WHOLESALE BROADBAND SERVICES IN JERSEY: PRICE CONTROL

Report for the Jersey Competition and Regulatory Authority (JCRA)

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Contents

1   Executive Summary

1   The JCRA has engaged Frontier Economics to support it in this review of the pricing of JT's Wholesale Broadband services in Jersey. This report sets out the underlying analysis supporting the JCRA's proposals for this price control and should be read alongside the Draft Decision document issued by the JCRA for consultation. The consultation asks for comments on the analysis and the proposals set out in this report.

2   Fixed broadband services in Jersey are predominantly provided over fibre-based technology (known as Fibre-to-the-Premises, or 'FTTP'). In addition to the incumbent network, JT, there are Other Licensed Operators (OLOs): Sure Jersey and Homenet who provide retail broadband services using JT's FTTP network.[1]

3   The objective of this price control is to set an appropriate level of prices for wholesale access to JT's FTTP network, which is required to offer retail broadband and fixed voice services across Jersey. The appropriate level of these wholesale prices is the level at which JT is able to recover its efficiently incurred costs of providing these services and a reasonable rate of return. Setting cost-oriented wholesale prices allows OLOs to compete with JT at the retail level, which in turn leads to positive consumer outcomes (lower retail prices and wider choice of offers).

4   JT is already subject to a cost-based wholesale price control, which was set in 2021 for a period of five years from October 2021 to September 2026. This set a regulated price for JT's Wholesale Bitstream product, which when purchased in combination with JT's Wholesale Line Rental (WLR) product, allows OLOs to offer both retail voice and broadband products, differentiated by speed. The implied price for OLOs of taking both Wholesale Bitstream and WLR was referred to as the "maximum price" in the 2021 price control. The regulated price was determined using a cost model, which was developed by Frontier Economics.

5   The upcoming price control period is expected to be from October 2026 to September 2031. The JCRA has engaged Frontier Economics primarily to update the cost model to ensure that it is fit for the purpose of setting the regulated price for "Wholesale Broadband" during the upcoming price control period. For the purpose of this price control, JCRA uses the term "Wholesale Broadband" to refer to the combination of WLR and Wholesale Bitstream products; therefore, the price of Wholesale Broadband reflects the "maximum price" set in the 2021 price control. In addition to modelling the Wholesale Broadband prices, we were also asked to consider the implications of introducing a wholesale 'broadband-only' product.

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[1]   Homenet also provides services using its FTTP networks, although its FTTP network has limited coverage.

Proposed regulated Wholesale Broadband prices

6   The upcoming price control sets the price for Wholesale Broadband in Jersey (equivalent to the "maximum price" in the 2021 price control). It will be a single monthly price per broadband subscriber in each year of the price control. The Wholesale Broadband price consists of two elements, the WLR charge, and the Wholesale Bitstream price. The Wholesale Broadband price is the main focus of this report. The current Wholesale Broadband price, for the year October 2025 to September 2026, is £24.51 per subscriber per month.

7   Since the 2021 price control, which set the current Wholesale Broadband price, there has been significant inflation in Jersey, which is also reflected in JT's costs. Other factors have also increased the level of costs that need to be reflected in the Wholesale Broadband price: for example, JT is expected to incur new costs associated with enhanced IT/software systems, to maintain alignment with industry best practice and prepare for future Telecoms Security Requirements. As a result, the average price level required to ensure JT recovers its efficient costs has risen.

8   However, there are several ways in which prices can be set over the next five years to ensure JT recovers its efficient costs of providing Wholesale Broadband, including a reasonable rate of return. In Table 1 we provide several options, which involve different 'Starting Charge Adjustments' (SCAs) relative to the 2025/26 price, and subsequent 'glidepaths' for the Wholesale Broadband price over the next five years relative to *forecast* 2.7% RPI inflation. The resulting Wholesale Broadband prices in each year under each option is then set out in Table 2. Both tables assume that the price control will be 'nominal' (i.e. prices will be fixed upfront based on the forecast level of inflation and will not be updated if actual inflation differs from the forecast) – in a 'real' price control, prices would instead vary with *actual* RPI inflation each year, following an SCA.

Table 1   SCA and glidepath options for the Wholesale Broadband price

Scenario	Starting charge adjustment (year 1)	Forecast RPI+X glidepath (years 2-5)
1	+13.2%	Forecast RPI+0%
2	+10.9%	Forecast RPI+1%
3	+7.6%	Forecast RPI+2.5%
4	+6.0%	Forecast RPI+3.3%
5	+5.0%	RPI+3.7%

Source: *Frontier Economics*

Note: *Based on a forecast RPI inflation rate of 2.7% per year. Each year of the price control runs from 1st October to 30th September of the following calendar year.*

Table 2   **Estimated cost-based Wholesale Broadband price for JT's services: 2026/2026 – 2030/2031, per subscriber per month, nominal**

Scenario	2026/27	2027/28	2028/29	2029/30	2030/31	Average
1	£27.74	£28.49	£29.26	£30.05	£30.86	£29.30
2	£27.19	£28.19	£29.24	£30.32	£31.44	£29.30
3	£26.38	£27.75	£29.19	£30.71	£32.31	£29.30
4	£25.97	£27.52	£29.16	£30.90	£32.75	£29.30
5	£25.74	£27.39	£29.15	£31.02	£33.01	£29.30

Source: Frontier Economics

Note: Each year of the price control runs from 1st October to 30th September of the following calendar year. The average is calculated as a weighted average (weighted by subscriber numbers).

Consideration of a wholesale 'broadband-only' product

9   The JCRA's Telecoms Market Review in 2025 set out a discussion on the possible introduction of a wholesale 'broadband-only' product.[2] The JCRA highlighted two considerations for introducing a wholesale 'broadband-only' product:

(a) technical challenges of implementation; and

(b) the costs to JT of providing a wholesale 'broadband-only' service would be very similar as providing Wholesale Broadband (i.e. Wholesale Bitstream plus WLR).

10   A review of stakeholder submissions suggests that while there are no insurmountable barriers to introducing a wholesale 'broadband-only' product in Jersey, there are various technical challenges that need to be resolved before introducing such a product.

11   Additionally, input from operators in Jersey has confirmed the position that there is likely to be little/no difference in the cost to JT of providing a wholesale 'broadband-only' service relative to a combined WLR and Wholesale Bitstream service. In turn, the impact on retail prices of introducing a wholesale 'broadband-only' product would be limited – this is consistent with market outcomes in the UK. In light of this, we consider it would not be proportionate to set separate regulated prices for a wholesale 'broadband-only' product in addition to Wholesale Broadband prices.

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2   Case T-083 Telecoms Market Review: Draft Decision
https://www.jcra.je/media/c5bjzona/2025-02-26-t-083-telecoms-market-review-draft-decision.pdf

2   Introduction and context

12   In this Section of the report, we first set out our understanding of the current state of the fixed broadband market in Jersey, at the retail and wholesale level. We then set out the rationale for this wholesale price control. We conclude this Section by outlining the scope of the report and its structure.

2.1   Fixed broadband market in Jersey

13   Fixed broadband services in Jersey are provided to households predominantly over fibre-to-the-premises (FTTP) networks. The same networks provide fixed voice telephony services.

14   JT is the largest operator in Jersey, and operates an island-wide FTTP network. Using its network, JT provides retail fixed broadband and voice services to residential and business subscribers, as well as leased line services to business customers. JT also offers wholesale access to its FTTP network, enabling other licensed operators (OLOs) to offer their own retail services to households and businesses.

15   In addition to JT, there are currently two OLOs offering retail fixed broadband and voice services: Sure Jersey and Homenet. Sure serves customers solely using JT's FTTP network, whereas Homenet provides retail services using a mix of JT's FTTP network, and its own FTTP network, although its FTTP network has limited coverage. Previously there was another OLO, Airtel, providing fixed broadband services in Jersey. However, Airtel was acquired by Sure in late 2024. As such, Airtel is no longer present in the relevant retail market(s).

16   According to the most recent data from Statistics Jersey, JT has a market share of 60% (in terms of the number of fixed broadband subscriptions), with OLOs collectively making up the remaining 40% of the market.[3]

2.2   The need for a price control

17   The JCRA's Telecoms Market Review Final Decision has concluded that JT has significant market power (SMP) in the provision of wholesale access to the internet through its fibre network.[4] As a remedy to address JT's SMP, the JCRA confirmed the continuation of a cost-based wholesale price control for JT.

18   JT is already subject to a cost-based wholesale price control, which was set in 2021 for a period of five years from 1 October 2021 to 30 September 2026. This

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[3]   Statistics Jersey (2025) Telecommunications Statistics and Market Report 2024; page 26.

[4]   JCRA (2025) Case T-083 - Telecoms Market Review - Final Decision.

set a regulated price for JT's Wholesale Bitstream product. Wholesale Bitstream is a wholesale product that, when purchased with JT's WLR product (which can only be used to offer voice-only services at the retail level), allows OLOs to offer *both* retail voice and broadband services, differentiated by speed. The regulated price for Wholesale Bitstream and the implied "maximum price" for the combination of WLR and Wholesale Bitstream was determined using a cost model, which was developed by Frontier Economics. The 2021 price control was 'nominal', meaning that prices were set upfront for the full period, based on a *forecast* of Retail Price Index (RPI) inflation in Jersey. This differs to a 'real' price control where prices would be adjusted each year based on *actual* RPI inflation.

19   While it is currently necessary to purchase both WLR and Wholesale Bitstream to provide broadband to customers, it is also worth noting that the purchase of this package allows the retailer to offer *both* voice and broadband services. The 2021 price control model therefore aimed to set the "maximum price" on the basis of the cost to JT of providing both wholesale voice *and* broadband services, to ensure that JT could cover the costs that it efficiently incurred, and would receive an appropriate return on its investment.

20   The cost model for the 2021 price control produced the regulated Wholesale Broadband prices below.

Table 3   Cost-based "maximum price" for the 2021 price control period, per subscriber per month

	2021/22	2022/23	2023/24	2024/25	2025/26	Average
WLR	£11.10	£11.10	£11.10	£11.10	£11.10	£11.10
Additional charge for the Wholesale Bitstream product	£16.84	£15.85	£14.96	£14.15	£13.41	£15.04
'Maximum price' (incl WLR)	**£27.94**	**£26.95**	**£26.06**	**£25.25**	**£24.51**	**£26.14**

Source: Frontier Economics

Note: Each year of the price control runs from 1st October to 30th September of the following calendar year. The average is calculated as a simple average (not weighted by subscriber numbers).

21   In addition to the wholesale products described above, OLOs need to purchase CP interconnection services, which provide a connection between JT's and OLOs' networks. There are also one-off charges, for example to connect customers.

2.3   Overarching objectives for the price control

22   An overarching objective of the price control is to ensure that the pricing of wholesale access to JT's fibre network is regulated in a way that contributes to achieving the Jersey Government's telecoms objectives. These are set out in the Telecoms Strategy for Jersey and in the Telecoms Action Plan.

23   In particular, the Jersey Government wants to ensure that the benefits of the JT FTTP network are maximised though effective service-based competition, i.e. access seekers are able to provide differentiated retail services to consumers at a competitive price:

24   *"The benefits of fibre must be complemented by proportionate regulation so that all telecoms operators can offer retail services to customers that enable effective competition in the market, enabling as many residents as possible to access the service they require at efficient costs".* [5]

25   In line with this objective, the Strategy Action Plan makes the following recommendation:

26   *"CICRA/JCRA should ensure that JT supplies other operators with wholesale access to the Gigabit network on a fair, reasonable and non-discriminatory (FRAND) basis, and that wholesale access seekers get access to wholesale products, which allow access seekers to compete based on differentiated retail services."* [6]

27   Based on the above, the key objectives of this wholesale price control are:

(a) **Enabling retail competition in the market**, by ensuring wholesale products allow access seekers to compete effectively and to provide a choice of retail products for consumers;

(b) **Achieving competitive prices,** ensuring that wholesale and hence retail prices are not excessive;

(c) **Maximising take-up** of broadband services on the fibre network; and

(d) **Incentivising JT to invest** by ensuring that JT is able to recover its efficiently incurred costs and to earn an appropriate rate of return on its investment.

