



Case T-138

# Wholesale Broadband Price Control

## Non-statutory Final Decision (Non- Confidential)

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# 1 Executive summary

- 1.1 This document sets out the Jersey Competition Regulatory Authority (the **JCRA**)’s non-statutory Final Decision (**Final Decision**) for a Wholesale Broadband price control on JT (Jersey) Limited (**JT**).<sup>1</sup>
- 1.2 JT’s Wholesale Broadband services are used by JT and Other Licensed Operators (**OLOs**) - Home Net Limited (**Homenet**) and Sure (Jersey) Limited (**Sure**) - to supply retail broadband over JT’s fibre-to-the-premises (**FTTP**) network.
- 1.3 A price control on Wholesale Broadband services is used to address JT’s Significant Market Power (**SMP**) in the wholesale fixed broadband market. The new price control will run for a period of five years from 1 October 2026 - replacing the current control that ends on 30 September 2026 (**2021 price control**).<sup>2</sup>
- 1.4 The use of a price control to address JT’s SMP in the wholesale fixed broadband market is aligned with regulatory best practice, and the new price control has been set with a view to:
  - Promoting more effective competition at the retail level; and
  - Enabling JT, the licensed operator with SMP, the opportunity to recover its efficiently incurred costs plus an appropriate level of return.
- 1.5 The JCRA’s approach, and the structure and format of the new price control, remain largely consistent with the current approach and a full overview is provided in chapter 6, which summarises the Final Decision.
- 1.6 The key elements of the new price control are:
  - There is a starting charge adjustment of 10.2 % at the beginning of the price control period.
  - The format of the price control is RPI + X, enabling annual adjustment to charges in line with actual inflation (Jersey RPI + 3.7%).
  - The price control assumes operating cost trends with an efficiency factor of 2.5% per annum.
  - All relevant costs have been thoroughly reviewed and modelled, and the weighted average cost of capital (**WACC**) has been set at 8.47%.
- 1.7 In determining the final price control, the JCRA has given careful and detailed consideration to all stakeholder views, alongside its statutory duties to support efficient investment and protect consumer interests. The JCRA’s Final Decision is within the range consulted on in the Draft Decision, and enables JT to recover efficiently incurred cost while smoothing the future profile of wholesale broadband charges.

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<sup>1</sup> All case documents can be found at: [T-138 - Wholesale Broadband Price Control](https://www.jcra.je/T-138-Wholesale-Broadband-Price-Control) (jcra.je)

<sup>2</sup> All case documents can be found at: [T-011 - Wholesale Broadband Access Services: Price Review](https://www.jcra.je/T-011-Wholesale-Broadband-Access-Services-Price-Review) (jcra.je)

- 1.8 With respect to the retail market and consumer affordability, the Final Decision strikes an appropriate balance between supporting efficient investment in the network and value for consumers.
- 1.9 This Final Decision follows the non-statutory Draft Decision published in February 2026 and is supported by:
- A Frontier Economics (**Frontier**)<sup>3</sup> report “Wholesale Broadband Services in Jersey: Price Control” (**Frontier Final Report**). This sets out the detail behind the approach adopted for this price control and is cross-referenced within this document.
  - Non-confidential versions of responses to the Draft Decision; three responses were received from Homenet, JT and Sure. An overview of the responses and the analysis undertaken by the JCRA on each of the responses is provided in this document.
- 1.10 While this Final Decision is the final step of the non-statutory process, before carrying out certain regulatory functions, the appropriate Jersey statutory process must be followed. A decision to regulate the prices an undertaking can charge is the exercise of a specified regulatory function pursuant to the Telecommunications (Jersey) Law 2002 (**Telecoms Law**). Therefore the statutory process has been initiated, and an Initial Notice (JCRA 26/41) has been issued alongside this Final Decision and this marks the next step in the price control.

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<sup>3</sup> Frontier is a microeconomics consultancy with extensive experience in supporting price controls and carrying out fixed network modelling across multiple jurisdictions.

## 2 Introduction

2.1 This chapter is split into three sections:

- Background;
- The price control process; and
- Structure of this document.

### Background

- 2.2 The Telecoms Market Review Final Decision (**TMR Final Decision**)<sup>4</sup>, published in July 2025, set out the JCRA's analysis of competition in the provision of telecoms services in Jersey. It defined a wholesale fixed broadband market, in which JT was found to have SMP. Consequently, the JCRA decided to maintain the wholesale access obligation and a wholesale cost-based price control, with the case to also consider broadband line only. This case opened with the publication of a Case Opening Information Note.
- 2.3 In August 2025, the JCRA met with JT and the OLOs using Wholesale Broadband to outline the project approach, explain the information required, and gather stakeholder views. In September 2025, it followed up by issuing formal requests for information (**RFI**) to JT covering operational and capital costs, cost allocation, JT's planned network investments, the development of wholesale broadband line only, and future demand for fixed services.
- 2.4 The JCRA, JT and Frontier undertook further engagement to ensure the completeness and suitability of the submitted information from JT. This included clarifying questions issued in October 2025, an initial meeting, follow-up workshops in mid-November 2025 and early December 2025, and review of JT's additional responses in early December 2025.
- 2.5 At the same time, the JCRA sought input from OLOs on expected demand for wholesale access to JT's FTTP network and on broadband line only. Their responses were used to validate JT's information and to help shape the JCRA's policy approach.
- 2.6 In February 2026, in line with the timetable set out in the Case Opening Information Note, the JCRA published its Draft Decision. In this and accompanying Frontier Report (**Draft Frontier Report**), the JCRA set out its proposals on:
- The price control, including model scope and methodology, price control proposals (including potential scenarios); and
  - Broadband line only and other policy matters, which included the approach to other charges and any deferral.
- 2.7 Three responses were received to the Draft Decision from Homenet, Sure and JT. Non-confidential versions of these responses are available on the JCRA's website and the JCRA would like to thank all stakeholders for their input.

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<sup>4</sup> See: [2025-07-16-t-083-telecoms-market-review-final-decision.pdf](https://www.jcra.je/2025-07-16-t-083-telecoms-market-review-final-decision.pdf) (jcra.je)

2.8 As part of the Final Decision process, follow-up requests were sent to JT to capture additional analysis cited by JT in its consultation response. This data has been taken into account in the JCRA's consideration of the modelling approach – see chapter 3.

## The price control process

2.9 The JCRA's approach to consultations was set out in an Information Note in July 2018.<sup>5</sup>

2.10 First there is a non-statutory process. The non-statutory process consists of a Call for Information, a Draft Decision and a Final Decision. For this price control, a Call for Information was held in the summer of 2025 and was followed by a Draft Decision issued in February 2026. The conclusion of this consultation process is presented in this document, the Final Decision.

2.11 Before carrying out certain regulatory functions, following the non-statutory process the appropriate Jersey statutory process is followed. A decision to regulate the prices an undertaking can charge is the exercise of a specified regulatory function pursuant to the Telecoms Law. Therefore the statutory process has been initiated, the Initial Notice has been published alongside this Final Decision with an opportunity for representations to be made and considered by the JCRA, prior to the Final Notice being issued (subject to such consideration).

## Structure of this document

2.12 This document follows the structure of the Draft Decision<sup>6</sup> and is organised as follows:

- Modelling approach (chapter 3);
- The price control (chapter 4);
- Broadband line only and other policy matters (chapter 5); and
- Final Decision (chapter 6).

2.13 Chapters 3 to 5 follow a consistent sub-section structure, each addressing a specific element of the Draft Decision, as follows:

- Draft Decision proposals;
- Draft Decision responses;
- JCRA analysis; and
- JCRA conclusion.

2.14 Chapter 6 summarises the conclusions of chapters 3 to 5 as the Final Decision.

2.15 For brevity, this document does not repeat the full reasoning from the Draft Decision or the Frontier Report; each chapter provides a high-level summary and refers to the Final Frontier Report where relevant.

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<sup>5</sup> See: [g1369gj-regulatory-consultation-process-information-note.pdf](https://www.jcra.je/g1369gj-regulatory-consultation-process-information-note.pdf) (jcra.je)

<sup>6</sup> The Legal and Licensing Framework annex from the Draft Decision has been incorporated into the Initial Notice and is not repeated in this document.

### 3 Modelling approach

3.1 This chapter refers to chapter 3 of the Draft Decision where the model scope and methodology was set out. It has four sections:

- Model scope;
- Model methodology;
- WACC; and
- Cost adjustments.

3.2 Question 1 of the Draft Decision sought views on the methodology used to develop the price control proposals.

#### Model scope

##### Draft Decision proposals

3.3 The JCRA’s Draft Decision proposals on model scope are set out in the Table below.

*Table 1: Draft Decision proposals on model scope*

Element	Approach	JCRA rationale
Service scope	Model represents the combined (maximum allowable) Wholesale Broadband charge for Wholesale Bitstream and WLR.	Consistent with the 2021 price control and existing Wholesale Broadband product.
Network scope	The existing JT FTTP network as of October 2025 (not reflecting the additional cost of serving new-build premises, or demand from these premises).	Modelling the additional cost of serving new-build premises would add unnecessary complexity to the model, given these costs are not expected to be material (e.g. due to low expected number of new builds).
Costs considered	<p>Network capital costs (e.g. FTTP access network, exchange equipment, core network links and routers, voice platform costs, buildings).</p> <p>Network operating costs (e.g. repair and maintenance).</p> <p>Wholesaling costs (JT wholesaling team, operating / billing systems).</p> <p>Common costs (e.g. share of HR / Finance costs).</p> <p>Telecoms Security Requirements operating and capital cost forecasts.</p> <p>The model uses accounting data from the 2023 and 2024 financial years.</p>	Reflects costs incurred to support provision of Wholesale Broadband services. Adjustments to cost allocation and cost levels have been made where appropriate and evidence based.
Time period	1 October 2026 – 30 September 2031.	Five years is consistent with regulatory best practice and the 2021 price control.

