FTTC PG = FTTC PG Before Poles and NA (Result from Step 11) * Adjustment to Exclude Poles and NA (Result from Step 9)<br>FTTP PG = FTTP PG Before Poles and NA (Result from Step 11) * Adjustment to Exclude Poles and NA (Result from Step 9)<br>Ethernet PG= Ethernet PG Before Poles and NA (Result from Step 11) * Adjustment to Exclude Poles and NA (Result from Step 9)<br>Ethernet Cablelink PG = Ethernet Cablelink PG Before Poles and NA (Result from Step 11) * Adjustment to Exclude Poles and NA (Result from Step 11)<br>Poles PG = Poles Percentage (Result from Step 8)<br>Internal NA (Poles) PG = Internal NA Percentage Poles (Result from Step 7)<br>Internal NA (Duct) PG = Internal NA Percentage Duct (Result from Step 7) | FTTC PG = 34% * 70%<br>FTTP PG = 18% * 70%<br><br>Ethernet PG = 46% * 70%<br><br>Ethernet Cablelink PG = 2% * 70%<br><br>Poles PG = 20%<br>Internal NA (Poles) PG = 7%<br><br>Internal NA (Duct) PG = 3% | FTTC PG = 24%<br>FTTP PG = 13%<br><br>Ethernet PG =32%<br><br>Ethernet Cablelink PG = 1%<br><br>Poles PG = 20%<br>Internal NA (Poles) PG = 7%<br><br>Internal NA (Duct) PG = 3% |

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| **Reference** | PDTLFSCB1-B1 | | | | |
| **Title** | Local Line OF Spine Cable - FTTC | | | | |
| **Overview** | PDTLFSCB1-B1 apportions costs (profit & loss) and MCE (balance sheet) for grant funded FTTC spine cables by identifying the amount relating to Poles, and allocating the remainder to the FTTC Funded Fibre Rollout Spend component. | | | | |
| **Description** | **1. Source Costs and MCE:** This base apportions costs and MCE relating to the asset side of BDUK for Construction, Local Line of Spine Cable (LFSC) that is FTTC.<br>**2. Cost and MCE Categories:** Non-Current Assets (Fibre). | | | | |
| | **3. Summary Destination:** This base apportions predominantly to PG999A (FTTC Funded Fibre Rollout Spend), as well as to PG200P (Poles Capex). | | | | |
| | **4. Methodology Taxonomy:** Asset Metrics.<br>**5. Driver classification:** Gross Book Value. | | | | |
| | **6. Data Source Summary:** GBV for BDUK CoWs, Poles Investment based on GBV and GBV split for FTTP & FTTC. | | | | |
| **Data Sources** | Asset Metrics: Network adjustment costs, CCA indexation values and Gross book values (Network Instruction Management System (NIMS), ARTISAN (Pole volumes) and Analysis). | | | | |
| **Calculation Steps** | **#** | **Summary** | **Calculation** | **Worked Example** | **Example Results** |
| | 1 | This step calculates the FTTC% split.<br>***Values are obtained from FTTX Split inputs*** | FTTC% split = FTTP / Sum of FTTC & FTTP across all years (grand total) | FTTC% split = 7/100 | FTTC% split = 7% |

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| | 2 | This step calculates Poles Investment GBV by multiplying GRC by FTTC percentage split.<br>***Values for this calculation are obtained from Poles Investment and FTTX Split inputs*** | Poles Investment GBV = GRC * FTTC percentage split (Result from step 1) | Poles Investment (GBV) = £15,000m * 7% | Poles Investment (GBV) = £1,050m |
| | 3 | This step calculates Poles Allocation % by dividing Poles Investment GBV (Result from step 2) by Total Investment GBV.<br>***Values for Total Investment GBV are obtained from BDUK Assets GBV input*** | Poles Allocation % = Poles Investment GBV (Result from step 2) / Total Investment GBV | Poles Allocation % = (£1,050m / £300,000m) | Poles Allocation % = 0.35% |
| | 4 | The final step calculates Non-Poles Allocation %. To do so Poles Investment GBV (Result from step 2) is taken away from Total investment (GBV). This number is then divided by Total investment (GBV).<br>***Values for Total Investment GBV are obtained from BDUK Assets GBV input*** | Non-Poles Allocation % = (Total investment (GBV) - Poles Investment GBV (Result from step 2)) / Total investment (GBV) | Non-Poles Allocation % = (£300,000m - £1,050m) / £300,000m | Non-Poles Allocation % = 99.65% |

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| **Reference** | PDTLFSCB6-B6 | | | | |
| **Title** | Local Line OF Spine Cable - FTTP | | | | |
| **Overview** | PDTLFSCB6-B6 apportions costs (profit & loss) and MCE (balance sheet) for grant funded FTTP spine cables by identifying the amount relating to Poles, and allocating the remainder to the FTTP Funded Fibre Rollout Spend component. | | | | |
| **Description** | **1. Source Costs and MCE:** This base apportions costs and MCE relating to the asset side of BDUK for Construction, Local Line of Spine Cable (LFSC) that is FTTP.<br>**2. Cost and MCE Categories:** Non-current assets (Fibre). | | | | |
| | **3. Summary Destination:** This base apportions predominantly to PG990A (FTTP Funded Fibre Rollout Spend), as well as to PG200P (Poles Capex). | | | | |
| | **4. Methodology Taxonomy:** Asset Metrics.<br>**5. Driver classification:** Gross Book Value. | | | | |
| | **6. Data Source Summary:** GBV for BDUK CoWs, Poles Investment based on GBV and GBV split for FTTP & FTTC. | | | | |
| **Data Sources** | Asset Metrics: Network adjustment costs, CCA indexation values and Gross book values (Network Instruction Management System (NIMS), ARTISAN (Pole volumes) and Analysis). | | | | |
| **Calculation Steps** | **#** | **Summary** | **Calculation** | **Worked Example** | **Example Results** |
| | 1 | This step calculates the FTTP% split.<br>***Values are obtained from FTTX Split inputs*** | FTTP% split = FTTP / Sum of FTTC & FTTP across all years (grand total) | FTTP% split = 7/100 | FTTP% split = 7% |
| | 2 | The step calculates Poles Investment (GBV) by multiplying GRC by FTTP percentage split.<br>***Values for this calculation are obtained from Poles Investment and FTTX Split inputs*** | Poles Investment GBV = GRC * FTTP percentage split(Result from Step 1) | Poles Investment GBV = £15,000m * 7% | Poles Investment GBV = £1,050m |
| | 3 | This step calculates Poles Allocation % by dividing Poles Investment GBV (Result from step 2) by Total Investment GBV.<br>***Values for Total Investment GBV are obtained from BDUK Assets GBV input*** | Poles Allocation % = Poles Investment GBV (Result from step 2) / Total Investment GBV | Poles Allocation % = £1,050m / £300,000m | Poles Allocation % = 0.35% |
| | 4 | The final step calculates Non-Poles Allocation %. To do so Poles Investment GBV (Result from step 2) is taken away from Total investment (GBV). This number is then divided by Total investment (GBV).<br>***Values for Total Investment GBV are obtained from BDUK Assets GBV input*** | Non-Poles Allocation % = Total investment GBV - Poles Investment GBV (Result from step 2) / Total investment GBV | Non-Poles Allocation % = (£300,000m - £1,050m / £300,000m | Non-Poles Allocation % = 99.65% |

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| **Reference** | PDTLMC-Q |
| **Title** | Exchange Side Cables |
| **Overview** | PDTLMC-Q apportions the depreciation and asset values for our exchange side copper cable assets based on depreciation calculations. |
| **Description** | **1. Source Costs and MCE:** This base apportions the depreciation and asset values for our exchange side copper cable assets (CoW LMC).<br>**2. Cost and MCE Categories:** Depreciation (Copper), Holding Gains, Supplementary Depreciation, Non-current assets (Copper). |
| | **3. Summary Destination:** This base apportions predominantly to PG117C (E-Side Copper Cable) and PG192A (FTTC Copper Tie Cables), as well as to PG130A (Intra-exchange Tie Cables) and PG151B (Broadband Line Testing Equipment Openreach). |
| | **4. Methodology Taxonomy:** Asset Metrics.<br>**5. Driver classification:** Depreciation. |
| | **6. Data Source Summary:** Depreciation and asset value data is used for the calculation of this base. |
| **Data Sources** | Asset Metrics: Depreciation (Openreach LopList, Orbit), Mean Capital Employed, Gross Book value (FAR) and Capital spend (NIMS, CID). |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | This step calculates the proportion of the Synthetic Categories 'Survey and Installations' cost as a % of total cost of synthetic categories in each year. The cost data is obtained from surveys. | For each Syn. category in each year:<br>Survey and Installations % = Cost / Grand Total | For Installation Syn. category in 2014/15:<br>Survey and Installations % = £780k / £1,500k | Survey and Installations % = 52% |
| 2 | This step calculates total capex for sub-programmes affected by mis-booked asset depreciation in each year. | For each year:<br>Affected Capex excl Stores = Total evoTAM Capex for affected sub-programme – Stores Capex (Tie Cables) | Affected Capex excl Stores = £5m - £3.5m | Affected Capex excl Stores = £1.5m |
| 3 | This step estimates depreciation of capex cost incorrectly booked to CoW LMC and APC CLLU:<br>Part A: Estimates total incorrectly attributed capex for each Syn category in each year<br>Part B: Estimates Depreciation value for each year<br>Part C: Total Estimated depreciation for EvoTAMS in CLLU | Part A: Total incorrectly attributed capex for each Syn Category = Affected capex excl. stores$_{(Results\ from\ Step\ 2)}$ x Cost Percentage$_{(Result\ from\ Step\ 1)}$<br><br>Part B: Estimated depreciation = Total incorrectly attributed capex$_{(Result\ from\ Step\ 2,\ Part\ A)}$ / Asset Life<br><br>Part C: Estimated depreciation for EvoTAMS in CLLU = Sum of Estimated depreciation across all year $_{(Result\ from\ Step\ 2,\ Part\ B)}$ | Part A: Total incorrectly attributed capex<br>For Installation in 2014/15 = £1.5m x 52% = £0.8m<br>For Survey in 2014/15 = £1.5m x 2% = £0.03m<br>Part B: Estimated depreciation in 2014/15 = £0.8m / 18 = £0.04m<br><br>Part C: Total Estimated depreciation for EvoTAMS in CLLU = £0.08m (in 08/09) + £0.27m (in 09/10) +.....+ £0.04m (in 14/15) + ... + £0m (in 19/20) | Part C: Total Estimated depreciation for EvoTAMS in CLLU = £2.3m |
| 4 | This step calculates the estimated depreciation for TAMs, for P12 in APC CLLU (CoW LMC). | TAMs depreciation = Total Estimated depreciation for EvoTAMS in CLLU$_{(Result\ from\ step\ 3)}$ * (Period / Estimate period) | TAMs depreciation = £2.3m * (6/12) | TAMs depreciation = £1m |
| 5 | This step calculates estimated depreciation for TAM as a proportion of total YTD Depreciation for Tie Cables (CLLU) assets. | TAMs depreciation % = TAMs depreciation$_{(Result\ from\ step\ 4)}$ / Total CLLU depreciation | TAMs depreciation % = £1m / £8m | TAMs depreciation % = 12.5% |
| 6 | This step calculates YTD depreciation for CLLU assets as a proportion of total LMC YTD depreciation, before adjusting for NGA. | CLLU asset % = Total CLLU depreciation / (Total LMC depreciation - BDUK Depreciation) | CLLU asset % = £8m / (£60m - £20m) | CLLU asset % = 20% |
| 7 | This step calculates the PG151B % allocation by calculating TAMs depreciation as a proportion of the total LMC YTD Depreciation. | PG151B allocation = TAMs depn % * CLLU asset % | PG151B allocation = 12.5% * 20% | PG151B allocation = 2.5% |

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| | 8 | This step calculates the PG130A % allocation, based on the CLLU asset % after the TAMs depreciation (PG151A) allocation. | PG130A allocation = CLLU asset % (Result from step 6) - PG151A allocation (Result from step 7) | PG130A allocation = 20% - 2.5% | PG130A allocation = 17.5% |
| | 9 | This step calculates in-year depreciation for NGA Commercial using, Capex data, YTD depreciation values and Asset Life values. Capex data is obtained from Fixed Asset Register data for LMC CoW, Year to date depreciation values are obtained from Loplist and Asset Life values are based on general assumptions. | NGA Commercial depreciation = (Capex Life / Asset Life (in years)) * (Period / Number of months in a year) | NGA Commercial depreciation = ( £280m / £42m ) * ( 6 / 12 ) | NGA Commercial depreciation = £3m |
| | 10 | This step calculates the NGA commercial share of depreciation for PG192A allocation % | NGA depreciation = NGA commercial depreciation (Result from step 9) / Total year to date depreciation | NGA depreciation = £3m / £42m | NGA depreciation = 7% |
| | 11 | This step calculates the PG117C allocation as the remainder from results calculated in steps 7, 8, and 10. | PG117C allocation = PG151B allocation % (Result from step 7) - PG130A allocation % (Result from step 8) - NGA depreciation % (Result from step 10) | PG117C allocation = 100% - 2.5% - 17.5% - 7% | PG117C allocation = 73% |

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| **Reference** | PDTLMDF-Q | | | | |
| **Title** | Main Distribution Frames in Local Exchanges | | | | |
| **Overview** | PDTLMDF-Q apportions the costs and balance sheet associated with MDFs in local exchanges. The apportionment of these costs are based on depreciation of MDF assets for both E-side copper cable and local loop unbundling frame usage. | | | | |
| **Description** | **1. Source Costs and MCE:** This base apportions the costs and MCE associated with main distribution frames in local exchanges.<br>**2. Cost and MCE Categories:** Depreciation (Switch & Transmission); and Non-current assets (Switch & Transmission). | | | | |
| | **3. Summary Destination:** This base apportions predominantly to PG217E (Main Distribution Frames Equipment), as well as to PG130A (Intra-exchange Tie Cables). | | | | |
| | **4. Methodology Taxonomy:** Asset Metrics.<br>**5. Driver classification:** Depreciation. | | | | |
| | **6. Data Source Summary:** Data is sourced from the YTD Depreciation field from the Openreach LopList. | | | | |
| **Data Sources** | Asset Metrics: Depreciation (Openreach LopList) | | | | |
| **Calculation Steps** | **#** | **Summary** | **Calculation** | **Worked Example** | **Example Results** |
| | 1 | This step calculates PG217E Year-to-date (YTD) depreciation by adjusting it for PG130A. | PG217E YTD Depreciation:<br>PG217E YTD Depreciation = YTD Depreciation - PG130A YTD Depreciation | $PG_1$ = 100 - 40 | $PG_1$ = 60 |
| | 2 | This step calculates the base allocation to PG as percentage of total depreciation. | For all relevant PGs:<br>PG217E = PG217E YTD Depreciation (from result 1) / $\sum PG_{1...n}$ YTD Depreciation<br>PG130A = PG130A Depreciation / $\sum PG_{1...n}$ YTD Depreciation | PG217E = 60 / 100<br>PG130A = 40 / 100 | PG217E = 60%<br>PG130A = 40% |

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| **Reference** | PDTLMD-Q |
| **Title** | Local Main (Exchange Side) Duct |
| **Overview** | PDTLMD-Q apportions costs to PGs based on the depreciation estimate from detailed capital expenditure on NGA projects on the Internal Project Ledger, divided by the depreciation on Class of work LMD (Local exchange side Duct for Copper) as a whole. |
| **Description** | **1. Source Costs and MCE:** This base apportions costs and balance sheet items associated with Local exchange side Duct for Copper.<br>**2. Cost and MCE Categories:** Depreciation (PIA); and Non-current assets (PIA).<br>**3. Summary Destination:** This base apportions predominantly to PG101D (Duct Infrastructure) and PG192A (FTTC Copper Tie Cables), as well as to PG180A (Other WLA).<br>**4. Methodology Taxonomy:** Asset Metrics.<br>**5. Driver classification:** Depreciation.<br>**6. Data Source Summary:** Various asset metrics and network data has been used for the calculation of costs associated with Local Exchange Side Duct for Copper. |
| **Data Sources** | Asset Metrics: CCA Indexation Values (Central Information Database (CID)), Capex Spend (CID, OBOE), Indexation Values (Office of National Statistics (ONS);<br>Revenue & volumes: Ethernet revenue & volumes (ORBIT); and<br>Network data: Fibre lengths (CCTS, LLUMS). |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | This step calculates individual Transmission Fibre (Tr. Fibre) Component Bandwidth Usage Factor: This is the proportion of the total bandwidth of a bearer used by a circuit, as an individual bearer can support many circuits. | For each relevant component:<br>$Component_x$ usage factor = Bandwidth Capacity $_x$ / '140/156 Mbps Capacity' | $Component_1$ usage factor = 21 / 63 | $Component_1$ usage factor = 0.3333 |
| 2 | This step calculates the Individual Component Factored Tr. Fibre Lengths and Total Factored Tr. Fibre Lengths by Network PG. | Total Network $PG_y$ Factored Tr. Fibre Lengths = Sum of Individual $Component_x$ Factored Tr. Fibre Lengths:<br>Individual $Component_x$ Factored Tr. Fibre Lengths = $Component_x$ Tr. Fibre Lengths * $Component_x$ Bandwidth Usage Factor (Result from step 1] | Total Network $PG_1$ Factored Tr. Fibre Lengths = ∑ [100 Hits * 0.3333 BW Usage Factor] and [Factored Tr. Fibre Lengths for other components in $PG_1$]<br>Individual $Component_1$ Factored Tr. Fibre Lengths = 100km * 0.3333 BW Usage Factor | Total Network $PG_1$ Factored Tr. Fibre Lengths = 100 km<br>Individual $Component_1$ Factored Tr. Fibre Lengths = 33.33 km |
| 3 | This step calculates individual transmission fibre components factored fibre lengths as a proportion of total Network PG transmission fibre lengths. | $Component_x$ proportion of Network $PG_y$ = Individual $Component_x$ Factored Tr. Fibre Lengths (Result from step 2) / Total Network $PG_y$ Factored Tr. Fibre Lengths (Result from step 2) | $Component_1$ proportion of Network $PG_1$= 33.333 / 100 | $Component_1$ proportion of Network $PG_1$ = 33.33%<br>∑ $Component_{1...n}$ proportion of Network $PG_1$ = 100% |
| 4 | This step calculates the Apportion of Total Tr. Fibre Lengths by Network PG to Individual Components by multiplying Total Tr. Fibre Lengths for each Network PG by the Result from Step 3. | For each relevant component in Network PG:<br>Tr. $Component_x$ per Network $PG_y$ = Network $PG_y$ Total Transmission Fibre Lengths * $Component_x$ proportion (Result from step 3) | Tr. $Component_1$ per Network $PG_1$ = 50 * 33.33% | Tr. $Component_1$ per Network $PG_1$ = 16.67 km |
| 5 | This step calculates the Total Component Tr. Fibre Lengths per Fibre PG. | For each relevant component in Fibre PG:<br>Tr. $Component_x$ per Fibre PG = Sum of Tr. $Component_x$ per Network $PG_{1...n}$ (Result from Step 4) | Tr. $Component_1$ per Fibre PG = 16.67 + 16.67 + 33.33 | Tr. $Component_1$ per Fibre PG = 66.67 km |
| 6 | This step calculates the volume ratio between SO460 Nominated Interconnect Connections and SO468 In Span Interconnect circuits transmission. It is an adjustment specifically for transmission fibre lengths for components CO460 and CO468. | CO460 Ratio = SO460 volumes / (SO460 volumes + SO468 volumes)<br>CO468 Ratio = SO468 volumes / (SO460 volumes + SO468 volumes) | CO460 Ratio = 400 / (400 + 600) = 0.40<br>CO468 Ratio = 600 / (400 + 600) = 0.60 | CO460 Ratio = 0.40<br>CO468 Ratio = 0.60 |

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|---|---|---|---|---|---|
| | 7 | This step calculates Adjust Transmission Fibre Lengths for CO460 External Nominated ISI from CO468 Wholesale ISI. It is an adjustment specifically for transmission fibre lengths for components CO460 and CO468. | CO460 Transmission Fibre Lengths = CO468 Fibre Lengths $_{(Result\ from\ Step\ 5)}$ * CO460 Ratio $_{(Result\ from\ Step\ 6)}$<br>CO468 Transmission Fibre Lengths = CO468 Fibre Lengths $_{(Result\ from\ Step\ 5)}$ * CO468 Ratio $_{(Result\ from\ Step\ 6)}$ | CO460 Transmission Fibre Lengths = 5000 * 0.40<br>CO468 Transmission Fibre Lengths = 5000 * 0.60 | CO460 Fibre Lengths = 2,000 km<br>CO468 Fibre Lengths = 3,000 km |
| | 8 | This step calculates the fibre length for each individual interexchange Ethernet fibre, which is the straight line distance between Parent and Child Exchange multiplied by an assumed factor of 1.2. | For each individual Ethernet fibre:<br>Ethernet Fibre$_x$ length = $\sqrt{((Child\ Exchange_x\ x\text{-}coordinate - Parent\ Exchange_x\ x\text{-}coordinate)^2 + (Child\ Exchange_x\ y\text{-}coordinate - Parent\ Exchange_x\ y\text{-}coordinate)^2)}$ * 1.2 | Ethernet Fibre$_1$ length = $\sqrt{((4 - 1)^2 + (5 - 1)^2)}$ * 1.2 = $\sqrt{((3)^2 + (4)^2)}$ * 1.2 = 5 * 1.2 | Ethernet Fibre$_1$ length = 6 km |
| | 9 | This step calculates total Ethernet fibre lengths for components CL948 (FTTP) and CL950 (FTTC). | For each Ethernet Component:<br>Ethernet Component$_x$ Fibre Lengths = Sum of Individual Fibre Lengths$_{1...n\ (Result\ from\ Step\ 8)}$ | Ethernet Component$_1$ Fibre Lengths = $\sum$ [6 km] and [other individual fibre lengths relating to Component$_1$] | Ethernet Component$_1$ Fibre Lengths = 100 km |
| | 10 | This step calculates 21CN Allocation.<br>First Component Cost is calculated using asset cost and asset life data.<br>The Allocation is then calculated using component volume and cost data, using end user bandwidth volumes against network topology design assumptions.<br>Finally 21CN Allocation is determined. | For each component within each PG:<br>Part A: Component$_x$ Cost = (CY Cost / Asset Life) + (PY Cost / Asset Life) /2<br>Part B: Component$_x$ Allocation = ((Network Element to Service Flag * End User BW Volumes) / Component$_x$ Volume) * Component$_x$ Cost$_{(Result\ from\ Part\ A)}$<br>For each PG:<br>Part C: 21CN Component$_x$ Allocation = (Component$_x$ Allocation$_{(Result\ from\ Part\ B)}$ / Total Allocation for PG$_x$) * EBD Split Factor | For each component within each PG:<br>Part A: Component$_x$ Cost = (120 / 15) + (180 / 15) /2 = 10<br>Part B: Component$_x$ Allocation = ((1 * 5600) / 1000) * 10 = 56<br>For each PG:<br>Part C: 21CN Component$_x$ Allocation = (56 / 100) * 0.5 | 21CN Component$_x$ Allocation = 28% |
| | 11 | This step calculates the Apportion 21CN Fibre Lengths to Components using 21CN Network PG to Component allocations. | For each relevant component:<br>21CN Component$_x$ Fibre Lengths = 21CN PG$_y$ Component$_x$ allocation$_{(Result\ from\ step\ 10)}$ * 21CN PG$_y$ Fibre Lengths | 21CN Component$_1$ Fibre Lengths = 28% * 50 | 21CN Component$_1$ Fibre Lengths= 14 Km |
| | 12 | This step calculates individual Component Fibre Lengths / Total Fibre Lengths (Transmission, Ethernet Main Links, WLA Main Links, 21CN) per Fibre PG. | Per Fibre PG:<br>Total Fibre Lengths = Tr. Component$_{1...n}$ Fibre Lengths + 21CN Component 1 Fibre Lengths$_{1...n}$ + Ethernet Component$_x$ Adjusted Fibre Lengths + WLA Main Links Component$_x$ Adjusted Fibre Lengths<br>Tr. Component$_x$ = Tr. Component$_x$ Fibre Lengths$_{(Result\ from\ Step\ 5)}$ / Total Fibre Lengths<br>21CN Component$_x$= 21CN Component$_x$ Fibre Lengths$_{(Result\ from\ Step\ 11)}$ / Total Fibre Lengths<br>Ethernet Component$_x$ = Ethernet Component$_x$ Fibre Lengths$_{(Result\ from\ Step\ 9)}$ / Total Fibre Lengths<br>WLA Main Links Component$_x$ = WLA Main Links Component$_x$ Fibre Lengths / Total Fibre Lengths | Total fibre lengths = 1,000<br>Tr. Component$_1$ = 66.67 / 1,000<br>21CN Component$_1$ = 5 / 1,000<br>Ethernet Component$_1$ = 100 / 1,000<br>WLA Main Links Components = 300 / 1,000 | Tr. Component$_1$ = 6.67%<br>21CN Component$_1$ = 0.5%<br>Ethernet Component$_1$ = 10%<br>WLA Main Links Components = 30%<br>Per Fibre PG, Components$_{1...n}$ = 100% |
| | 13 | This step calculates the allocation to PG170B and PG350N based on fibre lengths | PG170B allocation (Backhaul) = PG170B fibre lengths / (PG170B fibre lengths + PG350N fibre lengths)<br>PG350N allocation (Inner core) = PG350N fibre lengths / (PG170B fibre lengths + PG350N fibre lengths) | PG170B (Backhaul) = 2.1m / (2.1m + 200k)<br>PG350N (Inner core) = 200k / (2.1m + 200k) | PG170B (Backhaul) = 92%<br>PG350N (Inner core) = 8% |

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| 14 | This step calculates Total NGA Capex for Tie Cables and Cabinet | Total NGA Capex for Tie Cables and Cabinet = Total LMD-NGA Capex $_{\text{previous years}}$ + LMD-NGA Capex $_{\text{current year}}$ | Total NGA Capex for Tie Cables and Cabinet = 250m + 50m | Total NGA Capex for Tie Cables and Cabinet = 300m |
| 15 | This step calculates Total Duct Gross Replacement Cost (GRC): Including BDUK | Total Duct Gross Replacement Cost (GRC): Including BDUK = Capital Employed - CCA Value $_{\text{from previous years}}$ + Capex CCA Value (including BDUK) $_{\text{current year}}$ | Total Duct Gross Replacement Cost (GRC): Including BDUK = 2.5m + 150k | Total Duct Gross Replacement Cost (GRC): Including BDUK = 2.65m |
| 16 | This step calculates Total GRC for BDUK assets | Total GRC for BDUK = Gross Book Value (GBV) + CCA Allocation | Total GRC for BDUK = 400k + 200k | Total GRC for BDUK = 600k |
| 17 | This step calculates Total GRC: Exclusive BDUK<br>This is done by subtracting Sum of total GRC $_{\text{for BDUK assets from}}$ Total GRC (including BDUK) (Results from step 9) | Total GRC: Exclusive BDUK = Total GRC (including BDUK) - Sum of total GRC $_{\text{for BDUK assets}}$ | Total GRC: Exclusive BDUK = 2.65m - 600k | Total GRC: Exclusive BDUK = 2.05m |
| 18 | This step calculates Access Cable and Duct Backhaul Percentage | Duct Percentage = Duct Backhaul $_{\text{(Result from Step 14)}}$ / (Duct Backhaul + Access Cable)<br>Access Cable Percentage = Access Cable $_{\text{(Result from Step 18)}}$ / (Duct Backhaul + Access Cable) | Duct Percentage = 6m / (6m + 2.05m) * 100<br>Access Cable Percentage = 2.05m / (6m + 2.05m) * 100 | Duct Percentage = 66.7%<br>Access Cable Percentage = 33.3% |
| 19 | This step calculates PG192A Depreciation | PG192A Depreciation = ((NGA Capex for Tie Cables and Cabinets / Openreach LopList Period) * Period) / (Book life for LMD /Period) | PG192A Depreciation = ((260m/12)*12) / (480 /12) | PG192A Depreciation = 7.5m |
| 20 | This step calculates PG180A Depreciation | PG180A Depreciation = Sum of YTD Depreciation tagged as External Tie Duct for LLU (from Openreach LopList) | PG180A Depreciation = 1.5m | PG180A Depreciation = 1.5m |
| 21 | This step calculates the Remaining Depreciation split by Access Duct and Duct Backhaul | Access Duct = (Remaining Depreciation * Access Duct Percentage) /100<br>Duct Backhaul = (Remaining Depreciation * Duct Backhaul Percentage) /100 | Access Duct = (Remaining Depreciation * Access Duct Percentage) /100<br>Duct Backhaul = (Remaining Depreciation * Duct Backhaul Percentage) /100 | Access Duct = 1.334m<br>Duct Backhaul = 666k |
| 22 | The final step calculates PDTLMD Base Percentage<br>To do so the Remaining Access Duct is divided by Total Depreciation, the same is applied for Duct Backhaul. The two values are added together and multiplied by 100. (Results from step 14) | PG192A Base Percentage = ([PG192A Depreciation] / [Total Depreciation]) * 100<br>PG180A Base Percentage = ([PG180A Depreciation] / [Total Depreciation]) * 100<br>PG101D Base Percentage = (([Remaining Access Duct] / [Total Depreciation]) * 100) + (([Remaining Duct Backhaul]/ [Total Depreciation]) * 100 | PG192A Base Percentage = (7.5m / 11m) * 100<br>PG180A Base Percentage = (500k / 11m) * 100<br>PG101D Base Percentage = ( 1.334m / 11m) * 100 + (666k / 11m) * 100 | PG192A Base Percentage = 68.18%<br>PG180A Base Percentage = 13.63%<br>PG101D Base Percentage = 18.18% |

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|---|---|
| **Reference** | PDTLXTM-B |
| **Title** | Local Exchange Equipment |
| **Overview** | PDTLXTM-B apportions the depreciation charges for the LXTM CoW based on the asset policy code taken from the LoPList. |
| **Description** | **1. Source costs and MCE:** This base apportions the costs of the Local Exchange Test and Measure (LXTM) CoW. This covers common or centralised testing, monitoring or access equipment for Local Exchanges that is not directly associated with a particular exchange system type.<br>**2. Cost and MCE categories:** Depreciation (Other) and Non-current assets (Other). |
| | **3. Summary Destination:** This base apportions to PG151B (Broadband Line Testing Equipment (Openreach)) and PG240A (Analogue Line Testing Equipment). |
| | **4. Methodology Taxonomy:** Asset Metrics.<br>**5. Driver Classification:** Depreciation. |
| | **6. Data Source Summary:** The depreciation charges and capex spend from the LoP (Lift of Plant) List for the CoW (Class of Work) are used in the apportionment of this base. |
| **Data Sources** | Asset metrics: Depreciation (LoPList) and Capex Spend (Network Instruction Management System (NIMS), CID, ORBIT). |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | This step calculates the total depreciation related to TAMS assets. It summarises total YTD depreciation based on TAMS asset policy codes (APC) retrieved from LoP List. | Total Depreciation = BLXT Depn (TAM for Broadband) + EVTM Depn (EVOTAM) + LXTA Depn (Measurement System/Call Log) + LXTR Depn (Line Test System) + XLLY Depn (TAM for LLU) | Total Depreciation= £10k + £1,000k + £5k + £500k + £2,500k | Total Depreciation = £4,015k |
| 2 | This step calculates the bases as a % for each Asset Policy Code. | For each Asset Policy Code:<br>Base % = APC Depn Split / Total Depreciation$_{\text{(Result from Step 1)}}$ | Base % for BLXT = £10k / £4,015k<br>Base % for EVTM = £1,000k / £4,015k<br>Base % for LXTA = £5k / £4,015k<br>Base % for LXTR = £500k / £4,015k<br>Base % for XLLU = £2,500k / £4,015k | Base % for BLXT = 0.3%<br>Base % for EVTM = 24.9%<br>Base % for LXTA = 0.1%<br>Base % for LXTR = 12.6%<br>Base % for XLLU = 62.1% |
| 3 | This step calculates the allocation to PG, based on the base % of asset policy codes calculated in step 2. | Base % for PG151B = Base % for XLLU + Base % for EVTM + Base % for BLXT$_{\text{(Results from step 2)}}$<br>Base % for PG240A = Base % for LXTA + Base % for LXTR$_{\text{(Results from step 2)}}$ | PG151B = 0.3% + 24.9% + 62.1%<br>PG240A = 0.1% + 12.6% | PG151B = 87.3%<br>PG240A = 12.7% |

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| **Reference** | PDTMXD-Q |
| **Title** | Main Exchange Capital |
| **Overview** | This methodology allocates the MDX and NGS classes of work based on depreciation costs split using information from the fixed asset register and a bottom-up built engineering model. |
| **Description** | **1. Source Costs and MCE:** This base apportions the depreciation and capital costs of Main/Trunk Switches. The costs are recorded in two CoWs:<br>· MDX (Main network switching Digital) for System X switches<br>· NGSC for Next Generation Switches (NGS)<br>The base also apportions the maintenance costs for Main/Trunk switches. These costs are recorded in two CoWs:<br>· DMS for System X Switches<br>· NGSM for Next Generation Switches (NGS)<br>**2. Cost and MCE Categories:** Depreciation (Switch & Transmission) and Non-Current Assets (Switch and Transmission). |
| | **3. Summary Destination:** Equipment PGs - Main Exchange Equipment PGs: PG249C (Main exchange DLT); PG254A (Intelligent Access & Messaging); PG255B (Switchblock); and PG257C (Processor). |
| | **4. Methodology Taxonomy:** Asset Metrics.<br>**5. Driver classification:** Depreciation. |
| | **6. Data Source Summary:** Depreciation data comes from the LoPlist and is grouped into 2 CoWs based on the 2 families of switches. The LoPlist is the only live data source. |

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| | The original contract prices data is provided by Ericsson and this data is static. Details of the numbers of switches and capacity per site, the Switch Deployment Plan, are also static and are received from Public Switched Telephone Network (PSTN) & Pathfinder Technical specialist. |
| **Data Sources** | Asset metrics - Depreciation (LoPlist)<br>Asset metrics - Capex spend (Original contract ME) - Static data<br>Asset metrics - PIA Component Volumes (Switch Deployment Plan) |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | This step calculates the raw cost per switch. The input is multiplied by the number of switches to give a Cost Value. | Cost (£) for each Asset = Raw Cost * No. of switches<br>Cost (£) just for SWITCH BLOCK GSS 48k = Raw Cost * No. of switches / Switch Block GSS 48k factor | Cost (£) for each Asset = 100 * 45<br><br>Cost (£) just for SWITCH BLOCK GSS 48k = 100 * 90 / 4 | Cost (£) for each Asset = 4,500<br><br>Cost (£) just for SWITCH BLOCK GSS 48k = 2,250 |
| 2 | This step calculates the Next Generation Switches (NGS) costs for Switchblock, Digital Line Termination (DLT) and processor by multiplying raw costs by percentage allocated. | Call Setup Cost = Cost (£) * Call Setup %<br>Call Duration Cost = Cost (£) * Call Duration % | Call Setup Cost = 50m * 0.2<br><br>Call Duration Cost = 50m * 0.8 | Call Setup Cost = 10m<br>Call Duration Cost = 40m |
| 3 | This step calculates the percentage for each asset which is Duration costs and which is Setup costs and called Percent of Asset Total. | Percent of Asset Total = Cost / Total Cost | Percent of Asset Total = 40,000 / 50,000 | Percent of Asset Total = 0.8 |
| 4 | This step calculates "Percent of Total" by dividing "Combined Costs" for each asset type by "Total" | Percent of Total for each Asset = Combined Costs for each Asset / Total Assets | Percent of Total for each Asset = 52m / 160m | Percent of Total for each Asset = 0.325 |
| 5 | This step calculates the Weighting for each component by dividing the Total of Hybrid and Narrowband for each component by the Sum of the Totals. | Weighting =<br>Part A: Hybrid for each Component + Narrowband for each Component<br>Part B: Total for each Component (Result from Part A) / Sum of Total of Components (Total of Result from Part A) | Weighting =<br>Part A: 12m + 16m = 28m<br><br>Part B: 28m / 50m | <br><br><br><br>Weighting = 0.56 |
| 6 | This step calculates the weighted percentages for depreciation, which are later renamed as Adjust for Ride, for 2 streams for 2 different types of port data - SLS and DLT | SLS Weighted Percentage from the Depreciation =<br>Part A: Depreciation * Sum Percentage for each depreciation Source<br>Part B: Sum Weighted (Total Result from Step A) / Sum Depreciation<br>Part C: Weightings for two different exchange (Result from Part B) * Signalling cost for interconnect<br><br>DLT Weighted Percentage from the Depreciation =<br>Part A: Depreciation * Sum Total % for each depreciation Source<br>Part B: Sum_Weighted (Total Result from Step A) / Sum Depreciation | SLS Weighted Percentage from the Depreciation =<br>Part A: $Source_1$ = 1m * 0.15, $Source_2$ 3m * 0.35<br>Part B: 1.2m / 4m<br><br>Part C: 0.3 * 0.45<br><br>DLT Weighted Percentage from the Depreciation =<br>Part A: $Source_1$ = 1m * 0.25, $Source_2$ 3m * 0.30<br>Part B: 1.15m / 4m | SLS Weighted Percentage from the Depreciation = 0.135<br><br><br><br><br><br>DLT Weighted Percentage from the Depreciation = 0.288 |
| 7 | This step calculates NGSC Ride% by dividing "NGSR" by "Total Registered Assets"<br>(NGSR is an asset type for Next Generation Switch, NGSC is a class of work for the same.)<br>*The inputs are the Sum of YTD Depreciation for "Total Registered Assets" and "NGSR"* | NGSC Ride % = NGSR / Total Registered Assets | NGSC Ride % = 2.1m / 4m | NGSC Ride % = 0.525 |

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| | 8 | This step calculates the percentage allocation for PG254A which is derived from NGSC %.<br>NGSC % is adjusted based on depreciation percentage, which is the depreciation for the NGSC Class of Work as a percentage of the total depreciation for NGSC and MDX<br>MDX is a Class of Work for construction, main network switching digital | PG254A =<br>Part A: NGSC Depreciation / Total Depreciation<br>Part B: NGSC Ride % (Result from Step 7) * Depreciation Percentage (Result from Part A) | PG254A =<br>Part A: 3.6m / 4m<br>Part B: 0.525 * 0.9 | PG254A = 0.4725 |
| | 9 | This step calculates the percentage allocation for Plant Groups PG246C, PG255B and PG257C by adjusting the value of "Percent of Total" for each of these Plant Groups and then multiplying it by 1 - the "NGSC Ride %" value | PG249C % = Percent of Total for PG249C * ( 1 - NGSC Ride % (Result from Step 8) )<br>PG257C % = Percent of Total for PG257C * ( 1 - NGSC Ride % (Result from Step 8) )<br>PG255B % = Percent of Total for PG255B * ( 1 - NGSC Ride % (Result from Step 8) ) | PG249C % = 0.32 * (1 - 0.5)<br>PG257C % = 0.33 * (1 - 0.5)<br>PG255B % = 0.35 * (1 - 0.5) | PG249C % = 0.160<br>PG257C % = 0.165<br>PG255B % = 0.175 |

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| **Reference** | PDTWDM21-Q |
| **Title** | Wavelength Division Multiplexor transmission equipment used in 21CN. |
| **Overview** | PDTWDM21-Q apportions costs and balance sheet for the transmission equipment of the WDMSAN chains, based on a detailed split of depreciation by network element. |
| **Description** | **1. Source Costs and MCE:** This base apportions cost and balance sheet for the transmission equipment of the WDMSAN chains, the METRO – CORE and CORE – CORE transmission electronic equipment.<br>**2. Cost and MCE Categories:** Non-Current Assets (Switch & Transmission) and Depreciation (Switch & Transmission).<br>**3. Summary Destination:** This base predominantly apportions to PG866A (Core-Core Link), PG899A (WDM-Metro Link and PG868A (Core WBMC Dedicated), as well as PG885A (Metro-Core Length), PG886A (Metro-Core Link).<br>**4. Methodology Taxonomy:** Asset Metrics.<br>**5. Driver classification:** Capex Spend.<br>**6. Data Source Summary:** This base allocates the total deprecation cost to each PG using Capex from the 21CN associated CoWs which has been allocated out to Network Entities and network topology data. |
| **Data Sources** | Asset metrics: Capex spend (GVF); and<br>Network data: Network Topology mapping (GVF). |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | This step calculates percentage allocation based on Network Depreciation. | For all relevant PGs:<br>$PG_x$ = $PG_x$ Network depreciation / Total Network depreciation | $PG_1$ = ( £45m / £100m ) | $PG_1$ = 45%<br>$\sum PG_{1...n}$ = 100% |

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| **Reference** | SOFTDEP-B |
| **Title** | Software Depreciation |
| **Overview** | SOFTDEP-B apportions software costs based on the Openreach software entries on the fixed asset register, with each line mapped to a relevant product range or plant group. Where an entry cannot be mapped, it is allocated to AG410. |
| **Description** | **1. Source Costs and MCE:** Software depreciation costs and Balance Sheet (Fixed Asset Accumulated Depreciation) relating to Openreach OUCs.<br>**2. Cost and MCE Categories:** Depreciation (Software) and Non-Current assets (Depreciation).<br>**3. Summary Destination:** This base predominantly apportions to AG410 (Openreach PAC), as well as to PG773A (Ethernet Systems Development), PG198A (FTTP Development), PG101D (Duct Infrastructure) and PG197A (FTTC Service Delivery & Development).<br>**4. Methodology Taxonomy:** Asset Metrics.<br>**5. Driver classification:** Depreciation. |

**6. Data Source Summary:** This base is allocated using the fixed asset register, PIA costs and headcount data.

**Data Sources**

Asset Metrics: Deprecation (Fixed asset register), PIA components; and
Labour: FTE headcount.

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | This step calculates the FTE % per PG within an OUC. ***Data is obtained from the FTE numbers input.*** | For each relevant PG:<br>FTE % per $PG_{\chi}$ = [PG FTE Value] / [Total OUC FTE value] * 100 | FTE % per $PG_1$ = 50 / 200 * 100 | FTE % per $PG_1$ = 25% |
| 2 | This step calculates the Depreciation % Allocation for each product. ***Software depreciation is obtained from the FAR (Fixed Asset Register).*** | For each relevant product:<br>Depreciation % Allocation for Product $_{\chi}$ = [Depreciation for Product $_{\chi}$] / [Total Deprecation] * 100 | Depreciation % Allocation for Product $_{\chi}$ = 3,000,000 / 10,000,000 * 100 | Depreciation % Allocation for Product $_{\chi}$ = 30% |
| 3 | This step filters the FTE % for BV OUCs and distributes FTE % per PG within BV OUCs only. | For each relevant PG within BV OUCs:<br>FTE % per $PG_{\chi}$ within BV OUC = [$\sum$ FTE % for $PG_{1...n\ (\text{Result from Step } 1)}$] / [Number of BV OUCs] * 100 | FTE % per $PG_1$ within BV OUC = 80% / 5 * 100 | FTE % per $PG_1$ within BV OUC = 16% |
| 4 | This step calculates the % split for Copper (LLU & WLR) Products and then calculates the weighted allocation % using the Depreciation % Allocation for each product. | For each Copper product:<br>% split for Product $_{\chi}$ = Filter [FTE % for Product $_{\chi\ (\text{Result from Step } 3)}$] for Copper (LLU & WLR)<br><br>Product $_{\chi}$ weighted allocation % = [% split for Product $_{\chi}$] * [Depreciation % Allocation for Product $_{\chi\ (\text{Result from Step } 2)}$] * 100 | % split for Product $_1$ = 25%<br><br>Product $_1$ weighted allocation % = 25% * 30% * 100 | % split for Product $_1$ = 25%<br><br>Product $_1$ weighted allocation % = 7.5% |
| 5 | This step calculates the % split for PIA products between duct & poles and then calculates the weighted allocation % using the Depreciation % Allocation for each product. ***Data is obtained from the PIA volumes***. | For each PIA product:<br>% split for Product$_{\chi}$ = [Product$_{\chi}$ Volume] / [Total Volume] * 100 | % split for Product $_1$ = 400,000 / 1,000,000 * 100<br><br>Product $_1$ weighted allocation % = 40% * 30% * 100 | % split for Product $_1$ = 40%<br><br>Product $_1$ weighted allocation % = 12% |
| 6 | This step calculates the % split for FTTP & FTTC products and then calculates the weighted allocation % using the Depreciation % Allocation for each product. ***Data is obtained from the FTTP & FTTC spend.*** | For each FTTC/FTTP product:<br>% split for Product $_{\chi}$ = [Product $_{\chi}$ Spend] / [Total Spend] * 100<br><br>Product $_{\chi}$ weighted allocation % = [% split for Product $_{\chi}$] * [Depreciation % Allocation for Product $_{\chi\ (\text{Result from Step } 2)}$] * 100 | % split for Product $_1$ = 75,000 / 150,000 * 100<br><br>Product $_1$ weighted allocation % = 50% * 30% * 100 | % split for Product $_1$ = 50%<br><br>Product $_1$ weighted allocation % = 15% |
| 7 | This step calculates the Depreciation £ allocation for all products. | For each product (FTTP/FTTC $_{(\text{Result from Step } 6)}$, PIA $_{(\text{Result from Step } 5)}$, Copper $_{(\text{Result from Step } 4)}$ and others $_{(\text{Remaining from Step } 2)}$):<br>Depreciation £ allocation for Product $_{\chi}$ = [Product $_{\chi}$ weighted allocation % $_{(\text{Result from Steps } 2, 4, 5 \text{ and } 6)}$] * [Total Deprecation $_{(\text{From Step } 2)}$] | Depreciation £ allocation for Product $_1$ = 15% * 10,000,000 | Depreciation £ allocation for Product $_1$ =1,500,000 |
| 8 | This step calculates the final % allocation. | For each relevant product:<br>Final % allocation for Product $_{\chi}$ = [Depreciation £ allocation for Product $_{\chi\ (\text{Result from Step } 7)}$] / [Total Deprecation $_{(\text{From Step } 2)}$] * 100 | Final % allocation for Product $_1$ = 1,500,000 / 10,000,000 * 100 | Final % allocation for Product $_1$ = 15% |

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| **Reference** | TSOSOFTDEP- T |
| **Title** | Software Depreciation |
| **Overview** | TSOSOFTDEP-T apportions TSO software costs and MCE based on detailed project information from the fixed asset register. Non-specific entries are allocated is to AG102 for core network infrastructure or AG119 for Technology support functions. |
| **Description** | **1. Source Costs and MCE:** The SOFTDEP base apportions software depreciation costs.<br>**2. Cost and MCE Categories:** Depreciation (Software) and Non-Current assets (Software). |
| | **3. Summary Destination:** This base predominantly apportions to Rest of BT Residual, PG675B (Hosted Communications Services Infrastructure), AG102 (Technology Operational Costs), PG901A (Ethernet Switches) and AG119 (Technology PAC). |
| | **4. Methodology Taxonomy:** Asset Metrics.<br>**5. Driver classification:** Depreciation. |
| | **6. Data Source Summary:** Fixed asset register data mapped to Technology Programme Horizontals is used to allocate this base. |
| **Data Sources** | Asset Metrics: Depreciation (Fixed asset register). |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | This step calculates % Allocation (Base) using the Current Year (CY) Depreciation for OR Software. **Depreciation data is obtained from the Fixed Asset Register (FAR). Horizontal and Allocation mapping is used to categorize assets into product groups.**<br><br>Note: This will be the final base for all product groups except for the Voice, which are only categorized as Hosted/Switch. Steps (2, 3a, 3b, 4, and 5) below calculates the allocation of Voice (Hosted/Switch) to relevant product groups. | For each relevant product group including total Voice (which is further allocated in below steps):<br>% Allocation (Base) for Product Group $_{\chi}$ = [CY depreciation for Product Group $_{\chi}$] / [Total CY depreciation] * 100 | % Allocation (Base) for Product Group$_1$ = £100k / £1000k * 100 | % Allocation (Base) for Product Group$_1$ = 10% |
| 2 | This step calculates % Allocation for Voice between Hosted and Switch categories using the CY Depreciation for OR Software. **Depreciation data is obtained from the Fixed Asset Register (FAR). Product Voice Allocation table is used to categorize assets into product groups.** | For each Voice category (Hosted and Switch):<br>% Allocation (Base) for Category $_{\chi}$ = [CY depreciation for Category $_{\chi}$] / [Total CY depreciation for Voice] * 100 | % Allocation (Base) for Category$_1$ = £90k / £100k * 100 | % Allocation (Base) for Category$_1$ = 90% |
| 3a | This step calculates Class of Work (COW) Distribution % based on the Year to Date (YTD) Depreciation. **Data is obtained from the Loplist.**<br>This is calculated for 4 COWs: LDX, LYX, MDX, NGSC | For each relevant Voice COW:<br>COW $_{\chi}$ Distribution % = [COW $_{\chi}$ YTD Depreciation] / [YTD Depreciation for all relevant COWs] * 100 | COW$_1$ Distribution % = £150k / £300k * 100 | COW$_1$ Distribution % = 50% |
| 3b | This step calculates the Weighting for the product groups with each COW using product group allocation %. **Data is obtained from Switch to Product mapping tables (PDTSYSXD, PDTLYX, and PDTMXD).** | For each relevant Voice product group:<br>Product $_{\chi}$ Weighting = [COW $_{\chi}$ Distribution % $_{\text{(Result from Step 3a)}}$] * [Product Group $_{\chi}$ allocation %] * 100 | Product$_1$ Weighting = 50% * 40% * 100 | Product$_1$ Weighting = 20% |
| 4 | This step calculates Weighted % Allocation for Voice Product Groups. | For each relevant Voice product group:<br>Weighted % Allocation (Base) for Product Group $_{\chi}$ = [Product weighting $_{\text{(Result from Step 3b)}}$] * [% Allocation (Base) for Product Group $_{\chi\ \text{(Result from Step 2)}}$] * 100 | Weighted % Allocation (Base) for Product Group$_1$ = 20% * 90% * 100 | Weighted % Allocation (Base) for Product Group$_1$ = 18% |
| 5 | This step calculates Final % Allocation (Base) for Voice Product Groups. | For each relevant Voice product group:<br>Final % Allocation (Base) for Product Group $_{\chi}$ = [Weighted % Allocation (Base) for Product Group $_{\chi\ \text{(Result from Step 4)}}$] * [% Allocation (Base) for Category $_{\chi\ \text{(Result from Step 1)}}$] * 100 | Final % Allocation (Base) for Product Group$_1$ = 18% * 10% | Final % Allocation (Base) for Product Group$_1$ = 1.8% |

**Bases using electricity methodologies**

The following apportionment bases are categorised as Electricity methodologies. An explanation of Electricity methodology drivers is set out within section 5.6 of Part one of this AMD.

| | |
|---|---|
| **Reference** | ELECT1-Q |
| **Title** | BT electricity costs |
| **Overview** | ELECT1-Q apportions BT electricity costs to various PGs, AGs and residual markets based on BT technology network equipment volumes, their respective power consumption and the electricity unit rate. |
| **Description** | **1. Source Costs and MCE:** This base apportions BT electricity costs.<br>**2. Cost and MCE Categories:** Rest of BT OPEX (Other). |
| | **3. Summary Destination:** This base predominantly apportions to PG192A (FTTC Copper tie cables); PG120B (LLU Electricity Usage - OR); PG127A (Analogue linecards); and P008 (Rest of BT Residual). This base also apportions to a number of other PGs, AGs and Rest of BT Residual across the following categories; Office Buildings, Specialised Buildings, Data Centres, LLU, NGA/FTTC, BT Cables, BT Sports Production Hub, Third party, Motor Transport Workshops. |
| | **4. Methodology Taxonomy:** Electricity<br>**5. Driver classification:** Electricity Cost |
| | **6. Data Source Summary:** Electricity costs (% splits for PGs/AGs/products across the network) are calculated using a combination of electricity prices & rates, office space and specialised space information and numerous source systems (see below). |
| **Data Sources** | Electricity: Electricity Costs (ETD), Electricity usage (ETD);<br>Labour: FTE headcount; and<br>Property & Insurance; Property space (Horizon). |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | This step calculates the estimated electricity cost for non-specialised spaces per building, represented by 'Horizon code'.<br>Firstly, each horizon code is mapped to assign each building a non-specialised building type (i.e. office/non-office, data centre, motor transport workshop) and the total non-specialised area. Building type and other factors (e.g. occupancy), are used to create an average electricity cost per $m^2$ for non-specialised space.<br>This average is then used to calculate an estimated electricity cost for non-specialised space per building. | Part A: Average cost = Estimated cost / Total space<br>Part B: Estimated cost of non-specialised space = Average cost $_{(Result\ from\ part\ A)}$ * Total office space<br>Part C: Estimated non-office cost = Estimated Cost - Estimated cost of non-specialised space $_{(Result\ from\ Part\ B)}$ | Part A: Average cost = £10m/1$mm^2$<br>Part B: Estimated cost of non-specialised space = £10 * 200k<br>Part C: Estimated non-office cost = £10m - £2m | Part A: Average cost = £10<br>Part B: Estimated cost of non-specialised space = £2m<br>Part C: Estimated non-office cost = £8m |
| 2 | This step calculates total space (Non-specialised office/non-office space & specialised Openreach space) per building (horizon code) across different all CFUs. | For each Horizon code:<br>Part A: Total space $Horizon_1$ = $CFU_1$+$CFU_2$+$CFU_x$<br>Total space $Horizon_x$ = $CFU_1$+$CFU_2$+$CFU_x$<br>Part B: Total area $^{(m2)}$ for $Horizon_1$ = Total space $Horizon_{1\ (Result\ from\ Part\ A)}$ + Specialised Area $^{(m2)}$ $Horizon_1$<br>Total area $^{(m2)}$ for $Horizon_x$ = Total space $Horizon_{x\ (Result\ from\ Part\ A)}$ + Specialised Area $^{(m2)}$ $Horizon_x$ | Part A: Total space $Horizon_1$ = 20+30+50+40+60<br>Total space $Horizon_x$ = a +b +c +d +e<br>Part B: Total area $^{(m2)}$ for $Horizon_1$ = 200 + 20<br>Total area $^{(m2)}$ for $Horizon_x$ = Total space $Horizon_{x\ (Result\ from\ Part\ A)}$ + Specialised Area $^{(m2)}$ $Horizon_x$ = 300 + 40 | Part A: Total space $Horizon_1$ = 200<br>Total space $Horizon_x$ = d<br>Total space $Horizon_{1...n}$ = e<br>Part B: Total area $^{(m2)}$ for $Horizon_1$ = 340<br>Total area $^{(m2)}$ for $Horizon_x$ = f<br>Total area $^{(m2)}$ for $Horizon_{1...n}$ = g |
| 3 | This step calculates the cost of non-specialised office and non-office space by Customer Facing Unit (CFU) | Allocated costs per CFU = | Allocated costs per CFU =<br>Part A: £200k + £300k = £500k | Allocated costs per CFU = $CFU_1$ = £800k |

| | | | | |
|---|---|---|---|---|
| | Calculations are carried out to assign a % of this cost to each LoB. This is then weighted in relation to the total cost of non-specialised space to provide an overall electricity cost for non-specialised office/non-office space per CFU | Part A: Total costs per CFU = Non-office costs + Office costs<br>Part B: % Costs per CFU = Total costs per CFU (Result from Part A) / Total CFU costs (Total of results from Part A)<br>Part C: Allocated costs per CFU = Total Electricity Costs x CFU % Costs (Result from Part B) | Part B: £500k / £5m= 0.1<br>Part C: £8m x 0.1 | $CFU_{1...n}$ = a |
| 4 | This step calculates the electricity costs to specialised Openreach space, which includes the removal of Local loop unbundling (LLU) costs<br><br>% split for non-specialised Openreach products is brought in from feeder model. The average cost per m2 (calculated in steps above) is used to calculate cost of specialised Openreach space per product. This cost per product is updated after LLU costs after removed | % split of specialised Openreach electricity costs without LLU per product =<br>Part A: Total Cost of specialised Openreach space = total specialised Openreach space (m2) * Average cost of non-specialised space per m2 (Result from Step 1, Part A)<br>Part B: Cost of specialised Openreach space per product = base % * Total Cost of specialised Openreach space (Result from Part A)<br>Part C: Cost of specialised Openreach space per product (without LLU) = Cost of specialised Openreach space per product (Result from Part B) - LLU cost<br>Part D: % split of specialised Openreach electricity costs without LLU per product = Cost of specialised Openreach space per product (without LLU) (Result from Part C) / Sum of all product costs without LLU<br><br>***Note Base % is calculated in PDTCJF, PDTLFSC, PDTSYSXD, LUX and PDTLYX** | % split of specialised Openreach electricity costs without LLU per product =<br>Part A: Total Cost of specialised Openreach space = 1.1m * £10<br>Part B: Cost of specialised Openreach space per product = 5 % * £11m<br>Part C: Cost of specialised Openreach space per product (without LLU) = £550k - £10k<br>Part D: % split of specialised Openreach electricity costs without LLU per product = £540k / £6m | % split of specialised Openreach electricity costs without LLU per product =<br>Part A: Total Cost of specialised Openreach space = £11m<br>Part B: Cost of specialised Openreach space per product = £550k<br>Part C: Cost of specialised Openreach space per product (without LLU) = £540k<br>Part D: % split of specialised Openreach electricity costs without LLU per product = 9% |
| 5 | This step calculates TSO electricity costs per CFU and aggregates electricity costs relating to data centres and allocating these costs to CFUs<br>Summing together all space assigned as data centre. Splitting data centres into 2 categories: specialised and non-specialised. Calculating total cost of specialised and non-specialised data centre space separately using the average cost of electricity for non-specialised space (in steps above).<br>Calculating electricity cost % splits for each CFU by dividing the data centre space for each CFU by the appropriate total (specialised/non-specialised) data centre space. Assigning an allocated (specialised and non-specialised together) data centre electricity cost per CFU through multiplying each split by a total electricity cost.<br>Then the TSO CFU electricity costs are allocated across all CFUs using % split from the Data centre budget data input. | Part A: Specialised space total = All Specialised Space CFUs + All Specialised Space Horizons<br>Part B: Non Specialised space total = All Non Specialised Space CFUs + All Non Specialised Space Horizons<br>Part C: Estimated electricity costs for Non Specialised space = Total office space (Answer from Part B) * Average Cost (Answer from Step 1, Part A)<br>Part D: Estimated electricity costs for Specialised space = Total BT data centre only costs - Estimated electricity costs for Non Specialised space (Answer from Part C)<br>Part E: % Specialised Space allocation per CFU = CFU Specialised Space / Total Specialised Space (Result from Part A)<br>Part F: % Non Specialised Space allocation per CFU = CFU Non Specialised Space / Total Non Specialised Space (Result from Part B)<br>Part G: Non Specialised allocated electricity costs per CFU = Total estimated electricity costs for Non Specialised space (Result from Part C) * % Non Specialised Space allocation per CFU (Result from Part F)<br>Part H: Specialised allocated electricity costs per CFU = Total estimated electricity costs for Specialised | Part A: Specialised space total = 1000 + 2000 + 500 + ..... + 700<br>Part B: Non Specialised space total = 1500 + 2500 + 800 ..... + 600<br>Part C: Estimated electricity costs for Non Specialised space = 14k * £10<br>Part D: Estimated electricity costs for Specialised space = Total BT data centre only costs - £7m - £140k<br>Part E: % Specialised Space allocation per CFU = 10.5k / 35k<br>Part F: % Non Specialised Space allocation per CFU = 2.8k / 14k<br>Part G: Non Specialised allocated electricity costs per CFU = £140k * 0.20<br>Part H: Specialised allocated electricity costs per CFU = £6.86m * 0.30<br>Part H: Specialised allocated electricity costs per CFU = Total estimated electricity costs for Specialised space (Result from Part D) * % Non Specialised Space allocation per CFU (Result from Part E)<br>Part I: TSO electricity costs per CFU = (£28k + £2.06m) * 0.25 | Part A: Specialised space total = 35k<br>Part B: Non Specialised space total = 14k<br>Part C: Estimated electricity costs for Non Specialised space = £140k<br>Part D: Estimated electricity costs for Specialised space = £6.86m<br>Part E: % Specialised Space allocation per CFU = 0.30<br>Part F: % Non Specialised Space allocation per CFU = 0.20<br>Part G: Non Specialised allocated electricity costs per CFU = £28k<br>Part H: Specialised allocated electricity costs per CFU = £2.06m<br>Part I: TSO electricity costs per CFU = £522k |

| | | | | |
|---|---|---|---|---|
| | | space (Result from Part D) * % Non Specialised Space allocation per CFU (Result from Part E)<br>Part I: TSO electricity costs per CFU = (TSO CFU Specialised electricity costs (Result from Part H) + TSO CFU Non Specialised electricity costs (Result from Part G)) * % CFU split<br><br>***Note % Split used in Part I is from Power budget data centre** | | |
| 6 | This step calculates total TSO specialised technology (less LLU) costs in order to allocate these to specific categories across BT | Specialised TSO less LLU =<br>Part A: 3rd party costs less LLU = Total 3rd Party costs - LLU Cost<br>Part B: Specialised TSO less LLU = Total Electricity costs - total of below<br>*BT Cables and Sports Hub Costs<br>*Motor transport BT Costs<br>*Third party electricity Less LLU (Result from Part A)<br>*Office space costs<br>*NGA costs (estimated using NGA Power Consumption forecast and Electricity Unit Costs)<br>*LLU costs (estimated using Electricity Unit costs and LLU Metered, LLU Unmetered Power Consumption)<br>*Data centre costs | Specialised TSO less LLU =<br>Part A: 3rd party costs less LLU = £17m - £15m<br>Part B: Specialised TSO less LLU<br>= £100m - (£10m + £20m + £2m + £9m + £5m + £3m + £1m) | Specialised TSO less LLU = £50m |
| 7 | This step calculates power allocation and power revised through duplicates which then is uses TSO specialised base (less LLU) cost base (Result from Step 6) to allocate electricity costs to each PG/Product | Part A: Power revised for duplicates = Power Allocation / Count<br>Part B: % Power revised for duplicates / Total power revised for duplicates = power revised for duplicates (Result from Part A) / Total power revised for duplicates (Total of Result of Part A)<br>Part C: Electricity cost = % Power revised for duplicates * Specialised TSO less LLU (Result from Step 6)<br><br>**Note: Power allocation is calculated in steps 1-4 in PANDAL/PDTPANDA pages** | Part A: Power revised for duplicates = 500k / 1<br>Part B: % Power revised for duplicates / Total power revised for duplicates = 500k / 100m<br><br>Part C: Electricity cost = £50m x 0.005 | Part A: Power revised for duplicates = 500k<br>Part B: % Power revised for duplicates / Total power revised for duplicates = 0.005<br><br>Part C: Electricity cost = £250k |
| 8 | This steps calculates % allocation of the total electricity base cost for each PG/product/ activity group (Next generation access (NGA), BT sports hub, CFU % calculation based on total cost) | $CFU_1$ % allocation = $CFU_1$ electricity cost/ Total electricity cost<br>$CFU_2$ % allocation = $CFU_2$ electricity cost/ Total electricity cost<br>...<br>$CFU_x$ % allocation = $CFU_x$ electricity cost/ Total electricity cost<br><br>Note: for CFU costs associated with TSO specialised values, see step 7 | $CFU_1$ % allocation = £10m / £100m<br>$CFU_2$ % allocation = £500k / £100m<br>...<br>$CFU_x$ % allocation = £2m / £100m | $CFU_1$ % allocation = 10%<br>$CFU_2$ % allocation = 0.5%<br>...<br>$CFU_x$ % allocation = 2% |

| | |
|---|---|
| **Reference** | PANDAL-Q |
| **Title** | Power and Accommodation (Back-Up Power and Specialised Accommodation Equipment) |
| **Overview** | PANDAL-Q apportions maintenance and non-maintenance costs relating to BT's Network Operation Buildings including power, heating, ventilation, air conditioning, general environmental control and associated depreciation and other balance sheet charges, based on BT technology network equipment volumes, their respective power consumption and the electricity unit rate. |
| **Description** | **1. Source Costs and MCE:** This base apportions the costs and balance sheet items associated with systems providing heating, ventilation, air conditioning and general environment control in BT's Network Operational Buildings (i.e. non-office buildings such as property occupied by local exchanges), including equipment and costs for maintenance.<br>**2. Cost and MCE Categories:** Depreciation (Land & Buildings), Holding gains, Non-current assets (Land & Buildings).<br>**3. Summary Destination:** This base predominantly apportions to PG127A (Analogue Linecards), PG136N (LLU Co-mingling Provision), PG859A (Copper MSAN Control Access), PG857A (Copper MSAN Combi Cards Broadband element); and PG288A (Local Exchange Concentrator call set-up), as well as a number of other PGs.<br>**4. Methodology Taxonomy:** Electricity.<br>**5. Driver classification:** Electricity Usage.<br>**6. Data Source Summary:** Power consumption across the network is calculated using equipment volumes and standard consumption rates from various sources, to apply to each different part of the BT Technology network. |
| **Data Sources** | Electricity Usage (EXPRES, PACS/INS/ISIS Documents, Peacemaker, NISM, LLUMS, PIRM (CISL), MARVIN, UK Hosted ICM Platform), Electricity Cost (Energy Telemetry Database), Depreciation (LoPlist FAR Data) and Bearer volumes (CTCS). |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | This step calculates the Power Consumption. ***Volumes are obtained from OR RAW Volumes input, and Equipment Power Usage is obtained from the standard ratings for each equipment type.*** | For each relevant equipment type:<br>Equipment $_{\chi}$ Power Consumption = [Equipment $_{\chi}$ Volume] * [Equipment $_{\chi}$ Power Usage or Rating)<br>Total Power Consumption = Sum of all equipment power consumption | Equipment $_{1}$ Power Consumption = 100 * 50<br><br>Total Power Consumption = 5,000 + Power consumption for all other relevant equipment (e.g. 15,000) | Equipment $_{1}$ Power Consumption = 5,000<br><br>Total Power Consumption = 20,000 |
| 2 | This step calculates the Power Usage Allocation to Plant Groups. ***% Allocation is obtained from Average weighted base calculations for equipment costs.*** | For each relevant PG:<br>PG $_{\chi}$ Power Usage Allocation = Total Power Consumption $_{\text{(Result from Step 1)}}$ * % Allocation for PG $_{\chi}$ | PG $_{1}$ Power Usage Allocation = 20,000 * 10% | PG $_{1}$ Power Usage Allocation = 2,000 |
| 3 | This step calculates the Total Power Usage Allocation. | Total Power Usage Allocation = $\sum$ PG$_{1...n}$ Power Allocation $_{\text{(Result from Step 2)}}$ | Total Power Usage Allocation = 2,000 + Power consumption for all other relevant PGs (e.g. 10,000) | Total Power Usage Allocation = 12,000 |
| 4 | This step calculates the PG Power Usage Allocation %, adjusted for LLU costs. ***LLU proportion of total costs are obtained from LLU Power Consumption.*** | For each relevant PG:<br>Adjusted PG $_{\chi}$ Power Usage Allocation % = [PG $_{\chi}$ Power Allocation $_{\text{(Result from Step 2)}}$ / Total Power Allocation $_{\text{(Result from Step 3)]}}$ * [1 - LLU Proportion of total costs] | Adjusted PG $_{1}$ Power Usage Allocation % = [(2,000/12,000) x (1 – 12%)] * 100 | Adjusted PG $_{1}$ Power Usage Allocation % = 14.67% |

| | |
|---|---|
| **Reference** | PDTPANDA-Q |
| **Title** | Power and Accommodation (Back-Up Power and Specialised Accommodation Equipment) |
| **Overview** | PDTPANDA-Q apportions maintenance and non-maintenance costs relating to BT's Network Operation Buildings including power, heating, ventilation, air conditioning, general environmental control and associated depreciation and other balance sheet charges, based on BT technology network equipment volumes, their respective power consumption and the electricity unit rate. |
| **Description** | **1. Source Costs and MCE:** This base apportions the costs and balance sheet items associated with systems providing heating, ventilation, air conditioning and general environment control in BT's Network Operational Buildings (i.e. non-office buildings such as property occupied by local exchanges), including equipment and costs for maintenance.<br>**2. Cost and MCE Categories:** Depreciation (Other), Rest of BT Opex (Other); and Non-Current Assets (Land and buildings).<br>**3. Summary Destination:** The base predominantly apportions to PG127A (Analogue Linecards) and PG132N (LLU co-mingling recurring costs (technology)), as well as to a number of other PGs including PG859A (Copper MSAN Control Access), PG857A (Copper MSAN Combi Cards Broadband element) and PG288A (Local exchange concentrator (Sys X) call set-up).<br>**4. Methodology Taxonomy:** Electricity.<br>**5. Driver classification:** Electricity Usage.<br>**6. Data Source Summary:** Power consumption across the network is calculated using equipment volumes and standard consumption rates from various sources, to apply to each different part of the BT Technology network. |
| **Data Sources** | Electricity Usage (EXPRES, PACS/INS/ISIS Documents, Peacemaker, NISM, LLUMS, PIRM (CISL), MARVIN, UK Hosted ICM Platform), Electricity Cost (Energy Telemetry Database) and Depreciation (LoPlist FAR Data). |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | This step calculates the Power Consumption. ***Volumes are obtained from OR RAW Volumes input, and Equipment Power Usage is obtained from the standard ratings for each equipment type.*** | For each relevant equipment type:<br>Equipment $_{\chi}$ Power Consumption = [Equipment $_{\chi}$ Volume] * [Equipment $_{\chi}$ Power Usage or Rating)<br>Total Power Consumption = Sum of all equipment power consumption | Equipment $_{1}$ Power Consumption = 100 * 50<br><br>Total Power Consumption = 5,000 + Power consumption for all other relevant equipment (e.g. 15,000) | Equipment $_{1}$ Power Consumption = 5,000<br><br>Total Power Consumption = 20,000 |
| 2 | This step calculates the Power Usage Allocation to Plant Groups. ***% Allocation is obtained from Average weighted base calculations for equipment costs.*** | For each relevant PG:<br>PG $_{\chi}$ Power Usage Allocation = Total Power Consumption $_{\text{(Result from Step 1)}}$ * % Allocation for PG $_{\chi}$ | PG $_{1}$ Power Usage Allocation = 20,000 * 10% | PG $_{1}$ Power Usage Allocation = 2,000 |
| 3 | This step calculates the Total Power Usage Allocation. | Total Power Usage Allocation = $\sum$ PG$_{1...n}$ Power Allocation $_{\text{(Result from Step 2)}}$ | Total Power Usage Allocation = 2,000 + Power consumption for all other relevant PGs (e.g. 10,000) | Total Power Usage Allocation = 12,000 |
| 4 | This step calculates the PG Power Usage Allocation %, adjusted for LLU costs. ***LLU proportion of total costs are obtained from LLU Power Consumption.*** | For each relevant PG:<br>Adjusted PG $_{\chi}$ Power Usage Allocation % = [PG $_{\chi}$ Power Allocation $_{\text{(Result from Step 2)}}$ / Total Power Allocation $_{\text{(Result from Step 3)}}$] * [1 - LLU Proportion of total costs] | Adjusted PG $_{1}$ Power Usage Allocation % = [(2,000/12,000) x (1 – 12%)] * 100 | Adjusted PG $_{1}$ Power Usage Allocation % = 14.67% |

**Bases using labour methodologies**

The following apportionment bases are categorised as Labour methodologies. An explanation of labour methodology drivers is set out within section 5.6 of Part one of this AMD.

| | |
|---|---|
| **Reference** | BTPROTECT-J503 |
| **Title** | BT Protect |
| **Overview** | BTPROTECT-J503 apportions costs relating to security to align with the activities of the department. BT Protect is the testing of the network's cyber security and is allocated via Group PAC, whilst other security costs allocate to Rest of BT Residual. |
| **Description** | **1. Source Costs and MCE:** This base apportions security costs recorded in the Global Services OUC J503 ledger.<br>**2. Cost and MCE Categories:** Rest of BT OPEX (Excl Depreciation) - Group Central Functions. |
| | **3. Summary Destination:** AG118 (Group PAC); and P008 (Rest of BT Residual). |
| | **4. Methodology Taxonomy:** Labour.<br>**5. Driver classification:** Manhours & Labour Rates. |
| | **6. Data Source Summary:** Global Services ledgered costs and transfer charges. |
| **Data Sources** | General ledger |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | This step calculates the BT Protect proportion of costs from the Global Services J503 pay ledger codes and allocates to AG118. | AG118 allocation = [BT Protect costs] / [J503 ledgered pay costs] | AG118 = 50 / 400 | AG118 = 12.5% |
| 2 | This step calculates the non-BT Protect proportion costs from the Global Services J503 pay ledger codes and allocates to Rest of BT Residual. | P008 allocation = [Non-BT Protect costs] / [J503 ledgered pay costs] | P008 = 350 / 400 | P008 = 87.5% |

| | |
|---|---|
| **Reference** | EMPLOYEEBB-Q |
| **Title** | Employee Broadband |
| **Overview** | EMPLOYEEBB-Q apportions the underlying costs of employee broadband take-up to AGs and products, based on the split by OUC of employees receiving the offer. |
| **Description** | **1. Source costs and MCE:** This base apportions the costs associated with the take-up of Employee Broadband. Employee Broadband is an offer open to BT Employees where they have the option to have a broadband line.<br>**2. Cost and MCE categories:** Rest of BT Opex (Other). |
| | **3. Summary Destination:** This base predominantly apportions to AG401 (OR Pay driver), AG402 (Technology Pay driver), AG118 (BT Group PAC) and Rest of BT Residual. |
| | **4. Methodology Taxonomy:** Labour.<br>**5. Driver Classification:** FTEs using Employee Broadband. |
| | **6. Data Source Summary:** This base is allocated using the breakdown of employees by OUC who are receiving the employee broadband offer. |
| **Data Sources** | Labour: FTE's using Employee Broadband. |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | This step calculates the percentage allocation based on the FTEs that receive the employee broadband offer within a specific LOB, summarised by each unique product. | For each relevant onward destination base:<br>$AG_{LoB} = (LoB_{CFU\chi}$ FTE + ...$LoB_{CFUn}$ FTE) / Total FTE | $AG401_{(Openreach)}$ = (50 + 80 + 90) / 500k<br>$AG402_{(Technology)}$ = (30 + 60 + 40) / 500k | $AG401_{(Openreach)}$ = 44%<br>$AG402_{(Technology)}$ = 26% |

| | |
|---|---|
| **Reference** | PDTCORES-Q |
| **Title** | Residential Drop Maintenance |
| **Overview** | PDTCORES-Q apportions repair costs for Residential Dropwires to a number of different PGs. Apportionments are based on the costs recorded for different activities, which has to be calculated using hours worked and labour rates for some activities. |
| **Description** | **1. Source Costs and MCE:** This base apportions repair costs for Residential drop wires.<br>**2. Cost and MCE Categories:** Openreach Opex (Other). |
| | **3. Summary Destination:** This base apportions predominantly to PG122M (Dropwire Maintenance Residential) and PG981R (Regulated Time Related Charges), as well as to PG989A (Special Fault Investigation) and PG150B (Abortive Visits). |
| | **4. Methodology Taxonomy:** Labour<br>**5. Driver classification:** Man-hours & Labour Rates |
| | **6. Data Source Summary:** This base is apportioned using network data and man hours/labour costs. |
| **Data Sources** | Network data: bearer volumes (CTCS); and<br>Labour: Man hours & labour rates (ORBIT, NJR, Python), labour costs (CID). |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 to 6 | Steps 1 to 6 are as per the PDTUDL-Q Page but is with regard CoW SUNR. | | | |
| 7 | Ensure total cost allocation for CoW SUNR (which is mapped to the Base PDTCORES-Q) sum to 100%. If it does not equal 100%, the remaining % is allocated to PG122M - Res PSTN Maintenance | PG122M Cost Allocation % = (100 - Result of Steps 1 to 6) | PG122M Cost Allocation % = (100 - 60) | PG122M Cost Allocation % = 40% |

| | |
|---|---|
| **Reference** | PDTMDF-B |
| **Title** | Main Distribution Frames (Current) |
| **Overview** | PDTMDF-B apportions current account costs for main distribution frames to a number of different PGs. Apportionments are based on the costs recorded for different activities, which has to be calculated using hours worked and labour rates for some activities. |
| **Description** | **1. Source Costs and MCE:** This base apportions current account costs for main distribution frames.<br>**2. Cost and MCE Categories:** Openreach Opex (Other). |
| | **3. Summary Destination:** This base apportions predominantly to PG217F (Main Distribution Frames Maintenance), as well as to PG989A (Special Fault Investigation) and PG981R (Regulated Time Related Charges). |
| | **4. Methodology Taxonomy:** Labour.<br>**5. Driver classification:** Man-hours & Labour Rates. |
| | **6. Data Source Summary:** This base is apportioned using man hours and labour costs data. |
| **Data Sources** | Labour: Man hours & labour rates (ORBIT, NJR, Python), Labour costs (CID); and<br>Revenue & volumes: Openreach revenue & volumes. |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 to 6 | Steps 1 to 6 are as per the PDTUDL-Q Page but is with regard CoW MDF. | | | |
| 7 | Ensure total cost allocation for CoW MDF (which is mapped to the Base PDTMDF-B) sum to 100%. If it does not equal 100%, the remaining % is allocated to PG217F - LE Frames OR Current. | PG217F Cost Allocation % = (100 - Result of Steps 1 to 6) | PG217F Cost Allocation % = (100 - 60) | PG217F Cost Allocation % = 40% |

| | |
|---|---|
| **Reference** | PDTMG-Q |
| **Title** | General Customer Equipment & Line Faults |
| **Overview** | PDTMG-Q apportions staff costs of indirect apparatus and network faulting work to a number of different PGs. Apportionments are based on the costs recorded for different activities, which has to be calculated using hours worked and labour rates for some activities. |
| **Description** | **1. Source Costs and MCE:** This base apportions staff costs of indirect apparatus and network faulting work carried out by customer apparatus and line ETGs.<br>**2. Cost and MCE Categories:** Openreach Opex (Other). |
| | **3. Summary Destination:** This base predominantly apportions to PG154B (NGA Visit Assure), PG981R (Regulated Time Related Charges) and PG989A (Special Fault Investigation), as well as a number of other PGs including PG168A (WLR Enhanced Care Resource Level 2). |
| | **4. Methodology Taxonomy:** Labour.<br>**5. Driver classification:** Man-hours & Labour Rates. |
| | **6. Data Source Summary:** This base is apportioned using man hours and labour costs data. |
| **Data Sources** | Labour: Man hours & labour rates (ORBIT, NJR, Python), Labour costs (CID); and<br>Revenue & volumes: Openreach revenue & volumes. |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 to 6 | Steps 1 to 6 are as per the PDTUDL-Q Page but is with regard the CoW MG. | | | |
| 7 | Ensure total cost allocation for CoW MG (which is mapped to the Base PDTMG-Q) sum to 100%. If it does not equal 100%, the remaining % is allocated to AG410 - COMCOS | AG410 Cost Allocation % = (100 - Result of Steps 1 to 6) | AG410 Cost Allocation % = (100 - 60) | AG410 Cost Allocation % = 40% |

| | |
|---|---|
| **Reference** | PDTORSFI-Q |
| **Title** | Dropwire repair Overhead Cable |
| **Overview** | PDTORSFI-Q apportions repair costs for Dropwire repair Overhead Cable to a number of different PGs. Apportionments are based on the costs recorded for different activities, which has to be calculated using hours worked and labour rates for some activities. |
| **Description** | **1. Source Costs and MCE:** This base apportions repair costs for drop wires<br>**2. Cost and MCE Categories:** Openreach Opex (Other). |
| | **3. Summary Destination:** This base apportions predominantly to PG122M (Dropwire Maintenance Residential), as well as to PG989A (Special Fault Investigation), PG981R (Regulated Time Related Charges) and PG154B (NGA visit assure). |
| | **4. Methodology Taxonomy:** Labour<br>**5. Driver classification:** Man-hours & Labour Rates |
| | **6. Data Source Summary:** This base is apportioned using man hours and labour costs data. |
| **Data Sources** | Labour: Man hours & labour rates (ORBIT, NJR, Python), Labour costs (CID); and<br>Revenue & volumes: Openreach revenue & volumes. |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 to 6 | Steps 1 to 6 are as per the PDTUDL-Q Page but is with regard CoW OR. | | | |
| 7 | Ensure total cost allocation for CoW OR (which is mapped to the Base PDTORSFI-Q) sums to 100%. If it does not equal 100%, the remaining % is allocated to PG122M - Residential PSTN Maintenance | PG122M Cost Allocation % = (100 - Result of Steps 1 to 6) | PG122M Cost Allocation % = (100 - 60) | PG122M Cost Allocation % = 40% |

| | |
|---|---|
| **Reference** | PDTUDL-Q |
| **Title** | Distribution Side Copper Repair |
| **Overview** | PDTUDL-Q apportions repair costs for Distribution Side Copper drop wires to a number of different PGs. Apportionments are based on the costs recorded for different activities, which has to be calculated using hours worked and labour rates for some activities. |
| **Description** | **1. Source Costs and MCE:** This base apportions repair costs for drop wires.<br>**2. Cost and MCE Categories:** Openreach Opex (Other). |
| | **3. Summary Destination:** This base predominantly apportions to PG118M (D-Side Copper Maintenance), as well as a number of other PGs including PG154B (NGA visit assure), PG168A (WLR Enhanced Care Resource Level 2), PG981R (Regulated Time Related Charge) and PG989A (Special Fault Investigation). |
| | **4. Methodology Taxonomy:** Labour<br>**5. Driver classification:** Man-hours & Labour Rates |
| | **6. Data Source Summary:** Apportionment is calculated using labour hours, pay rates and Openreach service volumes. |
| **Data Sources** | Labour: Labour cost (CID) and Man-hours & labour rates (Orbit, NJR, Python); and<br>Revenue & Volumes: Openreach revenue & volumes. |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | This step calculates how much of the UDL Class of Work (CoW) needs to be allocated to Time Related Charges (TRCs) (PG981R).<br>***Values for this calculation are obtained from TRC KMH and CID Inputs*** | PG981R allocation % is calculated as follows:<br>Part A: Implied Hours = Total Pay costs / Labour rate per hour<br>Part B: Hours Remaining = Total TRC hours - Implied Hours$_{(\text{Result from Part A})}$<br>Part C: Costs Associated with TRC = Hours Remaining$_{(\text{Result from Part B})}$ * Labour rate per hour<br>Part D: Re-base % = (Total TRC worked hours for UDL CoW / Total TRC worked hours) / Total % for all relevant CoW<br>Part E: Proportion of TRC cost to be distributed = Cost associated with TRC$_{(\text{Result from Part C})}$ * Re-base %$_{(\text{Result from Part D})}$<br>Part F: Proportion of UDL CoW to be allocated (**PG981R**) = Proportion of TRC cost to be distributed$_{(\text{Result from Part E})}$ / Total Pay cost for UDL CoW | Part A: 9,000k / £30 = 300k<br>Part B: 800k – 300k = 500k<br>Part C: 500k * £30 = £15m<br>Part D: (200k / 1,000k) / 80% = 25%<br>Part E: £15m * 25% = £4m<br>Part F: £4m / £100m | Part F: PG981R Allocation = 4% |
| 2 | This step calculates how much of the CoW UDL needs to be allocated to **PG989A** / SFIs (Special Fault Investigations).<br>***Values for this calculation are obtained from SFI KMH by CoW SFI KMH inputs*** | PG989A allocation % is calculated as follows:<br>Part A: Cost associated with SFI = Total hours for SFI * Labour rate per hour (in £)<br>Part B: Re-base % = (SFI Worked Hours for UDL CoW / Total SFI Worked Hours) / Total % for all relevant CoW<br>Part C: Proportion of SFI cost to be distributed (£) = Cost associated with SFI$_{(\text{Result from Part A})}$ * Re-base %$_{(\text{Result from Part B})}$<br>Part D: Proportion of UDL CoW to be allocated (**PG989A**) = Proportion of SFI cost to be distributed$_{(\text{Result from Part C})}$ / Total Pay cost for UDL CoW | Part A: 500k * £30 = £15m<br>Part B: (90k / 1,000k) / 90% = 10%<br>Part C: £15m * 10% = £1.5m<br>Part D: £1.5m / £100m | Part D: PG989A Cost Allocation % = 1.5% |
| 3 | This step calculates how much of the CoW UDL needs to be allocated to Abortive Visit Charges (AVCs) (PG150B).<br>***Values for this are obtained from AVC Inputs*** | PG150B Cost Allocation % = Cost pertaining to AVCs for CoW UDL / Total Pay cost for UDL CoW | PG150B Cost Allocation % = £1m / £100m | PG150B Cost Allocation % = 1% |
| 4 | This step calculates how much of the CoW UDL needs to be allocated to NGA Visit Assure (PG154B).<br>***Values for this calculation are obtained from Visit Assure input*** | PG154B Cost Allocation %:<br>Part A: UDL Hours % = Hours related to visit assure for UDL CoW / Total Hours related to visit assure<br>Part B: UDL Hours 2 = UDL Hours %$_{(\text{Result from Part A})}$ / Total % for all relevant CoW * Total Hours related to visit assure | Part A: 200k / 1,000k = 20%<br>Part B: 20% / 80% * 1,000k = 250k | |

| | | | | |
|---|---|---|---|---|
| | | Part C: UDL £ Implied = UDL Hours 2 (Result from Part B) * Labour Rate Per Hour<br>Part D: % of CoW UDL **(PG154B)** to be allocated = UDL £ Implied(Result from Part C) / Total Pay cost for UDL CoW | Part C: 250k * £30 = £7.5m<br>Part D: £7.5m / £100m | Part D: PG154B Cost Allocation % = 7.5% |
| 5 | This step calculates how much of the CoW UDL needs to be allocated to WLF Enhanced Care Level 2 (PG168A) and MPF Enhanced Care Level 2 (PG169A).<br>***Values for this calculation are obtained from TRC Volume by Market and ARC inputs*** | PG168A / PG169A Cost Allocation %:<br>Part A: Total SML2 Costs (£) = Labour Rate Per Hour * SML2 Kilo Man Hours (KMH) Engineering Time<br>Part B: MPF/WLF% = MPF/WLF lines with SML2 / Total lines with SML2<br>Part C: MPF/WLF Cost (£) = MPF/WLF %(Result from Part B) * Total SML2 Cost (£)(Result from Part A)<br>Part D: Cost Pertaining to Enhanced Care (£) = (Total Pay cost for UDL CoW (£) / Total Pay Costs for 3 biggest maintenance CoW (£)) * MPF/WLF SML2 Cost (£) (Result from Part C)<br>Part E: Proportion of CoW UDL to be allocated to **PG169A** (MPF) and **PG168A** (WLF) = Cost Pertaining to Enhanced Care MPF/WLF (£)(Result from Part D) / Total Pay cost for UDL CoW (£) | Worked example for PG169A only:<br>Part A: £30 * £500k = £15m<br>Part B: 3m / 10m = 30%<br>Part C: 30% * £15m = £4.5m (MPF)<br>Part D: £100m / 250m * £4.5m = £1.8m<br>Part E: £1.8m / £100m | Part E:<br>PG169A = 1.8%<br>PG168A = 5% |
| 6 | This step calculates how much of the CoW UDL needs to be allocated to WLR Enhanced Care Level 3/4 (PG166A) and MPF Enhanced Care Level 3/4 (PG167A).<br>***Values for this calculation are obtained from TRC Volume by Market and ARC inputs*** | PG166A / PG167A Cost Allocation %:<br>Part A: Unit cost for level 2 lines = Total SML2 Cost (£) / Total lines with SML2<br>Part B: MPF/WLR Cost (£) = MPF/WLF Total Enhanced care volumes * Unit cost for level 2 lines (Result from Part A)<br>Part C: Cost Pertaining to Enhanced Care (£) = (Total Pay cost for UDL CoW (£) / Total Pay Costs for 3 biggest maintenance CoW (£)) * MPF/WLR Cost (£)(Result from Part B)<br>Part D: Proportion of CoW UDL to be allocated to **PG167A** (MPF) and **PG166A** (WLR) = Cost Pertaining to Enhanced Care MPF/WLF (£)(Result from Part C) / Total Pay cost for UDL CoW (£) | Worked example for PG167A Cost Allocation % only:<br>Part A: £15m / £10m = 1.5<br>Part B: £4m * 1.5 = £6m<br>Part C: £100m / 250m * £6m = £1.5m<br>Part D: £1.5m / £100m | Part D:<br>PG167A = 1.5%<br>PG166A = 2% |
| 7 | This step ensures the total cost allocation for CoW UDL (which is mapped to the Base PDTUDL-Q) sums to 100%. If it does not equal 100%, the remaining % is allocated to PG118M - D-Side Copper Maintenance | PG118M Cost Allocation % = (100 - [Result Step 1 PG981R] - [Result Step 2 PG989A] - [Result Step 3 PG150B] - [Result Step 4 PG154B] - [Result Step 5 PG169A & PG168A] - [Result Step 6 PG167A & PG166A]) | PG118M Cost Allocation % = (100% – 4% - 1.5% - 1% - 7.5% - 1.8% - 5% - 1.5% - 2%) | PG118M Cost Allocation % = 75.7% |

| | |
|---|---|
| **Reference** | PDTUEL-Q |
| **Title** | Exchange Side Copper Repair |
| **Overview** | PDTUEL-Q apportions repair costs for Exchange Side Copper drop wires to a number of different PGs. Apportionments are based on the costs recorded for different activities, which has to be calculated using hours worked and labour rates for some activities. |
| **Description** | **1. Source Costs and MCE:** This base apportions repair costs for drop wires.<br>**2. Cost and MCE Categories:** Openreach Opex (Other). |
| | **3. Summary Destination:** This base predominantly apportions to PG117M (E-Side Copper Cable Maintenance), as well as a number of other PGs including PG154B (NGA visit assure), PG168A (WLR Enhanced Care Resource Level 2); and PG989A (Special Fault Investigation). |
| | **4. Methodology Taxonomy:** Labour<br>**5. Driver classification:** Man-hours & Labour Rates |
| | **6. Data Source Summary:** This base is apportioned using network data and man hours/labour costs. |
| **Data Sources** | Network data: bearer volumes (CTCS); and<br>Labour: Man hours & labour rates (ORBIT, NJR, Python), labour costs (CID). |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 to 6 | Steps 1 to 6 are as per the PDTUDL-Q Page but is with regard CoW UEL | | | |
| 7 | Ensure total cost allocation for CoW UEL (which is mapped to the Base PDTUEL-Q) sums to 100%. If it does not equal 100%, the remaining % is allocated to PG117M - E Side Copper Current | PG117M Cost Allocation % = (100 - Result of Steps 1 to 6) | PG117M Cost Allocation % = (100 - 60) | PG117M Cost Allocation % = 40% |

**Bases using network data methodologies**

The following apportionment bases are categorised as Network data methodologies. An explanation of network data methodology drivers is set out within section 5.6 of Part one of this AMD.