28   We note that, unlike in some other jurisdictions in the EU, promoting network competition is not a policy objective. Instead, the Telecoms Strategy document states: "*On balance, encouraging network competition* […] *is unlikely to be efficient or commercially feasible.*" It further recommends to "*promote retail competition (not*

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[5]   https://www.gov.je/Industry/TelecomsStrategy/Pages/JerseyTelecomsStrategyActionPlan.aspx

[6]   Jersey Telecoms Strategy Action Plan, https://www.gov.je/Industry/TelecomsStrategy/Pages/FinalOxeraReportOnTelecomsStrategyForJersey.aspx#anchor-0

network competition) as the most effective way of delivering the benefits of next generation connectivity to consumers and businesses."

2.4   Scope of this control

29   The JCRA has engaged Frontier Economics to update the cost model to ensure that it is fit for the purpose of setting the regulated price for "Wholesale Broadband", which is the term the JCRA uses for the combination of WLR and Wholesale Bitstream products, during the upcoming price control period.[7] The upcoming price control period is expected to run from October 2026 to September 2031. The overall scope of the work is to:

(a)   collect up-to date data from JT;

(b)   review modelling assumptions such as efficiencies and asset price trends; and

(c)   review JT's weighted average cost of capital.

30   Any recommendation on proposed regulation should follow international best practice, while recognising the need for a proportionate and pragmatic approach, tailored to Jersey.

31   In our work to date, we have drawn on the views of relevant stakeholders. These views have been gathered through workshops with key stakeholders, and through information requests sent to both JT and access seekers.

32   The remainder of this report sets out the draft findings of our review:

(a)   Section 3 provides our assessment of the appropriate regulatory pricing approach;

(b)   Section 4 outlines our assessment of the appropriate monthly rental prices for Wholesale Broadband; and

(c)   Section 5 sets out our consideration of a wholesale 'broadband-only' product and provides our assessment of the pricing of JT's CP Interconnection Services and one-off charges.

33   The report also includes Annexes, which provide a more detailed overview of the cost model, and a high-level assessment of JT's cost of capital which feeds into this model. The Annexes also summarise the main updates made to the cost model relative to the 2021 price control.

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[7]   The Wholesale Broadband price is equivalent to the "maximum price" discussed in the 2021 price control.

3 Appropriate regulatory pricing approach

34 In this Section, we set out our view of the appropriate regulatory pricing approach for the upcoming price control in Jersey. We propose a similar approach to the one we used for the 2021 price control: setting prices for a five-year period (with each year running from October to the following September) based on a top-down cost-oriented basis.[8]

3.1 Our proposed approach to modelling cost-oriented wholesale prices

Cost orientation

35 We continue to consider that, given the circumstances in the fixed broadband market in Jersey, it is appropriate to set wholesale access prices based on cost-orientation. This is due to the following considerations:

(a) The demand and the cost of JT's network are predictable;

(b) The Jersey Government's objective (see Section 2.3) is to maximise the use of JT's network rather than to promote infrastructure-based competition;[9] and

(c) There is a lack of external price constraints.

36 Cost-oriented prices enable JT to recover its efficiently incurred costs and a reasonable rate of return. Cost-oriented prices also seek to protect consumers, by ensuring JT does not recover more than its efficient costs and the reasonable rate of return.

37 As noted above, WLR can be used to offer voice-only retail services but not broadband; the combination of WLR and Wholesale Bitstream products (i.e. Wholesale Broadband) is required to offer retail broadband services; and the combination of WLR and Wholesale Bitstream (i.e. Wholesale Broadband) in practice allows retailers to offer both voice and broadband services. As such, cost-orientated pricing will be applied to the Wholesale Broadband prices, which is the WLR charge plus the additional charge for Wholesale Bitstream services. This means that the total price paid to JT to provide a broadband service is reflective of JT's cost of providing both wholesale voice and broadband services.

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[8] More information on the approaches considered, and our assessment of the appropriateness of alternatives, can be found in: Frontier Economics (2021) Wholesale Broadband Access Services in Jersey: Price Review https://www.jcra.je/media/598354/final-decision-frontier-economics-report.pdf

[9] We note that in any case it would be difficult to achieve widespread infrastructure-based competition in Jersey, given the small size of the jurisdiction.

Top-down cost modelling

38   For the purposes of informing the cost-based prices we have chosen to develop a "top-down" model. This approach involves modelling the cost of an existing operator, meaning the cost-based price reflects the actual costs incurred by the operator in building and maintaining its network.[10] We take a "top-down" approach for the following key reasons:

(a) **This is consistent with the JCRA's and Jersey Government telecoms market objectives** to incentivise JT to continue investing in its network by ensuring it is able to recover its efficiently incurred costs, and to enable competition in the market through allowing wholesale access to JT's network rather than through encouraging network competition.

(b) **JT's FTTP network is already well-established**. This means that there is data available to implement a top-down approach, i.e. the costs incurred by JT in deploying and maintaining the network, and the demand on that network.

(c) **A "top-down" model is proportionate to the small size of the jurisdiction**. Developing a bottom-up model is a complex exercise and requires a significant amount of input data and assumptions on demand and costs. A top-down model on the other hand is simpler and can draw on information that JT already collects as part of its annual Regulatory Financial Reporting.

39   The starting point for top-down cost modelling is the output of JT's JCRA-reviewed Regulatory Financial Reporting, which contains an exhaustive view of JT's actual costs, and a detailed allocation of those costs to different services. We discuss this further in Annex A.1.

Efficiency adjustments

40   We recognise that the use of data on JT's actual costs, as provided in JT's reviewed Regulatory Financial Reporting submissions, may overestimate efficient level of costs if some of these costs reflect inefficiencies. We have therefore made adjustments to JT's cost data where appropriate. These adjustments and our reasoning are described in more detail in Annex A.2.

41   In particular, where we have observed that JT's costs have increased at a faster rate than RPI inflation in Jersey, we have considered whether these cost increases were justified. Such increases in costs could be justifiable if they reflect:

(a) Activities or cost items relevant to providing Wholesale Broadband that were not captured in the 2021 price control model (e.g. costs of complying with Telecoms Security Requirements);

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[10]   The "top-down" approach differs from a "bottom-up" approach, which models the network of a hypothetical operator by identifying the specific network assets needed for the operator to serve an efficient forecast level of demand.

(b) Improvements in the quality of JT's Wholesale Broadband service over time; and/or

(c) Inflation in relevant input prices (e.g. labour, or materials) that has exceeded the rate of general RPI inflation in Jersey since the start of the 2021 price control.

42 We also take into account efficiency gains that JT would be expected to make in future years, when considering how JT's costs will evolve over time.[11] This is common practice among NRAs, for example Ofcom makes similar assumptions in its charge controls.[12]

Capital cost recovery

43 Our model for the upcoming price control period allows JT to recover its capital costs over the lifetime of assets/investments required to provide Wholesale Broadband. Specifically, the model calculates a set of annualised capital charges that seek to (i) appropriately reflect the capital costs that JT needs to recover (i.e. avoid under/over-recovery), and (ii) maintain pricing stability over time. Below, we provide a summary of our approach, with a more detailed explanation provided in Annex A.3.

44 Our approach to annualising JT's capital costs varies depending on the type of asset. In particular, we draw a distinction between:

(a) **"Legacy"** assets, which are assets that were installed / built over a long period of time, have largely been depreciated and which have now been "re-used" for the JT FTTP network (e.g. ducts); and

(b) **"Newly-built"** assets, which are assets that were installed / purchased more recently, such as equipment installed or upgraded as part of JT's FTTP roll-out (e.g. Optical Line Terminals (OLTs) at local exchanges), or JT's fleet of vehicles.

45 For legacy assets, we implement a RAB-style approach.[13] Under this approach, the amount to be recovered falls over time, reflecting the gradual depreciation of JT's assets. As such, the RAB approach focuses on recovering the remaining value of historical investments. This is an appropriate approach for legacy assets like ducts, as these reflect investments that are largely 'sunk', close to being fully depreciated, and at little risk of early obsolescence.

46 For newly-built assets, capital charges are calculated based on principles of a standard annuity. Under this approach, the amount to be recovered each year is

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[11] Our proposed annual efficiency gains assumption is set out in Annex A.3.

[12] See for example: Ofcom (2025) Telecoms Access Review Consultation: Annexes 1-22; paragraph A15.54.

[13] RAB stands for Regulated Asset Base.

stable over the lifetime of the asset. This is an appropriate approach for newly-built assets like vehicles, as a stable recovery profile reflects how investors would normally expect investments to be recovered and also supports greater pricing stability.

3.2 The time period considered

47   The 2021 price control is set to run from 1 October 2021 to 30 September 2026, a period of five years. We again recommend to set cost-oriented wholesale prices for a five-year period for the upcoming price control. Using a five-year charge control period is consistent with the EC recommendations,[14] and Ofcom's price controls for wholesale fixed telecommunications services in the UK.[15]

48   The JCRA plans to introduce the upcoming price control from October 2026, meaning the five-year period would equate to 1 October 2026 to 30 September 2031.

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[14]   The EU Directive states: *"in the interest of greater stability and predictability of regulatory measures, the maximum period allowed between market analyses should be extended from three to five years, provided market changes in the intervening period do not require a new analysis."* See: DIRECTIVE (EU) 2018/1972 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 11 December 2018 establishing the European Electronic Communications Code

[15]   Ofcom sets out that, recognising *"that the long-term nature of network investments requires regulatory stability […] The market review process requires us to review the relevant markets every five years taking account of recent and prospective market developments"* – we consider similar conditions apply in Jersey. See: Ofcom (2025) Promoting competition and investment in fibre networks Consultation. https://www.ofcom.org.uk/siteassets/resources/documents/consultations/category-1-10-weeks/consultation-telecoms-access-review-2026-31/main-documents/volume-1-overview-summary-and-structure.pdf?v=392944

4 Cost-oriented prices for Wholesale Broadband products

49   In this Section, we first set out our approach to modelling a cost-oriented Wholesale Broadband price for JT's service, and the recommended prices for the upcoming price control. We then discuss the drivers of increases in the recommended Wholesale Broadband price in Jersey, relative to the price fixed for the last year of the 2021 price control.

4.1 Specification of the model

4.1.1 Scope and methodological approach

50   The purpose of the cost model is to estimate cost-based monthly rental prices for JT's Wholesale Broadband service for the period 1 October 2026 to 30 September 2031.

51   The overarching objective of the prices is to ensure that, over the course of the price control, JT recovers an appropriate level of costs from the provision of the Wholesale Broadband product, including an appropriate return on investment. This is the cost that allows JT to recover the overall cost of its FTTP network, taking into account that a share of those costs should also be recovered from other wholesale broadband charges (such as connection charges), and the other services that JT provides over this network infrastructure (i.e. retail broadband, fixed voice, and leased line services).

52   As explained in Section 3, we have developed a "top-down" cost model to inform the maximum price for the Wholesale Broadband product, drawing on outputs from JT's reviewed Regulatory Financial Reporting. This uses the actual costs incurred by JT, but adjusts these for any potential historical inefficiencies, as well as further efficiencies that JT would expect to make over the period. These costs include the cost of the FTTP network, including the annualised capital costs and operating costs of the network, as well as other direct costs associated with providing fixed wholesale services (such as JT's wholesaling team). They also include a share of other costs which support the provision of both FTTP and non-FTTP services (such as JT's building stock and billing systems).

53   The tables below summarise the scope of the cost model, as well as the methodological approach that underpins the model. The chosen approach accounts for international best practice in the development of cost models, including the recommended costing approach outlined in the EC's 2013 Costing Recommendation. It has however been tailored to the specific market situation in

Jersey, and reflects the JCRA's objective to ensure a proportionate approach. Further detail on each element of the approach is provided in Annex A .

Table 4   Model scope underpinning the cost model

Element	Approach	Rationale
Modelled charges	Wholesale Broadband prices (WLR charge plus Wholesale Bitstream charge)	As directed by the JCRA
Service scope	Wholesale fixed voice and broadband services provided by JT	Wholesale Broadband is required to offer broadband services but also enables retailers to offer both voice and broadband services to consumers. Therefore the model considers the costs associated with JCRA's provision of wholesale voice and broadband services, to ensure these costs are fully recovered via the Wholesale Broadband price.
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).*	We do not explicitly model the additional costs of serving new-build premises as: ■ Cost/demand is not expected to be material: noting an expected Jersey household growth of ~ 0.03%/year.[16] ■ This is a conservative approach: expected cost of serving a new household is similar if not smaller than for an existing household. ■ This is a proportionate approach: it avoids adding significant complexity to the model.
Costs considered	■ Network capital costs (e.g. FTTP access network, exchange equipment,	Reflects costs incurred to support the provision of Wholesale Broadband (i.e.