### Draft Decision responses

3.4 This section outlines comments received from respondents concerning the service scope and costs considered. No comments were received on either the network scope or the time period.

#### *Service scope*

3.5 Homenet did not agree with the continued modelling of Wholesale Broadband as a combined Wholesale Bitstream and WLR service. It submitted that the inclusion of landline related cost components no longer reflected consumer demand or market reality and introduced distortions into the cost base. Homenet considered that retaining these components resulted in inefficient pricing signals, and that the model scope should be a broadband line only service in order to promote cost reflective pricing and effective competition. It perceived the current approach was focused on ensuring revenue stability for the incumbent operator.

#### *Costs considered*

3.6 JT disagreed with the use of the average of JT's 2023 and 2024 financial year costs as the base year for the model calculations. It argued that it had not been demonstrated that there is any "lumpiness" in costs over time that needs to be smoothed via taking the average. JT suggested just using the 2024 financial year costs.

3.7 JT also noted:

- The calculation of cost relating to Telecoms Security Requirements had a minor error.
- Depreciation on Right of Use assets is included in Regulatory Financial Reporting under Buildings category depreciation, but should be modelled separately from capital costs.
- Concerns in this area related to proposed adjustments to network operating costs; this is addressed below under 'Cost adjustments'.

3.8 Sure, with reference to costs incurred as a result of Telecoms Security Requirements, emphasised the importance of ensuring that all costs included in the model were appropriately attributed to Wholesale Broadband services and did not include costs arising from other activities or service lines, such as retail.

### JCRA analysis

3.9 This section sets out the JCRA's analysis of comments on service scope and costs considered.

#### *Service scope*

3.10 The JCRA notes that the modelling approach reflects the current technical and operational structure of Wholesale Broadband provision in Jersey, where WLR remains an integral component of service delivery. Inclusion of landline related cost components is therefore driven by the efficient costs of services actually supplied.

3.11 Any transition towards broadband only services will be more appropriately addressed through the planned introduction of a broadband line only product, rather than by revising the model scope prematurely. The JCRA’s further consideration of this matter is set out in chapter 5.

*Costs considered*

3.12 The use of an average for the base year of the price control is consistent with the approach adopted in the 2021 price control. Using an average reduces the impact of one-off cost variations in any single year. Further, engagement with JT over the course of Regulatory Financial Reporting and this price control has highlighted that it frequently incurs lumpy/one off costs, which should be smoothed out.<sup>7</sup>

3.13 With respect to JT’s other points:

- JT correctly identified a minor Excel formula error which has been corrected; and
- The JCRA does not consider it appropriate to amend the model to separately capture Right of Use assets as suggested by JT. Firstly, these asset costs are already included in the costs within the model, as the Buildings capital costs allocated to Wholesale Broadband services in Regulatory Financial Reporting is used. Further, the identified costs are not material relative to the total estimated costs for these services, and the JCRA considers it would be disproportionate to break this out and model separately from capital costs.<sup>8</sup>

3.14 In response to Sure’s comments on Telecoms Security Requirements, the JCRA and Frontier have reviewed JT’s estimates to ensure that only the appropriate share of relevant costs is recovered from Wholesale Broadband.

JCRA conclusion

3.15 In light of the analysis in the Draft Decision, stakeholder feedback, and the Frontier Report, the JCRA’s Final Decision on model scope is summarised in the Table below.

*Table 2: Final Decision on model scope*

Element	Approach
Service scope	Model represents the combined (maximum allowable) Wholesale Broadband charge for Wholesale Bitstream and WLR.
Network scope	The existing JT FTTP network as of October 2025.
Costs considered	Network capital costs (e.g. FTTP access network, exchange equipment, core network links and routers, voice platform costs, buildings).

<sup>7</sup> For example, network site infrastructure costs appear lumpy over time, with values for some components, such as batteries and uninterruptable power supply, falling from 2022 to 2023 before rising again in 2024.

<sup>8</sup> The cost cited by JT is £[<]k. Whilst it’s not clear what this value represents (for example, a one off capital cost or cost per year), for comparison the total gross book value for its assets across all markets identified in the 2024 Regulatory Financial Reports was approximately £[<]m, of which £[<]m was allocated to Wholesale Voice Access (Market 1) and Wholesale Broadband Access (Market 2).

	Network operating costs (e.g. repair and maintenance). Wholesaling costs (JT wholesaling team, operating / billing systems). Common costs (e.g. share of HR / Finance costs). Telecoms Security Requirements operating and capital cost forecasts.
Time period	1 October 2026 – 30 September 2031.

## Model methodology

### Draft Decision proposals

3.16 The JCRA’s Draft Decision proposals on model methodology are set out in the Table below.

*Table 3: Draft Decision proposals on model methodology*

Element	Approach	JCRA rationale
Model type and cost standard	Top-Down, Fully Allocated Costs ( <b>FAC</b> ). Cost model is nominal.	Proportionate given the small size of the jurisdiction and consistent with 2021 price control. Assumed inflation value of 2.7%, applied to all years in model, and informed by the inflation forecasts set out in Jersey’s Fiscal Policy Panel’s Economic Outlook 2025. <sup>9</sup>
Asset valuation method	Historical cost accounting.	Ensures JT recovers its actual efficiently-incurred costs, and focuses on facilitating retail competition based on access to JT’s network (consistent with Government policy).
Capital cost annualisation approach	‘Legacy’ assets (e.g. ducts, buildings): Regulatory Asset Based ( <b>RAB-type</b> ) approach, with holding gain adjustment. ‘Newly built’ assets (e.g. fibre cables, ONTs etc): standard annuity reflecting asset price trends.	For legacy assets, the RAB approach ensures that only the remaining value of reused assets is reflected in prices. For newly built assets, net and gross book values ensure prices recover only costs actually incurred. The holding gain adjustment prevents over-recovery by reflecting expected changes in duct and building values, while the annuity approach enables efficient cost recovery given the more frequent replacement of new assets.
Efficiency adjustments	Operating cost trends reflect inflation and efficiency gains of 3% per annum.	Ensures JT recovers only efficiently incurred cost, value adopted consistent with other regulators (e.g. Ofcom).

### Draft Decision responses

3.17 This section outlines comments received from JT on the capital cost annualisation approach and efficiency adjustments. No comments were received on other areas, with Sure noting its broad support for the methodology.

#### *Capital cost annualisation approach*

<sup>9</sup> [ID FPP Economic Outlook May 2025.pdf](#) (gov.je)

3.18 JT raised concerns about the application of a RAB-style methodology to historical cost asset values alongside a holding gains adjustment. JT argued that this treatment is inconsistent, as holding gains are a current cost concept that requires assets to be revalued. JT considered that deducting holding gains without asset revaluation understates annual capital charges for legacy assets. JT proposed either moving to a current cost accounting approach and maintaining the holding gain adjustment, or removing the holding gain adjustment.

#### *Efficiency adjustments*

3.19 JT challenged the application of a uniform 3% efficiency factor. JT argued that this approach was inappropriate, noting that the Ofcom 3% efficiency factor, used as one basis for the choice of efficiency adjustments, was only applied to specific operating cost categories. JT also argued that efficiency gains achievable on an FTTP network are lower than those associated with legacy copper networks, as reflected in Ofcom's analysis and recognised by the JCRA in the 2021 price control. Therefore JT argued that, if Ofcom benchmarks were to be used, efficiency adjustments should either be applied on a more disaggregated basis (i.e. applying 3% directly to the relevant categories), or on a weighted basis (i.e. calculating a weighted average of the 3% and Ofcom's other efficiency assumptions to reflect JT's mix of costs across the relevant cost categories).

#### JCRA analysis

3.20 This section provides the JCRA's analysis of the comments received on capital cost annualisation approach and efficiency adjustments.

#### *Capital cost annualisation approach*

3.21 The JCRA and Frontier recognise that JT's argument raises a valid conceptual point regarding the consistency of applying a holding gain adjustment to historical cost asset values.

3.22 In the Draft Decision the JCRA set out:

"... the JCRA has refined its approach to recovering capital costs from that used in the 2021 price control. This includes moving from a tilted annuity (with front loaded capital cost recovery) and changing to 'book' values rather than 'replacement costs' for the capital costs. These changes reflect improvements in JT's cost data and the expectation that large scale new network entry in Jersey would be contrary to Government policy. The JCRA would expect to apply this approach consistently across future telecoms price controls." paragraph 3.12

3.23 Consistent with this, the JCRA does not consider it would be appropriate to reintroduce current cost accounting, as this is not justified on a forward looking basis in the Jersey context. The holding gain adjustment has been removed from the calculation.