| | |
|---|---|
| **Reference** | PDTCJF-Q |
| **Title** | Backhaul and Core Fibre Cables |
| **Overview** | PDTCJF-Q allocates depreciation and asset values of core and backhaul fibre between core and backhaul PGs based on the length of core and backhaul fibre cables. |
| **Description** | **1. Source Costs and MCE:** This base attributes the depreciation and asset values of our core and backhaul fibre cables.<br>**2. Cost and MCE Categories:** Non-Current Assets (Fibre). |
| | **3. Summary Destination:** This base predominantly apportions to PG170B (Backhaul Fibre), as well as PG350N (Core Fibre). |
| | **4. Methodology Taxonomy:** Network Data<br>**5. Driver classification:** Fibre Lengths (CTCS/LLUMS) |
| | **6. Data Source Summary:** Network data for fibre lengths (km) for backhaul fibre and core fibre are used in the apportionment of this base. |
| **Data Sources** | Network data: Fibre lengths (CTCS); and<br>Revenue & volumes: Ethernet revenue & volumes (ORBIT). |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 - 4 | These steps calculate the total core and fibre lengths in km.<br>Steps 1 - 4 are identical to PDTLMD-Q. | | | |
| 5 | Percentage allocation based on Fibre Lengths (%) | PG350N = [Core Fibre Length (km)$_{(Result\ from\ Step\ 4)}$ + 21CN Metro Core circuit length] / [Core Fibre Length (km)$_{(Result\ from\ Step\ 4)}$ + Backhaul Fibre Length (km)$_{(Result\ from\ Step\ 4)}$]<br>PG170B = [Backhaul Fibre Length (km)$_{(Result\ from\ Step\ 4)}$ +21CN DSLAM to Metro circuit length] / [Core Fibre Length (km)$_{(Result\ from\ Step\ 4)}$ + Backhaul Fibre Length (km)$_{(Result\ from\ Step\ 4)}$] | PG350N = (15km + 5km) / 100km<br>PG170B = (60km + 10km) / 100km | PG350N = 30%<br>PG170B = 70% |

| | |
|---|---|
| **Reference** | PDTLFSC-Q |
| **Title** | Local Fibre Spine Cable |
| **Overview** | This base apportions the costs and balance sheet items associated with local fibre spine cable (into PGs for FTTC, FTTP, Ethernet and Network Adjustments), based on fibre volumes. Data showing fibre connection volumes within the UK from INS is mapped to different geographies by Openreach Specialists. These are then mapped into specific geographic markets as necessary. All fibre volumes in this apportionment are calculated after excluding BDUK. |
| **Description** | **1. Source Costs and MCE:** This base apportions the costs and balance sheet items associated with local fibre spine cable.<br>**2. Cost and MCE Categories:** Depreciation (Fibre) and Non-Current Assets (Fibre). |
| | **3. Summary Destination:** This base predominantly apportions to PG111C (Access Fibre Spine) and PG948C (GEA FTTP Access Fibre Spine), as well as to PG950C (GEA FTTC Access Fibre Spine); and PG300N (Duct Network Adjustments Internal). |
| | **4. Methodology Taxonomy:** Network Data<br>**5. Driver classification:** Cable Lengths (INS) |
| | **6. Data Source Summary:** Fibre Connections from INS and network adjustments are used as a driver to allocate costs across the relevant PGs for Spine Fibre. |
| **Data Sources** | Cable Lengths (INS), GBV (BDUK Ledger), Network Adjustments GBV |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | This step calculates Total BDUK GBV for LFSC (FTTC and FTTP).<br>Values are obtained from BDUK GBV Data. | BDUK GBV FTTx for LFDC = BDUK GBV for LFDC * FTTx% | BDUK GBV FTTC for LFDC = £100 * 25%<br>BDUK GBV FTTP for LFDC = £100 * 15% | BDUK GBV FTTC for LFDC = £25<br>BDUK GBV FTTP for LFDC = £15 |
| 2 | This step calculates BDUK Planning Cost for LFSC (FTTC and FTTP). | [Steps are same as Part a but filtered for Policy Code FSDG]<br>BDUK GBV (Planning Cost) FTTx for LFDC = BDUK GBV Closing [Policy Code FSDG] * FTTx% | BDUK GBV (Planning Cost) FTTC for LFDC = £40 * 25%<br>BDUK GBV (Planning Cost) FTTP for LFDC = £33 * 15% | BDUK GBV (Planning Cost) FTTC for LFDC = £10<br>BDUK GBV (Planning Cost) FTTP for LFDC = £5 |
| 3 | This step strips out BDUK Planning Costs from Total BDUK Depreciation (FTTC and FTTP). | BDUK GBV FTTx Net of Planning Cost for LFDC = BDUK GBV FTTx for LFDC (Result from step 1a) - BDUK GBV (Planning Cost) FTTx for LFDC (Result from step 1b) | BDUK GBV FTTC Net of Planning Cost for LFDC = £25 - £10<br>BDUK GBV FTTP Net of Planning Cost for LFDC = £15 - £5 | BDUK GBV FTTC Net of Planning Cost for LFDC = £15<br>BDUK GBV FTTP Net of Planning Cost for LFDC = £10 |
| 4 | This step sums together BDUK FTTC and FTTP GBV (net of Planning Costs) calculated in Step 3, to give us totals. | Total GBV of BDUK element in LFDC = BDUK GBV FTTC Net of Planning Cost for LFDC (Result from part c) + BDUK GBV FTTP Net of Planning Cost for LFDC (Result from part c) | Total GBV of BDUK element in LFDC = £15 + £10 | Total GBV of BDUK element in LFDC = £25 |
| 5 | Part a:<br>This step calculates the BDUK percentage reduction which is used to adjust the fibre connection volumes for FTTP and FTTC.<br>GBV for FTTC and FTTP of LFSC CoW is obtained from Ledger Data<br>Part b:<br>This step calculates the BDUK adjustment to FTTC and FTTP connections. | Part a:<br>BDUK % Reduction = 1 - ( Total GBV of BDUK element in LFDC (Result from step 4) / Total GBV for LFSC )<br>Part b:<br>For FTTC and FTTP:<br>BDUK Adj FTTx Connections = No. of FTTx Connections * BDUK % Reduction (Result from step a) | Part a:<br>BDUK % reduction = 1 - (£25/£100)<br>Part b:<br>BDUK Adj FTTC Connections = 500 * 0.75<br>BDUK Adj FTTP Connections = 300 * 0.75 | Part a:<br>BDUK % reduction = 75%<br>Part b:<br>BDUK Adj FTTC Connections = 375<br>BDUK Adj FTTP Connections = 225 |
| 6 | This step calculates the network adjustment (NA) percentage, and determines the resultant non-network adjustment percentage.<br>Note that PDTLFSC only currently considers Internal Network Adjustments for Duct, as External Network adjustments (Duct and Poles) and Internal Network Adjustments (Poles) are immaterial. | Part a:<br>NA % = GBV of Network Adjustments in LFSC / GBV of LFSC<br>Part b:<br>NA Adj % = 1 - Network Adjustments Percentage (Result from Part a) | Part a:<br>NA % = £10 / £100<br>Part b:<br>Non-NA % = 100% - 10% | Part a:<br>NA % = 10%<br>Part b:<br>Non-NA % = 90% |
| 7 | This step calculates the percentage allocations before Network Adjustments.<br>It calculates the BDUK adjusted connections as a proportion of total connections (i.e. BDUK Adjusted FTTC Connections + BDUK FTTP Connections + Ethernet Connections). | Ethernet PG before NA = Ethernet connections / Total connections<br>For FTTC and FTTP Before NA:<br>FTTx PG before NA = BDUK adj FTTx connections (Result from step 5b) / Total connections | Ethernet PG = 200 / ( 375 + 225 + 200 )<br>FTTC PG = 375 / ( 375 + 225 + 200 )<br>FTTP PG = 225 / ( 375 + 225 + 200 ) | Ethernet PG = 25%<br>FTTC PG = 47%<br>FTTP PG = 28% |
| 8 | This step calculates the percentage allocations to PGs after Network Adjustments. | FTTx PG = FTTx PG before NA (Result from step 7) * Non-NA % (Result from step 6b)<br>NA PG = NA % (Result from step 6a) | FTTC PG = 47% * 90%<br>FTTP PG = 28% * 90%<br>Ethernet PG = 25% * 90%<br>NA PG = 10% | FTTC PG = 42%<br>FTTP PG = 25%<br>Ethernet PG = 23%<br>NA PG = 10% |

**Bases using other miscellaneous methodologies**

The following apportionment bases are categorised as Other miscellaneous methodologies. An explanation of other miscellaneous methodology drivers is set out within section 5.6 of Part one of this AMD.

| | |
|---|---|
| **Reference** | COMPE-T |
| **Title** | BT's Own Use Personal Computers |
| **Overview** | The methodology apportions costs of BT own use personal computers to CFUs/CUs based on the number of personal computers by CFU/CU. |
| **Description** | **1. Source costs and MCE:** This base apportions costs and MCE of BT's own use personal computers to CFUs/CUs based on the number of personal computers by CFU/CU.<br>**2. Cost and MCE categories:** Depreciation (Electronics) and Non-Current Assets (Electronics). |
| | **3. Summary Destination:** This base predominantly apportions to AG401 (Openreach Pay Driver) and P008 (Rest of BT Residual), as well as to AG118 (Corporate costs) and AG402 (Technology Pay Driver). |
| | **4. Methodology Taxonomy:** Other Misc.<br>**5. Driver Classification:** BT PC & Laptop Volumes. |
| | **6. Data Source Summary:** Volumes of computers are aggregated within Ecensus/Bridge by CFU. This information is then used to produce percentage allocation for the bases to AGs/products. |
| **Data Sources** | Other Misc: BT PC & Laptop volumes (Ecensus, Bridge). |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | This step calculates the proportion of computers for each CFU. | For each CFU:<br>Proportion per $CFU_x$ = $CFU_x$ computer volume / Total volumes | Proportion per $CFU_1$ = £20k / £100k | Proportion per $CFU_1$ = 20%<br>$CFU_{1...n}$ = 100% |
| 2 | This step calculates the allocation % to AGs and Rest of BT Residual by summing the relevant CFU proportions calculated in step 1. | AG118 % = $AG118_{CFU1}$% + $AG118_{CFU2}$% +...<br>AG401 % = $AG401_{CFU1}$% + $AG401_{CFU2}$% +...<br>AG402 % = $AG402_{CFU1}$% + $AG402_{CFU2}$% +...<br>P008 % = $P008_{CFU1}$% + $P008_{CFU2}$% +... | AG118 % =1% + 2% + 2%.<br>AG401 % = 3% + 5 % + 10%<br>AG402 % = 10% + 22% + 8%<br>P008 % = 20% + 10% + 5% + 3% | AG118 % = 4%<br>AG401 % = 18%<br>AG402 % = 40%<br>P008 % = 38% |

| | |
|---|---|
| **Reference** | PDTCPDSL-B |
| **Title** | Circuit Provision - Asymmetric Digital Subscriber line |
| **Overview** | PDTCPDSL-B apportions GEA (Generic Ethernet Access) customer site provisioning costs recorded within the CPDSL CoW to GEA provisioning PGs based on an annual study of in-year store costs. |
| **Description** | **1. Source Costs and MCE:** This base apportions GEA customer site provisioning costs recorded within the CPDSL CoW to GEA provisioning plant groups.<br>**2. Cost and MCE Categories:** Openreach Opex (Other). |
| | **3. Summary Destination:** This base apportions to PG957P (GEA FTTP Provision); and PG958P (GEA FTTC Provision). |
| | **4. Methodology Taxonomy:** Other Misc.<br>**5. Driver classification:** CPDSL CoW costs. |
| | **6. Data Source Summary:** Other miscellaneous CPDSL CoW Costs are used to calculate the GEA Electronics base. |
| **Data Sources** | Other Miscellaneous: CPDSL CoW costs. |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | This step calculates the sum of the line values for each period and product from the CPDSL data | Line $Value_x$ = $Product_1$ $Service_x$ + ... $Product_n$ $Service_x$ | Line $Value_{FTTC}$ = 50 + 80 + 20<br>Line $Value_{FTTP}$ = 100 + 90 + 80 | Line $Value_{FTTC}$ = 150<br>Line $Value_{FTTP}$ = 270 |

| | | | | |
|---|---|---|---|---|
| | ***Values for this calculation are obtained from CPDSL input*** | | Line $Value_{ADSL}$ = 200 + 130 + 120 | Line $Value_{ADSL}$ = 450 |
| 2 | The step calulates the base allocation to PGs by dividing the line value for each service by the total line value of all services. ASDL products are grouped with FTTC products, values from step 1. | FTTC Allocation = Line $value_{FTTC(Result\ from\ step\ 1)}$+ Line $value_{ADSL(Result\ from\ step\ 1)}$ / Total $line\ value_{(Sum\ results\ from\ step\ 1)}$<br>FTTP Allocation = Line $value_{FTTP(Result\ from\ step\ 1)}$ / Total $line\ value_{(Sum\ results\ from\ step\ 1)}$ | FTTC Allocation = 150 + 450 / (870)<br>FTTP Allocation = 270 / (870) | FTTC Allocation = 69%<br>FTTP Allocation = 31% |

| | |
|---|---|
| **Reference** | PDTEMP-Q |
| **Title** | Ethernet Monitoring Platform |
| **Overview** | PDTEMP-Q apportions an internal trade between Ethernet Monitoring Platform and the Rest of BT Residual, using the split of the internal trade between costs and margin, based upon a management assessment from the Global Services team. |
| **Description** | **1. Source Costs and MCE:** This base apportions underlying non pay - general management costs of an internal trade between PG449A (Ethernet Monitoring Platform) and Rest of BT Residual.<br>**2. Cost and MCE Categories:** Openreach Opex (Other). |
| | **3. Summary Destination:** This base apportions costs to PG449A (Ethernet Monitoring Platform); and P008 (Rest of BT Residual). |
| | **4. Methodology Taxonomy:** Other Misc.<br>**5. Driver classification:** Internal Profit Margin. |
| | **6. Data Source Summary:** The internal profit from the Global Services team is used to apportion this base. |
| **Data Sources** | Other Miscellaneous: Internal Profit Margin (Global Services Trading Model). |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | This step calculates the Internal Profit Margin allocation to Residual | Rest of BT Residual % = Internal Profit Margin<br>PG449A % = 1 - Internal Profit Margin | Rest of BT Residual % = 20%<br>PG449A % = 100% - 20% | Rest of BT Residual % = 20%<br>PG449A % = 80% |

| | |
|---|---|
| **Reference** | PDTLYX-Q |
| **Title** | AXE10 Exchanges |
| **Overview** | PDTLYX-Q apportions the costs and balance sheet charges for AXE10 local exchange equipment, based on the split of depreciation for concentrator and processor network elements. |
| **Description** | **1. Source Costs and MCE:** This base apportions the costs and balance sheet charges for AXE10 local exchange equipment in BT's network, manufactured by Ericsson.<br>**2. Cost and MCE Categories:** Openreach Opex (Other) and Non-Current Assets (Switch and Transmission). |
| | **3. Summary Destination:** This base predominantly apportions to PG127A (Analogue Linecards) and PG280C (AXE10 LE processor), as well as to a number of other Local exchange, equipment and Linecard PGs. |
| | **4. Methodology Taxonomy:** Other Misc.<br>**5. Driver classification:** Equipment Costs. |
| | **6. Data Source Summary:** This base is calculated using AXE10 Local Exchange Equipment costs and assets. The data sources for this base are all frozen, these switches are legacy items which are no longer manufactured, not even spare parts are available. |
| **Data Sources** | Other Miscellaneous |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | This step calculates model equivalent asset (MEA) value. GRC is multiplied by written out and written down percentages that are static.<br>This is calculated for each type of channel (e.g Analogue). | Actual $MEA_{Per\ channel}$ = GRC * (Written Down - Written out) | Actual $MEA_{Analogue}$ = £700m * (1 - 0) | Actual $MEA_{Analogue}$ = £700m |

| | | | | | |
|---|---|---|---|---|---|
| | 2 | This step calculates depn by dividing the asset value by the expected asset service life.<br>This is calculated for each type of channel (e.g Analogue). | $Depn_{Per\ channel}$ = Actual $MEA_{(Result\ from\ step\ 1)}$ / Asset Lives | $Depn_{Analogue}$ = £700m / 15 | $Depn_{Analogue}$ = £46m |
| | 3 | This step calculates the channel split based on depreciation for each channel. This calculation is independent of the above depn calculations.<br>This is calculated for each type of channel (e.g Analogue). | Channel $Split_{Per\ channel}$ = $Depreciation_{Per\ channel}$ / $Depreciation_{All\ channels}$ | Channel $Split_{Analogue}$ = £9m / £11m | Channel $Split_{Analogue}$ = 82% |
| | 4 | This step calculates the depn to be allocated for each channel. Depreciation to be allocated is the depn for each channel plus the spread of the depn for the test access channel. Test Access is spread based on the Channel split.<br>This is calculated for each type of channel (e.g Analogue). | Depn to be $allocated_{Per\ channel}$ = $Depn_{(Result\ from\ step\ 2)}$ + (Depn for Test $Access_{(Result\ from\ step\ 2)}$ * Channel $Split_{(Result\ from\ step\ 3)}$) | Depn to be $allocated_{Analogue}$ = £46m + (£300k * 82%) | Depn to be $allocated_{Analogue}$ = £46.2m |
| | 5 | This step calculates common cost per channel using depn to be allocated per channel from results above and a common cost percentage split. | Common cost $depreciation_{Per\ channel}$ = Depn to be $allocated_{Per\ channel\ (Result\ from\ step\ 4)}$ * common cost $split_{Per\ channel}$ | Common cost $depreciation_{Analogue}$ = £46.2m * 1% | Common cost $depreciation_{Analogue}$ = £462k |
| | 6 | This step calculates the cost depreciation for each PG based on channel calculations above and a cost split related to each PG.<br>The calculation is performed for each channel. Then all channels are summed together to obtain 5 unique results corresponding to each PG. | $Cost_{1,2,3,4,5\ per\ channel}$ depreciation = Depn to be $allocated_{Per\ channel\ (Result\ from\ step\ 4)}$ * cost $split_{1,2,3,4,5\ per\ channel}$ | $Cost_{5\ (Analogue)}$ depreciation = £46.2m * 6% | $Cost_{5\ (Analogue)}$ depreciation = £2.7m<br>$Cost_{5\ (All\ channels)}$ depreciation = £5m<br>$Cost_{1-5}$ depreciation = £57m |
| | 7 | This step calculates the common costs and maintenance for $PG_{1,2,3}$ and $PG_{4,5}$ using two separate methods.<br>Note: The channel split from step 3 is used in this calculation however note that only the channel split for specific channels are used that are mapped to $PG_{1,2,3}$. | $PG_{1,2,3}$ Common Costs & Maintenance = Common cost $depreciation_{Analogue\ (Result\ from\ step\ 5)}$ *(Channel $Split_{(Result\ from\ step\ 3)}$ * (Written Down - (($Cost_4$ $depreciation_{(Result\ from\ step\ 6)}$ / $Cost_{1-5}$ $depreciation_{(Result\ from\ step\ 6)}$) + ($Cost_5$ $depreciation_{(Result\ from\ step\ 6)}$ / $Cost_{1-5}$ $depreciation_{(Result\ from\ step\ 6)}$)))<br>$PG_{4,5}$ Common Costs & Maintenance = Common cost $depreciation_{Analogue\ (Result\ from\ step\ 5)}$ *($Cost_{4,5}$ $depreciation_{(Result\ from\ step\ 6)}$ / $Cost_{1-5}$ $depreciation_{(Result\ from\ step\ 6)}$) | $PG_1$ Common Costs & Maintenance = £462k *(85% * (1 - ((£7m / £57m) + (£5m / £57m)))<br>$PG_5$ Common Costs & Maintenance = £462k *(£5m / £57m) | $PG_1$ Common Costs & Maintenance = £310k<br>$PG_5$ Common Costs & Maintenance = £40k |
| | 8 | This step calculates the overall PG depreciation costs by adding costs for each plant group. | $PG_{1,2,3,4,5}$ depreciation = $Cost_{1,2,3,4,5}$ $depreciation_{(Result\ from\ step\ 6)}$ + $PG_{1,2,3,4,5}$ Common Costs & $Maintenance_{(Result\ from\ step\ 7)}$ | $PG_5$ depreciation = £5m + £40k | $PG_5$ depreciation = £5m |
| | 9 | This step calculates the PG allocation for PGs 6, 7 and 8.<br>The values are calculated based on 3 difference asset categories that are then mapped to each PG.<br>Maintenance depn is based on the GRC value relating to the maintenance processor. | $Depn_{6,7,8}$ = $GRC_{6,7,8}$ / Asset $lives_{6,7,8}$<br>Percentage $total_{6,7,8}$ = $Depn_{6,7,8}$ / $Depn_{6-8}$<br>Maintenance Depn = $GRC_{Maintenance}$<br>Respread of $maintenance_{6,7,8}$ = Percent of $Total_{6,7,8}$ * Maintenance Depn<br>$PG_{6,7,8}$ depreciation = $Depn_{6,7,8}$ + Respread of $Maintenance_{6,7,8}$ | $Depn_{6,}$ = £20m / 10 = £2m<br>Percentage $total_6$ = £2m / £17m = 12%<br>Maintenance Depn = £2.5m<br>Respread of $maintenance_{6,7,8}$ = 12% * £2.5m = £300k<br>$PG_6$ Total depn = £2m + £300k | $PG_6$ depreciation = £2.3m<br>$PG_{1-8}$ Total depreciation = £90m |
| | 10 | This step calculates the final PG allocation by dividing the depreciation for each PG by the total depreciation across all PGs. | $PG_{1,2,3,4,5,6,7,8}$ = $PG_{1,2,3,4,5,6,7,8}$ $depreciation_{(Result\ from\ step\ 8\&9)}$ / $PG_{1-8}$ $depreciation_{(Result\ from\ step\ 9)}$ | $PG_5$ = £5m / £90m | $PG_5$ = 6%<br>$\sum PG_{1-8}$ = 100% |

| | |
|---|---|
| **Reference** | PDTSCNM-Q |
| **Title** | Network Platform Support Contract Costs |
| **Overview** | PDTSCNM-Q apportions the Profit and Loss (Other Payments) costs of technology vendor provided support to different PGs by breaking down the total Support Contract Costs into technologies or platform specific categories and apportioning them to the relevant PG. |
| **Description** | **1. Source Costs and MCE:** This base apportions the Profit and Loss (Other Payments) costs of technology vendor provided support usually under fixed term support contracts.<br>**2. Cost and MCE Categories:** Rest of BT Opex (Other) and Openreach Opex (Other).<br>**3. Summary Destination:** This base predominantly apportions to P008 (Rest of BT residual) and AG102 (Technology Operational costs), as well as to a number of other PGs including PG447A (Ethernet Access Equipment), PG127A (Analogue Linecards); and PG859A (Copper MSAN Control Access).<br>**4. Methodology Taxonomy:** Other Misc.<br>**5. Driver classification:** Supplier Contract Values<br>**6. Data Source Summary:** Full year Platform level Contract Support costs, platform specific bases, depreciation and capex spends are used to apportion this base. |
| **Data Sources** | Other miscellaneous: Supplier Contract Values, Depreciation (TSO LoP List), Depreciation (OR LOP List ), Equipment costs, Capex spend; and Network data: Circuit count (CTCS). |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | This step calculates the contract percentage.<br>***The contract cost comes from a report which captures TSO 3rd party support contract spend by supplier.*** | For all relevant bases:<br>$Base_{\chi}$ Contract Percentage = Contract Cost for $Base_{\chi}$ / Total Contract Cost for Year | $Base_1$ Contract Percentage = (£450 / £100) | $Base_1$ = 4.5%<br>$\sum Base_{1...n}$ = 100% |
| 2 | This step calculates the base allocation for 3rd party support contracts. Each treatment base is weighted by its contract percent.<br>***Note Base Allocation is calculated in PDTCJF, PDTCRDA, PDTCRFA, PDTCRHQC, PDTIVX, PDTLTME, PDTTPWC, PDTSDH, PDTCOR21, PDTETHER, PDTMSAN, PDTSYXD, PDTLYX, PDTMXD, PDTSIGNI, PDTKDEN and PDTMDEN*** | For each relevant base:<br>$Base_{\chi}$ allocation = ($Base_{\chi}$ allocation / 100) * $Base_{\chi}$ Contract Percentage (Result from step 1) | $Base_1$ = (£100/ £100) * 4.5% | $Base_1$ = 4.5%<br>$\sum Base_{1...n}$ = 100% |

| | |
|---|---|
| **Reference** | PDTSYSXD-Q |
| **Title** | System X |
| **Overview** | PDTSYSXD-Q apportions the costs and balance sheet charges for System X local exchange equipment, based on the split of depreciation for concentrator and processor network elements. |
| **Description** | **1. Source Costs and MCE:** This base apportions cost and balance sheet for System X local exchange equipment.<br>**2. Cost and MCE Categories:** Other CCA adjustments, Rest of BT Opex (Other), Depreciation (Switch & Transmission); and Non-Current Assets (Switch & Transmission).<br>**3. Summary Destination:** This base predominantly apportions to PG127A (Analogue Linecards), PG288A (Local Exchange Concentrator (Sys X) Call Set-up) and PG285C (System X Processor, as well as to a number of other PGs including PG128A (ISDN2 Linecards); and PG289A (Local Exchange Concentrator (Sys X) Call Duration).<br>**4. Methodology Taxonomy:** Other Misc.<br>**5. Driver classification:** Equipment Costs.<br>**6. Data Source Summary:** This base is calculated using local Exchange Equip. costs and assets. The data sources for this base are all frozen, these switches are legacy items which are no longer manufactured, not even spare parts are available, as a result this data is all static. |
| **Data Sources** | Other Miscellaneous: other. |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | This step calculates the asset value based on 2 different methods.<br>This is calculated for each type of component where each component will use one of the calculation methods. | Asset $Value_{Per\ component\ method\ 1}$ = $GRC_{Per\ component}$ * Already written out<br>Asset $Value_{Per\ component\ method\ 2}$ = $GRC_{Per\ component}$ * Sum written down | Asset $Value_{Component\ 1}$ = £2.5m * 2%<br>Asset $Value_{Component\ 2}$ = £550m * 1 | Asset $Value_{Component\ 1}$ = £50k<br>Asset $Value_{Component\ 2}$ = £550m |

| | | | | | |
|---|---|---|---|---|---|
| | 2 | This step calculates depn to be allocated by dividing the asset value by the expected asset service life.<br>This is calculated for each type of component. | Depn to be allocated$_{\text{Per component}}$ = Asset Value$_{\text{(Result from step 1)}}$ / Asset Life | Depn to be allocated$_{\text{Component 2}}$ = £550m / 15 | Depn to be allocated$_{\text{Component 2}}$ = £37m |
| | 3 | This step calculates common cost per component using depn to be allocated per component from results above and a common cost percentage split. | Common cost depreciation$_{\text{Per component}}$ = Depn to be allocated$_{\text{per component (Result from step 2)}}$ * common cost split$_{\text{Per component}}$ | Common cost depreciation$_{\text{Component 2}}$ = £37m * 40% | Common cost depreciation$_{\text{Component 2}}$ = £15m<br>Common cost depreciation$_{\text{All components}}$ = £40m |
| | 4 | This step calculates the cost depreciation for each PG based on component calculations above and a cost split related to each PG.<br>The calculation is performed for each component. Then all components are summed together to obtain 5 unique results corresponding to each PG. | Cost$_{1,2,3,4,5\text{ per component}}$ depreciation = Depn to be allocated$_{\text{Per component (Result from step 2)}}$ * cost split$_{1,2,3,4,5\text{ per component}}$ | Cost$_{1\text{ Component 2}}$ depreciation = £37m * 10% | Cost$_{1\text{ Component 2}}$ depreciation = £3.7m<br>Cost$_{1\text{ All components}}$ depreciation = £36m<br>Cost$_{1\text{-}5}$ depreciation = £120m |
| | 5 | This step calculates common costs allocated by volumes for PG$_{1,2}$ based on calculation results above. | PG$_{1,2}$ Common costs allocated by volumes = Cost$_{1,2}$ depreciation$_{\text{(Result from step 4)}}$ / Cost$_{1\text{-}5}$ depreciation$_{\text{(Result from step 4)}}$ | PG$_1$ Common costs allocated by volumes = £36m / £120m | PG$_1$ Common costs allocated by volumes = 30%<br>PG$_{1\text{-}2}$ Common costs allocated by volumes = 38% |
| | 6 | This step calculates percentage total based on depreciation relating to Analogue, ISDN2 and ISDN30 channels. | Percentage total$_{3,4,5}$ = Depreciation$_{\text{Analogue, ISDN2, ISDN30}}$ / Depreciation$_{\text{Analogue \& ISDN2 \& ISDN30}}$ | Percentage total$_3$ = £24m / (£24m + £2m + £5m) | Percentage total$_3$ = 78% |
| | 7 | This step calculates common costs allocated by volumes for PG$_{3,4,5}$ based on calculation results above and a static sum written down value of 1. | PG$_{3,4,5}$ Common costs allocated by volumes = Percentage of total$_{3,4,5\text{ (Result from step 6)}}$ * (Sum Written Down - PG$_{1\text{-}2}$ Common costs allocated by volumes $_{\text{(Result from step 5)}}$) | PG$_3$ Common costs allocated by volumes = 78% * (1 - 38%) | PG$_3$ Common costs allocated by volumes = 48% |
| | 8 | This step calculates the total depreciation for each PG$_{1,2,3,4,5}$ based on the depreciation cost for each PG previously calculated and its share of common costs. | PG$_{1,2,3,4,5}$ Depreciation = (Common cost depreciation$_{\text{(Result from step 3)}}$ * PG$_{1,2,3,4,5}$ Common costs allocated by volumes$_{\text{(Result from step 5\&7)}}$) + Cost$_{1,2,3,4,5\text{ (Result from step 4)}}$ depreciation | PG$_1$ Depreciation = (£40m * 30%) + £36m | PG$_1$ Depreciation = £48m |
| | 9 | This step calculates depreciation relating to common costs per processor type. | Depn Common costs$_{\text{Per processor}}$ = GRC$_{\text{Per processor}}$ / Asset Lives$_{\text{Per processor}}$ | Depn Common costs$_{\text{Processor 1}}$ = £800k / 10 | Depn Common costs$_{\text{Processor 1}}$ = £80k<br>Depn Common costs$_{\text{All processors}}$ = £6m |
| | 10 | This step calculates depreciation for each PG per processor type. | Depn costs$_{6,7,8\text{ Per processor}}$ = GRC$_{6,7,8\text{ Per processor}}$ / Asset Lives$_{6,7,8\text{ Per processor}}$ | Depn costs$_{6\text{ Processor 1}}$ = £40m / 8 | Depn costs$_{6\text{ Processor 1}}$ = £5m<br>Depn costs$_{6\text{ All processors}}$ = £35m |
| | 11 | This step calculates a split percentage for each PG based on GRC values for each PG. | Split$_{6,7,8}$ = GRC$_{6,7,8}$ / GRC$_{6\text{-}8}$ | Split$_6$ = £300m / £400m | Split$_6$ = 75% |
| | 12 | This step calculates the total depreciation for each PG$_{6,7,8}$ based on the depreciation cost for each PG previously calculated and its share of common costs. | PG$_{6,7,8}$ Depreciation = Depn costs$_{6,7,8\text{ (Result from step 10)}}$ + (Depn Common costs$_{\text{(Result from step 9)}}$ * Split$_{6,7,8\text{ (Result from step 11)}}$) | PG$_6$ Depreciation = £35m + (£6m * 75%) | PG$_6$ Depreciation = £40m<br>PG$_{1\text{-}8}$ Depreciation = £200m |
| | 13 | This step calculates the final PG allocation by dividing the depreciation for each PG by the total depreciation across all PGs. | PG$_{1,2,3,4,5,6,7,8}$ = PG$_{1,2,3,4,5,6,7,8}$ depreciation$_{\text{(Result from step 8\&12)}}$ / PG$_{1\text{-}8}$ depreciation$_{\text{(Result from step 12)}}$ | PG$_1$ = £48m / £200m | PG$_1$ = 24%<br>∑PG$_{1\text{-}8}$ = 100% |

| | |
|---|---|
| **Reference** | PDTWYL-B |
| **Title** | Wayleaves |
| **Overview** | PDTWYL-B apportions costs associated with Wayleaves based upon the proportional split between duct and poles of a random selection of sample Wayleave invoices within the year. |
| **Description** | **1. Source Costs and MCE:** This base contains costs associated with wayleaves and apportions it between two plant groups, PG101D (duct infrastructure) and PG200P (poles capital expenditure).<br>**2. Cost and MCE Categories:** Openreach Opex (Other) and Current Assets. |
| | **3. Summary Destination:** This base predominantly apportions to PG101D (Duct Infrastructure), as well as to PG200P (Poles Capex). |
| | **4. Methodology Taxonomy:** Other Misc.<br>**5. Driver classification:** Wayleaves Payments |
| | **6. Data Source Summary:** This base is allocated using the split of Poles & Duct Wayleaves payments made to grantors. |
| **Data Sources** | Other Miscellaneous: Wayleaves payments:<br>Revenue & volumes: Openreach revenue & volumes; and<br>Labour: Man hours & labour rates, Labour costs. |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | The wayleaves split is based on a sample of invoices evaluated by Openreach. It is a fixed period of the year but extrapolated so the % provided covers the year<br>***Values for this calculation are obtained from Wayleaves Split input*** | $Wayleaves_{(poles)}$ % = $30\%_{(fixed\ for\ the\ year)}$<br>$Wayleaves_{(duct)}$ % = $70\%_{(fixed\ for\ the\ year)}$ | $Wayleaves_{(poles)}$ % = 30%<br>$Wayleaves_{(duct)}$ % = 70% | $Wayleaves_{(poles)}$ % = 30%<br>$Wayleaves_{(duct)}$ % = 70% |

**Bases using property and insurance methodologies**

The following apportionment bases are categorised as property and insurance methodologies. An explanation of property and insurance methodology drivers is set out within section 5.6 of Part one of this AMD.

| | |
|---|---|
| **Reference** | ACCOMM1-Q |
| **Title** | Accommodation |
| **Overview** | ACCOMM1-Q apportions P&L accommodation costs for both BT owned and non-BT owned buildings between the four Group Property Activity Groups - BT owned, Specialised Buildings; Non-BT owned, Specialised Buildings; BT owned, Office Buildings and Non-BT owned, Office Buildings. The allocation is based on detailed building reports. |
| **Description** | **1. Source Costs and MCE:** This base apportions the costs of BT owned and non-BT owned office and specialised buildings.<br>**2. Cost and MCE Categories:** Rest of BT Opex (Property). |
| | **3. Summary Destination:** This base apportions accommodation costs to the 4 property related AGs: AG170-173. |
| | **4. Methodology Taxonomy:** Property & Insurance.<br>**5. Driver classification:** Property Costs (ex. Electricity). |
| | **6. Data Source Summary:** Building space report for all UK buildings is used to allocate this base. |
| **Data Sources** | Property & Insurance: Property Costs (HORIZON) and Property space (HORIZON, Cost Perform). |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | For both Telereal and BT-owned office buildings, this step allocates the accommodation recharges for vacant space within office buildings to all other CFUs in that building.<br>NB: "Buildings" in this context refer to floor space; a building may have both office and specialised floor space. | <u>For each CFU within each Telereal or BT-owned office building:</u><br>$CFU_y$ Office $Building_x$ Additional Recharge = ( [$CFU_y$ Office $Building_x$ Recharges] / [Σ $CFU_{1...n}$ Office $Building_x$ Recharges] ) * [Office $Building_x$ Vacant Space Recharges]<br><u>For each of Telereal or BT-owned:</u><br>Total $Owner_{BT/TR}$ $CFU_y$ Office Additional Recharge = [Σ $CFU_y$ Office $Building_{1...n}$ Additional Recharge] | TSO Office $Building_1$ Additional Recharge = ( 1,000 / 10,000 ) * 500<br>Total Telereal TSO Office Additional Recharge = 50 + additional recharges from other buildings i.e. 150 | Total Telereal TSO Office Additional Recharge = 200 |
| 2 | For both Telereal and BT-owned specialised buildings, this step allocates the accommodation recharges for vacant space within specialised buildings to all other CFUs in that building.<br>NB: "Buildings" in this context refer to floor space; a building may have both office and specialised floor space. | <u>For each CFU within each Telereal or BT-owned specialised building:</u><br>$CFU_y$ Specialised $Building_x$ Additional Recharge = ( [$CFU_y$ Specialised $Building_x$ Recharges] / [Σ $CFU_{1...n}$ Specialised $Building_x$ Recharges] ) * [Specialised $Building_x$ Vacant Space Recharges]<br><u>For each of Telereal or BT-owned:</u><br>Total $Owner_{BT/TR}$ $CFU_y$ Specialised Additional Recharge = [Σ $CFU_y$ Specialised $Building_{1...n}$ Additional Recharge] | TSO Specialised $Building_1$ Additional Recharge = ( 2,000 / 20,000 ) * 1,000<br>Total BT-owned TSO Specialised Additional Recharge = 100 + additional recharges from other buildings i.e. 300 | Total BT-owned TSO Specialised Additional Recharge = 400 |
| 3 | This step reallocates the recharges of vacant space in specialized buildings with an MDF (Main Distribution Frame) from Openreach to other CFUs using Horizon Code and Owner categories.<br>NB: "Buildings" in this context refer to floor space; a building may have both office and specialised floor space. | <u>For Openreach within each Telereal or BT-owned specialised building:</u><br>OR MDF $Building_x$ Vacant Space Recharge Adjustment = ( [OR MDF $Building_x$ Recharges] / [Σ Total OR MDF Recharges] ) * [Overall MDF Site Vacant Space Recharge]<br>OR MDF $Building_x$ Vacant Space Recharge = OR MDF $Building_x$ Vacant Space Recharge Adjustment - OR MDF $Building_x$ Recharge<br><u>For each non-OR CFU within each Telereal or BT-owned specialised building:</u> | OR MDF $Building_1$ Vacant Space Recharge Adjustment = ( 500 / 5,000 ) * 250<br>OR MDF $Building_1$ Vacant Space Recharge = 25 - 100<br>TSO MDF $Building_1$ Vacant Space Recharge = ( 250 / 2,500 ) * 250<br>Total Telereal TSO MDF Vacant Space Recharge = 25 + additional recharges from other buildings i.e. 75 | Total Telereal TSO MDF Vacant Space Recharge = 100<br>Total BT-owned OR MDF Vacant Space Recharge = -200 |

| | | | | | |
|---|---|---|---|---|---|
| | | | $CFU_{\gamma}$ MDF $Building_{\chi}$ Vacant Space Recharge = ( [$CFU_{\gamma}$ MDF $Building_{\chi}$ Recharge] / [Total MDF Recharges excl. Vacant Space] ) * [Overall MDF Site Vacant Space Recharge]<br>For each of Telereal or BT-owned:<br>Total $Owner_{BT/TR}$ $CFU_{\gamma}$ MDF Vacant Space Recharge = [Σ $CFU_{\gamma}$ MDF $Building_{1...n}$ Vacant Space Recharge] | Total BT-owned OR MDF Vacant Space Recharge = -75 + additional recharges from other buildings i.e. -125 | |
| | 4 | This step calculates total recharges to the following categories and associated AGs (NB: MDF counting as specialised):<br>• AG170 – Specialized building, BT-owned<br>• AG171 – Specialized building, Telereal<br>• AG172 – Office building, BT-owned<br>• AG173 – Office building, Telereal<br>The apportionment of costs to the AGs above are done in proportion of the recharges in each category to total recharges. | For each owner:<br>$Owner_{BT/TR}$ Office Total Recharge = [Σ $Owner_{BT/TR}$ $CFU_{1...n}$ Office $Building_{1...n}$ Recharges] + [Σ $Owner_{BT/TR}$ $CFU_{1...n}$ Office Additional Recharge](Result from step 1)<br>$Owner_{BT/TR}$ Specialised Total Recharge = [Σ $Owner_{BT/TR}$ $CFU_{1...n}$ Specialised $Building_{1...n}$ Recharges] + [Σ $Owner_{BT/TR}$ $CFU_{1...n}$ Specialised Additional Recharge](Result from step 2) + [Σ $Owner_{BT/TR}$ $CFU_{1...n}$ MDF Vacant Space Recharge](Result from step 3)<br>For each AG:<br>$AG_{\chi}$ Allocation = $Owner_{BT/TR}$ $Type_{Office/Specialised}$ Total Recharge / [Σ $Owner_{BT\ \&\ TR}$ $Type_{Office\ \&\ Specialised}$ Total Recharge] | BT-owned Specialised Total Recharge = 60,000 + [400 + additional recharges from other buildings i.e. 2,600] + [100 - 200 + additional recharges from other buildings i.e. 900]<br>AG170 Allocation = 64,000 / 200,000<br>Telereal Office Total Recharge = 50,000 + [200 + additional recharges from other buildings i.e. 1,800]<br>AG173 Allocation = 52,000 / 200,000 | AG170 Allocation = 32%<br>AG173 Allocation = 21%<br>$\sum AG_{1...n}$ Allocation = 100% |

| | |
|---|---|
| **Reference** | ACCOMM1-W |
| **Title** | Accommodation |
| **Overview** | ACCOMM1-W apportions P&L accommodation costs for both BT owned and non-BT owned buildings between the four Group Property Activity Groups - BT owned, Specialised Buildings; Non-BT owned, Specialised Buildings; BT owned, Office Buildings and Non-BT owned, Office Buildings. The allocation is based on detailed building reports. |
| **Description** | **1. Source Costs and MCE:** This base apportions the costs of BT and non-BT owned office and speciliased buildings.<br>**2. Cost and MCE Categories:** Depreciation (Land and buildings); and Rest of BT Opex (Property). |
| | **3. Summary Destination:** The base apportions costs of accommodation to the 4 property AGs: AG170-173. |
| | **4. Methodology Taxonomy:** Property & Insurance<br>**5. Driver classification:** Property Costs (ex. Electricity) |
| | **6. Data Source Summary:** The building space report and vacant space charges data is used to apportion of this base. |
| **Data Sources** | Property & Insurance: Property Costs (HORIZON and Group Property finance data), property space (CostPerform); and<br>Asset metrics: Net book value (HORIZON) |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 - 4 | See ACCOMM1-Q. | | | |

| | |
|---|---|
| **Reference** | ACCOMMBS-W |
| **Title** | Accommodation |
| **Overview** | ACCOMMBS-W apportions (Balance Sheet) MCE for both BT owned and non-BT owned buildings between the four Group Property Activity Groups - BT owned, Specialised Buildings; Non-BT owned, Specialised Buildings; BT owned, Office Buildings and Non-BT owned, Office Buildings. The allocation is based on detailed building reports. |
| **Description** | **1. Source Costs and MCE:** This base allocates the MCE of BT and non-BT owned office and specialised buildings.<br>**2. Cost and MCE Categories:** Non-current assets (Land & Buildings), Current liabilities, Current assets. |
| | **3. Summary Destination:** This base apportions to the 4 property related AGs: AG170-173. |
| | **4. Methodology Taxonomy:** Property & Insurance. |

| | |
|---|---|
| | **5. Driver classification:** Property Space. |
| | **6. Data Source Summary:** Building space report for all UK buildings is used to allocate this base. |
| **Data Sources** | Property & Insurance: Property Costs (HORIZON) and Property space (HORIZON, Cost Perform). |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | This step calculates total recharges weighted by building NBV to the following categories and associated AGs:<br>• AG170 – Specialized building, BT-owned<br>• AG171 – Specialized building, Telereal<br>• AG172 – Office building, BT-owned<br>• AG173 – Office building, Telereal<br>The apportionment of MCE to the AGs above are done in proportion of the weighted recharges in each category to total recharges. | For each building:<br>$Building_{\chi}$ NBV split % = [$Building_{\chi}$ NBV] / [Σ $Building_{1...n}$ NBV]<br>For each building and type:<br>$Building_{\chi}$ $Type_{Office/Specialised}$ weighted allocation % = [$Building_{\chi}$ $Type_{Office/Specialised}$ recharge] / [Σ $Building_{1...n}$ $Type_{Office\ \&\ Specialised}$ recharge] * [$Building_{\chi}$ NBV split %]<br>For each building, owner and type:<br>$Type_{Office/Specialised}$ $Owner_{BT/TR}$ Allocation % = [Σ $Building_{1...n}$ $Type_{Office\ \&\ Specialised}$ weighted allocation %] per owner | $Building_1$ NBV split % = 100 / 1,000<br>For each building and type:<br>$Building_1$ Office weighted allocation % = 100 / 1,000 * 10%<br>For each building, owner and type:<br>Office Telereal Allocation % = 1% + other weighted allocations of same owner and type i.e 19% | AG173 Allocation % = 20%<br>$\sum AG_{1...n}$ Allocation = 100% |

| | |
|---|---|
| **Reference** | INSURE-Q |
| **Title** | Insurance Premiums |
| **Overview** | This base apportions insurance premium costs to various AGs depending on the nature of each insurance premium. |
| **Description** | **1. Source costs and MCE:** This base apportions insurance premium costs that are associated to specific insurance types, for example, general liability and health insurance.<br>**2. Cost and MCE categories:** Rest of BT Opex (Other). |
| | **3. Summary Destination:** This base predominantly apportions to AG401 (OR pay driver) and P008 (Rest of BT Residual), as well as to a number of other AGs including AG406 (WS Pay driver), AG402 (Technology Pay driver) and AG118 (BT Group PAC). |
| | **4. Methodology Taxonomy:** Property & Insurance.<br>**5. Driver classification:** Insurance Premium Costs. |
| | **6. Data Source Summary:** Insurance premium costs by type and OUC. |
| **Data Sources** | Property & Insurance: Insurance premium costs. |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| **1** | This step pulls through the Insurance Premium Charges by LoB and splits out Openreach and BT TSO LoB's charges into Fixed Asset and Other categories. **Insurance Premium Charges are obtained from the Group Risk Financing and Premium Allocation input. Category split is obtained from Insurance Premium Types and Categories input.** | For each LoB:<br>$LoB_{\chi}$ Total Premiums = ∑ [Insurance Premiums by LoB]<br>For Openreach and Technology LoB's:<br>$LoB_{\chi}$ Category $_{(other)}$ Premiums = [$LoB_{\chi}$ Total Premiums] – [$LoB_{\chi}$ Category $_{(Fixed\ Assets)}$ Premiums] | $LoB_1$ Total Premiums = £10m<br>$LoB_2$ Category $_{(other)}$ Premiums = £55m - £5m<br>Total Premium = ∑ $LoB_{1...n}$ Premiums | $LoB_1$ Total Premiums = £10m<br>$LoB_2$ Category $_{(other)}$ Premiums = £50m<br>Total Premium = £120m |
| **2** | This step maps the LOB's Insurance Premium Charges to AG/Product codes and then calculates the bases (% Allocation). **AG/Product code mapping is obtained from the LoB Product Allocations input**. | For each AG/Product (mapped from LoB's $_{(Result\ from\ step\ 1)}$):<br>$AG/Product_{\chi}$ Base (% Allocation) = [$AG/Product_{\chi}$ Premium] / [Total Premium] * 100 | $AG/Product_1$ Base (% Allocation) = £10m / £120m * 100 | $AG/Product_1$ Base (% Allocation) = 8.33%<br>∑ $AG/Product_{1...n}$ Base (% Allocation) = 100% |

**Bases using service level guarantee methodologies**

The following apportionment bases are categorised as service level guarantees methodologies. An explanation of service level guarantees methodology drivers is set out within section 5.6 of Part one of this AMD.

| | |
|---|---|
| **Reference** | SLGALL-Q |
| **Title** | Service Level Guarantees |
| **Overview** | SLGALL-Q apportions revenue and costs associated with Service Level Guarantee compensation payments based on Openreach operational SLG data and revenue data. |
| **Description** | **1. Source Costs and MCE:** This base apportions revenue and costs associated with Service Level Guarantee compensation payments for provision and repair failures associated Openreach Services. The Service Level Guarantee scheme (SLG) pays compensation to customers if Openreach fails to meet agreed timescales for Provision or Repair activities.<br>**2. Cost and MCE Categories:** Openreach Opex (SLG Payments). |
| | **3. Summary Destination:** This base predominantly apportions to PG591B (SLG WLA Int) and PG590B (SLG WLA Ext), as well as a number of other SLG PGs, including PG611B (SLG WLR Assurance Int), PG607B (SLG WLR Provision Int), and PG605B (SLG Ethernet Provision Int). |
| | **4. Methodology Taxonomy:** SLGs<br>**5. Driver classification:** SLG Payments |
| | **6. Data Source Summary:** This base is calculated using SLG related revenues and costs. |
| **Data Sources** | SLGs: SLG Payments (SLAM, DLOA, AM Report); and<br>Revenue & volumes: Openreach revenue & volumes. |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | This step summarizes SLG Revenue by Market split by Internal and External. ***SLG Revenue data is obtained from the SLG Revenues feeder input***. | For each relevant market:<br>Market $_{\chi}$ SLG Revenue = Summarize SLG Revenue by Market split by Internal and External | See example results | SLG Revenue for:<br>Ethernet $_{(External)}$ = 170<br>Ethernet $_{(Internal)}$ = 130<br>WLA $_{(External)}$ = 290<br>WLA $_{(Internal)}$ = 210<br>WLR $_{(External)}$ = 105<br>WLR $_{(Internal)}$ = 95<br>Total SLG Revenue = 1,000 |
| 2 | This step calculates WLA PG Allocation Amount split by Internal and External. | For both WLA market splits (Internal and External):<br>WLA $_{\chi}$ PG Allocation = Filter SLG Revenue for WLA split by Internal and External from step 1 results | WLA $_{(External)}$ PG Allocation = Filter WLA market from step 1 results | WLA $_{(External)}$ PG Allocation = 290 |
| 3 | This step calculates the Compensation Payments % for Ethernet and WLR markets split by Repair and Provision. ***Data is obtained from the SLG Compensation Payments data.*** | For each relevant market split:<br>Market $_{\chi}$ Compensation Payments % = Market $_{\chi}$ SLG Compensation Payments split by Repair and Provision / Total Market $_{\chi}$ SLG Compensation Payments) * 100 | Market $_{(WLR\text{-}Provision\text{-}External)}$ Compensation Payments % = 50 / 80 * 100 | Market $_{(WLR\text{-}Provision\text{-}External)}$ Compensation Payments % = 62.5% |
| 4 | This step calculates the WLR Components Revenue % split by Internal and External. ***Data is obtained from the PxV output data.*** | For both WLR market splits (Repair and Provision):<br>WLR $_{\chi}$ Components Revenue % split = WLR $_{\chi}$ Components Revenue (volume * price) split by Internal and External / Total Components Revenue * 100 | WLR $_{(Provision\text{-}External)}$ Components Revenue % = 4,000 / 20,000 * 100 | WLR $_{(Provision\text{-}External)}$ Components Revenue % = 20% |
| 5 | This step calculates the Ethernet PG Allocation amount. | For each relevant market split:<br>Ethernet $_{\chi}$ PG Allocation = Ethernet SLG Revenue split by Internal and External split $_{(result\ from\ step\ 1)}$ * Compensation Payment % split by Repair and Provision $_{(result\ from\ step\ 3)}$ | Ethernet $_{(Provision\text{-}External)}$ PG Allocation = 170 * 62.5% | Ethernet $_{(Provision\text{-}External)}$ PG Allocation = 106.25 |

| | | | | | |
|---|---|---|---|---|---|
| | 6 | This step calculates the WLR PG Allocation amount. | For each relevant market split:<br>$WLR_x$ PG Allocation = Total WLR SLG Revenue (result from step 1) * Compensation Payment % split by Repair and Provision (result from step 3) * WLR Component Revenue % split by Internal and External (result from step 4) | WLR (Provision-External) PG Allocation = 200 * 62.5% * 20% | WLR (Provision-External) PG Allocation = 25 |
| | 7 | This step calculates the SLGALL Base Apportionment. | For each relevant market split:<br>Base Apportionment for $Market_x$ = PG Allocation Amount for market split by Repair and Provision and by Internal and External (result from step 2, 5 and 6) / Total SLG Revenue (result from step 1) * 100 | Base Apportionment for Market (WLR-Provision-External) = 25 / 1,000 * 100 | Base Apportionment for Market (WLR-Provision-External) = 2.5% |

## 6.3 Organisational driven bases

### 6.3.1 Consumer

All Consumer costs, assets and liabilities allocating via an OUC driven base are attributed to P008: Rest of BT Residual via a RT1 allocation.

### 6.3.2 Enterprise

OUC N and M allocates costs and MCE directly to P008: Rest of BT Residual via RT1 allocation. Enterprise costs and MCE are also apportioned using the following OUC-driven bases:

| | |
|---|---|
| **Reference** | OUC NU7A, NU7C |
| **Title** | Residential Customer Contact Centres |
| **Overview** | This base apportions the pay and non-pay costs and MCE associated with the Customer Contact Centres (CCC) staff, based on the ratio of FTE working costs in the entities PG911A and P008. |
| **Description** | **1. Source Costs and MCE:** This base apportions pay and non-pay general management costs associated with Operator Services, as well as creditors.<br>**2. Cost and MCE Categories:** Rest of BT OPEX (excl Depreciation) - Central Functions; and Current liabilities. |
| | **3. Summary Destination:** PG911A - Operator Services Inland; and P008 - Rest of BT Residual. |
| | **4. Methodology Taxonomy:** Labour.<br>**5. Driver classification:** FTE Costs. |
| | **6. Data Source Summary:** FTE working costs, split by functionality and entity. |
| **Data Source** | Labour: FTE Costs (MVAS). |

**Calculation Steps**

| # | Description | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | Calculates the FTE working costs in call centres, split by functionality and entity, and apportions the costs to each entity based on this percentage. | FTE Working Costs for entity P008 / Total sum of FTE working costs across entities P008 & PG911A | P008 = 4k / (4k + 10k) | P008 = 30% |
| | | FTE Working Costs for entity PG911A / Total sum of FTE working costs across entities P008 & PG911A | PG911A = 10k / (4k + 10k) | PG911A = 70% |

### 6.3.3 Openreach

| | |
|---|---|
| **Reference** | OUC B |
| **Title** | Openreach |
| **Description** | **1. Source Costs and MCE:** This base allocates all Openreach overheads not allocated by other bases. Costs and MCE are not product specific.<br>**2. Cost and MCE Categories:** This mostly consists of Openreach Opex (Central functions); and Current Liabilities. |
| | **3. Summary Destination:** AG410 - Openreach PAC. |
| | **4. Methodology Taxonomy:** Direct.<br>**5. Driver classification:** Direct. |
| | **6. Data Source Summary:** 100% allocation, no data source. |

The specific OUC driven bases not allocated to AG410, are set out below.

| | |
|---|---|
| **Reference** | OUC BA |
| **Title** | Learning and Development |
| **Overview** | This base apportions the Learning and Development Costs based on the number of learner days used by each OUC. |
| **Description** | **1. Source Costs and MCE:** This base apportions the pay, personnel and admin costs relating to learning and development, part of the OR HR team responsible for designing and delivering training and development programmes for all OR staff.<br>**2. Cost and MCE Categories:** This mostly consists of Openreach Opex – Openreach (Central Functions); and Current Liabilities. |
| | **3. Summary Destination:** This mostly allocates to AG407 – Openreach Operations Pay driver. |
| | **4. Methodology Taxonomy:** Labour.<br>**5. Driver classification:** Man-hours & Labour Rates. |
| | **6. Data Source Summary:** The base allocation is determined by the number of days OR employees from each OUC have spent on training courses. |
| **Data Source** | Labour: Man hours & Labour rates (Learning home, BT's Learning Management System). |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | Calculates base allocation by learner days consumed by each OUC, with a 1 to 1 mapping from each OUC to an AG/PG. This mapping is equal to the actual mapping of the OUCs as noted in their AMD page. | = [OUC BE Learner Days] + [OUC BO Learner Days] + [*OUC X Learner Days*] = [Total Learner days]<br>= [OUC BE Learner Days] / [Total Learner Days] = [Base Allocation 1] | =10 + 20 + *X* = 100<br>=10 / 100 | = 10% [OUC BE – AG410] |

| | |
|---|---|
| **Reference** | OUC BNH2, BNH3, BNH7 |
| **Title** | Customer and major programme |
| **Overview** | These bases apportion the costs and MCE related to client relationship management (BNH2), Critical National Infrastructure (BNH3) and strategic key & emerging partners (BNH7) teams based on the FTE headcount numbers for each PG within the OUC. |
| **Description** | **1. Source Costs and MCE:** These bases mainly apportions general management pay costs and current liabilities related to client relationship management, strategic key and emerging partners.<br>**2. Cost and MCE Categories:** This consists of Openreach Opex (Central functions); and Current Liabilities. |
| | **3. Summary Destination:** PG573B – OR Service Centre Provision Ethernet; and PG254B – OR Project Services. |
| | **4. Methodology Taxonomy:** Labour.<br>**5. Driver classification:** FTE Headcount. |
| | **6. Data Source Summary:** FTE activity, surveyed across OUCs. |
| **Data Source** | Labour: FTE Headcounts (Orbit/Hyperion). |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | Calculates base percentage per PG | =PG FTE Value / Total OUC FTE value | 150 / 200 | 75% |

| | |
|---|---|
| **Reference** | OUC BO |
| **Title** | Openreach Chief Engineers |
| **Overview** | This base apportions the costs and MCE related to Openreach Chief Engineers Office (BO) team based on the FTE headcount numbers for each PG within the OUC. |
| **Description** | **1. Source Costs and MCE:** This base apportions costs, assets and current liabilities relating to the Openreach Chief Engineers.<br>**2. Cost and MCE Categories:** This mainly consist of Openreach Opex (Central Functions, Service and Network delivery and Other); Non-Current Assets; and Current Liabilities. |
| | **3. Summary Destination:** OR Service Centre Provision PGs (PG570B; PG572B; PG573B; and PG574B). |
| | **4. Methodology Taxonomy:** Labour.<br>**5. Driver classification:** FTE Headcount. |
| | **6. Data Source Summary:** FTE activity surveyed across OUCs. |
| **Data Source** | Labour: FTE Headcounts (Orbit/Hyperion). |

| Calculation Steps | # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|---|
| | 1 | Calculates base percentage per PG | = PG FTE Value / Total OUC FTE value | 150 / 200 | 75% |

| | |
|---|---|
| **Reference** | OUC BVL6, BVJ3, BVK7; and BVK8 |
| **Title** | Complex engineering |
| **Overview** | These bases apportion the costs and MCE related to Customer Service Management (BVL6), Copper Capital Programme Delivery (BVJ3), Engineering Services (BVK7) and Operational Planning & Field Dynamics (BVK8) teams based on the FTE headcount numbers for each PG within the OUC. |
| **Description** | **1. Source Costs and MCE:** These bases apportion pay costs related to network support and general management.<br>**2. Cost and MCE Categories:** This mainly consists of Openreach Opex (Central Functions, Service and Network delivery). |
| | **3. Summary Destination:** OR Service Centre Provision PGs (PG570B; PG572B; PG573B; and PG574B). |
| | **4. Methodology Taxonomy:** Labour.<br>**5. Driver classification:** FTE Headcount. |
| | **6. Data Source Summary:** FTE activity surveyed across OUCs. |
| **Data Source** | Labour: FTE Headcounts (Orbit/Hyperion). |

| Calculation Steps | # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|---|
| | 1 | Calculates base percentage per PG | =PG FTE Value / Total OUC FTE value | 150 / 200 | 75% |

The following OUC driven bases are categorised as 'Direct' methodologies and share the following common categories:

| | |
|---|---|
| **Methodology taxonomy:** | Direct. |
| **Driver classification:** | Direct. |
| **Data source summary:** | 100% allocation, no data source. |

| | |
|---|---|
| **Reference** | OUC BD, BL, BQ, BV |
| **Title** | Openreach CIO (BD); NGA Programme (BL); Strategic Infrastructure Development (BQ); and Service Delivery (BV) |
| **Description** | **1. Source Costs and MCE:** These bases allocate non-product specific overheads, creditors and deferred income relating to CIO.<br>**2. Cost and MCE Categories:** This mostly consists of Openreach Opex (Central Functions); and Current Liabilities. |
| | **3. Summary Destination:** AG407 - Openreach Operations Pay driver. |

| | |
|---|---|
| **Reference** | OUC BE |
| **Title** | CTIO |
| **Description** | **1. Source Costs and MCE:** This base allocates the pay costs and assets associated with the Openreach customer experience and network design and testing, as well as trade creditors and COMPF computer assets.<br>**2. Cost and MCE Categories:** Openreach OPEX (Central Functions); Non-current Assets (Other); and Current Liabilities. |
| | **3. Summary Destination:** AG410 - Openreach PAC. |

| | |
|---|---|
| **Reference** | OUC BEH1, BP, BR |
| **Title** | CTIO Technology Capex (BEH1) ; and Sales and Product Management (BP and BR) |
| **Description** | **1. Source Costs and MCE:** These bases allocate non-product specific overheads and deferred income relating to sales and product management.<br>**2. Cost and MCE Categories:** This mostly consists of Openreach Opex (Central Functions); and Current Liabilities. |
| | **3. Summary Destination:** PG502B - SG&A Openreach Sales Product Management. |

| | |
|---|---|
| **Reference** | OUC BET |
| **Title** | CTIO NGA |
| **Description** | **1. Source Costs and MCE:** These bases mainly allocate general management pay costs and current liabilities related to NGA Assurance.<br>**2. Cost and MCE Categories:** This consists of Openreach Opex (Central Functions); and Current Liabilities. |
| | **3. Summary Destination:** PG579B - OR Service Centre. |

| | |
|---|---|
| **Reference** | OUC B1, BK |
| **Title** | BDUK |
| **Description** | **1. Source Costs and MCE:** These bases allocate overheads and COMPE computer assets relating to BDUK.<br>**2. Cost and MCE Categories:** This mostly consists of Non-Current Assets (Other). |
| | **3. Summary Destination:** PG999A - FTTC Funded Fibre Rollout Spend. |

| | |
|---|---|
| **Reference** | OUC BN |
| **Title** | Fibre and Network Delivery |
| **Description** | **1. Source Costs and MCE:** This base allocates non-product specific overheads, trade and other creditors relating to Fibre and Network Delivery. |

| | |
|---|---|
| | **2. Cost and MCE Categories:** This mostly consists of Openreach Opex (Central Functions); and Current Liabilities. |
| | **3. Summary Destination:** AG407 - Openreach Operations Pay driver. |

| | |
|---|---|
| **Reference** | OUC BNH9 |
| **Title** | Customer and major programme |
| **Description** | **1. Source Costs and MCE:** This base mainly allocates pay costs related to value add services, such as training and team meetings (CoWs: TWA and TEAM).<br>**2. Cost and MCE Categories:** This mostly consists of Openreach Opex (Central Functions and Other). |
| | **3. Summary Destination:** PG254B - OR Project Services. |

| | |
|---|---|
| **Reference** | OUC BVI |
| **Title** | Northern Ireland Networks |
| **Description** | **1. Source Costs and MCE:** This base allocates overheads and creditors relating to Northern Ireland Networks.<br>**2. Cost and MCE Categories:** This mostly consists of Openreach Opex (Central Functions); and Current Liabilities. |
| | **3. Summary Destination:** AG410 - Openreach PAC. |

| | |
|---|---|
| **Reference** | OUC BVR1 |
| **Title** | Transformation Programme: Service Delivery |
| **Description** | **1. Source Costs and MCE:** This base allocates overheads and creditors relating to Transformation Programme: Service Delivery.<br>**2. Cost and MCE Categories:** This mostly consists of Openreach Opex (Central Functions); and Current Liabilities. |
| | **3. Summary Destination:** AG410 - Openreach PAC. |

| | |
|---|---|
| **Reference** | OUC BZ, B9, BY, BH |
| **Title** | Openreach Adjustments (BZ and B9); Openreach Central costs (BY); and Human Resources (BH) |
| **Description** | **1. Source Costs and MCE:** These bases allocate organisational costs, primarily relating to pay costs, and MCE relating to Openreach adjustments and central function costs.<br>**2. Cost and MCE Categories:** This mostly consists of Openreach Opex (Central Functions); and Current Liabilities. |
| | **3. Summary Destination:** AG401 - Openreach Pay driver. |

### 6.3.4 Technology

Technology costs that are not attributed using direct (rule type 1) or modelled (rule type 3) apportionments are assigned using OUC-driven bases that either use:

- Fixed base (100% allocation to one Activity Group or Product)
- Apportioned by other OUC driven base entries, or by specific rule type 1 or 3 allocations

| | |
|---|---|
| **Reference** | OUC T |
| **Title** | Technology |
| **Description** | **1. Source Costs and MCE:** This base allocates provisional corporate and divisional general management costs in Technology, as well as other debtors (receivables).<br>**2. Cost and MCE Categories:** Rest of BT OPEX (Central Functions); and Current Assets & Liabilities. |
| | **3. Summary Destination:** AG119 - Technology PAC. |

*The following OUC T driven bases are categorised as 'Direct' methodologies and share the following common categories:*

| | |
|---|---|
| **Methodology taxonomy:** | Direct. |
| **Driver classification:** | Direct. |
| **Data source summary:** | 100% allocation, no data source. |

| | |
|---|---|
| **Reference** | OUC TC |
| **Title** | Technology Group CE |
| **Description** | **1. Source Costs and MCE:** This base allocates Technology Group CE costs, including Fleet ICU rental charges and T&S - non training.<br>**2. Cost and MCE Categories:** Rest of BT OPEX (Central Functions); and Current Liabilities. |
| | **3. Summary Destination:** AG118 - BT Group PAC. |

| | |
|---|---|
| **Reference** | OUC TD |
| **Title** | Technology Integration |
| **Description** | **1. Source Costs and MCE:** This base allocates non-product specific overheads relating to integration.<br>**2. Cost and MCE Categories:** Rest of BT OPEX (Central Functions); and Current Liabilities. |
| | **3. Summary Destination:** AG402 - Technology pay driver. |

| | |
|---|---|
| **Reference** | OUC TE |
| **Title** | Technology BT TV |
| **Description** | **1. Source Costs and MCE:** This base primarily allocates the pay and bonus accruals.<br>**2. Cost and MCE Categories:** Current Liabilities. |
| | **3. Summary Destination:** P008 - Rest of BT Residual. |

| | |
|---|---|
| **Reference** | OUC TH |
| **Title** | Technology HR |
| **Description** | **1. Source Costs and MCE:** This base allocates pay and non-Pay costs, including corporate and divisional management costs and miscellaneous creditors.<br>**2. Cost and MCE Categories:** Rest of BT OPEX (Central Functions); and Current Liabilities. |
| | **3. Summary Destination:** AG402 - Technology pay driver. |

| | |
|---|---|
| **Reference** | OUC TL |
| **Title** | Technology Mobile Unit |
| **Description** | **1. Source Costs and MCE:** This base mainly allocates general management costs including pay and indirect computing costs, as well as current liabilities related to miscellaneous creditors.<br>**2. Cost and MCE Categories:** Rest of BT OPEX (Central Functions) (Other); and Current Liabilities. |
| | **3. Summary Destination:** P008 - Rest of BT Residual. |

| | |
|---|---|
| **Reference** | OUC TT |
| **Title** | Technology Central |
| **Description** | **1. Source Costs and MCE:** This base allocates various motor and vehicle costs relating to Technology.<br>**2. Cost and MCE Categories:** Rest of BT OPEX (Other); Non-Current Assets (Other); and Current Liabilities. |
| | **3. Summary Destination:** AG118 - BT Group PAC. |

| | |
|---|---|
| **Reference** | OUC TUC |
| **Title** | Licencing |
| **Description** | **1. Source Costs and MCE:** This base allocates general management costs and current liabilities relating to BT Technology.<br>**2. Cost and MCE Categories:** Rest of BT OPEX (Central Functions); and Current Liabilities. |
| | **3. Summary Destination:** P008 - Rest of BT Residual. |

*The following OUC T bases are driven by specific methodologies. The calculation step presented in OUC TA apply to all:*

| | |
|---|---|
| **Reference** | OUC TA |
| **Title** | IT Platforms |
| **Overview** | This base apportions technology IT Platforms costs based on the cost categories in the management accounts. Some cost categories, including TSO Media and Broadcast, are allocated directly to entities, while others are apportioned using specific methodologies. |
| **Description** | **1. Source Costs and MCE:** This base primarily apportions general management, computing and consultancy costs, and current assets & liabilities related to IT Platforms.<br>**2. Cost and MCE Categories:** Rest of BT OPEX (Central Functions); and Current Assets & Liabilities. |
| | **3. Summary Destination:** Various Equipment PGs and Various AGs**,** including AG118 (BT Group PAC); AG119 (Technology PAC); AG401 (OR PAC) and P008 (Rest of BT Residual). |
| | **4. Methodology Taxonomy:** Other Misc. - Management Accounts (HFM).<br>**5. Driver classification:** Management Accounts (HFM). |
| | **6. Data Source Summary:** Technology costs, External Bases, Engineering and Infrastructure Build Plan (EIPB) report, FTE Report, Depreciation figures. |
| **Data Source** | Asset Metrics: Depreciation (Loplist); and General ledger: Rest of BT Opex (Hyperion, IRS2 and PMMIS). |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | Calculates a weighting for each cost category, in each OUC. This is the percentage of the total OUC cost that this cost category represents. | Cost in cost category for OUC / Total cost for OUC | = £8k / £80k | = 10%<br>Total assigned to other OUCs codes = 90% |
| 2 | Calculates the FTE for each CFU and allocates IT costs to entity codes according to this. | Apportionment of IT costs to entity code = Proportion of FTE in CFUs assigned to entity code /Total FTE across all CFUs<br><br>Calculation repeated for all entity codes | Proportion of FTE aligned to CFU 1 assigned to AG code 1 = FTE assigned to CFU 1/ Total FTE = 30/150 = 0.2<br>Proportion of FTE aligned to CFU 2 assigned to AG code 1 = FTE assigned to CFU 1/ Total FTE = 7.5/150 = 0.05<br><br>Total apportionment of IT costs to AG Code 1 for OUC 1 =0.2 + 0.05 = 0.25 (or 25%) | Total apportionment of IT costs to AG Code 1 = 0.25 (or 25%)<br><br>Total assigned to other AG codes = 75% |
| 3 | Calculates the total development cost allocation percentages for each CFU and then allocates these to specific treatment and entities. | Apportionment of Development (Dev) costs to AG code = Proportion of Dev costs in CFUs assigned to entity code /Total Dev costs across all CFUs<br><br>Calculation repeated for all entity codes | Proportion of Dev costs aligned to CFU 1 assigned to AG code 1 = Dev costs assigned to CFU 1/ Total Dev costs = 50/200 = 0.25<br>Proportion of Dev costs aligned to CFU 2 assigned to AG code 1 = Dev costs assigned to CFU 1/ Total Dev costs = 30/200 = 0.15<br><br>Total apportionment of Dev costs to AG Code 1 = 0.25 + 0.15 = 0.40 (or 40%) | Total apportionment of Dev costs to AG Code 1 = 40%<br><br>Total apportionment of dev costs assigned to other AG codes for OUC 1 = 60% |
| 4 | Calculates the total Engineering Infrastructure Plan and Build (EIPB) costs. It uses other external model inputs to drive the allocations to specific treatments and entities. | Proportion of FTE allocated per treatment code = FTE allocated to treatment code/ Total FTE<br><br>Apportionment of EIPB costs to AG code = Proportion of FTE allocated per treatment code x Pre-calculated Base percentage*<br><br>Calculation repeated for all entity codes | Proportion of allocated to Treatment code 1 = FTE allocated to AG1 / Total FTE = 200/1600 = 0.125 = 12.5%<br>Pre-calculated Base percentage = 5%<br>Apportionment of EIPB costs to AG code = 12.5% x 5% = 0.125 x 0.05 = 0.00625 = 0.625% | Apportionment of EIPB costs to AG code = 0.625%<br><br>Apportionment percentages for other AG codes for EIPB costs add up to 99.375% |

| | | | | |
|---|---|---|---|---|
| | | *Note 1: Pre-calculated Base Percentages are associated with the following Bases/Treatment: 21CN, AG102 (Static -100%), AG118 (Static -100%), P008 (Static -100%), PDTIPNCO, PDTMSAN, PDTPANDA, PDTTPWC, PG952C, SDH, System X/AXE 10** (PDTSYSXD, PDTLYX)<br><br>**Note 2: Estimating the Base Percentage for System X/AXE 10 has the additional step of multiplying the pre-calculated base percentages for PDTSYSXD, PDTLYX with their proportion of total depreciation estimates retrieved from LoPList for LDX and LYX CoW as demonstrated in SOFTCAP-K4, SOFTCAP-N4 | | |
| 5 | Calculates the total cost attributed to each cost category for each OUC to specific entities, according to the weighting given to the cost category. | OUC Costs allocation percentages allocated to entity for cost category = Weighting of cost category to OUC [Calculated in Step 1] x Base apportionments of cost category to entity codes(see below)<br>Process repeated for all of the cost category, entities and OUCs.<br>Base apportionments are for the following categories:<br>• IT cost categories: calculated in Step 2 above<br>• Network maintenance and management cost: calculated in PDTSCNM<br>• Development cost categories: calculated in Step 3 above<br>• Other cost categories: directly allocated to according to assumptions<br>• TSO Media and Broadcast cost categories: directly allocated to according to assumptions<br>• EIBP cost categories: calculated in Step 4 above | AG Code % allocations for OUC 1 Costs :<br><br>IT cost allocation for AG 1 = IT Weighting for OUC 1 x IT cost apportionment to AG Code 1 = 0.2 x 0.25 = 0.05 = 5%<br><br>Dev cost allocation for AG 1 = Dev cost Weighting for OUC 1 x Dev cost apportionment to AG Code 1 = 0.1 x 0.4 = 0.04 = 4%<br><br>EIPB allocation for AG 1 = EIPB Weighting for OUC 1 x EIPB cost apportionment to AG Code 1 = 0.4 x 0.00625 = 0.0025 = 0.25% | AG Code % allocations for OUC 1 Costs<br><br>IT cost allocation for AG 1 = 5%<br><br>Dev cost allocation for AG 1 = 4%<br><br>EIPB allocation for AG 1 = 0.25%<br><br>Other cost categories directly allocated to AG code according to assumptions sum up to = 90.25% |

| | |
|---|---|
| **Reference** | OUC TLB |
| **Title** | Voice |
| **Description** | **1. Source Costs and MCE:** This base primarily apportions general management, support and provision and maintenance costs, as well as current liabilities related to Voice.<br>**2. Cost and MCE Categories:** Rest of BT OPEX (Central Functions); and Current Liabilities. |
| | **3. Summary Destination:** Allocates to various AGs, PGs and Products, predominantly to P008 - Rest of BT Residual. |
| | **4. Methodology Taxonomy:** Other Misc. - Management Accounts (HFM).<br>**5. Driver classification:** Management Accounts (HFM). |
| | **6. Data Source Summary:** Technology costs, External Bases , EIPB report, FTE Report, Depreciation figures. |
| **Data Source** | Asset Metrics: Depreciation (Loplist); and General ledger: Rest of BT Opex (Hyperion, IRS2 and PMMIS). |
| **Calculation Steps** | See calculation steps presented in TA. |

| | |
|---|---|
| **Reference** | OUC TN |
| **Title** | Dynamic Infrastructure |
| **Description** | **1. Source Costs and MCE:** This base primarily apportions general management and support costs and current liabilities related to Dynamic Infrastructure.<br>**2. Cost and MCE Categories:** Rest of BT OPEX (Central Functions), Current Liabilities. |
| | **3. Summary Destination:** Predominantly attributed to AG102 - BT Technology Operational Costs; and P008 - Rest of BT Residual. |
| | **4. Methodology Taxonomy:** Other Misc. - Management Accounts (HFM).<br>**5. Driver classification:** Management Accounts (HFM). |
| | **6. Data Source Summary:** Technology costs, External Bases , EIPB report, FTE Report, Depreciation figures. |
| **Data Source** | Asset Metrics: Depreciation (Loplist); and General ledger: Rest of BT Opex (Hyperion, IRS2 and PMMIS). |
| **Calculation Steps** | See calculation steps presented in TA. |

| | |
|---|---|
| **Reference** | OUC TNK |
| **Title** | Dynamic Networks |
| **Description** | **1. Source Costs and MCE:** This base primarily allocates general management and support costs, and current liabilities related to Dynamic Networks.<br>**2. Cost and MCE Categories:** Rest of BT OPEX (excl Depreciation); and Current Liabilities. |
| | **3. Summary Destination:** Predominantly attributed to AG102 - BT Technology Operational Costs; and P008 - Rest of BT Residual. |
| | **4. Methodology Taxonomy:** Other Misc. - Management Accounts (HFM).<br>**5. Driver classification:** Management Accounts (HFM). |
| | **6. Data Source Summary:** Technology costs, External Bases , EIPB report, FTE Report, Depreciation figures. |
| **Data Source** | Asset Metrics: Depreciation (Loplist); and General ledger: Rest of BT Opex (Hyperion, IRS2 and PMMIS). |
| **Calculation Steps** | See calculation steps presented in TA. |

| | |
|---|---|
| **Reference** | OUC TQ |
| **Title** | Architecture & Strategy |
| **Description** | **1. Source Costs and MCE:** This base primarily apportions general management costs and current liabilities related to Architecture & Strategy.<br>**2. Cost and MCE Categories:** Rest of BT OPEX (Central Functions); and Current Liabilities. |
| | **3. Summary Destination:** Allocates to various AGs, PGs and Products however predominantly AG118 - BT Group PAC. |
| | **4. Methodology Taxonomy:** Other Misc. - Management Accounts (HFM).<br>**5. Driver classification:** Management Accounts (HFM). |
| | **6. Data Source Summary:** Technology costs, External Bases , EIPB report, FTE Report, Depreciation figures. |
| **Data Source** | Asset Metrics: Depreciation (Loplist); and General ledger: Rest of BT Opex (Hyperion, IRS2 and PMMIS). |
| **Calculation Steps** | See calculation steps presented in TA. |

| | |
|---|---|
| **Reference** | OUC TS |
| **Title** | Global Infrastructure Services |
| **Description** | **1. Source Costs and MCE:** This base primarily apportions general support costs, predominantly Fleet ICU rental charges and current liabilities related to Global Infrastructure Services.<br>**2. Cost and MCE Categories:** Rest of BT OPEX (Central Functions); and Current Liabilities. |
| | **3. Summary Destination:** AG102 - BT Technology Operational Costs; and P008 - Rest of BT Residual. |
| | **4. Methodology Taxonomy:** Other Misc. - Management Accounts (HFM). |

| | |
|---|---|
| | **5. Driver classification:** Management Accounts (HFM). |
| | **6. Data Source Summary:** Technology costs, External Bases , EIPB report, FTE Report, Depreciation figures. |
| **Data Source** | Asset Metrics: Depreciation (Loplist); and General ledger: Rest of BT Opex (Hyperion, IRS2 and PMMIS). |
| **Calculation Steps** | See calculation steps presented in TA. |

| | |
|---|---|
| **Reference** | OUC TU |
| **Title** | Research & Innovation |
| **Description** | **1. Source Costs and MCE:** This base primarily apportions general management, patent and agents' costs, as well as deferred income and trade creditors related to Research & Innovation.<br>**2. Cost and MCE Categories:** Rest of BT OPEX (Central Functions); and Current Liabilities. |
| | **3. Summary Destination:** Allocates to various AGs, PGs and Products, primarily to AG118 - BT Group PAC. |
| | **4. Methodology Taxonomy:** Other Misc. - Management Accounts (HFM).<br>**5. Driver classification:** Management Accounts (HFM). |
| | **6. Data Source Summary:** Technology costs, External Bases , EIPB report, FTE Report, Depreciation figures. |
| **Data Source** | Asset Metrics: Depreciation (Loplist); and General ledger: Rest of BT Opex (Hyperion, IRS2 and PMMIS). |
| **Calculation Steps** | See calculation steps presented in TA. |

The following OUCs are for Chief Information Officers (CIO). Their OUC-driven bases are calculated based on a specific methodologies, where appropriate, but are predominantly allocated to one CFU and CU:

| | |
|---|---|
| **Reference** | OUC TG |
| **Title** | CIO BT Global |
| **Description** | **1. Source Costs and MCE:** This base primarily apportions general management costs related to BT Global Chief Information Officers.<br>**2. Cost and MCE Categories:** Costs: Rest of BT OPEX (Central Functions), MCE: Current Liabilities. |
| | **3. Summary Destination:** Various Equipment PGs and Various AGs, Primarily P008 - Retail Residual. |
| | **4. Methodology Taxonomy:** Other Misc. - Management Accounts (HFM).<br>**5. Driver classification:** Management Accounts (HFM). |
| | **6. Data Source Summary:** Technology costs, External Bases , EIPB report, FTE Report, Depreciation figures. |
| **Data Source** | Asset Metrics: Depreciation (Loplist); and General ledger: Rest of BT Opex (Hyperion, IRS2 and PMMIS). |
| **Calculation Steps** | See calculation steps presented in TA. |

| | |
|---|---|
| **Reference** | OUC TK |
| **Title** | CIO BT Consumer |
| **Description** | **1. Source Costs and MCE:** This base primarily apportions general management costs related to BT Consumer Chief Information Officers.<br>**2. Cost and MCE Categories:** Rest of BT OPEX (Central Functions). |
| | **3. Summary Destination:** Various AGs, Primarily P008 - Retail Residual. |
| | **4. Methodology Taxonomy:** Other Misc. - Management Accounts (HFM).<br>**5. Driver classification:** Management Accounts (HFM). |
| | **6. Data Source Summary:** Technology costs, External Base , EIPB report, FTE Report, Depreciation figures. |
| **Data Source** | Asset Metrics: Depreciation (Loplist); and General ledger: Rest of BT Opex (Hyperion, IRS2 and PMMIS). |
| **Calculation Steps** | See calculation steps presented in TA. |

| | |
|---|---|
| **Reference** | OUC TM |
| **Title** | CIO BT Group |
| **Description** | **1. Source Costs and MCE:** This base allocates non-training general support costs, personnel & admin, for BT Group Chief Information Officers.<br>**2. Cost and MCE Categories:** Rest of BT OPEX (Central Functions). |
| | **3. Summary Destination:** AG118 - Group Previously Allocated Costs (PAC) (incl Overseas Subs). |
| | **4. Methodology Taxonomy:** Direct.<br>**5. Driver classification:** Direct. |
| | **6. Data Source Summary:** 100% allocation, no data source. |

| | |
|---|---|
| **Reference** | OUC TR, TW |
| **Title** | CIO BT Enterprise |
| **Description** | **1. Source Costs and MCE:** This base primarily allocates general management costs and creditors related to BT Enterprise Chief Information Officers.<br>**2. Cost and MCE Categories:** Rest of BT OPEX (Central Functions); and Current Liabilities. |
| | **3. Summary Destination:** TW: P008 - Rest of BT Residual, TR: Predominantly P008 - Rest of BT Residual. |
| | **4. Methodology Taxonomy:** TW: Direct, TR: Other Misc. - Management Accounts (HFM).<br>**5. Driver classification:** TW: Direct, TR: Management Accounts (HFM). |
| | **6. Data Source Summary:** TW: N/A - Direct allocation, TR: Technology costs, External Bases , EIPB report, FTE Report, Depreciation figures. |
| **Data Source** | TW: N/A- Direct allocation; TR: Asset Metrics: Depreciation (Loplist); and General ledger: Rest of BT Opex (Hyperion, IRS2 and PMMIS). |
| **Calculation Steps** | TW: N/A- Direct allocation; TR: See calculation steps presented in TA. |

The internal trades used within the above are explained as follows:

| Trade | Description |
|---|---|
| Development/ICT | These costs relate to software developers and the management of development projects, and include the costs for BT Technology developers and contracted developers, both UK and off-shore. These people book their time directly to projects and the BT Technology billing system includes details of all projects including "volume driven" projects where the CFU/CU orders a specific project and "non-volume" driven costs where BT Technology incur general costs in support system development for that CFU but are not specific to any one project.<br>The apportionment rules for these trades are based on the detailed analysis of in the information recorded in the BT Technology billing data for each CFU:<br>Openreach development now allocates 100% to AG410 (Openreach PAC).<br>Enterprise now allocates 100% to P008 (Rest of BT Residual).<br>BT Global Services and BT Consumer costs are allocated to Rest of BT Residual.<br>BT Group costs are allocated to AG118 (BT Group PAC). |
| Oracle Licence | Oracle software licences are considered to be corporate in nature, and are attributed to AG118 (BT Group PAC). |
| GSNO | These costs cover the desktop based Operations Centre managing network traffic. It also covers support costs for BT GS Global & UK networks, including architects who manage the network and costs for radio spectrum licences.<br>These costs are attributed to Rest of BT Residual. |
| Media & Broadcast | These costs relate to the dedicated teams supporting the Media & Broadcast (including BT Sport), TV and Content portfolio. These costs are all attributed to Rest of BT Residual. |

### 6.3.5 Group Functions

**Group**

BT Group costs are made up of a number of central functions that provide various services for BT as a whole.

| | |
|---|---|
| **Reference** | OUC C |
| **Title** | Corporate Headquarters |
| **Description** | **1. Source Costs and MCE:** This base allocates costs for corporate headquarters, including general costs and provisions.<br>**2. Cost and MCE Categories:** Rest of BT Opex (Other). |
| | **3. Summary Destination:** AG118 - BT Group PAC. |
| | **4. Methodology Taxonomy:** Direct.<br>**5. Driver classification:** Direct. |
| | **6. Data Source Summary:** 100% allocation - no data source. |

The specific OUC driven bases not allocated to AG118, are set out below.

| | | | | |
|---|---|---|---|---|
| **Reference** | OUC CPZ | | | |
| **Title** | Corporate Projects | | | |
| **Overview** | This base apportions the costs for Corporate Special Projects based on the assessment of whether projects are relevant to the SMP Markets or not. Percentage split is calculated based on the ratio of YTD costs for the SMP relevant and Non-SMP relevant projects. | | | |
| **Description** | **1. Source Costs and MCE:** This base apportions general management and support costs.<br>**2. Cost and MCE Categories:** Rest of BT Opex (Central Functions). | | | |
| | **3. Summary Destination:** AG118 - BT Group PAC; and P008 - Rest of BT Residual. | | | |
| | **4. Methodology Taxonomy:** Other Misc.<br>**5. Driver classification:** Corp Special project costs | | | |
| | **6. Data Source Summary:** Data relating to corporate special projects. | | | |
| **Data Source** | General Assumptions: (Special project data) | | | |
| **Calculation Steps** | **#** | **Calculation** | **Worked Example** | **Worked Example** | **Example Result** |
| | 1 | Calculates percentages for Non-SMP relevant and SMP relevant Corporate Special Projects | Corporate Special Projects not relevant to SMP Markets (P008) = (Glimer Project YTD cost + Crane Project YTD cost) / Total Corporate Special Projects YTD cost * 100<br>Corporate Special Projects relevant to SMP Markets (AG118) = 100% - P008 | P008 = ((10,000+20,000)/100,000) x 100<br>AG118 = 100% - 30% | P008 = 30%<br><br>AG118 = 70% |

| | |
|---|---|
| **Reference** | OUC CS, CW |
| **Title** | Group Billing |
| **Overview** | These bases apportion the costs related to Group Billing & Revenue Assurance team to the service-specific PGs based on the revenue numbers weighted by the CFU/CU splits using the BT Billing internal trades (recharges). |
| **Description** | **1. Source Costs and MCE:** These bases apportion the costs associated to the Group Billing & Revenue Assurance team.<br>**2. Cost and MCE Categories:** Rest of BT Opex (Other); and Current Liabilities. |
| | **3. Summary Destination:** P008 - Rest of BT Residual; and OR Service Centre Provision PGs (PG570B , PG571B, PG572B, PG573B) |
| | **4. Methodology Taxonomy:** Other Misc.<br>**5. Driver classification:** Other |
| | **6. Data Source Summary:** Group Billing and Revenue Assurance LoB recharge data, Openreach and Wholesale external revenue split across markets, and several generic assumptions. |
| **Data Source** | Other Misc: (Cost Perform, Arc). |

**Calculation Steps**

| # | Calculation | Worked Example | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | Calculates % of Revenue allocated to Openreach products. | = Openreach Revenue for the product / Total Openreach Revenue Base | =£100/ £500 | = 20% |
| 2 | Calculates % of Revenue allocated to Wholesale products.<br><br>The total wholesale external revenue base is calculated excluding interconnect and multiplied by % Full Time Equivalent that sit in wholesale non-interconnect. | = Wholesale Revenue for the product /Total Wholesale revenue base (excluding Interconnect) * % Full Time Equivalent that sit in wholesale non-interconnect | = £20/£200*80% | = 8% |
| 3 | Calculates % of Recharge allocated to each LoB. | = Total Recharge for the product / Total Recharge for all products | = 30 / 100 | = 30% |
| 4 | Calculates weighed % to allocate to each product within a LoB.<br>This has been weighed considering revenue %, recharge % and general assumptions. | = % of Openreach/Wholesale Allocated for the product * Recharge Base % Allocation for the LoB | = 20% * 30% | = 6% |
| 5 | Consolidates apportioned value for each product. | = sum of all weighed % allocations for each product across all LoBs | = 5% + 10% +8% + …. +10% | = 70% |
| 6 | Consolidates apportioned value adjusted to accommodate rounding errors. | Rounding %= 100% - Total consolidated base %<br>Adjusted apportioned value = Consolidated Base % + Rounding % | = 100% - 90%<br>= 70% + 10% | = 10%<br>= 80% |
| 7 | Adjusts apportioned value for P008.<br><br>In order to close some Selling, General and Administrative Expenses PGs, the apportioned % of Group Billing & Revenue Assurance costs for PG506N, PG512A, PG609N and PG586N are attributed to P008. | PG506N Apportioned Value + PG512A Apportioned Value + PG609N Apportioned Value + PG586N Apportioned Value | = 25% + 20% + 30% + 5% | = 80% |

The following OUC driven bases are categorised as 'Direct' methodologies and share the following common categories:

| | |
|---|---|
| **Methodology Taxonomy** | Direct. |
| **Driver classification** | Direct. |
| **Data source summary** | 100% allocation - no data source. |

| | |
|---|---|
| **Reference** | OUC CC, CH |
| **Title** | CC - Learning Academy; and CH - Human Resource |
| **Description** | **1. Source Costs and MCE:** This base allocates general management costs and prepayments and other creditors relating to the Learning Academy and HR.<br>**2. Cost and MCE Categories:** Rest of BT (Central Functions); Current Assets; and Current Liabilities. |
| | **3. Summary Destination:** AG116 - BT factorised pay. |

| | |
|---|---|
| **Reference** | OUC CHJ1 |
| **Title** | Organisation Design |
| **Description** | **1. Source Costs and MCE:** This base allocates general management costs.<br>**2. Cost and MCE Categories:** Rest of BT (Central Functions). |
| | **3. Summary Destination:** AG115 - BT Group Factorised Pay. |

| | |
|---|---|
| **Reference** | OUC CHR |
| **Title** | Global HR |
| **Description** | **1. Source Costs and MCE:** This base apportions HR related costs.<br>**2. Cost and MCE Categories:** Rest of BT Opex (Central Functions); and Non-current assets (Other). |
| | **3. Summary Destination:** AG115 - BT Group Factorised pay; and P646 - Rest of BT Residual. |

| | |
|---|---|
| **Reference** | OUC CQ |
| **Title** | Group NGA |
| **Description** | **1. Source Costs and MCE:** This base allocates accrued expenses and general management costs relating to NGA.<br>**2. Cost and MCE Categories:** Rest of BT (Other). |
| | **3. Summary Destination:** PG579B - OR Service centre assurance NGA. |

## Corporate Adjustments

| | |
|---|---|
| **Reference** | OUC E |
| **Title** | Corporate Adjustments |
| **Description** | **1. Source Costs and MCE:** This base allocates miscellaneous corporate costs and trade creditor balances relating to corporate adjustments.<br>**2. Cost and MCE Categories:** Rest of BT (Other); and Current liabilities. |
| | **3. Summary Destination:** AG118 - BT Group PAC. |
| | **4. Methodology Taxonomy:** Direct.<br>**5. Driver classification:** Direct. |
| | **6. Data Source Summary:** 100% direct allocation, no data. |

## Supply chain

| | |
|---|---|
| **Reference** | OUC YS1 |
| **Title** | Supplies Management |
| **Overview** | This base apportions the costs and MCE related to BT supplies management team, based on the proportion of supply chain recharges (i.e. work completed) for each CFU/CU. |
| **Description** | **1. Source Costs and MCE:** This base apportions out costs and MCE related to BTs supplies management, based on the proportion of work completed for each CFU and CU.<br>**2. Cost and MCE Categories:** This consists of Other Depreciation, Other BT Opex costs, and Other Non-Current Assets. |
| | **3. Summary Destination:** AG118 - BT Group PAC; AG119 - Technology PAC; AG406 - Enterprise pay costs; AG410 - Openreach PAC; and P008 - Retail Residual. |
| | **4. Methodology Taxonomy:** Other Misc.<br>**5. Driver classification:** Supply chain recharges. |
| | **6. Data Source Summary:** Supply chain recharge data by LoB is used to allocate charges to products and AGs. |
| **Data Source** | Other Misc: Supply Chain Recharges. |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | Calculates % supply chain recharge per LoB. | CFU 1 %= [Supply chain cost CFU 1]/ [Total supply chain recharge] x 100<br>CFU 2 %= [Supply chain cost CFU 2]/ [Total supply chain recharge] x 100 | CFU 1 = 40/100 x 100<br>CFU 2 = 60/100 x 100 | CFU 1 = 40%<br>CFU 2 = 60% |

### Property

BT Group Property is responsible for all aspects of real estate management in the UK and worldwide. This includes property strategy, real estate transactions, workplace management and utilisation, property and Cumulo rates management, as well as property cost transformation activities.

| | |
|---|---|
| **Reference** | OUC W |
| **Title** | All property units except WP |
| **Description** | **1. Source Costs and MCE:** Base allocates costs for all other property units except WP global.<br>**2. Cost and MCE Categories:** Rest of BT Opex (Property). |
| | **3. Summary Destination:** AG118 - BT Group PAC. |
| | **4. Methodology Taxonomy:** Direct.<br>**5. Driver classification:** Direct. |
| | **6. Data Source Summary:** 100% allocation - no data source. |

| | |
|---|---|
| **Reference** | OUC WP |
| **Title** | Group Property Portfolio |
| **Description** | **1. Source Costs and MCE:** This base apportions the costs of BT and non-BT owned office and speciliased buildings. The building space report is used to apportion of the cost.<br>**2. Cost and MCE Categories:** Depreciation (Land and buildings); Rest of BT Opex (Property); Current assets (Land and buildings); and Current Liabilities. |
| | **3. Summary Destination:** The base apportions costs of accommodation to the four property AGs: AG170-173. |
| | **4. Methodology Taxonomy:** Property & Insurance.<br>**5. Driver classification:** Property Costs (ex. Electricity). |
| | **6. Data Source Summary:** Property Costs (ex. Electricity) and chargeable MDF space is used to determine the attribution. |
| **Data Source** | Property & Insurance: Property Costs (HORIZON and Group Property finance data). |
| **Calculation Steps** | See calculation steps set out in Section 6.4 under 'Activity Groups using property and insurance methodologies'. |

### Group Procurement

The Group Procurement unit's costs are allocated directly, therefore no data sources are required to determine the attribution, in accordance with the OUC-driven bases set out below:

| OUC | Title | Summary destination |
|---|---|---|
| YF | BT Procurement, BT Business & Public Sector | P008 - Rest of BT Residual |
| YG | BT Procurement, Consumer | P008 - Rest of BT Residual |
| YK | BT Procurement, Openreach | AG410 - Openreach PAC |
| YKD | BT procurement, Enterprise | P008 - Rest of BT Residual |
| YO | BT Procurement, Global | P008 - Rest of BT Residual |
| YW | BT Procurement, BT Technology | AG201 - BT technology operational costs |
| Y | BT Procurement | AG118 - BT Group PAC |

### Global

All Global Services costs, assets and liabilities are allocated to Rest of BT Residual by RT1.