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[16] Compound annual growth rate of total projected households from 2025-2030 in Statistics Jersey's 'Net nil' migration scenario. See: Statistics Jersey (2024) Household & housing needs projections 2023-2040. https://www.gov.je/SiteCollectionDocuments/Government%20and%20administration/Households%20and%20Housing%20Needs%20Projections%20Report%202023%20to%202040.pdf

Element	Approach	Rationale
	Core network links and routers, voice platform costs, buildings).	Wholesale Bitstream + WLR) over the price control period.
	■ 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).	
	■ TSR opex and capex forecasts.	
Time period for pricing	2026-2031	Reflects chosen price control period

Source: *Frontier Economics*
Note: *[Insert Notes]*

Table 5   Key methodological choices underpinning the cost model

Element	Approach	Rationale
Price base	Nominal *(cost trends are inclusive of expected inflation)*	Model prices for each year of the price control period based on the forecast level of inflation.
Model type and cost standard	Top-down Fully Allocated Costs (FAC)	■ Ensures JT recovers its actual efficiently-incurred costs over the price control period. ■ Proportionate given the small size of the jurisdiction. ■ Consistent with approach used in the previous price control period.
Asset valuation method	Historical cost accounting	Consistent with objectives of price control to ensure JT recovers its actual efficiently-incurred costs, and focus on facilitating retail competition based on access to JT's network, rather than infrastructure-based competition.

Element	Approach	Rationale
Capital cost annualisation approach	■ "Legacy" assets (e.g. ducts, buildings): RAB-type approach, with holding gain (HG) adjustment ■ "Newly built" assets (e.g. fibre cables, ONTs etc): standard annuity reflecting asset price trends.	■ RAB-type approach ensures that for older assets that have been re-used for the FTTP network, only the remaining value of these assets is reflected in the Wholesale Broadband price. ■ The net/gross book values (NBV/GBV) are used to ensure that the price recovers only costs actually incurred by JT. ■ HG adjustment ensure expected changes in duct / building asset value do not lead to over-recovery of costs. ■ Standard annuity approach for newly built assets ensures the efficient recovery of these costs and is used because assets are expected to be replaced more frequently, in comparison to the legacy assets.
Efficiency adjustments	■ Historical efficiency adjustments ■ Forward-looking operating cost efficiencies *(Opex trends reflect inflation and efficiency gains)*	■ Ensures JT recovers only its efficiently-incurred costs. ■ Forward-looking assumptions consistent with approach in other jurisdictions (e.g. Ofcom in UK).

Source: *Frontier Economics*
Note: *[Insert Notes]*

4.1.2   Proposed prices

Key calculation steps and inputs

54   The Wholesale Broadband rental price in Jersey will be a single monthly price per broadband subscriber in each year from October 2026 to September 2031. The price consists of a charge for the Wholesale Bitstream service as well as WLR.

55   Currently, an OLO taking the Wholesale Bitstream product must also take WLR[17], and it is not proposed to change this structure as part of this control (see Section 3.1). Consistent with this, we focus on the Wholesale Broadband (i.e. Wholesale Bitstream + WLR) charge below. It is set to recover JT's cost of providing Wholesale Broadband over the course of the price control.

56   In practice, the model follows four main steps to estimate the monthly Wholesale Broadband charge:

(a)   Forecast demand on the JT FTTP network in each year over the modelling period is inputted into the model. This includes the number of broadband subscribers on the JT FTTP network, but also fixed voice-only subscribers.

(b)   The capital and operating costs relating to the FTTP network to be recovered from wholesale fixed broadband rental services in the 'base year' of the price control are then estimated, based on considering the whole range of costs that support the provision of Wholesale Broadband, and how these should be appropriately allocated to Wholesale Broadband.

(c)   These costs are then forecasted over the rest of the price control, based on forecasts of inflation, net of assumptions about the efficiency gains that JT should be able to make each year (which would reduce its costs, all else equal).

(d)   The annual costs as well as the number of subscribers are pro-rated, to reflect that the price control years run from October to September.[18]

(e)   Finally, the overall Wholesale Broadband charges are calculated so that, given the forecast level of monthly demand over the price control, the relevant forecast costs are fully recovered.[19] As discussed in Section 4.2 below, JT's costs have risen notably since 2021, putting an upward pressure on prices. We have considered a range of profiles of prices, including different 'starting charge adjustments' (i.e. increases in the first year relative to the 2025/26 price) and 'glidepaths' (i.e. the rate of price increases for each year of the price control after 2026/27, relative to *expected RPI inflation of 2.7%*).[20] This is in line with how prices are presented in Ofcom's TAR 2026-31 consultation,[21]

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[17]   The WLR applies both to voice only customers and to broadband customers.

[18]   The pro-rating is done based on the number of months in each calendar year that is included in a given charge control year. For example, the estimated price for the charge control year October 2026 to September 2027 is based on 9 months in 2026 and 3 month in 2027 i.e. (3/12)*2026 price + (9/12)*2027 price. The same is done for the number of subscribers.

[19]   The relevant costs to be recovered take into account the expected number of voice-only customers who would only pay the WLR fee, and the costs that JT would recover via its one-off charges (see Section 5).

[20]   Implementing these profiles involves allowing some under-recovery in earlier years and some over-recovery in later years of the price control, with JT forecast to fully recover its relevant costs over the whole five-year period.

[21]   Ofcom (2025) Promoting competition and investment in fibre networks: Telecoms Access Review 2026-31 – Volume 4:Pricing Remedies. See: https://www.ofcom.org.uk/siteassets/resources/documents/consultations/category-1-10-weeks/consultation-telecoms-access-review-2026-31/main-documents/volume-4-pricing-remedies.pdf?v=392947

however as set out above, we assume the upcoming price control will be 'nominal' (i.e. prices will be fixed upfront based on the forecast level of inflation and will not be updated if actual inflation differs from the forecast) – in a 'real' price control such as that set by Ofcom, prices would instead vary with *actual* RPI inflation each year, following an SCA.

57   The set of key inputs and assumptions used in these calculations is outlined in full in Annex A of this report, along with supporting evidence. The value of the inputs has been informed by data provided by JT, as well as by OLOs, in response to information requests for this control. Where relevant and applicable to Jersey, we have also drawn on data from the UK and other justifications, in particular assumptions used in cost models developed to inform Wholesale Broadband prices.

The estimated Wholesale Broadband charge

58   The Wholesale Broadband charges (i.e. the sum of WLR and Wholesale Bitstream charges), for the period October 2026-September 2031 are provided in the tables below. We propose five different scenarios based on a combination of a first year price increase from the 2025/2026 price and an RPI+X% increase for the following years of the upcoming price control (based on *forecast* 2.7% RPI inflation)[22]. The different options and associated prices are presented in the tables below.

Table 6   Estimated cost-based price evolution in percentages for year 1 and year 2-5

Scenario	Starting charge adjustment (year 1)	Forecast RPI+X glidepath (years 2-5)
1	13.2%	Forecast RPI+0%
2	10.9%	Forecast RPI+1%
3	7.6%	Forecast RPI+2.5%
4	6.0%	Forecast RPI+3.3%
5	5.0%	Forecast RPI+3.7%

Source: *Frontier Economics*

Note: *Each year of the price control runs from 1st October to 30th September of the following calendar year.*

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[22]   Both tables assume that the price control will be 'nominal' (i.e. prices will be fixed upfront based on the forecast level of inflation and will not be updated if actual inflation differs from the forecast) – in a 'real' price control, prices would instead vary with *actual* RPI inflation each year, following an SCA.

Table 7   Estimated cost-based Wholesale Broadband price for JT's services: 2026/2026 – 2030/2031, per subscriber per month, nominal

Scenario	2026/27	2027/28	2028/29	2029/30	2030/31	Average
1	£27.74	£28.49	£29.26	£30.05	£30.86	£29.30
2	£27.19	£28.19	£29.24	£30.32	£31.44	£29.30
3	£26.38	£27.75	£29.19	£30.71	£32.31	£29.30
4	£25.97	£27.52	£29.16	£30.90	£32.75	£29.30
5	£25.74	£27.39	£29.15	£31.02	£33.01	£29.30

Source: Frontier Economics

Note: Each year of the price control runs from 1st October to 30th September of the following calendar year. The average is calculated as a weighted average (weighted by subscriber numbers).

4.2   Drivers of broadband cost increases

59   The proposed Wholesale Broadband prices above imply starting charge adjustments ranging from 5.0% to 13.2%, with further increases at or above the forecast of 2.7% RPI inflation expected for the rest of the price control period. The increases in the Wholesale Broadband price are driven by several factors, notably those set out below.

60   First, a key driver of the price increase is that general outturn inflation has been significantly higher than the forecast of inflation used in the 2021 price control model to forecast how JT's costs (notably its operating costs) would evolve over the price control period. The 2021 price control model assumed JT's operating costs would evolve in-line with a forecast (at the time) of 2.4% annual inflation, less expected efficiency gains. This assumption reflected that JT's operating costs will be largely driven by the cost of inputs such as labour costs (i.e. the salaries of JT's staff who maintain its network and provide other relevant support activities for Wholesale Broadband) and energy, which will be reflected in RPI. In the period from September 2021 to September 2025 average annual RPI inflation turned out to be 6.5%.[23] This high rate of recent general inflation reflects similar trends in general inflation seen across the UK/Europe[24] (in particular driven by rising energy costs, driven by the War in Ukraine). As the prices for the upcoming price control reflect up-to-date data on JT's costs – which include the impact of wider inflation

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[23]   Compound annual growth rate of RPI (All items) from September 2021 to September 2025.

[24]   https://researchbriefings.files.parliament.uk/documents/SN02794/SN02794.pdf

in e.g. labour and energy costs[25] – the new recommended prices also reflect the full effects of inflation since 2021.

61   Second, the recommended prices above include additional JT costs that were not included in the prices set by the 2021 price control. JT did not have a comprehensive cost reporting system before 2021, which may have led to JT omitting some relevant costs in its submissions (pre- and post-consultation) in the 2021 price control-setting process. These costs are now clearly identifiable, as JT has since developed a new, comprehensive cost reporting system to facilitate its Regulatory Financial Reporting. The key omitted costs that are now included relate to JT's costs of operating its Data Centres and various other network operating costs, as well as its capital costs of Vehicles, IT equipment, Intangible assets, and In-building cabling (to the extent that these costs are relevant to its provision of Wholesale Broadband).

62   Third, JT now faces additional and increasing costs relating to the Telecoms Security Regulations recently introduced by Government, which set out requirements for Jersey's telecom providers to protect the networks and services that the Island depends on.[26] For example, this requires additional IT equipment and software costs that were not required in 2021. Therefore, the recommended prices above include a share of the cost to JT of meeting its TSR requirements, to the extent that these costs are relevant to its provision of Wholesale Broadband. In other words, part of the increase in prices reflects better security of JT's network.

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[25]   For context, we note that Jersey's Index of Average Earnings (nominal) grew at a compound average growth rate of 6.2% from 2021 to 2025; and the compound annual growth rate of RPI for energy ('Fuel and Light') was 9.1% from September 2021 to September 2025.

[26]   https://www.gov.je/Government/Consultations/pages/telecomssecuritycodeofpractice.aspx

5 Consideration of a wholesale 'broadband-only' product and other wholesale charges

63 In this Section we consider other policy matters relating to the price control. First, we consider a wholesale 'broadband-only' product. Second, we assess other wholesale charges that OLOs currently face in Jersey, on top of the Wholesale Broadband charges.

5.1 Consideration of a 'broadband-only' wholesale product

64 The Draft Decision of the JCRA's Telecoms Market Review in 2025 set out a discussion on the possible introduction of a wholesale 'broadband-only' product.[27] It was noted that the technical configuration of Wholesale Broadband is based on JT's network and related systems, these currently require WLR to be simultaneously provisioned and linked to the Wholesale Bitstream service. It is worth noting that acquiring the two services also allows the retailers to offer voice services in addition to broadband. In its Final Decision,[28] the JCRA highlighted two considerations for introducing a wholesale 'broadband-only' product:

(a) technical challenges of implementation; and

(b) the costs to JT of providing a wholesale 'broadband-only' service would be very similar as providing Wholesale Bitstream (including the WLR component).

65 We discuss these considerations in more detail below. In light of these considerations, we have not put forward pricing proposals for a wholesale 'broadband-only' product in this report.