#### *Efficiency adjustments*

3.24 The JCRA notes that, as set out by JT, Ofcom does not apply the 3% efficiency factor to all operating costs. However, Ofcom adopt a slightly different methodology, with operating

cost efficiency applied directly for some cost categories (i.e. applying the 3% assumption directly to the modelled operating costs), and indirectly for others (i.e. where operating costs are modelled as a percentage of capital costs, the assumed efficiency factor for the relevant capital costs are then implicitly assumed to apply to the operating costs). For the latter, the implied efficiency factor for the operating costs is approximately 1%.<sup>10</sup> Rather than create additional complexity in the model (with differing assumptions applied to different cost categories), the JCRA’s view is that the most proportionate approach is to have a single estimate for efficiency.

3.25 The JCRA considers a lower efficiency factor of 2.5% is both reasonable and proportionate. In the first instance, it is consistent with the current estimate in the 2021 price control. It is also broadly aligned to Ofcom’s estimates of efficiency, while reflecting the different market and policy context; for example, JT is not subject to the competitive and efficiency constraints of alternative wholesale fibre networks, as is the case for Openreach in large parts of the UK. Moreover, JT’s operating costs have increased in real terms, and it is important that JT continue to face appropriate incentives – within the price control – to effectively manage costs and to operate its business efficiently.

#### JCRA conclusion

3.26 In light of the analysis in the Draft Decision, stakeholder feedback, and the Final Frontier Report, the JCRA’s Final Decision on model methodology is summarised in the Table below. The key changes from the Draft Decision include the removal of holding gains from the capital cost annualisation approach and an updated efficiency factor of 2.5%.

*Table 4: Final Decision on model methodology*

Element	Approach
Model type and cost standard	Top-Down, Fully Allocated Costs ( <b>FAC</b> ). Cost model is nominal.
Asset valuation method	Historical cost accounting.
Capital cost annualisation approach	‘Legacy’ assets (e.g. ducts, buildings): Regulatory Asset Based ( <b>RAB-type</b> ) approach. ‘Newly built’ assets (e.g. fibre cables, ONTs etc): standard annuity reflecting asset price trends.
Efficiency adjustments	Operating cost trends reflect inflation and efficiency gains of 2.5% per annum.

## WACC

#### Draft Decision proposals

3.27 In the Draft Decision, the JCRA proposed a WACC of 8.65%. This was based on the 2021 price control estimate reassessed to reflect latest market developments and data.

<sup>10</sup> Ofcom Telecoms Access Review 2026 (Annexes 1-21, Annex 11, paragraphs A11.53 to A11.54).

3.28 The estimate drew on standard regulatory practice and Capital Asset Pricing Model (**CAPM**) based methods to assess the risk-free rate, equity beta, equity risk premium, cost of debt, gearing and other financial parameters. This analysis was informed by evidence from comparable telecom operators and past regulatory precedent, reflecting JT's position as an operator with an established, fully deployed FTTP network.

#### Draft Decision responses

3.29 JT did not object in principle to the proposed pre-tax nominal WACC but noted minor discrepancies between the values cited in the Draft Decision and those in the Draft Frontier Report, and sought clarification on which value would be applied in the final model.<sup>11</sup> JT otherwise accepted the overall approach to estimating the cost of capital. No other respondents commented on the proposed WACC.

#### JCRA analysis

3.30 The WACC estimate for the Final Decision has been informed by consideration of:

- Changes in regulation since the Draft Decision, including the finalisation of draft positions by other regulators, notably Ofcom's Telecoms Access Review;
- Wider developments, including changes in market conditions; and
- Additional information requested from JT on its actual borrowing costs to inform the cost of debt assumption.

3.31 With respect to the cost of debt, the information provided by JT showed that its cost of debt is lower than the range of assumptions (6.5–6.8%) previously considered in the Draft Decision. This reduces the estimated WACC range relative to the Draft Decision, with the upper bound of the revised range closely aligned to the Draft Decision WACC – this change, in addition to the changes to referred to above, results in a revised range of 7.78%-8.69% (compared to the Draft Decision WACC of 8.65%).

3.32 However, the JCRA has also carefully considered the uncertainty surrounding these revised estimates, arising from recent market volatility. Taking this uncertainty into account, the JCRA is aiming up is to mitigate the risk of under-remuneration and to ensure regulatory stability in light of current uncertainty.

3.33 The JCRA considers that applying a modest reduction to a level consistent with aiming towards the upper end of the updated range appropriately reflects current uncertainty and has set the WACC to 8.47%, the 75<sup>th</sup> percentile of the updated WACC range. Further information on the approach to WACC is set out in Annex B of the Final Frontier Report.

#### JCRA conclusion

3.34 In light of the analysis in the Draft Decision, stakeholder feedback, and the Final Frontier Report, the JCRA's Final Decision is that the appropriate WACC for JT is 8.47 % (pre-tax nominal).

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<sup>11</sup> The Draft Decision incorrectly contained a reference to a WACC of 8.74%, which reflected an estimate within Frontier's initial range.

## Cost adjustments

### Draft Decision proposals

- 3.35 The JCRA and Frontier thoroughly reviewed the cost data submitted by JT and considered the reasonableness and efficiency of each cost category. This included adjustments to some of the model parameters/ assumptions. The proposed adjustments were evidence based and drew on relevant precedent, either from the 2021 price control or wider regulatory best practice.
- 3.36 The cost adjustments fell into three categories:
- Cost allocation adjustments - JT's cost allocations were revised to align with an assessment of the resources required in providing Wholesale Broadband services. The JCRA made targeted adjustments to JT's submitted costs, including revising the allocation of General Management costs to incorporate Cost of Sales, using annualised capital costs, and updating the allocation of Network Site Infrastructure power equipment costs to reflect electricity usage across JT's full property portfolio.
  - Cost level adjustments – These replace elements of JT's reported costs where JT either has not justified above inflation increases or where the data was not relevant to the upcoming price control. There were also additional costs incorporated, which reflected new requirements, such as those related to Telecoms Security and industry best practice.
  - Capital cost adjustments – The JCRA reviewed and adjusted JT's proposed asset lives and relevant proposed asset price inflation assumptions, based on JT's Regulatory Financial Reporting and approaches used in regulatory cost models in other jurisdictions.

### Draft Decision responses

- 3.37 JT commented on each area of cost adjustments. No other respondents commented on this area.

### *Cost allocation adjustments*

- 3.38 JT argued that the allocation of general management costs to Wholesale Broadband and Voice services is understated because the cost allocation base includes cost categories that “do not themselves consume corporate resources in proportion to their monetary value”. In particular, JT's view was that interconnection costs/payments should not be included in the operating category of cost of sales when calculating the allocation key for general management costs, as these were largely just pass-through payments.
- 3.39 In support of this, JT noted that Ofcom had considered this issue for BT (also subject to regulatory financial reporting requirements). JT referenced an Ofcom consultation document from 2015<sup>12</sup> illustrating that, in developing a (cost) attribution methodology for

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<sup>12</sup> [https://www.ofcom.org.uk/siteassets/resources/documents/consultations/uncategorised/7822-bt-cost-attribution-review-second-consultation/summary/bt\\_cost\\_attribution\\_review\\_second\\_consultation.pdf?v=335225](https://www.ofcom.org.uk/siteassets/resources/documents/consultations/uncategorised/7822-bt-cost-attribution-review-second-consultation/summary/bt_cost_attribution_review_second_consultation.pdf?v=335225)

BT, Ofcom proposed to exclude payments to other operators (interconnection costs and payments) from the non-pay operating cost base, when calculating the allocation key for similar general management costs.

#### *Cost level adjustments*

3.40 JT's key concern was the approach to network operating costs. In the Draft Decision the network operating costs for the base year was estimated by projecting forward JT's costs in 2020 costs based on the level of inflation, as opposed to using the costs from Regulatory Financial Reporting for 2023 / 2024. This approach was adopted as in the JCRA's view, JT could not justify the above inflation increases seen in this cost line since 2020. However:

- JT argued that the network operating cost estimates in its Regulatory Financial Reporting should be used instead of the projection from its 2020 costs, because these costs are actual/audited and therefore cannot be considered inefficient.
- JT disagreed with the approach of projecting forward 2020 network operating costs by inflation, and using 2020 as a base year. In particular, given the disruptive impact of the Covid-19 pandemic, network maintenance and operational activities were significantly reduced.
- JT stated that the £[X]m estimate of network operating costs in 2020 used in the model is incorrect – and that having carried out a “full mapping exercise of 2020 costs”, the correct comparable cost was £[X]m.
- Finally, JT argued that its network operating costs had increased by more than headline inflation since 2020, providing estimates of labour inflation and energy inflation. In support of this, JT noted that in 2025 its network operating costs increased by [X]%, due to investments in its new network (referred to by JT as NTAN) and increases in costs of regulatory compliance.