## 6.4 Activity Groups

An explanation of the Activity Group (AG) methodology drivers is set out within section 5.6 of Part one of this AMD, and are summarised in section 5.3.

**Activity groups using property and insurance methodologies**

An explanation of the Activity Group (AG) using property and insurance methodology drivers is set out within section 5.6 of Part one of this AMD, and Activity Groups are summarised in section 5.3.

| | |
|---|---|
| **Reference** | AG170 |
| **Title** | Specialised Accommodation BT Owned |
| **Overview** | AG170 calculates BT-owned specialised accommodation costs and MCE per CFU based on accommodation transfer charges and the fixed assets report. These costs and MCE are then apportioned to other AGs and PGs following specific treatments for each CFU, predominantly based on building space information. |
| **Description** | **1. Source Costs and MCE:** This AG apportions BT Group Property depreciation, other operating costs and asset values for the Specialised estate which is BT owned. It is a base produced from an apportionment model.<br>**2. Cost and MCE Categories:** Depreciation (Land and buildings); Rest of BT Opex (Property); and Current liabilities. |
| | **3. Summary Destination:** This AG apportions to a large number of PGs and AGs, based on CFU. The most significant apportionments are to P008 (Rest of BT Residual), AG406 (WS Pay driver), PG399T (PDH Traffic Grooming), AG118 (BT PAC), and PG217E (Main Distribution Frames Equipment). |
| | **4. Methodology Taxonomy:** Property & Insurance.<br>**5. Driver classification:** Property Costs (exc. Electricity). |
| | **6. Data Source Summary:** A Building List report, which shows the accommodation transfer charges by building, the building type, CFU and whether BT owned or Telereal. The depreciation and MCE are from a Building Fixed Assets Report which shows the fixed asset data by building. |
| **Data Sources** | Asset metrics: Depreciation (Loplist); and<br>Property & Insurance: Property Space (HORIZON). |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 - 4 | Steps 1 - 4 calculate the total adjusted recharges per CFU, Owner and Office/Specialised accommodation combination.<br>Steps 1 - 4 are identical to that of ACCOMM1-Q. | See ACCOMM1-Q. | See ACCOMM1-Q. | Total BT-owned Specialised TSO Recharge = 10,000<br>BT-owned Specialised Total Recharge = 64,000<br>AG170 Allocation = 32% |
| 5 | Steps 5 - 17 calculates allocation for Openreach Specialised Accommodation.<br>This step calculates the proportion of Openreach accommodation recharges from Group Property, split by equipment and area.<br>Equipment/Area types: MDF, CC, LLU and Other | For each equipment type:<br>$Equipment_{\chi}$ Total Recharge = $Equipment_{\chi}$ Recharge + Vacant Space Recharge * $Equipment_{\chi}$ Vacant Space %<br>$Equipment_{\chi}$ % = $Equipment_{\chi}$ Total Recharge / Σ $Equipment_{1...n}$ Total Recharge | MDF Total Recharge = 1,000 + 500 * 50%<br>MDF % = 1,250 / 2,500 | MDF % = 50%<br>Σ $Equipment_{1...n}$ % = 100% |
| 6 - 10 | Steps 5 - 17 calculates allocation for Openreach Specialised Accommodation.<br>This step calculates the fibre length ratio between core and backhaul fibre. This is identical to steps 1 - 6 of PDTCJF-Q.<br>Note: Associated PGs are PG350N (Core) and PG170 (Backhaul). | See PDTCJF-Q. | See PDTCJF-Q. | Core fibre allocation (PG350N) = 30%<br>Backhaul fibre allocation (PG170B) = 70% |

| | | | | |
|---|---|---|---|---|
| 11 - 15 | Steps 5 - 17 calculates allocation for Openreach Specialised Accommodation.<br>This step calculates the allocation ratio for local fibre spine cable. This is identical to steps 1 - 5 of PDTLFSC-Q.<br>Note: Associated PGs are PG111C (Access Fibre Spine), PG950C (GEA Access Fibre Spine), PG948C (Access Fibre Spine NGA - FTTP) | See PDTLFSC-Q. | See PDTLFSC-Q. | Access Fibre Spine allocation (PG111C) = 50%<br>GEA Access Fibre Spine allocation (PG950C) = 10%<br>Access Fibre Spine NGA - FTTP allocation (PG948C) = 40% |
| 16 | Steps 5 - 17 calculates allocation for Openreach Specialised Accommodation.<br>For Cable Chambers (CC) only, this step calculates an apportionment percentage across Network types Copper, Backhaul Fibre and Access Fibre weighted by Mean Gross Replacement Cost (GRC).<br>Note: The Copper PG is PG117C. | $Allocation_y$ Mean GRC = $Network_x$ Mean GRC * $Allocation_y$ %(result from step 10, step 15 or other)<br>Note: Allocation % for Copper is 100%.<br>$Allocation_y$ Apportionment Percentage = $Allocation_y$ Mean GRC / Σ $Network_{1...n}$ Mean GRC | Core Fibre Mean GRC = 20,000 * 30%<br>Core Fibre Apportionment Percentage = 6,000 / 100,000<br>Access Fibre Spine Mean GRC = 10,000 * 50%<br>Access Fibre Spine Apportionment Percentage = 5,000 / 100,000 | Core Fibre Apportionment Percentage (PG350N) = 6%<br>Access Fibre Spine Apportionment Percentage (PG111C) = 5%<br>Σ $Allocation_{1...n}$ %= 100% |
| 17 | Steps 5 - 17 calculates allocation for Openreach Specialised Accommodation.<br>This step takes the Openreach accommodation recharges proportion by equipment from step 2 and assigns them to PGs, and for Cable Chambers only apportions this proportion by the apportionment percentage.<br>Note: Non-CC equipment PGs are PG217E (MDF), PG132B (LLU) and AG407 (Other). | For each non-CC equipment type:<br>OR $PG_x$ % = $Equipment_x$ %(Result from Step 5)<br>For the Cable Chambers equipment type:<br>OR $PG_y$ % = Cable Chambers %(Result from Step 5) * $Allocation_y$ Apportionment Percentage(result from step 16) | OR PG217E = 50%<br>OR PG111C = 30% * 5% | OR PG217E = 50%<br>OR PG111C = 1.5% |
| 18 - 28 | Steps 18 - 62 calculates allocation for TSO Specialised Accommodation.<br>This step calculates the assumption factor applicable for specialised AXE10 equipment. This is identical to steps 1 - 10 for PDTLYX-Q. | See PDTLYX-Q. | See PDTLYX-Q. | AXE10 Assumption Factor = 15% |
| 29 - 42 | Steps 18 - 62 calculates allocation for TSO Specialised Accommodation.<br>This step calculates the assumption factor for System X equipment. This is identical to steps 1-13 for PDTSYSXD-Q. | See PDTSYSXD-Q. | See PDTSYSXD-Q. | System X Assumption Factor = 10% |
| 43 - 52 | Steps 18 - 62 calculates allocation for TSO Specialised Accommodation.<br>This step calculates the assumption factor for System X equipment. This is identical to steps 1-9 for PDTMXD-Q. | See PDTMXD-Q. | See PDTMXD-Q. | Main Exchange Assumption Factor = 20% |
| 53 | Steps 18 - 62 calculates allocation for TSO Specialised Accommodation.<br>This step calculates the assumption factors for 21CN specialised equipment from CoWs MSAN, FMSAN, ETHER, METRO, WDM and INODE. This is weighted on area, depreciation and product type. | For each 21CN CoW:<br>21CN $CoW_x$ Area Weighting = 21CN $CoW_x$ Area / Σ 21CN $CoW_{1...n}$ Area<br>For each Specialised Equipment: | 21CN METRO Area Weighting = 10,000 / 50,000<br>For each Specialised Equipment:<br>METRO $Equipment_1$ Type Weighting = 1,000 / 5,000 | 21CN METRO $Equipment_1$ Assumption Factor = 5%<br>Σ 21CN $CoW_x$ $Equipment_{1...n}$ Assumption Factor = 100% |

| | | | | |
|---|---|---|---|---|
| | | $CoW_x$ $Equipment_y$ Type Weighting = $Equipment_y$ Network Depn / Σ $CoW_x$ $Equipment_{1...n}$ Network Depn<br>$CoW_x$ $Equipment_y$ Area Weighting = $CoW_x$ $Equipment_y$ Type Weighting * 21CN $CoW_x$ Area Weighting<br>21CN $CoW_x$ $Equipment_y$ Assumption Factor = $CoW_x$ $Equipment_y$ Area Weighting / Σ $CoW_{1...n}$ $Equipment_{1...n}$ Area Weighting | METRO $Equipment_1$ Area Weighting = 20% * 20%<br>21CN METRO $Equipment_1$ Assumption Factor = 4% / 80% | |
| 54 - 58 | Steps 18 - 62 calculates allocation for TSO Specialised Accommodation.<br>This step calculates the assumption factors for Back-Up Power and Specialised Accommodation Equipment. This is identical to steps 1 - 4 for PDTPANDA-Q. | See PDTPANDA-Q. | See PDTPANDA-Q. | Back-Up Power and Specialised Accommodation $Equipment_1$ Assumption Factor = 10%<br>Σ Back-Up Power and Specialised Accommodation $Equipment_{1...n}$ Assumption Factor = 100% |
| 59 | Steps 18 - 62 calculates allocation for TSO Specialised Accommodation.<br>This step calculates the volume of specialised TSO equipment BES Circuits / EAD Boxes. This is identical to steps 1 - 3 of CW609 or CO447. | See CW609. | See CW609. | EAD Boxes Volumes = 10 boxes |
| 60 | Steps 18 - 62 calculates allocation for TSO Specialised Accommodation.<br>This step calculates the initial Area Allocation by PG for TSO Specialised Accommodation.<br>In general, inputs of volumes of specialised equipment and area per volume are multiplied by appropriate assumptions (e.g. a "walk around factor", or percentage split to specific PGs) to obtain a floor space allocation for each type of specialised equipment (and associated PG). | For each type of specialised TSO equipment:<br>$PG_x$ $Equipment_y$ Area Allocation = $Equipment_y$ $Volume_{(Result\ from\ Step\ 59\ or\ other)}$ * $Equipment_y$ Area per Volume * $Assumption_y$ $Factor_{(Result\ from\ Step\ 28,\ Step\ 42,\ Step\ 52,\ Step\ 53,\ Step\ 58\ or\ other)}$<br>For each PG<br>Initial $PG_x$ Area Allocation = Σ $PG_x$ $Equipment_{1...n}$ Area Allocation | TSO PG127A $Equipment_1$ Area Allocation = 50 * 0.5$m^2$ * 0.8<br>Initial TSO PG127A Area Allocation = 20$m^2$ + other specialised equipment area allocations for TSO PG127A i.e. 80$m^2$ | Initial TSO PG127A Area Allocation = 100$m^2$ |
| 61 | Steps 18 - 62 calculates allocation for TSO Specialised Accommodation.<br>This step calculates the allocation for BT-owned TSO Specialised Accommodation. | For each specialised equipment PG in BT-owned TSO Specialised Accommodation:<br>BT-owned Unallocated Ratio = ( Total Specialised BT-owned area - Σ Initial $PG_{1...n}$ Area $Allocation_{(Result\ from\ Step\ 60)}$ ) / Σ Initial $PG_{1...n}$ Area $Allocation_{(Result\ from\ Step\ 60)}$<br>$PG_x$ BT-owned area = Initial $PG_x$ Area $Allocation_{(Result\ from\ Step\ 60)}$ + Initial $PG_x$ Area $Allocation_{(Result\ from\ Step\ 60)}$ * BT-owned Unallocated Ratio<br>BT-owned TSO $PG_x$ % = $PG_x$ BT-owned area / Σ $PG_{1...n}$ BT-owned area | BT-owned Unallocated Ratio = ( 100,000$m^2$ - 10,000$m^2$ ) / 10,000$m^2$<br>TSO PG127A BT-owned area = 5$m^2$ + 5$m^2$ * 9<br>BT-owned TSO PG127A % = 50$m^2$ / 100,000$m^2$ | TSO PG127A BT-owned area = 50$m^2$<br>BT-owned TSO PG127A = 0.05%<br>Σ BT-owned TSO $PG_{1...n}$ % = 100% |
| 62 | Steps 18 - 62 calculates allocation for TSO Specialised Accommodation. | For each specialised equipment PG: | General Unallocated Ratio = ( 2,000,000$m^2$ - 800,000$m^2$ ) / 800,000$m^2$ | Telereal TSO PG127A % = 0.5%<br>Σ Telereal TSO $PG_{1...n}$ % = 100% |

| | | | | | |
|---|---|---|---|---|---|
| | | This step calculated the allocation for Telereal TSO Specialised Accommodation. | General Unallocated Ratio = ( Total Specialised area - Σ Initial $PG_{1...n}$ Area Allocation$_{(Result\ from\ Step\ 60)}$ ) / Σ Initial $PG_{1...n}$ Area Allocation$_{(Result\ from\ Step\ 60)}$<br>$PG_{\chi}$ area = Initial $PG_{\chi}$ Area Allocation$_{(Result\ from\ Step\ 60)}$ + Initial $PG_{\chi}$ Area Allocation$_{(Result\ from\ Step\ 60)}$ * General Unallocated Ratio<br>Telereal $PG_{\chi}$ area = $PG_{\chi}$ area - $PG_{\chi}$ BT-owned area$_{(Result\ from\ Step\ 61)}$<br>Telereal TSO $PG_{\chi}$ % = Telereal $PG_{\chi}$ area / Σ Telereal $PG_{1...n}$ area | TSO PG127A area = 100m$^2$ + 100m$^2$ * 1.5<br>Telereal TSO PG127A area = 250m$^2$ - 50m$^2$<br>Telereal TSO PG127A % = 200m$^2$ / 400,000m$^2$ | |
| | 63 | This step calculates the onward allocation of AG170 Specialised BT-owned accommodation based on CFU. The CFU allocation can be found in the table below. (i,e, Consumer recharges are 100% allocated to P008 Residual)<br>**CFU** / **Rule Allocation**<br>B&PS: 100% to P008<br>Consumer: 100% to P008<br>Suppressed Other: 100% to AG118<br>GS: 100% to P008<br>Group Billing: 100% to AG118<br>Openreach: Openreach Specialised Allocation<br>EE: 100% to P008<br>TSO: TSO Specialised Allocation<br>W&V: 100% to AG406 | $CFU_{\chi}$ $Destination_{\gamma}$ Cost = $CFU_{\chi}$ BT-owned Specialised Recharge$_{(result\ from\ step\ 4)}$ * $CFU_{\chi}$ Rule Allocation$_{(result\ from\ Step\ 17,\ from\ step\ 62\ or\ from\ table)}$<br>$Destination_{\gamma}$ Cost = Σ $CFU_{1...n}$ $Destination_{\gamma}$ Cost<br>$Destination_{\gamma}$ Allocation % = $Destination_{\gamma}$ Cost / Σ $Destination_{1...n}$ Cost Allocation | TSO PG127A Cost = 10,000 * 0.5%<br>OR PG217E Cost = 15,000 * 50%<br>PG127A Cost = 50 + other CFU costs i.e. 150<br>PG217E Cost = 7.500 + other CFU costs i.e. 50<br>TSO PG127A Allocation % = 200 / 50,000<br>OR PG217E Allocation % = 7,550 / 50,000 | PG127A Allocation % = 0.4%<br>PG217E Allocation % = 15.1%<br>Σ $Destination_{1...n}$ Allocation % = 100% |

| | |
|---|---|
| **Reference** | AG171 |
| **Title** | Specialised Accommodation Rented (Telereal) |
| **Overview** | AG171 calculates Telereal specialised accommodation costs and MCE per CFU based on accommodation transfer charges and the fixed assets report. These costs and MCE are then apportioned to other AGs and PGs following specific treatments for each CFU, predominantly based on building space information. |
| **Description** | **1. Source Costs and MCE:** This AG apportions BT Group Property depreciation, other operating costs and asset values for the Specialised estate which are rented from Telereal. It is a base produced from an apportionment model.<br>**2. Cost and MCE Categories:** Rest of BT Opex (Property); Depreciation (Land and buildings); and Current liabilities.<br>**3. Summary Destination:** This AG apportions to a large number of PGs and AGs, based on CFU. The most significant apportionments are to PG127A (Analogue linecards), PG217E (Main distribution frames equipment), PG399T (PDH Traffic Grooming), PG288A (Local exchange concentrator (Sys X) call set-up), and AG406 (WS pay driver).<br>**4. Methodology Taxonomy:** Property & Insurance.<br>**5. Driver classification:** Property Costs (ex. Electricity).<br>**6. Data Source Summary:** A Building List report, which shows the accommodation transfer charges by building, the building type, CFU and whether BT owned or Telereal. The depreciation and MCE are from a Building Fixed Assets Report which shows the fixed asset data by building. |
| **Data Sources** | Asset metrics: Depreciation (Loplist); and<br>Property & Insurance: Property Space (HORIZON). |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 - 62 | Steps 1 - 4 calculate the total adjusted recharges per CFU, Owner and Office/Specialised accommodation combination.<br>Steps 5 - 17 calculates allocation for Openreach Specialised Accommodation.<br>Steps 18 - 62 calculates allocation for TSO Specialised Accommodation.<br>These are identical to that of AG170. | See AG170. | See AG170. | Total Telereal Specialised OR Recharge = 50,000 |
| 63 | This step calculates the onward allocation of AG171 Specialised Telereal accommodation based on CFU.<br>The CFU allocation can be found in the table below. (i,e, Consumer recharges are 100% allocated to P008 Residual). | $CFU_{\chi}$ $Destination_{\gamma}$ Cost = $CFU_{\chi}$ Telereal Specialised $Recharge_{(result\ from\ step\ 4)}$ * $CFU_{\chi}$ $Rule\ Allocation_{(result\ from\ Step\ 17,\ from\ step\ 62\ or\ from\ table)}$<br>$Destination_{\gamma}$ Cost = $\Sigma$ $CFU_{1...n}$ $Destination_{\gamma}$ Cost<br>$Destination_{\gamma}$ Allocation % = $Destination_{\gamma}$ Cost / $\Sigma$ $Destination_{1...n}$ Cost Allocation | OR PG217E Cost = 50,000 * 10%<br>PG217E Cost = 5,000 + other CFU costs i.e. 5,000<br>OR PG217E Allocation % = 10,000 / 100,000 | PG217E Allocation % = 10%<br>$\Sigma$ $Destination_{1...n}$ Allocation % = 100% |

| CFU | Rule Allocation |
|---|---|
| B&PS | 100% to P008 |
| Consumer | 100% to P008 |
| Suppressed Other | 100% to AG118 |
| GS | 100% to P008 |
| Group Billing | 100% to AG118 |
| Openreach | Openreach Specialised Allocation |
| EE | 100% to P008 |
| TSO | TSO Specialised Allocation |
| W&V | 100% to AG406 |

| | |
|---|---|
| **Reference** | AG172 |
| **Title** | Office Accommodation BT Owned |
| **Overview** | AG172 calculates BT-owned office accommodation costs and MCE per CFU based on accommodation transfer charges and the fixed assets report. These costs and MCE are then apportioned to other AGs and PGs following specific treatments for each CFU. |
| **Description** | **1. Source Costs and MCE:** This AG apportions BT Group Property depreciation, other operating costs and asset values for Office accommodation which is BT owned. It is a base produced from an apportionment model.<br>**2. Cost and MCE Categories:** Depreciation (Land and buildings); Rest of BT Opex (Property); and Current liabilities. |
| | **3. Summary Destination:** The AG apportions Property charges over a large number of other PGs and AGs, based on CFU. The most significant apportionments are to PG127A (Analogue linecards), PG217E (Main distribution frames equipment), PG399T (PDH Traffic Grooming), PG288A (Local exchange concentrator (Sys X) call set-up), and AG406 (WS pay driver). |
| | **4. Methodology Taxonomy:** Property & Insurance.<br>**5. Driver classification:** Property Costs (ex. Electricity). |
| | **6. Data Source Summary:** A Building List report, which shows the accommodation transfer charges by building, the building type, CFU and whether BT owned or Telereal. The depreciation and MCE are from a Building Fixed Assets Report which shows the fixed asset data by building. |
| **Data Sources** | Asset metrics: Depreciation (Loplist); and<br>Property & Insurance: Property Space (HORIZON). |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 - 4 | Steps 1 - 4 calculate the total adjusted recharges per CFU, Owner and Office/Specialised accommodation combination.<br>Steps 1 - 4 are identical to that of ACCOMM1-Q. | See ACCOMM1-Q. | See ACCOMM1-Q. | Total BT-owned Office Group Recharge = 5,000<br>BT-owned Office Total Recharge = 25,000<br>AG172 Allocation = 20% |
| 5 | This step calculates the onward allocation of AG172 BT-owned office accommodation based on CFU.<br>The CFU allocation can be found in the table below. (i,e, Consumer recharges are 100% allocated to P008 Residual) | $CFU_x$ $Destination_y$ Cost = $CFU_x$ BT-owned Office Recharge$_{(result\ from\ step\ 4)}$ * $CFU_x$ Rule Allocation$_{(from\ table)}$<br><br>$Destination_y$ Cost = $\Sigma$ $CFU_{1...n}$ $Destination_y$ Cost<br>$Destination_y$ Allocation % = $Destination_y$ Cost / $\Sigma$ $Destination_{1...n}$ Cost Allocation | Group Cost = 5,000 * 100%<br>AG118 Cost = 5,000 + other CFU costs i.e. 1,000<br><br>AG118 Allocation % = 6,000 / 10,000 | AG118 Allocation % = 60%<br>$\Sigma$ $Destination_{1...n}$ Allocation % = 100% |

| CFU | Rule Allocation |
|---|---|
| B&PS | 100% to P008 |
| Consumer | 100% to P008 |
| Suppressed Other | 100% to AG118 |
| GS | 100% to P008 |
| Group Billing | 100% to AG118 |
| Openreach | 100% to AG401 |
| EE | 100% to P008 |
| TSO | 100% to AG402 |
| W&V | 100% to AG406 |

| | |
|---|---|
| **Reference** | AG173 |
| **Title** | Office Accommodation Rented (Telereal) |
| **Overview** | AG173 calculates Telereal office accommodation costs and MCE per CFU based on accommodation transfer charges and the fixed assets report. These costs and MCE are then apportioned to other AGs and PGs following specific treatments for each CFU. |
| **Description** | **1. Source Costs and MCE:** This AG allocates BT Group Property costs, depreciation and asset values for the Office accommodation which is rented from Telereal. It is a base produced from an apportionment model.<br>**2. Cost and MCE Categories:** Depreciation (Land and buildings); Rest of BT Opex (Property); and Current liabilities.<br>**3. Summary Destination:** The AG apportions to P008 (Rest of BT Residual), AG401 (OR pay driver), AG402 (Technology pay driver), AG118 (BT Group PAC) and AG406 (WS pay driver).<br>**4. Methodology Taxonomy:** Property & Insurance.<br>**5. Driver classification:** Property Costs (ex. Electricity).<br>**6. Data Source Summary:** A Building List report, which shows the accommodation transfer charges by building, the building type, CFU and whether BT owned or Telereal. The depreciation and MCE are from a Building Fixed Assets Report which shows the fixed asset data by building. |
| **Data Sources** | Asset metrics: Depreciation (Loplist); and<br>Property & Insurance: Property Space (HORIZON). |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 - 4 | Steps 1 - 4 calculate the total adjusted recharges per CFU, Owner and Office/Specialised accommodation combination.<br>Steps 1 - 4 are identical to that of ACCOMM1-Q. | See ACCOMM1-Q. | See ACCOMM1-Q. | Total Telereal Office Openreach Recharge = 50,000<br>Telereal Office Total Recharge = 500,000<br>AG173 Allocation = 40% |
| 5 | This step calculates the onward allocation of AG173 Telereal office accommodation based on CFU.<br>The CFU allocation can be found in the table below. (i,e, Consumer recharges are 100% allocated to P008 Residual) | $CFU_{\chi}$ $Destination_{\gamma}$ Cost = $CFU_{\chi}$ Telereal Office $Recharge_{(result\ from\ step\ 4)}$ * $CFU_{\chi}$ Rule $Allocation_{(from\ table)}$<br><br>$Destination_{\gamma}$ Cost = $\Sigma$ $CFU_{1...n}$ $Destination_{\gamma}$ Cost<br>$Destination_{\gamma}$ Allocation % = $Destination_{\gamma}$ Cost / $\Sigma$ $Destination_{1...n}$ Cost Allocation | OR Cost = 50,000 * 100%<br>AG401 Cost = 50,000 + other CFU costs i.e. 1,000<br><br>AG401 Allocation % = 51,000 / 52,000 | AG401 Allocation % = 98.1% |

| CFU | Rule Allocation |
|---|---|
| B&PS | 100% to P008 |
| Consumer | 100% to P008 |
| Suppressed Other | 100% to AG118 |
| GS | 100% to P008 |
| Group Billing | 100% to AG118 |
| Openreach | 100% to AG401 |
| EE | 100% to P008 |
| TSO | 100% to AG402 |
| W&V | 100% to AG406 |

## Activity groups using other methodologies

An explanation of the Activity Group (AG) using other methodologies drivers is set out within section 5.6 of Part one of this AMD, and Activity Groups are summarised in section 5.3.

| | |
|---|---|
| **Reference** | AG101 |
| **Title** | Motor Transport |
| **Overview** | This AG apportions the costs and MCE associated with motor transport (including accommodation, new leased vehicles and accessories) to other AGs and PGs, based on the proportion of the Group Fleet Services recharges to various OUCs. |
| **Description** | **1. Source Costs and MCE:** This AG apportions the costs and asset values associated with motor transport, including accommodation, new leased vehicles and accessories.<br>**2. Cost and MCE Categories:** Rest of BT Opex (excl. depreciation) (Group Central Functions); Depreciation (Other); Other operating income; and Non-current assets (Other). |
| | **3. Summary Destination:** This AG apportions cost and MCE over a large number of AGs, PGs and products, including D-side Copper and Distribution Fibre, predominantly to Rest of BT Residual markets. |
| | **4. Methodology Taxonomy:** Activity Group.<br>**5. Driver classification:** Other. |
| | **6. Data Source Summary:** This AG apportions data from the general ledger, where underlying financial transactions of the BT Group are recorded. |
| **Data Sources** | Other Misc: Other (General ledger). |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | Driver logic: F8 'Transfer out' codes relating to Group Fleet Services.<br>Costs and MCE are apportioned to other AGs and PGs in proportion to the cost and MCE allocations of Group Fleet recharges. | N/A | N/A | N/A |

| | |
|---|---|
| **Reference** | AG102 |
| **Title** | BT Technology Operational Costs |
| **Overview** | This AG apportions the costs and MCE associated with BT Technology's common network management (which cannot be allocated directly to individual CFUs and CUs and are predominantly software related) to other Bases, AGs and PGs, based on the proportion of the Net Book Value (NBV) of Core Fixed Assets. |
| **Description** | **1. Source Costs and MCE:** This AG is used to apportion BT Technology's network management costs and MCE, predominantly software related, which cannot be allocated directly to individual CFUs and CUs.<br>**2. Cost and MCE Categories:** Rest of BT Opex (excl. depreciation) (Other); Depreciation (Software); Non-current assets (Software); and Current liabilities. |
| | **3. Summary Destination:** This AG apportions Cost and MCE over a large number of AG's, PG's and products, predominantly within the Rest of BT Residual markets. |
| | **4. Methodology Taxonomy:** Activity Group.<br>**5. Driver classification:** Other. |
| | **6. Data Source Summary:** This AG apportions data from the general ledger, where underlying financial transactions of the BT Group are recorded. |
| **Data Sources** | Other Misc: Other (General ledger). |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | Driver logic: Core assets with the summary type 'Fixed Asset' and all sectors, excluding the following: Cellular and other; Access Copper; Access Duct, Access Fibre, Core Transmission Duct; Core Cable; Land and Buildings; Motor Transport; Office Machines; and Accommodation Plant.<br>Costs and MCE in this AG are apportioned in proportion to the allocation of costs and MCE that satisfy the driver logic criteria. | N/A | N/A | N/A |

| | |
|---|---|
| **Reference** | AG113 |
| **Title** | Liquid Funds and Interest |
| **Overview** | This AG apportions all liquid fund balances to other Bases, AGs and PGs, based on the proportion of total cash expenditure (operating expenditure and capital expenditure). |
| **Description** | **1. Source Costs and MCE:** The AG apportions liquid funds, i.e. a five-year median of short-term borrowings and cash.<br>**2. Cost and MCE Categories:** Current assets (Cash); Rest of BT Opex (Other - short term interest); and Openreach Opex (Other - short term interest).<br>**3. Summary Destination:** This AG apportions Cost and MCE over a large number of AGs, PGs and products, predominantly within the Rest of BT Residual markets, relating to Analogue Line Final Drop and Access Distribution Fibre.<br>**4. Methodology Taxonomy:** Activity Group.<br>**5. Driver classification:** Other.<br>**6. Data Source Summary:** This AG apportions data from the general ledger, where underlying financial transactions of the BT Group are recorded. |
| **Data Sources** | Other Misc: Other (General ledger). |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | Driver logic: The apportionment is driven by costs, which for these purposes are defined as total operating expenditure and capital expenditure.<br>Costs and MCE in this AG are apportioned in proportion to the allocation of costs and MCE that satisfy the driver logic criteria. | N/A | N/A | N/A |

| | |
|---|---|
| **Reference** | AG415 |
| **Title** | Fleet fuel driver |
| **Overview** | This AG apportions the MT (Motor Transport) vehicle fuel costs to other Bases and PGs, based on the proportion of the external motor fuel transfer charges. |
| **Description** | **1. Source Costs and MCE:** This AG allocates vehicle fuel costs, which are recovered from CFUs via a transfer charges to OUCs based on utilisation of services provided. The transfer charges are used to provide an analysis of the fuel in the different parts of BT. The analysis of the transfer charge amounts are used to calculate an overall base that is then applied to the underlying actual costs, which are attributed pro-rata to the transfer charge.<br>**2. Cost and MCE Categories:** Rest of BT Opex (excl. depreciation) (Group Central Functions).<br>**3. Summary Destination:** This AG allocates to several AG's, PG's and products, including D-side Copper Cable/Cable Maintenance, Access Distribution Fibre, Analogue Line Final Drop, GEA Customer Site Installations and GEA FTTP Distribution Fibre, predominantly within Rest of BT Residual markets.<br>**4. Methodology Taxonomy:** Activity Group.<br>**5. Driver classification:** Other.<br>**6. Data Source Summary:** This AG apportions data from the general ledger, where underlying financial transactions of the BT Group are recorded. |
| **Data Sources** | Other Misc: Other (General ledger). |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | Costs in this AG are apportioned in proportion to the allocation of costs that satisfy the driver logic criteria.<br>Driver logic: F8 code is 'external motor fuel'. | N/A | N/A | N/A |

## Activity groups using pay methodologies

An explanation of the Activity Group (AG) using pay methodologies drivers is set out within section 5.6 of Part one of this AMD, and Activity Groups are summarised in section 5.3.

### Factorised pay AG methodologies

The following data sources and calculation steps apply to AG115 and AG116.

| | |
|---|---|
| **Data Sources** | General ledger |
| **Calculation Steps** | **#** / **Summary**<br>N/A: The apportionment is based on factorised current salary and capital salary costs, if the criteria in steps 1 or 2 below are met.<br>1: Summary type is 'current pay' and the division is one of the following: Openreach, BT Global, Wholesale, BT Consumer, Technology or Business and public sector.<br>2: Summary type is 'Fixed asset' and the Finance type is 'pay' and the division is one of the following: Openreach, BT Global, Wholesale, BT Consumer, Technology or Business and public sector. |

| | |
|---|---|
| **Reference** | AG115 |
| **Title** | BT Group Factorised Pay (excl Overseas Subsidiaries) |
| **Overview** | This AG apportions BT Group pay costs where the specific Business Unit only supports UK operations, based on the factorised current and capital pay costs. |
| **Description** | **1. Source Costs and MCE:** This AG apportions BT Group pay costs where the specific Business unit only supports UK operations.<br>**2. Cost and MCE Categories:** Rest of BT Opex (excl. depreciation) (Group Central Functions); and Current Liabilities.<br>**3. Summary Destination:** The AG apportions costs over a large number of AG's, PG's and products, predominantly over Retail Rest of BT, Access Distribution Fibre and D-side Copper Cable Maintenance.<br>**4. Methodology Taxonomy:** Activity Group.<br>**5. Driver classification:** Pay.<br>**6. Data Source Summary:** This AG apportions data from the general ledger, where underlying financial transactions of the BT Group are recorded. |
| **Data Sources** | Other Misc: Other (General ledger). |
| **Calculation Steps** | **#** / **Summary**<br>N/A: Costs in this AG are apportioned in proportion to the **factorised** allocation of pay costs that satisfy the driver logic criteria. The factor applied is the **LoB factor** which will differ between the Divisions {B, H, J, K, T, S, N} which correspond to Openreach, BT Global Services, BT Enterprise, BT Consumer and Technology (not in that order).<br>All costs and MCE in the below calculations satisfy the following condition:<br>• Summary Type is Current Pay (all Finance Types) **OR** Summary Type is Fixed Assets with Finance Type Pay.<br>N/A: **Lob Factor Calculation:**<br>The LoB Factor calculates the average cost and MCE per employee. For this purpose we use the FTE numbers for all relevant Divisions noted previously with the addition of BT Group HQ (Division C).<br>Total relevant pay costs and MCE are calculated in CP, summed and then divided by the total FTE for an average cost per FTE. This is also calculated per Division (with Divisions not identified in the previous step aggregated as "Rest of BT").<br>The LoB Factor for each Division is the **average cost per FTE for the whole of BT** divided by the **average cost per FTE for that Division.** The LoB factor for "Rest of BT" is calculated similarly.<br>N/A: Pay costs and MCE satisfying the previous conditions are multiplied by the LoB factor for their Division or the Rest of BT LoB factor where relevant.<br>Costs and MCE in this AG are then allocated in proportion to the existing allocation of the factorised costs and MCE.<br>NB: As AG115 excludes overseas subsidiaries, all costs allocated to P646 - Overseas are excluded when calculating these allocation proportions. |

| | |
|---|---|
| **Reference** | AG116 |
| **Title** | BT Factorised Pay – Including Overseas |
| **Overview** | This AG apportions BT Group pay costs where the specific Business Unit supports UK as well as Overseas operations, based on the factorised current and capital pay costs. |
| **Description** | **1. Source Costs and MCE:** This AG apportions BT Group pay costs (including accrued expenses, pension provisions and share based payments), based on factorised current salary and capitalised salary costs, where the specific Business unit supports UK and Overseas operations.<br>**2. Cost and MCE Categories:** Rest of BT Opex (excl. depreciation) (Group Central Functions); and Current Liabilities. |
| | **3. Summary Destination:** The AG apportions cost over a large number of AGs, PGs and products, predominantly within Rest of BT Residual markets. |
| | **4. Methodology Taxonomy:** Activity Group.<br>**5. Driver classification:** Pay. |
| | **6. Data Source Summary:** This AG apportions data from the general ledger, where underlying financial transactions of the BT Group are recorded. |
| **Data Sources** | Other Misc: Other (General ledger). |

**Calculation Steps**

| # | Summary |
|---|---|
| N/A | Costs in this AG are apportioned in proportion to the **factorised** allocation of pay costs that satisfy the driver logic criteria. The factor applied is the **LoB factor** which will differ between the Divisions {B, H, J, K, T, S, N} which correspond to Openreach, BT Global Services, BT Enterprise, BT Consumer and Technology (not in that order).<br>All costs and MCE in the below calculations satisfy the following condition:<br>• Summary Type is Current Pay (all Finance Types) **OR** Summary Type is Fixed Assets with Finance Type Pay. |
| N/A | **Lob Factor Calculation:**<br>The LoB Factor calculation essentially calculates the average cost and MCE per employee. For this purpose we use the FTE numbers for all relevant Divisions noted previously with the addition of BT Group HQ (Division C).<br>Total relevant pay costs and MCE are calculated in CP, summed and then divided by the total FTE for an average cost per FTE. This is also calculated per Division (with Divisions not identified in the previous step aggregated as "Rest of BT").<br>The LoB Factor for each Division is the **average cost per FTE for the whole of BT** divided by the **average cost per FTE for that Division.** The LoB factor for "Rest of BT" is calculated similarly. |
| N/A | Pay costs and MCE satisfying the previous conditions are multiplied by the LoB factor for their Division or the Rest of BT LoB factor where relevant.<br>Costs and MCE in this AG are then allocated in proportion to the existing allocation of the factorised costs and MCE. |

**Other pay methodologies**

The following data source and calculation steps apply to AG401, AG402, AG406 and AG407:

| | |
|---|---|
| **Data Sources** | General ledger |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | | | Example Results |
|---|---|---|---|---|---|---|
| 1 | Identifies and maps indirect costs to AG401 e.g. Maps Openreach support pay costs to AG401, to be attributed in the same way as the direct pay costs. | CostPerform identifies the destinations to which the direct costs have been apportioned and the relative percentages of apportionment to these destinations. CostPerform attributes the total cost held within AG401 to the same destinations and using the same percentage of apportionment that has been used for the directly attributed costs. | *Example: BT Openreach indirect costs* | | | 12.5% of all Openreach pay support costs would be attributed to Technology PGs, 25% to Enterprise PGs and 62.5% to other CFU PGs. |
| | | | **PGs to which direct costs have already been attributed** | **Costs in each PG** | **Attribution % of Openreach support costs to PGs** | |
| | | | PG: Technology | 100 | 100/800 = 12.5% | |
| | | | PG: Enterprise | 200 | 200/800 = 25% | |
| | | | PG: Other CFUs | 500 | 500/800 = 62.5% | |
| | | | Total | 800 | 800/800 = 100% | |

| | |
|---|---|
| **Reference** | AG401 |
| **Title** | Openreach pay driver |
| **Overview** | This AG apportions costs and MCE associated with Openreach centralised functions based on the allocation of Openreach pay costs. |
| **Description** | **1. Source Costs and MCE:** This AG captures costs such as Openreach Human Resources, Openreach HQ costs and miscellaneous costs supporting Openreach CFU.<br>**2. Cost and MCE Categories:** Openreach Opex (excl. depreciation) (Openreach Central Functions); Rest of BT OPEX (excl. depreciation) (Group Central Functions); Depreciation (Electronics, Software, Other); Current liabilities; and Provisions. |
| | **3. Summary Destination:** This AG apportions cost to a large number of AGs, PGs and products, predominantly over Access Distribution Fibre, D-Side Copper Cable/Cable Maintenance, Analogue Line Final Drop and GEA FTTP Distribution Fibre. |
| | **4. Methodology Taxonomy:** Activity Group.<br>**5. Driver classification:** Pay. |
| | **6. Data Source Summary:** This AG apportions data from the general ledger, where underlying financial transactions of the BT Group are recorded. |
| **Data Sources** | Other Misc: Other (General ledger). |
| **Calculation Steps** | **#** / **Summary**<br>1 / Costs and MCE in this AG are apportioned in proportion to the allocation of costs and MCE that satisfy the driver logic criteria.<br>Driver logic:<br>• Division is 'Openreach'; and<br>• Finance Type is 'Pay'; and<br>• Summary Type is 'Fixed Assets' or 'Current Pay' |

| | |
|---|---|
| **Reference** | AG402 |
| **Title** | Technology pay driver |
| **Overview** | This AG apportions costs and MCE associated with BT Technology centralised functions based on the allocation of BT Technology pay costs. |
| **Description** | **1. Source Costs and MCE:** This AG captures costs such as Human Resources, HQ costs, support staff and miscellaneous costs supporting BT Technology CFU.<br>**2. Cost and MCE Categories:** Rest of BT Opex (excl. depreciation) (Central Functions); and Non-current assets (other) |
| | **3. Summary Destination:** This AG apportions cost to a large number of AGs, PGs and products, predominantly within Rest of BT residual markets. |
| | **4. Methodology Taxonomy:** Activity Group<br>**5. Driver classification:** Pay. |
| | **6. Data Source Summary:** This AG apportions data from the general ledger, where underlying financial transactions of the BT Group are recorded. |
| **Data Sources** | Other Misc: Other (General ledger). |
| **Calculation Steps** | **#** / **Summary**<br>1 / Costs and MCE in this AG are apportioned in proportion to the allocation of costs and MCE that satisfy the driver logic criteria.<br>Driver logic:<br>• Division is 'Technology'; and<br>• Finance Type is 'Pay'; and<br>• Summary Type is 'Fixed Assets' or 'Current Pay' |

| | |
|---|---|
| **Reference** | AG406 |
| **Title** | Wholesale pay driver |
| **Overview** | This AG apportions costs and MCE associated with BT Enterprise centralised functions, based on the allocation of BT Enterprise pay costs. |
| **Description** | **1. Source Costs and MCE:** This AG captures costs such as Human Resources, HQ costs, support staff and miscellaneous costs supporting BT Enterprise CFU.<br>**2. Cost and MCE Categories:** Rest of BT Opex (excl. depreciation) (Group Central Functions; and Other); Non-Current Assets (other); Current Liabilities. |
| | **3. Summary Destination:** This AG apportions cost to a large number of AGs, PGs and products, predominantly within Rest of BT Residual markets. |
| | **4. Methodology Taxonomy:** Activity Group.<br>**5. Driver classification:** Pay. |
| | **6. Data Source Summary:** This AG apportions data from the general ledger, where underlying financial transactions of the BT Group are recorded. |
| **Data Sources** | Other Misc: Other (General ledger). |
| **Calculation Steps** | **#** / **Summary**<br>1 — Costs and MCE in this AG are apportioned in proportion to the allocation of costs and MCE that satisfy the driver logic criteria.<br>Driver logic:<br>• Division is 'Enterprise - OUC N or K'; and<br>• Finance Type is 'Pay'; and<br>• Summary Type is 'Fixed Assets' or 'Current Pay'; |

| | |
|---|---|
| **Reference** | AG407 |
| **Title** | Openreach operations pay driver |
| **Overview** | This AG apportions costs and MCE associated with Openreach Operations Units, based on the allocation of Openreach Operations pay costs. |
| **Description** | **1. Source Costs and MCE:** This AG captures costs such as miscellaneous expenditure supporting Openreach Operations Units, including costs associated with specialist vehicles owned by Openreach.<br>**2. Cost and MCE Categories:** Openreach Opex (excl depreciation) (Service and Network delivery; and Openreach Central Functions); Current Liabilities; Non-current assets (other). |
| | **3. Summary Destination:** This AG apportions cost to a large number of AGs, PGs and products, predominantly over Access Distribution Fibre, D-side Copper Cable/Cable Maintenance, Analogue Line Final Drop, GEA Customer Site Installations and GEA FTTP Distribution Fibre. |
| | **4. Methodology Taxonomy:** Activity Group.<br>**5. Driver classification:** Pay. |
| | **6. Data Source Summary:** This AG apportions data from the general ledger, where underlying financial transactions of the BT Group are recorded. |
| **Data Sources** | Other Misc: Other (General ledger). |
| **Calculation Steps** | **#** / **Summary**<br>1 — Costs and MCE in this AG are apportioned in proportion to the allocation of costs and MCE that satisfy the driver logic criteria.<br>Driver logic:<br>• Finance Type is 'Pay'; and<br>• Summary Type is 'Fixed Assets' or 'Current Pay'; and<br>• Organisational Unit Code (OUC) indicates a CFU/CU within CIO ('BD', 'BL', 'BV', 'BQ') or Fibre and Network Delivery ('BN'). |

**Activity groups using PAC methodologies**

An explanation of the Activity Group (AG) using PAC (Previously Allocated Costs) methodologies drivers is set out within section 5.6 of Part one of this AMD, and Activity Groups are summarised in section 5.3.

| | |
|---|---|
| **Reference** | AG118 |
| **Title** | BT Group PAC – Including Overseas |
| **Overview** | This AG apportions the costs and MCE associated with the BT Group based on the BT Group Previously Allocated Costs (PAC) relating to specific OUCs, including overseas subsidiaries. |
| **Description** | **1. Source Costs and MCE:** This AG is used to apportion BT Group costs, predominantly pay and general management costs, where specific Business units support UK and Overseas operations. Apportionment is based on PAC relating to specific OUCs.<br>**2. Cost and MCE Categories:** Rest of BT OPEX (excl depreciation) - Group Central Functions; Depreciation; Current assets - Software; and Current liabilities.<br>**3. Summary Destination:** The AG apportions Cost and MCE over a large number of AGs, PGs and products, predominantly within the Rest of BT Residual markets.<br>**4. Methodology Taxonomy:** Activity Group.<br>**5. Driver classification:** PAC.<br>**6. Data Source Summary:** This AG uses data from the general ledger, where underlying financial transactions of the BT Group are recorded, and apportions the data using previous applied allocation methodologies. |
| **Data Sources** | Other Misc: Other (General ledger). |
| **Calculation Steps** | **#** **Summary**<br>1 **Driver Logic:**<br>Cost drivers are:<br>• F8 Codes, except for 'Software P&L credit adjustment'; and<br>• Transaction type of 'Revenue costs in Operating Profit' or 'Other AS revenue costs'; and<br>• Summary type of 'Current Pay', 'I/G Pay', or 'Current other'; and<br>• Sectors, except for 'Other Operating Inc', 'Payments to OLO' or 'Payments to OA'.<br>MCE drivers are:<br>• MCE F8 codes multiplied by AG WACC<br>• Summary type of 'fixed asset', 'current asset' or 'current liability'; and<br>• Sectors, except for 'Intra Group debtors', 'Intra Group creditors', 'Intangible Fixed Asset: Goodwill', 'Other Intangible Asset', 'IFA from Acquisition', 'Derivative Financial Instruments (non-current)', or 'Derivative Financial Instruments'.<br>Costs and MCE in this AG are apportioned in proportion to the allocation of the driver logic. |

| | |
|---|---|
| **Reference** | AG119 |
| **Title** | Technology PAC |
| **Overview** | This AG apportions the costs and MCE associated with BT Technology's overall support functions based on the BT Technology Previously Allocated Costs (PAC) relating to specific OUCs. |
| **Description** | **1. Source Costs and MCE:** This AG is used to apportion BT Technology's overall support functions costs and balance sheets values, including the finance function and strategy team. Apportionment is based on PAC relating to specific OUCs.<br>**2. Cost and MCE Categories:** Rest of BT OPEX (excl depreciation); Depreciation (Electronics, Software, Land & buildings, Other); Non-current assets (Software).<br>**3. Summary Destination:** This AG apportions Cost and MCE over a large number of AGs, PGs and products, predominantly within the Rest of BT Residual markets.<br>**4. Methodology Taxonomy:** Activity Group.<br>**5. Driver classification:** PAC.<br>**6. Data Source Summary:** This AG uses data from the general ledger, where underlying financial transactions of the BT Group are recorded, and apportions the data using previous applied allocation methodologies. |
| **Data Sources** | Other Misc: Other (General ledger). |

| Calculation Steps | # | Summary |
|---|---|---|
| | 1 | **Driver logic:**<br>Cost drivers are:<br>• Division is 'Technology'; and<br>• Transaction type is either 'Revenue cost in Operating profit' or 'Other AS revenue costs'; and<br>• Summary type is either 'Current pay', 'I/G Pay' or 'Current other'; and<br>• Sectors, except for 'Other operating income', 'payments to OLO' or 'Payments to OA'.<br>MCE drivers are:<br>• MCE F8 codes multiplied by AG WACC<br>• Division is 'Technology'; and<br>• Summary Type is 'Fixed asset', 'Current Asset' or 'Current liability'; and<br>• Sector is NOT 'Intra group debtors', 'Intra group creditor', 'Intangible Fixed Asset: Goodwill', 'Other Intangible Asset', 'IFA from Acquisition', 'Derivative Financial Instruments - Non Current', or 'Derivative Financial Instruments'.<br>Costs and MCE in this AG are apportioned in proportion to the allocation of the driver logic. |

| | |
|---|---|
| **Reference** | AG410 |
| **Title** | Openreach PAC |
| **Overview** | This AG apportions those costs and MCE associated with Openreach that are not product–specific, based on the Openreach Previously Allocated Costs (PAC) relating to specific OUCs. |
| **Description** | **1. Source Costs and MCE:** This AG captures indirect costs and MCE that are not product–specific.<br>**2. Cost and MCE Categories:** Openreach Opex (excl. depreciation) (Openreach Central Functions and Other); Current Liabilities; Non-Current Assets (software). |
| | **3. Summary Destination:** This AG apportions cost to a large number of AGs, PGs and products, based on the underlying attribution of the driver costs so predominantly over Duct Infrastructure, D-side Copper Cable, Analogue Line Final Drop and Access Distribution Fibre. |
| | **4. Methodology Taxonomy:** Activity Group.<br>**5. Driver classification:** PAC. |
| | **6. Data Source Summary:** This AG uses data from the general ledger, where underlying financial transactions of the BT Group are recorded, and apportions the data using previous applied allocation methodologies. |
| **Data Sources** | Other Misc: Other (General ledger). |

| Calculation Steps | # | Summary |
|---|---|---|
| | 1 | Driver logic:<br>Cost drivers are:<br>• Division is 'Openreach'; and<br>• Transaction Type is 'Costs in Operating Profit' or 'Other AS Costs'; and<br>• Summary Type is 'Current Pay', 'Intragroup Pay' or ' Current Other'; and<br>• Sector is not 'Other Operating Income' or 'Payments to OCP'; and<br>• F8 Codes, except for 'Software P&L credit adjustment'.<br>MCE drivers are:<br>• MCE F8 codes multiplied by AG WACC<br>• Division is 'Openreach'; and<br>• Summary Type is 'Fixed Assets', 'Current Assets' or 'Current Liabilities and Provisions'; and<br>• Sector is not 'Intra-group Receivables', 'Intra-group Payable', 'Goodwill', 'Other Intangible Asset' or 'Assets from Acquisition<br>Costs and MCE in this AG are apportioned in proportion to the allocation of the driver logic. |

## 6.5 Plant Groups

**Plant groups using direct methodologies**

The following apportionment bases are categorised as Direct methodologies. An explanation of Direct methodology drivers is set out within section 5.6 of Part one of this AMD.

| | |
|---|---|
| **Reference** | PG005Y |
| **Title** | Residual Excess Construction Adjust Credit Duct |
| **Description** | **1. Source Costs and MCE:** This PG removes depreciation and non-current assets relating to copper and duct from a number of WLA and WLR services where ECC depreciation has been incurred.<br>**2. Cost and MCE Categories:** Depreciation (Copper); and Non-Current Assets (PIA - Access Duct). |
| | **3. Summary Destination:** CL173 (D-Side Copper Capital). |
| | **4. Methodology Taxonomy:** Direct.<br>**5. Driver classification:** Direct. |
| | **6. Data Source Summary:** 100% allocation, no data source. |

| | |
|---|---|
| **Reference** | PG006X |
| **Title** | CISBO Excess Construction Capex Debit |
| **Description** | **1. Source Costs and MCE:** This PG allocates the in-year costs and the consequential indirect costs relating to Excess Construction Charges (ECCs) incurred on Ethernet (CISBO) services within the year.<br>**2. Cost and MCE Categories:** Openreach Opex (Other). Non-Current Assets (Other) |
| | **3. Summary Destination:** CE106 (Ethernet Excess Construction Capex). |
| | **4. Methodology Taxonomy:** Direct.<br>**5. Driver classification:** Direct. |
| | **6. Data source:** 100% allocation, no data source. |

| | |
|---|---|
| **Reference** | PG117C |
| **Title** | E-Side Copper Cable |
| **Description** | **1. Source Costs and MCE:** This PG allocates the costs and MCE associated with E-Side Copper.<br>**2. Cost and MCE Categories:** Depreciation (Copper) and Non-Current Assets (Copper). |
| | **3. Summary Destination:** CL171 (E-Side Copper Capital). |
| | **4. Methodology Taxonomy:** Direct.<br>**5. Driver classification:** Direct. |
| | **6. Data Source Summary:** 100% allocation, no data source. |

| | |
|---|---|
| **Reference** | PG117M |
| **Title** | E-Side Copper Cable Maintenance |
| **Description** | **1. Source Costs and MCE:** This PG predominantly allocates pay and maintenance costs associated with E-Side Copper.<br>**2. Cost and MCE Categories:** Openreach Opex (Central Functions), Non-current assets (Land and buildings); and Current Assets. |
| | **3. Summary Destination:** CL172 (E-Side Copper Current). |
| | **4. Methodology Taxonomy:** Direct.<br>**5. Driver classification:** Direct. |
| | **6. Data Source Summary:** 100% allocation, no data source. |

| | |
|---|---|
| **Reference** | PG118C |
| **Title** | D-Side Copper Cable |
| **Description** | **1. Source Costs and MCE:** This PG allocates the costs associated with D-Side Copper, including depreciation, stores and pay costs.<br>**2. Cost and MCE Categories:** Depreciation (Copper) and Non-Current Assets (Copper). |
| | **3. Summary Destination:** CL173 (D-Side Copper Capital). |
| | **4. Methodology Taxonomy:** Direct.<br>**5. Driver classification:** Direct. |
| | **6. Data Source Summary:** 100% allocation, no data source. |

| | |
|---|---|
| **Reference** | PG118M |
| **Title** | D-Side Copper Cable Maintenance |
| **Description** | **1. Source Costs and MCE:** This PG allocates costs associated with D-Side Copper, including non-ETG pay and stores.<br>**2. Cost and MCE Categories:** Openreach Opex (Other); Non-current assets (land and buildings); and Current assets. |
| | **3. Summary Destination:** CL174 (D-Side Copper Current). |
| | **4. Methodology Taxonomy:** Direct.<br>**5. Driver classification:** Direct. |
| | **6. Data Source Summary:** 100% allocation, no data source. |

| | |
|---|---|
| **Reference** | PG120B |
| **Title** | LLU Electricity Usage - OR |
| **Description** | **1. Source Costs and MCE:** This PG allocates Openreach electricity costs related to LLU.<br>**2. Cost and MCE Categories:** Rest of BT Opex (Property), Non-current assets (Electronics and Software); and Current Assets. |
| | **3. Summary Destination:** CL120 (LLU Electricity Usage - OR). |
| | **4. Methodology Taxonomy:** Direct<br>**5. Driver classification:** Direct |
| | **6. Data Source Summary:** 100% allocation, no data source. |

| | |
|---|---|
| **Reference** | PG122M |
| **Title** | Dropwire Maintenance Residential |
| **Description** | **1. Source Costs and MCE:** This PG allocates costs associated with the maintenance of Residential PSTN, from the distribution point to the customer's premises. Types of cost include stores and pay costs.<br>**2. Cost and MCE Categories:** Openreach Opex (Openreach Central Functions & Other). |
| | **3. Summary Destination:** CL180 (Analogue line drop maintenance). |
| | **4. Methodology Taxonomy:** Direct.<br>**5. Driver classification:** Direct. |
| | 6. Data Source Summary: 100% allocation, no data source. |

| | |
|---|---|
| **Reference** | PG124A |
| **Title** | ISDN30 Equipment |
| **Description** | **1. Source Costs and MCE:** This PG allocates MCE and costs (such as pay), associated with ISDN30 equipment.<br>**2. Cost and MCE Categories:** Rest of BT Opex (Property), Openreach Opex (Other); and Non-Current Assets (Land and buildings). |
| | **3. Summary Destination:** CL190 (ISDN30 line cards). |
| | **4. Methodology Taxonomy:** Direct.<br>**5. Driver classification:** Direct. |
| | **6. Data Source Summary:** 100% allocation, no data source. |

| | |
|---|---|
| **Reference** | PG127A |
| **Title** | Analogue Linecards |
| **Description** | **1. Source Costs and MCE:** This PG allocates MCE and costs, including depreciation, ETG and Non ETG Pay associated with the provision of analogue line cards.<br>**2. Cost and MCE Categories:** Rest of BT Opex (Property); and Non-Current Assets (Land and buildings). |
| | **3. Summary Destination:** CL183 (Analogue line card). |
| | **4. Methodology Taxonomy:** Direct.<br>**5. Driver classification:** Direct. |
| | **6. Data Source Summary:** 100% allocation - no data source. |

| | |
|---|---|
| **Reference** | PG128A |
| **Title** | ISDN2 Linecards |
| **Description** | **1. Source Costs and MCE:** This PG allocates MCE and costs, including depreciation, pay and electricity costs associated with ISDN2 line cards.<br>**2. Cost and MCE Categories:** Rest of BT Opex (Property & Other) and Non-Current Assets (Land and Buildings). |
| | **3. Summary Destination:** CL184 (ISDN2 line cards). |
| | **4. Methodology Taxonomy:** Direct.<br>**5. Driver classification:** Direct. |
| | **6. Data Source Summary:** This is a direct allocation. |

| | |
|---|---|
| **Reference** | PG130A |
| **Title** | Intra-exchange Tie Cables |
| **Description** | **1. Source Costs and MCE:** This PG captures costs of tie cables for LLU. LLU enables other communication providers (OCP) to use BT's local loop to provide services to customers. This is delivered by co-mingling, in which BT provides a room in an exchange for an OCP and their equipment, and arranges for connection of the room to the BT Main Distribution Frame (MDF) via a tie cable. The OCP has to order 'ties' in items of 100 pair cables.<br>**2. Cost and MCE Categories:** Depreciation (Copper), Openreach Opex (Other) and Non-current assets (Copper). |
| | **3. Summary Destination:** CL133 (WLA Tie cables). |
| | **4. Methodology Taxonomy:** Direct.<br>**5. Driver classification:** Direct. |
| | **6. Data Source Summary:** 100% allocation, no data source. |

| | |
|---|---|
| **Reference** | PG132B |
| **Title** | LLU Co-mingling Recurring Costs (OR) |
| **Description** | **1. Source Costs and MCE**: This PG allocates the cost of LLU Hosting Rental, which is the rental of a site for hosting LLU equipment.<br>**2. Cost and MCE Categories:** Depreciation (Land and buildings) and Non-Current Assets (Land and buildings). |
| | **3. Summary Destination:** CL132 (Co-mingling rentals). |
| | **4. Methodology Taxonomy:** Direct.<br>**5. Driver classification:** Direct. |
| | **6. Data Source Summary:** 100% allocation, no data source. |

| | |
|---|---|
| **Reference** | PG132N |
| **Title** | LLU (Local Loop Unbundling) Co-mingling Recurring costs (BT Technology) |
| **Description** | **1. Source Costs and MCE:** This PG allocates the cost of LLU Hosting Rental. Hosting Rental is the rental of a site for hosting LLU equipment.<br>**2. Cost and MCE Categories:** Depreciation (Land and buildings), Rest of BT Opex (Property); and Non-Current Assets (Land and buildings). |
| | **3. Summary Destination:** CT134 (Co-mingling power & vent). |
| | **4. Methodology Taxonomy:** Direct.<br>**5. Driver classification:** Direct. |
| | **6. Data Source Summary:** 100% allocation, no data source. |

| | |
|---|---|
| **Reference** | PG136A |
| **Title** | LLU Co-mingling Surveys |
| **Description** | **1. Source Costs and MCE:** This PG allocates the costs associated with carrying out surveys on BT buildings to enable infrastructure installation, such as Cabling, Vent and Chill equipment for LLU hostels.<br>**2. Cost and MCE Categories:** Openreach Opex (Other). |
| | **3. Summary Destination:** CL131 (Co-mingling set up). |
| | **4. Methodology Taxonomy:** Direct.<br>**5. Driver classification:** Direct. |
| | **6. Data Source Summary:** 100% allocation, no data source. |

| | |
|---|---|
| **Reference** | PG136N |
| **Title** | LLU Co-mingling Provision |
| **Description** | **1. Source Costs and MCE:** This PG allocates MCE and costs of building the LLU Hostels within BT Exchanges.<br>**2. Cost and MCE Categories:** Depreciation (Land and buildings); and Non-current assets (Land and buildings). |
| | **3. Summary Destination:** CL131 (Co-mingling set up). |
| | **4. Methodology Taxonomy:** Direct.<br>**5. Driver classification:** Direct. |
| | **6. Data Source Summary:** 100% allocation, no data source. |

| | |
|---|---|
| **Reference** | PG140A |
| **Title** | Routing and Records |
| **Description** | **1. Source Costs and MCE:** This PG allocates the costs and balance sheet (provision and installation pay) relating to Routing and Records work for provision of analogue/ISDN lines, LLU and Fibre based circuits.<br>**2. Cost and MCE Categories:** Openreach Opex (Service and Network Delivery). |
| | **3. Summary Destination:** CL160 (Routing and Records). |
| | **4. Methodology Taxonomy:** Direct.<br>**5. Driver classification:** Direct. |
| | **6. Data Source Summary:** 100% allocation, no data source. |

| | |
|---|---|
| **Reference** | PG142A |
| **Title** | MDF (Main Distribution Frame) Hardware Jumpering |
| **Description** | **1. Source Costs and MCE:** This PG allocates pay costs, associated with jumpering activities on the MDF connecting the Exchange switch equipment to the E-Side cable.<br>**2. Cost and MCE Categories:** Openreach Opex (Service and Network Delivery); Non-current assets (land and buildings); and Current assets. |
| | **3. Summary Destination:** CL161 (MDF Hardware Jumpering). |
| | **4. Methodology Taxonomy:** Direct.<br>**5. Driver classification:** Direct. |
| | **6. Data Source Summary:** 100% allocation, no data source. |

| | |
|---|---|
| **Reference** | PG149A |
| **Title** | Analogue Line Final Drop |
| **Description** | **1. Source Costs and MCE:** This PG allocates the Drop wire costs and assets associated with specific analogue line based products, mainly copper depreciation and non-current assets. Drop wires are wires connecting the Distribution Point to the customer's premises.<br>**2. Cost and MCE Categories:** Depreciation (Copper); and Non-Current Assets (Copper). |
| | **3. Summary Destination:** CL178 (Dropwire capital & analogue NTE). |
| | **4. Methodology Taxonomy:** Direct.<br>**5. Driver classification:** Direct. |
| | **6. Data Source Summary:** 100% allocation, no data source. |

| | |
|---|---|
| **Reference** | PG150B |
| **Title** | Abortive Visits |
| **Description** | **1. Source Costs and MCE:** This PG allocates Abortive Visit Charge (AVC), which are mostly pay costs. An AVC is applied where an appointment is agreed for work at an End User's Site and the engineer arrives within the appointment slot but is unable to carry out the work at, or gain access to, the End User Site.<br>**2. Cost and MCE Categories:** Openreach Opex (Service and Network delivery & Other). |
| | **3. Summary Destination:** CL182 (Abortive Visits). |
| | **4. Methodology Taxonomy:** Direct.<br>**5. Driver classification:** Direct. |
| | **6. Data Source Summary:** 100% allocation, no data source. |

| | |
|---|---|
| **Reference** | PG152N |
| **Title** | DSLAM - Overheads |
| **Description** | **1. Source Costs and MCE:** This PG allocates MCE and costs associated with the equipment that supports the DSL Product rentals, except DSLAM equipment itself. The costs primarily relate to depreciation and the maintenance costs for this equipment as well as overhead type costs such as the accommodation to house equipment.<br>**2. Cost and MCE Categories:** Depreciation (Software); Rest of BT Opex (Property); and Non-Current Assets (Software). |
| | **3. Summary Destination:** CR188 (DSLAM Support). |
| | **4. Methodology Taxonomy:** Direct.<br>**5. Driver classification:** Direct. |
| | **6. Data Source Summary:** 100% allocation, no data source. |

| | |
|---|---|
| **Reference** | PG154B |
| **Title** | NGA Visit Assure |
| **Description** | **1. Source Costs and MCE:** This PG allocates costs, including pay and maintenance, associated with NGA Visit Assure jobs.<br>**2. Cost and MCE Categories:** Openreach Opex (Other). |
| | **3. Summary Destination:** CL195 (NGA Visit Assure). |
| | **4. Methodology Taxonomy:** Direct.<br>**5. Driver classification:** Direct. |
| | **6. Data Source Summary:** 100% allocation, no data source. |

| | |
|---|---|
| **Reference** | PG155B |
| **Title** | Expedite Provision costs |
| **Description** | **1. Source Costs and MCE:** This PG allocates costs and MCE relating to Expedite Provision jobs.<br>**2. Cost and MCE Categories:** Depreciation (Copper); and Non-Current Assets (Copper). |
| | **3. Summary Destination:** CL193 (Expedite Provision Costs). |
| | **4. Methodology Taxonomy:** Direct.<br>**5. Driver classification:** Direct. |
| | **6. Data Source Summary:** 100% allocation, no data source. |

| | |
|---|---|
| **Reference** | PG168A |
| **Title** | WLR Enhanced Care Resource Level 2 |
| **Description** | **1. Source Costs and MCE:** This PG allocates costs (such as maintenance and customer support costs) and MCE associated with WLR Enhanced Care engineer resource required to support Level 2 jobs.<br>**2. Cost and MCE Categories:** Openreach Opex (Other). |
| | **3. Summary Destination:** CL168 (WLR Enhanced Care Resource level 2). |
| | **4. Methodology Taxonomy:** Direct.<br>**5. Driver classification:** Direct. |
| | **6. Data Source Summary:** 100% allocation, no data. |

| | |
|---|---|
| **Reference** | PG192A |
| **Title** | FTTC Copper Tie Cables |
| **Description** | **1. Source Costs and MCE:** This PG allocates MCE and costs associated with NGA E-Side cables.<br>**2. Cost and MCE Categories:** Openreach Opex (Copper & PIA); Rest of BT Opex (Property); and Non-Current Assets (Copper & PIA). |
| | **3. Summary Destination:** CL192 (NGA E-Side Copper Capital). |
| | **4. Methodology Taxonomy:** Direct.<br>**5. Driver classification:** Direct. |
| | **6. Data Source Summary:** 100% allocation, no data source. |

| | |
|---|---|
| **Reference** | PG197A |
| **Title** | FTTC Service Delivery & Development |
| **Description** | **1. Source Costs and MCE:** This PG allocates costs and MCE associated with the Openreach NGA FTTC product.<br>**2. Cost and MCE Categories:** Depreciation (Software); and Non-Current Assets (Software). |
| | **3. Summary Destination:** CL197 (FTTC development). |
| | **4. Methodology Taxonomy:** Direct.<br>**5. Driver classification:** Direct. |
| | **6. Data Source Summary:** 100% allocation, no data source. |

| | |
|---|---|
| **Reference** | PG198A |
| **Title** | FTTP Development |
| **Description** | **1. Source Costs and MCE:** This PG allocates costs and MCE associated with the Openreach NGA FTTP product currently under development.<br>**2. Cost and MCE Categories:** Depreciation (Software); and Non-Current Assets (Software). |
| | **3. Summary Destination:** CL198 (FTTP development). |
| | **4. Methodology Taxonomy:** Direct.<br>**5. Driver classification:** Direct. |
| | **6. Data Source Summary:** 100% allocation, no data source. |

| | |
|---|---|
| **Reference** | PG217E |
| **Title** | Main Distribution Frames Equipment |
| **Description** | **1. Source Costs and MCE:** This PG captures the cost of provisions, extension, upgrade, replacement, re-arrangement and recovery of Main Distribution Frames (MDFs).<br>**2. Cost and MCE Categories:** Rest of BT Opex (excl. depreciation) (Other); Depreciation (Land and buildings; and Switch and transmission); and Non-current assets (Land and buildings; and Switch and transmission). |
| | **3. Summary Destination:** CL175 (Local exchanges general frames equipment). |
| | **4. Methodology Taxonomy:** Direct.<br>**5. Driver classification:** Direct. |
| | **6. Data Source Summary:** 100% allocation - no data source. |

| | |
|---|---|
| **Reference** | PG217F |
| **Title** | Main Distribution Frames Maintenance |
| **Description** | **1. Source Costs and MCE:** This PG allocates the maintenance cost associated with MDFs.<br>**2. Cost and MCE Categories:** Openreach Opex (excl. depreciation) (Other). |
| | **3. Summary Destination:** CL176 (Local exchanges general frames maintenance). |
| | **4. Methodology Taxonomy:** Direct.<br>**5. Driver classification:** Direct. |
| | **6. Data Source Summary:** 100% allocation, no data source. |

| | |
|---|---|
| **Reference** | PG254B |
| **Title** | OR Project Services - Residual |
| **Description** | **1. Source Costs and MCE:** This PG allocates general management costs relating to OR Project Services.<br>**2. Cost and MCE Categories:** Openreach Opex (Other). |
| | **3. Summary Destination:** CO254 (Openreach Project Services). |
| | **4. Methodology Taxonomy:** Direct.<br>**5. Driver classification:** Direct. |
| | **6. Data Source Summary:** 100% allocation, no data source. |

| | |
|---|---|
| **Reference** | PG302N |
| **Title** | Poles Network Adjustments Internal |
| **Description** | **1. Source Costs and MCE:** This PG allocates the cost of internal network adjustments (work we conduct for when building our own network) for poles. We use the detailed breakdown of our KPI reporting shared with Ofcom to identify those network adjustments that are duct related within class of work LDC and LFDC for Openreach.<br>**2. Cost and MCE Categories:** Primarily Depreciation (Fibre); and Non-current assets (Fibre). |
| | **3. Summary Destination:** CZ331 (Network Adjustments - Poles Network Adjustments below Internal). |
| | **4. Methodology Taxonomy:** Direct.<br>**5. Driver classification:** Direct. |
| | **6. Data Source Summary:** 100% allocation, no data source. |

| | |
|---|---|
| **Reference** | PG447A |
| **Title** | Ethernet access equipment |
| **Description** | **1. Source Costs and MCE:** This PG allocates overhead costs, including pay, electricity and general management costs, and MCE relating to electronics, land and buildings, associated with the rental electronics used to provide EAD services, Wholesale Extension Services (WES), LAN Extension Services (LES), Ethernet services, Backhaul Extension Services (BES), Wholesale and LAN extension services and Optical Ethernet Services.<br>**2. Cost and MCE Categories:** Openreach Opex (excl. depreciation) (Other); Rest of BT Opex (excl. depreciation) (Other); and Non-Current Assets (Land and buildings; and Electronics). |
| | **3. Summary Destination:** CO485 (Ethernet electronics). |
| | **4. Methodology Taxonomy:** Direct.<br>**5. Driver classification:** Direct. |
| | **6. Data Source Summary:** 100% allocation, no data source. |

| | |
|---|---|
| **Reference** | PG449A |
| **Title** | Ethernet Monitoring Platform |
| **Description** | **1. Source Costs and MCE:** This PG allocates general management costs associated with an Internal Transfer Charge between Openreach and Global Services for an Ethernet Monitoring Platform.<br>**2. Cost and MCE Categories:** Openreach Opex (excl. depreciation) (Other). |
| | **3. Summary Destination:** CO445 (Ethernet Monitoring Platform). |
| | **4. Methodology Taxonomy:** Direct<br>**5. Driver classification:** Direct |
| | 6. Data Source Summary: 100% allocation, no data source. |

| | |
|---|---|
| **Reference** | PG457A |
| **Title** | Optical Ethernet Electronics Capital |
| **Description** | **1. Source Costs and MCE:** This PG allocates depreciation associated with the dedicated equipment for Optical Ethernet electronics rentals and non-current assets relating to private circuits & SMDS.<br>**2. Cost and MCE Categories:** Predominantly Depreciation (Switch and transmission); and Non-current assets (Switch and transmission). |
| | **3. Summary Destination:** CO457 (Optical Ethernet Electronics Capital). |
| | **4. Methodology Taxonomy:** Direct.<br>**5. Driver classification:** Direct. |
| | **6. Data Source Summary:** 100% allocation, no data source |

| | |
|---|---|
| **Reference** | PG467A |
| **Title** | EAD Electronics Capital |
| **Description** | **1. Source Costs and MCE:** This PG allocates private circuits and SMDS depreciation associated with the dedicated equipment for EAD electronics rentals and non-current assets relating to private circuits and SMDS.<br>**2. Cost and MCE Categories:** Predominantly Depreciation (Switch & Transmission); and Non-Current Assets (Switch & Transmission). |
| | **3. Summary Destination:** CO487 (EAD Electronics Capital). |
| | **4. Methodology Taxonomy:** Direct<br>**5. Driver classification:** Direct |
| | **6. Data Source Summary:** 100% allocation, no data source. |

| | |
|---|---|
| **Reference** | PG502B |
| **Title** | SG&A Openreach Sales Product Management |
| **Description** | **1. Source Costs and MCE:** This PG allocates general management, deferred income and current liabilities related to Sales and Product Management.<br>**2. Cost and MCE Categories:** Openreach Opex (excl. depreciation) (Other); Current liabilities; and Current assets. |
| | **3. Summary Destination:** CP502 (Openreach Sales Product Management). |
| | **4. Methodology Taxonomy:** Direct.<br>**5. Driver classification:** Direct. |
| | **6. Data Source Summary:** 100% allocation - no data source. |

| | |
|---|---|
| **Reference** | PG570B |
| **Title** | OR Service Centre Provision Analogue/ISDN2 |
| **Description** | **1. Source Costs and MCE:** This PG allocates pay costs for network support and non-current asset values for WLR and ISDN2 Service Centres.<br>**2. Cost and MCE Categories:** Openreach Opex (excl. depreciation) (Service and Network delivery); and Non-Current Assets (Software). |
| | **3. Summary Destination:** CL570 (OR Service Centre - Provision Analogue/ISDN2). |
| | **4. Methodology Taxonomy:** Direct.<br>**5. Driver classification:** Direct. |
| | **6. Data Source Summary:** 100% allocation, no data source. |

| | |
|---|---|
| **Reference** | PG572B |
| **Title** | OR Service Centre Provision LLU |
| **Description** | **1. Source Costs and MCE:** This PG allocates pay costs related to network support and assets related to WLR LLU Service Centres.<br>**2. Cost and MCE Categories:** Openreach Opex (excl. depreciation) (Service and Network delivery); Current Liabilities; and Non-Current Assets (Software). |
| | **3. Summary Destination:** CL572 (OR Service Centre - Provision WLA). |
| | **4. Methodology Taxonomy:** Direct.<br>**5. Driver classification:** Direct. |
| | **6. Data Source Summary:** 100% allocation, no data source. |

| | |
|---|---|
| **Reference** | PG573B |
| **Title** | OR Service Centre Provision Ethernet |
| **Description** | **1. Source Costs and MCE:** This PG allocates pay costs related to network support and general management, as well as current liabilities associated with service centres for the provision of Ethernet.<br>**2. Cost and MCE Categories:** Openreach Opex (excl. depreciation) (Service and Network delivery); and Current Liabilities. |
| | **3. Summary Destination:** CL573 (OR Service Centre - Provision Ethernet). |
| | **4. Methodology Taxonomy:** Direct.<br>**5. Driver classification:** Direct. |
| | **6. Data Source Summary:** 100% allocation, no data source. |

| | |
|---|---|
| **Reference** | PG574B |
| **Title** | OR Service Centre Provision NGA |
| **Description** | **1. Source Costs and MCE:** This PG allocates the pay and general management costs, as well as current liabilities associated with Service Centres for the Provision of NGA.<br>**2. Cost and MCE Categories:** Openreach Opex (excl. depreciation) (Service and Network delivery); and Current Liabilities. |
| | **3. Summary Destination:** CL574 (OR Service Centre - Provision GEA). |
| | **4. Methodology Taxonomy:** Direct.<br>**5. Driver classification:** Direct. |
| | **6. Data Source Summary:** 100% allocation, no data source. |

| | |
|---|---|
| **Reference** | PG575B |
| **Title** | OR Service Centre Assurance WLR PSTN/ISDN2 |
| **Description** | **1. Source Costs and MCE:** This PG allocates the pay costs related to network support and non-current asset values for service centres for the provision of NGA.<br>**2. Cost and MCE Categories:** Openreach Opex (excl. depreciation) (Service and Network delivery); Non-Current Assets (Software); and Current liabilities. |
| | **3. Summary Destination:** CL575 (OR Service Centre - Assurance Analogue/ISDN2). |
| | **4. Methodology Taxonomy:** Direct.<br>**5. Driver classification:** Direct. |
| | **6. Data Source Summary:** 100% allocation, no data source. |

| | |
|---|---|
| **Reference** | PG577B |
| **Title** | OR Service Centre Assurance LLU |
| **Description** | **1. Source Costs and MCE:** This PG primarily allocates pay costs relating to call centre staff, within OR's Service division, supporting the provisioning and repair of the network.<br>**2. Cost and MCE Categories:** Openreach Opex (excl. depreciation) (Service and Network delivery); Non-Current Assets (Software); and Current liabilities. |
| | **3. Summary Destination:** CL577 (OR Service Centre - Assurance WLA). |
| | **4. Methodology Taxonomy:** Direct.<br>**5. Driver classification:** Direct. |
| | **6. Data Source Summary:** 100% allocation, no data source. |

| | |
|---|---|
| **Reference** | PG579B |
| **Title** | OR Service Centre Assurance NGA |
| **Description** | **1. Source Costs and MCE:** This PG allocates the pay and general management cost, and trade creditors and accruals relating to service centres for Assurance NGA.<br>**2. Cost and MCE Categories:** Openreach Opex (excl. depreciation) (Service and Network Delivery); and Current Liabilities. |
| | **3. Summary Destination:** CL579 (OR Service Centre - Assurance GEA). |
| | **4. Methodology Taxonomy:** Direct.<br>**5. Driver classification:** Direct. |
| | **6. Data Source Summary:** 100% allocation, no data source. |

| | |
|---|---|
| **Reference** | PG580B |
| **Title** | Broadband Boost |
| **Description** | **1. Source Costs and MCE:** This PG allocates the Openreach engineering costs associated with Broadband Boost jobs. Broadband Boost is a solution to improving speed, quality and reliability of customer's Broadband service.<br>**2. Cost and MCE Categories:** Openreach Opex (Other) and Current Liabilities |
| | **3. Summary Destination:** CO580 (Broadband Boost). |
| | **4. Methodology Taxonomy:** Direct.<br>**5. Driver classification:** Direct. |
| | **6. Data Source Summary:** 100% allocation, no data source. |

| | |
|---|---|
| **Reference** | PG590B |
| **Title** | Service Level Guarantees WLA External |
| **Description** | **1. Source Costs and MCE:** This PG allocates external general management and support costs associated with WLA SLGs.<br>**2. Cost and MCE Categories:** Openreach Opex (excl. depreciation) (SLG Payments). |
| | **3. Summary Destination:** CL590 (SLG WLA External). |
| | **4. Methodology Taxonomy:** Direct.<br>**5. Driver classification:** Direct. |
| | **6. Data Source Summary:** 100% allocation, no data source. |

| | |
|---|---|
| **Reference** | PG591B |
| **Title** | B Service Level Guarantees WLA External |
| **Description** | **1. Source Costs and MCE:** This PG allocates internal general management and support costs associated with WLA SLGs.<br>**2. Cost and MCE Categories:** Openreach Opex (excl. depreciation) (SLG Payments). |
| | **3. Summary Destination:** CL591 (SLG WLA Internal). |
| | **4. Methodology Taxonomy:** Direct.<br>**5. Driver classification:** Direct. |
| | **6. Data Source Summary:** 100% allocation, no data source. |

| | |
|---|---|
| **Reference** | PG607B |
| **Title** | SLG WLR Provision Internal |
| **Description** | **1. Source Costs and MCE:** This PG allocates general support and management costs associated with SLG payments to CPs for WLR provision.<br>**2. Cost and MCE Categories:** Openreach Opex (excl. depreciation) (SLG Payments). |
| | **3. Summary Destination:** CL607 (SLG WLR Provision Internal). |
| | **4. Methodology Taxonomy:** Direct.<br>**5. Driver classification:** Direct. |
| | **6. Data Source Summary:** 100% allocation, no data source. |

| | |
|---|---|
| **Reference** | PG611B |
| **Title** | SLG WLR Assurance Internal |
| **Description** | **1. Source Costs and MCE:** This PG allocates general support and management costs associated with SLG payments to CPs for WLR assurance.<br>**2. Cost and MCE Categories:** Openreach Opex (excl. depreciation) (SLG Payments). |
| | **3. Summary Destination:** CL611 (SLG WLR Assurance Internal). |
| | **4. Methodology Taxonomy:** Direct.<br>**5. Driver classification:** Direct. |
| | **6. Data Source Summary:** 100% allocation, no data source. |

| | |
|---|---|
| **Reference** | PG612B |
| **Title** | IFRS 15 Deferred Revenue Internal |
| **Description** | **1. Source Costs and MCE:** This PG allocates deferred revenue related to IFRS 15.<br>**2. Cost and MCE Categories:** Current Liabilities. |
| | **3. Summary Destination:** CL612 (IFRS 15 Deferred Revenue Internal). |
| | **4. Methodology Taxonomy:** Direct.<br>**5. Driver classification:** Direct. |
| | **6. Data Source Summary:** 100% allocation - no data source. |

| | |
|---|---|
| **Reference** | PG613B |
| **Title** | IFRS 15 SLG Internal |
| **Description** | **1. Source Costs and MCE:** This PG allocates the IFRS15 costs associated with SLG payments, which are primarily general support costs.<br>**2. Cost and MCE Categories:** Openreach Opex (excl. depreciation) (SLG Payments). |
| | **3. Summary Destination:** CL613 (IFRS 15 SLGs Internal). |
| | **4. Methodology Taxonomy:** Direct.<br>**5. Driver classification:** Direct. |
| | **6. Data Source Summary:** 100% allocation, no data source. |

| | |
|---|---|
| **Reference** | PG614B |
| **Title** | IFRS 15 Deferred Revenue External |
| **Description** | **1. Source Costs and MCE:** This PG allocates deferred revenue related to IFRS 15.<br>**2. Cost and MCE Categories:** Current Liabilities. |
| | **3. Summary Destination:** CL614 (IFRS 15 Deferred Revenue External). |
| | **4. Methodology Taxonomy:** Direct.<br>**5. Driver classification:** Direct. |
| | **6. Data Source Summary:** 100% allocation - no data source. |

| | |
|---|---|
| **Reference** | PG615B |
| **Title** | IFRS 15 SLG External |
| **Description** | **1. Source Costs and MCE:** This PG allocates costs, primarily general support, associated with SLG payments relating to IFRS 15.<br>**2. Cost and MCE Categories:** Openreach Opex (excl. depreciation) (SLG Payments). |
| | **3. Summary Destination:** CL613 (ISDN30 Connections). |
| | **4. Methodology Taxonomy:** Direct.<br>**5. Driver classification:** Direct. |
| | 6. Data Source Summary: 100% allocation, no data source. |

| | |
|---|---|
| **Reference** | PG773A |
| **Title** | Ethernet Systems Development |
| **Description** | **1. Source Costs and MCE:** This PG allocates the software depreciation and assets relating to Research and Development projects undertaken by Technology, Service & Operations on behalf of Openreach that specifically relate to Ethernet products.<br>**2. Cost and MCE Categories:** Depreciation (Software); and Non-Current Assets (Software). |
| | **3. Summary Destination:** CO772 (OR Systems & Development - Ethernet). |
| | **4. Methodology Taxonomy:** Direct.<br>**5. Driver classification:** Direct. |
| | **6. Data Source Summary:** 100% allocation, no data source. |

| | |
|---|---|
| **Reference** | PG899A |
| **Title** | WDM-Metro Link |
| **Description** | **1. Source Costs and MCE:** This PG allocates the GBV of assets, depreciation and general management costs associated with transmission electronics between WDM MSAN and a Metro Node.<br>**2. Cost and MCE Categories:** Depreciation (Switch & transmission); and Non-Current Assets (Switch & transmission; and Land and Buildings). |
| | **3. Summary Destination:** CN619 (Ethernet EBD - Ethernet Backhaul Direct - Active). |
| | **4. Methodology Taxonomy:** Direct.<br>**5. Driver classification:** Direct. |
| | **6. Data Source Summary:** 100% allocation - no data source. |

| | |
|---|---|
| **Reference** | PG900A |
| **Title** | WDM-Metro Length |
| **Description** | **1. Source Costs and MCE:** This PG allocates the GBV of assets, depreciation and general management costs, associated with transmission length related elements (Duct and Fibre) between WDM MSAN and a Metro Node.<br>**2. Cost and MCE Categories:** Depreciation (Switch & transmission); and Non-Current Assets (Switch & transmission; and Land & buildings). |
| | **3. Summary Destination:** CN620 (Ethernet EBD - Ethernet Backhaul Direct - Passive). |
| | **4. Methodology Taxonomy:** Direct.<br>**5. Driver classification:** Direct. |
| | **6. Data Source Summary:** 100% allocation - no data source. |

| | |
|---|---|
| **Reference** | PG941A |
| **Title** | Cumulo Rates NGA |
| **Description** | **1. Source Costs and MCE:** This PG allocates the cumulo charge payable for the NGA assets.<br>**2. Cost and MCE Categories:** Rest of BT Opex (excl. depreciation) (Cumulo); and Current Assets. |
| | **3. Summary Destination:** CL941 (Cumulo Rates NGA). |
| | **4. Methodology Taxonomy:** Direct.<br>**5. Driver classification:** Direct. |
| | **6. Data Source Summary:** 100% allocation - no data source. |

| | |
|---|---|
| **Reference** | PG942A |
| **Title** | Cumulo Non NGA BTW |
| **Description** | **1. Source Costs and MCE:** This PG allocates the cumulo charge payable for the non-NGA BT Wholesale assets.<br>**2. Cost and MCE Categories:** Rest of BT Opex (excl. depreciation) (Cumulo). |
| | **3. Summary Destination:** CL942 (Cumulo Non NGA - Non Openreach). |
| | **4. Methodology Taxonomy:** Direct.<br>**5. Driver classification:** Direct. |
| | **6. Data Source Summary:** 100% allocation - no data source. |

| | |
|---|---|
| **Reference** | PG943A |
| **Title** | Cumulo Non NGA OR |
| **Description** | **1. Source Costs and MCE:** This PG allocates the cumulo charge payable for the non-NGA Openreach assets.<br>**2. Cost and MCE Categories:** Rest of BT Opex (Cumulo); and Current assets. |
| | **3. Summary Destination:** CL943 (Cumulo Non NGA - Openreach). |
| | **4. Methodology Taxonomy:** Direct.<br>**5. Driver classification:** Direct. |
| | **6. Data Source Summary:** 100% allocation - no data source. |

| | |
|---|---|
| **Reference** | PG948C |
| **Title** | GEA FTTP Access Fibre Spine |
| **Description** | **1. Source Costs and MCE:** This PG allocates the general management and pay costs, and MCE associated with the provision, installation and recovery of NGA FTTP fibre cable in the spine access network. This includes costs associated with clearing existing duct, to allow cable to be installed, jointing and spine cable (splicing).<br>**2. Cost and MCE Categories:** Depreciation (Fibre); and Non-Current Assets (Fibre). |
| | **3. Summary Destination:** CL948 (GEA FTTP Access Fibre Spine). |
| | **4. Methodology Taxonomy:** Direct.<br>**5. Driver classification:** Direct. |
| | 6. Data Source Summary: 100% allocation, no data source. |

| | |
|---|---|
| **Reference** | PG949C |
| **Title** | GEA (Generic Ethernet Access) FTTP Distribution Fibre |
| **Description** | **1. Source Costs and MCE:** This PG allocates LFDC depreciation costs associated with the provision, installation and recovery of NGA fibre cable in the FTTC distribution access network.<br>**2. Cost and MCE Categories:** Depreciation (Fibre); and Non-Current Assets (Fibre). |
| | **3. Summary Destination:** CL949 (GEA FTTP distribution fibre spine). |
| | **4. Methodology Taxonomy:** Direct.<br>**5. Driver classification:** Direct. |
| | **6. Data Source Summary**: 100% allocation, no data source. |

| | |
|---|---|
| **Reference** | PG950C |
| **Title** | GEA FTTC Access Fibre Spine |
| **Description** | **1. Source Costs and MCE:** This PG allocates the depreciation and general management costs and GBV of LFSC assets, associated with the provision, installation and recovery of NGA FTTC fibre cable in the spine access network.<br>**2. Cost and MCE Categories:** Depreciation (Fibre); and Non-Current Assets (Fibre). |
| | **3. Summary Destination:** CL950 (GEA FTTC Access Fibre Spine). |
| | **4. Methodology Taxonomy:** Direct.<br>**5. Driver classification:** Direct. |
| | **6. Data Source Summary:** 100% allocation, no data source. |

| | |
|---|---|
| **Reference** | PG951C |
| **Title** | GEA FTTC Distribution Fibre |
| **Description** | **1. Source Costs and MCE:** This PG allocates the depreciation and general management costs and GBV of LFDC assets associated with the provision, installation and recovery of NGA fibre cable in the FTTC distribution access network.<br>**2. Cost and MCE Categories:** Depreciation (Fibre); and Non-Current Assets (Fibre). |
| | **3. Summary Destination:** CL951 (GEA FTTC distribution fibre spine). |
| | **4. Methodology Taxonomy:** Direct.<br>**5. Driver classification:** Direct. |
| | **6. Data Source Summary:** 100% allocation, no data source. |

| | |
|---|---|
| **Reference** | PG953C |
| **Title** | GEA DSLAM and Cabinets |
| **Description** | **1. Source Costs and MCE:** This PG allocates the depreciation costs and GBV of LFME assets, associated with the DSLAM cabinets, cabinet shells, and cabinet tie cables.<br>**2. Cost and MCE Categories:** Depreciation (Fibre); and Non-Current Assets (Fibre). |
| | **3. Summary Destination:** CL953 (GEA DSLAM cabinets). |
| | **4. Methodology Taxonomy:** Direct.<br>**5. Driver classification:** Direct. |
| | **6. Data Source Summary:** 100% allocation - no data source. |

| | |
|---|---|
| **Reference** | PG955M |
| **Title** | GEA FTTC Maintenance |
| **Description** | **1. Source Costs and MCE:** This PG allocates the NGA FTTC costs, including pay and general management costs, associated with the repair and maintenance of head end electronics, DSLAM cabinets and specific NGA customer equipment.<br>**2. Cost and MCE Categories:** Openreach Opex (excl. depreciation) (Other); and Non-Current Assets (Other). |
| | **3. Summary Destination:** CL955 (GEA FTTC Repairs). |
| | **4. Methodology Taxonomy:** Direct.<br>**5. Driver classification:** Direct. |
| | **6. Data Source Summary:** 100% allocation, no data source. |

| | |
|---|---|
| **Reference** | PG956M |
| **Title** | GEA FTTP Maintenance |
| **Description** | **1. Source Costs and MCE:** This PG allocates the NGA FTTP costs associated with the repair / maintenance of the head end electronics and specific NGA customer equipment.<br>**2. Cost and MCE Categories:** Openreach opex (excl. depreciation) (other) and Non-current assets (land & buildings and other). |
| | **3. Summary Destination:** CL956 (GEA FTTP Repairs). |
| | **4. Methodology Taxonomy:** Direct.<br>**5. Driver classification:** Direct. |
| | **6. Data Source Summary:** Direct allocation. No data. |

| | |
|---|---|
| **Reference** | PG957P |
| **Title** | GEA (Generic Ethernet Access) FTTP Provision |
| **Description** | **1. Source Costs and MCE:** This PG allocates the NGA FTTP costs associated with the provision of specific NGA customer equipment.<br>**2. Cost and MCE Categories:** Openreach Opex (Other). |
| | **3. Summary Destination:** CL957 (GEA FTTP provision). |
| | **4. Methodology Taxonomy:** Direct.<br>**5. Driver classification:** Direct. |
| | **6. Data Source Summary:** 100% allocation, no data source |

| | |
|---|---|
| **Reference** | PG958P |
| **Title** | GEA (Generic Ethernet Access) FTTC Provision |
| **Description** | **1. Source Costs and MCE:** This PG allocates the NGA FTTC costs, including general management and provision and installation pay costs, associated with the provision of DSLAM cabinets and specific NGA customer equipment.<br>**2. Cost and MCE Categories:** Openreach Opex (excl. depreciation) (Other); Current Assets; and Current Liabilities. |
| | **3. Summary Destination:** CL958 (GEA FTTC provision). |
| | **4. Methodology Taxonomy:** Direct.<br>**5. Driver classification:** Direct. |
| | **6. Data Source Summary:** 100% allocation, no data source |

| | |
|---|---|
| **Reference** | PG960A |
| **Title** | GEA (Generic Ethernet Access) Cable Links |
| **Description** | **1. Source Costs and MCE:** This PG allocates the costs associated with the provision of GEA cable links.<br>**2. Cost and MCE Categories:** Openreach Opex (excl. depreciation) (Other). |
| | **3. Summary Destination:** CL962 (GEA Cable Links). |
| | **4. Methodology Taxonomy:** Direct.<br>**5. Driver classification:** Direct. |
| | **6. Data Source Summary:** 100% allocation, no data source |

| | |
|---|---|
| **Reference** | PG981R |
| **Title** | Regulated Time Related Charges |
| **Description** | **1. Source Costs and MCE:** This PG allocates the costs and balance sheet of time scale charges. Time scale charges refer to time spent on planned / unplanned jobs when a timescale charge is appropriate.<br>**2. Cost and MCE Categories:** Openreach Opex (Other); Non-Current Assets (Other); and Current Assets. |
| | **3. Summary Destination:** CK981 (Openreach time related charges). |
| | **4. Methodology Taxonomy:** Direct.<br>**5. Driver classification:** Direct. |
| | **6. Data Source Summary:** 100% allocation, no data source. |

| | |
|---|---|
| **Reference** | PG982R |
| **Title** | Openreach managed services for BT Enterprise |
| **Description** | **1. Source Costs and MCE:** This PG allocates the costs of work carried out by Openreach that specifically supports BT Enterprise Products and services or activities.<br>**2. Cost and MCE Categories:** Openreach opex (excl depreciation); and Non-current assets (other). |
| | **3. Summary Destination:** CK982 (Openreach managed services for enterprise). |
| | **4. Methodology Taxonomy:** Direct.<br>**5. Driver classification:** Direct. |
| | **6. Data Source Summary:** 100% allocation, no data source. |

| | |
|---|---|
| **Reference** | PG989A |
| **Title** | Special Fault Investigation |
| **Description** | **1. Source Costs and MCE:** This PG allocates the costs, predominantly pay costs relating to customer support and maintenance, and MCE relating to Special Fault Investigations.<br>**2. Cost and MCE Categories:** Openreach Opex (excl. depreciation) (Other); Current liabilities; Current assets and Non-current assets (Land and buildings). |
| | **3. Summary Destination:** CO989 (Special Fault Investigation). |
| | **4. Methodology Taxonomy:** Direct.<br>**5. Driver classification:** Direct. |
| | **6. Data Source Summary:** 100% allocation, no data. |

| | |
|---|---|
| **Reference** | PG990A |
| **Title** | FTTP Funded Fibre Rollout Spend |
| **Description** | **1. Source Costs and MCE:** This PG allocates costs and asset values associated with fibre rollout across BDUK areas for FTTP services.<br>**2. Cost and MCE Categories:** Depreciation (Fibre); and Non-Current Assets (Fibre). |
| | **3. Summary Destination:** CL990 (FTTP Funded Fibre Rollout Spend). |
| | **4. Methodology Taxonomy:** Direct.<br>**5. Driver classification:** Direct. |
| | **6. Data Source Summary:** 100% allocation, no data source. |

| | |
|---|---|
| **Reference** | PG999A |
| **Title** | FTTC Funded Fibre Rollout Spend |
| **Description** | **1. Source Costs and MCE:** This PG allocates the expenditure on fibre rollout across BDUK areas for FTTC services<br>**2. Cost and MCE Categories:** Depreciation (Fibre) and Non-Current Assets (Fibre). |
| | **3. Summary Destination:** CL999 (FTTC Funded Fibre Rollout Spend). |
| | **4. Methodology Taxonomy:** Direct.<br>**5. Driver classification:** Direct. |
| | **6. Data Source Summary:** 100% allocation, no data source. |