5.1.1 Technical challenges to implementation

66 In response to the JCRA's Telecoms Market Review Draft Decision, respondents highlighted that there are several potential technical challenges to implementation of a wholesale 'broadband-only' service in the short term.[29]

67 An OLO argued that Fixed Number Portability (FNP) should be introduced in Jersey before a wholesale 'broadband-only' product could be made available. Without FNP, a subscriber wishing to switch from using a landline for voice services to using broadband for voice services would at present lose their existing phone

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27 Case T-083 Telecoms Market Review: Draft Decision
https://www.jcra.je/media/c5bjzona/2025-02-26-t-083-telecoms-market-review-draft-decision.pdf

28 Case T-083 Telecoms Market Review: Final Decision
https://www.jcra.je/media/2flc0yza/2025-07-16-t-083-telecoms-market-review-final-decision.pdf

29 Responses to the Telecoms Market Review Draft Decision can be found at: https://www.jcra.je/cases-documents/cases/2023/t-083-telecoms-market-review/#

number and receive a new one. This could weaken switching incentives and cause confusion for consumers. Once FNP is introduced, subscribers could switch to the broadband-only products without having to give up their fixed phone number or retain their landline to continue using voice services.

68 Operators have further identified several other technical challenges, specifically:

(a) retail broadband providers should be enabled to control and appropriately prioritise voice service data (notably that of 999 traffic) that could in future be served over broadband rather than landline.[30]

(b) retailers may need to upgrade the routers they provide to their subscribers, e.g. to provide a back-up power supply to maintain the subscriber's ability to make phone calls during a blackout.

(c) JT would need to make changes to its internal systems – for example, it may in some cases need to change the identification numbers customers require to report faults – which could cause confusion for customers.[31]

69 In summary, while there are no insurmountable barriers to introducing a wholesale 'broadband-only' product in Jersey, there are various technical challenges that need to be resolved before introducing such a product.

5.1.2 Similarity of costs with Wholesale Broadband

70 Respondents to JCRA's Telecoms Market Review Draft Decision noted that there would be little difference in costs between a wholesale 'broadband-only' product and a combined WLR and Wholesale Bitstream product (i.e. Wholesale Broadband).[32] For example, an OLO pointed out data traffic from voice services is negligible compared to data traffic from broadband services. Similarly, two operators said the difference in the cost of network equipment needed to offer a combined WLR and Wholesale Bitstream service relative to a wholesale 'broadband-only' service would be minimal.

71 Indeed, this is consistent with findings in other jurisdictions. For example, in the UK, Ofcom advises consumers that *"there are some broadband-only packages out there, which don't include a landline service. But they generally don't cost less than a broadband and home phone bundle"*.[33] This reflects that, while retailers in the UK

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[30] This is because JT, rather than OLOs, currently controls the 'Quality of Service' variables that dictate which data is prioritised on its network, even for OLOs' customers.

[31] We note that otherwise JT has said that deactivating the dedicated voice port on subscribers' Optical Network Terminals (ONTs) would prevent subscribers from making or receiving calls.

[32] Responses to the Telecoms Market Review Draft Decision can be found at: https://www.jcra.je/cases-documents/cases/2023/t-083-telecoms-market-review/#

[33] Ofcom, What is 'line rental'? Why do I have to pay it? Available at: https://www.ofcom.org.uk/phones-and-broadband/telecoms-infrastructure/what-is-line-rental-why-do-i-have-to-pay-it

offer both broadband-only and bundled broadband and voice products, there is no such differentiation at the wholesale level: all else the same, a retailer would pay the exact same FTTP wholesale fees irrespective of whether it was offering subscribers voice in addition to broadband.[34]

72   As discussed above, JT has noted that introducing a wholesale 'broadband-only' product would require configuration or coding changes to its internal systems. The additional costs to JT of such changes would need to be considered. If the decision was taken to recover these costs via the wholesale 'broadband-only' price, then this may offset any cost savings of providing Wholesale Bitstream separately to WLR.[35]

73   In summary, as signalled by operators, the difference in the cost to JT of providing a wholesale 'broadband-only' service relative to a combined WLR and Wholesale Bitstream service will be minimal. In turn, the impact on retail prices of introducing a wholesale 'broadband-only' product would be limited. It is not therefore proportionate to separately model the appropriate wholesale price for a 'broadband-only' product.

5.2   Assessment of other charges

74   In addition to the monthly overall rental price for the Wholesale Broadband product, OLOs also face a range of other charges, which can be split into (i) one-off charges, such as connection charges and customer migration charges, and (ii) CP Broadband Interconnection charges. These are discussed below.

5.2.1   One-off charges

75   In addition to the monthly charges, OLOs may incur certain one-off charges, e.g. connection charge of £15.72; and take-over charge of £15.72. We note that some of JT's costs from providing wholesale broadband services is recovered through the one-off charges, and this has been reflected in the cost model used to inform the wholesale broadband price (more details on this can be found in Annex A of this report).

76   We understand that the JCRA is not proposing to change the level or approach to setting JT's one-off charges in this price control. The JCRA has reviewed some of

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[34]   See for example: Openreach (2026) Full Fibre broadband (FTTP) pricing for service providers From 1st February 2026. https://www.openreach.com/content/dam/openreach/openreach-dam-files/documents/Equinox-Pricing-01-FEB-26-V03-online.pdf

[35]   We note that there may be other routes through which these costs could be recovered, such as through an increase to WLR.

these charges as part of its casework in the past and these have not been identified as an area of concern for this control.[36]

5.2.2 CP Interconnect charges

77   In addition to the WLR and Wholesale Bitstream services, OLOs also acquire from JT CP Broadband Interconnect services. This is a form of leased lines, which connect JT's layer 2 aggregation network to OLOs' Point of Presence (PoP).[37] In 2022, the JCRA gave the Final Notice of directions to JT following its Business Connectivity Market Review (BCMR), which covered CP Interconnect charges.[38] The JCRA found that JT had SMP in the wholesale market for leased lines in Jersey and directed JT to price each wholesale leased line product at no more than the retail charge minus 31%. A safeguard cap applied to CP Interconnect Services was accordingly removed.

78   We understand that the JCRA will review CP Interconnect charges in the context of the next leased lines price control, which is a separate process to this wholesale broadband price control, and this work will be included in a future JCRA business plan.

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[36]   For example, customer migration charges were considered in: T589/10 - JT ADSL Margin Squeeze 2010 | JCRA

[37]   Based on JT's response to our data request, we understand that initially OLOs had to purchase a separate CP Broadband Interconnect Service for the wholesale broadband access products they used and for the Wholesale Bitstream product. However, this requirement has been subsequently removed from the wholesale broadband agreement.

[38]   JCRA (2022) Case T-012: Business connectivity market review: remedies - Final Notice of directions to JT (Jersey) Limited. See: http://jcra.je/media/598578/business-connectivity-market-review-final-notice-remedies.pdf

Annex A – Further detail on the cost modelling approach

79   In Section 3.1, we set out that we have broadly maintained same cost modelling approach as the 2021 price control, in deriving our recommended prices for the upcoming price control. The following details on our approach can be found in Annex A of our 2021 price control final report:

(a) model type;

(b) cost standard;

(c) model price base; and

(d) network scope covered by the model.[39]

80   We also provided a summary of how we have specified the model, and the model's output: our recommended maximum prices for Wholesale Broadband for the period October 2026 to September 2031.

81   This annex provides more detail on the inputs and functioning of the model to set prices for the upcoming price control. Specifically, we set out:

(a) The cost categories included in our model;

(b) Adjustments to JT's data inputted into the model;

(c) Further detail on methodology and assumptions:

(i)   Estimation of JT's subscriber base;

(ii) Calculation of annual operating costs;

(iii) Calculation of annual capital costs; and

(d) An assessment of the model's sensitivity to key parameters.

A.1   Cost categories included in the model

82   The categories of costs included in the cost model represent all activities and assets that support the provision of services on JT's FTTP network. This includes costs that are specific to the provision of individual services, included fixed voice services, as well as more "indirect costs" such as general management costs (e.g. HR, Finance).

83   The starting point for the cost model is the JT's Regulatory Financial Reporting submissions for the latest published (i.e. post-JCRA review) financial years i.e. 2023 and 2024. These submissions include details on JT's capital and operating costs for specific assets and activities across the following market and product groupings: wholesale voice access, wholesale broadband access, wholesale on-island leased lines, wholesale voice interconnect, retail voice, wholesale residual,

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[39]   Available at: https://www.jcra.je/media/598354/final-decision-frontier-economics-report.pdf

mobile, and other.[40] The costs in each market or product grouping reflect the cost of assets and activities that purely support the provision of the services in those markets and product groupings, plus an allocation of "shared costs" is costs for assets and activities that support services across multiple markets and product groupings.

84   In particular, the model draws on the Operating Costs ("opex"), Gross Book Values (GBV) and Net Book Values (NBV) of JT's assets allocated to wholesale voice access and wholesale broadband access services. We consider the costs for these two markets because the Wholesale Broadband product is required for OLOs to offer broadband and/or voice services. The Wholesale Broadband charge (i.e. Wholesale Bitstream plus WLR) needs to cover JT's efficient costs and a reasonable rate of return across its wholesale broadband and voice services.

85   We take JT's post-JCRA review Regulatory Financial Reporting as a starting point for the top-down cost modelling for two reasons. First, it provides an exhaustive view of JT's actual costs, i.e. it includes the costs of all of JT's assets and activities. Second, costs for the relevant wholesale broadband and voice services (i.e. the costs associated with Wholesale Broadband) reflect a detailed allocation methodology that aims to allocate costs to the relevant markets/product groupings based on the drivers of those costs.

86   In the following sub-sections, we set out the different cost categories in more detail. As set out in Section A.2, we have adjusted (or required JT to adjust) JT's cost data in some instances, relative to its 2023 and 2024 reviewed Regulatory Financial Reporting submissions.

Operating cost categories

87   In the JCRA-reviewed Regulatory Financial Reporting for 2023 and 2024, JT categorises its various operating costs as follows.

Table 8   Operating cost categories considered in the cost model

Opex category	Description
General management	JT's support costs, such as Finance, HR and Legal.
IT	Maintenance and operation of corporate IT systems and applications, including IT business support systems (BSS), software delivery, and other IT costs.

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[40]   For more information, see: https://www.jcra.je/regulated-sectors/telecommunications/regulatory-financial-reporting/#

Opex category	Description
Property	Property management and repair across the JT property portfolio, including rent, leasehold expenses, rates, and service charges.
Electricity	Electricity costs incurred by JT across its property portfolio (e.g. Offices, Exchange buildings, Data Centres).
Network operations	Operational work such as repairs, installations and maintenance carried out on JT's networks (including its fibre infrastructure) and at customer premises.
Commercial	Cost of selling and retaining customers including sales, marketing, and product management.
Bad debt	The cost of customer non-payment – expected credit losses/provisions and write-offs of uncollectible receivables.
Cost of sales	Direct costs incurred to make and fulfil sales, e.g. commissions, payment fees, fulfilment and logistics.

Source: Frontier Economics assessment based on JT's Explanatory note to its Regulatory Financial Reports 2023 & 2024 and information provided during the information collection process in October 2025.

88   We note that some opex categories are less relevant for the provision of wholesale broadband and voice services. This is accounted for by only allocating a portion of the costs to each of the different services that JT offers. For example, only a small share of JT's Bad debt costs are allocated to wholesale broadband and voice markets.

Capital cost categories

89   The table below, sets out the different capital cost categories (i.e. the types of operational assets held by JT) in JT's Regulatory Financial Reporting for 2023 and 2024. JT's capital costs of providing wholesale broadband and voice services are broadly split across: assets in its FTTP access network, assets in its core and backhaul network, and other assets such as office buildings.

90   When modelling the appropriate profile of capital cost recovery, we treat Buildings, Network Site Infrastructure, Customer Premise Equipment (which refers to In-building Cabling, in the context of wholesale broadband and voice services), and Outside Plant as 'legacy' assets. We treat the rest of JT's assets as 'newly-built' assets.