#### *Capital cost adjustments*

3.41 JT argued that the asset lives used in the cost model were materially longer than those used in the production of its Regulatory Financial Reporting and statutory accounts, without sufficient justification. Longer assumed asset lives reduce annual depreciation and capital charges, leading to under-recovery of efficiently incurred capital costs. JT therefore contended that asset lives should be aligned more closely with those used in its Regulatory Financial Reports, unless clear evidence demonstrates that those reported lives are inappropriate.

3.42 In particular JT challenged the following adjustments:

- Buildings – Use of a single 40 year asset life was challenged on the basis that the category includes a wide range of assets beyond freehold properties (e.g. internal fittings, plant and fixtures) with materially shorter lives, and that a weighted average asset life of 28 years, based on GBV, would be more appropriate.
- Optical Line Terminal (**OLT**) equipment – The assumed asset life was challenged as being materially longer than the value used in the 2021 price control, as well as the assumed asset lives in JT's Regulatory Financial Reporting and relevant regulatory

benchmarks (including Ofcom). JT proposed that an 8 year asset life would be more appropriate.

- Network Site Infrastructure – The assumed asset life was considered to overstate the usable life of assets such as power equipment, which have materially shorter lives in practice, as evidenced by the assumed lifetimes in JT’s Regulatory Financial Reporting. JT proposed that the model should utilise the weighted average asset life derived from its fixed asset register.
- Customer Premises Equipment (**CPE**) – An assumed asset life of several decades was questioned as inappropriate for equipment such as routers, given their short replacement cycles and rapid technological change. JT proposed an asset life of [X] years based on weighted average asset lives for the category.
- IT equipment (including **OSS/BSS**) – The assumed asset lives was also queried, JT assessed that the average asset life based on weighted GBV for this category should be [X] years reflecting the assumed asset lives of [X] years for various IT assets within Regulatory Financial Reporting.

#### JCRA analysis

3.43 This section outlines the JCRA’s analysis of comments received on each area of cost adjustments.

#### *Cost allocation adjustments*

3.44 The JCRA has further considered cost allocation in respect of general management costs; whether interconnection payments should be excluded from cost of sales when calculating the allocation key for general management costs.

3.45 It is recognised that some interconnection costs may in principle be a ‘pass-through’ cost to OLOs, however JT did not provide supporting evidence on the types of interconnect costs referenced in its response, nor any evidence or explanation of whether those types of costs were indeed pure “pass through” costs. Therefore, any adjustment to the cost allocation basis would first require further consideration of the proposition that interconnection is simply and wholly a ‘pass through’ cost.

3.46 Moreover, even if this is the case, it is likely that there is some relationship between interconnection costs and consumption of corporate resources, and in turn general management costs: given the stated size these interconnection costs, it would be expected that there is some corporate oversight of these payments.

3.47 In addition, the JCRA notes that to implement the approach suggested by JT, updated cost data would be required and a revised allocation approach would need to be implemented in the model. However based on available evidence, the JCRA considers that in relative terms, excluding interconnection costs from the allocation base would not have to have a significant effect on the level of general management costs attributable to Wholesale Broadband services.

3.48 In light of the relative impact, and the JCRA's view that interconnection costs will likely impact general management to some extent, the JCRA does not consider it appropriate or proportionate to revise the method of cost allocation set out in the model.

#### *Cost level adjustments*

3.49 As a starting point, the JCRA does not agree that it should just rely on Regulatory Financial Reporting, as while these are subject to audit, accounting standards and review, these processes do not assess whether costs have been incurred efficiently. In setting cost based prices, the JCRA is required to determine whether costs are efficiently incurred, rather than whether they are correctly reported for accounting purposes.

3.50 With respect to the impact of the Covid-19 pandemic, JT has not provided sufficient evidence to demonstrate that 2020 network operating costs were significantly lower than in other years. For example, the information submitted by JT as part of the 2021 price control indicated that network operating costs were significantly higher in 2020 than in preceding years.<sup>13</sup> In addition, it is plausible that costs in 2020 may have been elevated as a result of the pandemic, for example due to additional social distancing measures and personal protective equipment requirements.

3.51 As outlined above, as part of its consultation response, JT set out that it had completed an updated mapping exercise identifying the categories of costs from 2020 which match those for network operations used in its 2023 and 2024 Regulatory Financial Reporting. This resulted in a significant increase in the estimate of network operating costs in 2020 to £[<]m (an increase of £[<]m from the value of £[<]m used in the model). The JCRA notes:

- The value used in Draft Decision was provided by JT, as part of extensive engagement with JT and received through the RFI process. The JCRA understood that JT derived this estimate by identifying operating expenditure categories that had been omitted from the 2021 price control model, as corresponding data had not been submitted at the time. JT then assessed which of these omitted categories related to network operations, and estimated what 2020 network operating costs would have been had these items been included.
- To understand JT's updated mapping, the JCRA requested JT provide the data and underlying assumptions and calculations. On review of this data the JCRA has decided not to use this higher estimate as:
  - It implies that network operating costs have decreased in real terms since 2020, which is inconsistent with JT's explanations that these costs have increased at least in line with inflation (if not higher);
  - The underlying calculations provided do not demonstrate how 2020 cost categories have been mapped to 2024 Regulatory Financial Reporting cost categories, creating a risk that accepting the estimate would result in double counting of some costs; and

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<sup>13</sup> This is notwithstanding the fact that JT identified that the data it supplied for the 2021 price control model did not fully capture network operating costs.

- JT has not explained why the £[X]m estimate should be regarded as more accurate than the previously provided estimate of £[X]m.

3.52 Notwithstanding the above issues with JT’s updated estimate, JT’s updated submission provides further evidence that the 2021 price control model did not fully capture network operating costs. Therefore, the JCRA considers that the appropriate approach is to estimate the 2020 network operating costs by replicating the approach that JT said it had taken to derive the £[X]m figure. In particular, this involved taking the 2020 network operating costs previously included in the 2021 price control model, and adding JT’s explicit estimate of 2020 network operations costs that JT said were missing from that model (that were provided by JT as part of the RFI process, and were checked and assessed by JCRA). This ensures that all inputs used in the calculation of the costs have been subject to regulatory scrutiny – i.e. all of the relevant inputs are reconcilable with data that the JCRA has received from JT and reviewed.

3.53 This approach results in an estimated level of network operating costs of £[X]m in 2020. Consistent with the approach set out in the Draft Decision, the JCRA considers it appropriate to update this estimate for inflation over the period 2020 to 2024 and to allocate an appropriate level of costs to Wholesale Broadband.

*Capital cost adjustments*

3.54 The JCRA considers that asset life assumptions should, where appropriate, reflect the economic life of assets rather than the accounting lives used for financial reporting. In particular, asset lives reported in JT’s Regulatory Financial Reports are intended to meet accounting and audit requirements and do not necessarily reflect the forward-looking economic asset lives relevant for regulatory pricing. Consistent with this, asset lives were informed by a range of evidence, including:

- The asset lives implied by depreciation rates in JT’s Regulatory Financial Reporting submissions, which provides a measure of the actual asset replacement practices of JT.<sup>14</sup>
- JCRA precedent, in particular the 2021 price control; and
- International benchmarks, including BEREK and NGA cost models built in European jurisdictions, including the UK, Ireland and others.

3.55 With respect to the specific adjustments challenged by JT, a summary of the JCRA’s Final Decisions is set out in the table below.

*Table 5: Final Decision assumptions for certain asset lives*

Asset	Draft Decision assumption	Final Decision assumption	Rationale
Buildings	40 years	28 years	The JCRA notes that the Buildings category is broader in scope than in the 2021 price control. To inform the

<sup>14</sup> The implied economic life is estimated by dividing the GBV for Wholesale Voice Access (Market 1) and Wholesale Broadband Access (Market 2) by the stated depreciation for these markets. In simple terms, this calculation shows how many years the assets would last if they were used up evenly at the current rate of depreciation.

			appropriate estimate to be used, it was requested JT provide further information on the weighted average asset life (based on GBV) used to support its consultation response. The JCRA has reviewed the provided information and determined that the analysis supports a lifetime of 28 years. This is also broadly consistent with the implied asset life for these assets, based on the depreciation rates for these assets in Wholesale Voice Access (Market 1) and Wholesale Broadband Access (Market 2).
OLT equipment	15 years	15 years	The Draft Decision assumption was informed by JT's observed replacement practice. Noting JT's challenge that a lower value would be more appropriate, the model is intended to reflect actual practice with proportionate and reasonable adjustments. Although the implied lifetime based on the depreciation rates in Regulatory Financial Reporting was [X], the JCRA considers that [X] the asset life would be inappropriate given the critical role of OLT equipment for network security and resilience.
Network Site Infrastructure	15 years	15 years	While the implied lifetime based on depreciation rates in the Regulatory Financial Reporting was [X], and noting JT's comments and its position on OLTs, the JCRA considers it more appropriate to retain a 15-year assumption, consistent with the 2021 price control and earlier precedent, rather than increase or reduce the assumed economic life.
CPE	40 years	40 years	The JCRA notes that, for the purposes of Wholesale Broadband, routers are not relevant. Assets in this category largely relate to in-building wiring, and no change to the treatment was considered necessary.
IT equipment (including OSS/BSS)	7 years	7 years	Consistent with its position on other asset lives, the JCRA maintains that it is appropriate that the asset life assumption continues to be informed by JT's actual replacement practice, as implied by depreciation and GBV data in Regulatory Financial Reporting.