**Plant groups using asset metrics methodologies**

The following apportionment bases are categorised as Asset metrics methodologies. An explanation of asset metrics methodology drivers is set out within section 5.6 of Part one of this AMD.

| | |
|---|---|
| **Reference** | PG100D |
| **Title** | Duct Regulatory Asset Value (RAV) |
| **Overview** | PG100D allocates the RAV adjustment for Duct assets to PIA components based on unit costs and volumes. |
| **Description** | **1. Source Costs and MCE:** This PG apportions the costs relating to the duct asset RAV only. It covers the RAV of all duct (core access and shared) within the BT network.<br>**2. Cost and MCE Categories:** Supplementary depreciation and Non-Current Assets (PIA). |
| | **3. Summary Destination:** Duct & Poles (PIA) components, including CZ301-3 - Spine Duct Internal RAV; CZ305 - Joint boxes internal RAV; CZ304 - Manholes Internal RAV; and CZ306 - Lead ins Internal RAV. |
| | **4. Methodology Taxonomy:** Asset Metrics.<br>**5. Driver classification:** PIA Component Costs. |
| | **6. Data Source Summary:** PIA volumes and PIA components unit cost are used to determine the apportionment. |
| **Data Sources** | Asset Metrics: PIA Component Costs and PIA Component Volumes (PIPER, Artisan and Revenues and Analysis). |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | This step calculates the allocation percentage per component based on unit cost per component as a proportion of total cost. | For each relevant component:<br>Allocation percentage = (Volume of $Component_{x}$ * Unit Cost of $Component_{x}$) / Total cost of PG100D | $Component_{1}$= (50k * 3k) / 350m | $Component_{1}$ = 42.85%<br>$\sum Component_{1...n}$ = 100% |

| | |
|---|---|
| **Reference** | PG101D |
| **Title** | Duct Infrastructure |
| **Overview** | PG100D allocates the depreciation costs and MCE of Duct assets to PIA components based on unit costs and volumes. |
| **Description** | **1. Source Costs and MCE:** This PG apportions the depreciation and asset values of our duct infrastructure, which carries access copper and fibre cables.<br>**2. Cost and MCE Categories:** Depreciation - PIA, Supplementary depreciation and Non-Current Assets -PIA. |
| | **3. Summary Destination:** This PG predominantly apportions to CZ313 (Spine duct 1 internal), as well as a number of other Duct & Pole (PIA) components, including CZ317 (Joint boxes internal), CZ316 (Manhole internal), CZ315 (Spine duct 3+ internal), CZ318 (Lead ins internal) and CZ314 (spine duct 2 internal). |
| | **4. Methodology Taxonomy:** Asset Metrics.<br>**5. Driver classification:** PIA Component Costs. |
| | **6. Data Source Summary:** PIA volumes and PIA components unit cost are used to determine the apportionment. |
| **Data Sources** | Asset Metrics: PIA Component Costs and PIA Component Volumes (PIPER, Artisan and Revenues and Analysis). |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | This step calculates the allocation percentage per component based on unit cost per component as a proportion of total cost. | For each relevant component:<br>Allocation percentage = (Volume of $Component_{x}$ * Unit Cost of $Component_{x}$) / Total cost of PG101D | $Component_{1}$= (50k * £3k) / £350m | $Component_{1}$ = 42.85%<br>$\sum Component_{1...n}$ = 100% |

| | |
|---|---|
| **Reference** | PG151B |
| **Title** | Broadband Line Testing Equipment (Openreach) |
| **Overview** | PG151B apportions Test Access Management Systems (TAMS) and EvoTAMs costs using the latest LOP list depreciation figures for CoWs LXTM and LMC. Asset Policy Codes are used to determine the depreciation to apportion to each component. |
| **Description** | **1. Source costs and MCE:** This PG apportions depreciation and overhead costs, as well as asset values associated with TAMS and EvoTAMs.<br>**2. Cost and MCE categories:** Depreciation (Copper; and Land and buildings); Rest of BT Opex (excl. depreciation) (Other); Non-current assets (Copper; and Land and buildings). |
| | **3. Summary Destination:** CF187 (MPF Line Testing Systems); and CF189 (EVOTAM Testing Systems). |
| | **4. Methodology Taxonomy:** Asset Metrics.<br>**5. Driver Classification:** Depreciation. |
| | **6. Data Source Summary:** The depreciation charges from the LoP List for the CoWs are analysed by asset policy code, and are used to determine the apportionment. |
| **Data Sources** | Asset Metrics: Property space, Depreciation (LoP List), Capex Spend (NIMS, CID). |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | This step calculates the proportion of the Synthetic Categories 'Survey and Installations' cost as a % of total cost of synthetic categories in each year. The cost data is obtained from surveys. | For each Syn. category in each year:<br>Survey and Installations % = Cost / Grand Total | For Installation Syn. category in 2014/15:<br>Survey and Installations % = £780k / £1,500k | Survey and Installations % = 52% |
| 2 | This step calculates total capex for sub-programmes affected by mis-booked asset depreciation in each year. | For each year:<br>Affected Capex excl Stores = Total evoTAM Capex for affected sub-programme – Stores Capex (Tie Cables) | Affected Capex excl Stores = £5m - £3.5m | Affected Capex excl Stores = £1.5m |
| 3 | This step estimates depreciation of capex cost incorrectly booked to CoW LMC and APC CLLU:<br>Part A: Estimates total incorrectly attributed capex for each Syn category in each year<br>Part B: Estimates Depreciation value for each year<br>Part C: Total Estimated depreciation for EvoTAMS in CLLU | Part A: Total incorrectly attributed capex for each Syn Category = Affected capex excl. stores(Results from Step 2) * Cost Percentage(Result from Step 1)<br><br>Part B: Estimated depreciation = Total incorrectly attributed capex(Result from Step 2, Part A) / Asset Life<br>Part C: Estimated depreciation for EvoTAMS in CLLU = Sum of Estimated depreciation across all year (Result from Step 2, Part B) | Part A: Total incorrectly attributed capex<br>For Installation in 2014/15 = £1.5m * 52% = £0.8m<br>For Survey in 2014/15 = £1.5m * 2% = £0.03m<br>Part B: Estimated depreciation in 2014/15 = £0.8m / 18 = £0.04m<br>Part C: Total Estimated depreciation for EvoTAMS in CLLU = £0.08m (in 08/09) + £0.27m (in 09/10) +.....+ £0.04m (in 14/15) + ... + £0m (in 19/20) | Part C: Total Estimated depreciation for EvoTAMS in CLLU = £2.3m |
| 4 | This step adjusts the mis-posting of depreciation calculated in Step 3 to update TAMS (CF189). | Adj depreciation for TAMS = Total Estimated depreciation for EvoTAMS in CLLU(Result from Step 3c) * Run Period / Total Period in Year | Adj Depreciation for TAMS = £2.33m * 6 / 12 | Adj Depreciation for TAMS = £1.16m |
| 5 | This step sums the YTD depreciation values from LoP list to create Adjusted Base values by Component.<br>*Note: CF189 includes the mis-posting of adjusted depreciation to update TAMS as calculated in Step 4 | CF187 Adj base = Sum of YTD depn<br>CF189 Adj base = Sum of YTD depn | CF187 adj base= £2.586m<br>CF189 adj base = £1.086m + £1.165m | CF187 adj base = £2.586m<br>CF189 adj base =£2.251m |
| 6 | This step calculates the adjusted base allocation % for each component. | For each component:<br>Component allocation = Adj base(Result from step 5) / Total adj base *100 | CF187 = £2.568m / £4.838m * 100<br>CF189 = £2.251m / £4.838m * 100 | CF187 = 53.4%<br>CF189 = 46.5% |

| | |
|---|---|
| **Reference** | PG200P |
| **Title** | Poles Capex |
| **Overview** | This PG apportions costs associated with poles capital expenditure between internal and external components based on infrastructure volumes. |
| **Description** | **1. Source Costs and MCE:** This PG apportions the capital expenditure and associated depreciation charges relating to Poles, predominantly received from the PDTLDC apportionment base.<br>**2. Cost and MCE Categories:** Depreciation (Copper); and Non-Current Assets (Copper). |
| | **3. Summary Destination:** Predominantly to CZ325 (Poles Internal), as well as to CZ326 (Poles External). |
| | **4. Methodology Taxonomy:** Asset Metrics.<br>**5. Driver classification:** PIA Components Volumes. |
| | **6. Data Source Summary:** Network adjustments and pole investments data is used to determine the apportionment of this base. |
| **Data Sources** | Asset metrics: Network adjustment costs, CCA Indexation values, Gross book value (NIMS, ARTISAN), Gross replacement cost (NIMS, ARTISAN), PIA component volumes and Depreciation. |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | This step calculates apportionment to CZ325 and CZ326 components.<br>***Values for this calculation are obtained from Internal & External Volumes input*** | CZ325 = Poles Internal Volume / Poles Total Infrastructure Volumes<br>CZ326 = 100% - PG200P Base for CZ325 Component | CZ325=100 / 150<br><br>CZ326 =100% - 67% | CZ325 = 67%<br><br>CZ326 = 33% |

| | |
|---|---|
| **Reference** | PG201P |
| **Title** | Poles Repair |
| **Overview** | This plant group apportions the costs associated with poles repair and maintenance between internal and external components based on infrastructure volumes. |
| **Description** | **1. Source Costs and MCE:** This PG apportions the costs associated with poles repair and maintenance, recorded on the Poles Testing CoW.<br>**2. Cost and MCE Categories:** Openreach Opex (excl depreciation) (Other). |
| | **3. Summary Destination:** Predominantly to CZ325 (Poles Internal), as well as to CZ326 (Poles External). |
| | **4. Methodology Taxonomy:** Asset Metrics.<br>**5. Driver classification:** PIA Components Volumes. |
| | **6. Data Source Summary:** Network adjustments and poles data is used to determine the apportionment of this base. |
| **Data Sources** | Asset metrics: Network adjustment costs, PIA Component Volumes and CCA indexation values. |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | This step calculates apportionment to CZ325 and CZ326 components.<br>***Values for this calculation are obtained from Internal & External Volumes input*** | CZ325 = Poles Internal Volume / Poles Total Infrastructure Volumes<br>CZ326 = 100 - PG200P Base for CZ325 Component | CZ325=100 / 150<br>CZ326 =100 - 66.7 | CZ325 = 66.7%<br>CZ326 = 33.3% |

| | |
|---|---|
| **Reference** | PG300N |
| **Title** | Duct Network Adjustments Internal |
| **Overview** | This PG apportions the cost of internal network adjustments using detailed Openreach KPI reporting which identifies network adjustments within LFDC, LDD, LFSC and LDC CoWs. |
| **Description** | **1. Source Costs and MCE:** This PG apportions the cost of internal network adjustments (work we conduct for when building our own network) for duct, above and below the financial limit of £4,750 per km.<br>**2. Cost and MCE Categories:** Depreciation (PIA); and Non-Current Assets (PIA). |
| | **3. Summary Destination:** Predominantly to CZ328 (Duct Network Adjustments below the financial limit), as well as to CZ327 (Duct Network Adjustments above the financial limit). |
| | **4. Methodology Taxonomy:** Asset Metrics.<br>**5. Driver classification:** Network Adjustment Costs. |

| | |
|---|---|
| | **6. Data Source Summary:** Openreach provide data on network adjustments carried out on poles and ducts, the data is split into costs above and below the threshold and apportionment is based on these proportions. |
| **Data Sources** | Asset Metrics: Network adjustment costs, CCA indexation values. |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | Calculates the percentage of the PG for each entity within the PG by dividing the Network Adjustment GBV for that PG by the total GBV for all the entities within the PG. | For each relevant component:<br>Allocation percentage = ( Entity GBV / Total GBV ) | $Component_1$ = ( 10 / 200 ) | $Component_1$ = 5%<br>$\sum Component_{1...n}$ = 100% |

| | |
|---|---|
| **Reference** | PG954C |
| **Title** | GEA (Generic Ethernet Access) Customer Site Installations |
| **Overview** | PG954C apportions GEA Customer Site Installation costs between FTTC and FTTP components, based on in year capex. |
| **Description** | **1. Source Costs and MCE:** This PG apportions the costs and MCE associated with the provision and recovery of NGA customer site equipment, including contract, planning, pay and depreciation costs.<br>**2. Cost and MCE Categories:** Openreach Opex (Other); and Non-current assets (Land and buildings). |
| | **3. Summary Destination:** Predominantly to CL954 (GEA Customer Site Installation FTTC), as well as to CL963 (GEA Customer Site Installation FTTP). |
| | **4. Methodology Taxonomy:** Asset Metrics.<br>**5. Driver classification:** Gross Book Value (GBV). |
| | **6. Data Source Summary:** Openreach Current Cost Accounting report showing the GBV for the services FTTC and FTTP are used to determine the apportionment. |
| **Data Sources** | Asset Metrics: GBV (Central Information Database (CID)). |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | This step calculates the in year capex of FTTC and FTTP products. The values for this are obtained from FTTX Split input. | FTTC service capex= [Capex FTTC $Product_1$] + [Capex FTTC $Product_x$]<br>FTTP service capex= [Capex FTTP $Product_1$] + [Capex FTTP $Product_x$] | FTTC capex= 50 + 50<br>FTTP capex= 100 + 100 | FTTC Capex= 100<br>FTTP Capex= 200 |
| 2 | This step calculates the allocation by dividing the total capex for each service by the total capex of all services. | CL954 (GEA Customer Site Installation FTTC) Allocation = [FTTC service $capex_{(Result\ from\ step\ 1)}$] / [Total capex]]<br>CL963 (GEA Customer Site Installation FTTP) Allocation = [FTTP service $capex_{(Result\ from\ step\ 1)}$] / [Total capex] | CL954 (GEA Customer Site Installation FTTC) Allocation = 100 / 300<br>CL963 (GEA Customer Site Installation FTTP) Allocation = 200 / 300 | CL954 (GEA Customer Site Installation FTTC) Allocation = 33%<br>CL963 (GEA Customer Site Installation FTTP) Allocation = 67% |

| | |
|---|---|
| **Reference** | PG998A |
| **Title** | Fibre Rollout Funding |
| **Overview** | PG998A apportions grant funding balance sheet values between FTTP and FTTC based on the GBV split of the assets funded by these grants. |
| **Description** | **1. Source Costs and MCE:** This PG apportions the funding of the BDUK Development Programme recorded on the GFA CoW.<br>**2. Cost and MCE Categories:** Depreciation (Other) and Non-current assets (Grant Funded Assets) |
| | **3. Summary Destination:** Predominantly CL998 (Fibre Rollout Funding: FTTC), as well as to CL997 (Fibre Rollout Funding: FTTP). |
| | **4. Methodology Taxonomy:** Asset Metrics.<br>**5. Driver classification:** GBV. |
| | **6. Data Source Summary:** The BDUK development programme allocation for FTTC and FTTP equipment is used to determine the apportionment. |

| | | | | | |
|---|---|---|---|---|---|
| **Data Sources** | Asset Metrics: Gross book value, other; and<br>Network data: capex spend (ORBIT), other. | | | | |
| **Calculation Steps** | **#** | **Summary** | **Calculation** | **Worked Example** | **Example Results** |
| | 1 | Sums the total BDUK GBV data for FTTC and FTTP for all CoWs.<br>***Values for this calculation are obtained from BDUK Split and Base Inputs*** | Total GBV for FTTC = FTTC GBV for COW LFDC + FTTC GBV for COW LFSC +....<br>Total GBV for FTTP = FTTP GBV for COW LFDC + FTTP GBV for COW LFSC +.... | Total GBV for FTTC = £100,k + £200k + £400k = £750k<br>Total GBV for FTTC = £75k + £125k+ £50k = £250k | Total GBV for FTTC = £750k<br>Total GBV for FTTC = £250k |
| | 2 | This step calculates the percentage allocation for FTTC and FTTP based on the total GBV values calculated in step 1. The FTTC percentage is attributed to CL998 (FTTC Fibre Rollout Funding) and FTTP to CL997 (FTTP Fibre Rollout Funding). | For each component:<br>Allocation = Total GBV for FTTx (Result from step 1) / (Total GBV for FTTC + Total GBV for FTTP)(Sum of Result from step 1) | CL998 allocation = £750k / (£750k + £250k)<br>CL997 allocation = £250k / (£750k + £250k) | CL998 allocation = 75%<br>CL997 allocation = 25% |

**Plant groups using network data methodologies**

The following apportionment bases are categorised as Network data methodologies. An explanation of Network data methodology drivers is set out within section 5.6 of Part one of this AMD.

| | |
|---|---|
| **Reference** | PG111C |
| **Title** | Access Fibre Spine |
| **Overview** | PG111C apportions costs and MCE relating to fibre spine cables based on the number of fibres used by each component. |
| **Description** | **1. Source Costs and MCE:** This PG apportions the depreciation costs and the asset values relating to fibre spine cables; duct used by these cables; and indirect costs related to the capital expenditure e.g. the van costs incurred by the engineers installing the fibre.<br>**2. Cost and MCE Categories:** Depreciation (Fibre), Non-current asset (Fibre). |
| | **3. Summary Destination:** This PG predominantly apportions to CW609 (Ethernet Access Direct Fibre), as well as a number of other components, including CL189 (ISDN30 access), CO439 (PC rental 2Mbps local end fibre), CO450 (Wholesale Extension Services Fibre); and CK985 (Openreach Managed Services for Retail Other). |
| | **4. Methodology Taxonomy:** Network Data.<br>**5. Driver classification:** Fibre Count by Product (CTCS). |
| | **6. Data Source Summary:** This PG uses Equipment Count Data from CTCS (Core Transmission Circuit costing System) |
| **Data Sources** | Network Data: Circuit count (CTCS), Bearer volumes (CTCS);<br>Revenue & Volumes: Fibre Count by Product (CTCS) ; and<br>Asset Metrics: Gross replacement value. |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | This step calculates the total bearer volumes by summing the number of single and double fibre per PG. | For each relevant PG:<br>$PG_\chi$ total bearer volumes = $PG_\chi$ single fibre bearers + $PG_\chi$ double fibre bearers | $PG_1$ total bearer volumes = 3,000 + 4,000 | $PG_1$ total bearer volumes = 7,000 |
| 2 | This step calculates the total fibre volumes per PG by summing the number of single fibre bearers and two times the double fibre bearers. | For each relevant PG:<br>$PG_\chi$ total fibre volumes = $PG_\chi$ single fibre bearers + ( 2 * $PG_\chi$ double fibre bearers ) | $PG_1$ total fibre volumes = 3,000 + (2 * 4,000) | $PG_1$ total fibre volumes = 11,000 |
| 3 | This step calculates the usage factor of Fibres as a proportion of Bearers. | For each relevant PG:<br>$PG_\chi$ fibre usage factor = $PG_\chi$ total fibre volumes$_{(\text{Result from step 2})}$ / $PG_\chi$ total bearer volumes$_{(\text{Result from step 1})}$ | $PG_1$ fibre usage factor = 11,000 / 7,000 | $PG_1$ fibre usage factor = 1.6 |
| 4 | This step calculates the adjusted bearer count using the number of bearers from CTCS and multiplying by the fibre proportion calculated in step 3. | For each relevant PG:<br>$PG_\chi$ adjusted bearer volumes = $PG_\chi$ CTCS bearer volumes * $PG_\chi$ Fibre proportion$_{(\text{Result from step 3})}$ | $PG_1$ adjusted bearer volumes = 5,000 * 1.6 | $PG_1$ adjusted bearer volumes = 8,000 |
| 5 | This step replaces the factor for Fibres over bearers value with Static values for "2Mbit LE Fib", "34Mbit LE", "140Mbit LE" and "565Mbit LE" PGs | For each relevant PG:<br>New usage factor = Static value | New usage factor = 2 | New usage factor = 2 |
| 6 | This step calculates the distribution allocation of fibre count. It takes the Number of Bearers from CTCS and multiplies by the new usage factor from step 5. | For each relevant PG:<br>$PG_\chi$ distribution allocation = $PG_\chi$ CTCS bearer volumes * New factor$_{(\text{Result from step 5})}$ | $PG_1$ distribution allocation = 5,000 * 2 | $PG_1$ distribution allocation = 10,000 |
| 7 | This step converts CTCS circuit volumes to bearer equivalents. | For each relevant PG:<br>$PG_\chi$ CTCS circuits bearer equiv = $PG_\chi$ CTCS circuit volumes / $PG_\chi$ circuits per bearer | $PG_1$ CTCS Circuits Bearer Equiv = 9,000 / 9 | $PG_1$ CTCS Circuits Bearer Equiv =1,000 |
| 8 | This step calculates the bearers with spare capacity by subtracting utilised bearers (Bearer Equivalent CTCS Circuits) from CTCS Bearers. | For each relevant PG:<br>$PG_\chi$ bearers with spare capacity = $PG_\chi$ CTCS bearer volumes - $PG_\chi$ CTCS circuits bearer equiv$_{(\text{Result from Step 7})}$ | $PG_1$ bearers with spare capacity = 5,000 - 1,000 | $PG_1$ bearers with spare capacity = 4,000 |

| | | | | | |
|---|---|---|---|---|---|
| | 9 | This step calculates the spare capacity factor for PGs by dividing Bearers with Spare Capacity by the number of utilised bearers. | For each relevant PG:<br>$PG_x$ Spare Capacity Factor = $PG_x$ bearers with spare capacity$_{(Result\ from\ step\ 8)}$ / $PG_x$ CTCS circuits bearer equiv$_{(Result\ from\ step\ 7)}$ | $PG_1$ spare capacity factor = 4,000 / 1,000 | $PG_1$ spare capacity factor = 4 |
| | 10 | This step calculates the circuit volume (bearer equiv) scaled capacity by multiply bearer equivalent circuit volumes by spare capacity factor. | For each relevant PG:<br>$PG_x$ circuit scaled capacity = $PG_x$CTCS circuits bearer equiv$_{(Result\ from\ Step\ 7)}$ * $PG_x$ spare capacity factor$_{(Result\ from\ Step\ 9)}$ | $PG_1$ circuit scaled capacity = 1,000 * 4 | $PG_1$ circuit scaled capacity = 4,000 |
| | 11 | This step calculates the consumption of bearers. It calculates the circuit volumes for a PG as a proportion of total consumption of bearers. | For each relevant PG:<br>$PG_x$ total consumption of bearers = $PG_x$ circuit scaled capacity $_{(Result\ from\ step\ 10)}$ / Total circuit scaled capacity<br>PGs are then mapped to components. | $PG_1$ total consumption of bearers = 4,000 / 20,000 | $PG_1$ total consumption of bearers = 0.2 |
| | 12 | This step calculates the number of fibres per component. It multiplies the number of fibres for spine and distribution allocation by the consumption of bearers factor. | For each relevant component:<br>$Component_x$ no. fibres = $Component_x$ total consumption of bearers$_{(Result\ from\ step\ 11)}$ * $Component_x$ total number of fibres | $Component_1$ no. fibres = 0.2 * 5,000 | $Component_1$ no. fibres = 1,000 |
| | 13 | This step calculates the allocation percentage to each component. | For each relevant component:<br>$Component_x$ allocation = $Component_x$ no. fibres$_{(Result\ from\ step\ 12)}$ / Total number of fibres | $Component_1$ = 1,000 / 2,000 | $Component_1$ = 50%<br>$\sum Component_{1...n}$ = 100% |

| | |
|---|---|
| **Reference** | PG170B |
| **Title** | Backhaul Fibre |
| **Overview** | PG170B apportions costs and MCE to 21CN and 20CN network components (circuits) in proportion to their share of the total length of fibre used by the circuits. |
| **Description** | **1. Source costs and MCE:** This PG apportions the depreciation costs and asset values of the backhaul length elements of the bearers in BT's Core Transmission network.<br>**2. Cost and MCE categories:** Depreciation (Switch & Transmission), Supplementary Depreciation, Openreach Opex (Openreach Central Functions); and Non-Current Assets (Switch and Transmission).<br>**3. Summary Destination:** This PG predominantly apportions to CO484 (Ethernet main links), CL948 (GEA FTTP Access Fibre Spine) and CL950 (GEA FTTC Access Fibre Spine), as well as to a number of other components, including CO326 (Remote - local transmission length); and CN620 (Ethernet Backhaul Direct - Passive).<br>**4. Methodology Taxonomy:** Network Data<br>**5. Driver classification:** Fibre Lengths (CTCS/LLUMS)<br>**6. Data Source Summary:** Costs and asset values are allocated to network components (circuits) based on how the circuits use the different bearers, driven by Fibre Lengths. WLA main links fibre lengths are taken from LLUMS, Ethernet main links fibre lengths from Openreach volumes, 20CN Transmission network fibre lengths from CTCS and 21CN fibre lengths from historic data from Technology. |
| **Data Sources** | Asset metrics: Gross replacement cost;<br>Network data: Fibre lengths (CTCS/LLUMS), Network topology mapping; and<br>Revenue & volumes: Ethernet revenue & volumes (ORBIT). |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 - 11 | Steps 1 to 11 are identical to that of PDTLMD-Q. | See PDTLMD-Q. | See PDTLMD-Q. | See PDTLMD-Q. |
| 12 | This step calculates the Fibre PG to Component allocation, which are individual Component Fibre Lengths / | Total Fibre Lengths = Tr. $Component_{1...n}$ Fibre Lengths + 21CN Component 1 Fibre $Lengths_{1...n}$ + Ethernet $Component_x$ Adjusted Fibre Lengths + WLA Main Links $Component_x$ Adjusted Fibre Lengths | Total fibre lengths = 1,000<br>Tr. $Component_1$<br>= 66.67 / 1,000 | Tr. $Component_1$ = 6.67% |

| | | | | | |
|---|---|---|---|---|---|
| | | Total Fibre Lengths (Transmission, Ethernet Main Links, WLA Main Links, 21CN) per Fibre PG. | Tr. Component$_x$ = Tr. Component$_x$ Fibre Lengths / Total Fibre Lengths<br>21CN Component$_x$= 21CN Component$_x$ Fibre Lengths / Total Fibre Lengths<br>Ethernet Component$_x$ = Ethernet Component$_x$ Fibre Lengths / Total Fibre Lengths<br><br>WLA Main Links Component$_x$ = WLA Main Links Component$_x$ Fibre Lengths / Total Fibre Lengths | 21CN Component$_1$ = 5 / 1,000<br>Ethernet Component$_1$ = 1.2 / 1,000<br>WLA Main Links Components = 300 / 1,000 | 21CN Component$_1$ = 0.5%<br><br>Ethernet Component$_1$ = 0.12%<br>WLA Main Links Components = 30%<br>$\sum$Components$_{1...n}$ = 100% |

| | |
|---|---|
| **Reference** | PG361T |
| **Title** | PDH Metal 2Mbits/s Equipment |
| **Overview** | PG361T captures asset values and costs for 2Mbps Plesiochronous Digital Hierarchy (PDH) bearers. They are apportioned to network components based on how the circuits use the bandwidth of a bearer. |
| **Description** | **1. Source costs and MCE:** This PG apportions the depreciation, maintenance and other overhead (e.g. accommodation) costs and asset values associated with the link elements of PDH bearers with a 2Mbps metallic pathway.<br>**2. Cost and MCE categories:** Depreciation (Other), Rest of BT Opex (Property), Non-Current Assets (Land and buildings).<br>**3. Summary Destination:** This PG predominantly apportions to CO325 (Remote - local transmission link), as well as to a number of other components, including CF371 (OR PC Rental 2Mbit link per km distribution) and CL189 (ISDN30 access).<br>**4. Methodology Taxonomy:** Network Data<br>**5. Driver classification:** Equipment Volumes & Bandwidths (CTCS)<br>**6. Data Source Summary:** Cost are apportioned to network components (representing circuits) based on how the circuits use the bandwidth of a bearer. The relationship between circuits and bearers is held on the CTCS. |
| **Data Sources** | Network data: Equipment Volumes & Bandwidths (CTCS) |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | This step calculates Bandwidth Usage Factors for each component (proportion of the total bandwidth of a bearer used by a circuit / component). | For each Component:<br>Component$_x$ Bandwidth Usage Factor = Component$_x$ Bandwidth Capacity / Bearer Bandwidth Capacity (e.g. 140/156 Mbps Capacity) | Component$_1$ Bandwidth Usage Factor = 21 circuits / 63 circuits | Component$_1$ Bandwidth Usage Factor = 0.3333 |
| 2 | This step calculates the Individual Component Factored Equipment Hits and Total Factored Equipment Hits by PG. | Total PG Factored Equipment Hits = Sum of Individual Component$_x$ Factored Hits:<br>Individual Component$_x$ Factored Equipment Hits = Component$_x$ Equipment Hits * Component$_x$ Bandwidth Usage Factor (Result from step 1) | Total PG Factored Equipment Hits = $\sum$ [100 Hits * 0.3333 BW Usage Factor] and [Factored Equipment Hits for other components in PG]<br>Individual Component$_1$ Factored Equipment Hits = 100 Hits * 0.3333 BW Usage Factor | Total PG Factored Equipment Hits = 100 PG Hits<br>Individual Component$_1$ Factored Equipment Hits = 33.33 Hits |
| 3 | This step calculates Equipment Hits Proportions by PG for each component | For each Component:<br>Equipment Hits Proportion Component$_x$= Individual Component$_x$ Factored Equipment Hits[Result from step 2] / Total PG Factored Equipment Hits Factor [Result from step 2] | Equipment Hits Proportion Component$_1$ = 33.33 Hits / 100 Total Hits * 100 percent | Equipment Hits Proportion Component$_1$ = 33.33%<br>$\sum$ Equipment Hits Proportion Component$_{1...n}$ = 100% |

| | |
|---|---|
| **Reference** | PG375T |
| **Title** | PDH Optical 34Mbits/s Equipment |
| **Overview** | PG375T captures asset values and costs for 34Mbps Plesiochronous Digital Hierarchy (PDH) bearers. They are apportioned to network components based on how the circuits use the bandwidth of a bearer. |
| **Description** | **1. Source costs and MCE:** This PG apportions the depreciation, maintenance and other overhead (e.g. accommodation) costs and asset values associated with the link elements of PDH bearers with a 34Mbps metallic & optical pathways.<br>**2. Cost and MCE categories:** Depreciation (Land and buildings & Other), Rest of BT Opex (Property), Non-Current Assets (Land and buildings); and Current Assets.<br>**3. Summary Destination:** This PG predominantly apportions to CO325 (Remote - local transmission link) and CF371 (OR PC Rental 2Mbit link per km distribution), as well as to a number of other components, including CL189 (ISDN30 access), CF383 (OR PC Rental 2Mb link); and CF391 (OR PC rental 64Kbit link per km transmission).<br>**4. Methodology Taxonomy:** Network Data<br>**5. Driver classification:** Equipment Volumes & Bandwidths (CTCS)<br>**6. Data Source Summary:** Cost are apportioned to network components (representing circuits) based on how the circuits use the bandwidth of a bearer. The relationship between circuits and bearers is held on the CTCS. |
| **Data Sources** | Network Data: Equipment volumes & bandwidths (CTCS). |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | This step calculates Bandwidth Usage Factors for each component (proportion of the total bandwidth of a bearer used by a circuit / component). | For each Component:<br>$Component_x$ Bandwidth Usage Factor = $Component_x$ Bandwidth Capacity / Bearer Bandwidth Capacity (e.g. 140/156 Mbps Capacity) | $Component_1$ Bandwidth Usage Factor = 21 circuits / 63 circuits | $Component_1$ Bandwidth Usage Factor = 0.3333 |
| 2 | This step calculates the Individual Component Factored Equipment Hits and Total Factored Equipment Hits by PG. | Total PG Factored Equipment Hits = Sum of Individual $Component_x$ Factored Hits:<br>Individual $Component_x$ Factored Equipment Hits = $Component_x$ Equipment Hits * $Component_x$ Bandwidth Usage Factor (Result from step 1] | Total PG Factored Equipment Hits = ∑ [100 Hits * 0.3333 BW Usage Factor] and [Factored Equipment Hits for other components in PG]<br>Individual $Component_1$ Factored Equipment Hits = 100 Hits * 0.3333 BW Usage Factor | Total PG Factored Equipment Hits = 100 PG Hits<br>Individual $Component_1$ Factored Equipment Hits = 33.33 Hits |
| 3 | This step calculates Equipment Hits Proportions by PG for each component | For each Component:<br>Equipment Hits Proportion $Component_x$= Individual $Component_x$ Factored Equipment Hits[Result from step 2] / Total PG Factored Equipment Hits Factor [Result from step 2] | Equipment Hits Proportion $Component_1$ = 33.33 Hits / 100 Total Hits * 100 percent | Equipment Hits Proportion $Component_1$ = 33.33%<br>∑Equipment Hits Proportion $Component_{1...n}$ = 100% |

| | |
|---|---|
| **Reference** | PG377T |
| **Title** | PDH Optical 140Mbits/s Equipment |
| **Overview** | PG377T captures asset values and costs for 140Mbps Plesiochronous Digital Hierarchy (PDH) bearers. They are apportioned to network components based on how the circuits use the bandwidth of a bearer. |
| **Description** | **1. Source costs and MCE:** This PG apportions the depreciation, maintenance and other overhead (e.g. accommodation) costs and asset values associated with the link elements of PDH bearers with a 140Mbps metallic & optical pathway.<br>**2. Cost and MCE categories:** Depreciation (Land and buildings & Switch and Transmission), Rest of BT Opex (Other), Non-Current Assets (Land and buildings & Switch and Transmission); and Current Assets.<br>**3. Summary Destination:** This PG predominantly apportions to CO325 (Remote - local transmission link), as well as to a number of other components, including CL189 (ISDN30 access), CO360 (Inter - tandem transmission link), CO468 (In Span Interconnect circuits (ISI) transmission); and CF391 (OR PC rental 64Kbit link per km transmission).<br>**4. Methodology Taxonomy:** Network Data<br>**5. Driver classification:** Equipment Volumes & Bandwidths (CTCS) |

| | |
|---|---|
| | **6. Data Source Summary:** Cost are apportioned to network components (representing circuits) based on how the circuits use the bandwidth of a bearer. The relationship between circuits and bearers is held on the CTCS. |
| **Data Sources** | Network Data: Equipment volumes & bandwidths (CTCS). |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | This step calculates Bandwidth Usage Factors for each component (proportion of the total bandwidth of a bearer used by a circuit / component). | For each Component: $Component_x$ Bandwidth Usage Factor = $Component_x$ Bandwidth Capacity / Bearer Bandwidth Capacity (e.g. 140/156 Mbps Capacity) | $Component_1$ Bandwidth Usage Factor = 21 circuits / 63 circuits | $Component_1$ Bandwidth Usage Factor = 0.3333 |
| 2 | This step calculates the Individual Component Factored Equipment Hits and Total Factored Equipment Hits by PG. | Total PG Factored Equipment Hits = Sum of Individual $Component_x$ Factored Hits: Individual $Component_x$ Factored Equipment Hits = $Component_x$ Equipment Hits * $Component_x$ Bandwidth Usage Factor (Result from step 1] | Total PG Factored Equipment Hits = ∑ [100 Hits * 0.3333 BW Usage Factor] and [Factored Equipment Hits for other components in PG] Individual $Component_1$ Factored Equipment Hits = 100 Hits * 0.3333 BW Usage Factor | Total PG Factored Equipment Hits = 100 PG Hits Individual $Component_1$ Factored Equipment Hits = 33.33 Hits |
| 3 | This step calculates Equipment Hits Proportions by PG for each component | For each Component: Equipment Hits Proportion $Component_x$= Individual $Component_x$ Factored Equipment $Hits_{[Result\ from\ step\ 2]}$ / Total PG Factored Equipment Hits Factor [Result from step 2] | Equipment Hits Proportion $Component_1$ = 33.33 Hits / 100 Total Hits * 100 percent | Equipment Hits Proportion $Component_1$ = 33.33% ∑ Equipment Hits Proportion $Component_{1...n}$ = 100% |

| | |
|---|---|
| **Reference** | PG399T |
| **Title** | PDH Traffic Grooming |
| **Overview** | PG399T captures asset values and costs for Plesiochronous Digital Hierarchy (PDH) bearers. They are apportioned to network components based on how the circuits use the bandwidth of a bearer. |
| **Description** | **1. Source Costs and MCE:** This PG apportions the depreciation, maintenance and other overhead (e.g. accommodation) costs and asset values associated with the link elements of PDH bearers.<br>**2. Cost and MCE categories:** Depreciation (Other), Rest of BT Opex (Property), Non-Current Assets (Land and buildings); and Current Assets. |
| | **3. Summary Destination:** This PG predominantly apportions to CO325 (Remote - local transmission link) and CO360 (Inter - tandem transmission link), as well as to a number of other components, including CO468 (In Span Interconnect circuits (ISI) transmission), CO330 (Local - tandem transmission link); and CF371 (OR PC Rental 2Mbit link per km distribution). |
| | **4. Methodology Taxonomy:** Network Data<br>**5. Driver classification:** Equipment Volumes & Bandwidths (CTCS) |
| | **6. Data Source Summary:** Cost are apportioned to network components (representing circuits) based on how the circuits use the bandwidth of a bearer. The relationship between circuits and bearers is held on the CTCS. |
| **Data Sources** | Network Data: Equipment volumes & bandwidths (CTCS). |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | This step calculates Bandwidth Usage Factors for each component (proportion of the total bandwidth of a bearer used by a circuit / component). | For each Component: $Component_x$ Bandwidth Usage Factor = $Component_x$ Bandwidth Capacity / Bearer Bandwidth Capacity (e.g. 140/156 Mbps Capacity) | $Component_1$ Bandwidth Usage Factor = 21 circuits / 63 circuits | $Component_1$ Bandwidth Usage Factor = 0.3333 |
| 2 | This step calculates the Individual Component Factored Equipment Hits and Total Factored Equipment Hits by PG. | Total PG Factored Equipment Hits = Sum of Individual $Component_x$ Factored Hits: Individual $Component_x$ Factored Equipment Hits = $Component_x$ Equipment Hits * $Component_x$ Bandwidth Usage Factor (Result from step 1] | Total PG Factored Equipment Hits = ∑ [100 Hits * 0.3333 BW Usage Factor] and [Factored Equipment Hits for other components in PG] Individual $Component_1$ Factored Equipment Hits = 100 Hits * 0.3333 BW Usage Factor | Total PG Factored Equipment Hits = 100 PG Hits Individual $Component_1$ Factored Equipment Hits = 33.33 Hits |

| | | | | | |
|---|---|---|---|---|---|
| | 3 | This step calculates Equipment Hits Proportions by PG for each component | For each Component:<br>Equipment Hits Proportion $Component_x$= Individual $Component_x$ Factored Equipment $Hits_{[Result\ from\ step\ 2]}$ / Total PG Factored Equipment Hits Factor $_{[Result\ from\ step\ 2]}$ | Equipment Hits Proportion $Component_1$ = 33.33 Hits / 100 Total Hits * 100 percent | Equipment Hits Proportion $Component_1$ = 33.33%<br>∑ Equipment Hits Proportion $Component_{1...n}$ = 100% |

| | |
|---|---|
| **Reference** | PG440C |
| **Title** | Local End Equipment ASDH 4x2Mbit/s Equipment |
| **Overview** | PG440C allocates the depreciation costs for ASDH electronics equipment on the basis of equipment counts for the components that use these electronics. |
| **Description** | **1. Source Costs and MCE:** This PG apportions depreciation and GBVs for Private Circuits.<br>**2. Cost and MCE Categories:** Depreciation (Switch & Transmission); Rest of BT Opex (excl. depn) (Other); and Non-current assets (Land & Buildings). |
| | **3. Summary Destination:** Predominantly CL189 (ISDN30 access), and a number of other ASDH Local End Equipment components, including CO439 (PC rental 2Mbps local end fibre). |
| | **4. Methodology Taxonomy:** Network Data.<br>**5. Driver classification:** Equipment Volumes & Bandwidths (CTCS). |
| | **6. Data Source Summary:** Equipment Counts by PG, Component and Bandwidth. |
| **Data Sources** | Network Data: Equipment Volumes & Bandwidths (CTCS) |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | Calculate Component Allocation as percentage of Grand Total for each Component | [Component 1 Value relating to PG440C] / [PG440C Total Value] | 1000 / 2000 = 50% | 50% |

| | |
|---|---|
| **Reference** | PG441C |
| **Title** | Local End Equipment ASDH 16x2Mbit/s Equipment |
| **Overview** | PG441C allocates the depreciation costs for ASDH electronics equipment on the basis of equipment counts for the components that use these electronics. |
| **Description** | **1. Source Costs and MCE:** This PG apportions depreciation and GBV for Private Circuits as well as Costs for Buildings Accommodation.<br>**2. Cost and MCE Categories:** Depreciation (Other); Rest of BT Opex (excl. depn) (Other); and Non-current assets (Land & Buildings). |
| | **3. Summary Destination:** Predominantly CL189 (ISDN30 access), and a number of other ASDH Local End Equipment components, including CO439 (PC rental 2Mbps local end fibre). |
| | **4. Methodology Taxonomy:** Network Data.<br>**5. Driver classification:** Equipment Volumes & Bandwidths (CTCS). |
| | **6. Data Source Summary:** Equipment Counts by Plant Group, Component and Bandwidth |
| **Data Sources** | Network Data: Equipment Volumes & Bandwidths (CTCS). |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | Calculate Component Allocation as percentage of Grand Total for each Component | [Component 1 Value relating to PG441C] / [PG441C Total Value] | 1000 / 2000 = 50% | 50% |

| | |
|---|---|
| **Reference** | PG959C |
| **Title** | Access Distribution Fibre |
| **Overview** | PG959C apportions costs associated with the provision, installation and recovery of fibre cables in the access network, based on the number of fibres used by each component. |
| **Description** | **1. Source Costs and MCE:** This PG predominantly apportions the depreciation costs and the GBV for Fibre.<br>**2. Cost and MCE Categories:** Depreciation (Fibre); and Non-current assets (Fibre). |
| | **3. Summary Destination:** This PG predominantly apportions to CW609 (Ethernet access direct fibre) and CL189 (ISDN30 Access), as well as to a number of other Access Fibre and Local End components, including CK985 (Openreach managed services for retail other), CO439 (PC rental 2Mbps local end fibre), and CO450 (Wholesale extension services fibre). |
| | **4. Methodology Taxonomy:** Network Data. |

**5. Driver classification:** Fibre Count by Product (CTCS).

**6. Data Source Summary:** This PG uses Equipment Count Data from CTCS (Core Transmission Circuit costing System).

**Data Sources**

Network Data - Fibre & Equipment Count by Product (CTCS).

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | This step calculates the total bearer volumes by summing the number of single and double fibre per PG. | For each relevant PG:<br>$PG_\chi$ total bearer volumes = $PG_\chi$ single fibre bearers + $PG_\chi$ double fibre bearers | $PG_1$ total bearer volumes = 3,000 + 4,000 | $PG_1$ total bearer volumes = 7,000 |
| 2 | This step calculates the total fibre volumes per PG by summing the number of single fibre bearers and two times the double fibre bearers. | For each relevant PG:<br>$PG_\chi$ total fibre volumes = $PG_\chi$ single fibre bearers + ( 2 * $PG_\chi$ double fibre bearers ) | $PG_1$ total fibre volumes = 3,000 + (2 * 4,000) | $PG_1$ total fibre volumes = 11,000 |
| 3 | This step calculates the usage factor of Fibres as a proportion of Bearers. | For each relevant PG:<br>$PG_\chi$ fibre usage factor = $PG_\chi$ total fibre volumes$_{(Result\ from\ step\ 2)}$ / $PG_\chi$ total bearer volumes$_{(Result\ from\ step\ 1)}$ | $PG_1$ fibre usage factor = 11,000 / 7,000 | $PG_1$ fibre usage factor = 1.6 |
| 4 | This step calculates the adjusted bearer count using the number of bearers from CTCS and multiplying by the fibre proportion calculated in step 3. | For each relevant PG:<br>$PG_\chi$ adjusted bearer volumes = $PG_\chi$ CTCS bearer volumes * $PG_\chi$ Fibre proportion$_{(Result\ from\ step\ 3)}$ | $PG_1$ adjusted bearer volumes = 5,000 * 1.6 | $PG_1$ adjusted bearer volumes = 8,000 |
| 5 | This step replaces the factor for Fibres over bearers value with Static values for "2Mbit LE Fib", "34Mbit LE", "140Mbit LE" and "565Mbit LE" PGs | For each relevant PG:<br>New usage factor = Static value | New usage factor = 2 | New usage factor = 2 |
| 6 | This step calculates the distribution allocation of fibre count. It takes the Number of Bearers from CTCS and multiplies by the new usage factor from step 5. | For each relevant PG:<br>$PG_\chi$ distribution allocation = $PG_\chi$ CTCS bearer volumes * New factor$_{(Result\ from\ step\ 5)}$ | $PG_1$ distribution allocation = 5,000 * 2 | $PG_1$ distribution allocation = 10,000 |
| 7 | This step converts CTCS circuit volumes to bearer equivalents. | For each relevant PG:<br>$PG_\chi$ CTCS circuits bearer equiv = $PG_\chi$ CTCS circuit volumes / $PG_\chi$ circuits per bearer | $PG_1$ CTCS Circuits Bearer Equiv = 9,000 / 9 | $PG_1$ CTCS Circuits Bearer Equiv =1,000 |
| 8 | This step calculates the bearers with spare capacity by subtracting utilised bearers (Bearer Equivalent CTCS Circuits) from CTCS Bearers. | For each relevant PG:<br>$PG_\chi$ bearers with spare capacity = $PG_\chi$ CTCS bearer volumes - $PG_\chi$ CTCS circuits bearer equiv $_{(Result\ from\ Step\ 7)}$ | $PG_1$ bearers with spare capacity = 5,000 - 1,000 | $PG_1$ bearers with spare capacity = 4,000 |
| 9 | This step calculates the spare capacity factor for PGs by dividing Bearers with Spare Capacity by the number of utilised bearers. | For each relevant PG:<br>$PG_\chi$ Spare Capacity Factor = $PG_\chi$ bearers with spare capacity$_{(Result\ from\ step\ 8)}$ / $PG_\chi$ CTCS circuits bearer equiv$_{(Result\ from\ step\ 7)}$ | $PG_1$ spare capacity factor = 4,000 / 1,000 | $PG_1$ spare capacity factor = 4 |
| 10 | This step calculates the circuit volume (bearer equiv) scaled capacity by multiply bearer equivalent circuit volumes by spare capacity factor. | For each relevant PG:<br>$PG_\chi$ circuit scaled capacity = $PG_\chi$CTCS circuits bearer equiv$_{(Result\ from\ Step\ 7)}$ * $PG_\chi$ spare capacity factor$_{(Result\ from\ Step\ 9)}$ | $PG_1$ circuit scaled capacity = 1,000 * 4 | $PG_1$ circuit scaled capacity = 4,000 |
| 11 | This step calculates the consumption of bearers. It calculates the circuit volumes for a PG as a proportion of total consumption of bearers. | For each relevant PG:<br>$PG_\chi$ total consumption of bearers = $PG_\chi$ circuit scaled capacity $_{(Result\ from\ step\ 10)}$ / Total circuit scaled capacity<br>PGs are then mapped to components. | $PG_1$ total consumption of bearers = 4,000 / 20,000 | $PG_1$ total consumption of bearers = 0.2 |
| 12 | This step calculates the number of fibres per component. It multiplies the number of Fibres for Spine and Distribution Allocation by the Consumption of Bearers factor. | For each relevant component:<br>$Component_\chi$ no. fibres = $Component_\chi$ total consumption of bearers$_{(Result\ from\ step\ 11)}$ * $Component_\chi$ total number of fibres | $Component_1$ no. fibres = 0.2 * 5,000 | $Component_1$ no. fibres = 1,000 |
| 13 | This step calculates the allocation percentage for each component. | For each relevant component: $Component_\chi$ allocation = $Component_\chi$ no. fibres$_{(Result\ from\ step\ 12)}$ / Total number of fibres | $Component_1$ = 1,000 / 2,000 | $Component_1$ = 50%<br>$\sum Component_{1...n}$ = 100% |

**Plant groups using other miscellaneous methodologies**

The following apportionment bases are categorised as Other miscellaneous methodologies. An explanation of Other miscellaneous methodology drivers is set out within section 5.6 of Part one of this AMD.

| | |
|---|---|
| **Reference** | PG281C |
| **Title** | AXE10 LE DLT |
| **Overview** | PG282A allocates the costs of AXE10Digital Line Termination based on a frozen split of RSS lines between Call Set-up and Call Duration, and a frozen count of Interconnect ports. |
| **Description** | **1. Source Costs and MCE:** This PG apportions the costs and balance sheet of AXE10 Digital Line Termination (DLT). The DLT switch comprises both call set-up and call duration functionality.<br>**2. Cost and MCE Categories:** Rest of BT (excl. Depn) (Other); and Non-current assets (Land and Buildings). |
| | **3. Summary Destination:** CO212 (Intelligent Network - Local exch. call setup); CO210 (Intelligent Network - Local exch. call duration; and CR470 (Intra Building). |
| | **4. Methodology Taxonomy:** Asset Metrics<br>**5. Driver classification:** Gross Replacement Cost (GRC) |
| | **6. Data Source Summary:** The main data sources are a frozen input containing GRC and Asset Lives data for AXE 10, and a frozen percentage allocation for LE AXE10 based on the number of ports of Interconnect extracted from the Network Reporting System in 2017-18. |
| **Data Sources** | Asset metrics: Gross Replacement Cost (AXE 10 Legacy data - Frozen)<br>Asset metrics: Asset Useful Life (AXE 10 Legacy data - Frozen)<br>Network Data: Network Topology Mapping (Network Reporting System - Frozen) |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | Depreciation for the AXE10 2Mb/s Sys is allocated between Call Set-up, Call Duration and Interconnect/Interexchange based on frozen or static legacy data.<br>In particular the LE AXE10 allocation is frozen data based on the number of Interconnect ports. | Total 2Mb/s Sys Depreciation = 2Mb/s Sys GRC$_{(static)}$ / Digital Switching System Asset Life$_{(static)}$<br>2Mb/s Sys Setup Allocated Depreciation = 2Mb/s Sys Call Setup Percentage$_{(static)}$ * Total 2Mb/s Sys Depreciation$_{(Result from above)}$ * (1 - LE AXE10 Ports Percentage$_{(static)}$)<br>2Mb/s Duration Allocated Depreciation = 2Mb/s Sys Call Duration Percentage$_{(static)}$ * Total 2Mb/s Sys Depreciation$_{(Result from above)}$ * (1 - LE AXE10 Ports Percentage$_{(static)}$)<br>2Mb/s Interconnect Allocated Depreciation = [2Mb/s Sys Call Setup Percentage$_{(static)}$ * Total 2Mb/s Sys Depreciation$_{(Result from above)}$ + 2Mb/s Sys Call Duration Percentage$_{(static)}$ * Total 2Mb/s Sys Depreciation$_{(Result from above)}$] * LE AXE10 Ports Percentage$_{(static)}$ | Total 2Mb/s Sys Depreciation = £26.3m / 14 years = £1.9m/yr<br>2Mb/s Sys Setup Allocated Depreciation = 6% * £1.9m/yr * (1 - 7.05%)<br>2Mb/s Duration Allocated Depreciation = 94% * £1.9m/yr * (1 - 7.05%)<br>2Mb/s Interconnect Allocated Depreciation = [6% * 1.9m/yr + 94% * £1.9m/yr] * 7.05% | 2Mb/s Sys Setup Allocated Depreciation = £105k<br>2Mb/s Duration Allocated Depreciation = £1.6m<br>2Mb/s Interconnect Allocated Depreciation = £133k |
| 2 | The allocation percentages to each component are derived based on allocated depreciation from the previous step as a proportion of total depreciation. | Setup Allocation [CO212 Local exchange processor set-up] = 2Mb/s Sys Setup Allocated Depreciation$_{(result from step 1)}$ / Total 2Mb/s Sys Depreciation$_{(result from step 1)}$<br>Duration Allocation [CO210 Local exchange processor duration] = 2Mb/s Sys Duration Allocated Depreciation$_{(result from step 1)}$ / Total 2Mb/s Sys Depreciation$_{(result from step 1)}$<br>Interconnect Allocation [CR470 IBC Rental] = 2Mb/s Sys Interconnect Allocated Depreciation$_{(result from step 1)}$ / Total 2Mb/s Sys Depreciation$_{(result from step 1)}$<br>Note: The Interconnect Allocation is the LE AXE10 Ports Percentage, a static assumption. | Setup Allocation [CO212 Local exchange processor set-up] = £105k / £1.9m<br>Duration Allocation [CO210 Local exchange processor duration] = £1.6m / £1.9m<br>Interconnect Allocation [CR470 IBC Rental] = £134k / £1.9m | Setup Allocation [CO212 Local exchange processor set-up] = 5.58%<br>Duration Allocation [CO210 Local exchange processor duration] = 87.37%<br>Interconnect Allocation [CR470 IBC Rental] = 7.05%<br>∑ Allocation = 100% |

| | |
|---|---|
| **Reference** | PG952C |
| **Title** | GEA Electronics |
| **Overview** | PG952C apportions the NGA costs associated with the installation, rearrangement, recovery, replacement and renewal of NGA Local Access Network equipment between FTTC and FTTP based on equipment counts and unit costs for the different technologies. |
| **Description** | **1. Source Costs and MCE:** This PG apportions the NGA costs associated with the installation, rearrangement, recovery, replacement and renewal of NGA Local Access Network equipment at the exchange end of Local Access Optical Fibre Cables.<br>**2. Cost and MCE Categories:** Depreciation (Fibre) and Non-Current Assets (Fibre).<br>**3. Summary Destination:** CL952 (GEA FTTC Electronics); and CL961 (GEA FTTP Electronics).<br>**4. Methodology Taxonomy:** Other Misc.<br>**5. Driver classification:** Head-end Equipment Cost.<br>**6. Data Source Summary:** Head end price data for GEA Electronics |
| **Data Sources** | Equipment Volumes - LLUMS (Local Loop Unbundling Management System) |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | This step calculates the total volume for each head end equipment type e.g. all equipment types with the service FTTC are summed, all with the service FTTP are summed and all with the service G Fast are summed. *Note this includes historic volumes.*<br><br>A similar calculation is also undertaken for card volumes to derive the total card volumes, total per service and per head end type.<br>**Values for this calculation are obtained from Headend data** | Part A: FTTC head end volume = [Equipment A - Service FTTC] + [Equipment B - Service FTTC ]<br>FTTP head end volume= [Equipment A - Service FTTP] + [Equipment B - Service FTTP]<br>G Fast head end volume = [Equipment A - Service G Fast] + [Equipment B - Service G Fast]<br><br>Part B: FTTC card volume = [Equipment A - Service FTTC] + [Equipment B - Service FTTC ]<br>FTTP card volume= [Equipment A - Service FTTP] + [Equipment B - Service FTTP]<br>G Fast card volume = [Equipment A - Service G Fast] + [Equipment B - Service G Fast]<br>Part C: Total card volume= FTTP + FTTC + Gfast | Part A: FTTC Volume = 12k+ 9k<br><br>FTTP Volume = 8k + 4k<br><br>G Fast Volume = 3k + 2k<br><br>Part B: FTTC Volume = 1k+ 2k<br><br>FTTP Volume = 3k + 4k<br><br>G Fast Volume = 5k + 6k<br><br>Part C: Total volume= 3k + 7k + 11k | Part A: FTTC Volume = 21k<br><br>FTTP Volume = 12k<br><br>G Fast Volume = 5k<br><br>Part B: FTTC Volume = 3k<br><br>FTTP Volume = 7k<br><br>G Fast Volume = 11k<br><br>Part C: Total volume= 21k |
| 2 | This step calculates the total cost for head ends and expected cost for all card volumes.<br>Part A: The head ends cost is calculated by summing up the Equipment and I&C Unit Costs and then multiplied by the volume for each head end type and then summing up total of all the types.<br>Part B: The total expected cost for all card volumes by summing the estimated equipment cost and unit cost, and then multiplied by the volume for each Service (FTTP, FTTC, G.Fast).<br>***Values are obtained from Headend prices*** | Part A: Head $end_1$ cost = (Equipment Unit Cost + I&C Unit Cost) * Total head ends volume (Result from step 1 part c)<br>Total head ends cost = Head $end_1$ cost + Head $end_{1...n}$ cost<br><br>Part B: Service (FTTC, FTTP, G Fast) Cost = (Equipment Unit Cost + I&C Unit Cost) * Service (FTTC, FTTP, G Fast) Volume (Result from step 1) | Part A: Head $end_1$ cost = (3.3k + 0.7k) * 3k<br>Total head ends cost = $12m_1$ + $24m_{1...n}$<br><br>Part B: FTTC Cost= (12k+1k) * 21k<br>FTTP Cost= (12k+1k) * 12k<br>G Fast Cost= (5k + 1k) * 5k | Part A: Head ends total cost = 36m<br><br>Part B: FTTC Cost = 273k<br>FTTP Cost = 156k<br>G Fast Cost = 30k |
| 3 | This step calculates the total actual cost by summing the cost of all services and multiplying by the volume allocation, and then adding the estimated equipment cost for each Service. | Part A: Service allocation % = Service volume / Total card volume (Sum of Step 1 part c) | Part A: FTTC % = 21k / 38k<br>FTTP % = 12k / 38k<br>G Fast % = 5k / 38k<br><br>Part B: FTTC Cost = 36m * 55%<br>FTTP Cost = 36m * 32%<br>G Fast Cost = 36m * 13% | Part A: FTTC % = 55%<br>FTTP % = 32%<br>G Fast % = 13%<br><br>Part B: FTTC Cost = 19.8m<br>FTTP Cost = 11.5m<br>G Fast Cost = 4.7m |

| | | | | |
|---|---|---|---|---|
| | | Part B: Head card total estimated cost per Service = Head ends total cost (Result from Step 2, Part A) * Service Allocation % (result from Part A)<br><br>Part C: Total Cost per Service = Head card total estimated cost per Service (Result from Part B) + Expected total card cost per Service (Result from Step 2, Part B) | Part C: FTTC Total Cost = 19.8 + 273k<br>FTTP Total Cost = 11.5m + 156k<br>G Fast Total Cost = 4.7m + 30k | Part C: FTTC Total Cost = 20.07m<br>FTTP Total Cost = 11.66m<br>G Fast Total Cost = 4.73m |
| 4 | This step calculates the base allocation by dividing the cost of each service by the total cost, the FTTP Cost is allocated to the service CL961 and the FTTC and G Fast costs are consolidated into the FTTC cost and allocated to the CL952 service all under Base PG952C. | FTTC allocation = (FTTC Total Cost + G Fast Cost (result from Step 3, Part C)) / Total Service Costs (Sum of Step 3, Part C)<br>FTTP allocation = FTTP Total Cost / (result from Step 3, Part C) / Total Service Costs (Sum of Step 3, Part C) | FTTC allocation = (20.07m + 4.73m) / 36.46m<br>FTTP allocation = 11.66m / 36.46m | FTTC allocation= 68%<br>FTTP allocation = 32% |

**Plant groups using revenue & volumes methodologies**

The following apportionment bases are categorised as Revenue and volumes methodologies. An explanation of Revenue and volumes methodology drivers is set out within section 5.6 of Part one of this AMD.

| | |
|---|---|
| **Reference** | PG003Y |
| **Title** | CISBO Excess Construction Adjustment Credit |
| **Overview** | PG003Y is apportioned to components based on the volume of reported services used by each component. |
| **Description** | **1. Source Costs and MCE:** The purpose of this PG is to reduce the amount of duct and fibre assets that are attributed to CISBO fibre components in order to avoid the double-recovery of assets that were funded by ECC revenues. This PG represents the reverse side of the journal referred to in PG003X.<br>PG003X contains the capital employed and related depreciation charges arising from the cumulative ECC funded investment for Ethernet (CISBO) services and for time related charges. However it does not include the in year capital expenditure on these investments which are included in the PG006X.<br>**2. Cost and MCE Categories:** Depreciation (Fibre) and Non-Current Assets (Fibre). |
| | **3. Summary Destination:** This PG predominantly apportions to CW609 (Ethernet Access Direct Fibre), as well as to CO450 (Wholesale Extension Services Fibre); and CO447 (Backhaul Extension Services Fibre). |
| | **4. Methodology Taxonomy:** Revenue & Volumes<br>**5. Driver classification:** Ethernet Service Circuit Volumes |
| | **6. Data Source Summary:** The primary data source used in the allocation of the base is volumes for circuits of reported services. |
| **Data Sources** | Revenue & volumes: Ethernet service circuit volumes (ORBIT);<br>Other miscellaneous: Equipment costs, equipment usage; and<br>Asset metrics: Net replacement costs. |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | This step aggregates Ethernet Rental Volumes per service & product and then calculates Average Yearly Volumes. **Volumes are obtained from Rental Volumes input**. | For each relevant service & product:<br>$Service_x$ Average Yearly Volumes = [Aggregate Month Volumes (YTD) for $Service_x$] / [Current Period] | $Service_1$ Average Yearly Volumes = 3,600 / 12 | $Service_1$ Average Yearly Volumes = 300 |
| 2 | This step calculates the Volumes in Circuits for each service & product and then maps these values to components. **Conversion of Local Ends to Circuits is obtained from Ends Per Circuit input. Service to Component mapping is obtained from Rental Services - Codes, Names, Markets and Component mappings input.**<br><br>Note: Only Services related to Access Fibre are mapped to Components for PG003Y and PG006Y. These components are Wholesale Extension Services (WES) (CO450), Backhaul Extension Services (BES) (CO447) and Ethernet Access Direct (EAD) (CW609). | For each relevant service & product:<br>$Service_x$ Volumes in Circuits = [$Service_x$ Average Yearly Volumes $_{(Result\ from\ step\ 1)}$] / [Conversion of Local Ends to Circuits]<br><br>For each access fibre component:<br>$Component_x$ Volumes in Circuits = Mapped from [$Service_x$ Volumes in Circuits] | $Service_1$ Volumes in Circuits = 300 / 2<br><br>$Component_1$ Volumes in Circuits = mapped from 150 | $Service_1$ Volumes in Circuits = 150<br><br>$Component_1$ Volumes in Circuits = 80<br><br>Total Components Volumes in Circuits = 400 |
| 3 | This step calculates the proportional allocation to Access Fibre Components' Volumes in Circuit, and then maps to PGs (PG003Y and PG006Y). **Mapping is obtained from PG to Comp Mapping for Base Output.** | For each access fibre component:<br>$Component_x$ allocation % = [$Component_x$ Volumes in $Circuit_{(Result\ from\ step\ 2)}$] / [Total of all Components Volume in $Circuit_{(Result\ from\ step\ 2)}$] * 100<br><br>For each relevant PG (PG003Y and PG006Y):<br>$PG_x$ & $Component_x$ allocation % = Mapped from [$Component_x$ allocation %] | $PG_1$ & $Component_1$ allocation % = 80 / 400 * 100 | $PG_1$ & $Component_1$ allocation % = 20%<br><br>$\sum PG_1$ & $Component_{1...n}$ allocation % = 100% |

| | |
|---|---|
| **Reference** | PG006Y |
| **Title** | CISBO Excess Construction Capex Credit |
| **Overview** | PG006Y is apportioned to components based on the volume of reported services used by each component. |
| **Description** | **1. Source Costs and MCE:** The purpose of this PG is to reduce the amount of duct and fibre assets that are attributed to CISBO fibre components in order to avoid the double-recovery of assets that were funded by ECC revenues. This PG represents the reverse side of the journal referred to in PG006X.<br>PG006X contains only the in year capital expenditure and related depreciation charges on ECC funded investment for Ethernet (CISBO) services and for time related charges. It does not include the cumulative ECC capital expenditure on these investments which are included in PG003X.<br>**2. Cost and MCE Categories:** Openreach Opex (Other), Depreciation (Other) and Non-Current Assets (Fibre). |
| | **3. Summary Destination:** This PG predominantly apportions to CW609 (Ethernet Access Direct Fibre), as well as to CO450 (Wholesale Extension Services Fibre); and CO447 (Backhaul Extension Services Fibre). |
| | **4. Methodology Taxonomy:** Revenue & Volumes<br>**5. Driver classification:** Ethernet Service Circuit Volumes |
| | **6. Data Source Summary:** The primary data source used in the allocation of the base is volumes for circuits of reported services. |
| **Data Sources** | Revenue & volumes: Ethernet service circuit volumes (ORBIT);<br>Other miscellaneous: Equipment costs, equipment usage; and<br>Asset metrics: Net replacement costs. |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | This step aggregates Ethernet Rental Volumes per service & product and then calculates Average Yearly Volumes. **Volumes are obtained from Rental Volumes input**. | For each relevant service & product:<br>$Service_x$ Average Yearly Volumes = [Aggregate Month Volumes (YTD) for $Service_x$] / [Current Period] | $Service_1$ Average Yearly Volumes = 3,600 / 12 | $Service_1$ Average Yearly Volumes = 300 |
| 2 | This step calculates the Volumes in Circuits for each service & product and then maps these values to components. **Conversion of Local Ends to Circuits is obtained from Ends Per Circuit input. Service to Component mapping is obtained from Rental Services - Codes, Names, Markets and Component mappings input.**<br><br>Note: Only Services related to Access Fibre are mapped to Components for PG003Y and PG006Y. These components are Wholesale Extension Services (WES) (CO450), Backhaul Extension Services (BES) (CO447) and Ethernet Access Direct (EAD) (CW609). | For each relevant service & product:<br>$Service_x$ Volumes in Circuits = [$Service_x$ Average Yearly $Volumes_{(Result\ from\ step\ 1)}$] / [Conversion of Local Ends to Circuits]<br><br>For each access fibre component:<br>$Component_x$ Volumes in Circuits = Mapped from [$Service_x$ Volumes in Circuits] | $Service_1$ Volumes in Circuits = 300 / 2<br><br>$Component_1$ Volumes in Circuits = mapped from 150 | $Service_1$ Volumes in Circuits = 150<br><br>$Component_1$ Volumes in Circuits = 80<br><br>Total Components Volumes in Circuits = 400 |
| 3 | This step calculates the proportional allocation to Access Fibre Components' Volumes in Circuit, and then maps to PGs (PG003Y and PG006Y). **Mapping is obtained from PG to Comp Mapping for Base Output.** | For each access fibre component:<br>$Component_x$ allocation % = [$Component_x$ Volumes in $Circuit_{(Result\ from\ step\ 2)}$] / [Total of all Components Volume in $Circuit_{(Result\ from\ step\ 2)}$] * 100<br><br>For each relevant PG (PG003Y and PG006Y):<br>$PG_x$ & $Component_x$ allocation % = Mapped from [$Component_x$ allocation %] | $PG_1$ & $Component_1$ allocation % = 80 / 400 * 100 | $PG_1$ & $Component_1$ allocation % = 20%<br><br>$\sum PG_1$ & $Component_{1...n}$ allocation % = 100% |

| | |
|---|---|
| **Reference** | PG280C |
| **Title** | AXE10 LE Processor |
| **Overview** | The AXE10 LE Processor costs are apportioned between three main blocks (Digital Line Termination (DLT), Switch Block, Processor and Signalling) based on the relative costs and volumes of the elements within each block. The portion of cost allocated to each block is then further allocated to components using specific methodologies. |
| **Description** | **1. Source Costs and MCE:** This PG apportions costs, including electricity and general management, and asset values, predominantly land and buildings, that relate to the AXE10 digital local exchange processor and signalling switch. The switch comprises both concentrator and processor functionality, and is used for call set up and call duration.<br>**2. Cost and MCE Categories:** Rest of BT (excl. depreciation) (Other); and Non-Current Assets (Land and Buildings).<br>**3. Summary Destination:** This PG predominantly apportions to CO212 (Local exchange processor set up), as well as to a number of other local exchange processor components, including CO210 (Local exchange processor duration), CO293 (Network features) and CR470 (Intra building circuit rental).<br>**4. Methodology Taxonomy:** Revenue & Volumes.<br>**5. Driver classification:** Network Feature Service Volumes.<br>**6. Data Source Summary:** Openreach service volumes and depreciation data is used to apportion this base. |
| **Data Sources** | Revenue & Volumes: Openreach revenue & volumes; and<br>Asset metrics: Depreciation (FAR). |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | This step calculates the allocated percentage of selected services (% of processor).<br>This calculation is performed across 4 categories and the 4th category (selected services) is calculated as a percentage of the total.<br>Type 21, 22 and 29 call types are percentages of difference types of call volumes (e.g diverted calls) | Type total = Type 22 calls + Type 29 calls<br>Volumes = (Call origination volumes + Own exchange call volumes) * Type total / Type 21<br>Number of processing transactions per type of call = Processing transaction volumes / Call type volumes<br>Processing volumes = Volumes * Number of processing transactions per type of call<br>% of processor = Processing volumes$_{\text{Category 4}}$ / Processing volumes$_{\text{Total of category 1,2,3,4}}$ | Type total = 4%+ 35% = 39%<br>Volumes = (30k + 1.5k) * 39% / 60% = 20k<br>Number of processing transactions per type of call = 3m / 350 = 9k<br>Processing volumes = 20k * 9k = 180k<br>% of processor = 180k / 1m | % of processor =18% |
| 2 | This step calculates the Residual amount of Network Features<br>Caller Display share of Network Features is a static input. | Residual = % of processor$_{\text{(Result from step 1)}}$ - (Caller Display share of Network Features * % of processor$_{\text{(Result from step 1)}}$) | Residual = 18% - (19% * 18%) | Residual = 14% |
| 3 | This step calculates the component allocation for components$_{1\text{-}4}$<br>Service volumes are used that are mapped to each component | Component$_{1,2,3,4}$ = (Volume Service group$_{1,2,3,4}$ / Volume service group$_{1\text{-}4}$) * Residual | Component$_1$ = (3m/17m) * 14% | Component$_1$ = 2% |
| 4 | This step calculates the component allocation for component$_5$ | Component$_5$ = Caller display share of network features * % of processor$_{\text{(Result from step 1)}}$ | Component$_5$ = 19% * 18% | Component$_5$ = 3.5% |
| 5 | This step calculates the links percentage of cost in relation to host core cost.<br>These costs relate to legacy networks and are static inputs. | Links percentage = Links cost / (Host Core Cost + Links cost) | Links percentage = 20m / (80m + 20m) | Links percentage = 20% |
| 6 | This step calculates the component allocation for component$_6$<br>Ports percentage is based on the number of ports of signalling link sets | Component$_6$ = Links percentage * Ports percentage | Component$_6$ = 20% * 30% | Component$_6$ = 6% |
| 7 | This step calculates the processor selected services cost.<br>Duration and setup percentages are the percentage of duration and setup calls across various categories. | Depn = GRC / Asset lives<br>Service factor = Residual$_{\text{(Result from step 2)}}$<br>Comp factor = Caller Display share of Network Features * % of processor$_{\text{(Result from step 1)}}$ | Depn = £200m / 10 = £20m<br>Service factor = 14%<br>Comp factor = 19% * 18% = 3.5% | Proc$_{\text{Selected services}}$ = £3.5m |

| | | | | | |
|---|---|---|---|---|---|
| | | | $Proc_{Selected\ services} = Percentage_{Duration} * Depn * (Service\ Factor + Comp\ Factor) + Percentage_{Setup} * Depn * (Service\ Factor + Comp\ Factor)$ | $Proc_{Selected\ services}$ = 5% * £20m * (14% + 3.5%) + 95% * £20m * (14% + 3.5%) | |
| | 8 | This step calculates processor setup and processor duration costs | $Proc_{Setup, Duration} = Percentage_{Setup, Duration} * Depn_{(Result\ from\ step\ 7)} * (1-(Service\ Factor_{(Result\ from\ step\ 7)} + Comp\ Factor_{(Result\ from\ step\ 7)}))$<br>$Proc_{Selected\ services}$ = Copy select services | $Proc_{Setup}$ = 95% * £20m * (1-(14% + 3.5%))<br>$Proc_{Selected\ services}$ = £3.5m | $Proc_{Setup}$ = £15.5m<br>$Proc_{Duration}$ = £800k<br>$Proc_{Selected\ services}$ = £3.5m |
| | 9 | Total of proc setup, proc duration and proc select services | $Total = Proc_{Setup\ (Result\ from\ step\ 8)} + Proc_{Duration\ (Result\ from\ step\ 8)} + Proc_{Select\ services\ (Result\ from\ step\ 8)}$ | Total = £15.5m + £800k + £3.5m | Total = £19.8m |
| | 10 | This step calculates total % for setup, duration | $Total\ \%_{Setup, Duration} = Proc_{Setup, Duration\ (Result\ from\ step\ 8)} / (Total_{(Result\ from\ step\ 9)} - Proc_{Select\ services\ (Result\ from\ step\ 7)})$ | Total $\%_{Setup}$= £15.5m / (£19.8m - £3.5m) | Total $\%_{Setup}$= 95%<br>Total $\%_{Duration}$= 5% |
| | 11 | This step calculates total % for select service | $Total\ \%_{Selected\ services} = Proc_{Selected\ services\ (Result\ from\ step\ 7)} / Total_{(Result\ from\ step\ 9)}$ | Total $\%_{Selected\ services}$ = £3.5m / £19.8m | Total $\%_{Selected\ services}$ = 18% |
| | 12 | This step calculates the component allocation for $component_{7\&8}$ | $Component_{7\&8} = Total\ \%_{Setup, Duration\ (Result\ from\ step\ 10)} * (1-(Total\ \%_{Selected\ services\ (Result\ from\ step\ 11)} + component_6))$ | $Component_7$ = 95% * (1- (18% + 6%)) | $Component_7$ = 72%<br>$Component_8$ = 4%<br>$\sum Component_{1-8}$ = 100% |

| | |
|---|---|
| **Reference** | PG282A |
| **Title** | Local Exchange Switch Block (AXE10) |
| **Overview** | PG282A allocates the costs of AXE10 Digital LE Switch Blocks based on a frozen split of RSS lines between Call Set-up and Call Duration. |
| **Description** | **1. Source Costs and MCE:** This PG apportions cost and balance sheet costs of AXE10 Digital LE Switch Blocks. The switch comprises both concentrator and processor functionality, and is used for call set up and call duration.<br>**2. Cost and MCE Categories:** Rest of BT (excl. depn) (Other); and Non-current assets (Land and Buildings).<br>**3. Summary Destination:** CO212 (Intelligent Network - Local exch. call setup); and CO210 (Intelligent Network - Local exch. call duration).<br>**4. Methodology Taxonomy:** Asset Metrics<br>**5. Driver classification:** Gross Replacement Cost (GRC)<br>**6. Data Source Summary:** The main data source is a frozen input containing GRC and Asset Lives data for AXE 10. |
| **Data Sources** | Asset metrics: Gross Replacement Cost (AXE 10 Legacy data - Frozen)<br>Asset metrics: Asset Useful Life (AXE 10 Legacy data - Frozen) |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | Depreciation for the AXE10 RSS Lines is allocated between Call Set-up and Call Duration. | Total RSS Lines Depreciation = RSS Lines $GRC_{(static)}$ / Digital Switching System Asset $Life_{(static)}$<br>RSS Lines Setup Allocated Depreciation = RSS Lines Call Setup $Percentage_{(static)}$ * Total RSS Lines $Depreciation_{(Result\ from\ above)}$<br>RSS Lines Duration Allocated Depreciation = RSS Lines Call Duration $Percentage_{(static)}$ * Total RSS Lines $Depreciation_{(Result\ from\ above)}$ | Total RSS Lines Depreciation = £45m / 14 years = £3.2m<br>RSS Lines Setup Allocated Depreciation = 46% * £3.2m = £1.5m<br>RSS Lines Duration Allocated Depreciation = 54% * £3.2m = £1.7m | RSS Lines Setup Allocated Depreciation = £1.5m<br>RSS Lines Duration Allocated Depreciation = £1.7m |
| 2 | The allocation percentages to each component are derived based on allocated depreciation from the previous step as a proportion of total depreciation. | Setup Allocation [CO212 Local exchange processor set-up] = RSS Lines Setup Allocated $Depreciation_{(result\ from\ step\ 1)}$ / Total RSS Lines $Depreciation_{(result\ from\ step\ 1)}$<br>Duration Allocation [CO210 Local exchange processor duration] = RSS Lines Duration Allocated $Depreciation_{(result\ from\ step\ 1)}$ / Total RSS Lines $Depreciation_{(result\ from\ step\ 1)}$ | Setup Allocation [CO212 Local exchange processor set-up] = £1.5m / £3.2m<br>Duration Allocation [CO210 Local exchange processor duration] = £1.7m / £3.2m | Setup Allocation [CO212 Local exchange processor set-up] = 46%<br>Duration Allocation [CO210 Local exchange processor duration] = 54% |

| | |
|---|---|
| **Reference** | PG283A |
| **Title** | Local Exchange Conc (AXE10) Call set-up |
| **Overview** | The PG283A apportionment model calculates the concentrator usage percentage for Select Services, using Billing Call Record information gathered from a sample of ten System X Local Exchanges, and apportions these costs to WLR/ISDN2/ISDN30/ISDN30 DDI Rentals components based on service volumes. The residual concentrator cost relating to Call Set-Up is apportioned to CO214 (Local Exchange Concentrator Set-Up). |
| **Description** | **1. Source Costs and MCE:** This PG apportions costs including electricity and general management, and asset values, predominantly land and buildings, that relate to AXE10 DLE digital concentrator call setup.<br>**2. Cost and MCE Categories:** Rest of BT (excl. depreciation) (Other); and Non-Current Assets (Land and Buildings). |
| | **3. Summary Destination:** This PG predominantly apportions to CO214 (Local exchange concentrator set up), as well as to CO293 (Network features), CO294 (ISDN2 Network features), CO295 (ISDN30 Network features); and CO296 (ISDN30 DDI rentals). |
| | **4. Methodology Taxonomy:** Revenue & Volumes.<br>**5. Driver classification:** Network Feature Service Volumes. |
| | **6. Data Source Summary:** Openreach service volumes and depreciation data is used to apportion this base. |
| **Data Sources** | Revenue & Volumes: Openreach revenue & volumes: and<br>Asset metrics: Depreciation (FAR). |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | This step calculates the percentage of call volumes for two call categories (call origination, own exchange calls) in relation to call volumes for the following categories: call origination, call termination, DLE tandem and own exchange calls | $Percentage_{Call\ origination,\ Own\ exchange\ calls}$ = Call $volumes_{Call\ orignation,\ Own\ exchange\ calls}$ / Total call volumes across all four categories | $Percentage_{Call\ origination}$ = 30k / 70k | $Percentage_{Call\ origination}$ = 50%<br>$Percentage_{Own\ exchange\ calls}$ = 2% |
| 2 | This step calculates call type RT22 volume percentage using call origination and own exchanges volume percentages from step 1 and the current year call type 22 percentage.<br>Type 22 call types are diverted calls and AD&C ring backs. | RT22 volume percentage = TYPE 22 *($Percentage_{Call\ origination\ (Result\ from\ step\ 1)}$ + $Percentage_{Own\ exchange\ calls\ (result\ from\ step\ 1)}$ /2) | RT22 volume percentage = 4% * (50% + 2% / 2) | RT22 volume percentage = 1% |
| 3 | This step calculates the component allocation for all components with the exception of one component ($component_z$)<br>Service volumes are used that are mapped to each component | $Component_x$ = (Volume Service $group_x$ / Volume $service\ group_{1...n}$) * RT22 volume $percentage_{(result\ from\ step\ 2)}$ | $Component_1$ = (3m / 17m) * 1% | $Component_1$ = 0.2%<br>$\sum Component_{1...n}$ = 1% |
| 4 | This step calculates the allocation for $component_z$<br>All other components have been calculated in step 3 | $Component_z$ = 1 - $\sum Component_{1...n\ (Result\ from\ step\ 3)}$ | $Component_z$ = 100% - 1% | $Component_z$ = 99% |

| | |
|---|---|
| **Reference** | PG284A |
| **Title** | Local Exchange Conc (AXE10) Call Duration |
| **Overview** | The PG284A apportionment model calculates the concentrator usage percentage for Select Services, using Billing Call Record information gathered from a sample of ten System X Local Exchanges, and apportions these costs to WLR/ISDN2/ISDN30/ISDN30 DDI Rentals components based on service volumes. The residual concentrator cost relating to Call Duration is apportioned to CO215 (LE Concentrator Duration). |
| **Description** | **1. Source Costs and MCE:** This PG apportions costs, including electricity and general management, and asset values, predominantly land and buildings, that relate to the AXE10 DLE Digital Concentrator Call Duration. The switch comprises both concentrator and processor functionality, and is used for call set-up and call duration.<br>**2. Cost and MCE Categories:** Rest of BT (excl. depreciation) (Other); and Non-Current Assets (Land and Buildings). |
| | **3. Summary Destination:** This PG predominantly apportions to CO215 (Local exchange concentrator duration), as well as to CO293 (Network features); CO294 (ISND2 Network features); CO295 (ISDN30 Network features); and CO296 (ISDN30 DDI rentals). |
| | **4. Methodology Taxonomy:** Revenue & Volumes.<br>**5. Driver classification:** Network Feature Service Volumes. |

| | |
|---|---|
| | **6. Data Source Summary:** Openreach service volumes and depreciation data is used to apportion this base. |
| **Data Sources** | Revenue & Volumes: Openreach revenue & volumes: and<br>Asset metrics: Depreciation (FAR). |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | This step calculates the percentage of call volumes for two call categories (call origination, own exchange calls) in relation to call volumes for the following categories: call origination, call termination, DLE tandem and own exchange calls | $Percentage_{Call\ origination,\ Own\ exchange\ calls}$ = Call $volumes_{Call\ orignation,\ Own\ exchange\ calls}$ / Total call volumes across all four categories | $Percentage_{Call\ origination}$ = 30k / 70k | $Percentage_{Call\ origination}$ = 50%<br>$Percentage_{Own\ exchange\ calls}$ = 2% |
| 2 | This step calculates call type RT22 volume percentage using call origination and own exchanges volume percentages from step 1 and the current year call type 22 percentage.<br>Type 22 call types are diverted calls and AD&C ring backs. | RT22 volume percentage = TYPE 22 *($Percentage_{Call\ origination\ (Result\ from\ step\ 1)}$ + $Percentage_{Own\ exchange\ calls\ (result\ from\ step\ 1)}$ /2) | RT22 volume percentage = 4% * (50% + 2% / 2) | RT22 volume percentage = 1% |
| 3 | This step calculates the component allocation for all components with the exception of one component ($component_z$)<br>Service volumes are used that are mapped to each component | $Component_x$ = (Volume Service $group_x$ / Volume service $group_{1...n}$) * RT22 volume $percentage_{(result\ from\ step\ 2)}$ | $Component_1$ = (3m / 17m) * 1% | $Component_1$ = 0.2%<br>$\sum Component_{1...n}$ = 1% |
| 4 | This step calculates the allocation for $component_z$<br>All other components have been calculated in step 3 | $Component_z$ = 1 - $\sum Component_{1...n\ (Result\ from\ step\ 3)}$ | $Component_z$ = 1 - 1% | $Component_z$ = 99% |

| | |
|---|---|
| **Reference** | PG285C |
| **Title** | System X Processor |
| **Overview** | The System X Digital DLE Processor costs are apportioned between three main blocks (Digital Line Termination (DLT), Switch Block, Processor and Signalling) based on the relative costs and volumes of the elements within each block. The portion of cost allocated to each block is then further allocated to components using specific methodologies. |
| **Description** | **1. Source Costs and MCE:** This PG apportions costs, including electricity and general management, and asset values, predominantly land and buildings, that relate to the System X Digital DLE Processor and Signalling which flow through from LDX CoW. The costs are identified by the CoW to PG exhaustion process. This enables the relative proportions of concentrator and processor costs to be identified.<br>**2. Cost and MCE Categories:** Rest of BT (excl. depreciation) (Other); and Non-Current Assets (Land and Buildings). |
| | **3. Summary Destination:** This PG predominantly apportions to CO212 (Local exchange processor set up), as well as to a number of other local exchange processor and network feature components, including CO923 (Network features), and CO210 (Local exchange processor duration). |
| | **4. Methodology Taxonomy:** Revenue & Volumes.<br>**5. Driver classification:** Network Feature Service Volumes. |
| | **6. Data Source Summary:** Openreach service volumes and depreciation data is used to apportion this base. |
| **Data Sources** | Revenue & Volumes: Openreach revenue & volumes: and<br>Asset metrics: Depreciation (FAR). |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | Calculates the allocated percentage of selected services (% of processor).<br>This calculation is performed across 4 categories and the 4th category (selected services) is calculated as a percentage of the total.<br>Type 21, 22 and 29 call types are percentages of difference types of call volumes (e.g diverted calls) | Type total = Type 22 calls + Type 29 calls<br>Volumes = (Call origination volumes + Own exchange call volumes) * Type total / Type 21<br>Number of processing transactions per type of call = Processing transaction volumes / Call type volumes<br>Processing volumes = Volumes * Number of processing transactions per type of call<br>% of processor = $Processing\ volumes_{Category\ 4}$ / $Processing\ volumes_{Total\ of\ category\ 1,2,3,4}$ | Type total = 4%+ 35% = 39%<br>Volumes = (30k + 1.5k) * 39% / 60% = 20k<br>Number of processing transactions per type of call = 3m / 350 = 9k<br>Processing volumes = 20k * 9k = 180k<br>% of processor = 180k / 1m | % of processor =18% |

| | | | | | |
|---|---|---|---|---|---|
| | 2 | This step calculates the Residual amount of Network Features<br>Caller Display share of Network Features is a static input. | Residual = % of processor$_{(Result\ from\ step\ 1)}$ - (Caller Display share of Network Features * % of processor$_{(Result\ from\ step\ 1)}$) | Residual = 18% - (19% * 18%) | Residual = 14% |
| | 3 | This step calculates the component allocation for components$_{1-4}$<br>Service volumes are used that are mapped to each component | Component$_{1,2,3,4}$ = (Volume Service group$_{1,2,3,4}$ / Volume service group$_{1-4}$) * Residual | Component$_1$ = (3m/17m) * 14% | Component$_1$ = 2% |
| | 4 | This step calculates the component allocation for component$_5$ | Component$_5$ = Caller display share of network features * % of processor$_{(Result\ from\ step\ 1)}$ | Component$_5$ = 19% * 18% | Component$_5$ = 3.5% |
| | 5 | This step calculates setup and duration costs relating to groups SIG and PU | Depn$_{SIG,\ PU}$ = GRC / Asset lives<br>Service factor = Residual$_{(Result\ from\ step\ 2)}$<br>Comp factor = Caller Display share of Network Features * % of processor$_{(Result\ from\ step\ 1)}$<br>SIG Setup = Call Setup Factor * Depn *(1- (Comp Factor + Service Factor))<br>PU Setup = Call Setup Factor * Depn *(1- (Comp Factor + Service Factor))<br>PU Duration = Call Duration Factor * Depn * (1- (Comp Factor + Service Factor)) | Depn$_{SIG}$ = £15m / 10 = £1.5m<br>Select service factor = 14%<br>Comp factor = 19% * 18% = 3.5%<br>SIG setup = 1 * £1.5m *(1-(3.5% + 14%))<br>PU Setup = 1 * £21m *(1- (3.5% + 14%))<br>PU Duration = 0.2 * £10m * (1-(3.5% + 14%)) | SIG setup = £1.4m<br>PU Setup = £20m<br>PU Duration = £2m |
| | 6 | This step calculates the percentage of SIG setup in relation to the total of SIF setup, PU duration and PU setup | SIG setup percentage = SIG Setup$_{(Result\ from\ step\ 5)}$ / ((SIG setup$_{(Result\ from\ step\ 5)}$ + PU setup$_{(Result\ from\ step\ 5)}$ + PU duration$_{(Result\ from\ step\ 5)}$)) | SIG setup percentage = £1.4m / (£1.4m + £20m + £2m) | SIG setup percentage = 6% |
| | 7 | This step calculates the component allocation for component$_6$<br>Ports percentage is based on the number of ports of signalling link sets | Component$_6$ = Ports percentage * SIG setup percentage$_{(Result\ from\ step\ 6)}$ | Component$_6$ = 8% * 6% | Component$_6$ = 0.48% |
| | 8 | This step calculates the select services cost relating to group PU | PU select services = (Call Duration Factor * Depn *(Service Factor$_{(Result\ from\ step\ 5)}$ + Comp Factor$_{(Result\ from\ step\ 5))}$ + (Call Setup Factor * Depn * (Service Factor$_{(Result\ from\ step\ 5)}$ + Comp Factor$_{(Result\ from\ step\ 5)}$)) | PU select services = (0.2 * £22.5m *(14% + 3.5%)) + (1 * £22.5m * (14% + 3.5%)) | PU select services = £5m |
| | 9 | This step calculates the PU duration % in relation to PU duration, PU setup, PU select services and SIG setup | PU duration percentage = PU duration$_{(Result\ from\ step\ 5)}$ / (SIG setup$_{(Result\ from\ step\ 5)}$ + PU setup$_{(Result\ from\ step\ 5)}$ + PU duration$_{(Result\ from\ step\ 5)}$ + PU select services$_{(Result\ from\ step\ 8)}$) | PU duration percentage = £2m / (£1.4m + £20m + £2m + £5m) | PU duration percentage = 7% |
| | 10 | This step calculates the PU select service % | PU select service %= PU Select Services$_{(Result\ from\ step\ 8)}$ / (SIG setup$_{(Result\ from\ step\ 5)}$ + PU setup$_{(Result\ from\ step\ 5)}$ + PU duration$_{(Result\ from\ step\ 5)}$ + PU select services$_{(Result\ from\ step\ 8)}$) | PU select service % = £5m / (£1.4m + £20m + £2m + £5m) | PU select service % 2 = 17% |
| | 11 | This step calculates the PU Setup percentage | PU Setup percentage = (PU Setup$_{(Result\ from\ step\ 5)}$ + SIG Setup$_{(Result\ from\ step\ 5)}$) / ((SIG setup$_{(Result\ from\ step\ 5)}$ + PU setup$_{(Result\ from\ step\ 5)}$ + PU duration$_{(Result\ from\ step\ 5)}$)) * (1-PU Select Services %$_{(Result\ from\ step\ 10)}$ | PU Setup percentage = (£20m + £1.4m) / ((£1.4m + £20m + £2m)) * (1 - 17%) | PU Setup percentage = 76% |
| | 12 | This step calculates the component allocation for component$_{7\&8}$ | Component$_7$ = PU Setup percentage$_{(Result\ from\ step\ 11)}$ * (1 - Component$_6$)<br>Component$_8$ = PU Duration percentage$_{(Result\ from\ step\ 9)}$ * (1 - Component$_6$) | Component$_7$ = 76% * (1 - 0.48%)<br>Component$_8$ = 7% * (1 - 0.48%) | Component$_7$ = 76%<br>Component$_8$ = 7%<br>∑Component$_{1...8}$ = 100% |

| | |
|---|---|
| **Reference** | PG286C |
| **Title** | System X LE DLT |
| **Overview** | System X LE DLT costs are apportioned to DLT setup, duration and interconnect based on the relative costs and volumes of the elements within each function. |
| **Description** | **1. Source Costs and MCE:** This PG apportions the costs including electricity and general management, and asset values, predominantly land and buildings, that relate to System X Local Exchange Digital Line Termination (DLT). The DLT switch comprises both call set-up and call duration functionality.<br>**2. Cost and MCE Categories:** Rest of BT (excl. depreciation) (Other); and Non-Current Assets (Land and Buildings). |
| | **3. Summary Destination:** Predominantly to CO210 (Local exchange processor duration), as well as to CO212 (Local exchange processor set up); and CR470 (Intra building circuit rental). |
| | **4. Methodology Taxonomy:** Revenue and Volumes.<br>**5. Driver classification:** Network Feature Service Volumes. |
| | **6. Data Source Summary:** Frozen System X Plant Group to Component split data, Openreach volumes and the fixed asset register are used to determine this base apportionment. |
| **Data Sources** | Other Miscellaneous: other;<br>Revenue & volumes: Openreach revenue & volumes; and<br>Asset metrics: depreciation (FAR). |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | This step calculates depreciation for the DLT group by dividing GRC for the DLT group by asset lives | Depn = GRC / Asset lives | Depn = £38m / 14 | Depn = £2m |
| 2 | This step calculates the DLT setup, duration and interconnect costs | $DLT_{Setup}$ = Call Setup Factor * $Depn_{(Result\ from\ step\ 1)}$ * (1 - IX Factor)<br>$DLT_{Duration}$ = Call Duration Factor * $Depn_{(Result\ from\ step\ 1)}$ * (1 - IX Factor)<br>$DLT_{Interconnect}$ = Call Duration Factor * $Depn_{(Result\ from\ step\ 1)}$ * IX Factor + Call Setup Factor * $Depn_{(Result\ from\ step\ 1)}$ * IX Factor | $DLT_{Setup}$ = 0.1 * £2m * (1- 0.05)<br>$DLT_{Duration}$ = 0.9 * £2m * (1 - 0.05)<br>$DLT_{Interconnect}$ = 0.9 * £2m * 0.05 + 0.1 * £2m * 0.05 | $DLT_{Setup}$ = £190,000<br>$DLT_{Duration}$ = £1.7m<br>$DLT_{Interconnect}$ = £100,000 |
| 3 | This step calculates the DLT setup and duration percentages | $Percentage_{Setup,\ Duration}$ = $DLT_{Setup,\ Duration\ (Result\ from\ step\ 2)}$ / ($DLT_{Setup\ (Result\ from\ step\ 2)}$ + $DLT_{Duration\ (Result\ from\ step\ 2)}$ + $DLT_{Incterconnect\ (Result\ from\ step\ 2)}$) | $Percentage_{Setup}$ = £190,000 / (£190,000 + £1.7m + £100,000)<br>$Percentage_{Duration}$ = £1.7m / (£190,000 + £1.7m + £100,000) | $Percentage_{Setup}$ = 9%<br>$Percentage_{Duration}$ = 85% |
| 4 | This step calculates the DLT I/X percentage from 1 minus the DLT Setup and Duration percentages. | $Percentage_{IX}$ = 1- $Percentage_{Setup\ (Result\ from\ step\ 3)}$ - $Percentage_{Duration\ (Result\ from\ step\ 3)}$ | $Percentage_{IX}$ = 1- 9% - 85% | $Percentage_{IX}$ = 6% |
| 5 | This step maps the percentages calculated above to component allocations | $Component_1$ = $Percentage_{Setup\ (Result\ from\ step\ 3)}$<br>$Component_2$ = $Percentage_{Duration\ (Result\ from\ step\ 3)}$<br>$Component_3$ = $Percentage_{IX\ (Result\ from\ step\ 4)}$ | $Component_1$ = 9%<br>$Component_2$ = 85%<br>$Component_3$ = 6% | $Component_1$ = 9%<br>$Component_2$ = 85%<br>$Component_3$ = 6%<br>$\sum Component_{1...3}$ = 100% |

| | |
|---|---|
| **Reference** | PG288A |
| **Title** | Local Exchange Concentrator (Sys X) Call Set-Up |
| **Overview** | The PG288A apportionment model calculates the concentrator usage percentage for Select Services, using Billing Call Record information gathered from a sample of ten System X Local Exchanges, and apportions these costs to WLR/ISDN2/ISDN30/ISDN30 DDI Rentals components based on service volumes. The residual concentrator cost relating to Call Set-Up is apportioned to CO214 (Local Exchange Concentrator Set-Up). |
| **Description** | **1. Source Costs and MCE:** This PG apportions costs, including electricity and general management, and asset values, predominantly land and buildings, that relate to the System X Digital Concentrator Call Set-Up which flows from LDX CoW. The switch comprises both concentrator and processor functionality, and is used for call set-up and call duration.<br>**2. Cost and MCE Categories:** Rest of BT (excl. depreciation) (Other); and Non-Current Assets (Land and Buildings). |
| | **3. Summary Destination:** Predominantly to CO214 (Local exchange concentrator set up), as well as to CO293 (Network features), CO294 (ISDN2 Network features SC), CO296 (ISDN30 DDI Rentals SC); and CO295 (ISDN30 Network features SC). |
| | **4. Methodology Taxonomy:** Revenue & Volumes.<br>**5. Driver classification:** Network Feature Service Volumes. |
| | **6. Data Source Summary:** Openreach service volumes and depreciation data is used to apportion this base. |
| **Data Sources** | Revenue & Volumes: Openreach revenue & volumes: and<br>Asset metrics: Depreciation (FAR). |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | This step calculates the percentage of call volumes for two call categories (call origination, own exchange calls) in relation to call volumes for the following categories: call origination, call termination, DLE tandem and own exchange calls | $Percentage_{Call\ origination,\ Own\ exchange\ calls}$ = Call $volumes_{Call\ origination,\ Own\ exchange\ calls}$ / Total call volumes across all four categories | $Percentage_{Call\ origination}$ = 30k / 70k | $Percentage_{Call\ origination}$ = 50%<br>$Percentage_{Own\ exchange\ calls}$ = 2% |
| 2 | This step calculates call type RT22 volume percentage using call origination and own exchanges volume percentages from step 1 and the current year call type 22 percentage.<br>Type 22 call types are diverted calls and AD&C ring backs. | RT22 volume percentage = TYPE 22 *($Percentage_{Call\ origination\ (Result\ from\ step\ 1)}$ + $Percentage_{Own\ exchange\ calls\ (result\ from\ step\ 1)}$ /2) | RT22 volume percentage = 4% * (50% + 2% / 2) | RT22 volume percentage = 1% |
| 3 | This step calculates the component allocation for all components with the exception of one component ($component_z$)<br>Service volumes are used that are mapped to each component | $Component_x$ = (Volume Service $group_x$ / Volume service $group_{1...n}$) * RT22 volume $percentage_{(result\ from\ step\ 2)}$ | $Component_1$ = (3m / 17m) * 1% | $Component_1$ = 0.2%<br>$\sum Component_{1...n}$ = 1% |
| 4 | This step calculates the allocation for $component_z$<br>All other components have been calculated in step 3 | $Component_z$ = 1 - $\sum Component_{1...n\ (Result\ from\ step\ 3)}$ | $Component_z$ = 1 - 1% | $Component_z$ = 99% |

| | |
|---|---|
| **Reference** | PG289A |
| **Title** | Local Exchange Concentrator (Sys X) Call Duration |
| **Overview** | The PG284A apportionment model calculates the concentrator usage percentage for Select Services, using Billing Call Record information gathered from a sample of ten System X Local Exchanges, and apportions these costs to WLR/ISDN2/ISDN30/ISDN30 DDI Rentals components based on service volumes. The residual concentrator cost relating to Call Duration is apportioned to CO215 (LE Concentrator Duration). |
| **Description** | **1. Source Costs and MCE:** This PG apportions costs, including electricity and general management, and asset values, predominantly land and buildings, that relate to System X DLE Digital Concentrator Call Duration which are recorded on the LDX CoW.<br>**2. Cost and MCE Categories:** Rest of BT (excl. depreciation) (Other); and Non-Current Assets (Land and Buildings). |
| | **3. Summary Destination:** This PG predominantly apportions to CO215 (Local exchange concentrator duration), as well as to other Local Exchange and Network Features components. |
| | **4. Methodology Taxonomy:** Revenue & Volumes.<br>**5. Driver classification:** Network Feature Service Volumes. |

**6. Data Source Summary:** Openreach service volumes and depreciation data is used to apportion this base.

**Data Sources**

Revenue & Volumes: Openreach revenue & volumes: and
Asset metrics: Depreciation (FAR).