Table 9   Capital cost categories considered in the cost model

Part of network	Asset categories considered
FTTP access network	■ Optical Line Terminal (OLT) ■ Optical Network Terminal (ONT) ■ Fibre cabling ■ Customer Premise Equipment (CPE)
Core and backhaul network	■ Subsea cabling ■ Transport network
Other	■ Buildings ■ Network Site Infrastructure ■ IT Equipment (incl. OSS and BSS) ■ Outside Plant ■ Vehicles ■ Intangible assets ■ Mobile Core, Switching, Signalling, and Control Platform

Source: *Frontier Economics assessment based on JT's Regulatory Financial Reporting 2023 and 2024*

Note: *JT's Regulatory Financial Reporting also includes an 'Other' category for GBV/NBV, which we have excluded as JT does not report any assets in this category in practice.*

A.2   Adjustments to JT's data inputted into the model

91   As set out in the main body of this report, the objective of our model is to forecast the efficient level of costs that JT is expected to incur over the upcoming price control period (October 2026 to September 2031) in providing Wholesale Broadband, and set a profile of prices to enable JT to recover these costs. While JT's post-JCRA review Regulatory Financial Reporting submissions provide a comprehensive view of JT's actually incurred costs in recent years, it is not always appropriate to rely on these data to set future prices. In particular, adjustments are needed where costs in the Regulatory Financial Reporting:

(a)   are not representative of the costs that JT will incur over the upcoming price control period – for example, where the scope of JT's costs are expected to change relative to the past;

(b)   reflect inefficiencies – for example, where JT has not provided justification for cost increases over and above relevant measures of inflation; and/or

(c) risk over-allocating costs to wholesale broadband and voice services.[41]

92 On these bases, we have made, or requested for JT to make, some adjustments to the data provided in the Regulatory Financial Submissions, before deriving the prices set out in Section 4.1.2. Specifically, we made adjustments to the following costs: the allocation of general management and network site infrastructure costs across markets; the level of network operations and IT opex, and ONT capex; and the inclusion of expected increases in JT's TSR-related costs. We explain these adjustments in more detail below.

Cost allocation adjustments

93 **General management re-allocation**: We requested that JT re-submit its General Management opex for 2023 and 2024, based on an amended allocation approach. In its Regulatory Financial Reporting, JT allocates general management costs across markets based on the share of JT's other opex (excluding cost of sales) and capex in the relevant year that it allocated to each market. So if JT allocated 10% of the rest of its opex, excluding cost of sales, and capex to Service A, then 10% of its general management costs would be allocated to Service A. We requested that JT make two amendments to this approach, in order to product a more appropriate allocation of general management costs to be reflected in the regulated Wholesale Broadband price:

(a) First, we requested that the opex and capex cost driver used to allocate these costs include Cost of Sales in the allocation base, rather than exclude these costs from the allocation base. There is no clear reason why these costs should have been excluded from the allocation base.

(b) Second, we requested that JT amend its opex and capex cost driver to reflect annualised capital costs instead of actual capex.[42] This results in a more stable and predictable allocation of costs over time: Since actual capex can vary significantly from year to year, using an actual capex-based cost driver would risk 'baking in' to future prices above/below-average General Management costs from years with above/below-average capex.

94 **Network Site Infrastructure re-allocation**: We also requested that JT re-calculate the share of its power equipment costs allocated to wholesale broadband and voice services. In its Regulatory Financial Reporting, JT's allocation of these

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[41] We note that the cost allocation approach underlying JT's Regulatory Financial Reporting is reviewed and approved each year by the Authority. However, in the context of setting future prices, additional scrutiny of the allocation approach is necessary to ensure wholesale broadband and voice customers do not bear costs that are unrelated to the services they receive. This is particularly important in light of current cost of living pressures in Jersey: see for example: BBC (2025): "How are islanders coping with the cost of living?", available at: https://www.bbc.co.uk/news/articles/cd0v1y0nvl1o

[42] This means that, for a given cost line in a given year, the capex measure used in the cost driver is represented by an annual capital charge (depreciation + NBV × WACC).

costs was broadly based on how much electricity it used across its buildings, and the purpose of those buildings,[43] *excluding* data centres and buildings in Jersey. However, power equipment relates to equipment across all buildings, including data centres and buildings in Guernsey, where the percentage allocation of electricity costs to wholesale broadband and voice services is lower. Therefore, we requested JT update the allocation of power equipment costs to reflect electricity costs across its whole property portfolio (including data centres and Guernsey buildings). In turn, we have adjusted the GBV and NBV of JT's Network Site Infrastructure to reflect the reduced allocation of power equipment costs to wholesale broadband and voice services.[44]

Cost level adjustments

95   **Network operations opex adjustment**: We do not rely on the network operations data from JT's reviewed 2023 and 2024 Regulatory Financial Reporting submissions, as [✂] JT has not provided sufficient justification for the above-inflation cost increases. Given this, we exclude the cost increases since 2020 that were over and above inflation. In practice, we take JT's total network operations costs in 2020, and allocate a share of these to wholesale broadband and voice services based on the same rate of allocation as in JT's 2024 Regulatory Financial Reporting submission. We then apply an uplift to this based on RPI inflation from 2020 to 2024 (29%).[45]

96   **IT opex adjustment**: We have adjusted JT's IT opex data for 2024, relative to its Regulatory Financial Reporting submission. JT reported [✂] (i.e. IT opex rose much faster than inflation). While JT was able to justify some of the increase, it did not sufficiently justify increases in opex for [✂]. Therefore, for these elements we instead use 2023 costs, uplifted to reflect overall RPI inflation from 2023 to 2024.

97   **ONT capital cost adjustment**: We do not rely on the ONT GBV/NBV data from JT's 2023 and 2024 Regulatory Financial Reporting submissions, as this data is not relevant to the upcoming price control period. First, the costs of JT's existing ONT assets should already have been fully recovered over the 2021 price control,

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[43]   Specifically, JT's allocation of power costs was based on an analysis of electricity costs incurred per building type in JT's property portfolio (e.g. if a given building is used for wholesale broadband services, the share of electricity costs accounted for by that building is allocated to wholesale broadband); where a building has multiple uses, such as Offices and Exchanges, the share is based on building area.

[44]   We made this adjustment for both 2023 and 2024 GBV data, and 2024 NBV data. As JT did not provide the 2023 NBV of power equipment, we assumed that the 2023 NBV equals the adjusted NBV multiplied by the ratio of JT's reported Network Site Infrastructure NBV between 2023 and 2024.

[45]   As discussed in Section A.3, we ultimately forecast JT's opex beyond 2024 based on expected inflation less an efficiency gains assumption.

meaning there is no reason to reflect these costs in future prices. Second, [✂]. Therefore, we instead model ONT costs using [✂].[46]

Inclusion of additional costs

98   **TSR adjustment:** As set out in Section 4.2, JT now faces additional costs relating to the Telecoms Security Regulations recently introduced by Government. In particular, JT expects to increase IT opex and capex in coming years to comply with TSR.[47] As these costs will not yet be fully reflected in JT's 2023 and 2024 reviewed Regulatory Financial Reporting submissions, we have adjusted JT's IT opex and capex to reflect the expected incremental costs over the relevant period.[48] We have made this adjustment using forecasts of total incremental TSR costs provided by JT, using the same rate of allocation to wholesale broadband and voice services as JT used for IT opex and capex in its 2023 and 2024 Regulatory Financial Reporting submissions.[49]

A.3   Further detail on methodology and assumptions

99   Below, we describe our approach to forecasting JT's subscriber base over the next five years, as well as to the calculation of annual operating and capital costs that should ultimately be recovered from the Wholesale Broadband charge.

Estimation of JT's subscriber base

100   The Wholesale Broadband charge is set to allow JT to recover its expected efficient costs over the next five years. The rate at which costs can be recovered depends on the estimated number of subscribers using JT's FTTP network over that period.

101   To reflect the estimated number of subscribers using JT's network over the next five years, we use forecast demand data provided by JT. To ensure JT's forecasts are appropriate, we have cross-checked this data against data from Statistics Jersey and data provided by OLOs.

102   We separate out the estimated number of broadband subscribers from fixed voice-only subscribers. This is because fixed voice-only subscribers pay a fixed £11.10 WLR charge that is not cost reflective. As such, to ensure Wholesale Broadband charges enable JT to recover the full cost of providing wholesale broadband and

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[46]   This includes the associated labour, router/equipment and management costs.

[47]   Compliance with TSR may also increase other types of opex and capex, such as General Management costs. However, for simplicity, we have reflected JT's incremental TSR cost forecasts within IT opex and capex in our modelling.

[48]   We note that, in practice, JT's TSR-related costs may not all fall under the IT cost category.

[49]   One exception was [✂], which we allocated at the same rate as General Management opex in our model.

voice services, it is necessary to separately estimate the costs recovered from voice-only customers via WLR before setting the additional Wholesale Bitstream charge so that all the relevant remaining costs are recovered from Wholesale Broadband users.

Calculation of annual operating costs

103 To forecast JT's operating costs over the next five years, we take JT's post-JCRA review data on its recent annual operating costs as a starting point, and then forecast these costs for future years based on the expected trend in operating costs over time, taking into account expected efficiency gains.

104 We set JT's costs for the "base year" as the average of opex over the calendar years 2023 and 2024. This smooths out any 'lumpiness' in JT's spending across years. As discussed above, opex for these years reflects JT's post-JCRA review Regulatory Financial Reporting, with some adjustments.

105 Regarding the expected trends in operating costs over time, we assume an annual RPI inflation rate of 2.7%. This assumption was proposed by JT, based on the inflation forecasts set out in Jersey's Fiscal Policy Panel's 2025 Annual Report.[50] We consider this is a reasonable estimate, based on a credible source.

106 While costs are expected to rise with inflation, JT is also expected to be able to improve its operational efficiency over time. Regarding the annual opex efficiency gains, we assume JT will achieve yearly efficiency gains of 3.0%. This is aligned with recent precedent in the UK. In particular, in the FTTP cost model underlying its 2025 Telecoms Access Review (TAR) consultation, Ofcom set an expected annual efficiency gain of 3.0% for opex cost elements such as SLG, system and processing costs incurred by Openreach in providing Wholesale Local Access services.[51] Aligning our efficiency gains assumption with Ofcom's TAR FTTP cost model is appropriate given that the Ofcom precedent is recent and JT's network is an FTTP network.

Calculation of annual capital costs

107 The approach to the calculation of annual capital costs can be divided into two parts. We first identify the GBV and NBV data in a 'base year' and then convert the numbers to annual costs using an appropriate annualisation approach. The two steps are explained below:

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[50]   Jersey's Fiscal Policy Panel Annual Report 2025.
https://www.gov.je/SiteCollectionDocuments/Government%20and%20administration/Fiscal%20Policy%20Panel%20Annual%20Report%202025.pdf

[51]   Ofcom (2025) Telecoms Access Review Consultation: Annexes 1-22; paragraph A15.54.

(a) To calculate 'base year' (2024) capital costs, we take the average of the year-end 2023 and 2024 GBV and NBV of JT's assets,[52] which gives the average GBV and NBV in 2024. We use average 2024 asset values instead of year-end values because we model calendar year costs.[53]

(b) We then annualise JT's capital costs. The objectives of the annualisation approach are to (i) ensure JT's costs are recovered appropriately – i.e. reduce risk of over/under-recovery; and (ii) facilitate pricing stability, and in turn promote price certainty for JT, OLOs and end users. As explained in paragraph 45, we use a RAB-type annualisation approach for legacy assets, and a standard annuity approach for newly-built assets. The Figure below sets out the formulae for deriving the annual capital charge (i.e. annualising) for a given asset category under each approach, along with the rationale for each approach.

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[52] As set out earlier in this Annex, the GBV and NBV values for 2023 and 2024 are reflect JT's Regulatory Financial Reporting, with some adjustments (see Section A.2).

[53] If we used year-end asset values, prices would reflect capital costs that JT would not otherwise expect to recover in the period 2027-2031. For example, JT would usually expect to recover most of the GBV of an asset purchased in late 2031 in 2032 onwards, not in 2031 itself.

Figure 1   Annual capital charge formula

	RAB-type approach	Standard annuity approach
Formula	$$\begin{aligned} &Annual\ charge \\ &= Annual\ depreciation \\ &+ Capital\ charge \\ &- Holding\ gain/loss\ adjustment \\ &= \left(\frac{GBV}{Asset\ lifetime}\right) + (NBV \times WACC) \\ &- (NBV \times Future\ price\ trend) \end{aligned}$$	$$\begin{aligned} &Annual\ charge \\ &= GBV \times \frac{WACC}{1 - (\frac{1}{1+WACC})^{Asset\ lifetime}} \end{aligned}$$
Intuition	The annual charge in the RAB-type approach equals the annual depreciation plus WACC*NBV. This implies that annual charges are higher in earlier years when the asset is less depreciated (i.e. the NBV is higher).	The standard annuity approach creates constant annual charges. By definition, the approach looks at the full value of the asset and identifies the constant annual charge that will cover the value of the asset and a reasonable return if it is in place over the full lifetime of the asset.
Types of assets	"Legacy assets"	"Newly-built assets"
Rele-vance	The RAB-type approach is appropriate for assets that are largely already sunk, close to fully depreciated and where there is only little risk for early obsolescence.	The annual charges are appropriate for new assets as they reflect how investors see the recovery of assets over their lifetime (i.e. they aim for a constant payback over the lifetime). This results in stable prices.