#### JCRA conclusion

3.56 In light of the analysis in the Draft Decision, stakeholder feedback, and the Final Frontier Report, the JCRA's Final Decisions with respect to cost adjustments are:

- To not make further adjustments to the cost allocation adjustments;
- To maintain the approach to cost level adjustments set out in the Draft Decision, with the starting estimate of network operating costs updated in light of updated information supplied by JT; and
- To make a change to the asset lives assumed for buildings, but to maintain all other asset lives at the levels set in the Draft Decision.

## 4 The price control

- 4.1 This chapter refers to chapter 3 of the Draft Decision where the proposed pricing profiles were set out. This chapter is split into three sections:
- Structure of the control;
  - Profile of the control; and
  - Nominal versus real indexation.
- 4.2 Question 2 of the Draft Decision asked for feedback on the proposed pricing profiles, and Question 3 asked whether the JCRA should continue setting maximum annual prices for the duration of the price control using forecast RPI to determine the nominal price path.

### Structure of the control

#### Draft Decision proposals

- 4.3 The Draft Decision noted that, notwithstanding adjustments to the underlying costs and model parameters, the analysis indicated it was necessary to account for an increase in costs to be recovered from Wholesale Broadband charges over the next price control.
- 4.4 Where there is a difference between prices and forecast costs within a cost based price control, the Draft Decision explained that this difference can be addressed by a combination of:
- Starting charge adjustment, the adjustment to charges at the beginning of the control period; and
  - A glidepath, charges may be adjusted annually according to a set formula ( $RPI \pm X$ ), allowing them to increase or decrease in a controlled, predictable way.
- 4.5 The Draft Decision noted that there was a trade-off between these mechanisms: a larger starting charge adjustment reduces the size of subsequent glidepath, and vice versa.

#### Draft Decision responses

- 4.6 JT agreed with the Draft Decision that there is a difference between current wholesale prices and the forecast costs of providing Wholesale Broadband services over the next price control period. JT considered that this difference reflects sustained under-recovery of efficiently incurred costs under the existing control and accepted that some combination of a starting charge adjustment and glidepath is required to realign prices with costs.
- 4.7 Homenet set out that it does not support a starting charge adjustment if it results in immediate retail price shocks, noting that a glidepath is only acceptable if it leads to a cost reflective pricing.

#### JCRA analysis

- 4.8 The JCRA notes that a starting charge adjustment and a glidepath are established regulatory tools for aligning price and cost. A starting charge adjustment can help correct

under-recovery more quickly, while a glidepath allows increases to be phased in over time to mitigate the impact on the retail market.

- 4.9 The appropriate balance between these mechanisms therefore requires regulatory judgement, taking account of the need for cost recovery, and the likely effects on retail competition. The JCRA has applied this balancing exercise in determining the final pricing profile, and this is discussed in the next section below.

#### JCRA conclusion

- 4.10 In light of the analysis in the Draft Decision and stakeholder feedback, the JCRA's Final Decision is to implement a starting charge adjustment combined with a glidepath.

### Profile of the control

#### Draft Decision proposals

- 4.11 The average Wholesale Broadband charge during the 2021 price control was £26.14 per subscriber per month. The Draft Decision explained that, based on the updated cost modelling, the estimated average charge required for the forthcoming control period is approximately £29.30, reflecting an increase of around £3.16, or roughly 12%. This level enables JT to recover its efficiently incurred costs over the control period.
- 4.12 In this context, the JCRA assessed a range of pricing profile options capable of achieving an overall average consistent with the cost-based model. The Draft Decision presented five scenarios combining different starting charge adjustments with alternative RPI+X glidepaths. These scenarios were:
- Scenario 1: Starting charge adjustment 13.2%; glidepath RPI+0%
  - Scenario 2: Starting charge adjustment 10.9%; glidepath RPI+1%
  - Scenario 3: Starting charge adjustment 7.6%; glidepath RPI+2.5%
  - Scenario 4: Starting charge adjustment 6.0%; glidepath RPI+3.3%
  - Scenario 5: Starting charge adjustment 5.0%; glidepath RPI+3.7%
- 4.13 It was further noted that the Wholesale Broadband charge represents the combined maximum allowable charge for the Wholesale Bitstream and WLR components, a consistent approach to the 2021 price control.
- 4.14 The Draft Decision highlighted the importance of retail market impacts when balancing the starting adjustment and glidepath. Reflecting these considerations, the JCRA's preferred option - subject to stakeholder views - was scenario 4. This approach would distribute the required adjustments evenly over the price control period, provide price certainty to OLOs, and support a stable transition to the new pricing framework.

#### Draft Decision responses

- 4.15 JT set out that its "preference is to bring prices in line with costs as soon as possible and would therefore support scenarios 1 or 2." JT noted this approach would support its

investment in the replacement of key broadband network equipment, due to commence at the start of the price control.

- 4.16 With respect to the retail market, JT commented that the proposed wholesale price control would not affect its retail broadband offerings. JT argued that changes to wholesale pricing, including any starting charge adjustment or glidepath, would not result in additional retail price increases for existing broadband customers (beyond those already scoped and planned), noting also that there was “sufficient margin between wholesale and retail pricing under scenarios 1 and 2.”
- 4.17 Homenet set out that it had significant concerns regarding the proposed pricing profiles. It noted that any increase in wholesale costs would be passed through to retail customers, adding that as the only operator offering services from £29.99<sup>15</sup>, it does not have the ability to absorb additional wholesale costs without increasing pricing.
- 4.18 Related to Homenet’s comments on model scope, it set out a view that the pricing structure reflects a reallocation of costs rather than the underlying broadband charge. It argued that the inclusion of a notional landline component effectively preserves aggregate revenues and that any pricing profile must remove artificial cost components, provide transparency in broadband pricing and offer tangible benefits to consumers.
- 4.19 Sure accepted the principle that JT should be able to recover its legitimate costs for the provision of Wholesale Broadband and shared its support for the JCRA’s preferred approach, scenario 4. However, it argued that the proposed wholesale price increases would place significant pressure on retail pricing, particularly for entry-level broadband services, and that any increases would need to be “consistent with its (the JCRA’s) statutory duty to determine whether telecommunication services “are accessible to and affordable by the maximum number of business and domestic users””.
- 4.20 Sure noted its retail pricing strategy had been set against a backdrop of declining wholesale prices under the existing price controls and highlighted that the proposals represent a material increase relative to the end of the current control period. Sure stated that, absent retail price adjustments, margins on its entry-level broadband product would be significantly reduced. While acknowledging the JCRA’s expectation that competition should mitigate the pass-through of wholesale price increases to consumers, Sure argued that it would not be viable to absorb the full increase, particularly given contractual constraints on increasing prices for customers on long-term contracts and limits imposed by licence conditions on mid-contract price rises.
- 4.21 Sure also presented an analysis of the impact, showing the impact of the proposals on its wholesale costs and respective gross margin. It noted this would be further impacted by other required expenditure, such as internet backhaul costs, which are increasing in line with increases in broadband usage.
- 4.22 As a final point, Sure noted that while the JCRA has assessed Wholesale Bitstream and WLR together, it is unclear how the price increases will be apportioned between WLR and

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<sup>15</sup> It is the JCRA’s understanding that this price applies to services provided over Homenet’s own FTTP network.

Bitstream elements in the next control period. Sure noted this had potential implications on pricing for voice only customers.

#### JCRA analysis

- 4.23 Consistent with the Draft Decision, the analysis set out in this Final Decision and the Final Frontier Report indicate it is necessary to account for an increase in costs to be recovered from Wholesale Broadband charges over the next price control.
- 4.24 The average of price of Wholesale Broadband over the 2021 price control period (2021 to 2026) was £26.14. This can be compared to an estimated average for the next price control period, based on this Final Decision, of £30.72 (an average difference over the period of £4.58, or circa 17%). This is an increase of £1.42 (5%) from the average price presented in the Draft Decision. Reflecting the changes to the modelling approach set out in chapter 3.
- 4.25 The proposed price control is higher than that set in the 2021 price control for three main reasons. First, the costs associated with Wholesale Broadband are now more fully captured due to JT's updated Regulatory Financial Reporting approach. Second, actual inflation has been higher than was forecast in 2021, with RPI averaging 6.5% from 2021 to 2025 (above the 2.4% forecast), and this is reflected in the underlying cost base. Third, JT will incur additional costs over the upcoming time period to prepare for and meet future Telecoms Security requirements as set by Government, as well as investing to maintain alignment with industry best practice.
- 4.26 In this context, the JCRA has also had to take account of the change in the estimated average price in the next price control period from the Draft Decision position. This sits alongside its statutory duties. In particular, the JCRA recognises the trade-off between maintaining the availability, quality and security of Wholesale Broadband services on the one hand, and ensuring prices remain affordable for end users on the other.<sup>16</sup>
- 4.27 Therefore, the JCRA has adjusted the starting charge adjustment to 10.2%, which will result in a year 1 charge of £27.00. Taking this into account, the proposed pricing profile should be at a level where, based on the model, JT is recovering its efficient costs (consistent with an average price over the period of circa £30.72). With a starting charge of £27.00, the required glidepath is RPI+3.7%.
- 4.28 Both the starting charge adjustment and glidepath are within the range consulted on in the Draft Decision. The JCRA considers the chosen approach balances the need for cost recovery, and the likely effects on downstream competition.
- 4.29 Box 1 sets out the JCRA considerations with respect to the retail market.