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | This step calculates the percentage of call volumes for two call categories (call origination, own exchange calls) in relation to call volumes for the following categories: call origination, call termination, DLE tandem and own exchange calls | $Percentage_{Call\ origination,\ Own\ exchange\ calls}$ = $Call\ volumes_{Call\ orignation,\ Own\ exchange\ calls}$ / Total call volumes across all four categories | $Percentage_{Call\ origination}$ = 30k / 70k | $Percentage_{Call\ origination}$ = 50%<br>$Percentage_{Own\ exchange\ calls}$ = 2% |
| 2 | This step calculates call type RT22 volume percentage using call origination and own exchanges volume percentages from step 1 and the current year call type 22 percentage.<br>Type 22 call types are diverted calls and AD&C ring backs. | RT22 volume percentage = TYPE 22 *($Percentage_{Call\ origination\ (Result\ from\ step\ 1)}$ + $Percentage_{Own\ exchange\ calls\ (result\ from\ step\ 1)}$ /2) | RT22 volume percentage = 4% * (50% + 2% / 2) | RT22 volume percentage = 1% |
| 3 | This step calculates the component allocation for all components with the exception of one component ($component_z$)<br>Service volumes are used that are mapped to each component | $Component_x$ = (Volume Service $group_x$ / Volume service $group_{1...n}$) * RT22 volume $percentage_{(result\ from\ step\ 2)}$ | $Component_1$ = (3m / 17m) * 1% | $Component_1$ = 0.2%<br>$\sum Component_{1...n}$ = 1% |
| 4 | This step calculates the allocation for $component_z$<br>All other components have been calculated in step 3 | $Component_z$ = 1 - $\sum Component_{1...n\ (Results\ from\ step\ 3)}$ | $Component_z$ = 1 - 1% | $Component_z$ = 99% |

## 6.6 Components

### Methodology driven components

| | |
|---|---|
| **Reference** | CE106 |
| **Title** | Ethernet Excess Construction Capex |
| **Overview** | CE106 usage factors are calculated based on the relative revenues of the services to which the component costs and MCE are allocated. |
| **Description** | **1. Source Costs and MCE:** This component apportions costs for provision and installation relating to pay and non-pay costs, as well as general management costs. This component also captures balances sheet receivables and software non-current assets.<br>**2. Cost and MCE Categories:** Openreach opex (excl. depn) (Other); and Non-current assets (Software; Land & building; and Other). |
| | **3. Summary Destination:** Predominantly services within the CI Access services - BT only & CI Access services - BT+1 Markets , as well as the Access - CLA & High Network Reach Areas Outside CLA markets. |
| | **4. Methodology Taxonomy:** Revenue & Volumes.<br>**5. Driver classification:** Ethernet Revenue and Volumes. |
| **Super Component** | SC_CE106 - Ethernet Excess Construction Capex |
| **WACC rate** | 8% |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | This step calculates the ECC Fee. ***The ECC fixed fee is obtained from a Pricelist.*** | ECC Fee = ECC fixed fee (£) * Number of Months at Price within FY | ECC Fee = £10 * 3 | ECC Fee = £30 |
| 2 | This step calculates adjusted revenue. First it calculates ECC Fixed Fee Weight Price, using the ECC fee and period. This is then used to calculate the adjusted revenue, which represents the ECC connection cost per service. | For each relevant service:<br>Adjusted revenue = (ECC Fee $_{\text{(Result from Step 1)}}$ / Period) * $\text{Service}_x$ Volume | $\text{Service}_1$ = (£30 / 12) * 100 | $\text{Service}_1$ = £250 |
| 3 | This step calculates the factor allocation for each service, by dividing the adjusted revenue by volume. ***Values are obtained from PVORREV.*** | For each relevant service:<br>Factor allocation = $\text{Service}_x$ Adjusted revenue $_{\text{(Result step 2)}}$ / $\text{Service}_x$ Volume | $\text{Service}_1$ = £250 / 100 | $\text{Service}_1$ = 2.5 |
| 4 | This step calculates the percentage allocation based on service factored volumes. | For each relevant service:<br>$\text{Service}_x$ percentage allocation = $\text{Service}_x$ Usage Factor $_{\text{(Result from step 3)}}$ * ($\text{Service}_x$ Volume / Total Service Factored Volume) | $\text{Service}_1$ = 2.5 * (100 / 800) | $\text{Service}_1$ = 31%<br>$\sum\text{Service}_{1...n}$ = 100% |

| | |
|---|---|
| **Reference** | CK981 |
| **Title** | Openreach time related charges |
| **Overview** | CK981 usage factors are calculated based on the relative SML2 revenue of the services to which the component costs and MCE are allocated. |
| **Description** | **1. Source Costs and MCE:** TRCs refer to repair and provisioning jobs carried out by Openreach engineers. The activity could be on Openreach's network or outside of this network, e.g. wiring in the customer's home.<br>**2. Cost and MCE Categories:** Openreach Opex (excl. depn) (Other); and Current Assets. |
| | **3. Summary Destination:** Predominantly apportions to WLA and WLR Time Related Charges services (SK990, SK991, SK992, SK993) within the WLA and WFAEL markets. |
| | **4. Methodology Taxonomy:** Revenue & Volumes.<br>**5. Driver classification:** Openreach & Wholesale Service Revenue. |
| **Super Component** | SC_CK981 - Regulated Time Related Charges |
| **WACC rate** | 8.9% |

| Calculation Steps | # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|---|
| | 1 | This step calculates usage factor for each service using the SML2 service revenue and dividing by the Total SML2 Volume for all targeted services. ***Data for this calculation is obtained from ARC, SML Volumes and Required values for SML Calculation inputs.*** | For each relevant service: Usage factor = SML2 revenue for $Service_x$ / Total SML2 Volume | $Service_1$ = 1,000 / 5,000 | $Service_1$ = 20% $\sum Service_{1...n}$ = 100% |
| | 2 | This step calculates the percentage allocation based on service factored volumes. | For each relevant service: $Service_x$ percentage allocation = $Service_x$ Usage Factor $_{(Result\ from\ step\ 1)}$ * $Service_x$ Volume / Total Service Factored Volumes | $Service_1$ = 0.2 * (2m / 5m) | $Service_1$ = 8% $\sum Service_{1...n}$ = 100% |

| | |
|---|---|
| **Reference** | CL160 |
| **Title** | Routing and Records |
| **Overview** | CL160 usage factors are calculated based on channels/circuit and relative times for the services to which the component costs and MCE are allocated. |
| **Description** | **1. Source Costs and MCE:** This component apportions the provision and installation pay costs and balance sheet of Routing and Records work for provision of analogue / ISDN lines, Local Loop Unbundling and Fibre based circuits.<br>**2. Cost and MCE Categories:** Openreach Opex (excl. depn) (Service and Network Delivery); and Non-current assets (Software).<br>**3. Summary Destination:** This component apportions to multiple services within the WLA and Business Connectivity markets, including SL129 (MPF new provides), SL339 (GEA Oher FTTC PCP only install connections external) and SL313 (GEA 40/10 FTTC PCP only install connections external).<br>**4. Methodology Taxonomy:** Other Misc.<br>**5. Driver classification:** Equipment Costs |
| **Super Component** | SC_CL160 - Routing & Records |
| **WACC rate** | 7.9% |

| Calculation Steps | # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|---|
| | 1 | This step calculates the usage factor using channels/circuit and relative times. In this instance, the usage factor is a static input. | Usage factor = 1 | = 1 | = 1 |
| | 2 | This step calculates the percentage allocation based on service factored volumes. | For each relevant service: $Service_x$ percentage allocation = $Service_x$ Usage Factor $_{(Result\ from\ step\ 1)}$ * $Service_x$ Volume / Total Service Volume | $Service_1$ = 1 * (2m / 5m) | $Service_1$ = 40% $\sum Service_{1...n}$ = 100% |

| | |
|---|---|
| **Reference** | CL161 |
| **Title** | MDF Hardware Jumpering |
| **Overview** | CL161 attributes the cost of exchange jumpering activities based on the amount of time required to provide services for each activity. |
| **Description** | **1. Source Costs and MCE:** This component apportions the cost of exchange jumpering activities on the Main Distribution Frame (MDF) connecting the exchange switch equipment to the exchange side (E-Side) cable. Costs are 100% allocated from PG142A MDF Hardware Jumpering.<br>**2. Cost and MCE Categories:** This mostly consists of Openreach opex (excl. depn) (Service and network delivery); and Non-current assets (Other).<br>**3. Summary Destination:** This component predominantly apportions to MPF and SMPF New Provides, MPF Single Migrations and Hard Ceases services within the WLA, WFAEL and ISDN2 markets.<br>**4. Methodology Taxonomy:** Labour.<br>**5. Driver classification:** Man-hours & Labour Rates. |
| **Super Component** | SC_CL161 - MDF Hardware jumpering |
| **WACC rate** | 7.9% |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | This step calculates the Service Usage Factor based on the time taken (travel + onsite) to connect the associated jumpering product. **Estimated time & travel figures are obtained from the "Time and Motion Study" input (baselined on the time taken for SL111 Wholesale PSTN premium connections). Mapping is obtained from the "Component to Service List 1" input.**<br><br>Note: For most services (i.e. except for the ones in steps 2, 3 and 4), the Service Usage Factors calculated in this step are the final Factors. | For each relevant service:<br>$Service_x$ Usage Factor = [$Service_x$ connection time] / [Base $Service_{(SL111)}$ connection time] | $Service_1$ Usage Factor = 30 minutes / 20 minutes | $Service_1$ Usage Factor = 1.5 |
| 2 | This step calculates the MPF/SMPF Tie Pair Modification Proportional Split Percentage (based on SL179 External LLU Ancillaries). **MPF/SMPF volumes are obtained from the "Mapped ARC" data and the total service volumes are obtained from the "PVORREV" report.** | Tie Pair modifications Proportional Split = [$Service_{(SL179)}$ Tie Pair Modification volumes] / [$Service_{(SL179)}$ total volumes] * 100 | Tie Pair modifications Proportional Split = 90 / 150 * 100 | Tie Pair modifications Proportional Split = 60% |
| 3 | For LLU Ancillaries services (SL178 and SL179) only, this step calculates the Service Usage Factor by applying the Tie Pair modifications Proportion Split (from step 2) to the corresponding $Service_{(SL202)}$ Usage Factor (from step 1).<br><br>Note: $Service_{(SL202)}$: SMPF Hard Ceases (Internal) | For each LLU Ancillaries service (SL178 and SL179):<br>$Service_x$ Usage Factor = [$Service_{(SL202)}$ Usage Factor $_{(Result\ from\ step\ 1)}$] * [Tie Pair modifications Proportional Split $_{(Result\ from\ step\ 2)}$] | $Service_{SL179}$ Usage Factor = 2 * 60% | $Service_{SL179}$ Usage Factor = 1.2 |
| 4 | For Simultaneous Migrations (SL183, SL184) and Connections (SL188, SL189) only, this step calculates the Service Usage Factor by adjusting the Service Usage Factor for corresponding single migrations/connections with the "Jumpering Movements Rebase Factor". **Mapping is obtained from the "Component to Service List 3" input. Rebase Factor is obtained from the "Jumper Movement Rebase" input.**<br><br><u>Rebase Factor is used because:</u><br>• a simultaneous migration results in 4 jumper movements compared to 3.5 jumper movements for single migration – i.e. the Rebase Factor would be 4 / 3.5 = 1.14<br>• a simultaneous connection results in copper connection between two terminal ends across 2 copper service pairs, one providing voice and one providing broadband – i.e. 2 / 4 = 0.5<br><br>Notes:<br>• $Service_{(SL180)}$: MPF Single Migrations (External)<br>• $Service_{(SL111)}$: Wholesale PSTN premium connections (internal)<br>• $Service_{(SL134)}$: SMPF New Provides (External) | For each Simultaneous Migrations (SL183, SL184) and Connections (SL188, SL189) service:<br><br>Simultaneous Migrations: $Service_x$ Usage Factor = [$Service_{(SL180)}$ Usage Factor $_{(Result\ from\ step\ 1)}$] * [Simultaneous Migrations Rebase Factor]<br>Simultaneous Connections: $Service_x$ Usage Factor = ([$Service_{(SL111)}$ Usage Factor $_{(Result\ from\ step\ 1)}$] + [$Service_{(SL134)}$ Usage Factor $_{(Result\ from\ step\ 1)}$]) * [Simultaneous Connections Rebase Factor] | $Service_{SL183}$ Usage Factor = 1.3 x 1.14<br><br>$Service_{SL188}$ Usage Factor = (1.1 + 1.4) x 0.5 | $Service_{SL183}$ Usage Factor = 1.48<br><br>$Service_{SL188}$ Usage Factor = 1.25 |
| 5 | This step calculates the percentage allocation based on service factored volumes. | For each relevant service:<br>$Service_x$ percentage allocation = [$Service_x$ Usage Factor] * [$Service_x$ Factored Volume] / [Total Factored Volume for all services] * 100 | $Service_1$ percentage allocation = 1.2 * 90m / 800m * 100 | $Service_1$ percentage allocation = 13.5%<br><br>$\sum Service_{1...n}$ percentage allocation = 100% |

| | |
|---|---|
| **Reference** | CL168 |
| **Title** | WLR Enhanced Care Resource Level 2 |
| **Overview** | CL168 apportions costs and MCE relating to WLR Enhanced Care engineer resource required to support Level 2 jobs, based on the number of SML2 lines in a service. |
| **Description** | **1. Source Costs and MCE:** This component apportions the costs and MCE relating to WLR Enhanced Care engineer resource required to support Level 2 jobs.<br>**2. Cost and MCE Categories:** Openreach Opex (excl. depn) (Other); and Current Assets. |
| | **3. Summary Destination:** This component predominantly apportions to Enhanced Care and Premium Rentals services (SL121, SL232, SL233, SL150) within the WFAEL market. |
| | **4. Methodology Taxonomy:** Revenue & Volumes<br>**5. Driver classification:** Network Feature Service Volumes |
| **Super Component** | SC_CL174 - D side copper current |
| **WACC rate** | 7.9% |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | This step calculates usage factor for each service by taking the SML2 volume and dividing by the Total SML2 Volume for all targeted services.<br>***Data for this calculation is obtained from ARC, SML Volumes and Required values for SML Calculation inputs.*** | For each relevant service:<br>Usage factor = SML2 volume for $Service_x$ / Total SML2 Volume | $Service_1$ = 10 / 50 | $Service_1$ = 20%<br>$\sum Service_{1...n}$ = 100% |

| | |
|---|---|
| **Reference** | CL171 |
| **Title** | E side copper capital |
| **Overview** | CL171 apportions E side copper capital to services that use copper lines based on volumes weighted by the number of channels used per copper line, relative fault rates and service level. |
| **Description** | **1. Source Costs and MCE:** This component apportions the capital costs associated with the provision and use of E-side (Exchange) copper cables, which connect an exchange to street cabinets; from PG117C (E-side Copper Cable), PG101D (Duct Infrastructure) and PG100D (Duct RAV)<br>**2. Cost and MCE Categories:** Depreciation (Copper); and Non-current assets (Copper). |
| | **3. Summary Destination:** Predominantly apportions to PSTN and MPF services, predominantly SL122 (PSTN Basic Rentals Internal) and SL347 (MPF Rental with SL1 External), within the WFAEL and WLA markets respectively. |
| | **4. Methodology Taxonomy:** Network Data.<br>**5. Driver classification:** Bearer Volumes (CTCS). |
| **Super Component** | SC_CL171 - E side copper capital |
| **WACC rate** | 7.9% |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | This step calculates the ISDN30 fill factor | ISDN30 Fill factor = Number of Channels / No. of Circuits from CTCS | ISDN30 Fill factor = 800k / 60k | ISDN30 Fill factor = 13.35 |
| 2 | This step calculates the ISDN Proportion over copper | Proportion over Fibre = Fibre ISDN30 Circuits / No. of Circuits from CTCS<br>Proportion over copper = 1 - Proportion over Fibre | Proportion over Fibre = 30k/60k<br>Proportion over copper = 1 - (30k/60k) | Proportion over Fibre = 0.53<br>Proportion over copper = 0.47 |
| 3 | This step calculates the average pair usage per ISDN30 circuits using bearer volumes | Line testing $total_x$ = Number of $lines_x$ * Total bearer $volumes_x$<br>Average pair usage = Line testing $total_{1...n}$ / Total bearer $volumes_{1...n}$ | Line testing $total_1$ = 1 * 1000<br>Average pair usage = ((1*1000) + (a*b)) / (1000 + b) | Average pair usage = 1.6 |
| 4 | This step determines the channel to line factor for each service. This is based on a factual input and no specific calculation is performed. | Channel to line factor $service_x$ = Channel to line factor based on factual input | Channel to line factor $service_{ISDN30}$ = 1<br>Channel to line factor $service_{ISDN2}$ = 1<br>Channel to line factor $service_x$ = 1 | Channel to line factor $service_{ISDN30}$ = 1 |

| | | | | |
|---|---|---|---|---|
| | | | | Channel to line factor service$_{ISDN2}$ = 1<br>Channel to line factor service$_{x}$ = 1 |
| 5 | This step calculates an updated channel to line factor for ISDN30 and ISDN2 services using the results from steps 1&2.<br>Channel to line factors for all other services remain the same as step 4. | Updated channel to line factor service$_{ISDN30}$ = Channel to line factor service$_{ISDN30\ (result\ from\ step\ 4)}$ / ISDN30 Fill factor$_{(Result\ from\ step\ 1)}$ * Proportion over copper$_{(Result\ from\ step\ 2)}$<br>Updated channel to line factor service$_{ISDN2}$ = Channel to line factor service$_{ISDN2\ (result\ from\ step\ 4)}$ * 0.5<br>Updated channel to line factor service$_{x}$ = Channel to line factor$_{(result\ from\ step\ 4)}$ | Updated channel to line factor service$_{ISDN30}$ = 1 / 13.35 * 0.47<br>Updated channel to line factor service$_{ISDN2}$ = 1 * 0.5<br>Updated channel to line factor service$_{x}$ = 1 | Updated channel to line factor service$_{ISDN30}$ = 0.035<br>Updated channel to line factor service$_{ISDN2}$ = 0.5<br>Updated channel to line factor service$_{x}$ = 1 |
| 6 | This step calculates the D&E usage factor for ISDN30 and PPC services using the result from step 3.<br>All other services have a D&E usage factor based on a factual input. | D&E usage factor service$_{ISDN30,\ PPC}$ = Average pair usage$_{(Result\ from\ step\ 3)}$<br>D&E usage factor service$_{x}$ = D&E usage factor based on factual input | D&E usage factor service$_{ISDN30,\ PPC}$ = 1.6<br><br>D&E usage factor service$_{x}$ = 1 | D&E usage factor service$_{ISDN30,\ PPC}$ = 1.6<br>D&E usage factor service$_{x}$ = 1 |
| 7 | This step calculates the factor output for each service using the results from step 5&6.<br>Note: if the service is a ISDN30, ISDN 2 or PPC service then the specific results from steps 5&6 will be used. For any other services the generic results from steps 5&6 will be used. | Service$_{x}$ usage factor = Updated Channel to Line Factor$_{(Result\ from\ step\ 5)}$ * D&E usage factor$_{(Result\ from\ step\ 6)}$ | Service$_{1}$ usage factor $_{(ISDN30)}$ = 0.035 * 1.6<br><br>Service$_{x}$ usage factor = 1 * 1 | Service$_{1}$ usage factor $_{(ISDN30)}$ = 0.056<br>Service$_{x}$ usage factor = 1 |
| 8 | This step calculates the percentage allocation based on service factored volumes. | For each relevant service:<br>Weighted Usage Factor = Service$_{x}$ Usage Factor $_{(Result\ from\ step\ 7)}$ * (Service$_{x}$ Volume / Total Service Factored Volume) | Service$_{1}$ = 0.056 * (100 / 800) | Service$_{1}$ = 1%<br>∑Service$_{1...n}$ = 100% |

| | |
|---|---|
| **Reference** | CL172 |
| **Title** | E side copper current |
| **Overview** | CL172 usage factors are calculated based on the number of channels per line, relative fault rates and service levels of the services to which the component costs and MCE are allocated. |
| **Description** | **1. Source Costs and MCE:** This component apportions the operational and maintenance costs associated with the provision and use of E-side (Exchange) copper cables, which connect an exchange to street cabinets, predominantly from PG117M (E-side Copper Cable Maintenance)<br>**2. Cost and MCE Categories:** Predominantly Openreach opex (excl. depn) (Service and network delivery); and Non-current assets (Software; and Land & buildings). |
| | **3. Summary Destination:** Predominantly apportions to MPF and PSTN services, including SL347 (MPF Rental with SL1 External) and SL122 (PTSN Basic Rentals Internal) within the WLA and WFAEL markets respectively. |
| | **4. Methodology Taxonomy:** Revenue & Volumes.<br>**5. Driver classification:** Network Feature Service Volumes. |
| **Super Component** | SC_CL172 - E side copper current |
| **WACC rate** | 7.9% |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | Note: Steps 1-5 calculate usage factors for "other variable services". Steps 5-9 calculate usage factors for "Enhanced care and expedite service".<br>This step calculates the total sum of faults for MPF and NGA service groups | Sum of faults$_{NGA,\ MPF}$ = Total sum of faults across NGA or MPF service group | Sum of faults$_{NGA}$ = 1.7m<br>Sum of faults$_{MPF}$ = 900k | Sum of faults$_{NGA}$ = 1.7m<br>Sum of faults$_{MPF}$ = 900k |

| | | | | |
|---|---|---|---|---|
| 2 | This step calculates total sum volumes for NGA and MPF services | $Service_{x\ NGA,MPF}$ Volume = $Service_x$ Volume * (Period/12) | $Service_{1\ NGA}$ Volume = 200k * (12/12) | $Service_{1\ NGA}$ Volume = 200k<br>Sum of volumes $Service_{1...n\ NGA}$ Volume = 13m<br>Sum of volumes $Service_{1...n\ MPF}$ Volume = 10m |
| 3 | This step calculates the fault rate for NGA service group | Faults to volume $ratio_{NGA}$ = Sum of $Faults_{NGA\ (Result\ from\ step\ 1)}$ / Sum of volumes $Service_{NGA\ (Result\ from\ step\ 2)}$<br>Faults to volumes $ratio_{MPF}$ = Sum of $Faults_{MPF\ (Result\ from\ step\ 1)}$ / Sum of volumes $Service_{MPF\ (Result\ from\ step\ 2)}$<br>Fault rate for NGA service group = Faults to volume $ratio_{NGA}$ / Faults to volumes $ratio_{MPF}$ | Faults to volume $ratio_{NGA}$ = 1.7m / 13m<br>Faults to volumes $ratio_{MPF}$ = 900k / 10m<br>Fault rate for NGA service group = (1.7m / 13m) / (900k / 10m) | Faults to volume $ratio_{NGA}$ = 0.13m<br>Faults to volumes $ratio_{MPF}$ = 0.09m<br>Fault rate $service_{NGA}$ = 1.4m |
| 4 | This step calculates the fault rates factor for different service groups.<br>ISDN30, ISDN2 and PPC services require a specific calculation using factual inputs. All other services use frozen factual inputs.<br>This step calculates the usage factor for each service using channel line to factor and service level weighting factual inputs. Fault rates are a result of steps 3 dependent on the service. | Fault rates $service_{ISDN30,\ ISDN2,\ PPC}$ = Usage factor per general assumptions $service_{ISDN30,\ ISDN2,\ PPC}$ * WLR usage factor per general assumptions $service_{ISDN30,\ ISDN2,\ PPC}$<br>Fault rates $service_x$ = Usage factor per general assumptions $service_x$<br>$Service_x$ usage factor = Channel to line factor * Service level weighting * Fault $rates_{(Result\ from\ step\ 3\&\ above)}$ | Fault rates $service_{ISDN30}$ = 0.05 * 0.83<br>$Service_1$ usage factor $_{(ISDN30)}$ = 1 * 1.2 * 0.0415 | Fault rates $service_{ISDN30}$ = 0.0415<br>$Service_1$ usage factor $_{(ISDN30)}$ = 0.0498 |
| 5 | This step calculates the altered service level for each service.<br>If this calculation cannot be performed for a service because information is not available a factual input of 1.21 is used which is the Care Level 2 uplift factor based on analysis carried out in 2012/13. | Total Fault Time $service_x$ = Faults $service_x$ * Task Time $service_x$<br>Time per Fault Ratio $service_x$ = Total Fault Time $service_x$ / Faults $service_x$<br>Uplift % (Task Time) $service_x$ = Task Time $service_x$ / Time per Fault Ratio $service_x$-1<br>Uplift % (weeks) $service_x$ = Openreach uplift %<br>Pay Uplift % $service_x$ = Uplift % (Task Time) $service_x$ * (1 + Uplift % (Weeks) $service_x$)<br>Pay full rate uplift $service_x$ = Factual input<br>Altered Service Level $service_x$ = Pay Full Rate Uplift $service_x$ * (Pay Uplift % $service_x$ + 1) | Total Fault Time $service_2$ = 500k * 300 = 95m<br>Time per Fault Ratio $service_2$ = 95m / 500k = 190<br>Uplift % (Task Time) $service_2$ = 250 / 190-1 = 30%<br>Uplift % (weeks) $service_2$ = 1% or 2%<br>Pay Uplift % $service_2$ = 30% * (1+1%) = 30%<br>Pay full rate uplift $service_2$ = 1.21<br>Altered Service Level $service_2$ = 1.21 * (30% + 1) | Altered Service Level $service_2$ = 1.5 |
| 6 | This step calculates the unadjusted and adjusted factor for each service using channel line to factor and service level weighting general assumptions. Fault rates are a result of steps 3&4 dependent on the service. Altered Service Levels are a result of step 5. | Unadjusted Factor $service_x$ = Channel to Line Factor $service_x$ * Service level weighting $service_x$ * Fault $Rates_{(Result\ from\ step\ 3\&4)}$<br>Adjusted Factor $service_x$ = Channel to Line Factor $service_x$ * Altered Service Level $service_{(Result\ from\ step\ 5)}$ * Fault $Rates_{(Result\ from\ step\ 3\&4)}$<br>Unadjusted Factored Volume = Unadjusted Factor $service_x$ * volume $service_x$<br>Adjusted Factored Volume $service_x$ = Adjusted Factor $service_x$ * volume $service_x$ | Unadjusted Factor $service_2$ = 1 * 1.21 * 0.0415 = 0.0498<br>Adjusted Factor $service_2$ = 1 * 1.5 * 0.0415 = 0.0622<br>Unadjusted Factored Volume $service_2$ = 0.0498 * 190<br>Adjusted Factored Volume $service_2$ = 0.0622 * 190 | Unadjusted Factored Volume $service_2$ = 9.4<br>Adjusted Factored Volume $service_2$ = 11.8 |

| | | | | | |
|---|---|---|---|---|---|
| | 7 | This step calculates the adjusted volume factor for each service | Delta in Factored Volumes service$_x$ = Adjusted Factored Volume service$_{(Result\ form\ step6)}$ - unadjusted Factored Volume service$_{(Result\ from\ step\ 6)}$<br>Adjusted Volume Factor service$_x$ = Delta in Factored Volumes service$_x$ / Volume service$_x$ | Delta in Factored Volumes service$_2$ = 11.8 - 9.4 = 2.4<br>Adjusted Volume Factor service$_2$ = 2.4 / 190 | Adjusted Volume Factor service$_2$ = 1.24% |
| | 8 | This step calculates the expedite factor adjustment using ARC volume information for each service.<br>For services with no volume information a expediate factor adjustment of 1 is assumed. | Expediate factor adjustment service$_x$ = Repair volumes service$_x$ / (Repair volumes service$_x$ + Provision volumes service$_x$) | Expediate factor adjustment service$_2$ = 8,000 / (8,000 + 6,000) | Expediate factor adjustment service$_2$ = 57% |
| | 9 | This step calculates the usage factor for each enhanced care and expedite services | Service$_x$ usage factor = Adjusted Volume Factor service$_{(Result\ from\ step\ 7)}$ * Expedite Factor Adjustment service$_{(Result\ from\ step\ 8)}$ | Service$_2$ usage factor = 1.2% * 57% | Service$_2$ usage factor = 0.684 |
| | 10 | This step calculates the percentage allocation based on service factored volumes. | For each relevant service:<br>Service$_x$ percentage allocation = Service$_x$ Usage Factor $_{(Result\ from\ step\ 4\ or\ 9)}$ * (Service$_x$ Volume / Total Service Factored Volume) | Service$_1$ = 0.0498 * (100 / 800)<br>Service$_2$ = 0.684 * (180 / 800) | Service$_1$ = 0.6%<br>Service$_2$ = 15.4%<br>∑Service$_{1...n}$ = 100% |

| | |
|---|---|
| **Reference** | CL173 |
| **Title** | D side copper capital |
| **Overview** | CL173 usage factors are calculated based on the number of channels per line, relative fault rates and service levels of the services to which the component costs and MCE are allocated. |
| **Description** | **1. Source Costs and MCE:** This component apportions the capital costs related to the provision and use of D-side (Distribution) copper cables, which connect street cabinets to distribution points; from PG118C (D-side Copper Cable), PG005Y (Residual Excess Con Adjust Credit Duct) and PG119A (Telephony Over Passive Optical Network).<br>**2. Cost and MCE Categories:** Depreciation (Copper); and Non-current assets (Copper).<br>**3. Summary Destination:** Predominantly apportions to PSTN and MPF services, including SL122 (PSTN basic rentals internal), SL151 (PTSN basic rentals external) and SL347 (MPF Rentals with SL1 external), within the WFAEL and WLA markets respectively.<br>**4. Methodology Taxonomy:** Network Data.<br>**5. Driver classification:** Bearer Volumes (CTCS). |
| **Super Component** | SC_CL173 - D side copper capital |
| **WACC rate** | 7.9% |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | This step calculates the ISDN30 fill factor | ISDN30 Fill factor = Number of Channels / No. of Circuits from CTCS | ISDN30 Fill factor = 800k / 60k | ISDN30 Fill factor = 13.35 |
| 2 | This step calculates the ISDN proportion over copper | Proportion over Fibre = Fibre ISDN30 Circuits / No. of Circuits from CTCS<br>Proportion over copper = 1 - Proportion over Fibre | Proportion over Fibre = 30k/60k<br>Proportion over copper = 1 - (30k/60k) | Proportion over Fibre = 0.53<br>Proportion over copper = 0.47 |
| 3 | This step calculates the average pair usage per ISDN30 circuits using bearer volumes | Line testing total$_x$ = Number of lines$_x$ * Total bearer volumes$_x$<br>Average pair usage = Line testing total$_{1...n}$ / Total bearer volumes$_{1...n}$ | Line testing total$_1$ = 1 * 1000<br>Average pair usage = ((1*1000) + (a*b)) / (1000 + b) | Average pair usage = 1.6 |
| 4 | This step determines the channel to line factor for each service. This is based on a factual input which lists out the Channel to Line Factor for each Service. | Channel to line factor service$_x$ = Channel to line factor | Channel to line factor service$_{ISDN30}$ = 1<br><br>Channel to line factor service$_{ISDN2}$ = 1 | Channel to line factor service$_{ISDN30}$ = 1 |

| | | | | | |
|---|---|---|---|---|---|
| | | | | Channel to line factor $service_x$ = 1 | Channel to line factor $service_{ISDN2}$ = 1<br>Channel to line factor $service_x$ = 1 |
| | 5 | This step calculates an updated channel to line factor for ISDN30 and ISDN2 services using the results from steps 1&2. Channel to line factors for all other services remain the same as step 4. | Updated channel to line factor $service_{ISDN30}$ = Channel to line factor $service_{ISDN30\ (result\ from\ step\ 4)}$ / ISDN30 Fill $factor_{(Result\ from\ step\ 1)}$ * Proportion over $copper_{(Result\ from\ step\ 2)}$<br>Updated channel to line factor $service_{ISDN2}$ = Channel to line factor $service_{ISDN2\ (result\ from\ step\ 4)}$ * 0.5<br>Updated channel to line factor $service_x$ = Channel to line $factor_{(result\ from\ step\ 4)}$ | Updated channel to line factor $service_{ISDN30}$ = 1 / 13.35 * 0.47<br>Updated channel to line factor $service_{ISDN2}$ = 1 * 0.5<br>Updated channel to line factor $service_x$ = 1 | Updated channel to line factor $service_{ISDN30}$ = 0.035<br>Updated channel to line factor $service_{ISDN2}$ = 0.5<br>Updated channel to line factor $service_x$ = 1 |
| | 6 | This step calculates the D&E usage factor for ISDN30 and PPC services using the result from step 3.<br>All other services have a D&E usage factor based on a factual input which lists out the usage factor for each service. | D&E usage factor $service_{ISDN30,\ PPC}$ = Average pair $usage_{(Result\ from\ step\ 3)}$<br>D&E usage factor $service_x$ = D&E usage factor factual input | D&E usage factor $service_{ISDN30,\ PPC}$ = 1.6<br>D&E usage factor $service_x$ = 1 | D&E usage factor $service_{ISDN30,\ PPC}$ = 1.6<br>D&E usage factor $service_x$ = 1 |
| | 7 | This step calculates the factor output for each service using the results from step 5&6.<br>Note: if the service is a ISDN30, ISDN 2 or PPC service then the specific results from steps 5&6 will be used. For any other services the generic results from steps 5&6 will be used. | $Service_x$ usage factor = Updated Channel to Line $Factor_{(Result\ from\ step\ 5)}$ * D&E usage $factor_{(Result\ from\ step\ 6)}$ | $Service_1$ usage $factor_{(ISDN30)}$ = 0.035 * 1.6<br>$Service_x$ usage factor = 1 * 1 | $Service_1$ usage $factor_{(ISDN30)}$ = 0.056<br>$Service_x$ usage factor = 1 |
| | 8 | This step calculates the percentage allocation based on service factored volumes. | For each relevant service:<br>Weighted Usage Factor = $Service_x$ Usage $Factor_{(Result\ from\ step\ 7)}$ * ($Service_x$ Volume / Total Service Factored Volume) | $Service_{1\ (ISDN30)}$ = 0.056 * (100 / 800) | $Service_{1\ (ISDN30)}$ = 1%<br>$\sum Service_{1...n}$ = 100% |

| | |
|---|---|
| **Reference** | CL174 |
| **Title** | D side copper current |
| **Overview** | CL174 usage factors are calculated based on the number of channels per line, relative fault rates and service levels of the services to which the component costs and MCE are allocated. |
| **Description** | **1. Source Costs and MCE:** This component apportions the operational and maintenance costs associated with the provision and use of D-side (Distribution) copper cables, which connect street cabinets to distribution points, from PG118M (D-side Copper Cable Maintenance)<br>**2. Cost and MCE Categories:** Openreach opex (excl. depn) (Service and network delivery); and Non-current assets (Software; and Land & Buildings). |
| | **3. Summary Destination:** Predominantly apportions to PSTN and MPF services, including SL122 (PSTN basic rentals internal) and SL347 (MPF rental with SL1 external), within the WFAEL and WLA markets respectively. |
| | **4. Methodology Taxonomy:** Revenue & Volumes.<br>**5. Driver classification:** Network Feature Service Volumes. |
| **Super Component** | SC_CL174 - D side copper current |
| **WACC rate** | 7.9% |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| | Please see CL172 for calculation steps | | | |

| | |
|---|---|
| **Reference** | CL175 |
| **Title** | Local exchanges general frames equipment |
| **Overview** | CL175 usage factors are calculated based on the number of jumpers used by each of the services to which the component costs and MCE are allocated. |
| **Description** | **1. Source Costs and MCE:** This component apportions the costs of equipment of frames at Local Exchanges from PG217E (Main Distribution Frames Equipment)<br>**2. Cost and MCE Categories:** Rest of BT Opex (excl. depn) (Property); and Non-current assets (Switch & transmission; and Land & buildings). |
| | **3. Summary Destination:** Predominantly apportions to MPF and PSTN services, including SL347 (MPF Rental with SL1 external) and SL122 (PSTN Basic Rentals internal), within the WLA and WFAEL markets respectively. |
| | **4. Methodology Taxonomy:** Network Data.<br>**5. Driver classification:** Bearer Volumes (CTCS). |
| **Super Component** | SC_CL175 - Local exchanges general frames equipment |
| **WACC rate** | 7.9% |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | This step calculates the ISDN30 fill factor | ISDN30 Fill factor = Number of Channels / No. of Circuits from CTCS | ISDN30 Fill factor = 800k / 60k | ISDN30 Fill factor = 13.35 |
| 2 | This step calculates the ISDN proportion over copper | Proportion over Fibre = Fibre ISDN30 Circuits / No. of Circuits from CTCS<br>Proportion over copper = 1 - Proportion over Fibre | Proportion over Fibre = 30k/60k<br>Proportion over copper = 1 - (30k/60k) | Proportion over Fibre = 0.53<br>Proportion over copper = 0.47 |
| 3 | This step calculates the average pair usage per ISDN30 circuits using bearer volumes | Line testing $total_x$ = Number of $lines_x$ * Total bearer $volumes_x$<br>Average pair usage = Line testing $total_{1...n}$ / Total bearer $volumes_{1...n}$ | Line testing $total_1$ = 1 * 1000<br>Average pair usage = ((1*1000) + (a*b)) / (1000 + b) | Average pair usage = 1.6 |
| 4 | This step determines the channel to line factor for each service. This is based on an assumption and no specific calculation is performed. | Channel to line factor $service_x$ = Channel to line factor | Channel to line factor $service_{ISDN30}$ = 1<br>Channel to line factor $service_{ISDN2}$ = 1<br>Channel to line factor $service_x$ = 1 | Channel to line factor $service_{ISDN30}$ = 1<br>Channel to line factor $service_{ISDN2}$ = 1<br>Channel to line factor $service_x$ = 1 |
| 5 | This step calculates an updated channel to line factor for ISDN30 and ISDN2 services using the results from steps 1&2.<br>Channel to line factors for all other services remain the same as step 4. | Updated channel to line factor $service_{ISDN30}$ = Channel to line factor $service_{ISDN30\ (result\ from\ step\ 4)}$ / ISDN30 Fill $factor_{(Result\ from\ step\ 1)}$ * Proportion over $copper_{(Result\ from\ step\ 2)}$<br>Updated channel to line factor $service_{ISDN2}$ = Channel to line factor $service_{ISDN2\ (result\ from\ step\ 4)}$ * 0.5<br>Updated channel to line factor $service_x$ = Channel to line $factor_{(result\ from\ step\ 4)}$ | Updated channel to line factor $service_{ISDN30}$ = 1 / 13.35 * 0.47<br>Updated channel to line factor $service_{ISDN2}$ = 1 * 0.5<br>Updated channel to line factor $service_x$ = 1 | Updated channel to line factor $service_{ISDN30}$ = 0.035<br>Updated channel to line factor $service_{ISDN2}$ = 0.5<br>Updated channel to line factor $service_x$ = 1 |
| 6 | This step calculates the MDF usage factor for ISDN30 and PPC services using the result from step 3.<br>All other services have a MDF usage factor based on a static assumption. | MDF usage factor $service_{ISDN30,\ PPC}$ = Average pair $usage_{(Result\ from\ step\ 3)}$<br>MDF usage factor $service_x$ = MDF usage factor static assumption | MDF usage factor $service_{ISDN30,\ PPC}$ = 1.6<br>MDF usage factor $service_x$ = 1 | MDF usage factor $service_{ISDN30,\ PPC}$ = 1.6<br>MDF usage factor $service_x$ = 1 |
| 7 | This step calculates the factor output for each service using the results from step 5&6.<br>Note: if the service is a ISDN30, ISDN 2 or PPC service then the specific results from steps 5&6 | $Service_x$ usage factor = Updated Channel to Line $Factor_{(Result\ from\ step\ 5)}$ * MDF Usage $factor_{(Result\ from\ step\ 6)}$ | $Service_1$ usage factor $_{(ISDN30)}$ = 0.035 * 1.6<br>$Service_x$ usage factor = 1 * 1 | $Service_1$ usage factor $_{(ISDN30)}$ = 0.056<br>$Service_x$ usage factor = 1 |

| | | | | | |
|---|---|---|---|---|---|
| | | will be used. For any other services the generic results from steps 5&6 will be used. | | | |
| | 8 | This step calculates the percentage allocation based on service factored volumes. | For each relevant service:<br>$Service_x$ percentage allocation = $Service_x$ Usage Factor $_{(Result\ from\ step\ 7)}$ * ($Service_x$ Volume / Total Service Factored Volume) | $Service_1$ = 0.056 * (100 / 800) | $Service_1$ = 1%<br>$\sum Service_{1...n}$ = 100% |

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|---|---|
| **Reference** | CL176 |
| **Title** | Local exchanges general frames maintenance |
| **Overview** | CL176 usage factors are calculated based on the number of copper lines used, number of jumpers used per line, service level and relative fault rates for each of the services to which the component costs and MCE are allocated. |
| **Description** | **1. Source Costs and MCE:** This component apportions the costs of maintenance of frames at Local Exchanges from PG217F (Main Distribution Frames Maintenance) and PG217R ((Main Distribution Frames Maintenance Technology)<br>**2. Cost and MCE Categories:** Predominantly Openreach opex (excl. depn) (Service and network delivery); and Non-current assets (Software; and Land & buildings). |
| | **3. Summary Destination:** Predominantly apportions to MPF and PSTN services, including SL347 (MPF rental with SL1 external) and SL122 (PSTN Basic rentals internal), within the WLA and WFAEL markets respectively. |
| | **4. Methodology Taxonomy:** Revenue & Volumes.<br>**5. Driver classification:** Network Feature Service Volumes. |
| **Super Component** | SC_CL176 - Local exchanges general frames maintenance |
| **WACC rate** | 7.9% |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | Note: Steps 1-7 calculate usage factors for "other variable services". Steps 8-12 calculate usage factors for "Enhanced care and expedite service".<br>This step calculates the total sum of faults for MPF and NGA service groups | Sum of $faults_{NGA, MPF}$ = Total sum of faults across NGA or MPF service group | Sum of $faults_{NGA}$ = 1.7m<br>Sum of $faults_{MPF}$ = 900k | Sum of $faults_{NGA}$ = 1.7m<br>Sum of $faults_{MPF}$ = 900k |
| 2 | This step calculates total sum volumes for NGA and MPF services | $Service_{x\ NGA,MPF}$ Volume = $Service_x$ Volume * (Period/12) | $Service_{1\ NGA}$ Volume = 200k * (12/12) | $Service_{1\ NGA}$ Volume = 200k<br>Sum of volumes $Service_{1...n\ NGA}$ Volume = 13m<br>Sum of volumes $Service_{1...n\ MPF}$ Volume = 10m |
| 3 | This step calculates the fault rate for NGA service group | Faults to volume $ratio_{NGA}$ = Sum of $Faults_{NGA\ (Result\ from\ step\ 1)}$ / Sum of volumes $Service_{NGA\ (Result\ from\ step\ 2)}$<br>Faults to volumes $ratio_{MPF}$ = Sum of $Faults_{MPF\ (Result\ from\ step\ 1)}$ / Sum of volumes $Service_{MPF\ (Result\ from\ step\ 2)}$<br>Fault rate for NGA service group = Faults to volume $ratio_{NGA}$ / Faults to volumes $ratio_{MPF}$ | Faults to volume $ratio_{NGA}$ = 1.7m / 13m<br>Faults to volumes $ratio_{MPF}$ = 900k / 10m<br>Fault rate for NGA service group = (1.7m / 13m) / (900k / 10m) | Faults to volume $ratio_{NGA}$ = 0.13m<br>Faults to volumes $ratio_{MPF}$ = 0.09m<br>Fault $rate\ service_{NGA}$ = 1.4m |
| 4 | This step calculates the fault rates factor for different service groups.<br>ISDN30, ISDN2 and PPC services require a specific calculation using general assumptions. All other services use a static general assumption. | Fault $rates\ service_{ISDN30, ISDN2, PPC}$ = Usage factor per general assumptions $service_{ISDN30, ISDN2, PPC}$ * WLA usage factor per general assumptions $service_{ISDN30, ISDN2, PPC}$ *<br>Fault $rates\ service_x$ = Usage factor per general assumptions $service_x$ | Fault $rates\ service_{ISDN30}$ = 0.05 * 0.83 | Fault $rates\ service_{ISDN30}$ = 0.0415 |

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|---|---|---|---|---|
| 5 | This step calculates the average pair usage per ISDN30 circuits using bearer volumes | Line testing total$_x$ = Number of lines$_x$ * Total bearer volumes$_x$<br>Average pair usage = Line testing total$_{1...n}$ / Total bearer volumes$_{1...n}$ | Line testing total$_1$ = 1 * 1000<br>Average pair usage = ((1*1000) + (a*b)) / (1000 + b) | Average pair usage = 1.6 |
| 6 | This step calculates the MDF usage factor for ISDN30 and PPC services using the result from step 3.<br>All other services have a MDF usage factor based on a static assumption. | MDF usage factor service$_{ISDN30, PPC}$ = Average pair usage$_{(Result from step 3)}$<br>MDF usage factor service$_x$ = MDF usage factor static assumption | MDF usage factor service$_{ISDN30, PPC}$ = 1.6<br>MDF usage factor service$_x$ = 1 | MDF usage factor service$_{ISDN30, PPC}$ = 1.6<br>MDF usage factor service$_x$ = 1 |
| 7 | This step calculates the usage factor for each service using channel line to factor and service level weighting general assumptions. Fault rates are a result of steps 3&4 dependent on the service.<br>Note: Any fault rates that relate to MPF services are multiplied by 0.5 and then used in this calculation. | Service$_x$ usage factor = Channel to line factor* Service level weighting * Fault rates$_{(Result from step 3&4)}$ * MDF usage factor service$_{x\ (Result from step 6)}$ | Service$_1$ usage factor $_{(ISDN30)}$ = 1 * 1.2 * 0.0415 * 1.6 | Service$_1$ usage factor $_{(ISDN30)}$ = 0.07 |
| 8 | This step calculates the altered service level for each service.<br>If this calculation cannot be performed for a service because information is not available a static assumption of 1.21 is assumed. | Total Fault Time service$_x$ = Faults service$_x$ * Task Time service$_x$<br>Time per Fault Ratio service$_x$ = Total Fault Time service$_x$ / Faults service$_x$<br>Uplift % (Task Time) service$_x$ = Task Time service$_x$ / Time per Fault Ratio service$_x$-1<br>Uplift % (weeks) service$_x$ = Openreach uplift %<br>Pay Uplift % service$_x$ = Uplift % (Task Time) service$_x$ * (1 + Uplift % (Weeks) service$_x$)<br>Pay full rate uplift service$_x$ = Static assumption<br>Altered Service Level service$_x$ = Pay Full Rate Uplift service$_x$ * (Pay Uplift % service$_x$ + 1) | Total Fault Time service$_2$ = 500k * 300 = 95m<br>Time per Fault Ratio service$_2$ = 95m / 500k = 190<br>Uplift % (Task Time) service$_2$ = 250 / 190-1 = 30%<br>Uplift % (weeks) service$_2$ = 1% or 2%<br>Pay Uplift % service$_2$ = 30% * (1+1%) = 30%<br>Pay full rate uplift service$_2$ = 1.2<br>Altered Service Level service$_2$ = 1.21 * (30% + 1) | Altered Service Level service$_2$ = 1.5 |
| 9 | This step calculates the unadjusted and adjusted factor for each service using channel line to factor and service level weighting general assumptions. Fault rates are a result of steps 3&4 dependent on the service. Altered Service Levels are a result of step 8 | Unadjusted Factor service$_x$ = Channel to Line Factor service$_x$* Service level weighting service$_x$ * Fault Rates$_{(Result from step 3&4)}$<br>Adjusted Factor service$_x$ = Channel to Line Factor service$_x$* Altered Service Level service$_{(Result from step 8)}$ * Fault Rates$_{(Result from step 3&4)}$<br>Unadjusted Factored Volume = Unadjusted Factor service$_x$ * volume service$_x$<br>Adjusted Factored Volume service$_x$ = Adjusted Factor service$_x$ * volume service$_x$ | Unadjusted Factor service$_2$ = 1 * 1.2 * 0.0415 = 0.0498<br>Adjusted Factor service$_2$ = 1 * 1.5 * 0.0415 = 0.0622<br>Unadjusted Factored Volume service$_2$ = 0.0498 * 190<br>Adjusted Factored Volume service$_2$ = 0.0622 * 190 | Unadjusted Factored Volume service$_2$ = 9.4<br>Adjusted Factored Volume service$_2$ = 11.8 |
| 10 | This step calculates the adjusted volume factor for each service | Delta in Factored Volumes service$_x$ = Adjusted Factored Volume service$_{(Result from step 9)}$ - unadjusted Factored Volume service$_{(Result from step 9)}$<br>Adjusted Volume Factor service$_x$ = Delta in Factored Volumes service$_x$ / Volume service$_x$ | Delta in Factored Volumes service$_2$ = 11.8 - 9.4 = 2.4<br>Adjusted Volume Factor service$_2$ = 2.4 / 190 | Adjusted Volume Factor service$_2$ = 1.24% |

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|---|---|---|---|---|---|
| | 11 | This step calculates the expedite factor adjustment using ARC volume information for each service.<br>For services with no volume information a expediate factor adjustment of 1 is assumed. | Expedite factor adjustment service$_x$ = Repair volumes service$_x$ / (Repair volumes service$_x$ + Provision volumes service$_x$) | Expedite factor adjustment service$_2$ = 8000 / (8000 + 6000) | Expedite factor adjustment service$_2$ = 57% |
| | 12 | This step calculates the usage factor for each enhanced care and expedite services | Service$_x$ usage factor = Adjusted Volume Factor service$_{(Result\ from\ step\ 10)}$ * Expedite Factor Adjustment service$_{(Result\ from\ step\ 11)}$ | Service$_2$ usage factor = 1.2% * 57% | Service$_2$ usage factor = 0.684 |
| | 13 | This step calculates the percentage allocation based on service factored volumes. | For each relevant service:<br>Weighted Usage Factor = Service$_x$ Usage Factor $_{(Result\ from\ step\ 7\ or\ 12)}$ * (Service$_x$ Volume / Total Service Factored Volume) | Service$_1$ = 0.07 * (100 / 800) | Service$_1$ = 0.875%<br>∑Service$_{1...n}$ = 100% |

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|---|---|
| **Reference** | CL178 |
| **Title** | Dropwire capital & analogue NTE |
| **Overview** | CL178 usage factors are calculated based on the usage of dropwire by the services to which the component costs and MCE are allocated. |
| **Description** | **1. Source Costs and MCE:** This component apportions the depreciation and capital costs of dropwire from the Distribution Point up to and including the customer Network Terminating Equipment (NTE).<br>**2. Cost and MCE Categories:** This mainly consists of Depreciation (Copper); and Non-current assets (Copper). |
| | **3. Summary Destination:** Predominantly apportions to rental services (PSTN, MPF, ISDN2, SOGEA), including SL122 (PSTN basic rentals internal), SL347 (MPF rental with SL1 external) and SL151 (PSTN basic rentals external), within the WLA, WFAEL and ISDN2 markets. |
| | **4. Methodology Taxonomy:** Other Misc.<br>**5. Driver classification:** Equipment Costs |
| **Super Component** | SC_CL178 - Dropwire capital & analogue NTE |
| **WACC rate** | 7.9% |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | This step details the usage factor, which is a static input of 1 or 0.5. The factors are based on the usage of drop wire by the services taking into account the volume measure of the service. | For each relevant service:<br>Service$_x$ usage factor = 0.5 or 1 | Service$_1$ usage factor = 1<br>Service$_2$ usage factor = 0.5 | Service$_1$ usage factor = 1<br>Service$_2$ usage factor = 0.5 |
| 2 | This step calculates the percentage allocation based on service factored volumes. | For each relevant service:<br>Service$_x$ allocation percentage = Service$_x$ Usage Factor $_{(Result\ from\ step\ 2)}$ * (Service$_x$ Volume / Total Service Factored Volume) | Service$_1$ = 1 * (2m / 5m)<br>Service$_2$ = 0.5 * (1m / 5m) | Service$_1$ = 40%<br>Service$_2$ = 10%<br>∑Service$_{1...n}$ = 100% |

| | |
|---|---|
| **Reference** | CL180 |
| **Title** | Analogue line drop maintenance |
| **Overview** | CL180 usage factors are calculated based on the number of channels per line, relative fault rates and service levels of the services to which the component costs and MCE are allocated. |
| **Description** | **1. Source Costs and MCE:** This component apportions the maintenance costs of residential Dropwire from the Distribution Point up to and including the customer Network Terminating Equipment; from PG122M (Dropwire Maintenance Residential) and PG121M (Dropwire Maintenance Business).<br>**2. Cost and MCE Categories:** Predominantly Openreach opex (excl. depn) (Service and network delivery); and Non-current assets (Software; and Land & buildings). |
| | **3. Summary Destination:** Predominantly apportions to PSTN and MPF services, including SL122 (PSTN basic rentals internal) and SL347 (MPF rental with SL1 external), within the WFAEL and WLA markets respectively. |
| | **4. Methodology Taxonomy:** Revenue & Volumes.<br>**5. Driver classification:** Network Feature Service Volumes. |
| **Super Component** | SC_CL180 - Analogue line drop maintenance |
| **WACC rate** | 7.9% |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| | Please see CL172 for calculation steps | | | |

| | |
|---|---|
| **Reference** | CL182 |
| **Title** | Abortive Visits |
| **Overview** | CL182 usage factors are calculated based on task times for services in the WLA and WLR markets, and relative volumes of provisions for services in other markets. |
| **Description** | **1. Source Costs and MCE:** This component apportions Abortive Visit Charges (AVC) from PG150B.<br>**2. Cost and MCE Categories:** Openreach opex (excl. depn) (Other); and Current Assets. |
| | **3. Summary Destination:** This component predominantly apportions to Abortive visit services (SL220, SL221, SL222, SL223) within the WLA & WFAEL markets. |
| | **4. Methodology Taxonomy:** Labour.<br>**5. Driver classification:** Man-hours & Labour Rates. |
| **Super Component** | SC_CL182 - Abortive Visits |
| **WACC rate** | 7.9% |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | This step calculates the usage factor for the WLA and WLR markets, using the total task time for each market as a proportion of total task time across all markets.<br>***Values for this are obtained from Task Time input*** | For each relevant market:<br>$Market_x$ task time per job = (Travel Time + Onsite Time + Stores Time) / No. Jobs<br>$Market_x$ = $Market_x$ task time per job (Result from above) / Total Task Time | $Market_{(WLA)}$ task time = (250k + 450k + 0) / 10k = 70<br>$Market_{(WLA)}$ usage factor = 70 /40 | $Market_{(WLA)}$ usage factor = 1.75 |
| 2 | This step calculates the usage factor for 'other' markets, a factor is calculated as the % provision of the total provision and repair.<br>***Data for this calculation is obtained from Expedites input*** | $Market_{(Other)}$ usage factor = Provision / (Provision + Repair) | $Market_{(Other)}$ usage factor = 1,500 / (1,500 + 3,000) | $Market_{(Other)}$ usage factor = 0.33 |

| | |
|---|---|
| **Reference** | CL193 |
| **Title** | Expedite Provision costs |
| **Overview** | CL193 usage factors are calculated based on task times for services in the WLA and WLR markets, and relative volumes of provisions for services in other markets. |
| **Description** | **1. Source Costs and MCE:** This component apportions the costs and MCE relating to Expedite Provision jobs from PG155B (Expedite Provision costs).<br>**2. Cost and MCE Categories:** Depreciation (Copper); and Non-Current Assets (Copper).<br>**3. Summary Destination:** This component predominantly apportions to Expedite services, including SL230 (NGA expedites internal) and SL231 (NGA expedites external), within the WLA & WFAEL markets.<br>**4. Methodology Taxonomy:** Revenue and Volumes.<br>**5. Driver classification:** Openreach Revenue and Volumes. |
| **Super Component** | SC_CL193 - Expedite Provision Costs |
| **WACC rate** | 7.9% |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | This step calculates the usage factor for the WLA and WLR markets, using the total task time for each market as a proportion of total task time across all markets.<br>***Values for this are obtained from Task Time input*** | For each relevant market:<br>$Market_{\chi}$ task time per job = (Travel Time + Onsite Time + Stores Time) / No. Jobs<br>$Market_{\chi}$ = $Market_{\chi}$ task time per job (Result from above) / Total Task Time | $Market_{(WLA)}$ task time = (250k + 450k + 0) / 10k = 70<br>$Market_{(WLA)}$ usage factor = 70 /40 | $Market_{(WLA)}$ usage factor = 1.75 |
| 2 | This step calculates the usage factor for 'other' markets, a factor is calculated as the % provision of the total provision and repair.<br>***Data for this calculation is obtained from Expedites input*** | $Market_{(Other)}$ usage factor = Provision / (Provision + Repair) | $Market_{(Other)}$ usage factor = 1,500 / (1,500 + 3,000) | $Market_{(Other)}$ usage factor = 0.33 |

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|---|---|
| **Reference** | CL577 |
| **Title** | Assurance WLA |
| **Overview** | CL174 usage factors are all equal to 1 except in the case of MPF services, where they are calculated based on the ratio of the fault rate for MPF to SMPF. |
| **Description** | **1. Source Costs and MCE:** This component apportions the costs of Openreach service management centres that deal with the repair of WLA services e.g. LLU. This component is 100% allocated from PG577B (OR Service Centre Assurance LLU).<br>**2. Cost and MCE Categories:** This mainly consists of Openreach opex (excl. depn) (Service and network delivery); and Non-current assets (Software).<br>**3. Summary Destination:** This component apportions to multiple services, predominantly MPF Rental and Accommodation Charges, including SL347 (MPF rental with SL1 external), within the WLA and Business Connectivity markets.<br>**4. Methodology Taxonomy:** Other Misc.<br>**5. Driver classification:** Equipment Costs |
| **Super Component** | SC_CL577 - OR Service Centre - Assurance WLA |
| **WACC rate** | 7.9% |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | This step details the usage factor. The usage factor apportions cost equally by volume i.e. all factors are 1 except in the case of MPF services where the ratio of the fault rate for MPF to SMPF is used. | For each relevant service:<br>$Service_x$ usage factor = 1 or 0.17 | $Service_1$ usage factor = 1 | $Service_1$ usage factor = 1 |
| 2 | This step calculates the percentage allocation based on service factored volumes. | For each relevant service:<br>$Service_x$ percentage allocation = $Service_x$ Usage Factor (Result from step 1) * ($Service_x$ Volume / Total Service Factored Volume) | $Service_1$ = 1 * (2m / 5m) | $Service_1$ = 40%<br>$\sum Service_{1...n}$ = 100% |

| | |
|---|---|
| **Reference** | CL590 |
| **Title** | SLG WLA External |
| **Overview** | CL590 captures the costs of Openreach Service Level Agreements for WLA External. Usage factors are calculated using the relative total amounts paid in compensation for repairs, relative price of the individual services and the relative fault rate between SMPF, MPF and NGA services. |
| **Description** | **1. Source Costs and MCE:** This component apportions the costs of Openreach Service Level Agreements for Wholesale Local Access (WLA) External, within other non-pay costs such as general support and general management and MCE containing software.<br>**2. Cost and MCE Categories:** Predominantly Openreach opex (excl. depn) (SLG Payments); and Current Assets. |
| | **3. Summary Destination:** This component apportions to multiple Rental services, predominantly SL339 (GEA other FTTC PCP only install connections external), SL313 (GEA 40/10 FTTC PCP only install connections external) and SL129 (MPF new provides external), within the WLA market. |
| | **4. Methodology Taxonomy:** Revenue & Volumes.<br>**5. Driver classification:** OR & BTW Service Revenue. |
| **Super Component** | SC_CL590 - SLG WLA Ext |
| **WACC rate** | 7.9% |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | This step calculates Service Revenue using price and volume (PxV) data. | For all relevant services:<br>$Service_{\chi}$ Revenue = Price * Volume | $Service_1$ Revenue = £10 * 2,500 units | $Service_1$ Revenue = £25,000 |
| 2 | This step calculates the weighted volume (i.e. adjusted for relative fault rates) using service revenue from step 1. | For all relevant services:<br>$Service_{\chi}$ weighted volume = $Service_{\chi}$ Revenue $_{(Results\ from\ step\ 1)}$ * MPF fault rates | $Service_1$ weighted volume = £25,000 * 20% | $Service_1$ weighted volume = 5,000 |
| 3 | This step calculates the percentage split between repairs and provision, using SLG compensation payments data. | Repairs = SLG Payments $_{Repair}$ / Total SLG payments<br>Provisions = SLG Payments $_{Provision}$ / Total SLG payments | Repair = £300k / £1,000k<br>Provision = £700k / £1,000k | Repair = 30%<br>Provision = 70% |
| 4 | This step calculates the WLA usage factor output, using weighted volumes and the provision and repair split calculated in steps 2 and 3. | For all relevant services:<br>$Service_{\chi}$ usage factor = ($Service_{\chi}$ weighted volume$_{(Result\ from\ step\ 2)}$ /Total weighted volume * Repair or Provision split %$_{(Result\ from\ step\ 3)}$ * Total weighted volume) / 1,000 | $Service_1$ = ( 5k / 45k * 30% * 100k) / 1k | $Service_1$= 3.33 |
| 5 | This step calculates the percentage allocation based on service factored volumes. | For each relevant service:<br>$Service_{\chi}$ percentage allocation = $Service_{\chi}$ Usage Factor $_{(Result\ from\ step\ 4)}$ * ($Service_{\chi}$ Volume / Total $Service_{\chi}$ Factored Volume) | $Service_1$ = 3.33 * (1m / 5m) | $Service_1$ = 67%<br>$\sum Service_{1...n}$ = 100% |

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|---|---|
| **Reference** | CL591 |
| **Title** | SLG WLA Internal |
| **Overview** | CL591 captures the costs of Openreach Service Level Agreements for WLA Internal. Usage factors are calculated using the relative total amounts paid in compensation for repairs, relative price of the individual services and the relative fault rate between SMPF, MPF and NGA services. |
| **Description** | **1. Source Costs and MCE:** This component apportions the costs of Openreach Service Level Agreements for Wholesale Local Access (WLA) Internal, within other non-pay costs such as general support and general management and MCE containing software.<br>**2. Cost and MCE Categories:** Predominantly Openreach opex (excl. depn) (SLG Payments); and Current Assets. |
| | **3. Summary Destination:** This component apportions to multiple Rental services, predominantly SL347 (MPF rental with SL1 external), SL337 (GEA other FTTC PCP other install connections internal) and SL300 (GEA FTTC rentals - all other speeds except 40/10 internal), within the WLA market. |
| | **4. Methodology Taxonomy:** Revenue & Volumes<br>**5. Driver classification:** OR & BTW Service Revenue |
| **Super Component** | SC_CL591 - SLG WLA Int |

| | |
|---|---|
| **WACC rate** | 7.9% |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | This step calculates Service Revenue using price and volume (PxV) data. | For all relevant services:<br>$Service_{\chi}$ Revenue = Price * Volume | $Service_{1}$ Revenue = £10 * 2,500 units | $Service_{1}$ Revenue = £25,000 |
| 2 | This step calculates the weighted volume (i.e. adjusted for relative fault rates) using service revenue from step 1. | For all relevant services:<br>$Service_{\chi}$ weighted volume = $Service_{\chi}$ Revenue $_{(Results\ from\ step\ 1)}$ * MPF fault rates | $Service_{1}$ weighted volume = £25,000 * 20% | $Service_{1}$ weighted volume = 5,000 |
| 3 | This step calculates the percentage split between repairs and provision, using SLG compensation payments data. | Repairs = SLG Payments $_{Repair}$ / Total SLG payments<br>Provisions = SLG Payments $_{Provision}$ / Total SLG payments | Repair = £300k / £1,000k<br>Provision = £700k / £1,000k | Repair = 30%<br>Provision = 70% |
| 4 | This step calculates the WLA usage factor output, using weighted volumes and the provision and repair split calculated in steps 2 and 3. | For all relevant services:<br>$Service_{\chi}$ usage factor = ($Service_{\chi}$ weighted volume$_{(Result\ from\ step\ 2)}$ /Total weighted volume * Repair or Provision split %$_{(Result\ from\ step\ 3)}$ * Total weighted volume) / 1,000 | $Service_{1}$ = ( 5k / 45k * 30% * 100k) / 1k | $Service_{1}$= 3.33 |
| 5 | This step calculates the percentage allocation based on service factored volumes. | For each relevant service:<br>$Service_{\chi}$ percentage allocation = $Service_{\chi}$ Usage Factor $_{(Result\ from\ step\ 4)}$ * ($Service_{\chi}$ Volume / Total $Service_{\chi}$ Factored Volume) | $Service_{1}$ = 3.33 * (1m / 5m) | $Service_{1}$ = 67%<br>$\sum Service_{1...n}$ = 100% |

| | |
|---|---|
| **Reference** | CL607 |
| **Title** | SLG WLR Provision Internal |
| **Overview** | CL607 contains service level guarantee costs associated with Wholesale Line Rental (WLR) provision - internal. The usage factors are based on the service average prices. |
| **Description** | **1. Source Costs and MCE:** This component apportions 'Service Level Guarantee' costs associated with Wholesale Line Rental (WLR) provision, within other non-pay costs such as general support and general management and MCE containing software.<br>**2. Cost and MCE Categories:** Predominantly Openreach opex (excl. depn) (SLG Payments); and Current Assets. |
| | **3. Summary Destination:** This component predominantly apportions to PSTN, ISDN and WLR Connection services, including SL112, SL142, SL190 and SL168, within the WFAEL and ISDN markets. |
| | **4. Methodology Taxonomy:** Revenue & Volumes.<br>**5. Driver classification:** OR & BTW Service Revenue. |
| **Super Component** | SC_CL607 - SLG WLR Provision Int |
| **WACC rate** | 7.9% |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | This step calculates the usage factor per service, with usage factor equal to price per service. | $Service_{\chi}$ price = £12<br>$Service_{\chi}$ usage factor = $Service_{\chi}$ price | $Service_{1}$ usage factor = 12 | $Service_{1}$ usage factor = 12 |
| 2 | This step calculates the percentage allocation based on service factored volumes. | For each relevant service:<br>Weighted Usage Factor = $Service_{\chi}$ Usage Factor $_{(Result\ from\ step\ 1)}$ * ($Service_{\chi}$ Volume / Total Service Factored Volume) | $Service_{1}$ = 12 * (100 / 8,000) | $Service_{1}$ = 15%<br>$\sum Service_{1...n}$ = 100% |

| | |
|---|---|
| **Reference** | CL611 |
| **Title** | SLG WLR Assurance Internal |
| **Overview** | CL611 contains service level guarantee costs associated with Wholesale Line Rental (WLR) assurance. The usage factors are based on the service average prices. |
| **Description** | **1. Source Costs and MCE:** This component apportions 'Service Level Guarantee' costs associated with Wholesale Line Rental (WLR) assurance, within other non-pay costs such as general support and general management and MCE containing software.<br>**2. Cost and MCE Categories:** Predominantly Openreach opex (excl. depn) (SLG Payments); and Current Assets. |
| | **3. Summary Destination:** This component predominantly apportions to PSTN and ISDN Rental services, including SL121, SL122, SL124 and SL152, within the WFAEL and ISDN markets. |
| | **4. Methodology Taxonomy:** Revenue & Volumes.<br>**5. Driver classification:** OR & BTW Service Revenue. |
| **Super Component** | SC_CL611 - SLG WLR Assurance Int |
| **WACC rate** | 7.9% |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | This step calculates the usage factor per service, with usage factor equal to price per service. | $Service_{\chi}$ price = £12<br>$Service_{\chi}$ usage factor = $Service_{\chi}$ price | $Service_1$ usage factor = 12 | $Service_1$ usage factor = 12 |
| 2 | This step calculates the percentage allocation based on service factored volumes. | For each relevant service:<br>Weighted Usage Factor = $Service_{\chi}$ Usage Factor (Result from step 1) * ($Service_{\chi}$ Volume / Total Service Factored Volume) | $Service_1$ = 12 * (100 / 8,000) | $Service_1$ = 15%<br>$\sum Service_{1...n}$ = 100% |

| | |
|---|---|
| **Reference** | CL612 |
| **Title** | IFRS15 Deferred Revenue Internal |
| **Overview** | CL612 usage factors are calculated based on the average prices of the services to which the component costs and MCE are allocated. |
| **Description** | **1. Source Costs and MCE:** This component apportions other non-pay costs, including general management and deferred revenue associated with IFRS 15.<br>**2. Cost and MCE Categories:** Openreach Opex (excl. depn) (Openreach central functions); and Current Liabilities. |
| | **3. Summary Destination:** This component apportions to multiple IFRS15 deferred revenue internal services, including SL980, SS190 and SS290, predominantly within the WLA and Business Connectivity markets. |
| | **4. Methodology Taxonomy:** Asset Metrics.<br>**5. Driver classification:** MCE. |
| **Super Component** | SC_CL612 - IFRS 15 Deferred Revenue Int |
| **WACC rate** | 8.0% |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | This step maps the current and prior year ARC balance sheet data to services and then to corresponding IFRS15 service. Results are then grouped by IFRS15 service as Opening balances (OB) and Closing balances (CB). | $Service_{\chi}$ ARC OB = $Product_{X1}$ ARC PY Balance + $Product_{X2}$ ARC PY Balance + ..<br>IFRS15 $Service_X$ OB = $Service_{X1}$ ARC OB + $Service_{X2}$ ARC OB + ...<br>$Service_X$ ARC CB= $Product_{X1}$ ARC CY Balance + $Product_{X2}$ ARC CY Balance + ...<br>IFRS15 $Service_X$ CB = $Service_{X1}$ ARC CB + $Service_{X2}$ ARC CB + ... | $Service_1$ ARC OB = 10 + 10 +...<br>IFRS15 $Service_1$ OB = 100 + 100 +...<br>$Service_1$ ARC CB = 20 + 20 + ...<br>IFRS15 $Service_1$ CB = 200 + 200 +... | $Service_1$ ARC OB = £100<br>IFRS15 $Service_1$ OB = £1,000<br>$Service_1$ ARC CB = £200<br>IFRS15 $Service_1$ CB = £2,000 |
| 2 | This step redistribute balances geographically across the Ethernet markets in proportion to the Revenue distribution by calculating an appropriate adjustment, for Ethernet services only. | Total $Ethernet_{\chi}$ Revenue = $Service_{\chi 1}$ Revenue + ... + $Service_{\chi n}$ Revenue<br>$Service_{X1}$ Allocation % = $Service_{\chi 1}$ Revenue / Total $Ethernet_{\chi}$ Revenue<br>Total $Ethernet_{\chi}$ OB= $Service_{\chi 1}$ OB + ... + $Service_{\chi n}$ OB<br>$Service_{\chi 1}$ OB Adj = Total $Ethernet_{\chi}$ OB * $Service_{\chi 1}$ Allocation % - $Service_{\chi 1}$ OB | Total $Ethernet_1$ Revenue = 25 + ... + 25 = £100<br>$Service_{X1}$ Allocation % = 25 / 100 = 25% | |

| | | | | |
|---|---|---|---|---|
| | | Total Ethernet$_x$ CB = Service$_{x1}$ CB + … + Service$_{xn}$ CB<br>Service$_{x1}$ CB Adj = Total Ethernet$_x$ CB * Service$_{x1}$ Allocation % - Service$_{x1}$ CB<br>IFRS15 Service$_x$ OB Adj = Service$_{x1}$ OB Adj + Service$_{x1}$ OB Adj + …<br>IFRS15 Service$_x$ CB Adj = Service$_{x1}$ CB Adj + Service$_{x1}$ CB Adj + … | Total Ethernet$_1$ OB = 100 + … + 100 = £500<br>Service$_{x1}$ OB Adj = 500 x 25% - 100 = £25<br>Total Ethernet$_1$ CB = 200 + … + 200 = £1,000<br>Service$_{x1}$ CB Adj = 1,000 x 25% - 200 = £50<br>IFRS15 Service$_1$ OB Adj = 25 + 26 + …<br>IFRS15 Service$_1$ CB Adj = 50 + 51 + … | IFRS15 Service$_1$ OB Adj = £150<br>IFRS15 Service$_1$ CB Adj = £300 |
| 3 | This step sums the IFRS15 service balances and adjustments to calculate MCE, which is the Usage Factor. | IFRS15 Service$_X$ Deferred Revenue Opening = IFRS15 Service$_X$ OB$_{(Result from Step 1)}$ + IFRS15 Service$_X$ OB Adj$_{(Result from Step 2)}$<br>IFRS15 Service$_X$ Deferred Revenue Closing = IFRS15 Service$_X$ CB$_{(Result from Step 1)}$ + IFRS15 Service$_X$ CB Adj$_{(Result from Step 2)}$<br>IFRS15 Service$_X$ Usage Factor/MCE = (IFRS15 Service$_X$ Deferred Revenue Opening$_{(Result from above)}$ + IFRS15 Service$_X$ Deferred Revenue Closing$_{(Result from above)}$) / 2 | IFRS15 Service$_1$ Deferred Revenue Opening = £1,000 + £150 = £1,150<br>IFRS15 Service$_1$ Deferred Revenue Closing = £2,000 + £300 = £2,300<br>IFRS15 Service$_1$ Usage Factor/MCE = (£1,150 + £2,300) / 2 | IFRS15 Service$_1$ Usage Factor/MCE = £1,725 |
| 4 | This step calculates the percentage allocation based on service factored volumes. | For each relevant service:<br>Service$_x$ percentage allocation = Service$_x$ Usage Factor $_{(Result from step 3)}$ * (Service$_x$ Volume / Total Service Factored Volume) | Service$_1$ = 1,725 * (500 / 5m) | Service$_1$ = 17%<br>∑Service$_{1…n}$ = 100% |

| | |
|---|---|
| **Reference** | CL613 |
| **Title** | IFRS 15 SLGs Int |
| **Overview** | CL613 contains service level guarantee costs associated with IRFS 15. The usage factors are based on the service average prices. |
| **Description** | **1. Source Costs and MCE:** This component apportions 'Service Level Guarantee' costs associated with IRFS 15, within other non-pay costs such as general support and general management and MCE containing software.<br>**2. Cost and MCE Categories:** Predominantly Openreach opex (excl. depn) (Other); and Non-current assets (Other). |
| | **3. Summary Destination:** This component apportions to multiple IFRS 15 and SLG services, predominantly SL982, SL983, SO906 and SO907, within the WLA, WFAEL, ISDN and BCMR markets. |
| | **4. Methodology Taxonomy:** Revenue & Volumes.<br>**5. Driver classification:** OR & BTW Service Revenue. |
| **Super Component** | SC_CL613 - IFRS 15 SLGs Int |
| **WACC rate** | 8.9% |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | This steps calculates the service usage factor based on SLG revenues. | Service$_x$ usage factor = SLG Revenue / 1,000,000 | Service$_1$ usage factor = £2,500,000 / 1,000,000 | Service$_1$ usage factor = 2.5 |
| 2 | This step calculates the percentage allocation based on service factored volumes. | For each relevant service:<br>Service$_x$ percentage allocation = Service$_x$ Usage Factor $_{(Result from step 1)}$ * (Service$_x$ Volume / Total Service Factored Volume) | Service$_1$ = 2.5 * (200 / 5,000) | Service$_1$ = 10%<br>∑Service$_{1…n}$ = 100% |

| | |
|---|---|
| **Reference** | CL614 |
| **Title** | IFRS 15 Deferred Revenue External |
| **Overview** | CL614 usage factors are calculated based on the average prices of the services to which the component costs and MCE are allocated. |
| **Description** | **1. Source Costs and MCE:** This component apportions other non-pay costs, including general management and deferred revenue associated with IFRS 15.<br>**2. Cost and MCE Categories:** Openreach opex (excl. depn) (Openreach central functions); and Current Liabilities. |
| | **3. Summary Destination:** This component apportions to multiple IFRS 15 Revenue services, predominantly SL981, SS191 and SS291, within the CI Access services -BT+1/BT Only & WLA markets. |
| | **4. Methodology Taxonomy:** Asset Metrics.<br>**5. Driver classification:** MCE. |
| **Super Component** | SC_CL614 - IFRS 15 Deferred Revenue Ext |
| **WACC rate** | 8.0% |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | This step maps the current and prior year ARC balance sheet data to services and then to corresponding IFRS15 service. Results are then grouped by IFRS15 service as Opening balances (OB) and Closing balances (CB). | $Service_X$ ARC OB = $Product_{X1}$ ARC PY Balance + $Product_{X2}$ ARC PY Balance + ..<br>IFRS15 $Service_X$ OB = $Service_{X1}$ ARC OB + $Service_{X2}$ ARC OB + ...<br>$Service_X$ ARC CB= $Product_{X1}$ ARC CY Balance + $Product_{X2}$ ARC CY Balance + ...<br>IFRS15 $Service_X$ CB = $Service_{X1}$ ARC CB + $Service_{X2}$ ARC CB + ... | $Service_1$ ARC OB = 10 + 10 +...<br>IFRS15 $Service_1$ OB = 100 + 100 +...<br>$Service_1$ ARC CB = 20 + 20 + ...<br>IFRS15 $Service_1$ CB = 200 + 200 +... | $Service_1$ ARC OB = £100<br>IFRS15 $Service_1$ OB = £1,000<br>$Service_1$ ARC CB = £200<br>IFRS15 $Service_1$ CB = £2,000 |
| 2 | This step redistribute balances geographically across the Ethernet markets in proportion to the Revenue distribution by calculating an appropriate adjustment, for Ethernet services only. | Total $Ethernet_X$ Revenue = $Service_{X1}$ Revenue + ... + $Service_{Xn}$ Revenue<br>$Service_{X1}$ Allocation % = $Service_{X1}$ Revenue / Total $Ethernet_X$ Revenue<br>Total $Ethernet_X$ OB= $Service_{X1}$ OB + ... + $Service_{Xn}$ OB<br>$Service_{X1}$ OB Adj = Total $Ethernet_X$ OB * $Service_{X1}$ Allocation % - $Service_{X1}$ OB<br>Total $Ethernet_X$ CB = $Service_{X1}$ CB + ... + $Service_{Xn}$ CB<br>$Service_{X1}$ CB Adj = Total $Ethernet_X$ CB * $Service_{X1}$ Allocation % - $Service_{X1}$ CB<br>IFRS15 $Service_X$ OB Adj = $Service_{X1}$ OB Adj + $Service_{X1}$ OB Adj + ...<br>IFRS15 $Service_X$ CB Adj = $Service_{X1}$ CB Adj + $Service_{X1}$ CB Adj + ... | Total $Ethernet_1$ Revenue = 25 + ... + 25 = £100<br>$Service_{X1}$ Allocation % = 25 / 100 = 25%<br>Total $Ethernet_1$ OB = 100 + ... + 100 = £500<br>$Service_{X1}$ OB Adj = 500 x 25% - 100 = £25<br>Total $Ethernet_1$ CB = 200 + ... + 200 = £1,000<br>$Service_{X1}$ CB Adj = 1,000 x 25% - 200 = £50<br>IFRS15 $Service_1$ OB Adj = 25 + 26 + ...<br>IFRS15 $Service_1$ CB Adj = 50 + 51 + ... | IFRS15 $Service_1$ OB Adj = £150<br>IFRS15 $Service_1$ CB Adj = £300 |
| 3 | This step sums the IFRS15 service balances and adjustments to calculate MCE, which is the Usage Factor. | IFRS15 $Service_X$ Deferred Revenue Opening = IFRS15 $Service_X$ $OB_{(Result\ from\ Step\ 1)}$ + IFRS15 $Service_X$ $OB\ Adj_{(Result\ from\ Step\ 2)}$<br>IFRS15 $Service_X$ Deferred Revenue Closing = IFRS15 $Service_X$ $CB_{(Result\ from\ Step\ 1)}$ + IFRS15 $Service_X$ $CB\ Adj_{(Result\ from\ Step\ 2)}$<br>IFRS15 $Service_X$ Usage Factor/MCE = (IFRS15 $Service_X$ Deferred Revenue $Opening_{(Result\ from\ above)}$ + IFRS15 $Service_X$ Deferred Revenue $Closing_{(Result\ from\ above)}$) / 2 | IFRS15 $Service_1$ Deferred Revenue Opening = £1,000 + £150 = £1,150<br>IFRS15 $Service_1$ Deferred Revenue Closing = £2,000 + £300 = £2,300<br>IFRS15 $Service_1$ Usage Factor/MCE = (£1,150 + £2,300) / 2 | IFRS15 $Service_1$ Usage Factor/MCE = £1,725 |
| 4 | This step calculates the percentage allocation based on service factored volumes. | For each relevant service: | $Service_1$ = 1,725 * (500 / 5m) | $Service_1$ = 17%<br>$\sum Service_{1...n}$ = 100% |

| | | | | | |
|---|---|---|---|---|---|
| | | | $Service_x$ percentage allocation = $Service_x$ Usage Factor $_{(Result\ from\ step\ 3)}$ * ($Service_x$ Volume / Total Service Factored Volume) | | |

| | |
|---|---|
| **Reference** | Cumulo Rates NGA |
| **Title** | CL941 |
| **Overview** | CL941 usage factors are calculated based on the Profit Weighted Net Replacement Costs (PWNRC) for the NGA services to which the component costs and MCE are allocated. |
| **Description** | **1. Source Costs and MCE:** This component apportions the costs and MCE relating to Next Generation Access (NGA) markets from PG941A (Cumulo Rates NGA).<br>**2. Cost and MCE Categories:** Rest of BT opex (excl. depn) (Cumulo); and Current Assets. |
| | **3. Summary Destination:** This component apportions to multiple GEA and G Fast connection and rental services, predominantly SL305, SL300, SL310 and SL311, within the WLA market. |
| | **4. Methodology Taxonomy:** Asset metrics.<br>**5. Driver classification:** Net replacement cost. |
| **Super Component** | SC_CL941 - Cumulo Rates NGA |
| **WACC rate** | 7.9% |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | **Non-BT Assets**<br>This step calculates the Conversion Ratio of Specialised Estate NRC to the Group Property trade for specialised buildings. Used to apportion the specialised NRC value across components | Conversion Ratio = Total Non BT Operational Building Assets / Total Group Property Trades for Operational Buildings | Conversion Ratio = 800 / 10 | Conversion Ratio = 80 |
| 2 | **Non-BT Assets**<br>This step uses the Conversion Ratio from Step 1 to calculate the CCA MCE cost for each service | CCA MCE (£) = (Total Cost for Service/1000) * Conversion Ratio $_{(result\ from\ Step\ 1)}$ | CCA MCE (£) = 100,000/1,000 * 80 | CCA MCE (£) = £8k |
| 3 | **Non-BT Assets**<br>This step calculates the Landlord MCE cost by multiplying the CCA MCE cost by the Landlord % | Landlord MCE (£) = CCA MCE (£) $_{(result\ from\ Step\ 2)}$ * Landlord % | Landlord MCE (£) = £8k * 100% | Landlord MCE (£) = £8k |
| 4 | **Non-BT Assets**<br>This step calculates the Weighted MCE value for NGA i.e. FTTC /FTTP & Non NGA Assets by multiplying the Landlord MCE cost (£) by the WACC Rate % | Weighted Return (£) = Landlord MCE (£) $_{(result\ from\ Step\ 3)}$ * WACC Rate (%) | Weighted Return (£) = £8k * 9% | Weighted Return (£) = £720 |
| 5 | **BT Assets**<br>This step calculates the PIA cost of each service as a % of the total component | % of service as total of component = Total Cost for Service (£) / Total Cost for Component which Service resides in (£) | % of service as total of component = £5m / £50m | % of service as total of component = 10% |
| 6 | **BT Assets**<br>The component % allocation of the total components is multiplied by the % of service as total of component. This is the % to be added to each service | Total percentage to be added to service = % of service as total of component $_{(result\ from\ Step\ 5)}$ * % of component of the total components | Total percentage to be added to service = 0.1 * 0.15 | Total percentage to be added to service = 1.5% |
| 7 | **BT Assets**<br>This step takes the sum MCE of all PIA services and multiplies it by the % calculated in the previous step. The PIA MCE is then summed on a Service level | Total PIA MCE (£) = Total percentage to be added to service $_{(result\ from\ Step\ 6)}$ * Total Sum of MCE for PIA Services (£) | Total PIA MCE (£) = 1.5% * £5,000m | Total PIA MCE (£) = £75m |

| | | | | | |
|---|---|---|---|---|---|
| | 8 | **BT Assets**<br>This step calculates the new PIA MCE using the MCE cost proportion for each service and the Total PIA MCE Cost calculated in the previous step | PIA MCE for each Service and COW = ( MCE for each Service and COW (£) / Total Service MCE (£) ) * Value of PIA MCE (£) (result from Step 7 which has been summed up on a Service Level) | PIA MCE for each Service and COW = ( 5m / 100m ) * 75m | PIA MCE for each Service and COW = £3.75m |
| | 9 | **BT Assets**<br>This step calculates the CCA MCE cost using the original MCE and new PIA MCE costs | CCA MCE (£) = (MCE + PIA MCE (result from Step 8)) / 1000 | CCA MCE (£) = (5m+ 3.75m) / 1000 | CCA MCE (£) = £875k |
| | 10 | **BT Assets**<br>This step calculates the Landlord MCE cost by multiplying the CCA cost by the Landlord % | Landlord MCE (£) = CCA MCE (£) (result from Step 9) * Landlord % | Landlord MCE (£) = £875k * 100% | Landlord MCE (£) = £875k |
| | 11 | **BT Assets**<br>This step calculates the Weighted MCE value for NGA i.e. FTTC /FTTP & Non NGA Assets by multiplying the Landlord MCE cost by the WACC Rate % | Weighted Return (£) =Landlord MCE (£) (result from Step 10) * WACC Rate % | Weighted Return (£) = £875k * 8% | Weighted Return (£) = £70k |
| | 12 | Calculate the percentage allocation of each service based on the weighted return for the service divided by the total weighted return for all services this component allocates cost to. | $Service_x$ % Allocation = Weighted Return for $Service_x$ (£) (result from Step 4 and 11) / Total Weighted returns for all services (£) (result from Step 4 and 11 which have been summed up) | $Service_1$ % Allocation = 40k / 320k | $Service_1$ % Allocation = 20%<br>$\sum Service_{1...n}$ % Allocation= 100% |
| | 13 | A volume based weighting is applied to arrive at the final factor allocation | $Service_x$ Factor = $Service_x$ % Allocation (result from Step 12) / Volume | $Service_1$ Factor = 0.20 / 20 | $Service_1$ Factor = 0.01 |
| | 14 | This step calculates the percentage allocation based on service factored volumes. | For each relevant service:<br>$Service_x$ percentage allocation = $Service_x$ Usage Factor (result from Step 13) * ($Service_x$ Volume / Total Service Factored Volume) | $Service_1$ = 1 * (200 / 1000) | $Service_1$ = 20%<br>$\sum Service_{1...n}$ = 100% |

| | |
|---|---|
| **Reference** | Cumulo Non NGA - Non Openreach |
| **Title** | CL942 |
| **Overview** | CL942 usage factors are calculated based on the Profit Weighted Net Replacement Costs (PWNRC) for the services to which the component costs and MCE are allocated. |
| **Description** | **1. Source Costs and MCE:** This component apportions the costs and MCE relating to Non Next Generation Access (NGA) BTW markets from PG942A (Cumulo Non NGA BTW).<br>**2. Cost and MCE Categories:** Rest of BT opex (excl. depn) (Cumulo); and Current Assets. |
| | **3. Summary Destination:** This component apportions to multiple services, including SO371 and SG208, within the Fixed call origination, Technical Areas (DLE Interconnect Circuits), Fixed geographic call termination, WBA (Market A) and Rest of BT residual markets. |
| | **4. Methodology Taxonomy:** Asset metrics.<br>**5. Driver classification:** Net replacement cost. |
| **Super Component** | SC_CL942 - Cumulo Non NGA BTW |
| **WACC rate** | 8.9% |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| | Please see CL941 for calculation steps. | | | |

| | |
|---|---|
| **Reference** | Cumulo Non NGA - Openreach |
| **Title** | CL943 |
| **Overview** | CL943 usage factors are calculated based on the Profit Weighted Net Replacement Costs (PWNRC) for the services to which the component costs and MCE are allocated. |
| **Description** | **1. Source Costs and MCE:** This component apportions the costs and MCE relating to Non Next Generation Access (NGA) OR markets from PG943A (Cumulo Non NGA OR).<br>**2. Cost and MCE Categories:** Rest of BT opex (excl. depn) (Cumulo); and Current Assets. |
| | **3. Summary Destination:** This component apportions to all OR markets, via multiple services including SL122 (PSTN basic rentals), and SL347 (MPF rental with SL1). |
| | **4. Methodology Taxonomy:** Asset metrics.<br>**5. Driver classification:** Net replacement cost. |
| **Super Component** | SC_CL943 - Cumulo Non NGA OR |
| **WACC rate** | 7.9% |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| | Please see CL941 for calculation steps. | | | |

| | |
|---|---|
| **Reference** | CL954 |
| **Title** | GEA FTTC Customer Site Electronics |
| **Overview** | CL1954 usage factors are calculated based on engineering time data. |
| **Description** | **1. Source Cost and MCE:** This component apportions the costs for customer site super-fast fibre broadband provision activity. It covers costs for customer site activity to the customer NTE. This includes jumpering activity at the PCP. The usage factors for this component are based on engineering time data.<br>**2. Cost and MCE Categories:** Openreach opex (excl. depn) (Other); and Non-current assets (Fibre). |
| | **3. Summary Destination:** This component apportions to GEA FTTC services (predominantly SL339, SL313, SL337 and SL303), SOGEA services (including SL355) and G Fast services within the WLA market. |
| | **4. Methodology Taxonomy:** Revenue & Volumes.<br>**5. Driver classification:** Volumes. |
| **Super Component** | SC_CL954 - GEA FTTC Customer Site Installation |
| **WACC rate** | 8.9% |

