



TOTSCo Charging Structure for One Touch Switch

Independent Networks Cooperative Association

May 2025

Table of Contents

1	Executive Summary	1
2	About INCA.....	2
3	Introduction	2
4	TOTSCO's Role and Cost Characteristics	2
5	Principles for Regulatory Cost Recovery	3
6	Risks and Weaknesses	5
7	The Current Model Works	6
8	Conclusion and Recommendations	6

1 Executive Summary

- 1 INCA strongly supports the One Touch Switch (OTS) initiative as a critical enabler of competition and consumer choice in the UK broadband market. TOTSCo, as the designated operator of the OTS hub, plays a vital role in delivering this functionality. Ensuring the long-term sustainability and fairness of the charging structure for TOTSCo is therefore of strategic importance.
- 2 This response sets out INCA's clear position: the current charging model based on communications providers' (CPs) residential customer base should be retained. The proposal to move to a transaction-based model introduces significant risks that would undermine the goals of OTS.
- 3 Key points:
 - TOTSCo's costs are largely fixed and do not vary with transaction volume. A per-transaction charging model would violate core regulatory cost recovery principles, particularly cost causation and practicability.
 - A transaction-based model risks penalising CPs for issues outside their control (e.g. data mismatches) and could discourage switching or encourage bypassing of OTS - both contrary to Ofcom's regulatory intent.
 - The current model is simple, predictable, and fair. It reflects the distribution of benefits across the entire customer base and supports stable cost recovery without introducing unnecessary administrative burden or market distortion.
 - Switching data and volumes remain immature. A move to transactional charging would be premature, poorly grounded in evidence, and could create financial instability for TOTSCo.
- 4 INCA therefore recommends maintaining the existing customer-based charging structure, which is aligned with Ofcom's cost recovery principles, encourages competition, and ensures equitable and stable funding of TOTSCo.
- 5 Please note, however, that whilst this response is clearly in favour of retaining the customer-based charging structure, it should not be presumed that this sentiment is replicated across all INCA members. Other INCA members may have differing opinions which may be addressed within their own responses.

2 About INCA

- 6 The Independent Networks Cooperative Association (INCA) is the leading UK trade association representing organisations deploying independent digital infrastructure. Founded in 2010, INCA aims to foster a new approach to digital infrastructure, focusing on full fibre (FTTP) and high-quality wireless broadband whilst campaigning for the policy and regulatory support needed to maintain a healthy, competitive market that continues to attract investment to the UK. INCA represents most of the full fibre infrastructure builders all over the UK, commonly referred to as Altnets and the wider membership includes network owners, operators, suppliers, and managers as well as access networks, middle mile networks, network hubs and exchanges and organisations (including public sector) that are developing or promoting independent networks.

3 Introduction

- 7 The introduction of OTS marked a critical milestone in supporting sustainable, competitive broadband networks across the UK. By enabling gaining provider-led switching to operators not using Openreach infrastructure, OTS enhances consumer choice and market fluidity—core principles that INCA and its members strongly support.
- 8 It is necessary that the charges to operators for the use of the TOTSCo hub are distributed via a means which is fair and equitable, and which reflects the benefits derived from the OTS functionality. This allows for the desired effect of promoting consumer switching across networks to become a reality.
- 9 INCA welcomes the opportunity to respond to TOTSCo’s consultation on the charging structure. It is an important topic for which we are also encouraging INCA members to respond to. INCA is also grateful for the deadline to the consultation being extended to allow for a greater breadth of responses from stakeholders.

4 TOTSCO’s Role and Cost Characteristics

- 10 TOTSCo was established to enable CPs to comply with Ofcom’s mandate for a gaining provider-led switching process which removes the need for consumers to interact with the losing provider. The TOTSCo hub is now in operation and has a large switching capacity.

- 11 INCA understands that the costs and the ongoing operation of the hub are independent of the number of switches processed through the hub. This is an important consideration when evaluating different options for how TOTSCo could (and should) structure the charges to operators for using the hub.
- 12 This fundamental reality underpins the rationale for the current charging model and casts serious doubt on the appropriateness of a transaction-based alternative.

5 Principles for Regulatory Cost Recovery

- 13 The current pricing model was designed in accordance with long-standing regulatory cost recovery principles which were originally developed by Oftel and are still applied by Ofcom today. These are below, alongside TOTSCo conclusions to validate the current charging structure:
- 1) Cost Causation:
 - Costs should be recovered from those whose actions cause the costs to be incurred.
 - Costs are largely fixed, so it is not reasonable to charge per transaction; charging by transaction is not viable based on the cost causation principle.
 - 2) Cost Minimisation:
 - The mechanism for cost recovery should ensure that there are strong incentives to minimise cost.
 - This principle is applied at the time of designing a solution to ensure that the solution is cost-effective; the cost minimisation principle was therefore not applicable to the setting of TOTSCo's charging structure.
 - 3) Effective Competition:
 - The mechanism for cost recovery should not undermine or weaken the pressures for effective competition.
 - It is important that the charging mechanism supports the continuation of effective competition. OTS supports consumer switching, which in turn reduces barriers to market entry and expansion for competitors.
 - It is therefore important that the charging structure promotes full use of OTS and in no way incentivises potential OTS/TOTSCo bypass by CPs. It is possible that charging by transaction could incentivise CPs to bypass the TOTSCo hub, contrary to the interests of consumers.
 - 4) Reciprocity:

- Where services are provided reciprocally, charges should also be reciprocal.
 - This principle is applicable where CPs provide a service to each other. As TOTSCo is not a CP and there is no reciprocal service provision by the CPs, the principle is not applicable to the TOTSCo cost recovery and charging structure.

5) Distribution of Benefits:

- Costs should be recovered from the beneficiaries especially where there are externalities.
 - This principle requires costs to be recovered from those who benefit. There are two sets of beneficiaries from OTS/TOTSCo: CPs and end customers:
 - CP benefits: each CP must comply with relevant GCs. The CP must comply for each of their voice and/or broadband customers. This would support that CPs should contribute towards TOTSCo's costs based on their relevant customer base (residential voice and/or broadband customers).
 - End-customer benefits: each customer benefits from easier switching. Even customers who do not switch benefit from the increased competitive pressure on all providers resulting from the easy of customer switching. This would also support a charging structure where CPs pay based on the volume of their relevant customer base.

6) Practicability:

- The mechanism for cost recovery needs to be practicable and relatively easy to implement.
 - A charging structure must be practical to implement, and it must also provide a reasonable level of certainty that the provider's relevant costs will be covered.
 - TOTSCo explored how it could design a billing system to collect transaction volumes, considered what types of transactions should be chargeable (e.g. only successful switches or all match requests), and whether only gaining providers should be chargeable, given that losing providers were also benefitting from TOTSCo by being able to comply with the GCs.
 - With regards to TOTSCo's ability to recover its costs and not over/under recover those costs, it could not be predicted how many switching

transactions would be processed on the TOTSCo hub, so using switching transactions would not allow TOTSCo a reasonable certainty that it would not under/over recover its costs. As a not-for-profit organisation, it is important that TOTSCo is able to cover its costs and does not earn profits beyond what is necessary for operating cashflow. It is equally important that TOTSCo can recover its largely fixed-cost base.

- TOTSCo concluded that a transaction-based charging structure would not be practicable and that charging based on a CP's relevant customer base would be both easy to implement and would provide a stable base on which to distribute the largely fixed costs-base.

6 Risks and Weaknesses

14 The following outlines perceived risks and weaknesses of a transaction-based charging structure.

1) Lack of cost alignment:

- TOTSCo's cost base is largely fixed. Charging per transaction misrepresents how those costs arise and violates the principle of cost causation. It also fails to reflect the fact that switching volumes may vary due to factors beyond a provider's control, such as data accuracy or customer preference.

2) Inhibiting Switching and Bypassing the OTS:

- A transaction charge could discourage switching and could unintentionally incentivise bypass mechanisms, eroding the value and integrity of the OTS system. This would be contrary to Ofcom's objectives.

3) Implementation Uncertainty:

- Identifying which transactions to charge for - match requests, successful switches, etc. - raises complex questions. For instance, match request volumes can be inflated by poor data quality on the losing provider's side. Charging based on these could penalise the wrong CP and incentivise gaming of the system.

4) Unpredictable Cost Recovery:

- Switching volumes are still stabilising post-launch. Moving to a transaction-based model before volumes are predictable introduces serious risk of under- or over-recovery. For a not-for-profit organisation like TOTSCo, this instability is improper.

7 The Current Model Works

- 15 The existing charging framework is built on a simple, transparent, and fair foundation:
- It promotes broad participation and market competition.
 - It fairly allocates costs across all customers who benefit by applying the charge based on CPs' relevant residential voice and broadband customer numbers.
 - It provides a stable revenue base and predictable cost environment for TOTSCo, enabling efficient financial planning and operational stability.
- 16 INCA has not seen any evidence from its members or any other body that the current structure is not working or that it needs urgent revision.
- 17 Any thoughts to move to a transaction-based structure would require a detailed set of transaction volumes, a robust consultation process across all stakeholders, followed by transparent analysis on the relationship between transaction categories and actual cost causation.
- 18 INCA considers that it would be very challenging to ensure fairness and predictability, especially given the immaturity of available switching data.

8 Conclusion and Recommendations

- 19 INCA urges TOTSCo to retain the current charging structure which is:
- Aligned with regulatory cost recovery principles.
 - Supportive of competition and consumer choice, in line with Ofcom's mandate.
 - Fairly distributed across CPs.
 - Practicable, predictable and has the support of most stakeholders.
- 20 Moving to a transaction-based charging model would introduce unnecessary risk, complexity, and potentially distort incentives in the market.