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<sup>16</sup> See Article 7(3) of the Telecoms Law.

### **Box 1 Retail market considerations**

Broadband is a key service for households and small businesses in Jersey and the majority of retail broadband services are underpinned by the regulated Wholesale Broadband product. The JCRA has therefore carefully considered the potential effects of changes in wholesale charges on the retail broadband market, including impacts on pricing, product availability and margins, with particular regard to entry-level services.

The JCRA acknowledges the concerns raised by Homenet and Sure that increases in wholesale charges may place pressure on retail pricing, especially where operators have limited scope to absorb cost increases. The JCRA has also noted Sure's analysis of the impact of wholesale price increases on its gross margins, alongside rising input costs such as backhaul.

At the same time, the JCRA has taken into account JT's position that the proposed wholesale price control would not affect its retail broadband offerings. The JCRA also notes JT's view that scenarios with a higher starting charge adjustment provide greater support for timely investment in broadband network renewal.

In assessing these views, the JCRA recognises that wholesale price changes do not mechanically or uniformly translate into retail price changes, and that retail pricing outcomes are influenced by a range of factors including retail competition, pricing strategies, product differentiation, and contractual arrangements. The JCRA continues to expect competition in the retail broadband market to act as a mitigating factor against the full pass-through of wholesale price increases to consumers.

The JCRA will continue to monitor future developments and pricing in the retail market.

- 4.30 The JCRA notes Sure's comment with respect to how price increases will be apportioned between WLR and Wholesale Bitstream over the next price control period. Consistent with the 2021 price control the Wholesale Broadband charge modelled is for Wholesale Bitstream and WLR. Consistent with this, at the last review, the JCRA set a control for determining the total cost of Wholesale Broadband, and did not pre-determine the apportionment of costs or price changes between the individual service elements.
- 4.31 The JCRA considers that this approach was, and remains, appropriate given the integrated nature of Wholesale Bitstream and WLR services. The cost model estimates the efficiently incurred costs of JT in providing the Wholesale Broadband service, which is priced as the sum of both components - setting the "total price" for Wholesale Broadband therefore ensures that prices are reflective of efficiently incurred costs. By focusing on the overall level of efficiently incurred costs and maintaining an aggregate control, the JCRA will ensure effective regulatory oversight within the framework of the price control.<sup>17</sup>

### JCRA conclusion

- 4.32 In light of the analysis in the Draft Decision, stakeholder feedback, and the Frontier Report, the JCRA's Final Decision is for a pricing profile with a:
- Starting charge adjustment of 10.2% to £27.00; and
  - A glidepath of RPI+3.7%.

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<sup>17</sup> The JCRA notes that JT has, held WLR prices during the 2021 price control period.

## Nominal versus real indexation

### Draft Decision proposals

- 4.33 The JCRA set out its preferred approach was a nominal control, consistent with the 2021 price control. This used forecast RPI, which was informed by the latest economic forecasts and the approach enabled the JCRA to determine a clear and fixed pricing profile for the duration of the price control.
- 4.34 In the Draft Decision, the JCRA set out that a glidepath could also be implemented using actual RPI. In this case the glidepath would be restricted to RPI+X%, where RPI is the retail price index (inflation) published by Statistics Jersey for June preceding the October in which the charges are adjusted.
- 4.35 However, while the use of actual RPI might help account for potential uncertainty in forecast inflation, it was noted that it does not provide future pricing certainty and precludes advance determination of maximum allowable annual prices over the price control period. Further, the JCRA recognises that as actual RPI is only known shortly before the annual price adjustment, both retailers and JT will have less predictability over future prices.

### Draft Decision responses

- 4.36 Respondents to the Draft Decision had mixed views on the issue of indexation, and whether the price control should continue to be determined in nominal or real terms.
- 4.37 In its response, JT argued that a real terms price control was necessary to ensure it was able to recover its (efficient) costs, maintain service quality and continue to invest in the network and services. JT also referenced the differences arising between forecast inflation applied in the current price control, and actual inflation over the price control period. Further, JT noted that “if inflation assumptions prove wrong, the price control, as experienced between 2021 and 2026 underfunds the operator”.
- 4.38 While Sure did not clearly indicate whether it preferred a nominal or real approach to the price control, it offered some comments on the approach to indexation. Sure suggested that the price control should account for inflation but questioned whether RPI was necessarily aligned with wholesale telecoms cost pressures. Sure suggested that RPI can “only ever be used as an indicative measure of the likely inflation facing JT’s wholesale division”.
- 4.39 Homenet’s response opposed the use of forecast RPI (as used in a nominal price control), albeit in the context of opposing the general application of indexation. Homenet argued that charges should not simply be allowed to increase annually by inflation, as this risked “perpetuating inefficiencies” and that scheduled cost reviews should be used (by the JCRA) to ensure that any adjustments to wholesale charges were efficient and appropriate. This would promote efficiency and competition, rather than simply maintaining price levels in line with inflation.

### JCRA analysis

- 4.40 The JCRA notes that a real terms approach is more commonly used in price controls, for example, by Ofcom for cost-based price controls in its 2026 Telecoms Access Review. Further, a real terms approach may also facilitate a relatively smooth price profile between price control periods; there is no requirement to ‘correct’ prices for any difference in forecast and actual inflation.
- 4.41 The JCRA notes both Homenet’s and Sure’s observations on indexation (and the use of RPI). In respect of Homenet’s suggestion that scheduled cost reviews should replace general indexation, the JCRA considers that this would be inconsistent with the principles and basic operation of a five year price control. It would also be administratively burdensome for JT, OLOs and the JCRA. In terms of using RPI, absent a more specific indexation metric the JCRA believes that Jersey RPI – forecast or actual – is the most appropriate measure to use in the price control.
- 4.42 JT’s response focuses on the potential for divergence between forecast and actual inflation, and the risks may pose for cost recovery, returns and investment. The JCRA recognises the variance between forecast inflation used in the current price control and actual inflation. However, it also notes the observed variances in JT’s relevant wholesale costs relative to actual inflation, in some cases, JT’s published costs have increased by considerably more than actual inflation.
- 4.43 Given ongoing geo-political events and continuing economic uncertainty, the JCRA recognises there is potential for greater variability in the level of inflation over the next price control period, and the risk of forecast ‘error’ could potentially impact JT’s ability to recover efficiently incurred costs. The JCRA considers the risks posed by the increased scope for changes in inflation generally outweigh the benefit of (future) pricing certainty and the ability to set an advanced pricing profile. Therefore it has adopted an actual RPI approach.

#### JCRA conclusion

- 4.44 In light of stakeholder feedback and further analysis by the JCRA, the JCRA’s Final Decision is to index the price control using actual RPI. Therefore the glidepath will be restricted to RPI+X%, where RPI is the retail price index (inflation) published by Statistics Jersey for June preceding the October in which the charges are adjusted.

## 5 Broadband line only and other policy matters

- 5.1 This chapter refers to chapter 4 of the Draft Decision and is split into two sections:
- Broadband line only; and
  - Other policy matters.
- 5.2 Question 4 of the Draft Decision asked for feedback on the approach to broadband line only and the timings of its introduction. Question 5 asked for views on the proposed approach to other policy matters.

### Broadband line only

#### Draft Decision proposals

- 5.3 The Draft Decision explained that broadband line only would only offer limited cost savings, as a physical line would still be required and voice represents only a small share of wholesale costs. Stakeholders' concerns around introducing the product without Fixed Number Portability (**FNP**) were also noted; while JT's WLR currently enables consumers to retain their number with an OLO's retail voice service, it is not equivalent to FNP and remains operationally tied to Wholesale Broadband.
- 5.4 The Draft Decision further noted JT's view that broadband line only could not be delivered without wider technical and systems upgrades as part of JT's network refresh. Nonetheless, JT Retail had submitted a Statement of Requirements<sup>18</sup> for such a product, and there is consumer interest in a broadband line only product.
- 5.5 The JCRA acknowledged the continuing interdependence between Wholesale Broadband and WLR, reflecting JT's system configuration and market practice. While broadband line only would help separate these services, its effectiveness would be constrained without FNP. Therefore, it was noted that its development should proceed alongside FNP.
- 5.6 Consistent with this, the Draft Decision proposed retaining a combined Wholesale Bitstream and WLR approach for the price control but signalled an expectation that broadband line only would be introduced during the control period, either through the Statement of Requirements process or regulatory intervention if required. It also indicated that future price controls would be based on broadband line only to support greater retailer flexibility and more effective retail competition.