**Calculation steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | This step calculates the usage factor using channels/circuit and relative times. In this instance, the usage factor is a static input. | Usage factor = 1 | Usage factor = 1 | Usage factor = 1 |
| 2 | This step calculates the percentage allocation based on service factored volumes. | For each relevant service:<br>$Service_x$ percentage allocation = $Service_x$ Usage Factor $_{(Result\ from\ step\ 1)}$ * ($Service_x$ Volume / Total Service Factored Volume) | $Service_1$ = 1 * (100 / 800) | $Service_1$ = 12.5%<br>$\sum Service_{1...n}$ = 100% |

| | |
|---|---|
| **Reference** | CL958 |
| **Title** | GEA FTTC Provisions |
| **Overview** | CL1958 usage factors are calculated based on engineering time data. |
| **Description** | **1. Source Costs and MCE:** This component apportions provision costs for the FTTC services. The usage factors for this component are based on engineer time data.<br>**2. Cost and MCE Categories:** Openreach opex (excl. depn) (Other); and Current assets. |
| | **3. Summary Destination:** This component predominantly apportions to GEA services (including SL339, SL313, SL337 and SL303), as well as SOGEA services (including SL355) within the WLA market. |
| | **4. Methodology Taxonomy:** Revenue & Volumes.<br>**5. Driver classification:** Volumes. |
| **Super Component** | SC_CL958 - GEA FTTC Provisions |
| **WACC rate** | 8.9% |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | This step calculates the usage factor using channels/circuit and relative times. In this instance, the usage factor is a static input. | Usage factor = 1.5 | Usage factor = 1.5 | Usage factor = 1.5 |
| 2 | This step calculates the percentage allocation based on service factored volumes. | For each relevant service:<br>$Service_{\chi}$ percentage allocation = $Service_{\chi}$ Usage Factor $_{(Result\ from\ step\ 1)}$ * ($Service_{\chi}$ Volume / Total Service Factored Volume) | $Service_{1}$ = 1.5 * (100 / 800) | $Service_{1}$ = 18.75%<br>$\sum Service_{1...n}$ = 100% |

| | |
|---|---|
| **Reference** | CL962 |
| **Title** | GEA (Generic Ethernet Access) Cable Links |
| **Overview** | CL962 usage factors are calculated based on the relative cablelink costs for the services to which the component costs and MCE are allocated. |
| **Description** | **1. Source Costs and MCE:** This component apportions the costs of the provision of GEA cable links.<br>**2. Cost and MCE Categories:** Openreach opex (excl. depn) (Other); and Current Assets. |
| | **3. Summary Destination:** This component predominantly apportions to GEA Cablelink Connection services (SL321, SL322, SL328 and SL329) within the WLA market. |
| | **4. Methodology Taxonomy:** Other Miscellaneous<br>**5. Driver classification:** Head-end Equipment Cost |
| **Super Component** | SC_CL962 - GEA Cable Links |
| **WACC rate** | 8.9% |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | This step calculates the cable link factors. Prices for 1G cables are divided by the cable link price of 10G cables for the services SL321, SL322, SL328 and SL329. ***Values for this are obtained from Cablelink Split input*** | For each relevant service:<br>$Service_{\chi\ 1G}$ = 1G Cable link price / 10G Cable link price<br>$Service_{\chi\ 10G}$ = 10G Cable link price / 10G Cable link price | $Service_{\chi\ 1G}$ = £300 / £500<br>$Service_{\chi\ 10G}$ = £500 / £500 | $Service_{\chi\ 1G}$ = 0.6<br>$Service_{10G}$ = 1.0 |

| | |
|---|---|
| **Reference** | CN619 |
| **Title** | Ethernet Backhaul Direct - Active |
| **Overview** | CN619 usage factors are calculated based on the relative costs of providing transponders for 10Gbit/s services compared to 1Gbit/s services. |
| **Description** | **1. Source Costs and MCE:** This component apportions the capital costs associated with transmission electronics between Wavelength Division Multiplexing (WDM) Multi Service Access Node (MSAN) and a Metro Node. (WDM-Metro Link PG899A) In particular this component attributes depreciation associated with switch and transmission and non-pay costs as well as non-current assets relating to switch and transmission and land and buildings.<br>**2. Cost and MCE Categories:** Mainly consists of Depreciation (Switch & transmission); and Non-current assets (Switch & transmission; and Land & buildings). |
| | **3. Summary Destination:** This component predominantly apportions to EBD Rental services, including SS821, SS621 and SS721, within the Inter-exchange Business Connectivity and Openreach residual markets. |
| | **4. Methodology Taxonomy:** Revenue & Volumes.<br>**5. Driver classification:** Connection Service Volumes. |
| **Super Component** | SC_CN619 - Ethernet Backhaul Direct - Active |
| **WACC rate** | 8% |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | This step calculates the Component Cost based on the current and prior year asset cost as a proportion of asset life.<br>***Values obtained from CAM Costs Input*** | For each relevant 10G and 1G component:<br>$Component_{x}$ Cost = (CY Cost / Asset Life) / (PY Cost / Asset Life) | $Component_{10G}$ Cost = ( £1,250 / 6) / ( £13 / 6)<br>$Component_{1G}$ Cost = ( £1,000 / 6) / ( £11 / 6) | $Component_{1 - 10G}$ Cost = £96<br>$Component_{2 - 1G}$ Cost = £91 |
| 2 | This step calculates Unit Cost based on the component cost (sum of result from step 1) divided by Total Volumes.<br>***Values obtained from 21C and Service Volumes Input*** | For 10G and 1G total component<br>$Component_{10G/1G}$ Unit Cost = Total $Component_{10G/1G}$ Cost / Total Volumes | $Component_{10G}$ Unit Cost = £1,500 / 25<br>$Component_{1G}$ Unit Cost = £1,200 / 25 | $Component_{10G}$ Unit Cost = £60<br>$Component_{1G}$ Unit Cost = £48 |
| 3 | This step calculates service Usage Factor (Ratio 10G / 1G cost). Each Service is either 10G or 1G.<br>If 10G then this step calculates the usage factor by dividing 10G cost by 1G cost from step 1 otherwise it is allocated a value of 1 | $Service_{x(10G)}$ = $Component_{10G}$ Unit $Cost_{(Result\ from\ step\ 2)}$ / $Component_{1G}$ Unit $Cost_{(Result\ from\ step\ 2)}$<br>$Service_{x(1G)}$ = Static Allocation | $Service_{1\ (10G)}$ = £60 / £48<br>$Service_{2\ (10G)}$ = 1 | $Service_{1\ (10G)}$ = 1.25<br>$Service_{2\ (10G)}$ = 1 |
| 4 | This step calculates the percentage allocation based on service factored volumes. | For each relevant service:<br>$Service_{x}$ percentage allocation = $Service_{x}$ Usage $Factor_{(Result\ from\ step\ 3)}$ * ($Service_{x}$ Volume / Total Service Factored Volume) | $Service_{1}$ = 1.25 * (200 / 500k)<br>$Service_{2}$ = 1 * (100 / 500k) | $Service_{1}$ = 0.05%<br>$Service_{2}$ = 0.075%<br>$\sum Service_{1...n}$ = 100% |

| | |
|---|---|
| **Reference** | CN620 |
| **Title** | Ethernet Backhaul Direct - Passive |
| **Overview** | CN620 usage factors are calculated based on the different CISBO market areas. The factors represent the relative costs of providing fibre links between BT exchanges in the different CISBO market areas, derived from a study of the fibre infrastructure and the average circuit lengths in the different CISBO market areas. |
| **Description** | **1. Source Costs and MCE:** This component apportions the backhaul fibre (PG170B) and duct between WDM (Wavelength Division Multiplexing) Multi Service Access Node (MSAN) and a Metro Node (PG900A). In particular this component attributes depreciation associated with switch and transmission and non-pay costs as well as non-current assets relating to switch and transmission and land and buildings.<br>**2. Cost and MCE Categories:** Mainly consists of Depreciation (Switch & transmission); and Non-current assets (Switch & transmission; and Land & buildings). |
| | **3. Summary Destination:** This component predominantly apportions to EBD Rental services, including SS621 and SS721, within the Inter-exchange Business Connectivity and Openreach residual markets. |
| | **4. Methodology Taxonomy:** Revenue & Volumes. |

| | |
|---|---|
| | **5. Driver classification:** Connection Service Volumes. |
| **Super Component** | SC_CN620 - Ethernet Backhaul Direct Passive |
| **WACC rate** | 8% |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | This step calculates the Weighted Cost (£) for each market. To do so it divides the Total Cost (£) by Total Route Distance (kms).<br>***Both values obtained from Main Links Geo Factor input*** | For each relevant market:<br>$Market_x$ weighted = Total Cost for $Market_x$ / Total Route Distance (kms) | $Market_1$ weighted cost = £15,000 /100km | $Market_1$ weighted cost= £150 |
| 2 | This step calculates Geo Cost Factor for each market. It divides the Weighted Cost (£)$_{(Result\ from\ Step\ 1)}$ by BT Only Weighted Cost (£)<br>***BT Only Weighted Cost (£) obtained from Main Links Geo Factor input*** | For each relevant market:<br>$Market_x$ geo cost factor = $Market_x$ weighted cost$_{(Result\ from\ Step\ 1)}$ / BT Only weighted cost | $Market_1$ geo cost factor = £150 / £50 | $Market_1$ geo cost factor = 3 |
| 3 | This step calculates BT Only Length km. To do so Length (kms) is divided by Vol of CCTS.<br>***Values obtained from Average EBD Lengths input*** | For each relevant market:<br>$Market_x$ BT Only lengths = Length (kms) / Vol of CCTS | $Market_1$ BT Only lengths = 100 / 50 | $Market_1$ BT Only lengths = 2 |
| 4 | EBD Length Factor is determined for each market. The length (kms) is divided by BT Only Length KM (Result from step 3).<br>***Values obtained from Average EBD Lengths input*** | For each relevant market:<br>$Market_x$ EBD length factor = Length (kms) / BT Only Length KM$_{(Result\ from\ Step\ 3)}$ | $Market_1$ EBD length factor = 100 / 2 | $Market_1$ EBD length factor = 50 |
| 5 | Each service is allocated to a Market. This step uses results from the previous calculation steps to determine the Factor Allocation for each service by multiplying Geo Cost Factor by EBD Length Factor. | For each relevant service:<br>$Service_x$ usage factor = Geo Cost Factor$_{(Result\ from\ step\ 2)}$ * EBD Length Factor$_{(Result\ from\ step\ 3)}$ | $Service_1$ usage factor = 3 * 50 | $Service_1$ usage factor = 150 |
| 6 | This step calculates the percentage allocation based on service factored volumes. | For each relevant service:<br>$Service_x$ percentage allocation = $Service_x$ Usage Factor $_{(Result\ from\ step\ 5)}$ * ($Service_x$ Volume / Total Service Factored Volume) | $Service_1$ allocation = 150 * (200 / 500,000) | $Service_1$= 6%<br>$\sum Service_{1...n}$ = 100% |

| | |
|---|---|
| **Reference** | CO210 |
| **Title** | Local exchange processor duration |
| **Overview** | CL174 usage factors are mostly equal to 1, with the exception of conveyance and transit services, which are based on route factor information. These factors have been frozen since 2018. |
| **Description** | **1. Source Costs and MCE:** This component apportions the land and buildings & transmission costs of local exchange processor duration.<br>**2. Cost and MCE Categories:** Depreciation (Switch & Transmission; and Land & Buildings), Rest of BT opex (excl. depn) (Other); and Non-current assets (Switch & Transmission; and Land & Buildings). |
| | **3. Summary Destination:** This component apportions to various services within the Fixed Call Origination, Fixed geographic call termination and Wholesale Residual markets, including SCO021, SCT01E and SCT01I. |
| | **4. Methodology Taxonomy:** Revenues & Volumes.<br>**5. Driver classification:** Wholesale Calls revenue & volumes. |
| **Super Component** | SC_CO210 - Local exchange processor duration |
| **WACC rate** | 8.9% |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | Usage Factors are frozen, i.e. assumed to be the factors as they stood at 2017/18 when they were derived from the then Call Volumes. This reflects how much of each component was being used in that part of the network for each service. | For all relevant services:<br>$Service_x$ Factor = 1718 $Service_x$ Factor | $Service_1$ Factor = 1 | $Service_1$ Factor = 1 |
| 2 | This step calculates the percentage allocation based on service factored volumes. | For each relevant service: | $Service_1$ = 1 * (1m / 2m) | $Service_1$ = 50%<br>$\sum Service_{1...n}$ = 100% |

| | | | | | |
|---|---|---|---|---|---|
| | | | $Service_x$ percentage allocation = $Service_x$ Usage $Factor_{(Result\ from\ step\ 1)}$ * ($Service_x$ Volume / Total Service Factored Volume) | | |

| | |
|---|---|
| **Reference** | CO212 |
| **Title** | Local exchange processor set-up |
| **Overview** | CO212 usage factors are mostly equal to 1, with the exception of conveyance and transit services, which are based on route factor information. These factors have been frozen since 2018. |
| **Description** | **1. Source Costs and MCE:** This component predominantly assigns opex, depreciation and non-current asset costs associated with land and buildings, switch and transmission and software for local exchange processor set-up.<br>**2. Cost and MCE Categories:** Depreciation (Switch & Transmission; and Land & Buildings), Rest of BT opex (excl. depn) (Other); and Non-current assets (Switch & Transmission; and Land & Buildings). |
| | **3. Summary Destination:** This component apportions to various services, predominantly SCO02I, SCT01E and SCT01I, within the Fixed Call Origination, Fixed geographic call termination and Wholesale Residual markets. |
| | **4. Methodology Taxonomy:** Revenues & Volumes<br>**5. Driver classification:** Wholesale Calls revenue & volumes |
| **Super Component** | SC_CO212 - Local exchange processor set-up |
| **WACC rate** | 8.9% |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | Usage Factors are frozen, i.e. assumed to be the factors as they stood at 2017/18 when they were derived from the then Call Volumes. This reflects how much of each component was being used in that part of the network for each service. | For all relevant services:<br>$Service_x$ Factor = 1718 $Service_x$ Factor | $Service_1$ Factor = 1 | $Service_1$ Factor = 1 |
| 2 | This step calculates the percentage allocation based on service factored volumes. | For each relevant service:<br>$Service_x$ percentage allocation = $Service_x$ Usage $Factor_{(Result\ from\ step\ 1)}$ * ($Service_x$ Volume / Total Service Factored Volume) | $Service_1$ = 1 * (1m / 2m) | $Service_1$ = 50%<br>$\sum Service_{1...n}$ = 100% |

| | |
|---|---|
| **Reference** | CO325 |
| **Title** | Remote - local transmission link |
| **Overview** | CO325 usage factors are based on route factor information. These factors have been frozen since 2018. |
| **Description** | **1. Source Costs and MCE:** This component apportions the costs of remote - local transmission links.<br>**2. Cost and MCE Categories:** Depreciation (Switch & Transmission; and Land & Buildings), Rest of BT opex (excl. depn) (Other); and Non-current assets (Switch & Transmission; and Land & Buildings). |
| | **3. Summary Destination:** This component apportions to various services, predominantly SCO02IB, SCT01EB and SCT01IB, within the Fixed Call Origination, Fixed Geographic Call Termination and Wholesale Residual markets. |
| | **4. Methodology Taxonomy:** Revenue & Volumes.<br>**5. Driver classification:** Wholesale Calls revenue & volumes. |
| **Super Component** | SC_CO325 - Remote - local transmission link |
| **WACC rate** | 8.9% |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | Usage Factors are frozen, i.e. assumed to be the factors as they stood at 2017/18 when they were derived from the then Call Volumes. This reflects how | For all relevant services:<br>$Service_x$ Factor = 1718 $Service_x$ Factor | $Service_1$ Factor = 1 | $Service_1$ Factor = 1 |

| | | | | | |
|---|---|---|---|---|---|
| | | much of each component was being used in that part of the network for each service. | | | |
| | 2 | This step calculates the percentage allocation based on service factored volumes. | For each relevant service:<br>$Service_x$ percentage allocation = $Service_x$ Usage $Factor_{(Result\ from\ step\ 1)}$ * ($Service_x$ Volume / Total Service Factored Volume) | $Service_1$ = 0.8 * (1m / 2m) | $Service_1$ = 50%<br>$\sum Service_{1...n}$ = 100% |

| | |
|---|---|
| **Reference** | CO326 |
| **Title** | Remote - local transmission length |
| **Overview** | CO326 usage factors are based on route factor information. These factors have been frozen since 2018. |
| **Description** | **1. Source Costs and MCE:** This component assigns local transmission length costs for remote services<br>**2. Cost and MCE Categories:** Depreciation (Switch & Transmission), Rest of BT opex (excl. depn) (Other); and Non-current assets (Switch & Transmission). |
| | **3. Summary Destination:** This component apportions to the Fixed Call Origination, Fixed Geographic Call Termination and Wholesale Residual markets via various services, predominantly SCO02IB and SCT01EB. |
| | **4. Methodology Taxonomy:** Revenue & Volumes.<br>**5. Driver classification:** Wholesale Calls revenue & volumes. |
| **Super Component** | SC_CO326 - Remote - local transmission length |
| **WACC rate** | 8.9% |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | Usage Factors are frozen, i.e. assumed to be the factors as they stood at 2017/18 when they were derived from the then Call Volumes. This reflects how much of each component was being used in that part of the network for each service. | For all relevant services:<br>$Service_x$ Factor = 1718 $Service_x$ Factor | $Service_1$ Factor = 1 | $Service_1$ Factor = 1 |
| 2 | This step calculates the percentage allocation based on service factored volumes. | For each relevant service:<br>$Service_x$ percentage allocation = $Service_x$ Usage $Factor_{(Result\ from\ step\ 1)}$ * ($Service_x$ Volume / Total Service Factored Volume) | $Service_1$ = 1 * (1m / 2m) | $Service_1$ = 50%<br>$\sum Service_{1...n}$ = 100% |

| | |
|---|---|
| **Reference** | CO445 |
| **Title** | Ethernet Monitoring Platform |
| **Overview** | CO445 usage factors are based on an analysis of the number of management link ports utilised. Service circuits per service volume are multiplied by the number of service ports per circuit. |
| **Description** | **1. Source Costs and MCE:** This component apportions non pay - general management costs associated with an Internal Transfer Charge between Openreach and Global Services for an Ethernet Monitoring Platform PG449A and balance sheet receivables.<br>**2. Cost and MCE Categories:** Openreach opex (excl. depn) (Other); and Current assets. |
| | **3. Summary Destination:** This component predominantly apportions to EAD Rental services, including SS128, SS127, SS140, SS228 and SS240, within the Business connectivity (mainly CI Access services - BT only & CI Access services - BT+1) and Openreach residual markets. |
| | **4. Methodology Taxonomy:** Network Data<br>**5. Driver classification:** Fibre Count by Product (Core Transmission Circuit costing System - CTCS/Oth.) |
| **Super Component** | SC_CO445 - Ethernet Monitoring Platform |
| **WACC rate** | 8.0% |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | This step calculates Usage Factor (UF): Ports / Circuit by dividing the number of Ports / by EAD (Ethernet Access Direct) Circuits or OSA (Open Systems Architecture).<br>***EAD Circuits or OSA is obtained from Ethernet Monthly Volume Data. Ports is obtained from XIAN Platform Volumes.*** | For each relevant service:<br>$Service_x$ port/service UF = $Service_x$ Ports / $Service_x$ EAD Circuits or OSA | $Service_1$ UF = 120 / 60 | $Service_1$ UF = 2.0 |
| 2 | This step determines the Factor Allocation for each service. First this step calculates UF: volume conversion<br>This is done by dividing EAD Circuits or OSA by RFS Volumes (This is EAD Circuits or OSA plus OSA Volume)<br>Then this number is multiplied by UF: Ports / $Circuit_{(Result\ from\ step\ 1)}$<br>***EAD Circuits or OSA and OSA Volumes is obtained from Ethernet Monthly Volume Data*** | For all relevant services:<br>$Service_x$ factor = ($Service_x$ EAD Circuits for OSA / $Service_x$ RFS Volumes) * $Service_x$ UF: Ports / $Circuit_{(Result\ from\ step\ 1)}$ | $Service_1$ factor = (50 / 75) * 2.0 | $Service_1$ factor = 1.34 |
| 3 | This step calculates the percentage allocation based on service factored volumes. | For each relevant service: Weighted Usage Factor = $Service_x$ Factor $_{(Result\ from\ step\ 2)}$ * ($Service_x$ Volume / Total Service Factored Volume) | $Service_1$ = 1.34 * (10 / 1,000) | $Service_1$ = 1.3%<br>$\sum Service_{1...n}$ = 100% |

| | |
|---|---|
| **Reference** | CO450 |
| **Title** | Wholesale Extension Services Fibre |
| **Overview** | CO450 usage factors are calculated based on a combination of the usage of fibre for each service that uses this component and the relative cost of providing fibre by customer end in the different CISBO market areas. The usage factor also takes into account the take-up of resilience options - higher bandwidth options have increased resilience requiring additional fibres.<br><br>Data showing fibre connection volumes within the UK from INS is mapped to different geographies by Openreach Specialists. These are then mapped into specific geographic markets as necessary.<br><br>A cost is applied to each connection, which is then summed by geographic market to create a geographic cost gradient. The cost which is applied is calculated via a bottom up build, and consists of fixed and variable costs for different types and sizes of cable.<br><br>There are two cost categories used in the bottom up build for both fixed and variable costs. The first is a labour cost. This consists of a labour cost per cable type and size, and is a function of labour hours for various cable types, cost, and a labour efficiency rate. The second cost category is the stores cost. This is based on the cost for various stores, ranging in size and type.<br><br>The fixed and variable costs are combined and tagged against individual connection volumes. Connections are tagged based on size. Once each connection is costed, the data is summarised, generating a cost for the different BCMR markets. This is then converted into a ratio. |
| **Description** | **1. Source Costs and MCE:** This component apportions the depreciation and overheads associated with the fibre providing access from the BT Exchange to the Customer premises for Wholesale Extensions Services (WES) and access fibre related to non-current assets. This component also includes the cost of duct where the fibre resides.<br>**2. Cost and MCE Categories:** This mostly consists of Depreciation (Fibre); and Non-current assets (Fibre). |
| | **3. Summary Destination:** This component predominantly apportions to WES Rental services, including SS100, SS102, SS103 and SS101, within the Access Business connectivity and Openreach residual markets. |
| | **4. Methodology Taxonomy:** Network Data.<br>**5. Driver classification:** Fibre Count by Product. |
| **Super Component** | SC_CO450 - Wholesale Extension Services Fibre |
| **WACC rate** | 8.0% |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | This step calculated Volumes in Circuits by dividing OR Raw volumes by Conversion of Local Ends to Cct, for each service. | For each relevant service:<br>$Service_x$ volumes (ccts) = $Service_x$ OR Raw volumes / $Service_x$ Conversion of Local Ends to Cct | $Service_1$ volumes = 150 / 500 | $Service_1$ volumes = 0.30 |

| | | | | |
|---|---|---|---|---|
| | ***OR Raw Volumes is obtained from Rental Volumes input Conversion of Local Ends to Cct obtained from Ends per circuit.*** | | | |
| 2 | This step calculated Total Fibres by multiplying Non-OSA Fibres per circuit by Volumes in Circuits, for each service. ***Values for Non-OSA Fibres per circuit are obtained from Fibre and Electronics Count per Circuit Input*** | For each relevant service: $Service_x$ total fibres = $Service_x$ Non-OSA Fibres * $Service_x$ Volumes in $Circuits_{(Result\ from\ step\ 1)}$ | $Service_1$ total fibres = 100 * 0.30 | $Service_1$ total fibres = 33 |
| 3 | This step calculates Fibres x WECLA by multiplying total fibres (Result from step 2) by Market/Geo ratio. ***Values for Market/Geo ratio are obtained from Access Fibre Factor input*** | For each relevant service: $Service_x$ fibres x WECLA = $Service_x$ total fibres $_{(Result\ from\ step\ 2)}$ * $Service_x$ Market/Geo ratio | $Service_1$ fibres x WECLA = 33.0 * 0.2 | $Service_1$ fibres x WECLA = 6.6 |
| 4 | This step calculates Factor to do so it divides Fibres x WECLA (Result from Step 3) by OR Raw volumes ***OR Raw Volumes is obtained from Rental Volumes input*** | For each relevant service: $Service_x$ usage factor = $Service_x$ fibres x $WECLA_{(Result\ from\ Step\ 3)}$ / $Service_x$ OR Raw volumes | $Service_1$ usage factor = 6.6 / 150 | $Service_1$ usage factor = 0.04 |
| 5 | This step calculates the percentage allocation based on service factored volumes. | For each relevant service: Weighted Usage Factor = $Service_x$ usage factor $_{(Result\ from\ step\ 4)}$ * ($Service_x$ Volume / Total Service Factored Volume) | $Service_1$ = 0.04 * (100 / 800) | $Service_1$ = 0.5% $\sum Service_{1...n}$ = 100% |

| | |
|---|---|
| **Reference** | CO484 |
| **Title** | Ethernet main links |
| **Overview** | CO484 usage factors are calculated for each CISBO market and the market factors are then applied to all relevant services within that market. Market factors are calculated based on the relative costs of providing fibre links between BT exchanges in the different markets, which is derived from a study of the fibre infrastructure in different parts of the network. Access markets are given the same factors as Inter markets. |
| **Description** | **1. Source costs and MCE:** This component apportions all costs associated with Ethernet main links, mainly depreciation and core transmission non-current assets. Source from Backhaul Fibre PG170B.<br>**2. Cost and MCE categories:** Predominantly Depreciation (Switch & Transmission), Supplementary Depreciation, Openreach opex (excl. depn) (Openreach Central Functions; and Service & network delivery) and; Non-current assets (Switch & Transmission). |
| | **3. Summary Destination:** This component predominantly apportions to EAD main link services, including SS067, SS018, SS015, SS016, and SS017, within the Business connectivity (Predominantly Technical Areas (Non-Dark Fibre) Inter Exchange - BT Only & CI Access services - BT only) and Openreach residual markets. |
| | **4. Methodology Taxonomy:** Network Data.<br>**5. Driver classification:** Fibre Lengths (CTCS/LLUMS/Oth.). |
| **Super Component** | SC_CO484 - Ethernet main links |
| **WACC rate** | 8.0% |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | This step calculates the weighted cost of providing fibre between exchanges where the total cost per total route distance (£/kms) is determined at a market level<br>Note: Given that Dark Fibre has very small volumes, Inter-exchange BT Only has been used as a proxy for it, given they both relate to exchanges with no other competitors. | For each relevant inter-exchange market: Weighted $Cost_{Inter\text{-}exchange\ Market\ x}$ = Total Cost / Total Route Distance | Weighted $Cost_{Inter\text{-}exchange\ Market\ 1}$ = 200 / 100 | Weighted $Cost_{Inter\text{-}exchange\ Market\ 1}$ = 2 |
| 2 | This step calculates the market factors as a proportion of Inter - BT Only (the largest Inter-exchange market) based on the values calculated in step 1<br><br>Notes: | Service Usage Factor = Market Factor applied to all services within the relevant market<br><br>Market $Factor_x$ = Weighted Cost (£) per market / Inter-exchange BT Only Weighted Cost (£) | Service Usage $Factor_1$ = 2 / 0.5 | Service Usage $Factor_1$ = 4 |

| | | | | |
|---|---|---|---|---|
| | 1) The market factor calculated is then applied to all relevant services within that given market<br>2) Access markets are given the same factors as Inter markets; i.e. Access – BT Only based on Inter – BT Only, Access – BT+1 based on Inter – BT+1, Access – Outside CLA based on Inter – BT+1, Access – CLA based on Inter<br>– BT+2 or more and Residual based on lowest factor out of Inter markets.<br>The same factors can be applied across inter-exchange and access markets given that there are no fundamental differences in the use of main link between markets i.e. the only differentiating factor would whether the main link circuit connection is part of a larger access circuit, or a standalone inter-exchange service. | | | |
| 3 | This step calculates the percentage allocation based on service factored volumes. | For each relevant service:<br>Weighted Usage Factor = $Service_x$ usage factor $_{(Result\ from\ step\ 2)}$ * ($Service_x$ Volume / Total Service Factored Volume) | $Service_1$ = 4 * (2m / 10m) | $Service_1$ = 80%<br>$\sum Service_{1...n}$ = 100% |

| | |
|---|---|
| **Reference** | CO485 |
| **Title** | Ethernet Electronics Current |
| **Overview** | CO485 usage factors are calculated based on the unit of measure of the different services to which the component is allocated. |
| **Description** | **1. Source Costs and MCE:** This component apportions the Maintenance and Accommodation overheads associated with the rental costs of electronics used to provide Ethernet Access Direct (EAD) services, Wholesale Extension Services (WES), LAN Extension Services (LES), Ethernet services, Backhaul Extension Services (BES), Wholesale and LAN extension services and Optical Ethernet services. This also captures accommodation and network power non-current assets. Allocation is directly from Ethernet Access Equipment PG447A<br>**2. Cost and MCE Categories:** This mostly consists of Rest of BT opex (excl. depn) (Other; and Property), Openreach opex (excl. depn) (Other), with some Depreciation (Electronics); and Non-current assets (Land & buildings). |
| | **3. Summary Destination:** This component predominantly apportions to Rental services, including SS128, SS127, SS228, SS227 and SS130, within the Access Business connectivity and Openreach residual markets. |
| | **4. Methodology Taxonomy:** Revenue & Volumes.<br>**5. Driver classification:** Ethernet Service Circuit Volumes. |
| **Super Component** | SC_CO485 - Ethernet Electronics Current |
| **WACC rate** | 8.0% |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | This step calculates a 2 month average for rental volumes and the total less market split. | 2 month average volumes = (Current month volumes + Prior month volumes ) / 2<br>Total Less Market Split = (UK + Extl NI Rentals) - 2 Month Average volumes | 2 month average volumes = (4 + 6 ) / 2<br>Total less market split = (22 + 8) - 5 | 2 month average volumes = 5<br>Total less market split = 25 |
| 2 | This step calculates the adjusted volumes for products with rental data. | Proportion Factor = Total Rental volumes for product per Market / Total Rental volumes for product across all markets<br>Total Rental Volumes Adjusted = 2 month average $volumes_{(Result\ from\ Step\ 1)}$ + Total Less Market $Split_{(Result\ from\ Step\ 1)}$ * Proportion $Factor_{(Result\ from\ above)}$ | Proportion Factor = 12/36<br>Total Rental Volumes Adjusted = (5 + 25) * 0.33 | Proportion Factor = 0.33<br>Total Rental Volumes Adjusted = 10 |
| 3 | Adjust the Rental Volumes by the rental factor | $Service_x$ rental revenue = Total Rental Volumes $Adjusted_{(Result\ from\ Step\ 2)}$ * Rental Factor | $Service_1$ = 0 * 1<br>$Service_2$ = 10 * 2 | NI Internal Rental Revenue $Service_1$= 0 |

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|---|---|---|---|---|
| | | | | NI Internal Rental Revenue $Service_2$ = 20 |
| 4 | This step calculates Bearer Volumes. Divides Aggregate Month Volumes by the current reporting Period<br>***Both values are obtained from Rental Volumes input*** | For each relevant service:<br>$Service_x$ adj rental volumes = $Service_x$ Aggregate Month Volumes / Period | $Service_1$ adj rental volumes = 60 / 12 | $Service_x$ adj rental volumes = 5.0 |
| 5 | This step calculates Bearer Fraction to do so Bearer Volumes (Result from Step 4) is divided by Total Service Volumes<br>***Service Volumes are obtained from Rental Volumes input*** | For each relevant service:<br>$Service_x$ bearer fraction = $Service_x$ Bearer Volumes$_{(Result\ from\ Step\ 4)}$ / Total Service Volumes | $Service_1$ bearer fraction = 5.0 / 200 | $Service_1$ bearer fraction = 0.025 |
| 6 | This step calculated Volumes in Circuits by dividing OR Raw volumes by Conversion of Local Ends to Cct<br>***OR Raw Volumes is obtained from Rental Volumes input***<br>***Conversion of Local Ends to Cct obtained from Ends per circuit*** | For each relevant service:<br>$Service_x$ volumes = $Service_x$OR Raw volumes / $Service_x$ Conversion of Local Ends to Cct | $Service_1$ volumes = 50/10 | $Service_1$ volumes = 5.0 |
| 7 | This step calculates Factor to do so it divides Volumes in Circuits by OR Raw Volumes. This number is then multiplied by the bearer fraction<br>***OR Raw Volumes is obtained from Rental Volumes input*** | For each relevant service:<br>$Service_x$ factor = ($Service_x$ Volumes in Circuits$_{(Result\ from\ Step\ 6)}$ / $Service_x$ OR Raw volumes) * $Service_x$ bearer fraction$_{(Result\ from\ Step\ 5)}$ | $Service_1$ factor = (5.0 / 50) * 0.025 | $Service_1$ factor = 0.0025 |
| 8 | This step calculates the percentage allocation based on service factored volumes. | For each relevant service:<br>Weighted Usage Factor = $Service_x$ usage factor $_{(Result\ from\ step\ 7)}$ * ($Service_x$ Volume / Total Service Factored Volume) | $Service_1$ = 0.0025 * (100 / 800) | $Service_1$ = 0.31%<br>$\sum Service_{1...n}$ = 100% |

| | |
|---|---|
| **Reference** | CO487 |
| **Title** | Ethernet Access Direct (EAD) Electronics Capital |
| **Overview** | CO487 usage factors are calculated based on the relative price of the electronics used to provide the service. |
| **Description** | **1. Source Costs and MCE:** This component apportions private circuits & Switched Multimegabit Data Services (SMDS) depreciation associated with the dedicated equipment for EAD (Ethernet Access Direct) electronics rentals and private circuits related to non-current assets. Allocation is directly from EAD Electronics Capital PG467A<br>**2. Cost and MCE Categories:** This mostly consists of Depreciation (Switch & transmission; and Electronics); and Non-current assets (Switch & transmission; and Electronics). |
| | **3. Summary Destination:** This component predominantly apportions to Rental services, including SS128, SS127, SS228, SS227 and SS130, within the Access Business connectivity and Openreach residual markets. |
| | **4. Methodology Taxonomy:** Asset Metrics.<br>**5. Driver classification:** Gross Replacement Cost (GRC). |
| **Super Component** | SC_CO487 - EAD Electronics Capital |
| **WACC rate** | 8.0% |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | This section calculates volumes in Circuits<br>To do so OR Raw volumes is divided by the Conversion of Local Ends to Cct<br>***OR Raw Volumes is obtained from Rental Volumes input***<br>***Conversion of Local Ends to Cct obtained from Ends per circuit*** | For each relevant service:<br>$Service_x$ volumes in circuit = $Service_x$ OR Raw volumes / $Service_x$ conversion of local ends to cct | $Service_1$ = 10 / 10 | $Service_1$ = 1.0 |
| 2 | This step calculates Electronics GRC | For each relevant service:<br>$Service_x$ electronics GRC = $Service_x$ Volumes in Circuits$_{(Result\ from\ step\ 1)}$ * $Service_x$ electronics unit cost (per cct) | $Service_1$ = 1.0 * 20 | $Service_1$ = 20.0 |

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|---|---|---|---|---|---|
| | | This is done by multiplying Volumes in Circuits (Result from step 1) by Electronics Unit Cost (per cct)<br>***Electronics Unit Cost (per cct) is obtained from* EAD Ethernet Prices** | | | |
| | 3 | This section calculates Pay install per cct<br>First C1 Connection Volumes Excluded EBD and OSA is added to NI Connection Volumes excluding EBD and OSA<br>Then Pay Booked to DTTSW is divided by this value<br>***Values are obtained from Connection Volumes input*** | For each relevant service:<br>$Service_x$ pay install per cct = Pay Booked to DTTSW / (C1 Connection Volumes excl. EBD and OSA + NI Connection Volumes excl. EBD and OSA) | $Service_1$ = 4 / (1 + 3) | $Service_1$ = 1.0 |
| | 4 | This section calculates Cost per unit<br>To obtain this value Electronics GRC (Result from step 2) is divided by OR Raw volumes<br>***OR Raw Volumes is obtained from Rental Volumes input*** | For each relevant service:<br>$Service_x$ cost per unit = $Service_x$ electronics $GRC_{(Result\ from\ step\ 2)}$ / $Service_x$ OR Raw volumes | $Service_1$ = 1.0 / 10 | $Service_1$ = 0.10 |
| | 5 | This step calculates the usage factor.<br>To do so Cost per unit (Result from step 4) is added to the value for Pay install per cct (Result from step 3). | For each relevant service:<br>Base $Service_x$ factor = ($Service_x$ cost per $unit_{(Result\ from\ step\ 4)}$ +$Service_x$ pay $install\ per\ cct_{(Result\ from\ step\ 3)}$<br>$Service_x$ usage factor = Base $Service_x$ factor / Base $Service_{ss132}$ factor | $Service_1$ = (0.10 + 1.0) / 2 | $Service_1$ = 0.6 |
| | 6 | This step calculates the percentage allocation based on service factored volumes. | For each relevant service:<br>Weighted Usage Factor = $Service_x$ usage $factor_{(Result\ from\ step\ 5)}$ * ($Service_x$ Volume / Total Service Factored Volume) | $Service_1$ = 0.6 * (100 / 800) | $Service_1$ Allocation % = 7.5%<br>$\sum Service_{1...n}$ Allocation % = 100% |

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|---|---|
| **Reference** | CO580 |
| **Title** | Broadband Boost |
| **Overview** | CO580 usage factors are calculated based on Broadband Boost task times for the services to which the component costs and MCE are allocated. |
| **Description** | **1. Source Costs and MCE:** This mostly allocates the provision and installation pay costs relating to Broadband Boost.<br>**2. Cost and MCE Categories:** Openreach Opex (excl Depreciation) (Service and Network Delivery); Current Assets; and Non-current assets (Software).<br>**3. Summary Destination:** This component apportions to SL2146 (Copper Broadband Boost) and SL248 (NGA Broadband Boost), within the WLA market.<br>**4. Methodology Taxonomy:** Labour.<br>**5. Driver classification:** Man-hours & Labour Rates. |
| **Super Component** | OR Int WBA end user access-conns |
| **WACC rate** | 8.9% |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | This step calculates Usage Factor by Broadband Boost Task Time Per Unique (TTPU) of Copper and Fibre over Grand Total TTPU. | Usage Factor (Copper) = Copper TTPU / Grand Total TTPU<br>Usage Factor (Fibre) = Fibre TTPU / Grand Total TTPU | Usage Factor (Copper) = 50 / 100<br>Usage Factor (Fibre) = 150 / 100 | Usage Factor (Copper) = 0.5<br>Usage Factor (Fibre) = 1.5 |
| 2 | This step calculates the percentage allocation based on service factored volumes. | For each relevant service:<br>Weighted Usage Factor = $Service_x$ Usage $Factor_{(Result\ from\ step\ 1)}$ * ($Service_x$ Volume / Total Service Factored Volume) | $Service_1$ = 0.5 * (3m / 5m)<br>$Service_2$ = 1.5 * (3m / 5m) | $Service_1$ = 30%<br>$Service_2$ = 90% |

| | |
|---|---|
| **Reference** | CO772 |
| **Title** | OR Systems & Development - Ethernet |
| **Overview** | CO772 usage factors are calculated based on the number of circuits ordered or rented during the year. The usage factors are normally 1 except for WES and BES services, where a usage factor of 0.5 is used as volumes are measured as local ends, and Main Link services, where the usage factor is calculated using the average circuit length as volumes are measured in km. |
| **Description** | **1. Source Costs and MCE:** This component apportions the software development depreciation costs and MCE for Openreach products specific to Ethernet.<br>**2. Cost and MCE Categories:** This consists of Depreciation (Software); and Non-current assets (Software). |
| | **3. Summary Destination:** This component predominantly apportions to Access CLA, CI Access services BT Only/BT+1, Technical Areas Inter Exchange BT Only via various services, including SS128, SS127, SS228, SS227 and SS067. |
| | **4. Methodology Taxonomy:** Revenue & Volumes.<br>**5. Driver classification:** Ethernet revenue & volumes. |
| **Super Component** | SC_CO772 - OR Systems & Development - Ethernet |
| **WACC rate** | 8.0% |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | This step calculates the Total Less Market Split for each service.<br>• ***Volumes excluded Internal Northern Ireland are obtained from Monthly Volume Data***<br>• ***Average Totals are obtained from Rental Volumes Input*** | For each relevant service:<br>Service $_{\chi}$ Total Less Market Split = [Service $_{\chi}$ Volumes excluded Internal Northern Ireland for Service 1] - [Average Totals] | Service$_1$ Total Less Market Split = 100 - 20 | Service$_1$ Total Less Market Split = 80 |
| 2 | This step calculates the Total Lengths for each service and Overall Total Lengths.<br>• ***Totals are obtained from Rental Volumes Input***<br>• ***Revised Average Length are obtained from Average Lengths for Main Link Circuits Input*** | For each relevant service:<br>Service $_{\chi}$ Total Length = [Total for Service $_{\chi}$] * [Revised Average Length for Service $_{\chi}$]<br><br>Overall Total Lengths = Sum of Total Lengths for all relevant services | Service$_1$ Total Length = 10 * 20<br><br>Overall Total Lengths = ∑ 200 + Total lengths of all other relevant services (e.g. 600) | Service$_1$ Total Length = 200<br><br>Overall Total Lengths = 800 |
| 3 | This step calculates the ML Proportion Factor for each service. | For each relevant service:<br>Service $_{\chi}$ ML Proportion Factor = [Total Lengths for Service $_{\chi}$] *(Results from step 2)* / [Overall Total Lengths] *(Results from step 2)* | Service$_1$ ML Proportion Factor = 200 / 800 | Service$_1$ ML Proportion Factor = 0.250 |
| 4 | This step calculates the Total Length Adjusted for each service and Overall Total Length Adjusted.<br>• ***Total Volumes are obtained from Rental Volumes Input***<br>• ***Revised Average Lengths are obtained from Average Lengths for Main Link Circuits Input*** | For each relevant service:<br>Service $_{\chi}$ Total Length Adjusted = ([Total Volume for Service $_{\chi}$] * [Revised Average Length for Service $_{\chi}$]) + ([Total Less market Split for Service $_{\chi}$ *(Results from step 1)*] * [ML Proportion Factor for Service $_{\chi}$ *(Results from step 3)*])<br><br>Overall Total Length Adjusted = Sum of Total Length Adjusted for all relevant services | Service$_1$ Total Length Adjusted = (100 * 10) + (80 * 0.250)<br><br>Overall Total Length Adjusted = ∑ 1020 + Total lengths Adjusted of all other relevant services (e.g. 13072) | Service$_1$ Total Length Adjusted = 1020<br><br>Overall Total Length Adjusted = 14092 |
| 5 | This step calculates the Total Length of all Main Links.<br>• ***Original NI Internal Rental Volumes Input are obtained from Monthly Volume Data***<br>• ***Main Link Lengths Input are obtained from Ethernet Prices - Rental Prices & Main Link lengths Internal & External*** | For each relevant service:<br>Service $_{\chi}$ Total Length of all Main Links = (([Original NI Internal Rental Volumes]*[Main Link Lengths]*[ML Proportion Factor]) + [Overall Total Length Adjusted *(Result from step 4)*]) / ([Current Period] * 1000) | Service$_1$ Total Length of all Main Links = ((1*20*0.5) + 14082) / (12 * 1000) | Service$_1$ Total Length of all Main Links = 1.17 |
| 6 | This step calculates the Factor Allocation.<br>• ***Original Rental Volume Numbers are obtained from Rental Volumes Input*** | For each relevant service: | Service$_1$ Factor Allocation = 1 / (1.17 / (1000 / 12)) | Service$_1$ Factor Allocation = 71 |

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| | | | $Service_x$ Factor Allocation = 1 / ([$Service_x$ Total Length of all Main Links *(Result from step 5)*] / ([Original Rental Volume Numbers] / [Current Period])) | | |
| | 7 | This step calculates the percentage allocation based on service factored volumes. | For each relevant service:<br>Weighted Usage Factor = $Service_x$ usage factor *(Result from step 6)* * ($Service_x$ Volume / Total Service Factored Volume) | $Service_1$ = 71 * (100 / 8,000) | $Service_1$ = 88.8%<br>$\sum Service_{1...n}$ = 100% |

| | |
|---|---|
| **Reference** | CP502 |
| **Title** | Openreach Sales Product Management |
| **Overview** | CP502 usage factors are calculated using revenue data for sales and marketing costs, and using a survey of staff which relates people to activities for non-sales and market costs (such as product management). |
| **Description** | **1. Source Costs and MCE:** This component apportions costs for Openreach Sales Product Management.<br>**2. Cost and MCE Categories:** Predominantly Openreach opex (excl. depn) (Openreach Central Functions); and Current Liabilities. |
| | **3. Summary Destination:** This component apportions to multiple services, including SL122, SL351, SL244, SL347 and SL245, across the Openreach PIA, WLA, Business connectivity, Narrowband and Residual markets. |
| | **4. Methodology Taxonomy:** Revenue & Volumes.<br>**5. Driver classification:** OR & BTW Service Revenue. |
| **Super Component** | SC_CP502 - Openreach sales product management |
| **WACC rate** | 7.9% |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | This step calculates the service revenue for all services, using the PVORREV report and multiplying Volumes by Prices.<br>This step also includes the calculation for adjustment DFX volumes (using price ratio (i.e. DFX usage factor) from DFX prices data input) between single fibre and dual fibre prices.<br>It calculates the DFX Adjusted Volumes using the Price Ratio (i.e. DFX Usage Factor) between Single Fibre and Dual Fibre. This accounts for that fact that dual fibres should have increased usage factors applied, and without this adjustment a dual fibre volume and single fibre volume would both be the same. | For each relevant service:<br>Service Revenue = Volume * Price<br>**DFX Service - Volumes Adjustment** (Does not adjust the revenues)<br>DFX Usage Factor = DFX service dual fibre price / DFX service single fibre price<br>DFX Adjusted Service Volume = Service Volume * DFX Usage Factor | $Service_1$ = 200 * £200<br>$Service_{DFX}$ - 25 * £200 = £5,000 (Revenue unchanged, however, for calculation purposes the volume used will be (£200/£100) (i.e. dual fibre price / single fibre price) * 25 = **50** = DFX Adjusted Volume) | $Service_1$ = £40,000 |
| 2 | This step calculates the % split of FTEs using volumes for product subgroups (e.g. BES, EAD etc.) from the PVORREV report. | For each relevant service:<br>$Service_x$ FTE % split = ((Sum of Volumes within a Product Group (e.g. EAD) / Total Volumes for all Product Groups) * (FTEs by Product)) / Total FTEs) | $Service_1$ = ( 200 / 500 ) * 40 ) / 150 ) | $Service_1$ = 10.67% |
| 3 | This step calculates the specific and non-specific allocation per service based on the service revenue from step 1 and data regarding Total FTE. | For each relevant Service:<br>Part A: Specific Costs = $Service_x$ Revenue / Product Group Revenue * % FTE $Split_{(Result\ from\ Step\ 2)}$<br>Part B: Non Specific Costs = $Service_x$ Revenue / Product Group Revenue) * Non-Specific % FTE $Split_{(Result\ from\ Step\ 2)}$ | Part A: $Service_1$ = (£40,000/£200,000) * 0.1067 = 2.1%<br>Part B: $Service_1$ = (£40,000/£200,000) * 0.15 = 3%<br>Part C: $Service_1$ total allocation = 2.1% + 3% | $Service_1$ total allocation = 5.1% |

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| | | | Part C: Cost Allocation = Specific Costs$_{(Result\ from\ Part\ A)}$ + Non-Specific Costs$_{(Result\ from\ Part\ B)}$ | | |
| | 4 | This step calculates the PIA specific cost allocation, using specific/non-specific costs from step 3 for PIA component groups (e.g. Joint boxes, lead-in, man-holes, poles and spine duct) rather than product groups. | For each relevant PIA component:<br>PIA component$_{\chi}$ allocation = (Component$_{\chi}$ volumes / Total PIA component volume) * Specific and non-specific allocation$_{(Results\ from\ step\ 3)}$ | PIA Component$_1$ = (850/2,500) * 18.0% | PIA Component$_1$= 6.2% |
| | 5 | This step calculates the usage factor for all services, using cost allocation from step 3, and incorporating PIA. | For each relevant service:<br>Service$_{\chi}$ usage factor = (Service$_{\chi}$ Volume * Cost Allocation$_{(Results\ from\ step\ 3\ or\ 4\ for\ PIA)}$) / Total Volume for all services | Service$_1$ = (200 * 5.1%) / 25,000<br>Service$_{PIA}$ = (500 * 6.2%) / 25,000 | Service$_1$ = 0.04%<br>Service$_{PIA}$ = 0.12% |
| | 6 | This step calculates the percentage allocation based on service factored volumes. | For each relevant service:<br>Weighted Usage Factor = Service$_{\chi}$ Usage Factor $_{(Result\ from\ step\ 5)}$ * (Service$_{\chi}$ Volume / Total Service Factored Volume | Service$_1$ = 0.04% * (2m / 5m)<br>Service$_{PIA}$ = 0.12% * (1m / 5m) | Service$_1$ = 0.016%<br>Service$_{PIA}$ = 0.024%<br>∑Service$_{1...n}$ = 100% |

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|---|---|
| **Reference** | CR188 |
| **Title** | DSLAM support |
| **Overview** | CR188 usage factors are calculated based on DSLAM cost analysis. These factors have been frozen since 2017. |
| **Description** | **1. Source Costs and MCE:** This component apportions the costs associated with the network equipment located in telephone exchange that provides access for the broadband end user. It connects multiple customers' Digital Subscriber Lines (DSL) to a high speed internet backbone and allows customers to make faster connections to the internet.<br>**2. Cost and MCE Categories:** Depreciation (Software); and Non-current assets (Software). |
| | **3. Summary Destination:** This component apportions to several WS IPS Max and Max Premium & WS IPS Home and Office services, predominantly SM113, within the Rest of BT WBA (market A) and Wholesale residual markets. |
| | **4. Methodology Taxonomy:** Revenue & Volumes.<br>**5. Driver classification:** Network Feature Service Volumes. |
| **Super Component** | SC_CR188 - DSLAM Support |
| **WACC rate** | 8.9% |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | This step calculates the weighting of Home and Office services compared to Max and Max Premium services based on IPS rental volumes. | For each Market (A and B):<br>Home-Office Weighting$_{[Market\ \chi]}$ = Total Home-Office rental volume / Total Max-Max Premium rental volume<br>Max-Max Premium Weighting$_{[Market\ \chi]}$ = 1 - Home-Office Weighting$_{[Market\ \chi]}$ | Home-Office Weighting$_{[Market\ A]}$ = 10 / 50<br>Max-Max Premium Weighting$_{[Market\ A]}$ = 1 - (10 / 50) | Home-Office Weighting$_{[Market\ A]}$ = 0.2<br>Max-Max Premium Weighting$_{[Market\ A]}$ = 0.8 |
| 2 | This step calculates the Internal/External split for both Market A and Market B. | For each Market (A and B):<br>Internal Split$_{[Market\ \chi]}$ = Average monthly internal volumes / (Average monthly internal volumes + Average monthly external volumes)<br>External Split$_{[Market\ \chi]}$ = Average monthly external volumes / (Average monthly internal volumes + Average monthly external volumes) | Internal Split$_{[Market\ A]}$ = 200 / (200 + 800)<br>External Split$_{[Market\ A]}$ = 800 / (200 + 800) | Internal Split$_{[Market\ A]}$ = 0.2<br>External Split$_{[Market\ A]}$ = 0.8 |
| 3 | This step calculates EU (End User) Volumes. | For each service in Markets A and B:<br>Service$_{\chi}$ EU Volumes = End User volumes * Int/Ext Split $_{(Result\ from\ Step\ 2)}$ * Home-Office/Max-Max Premium Weighting $_{(Result\ from\ Step\ 1)}$<br><br>Total EU Volume = Sum of EU Volumes for all services | Service$_1$ EU Volumes = 1000 * 0.2 * 0.8 | Service$_1$ EU Volumes = 160<br><br>Total EU Volume = 1300 |

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| | | | | Total EU Volume = ∑ 160 + EU Volumes for other services (e.g. 1140) | |
| | 4 | This step calculates EU (End User) Allocation. | For each service in Markets A and B:<br>$Service_x$ EU Allocation = $Service_x$ EU Volume$_{(Result\ from\ Step\ 3)}$ / Total EU Volume$_{(Result\ from\ Step\ 3)}$ | $Service_1$ EU Allocation = 160 / 1300 | $Service_1$ EU Allocation = 0.12 |
| | 5 | This step calculates Factored Volume. | For each service in Markets A and B:<br>$Service_x$ Factored Volume = $Service_x$ EU Allocation$_{(Result\ from\ Step\ 4)}$ * Total Revenue Volume | $Service_1$ Factored Volume = 0.12 * 300 | $Service_1$ Factored Volume = 36 |
| | 6 | This step calculates the output Factor. | For each service in Markets A and B:<br>$Service_x$ Factor = Factored Volume$_{(Result\ from\ Step\ 5)}$ / Service Revenue Volume | $Service_1$ Factor = 36 / 100 | $Service_1$ Factor = 0.36 |
| | 7 | This step calculates the percentage allocation based on service factored volumes. | For each relevant service:<br>Weighted Usage Factor = $Service_x$ usage factor $_{(Result\ from\ step\ 6)}$ * ($Service_x$ Volume / Total Service Factored Volume) | $Service_1$ = 0.36 * (100 / 800) | $Service_1$ Allocation % = 4.5%<br>$\sum Service_{1...n}$ Allocation % = 100% |

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|---|---|
| **Reference** | CT134 |
| **Title** | Co-mingling power & vent |
| **Overview** | CT134 usage factors are calculated based on the proportional rental volumes of the chargeable items within the services to which the component costs and MCE are allocated. |
| **Description** | **1. Source Costs and MCE:** This component apportions the costs (mostly depreciation and pay) and MCE for local loop unbundling power and ventilation.<br>**2. Cost and MCE Categories:** This mostly consists of Depreciation (Land & buildings; and Other); and Non-current assets (Land & buildings; and Other). |
| | **3. Summary Destination:** This component predominantly apportions to Co-mingling and Accommodation charge services, including SL207 and SL132, within the WLA, BCMR and Openreach residual markets. |
| | **4. Methodology Taxonomy:** Revenue & Volumes.<br>**5. Driver classification:** Openreach revenue & volumes. |
| **Super Component** | Co-mingling power & vent |
| **WACC rate** | 7.9% |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | This step calculates the adjusted Co-mingling volumes and Access Locate volumes, for LLU Power Rentals only. | Ethernet Access Locate %= Access Locate % * Ethernet %<br>For all relevant services:<br>Part A: $Service_X$ Co-mingling Access Locate volumes = Ethernet Access Locate % * $Service_x$ Co-mingling Arc volumes<br>Part B: $Service_X$ Adjusted Co-mingling volumes = $Service_X$ Co-mingling Arc volumes - $Service_X$ Co-mingling Access Locate volumes$_{(Results\ from\ part\ A)}$ | Ethernet Access Locate % = 40% * 50%<br>Part A: $Service_1$ Co-mingling Access Locate volumes = 20% * 100<br>Part B: $Service_1$ Adjusted Co-mingling volumes = 100 – 30] | Ethernet Access Locate % = 20%<br>Part A: $Service_1$ Co-mingling Access Locate volumes = 20<br>Part B: $Service_1$ Adjusted Co-mingling volumes = 70 |
| 2 | This step calculates the apportionment of co-mingling Access Locate volumes across the Access Locate markets. | *For all relevant services:*<br>*$Service_x$ Access Locate $Market_x$ volumes = Access Locate $Market_x$ % x $Service_x$ Co-mingling Access Locate volumes* | $Service_1$ volumes = 50% x 20 | $Service_1$ volumes = 10 |
| 3 | This step calculates usage factors by adjusted Co-mingling and Access Locate volumes as a proportion of total volumes by that service. | For each relevant service:<br>$Service_x$ usage factor = ($Service_x$ Other Access Locate $Market_x$ volumes $_{(Result\ from\ step\ 1)}$ / $Service_x$ volumes) / 100 | $Service_1$ usage factor = (70 / 10) / 100 | $Service_1$ usage factor = 0.07 |

| | | | | | |
|---|---|---|---|---|---|
| | | Note: Total volumes include other non LLU Power Rentals subcategories. | | | |
| | 4 | This step calculates the percentage allocation based on service factored volumes. | For each relevant service:<br>Weighted Usage Factor = $Service_x$ Usage Factor (Result from step 2) * ($Service_x$ Volume / Total Service Factored Volume) | $Service_1$ = 0.07 * (100 / 500) | $Service_1$ = 1.4%<br>$\sum Service_{1...n}$ = 100% |

| | |
|---|---|
| **Reference** | CW609 |
| **Title** | Ethernet Access Direct Fibre |
| **Overview** | CW609 usage factors are calculated based on the usage of fibre for each service that uses this component and the relative cost of providing fibre by customer end in the different CISBO markets.<br>Data showing fibre connection volumes within the UK from INS is mapped to different geographies by Openreach Specialists. These are then mapped into specific geographic markets as necessary.<br>A cost is applied to each connection, which is then summed by geographic market to create a geographic cost gradient. The cost which is applied is calculated via a bottom up build, and consists of fixed and variable costs for different types and sizes of cable.<br>There are two cost categories used in the bottom up build for both fixed and variable costs. The first is a labour cost. This consists of a labour cost per cable type and size, and is a function of labour hours for various cable types, cost, and a labour efficiency rate. The second cost category is the stores cost. This is based on the cost for various stores, ranging in size and type.<br>The fixed and variable costs are combined and tagged against individual connection volumes. Connections are tagged based on size. Once each connection is costed, the data is summarised, generating a cost for the different BCMR markets. This is then converted into a ratio. |
| **Description** | **1. Source Costs and MCE:** This component apportions the depreciation and access fibre overheads and MCE for fibre providing access from BT Exchange to Customer premises for Ethernet Access Direct (EAD) and Optical Ethernet services. This component also captures access fibre related to non-current assets. This component also includes the cost of duct that the fibre resides in.<br>**2. Cost and MCE Categories:** This mostly consists of Depreciation (Fibre); and Non-current assets (Fibre). |
| | **3. Summary Destination:** This component predominantly apportions to Rental services, including SS128, SS127, SS228, SS130 and SS135, within the Access Business connectivity and Openreach residual markets. |
| | **4. Methodology Taxonomy:** Network Data.<br>**5. Driver classification:** Fibre Count by Product. |
| **Super Component** | SC_CW609 - Ethernet Access Direct Fibre |
| **WACC rate** | 8.0% |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | This step calculates volumes in circuits by dividing OR Raw volumes by Conversion of Local Ends to Cct, for each Service.<br>OR Raw Volumes is obtained from Rental Volumes input.<br>Conversion of Local Ends to Cct obtained from Ends per circuit". | For each relevant service:<br>Volumes = $Service_x$ OR Raw volumes / $Service_x$ Conversion of Local Ends to Cct | $Service_1$ = 150 / 500 | $Service_1$ = 0.30 |
| 2 | This step calculates total fibres by multiplying Non-OSA (Open Systems Architecture) Fibres per circuit by Volumes in Circuits, for each relevant service. Values for Non-OSA Fibres per circuit are obtained from Fibre and Electronics Count per Circuit Input. | For each relevant service:<br>Total Fibres = $Service_x$ Non-OSA Fibres per circuit * $Service_x$ Volumes in Circuits (Result from step 1) | $Service_1$ = 100 * 0.30 | $Service_1$ = 33 |
| 3 | This step calculates Fibres x WECLA by multiplying Total Fibres by Market/Geo ratio, which are obtained from Access Fibre Factor input. | For each relevant service:<br>Fibres x WECLA = $Service_x$ Total Fibres (Result from step 2) * $Service_x$ Market:Geo ratio | $Service_1$ = 33.0 * 0.2 | $Service_1$ = 6.6 |
| 4 | This step calculates the usage factor of services by dividing Fibres x WECLA by OR Raw volumes, which are obtained from Rental Volumes input. | For each relevant service:<br>Usage factor = $Service_x$ Fibres x WECLA (Result from Step 3) / $Service_x$ OR Raw volumes | $Service_1$ = 6.6 / 150 | $Service_1$ = 0.04 |

| | | | | | |
|---|---|---|---|---|---|
| | 5 | This step calculates the percentage allocation based on service factored volumes. | For each relevant service:<br>Percentage allocation = $Service_x$ Usage Factor $_{(Result\ from\ step\ 4)}$ * $Service_x$ Volume $_{(Result\ from\ step\ 1)}$ / Total Service Factored Volume | $Service_1$ = 0.04 * (150 / 800) | $Service_1$ = 0.75%<br>$\sum Service_{1...n}$ = 100% |

| | |
|---|---|
| **Reference** | CZ328 |
| **Title** | Duct Network Adjustments below Internal |
| **Overview** | CZ328 usage factors are calculated based on unit costs and volumes of network adjustments, split by the PIA services to which the component costs and MCE are allocated. |
| **Description** | **1. Source Costs and MCE:** This component apportions the depreciation and non-current assets values of Access Duct.<br>**2. Cost and MCE Categories:** Primarily relates to Depreciation (Other); and Non-Current Assets (Duct). |
| | **3. Summary Destination:** This component apportions to Spine Duct Internal (SJ001), Manholes Internal (SJ003), Lead in Duct Internal (SJ002) & Joint Boxes Internal (SJ004) services within the PIA market. |
| | **4. Methodology Taxonomy:** Asset Metrics.<br>**5. Driver classification:** PIA Component Costs/Volumes. |
| **Super Component** | CZ300Y Physical Infrastructure Market Review (PIMR) Costs |
| **WACC rate** | 7.1% |

**Calculation Steps**

| # | Summary | Calculation | Worked Example | Example Results |
|---|---|---|---|---|
| 1 | This step calculates the internal and external cost for each Service by multiplying the Service volume by the standard cost. Standard costs are derived from PIA Costs input. | For each relevant service:<br>Cost = $Service_x$ Volume * Standard cost | $Service_1$= 25 * 50 | $Service_1$ = 1,250<br>$\Sigma Service_{1...n}$ = 6,000 |
| 2 | This step calculates the internal and external Standardised Cost by dividing the cost calculated in step one by the total cost for all Services. | For each relevant service:<br>Standardised Cost = $Service_x$ $Cost_{(Result\ from\ step\ 1)}$ / Total Cost | $Service_1$ = 1,250 / 6,000 | $Service_1$= 0.21 |
| 3 | This step calculates the factor allocation for each Service by dividing the standardised cost, calculated in step two, by the total standardised cost for all Services. | For all relevant services:<br>Usage factor = $Service_x$ Standardised $Cost_{(Result\ from\ step\ 2)}$ / Total Standardised Cost | $Service_1$ = 0.21 / 2 | $Service_1$ = 11%<br>$\Sigma Service_{1...n}$ = 100% |

# System driven components

| | |
|---|---|
| **Reference** | CX997, CX998 |
| **Title** | Notional Creditors (EOI Cost & EOI Creditor) |
| **Description** | **1. Source Costs and MCE:** This component captures system generated figures for notional creditors for WBA Market A in the RFS. These creditors are an approximation of the amounts owed to Openreach by BT Enterprise for Equivalence of Input (EOI) charges. They represent an approximation of the creditor balances which would exist if trades between BT's Customer-Facing Units (CFUs) were undertaken to a third party and at arm's length. They are based a five year moving average of Openreach's debtor days. Note that there is no component code as CostPerform automatically overlays the calculated figure to the services as required in the WBA market.<br>Note that any anomalous debtors days excluded from the Revenue Receivables methodology are also excluded from this Notional Creditors calculation. CX997 is related to EoI charge and CX998 is balance sheet related component.<br>**2. Cost and MCE Categories:** Rest of BT Opex (excl depreciation) - Other (EOI), Current Liabilities. |
| | **3. Summary Destination:** These components allocate to multiple services across the WBA (market A) and Wholesale residual markets. |
| | **4. Methodology Taxonomy:** Other Misc.<br>**5. Driver classification:** Notional Creditors. |
| **Super Component** | SC_CD900 - Revenue Receivables |
| **WACC rate** | 8.9% (CX997), 8.9% (CX998) |

| | |
|---|---|
| **Reference** | CW900, CW901, CX902 |
| **Title** | Notional Debtors - Revenue Receivables |
| **Description** | **1. Source Costs and MCE:** These components capture system generated figures for receivables for the RFS. These receivables are an approximation of the amounts owed to BT, both internal (i.e. for Openreach representing receivables that would be generated if trades between BT's Customer-Facing Units (CFUs) were undertaken to a third party and at arm's length) and external. They are based upon a five year moving average of Openreach's debtor days.<br>**2. Cost and MCE Categories:** Current Assets. |
| | **3. Summary Destination:** These components allocate to multiple services within the Openreach and Rest of BT Wholesale markets. |
| | **4. Methodology Taxonomy:** Other Misc.<br>**5. Driver classification:** Notional Debtors. |
| **Super Component** | SC_CD900 - Revenue Receivables |
| **WACC rate** | 7.9% (CW900), 8.9% (CW901, CX902) |

| | |
|---|---|
| **Reference** | CX992, CX993 |
| **Title** | EOI and non-EOI P&L Eliminations |
| **Description** | **1. Source Costs and MCE:** We use EoI eliminations and the Non-EoI PnL eliminations to ensure our return is equal to the consolidated results. EoI eliminations are captured on CX992 and remove the EoI charges added to services.<br>Return is presented on gross adjusted basis which means that the numbers include the external results as well as transfer charges between divisions. Non-EoI PnL eliminations are captured on CX993 and are used to remove the transfer charges, as on a consolidated level.<br>**2. Cost and MCE Categories:** Rest of BT Opex & Openreach (excl depreciation) - Other (EOI). |
| | **3. Summary Destination:** These components allocate to services within the EOI Eliminations market. |
| | **4. Methodology Taxonomy:** Other Misc.<br>**5. Driver classification:** EOI Eliminations. |
| **Super Component** | SC_CD901 - Opex Eliminations |
| **WACC rate** | 8.9% (CX992), 8.9% (CX993) |

## Volume driven components

Volume driven components have a usage factor of 1, and CP uses this to calculate the apportionment:

| Calculation | Worked Example | Example Results |
|---|---|---|
| For each relevant service:<br>$Service_x$ percentage allocation = Usage Factor * ($Service_x$ Volume / Total Service Factored Volume) | $Service_1$ = 1 * (100 / 800) | $Service_1$ = 12.5%<br>$\sum Service_{1...n}$ = 100% |

The methodology taxonomy and driver classifications are direct.

| | |
|---|---|
| **Reference** | CF187 |
| **Title** | MPF Line Testing Systems |
| **Description** | **1. Source Costs and MCE:** This component apportions TAMS costs, mainly relating to local exchange testing and measuring equipment.<br>**2. Cost and MCE Categories:** Predominantly Depreciation (Other; and Copper); and Non-current assets (Other; and Copper). |
| | **3. Summary Destination:** This component apportions to MPF rental services, predominantly SL347, as well as SL130, SL127 and SL346, within the WLA market. |
| | **4. Methodology Taxonomy:** Revenue & Volumes.<br>**5. Driver classification:** Volumes. |
| **Super Component** | SC_CF187 - MPF Line Testing Systems |
| **WACC rate** | 7.9% |

| | |
|---|---|
| **Reference** | CK982 |
| **Title** | Openreach Managed Services for Wholesale |
| **Description** | **1. Source Costs and MCE:** This component apportions the costs of work completed by Openreach which supports BT Wholesale products, services or activities, mainly relating to the construction of telecoms power plant.<br>**2. Cost and MCE Categories:** Openreach opex (other) and Non-current assets (other). |
| | **3. Summary Destination:** Predominantly SL327 (GEA Other services), as well as SL600 (Other WLA service) within the WLA market. |
| | **4. Methodology Taxonomy:** Revenue & Volumes.<br>**5. Driver classification:** Openreach revenue & volumes. |
| **Super Component** | SC_CK982 - Openreach Managed Services for Wholesale |
| **WACC rate** | 8.9% |

| | |
|---|---|
| **Reference** | CL120 |
| **Title** | LLU Electricity Usage - OR |
| **Description** | **1. Source Costs and MCE:** This component apportions the costs of all LLU related electricity charges.<br>**2. Cost and MCE Categories:** Predominantly Rest of BT opex (excl. depn) (Electronics; and Land & buildings); and Non-current assets (Software). |
| | **3. Summary Destination:** This component predominantly apportions to SL120 (LLU Electricity Usage Revenue services), as well as other Accommodation Charge services within the WLA, Business Connectivity and Openreach residual markets. |
| | **4. Methodology Taxonomy:** Revenue & Volumes.<br>**5. Driver classification:** Volumes. |
| **Super Component** | CT134 - Co-mingling power & vent |
| **WACC rate** | 8.9% |

| | |
|---|---|
| **Reference** | CL131 |
| **Title** | Co-mingling set up |
| **Description** | **1. Source Costs and MCE:** This component apportions the cost of building LLU Hostels within BT Exchanges and costs of carrying out surveys on the buildings.<br>**2. Cost and MCE Categories:** Depreciation (Other) and Non-current assets (Land & buildings). |
| | **3. Summary Destination:** This component predominantly apportions to SL131 (Co-mingling new provides), as well as accommodation charge services within the WLA, Business Connectivity and Openreach residual markets. |
| | **4. Methodology Taxonomy:** Revenue & Volumes.<br>**5. Driver classification:** Volumes. |
| **Super Component** | SC_CL131 - Co-mingling set up |
| **WACC rate** | 7.9% |

| | |
|---|---|
| **Reference** | CL132 |
| **Title** | Co-mingling rentals |
| **Description** | **1. Source Costs and MCE:** This component apportions the direct costs and associated overheads relating to the accommodation of Communication Providers' LLU equipment.<br>**2. Cost and MCE Categories:** Depreciation (Other); and Non-current assets (Land & buildings).<br>**3. Summary Destination:** This component predominantly apportions to SL132 (Co-mingling rentals), as well as accommodation charge services within the WLA, Business Connectivity and Openreach residual markets.<br>**4. Methodology Taxonomy:** Revenue & Volumes.<br>**5. Driver classification:** Volumes. |
| **Super Component** | SC_CL132 - Co-mingling rentals |
| **WACC rate** | 7.9% |

| | |
|---|---|
| **Reference** | CL133 |
| **Title** | WLA tie cables |
| **Description** | **1. Source Costs and MCE:** This component apportions planning and installation costs, depreciation and overheads associated with external and Internal LLU Tie Cables that provide access to BT Exchange and access copper network to enable operators, other than BT, to use the BT's local loop to provide services to customers. It facilitates the opening up of BT's copper network to other communication providers (OCP).<br>**2. Cost and MCE Categories:** Openreach opex (excl. depn) (Other); and Non-current assets (Copper).<br>**3. Summary Destination:** This component apportions to Tie Cable services, predominantly SL206 and SL128, as well as SL133, within the WLA market.<br>**4. Methodology Taxonomy:** Revenue & Volumes.<br>**5. Driver classification:** Volumes. |
| **Super Component** | SC_CL133 - WLA tie cables |
| **WACC rate** | 7.9% |

| | |
|---|---|
| **Reference** | CL183 |
| **Title** | Analogue line cards |
| **Description** | **1. Source Costs and MCE:** This component apportions the costs of the line cards that provide customer access into the BT network. They sit within the Concentrator Asset of Local exchanges and support Residential and Business Line rental products.<br>**2. Cost and MCE Categories:** Depreciation (Other); and Non-current assets (Switch & Transmission).<br>**3. Summary Destination:** This component apportions to PSTN Rentals services, predominantly SL122, as well as SL151, SL150, SL121, within the WFAEL market.<br>**4. Methodology Taxonomy:** Revenue & Volumes.<br>**5. Driver classification:** Volumes. |
| **Super Component** | SC_CL183 - Analogue line cards |
| **WACC rate** | 7.9% |

| | |
|---|---|
| **Reference** | CL184 |
| **Title** | ISDN2 line cards |
| **Description** | **1. Source Costs and MCE:** This Component apportions the costs associated with the ISDN2 line cards. Line cards are the electronic cards in the exchange that provide connectivity to the switch.<br>**2. Cost and MCE Categories:** Depreciation (Land & buildings); and Non-current assets (Switch & transmission).<br>**3. Summary Destination:** This component apportions to ISDN2 Rental services SL152 and SL154, within the ISDN2 market.<br>**4. Methodology Taxonomy:** Revenue & Volumes.<br>**5. Driver classification:** Volumes. |
| **Super Component** | SC_CL184 - ISDN2 line cards |
| **WACC rate** | 8.9% |

| | |
|---|---|
| **Reference** | CL189 |
| **Title** | ISDN30 Access |
| **Description** | **1. Source Costs and MCE:** This component apportions the 'Access' or 'Local End' costs associated with ISDN30 circuits. These costs consist of access copper, access fibre, backhaul fibre and network equipment costs including overheads.<br>**2. Cost and MCE Categories:** Depreciation (Fibre; and Switch & transmission), Openreach Opex (excl. depn) (Openreach central functions); and Non-current assets (Fibre; and Switch & transmission).<br>**3. Summary Destination:** This component allocates to ISDN30 rental services, predominantly SL124 and SL156, as well as to SL263 and SL254.<br>**4. Methodology Taxonomy:** Revenue & Volumes.<br>**5. Driver classification:** Volumes. |
| **Super Component** | SC_CL189 - ISDN30 Access |
| **WACC rate** | 8.9% |

| | |
|---|---|
| **Reference** | CL190 |
| **Title** | ISDN30 line cards |
| **Description** | **1. Source Costs and MCE:** This component apportions the costs associated with the ISDN30 line cards. Line cards are the electronic cards in the exchange that provide connectivity to the switch.<br>**2. Cost and MCE Categories:** Depreciation (Land & buildings); and Non-current assets (Switch & transmission). |
| | **3. Summary Destination:** This component apportions to ISDN 30 Rental services, SL124 and SL156, within the ISDN30 market. |
| | **4. Methodology Taxonomy:** Revenue & Volumes.<br>**5. Driver classification:** Volumes. |
| **Super Component** | SC_CL190 - ISDN30 line cards |
| **WACC rate** | 8.9% |

| | |
|---|---|
| **Reference** | CL192 |
| **Title** | NGA (Next Generation Access) E-side Copper Cable |
| **Description** | **1. Source Costs and MCE:** This component apportions the capital costs related to the provision and use of NGA E-side Copper cable. Access copper cables connect BT's exchanges to distribution points in the access network and are used to provide voice and broadband services to customers. These cables are categorised as Exchange side (E-side) and Distribution side (D-side) copper. E-side cables connect an exchange to street cabinets and D-side cables connect street cabinets to distribution points.<br>**2. Cost and MCE Categories:** Rest of BT opex (excl. depn) (Other); and Non-current assets (Duct; and Copper). |
| | **3. Summary Destination:** This component apportions to GEA services, predominantly SL300, SL310, SL311 and SL301, as well as SOGEA and G Fast services within the WLA market. |
| | **4. Methodology Taxonomy:** Revenue & Volumes.<br>**5. Driver classification:** Volumes. |
| **Super Component** | SC_CL192 - NGA E-side Copper Cable |
| **WACC rate** | 8.9% |

| | |
|---|---|
| **Reference** | CL195 |
| **Title** | NGA Visit Assure |
| **Description** | **1. Source Costs and MCE:** This component apportions the costs and MCE relating to NGA Visit Assure jobs.<br>**2. Cost and MCE Categories:** Predominantly Openreach Opex (excl. depn) (Other), Non-current assets (Software); and Current liabilities. |
| | **3. Summary Destination:** This component apportions to NGA visit assure services SL244 and SL245, within the WLA market. |
| | **4. Methodology Taxonomy:** Revenue & Volumes.<br>**5. Driver classification:** Volumes. |
| **Super Component** | SC_CL195 - NGA Visit Assure |
| **WACC rate** | 7.9% |

| | |
|---|---|
| **Reference** | CL197 |
| **Title** | FTTC Development |
| **Description** | **1. Source Costs and MCE:** This component apportions the development costs for FTTC. This digital subscriber line access multiplexer (DSLAM) technology is used in delivering the rollout of the NGA network, which is used to supply super-fast broadband products.<br>**2. Cost and MCE Categories:** Depreciation (Software); and Non-current assets (Software). |
| | **3. Summary Destination:** This component apportions to GEA services, predominantly SL300, SL310 and SL311, as well as SOGEA and G Fast services within the WLA market. |
| | **4. Methodology Taxonomy:** Revenue & Volumes.<br>**5. Driver classification:** Volumes. |
| **Super Component** | SC_CL197 - FTTC Development |
| **WACC rate** | 8.9% |

| | |
|---|---|
| **Reference** | CL198 |
| **Title** | FTTP Development |
| **Description** | **1. Source Costs and MCE:** This component apportions the development costs for FTTP.<br>**2. Cost and MCE Categories:** Depreciation (Software); and Non-current assets (Software). |
| | **3. Summary Destination:** This component apportions to GEA services, predominantly SL305 and SL306, within the WLA market. |
| | **4. Methodology Taxonomy:** Revenue & Volumes.<br>**5. Driver classification:** Volumes. |
| **Super Component** | SC_CL198 - FTTP Development |
| **WACC rate** | 8.9% |

| | |
|---|---|
| **Reference** | CL570 |
| **Title** | OR Service Centre - Provision Analogue / ISDN2 |
| **Description** | **1. Source Costs and MCE:** This component apportions the costs of Openreach service management centres that deal with the provision of WLR and ISDN2 services.<br>**2. Cost and MCE Categories:** Openreach opex (excl. depn) (Openreach central function); and Non-current assets (Software). |
| | **3. Summary Destination:** This component apportions to PSTN services, predominantly SL142, SL141 and SL112, as well as WLR and ISDN2 services within the ISDN 2 and WFAEL market. |
| | **4. Methodology Taxonomy:** Revenue & Volumes.<br>**5. Driver classification:** Volumes. |
| **Super Component** | SC_CL570 - OR Service Centre - Provision Analogue / ISND2 |
| **WACC rate** | 7.9% |

| | |
|---|---|
| **Reference** | CL572 |
| **Title** | OR Service Centre - Provision WLA |
| **Description** | **1. Source Costs and MCE:** This component apportions the costs of Openreach service management centres that deal with the provision of LLU.<br>**2. Cost and MCE Categories:** Openreach opex (excl. depn) (Openreach central functions); and Non-current assets (Software). |
| | **3. Summary Destination:** Predominantly MPF new provides (SL129), other tie cables (SL206, SL128), Hard ceases (SL171), and co-mingling services, within the WLA and Business Connectivity Markets. |
| | **4. Methodology Taxonomy:** Revenue & Volumes.<br>**5. Driver classification:** Volumes. |
| **Super Component** | SC_CL572 - OR Service Centre - Provision WLA |
| **WACC rate** | 7.9% |

| | |
|---|---|
| **Reference** | CL573 |
| **Title** | OR Service Centre - Provision Ethernet |
| **Description** | **1. Source Costs and MCE:** This component apportions the costs of Openreach service management centres that deal with the provision of Ethernet services.<br>**2. Cost and MCE Categories:** Openreach opex (excl. depn) (Openreach central functions), Current assets; and Current liabilities. |
| | **3. Summary Destination:** Predominantly EAD LA connections services (SS159, SS160, SS162, SS161 and SS259), within the Business Connectivity Markets. |
| | **4. Methodology Taxonomy:** Revenue & Volumes.<br>**5. Driver classification:** Volumes. |
| **Super Component** | SC_CL573 - OR Service Centre Provision Ethernet |
| **WACC rate** | 8% |

| | |
|---|---|
| **Reference** | CL574 |
| **Title** | OR Service Centre - Provision GEA |
| **Description** | **1. Source Costs and MCE:** This component apportions the costs of Openreach service management centres that deal with the provision of NGA.<br>**2. Cost and MCE Categories:** Openreach opex (excl. depn) (Openreach central functions), Non-current assets (Software), Current assets; and Current liabilities. |
| | **3. Summary Destination:** This component predominantly apportions to GEA services (SL320 and SL324) within the WLA Market. |
| | **4. Methodology Taxonomy:** Revenue & Volumes.<br>**5. Driver classification:** Volumes. |
| **Super Component** | SC_CL574 - OR Service Centre Provision GEA |
| **WACC rate** | 8.9% |

| | |
|---|---|
| **Reference** | CL575 |
| **Title** | OR Service Centre - Assurance Analogue/ISDN2 |
| **Description** | **1. Source Costs and MCE:** This component apportions the costs of Openreach service management centres that deal with the repair of ISDN2 and WLR services (i.e. traditional telephone lines).<br>**2. Cost and MCE Categories:** Openreach opex (excl. depn) (Openreach central functions), Depreciation (Software), Non-current assets (Software), Current assets; and Current liabilities. |
| | **3. Summary Destination:** This component predominantly apportions to PSTN rental services (SL122 and SL151) in the WFAEL Market, as well as to ISDN2 rental services within the ISND2 Market. |
| | **4. Methodology Taxonomy:** Revenue & Volumes.<br>**5. Driver classification:** Volumes. |
| **Super Component** | SC_CL575 - OR Service Centre - Assurance Analogue/ISDN2 |
| **WACC rate** | 7.9% |

| | |
|---|---|
| **Reference** | CL579 |
| **Title** | OR Service Centre - Assurance NGA |
| **Description** | **1. Source Costs and MCE:** This component apportions the costs of Openreach service management centres that deal with the repair of NGA services.<br>**2. Cost and MCE Categories:** Openreach opex (excl. depn) (Openreach central functions), Current liabilities; and Current assets. |
| | **3. Summary Destination:** This component predominantly apportions to GEA rental services (SL300, SL320, SL310, SL311 and SL301) in the WLA market. |
| | **4. Methodology Taxonomy:** Revenue & Volumes.<br>**5. Driver classification:** Volumes. |
| **Super Component** | SC_CL579 - Service Centre - Assurance NGA |
| **WACC rate** | 8.9% |

| | |
|---|---|
| **Reference** | CL948 |
| **Title** | GEA FTTP Access Spine Fibre |
| **Description** | **1. Source Costs and MCE:** This component apportions costs for the provision; installation; recovery; and depreciation of NGA FTTP Access Spine fibre cable i.e. the fibre cables between the Exchange and the aggregation node in the fibre network, as well as the relative costs in providing fibres between BT Exchanges (i.e. WLA Main Link costs), which are derived from a study of the fibre infrastructure network.<br>**2. Cost and MCE Categories:** Depreciation (Fibre); and Non-current assets (Fibre). |
| | **3. Summary Destination:** This component apportions to GEA services, predominantly SL304, as well as SL305, SL314 and SL315 within the WLA market. |
| | **4. Methodology Taxonomy:** Revenue & Volumes.<br>**5. Driver classification:** Volumes. |
| **Super Component** | SC_CL948 - GEA FTTP Access Fibre Spine |
| **WACC rate** | 8.9% |

| | |
|---|---|
| **Reference** | CL949 |
| **Title** | GEA FTTP Distribution Fibre Spine |
| **Description** | **1. Source Costs and MCE:** This component apportions costs for the provision; installation; recovery; and depreciation of NGA FTTP distribution fibre cable i.e. the fibre cables between the Cabinet and the customer premises<br>**2. Cost and MCE Categories:** Depreciation (Fibre); and Non-current assets (Fibre). |
| | **3. Summary Destination:** This component apportions to GEA services predominantly SL305, as well as to SL304, SL315 and SL314 within the WLA market. |
| | **4. Methodology Taxonomy:** Revenue & Volumes.<br>**5. Driver classification:** Volumes. |
| **Super Component** | SC_CL949 - GEA FTTP Distribution Fibre |
| **WACC rate** | 8.9% |

| | |
|---|---|
| **Reference** | CL950 |
| **Title** | GEA FTTC Access Fibre Spine |
| **Description** | **1. Source Costs and MCE:** This component apportions costs for the provision; installation; recovery; and depreciation of NGA FTTC Access fibre spine cable i.e. the fibre cables between the Exchange and the aggregation node in the fibre network, as well as the relative costs in providing fibres between BT Exchanges (i.e. WLA Main Link costs), which are derived from a study of the fibre infrastructure network.<br>**2. Cost and MCE Categories:** Depreciation (Fibre; and Switch & transmission); and Non-current assets (Switch & transmission). |
| | **3. Summary Destination:** This component predominantly apportions to GEA services, including SL300, SL310, SL311 and SL301, as well as to SOGEA and G Fast services within the WLA market. |
| | **4. Methodology Taxonomy:** Revenue & Volumes.<br>**5. Driver classification:** Volumes. |
| **Super Component** | SC_CL950 - GEA FTTC Access Fibre Spine |
| **WACC rate** | 8.9% |

| | |
|---|---|
| **Reference** | CL951 |
| **Title** | GEA FTTC Distribution Fibre Spine |
| **Description** | **1. Source Costs and MCE:** This component apportions costs for the provision; installation; recovery; and depreciation of NGA FTTC distribution fibre cable i.e. the fibre cables between the Cabinet and the aggregation node in the fibre network.<br>**2. Cost and MCE Categories:** Depreciation (Fibre); and Non-current assets (Fibre). |
| | **3. Summary Destination:** This component predominantly apportions to GEA services including SL300, SL310, SL311 and SL301, as well as to SOGEA and G Fast services within the WLA market. |
| | **4. Methodology Taxonomy:** Revenue & Volumes.<br>**5. Driver classification:** Volumes. |
| **Super Component** | SC_CL951 - GEA FTTC Distribution Fibre |
| **WACC rate** | 8.9% |

| | |
|---|---|
| **Reference** | CL952 |
| **Title** | GEA Cable Links |
| **Description** | **1. Source Costs and MCE:** This component apportions the costs of the exchange based electronics required for the delivery of FTTC services. It connects the high-speed digital communications channels from the customer to the backhaul network.<br>**2. Cost and MCE Categories:** Depreciation (Fibre); and Non-current assets (Fibre). |
| | **3. Summary Destination:** This component predominantly apportions to GEA services (SL300, SL310, SL311 and SL301), as well as to SOGEA and G Fast services within the WLA market. |
| | **4. Methodology Taxonomy:** Revenue & Volumes.<br>**5. Driver classification:** Volumes. |
| **Super Component** | SC_CL952 - FTTC GEA Electronics |
| **WACC rate** | 8.9% |

| | |
|---|---|
| **Reference** | CL953 |
| **Title** | GEA (Generic Ethernet Access) DSLAM Cabinets |
| **Description** | **1. Source Costs and MCE:** This component apportions the costs of the DSLAM network device required for the delivery of GEA. It connects multiple customer DSL interfaces to a high-speed digital communications channel using multiplexing techniques.<br>**2. Cost and MCE Categories:** Depreciation (Fibre); and Non-current assets (Fibre). |
| | **3. Summary Destination:** This component predominantly apportions to GEA services (SL300, SL310, SL311 and SL301), as well as to SOGEA and G Fast services within the WLA market. |
| | **4. Methodology Taxonomy:** Revenue & Volumes.<br>**5. Driver classification:** Volumes. |
| **Super Component** | SC_CL953 - GEA DSLAM & Cabinets |
| **WACC rate** | 8.9% |