Source: Frontier Economics

108   Both annualisation approaches rely on assumptions about the lifetimes of JT's assets, and JT's cost of capital (see Annex B). The RAB-type approach additionally takes into account forward-looking capex inflation expectations, to calculate holding gains.

109   The asset lifetime (useful economic life) assumptions used in the model are set out in the Table below. These assumptions were developed based on proposed assumptions provided by JT on the expected economic life of its assets, the asset lifetimes implied by depreciation rates in JT's Regulatory Financial Reporting submissions,[54] and relevant regulatory precedent – in particular, cost models developed in other jurisdictions.

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[54]   We calculated the implied economic life by dividing the GBV for Markets 1 and 2 by the stated depreciation for Markets 1 and 2.

Table 10   Asset lifetimes

Asset category	Asset lifetimes	Rationale
Buildings	40	Consistent with 2021 price control, informed by precedent from NGA cost models built in European jurisdictions, including the UK, Belgium, Ireland and Sweden[55]
Optical Line Terminal	15	Inferred from JT's Regulatory Financial Reporting and Ofcom's TAR FTTH cost model[56]
Optical Network Terminal	10	Inferred from JT's Regulatory Financial Reporting and Ofcom's TAR FTTH cost model
Fibre cabling	25	Consistent with 2021 price control, and JT proposals
Subsea cabling	20	BEREC[57]
Network Site Infrastructure	15	Consistent with 2021 price control, informed by JT historical assumptions
Mobile Core, Switching, Signalling, and Control Platforms	4	Consistent with 2021 price control, and JT proposals
Transport Network	15	Inferred from JT's Regulatory Financial Reporting
Customer Premise Equipment	40	Aligned with asset lifetime of other legacy assets such as ducts and buildings
IT Equipment (incl. OSS and BSS)	7	Inferred from JT's Regulatory Financial Reporting
Outside Plant	40	Consistent with 2021 price control, informed by precedent from NGA cost models built in European jurisdictions, including the UK, Belgium, Ireland and Sweden

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[55]   See Frontier report accompanying the 2021 price control Final Decision – available at: https://www.jcra.je/media/598354/final-decision-frontier-economics-report.pdf

[56]   Available at: https://www.ofcom.org.uk/phones-and-broadband/telecoms-infrastructure/consultation-promoting-competition-and-investment-in-fibre-networks-telecoms-access-review-2026-31

[57]   Derived from: BEREC (2025) Draft BEREC Report on submarine cables connectivity in Europe; Figure 2.

Asset category	Asset lifetimes	Rationale
Vehicles	15	Inferred from JT's Regulatory Financial Reporting
Intangible Assets	10	Inferred from JT's Regulatory Financial Reporting

Source: Frontier Economics based on sources in Rationale column.
Note: Figures rounded to nearest integer.

110   The forward-looking capex inflation assumptions used to calculate holding gains for the RAB-type approach are set out in Table 11 below. We use the same assumptions to forecast the appropriate capital charge for future years. This reflects an expectation that JT will continue to invest in its assets over the next five years – such as when it connects new premises to its network, or when it replaces assets at the end of their lifetime – and the cost of these new investments will differ to the cost of equivalent investments in the past.

111   Our forward-looking capex assumptions are partly informed by input from JT. JT proposed a uniform assumption of 2.7% annual inflation across the different capital cost categories, aligned with external forecasts of overall RPI inflation in Jersey. However, we have deviated from JT's proposal where we considered it was not consistent with regulatory precedent or other relevant factors. The values as well as the rationale for deviating from JT's proposal in certain instances are outlined in the table below.

Table 11   Forward-looking capex inflation assumptions

Asset category	Future annual capex inflation	Rationale
Buildings	4.2%	House price trends in Jersey over the last 10 years[58]
Optical Line Terminal	-3.0%	
Optical Network Terminal	-3.0%	Ofcom's TAR FTTH cost model[59]
Fibre cabling	-2.0%	

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[58]   See table A1 – Jersey House Price Indices (including share transfer properties) from Statistics Jersey. Available at: https://www.gov.je/SiteCollectionDocuments/Government%20and%20administration/R%20House%20Price%20Index%20Q1%202025%20SJ20250501.pdf

[59]   See Ofcom's Telecom Access Review 2026, Fibre cost model, Excel named "network cost module", tab "Input_CostTrends" Available at https://www.ofcom.org.uk/phones-and-broadband/telecoms-infrastructure/consultation-promoting-competition-and-investment-in-fibre-networks-telecoms-access-review-2026-31

Asset category	Future annual capex inflation	Rationale
Subsea cabling	-2.0%	Aligned with Fibre cabling assumption above
Network Site Infrastructure	0.0%	Ofcom's TAR FTTH cost model
Mobile Core, Switching, Signalling, and Control Platforms	2.7%	In-line with overall forecast (RPI) inflation in Jersey
Transport Network	-3.0%	Aligned with active equipment (OLT and ONT) assumptions above
Customer Premise Equipment	0.5%	Arcep's 2024 FTTH cost model[60]
IT Equipment (incl. OSS and BSS)	2.7%	In-line with overall forecast (RPI) inflation in Jersey
Outside Plant	2.5%	Consistent with 2021 price control, informed by precedent from NGA cost models built in European jurisdictions, including the UK, Belgium, Ireland and Sweden
Vehicles	2.7%	In-line with overall forecast (RPI) inflation in Jersey
Intangible Assets	2.7%	In-line with overall forecast (RPI) inflation in Jersey
Others	2.7%	In-line with overall forecast (RPI) inflation in Jersey

Source: Frontier Economics based on sources in Rationale column

Note: Figures rounded to the nearest decimal place

A.4   Assessment of the model's sensitivity to key parameters

112   Below, we set out how varying certain parameters in the price control model would affect Wholesale Broadband prices. Specifically, we illustrate how the weighted average of the estimated cost-based Wholesale Broadband prices for JT's services over the upcoming price control period, presented in Section 4.1.2, would differ

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[60]   See Arcep's technical cost model workbook. Available at: https://www.arcep.fr/uploads/tx_gspublication/modele-BLOM-tarifs-degroupage_fev2025.zip, Excel named "Module de coûts v1.6 T0-D100 Borne basse", tab "Paramètres eco-fin" (average cells D36:D37).

under alternative assumptions for the parameters of the model where we have taken a forward-looking view of market conditions. This is consistent with best regulatory practice – for example, Ofcom carries out a similar 'sensitivity analysis' in its charge controls.[61]

113   In line with Ofcom's approach, we consider the impact on prices of a 'low-cost' and 'high-cost' alternative for the following parameters:

(a) Demand (i.e. the forecast growth in JT's Wholesale Broadband subscriber base over the price control);

(b) Forecast inflation (i.e. the assumed opex inflation and capex price trends used to forecast JT's costs);

(c) Opex efficiency gains; and

(d) JT's WACC.

114   The first three parameters are described earlier in this Annex. JT's WACC is discussed in Annex B . The alternative values we have tested for each parameter, relative to the 'base' assumption that we have proposed to use for each parameter in the price control model, are set out in Table 12. For ease of interpretation, we have varied each parameter symmetrically based on reasonable benchmarks.[62] [63]

Table 12   Sensitivity analysis assumptions

Sensitivity	Low-cost	Base	High-cost
Demand	+20% annual growth	Annual growth in JT's Wholesale Broadband subscriber base based on recent forecasts	-20% annual growth
Forecast inflation	-30bps	2.7% for opex, and values in Table 11 for capex	+30bps
Opex efficiency gains	-100bps	3.0%	+100bps
WACC	-10bps	8.65%	+10bps

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[61]   See TAR Annex 1-22, Table A14.15: Low cost and high cost scenario parameters assumed. Available at: https://www.ofcom.org.uk/siteassets/resources/documents/consultations/category-1-10-weeks/consultation-telecoms-access-review-2026-31/main-documents/annexes-1-22.pdf?v=392943, p. 160.

[62]   Varying each parameter symmetrically means the difference between the low-cost alternative and the base assumption is the same as the difference between the high-cost assumption and the base assumption.

[63]   In Table 12 we have broadly varied (i) demand assumptions in line annual growth rates in past forecasts; (ii) forecast inflation in line with historical rates of inflation (e.g. to align with forecast inflation at the 2021 price control for the low-cost assumption); (iii) opex efficiency gains assumptions in line with the extent to which Ofcom varies this parameter (Ofcom considers variations of 100-200bps); and (iv) the WACC parameter in line with the change in WACC since the 2021 price control (i.e. 5bps, which we have rounded up to 10bps for interpretability).

115   Table 13 below presents the changes in the weighted average prices under each alternative value considered for each parameter. The analysis suggests that the price control model is not highly sensitive to any of the individual parameters. Weighted average prices appear most sensitive to the opex efficiency gains parameter (varying by c.£0.50), however this reflects that we have tested particularly significant variations for this parameter.

Table 13   Impact of alternative assumptions on the weighted average of the proposed cost-oriented Wholesale Broadband prices

Sensitivity	Low	Base	High	Price variation
Demand	£29.17	£29.30	£29.43	+/- £0.13
WACC	£29.17	£29.30	£29.43	+/- £0.13
Forecast inflation	£28.99	£29.30	£29.61	+/- £0.31
Opex efficiency gains	£28.79	£29.30	£29.83	- £0.51; + £0.53

Source: *Frontier Economics analysis*

Note: *Nominal prices in £ per subscriber per month.*

Annex B – High level assessment of JT's cost of capital

116   As noted above, our modelling uses an estimate of JT's cost of capital to set a reasonable rate of return for JT. In this Annex, we provide our initial assessment of JT's cost of capital.

   (a) First, we set out our approach to estimating JT's cost of capital;

   (b) Second, we develop an estimate JT's cost of equity;

   (c) Third, we develop an estimate of JT's cost of debt;

   (d) Fourth, we discuss the relevant level of Gearing and Tax; and

   (e) Fifth, we conclude by setting out an estimate of JT's weighted average cost of capital (WACC) that we propose to use in our price control calculations.

B.1   Approach to estimating JT's cost of capital

117   For the upcoming price control, we propose to use a Weighted Average Cost of Capital (WACC) framework, with the cost of equity estimated using the Capital Asset Pricing Model (CAPM). CAPM is the standard regulatory approach,[64] and is consistent with the methodology applied in the 2021 price control.[65]

118   The WACC combines the cost of funding from debt (K_d) and equity (K_e), each weighted by their relative share of enterprise value (i.e. the sum of the value of debt and equity). The value of outstanding debt relative to enterprise value (gearing) is denoted by *g* in the WACC formula below and the rate of corporation tax is denoted by *t*.

$$WACC = \frac{K_e * (1 - g)}{1 - t} + K_d * g$$

119   In the rest of this Annex, we assess each component and make our recommendation of the appropriate WACC. Our assessments draw on a mix of evidence: notably, we refer to recent market data and regulatory precedent. In interpreting the evidence, we have considered the extent to which the evidence is relevant to the specific context of determining JT's cost of capital for the upcoming price control period. As there is a clear precedent on which to base our analysis, we have not requested that JT provide its own WACC estimates ahead of the JCRA's Draft Decision consultation.

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[64]   UK Regulators Network (2023) UKRN guidance for regulators, page 4.

[65]   Further detail on the approach adopted in the 2021 price control can be found in our report for the JCRA for the 2021 price control, which referred also to a report submitted by JT (prepared by the consultants, PwC) on WACC. See: https://www.jcra.je/media/598354/final-decision-frontier-economics-report.pdf

B.2   Cost of Equity

120   We estimate the cost of equity using the CAPM. Under CAPM, the return on equity equals the risk-free rate plus the company's equity beta times the equity market risk premium (EMRP). It can be expressed as:

$$K_e = R_f + \beta_e * EMRP$$

Where: K_e is the cost of equity, R_f is the risk-free rate (RFR), β_e is the equity beta and $EMRP$ is the equity market premium. The $EMRP$ equals the Total Market Return (TMR) minus the RFR. We discuss each of these components of the cost of equity in more detail below.

Risk-free Rate (RFR)

121   The RFR is the theoretical rate of return on an investment with zero risk. As no asset is completely free of risk, the RFR cannot be observed directly.