#### Draft Decision responses

- 5.7 Respondents were generally supportive of the JCRA's proposed approach and eventual implementation of broadband line only.
- 5.8 Homenet strongly supported the timely introduction of a broadband line only product and argued that the current bundled structure is outdated and misaligned with consumer demand. However, it emphasised that the effectiveness of such a product would depend

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<sup>18</sup> This is the process through which new wholesale product or the variation of an existing wholesale products are requested – see: [Information Notice - Statement of Requirements](#) (jcra.je)

on pricing, warning that simply reallocating landline costs into the broadband charge would undermine its benefits. Homenet therefore called for prompt introduction of a broadband only product priced to reflect the true cost of broadband provision, with ongoing monitoring to ensure benefits are passed through to consumers.

5.9 Sure, whilst supportive, proposed a more cautious approach to implementation, raising a series of potential technical and commercial issues and suggesting that the market required time to prepare for the introduction of broadband line only. The points raised included:

- Lack of clarity on the potential approach to and requirements for implementing retail voice services, replacing the current WLR provision, and consequential impacts upon OLOs and consumers as a result. Highlighting the need for “fair and equitable” access.
- Raising concerns that voice only customers should not be disadvantaged by the introduction of a broadband line only service and change in approach to future price controls, sharing its view that WLR remains required and so available and regulated.
- Concerns about implicitly tying FNP to the development of a broadband line only service.
- The need for transparency and full industry engagement in the development of broadband line only, encouraging the JCRA to carry out a regulatory impact assessment on the proposed change as well as highlighting the need to clear consumer messaging to manage expectations around potential savings.

5.10 JT’s response indicated that it intends to develop a broadband line only product, albeit within timescales aligned to ongoing network upgrades and proposed investments. No further detail was provided by JT as to the likely timescales, product descriptions, or other key matters.

#### JCRA analysis

5.11 The JCRA notes the broad support for policy development in this area, and the additional and helpful information provided by respondents. It is clear that consumer demand for existing stand-alone fixed voice services continues to decline, and there appears to be firm demand for a form of broadband line only product and service.

5.12 The JCRA recognises the likely different commercial and technical interests between operators, and the need for a sector-wide approach to development and implementation, possibly within a regulatory framework. As noted in the Draft Decision, the JCRA recognises that separating services may not significantly change costs or prices, but expects future price controls to consider broadband line only services.

5.13 Further, the JCRA’s continued view is development of broadband line only would be progressed alongside the implementation of FNP. The JCRA notes that the FNP project has now launched<sup>19</sup> and whilst there are clear linkages between this project and the potential implementation of a broadband line only service, the two projects will not be formally tied.

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<sup>19</sup> See: [T-147 - Fixed Number Portability](#) (jcra.je)

- 5.14 That said, the JCRA recognises that a number of elements of the design of broadband line only and its implications will be dependent on the direction taken in FNP. As set out at the launch of the FNP project the intention is for a Draft Decision to be issued during the course of 2026 with the next steps reflecting any feedback received.
- 5.15 As the FNP project progresses, the JCRA will further develop its thinking on broadband line only with a view to issuing an Information Note in 2027. This process will include further engagement with all respondents to the Draft Decision and other stakeholders on all the relevant technical and commercial aspects, as well as the inter-related regulatory and policy matters.
- 5.16 The Information Note will also seek to cover the wider set of issues raised in the responses, giving consideration to the interrelationship with the potential introduction of FNP and the future impacts upon WLR and voice only services, and consumers.
- 5.17 To note, the JCRA's proposed approach does not preclude engagement between JT and OLOs on this matter, nor is it intended to substitute for the development of a product and service under the Statement of Requirements process (or JT's own intended development). Indeed, JCRA encourages JT to promptly develop its approach to network refresh and required changes so it can engage constructively with all stakeholders on this subject. This may in turn help inform the JCRA's overall approach and Information Note.
- 5.18 Further, the JCRA notes there is an existing Statement of Requirements request in for this product and so it could rely on this process to facilitate its introduction. Alternatively, there could be a wider role for the JCRA, for example through supporting cross sector development of the product, or as an alternative by formalising the requirement through a Direction (under Licence Condition 40 Network Access) to ensure broadband line only is developed.

#### JCRA conclusion

- 5.19 In light of the analysis in the Draft Decision, stakeholder feedback and the Final Frontier Report, the JCRA's Final Decision recognises broad stakeholder support and operator interest in broadband line only, and the need for a coordinated approach.
- 5.20 While the JCRA does not consider that separating services would materially alter costs or prices in the near term, it expects future price controls to consider broadband line only services and acknowledges linkages with the FNP project. As the FNP project progresses, the JCRA will further develop its position through continued stakeholder engagement, with an Information Note planned for 2027. In the interim, existing Statement of Requirements and regulatory mechanisms remain available to support product development.

#### Other policy matters

##### Draft Decision proposals

- 5.21 The Draft Decision explained that the JCRA had reviewed other wholesale charges, including one-off charges such as connection and migration fees, and CP Broadband Interconnection charges. It concluded that no changes were required: previous casework had not identified any concerns regarding one-off charges, and CP Broadband

Interconnection continued to fall under the existing retail minus control for leased lines and would be considered as part of the future Leased Line Price Control.

- 5.22 The Draft Decision also noted that the existing price control was due to expire in September 2026 and that an interim period may arise. The JCRA proposed that if any deferral is required, this will be reflected in the starting charge adjustment (in year 1). If there is a lengthy interim period, the JCRA would consider whether further action is appropriate.

#### Draft Decision responses

- 5.23 This section summarises respondents' comments on other policy matters, including other charges, deferral, and related issues.

#### *Other charges*

- 5.24 Both JT and Sure supported the JCRA's approach to other charges and did not raise concerns regarding their current level. Sure further noted that if it had any concerns in the future it would approach the JCRA.
- 5.25 Homenet raised concerns that retaining existing ancillary charges or introducing complex charging structures could obscure the underlying cost of broadband services and create barriers to competition. It called for greater transparency, simplification, and a clearer focus on cost orientation.

#### *Approach to deferral*

- 5.26 JT opposed any deferral of the new price control without adjustment. It argued that maintaining wholesale prices at current levels during any interim period would lead to under-recovery and submitted that any deferral should be accompanied by inflation based increases. No other respondent commented on this matter.

#### *Other items*

- 5.27 Homenet argued that the proposed pricing framework risks distorting competition by retaining a non-cost-reflective landline component and reallocating costs in a way that preserves the incumbent's overall revenue. It considered that this inflates wholesale input costs, constrains rivals' ability to compete, and may be inconsistent with Licence Condition 34 of JT's Licence, which requires JT not to prevent, restrict or distort competition. Homenet therefore called for removal of legacy cost elements and a pricing approach that better supports effective competition.

#### JCRA analysis

- 5.28 This section summarises the JCRA's analysis of comments received on other charges, deferral, and related issues.

#### *Other charges*

- 5.29 The JCRA notes Homenet's concerns regarding existing other charges and the potential introduction of further charging complexity. With respect to one off charges, such as connection charges and customer migration charges, these have been in place for some

time and have not been identified as a barrier to retail competition.<sup>20</sup> Further, any future changes to the level and structure of these charges would be notified to the JCRA and OLOs in advance, in line with Licence Condition 37 of JT's Licence. This will help ensure transparency and enable both OLOs and the JCRA to have the opportunity for review ahead of any changes. This process would also apply to any new wholesale charges.

- 5.30 With respect to CP Broadband Interconnection charges, these will be subject to a future Leased Line Price Control. As set out in the TMR Final Decision this work will be included in a future business plan.

#### *Approach to deferral*

- 5.31 The JCRA notes JT's comments regarding potential deferral and under-recovery. However, the JCRA has conducted the price control in line with the timetable set out in the Case Opening Information Note. Any risk of an interim period does not arise from delay on the part of the JCRA, and the JCRA notes that the timely implementation of the new price control now depends on the completion of the required statutory process.

#### *Other items*

- 5.32 The JCRA does not agree that the proposed pricing framework is inconsistent with Licence Condition 34. The wholesale pricing approach is based on cost orientation and reflects the efficient costs of providing Wholesale Broadband, rather than an intention to preserve incumbent revenues or distort competition. While this price control continues to reflect a combined service structure, this is consistent with existing market arrangements and regulatory precedent, and does not prevent effective retail competition.

#### JCRA conclusion

- 5.33 In light of the analysis in the Draft Decision, stakeholder feedback, and the Final Frontier Report, the JCRA's Final Decision is not to change its approach to other charges, including one off charges and supporting leased lines. Deferral of the control is not expected to be required.

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<sup>20</sup> Across retailers, approaches to these charges differ, with varying retail margins applied.

## 6 Final Decision

6.1 This chapter sets out the JCRA’s Final Decision for the Wholesale Broadband Price Control. These decisions have been used to calculate the maximum allowable charge and pricing profile for Wholesale Broadband, which is formally set out in the Initial Notice issued alongside this document.

### The definition of Wholesale Broadband

6.2 The Wholesale Broadband charge represents the maximum allowable charge for Wholesale Bitstream and WLR. The Wholesale Bitstream rental price is a single monthly charge per broadband subscriber that does not vary by bandwidth. A WLR service is currently also required for an operator to avail itself of the Wholesale Bitstream service.

### Model scope, methodology, WACC and cost adjustments

6.3 Prices are set on a cost oriented basis, using a top-down model which includes adjustments for efficiency and to capture changes in asset valuation over time. In order to determine the proposed price, positions on model scope and methodology are set out in the Table below. Further detail on these is provided in the Final Frontier Report.