| | |
|---|---|
| **Reference** | CL955 |
| **Title** | GEA FTTC Repairs |
| **Description** | **1. Source Costs and MCE:** This component apportions the reactive repair to the FTTC Networks.<br>**2. Cost and MCE Categories:** Openreach opex (excl. depn) (Other); and Current Assets. |
| | **3. Summary Destination:** This component predominantly apportions to GEA services (SL300, SL310, SL311 and SL301), as well as to SOGEA and G Fast services within the WLA market. |
| | **4. Methodology Taxonomy:** Revenue & Volumes.<br>**5. Driver classification:** Volumes. |
| **Super Component** | SC_CL955 - GEA FTTC Repairs |
| **WACC rate** | 8.9% |

| | |
|---|---|
| **Reference** | CL956 |
| **Title** | GEA (Generic Ethernet Access) FTTP (Fibre To The Premises) Repairs |
| **Description** | **1. Source Costs and MCE:** This component apportions the reactive repair to the FTTP Networks.<br>**2. Cost and MCE Categories:** Openreach opex (excl. depreciation) (Other); and Current Assets (Other) |
| | **3. Summary Destination:** This component predominantly apportions to SL305 (GEA Other Rentals (all other speeds except 40/10) Internal), as well as to SL304 (GEA 40/10 Other Rentals Internal), SL314 (GEA 40/10 Other Rentals External) and SL315 (GEA FTTP rentals external). |
| | **4. Methodology Taxonomy:** Revenue & Volumes.<br>**5. Driver classification:** Volumes. |
| **Super Component** | SC_CL956 - GEA FTTP Repairs |
| **WACC rate** | 8.9% |

| | |
|---|---|
| **Reference** | CL957 |
| **Title** | GEA (Generic Ethernet Access) FTTP (Fibre To The Premises) Provisions |
| **Description** | **1. Source Costs and MCE:** This component apportions provision costs for the Fibre to the Premises connection services.<br>**2. Cost and MCE Categories:** Openreach opex (excl. depreciation) (Other); and Current Assets. |
| | **3. Summary Destination:** This component apportions predominantly to SL306 (GEA FTTP connections internal), as well as to SL316 (GEA FTTP connections external) and SL307 (GEA FTTP 40/10 Connections Transitions Internal). |
| | **4. Methodology Taxonomy:** Revenue & Volumes.<br>**5. Driver classification:** Volumes. |
| **Super Component** | SC_CL957 - GEA FTTP Provisions |
| **WACC rate** | 8.9% |

| | |
|---|---|
| **Reference** | CL961 |
| **Title** | GEA FTTP Electronics |
| **Description** | **1. Source Costs and MCE:** This component apportions the costs of the exchange based electronics required for the delivery of FTTP services. It connects the high-speed digital communications channels from the customer to the backhaul network.<br>**2. Cost and MCE Categories:** Depreciation (Fibre); and Non-current assets (Fibre). |
| | **3. Summary Destination:** This component apportions to GEA services (predominantly SL305, as well as SL304, SL314 and SL315) within the WLA market. |
| | **4. Methodology Taxonomy:** Revenue & Volumes.<br>**5. Driver classification:** Volumes. |
| **Super Component** | SC_CL961 - FTTP GEA Electronics |
| **WACC rate** | 8.9% |

| | |
|---|---|
| **Reference** | CL963 |
| **Title** | GEA FTTP Customer Site Installation |
| **Description** | **1. Source Costs and MCE:** This component apportions the costs for customer site Ultra-Fast Fibre Broadband provision activity. It covers costs for customer site activity up to the customer NTE.<br>**2. Cost and MCE Categories:** Openreach opex (excl. depn) (Other); and Non-current assets (Fibre). |
| | **3. Summary Destination:** This component apportions to GEA services (predominantly SL306, as well as to SL316, and SL307) within the WLA market. |
| | **4. Methodology Taxonomy:** Revenue & Volumes.<br>**5. Driver classification:** Volumes. |
| **Super Component** | SC_CL963 - GEA FTTP Customer Site Installation |
| **WACC rate** | 8.9% |

| | |
|---|---|
| **Reference** | CL990 |
| **Title** | FTTP Funded Fibre Rollout Spend |
| **Description** | **1. Source Costs and MCE:** This component apportions the funded region fibre rollout spend for FTTP services.<br>**2. Cost and MCE Categories:** Depreciation (Fibre); and Non-current assets - Fibre. |
| | **3. Summary Destination:** This component apportions to GEA services (predominantly SL305, as well as to SL304, SL314 and SL315) within the WLA market. |
| | **4. Methodology Taxonomy:** Revenue & Volumes.<br>**5. Driver classification:** Volumes. |
| **Super Component** | SC_CL990 - FTTP Funded Fibre Rollout Spend |
| **WACC rate** | 8.9% |

| | |
|---|---|
| **Reference** | CL997 |
| **Title** | FTTP Fibre Rollout Funding |
| **Description** | **1. Source Costs and MCE:** This component apportions the funding received in relation to BT's fibre rollout for FTTP services.<br>**2. Cost and MCE Categories:** Depreciation (Other); and Non-current assets (Grant funded assets). |
| | **3. Summary Destination:** This component apportions to GEA services (predominantly SL305, as well as SL304, SL314 and SL315) within the WLA market. |
| | **4. Methodology Taxonomy:** Revenue & Volumes.<br>**5. Driver classification:** Volumes. |
| **Super Component** | SC_CL997 - FTTP Fibre Rollout Funding |
| **WACC rate** | 8.9% |

| | |
|---|---|
| **Reference** | CL998 |
| **Title** | FTTC Fibre Rollout Funding |
| **Description** | **1. Source Costs and MCE:** This component apportions the funding received in relation to BT's fibre rollout for FTTC services.<br>**2. Cost and MCE Categories:** Depreciation (Other); and Non-current assets (Grant funded assets). |
| | **3. Summary Destination:** This component predominantly apportions to GEA services (SL300, SL310, SL311 and SL301) as well as to SOGEA and G Fast services within the WLA market. |
| | **4. Methodology Taxonomy:** Revenue & Volumes.<br>**5. Driver classification:** Volumes. |
| **Super Component** | SC_CL998 - FTTC Fibre Rollout Funding |
| **WACC rate** | 8.9% |

| | |
|---|---|
| **Reference** | CL999 |
| **Title** | FTTC Funded Fibre Rollout Spend |
| **Description** | **1. Source Costs and MCE:** This component apportions the funded region fibre rollout spend for FTTC services.<br>**2. Cost and MCE Categories:** Depreciation (Fibre); and Non-current assets (Fibre). |
| | **3. Summary Destination:** This component predominantly apportions to GEA services (CL300, SL310, SL311 and SL301), as well as to SOGEA and G Fast services within the WLA market. |
| | **4. Methodology Taxonomy:** Revenue & Volumes.<br>**5. Driver classification:** Volumes. |
| **Super Component** | SC_CL999 - FTTC Funded Fibre Rollout Spend |
| **WACC rate** | 8.9% |

| | |
|---|---|
| **Reference** | CO214 |
| **Title** | Local exchange concentrator set-up |
| **Description** | **1. Source Costs and MCE**: This component relates to the activities required to set up an end to end speech path on the network and covers the call related costs contained in the concentrator asset and chiefly the activities required for holding a speech path open for the duration of the call. It apportions the costs of call duration and of holding paths open for the duration of the call.<br>**2. Cost and MCE Categories:** Depreciation (Land & buildings; and Switch & transmission), Rest of BT opex (excl. depn) (Property; and Holding gains); and Non-current assets (Software, Land & buildings; and Switch & transmission). |
| | **3. Summary Destination:** Fixed Call Origination, Fixed Geographic Call Termination and Wholesale Residual markets via various services (predominantly SCO02I, SCT01E and SCT01I) .<br>The Factors for Component to Service has been frozen using the 2018 P12 data. |
| | **4. Methodology Taxonomy:** Revenue & Volumes.<br>**5. Driver classification:** Volumes. |
| **Super Component** | SC_CO214 - Local exchange concentrator set-up |
| **WACC rate** | 8.9% |

| | |
|---|---|
| **Reference** | CO215 |
| **Title** | Local exchange concentrator duration |
| **Description** | **1. Source Costs and MCE:** This component relates to the activities required to set up an end to end speech path on the network and covers the call related costs contained in the concentrator asset and chiefly the activities required for holding a speech path open for the duration of the call. It apportions the costs of call duration and of holding paths open for the duration of the call.<br>**2. Cost and MCE Categories:** Depreciation (Land & buildings; and Switch & transmission), Rest of BT opex (excl. depn) (Property; and Holding gains); and Non-current assets (Software, Land & buildings; and Switch & transmission). |
| | **3. Summary Destination:** Fixed Call Origination, Fixed Geographic Call Termination and Wholesale Residual markets via various services (predominantly SCO02I, SCT01E and SCT01I).<br>The Factors for Component to Service has been frozen using the 2018 P12 data. |
| | **4. Methodology Taxonomy:** Revenue & Volumes.<br>**5. Driver classification:** Volumes. |
| **Super Component** | SC_CO215 - local exchange concentrator duration |
| **WACC rate** | 8.9% |

| | |
|---|---|
| **Reference** | CO254 |
| **Title** | Openreach Project Services |
| **Description** | **1. Source Costs and MCE:** This component apportions costs related to project management services provided by Openreach to CPs who seek coordination of a programme of orders, such as Ethernet provision, that typically include an engineer visit.<br>**2. Cost and MCE Categories:** Openreach opex (excl. dep) (Other), Current Assets, Current Liabilities; and Non-current assets (Software). |
| | **3. Summary Destination:** Project services (predominantly SS187, SS287, SK971, SS687 and SS186) within the Business Connectivity, WFAEL and Openreach Residual Markets. |
| | **4. Methodology Taxonomy:** Revenue & Volumes.<br>**5. Driver classification:** Volumes. |
| **Super Component** | SC_CO254 - Openreach Project Services |
| **WACC rate** | 8% |

| | |
|---|---|
| **Reference** | CO293 |
| **Title** | Network features |
| **Description** | **1. Source Costs and MCE:** This component apportions costs and capital expenditure associated with network features, including signalling equipment (e.g. AXE10 DLE Digital Concentrator Call Set-Up; and AXE10 Digital Local Exchange Processor and Signalling switch).<br>**2. Cost and MCE Categories:** Depreciation (Land & buildings; and Holding gains), Rest of BT opex (excl. depn) (Property); and Non-current assets (Land & buildings; and Switch & transmission). |
| | **3. Summary Destination:** This component apportions to WLR Network Feature services (predominantly SO291, as well as SO290) within the WFAEL market. |
| | **4. Methodology Taxonomy:** Revenue & Volumes.<br>**5. Driver classification:** Volumes. |
| **Super Component** | SC_CO293 - Network features |
| **WACC rate** | 8.9% |

| | |
|---|---|
| **Reference** | CO457 |
| **Title** | Optical Ethernet Electronics Capital |
| **Description** | **1. Source Costs and MCE:** This component apportions depreciation and non-current assets associated with private circuits & SMDS (in particular dedicated equipment used for Optical Ethernet electronics rentals).<br>**2. Cost and MCE Categories:** Depreciation (Switch & transmission); and Non-current assets (Switch & transmission). |
| | **3. Summary Destination:** This component apportions to Optical Rental services (predominantly SS140, SS240, SS139, SS639 and SS640) within the Business Connectivity markets. |
| | **4. Methodology Taxonomy:** Revenue & Volumes.<br>**5. Driver classification:** Volumes. |
| **Super Component** | SC_CO457 - Optical Ethernet Electronics Capital |
| **WACC rate** | 8.9% |

| | |
|---|---|
| **Reference** | CO681 |
| **Title** | Broadband backhaul circuits excl. Virtual Paths |
| **Description** | **1. Source Costs and MCE:** This component apportions the costs of SDH Broadband backhaul circuits. SDH Broadband backhaul circuits are dedicated circuits that connect the DSLAM to the ATM platform. The circuits are used to provide bandwidth and virtual path services to BT Retail and other service providers for 20CN services such as IPStream, Max, Max Premium and Home & Office.<br>**2. Cost and MCE Categories:** Depreciation (Land & buildings), Rest of BT opex (excl. depn) (Other); and Non-current assets (Switch & transmission). |
| | **3. Summary Destination:** SO681B (OR EPPC to Broadband backhaul circuits excl virtual paths). |
| | **4. Methodology Taxonomy:** Revenue & Volumes.<br>**5. Driver classification:** Volumes. |
| **Super Component** | SC_CO681 - Broadband backhaul circuits (excl Virtual Paths) |
| **WACC rate** | 8.9% |

| | |
|---|---|
| **Reference** | CO989 |
| **Title** | Special Fault Investigation |
| **Description** | **1. Source Costs and MCE:** This component apportions the costs of Special Fault Investigations (SFI).<br>**2. Cost and MCE Categories:** Predominantly Openreach opex (excl. depn) (Openreach central functions), Current Assets; and Non-current assets (Software). |
| | **3. Summary Destination:** This component allocates to SFI services (SL989, SO481) within the WLA market. |
| | **4. Methodology Taxonomy:** Revenue & Volumes.<br>**5. Driver classification:** Volumes. |
| **Super Component** | SC_CO989 - Special Fault Investigation |
| **WACC rate** | 8.9% |

| | |
|---|---|
| **Reference** | CZ301 |
| **Title** | Spine Duct 1 Internal RAV |
| **Description** | **1. Source Costs and MCE:** This component allocates the RAV downstream cost of single bore duct.<br>**2. Cost and MCE Categories:** Predominantly Holding Gains/Loss, Other CCA Adjustments, Supplementary depreciation; and Non-Current Assets (PIA; and Software). |
| | **3. Summary Destination:** SJ006 (Spine Duct Internal RAV service) |
| | **4. Methodology Taxonomy:** Revenue & Volumes.<br>**5. Driver classification:** Volumes. |
| **Super Component** | SC_CZ300Y - PIMR Costs |
| **WACC rate** | 7.1% |

| | |
|---|---|
| **Reference** | CZ302 |
| **Title** | Spine Duct 2 Internal RAV |
| **Description** | **1. Source Costs and MCE:** This component allocates the RAV downstream cost of two bore duct.<br>**2. Cost and MCE Categories:** Predominantly Holding Gains/Loss, Other CCA Adjustments, Supplementary depreciation; and Non-Current Assets (PIA; and Software). |
| | **3. Summary Destination:** SJ006 (Spine Duct Internal RAV service). |
| | **4. Methodology Taxonomy:** Revenue & Volumes.<br>**5. Driver classification:** Volumes. |
| **Super Component** | SC_CZ300Y - PIMR Costs |
| **WACC rate** | 7.1% |

| | |
|---|---|
| **Reference** | CZ303 |
| **Title** | Spine Duct 3+ Internal RAV |
| **Description** | **1. Source Costs and MCE:** This component allocates the RAV downstream cost of duct bore of more than 2.<br>**2. Cost and MCE Categories:** Predominantly Holding Gains/Loss, Other CCA Adjustments, Supplementary depreciation; and Non-Current Assets (PIA; and Software). |
| | **3. Summary Destination:** SJ006 (Spine Duct Internal RAV service) |
| | **4. Methodology Taxonomy:** Revenue & Volumes.<br>**5. Driver classification:** Volumes. |
| **Super Component** | SC_CZ300Y - PIMR Costs |
| **WACC rate** | 7.1% |

| | |
|---|---|
| **Reference** | CZ304 |
| **Title** | Manholes Internal RAV |
| **Description** | **1. Source Costs and MCE:** This component allocates the RAV downstream cost of manholes.<br>**2. Cost and MCE Categories:** Predominantly Holding Gains/Loss, Other CCA Adjustments, Supplementary depreciation; and Non-Current Assets (PIA; and Software). |
| | **3. Summary Destination:** SJ080 (Manholes Internal RAV service). |
| | **4. Methodology Taxonomy:** Revenue & Volumes.<br>**5. Driver classification:** Volumes. |
| **Super Component** | SC_CZ300Y - PIMR Costs |
| **WACC rate** | 7.1% |

| | |
|---|---|
| **Reference** | CZ305 |
| **Title** | Joint Boxes Internal RAV |
| **Description** | **1. Source Costs and MCE:** This component allocates the RAV downstream cost of joint boxes.<br>**2. Cost and MCE Categories:** Predominantly Holding Gains/Loss, Other CCA Adjustments, Supplementary depreciation; and Non-Current Assets (PIA; and Software). |
| | **3. Summary Destination:** SJ009 (Joint Boxes Internal RAV service). |
| | **4. Methodology Taxonomy:** Revenue & Volumes.<br>**5. Driver classification:** Volumes. |
| **Super Component** | SC_CZ300Y - PIMR Costs |
| **WACC rate** | 7.1% |

| | |
|---|---|
| **Reference** | CZ306 |
| **Title** | Lead ins Internal RAV |
| **Description** | **1. Source Costs and MCE:** This component allocates the RAV downstream cost of lead ins.<br>**2. Cost and MCE Categories:** Predominantly Holding Gains/Loss, Other CCA Adjustments, Supplementary depreciation; and Non-Current Assets (PIA; and Software).<br>**3. Summary Destination:** SJ007 (Lead in Duct Internal RAV service).<br>**4. Methodology Taxonomy:** Revenue & Volumes.<br>**5. Driver classification:** Volumes. |
| **Super Component** | SC_CZ300Y - PIMR Costs |
| **WACC rate** | 7.1% |

| | |
|---|---|
| **Reference** | CZ313 |
| **Title** | Spine Duct 1 Internal |
| **Description** | **1. Source Costs and MCE:** This component allocates the downstream cost of single bore duct.<br>**2. Cost and MCE Categories:** Predominantly Holding Gains/Loss, Other CCA Adjustments, Supplementary depreciation; and Non-Current Assets (PIA; and Software).<br>**3. Summary Destination:** SJ001 (Spine Duct Internal service).<br>**4. Methodology Taxonomy:** Revenue & Volumes.<br>**5. Driver classification:** Volumes. |
| **Super Component** | SC_CZ300Y - PIMR Costs |
| **WACC rate** | 7.1% |

| | |
|---|---|
| **Reference** | CZ314 |
| **Title** | Spine Duct 2 Internal |
| **Description** | **1. Source Costs and MCE:** This component allocates the downstream cost of two bore duct.<br>**2. Cost and MCE Categories:** Predominantly Holding Gains/Loss, Other CCA Adjustments, Supplementary depreciation; and Non-current assets (PIA; and Software).<br>**3. Summary Destination:** SJ001 (Spine Duct Internal service).<br>**4. Methodology Taxonomy:** Revenue & Volumes.<br>**5. Driver classification:** Volumes. |
| **Super Component** | SC_CZ300Y - PIMR Costs |
| **WACC rate** | 7.1% |

| | |
|---|---|
| **Reference** | CZ315 |
| **Title** | Spine Duct 3+ Internal |
| **Description** | **1. Source Costs and MCE:** This component allocates the downstream cost of duct with more than 2 bore.<br>**2. Cost and MCE Categories:** Predominantly Holding Gains/Loss, Other CCA Adjustments, Supplementary depreciation; and Non-current assets (PIA; and Software).<br>**3. Summary Destination:** SJ001 (Spine Duct Internal service).<br>**4. Methodology Taxonomy:** Revenue & Volumes.<br>**5. Driver classification:** Volumes. |
| **Super Component** | SC_CZ300Y - PIMR Costs |
| **WACC rate** | 7.1% |

| | |
|---|---|
| **Reference** | CZ316 |
| **Title** | Manholes Internal |
| **Description** | **1. Source Costs and MCE:** This component allocates the downstream cost of manholes.<br>**2. Cost and MCE Categories:** Predominantly Holding Gains/Loss, Other CCA Adjustments, Supplementary depreciation; and Non-current assets (PIA; and Software).<br>**3. Summary Destination:** SJ003 (Manholes Internal service).<br>**4. Methodology Taxonomy:** Revenue & Volumes.<br>**5. Driver classification:** Volumes. |
| **Super Component** | SC_CZ300Y - PIMR Costs |
| **WACC rate** | 7.1% |

| | |
|---|---|
| **Reference** | CZ317 |
| **Title** | Joint Boxes Internal |
| **Description** | **1. Source Costs and MCE:** This component allocates the downstream cost of joint boxes.<br>**2. Cost and MCE Categories:** Predominantly Holding Gains/Loss, Other CCA Adjustments, Supplementary depreciation; and Non-current assets (PIA; and Software). |
| | **3. Summary Destination:** SJ004 (Joint Boxes Internal service). |
| | **4. Methodology Taxonomy:** Revenue & Volumes.<br>**5. Driver classification:** Volumes. |
| **Super Component** | SC_CZ300Y - PIMR Costs |
| **WACC rate** | 7.1% |

| | |
|---|---|
| **Reference** | CZ318 |
| **Title** | Lead ins Internal |
| **Description** | **1. Source Costs and MCE:** This component allocates the downstream cost of lead ins.<br>**2. Cost and MCE Categories:** Predominantly Holding Gains/Loss, Other CCA Adjustments, Supplementary depreciation; and Non-current assets (PIA; and Software). |
| | **3. Summary Destination:** SJ002 (Lead in Duct Internal service). |
| | **4. Methodology Taxonomy:** Revenue & Volumes.<br>**5. Driver classification:** Volumes. |
| **Super Component** | SC_CZ300Y - PIMR Costs |
| **WACC rate** | 7.1% |

| | |
|---|---|
| **Reference** | CZ325 |
| **Title** | Poles Internal |
| **Description** | **1. Source Costs and MCE:** This component allocates the downstream cost of telegraph poles which are used as distribution points to end users.<br>**2. Cost and MCE Categories:** Predominantly Openreach OPEX (excl depreciation) - Other (Maintenance), Depreciation - Copper, Holding gains; and Non-current assets (PIA; and Software). |
| | **3. Summary Destination:** SJ005 (Poles Internal), within the PIA market. |
| | **4. Methodology Taxonomy:** Revenue & Volumes.<br>**5. Driver classification:** Volumes. |
| **Super Component** | SC_CZ300Y - PIMR Costs |
| **WACC rate** | 7.1% |

| | |
|---|---|
| **Reference** | CZ331 |
| **Title** | Poles Network Adjustments Internal |
| **Description** | **1. Source Costs and MCE:** This component allocates the costs of internal (work we conduct for when building our own network) poles network adjustments.<br>**2. Cost and MCE Categories:** Predominantly Depreciation (Fibre); and Non-current assets (Fibre). |
| | **3. Summary Destination:** SJ005 (Poles Internal), within the PIA market. |
| | **4. Methodology Taxonomy:** Revenue & Volumes.<br>**5. Driver classification:** Volumes. |
| **Super Component** | SC_CZ300Y - PIMR Costs |
| **WACC rate** | 7.1% |

# 7 WBA EoI

BT is required to report on certain Openreach charges for the WBA Markets, most recently directed in the 2018 Ofcom WBA Market Review.

In accordance with the commitments, Openreach provides WLA products on an EOI basis to the rest of BT (including BT Wholesale) and other telecoms providers. This means that Openreach must charge the same rate for their Network when selling to External CP's as they do to internal customers. Monitoring of compliance with this commitment is met by reporting these charges in the RFS.

The approach employed to generate EOI charges is to identify the Openreach services used as an input for the WBA services. Volumes of these services used for WBA are established. The most appropriate market volume driver available is identified based on either BT Openreach or BT Enterprise data. Weighted average EOI prices (RFS 10.1.2) are applied to these volumes to get the total charges. The charges are allocated to services within each of the geographic markets with the best available volume driver. The charges are loaded to EOI specific services in the regulatory accounting system, which are then mapped to individual published services. An example of the OR network used is the Shared Metallic Path Facility (SMPF) which provides the copper lines to our customers which the customers Broadband services are delivered. OR will charge the same amount to CP's as they do to BT.

| **EBD and ONBS Connections and Rentals** | |
|---|---|
| **Service** | **Description** |
| SS119B | EBD ONBS Rentals - Internal - Access - BT Only |
| SS121B | EBD ONBS >1Gbps Rentals - Internal - Access - BT Only |
| SS143B | Ethernet Main Link Rentals - Internal - Access - BT Only |
| SS149B | Other Ethernet main links >1Gbps - Internal - Access - BT Only |
| SS154B | EBD ONBS Connection - Internal - Access - BT Only |
| SS156B | EBD ONBS >1Gbps Connections - Internal - Access - BT Only |
| SS219B | EBD ONBS Rentals - Internal - Access - BT+1 |
| SS221B | EBD ONBS >1Gbps Rentals - Internal - Access - BT+1 |
| SS243B | Ethernet Main Link Rentals - Internal - Access - BT+1 |
| SS249B | Other Ethernet main links >1Gbps - Internal - Access - BT+1 |
| SS254B | EBD ONBS Connection - Internal - Access - BT+1 |
| SS256B | EBD ONBS >1Gbps Connections - Internal - Access - BT+1 |
| SS319B | EBD ONBS Rentals - Internal - Access - Outside CLA |
| SS321B | EBD ONBS >1Gbps Rentals - Internal - Access - Outside CLA |
| SS343B | Ethernet Main Link Rentals - Internal - Access - Outside CLA |
| SS349B | Other Ethernet main links >1Gbps - Internal - Access - Outside CLA |
| SS354B | EBD ONBS Connection - Internal - Access - Outside CLA |
| SS356B | EBD ONBS >1Gbps Connections - Internal - Access - Outside CLA |
| SS419B | EBD ONBS Rentals - Internal - Access - CLA |
| SS421B | EBD ONBS >1Gbps Rentals - Internal - Access - CLA |
| SS443B | Ethernet Main Link Rentals - Internal - Access - CLA |
| SS449B | Other Ethernet main links >1Gbps - Internal - Access - CLA |
| SS454B | EBD ONBS Connection - Internal - Access - CLA |
| SS456B | EBD ONBS >1Gbps Connections - Internal - Access - CLA |
| SS619B | EBD ONBS Rentals - Internal - Inter - BT Only |
| SS621B | EBD ONBS >1Gbps Rentals - Internal - Inter - BT Only |
| SS643B | Ethernet Main Link Rentals - Internal - Inter - BT Only |
| SS649B | Other Ethernet main links >1Gbps - Internal - Inter - BT Only |
| SS654B | EBD ONBS Connection - Internal - Inter - BT Only |
| SS656B | EBD ONBS >1Gbps Connections - Internal - Inter - BT Only |
| SS719B | EBD ONBS Rentals - Internal - Inter - BT+1 |
| SS721B | EBD ONBS >1Gbps Rentals - Internal - Inter - BT+1 |
| SS743B | Ethernet Main Link Rentals - Internal - Inter - BT+1 |
| SS749B | Other Ethernet main links >1Gbps - Internal - Inter - BT+1 |
| SS754B | EBD ONBS Connection - Internal - Inter - BT+1 |
| SS756B | EBD ONBS >1Gbps Connections - Internal - Inter - BT+1 |

| | |
|---|---|
| SS819B | EBD ONBS Rentals - Internal - Inter - BT+2 or more |
| SS821B | EBD ONBS >1Gbps Rentals - Internal - Inter - BT+2 or more |
| SS843B | Ethernet Main Link Rentals - Internal - Inter - BT+2 or more |
| SS849B | Other Ethernet main links >1Gbps - Internal - Inter - BT+2 or more |
| SS854B | EBD ONBS Connection - Internal - Inter - BT+2 or more |
| SS856B | EBD ONBS >1Gbps Connections - Internal - Inter - BT+2 or more |

*Description*

The above part services hold the EOI rental and connection charges for EBD and ONBS:

- Ethernet Backhaul Direct (EBD) is an efficient, cost effective way of delivering large volumes of data, quickly and securely. It delivers permanently connected, uncontended bandwidth from an Access Serving Node (ASN) to an Openreach Handover Point (OHP).
- Openreach Network Backhaul Service (ONBS) provides connectivity between a Communications Providers equipment installed within Co-location, Netlocate or BT Locate at a BT MSAN Site, and their equipment installed within Co-location, Netlocate or BT Locate at either the nearest BT MSAN Site, BT Metro Node Site or another BT MSAN Site or Metro Node Site which is within a distance of 15 radial kilometres of the first BT MSAN/Metro Site.

*Methodology*

These EOI charges are apportioned on the basis of bandwidth for the 21CN services that use EBDs. The relative bandwidth volumes of copper and fibre broadband, TV Connect (TVC), Harmonised Ethernet, Managed Ethernet Access services (MEAs), and dedicated Core and Metro 10 Gbit/s links are used to create a base that apportions the charges to the following services:

| Service | Description |
|---|---|
| SN113 | Market A - OR Int WBC 21CN Backhaul |
| SN114 | Market A - OR Ext WBC 21CN Backhaul |
| SN313 | Market B - OR Int WBC 21CN Backhaul |
| SN314 | Market B - OR Ext WBC 21CN Backhaul |
| SM413 | OR TVC |
| SM416 | OR HE/MEAS |
| SN161 | Market A - SFBB OR Fibre BW Int |
| SN162 | Market A - SFBB OR Fibre BW Ext |
| SN361 | Market B - SFBB OR Fibre BW Int |
| SN362 | Market B - SFBB OR Fibre BW Ext |

*Data Sources*

The total EOI charge is sourced using Openreach commercial volumes from COSMOSS and EST and Price List prices.
The bandwidth volumes are sourced from: WCR for broadband; GVF for TV Connect; GVF, PACs, MIS, And Enterprise Information Oracle Platform (EIP) for Harmonised Ethernet and MEAs; and Discoverer for Core and Metro 10 Gbit/s links.

**SMPF Connections**

SL138B SMPF New Provides

*Description*

The above part services hold the EOI charges for Shared Metallic Path Facility (SMPF) new provides. The SMPF service allows CPs to provide broadband services over the BT copper network. It enables customers to share a line with another Communications Provider providing a voice service to the same customer.

*Methodology*

These EOI charges are apportioned on the basis of connections for the copper services that use SMPF. The number of connections in the year to IPStream and WBC split by internal and external connections and by geographic market are used to create a base that apportions the charges to the following services:

| Service | Description |
|---|---|
| SM101 | Market A - OR Int IPS Connections |
| SM102 | Market A - OR Ext IPS Connections |
| SN133 | Market A - OR Int WBC Connections |
| SN134 | Market A - OR Ext WBC Connections |
| SM301 | Market B - OR Int IPS Connections |
| SM302 | Market B - OR Ext IPS Connections |
| SN333 | Market B - OR Int WBC Connections |
| SN334 | Market B - OR Ext WBC Connections |
| SM450 | WBA end user access - Conns OR/WS rec service |

*Data Sources*

The total EOI charge for this service is sourced from the Actual Reporting Cube (ARC) reporting system managed by Openreach Finance.
The connection volumes (split by service, market and internal/external) are sourced from WCR.

**SMPF Rentals**

| Service | Description |
|---|---|
| SL158B | SMPF Rentals |

*Description*

The above part services hold the ongoing EOI rental charges for SMPF services. This service allows customers to provide broadband services over the BT copper network. It enables CPs to share a line with another Communications Provider providing a voice service to the same customer.

*Methodology*

These EOI charges are apportioned on the basis of end user rentals for the copper services that use SMPF. The end user rental volumes for IPStream and WBC split by internal and external rentals and by geographic market are used to create a base that apportions the charges to the following services:

| Service | Description |
|---|---|
| SM103 | Market A - OR Int IPS Max and Max Premium Rentals |
| SM104 | Market A - OR Ext IPS Max and Max Premium Rentals |
| SM107 | Market A - OR Int WBC end user access Rentals |
| SM108 | Market A - OR Ext WBC end user access Rentals |
| SN129 | Market A - OR Int IPS Home and Office Rentals |
| SN130 | Market A - OR Ext IPS Home and Office Rentals |
| SM303 | Market B - OR Int IPS Max and Max Premium Rentals |
| SM304 | Market B - OR Ext IPS Max and Max Premium Rentals |
| SM307 | Market B - OR Int WBC end user access Rentals |
| SM308 | Market B - OR Ext WBC end user access Rentals |
| SN329 | Market B - OR Int IPS Home and Office Rentals |
| SN330 | Market B - OR Ext IPS Home and Office Rentals |

*Data Sources*

The total EOI charge for this service is sourced from the Actual Reporting Cube (ARC) reporting system managed by Openreach Finance. The end user rental volumes (split by service, market and internal/external) are sourced from WCR.

**Migrations**

| Service | Description |
|---|---|
| SL139B | SMPF Single Migrations |
| SL199B | SMPF Bulk Migrations |

*Description*

The above part services hold the EOI charges where an SMPF service is migrated between two customers. SMPF service allows customers to provide broadband services over the BT copper network. It enables customers to share a line with another Communications Provider providing a voice service to the same customer.

*Methodology*

The volume of single migrations and multiple migrations are added together to create a base. The EOI charges are then apportioned in total to the migration services based on the geographical location of the migration and an internal/external split, with the charge apportioned to the following services:

| Service | Description |
|---|---|
| SM175 | Market A - OR Int IPStream Migrations |
| SM176 | Market A - OR Ext IPStream Migrations |
| SM375 | Market B - OR Int IPStream Migrations |
| SM376 | Market B - OR Ext IPStream Migrations |
| SN145 | Market A – OR Int WBC Migrations |
| SN146 | Market A – OR Ext WBC Migrations |
| SN345 | Market B – OR Int WBC Migrations |
| SN346 | Market B – OR Ext WBC Migrations |

*Data Sources*

The total EOI charge for this service is sourced from the Actual Reporting Cube (ARC) reporting system managed by Openreach Finance. The single and multiple migration volumes (split by service, market and internal/external) are sourced from WCR.

**Ceases**

| Service | Description |
|---|---|
| SL201B | MPF Hard Ceases |
| SL202B | SMPF Hard Ceases |

*Description*

The above part services hold the EOI charges for:

- The cessation of MPF lines - MPF services enable customers offer both voice and broadband services. It provides a two-wire metallic transmission path between the Network Terminating Equipment at a customer's premises and a main distribution or jumper frame at the exchange.

- The cessation of SMPF lines - SMPF services allow CPs to provide broadband services over the BT copper network. It enables CPs to share a line with another Communications Provider providing a voice service to the same customer.

*Methodology*

The volume of ceases in Market A and Market B, split by internal and external, are used as a base to apportion all EOI cease charges to the following services:

| Service | Description |
|---|---|
| SM109 | Market A - OR Int IPS end user access ceases |
| SM110 | Market A - OR Ext IPS end user access ceases |
| SM309 | Market B - OR Int IPS end user access ceases |
| SM310 | Market B - OR Ext IPS end user access ceases |
| SN137 | Market A - OR Int WBA end user access ceases |
| SN138 | Market A - OR Ext WBA end user access ceases |
| SN337 | Market B - OR Int WBA end user access ceases |
| SN338 | Market B - OR Ext WBA end user access ceases |

*Data Sources*

The total EOI charge for this service is sourced from the Actual Reporting Cube (ARC) reporting system managed by Openreach Finance.
The cease volumes (split by service, market and internal/external) are sourced from WCR.

**Other Tie Pair Modifications**

| Service | Description |
|---|---|
| SL236B | SMPF Enhanced Care - Internal |
| SL242B | NGA Enhanced Care - Internal |

*Description*

The above part services hold the EOI charges for SMPF and NGA Enhanced Care. This service allows customers a variety of service management levels above the standard offering.

*Methodology*

These EOI charges are apportioned on the basis of end user rentals for the WBC copper services that use SMPF. The end user rental volumes for WBC split by internal and external rentals and by geographic market are used to create a base that apportions the charges to the following services:

| Service | Description |
|---|---|
| SM191 | Market A - OR Int WBA SMPF enhanced care |
| SM192 | Market A - OR Ext WBA SMPF enhanced care |
| SM391 | Market B - OR Int WBA SMPF enhanced care |
| SM392 | Market B - OR Ext WBA SMPF enhanced care |

*Data Sources*

The total EOI charge for this service is sourced from the Actual Reporting Cube (ARC) reporting system managed by Openreach Finance.
The end user rental volumes (split by service, market and internal/external) are sourced from WCR.

**Tie Cables**

| Service | Description |
|---|---|
| SL128B | Tie Cables |
| SL206B | Other Tie-cables and Comingling |

*Description*

The above part services hold the EOI charges for SMPF and MPF tie cables. Tie Cables connect customers' equipment within a BT exchange building.

*Methodology*

The input data is firstly split out between 20CN and 21CN tie cables so that the 21CN tie cables are only allocated to WBC services whereas the 20CN services are allocated to IPStream.
Both the 20CN and 21CN tie cable EOI charges are apportioned on the basis of end user rentals, so the 21CN tie cables are apportioned between market and internal/external using WBC rental information and 20CN are apportioned using IPStream rentals.
The 21CN charges are apportioned to the following services:

| Service | Description |
|---|---|
| SM185 | Market A - OR Int WBC 21CN Tie cables |
| SM186 | Market A - OR Ext WBC 21CN Tie cables |
| SM385 | Market B - OR Int WBC 21CN Tie cables |
| SM386 | Market B - OR Ext WBC 21CN Tie cables |

The 20CN charges are apportioned to the following services:

| Service | Description |
|---|---|
| SM187 | Market A - OR Int IPStream Connect 20CN Tie cables |
| SM188 | Market A - OR Ext IPStream Connect 20CN Tie cables |
| SM387 | Market B - OR Int IPStream Connect 20CN Tie cables |
| SM388 | Market B - OR Ext IPStream Connect 20CN Tie cables |

*Data Sources*
The total EOI charge and the split between 20C and 21C for this service is sourced from the Actual Reporting Cube (ARC) reporting system managed by Openreach Finance.
The end user rental volumes (split by service, market and internal/external) are sourced from WCR.

**Enhanced Care**

| Service | Description |
|---|---|
| SL244B | NGA Visit Assure EOI - Internal |

*Description*
The above part service holds the EOI charges for the NGA Visit Assure service. NGA Visit Assure provides higher quality of service on fault repair for NGA products.
*Methodology*
These EOI charges are apportioned on the basis of end user rentals for the fibre SFBB services. The end user rental volumes split by internal and external rentals and by geographic market are added together to create a base that apportions the charges to the following services:

| Service | Description |
|---|---|
| SN159 | SFBB OR Fibre EU Market A Int |
| SN160 | SFBB OR Fibre EU Market A Ext |
| SN359 | SFBB OR Fibre EU Market B Int |
| SN360 | SFBB OR Fibre EU Market B Ext |

*Data Sources*
The total EOI charge for this service is sourced from the Actual Reporting Cube (ARC) reporting system managed by Openreach Finance.
The end user rental volumes (split by service, market and internal/external) are sourced from WCR.

**SMPF and NGA Expedite**

| Service | Description |
|---|---|
| SL228B | SMPF Expedites EOI – Internal |
| SL230B | NGA Expedites EOI - Internal |

*Description*
The above part services hold the EOI charges for the SMPF and NGA Expedite service, which provides CPs with faster connection times.
*Methodology*
These EOI charges are apportioned on the basis of connections for the services that use SMPF or NGA. The connection volumes for IPStream and WBC (copper and fibre) split by internal and external connections and by geographic market are added together to create a base that apportions the charges to the following services:

| Service | Description |
|---|---|
| SM197 | Market A - OR Int WBA SMPF Expedite |
| SM198 | Market A - OR Ext WBA SMPF Expedite |
| SM397 | Market B - OR Int WBA SMPF Expedite |
| SM398 | Market B - OR Ext WBA SMPF Expedite |

*Data Sources*
The total EOI charge for this service is sourced from the Actual Reporting Cube (ARC) reporting system managed by Openreach Finance.
The connection volumes (split by service, market and internal/external) are sourced from WCR.

**Broadband Boost**

| Service | Description |
|---|---|
| SL246B | Copper WBA Broadband Boost |
| SL248B | NGA WBA Broadband Boost |

*Description*
The above part services hold the EOI charges for the Broadband Boost service. This offers a cost-effective way to try to solve issues that CP customers have with their broadband speed and reliability. A range of activities can be carried out by BT engineers including; work relating to CPs customer's own wiring, equipment CP provided them with, and work on the Openreach access network (back to the local exchange).
*Methodology*
These EOI charges are apportioned on the basis of broadband boost volumes. The number of copper boost volumes is split by Market A and Market B based on the total market split of WBC and IPStream connections. Fibre boosts are apportioned to SN403, and any further residual boost volumes charged for by Openreach are apportioned to a residual reconciliation service (SM459). The following services are those that are apportioned the charges:

| Service | Description |
|---|---|
| SN103 | Market A - OR Int Broadband Boost |
| SN303 | Market B - OR Int Broadband Boost |
| SN403 | Residual - OR Int Broadband Boost |
| SM459 | WBA Broadband Boost OR/WS rec service |

*Data Sources*
The total EOI charge for this service is sourced from the Actual Reporting Cube (ARC) reporting system managed by Openreach Finance.
The broadband boost volumes are sourced from Openreach Analytics from the Reporting, Planning and Analysis team.
The connections based split by market for copper boosts is sourced from WCR.

**Re-grades**

| Service | Description |
|---|---|
| SL178B | Other LLU Ancillaries Basket |

*Description*

The above part services hold the EOI charges for several ancillary services related to SMPF and MPF:SMPF and MPF Tie Pair Modifications (3 working day lead time re-terminations and Multiple re-terminations).

- Cancellations of SMPF and MPF orders for Provide, Simultaneous provide, migration, modification or amend.
- SMPF and MPF amend orders.
- SMPF Flexi Cease Fault Investigation Charges.
- SMPF and MPF Standard Line Test.

*Methodology*

The ARC system provides the volume and price data to enable this EOI charge to be split between Regrades and Migrations charges. These distinguishable EOI charges are then apportioned in total to the relevant volumes for each charge: migration services using migration volumes and regrade services using regrade volumes. The split to WBA service is based on the geographical location of the migration/regrade and an internal/external split, with the charge apportioned to the following services:

| Service | Description |
|---|---|
| SM161 | Market A - Int end user access OR IPStream regrades |
| SM162 | Market A - Ext end user access OR IPStream regrades |
| SM361 | Market B - Int end user access OR IPStream regrades |
| SM362 | Market B - Ext end user access OR IPStream regrades |
| SM175 | Market A - OR Int IPStream Migrations |
| SM176 | Market A - OR Ext IPStream Migrations |
| SM375 | Market B - OR Int IPStream Migrations |
| SM376 | Market B - OR Ext IPStream Migrations |
| SN145 | Market A – OR Int WBC Migrations |
| SN146 | Market A – OR Ext WBC Migrations |
| SN345 | Market B – OR Int WBC Migrations |
| SN346 | Market B – OR Ext WBC Migrations |
| SN127 | Mkt A OR Int IPS ADSL Cancellation |
| SN128 | Mkt A - OR Ext IPS ADSL Cancellation |
| SN327 | Mkt B OR Int IPS ADSL Cancellation |
| SN328 | Mkt B OR Ent IPS ADSL Cancellation |

*Data Sources*

The total EOI charge for this service is sourced from the Actual Reporting Cube (ARC) reporting system managed by Openreach Finance. The single and multiple migration volumes (split by service, market and internal/external) are sourced from WCR.

**SFIs**

| Service | Description |
|---|---|
| SO481B | Special Faults Investigations (SFIs) |

*Description*

The above part service holds the EOI charge for a range of Special Fault Investigation 'module' services. These services fix certain faults that are not covered by the standard rental service. The module types are:

- Base Module
- Network Module
- Frame Module
- Internal Wiring Module
- Internal Equipment Module
- Frame Direct Module

*Methodology*

The SFI based EOI charge is split between non chargeable SFIs (which are apportioned to rental services) and chargeable SFIs (which are apportioned to individual SFI services). The split between non chargeable and chargeable SFI volumes is sourced from WCR with a market and internal/external split. The chargeable apportionment is then shared over the following services based on the WCR split by market and internal/external for chargeable SFIs:

| Service | Description |
|---|---|
| SM165 | Market A - Int SFI - OR |
| SM166 | Market A - Ext SFI - OR |
| SM365 | Market B - Int SFI - OR |
| SM366 | Market B - Ext SFI - O |

The non-chargeable apportionment is then shared over the following services based on the WCR split by market and internal/external for end user rentals:

| Service | Description |
|---|---|
| SM103 | Market A - OR Int IPS Max and Max Premium Rentals |
| SM104 | Market A - OR Ext IPS Max and Max Premium Rentals |

| | |
|---|---|
| SM107 | Market A - OR Int WBC end user access Rentals |
| SM108 | Market A - OR Ext WBC end user access Rentals |
| SN129 | Market A - OR Int IPS Home and Office Rentals |
| SN130 | Market A - OR Ext IPS Home and Office Rentals |
| SM303 | Market B - OR Int IPS Max and Max Premium Rentals |
| SM304 | Market B - OR Ext IPS Max and Max Premium Rentals |
| SM307 | Market B - OR Int WBC end user access Rentals |
| SM308 | Market B - OR Ext WBC end user access Rentals |
| SN329 | Market B - OR Int IPS Home and Office Rentals |
| SN330 | Market B - OR Ext IPS Home and Office Rentals |

*Data Sources*

The total EOI charge for this service is sourced from the Actual Reporting Cube (ARC) reporting system managed by Openreach Finance.
The chargeable SFI volumes and the end user rental volumes (split by service, market and internal/external) are sourced from WCR.

**EAD**

| Service | Description |
|---|---|
| SO646B | 21CN Backhaul EAD |

*Description*

The above part service holds the EOI charges for Ethernet Access Direct (EAD).
Ethernet Access Direct (EAD) provides point-to-point data connectivity between sites. It can be used to build and extend customer networks, develop new infrastructure, and meet low-capacity backhaul requirements (i.e. up to 1Gb, which is the starting bandwidth for Ethernet Backhaul Direct). EAD supports a range of requirements including cloud computing, simultaneous online pupil access in classrooms and storage area network connectivity.

*Methodology*

These EOI charges are apportioned on the basis of bandwidth for the 21CN services that use EAD. TV Connect (TVC) and fibre-access broadband volumes are factored to reflect their usage of only Tier 1 EADs.
The relative bandwidth volumes of copper broadband, fibre broadband and TVC are used to create a base that apportions the charges to the following services:

| Service | Description |
|---|---|
| SN113 | Market A - OR Int WBC 21CN Backhaul |
| SN114 | Market A - OR Ext WBC 21CN Backhaul |
| SN161 | SFBB OR Fibre BW Mkt A Int |
| SN162 | SFBB OR Fibre BW Mkt A Ext |
| SN313 | Market B OR Int WBC EBD |
| SN314 | Market B OR Ext WBC EBD |
| SN361 | SFBB OR Fibre BW Mkt B Int |
| SN362 | SFBB OR Fibre BW Mkt B Ext |
| SM413 | OR TVC |

A usage factor is applied to Fibre and TVC services to apportion only Tier 1 Links in the EAD backhaul network.

*Data Sources*

The total EOI charge is sourced from internal trading data. The bandwidth volumes are sourced from: WCR for broadband; and GVF for TV Connect.

**Time Related Charges (TRCs)**

| Service | Description |
|---|---|
| SK990B | Time Related Charges |

*Description*

The above part services hold the EOI charges for Time Related Charge work relating to SMPF and MPF lines. Time Related Charges (TRCs) are raised to recover the cost incurred when BT Openreach engineers perform work that is not covered under the terms of the Openreach service. For example, TRCs apply where there are no standard prices for the work required, if it falls outside normal hours, if it is needed earlier than standard timescales or is at a CP's site and not covered under our terms.

*Methodology*

These EOI charges are apportioned on the basis of connections for the copper services that use SMPF. The number of connections in the year to IPStream and WBC split by internal and external connections and by geographic market are used to create a base that apportions the charges to the following services:

| Service | Description |
|---|---|
| SM103 | Market A - OR Int IPS Max and Max Premium Rentals |
| SM104 | Market A - OR Ext IPS Max and Max Premium Rentals |
| SM107 | Market A - OR Int WBC end user access Rentals |
| SM108 | Market A - OR Ext WBC end user access Rentals |
| SN129 | Market A - OR Int IPS Home and Office Rentals |
| SN130 | Market A - OR Ext IPS Home and Office Rentals |

| | |
|---|---|
| SM303 | Market B - OR Int IPS Max and Max Premium Rentals |
| SM304 | Market B - OR Ext IPS Max and Max Premium Rentals |
| SM307 | Market B - OR Int WBC end user access Rentals |
| SM308 | Market B - OR Ext WBC end user access Rentals |
| SN329 | Market B - OR Int IPS Home and Office Rentals |
| SN330 | Market B - OR Ext IPS Home and Office Rentals |

*Data Sources*
The total EOI charge for this service is sourced from the Actual Reporting Cube (ARC) reporting system managed by Openreach Finance.
The connection volumes (split by service, market and internal/external) are sourced from WCR.

**Cancellation and amendment of MPF Orders**

| Service | Description |
|---|---|
| SL172B | Cancellation of MPF orders |
| SL173B | Amend orders Allowable change to MPF order |

*Description*
This service includes the cancellation of the new provision of an MPF new provide and the change made to an existing of an MPF new provide.
*Methodology*
The ARC system provides the volume and price data to enable this EOI charge to be split between Regrades and Migrations charges. These distinguishable EOI charges are then apportioned in total to the relevant volumes for each charge: migration services using migration volumes and regrade services using regrade volumes. The split to WBA service is based on the geographical location of the migration/regrade and an internal/external split, with the charge apportioned to the following services:

| Service | Description |
|---|---|
| SM161 | Mkt A - OR Int end user access IPStream regrades |
| SM162 | Mkt A - OR Ext end user access IPStream regrades |
| SM175 | Mkt A - OR Int end user access CP Mig |
| SM176 | Mkt A - OR Ext end user access CP Mig |
| SM361 | Mkt B - OR Int end user access IPS regrades |
| SM362 | Mkt B - OR Ext end user access IPS regrades |
| SM375 | Mkt B - OR Int end user access CP Mig |
| SM376 | Mkt B - OR Ext end user access CP Mig |
| SN127 | Mkt A - OR Int IPS ADSL Cancellation |
| SN128 | Mkt A - OR Ext IPS ADSL Cancellation |
| SN145 | Mkt A - OR Int WBC Migrations |
| SN146 | Mkt A - OR Ext WBC Migrations |
| SN327 | Mkt B - OR Int IPS ADSL Cancellation |
| SN328 | Mkt B - OR Ext IPS ADSL Cancellation |
| SN345 | Mkt B - OR Int WBC Migrations |
| SN346 | Mkt B - OR Ext WBC Migrations |

*Data Sources*
The total EOI charge for this service is sourced from the Actual Reporting Cube (ARC) reporting system managed by Openreach Finance.
The connection volumes (split by service, market and internal/external) are sourced from WCR.

**MPF Standard Line Test**

| Service | Description |
|---|---|
| SL174B | MPF Standard Line Test |

*Description*
Test on the Metal Path Facility (MPF) line without special provisions on Openreach lines (not the Non Served Premises (NSP), ships in Dock and Short Duration lines).
*Methodology*
The ARC system provides the volume and price data to enable this EOI charge to be split between Regrades and Migrations charges. These distinguishable EOI charges are then apportioned in total to the relevant volumes for each charge: migration services using migration volumes and regrade services using regrade volumes.
The split to WBA service is based on the geographical location of the migration/regrade and an internal/external split, with the charge apportioned to the following services:

| Service | Description |
|---|---|
| SM161 | Mkt A - OR Int end user access IPStream regrades |
| SM162 | Mkt A - OR Ext end user access IPStream regrades |
| SM175 | Mkt A - OR Int end user access CP Mig |
| SM176 | Mkt A - OR Ext end user access CP Mig |
| SM361 | Mkt B - OR Int end user access IPS regrades |
| SM362 | Mkt B - OR Ext end user access IPS regrades |

| | |
|---|---|
| SM375 | Mkt B - OR Int end user access CP Mig |
| SM376 | Mkt B - OR Ext end user access CP Mig |
| SN127 | Mkt A - OR Int IPS ADSL Cancellation |
| SN128 | Mkt A - OR Ext IPS ADSL Cancellation |
| SN145 | Mkt A - OR Int WBC Migrations |
| SN146 | Mkt A - OR Ext WBC Migrations |
| SN327 | Mkt B - OR Int IPS ADSL Cancellation |
| SN328 | Mkt B - OR Ext IPS ADSL Cancellation |
| SN345 | Mkt B - OR Int WBC Migrations |
| SN346 | Mkt B - OR Ext WBC Migrations |

*Data Sources*
The total EOI charge for this service is sourced from the Actual Reporting Cube (ARC) reporting system managed by Openreach Finance. The connection volumes (split by service, market and internal/external) are sourced from WCR.

**GEA Cablelink Connections**

| Service | Description |
|---|---|
| SL321B | GEA Cablelink 1 Gbit/s Connections |
| SL322B | GEA Cablelink 10 Gbit/s Connections |

*Description*
Generic Ethernet Access (GEA) Cablelink enables a connection from servers or backhaul circuits to the Next Generation Access Optical Line Termination (OLT) point in that exchange.
*Methodology*
SL321B and SL322B are allocated directly to SM412 (OR WBA Other Residual).
*Data Sources*
The total EOI charge for this service is sourced from the Actual Reporting Cube (ARC) reporting system managed by Openreach Finance.

**GEA 40/10 Bandwidth Change**

| Service | Description |
|---|---|
| SL323B | GEA 40/10 Bandwidth Change |

*Description*
The above part service relates to changes in the amount of data that can be transmitted to a 40/10 rental.
*Methodology*
SL323B is allocated directly to SM412 (OR WBA Other Residual).
*Data Sources*
The total EOI charge for this service is sourced from the Actual Reporting Cube (ARC) reporting system managed by Openreach Finance.

**GEA 40/10 Rentals**

| Service | Description |
|---|---|
| SL301B | GEA 40/10 FTTC Rentals |
| SL304B | GEA 40/10 Other Rentals |
| SL300B | GEA FTTC Rentals (all other speeds except 40/10) |
| SL305B | GEA Other Rentals (all other speeds except 40/10) |

*Description*
Rental of the Generic Ethernet Access cable link. This includes rental of FTTC & non FTTC with 40/10 speed as well as other services with speeds that are not at the regulated 40/10 speed.
*Methodology*
These EOI charges are apportioned on the basis of end user rentals for the fibre SFBB services. The end user rental volumes split by internal and external rentals and by geographic market are added together to create a base that apportions the charges to the following services:

| Service | Description |
|---|---|
| SN159 | SFBB OR Fibre EU Market A Int |
| SN160 | SFBB OR Fibre EU Market A Ext |
| SN359 | SFBB OR Fibre EU Market B Int |
| SN360 | SFBB OR Fibre EU Market B Ext |

*Data Sources*
The total EOI charge for this service is sourced from the Actual Reporting Cube (ARC) reporting system managed by Openreach Finance. The end user rental volumes (split by service, market and internal/external) are sourced from WCR.

**GEA Connection**

| Service | Description |
|---|---|
| SL303B | GEA 40/10 FTTC PCP Only Install and Start of Stopped Line |
| SL307B | GEA 40/10 FTTP Other Connections |
| SL340B | GEA 40/10 FTTC Start of Stopped Line Connections |
| SL344B | GEA FTTP 40/10 Connections Voice and Data |

*Description*

For the GEA connection with 40/10 speed, the PCP Only is a connection variant where the engineer will only do the jumpering activity at the local street cabinet and then close the job, leaving the customer to complete the installation in the premises. The start of stopped service is quick requiring an existing line plant which is simply reactivated.

Service for Generic Ethernet Access over Fibre to the Premises (GEA-FTTP) with 40/10 connection.

*Methodology*

The other GEA EOI charges are all apportioned to the following WBC Fibre access services for Rentals, Connections and Migrations based on relevant volumes:

| Service | Description |
|---|---|
| SN157 | WBC OR Fibre Connections Mkt A Int |
| SN158 | WBC OR Fibre Connections Mkt A Ext |
| SN357 | WBC OR Fibre Connections Mkt B Int |
| SN358 | WBC OR Fibre Connections Mkt B Ext |

*Data Sources*

The total EOI charge for this service is sourced from the Actual Reporting Cube (ARC) reporting system managed by Openreach Finance. The end user rental volumes (split by service, market and internal/external) are sourced from WCR.

**GEA CP to CP Migration costs**

| Service | Description |
|---|---|
| SL955B | GEA CP to CP Migration |

*Description*

The above part services holds the EOI charge for the Generic Ethernet Access CP to CP migration costs.

*Methodology*

The EOI charges are all apportioned to the following services for Migrations based on relevant volumes:

| Service | Description |
|---|---|
| SN145 | Mkt A OR Int WBC Migrations |
| SN146 | Mkt A OR Ext WBC Migrations |
| SN345 | Mkt B OR Int WBC Migrations |
| SN346 | Mkt B OR Ext WBC Migrations |

*Data Sources*

The total EOI charge for this service is sourced from the Actual Reporting Cube (ARC) reporting system managed by Openreach Finance. The end user rental volumes (split by service, market and internal/external) are sourced from WCR.

**GEA CRD Amend order notes/cancellation Care level**

| Service | Description |
|---|---|
| SL308B | GEA CRD Amend order notes/cancellation Care level |

*Description*

This is related to the amendment of the Customer Required Dates (CRD). This an agreed date when all planned work will be completed and service provided.

*Methodology*

SL308B is allocated directly to SM412 (OR WBA Other Residual).

*Data Sources*

The total EOI charge for this service is sourced from the Actual Reporting Cube (ARC) reporting system managed by Openreach Finance. The end user rental volumes (split by service, market and internal/external) are sourced from WCR.

**GEA Other**

| Service | Description |
|---|---|
| SL320B | GEA Other |

*Description*

These services are costs associated with the provision of GEA.

*Methodology*

All the part services above are allocated directly to SM412 (OR WBA Other Residual).

*Data Sources*

The total EOI charge for this service is sourced from the Actual Reporting Cube (ARC) reporting system managed by Openreach Finance

**GEA Other**

| Service | Description |
|---|---|
| SL302B | GEA FTTC connections |
| SL306B | GEA FTTP connections |
| SL333B | G Fast Connections |
| SL336B | GEA 40/10 (FTTC) Connections |
| SL337B | GEA Other (FTTC) PCP Only Install Connections |
| SL341B | GEA Other (FTTC) Start of a Stopped Line Connections |

*Description*

These services are costs associated with the provision of GEA.

*Methodology*

The other GEA EOI charges are all apportioned to the following WBC Fibre access services for Rentals, Connections and Migrations based on relevant volumes:

| Service | Description |
|---|---|
| SN157 | WBC OR Fibre Connections Mkt A Int |
| SN158 | WBC OR Fibre Connections Mkt A Ext |
| SN357 | WBC OR Fibre Connections Mkt B Int |
| SN358 | WBC OR Fibre Connections Mkt B Ext |

*Data Sources*

The total EOI charge for this service is sourced from the Actual Reporting Cube (ARC) reporting system managed by Openreach Finance. The end user rental volumes (split by service, market and internal/external) are sourced from WCR.

**VLAN moves**

| Service | Description |
|---|---|
| SL324B | VLAN moves applied to GEA Cablelink Modify |

*Description*

VLAN (Virtual Local Area Network) moves functionality will allow CP's consuming FTTC/FTTP/FVA to raise a Modify order to move the customer's CVLAN to an SVLAN if they weren't already allocated to an SVLAN or between SVLANs if they were in an existing SVLAN. This may be carried out as long as the CVLAN is being moved within or between GEA Cablelinks on the same Layer 2 Switch. This allows the GEA Cablelink to be configured to suit how the network is managed.

*Methodology*

SL324B is allocated directly to SM412 (OR WBA Other Residual).

*Data Sources*

The total EOI charge for this service is sourced from the Actual Reporting Cube (ARC) reporting system managed by Openreach Finance

# 8 Physical Infrastructure Access recharge

## 8.1 Overview

As part of the July RFR 2019, Ofcom directed the costs and MCE of Duct and Pole assets to be included within a separate PIA market. This section sets out the methodology for allocating cost and MCE of the internal PIA services.

FAC is recharged from the PIA market to services which utilise duct and pole assets, via specific PIA components. Internal revenue equal to this recharge is recognised within the PIA market.

PIA duct recharges to legacy PGs are split between Access, Backhaul and Core duct.

Access Duct recharges are apportioned to specific plant groups set-up for the different types of access cables:

1. First, Access Duct recharges are split between copper cable and fibre cable, based on the 1997 Absolute Duct Study. We update these GRCs on an annual basis by adding the annual spend on duct built for access copper cables and duct built for access fibre cables, and applying an RPI index.
2. Access Fibre Duct recharges are then split between Spine and Distribution fibre, in proportion to relative depreciation for the relevant access fibre classes of work.
3. Access Fibre Duct recharges are also split between GEA and non-GEA, based on the GRC valuation for access fibre.
4. Access Copper Duct recharges are split between E-Side, D-Side and LLU copper plant groups in proportion to the depreciation arising from capital spend for duct built for E-side (CoW LMD) and D-Side (CoW LDD).

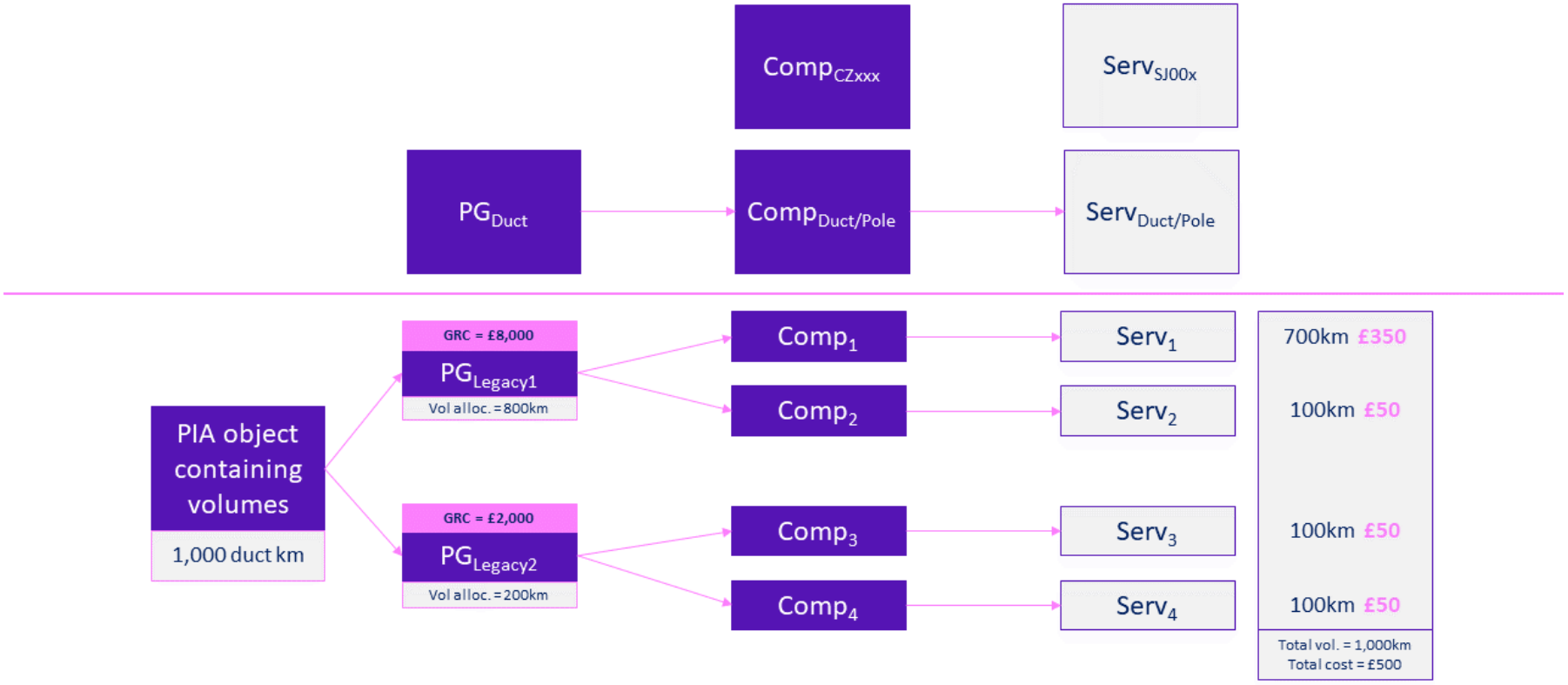
Backhaul duct recharges are allocated directly to PG170B (Openreach Backhaul Fibre).

Core duct recharges are allocated directly to PG350N (Wholesale Inner Core Fibre).

| | | | | | |
|---|---|---|---|---|---|
| **Reference** | PIA recharge components and services - see Annex Nine: Components for Physical Infrastructure Access recharge | | | | |
| **Title** | PIA recharge | | | | |
| **Overview** | The PIA recharge first apportions costs between the legacy duct PGs, in line with the GRC of each PG. These costs are then allocated to downstream services in line with the allocation of legacy PGs and components, the methodologies for which are detailed on their own AMD pages. | | | | |
| **Description** | **1. Source Costs and MCE:** Depreciation and asset values associated with PIA assets, including duct and poles.<br>**2. Cost and MCE Categories:** Depreciation (PIA), Non-current assets (PIA). | | | | |
| | **3. Summary Destination:** Services within downstream markets, including WLA, Business Connectivity and Narrowband Markets. | | | | |
| | **4. Methodology Taxonomy:** Asset metrics.<br>**5. Driver classification:** PIA component volumes. | | | | |
| | **6. Data Source Summary:** Openreach duct and pole volumes, recorded in km or units. | | | | |
| **Data Sources** | Asset metrics: PIA component volumes (PIPeR; and Artisan). | | | | |
| **Calculation Steps** | **#** | **Summary** | **Calculation** | **Worked Example** | **Example Results** |
| | 1a | This step apportions costs between the legacy duct PGs, in line with the GRC of each PG, and the methodology detailed in the Overview above. | $PG_x$ % GRC = $PG_x$ GRC / Total Duct GRC | $PG_1$ % GRC = £200k / £1,000k | $PG_1$ % GRC = 20% |
| | 1b | This step calculates the Revised PG % GRC for PGs with factors (E Side Copper Cable, FTTC/FTTP Fibre Rollout Spend). The PG % GRC is multiplied by the PG BDUK Factor to determine the Revised PG % GRC. | Revised $PG_x$ % GRC = $PG_x$ % GRC * $PG_x$ BDUK Factor | Revised $PG_1$ % GRC = 20% * 0.95 | Revised $PG_1$ % GRC = 19% |

| | | | | |
|---|---|---|---|---|
| 1c | The step calculates the adjustment required to the remaining PGs (those without factors) % GRC in order for the allocation percentages to sum to 100%. | Adjustment Required = 100 - Total Adjusted % GRC | Adjustment Required = 100% - 98% | Adjustment Required = 2% |
| 1d | This step calculates the Revised $PG_x$ % GRC for the remaining PGs without factors. The total adjustment required is allocated across the remaining PGs using their relative PG % GRC. | Revised $PG_x$ % GRC = $PG_x$ % GRC + ( ($PG_x$ % GRC / Total non-factored PG % GRC) * Adjustment Required) | Revised $PG_2$ % GRC = 16% + ( (16% / 80%) * 2%) | Revised $PG_2$ % GRC = 16.4% |
| 2a | This step calculates the apportionment of costs between the legacy duct PGs, excluding Backhaul and Inner Core. The GRC of each PG is calculated as a proportion of total GRC. | $PG_x$ % GRC = $PG_x$ GRC / Total Duct GRC (excl Backhaul and Inner Core) | $PG_3$ % GRC = £200k / £1,000k | $PG_3$ % GRC = 20% |
| 2b | This step calculates the Revised PG % RAV GRC for the E Side Copper Cable PG. The PG % GRC is multiplied by the PG BDUK Factor to determine the Revised PG % RAV GRC. | Revised $PG_x$ % RAV GRC = $PG_x$ % GRC * $PG_x$ BDUK Factor | Revised $PG_3$ % RAV GRC = 20% * 0.95 | Revised $PG_3$ % RAV GRC = 19% |
| 2c | The step calculates the adjustment required to the remaining PGs (those without factors) % GRC in order for the allocation percentages to sum to 100%. | Adjustment Required = 100 - Total Adjusted % GRC | Adjustment Required = 100% - 98% | Adjustment Required = 2% |
| 2d | This step calculates the Revised $PG_x$ % RAV GRC for the remaining PGs without factors. The total adjustment required is allocated across the remaining PGs using their relative PG % GRC. | Revised $PG_x$ % RAV GRC = $PG_x$ % GRC + ( ($PG_x$ % GRC / Total non-factored PG % GRC) * Adjustment Required) | Revised $PG_4$ % RAV GRC = 16% + ( (16% / 80%) * 2%) | Revised $PG_4$ % RAV GRC = 16.4% |
| 3a | This step calculates the apportionment of costs between the legacy poles Fibre Allocations. The GRC of each Fibre Allocation is calculated as a proportion of total GRC. | Fibre $Allocation_x$ % Poles GRC = Fibre $Allocation_x$ Poles GRC / Total Poles GRC | Fibre $Allocation_1$ % Poles GRC = £20k / £500k | Fibre $Allocation_1$ % Poles GRC = 4% |
| 3b | This step calculates Revised PG % Poles GRC for LFDC/LFSC Non-BDUK Fibre Allocations. The Fibre Allocation % Poles GRC is allocated to PGs based on relative Access Fibre base %s. | $PG_x$ % Poles GRC = Fibre $Allocation_x$ % Poles GRC * ($PG_x$ Base / Total Fibre $Allocation_x$ Base) | $PG_5$ % Poles GRC = 4% * ( 5 / 20) | $PG_5$ % Poles GRC = 1% |
| 3c | This step calculates Revised PG % Poles GRC for LDC, LFDC/LFSC - BCRM, and NWR & NWB Fibre Allocations. The Fibre Allocation % Poles GRC is allocated directly to the relevant PGs. | $PG_x$ % Poles GRC = Fibre $Allocation_x$ % Poles GRC | $PG_6$ % Poles GRC = 10% | $PG_6$ % Poles GRC = 10% |
| 3d | This step calculates Revised PG % Poles GRC for LFDC/LFSC BDUK Fibre Allocations. The Fibre Allocation % Poles GRC is allocated to PGs based on the FTTP/FTTC split. | $PG_x$ % Poles GRC = Fibre $Allocation_x$ % Poles GRC * FTTC Split | $PG_7$ % Poles GRC = 5% * 0.95 | $PG_7$ % Poles GRC = 4.75% |
| 4 | This step apportions the volume of duct or poles, in line with the GRC proportion of the PG. | Volume per legacy $PG_x$ = duct/pole volume * $PG_x$ % of GRC (Result from step 1a-3d) | Volume per legacy $PG_1$ = 2,000 * 19% | Volume per legacy $PG_1$ = 380 |
| 5 | This step allocates the volumes from legacy PGs to components. | Component volumes = Volume per legacy PG (Result from step 4) * Component proportion from $PG_x$ | Component volumes = 380 * 50% | Component volumes = 190 |
| 6 | This step allocates volumes from components to services using factored volumes. For guidance on factored volumes please see section 5.5 - Component layer overview. | Service volumes = Component volumes(Result from step 5) * $Service_x$ factored volume % | Service volumes = 190 * 50% | Service volumes = 95 |
| 7 | This step provides total volume for all services | Total service volumes = sum of all service volumes (Result from step 6)<br>Service volume proportion= $Service_x$ / total service volumes (Result from above) | Total service volumes = 10 + 20 + 30 + 40<br>Service volume proportion = 20 / 100 | Total service volumes = 100<br>Service volume proportion = 20% |
| 8 | This step allocates FAC. | FAC per service = Service volume proportion (Result from step 7) * FAC for PIA $Service_x$ | FAC per service = 20% * £100m | FAC per service = £20m |

The diagram below illustrates the allocation process:




## 8.2 Excess Construction Charges (ECCs) related to PIA Duct

Some ECCs fund the construction of duct. The impact of ECC Duct decapitalisation is therefore accounted for within the PIA market. See PG002Y, PG005Y and PG006X for details on the PGs.

# 9 CCA valuation methodologies

This section describes the specific CCA methodologies applied to non-current assets within the RFS (see 3. Accounting Policies - section 3.2.1 for further details on CCA Policies). An annual review of assets is carried out to ensure the correct valuation methodology is applied. We apply CCA to asset groups that generally have a high NBV, long asset life and where attributions to regulated markets are material, or where Ofcom has directed us to do so.

We do not apply CCA to assets:

- that have a low NBV;
- that have short asset lives;
- that are virtually fully depreciated;
- that are newly acquired;
- where attributions to Regulated markets is immaterial; or
- that Ofcom have directed us to treat as Historic Cost.

The table below describes the assets that we apply CCA to and explains what indices we apply to each asset:

| Asset Description | Lead CoW | CCA Method Applied | Indices Used | Sources |
|---|---|---|---|---|
| Copper Dropwires | NWB & NWR | Indexed Historic | RPI | Physical assets & capitalised planning costs |
| Backhaul and Core Duct | LDD | Indexed Historic & RAV | RPI | Physical assets & capitalised planning costs |
| Access Copper Cable | LDC | Indexed Historic | RPI | Physical assets & capitalised planning costs |
| Construction, Local/Main Exchange-side Cable | LMC | Indexed Historic | RPI | Physical assets & capitalised planning costs |
| Telecom Power Equipment | TPC | Indexed Historic | GEN/WIRE/ AVE2 | (a) Standby generators – ONS index: Electric Motors, Generators & Transformers (reference Purchasing Price Index 2711000000)<br>(b) Capitalised planning costs – ONS index: Average Earnings amended for productivity improvements of 2% per annum<br>Other Assets – ONS index: Wiring Devices (reference: Purchasing Price Index 2733000000) |
| Specialised Accommodation Assets | ACPN | Indexed Historic | VENT/ELE/ HCA/AVE2 | (a) Heating and air conditioning units - ONS index: Non-domestic Cooling & Ventilation Equipment (ONS reference: Producer Price Index 2825000000)<br>(b) Internal building work – valued at historical cost<br>(c) Capitalised planning costs – ONS index: Average Earnings amended for productivity improvements of 2% per annum<br>(d) All other assets – ONS index: Electrical Lighting Equipment (ONS reference: Producer Price Index 2740000000) |
| Backhaul/Core Fibre Cable | CJF | Indexed Historic | CPI/AVE2 | Physical assets and capitalised planning costs |
| System X Local Exchanges | LDX | Extrapolated Absolute Valuation (date asset last valued as Absolute Valuation - 2008/09) | LDX/AVE2 | (a) In original absolute valuation we used a bespoke index to apply to the 2000 LEMP 2 contract and to non-capacity related expenditure. This was constructed from the following elements:<br>i. Equipment and installation – based on changes to contract prices<br>ii. BT Labour – ONS index: average earnings<br>iii. Software – bespoke BT index consisting of changes in contract prices, average earnings and the ONS index: Electric Lighting Equipment (ONS reference: Producer Price Index 2740000000)<br>(b) We extrapolated the 2008/09 valuation using this same index |
| Access - Fibre Cable | LFDC / LFSC | Indexed Historic | HCA | An indexed historic approach with an index of zero is applied to these assets as directed by Ofcom. |

## 9.1 Indexed historic

This method applies indices sourced from the Office for National Statistics website (e.g. RPI) or composite indices to Fixed Asset Register Gross Book Values and Accumulated Depreciation Values. By doing this, the assets can be valued at their current replacement costs. By applying the indices, the Gross Replacement Cost and Current Cost Accumulated Depreciation can be derived.

This is an appropriate method when there has been little technological change in the asset category and all the direct costs associated with bringing the asset into service would be incurred if it were to be replaced today.

**Holding Gain/Loss GRC**

| Calculation steps | Summary | Calculation | Worked Example (£m) | Example Results (£m) |
|---|---|---|---|---|
| 1 | Calculate updated GRC Direct Opening Balance and apply Index | (Closing Prior Year (PY) Gross Replacement Cost (GRC) + Closing PY adjustments + Historic Cost Accounting (HCA) Work in Progress (WIP) (Assets in Course of Construction (AICC)) opening balance Current Year (CY)) * Direct INDEX | (1520 + 17 + 47) * 2% | 31.86 |
| 2 | Calculate GBV direct costs movement in year and apply Index | ((HCA Gross Book Value (GBV) Closing Balance + HCA WIP (AICC) Closing Balance – HCA GBV Indirect Closing Balance) – (HCA GBV Opening Balance + HCA WIP (AICC) Opening Balance – HCA GBV Indirect Opening Balance)) * Directs Half Year (HY) Index | ((1,600 + 51 - 68) - (1,480 + 47 - 63)) * 1% | 1.19 |
| 3 | Calculate updated GRC Indirect Opening Balance and apply Index | (PY Closing Indirect GRC + Opening Indirect Adjustments) * Indirect Index | (66 + 0) * 0.5% | 0.33 |
| 4 | Calculate GBV indirect cost movements in year and apply Index | (HCA GBV Indirect Closing Balance - HCA GBV Indirect Input Opening Balance) * Indirect HY Index | (68 - 63) * 0.25% | 0.01 |
| | | Total Holding Gain/Loss GRC = 1+2+3+4 | | 33.21 |

**Holding Gain/Loss CCAD**

| Calculation steps | Summary | Calculation | Worked Example (£m) | Example Results (£m) |
|---|---|---|---|---|
| 1 | Calculate updated Current Cost Accumulated Depreciation (CCAD) Direct Opening Balance and apply Index | (-CCAD Direct Opening Balance - Opening CCAD Direct Adjustments) * Direct Index | (-950 - 1) * 2% | -19.02 |
| 2 | Calculate total Direct CCA Depreciation in year (HCA + Supplementary) and apply Index | (Direct HCA Depreciation + Direct Supplementary Depreciation) * Direct HY Index | (-61 - -3 + -5) * 1% | -0.63 |
| 3 | Calculate updated CCAD Indirect Opening Balance and apply Index | (-CCAD Indirect Opening Balance - Opening CCAD Indirect Adjustments) * Indirect Index | (-35 + 0) * 0.5% | -0.18 |
| 4 | Calculate total Indirect CCA Depreciation (HCA + Supplementary) and apply Index | (Indirect HCA Depreciation + Indirect Supplementary Depreciation) * Indirect HY Index | (-3 + -0.1) * 0.25% | -0.01 |
| | | Total Holding Gain/Loss CCAD = 1+2+3+4 | | -18.63 |

## Supplementary Depreciation

| Calculation steps | Summary | Calculation | Worked Example (£m) | Example Results (£m) |
|---|---|---|---|---|
| 1 | Calculate the Direct Supplementary Depreciation in year | (HCA Depreciation Direct + Indirect) * ((Direct GRC Opening + Closing) / (Direct GBV Opening + Closing)) - (HCA Depreciation Direct + Indirect) | (-61 - -3) * ((1,750 - 71 + 1,520 + 17) / (1,480 - 63 + 1,600 - 68)) - (-61 - -3) | -5.25 |
| 2 | Calculate the Indirect Supplementary Depreciation in year | (HCA Depreciation Indirect) * ((GRC Indirect Opening + Opening Adjustments + Closing) / (GBV Indirect Opening + Closing)) - HCA Depreciation Indirect | (-3) * ((66 + 71) / (63 + 68)) - -3 | -0.14 |
| | | Total Supplementary Depreciation = 1+2 | | -5.39 |

## Balance Sheet Opening GRC

| Calculation steps | Summary | Calculation | Worked Example (£m) | Example Results (£m) |
|---|---|---|---|---|
| 1 | Calculate the difference between Opening GRC and GBV | PY Closing GRC Direct + PY Closing GRC Indirect + Opening Adjustments Direct + Opening Adjustments Indirect + HCA WIP Opening Balance - HCA GBV Input Opening Balance | (1,520 + 66 + 17 + 47) - (1,480 - 63 + 47 + 63) | 123 |
| | | Total Balance Sheet Opening GRC | | 123 |

## Balance Sheet Opening CCAD

| Calculation steps | Summary | Calculation | Worked Example (£m) | Example Results (£m) |
|---|---|---|---|---|
| 1 | Calculate the difference between the CCAD and HCA AD | Opening CCAD Direct + Opening CCAD Indirect + Opening CCAD Adjs Direct + Opening CCAD Adjs Indirect - HCA AD Input Opening Balance | -950 + -35 + -1 - (-850 - 33) | -103 |
| | | Total Balance Sheet Opening CCAD | | -103 |

## Other CCA - GRC

| Calculation steps | Summary | Calculation | Worked Example (£m) | Example Results (£m) |
|---|---|---|---|---|
| 1 | Calculate the Other GRC Balance | ((CCA GRC Direct Closing (-WIP) + Closing GRC Indirect) - (HCA GBV Input Closing Balance + HCA WIP AICC Input Closing Balance)) - Balance Sheet Opening GRC - Holding Gain/Loss GRC | ((1,730 + 71) - (1,600 + 51)) - 121 - 31 | -2 |
| | | Total Other CCA - GRC | | -2 |

## Other CCA - CCAD

| Calculation steps | Summary | Calculation | Worked Example (£m) | Example Results (£m) |
|---|---|---|---|---|
| 1 | Calculate the Other Closing CCA Balance | ((CCA GRC Direct Closing (-WIP) + Closing GRC Indirect - CCAD Direct Closing - Closing CCAD Indirect) - (HCA GBV Input Closing Balance + HCA WIP AICC Input Closing Balance + HCA AD Input Closing Balance)) | ((1,730 + 71 – 1,030 - 38) - (1,600 + 51 - 940)) | 22 |
| 2 | Calculate the Other Opening CCA Balance | ((PY Closing GRC Direct + Opening Adjs Direct + HCA WIP AICC Input Opening Balance + PY Closing GRC Indirect - Opening Adjs Indirect - PY Closing CCAD Direct - Opening Adjs CCAD Direct - PY Closing CCAD Indirect - Opening Adjs CCAD Indirect) - (HCA GBV Input Opening Balance + HCA WIP AICC Input Opening Balance + HCA AD Input Opening Balance)) | (1,520 + 47 + 17 + 66 - 955 - 35) - (1,480 + 47 - 890) | 23 |
| 3 | Calculate Holding Gain GRC + Holding Gain CCAD - SuppD - Other CCA GRC | Holding Gain GRC + Holding Gain CCAD - Supplementary Depreciation - Other CCA GRC | 31 -19 - 5 - 7 | - |
| | | Total Other CCA - CCAD = 1-2-3 | | -1 |

## CCA Direct Closing - GRC

| Calculation steps | Summary | Calculation | Worked Example (£m) | Example Results (£m) |
|---|---|---|---|---|
| 1 | Calculate the CCA Direct Closing GRC Balance | HCA WIP Closing + Closing GRC Direct + GBV Late Registrations CY | 51 + 1630 + 46 | 1,727 |
| | | Total CCA Direct Closing - GRC | | 1,727 |

## CCA Direct Closing - CCAD

| Calculation steps | Summary | Calculation | Worked Example (£m) | Example Results (£m) |
|---|---|---|---|---|
| 1 | Calculate the CCA Direct Closing CCAD Balance | -(Closing CCAD Direct - AD Late Reg CY) | -1035 + 1 | -1,034 |
| | | Total CCA Direct Closing - CCAD | | -1,034 |

## 9.2 Extrapolated absolute valuation

Where there have been no significant developments in technology or underlying asset base then a full indexed historic valuation exercise may not be justified. In these cases, we may choose to continue with the previous year's valuation and then extrapolate by adding capital expenditure at cost and applying an index that reflects known price movements.

Balance Sheet Opening GRC, Balance Sheet Opening CCAD, Holding Gain/Loss GRC, Supplementary Depreciation, Other CCA - GRC and Other CCA - CCAD are calculated in the same way as the Indexed Historic method lays out.

**Holding Gain/Loss CCAD**

| Calculation step | Summary | Calculation | Worked Example (£m) | Example Results (£m) |
|---|---|---|---|---|
| 1 | Apply Index to CCAD Direct Closing | CCAD Direct Closing * Direct Index / (1 + Direct Index) | -3100 * (0.8% / (1 + 0.8%)) | -24.60 |
| 2 | Calculate the updated CCAD indirect Opening Balance and apply Index | Opening CCAD Indirect * Indirect Index | -5 * 0.8% | -0.04 |
| 3 | Calculate total indirect CCA Depreciation (HCA + Supplementary Depreciation) and apply Index | ((-HCA AD Indirect Closing + HCA AD Indirect Opening) + Supplementary Depreciation) * (Indirect HY Index - 1) | (4 - -5 + -0.001) * 0.4% | 0.04 |
| | | Total Holding Gain/Loss CCAD = 1+2+3 | | -23.69 |

**CCA Direct Closing - CCAD**

| Calculation step | Summary | Calculation | Worked Example (£m) | Example Results (£m) |
|---|---|---|---|---|
| 1 | Opening CCAD (PY Closing) | Opening CCAD | -3,060 | -3,060.00 |
| 2 | Calculate HCA Depreciation | HCA AD Depreciation + HCA AD Indirect Depreciation | -15 + 0 | -15.00 |
| 3 | Calculate Supplementary Depreciation | 3. a * ((b + c)/d – 1)<br><br>a) (HCA AD Depreciation + HCA AD Indirect Depreciation) *<br>b) (Opening GRC Direct + (Opening GRC Direct + ((HCA GBV Other Movements - HCA GBV Indirect Non-Additions Movements) * (Opening GRC Direct/(HCA GBV Opening Balance - HCA GBV Indirect Opening Balance)) * SQRT (1 + Direct Index))<br>c) (HCA GBV Registrations - HCA GBV Indirect Additions) + ((Opening GRC Direct * Direct Index) + ((HCA GBV Other Movements - HCA GBV Indirect Retirements + HCA GBV Registrations - HCA GBV Indirect Additions) * (SQRT(1 + Direct Index) - 1))))<br>d) (HCA GBV Opening Balance - HCA GBV Indirect Opening Balance + HCA GBV Closing Balance - HCA GBV Indirect Closing Balance) | -15 * (( (3,100+ (3,100 + ((0--1) * (3,100/(4,190 - 5)) * SQRT (1 + 0.8%)) + (5 - 1) + ((3,100 * 0.8%) + ((0 - -1 + 5 - 1) * (SQRT(1 + 0.8%) - 1))))) / (4,190 - 5 + 4,198 - 5) -1) | 3.85 |
| 4 | Calculate Other Depreciation Movements | HCA AD Non-Depreciation Movements + HCA AD Indirect Non-Depreciation Movements | 0 + -1 | 1.00 |
| 5 | Calculated Holding Gain/Loss CCAD | (-Opening CCAD Direct * Direct Index + ((HCA AD Depreciation + HCA AD Indirect Depreciation) + ((HCA AD Non-Depreciation Movements + HCA AD Indirect Non-Depreciation Movements) + Step 3 above) * Direct HY Index | (-3,060 * 0.8% + (((-15 ) + (0 + -1) + Step 3)*0.4% | -24.53 |

| Calculation step | Summary | Calculation | Worked Example (£m) | Example Results (£m) |
|---|---|---|---|---|
| 6 | Calculate Other CCA Adjustments | ((HCA AD Non-Depreciation Movements + HCA AD Indirect Non-Depreciation Movements) * ( -Opening CCAD Direct / ( HCA AD Opening Balance + HCA AD Indirect Opening Balance)) * SQRT(1 + Direct Index) - (HCA AD Non-Depreciation Movements + HCA AD Indirect Non-Depreciation Movements) - CCA Adjustment from Cell C47 Sheet C2 * 1000) | ((0 + -1) * (-3,059 / (-4,182 + 5)) * ( 1 + 0.38%) - (0 + -1) - 5 | -4.74 |
| | | Total CCA Direct Closing - CCAD = 1+2+3+4+5+6 | | -3,101.41 |

## CCA GRC Direct Closing

| Calculation step | Summary | Calculation | Worked Example (£m) | Example Results (£m) |
|---|---|---|---|---|
| 1 | Opening GRC Direct | Opening GRC Direct | 3,100 | 3,100.00 |
| 2 | Calculate HCA Depreciation | (HCA GBV Other Movements – HCA GBV Indirect Retirements) * (Opening GRC / (HCA GBV Opening – HCA GBV Indirect Opening)) * SQRT(Direct Index + 1) | ((0--1) * (3,100/(4,190 - 5)) * SQRT (1 + 0.8%)) | 0.74 |
| 3 | Calculated Holding Gain/Loss CCAD | HCA GBV Registrations – HCA GBV Indirect Additions | (5 - 1) | 4.00 |
| 4 | Calculate Other CCA Adjustments | (Opening GRC Direct * Direct Index) + ((HCA GBV Other Movements – HCA GBV Indirect Retirements + HCA GBV Registrations – HCA GBV Indirect Additions) * (SQRT(Direct Index + 1) – 1) | (3,100 * 0.8%) + ((0 - -1 + 5 - 1) * (SQRT(1 + 0.8%) - 1) | 24.82 |
| | | Total CCA GRC Direct Closing = 1+2+3+4 | | 3,129.56 |

## 9.3 Regulatory asset value (RAV)

Ofcom have directed us to value duct used by access cables using a prescribed RAV methodology. Duct built up to 31 Jul 1997 (pre-97) is at HCA but indexed using RPI from 1 Apr 2005. Duct built after 31 Jul 1997 (post 97) is at 'CCA' meaning that RPI is applied from the date of purchase/installation/go live/registration. The valuation of duct built after Mar 31 2001 is calculated by applying the index each year from the date the asset was registered, as per the standard duct valuation.

The valuation of duct is calculated using an indexed historic method. To calculate an absolute valuation for an asset of the size and complexity of the duct network would require a number of significant assumptions and estimates leading to volatility in the RFS. RPI has been agreed with Ofcom as the most the appropriate index for this asset (including Capitalised Planning costs).

The RAV adjustment (step 4) is allocated to PG100D (Duct RAV) used by Access Cables so that cost pool contains that original CCA valuation and the RAV adjustment to be equivalent to the RAV valuation for duct used by access cables.

The Supplementary Depreciation, GRC Price Holding Gain/Loss, CCAD Price Holding Gain/Loss, CCA GRC Direct Closing and CCAD Direct Closing calculations vary to the indexed historic method. All other calculations remain the same.

Below is a high level example of how the RAV methodology is applied to the GRC Price Holding Gain/Loss. This has been simplified to describe the approach taken and does not encompass the complete workings.

| Calculation step | Summary | Calculation | Worked Example (£m) | Example Results (£m) |
|---|---|---|---|---|
| 1 | Calculate GRC Price Holding Gain/Loss using the Indexed Historic Method. | Same calculations followed as Indexed Historic method. | 400 | 400 |
| 2 | Calculate Regulatory Asset Valuation for Duct for GRC Price Holding Gain/Loss | Access duct capitalised prior to 1 August 1997 is valued based on the closing historical cost at the 2004/2005 financial year-end (i.e. 31 March 2005) and indexed by RPI from that date. | 300 | 300 |
| 3 | Calculate the Difference between the Indexed Historic method and the RAV method. | Indexed Historic GRC Price Holding Gain/Loss - RAV GRC Price Holding Gain/Loss | 300 - 400 | -100 |
| 4 | Calculate RAV Adjustment by applying proportion of duct used by access cables. We are only required to apply the RAV methodology to duct used by access cables and we take this proportion from our cost allocation bases: PDTDUCT. | Step 3 * allocation % | -100 * 80% | -80 |

# 10 Transfer charges

This section provides technical methodology detail, summarised in section 5.2.3.

Transfer charges are the mechanism by which we ensure the profitability of each CFU/CU is correctly reported.

Transfer charges may arise where a CFU/CU trades with another CFU/CU. For example where Enterprise purchases services from Openreach, and sells onward to an external customer, to ensure sales and costs are recognised in the correct CFU a transfer charge will be recognised in Openreach and Enterprise's books. Transfer charges may also occur where Group purchases are made centrally and then billed to CFU/CUs for example for insurance costs.

The calculation steps for the corporate recharge system are below:

| Calculation steps | Area of Business | Summary |
|---|---|---|
| 1 | CFU/CU | The total internal charges for services provided to other CFU/CUs are 'transferred out' into a centralised corporate recharge, that is managed by BT Group. This is recorded as a credit to cost on a 'transfer out' general ledger code. |
| 2 | BT Group | BT Group calculates the associated 'transfer in' that is recharged on to corresponding CFU/CUs. |
| 3 | CFU/CU | The 'transfer out' is received by the relevant CFU/CUs that received the service. This is recorded as a debit to cost on a 'transfer in' general ledger code. |
| 4 | Regulatory Reporting | 'Transfer out' GL codes are allocated to F8 codes beginning with "F28" (e.g. F284682 - Corporate Overhead Recharge Out) |
| 5 | Regulatory Reporting | 'Transfers in' GL codes are allocated to F8 codes beginning with "F24" (e.g. F244682 - Corporate Overhead Recharge In) |
| 6 | Regulatory Reporting | An attribution methodology is assigned to the 'F24' code, and a system generated rule ensures the corresponding 'F28' code follows the same attribution pathway.<br>*This treatment ensures transfers in and transfers out follow the same attribution pathway and are mapped to the same sectors within the RFS, and do not affect the RFS.* |

### 10.1.1 Transfer charges which impact regulated markets

There are two reasons why a transfer charge may impact regulated markets:

**1) Transfer charges as a basis for cost attribution**

For the cost attribution process, the transfer charge (out) amounts is recognised in Rest of BT Residual and the underlying cost the transfer charge (transfer in) is attributed on a cost-causal basis, for example:

- Employee broadband -transfers to CFUs are attributed using EMPLOYEEBB-Q base.
- Xian: Managed services -transfers to CFUs are attributed using PDTEMP-Q base.