122   Therefore, the RFR is estimated based on observable market data and regulatory precedent. Regulators have historically proxied the RFR using yields on government bonds.[66] However, during its review of Ofwat's PR19, the CMA noted that gilt yields can become distorted, reducing their suitability as a standalone proxy for the RFR.[67] The CMA therefore used AAA-rated corporate debt yields as well as the UK government bonds to proxy the RFR. This approach was followed in JT's 2021 wholesale fixed broadband price control: the RFR was set using 20-year UK gilt yields and the iBoxx index of AAA-rated corporate bonds (10+ year maturity). For the 2021 price control, RFR was estimated to fall in the range of 0.80%-1.15%, in nominal terms.

123   Figure 2 below plots the yields of these two potential proxies for the RFR over the past 20 years. After a long period of decline since the global financial crisis, yields have risen sharply in the last five years. The latest market data suggests the RFR is now significantly higher than it was when the 2021 price control for JT was previously set.

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[66]   See for example: UKRN (2024) 10th Cost of Capital – Annual Update Report; Table 6.

[67]   CMA (2021) PR19 Final Report; pages 745-796.

Figure 2   Yields on UK government debt and relevant corporate bonds
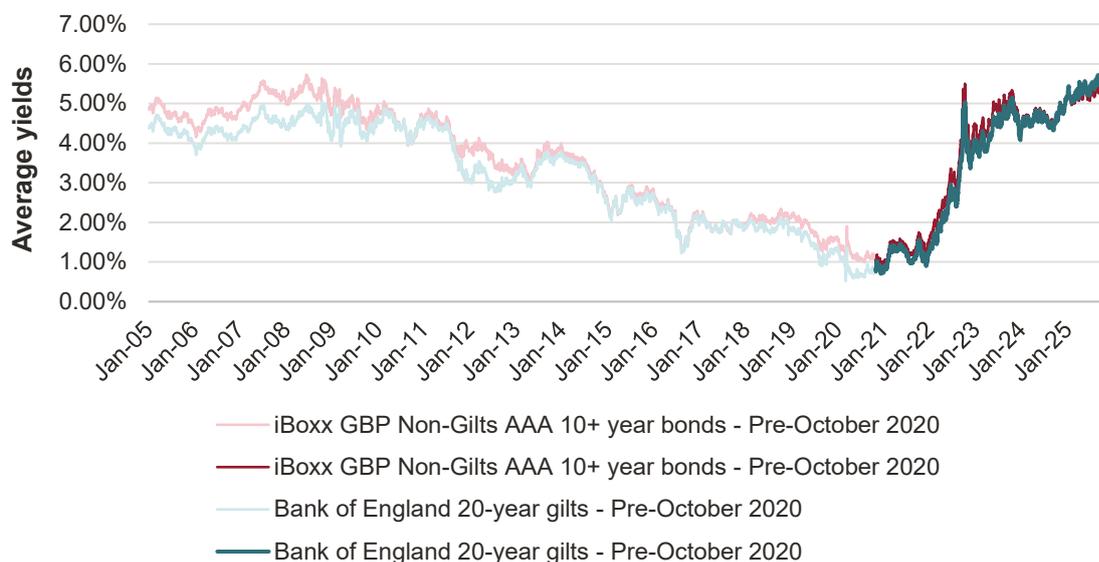
Source: *Frontier Economics analysis of iBoxx and Bank of England data*

124   At this stage, we adopt a one-month averaging period. However, the analysis above suggests that the RFR is currently at a historically high level. As such, there is a risk that estimating the RFR based on too narrow a horizon when interest rates are particularly high could result in a WACC that is not representative of market conditions on a forward-looking basis. Therefore, we will keep the averaging period under consideration. In particular we note that there is precedent of using a longer horizon: in the PR19 Final Determination, the CMA estimated the RFR using a six-month average,[68] and more recently Ofcom used a six-month average for RFR in its Telecoms Access Review (TAR) consultation.[69]

125   On this basis, we preliminarily conclude that the RFR should sit in the range from:

(a) A 'low' estimate of 5.08% based on the one-month average yield of the AAA-rated iBoxx index to the end of December 2025; and

(b) A 'high' estimate of 5.26% based on the one-month average yield of the UK government bond to the end of December 2025.[70]

126   In Table 14 below, we set out the 2021 price control RFR range and RFR ranges/estimates used by UK regulators in recent precedent, for comparison. Our preliminary proposal implies a higher RFR than estimates proposed by UK

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[68]   CMA (2021) PR19 Final Report ; paragraph 9.241.

[69]   Ofcom (2025) Telecoms Access Review: Consultation Annexes; paragraph A19.28.

[70]   We will update the RFR with new market data ahead of the Authority's Final Decision.

regulators in recent precedent, which range between 3.12% and 4.95%. This reflects that yields have been increasing for a sustained period.

Table 14   Recent regulatory precedent on the RFR

Precedent	Real RFR	Long-term inflation assumption	Nominal RFR
JCRA: 2021 price control (2021)			0.80% - 1.15%
Ofcom: TAR Consultation (June 2025)*	0.60% - 1.20%	2.50%	3.12% - 3.73%
CMA: PR24 Provisional Findings (October 2025)	2.49%	2.40%	4.95%
Ofgem: RIIO-3 Final Determinations (December 2025)	2.30%	2.10%	4.55%

Source: Frontier Economics based on Ofgem, Ofcom, Ofwat, and CMA

Note: The RFR is converted from real to nominal terms using the relevant long-term inflation assumptions from regulators' decisions, where appropriate. (*) Ofcom's RFR calculations use RPI-based.

Total Market Return (TMR)

127   The TMR is used to estimate the EMRP in the CAPM model. Like the RFR, the EMRP and TMR are not directly observable. However, regulators have placed more weight on estimates of the TMR than EMRP, consistent with a view that the long-run market return is likely to be more stable than the EMRP.[71] Therefore, regulators commonly infer the EMRP by subtracting their estimates of the RFR from the TMR.

128   Consistent with the 2021 price control approach, we draw on recent regulatory precedent from comparable price controls to inform our TMR range.[72] The Table below presents the relevant recent precedent on TMR.

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[71]   See for example: Ofcom (2025) Telecoms Access Review: Consultation Annex 19; paragraph A19.30.

[72]   We note also that guidance from the UK Regulators Network (UKRN) is that the TMR should be primarily based on historical ex-post and historical ex-ante evidence. See: UKRN (2023) Guidance for regulators on the methodology for setting the cost of capital; page 21.

Table 15   Recent regulatory precedent on the TMR

Precedent	Real TMR	Long-term inflation assumption	Nominal TMR
JCRA: 2021 price control (2021)			8.20% - 9.40%
Ofcom: TAR Consultation (June 2025)	6.70%	2.00%	8.83%
CMA: PR24 Provisional Findings (October 2025)	6.70% - 7.00%	2.40%	9.26% - 9.88%
Ofgem: RIIO-3 Final Determinations (December 2025)	6.80% - 6.90%	2.10%	9.04% - 9.14%
Regulatory range			**8.83% - 9.88%**

Source: Frontier Economics based on Ofgem, Ofcom, Ofwat, and CMA
Note: Regulatory range excludes JCRA 2021 price control, which is included for comparison only.

129   Given the sharp recent increases in RFR, we do not consider it is appropriate to use the Ofcom TMR alongside our RFR estimates above, because Ofcom's TMR estimate was derived at a time when RFR was considerably lower. As such, the most relevant precedent is from Ofgem and CMA. Therefore we use the following TMR values:

(a) A 'low' estimate of 9.04% based on Ofgem's (2025) RIIO-3 Final Determinations; and

(b) A 'high' estimate of 9.88% based on CMA's PR24 Provisional Findings.

130   To calculate the EMRP, the RFR is subtracted from the TMR. Therefore, we provisionally conclude that the relevant EMRP should sit in the range between:

(a) A 'low' estimate of 3.96%; and

(b) A 'high' estimate of 4.62%.

131   We will revisit the TMR and EMRP ahead of the JCRA's Final Decision to ensure that our final TMR and EMRP are sufficiently consistent with other WACC parameters as these develop, notably the RFR.

Beta

132   A core feature of CAPM is that only non-diversifiable (systematic) risk earns compensation. This risk is captured by 'beta', which measures the extent to which an asset's returns move together with the market portfolio. The required return on

a given equity therefore rises with the investor's exposure to systematic risk. Three different betas are used in our cost of equity calculation:

(a) The asset (unlevered) beta (β_a) reflects the firm's business risk without considering its debt (i.e. leveraging). A higher asset beta implies a higher required return for bearing additional systematic risk.

(b) Equity (levered) beats (β_e) are betas estimated from market data that capture the risk for investors whilst including the level of gearing for the comparator companies. Because highly geared companies are a great risk to investors given that debt holders have a priority over cash flows, higher leverage typically raises the equity beta above the asset beta.

(c) The debt beta (β_d) captures the systematic risk borne by debt investors. It is required to remove or add financing effects when de-levering and re-levering betas.

133   To strip out financing effects, we obtain the equity (levered) beta by re-levering the asset beta using the market-value gearing and the assumed debt beta:

$$\beta_e = \frac{\beta_a - \beta_d * Gearing}{(1 - Gearing)}$$

134   JT's beta cannot be readily estimated using market data, as JT is not a listed company. Therefore, in line with the approach taken to set JT's beta at the 2021 price control, we seek to infer JT's asset beta from public estimates of the asset betas of other telecommunications network operators. We note in particular that:

(a) Ofcom used a point estimate of 0.46 for BT's asset beta in its TAR consultation in 2025; and

(b) BEREC's latest report on WACC parameter calculations according to the European Commission's WACC Notice analysed the asset betas of 14 listed telecommunications network operators,[73] deriving a weighted average (by market capitalisation) of 0.36.[74] Eight of BEREC's chosen operators were also referred to in PwC's beta comparators for JT in 2021.

135   This evidence supports a lower asset beta range than was used in the 2021 price control (where a range of 0.55-0.70 was used). This reflects that asset beta estimates for BT Group and the wider telecommunication industry have declined over the past decade. This downward trend has been acknowledged by Ofcom's consultants, CEPA, who note that *"BT Group's asset betas have declined over the*

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[73]   The peer group used in BEREC's analysis is all operators that: are listed on a stock exchange and have liquidly traded shares; own and invest in electronic communications infrastructure; have their main operations located in the Union; have an investment grade (credit rating BBB/Baa3 or above); and are not, or have not been recently, involved in any substantial mergers and acquisitions.

[74]   BEREC (2025) Report on WACC parameter calculations according to the European Commission's WACC Notice; Table 8.

last decade".[75] BEREC also remarks that there is a clear downward trend in the betas among the operators covered in its analysis.[76]

136   We derive the equity beta with reference to recent precedent on debt beta. The regulatory precedent on debt beta is set out in the following Table. Noting that a larger debt beta will decrease the equity beta (and in turn cost of equity and WACC), we present ranges below from high to low.

Table 16   Regulatory recent precedent on the debt beta

	Debt beta estimate
JCRA: 2021 price control (2021)	0.15 - 0.04
Ofcom: TAR Consultation (June 2025)	0.075
CMA: PR24 Provisional Findings (October 2025)	0.15 - 0.05
Ofgem: RIIO-3 Final Determinations (March 2025)	0.075
Regulatory range	**0.15 - 0.05**

Source: *Frontier Economics based on Ofgem, Ofcom, Ofwat, and CMA*

Note: *Ranges presented from high to low, reflecting that a lower debt beta implies a higher cost of equity, all else equal. Regulatory range excludes JCRA 2021 price control, which is included for comparison only.*

137   Based on the asset beta and debt beta evidence presented above, we calculate the equity beta. The gearing needed for the calculation of the equity beta is 40% - 55%. More details on gearing can be found in Section B.4. Applying the formula shown in paragraph 133 we calculate the following range:

(a)   The 'low' estimate of the equity beta is 0.50 (compared to 0.82 in 2021); and

(b)   The 'high' estimate of the equity beta is 0.96 (compared to 1.51 in 2021)

Small company risk premium

138   The small-company risk premium was proposed by JT and its advisors during the 2021 price control. The small-company risk premium was an adjustment to the cost of equity to reflect exposure of investors to risks such as illiquidity or lack of product and geographic diversification. JT's advisors argued that hypothetical private investors in JT would expect higher returns (premia) to compensate for such risks.

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[75]   CEPA (2025) Cost of Capital: Beta and Gearing for TAR 2026, page 11, section 4.1.