*Table 6: Final Decision on model scope, methodology, WACC and cost adjustments*

Element	Approach
Service scope	Model represents the combined (maximum allowable) Wholesale Broadband charge for Wholesale Bitstream and WLR.
Network scope	The existing JT FTTP network as of October 2025.
Costs considered	Network capital costs (e.g. FTTP access network, exchange equipment, core network links and routers, voice platform costs, buildings). Network operating costs (e.g. repair and maintenance). Wholesaling costs (JT wholesaling team, operating / billing systems). Common costs (e.g. share of HR / Finance costs). Telecoms Security Requirements operating and capital cost forecasts. The model utilises two available financial years’ accounting data - 2023 and 2024.
Time period	1 October 2026 – 30 September 2031.
Model type and cost standard	Top-Down, Fully Allocated Costs ( <b>FAC</b> ). Cost model is nominal.
Asset valuation method	Historical cost accounting.
Capital cost annualisation approach	‘Legacy’ assets (e.g. ducts, buildings): Regulatory Asset Based ( <b>RAB-type</b> ) approach. ‘Newly built’ assets (e.g. fibre cables, ONTs etc): standard annuity reflecting asset price trends.
Efficiency adjustments	Operating cost trends reflect inflation and efficiency gains of 2.5% per annum.

Weighted Average Cost of Capital (WACC)	8.47%.
Cost adjustments	<ul style="list-style-type: none"> <li>• Cost allocation adjustments - JT's cost allocations were adjusted to better reflect the resources required to provide Wholesale Broadband services.</li> <li>• Cost level adjustments - Elements of JT's reported costs were replaced where above-inflation increases were not justified or where data was not relevant to the forthcoming control period, and to incorporate additional costs arising from new requirements not included in the base data.</li> <li>• Capital cost adjustments - Asset lifetimes were reviewed and appropriate assumptions made for forward looking capital inflation.</li> </ul>

### The price control

6.4 A combination of:

- Starting charge adjustment, the adjustment to charges at the beginning of the control period. This has been set to a value of 10.2%, which gives a starting charge in year 1 of £27.00 per subscriber per port; and
- Glidepath, charges then may be adjusted annually change gradually over time according to a set formula ( $RPI \pm X$ ). The value of X has been set at 3.7%.

6.5 These values are within the range set out in the Draft Decision and have been set to allow the estimated average price of £30.72 to be met.

6.6 In years 2 to 5 the price control will be indexed to actual RPI, allowing annual adjustment of wholesale broadband charges by RPI each October using the Statistics Jersey RPI published in July.

### The approach to broadband line only

6.7 There is broad stakeholder support and operator interest in broadband line only, and the need for a coordinated approach. While the JCRA does not consider that separating services would materially alter costs or prices in the near term, it expects future price controls to consider broadband line only services and acknowledges linkages with the FNP project.

6.8 As the FNP project progresses, the JCRA will further develop its position through continued stakeholder engagement, with an Information Note planned for 2027. In the interim, existing Statement of Requirements and regulatory mechanisms remain available to support product development.

### Other matters

6.9 The JCRA is not proposing to change its approach to other charges, including one off charges and supporting leased lines. Deferral of the control is not expected to be required.

## Annex 1: Glossary

This glossary covers the key acronyms and terms used in this document and the Frontier Report.

**BEREC** – Body of European Regulators for Electronic Communications, an independent EU body that brings together national regulatory authorities to promote consistent application of EU rules for electronic communications, support competition, and protect consumers across the European telecommunications market.

**Broadband line only** – A fixed access line used solely to provide fixed broadband service, without any accompanying fixed voice service.

**BSS** – Business Support Systems, systems, applications, and processes used to manage customer-facing and commercial activities, including customer management, product and service catalogues, order management, billing, charging, and revenue management

**BT** – British Telecom plc, a multinational telecommunications company based in the United Kingdom, providing fixed line, broadband, mobile, and networked IT services historical incumbent operator for fixed services as JT is in Jersey.

**Capital Asset Pricing Model (CAPM)** – A financial model that estimates the expected return on an asset, explaining how much return an investor should expect from an investment, given how risky it is compared with the market as a whole.

**CCA** – Current Cost Accounting, assets, expenses, and costs are measured using their current replacement cost (or current economic value), rather than their historical purchase cost.

**Data centre** – A dedicated building or space providing enhanced power, cooling and connectivity services dedicated to the support of networking and computing infrastructure.

**FAC** – Fully Allocated Costs, the total cost of providing a product or service, including all direct costs plus a proportionate share of indirect or overhead costs.

**FNP** – Fixed Number Portability, is an arrangement with tools and process agreed between operators of telecommunications service providers in a jurisdiction that allows for customers to port (move) their fixed line telephone number between providers.

**FTTP** – Fibre to the Premises, the implementation of fibre optic connections to individual residential and business premises as a connection medium for the provision of telecommunications services.

**GBV** – Gross Book Value, the original cost of an asset recorded on a company's books before any deductions e.g. depreciation, amortisation, or impairment.

**HCA** – Historical Cost Accounting, assets, expenses, and costs are recorded and measured at their original purchase or production cost, and that value is carried forward over time (subject to depreciation or amortisation).

**Holding gain** – An increase in the value of an asset simply due to holding it over time, rather than from active improvements or transactions.

**IP** – Internet Protocol, a network layer protocol for routing and addressing packets of data so that they can travel across networks and arrive at the correct destination.

**Leased Line** – A dedicated high-speed private connectivity service offering an assured speed between two locations or the internet without being aggregated or shared across multiple customers.

**Licensee** – A holder of a licence granted under Article 14 of the Law.

**NBV** – Net Book Value, the value of an asset after subtracting accumulated depreciation, amortisation, or impairment from its gross book value.

**NGA** – Next Generation Access, a reference to high-speed electronic communications networks that provide significantly improved bandwidth and performance compared to traditional copper-based networks, typically using fibre-optic or advanced wireless technologies to support fast, reliable broadband services.

**NRA** – National Regulatory Authority, the public body responsible for overseeing and enforcing regulations for a country within a specific sector, such as telecommunications.

**NTAN** – Reference used by JT for its internal project encompassing the replacement of its mobile network.

**Ofcom** – The statutory regulator for communications in the United Kingdom, responsible for overseeing television, radio, telecommunications, broadband, and postal services, and for ensuring fair competition, consumer protection, and the efficient use of the radio spectrum.

**OLO** – Other Licensed Operator, a reference to a telecommunications provider other than the incumbent provider, in Jersey being providers other than JT.

**Openreach** – A wholly owned subsidiary of BT Group that builds, maintains, and operates the UK's fixed access network, providing wholesale broadband, voice, and Ethernet infrastructure to communications providers on an equal-access basis.

**Optical Line Terminal (OLT)** equipment – used by fixed network providers for the purposes of aggregating and terminating fibre connections in a centralised location for the purposes of providing and managing services to end users.

**OSS** – Operational Support Systems, systems, applications, and processes used to monitor, control, analyse, and manage the operational aspects of a network or service, including network provisioning, fault management, performance monitoring, and service assurance

**PoP** – Point of Presence, a location where a telecommunications provider has systems deployed supporting their network, often used for connecting with other networks or customers.

**RAB** – Regulated Asset Base, the value of a regulated company's assets, as determined by the regulator, used to set prices and calculate allowed returns.

**Regulatory Financial Reporting** – The preparation and submission of financial information by a regulated undertaking, specifically JT, in accordance with requirements set by the JCRA, to support regulatory oversight, including the assessment of costs, revenues, pricing, non-discrimination, and compliance with licence conditions.

**Retail Price Index (RPI)** – A measure of inflation that tracks changes in the prices of a representative basket of goods and services, historically used to calculate price increases, wage rises, and some regulated charges.

**RFI** – Request For Information, issued to parties by the JCRA to gather information to support decision making. Can be issued informally or formally under relevant legal provisions.

**Right of Use assets** – A legally enforceable right granted to a telecoms operator to use a specific asset, infrastructure, or capacity for a defined purpose and period of time, without owning the underlying asset itself.

**SMP** – Significant Market Power, this represents the ability to behave to an appreciable extent independently of competitors, customers and ultimately consumers. Note SMP is generally held to be equivalent to the concept of dominance under the Competition (Jersey) Law 2005.

**Telecoms Security** – Telecoms Security Requirements, requirements introduced by changes to the Telecommunications (Jersey) Law 2002 in 2024 intended to improve the security and resiliency of Jersey’s telecommunicationss networks and services.

**Uninterruptable Power Supply (UPS)** – A system comprising battery and sometimes generator units to provide immediate power to equipment in the event that main electricity supply becomes unavailable or fluctuates to maintain equipment availability.

**Wholesale Bitstream** – The wholesale service provided by JT enabling OLOs to provide a 1Gbps access connection to end users in Jersey.

**Wholesale Broadband** – The focus of the price control, the proposed maximum price encompasses both Wholesale Bitstream and WLR.

**WLR** – Wholesale Line Rental, the provision of a wholesale service by the incumbent network operator – in Jersey JT via FTTP – to allow competing operators to offer equivalent voice service to consumers.