**2) Transfer charges that do not net within Regulated Markets**

This is where the transfer charge is made by a subsidiary unit (so the *transfer in* is recognised on a core entity) . In these cases we do not have a detailed view of the underlying costs of the charging unit, but we rely on group processes and assume the transfer-in represents an appropriate estimate of the relevant costs.

A brief analysis of transfer charges greater than £1m that do not net in Regulated markets are set out below:

| F8 Code | Area of business | Explanation |
|---|---|---|
| 249015 | Openreach | This is a charge from Global Services (a non-core unit) for the provision of service for an EAD 'element management platform' that Openreach use to manage their EAD network. |
| 240755 | Group overheads | This is a charge from Global Services (a non-core unit) to BT Group Finance for the salary and operating costs of our offshore finance teams. |
| 246383 | Multiple CFU/CUs | These are charges from Enterprise predominantly to Openreach for the fleet rental charges (in 2019/20) |

Where the transfer charge is between a core and subsidiary unit and the transfer out is recognised on a core unit (a subsidiary unit is in receipt of the trade), a system generated rule will match the allocation of the transfers in and out in regulated markets with any unmatched transfer out attributed to Rest of BT Residual on product code, P429_28.

# The Annexes

# Annex one: Detailed attribution tables

Detailed attribution tables are published separately on our website, showing:

- All material direct allocations;
- The linkages of all detailed valuation methodology asset categories to their associated AGs and PGs, and the sectors into which they have been categorised; and
- The key destination of each of the system generated other apportionment bases, AGs and PGs.

# Annex two: Weighted average cost of capital

## Introduction

On 28 March 2018 Ofcom published its findings on BT's weighted average cost of capital (WACC) in annex 20 of its Wholesale Local Access Market Review, which stated its estimate for disaggregated WACC for BT that is used in charge control calculation as:

| | Openreach copper access | Other UK telecoms (GEA Fibre) |
|---|---|---|
| Pre-tax nominal WACC | 7.9% | 8.9% |

The rates for BT Group and Rest of BT have since been replaced by those included within the 2019 PIMR and BCMR statement published on 28 June 2019 which sets their decision on BT's pre-tax nominal WACC for BT Group and disaggregated lines of business:

| | BT Group | Openreach | Other UK Telecoms | Rest of BT |
|---|---|---|---|---|
| Pre-tax nominal WACC | 8.3% | 7.1% | 8.0% | 11.0% |

The WACC rates for AGs and PGs are set out below, and component WACC rates are in Section 6.6. The WACC rates assigned to these allocating objects are aligned to the rate of the market and product receiving the largest portion of cost and MCE.

## Activity Groups

| Reference | WACC RATE | Reference | WACC RATE | Reference | WACC RATE | Reference | WACC RATE | Reference | WACC RATE |
|---|---|---|---|---|---|---|---|---|---|
| AG101 | 8.3% | AG116 | 8.3% | AG171 | 8.9% | AG402 | 8.3% | AG415 | 7.9% |
| AG102 | 8.9% | AG118 | 8.3% | AG172 | 8.3% | AG406 | 8.3% | | |
| AG113 | 8.3% | AG119 | 8.3% | AG173 | 8.3% | AG407 | 7.9% | | |
| AG115 | 8.3% | AG170 | 8.3% | AG401 | 7.9% | AG410 | 7.9% | | |

## Plant Groups

| Reference | WACC RATE | Reference | WACC RATE | Reference | WACC RATE | Reference | WACC RATE | Reference | WACC RATE |
|---|---|---|---|---|---|---|---|---|---|
| PG003Y | 8.0% | PG142A | 7.9% | PG285C | 8.9% | PG577B | 7.9% | PG953C | 8.9% |
| PG005Y | 7.9% | PG149A | 7.9% | PG286C | 8.9% | PG579B | 8.9% | PG954C | 8.9% |
| PG006X | 8.0% | PG150B | 7.9% | PG288A | 8.9% | PG580B | 7.9% | PG955M | 8.9% |
| PG006Y | 8.0% | PG151B | 8.9% | PG289A | 8.9% | PG590B | 7.9% | PG956M | 8.9% |
| PG100D | 7.1% | PG152N | 8.9% | PG300N | 7.1% | PG591B | 7.9% | PG957P | 8.9% |
| PG101D | 7.1% | PG154B | 8.9% | PG302N | 7.1% | PG607B | 7.9% | PG958P | 8.9% |
| PG111C | 8.0% | PG155B | 8.9% | PG361T | 8.9% | PG611B | 7.9% | PG959C | 8.0% |
| PG117C | 7.9% | PG168A | 7.9% | PG375T | 8.9% | PG612B | 8.0% | PG960A | 8.9% |
| PG117M | 7.9% | PG170B | 8.9% | PG377T | 8.9% | PG613B | 7.9% | PG981R | 8.9% |
| PG118C | 7.9% | PG192A | 8.9% | PG399T | 8.9% | PG614B | 8.0% | PG982R | 8.9% |
| PG118M | 7.9% | PG197A | 8.9% | PG440C | 8.9% | PG615B | 7.9% | PG989A | 7.9% |
| PG120B | 7.9% | PG198A | 8.9% | PG441C | 8.9% | PG773A | 8.0% | PG990A | 8.9% |
| PG122M | 7.9% | PG200P | 7.1% | PG447A | 8.0% | PG899A | 8.0% | PG998A | 8.9% |
| PG124A | 8.9% | PG201P | 7.1% | PG449A | 8.0% | PG900A | 8.0% | PG999A | 8.9% |
| PG127A | 7.9% | PG217E | 7.9% | PG457A | 8.0% | PG941A | 8.9% | | |
| PG128A | 8.9% | PG217F | 7.9% | PG467A | 8.0% | PG942A | 8.0% | | |
| PG130A | 7.9% | PG254B | 8.0% | PG502B | 8.9% | PG943A | 8.0% | | |
| PG132B | 7.9% | PG280C | 8.9% | PG570B | 7.9% | PG948C | 8.9% | | |
| PG132N | 7.9% | PG281C | 8.9% | PG572B | 7.9% | PG949C | 8.9% | | |
| PG136A | 7.9% | PG282A | 8.9% | PG573B | 8.0% | PG950C | 8.9% | | |
| PG136N | 7.9% | PG283A | 8.9% | PG574B | 8.9% | PG951C | 8.9% | | |
| PG140A | 8.9% | PG284A | 8.9% | PG575B | 7.9% | PG952C | 8.9% | | |

# Annex three: Openreach reporting

## Introduction

On 10 March 2017, we notified Ofcom under section 89C of the Communications Act 2003 of changes to the structure and governance arrangements relating to the Openreach Division described in Commitments. In 2018 we fulfilled the Commitments we gave to Ofcom following its Digital Communications Review. In accordance with section 20.3 of the Commitments, most recently issued on 28 May 2021, the RFS separately present the financial results of Openreach Division and include a reconciliation of Openreach Division's revenue, operating cost and return or profit before tax (and other items agreed between us and Ofcom) with the financial information about Openreach Division as shown in BT Group plc's Annual Report and Accounts. This financial information is subject to an independent audit.

This section outlines the methodologies used to present the financial results of Openreach Division ('Openreach Information') within the RFS and the reconciliation of that statement to the Openreach Division segmental financial information as shown in BT's Annual Report.

As specified in the Commitments, the form, content and basis of preparation of the Openreach Division Information follows that used in the preparation of the RFS.

## Openreach product groups

In accordance with section 3.2 of the Commitments we have broken down the Openreach Division provided SMP products into the broad product groups. The product groups that we use are the same as the relevant Markets we have used in the main RFS except for "Other Openreach Markets & Activities (with no SMP reporting obligation)".

The following is a list of our product groups. The mapping of services into these product groups can be found in the Wholesale Catalogue, with the exception of "Other Openreach Markets & Activities (with no SMP reporting obligation)":

- PIA Services
- Wholesale local access
- CI Access services – BT Only Areas
- CI Access services – BT plus one Areas
- CI Access Services - High Network Reach Areas Outside CLA
- Technical Area – Inter-exchange Connectivity (Dark Fibre Circuits)
- Technical Area – Inter-exchange Connectivity (Non-Dark Fibre Circuits)
- Wholesale fixed analogue exchange lines
- Wholesale ISDN2 exchange line services
- Wholesale ISDN30 exchange line services
- Other Openreach Markets & Activities (with no SMP reporting obligation). These activities include CISBO Residual area (CI Access services – CLA Areas and Technical Area – Inter-exchange Connectivity (Non-Dark Fibre Circuits) plus two or more) and some services only sold internally such as element-Partial Private Circuits (ePPCs).

All of these services, with the exception of ePPCs, are described on Openreach's website: www.openreach.co.uk.

ePPCs are an internally supplied service that provides the access network and backhaul network elements necessary for the rest of BT to provide Partial Private Circuits (PPCs). ePPC costs, assets and liabilities are included (together with additional rest of BT costs, assets and liabilities) in the RFS as an input to PPC services in Rest of BT Residual.

## Format of the Openreach information statements

The format of the Openreach regulatory Income and Mean Capital Employed statements are consistent with the sector analysis in the RFS.

## Disaggregating SMP defined information into Openreach regulatory statements

The basis of disaggregating the SMP defined revenue, associated costs and capital employed into information used to prepare the Openreach regulatory statements is described below.

## Openreach revenue

Revenue is based upon published prices multiplied by Openreach volumes, consistent with our RFS. We have used volumes associated with Openreach products. Against the identified volumes we apply the published price, where products are sold externally or internally, to arrive at the reported revenue for Openreach.

For services which are only sold internally and where there is no applicable published price, revenue is calculated on the prices that have been agreed internally between Openreach and the other BT divisions e.g. for the supply of ePPCs.

## Reconciliation of Openreach income statement

The reconciling differences between the Openreach Information and the Openreach segmental financial information reported in BT's Annual Report fall into the following main categories:

1. Basis of preparation under Current Cost Accounting (CCA): *BT's Annual Report has been prepared under the historical cost accounting (HCA) basis, modified for the revaluation of certain financial assets and liabilities at fair value. BT's RFS have been prepared on a CCA basis.*
2. Cost of capital adjustment for internal trading: *Within the Openreach segmental financial information reported in BT's Annual Report, there is a charge for an appropriate return on capital where assets are owned by the BT Technology division (e.g. for line cards, electronics and network features) but are used by Openreach. The Openreach regulatory statements do not include this charge, as the basis for allocation of costs and assets to products in the regulatory accounts is actual costs and assets.*
3. Other reconciling items and trading differences: *This adjustment relates to other trading differences that may occur from period to period in attributing costs for the RFS. Internal transfers raised between businesses are ignored within the RFS for both the OUC raising the charge and the OUC receiving the charge so as to reflect the true regulatory end-to-end costs of each unit. The total regulatory cost of each category is compared to the equivalent traded costs within the management accounts to calculate individual reconciliation differences and the sum of the differences incorporated as the total reconciliation difference for trading differences.*
4. Non-traded costs: *Costs shown separately from the Openreach segmented results in BT's Annual Report are included as a separate line to enable reconciliation between the accounts.*

We do not publish Openreach segmental balance sheet information in our Annual Report and consequently are unable to publish the Reconciliation of Openreach MCE Statement in the RFS.

# Annex four: Electricity price reporting

## Direction

As part of Ofcom's Directions for Regulatory Financial Reporting (28 March 2018) we have been directed to set out and explain our methodology for setting the electricity charges, including a clear description on the individual elements within the charge, how they are calculated and how they are passed through into the per kWh charge end users.

We also provide the date on which the latest annual contractual price was struck and an aggregate split of the individual elements in a non-confidential format.

We provide to Ofcom separately additional information that facilitates Ofcom's monitoring of our compliance with the basis of charges obligation for electricity.

## BT electricity charge calculation

The cost components of the energy price are:

• Raw power;

• Sub meter operation and maintenance; and

• PSTN lines to carry meter data.

**Raw power** – this is the fixed cost of BT's energy for a certain year described as per kWh units.
• The raw power cost is passed through based on forecast unit cost with no markup. BT has a flex electricity contract, and its hedging policy on commodity aims to deliver certainty ahead of the financial year of delivery without compromising value. Whilst a majority of BT's commodity exposure is covered ahead of a financial year, varying minor levels of exposure may be maintained to help drive value. Additional non-commodity components of the raw power cost, such as Contracts for Difference, are paid as pass through and therefore remain subject to price volatility. The total electricity volume forecast is based on regression analysis using multiple years of volume and temperature history.

**Sub meter operation and maintenance and PSTN lines** – this is the cost of the meter and PSTN line hardware used to read and record BT's electricity charge, transfer meter data across the network so that meters can be read remotely, and also includes the cost of maintaining this equipment.

• The majority of points of presence (POPs) have sub meters and a PSTN line to carry meter data. The PSTN lines are charged at the published price of a WLR line. The cost to Openreach for the sub meter operation and maintenance is marked up appropriately to cover related costs.

The total charges for the raw power, telephone lines, cost of sub meter operation and maintenance and mark up on sub meter operation and maintenance are aggregated and divided by the total units of power consumed to determine the unit price of power for the relevant year (i.e. cost per kWh).

## Contract information breakdown

The contractual supply for our electricity was agreed for the period 1 October 2016 to 30 September 2021. The 2016-17 aggregate split of the individual elements of the electricity charge is as follows. For commercial reasons this information is provided in percentage terms only:

| % cost | Cost component |
|---|---|
| 90-100% | Cost of raw power |
| 0-5% | Cost of line rental |
| 0-5% | Cost of meter operation and maintenance (including mark-up) |
| 100% | Total cost of power for 2016/17 |

## Cost attribution process for LLU related electricity costs

The electricity charge follows the following path of attribution. The methodologies employed to attribute the costs can be seen in the relevant dictionary for the level of attribution.

**Base level (other and OUC driven)** : ELECT1 attributes costs of raw power onwards to PG120B (LLU Electricity Usage – OR)

**Plant Group level:** Costs attributed to PG120B (LLU Electricity Usage – OR) are onwards allocated to a dedicated component CL120 (LLU Electricity Usage – OR).

**Component level:** Costs allocated to CL120 (LLU Electricity Usage – OR) are onwards allocated to a dedicated service SL120 (LLU Electricity Usage External). Note that for commercial sensitivity reasons we do not separately report this service in the RFS.

# Annex five: CCA valuation

## Studies and data sources

The following studies and data sources are utilised in the preparation of the CCA Valuations as described in Section five. EXPRES - Exchange Planning & Review System Used for valuing Local Exchange Switches (LDX only). This is a database holding information on Local Exchange & Main Exchange with details of units in service with current capacities and ordering information. It is used to provide connections data for models used in AS, CCA and LRIC. INS - Integrated Network System Inventory database for BT's PDH circuits and cabling for PDH NRS - Network Recording System Used for valuing Local Exchange Switches (LDX only). This is a system that holds details of all BT PSTN network 2Mb port terminations. It allows any system between two switches to be queried and displayed, showing the switch termination details at each end. NRS allows switch port terminations to be allocated/de-allocated for the introduction/cessation of routes or systems on a route. NRS obtains a download of switch data for each switch. This switch data is downloaded on a regular basis (monthly) and any route/system changes entered on the system are validated against the switch data. Office for National Statistics (ONS) We use several of the ONS indices in our Indexation and Absolute Methodologies:

- ONS Producer Price Indices (PPI) http://ons.gov.uk/ons/taxonomy/index.html?nscl=Producer+Price+Indices
- RPI http://www.ons.gov.uk/ons/datasets-and-tables/dataselector.html?cdid=CHAW&dataset=mm23&table-id=2.1
- Average Earnings http://www.ons.gov.uk/ons/taxonomy/index.html?nscl=Earnings
- Consumer Price Index (CPI) https://www.ons.gov.uk/economy/inflationandpriceindices/timeseries/d7bt/mm23

# Annex six: Data sources

## 1 Introduction

A variety of data sources from across BT are used as part of our attribution methodologies to produce the RFS. These data inputs are classified in line with the methodology taxonomy as outlined in Part one, Section five. This Annex details the attributes of data used and defines key systems used. Changes to an input or one of its attributes, where it impacts on a methodology, is reported in the Change Control Notification as directed by Ofcom.

## 2 Characteristics of systems

### Frozen Inputs

Where we are unable to locate better data, or where regularly refreshing an input would not result in significant changes to the results, we may choose to freeze an input. Commonly this happens when a system has been decommissioned. Such inputs are noted below. Frozen inputs are subject to a periodic review to check that either freezing the source is immaterial to the results; or that there is no better source of data than the frozen data set.

### Period Refreshed

Data is typically collected for the full year, at the end of the financial year on 31 March. However, there may be instances where it is more appropriate to collect data at the mid-point of the year (typically where the mid-point roughly equates to a yearly average).

A single system may produce multiple inputs to our process, and therefore may appear at different points in the taxonomy. For this reason, some systems are queried more than once in the year.

Below is a summary list of key data sources used within the RFS by category. This list is not but includes all inputs which are material to the results.

## 3 Summary of systems by Category

### Asset metrics

| Source System | Full system name and description | Period refreshed | Notes |
|---|---|---|---|
| CID | **Central Information Database –** This system is both a comprehensive data warehouse of financial and non-financial data at General Ledger (GL) level, volumes and a suite of application software, which enables management information to be extracted. The applications run on the system and service the needs of Group and Divisional financial analysts, field operational managers and business planners.<br>There are many interfaces where CID Receives data, and reporting is done via the eReports application. One of these is IPL (Internal Projects Ledger). | Mid-Point and Full year | |
| CostPerform | CostPerform supports the regulatory reporting requirements of the business, providing Accounting Separation (AS) results and analysis that form the basis of the RFS. | Full year | |
| FAR | **Fixed Asset Register –** detailed list of fixed assets owned by BT. | Mid-Point and Full year | |
| NISM NT | **Network Inventory And Spares Management System - New Technologies -** NISM NT is used to plan Broadband Equipment.<br>It is used to manage Core Network Spares & Repair activities for specified technologies. Designed to track Network Equipment, for example slide in units, at 6,300 sites. | Mid-Point and Full year | |
| OBOE | **One BT Oracle Enterprise -** OBOE is used by all BT UK employees as well as all UK people procuring and selected international units. It is also used by the Shared Service Centre staff to enter invoice information and support the system on behalf of BT.<br>OBOE consists of the following business functions:<br>· Fixed Assets - List of items owned by BT that are seen as being of value to the business or that need to be tracked for future reporting requirements.<br>· General Ledger - Collating of financial reporting information into one consolidated view for BT UK.<br>· iBuy - The online procurement entry and approval process that provides BT UK users with their core procurement tool for purchasing items and services external to BT.<br>· iExpenses - The online expenses entry and approval system for UK employees. | Mid-Point and Full year | |

| Source System | Full system name and description | Period refreshed | Notes |
|---|---|---|---|
| | Project Accounting - Providing the ability to the business to analyse revenue and costs for a defined piece of work or activity. | | |
| ORBIT | **Openreach Business Information Toolset -** To comply with the Telecoms Strategic Review (TSR), Openreach has developed a data warehouse to capture and store management information and this warehouse is called ORBIT.<br>The ORBIT data warehouse is the Key stone in the Openreach Management Information System (MIS) strategy. It performs the task of the central data store and information repository, holding both granular and aggregated data together with measures and business metrics. | Mid- Point | |
| PIPeR | **Physical Inventory Planning E-Records -** PIPeR supports the Planning & Recording communities within the Openreach organisation. It holds all Openreach external inventories, and supports planning of all new fibre and copper plant items.<br>It enables the Planning teams to plan and issue the work out to the build agents and enables the Recording teams to accurately and efficiently record changes to the network electronically. | Full year | |

## Electricity

| Source System | Full system name and description | Period refreshed | Notes |
|---|---|---|---|
| ETD | **Energy Telemetry Database** – Reporting data warehouse to facilitate analytics of BT's energy consumption. | Mid- Point | |
| EXPRES | **Exchange Planning and Review System** - EXPRES is a system used for capacity planning in BT's Local Exchange Network. It provides an inventory of 'capacity in service' available in the Voice Network also known as the Public Switched Telephone Network (PSTN). The system uses this information to forecast future capacity requirements.<br>EXPRES is extensively used to provide regular switch network data for reports and briefings together with data for key reports to Ofcom and other CPs. Additionally it is used throughout the business, particularly within planning offices, to provide management statistics and data on the works programme and asset utilisation. It is the definitive source for Network Nodal Identifier (NNI) codes.<br>EXPRES contains details of the hierarchy of the Voice Network e.g. which local exchanges are linked to which tandem exchanges. System X and AXE10 volumes in the network are sourced from the EXPRES system. | Mid- Point | |
| INS | **Integrated Network Systems** - INS is the family name for the architecture encompassing a group of mainframe subsystems supporting PDH core network planning and utilisation processes. These processes manage the assignment of BT's core and wideband network and transmission equipment areas.<br>It is one of the major Operation Support Systems (OSS) within BT for PDH plus the analogue network and holds all data for Cables (Fibre and Copper - non Customer Service System (CSS)), Radio, Bearers, Switch, Equipment and Private Services and is one of the largest online data systems in Europe.<br>It underpins network technologies and topologies such as Ultra Broadband (UBB), Wavelength Division Multiplexing (WDM), Synchronous Digital Hierarchy (SDH), Internet Protocol (IP), PDH, Kilostream and high bit rate services. It also records the inter exchange network for Public Switched Telephone Network (PSTN) and Featurenet. It fully supports the three main business processes of Provision, Build and Repair.<br>INS is essentially a data warehouse and is a representation of physical bearers and equipment for logical solutions. It provides end to end routing design and solutions across network platforms for public, private and network services, 20CN and 21CN. It also provides a level of resilience checking. | Mid- Point | |
| LLUMS | **Local Loop Unbundling Management System** - The Local Loop Unbundling Management system provides delivery and in-life management of LLU Points of Presence, MDF Connections and TAM. It also includes customised reporting functionality and disaster management information. | Mid-Point and Full year | |
| MARVIN | ANP001BRP – Hourly EE RAN traffic stats | Mid- Point | |

| Source System | Full system name and description | Period refreshed | Notes |
|---|---|---|---|
| NISM NT | **Network Inventory And Spares Management System – New Technologies -** NISM NT is used to plan Broadband Equipment.<br>It is used to manage Core Network Spares & Repair activities for specified technologies. Designed to track Network Equipment, for example slide in units, at 6,300 sites. | Mid- Point | |
| Peacemaker | This Suite of programmes giving radio planners sophisticated tools to aid the design of radio links. Can produce terrain maps & radio path profiles. It will also identify if a path is workable & free from frequency interference. | Mid- Point | |
| PIRM | **Power Inventory And Routines Manager** - The Power Inventory and Routines Manager (PIRM) system is a web-based system developed by MBT to give a high level of control in the management of power equipment within the BT core network. Authorized users can input the details of different types of power equipment to be installed into PIRM. Using this information the installer installs the equipment and notifies the Local PIRM Officer (LPO) to activate the routines for the equipment once it has been commissioned. PIRM will then support the maintenance activity within the core network.<br>Each type of equipment will have routines defined for it, which PIRM will automatically schedule, based on its routine periodicity. Once activated, the scheduled tasks are then automatically created using the interface between PiRM and Virtual Work Manager for allocation of the appropriate time to the assigned maintenance technician and when status of the job is updated by the technicians, same status gets reflected in the PIRM.<br>PIRM functions are used in tracking items of equipment throughout their life cycle, e.g. when a rectifier 160 is removed for repair and replaced in a different location, it is shown at its new location in PIRM. | Mid- Point | |

## Labour

| Source System | Full system name and description | Period refreshed | Notes |
|---|---|---|---|
| BT People System | Th BT people system is a HR system that holds information about BT employees. | Mid- Point | |
| CID IPL | **CID – Internal Projects Ledger** - This system is both a comprehensive data warehouse of financial and non-financial data at General Ledger (GL) level, volumes and a suite of application software, which enables management information to be extracted. The applications run on the system and service the needs of Group and Divisional financial analysts, field operational managers and business planners.<br>There are many interfaces from where CID Receives data and the reporting is done via eReports application, one of these is IPL (Internal Projects Ledger). | Full year | |
| CID | **Central Information Database –** This system is both a comprehensive data warehouse of financial and non-financial data at General Ledger (GL) level, volumes and a suite of application software, which enables management information to be extracted. The applications run on the system and service the needs of Group and Divisional financial analysts, field operational managers and business planners.<br>There are many interfaces from where CID Receives data and the reporting is done via eReports application, one of these is IPL (Internal Projects Ledger). | Full year | |
| CostPerform | CostPerform supports the regulatory reporting requirements of the business, providing Accounting Separation (AS) results and analysis that form the basis of the RFS. | Full year | |
| ORBIT | **Openreach Business Information Toolset -** To comply with the Telecoms Strategic Review (TSR), Openreach has developed a data warehouse to capture and store management information and this warehouse is called ORBIT.<br>The ORBIT data warehouse is the Key stone in the Openreach Management Information System (MIS) strategy. It performs the task of the central data store and information repository, holding both granular and aggregated data together with measures and business metrics. | Mid-Point and Full year | |

## Network data

| Source System | Full system name and description | Period refreshed | Notes |
|---|---|---|---|
| ASC | **Automated Supply Chain** - ASC is the name given by BT to the AmSOFT system and its interfaces. The ASC primary functions include: stores purchasing; order management; stock control; accounting systems; and foreign currency invoices.<br>The ASC procurement matching module is used to authorise invoices. | Mid- Point | |
| CCMIS | **Complementary Channel Marketing Management Information System** - The CCMIS system consists of an Operational Database Server and two eCloud Servers are currently being configured for service. CCMIS provides an Agile reporting and BI platform to meet the needs of both the Consumer and Business Operation. Strategic solutions are often initially developed here, prior to being formally requested of Technology. CCMIS also provides metrics on the VAS call queues, time to answer etc. | Mid-Point and Full year | |
| COSMOSS | **Customer Oriented System for the Management Of Special Services** COSMOSS is a database used for the provision of Private Services. This includes the provision of Partial Private Circuits sold to other CPs. It is used for new orders, re-arrangements and ceases. It acts as a 'Front End' and generates activities for the various groups involved in providing a Private Circuit.<br>It includes Working System Size (WSS) and equipment volumes for and Revenue System Size (RSS) for revenue purposes.<br>COSMOSS is a key input into the Core Transmission Circuit costing System (CTCS) system as explained below.<br>The LLFN (London Local Fibre Network) platform via COSMOSS provides the revenue data for the products routed over LLFN and other BT equipment.<br>The LLFN is an analogue private circuit overlay platform providing services to major customers, with an enhanced service wrap within the 0207 and 0208 areas of London only.<br>The platform is now over 20 years old and primarily is based on PDH technology but is now making more use of SDH. There are various bespoke systems that support the platform along with a raft of BAU systems for order/faults management. | Full year | |
| CTCS | **Core Transmission Circuit costing System** - CTCS is financial tool which calculates the cost of product for regulatory accounts. It holds volume data which is used to provide allocations to CostPerform, and takes data from INS/PACS network management systems to provide volumes for AS and Esprit.<br>Although it has a very small user base, CTCS continues to provide key data used by the network cost analysts. | Mid- Point | |
| EXPRES | **Exchange Planning and Review System** - EXPRES is a system used for capacity planning in BT's Local Exchange Network. It provides an inventory of 'capacity in service' available in the Voice Network also known as the Public Switched Telephone Network (PSTN). The system uses this information to forecast future capacity requirements.<br>EXPRES is extensively used to provide regular switch network data for reports and briefings together with data for key reports to Ofcom and other CPs. Additionally it is used throughout the business, particularly within planning offices, to provide management statistics and data on the works programme and asset utilisation. It is the definitive source for Network Nodal Identifier (NNI) codes.<br>EXPRES contains details of the hierarchy of the Voice Network e.g. which local exchanges are linked to which tandem exchanges. System X and AXE10 volumes in the network are sourced from the EXPRES system. | Mid- Point | |
| Genius | **GENEVA -Local Loop Unbundling** - The GenIUS (Geneva Integrated Universal Solution) Programme has a number of applications that delivers a streamlined wholesale billing capability through a single, integrated billing platform. This enables BT Enterprise to reduce the time between provision of service and the issue of a bill, realising cost benefits and supporting the expansion of our product, solution and service portfolio. | Mid-Point and Full year | |
| GVF | **Global Volumes Forecast** – BT group wide forecast of product volumes, holding current financial year plus 1 year forecast by month. | | frozen |
| Hyperion | Hyperion is a consolidation & Variance Reporting / Financial Analysis application which can be thought of as four separate services: | Full year | |

| Source System | Full system name and description | Period refreshed | Notes |
|---|---|---|---|
| | • An outbound E115 service to allow international DQ operators to access foreign databases directly via the Volt Delta proprietary workstation product (IDW) which is embedded in the<br>• An inbound E115 service to allow foreign DQ service providers direct access to BT A – Z directory data for search purposes.<br>• An inbound web service to allow internet service providers direct access to BT A – Z directory data for search purposes.<br>• A hub solution (known as Columbus) for LSSi to provide access to foreign databases (via our outbound E115 service) to their DQ operators in the USA. | | |
| INS | **Integrated Network Systems** - INS is the family name for the architecture encompassing a group of mainframe subsystems supporting PDH core network planning and utilisation processes. These processes manage the assignment of BT's core and wideband network and transmission equipment areas.<br>It is one of the major Operation Support Systems (OSS) within BT for PDH plus the analogue network and holds all data for Cables (Fibre and Copper - non Customer Service System (CSS)), Radio, Bearers, Switch, Equipment and Private Services and is one of the largest online data systems in Europe.<br>It underpins network technologies and topologies such as Ultra Broadband (UBB), Wavelength Division Multiplexing (WDM), Synchronous Digital Hierarchy (SDH), Internet Protocol (IP), PDH, Kilostream and high bit rate services. It also records the inter exchange network for Public Switched Telephone Network (PSTN) and Featurenet. It fully supports the three main business processes of Provision, Build and Repair.<br>INS is essentially a data warehouse and is a representation of physical bearers and equipment for logical solutions. It provides end to end routing design and solutions across network platforms for public, private and network services, 20CN and 21CN. It also provides a level of resilience checking. | Mid- Point | |
| LLUMS | **Local Loop Unbundling Management System -** The Local Loop Unbundling Management system provides delivery and in-life management of LLU Points of Presence, MDF Connections and TAM. It also includes customised reporting functionality and disaster management information. | Full year | |
| NuNCAS | **Network Capacity Assignment System** - NuNCAS provides the capacity calculations to determine if access capacity exists in the network to support Asymmetric Digital Subscriber Line (ADSL) Broadband connectivity. NUNCAS supports the following functions:<br>· Service Profile Definition - including connections within the ADSL network, connections within the core network, association of core connection groupings with the relevant Multiplexer (MUX).<br>· View ADSL model - using object attributes.<br>· Audit ADSL Network.<br>· Capacity Thresholding.<br>· List incomplete Service Provisions.<br>· Report Planning Failure Exceptions.<br>· Support for automated core VP build.<br>Configure Service on request from SSD. | | frozen |
| ORBIT | **Openreach Business Information Toolset -** To comply with the Telecoms Strategic Review (TSR), Openreach has developed a data warehouse to capture and store management information and this warehouse is called ORBIT.<br>The ORBIT data warehouse is the Key stone in the Openreach Management Information System (MIS) strategy. It performs the task of the central data store and information repository, holding both granular and aggregated data together with measures and business metrics. | Full year | |
| POWERHOUSE | Powerhouse is BT's product volumes Data Warehouse. It has been designed as a solution for provision, from a single source, of timely and accurate information regarding the installed base of BT products – primarily for BT Retail. It is a front-end query tool that interrogates raw data from other systems such as Call Statistics Centralisation System (CSCS), Private Circuits New Billing System (PCNBS) and Central Database System | Full year | |

| Source System | Full system name and description | Period refreshed | Notes |
|---|---|---|---|
| | (CDS). Data stored in the warehouse enables web based reporting & analysis on Income, revenue and related product volumes (e.g. calls, lines, inbound services, data network services). | | |
| RIDE2 | **Recorded Information Distribution Equipment** - RIDE2 is a mass call termination platform playing pre-recorded announcements and capturing voice messages and data. The platform provides a wide range of services largely focused on the calls market and is a key component of BT's mass calling (televote) solution. Crucially it takes the call termination load off the voice network (PSTN and SDIN). | Mid- Point | |

## Other miscellaneous

| Source System | Full system name and description | Period refreshed | Notes |
|---|---|---|---|
| ASC | **Automated Supply Chain** - ASC is the name given by BT to the AmSOFT system and its interfaces. The ASC primary functions include: stores purchasing; order management; stock control; accounting systems; and foreign currency invoices.<br>The ASC procurement matching module is used to authorise invoices. | | frozen |
| CID IPL | **CID – Internal Projects Ledger** - This system is both a comprehensive data warehouse of financial and non-financial data at General Ledger (GL) level, volumes and a suite of application software, which enables management information to be extracted. The applications run on the system and service the needs of Group and Divisional financial analysts, field operational managers and business planners.<br>There are many interfaces from where CID Receives data and the reporting is done via eReports application, one of these is IPL (Internal Projects Ledger). | Full year | |
| CISL | **Common Intelligent Service Layer –** Intelligent Network platform providing call routing for a number of BT's inbound services products. | | frozen |
| CostPerform | CostPerform supports the regulatory reporting requirements of the business, providing Accounting Separation (AS) results and analysis that form the basis of the RFS. | Mid- Point | |
| Hyperion | Hyperion is a consolidation & Variance Reporting / Financial Analysis application which can be thought of as four separate services:<br>• An outbound E115 service to allow international DQ operators to access foreign databases directly via the Volt Delta proprietary workstation product (IDW) which is embedded in the<br>• An inbound E115 service to allow foreign DQ service providers direct access to BT A – Z directory data for search purposes.<br>• An inbound web service to allow internet service providers direct access to BT A – Z directory data for search purposes.<br>• A hub solution (known as Columbus) for LSSi to provide access to foreign databases (via our outbound E115 service) to their DQ operators in the USA. | Full year | |
| LLUMS | **Local Loop Unbundling Management System** - The Local Loop Unbundling Management system provides delivery and in-life management of LLU Points of Presence, MDF Connections and TAM. It also includes customised reporting functionality and disaster management information. | Full year | |
| NRMS | **Network Routing Management System –** Single PSTN network model of exchanges & routes. Inbound data is processed and audited then sorted in an Orical database and presented to the TrafficHawk system as a single network model reference. | | frozen |
| TITAN | **The Inter-business Transfer Charging and Agreement Network** - TITAN is the BT business-wide system for processing inter-business charges. It is an Oracle Financials package that has been customised to meet the requirements of the business. It allows for a consistent and controlled approach throughout the business in order to eliminate discrepancies and misbalances and to enable a business-wide net settlement of debts and balance agreement. It is BT Group Finance policy that all inter-business bills are processed via TITAN and as such it is mandatory for all BT Core units, self-accounting units and subsidiaries. | Full year | |

## Property and insurance

| Source System | Full system name and description | Period refreshed | Notes |
|---|---|---|---|
| ADVITIUM | **Accommodation & Infrastructure Content Management System -** Building related CAD records. Footprint of equipment placed onto CAD diagrams is then syncronised on an Oracle database. | Full year | |
| CISL | **Common Intelligent Service Layer –** Intelligent Network platform providing call routing for a number of BT's inbound services products. | Full year | |
| CostPerform | CostPerform supports the regulatory reporting requirements of the business, providing Accounting Separation (AS) results and analysis that form the basis of the RFS. | Full year | |
| EXPRES | **Exchange Planning and Review System** - EXPRES is a system used for capacity planning in BT's Local Exchange Network. It provides an inventory of 'capacity in service' available in the Voice Network also known as the Public Switched Telephone Network (PSTN). The system uses this information to forecast future capacity requirements.<br>EXPRES is extensively used to provide regular switch network data for reports and briefings together with data for key reports to Ofcom and other CPs. Additionally it is used throughout the business, particularly within planning offices, to provide management statistics and data on the works programme and asset utilisation. It is the definitive source for Network Nodal Identifier (NNI) codes.<br>EXPRES contains details of the hierarchy of the Voice Network e.g. which local exchanges are linked to which tandem exchanges. System X and AXE10 volumes in the network are sourced from the EXPRES system. | Full year | |
| HORIZON | **BT Property HORIZON (Telereal)** - This database holds detailed records for BT's properties (e.g. tenure, ownership and floor areas).<br>This system contains data on the BT Estate (both office and operational). It holds data such as the Net Internal Area (this is the floor space that is billable) and Gross Internal Area (floor space that isn't billable). It records, at Organisation Unit Code (OUC) level, who actually occupies the floor space so that a particular OUC can be billed for usage.<br>The occupancy details on the database contain the footprints of the equipment. This helps to establish the occupancy split between the specialised, the general purpose or both for each property on the system. | Mid- Point | |
| INS | **Integrated Network Systems** - INS is the family name for the architecture encompassing a group of mainframe subsystems supporting PDH core network planning and utilisation processes. These processes manage the assignment of BT's core and wideband network and transmission equipment areas.<br>It is one of the major Operation Support Systems (OSS) within BT for PDH plus the analogue network and holds all data for Cables (Fibre and Copper - non Customer Service System (CSS)), Radio, Bearers, Switch, Equipment and Private Services and is one of the largest online data systems in Europe.<br>It underpins network technologies and topologies such as Ultra Broadband (UBB), Wavelength Division Multiplexing (WDM), Synchronous Digital Hierarchy (SDH), Internet Protocol (IP), PDH, Kilostream and high bit rate services. It also records the inter exchange network for Public Switched Telephone Network (PSTN) and Featurenet. It fully supports the three main business processes of Provision, Build and Repair.<br>INS is essentially a data warehouse and is a representation of physical bearers and equipment for logical solutions. It provides end to end routing design and solutions across network platforms for public, private and network services, 20CN and 21CN. It also provides a level of resilience checking. | Full year | |
| NISM NT | **Network Inventory And Spares Management System – New Technologies -** NISM NT is used to plan Broadband Equipment.<br>It is used to manage Core Network Spares & Repair activities for specified technologies. Designed to track Network Equipment, for example slide in units, at 6,300 sites. | Full year | |
| Peacemaker | This Suite of programmes giving radio planners sophisticated tools to aid the design of radio links. Can produce terrain maps & radio path profiles. It will also identify if a path is workable & free from frequency interference. | Full year | |

## Revenue and volumes

| Source System | Full system name and description | Period refreshed | Notes |
|---|---|---|---|
| Aztec | **Aztec platform** – Wholesale billing platform | Full year | |
| COSMOSS | **Customer Oriented System for the Management Of Special Services -** COSMOSS is a database used for the provision of Private Services. This includes the provision of Partial Private Circuits sold to other CPs. It is used for new orders, re-arrangements and ceases. It acts as a 'Front End' and generates activities for the various groups involved in providing a Private Circuit.<br>It includes Working System Size (WSS) and equipment volumes for and Revenue System Size (RSS) for revenue purposes.<br>COSMOSS is a key input into the Core Transmission Circuit costing System (CTCS) system as explained below.<br>The LLFN (London Local Fibre Network) platform via COSMOSS provides the revenue data for the products routed over LLFN and other BT equipment.<br>The LLFN is an analogue private circuit overlay platform providing services to major customers, with an enhanced service wrap within the 0207 and 0208 areas of London only.<br>The platform is now over 20 years old and primarily is based on PDH technology but is now making more use of SDH. There are various bespoke systems that support the platform along with a raft of BAU systems for order/faults management. | Full year | |
| CostPerform | CostPerform supports the regulatory reporting requirements of the business, providing Accounting Separation (AS) results and analysis that form the basis of the RFS. | Full year | |
| Genius | **GENEVA -Local Loop Unbundling** - The GenIUS (Geneva Integrated Universal Solution) Programme has a number of applications that delivers a streamlined wholesale billing capability through a single, integrated billing platform. This enables BT Enterprise to reduce the time between provision of service and the issue of a bill, realising cost benefits and supporting the expansion of our product, solution and service portfolio. | Mid- Point | |
| Hyperion | Hyperion is a consolidation & Variance Reporting / Financial Analysis application which can be thought of as four separate services:<br>• An outbound E115 service to allow international DQ operators to access foreign databases directly via the Volt Delta proprietary workstation product (IDW) which is embedded in the<br>• An inbound E115 service to allow foreign DQ service providers direct access to BT A – Z directory data for search purposes.<br>• An inbound web service to allow internet service providers direct access to BT A – Z directory data for search purposes.<br>• A hub solution (known as Columbus) for LSSi to provide access to foreign databases (via our outbound E115 service) to their DQ operators in the USA. | Full year | |
| NuNCAS | **Network Capacity Assignment System** - NuNCAS provides the capacity calculations to determine if access capacity exists in the network to support Asymmetric Digital Subscriber Line (ADSL) Broadband connectivity. NUNCAS supports the following functions:<br>· Service Profile Definition - including connections within the ADSL network, connections within the core network, association of core connection groupings with the relevant Multiplexer (MUX).<br>· View ADSL model - using object attributes.<br>· Audit ADSL Network.<br>· Capacity Thresholding.<br>· List incomplete Service Provisions.<br>· Report Planning Failure Exceptions.<br>· Support for automated core VP build.<br>Configure Service on request from SSD. | Full year | |
| NIMS OR | **Network Instruction Management System Openreach -** NIMS application has been developed to serve the Core and Access Planning communities of network BT. NIMS is used to Plan, schedule, execute, control and monitor the work related to network Infrastructure enhancement and installation. It enables aspects of works planning, | Full year | |

| Source System | Full system name and description | Period refreshed | Notes |
|---|---|---|---|
| | logistics control and overall project management to co-ordinate and prioritizes at national and task level. It assists in optimizing capital resources, available time and work to meet business requirements.<br>Inputs from this data source are frozen. | | |
| ORBIT | **Openreach Business Information Toolset -** To comply with the Telecoms Strategic Review (TSR), Openreach has developed a data warehouse to capture and store management information and this warehouse is called ORBIT.<br>The ORBIT data warehouse is the Key stone in the Openreach Management Information System (MIS) strategy. It performs the task of the central data store and information repository, holding both granular and aggregated data together with measures and business metrics. | Full year | |
| POWERHOUSE | Powerhouse is BT's product volumes Data Warehouse. It has been designed as a solution for provision, from a single source, of timely and accurate information regarding the installed base of BT products – primarily for BT Retail. It is a front-end query tool that interrogates raw data from other systems such as Call Statistics Centralisation System (CSCS), Private Circuits New Billing System (PCNBS) and Central Database System (CDS). Data stored in the warehouse enables web based reporting & analysis on Income, revenue and related product volumes (e.g. calls, lines, inbound services, data network services). | | frozen |

## Service level guarantees

| Source System | Full system name and description | Period refreshed | Notes |
|---|---|---|---|
| CostPerform | CostPerform supports the regulatory reporting requirements of the business, providing Accounting Separation (AS) results and analysis that form the basis of the RFS. | Full year | |
| Genius | **Genius – Geneva (Local Loop Unbundling) -** The GenIUS (Geneva Integrated Universal Solution) Programme has a number of applications that delivers a streamlined wholesale billing capability through a single, integrated billing platform. This enables BT Enterprise to reduce the time between provision of service and the issue of a bill, realising cost benefits and supporting the expansion of our product, solution and service portfolio. | Full year | |

# Annex seven: Sectors

## 1.1 Sectors introduction

This section provides a description of key sectors involved in the cost allocation process. A sector:

- Consists of two alphanumeric characters
- Is a group of similar or like F8 Codes used for regulatory reporting purposes

A sector can be defined as the:

- Types of service provided by BT (revenues);
- Main functional activities performed by BT (Operating Costs);
- Main fixed assets underpinning BT activities; or
- Other assets, liabilities and provisions incurred by BT in support of its services and activities.

Sectors are used as a way of grouping one or many F8 codes into similar functional categories to make regulatory reporting more manageable. A list of all sectors identified in the RFS is included below.

## 1.2 Operating cost sectors

This section describes the operating cost sectors relating to activities that we provide to our customers.

### Provision/Maintenance

Provision/Maintenance consists of the following sectors. The most material cost relates to D-side copper which is apportioned on the basis of the number of lines.

| Sector | Description | Includes: |
|---|---|---|
| B1 | Provision and Installation | Installation activities such as the physical installation of network equipment, cable and/or customer premises equipment to provide network connectivity and other services to customers.<br>Provision activities such as work to activate and enable the service to a customer. This may involve software configuration to activate or de-activate particular services, using the underlying physical equipment and network provided through installation activities. |
| B2 | Maintenance | Costs to operate and maintain our network in good working condition to meet service requirements. This includes performing activities to test, maintain and repair the network e.g. scheduled or planned maintenance of particular network assets or ad hoc maintenance problems reported by BT staff or customers. |

### Network Support

Network Support consists of the sectors below. The key drivers for the apportionment of network support costs include pay, the relative floor space occupied by fixed assets and the current cost replacement value of assets.

| Sector | Description | Includes: |
|---|---|---|
| BK | Plant Support | The costs of activities undertaken to support the running of our Network. This includes: government levied business rates payable on BT network installations and specialised estates such as telephone exchanges and radio stations; coaching pay costs booked by Customer Service Coach (CSC) staff; Transmission Repair and Control pay costs on all core transmission equipment and private circuits; pay costs for the provision, re-arrangement or cessation of network services; pay costs relating to plant protection and inspection associated with statutory notices (e.g. inspection of low voltage overhead power crossing clearance); and miscellaneous support work costs (e.g. the cost of installation (and subsequent recovery) of emergency plant incorporated in the network at the time of failure of other plant). |

### General Management

General Management consists of the sectors below. The key drivers for the apportionment of General Management include pay costs and activity surveys.

| Sector | Description | Includes: |
|---|---|---|
| B0 | General Support | Staff costs for BT people in the UK transition centre or completing project work. Other costs related to computing, security, mobile and general network maintenance. Also includes cost for payments relating to service level guarantee scheme, wayleaves payments in respect of network plant and the Ofcom administration fee. |
| B4 | Planning and Development | Costs relating to the planning of the network and the development of new technologies and service offerings e.g. pay costs for operational planning, including agency staff, and research and development contracts. |
| B5 | Operator Services | Costs associated with operator assistance (OA) services, emergency calls, and directory enquiry (DQ) services. |
| B6 | Supplies | Costs associated with the procurement of materials and services (to support business operations) and the issuing of supplies from stores. This includes outsourcing of finance and accounting work, logistics and procurement pay costs, freight and carriage costs of items held in stores, tools and small items. |
| B7 | Transport | Costs associated with vehicles e.g. costs of acquiring, maintaining, leasing, managing and retiring our fleet of vehicles. |
| BA | Computing | Mainly BT Technology costs re-charged to the rest of BT Group for their use of services such as computer operations, research and development and user support to our employees e.g. installing, setting up computers and helpdesk support. |
| BB | Customer Service | Costs associated with customer service activities to maintain customer satisfaction e.g. call centre management and customer service field operations such as faults and maintenance tests. |
| BE | Personnel and Administration | Costs associated with the provision of personnel services e.g. recruitment, release of staff/redundancies, development and implementation of performance management processes and other human resources (HR) support activities. |
| BF | General Management and Other | Costs associated with general management activities and other general expenses. This includes: New Starter or Leaver payments; general management pay costs for board members of business units; senior managers and support staff working on general management activities; general management and other incidentals such as costs for conference facilities; general legal charges; group insurance charges; corporate provisions; and operating costs incurred by our non-core businesses (i.e. subsidiaries and self-accounting units). |
| BV | Customer Support | Costs associated with performing diagnostic tests in support of maintenance and repair work and operation of the work manager system to schedule and control repair and maintenance work undertaken by BT engineers. |

### Accommodation

Accommodation sector consists of the following sectors. Accommodation costs are mainly apportioned based on the use of floor space and utilities.

| Sector | Description | Includes: |
|---|---|---|
| BC | Accommodation | Costs incurred for buildings maintenance, decoration of sites and buildings, costs of rent payable to landlords on buildings occupied by BT, costs of business rates on land and buildings, building electricity supply costs in both operational and office buildings, and payments to external contractors for cleaning services in BT accommodation. |

**Other Costs**

Other Costs includes Finance and Billing, Bad Debts and Other Costs, consists of the sectors below.

Bad debts include costs associated with writing off amounts that cannot be collected from customers. The key drivers for the apportionment of Finance and Billing include activity surveys and pay costs and the key drivers for Other Costs include the pence per minute charging of the other operators for BT traffic on their network.

| Sector | Description | Includes: |
|---|---|---|
| B8 | Marketing and Sales | Costs to retain and win business from existing or new business and retail customers. This includes: conducting market research to gain intelligence on BT's Markets and understanding the demands of our customers and competitor services; providing marketing services such as the design, planning and implementation of marketing activities, publicity and promotions; managing contact with customers; and handling customer orders such as understanding the specific needs of the customers, confirming their credit vetting, and determining the feasibility of meeting the order requirements. |
| B9 | Finance and Billing | Costs incurred from various activities of financial nature, such as budget building and management reporting, and costs incurred to generate a bill for the customer to collect payment. Accounting and general finance activities include financial and management accounting, budgeting, forecasting and payroll processing activities. Billing activities include customer service, billing and credit control, bad debt costs and post office handling costs. |
| BG | SLRC Variance | Cost variances between actual labour costs and the standard rates used for management costing purposes. |
| BU | Elimination of Intra-group | Transactions between BT Group businesses. |
| BW | Bad Debts | The internal and external costs associated with writing off amounts that cannot be collected from customers. The majority of these costs relate to the Rest of BT Residual market. |
| C1 | Other Operating Income | Other operating income relating to non-telecommunications services and hence separately recorded from BT's core revenue (calls, connections and rental charges, etc.). This mainly consists of profits on the disposal of land, buildings and sale of scrap copper cables. |
| C2 | Payments to OCP | Payments made to OCPs (other communication providers) for use of their network e.g. where BT carries a call originating from a BT customer but terminating on another operator's network, BT makes a payment to the Operator for carrying the call over their network. Payments may also arise from transit traffic where BT carries traffic over its network for part of a call, but also uses another operator's network. Payments are also made for Premium Rate Services (PRS) where BT customers make calls to the premium rate service telephone numbers of other operators and calls to BT Freephone numbers. |
| C7 | Internal Product Charge from Core | Transfer charges for products used internally within BT. For internal management purposes, BT runs a 'transfer-charging' process. GL codes for the transfer charges are set up as matched pairs, one for the charge out and one for the charge in. These GL codes are associated with F8 codes. Therefore there will be matching pairs of F8 codes, one for the charge out (F8 codes beginning with '24') and one for the charge in (F8 codes beginning with '28'). |
| F0 | Specific item interest | The net amount of interest payable and receivable by BT on its bank balance which relates to specific items e.g. pensions. |
| F2 | Net Short Term Interest | The net amount of short term interest payable and receivable by BT on its bank balances. |
| F3 | Associated Companies | The share of profit or loss before tax of associated undertaking and the profit and loss account charges for the amortisation of goodwill arising from the acquisition of subsidiary undertakings. |
| F4 | Corporation Tax | The current year corporation tax charge for BT and subsidiaries, as well as prior year adjustments. |
| F5 | Deferred Tax | The current year deferred tax charge and prior year adjustments. |
| F6 | Long term Interest Payable | The net amount of long term interest payable and receivable by BT on long-term loans. |
| F7 | Dividends | Proposed dividends which are payable to the shareholders |
| F9 | Minority Interest | The share of the profit after tax which belongs to minority shareholders. |
| FB | Goodwill Impairment | A charge against the goodwill's carrying value. |

**Depreciation**

Depreciation is analysed between land and buildings, access, switch and transmission and other (including network power, computers and software). This is described in the individual asset balance sheet sectors below, which apply to both asset values and depreciation charge. The key drivers are engineering models and direct mapping of BT classes of work to network components and then onto the appropriate service, based on usage factors and actual service volumes.

## 1.3 Balance Sheet sectors

**Land & Buildings**

This sector contains the asset values that are booked to BT Classes of Work for land and buildings, including freehold, long leases and short leases. The sector includes corporate office and network buildings owned by BT. Asset values are mainly apportioned based on the use of floor space and utilities.

| Sector | Description | Includes: |
|---|---|---|
| DF | Accommodation Plant Network | The asset values and depreciation for Network Plant Accommodation necessary for the operation of network equipment e.g. ventilation and cooling plant. Specific assets held within this sector (by CoW) include:<br>· ACPM - Accommodation Plant, Equipment-Related Motor Transport. This includes purchasing, installing and recovery of transport related equipment.<br>· ACPS - Accommodation Plant, Security. This covers the provision and installation of security equipment for Land and Buildings.<br>· ACPR - Accommodation Communication Plant Rooms.<br>· ACPA - Accommodation Plant Access Services Division (ASD) such as the cost of construction provision, installation and recovery of ASD (i.e. Openreach network equipment-related plant, also known as accommodation plant).<br>· ACPN - Accommodation Plant, Equipment Related Network Operational Buildings.<br>· ACPC - Accommodation Plant - Computer Centres.<br>· BTSSE - BT Sport Studio and Equipment. |
| DP | Land | The asset values for land analysed between historical cost values and the CCA adjustments applied to provide a current cost valuation of the assets.<br>The main classes of work against which land values are recorded are land freehold, land long lease (LFH) and land short lease. |
| DQ | Buildings | The asset values and depreciation for buildings fixed assets.<br>Buildings relate to the freehold, long leasehold and short leasehold buildings that we own such as corporate office building, our shops and service centres, and network buildings (e.g. exchange buildings) that we own. This includes:<br>· BCB – New building construction costs: building costs incurred in constructing a new building on a cleared site.<br>· BCR – Refurbishment costs: building costs which, excluding work as defined as extensions, results in a genuine improvement and will lead to an enhancement in the letting value of the property.<br>· BCS – Security costs: the provision, installation and recovery of security fencing. |
| DR | Accommodation Plant Other | The asset values and depreciation costs for other accommodation plant.<br>Accommodation plant assets are held in our freehold, long leasehold and short leasehold buildings, and contains asset items such as furniture and sundry other items used in the buildings. This includes:<br>· ACPB - Accommodation plant, Buildings Related, comprises the cost of construction, installation and recovery of those parts of buildings which qualify as plant;<br>· ACPI - Integral Accommodation Plant: cost of construction installation and recovery of those integral parts of buildings which is on the integral features list;<br>· AFH - Accommodation Plant in our Freehold buildings;<br>· ALL - Accommodation Plant in our Long lease buildings; and<br>· ASL - Accommodation Plant in our Short lease buildings. |

### Access - Copper

This sector contains the asset values for access copper (all the copper cables in the access network and all other necessary equipment required to carry signals between the user and the exchange). It includes 'Main' Copper and 'Distribution' Copper, as illustrated in the diagram below. The key driver is the direct mapping of Classes of Work (CoW) to network components and then onto the appropriate service based on usage factors and actual service volumes.

The sector consists of:

| Sector | Description | Includes: |
|---|---|---|
| D2 | Access: Copper | · LDC and LDCP – Construction, Local Distribution Cable for the provision or recovery of Access Copper Distribution and Branch Cables applicable to the copper build programme. This covers all work to increase the capacity of the network. Excludes duct.<br>· LDCR – Renewal, Local Line Copper Distribution Cable for the replacement of Access network metallic distribution and branch cables.<br>· LMC and LMCP – Construction, Local/Main Exchange-side Cable relating to the provision or recovery of Access Copper main cables to increase the capacity of the network.<br>· LMCR – Renewal, Local Line Copper Main Cable for the replacement of Access network metallic main cables and ancillary plant as a result of a fault.<br>· NWB/NWR - Provision and Installation of business and residential Exchange lines.<br>· TCN – Renewal of any Network asset as a result of criminal damage (Duct and Cable)<br>· UMAG – Equipment purchased to support, maintain and develop the infrastructure for BT TV and BT Sport service delivery platform |

### Access – Fibre

This sector contains the asset values and depreciation for access fibre and radio. The key driver is the mapping of CoW to network components and then onto the appropriate service based on usage factors and actual service volumes.

| Sector | Description | Includes: |
|---|---|---|
| D1 | Access: Fibre and Radio | The asset values and depreciation for Access Fibre (optical fibre cables in the access network) and Access Radio (cellular, microwave and satellite radio systems used to connect the user and the exchange). This includes costs relating to:<br>· LFDC and LFSC - Construction of Local Line Optical Fibre Spine and Distribution Cable such as the provision, re-arrangement and recovery of optical fibre cable, blown fibre tubing, blown fibre bundle, and sub duct in the access fibre network.<br>· LFXE - Construction of Local Line Exchange Service Module.<br>· LFME - Construction of Local Network Service Module Equipment.<br>· MICRO - Provision of Micro connect equipment<br>· TPWA - Construction of Access Radio Systems. |

### Government Grants

This sector contains the value of assets which have been funded by government or local authority grants. The key driver is the mapping of CoW to network components and then onto the appropriate service based on usage factors and actual service volumes.

| Sector | Description | Includes: |
|---|---|---|
| D0 | Grant Funded Assets | This includes receipt of government grant funding in relation to eligible capex spend that has been incurred and relates to:<br>· GFA – This includes grant funded assets, received from a local or regional authority or from a devolved government body such as: Broadband Delivery UK (BDUK) grant funding as part of the Community Fibre Partnership program. |

### Access – Duct

This sector contains the asset and depreciation values for duct. Duct is a pipe, tube or conduit through which underground copper or fibre cables are passed. Duct in the network is split into 'main'/'Exchange Side' (Class of Work LMD) and 'Distribution' (Class of Work LDD), Main Underground Duct (Class of Work MUD) and Core Junction Duct (Class of Work CJD). The fibre Network is split into similar sections; the Exchange side is known as 'Spine Fibre' and the Distribution side is known as Distribution Fibre and the main is Core Fibre. The key driver is a duct occupancy model that allocates CoW to network cable components and then onto the appropriate service based on usage factors and actual service volumes.

| Sector | Description | Includes: |
|---|---|---|
| D3 & DB | Access: Duct<br>Core Transmission: Duct | Asset values and depreciation for Access Duct. Specific assets include the costs of provision or recovery of:<br>• CJD/CJDR - Construction/Renewal of Backhaul/Inner Core Duct. This asset class covers the provision and recovery/renewal of Core network duct.<br>• LDD - Construction of Local Distribution Duct for Copper Cable.<br>• LMD - Construction, Local main (Exchange-side) Duct for Copper.<br>• LDR - Renewal, Local line Duct for Copper Cable (either Main or Distribution) to replace or partially replace duct for Access copper cables.<br>• LFD - Construction, Local Duct for Optical Fibre Cable in the Access Fibre Network.<br>• MUD/MUDR - Construction/Renewal of Backhaul/Inner Core Duct. This asset class covers the provision and recovery/renewal of Backhaul/Inner Core Duct. Construction covers all Core Network duct work. |

### Switch

This sector contains the asset values and depreciation for switching equipment located in BT exchanges and provides the switching function of telephone networks. The key drivers are engineering models that allocate CoW to network component and then onto the appropriate service based on usage factors and actual service volumes.

| Sector | Description | Includes: |
|---|---|---|
| D4 | Local Exchanges: Digital | The asset values and depreciation for:<br>· DMC - Construction Operator Service System - Provision and recovery of operating access, Automatic Voice Response (AVR), Directory Assistance System and Operator Keyboard Display Terminal equipment controlled by Operator Services.<br>· Digital Local Exchanges LDX/LUX/LYX - Construction, Local Digital Exchange. This asset class covers all equipment and associated costs incurred as part of basic exchange provision, extension, or re-arrangement. This includes CoWs: LDX for Digital Local Exchanges manufactured by System X; LYX for Digital Local Exchanges manufactured by Ericsson.<br>· Main Distribution Frames LMDF - Construction, MDF for exchanges. This asset class covers the provision, extension, upgrade, replacement, re-arrangement and recovery of MDFs connected with Inland (BTUK) telephone exchanges. MDFs are those distribution frames providing direct interface with external circuits terminations (customer or other exchanges). |
| D8 | Main Exchanges | The asset values and depreciation for the provision, rearrangement, recovery and upgrade of:<br>· ASU - Construction, Advance Service Units Switching<br>· CSNC - Construction, Universal Card Platform (FAR)<br>· MDX - Main Network Switching Digital which are digital exchanges providing certain functions to digital traffic e.g. setting up and clearing down calls, switching traffic and signalling to other exchanges and subscribers.<br>· NGS - Next Generation Switch, which is a newer form of switch. There are two types: one using traditional circuit switching technology; the other a hybrid using ATM packet switching technology. |
| DC | Intelligent Networks | The asset values and depreciation for the Intelligent Networks Platform that allows functionality to be distributed flexibly at a variety of nodes on and off the network and allows the architecture to be modified to control the services. The 'Intelligent Network' provides network functionality beyond basic switching. Specific assets include:<br>· Costs of construction of the Intelligent Networks Platform (INC)<br>· Costs of the Signalling Network and Interconnect (SIGNI) including Signalling Transfer Point (STP) and Signalling Point Relay (STP) switches and Signalling Traffic Management (STMS) equipment. |

**Transmission**

This sector contains the asset values for transmission. Transmission includes Core Transmission Synchronous Digital Hierarchy (SDH), Plesiochronous Digital Hierarchy (PDH), Asynchronous Transfer Mode (ATM), Cables and Repeaters.

The Core transmission network is used to link exchanges. For AS purposes the Core Transmission network is split into the Core Distribution network and the Core trunk network, illustrated below:

| Sector | Description | Includes: |
|---|---|---|
| DA | Core Transmission: Cable and Other | · BHQ – Construction of Submarine Cable Inland<br>· CJC – Construction of Junction Metallic Pair Cable<br>· CJF – costs associated with the Construction of Core Optical Fibre Cable in the Core Network.<br>· CRF – costs associated with the Construction of Repeaters, Optical Fibre in the Core Network.<br>· CRD – costs associated with the Construction of repeaters, digital, non-optical in the Core Network.<br>· MUC – costs associated with the Construction of Main Underground (Core) Cable to increase the capacity of the network. |
| DD | Other Transmission | · ATM/ATMW - capital expenditure for Asynchronous Transfer Mode platform equipment. ATM (also referred to as Broadband Integrated Services Digital Network (ISDN) is a cell-switched technology. All broadband transmissions (whether audio, data, imaging or video) are divided into a series of cells and routed across an ATM network consisting of links connected by ATM switches.<br>· CRHQ - provision of analogue, plesiochronous digital or optical equipment in the Trunk Network.<br>· NCRR - International Radio and Repeaters. This asset class is used for Earth Station Capital expenditure on Broadcast Services or Shared Infrastructure Earth Station Assets.<br>· SDH - Costs of provision and re-arrangement of Construction of Synchronous Digital Hierarchy transmission equipment. SDH is a key element of BT's core transmission network.<br>· TPWC – Construction of Trunk & Junction Radio Systems. |
| DK | Private Circuits and SMDS | · DTTM - Construction of Customer Wideband Services. This asset class covers contract, stores and labour for the construction, installation, commissioning, replacement, re-arrangement of equipment at local exchanges and customer's premises to carry wideband services to customers such as: Wideband bearer electronics to support Kilostream service; Access SDH; and test equipment for testing and maintaining customers' wideband services.<br>· DTTK - Construction of Kilostream/Automatic cross Connect Equipment (ACE) Services. This asset class covers contract, stores and labour for the construction, installation, commissioning replacement, and re-arrangement of core network equipment for Kilostream Private Circuits.<br>· DTTS - Construction of Customer Wideband Services. This asset class covers construction, provision, installation, commissioning, replacement, re-arrangement or recovery of electronic equipment (but not service) for the various Short Haul Data Services (SHDS).<br>· DTTW - This asset class covers cost of provisions (such as stores and labour) for the construction, installation, commissioning, replacement and upgrade of equipment at BT local exchanges and customer premises.<br>· DTTSW - Construction of SHDS links. Includes: construction; provision; installation; commissioning and replacement; and electronic equipment for products incorporating SHDS equipment. |
| DT | 21st Century Network | · CCI (Common Capability Intelligence) - Common Capability Intelligence is a set of re-usable components used to build our products and services. It includes session management and intelligence voice routing, authentication of customer identity, identification of customer location and instant messaging.<br>· Ethernet Switches - Ethernet Switches are for Connectivity access into the network and are located at sites that can take advantage of WDM transmission to send and receive traffic to the Metro node.<br>· MSAN (Multi Service Access Nodes) - provide customer access into the network for Voice, Broadband and some Connectivity via line-cards and the traffic generated is sent to Metro Nodes for switching. This can be via other MSANs.<br>· Metro/Core Nodes - Core Nodes are a special type of Metro Node where there is a mesh or net of transmission between them. Most Core nodes are connected to all other Core Nodes. Metro Nodes switch traffic and contain the intelligence to direct its path. All traffic will traverse the Metro Node to some degree whether it falls into the category of Voice, Broadband or Connectivity. |

| Sector | Description | Includes: |
|---|---|---|
| | | · 21C WDM Transmission (Wave Division Multiplexing).<br>· i-Nodes (Call Servers) - i-Nodes are used just for Voice customers and contain intelligence for numbering and the intelligence for routing i.e. Call Set-Up and Network Features. |

The key drivers are engineering inventories and models that allocate CoW to network components and then onto the appropriate service based on usage factors and actual service volumes.

**Other Fixed Assets**

This sector contains the asset values for a range of assets used by BT businesses including categories such as Software and Motor Transport. The key drivers are surveys, engineering models and direct mapping of CoW to network components and then onto the appropriate service based on usage factors and actual service volumes.

| Sector | Description | Includes: |
|---|---|---|
| DG | Network Power | · TPC - Construction of Telecom Power Plant. This asset class covers the provision, installation, construction, replacement and re-arrangement of power plant systems and distributions feeding network operational equipment in operational buildings, i.e. telephone, radio and repeater stations. |
| DH | Capital Miscellaneous | · Miscellaneous capital expenditure. This includes:<br>· Right-of-use assets recognised due to the implementation of IRFS 16<br>· ADSL – costs of contract, store and labour for the Construction of Digital Subscriber-line.<br>· LXTM - Provision of common or centralised test, monitoring or access equipment for Local Exchanges<br>· NTC - Initial purchase of high value tools and testers used in the construction and maintenance of the Core and Access networks<br>· WMSCA - Capital Expenditure associated with Wholesale Managed Services |
| DI | Other Non-Voice Plant | · IPNC (Internet Protocol Network Capital) and IPNCW (IPNC Wholesale) including assets and depreciation.<br>· MMC - All equipment and associated costs incurred solely by Internet and Multimedia Services (IMS) as part of the basic provision, extension, re-arrangement and recovery of equipment associated with the provision of IP products. |
| DJ | Net Enabling Computers | · Network enabling computing fixed assets and depreciation. |
| DL | Public Payphones | · PCOH and PCOP - the planning, provision and recovery of payphone housing and mechanisms, including lighting and power, other than managed sites.<br>· PIN - All costs associated with the provision and installation of PIN operated Payphones, excluding the cost of maintenance. |
| DM | Apparatus | · This sector predominantly contains the asset values and depreciation of non-core ledger fixtures and fittings. This includes:<br>· FRNCP - comprises the cost of installation of general office furniture (including individual desk, chairs, pedestals, side tables, cabinets, cupboards, bookcases, discussion area furniture and meeting room furniture) |
| DN | Motor Transport | · NVAC - New Vehicles and Accessories purchased and include pool cars, vans, light goods vehicles, heavy goods vehicles and 4 wheel drive vehicles and trailers. |
| DO | General Computers | · COMPA - BT Own Use Computer Mainframes and Peripherals. This includes computers which require a controlled environment e.g. air conditioning, water cooling, includes front end processors, tape drives, disk drives, silos, dedicated terminals etc.<br>· COMPD - Computers which may perform similar kinds of applications as mainframes but have less storage capacity, processing power and speed than a mainframe. Also they do not require a controlled environment.<br>· COMPE - BT Own Use Personal Computers. Includes the processor, display monitor, keyboard, internal CD ROM and modem, one or more diskette drives, internal fixed disk storage and the operating system software purchased as an integral part of the PC.<br>· COMPF - BT Own Use Data Communication Equipment. These includes data transmission hardware and test equipment such as modems, multiplexors, routers, bridges, patch panels, |

| Sector | Description | Includes: |
|---|---|---|
| | | protocol converters, line testers, monitor protocol analysers, cluster controllers, hyper-channels, file servers and Open System Cabling Architecture (OSCA) cables.<br>· IABC - Internal Infrastructure Cabling and Local Area Networks (LAN) in BT offices. |
| DS | Office Machines | · IDX - Big and Large Switches. This asset class covers the provision of all big and large switches and of small/medium switches with an installed cost in excess of £1,500.<br>· OM - Office machines (BT own use). This asset class covers the procurement and installation of office machines for BT's own use, where the cost is £1,500 or more. |
| E4 | Materials Awaiting Installation | · Items awaiting installation are not yet booked against specific Classes of Work. |
| EA | Software | · Application system software - Designed to meet a specific business need with an established intended use (and not for use for any other purposes).<br>· Operating system software - Manages the basic operations of a computer system and the flow of information into and out of the main processor.<br>· Example CoW included is LIC (Licences for Intangible assets) |
| EB | Goodwill | · Includes goodwill. |
| EC | Other Intangible Asset | · Identifiable intangible assets such as indefinite life assets. |
| ED | Assets from Acquisition | · Intangible assets recognised during acquisition. |
| EZ | Non-Current Assets | · Non Current Receivables includes costs relating to the initial set-up, transition or transformation phase of long-term networked IT services contracts and prepayments and leasing debtors. |

### Investments

| Sector | Description | Includes: |
|---|---|---|
| E5 | Other Non-Current Assets | · This includes miscellaneous other non-current assets. |
| E7 | Other Investments | · This includes miscellaneous other investments. |
| E8 | IFRS 15 Non-Current Assets | · This includes the deferred contract costs or the contract assets associated to IFRS 15 which are due after 1 year |

### Inventories

| Sector | Description | Includes: |
|---|---|---|
| G0 | Programme Rights | · TV Programme Rights, e.g. BT Sport |
| G1 | Trading Inventories | · Trade and finished goods inventories;<br>· Work in progress; and<br>· Raw material inventory. |

### Internal Receivables

| Sector | Description | Includes: |
|---|---|---|
| GN | Intra-group Receivables | · Internal trading between our Customer-Facing Units (CFUs) relating to receivables.<br>· Notional receivables are based on an approximation of the debtors that would be incurred if trades between BT's Customer-Facing Units (CFUs) were undertaken to a third party and at arm's length. The moving average debtor days is applied to all revenue (internal and external) by market to calculate the reported Notional Receivable value. |

## External Receivables

| Sector | Description | Includes: |
|---|---|---|
| G2 | Trade Receivables | · Geneva receivables - These are receivables associated with invoices raised through the Geneva system, a billing system used by BT Retail, Global Services and BT Enterprise. It contains customer data, such as the Products they currently rent, usage and any discounts applied.<br>· Customer Service System (CSS) billed receivables - These are receivables associated with invoices raised through the CSS. These receivables' balances are generated by the Retail business unit of BT and include, for example, balances for invoices due from PSTN call services provided to business and residential customers.<br>· Other Communication Provider (OCP) receivables. |
| G3 | Intra-group Receivables | · Internal trading between our Customer-Facing Units (CFUs) relating to receivables. |
| G4 | Short Term Investments: TP | · Listed UK investments;<br>· Listed non-UK investments;<br>· Unlisted investments;<br>· Overnight deposits;<br>· Term deposits at banks; and<br>· Certificates of tax deposits. |
| G5 | Short Term Investments: IG | · BT's intra-group investments (funds deposited by one area of the business into another part of the business) are directly allocated to Rest of BT Residual. |
| G6 | Cash At Bank | · The material balances in this sector represent sterling bank accounts, with different F8 codes used for accounts with different banks. |
| G8 | IFRS 15 Current Assets | · This includes the deferred contract costs or the contract assets associated to IFRS 15 which are within 1 year |
| G9 | Accrued Income | · This sector relates to the balance sheet value of accrued income for services provided to and used by customers but not yet invoiced by BT. Accrued income arises where the invoice schedule for a particular customer service allows the customer to use the service in advance of being billed e.g. for telephony calls made by residential customers, where customers are billed quarterly in arrears for the call charges. |
| GA | Prepayments | · Prepayments of general expenditure from BT. |
| GB | Other Receivables | · This sector relates to the balance sheet value of Other Receivables for amounts owing to BT. It contains sundry and miscellaneous receivable balances. |
| GD | Derivative Financial Instrument (Current Assets) | · This sector holds the balance sheet value of current derivative financial instruments and relates purely to Rest of BT Residual products. |
| GH | Asset held for sale | · This sector holds receivables in relation to assets held for sale |

## Current Liabilities - External

| Sector | Description | Includes: |
|---|---|---|
| H1 | Short Term Borrowing | The borrowings include:<br>· Overdrafts;<br>· Short-term loans;<br>· Other short-term loans (excluding bank overdrafts);<br>· Commercial paper; and<br>· Liability balances on commercial paper held by the Treasury. |
| H2 | Provisions under one year | · Potential liabilities faced by BT that are due within a year. |
| H3 | Trade Payables | The key balances of trade Payables in this sector include:<br>· Accounts Payable control;<br>· Other Communication Provider (OCP) Payables; and<br>· Capital Trade Payables other. |

| Sector | Description | Includes: |
|---|---|---|
| H4 | Intra-group Payable | · Internal trading between our Customer-Facing Units (CFUs) relating to payables. |
| H6 | Other Tax and Social Security | Key balances include:<br>· Output VAT payables, arising from VAT collected by BT from its customers;<br>· Input VAT receivable balances, arising from VAT paid by BT on inputs purchased; and<br>· National Insurance contributions for employees, payable by BT. |
| H8 | Other Payables | · Sundry and miscellaneous payable balances. |
| H9 | Accrued Expenses | · Accrued expenses not yet paid by BT. |
| HA | Deferred Income | · Income received for services not yet provided to customers. |
| HD | IFRS Current Liabilities | · IFRS 15 related deferred income for a period under 1 year<br>· Current Right-of-use liabilities recognised due to the implementation of IFRS 16. |
| HF | Derivative Financial Instrument (Payables) | · This sector holds the balance sheet value of derivative financial instrument payables and relates purely to Rest of BT Residual products. |
| HH | Asset held for sale - liabilities | · This sector holds liabilities associated with assets held for sale |
| HZ | Other Payables | · Non-current portion of leases and deferred income which is recognised in Rest of BT Residual. |

**Provisions for Liabilities and Charges**

| Sector | Description | Includes: |
|---|---|---|
| I2 | Other Provisions (i.e. those not included in sector H7) | · Regulatory provisions<br>· Dilapidation provisions<br>· Deafness and Lung provisions |
| I4 | Pension Provisions | · This includes pension-related provisions |

# Annex eight: F8 code markers

## Finance Types

F8 codes can be categorised by their characteristics into groupings referred to as Finance Types. One Finance Type marking is applied to all F8 codes.

The Finance Types used are as follows:

| Finance Type | Description |
|---|---|
| B | Pay |
| C | Creditors |
| D | Stores |
| E | CCA Depreciation Other ADJs P&L |
| F | Depreciation Charge Balance Sheet |
| G | T & S |
| H | Other |

| Finance Type | Description |
|---|---|
| I | Amortisation charge (intangible assets) |
| K | Debtors |
| L | Transfer Charges In |
| M | Transfer Charges Out |
| N | CCA Gross Other ADJs P&L |
| O | Registered GBV BS |
| P | Accumulated Depreciation BS |

| Finance Type | Description |
|---|---|
| Q | AICC Opening Balance BS |
| R | AICC Registrations |
| T | CCA Uplift HCAD to CCAD BS |
| U | Unclassified |
| W | CCA Uplift GBV to GRC BS |
| Y | CCA Gross Price Var P&L |

## Transaction Types

F8 codes can be categorised by their characteristics into groupings referred to as Transaction Types. One Transaction Type marking is applied to all F8 codes. The Transaction Types used are as follows:

| Transaction Type Code | Transaction Type Description |
|---|---|
| A | Income |
| C | Revenue Costs in Operating Profit |
| D | Other AS Revenue Costs |
| F | Revenue Costs Excluded from AS |

| Transaction Type Code | Transaction Type Description |
|---|---|
| G | Capital Spend |
| J | Balance Sheet Included in AS return |
| K | Balance Sheet Excluded in AS return |

## Summary Types

F8 codes can be categorised by their characteristics into groupings referred to as Summary Types. One Summary Type marking is applied to all F8 codes.

The Summary Types used are as follows:

| Summary Type Code | Summary Type Description |
|---|---|
| CA | Current Assets |
| CL | Current Liabilities & Provisions |
| EO | Current Other |
| EP | Current Pay |
| FA | Fixed Assets |
| FU | Funding |
| IE | Income External |
| II | Income Internal |
| TO | Intragroup Expenditure In/Out |
| TP | Intragroup Pay |
| TX | Intragroup Exp (VCT OUT - Internal Rev) |
| UU | Unclassified |

# Annex nine: Components for Physical Infrastructure Access recharge

This annex provides the list of PGs, components and services that relate to the PIA recharge, which is explained in Part two, Section nine.

## List of PGs, Components and services

The table below sets out the relationship between PIA components and services which solely facilitate the recharge of PIA costs to services in other markets:

| Component | Service | Description |
|---|---|---|
| CJ001 | SJ001 | Spine Duct Internal |
| CJ002 | SJ002 | Lead in Duct Internal |
| CJ003 | SJ003 | Manholes Internal |
| CJ004 | SJ004 | Joint Boxes Internal |
| CJ005 | SJ005 | Poles Internal |
| CJ006 | SJ006 | Spine Duct Internal RAV |
| CJ007 | SJ007 | Lead in Duct Internal RAV |
| CJ008 | SJ008 | Manholes Internal RAV |
| CJ009 | SJ009 | Joint Boxes Internal RAV |

The following PGs are used in allocation of costs and MCE associated with duct and poles:

| PG | Name | PG Type |
|---|---|---|
| PG101D | Duct Infrastructure | New |
| PG100D | Duct RAV | New |
| PG200P | Poles Capex | New |
| PG201P | Poles Repair | New |
| PG950C | GEA FTTC Access Fibre Spine | Legacy |
| PG948C | GEA FTTP Access Fibre Spine | Legacy |
| PG111C | Access Fibre Spine | Legacy |
| PG951C | GEA FTTC Distribution Fibre | Legacy |
| PG949C | GEA FTTP Distribution Fibre | Legacy |
| PG959C | Access Distribution Fibre | Legacy |
| PG999A | FTTC Funded Fibre Rollout Spend | Legacy |
| PG990A | FTTP Funded Fibre Rollout Spend | Legacy |
| PG117C | E-side Copper Cable | Legacy |
| PG118C | D-side Copper Cable | Legacy |
| PG170B | Backhaul Fibre | Legacy |
| PG350N | Core Fibre | Legacy |
| PG149A | Analogue Line Final Drop | Legacy |

# Glossary

| Term | Definition / Description |
|---|---|
| ABC | Activity Based Costing - a costing method that recognises the relationship between costs, activities and products/services, and through this relationship, assigns overhead and indirect costs to related products and services in a less arbitrary manner than traditional methods. |
| Access copper | The copper cables in the access network, as well as all other necessary equipment required to carry signals between the user and the exchange. |
| Access fibre | The spine and distribution cables, as well as all other necessary equipment required to connect the end-user and the exchange. |
| Access Network | Split between exchange (E-side) and distribution side (DSide) copper cable, for Regulatory Accounting purposes. |
| Accounting adjustment journal | Required where the RFS demands an asset is either recognised or derecognised. Typically these are recognised against funds or the P&L and will create profit. |
| Allocation adjustment journal | Required where the data held in the underlying ledger does not have the granularity to allocate to apply a rule or base. Typically, these journals will not alter overall profit for BT Group. |
| ARA | Annual Report & Accounts. |
| ARC | Actual Reporting Cube. |
| ASU | Advance Service Units. |
| AG | Activity Group. |
| Allocation | Costs which can be directly associated with activities or type of equipment and do not require apportionment. |
| Apportionment | Costs which cannot be directly associated with specific activities and plant groups, and require apportionment. Example: for network costs, this process makes extensive use of engineering data reflecting not only each plant group type (e.g. local lines, transmission equipment) but also the type of technology (e.g. metal and fibre local lines, PDH and SDH transmission equipment). |
| Apportionment workflows | Models that include various data inputs and calculations, to determine the apportionment outputs. |
| ATM | Asynchronous Transfer Mode. |
| AS | Accounting Separation. |
| Attribution | A general term encompassing both allocation and apportionment. |
| AVC | Abortive Visit Charge - charge applied where an appointment is agreed for work at an End User's Site and the engineer arrives within the appointment slot but is unable to carry out the work at, or gain access to, the End User Site. |
| BCMR | Business Connectivity Market Review. |
| BDUK | Broadband delivery UK - grant funding is received from the Department of Culture Media and Sport in relation to BDUK. |
| Bearers | End to end circuits, usually ending at a customer's premise. |
| BES | Backhaul Extension Service. |
| BRAS | Broadband Remote Access Server & MSE - routes traffic to and from the DSLAM on an ISP network. The BRAS sits at the core of an ISP's network, and aggregates user sessions from the access network. |
| BTL | Bulk Transport Link. |
| CCA | Current Cost Accounting. |

| Term | Definition / Description |
|---|---|
| Capital employed | Mean total assets less current liabilities, excluding corporate taxes, dividends payable, and provisions other than those for deferred taxation. |
| Capital expenditure | The value of capital employed during the year, presented per class of asset and often further split by Class of Work (CoW). |
| CFU | Customer Facing Unit. |
| CID | Central Information Database. |
| CLA | Copper Line Access. |
| CNS | Customer Network Services. |
| Core nodes | Core Nodes are a special type of Metro Node where there is a mesh or net of transmission between them. Most Core nodes are connected to all other Core Nodes. |
| Core transmission | The core transmission is used to link exchanges and includes SDH, PDH, cables and repeaters. |
| CP | CostPerform - Cost allocation system. |
| CPs | Communication providers. |
| CPDSL | Circuit Provision - Asymmetric Digital Subscriber line CoW. |
| Combi cards | Combi cards are situated in the MSAN and used to provide Voice services or Broadband. |
| CoW | Class of work. |
| CID | Central Information Database. |
| CISBO | Contemporary Interface Symmetric Broadband Origination. |
| CISL | Common Intelligence Service Layer. |
| CSI | Customer Sited Interconnect. |
| CTCS | Core Transmission Circuit costing System. |
| CY | Current year. |
| D - Side | Distribution side cable - the cable linking the primary cross connection point to the distribution point. |
| DDI | Direct Dial In. |
| Dev | Development. |
| Depn | Depreciation. |
| DFX | Dark fibre inter-exchange. |
| Division | The top level 'operational unit codes' for each CFU / CU are referred to as Divisions. |
| DLT | Digital Line Termination - part of the Main Exchange System X Processor unit and Next Generation Switch (NGS) that also comprises a switch block and processor and signalling functional groups, and is used for call setup and call duration. |
| DMS | Digital Multiplexer System. |
| DSL | Digital Subscriber Line. |
| DSLAM | Digital subscriber line access multiplexer. |
| DSS | Digital Subscriber Signalling System. |
| Duct | Duct is a pipe, tube or conduit through which underground cables are passed. |
| E - Side | Exchange side cable - the cable linking the local exchange to the primary cross connection point. |
| EAD | Ethernet Access Direct - provides point-to-point data connectivity between sites. It can be used to build and extend customer networks, develop new infrastructure, and meet low- |

| Term | Definition / Description |
|---|---|
| | capacity backhaul requirements (i.e. up to 1Gb, which is the starting bandwidth for Ethernet Backhaul Direct) and supports a range of requirements including cloud computing, simultaneous online pupil access in classrooms and storage area network connectivity. |
| ECC | Excess construction charges. |
| EBC | Element Based Conveyance. |
| EBD | Ethernet Backhaul Direct. |
| EFM | Ethernet over the First Mile. |
| EIPB | Engineering and Infrastructure Build Plan. |
| EPPC | Element Partial Private Circuit. |
| ETG | Engineering & Technical Grade. |
| FER | Front End Router. |
| FTE | Full time equivalent - a unit measure for employees based on standard contract hours of one full workday. |
| FTTC | Fibre to the Cabinet - a type of Super-Fast broadband using a full fibre optic connection from exchange to the cabinet. |
| FTTP | Fibre to the Premises - a type of Super-Fast broadband using a full fibre optic connection from exchange to the premises. |
| F8 codes | Groups of general ledger codes, which are similar in nature. |
| GBV | Gross book value - Total capital employed to date, presented per class of asset and further split by CoW and Policy Code. |
| GCS | Group Consolidation System. |
| GEA | Generic Ethernet Access - a business broadband connection which uses Ethernet Fibre. |
| GFA | Grant Funded Assets. |
| GFR | Group Financial Reporting. |
| GL | General ledger. |
| GP | Group Property. |
| GRC | Gross replacement cost - Current purchase price of an identical new asset, primarily used to expediting provisioning for new assets. |
| HCA | Historical Cost Accounting. |
| HFM | Hyperion Financial Management. |
| HQI | Head Quarter Insurance. |
| HR | Human Resources. |
| IBC | Intra Building Circuit. |
| IEC | Interconnect Extension Circuits. |
| IFRS | International Financial Reporting Standards. |
| IN | Intelligent Network. |
| iNode | i-Node is where the service execution functionality is located – in essence the intelligence that controls services. In the 21CN context, this includes soft switches, network intelligence and bandwidth management capabilities. |
| INS | Inertial Navigation System. |
| IP | Intelligent Peripherals. |

| Term | Definition / Description |
|---|---|
| ISDN | Integrated Services Digital Network. |
| ISI | In span Interconnect - the joint provision of an Interconnect Link, with the provision of an ISI Interconnect Link and 2Mbit/s ISI Interconnect Links. |
| ISP | Internet Service Provider. |
| IPNC | Internet Protocol Network Capital. |
| IPNCW | Internet Protocol Network Capital Wholesale. |
| LDC | Construction, Local Distribution Cable. |
| LDD | Construction, Local Distribution Duct for Copper Cable. |
| LE | Local Exchanges. |
| LFSC | Class of Work for Construction, Local Line OF Spine Cable. |
| LFCM | Local Fibre Maintenance. |
| LFME | Construction, Local Network Service Module Equipment CoW. |
| LFDC | Class of Work for Construction, Local Line OF Distribution. |
| LLU | Local Loop Unbundling - this enables other communication providers (OCP) to use BT's local loop to provide services to customers. |
| LLUMS | Local Loop Unbundling Management System. |
| LNS | L2TP Network Server. |
| LOB | Line of business. |
| LopList | Life of Plant List. |
| LRIC | Long Run Incremental Cost. |
| LRIC Model R&P | Long Run Incremental Cost Model Relationships and Parameters. |
| MAP | Maximum Allowable Power |
| MCE | Manage Contact Event |
| MCE | Mean Capital Employed |
| MDF | Main Distribution Frame - interface between the exchange side cables and the exchange switching equipment. |
| MDX | Main Network Switching Digital - digital exchanges providing certain functions to digital traffic e.g. setting up and clearing down calls, switching traffic and signalling to other exchanges and subscribers. |
| Mean | Arithmetic average of the start and end values for the period. |
| Metro Nodes | Metro Nodes switch traffic and contain the intelligence to direct its path. All traffic will traverse the Metro Node to some degree whether it falls into the category of Voice, Broadband or Connectivity. |
| MPF | Metallic Path Facility - A copper line connecting the end-user premises to a CPs)handover distribution frame within BT's exchange. |
| MSH | Marconi Synchronous Hierarchy |
| MSAN | Multi service access nodes - provide customer access into the network for Voice, Broadband and some Connectivity via line-cards and the traffic generated is sent to Metro Nodes for switching. This can be via other MSANs. |
| MSIP | Multi Services Intranet Platform. |
| NBV | Net book value - Primarily used for the apportionment of bases and PGs which contain assets and are not impacted by CCA. |

| Term | Definition / Description |
|---|---|
| Network adjustment costs | Allocations are based on costs relating to changes to existing physical infrastructure for network accessibility, referred to as ' Network Adjustments'. |
| NGA | Next Generation Access, an umbrella name for Fibre Optical technologies FTTC and FTTP. |
| NGS | Next Generation Switch - a newer form of switch. There are two types: one using traditional circuit switching technology; the other a hybrid using ATM packet switching technology. |
| NGSR | Asset type for Next Generation Switch. |
| NGSC | Class of Work for Next Generation Switch. |
| NRC | Net Replacement Cost - Apportioned based on the NRC of different assets impacted by CCA adjustments. |
| NRMS | Network Routing Management System. |
| NTE | Network Terminal Equipment. |
| NTSR | Non-Template Service Routing. |
| OA | Operator Assistance. |
| OC | Operational Centre. |
| OCPs | Other Communication Providers. |
| OR | Openreach. |
| ORBIT | Operational Range Build Information Tool. |
| OSA | Open Systems Architecture. |
| OSS | Operational Support Systems. |
| OUC | Organisational Unit Codes. |
| PAC | Previously Allocated Costs - defined as follows: Current pay, Non-Pay Costs, Current Depreciation on BT Group Fixed Assets and Return on Capital Employed associated with total BT Group Assets and BT Group Net Current Assets. |
| PC | Private Circuits - provide a dedicated point-to-point connection for exclusive voice and data communications between two sites. They utilise bearers and line systems which consist of electronics and interconnecting cable. |
| PCP | Primary Collect Processor. |
| PDH | Plesiochronous Digital Hierarchy. |
| PG | Plant Group. |
| PIA | Physical Infrastructure Access |
| PIA component costs | Apportioned based on the average unit costs of PIA (e.g. ducts, poles, manholes) in the network. |
| PIA component volumes | Apportioned based on volumes of PIA components, such as ducts and poles, in units (e.g. manholes) and distance (e.g. duct). |
| PIMR | Physical Infrastructure Access Market Review. |
| POH | Point Of Handover. |
| PoPs | Point of Presences. |
| PPC | Partial Private Circuit |
| PPIA | Properly prepared in accordance with audit opinions. |
| Pre-allocation reports | Layer 101 reconciliation files for revenue, cost and MCE. |
| PSTN | Public Switched Telephone Network |

| Term | Definition / Description |
|---|---|
| PU | Processor Unit. |
| PY | Prior Year. |
| RAV | Regulatory asset value. |
| RAV[1] | Rateable asset value - Apportionment is based on rateable network assets within BT's network, for the purpose of allocating Cumulo property tax charges and liabilities. |
| RBS | Radio base station. |
| Relevant costs | Include all costs, revenues, assets and liabilities recorded in the general ledger. |
| RFS | Regulatory Financial Statements. |
| RIDE | Recorded Information Distribution Equipment |
| ROCE | Return on Capital Employed. |
| RoU | Right of use - term relating to assets and subsequent liabilities associated with lease reporting under IFRS16. |
| SBP | Share Based Payment. |
| SCP | Service Control Point. |
| SDH | Synchronous Digital Hierarchy. |
| SFBB | Super-fast broadband. |
| SFI | Special Fault Investigations. |
| SGA | Selling, general and administrative. |
| Sig | Signalling. |
| SLA | Service Level Agreements - part of commercial contracts outlining supplier's commitment to provide services to an agreed quality. |
| SLG | Service Level Guarantees - set out compensation the customer would be entitled to if the quality of service set out in the SLA is not met. |
| SLS | Signalling Link Selection |
| SMC | Service Management Centre |
| SMDS | Switched Multimegabit Data Services |
| SMP | Significant Market Power. |
| SMPF | Shared Metallic Path Facility - line sharing, allowing broadband services to be offered over copper cables if another provider is handling that customer's phone calls. |
| Spine Access Network | The network between the local exchange and a BT Aggregation node. |
| SPR | Signalling Point Relay. |
| TAMS | Test Access Matrices - installed between MDFs and DSLAMs and used to provide remote access facilities on broadband circuits for testing local exchanges. |
| TISBO | Traditional Interface Symmetric Broadband Origination. |
| TPON | Telecommunications over Passive Optical Network. |
| TOP | Time Of Day. |
| TRC | Time Related Charges. |
| TSO | Technology Service and Operations. |
| TVC | TV Connect - provides headend capabilities for receiving, and optionally encoding, TV channels provided by an ISP. |

| Term | Definition / Description |
|---|---|
| UF | Usage Factor. |
| UPC | Universal Card Platform. |
| VIP | Voice Intelligent Peripheral. |
| VPNS | Virtual Private Network Services. |
| VPS | Virtual Private Services. |
| WACC | Weighted Average Cost of Capital. The WACC of the relevant market is applied to the MCE of a given service to represent an acceptable rate of return generated on providing that service. |
| WAF | Walk around factor. |
| WBMC | Wholesale Broadband Managed Connect. |
| WCR | Wholesale Customer Reports. |
| WECLA | West, East and Central London Area. |
| WES | Wholesale Extension Services. |
| WDM | Wavelength Division Multiplexing. |
| WLA | Wholesale Local Access. |
| WLR | Wholesale Line Rental. |
| WFAEL | Wholesale Fixed Analogue Exchange Lines. |
| YTD | Year to date. |