[76]   BEREC (2025) Report on WACC parameter calculations according to the European Commission's WACC Notice; pages 41-44.

139   In its 2021 price control submission, JT suggested a range of 0.90% to 2.25%. Frontier Economics did not agree that a higher equity premium should apply to JT, noting that JT is a publicly owned firm, does not face network competition, and is therefore exposed to lower risk than privately owned firms operating in competitive markets. In light of these considerations, we set the upper bound for any small-company risk premium at 0.90%, drawing on the the PwC report supporting JT's submission and precedent presented by PwC for the period 2002–2014 (primarily from the UK water sector). The lower bound was set at 0.00%, reflecting the fact that more recent water price controls (PR14 and PR19) had not applied a small-operator equity uplift.

140   More recent precedent supports the exclusion of any small company premium for JT: no small company premium was proposed by Ofwat or CMA for PR24; and in Jersey, specific risk premia proposed by Ports of Jersey Limited in the context of the JCRA's Regulatory Review of Air and Sea Port Operations were rejected by the JCRA and its advisors in that price control, EY.[77]

141   Based on the above, we do not apply a small company risk premium.

Preliminary Cost of Equity estimate

142   In light of the evidence above, our preliminary conclusion is that JT's Cost of Equity sits in the range 7.13% (low) – 9.70% (high). Our derivation of this figure is set out in Table 17 below.

Table 17   Preliminary conclusion on JT's Cost of Equity

Component		Low	High
RFR	A	5.08%	5.26%
EMRP	B	3.96%	4.62%
Equity beta	C	0.50	0.96
Small company risk premium	D	0.00%	0.00%
Cost of Equity	**A+B*C+D**	**7.06%**	**9.70%**

Source: Frontier Economics

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[77]   EY (2024) Regulatory review of air and see operations, page 14, paragraph 4.5.2.

B.3   Cost of Debt

143   The cost of debt is the effective annual rate of interest a company pays on borrowings. Regulators typically use two types of debt for this: (i) the allowance for 'embedded' (historical) debt, and (ii) the allowance for 'new' (forward-looking) debt. The cost of debt is then derived as a weighted average of these components, with a provision for incurred issuance and liquidity costs. The rest of this sub-section provides an explanation of each component of the cost of debt we have used in our proposed WACC estimate for JT.

Cost of embedded debt

144   The cost of embedded debt is the average effective interest rate on JT's existing/outstanding borrowings.

145   As set out in JT's 2024 Annual Report and Financial Statements, the company's borrowings consist of a £50 million revolving credit facility (RCF) provided jointly by HSBC Bank Plc (Jersey Branch) and The Royal Bank of Scotland International Limited.[78] As of 31 December 2024, £36 million of the facility was drawn, and the interest rate on JT's RCF borrowings was 5.63%.

146   While the RCF interest rate provides a view of JT's cost of embedded debt, it is important to note that the RCF was set to mature on 5 December 2025. As we discuss below, we consider a more up-to-date estimate of JT's cost of embedded debt will be required to set JT's WACC for the upcoming price control.

Cost of new debt

147   The cost of new debt is the forward-looking interest rate a company would pay to issue debt today, given its characteristics (e.g. credit rating). The cost of new debt reflects the RFR, plus a 'debt premium' (i.e. a certain amount of interest above the RFR) proportional to the risk of lending to the relevant company.

148   In the 2021 price control, we relied on regulatory precedent and conservatively adopted the highest estimate from recent precedent as a proxy for the cost of new debt. Specifically, we used Ofwat's central estimate of the cost of new debt for water companies (3.36%). While this approach was appropriate at a time when borrowing costs were steadily declining,[79] taking a similar approach when borrowing costs are rising would risk underestimating the cost of new debt.

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[78]   JT (2024) Annual Report and Financial Statements for the year ended 31st December 2024; page 79.

[79]   When borrowing costs are declining, setting a cost of new debt estimate based on regulatory precedent is unlikely to underestimate the cost of new debt (in turn underfunding a company for the cost of capital), because regulatory precedent will reflect historical data from a period where borrowing costs tended to be higher.

149   Therefore, given the trend of increasing borrowing costs (see Figure 2 above), we propose an alternative approach for the upcoming price control. Specifically, we now estimate the cost of new debt by applying a debt premium to our estimate of RFR set out above. We proxy the relevant debt premium for JT based on regulatory precedent, in particular:

(a) Ofcom's debt premium for BT used in its TAR Consultation (1.58%)[80] – we consider this a relevant proxy for JT as BT carries out similar activities to JT; and

(b) CMA's debt premium for water companies in its PR24 provisional findings (1.40%)[81] – we consider this a relevant proxy for JT, as JT's government ownership and limited infrastructure-based competition indicate a risk profile below BT and closer to regulated utilities; we also note the CMA precedent is more recent.

150   Table 18 sets out Ofcom and CMA's specific debt premium estimates, and the implied cost of new debt from combining these with RFR estimates. On this basis, we preliminarily conclude that the cost of new debt sits in the range 6.66% - 7.00% for JT.

Table 18   Cost of new debt estimate

Component		Low	High
RFR	A	5.08%	5.26%
Debt premium	B	1.40%	1.58%
Cost of new debt	**A+B**	**6.49%**	**6.83%**

Source: Frontier Economics based on Ofcom, CMA and RFR analysis above.
Note: Some figures as presented in table may not add up due to rounding.

Issuance and liquidity costs

151   Beyond interest, companies incur costs when issuing debt (e.g. payments to financial intermediaries and legal advisors). Certain loan agreements further require firms to maintain liquidity, achieved through cash reserves or committed short-term credit lines.

152   We have reviewed recent precedent of the issuance and liquidity fees allowed for by regulators in WACC. The sources we have considered are relevant as they

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[80]   Ofcom's TAR Consultation proposed a cost of new debt point estimate of 5.10% for BT, and a RFR point estimate of 3.53% (both in nominal terms, rounding to two decimal places), implying a debt premium of 1.58%.

[81]   CMA's provisional findings for PR24 propose a cost of new debt point estimate of 6.35% and RFR point estimate of 4.95% (both in nominal terms, rounding to two decimal places), implying a debt premium of 1.40%.

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reflect recent regulatory assessments of efficient financing costs for similarly capital-intensive, regulated entities.

153   Table 19 summarises the observed ranges across these precedents. The results are consistent with the 2021 price control, which allowed a range of 10 to 20 bps to cover issuance and liquidity costs.

154   Based on recent regulatory precedent, we view that a range of 10 to 20 bps is appropriate to cover the costs associated with issuance and liquidity fees.

Table 19   Issuance and liquidity costs

Precedent	Range/Point estimate
JCRA: 2021 price control (2021)	0.10% - 0.20%
Ofcom TAR Consultation (June 2025)	0.10%
CMA PR24 Provisional Findings (October 2025)	0.20%
Ofgem RIIO-3 Final Determinations (December 2025)	0.25% - 0.29%
Range	**0.10% - 0.29%**

Source: Frontier Economics based on Ofcom and CMA

Note: Regulatory range excludes JCRA 2021 price control, which is included for comparison only. We exclude CPIH basis mitigation from Ofgem's estimates, as we are not considering the cost of index-linked debt.

Preliminary Cost of Debt estimate

155   As set out above, the cost of debt is generally estimated as a weighted average of estimates of the cost of embedded debt and the cost of new debt, plus issuance and liquidity costs. In the rest of this sub-section, we have considered the evidence on each component of the cost of debt.

156   Importantly, we noted above that JT was set to re-finance its debt in December 2025. As we are setting the WACC on a forward-looking basis for the upcoming price control starting in October 2026, it would not be appropriate to refer to the interest rate on a credit arrangement that will have expired by October 2026 when setting the cost of debt. Therefore, at this stage, we give a 100% weighting to our estimates of the cost of new debt, as we consider this gives a better estimate of the forward-looking cost of debt faced by JT. We will consider up-to-date estimates of the cost of JT's embedded debt ahead of the JCRA's Final Decision.

157   Table 20 sets out our calculations of the cost of debt for JT's WACC for the upcoming price control. In light of the evidence above, our preliminary conclusion is that JT's Cost of Debt sits in the range 6.76%-7.20%.

Table 20   Preliminary Cost of Debt estimate

Component		Low	High
Cost of embedded debt	A	5.63%	5.63%
Weighting	B	0%	0%
Cost of new debt	C	6.63%	6.99%
Weighting	D	100%	100%
Issuance and liquidity costs	E	0.10%	0.30%
Cost of debt	**A*B+C*D+E**	**6.59%**	**7.12%**

Source: Frontier Economics
Note: Values may not add up due to rounding differences.

B.4   Gearing and Tax

Gearing

158   Gearing (leverage) is the amount of debt a company uses relative to equity in its capital structure, i.e. how much of the business is financed by borrowings versus shareholders' funds.

159   In the 2021 assessment, we adopted the efficient gearing level proposed by JT's advisors (PwC). PwC had proposed a gearing range of 40%-55%, based on:

(a) book values from JT's financial statements, which PwC analysis suggested implied an average gearing ratio of 55% between 2015 and 2019;

(b) market-based comparators from integrated and wireless telecom operators, whose gearing ranged from 35% to 46% in PwC's the comparator set; and

(c) Regulatory precedent on efficient gearing levels for a telecommunications company, specifically the 40% gearing level used by Ofcom for BT Group's WACC at WFTMR 21.

160   For this determination, we adopt the same gearing assumptions and sources as used in the 2021 price control, as there is no rationale to suggest that JT's efficient capital structure has changed. Therefore, at this stage, we continue to assume a gearing range of 40-55% for calculating JT's WACC.

Tax rate

161   We use the standard income tax rate in Jersey. The rate is set at 20%.

B.5   Conclusion

162   In this sub-section we bring together all the elements of the WACC calculation. These are summarised in the table below.

163   The approach to determining the appropriate return to be applied to JT must take into account the particular circumstances of Jersey:

(a) JT is wholly owned by the Jersey Government which may affect the cost of funding JT, both external funding such as debt issues by JT and the cost of funds provided by the Jersey Government as a shareholder;

(b) The Jersey Government as shareholder, can take account of broader policy objectives when making decisions on investments, whereas private investors will focus on maximising their returns;

(c) JT has fully rolled out a fibre network in advance of other jurisdictions (presumably in part due to Government ownership); and

(d) There is no expectation that other operators owned by private investors will roll out competing infrastructure-based networks at the island level.

164   This means that some of the considerations taken into account by regulators in other jurisdictions do not apply in interpreting the evidence discussed in this Annex:

(a) There is less need to 'aim up' when setting the return to ensure private investors are suitably incentivised to make socially optimal investments; and

(b) There is less need to proxy private investors cost of capital to send appropriate build or buy decision to potential investors in alternative infrastructure, given the Jersey Government's focus on maximising service-based competition rather than network-based competition.

165   On this basis, we preliminarily conclude that the appropriate WACC for JT for the upcoming price control should sit in the mid-point of our range, at 8.65%.

Table 21   Summary of WACC for JT Limited in nominal terms

Component	Calculation	Low	High	Comments
Gearing	A	40%	55%	Low end based on Ofcom TAR; high end based on historical analysis of JT capital structure
Risk free rate (RFR)	B	5.08%	5.26%	Low end based on AAA-rated corporate debt and

Component	Calculation	Low	High	Comments
				high end based on UK government debt
Total market return (TMR)	C	9.04%	9.88%	Low end based on Ofcom TAR; high end based CMA PR24
Equity market return premium	D = C - B	3.96%	4.62%	
Asset beta	E	0.36	0.46	Based on BEREC and Ofcom TAR
Debt beta	F	0.15	0.05	Based on CMA PR24
Equity beta	G = (E - (A * F)) / (1 - A)	0.50	0.96	
Small company risk premium	H	0.0%	0.0%	Consistent with recent precedent on and off Jersey
Cost of equity	I = B + G * D + H	**7.06%**	**9.70%**	
Cost of new debt	J	6.49%	6.83%	Based on Ofcom TAR and CMA PR24 debt premia, and RFR
Issuance and liquidity fees	K	0.10%	0.29%	Low end based on Ofcom TAR; high end based CMA PR24
Cost of debt	L=J+K	6.59%	7.12%	Assuming 100% new debt
Tax rate	M	20%	20%	Based on Jersey corporate tax rate
Nominal pre-tax WACC		**7.93%**	**9.37%**	
Point estimate (mid-point)		**8.65%**		

Source: Frontier Economics

Note: Some figures may not sum up or average as presented above, due to rounding.

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