

**Office of the Transmission Adjudicator**  
**Broadcast Transmission Services**

**Consultation 2/2024**

**Report: Consultation on Arqiva's Regulatory Accounts**

**10<sup>th</sup> March 2025**

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## 1. Summary

The consultation ran from 17 December 2024 until 11 February 2025.

The consultation received ten responses (as listed in the Appendix). Some proactively submitted written responses. Others, including some smaller stakeholders, were contacted by the Transmission Adjudicator's team and the consultation questions were used as the basis for a discussion. In some cases, as had been hoped, this process resulted in additional submissions from a broader group of Arqiva's customers. Arqiva, the BBC, D34, News Broadcasting and Nimux all responded with consent to allow publication (in some cases with redactions). We would encourage stakeholders to read those submissions in full. Folder Media, Global Media and SDN responded but asked for their responses to be kept confidential. Two other stakeholders responded but asked not to be identified.

The responses have been analysed to identify common themes and actionable insights. Section 2 summarises the feedback of both written submissions and phone-out responses.

All stakeholders welcomed the consultation. Most said that the Regulatory Accounts provide a useful overview of Arqiva's general financial health and its regulated business. Many have used the accounts to help validate fees and reconcile any annual changes. Several said they analysed the finances of the regulated business more closely during contract negotiations.

None of the respondents agreed with the option of lifting requirements to produce the Regulatory Accounts. Arqiva said it is critical to its compliance with the Undertakings and underpin charges to customers.

Most respondents preferred the options either to leave the Regulatory Accounts largely unchanged with relatively minor changes or to change them in ways that would make them more useful to stakeholders.

A majority of respondents said the format was easy or relatively easy to understand. Several called for greater transparency, with more detailed information about operating costs and commentary of specific year-on-year changes. Some asked for a 12-month forecast, to aid planning for upcoming changes in charges.

Some respondents highlighted that the basis for asset valuation in the Regulatory Accounts differs from the methodology used when prices are calculated.

Several respondents said if they queried information about the Regulatory Accounts, it took time or could be difficult to get answers. But Arqiva reported it had only received a small number of specific queries. There were suggestions that the Transmission Adjudicator should provide a process for enabling follow-up questions and answers – either for individual stakeholders or in groups.

While most respondents said they wanted to see some changes to the Regulatory Accounts, several recognised that they lack expertise in regulatory accounting. The Transmission Adjudicator recognises that it is a specialist field. There were suggestions that the regulatory accounts of BT, Heathrow Airport, and some water and energy companies could provide useful examples of best practice.

The Transmission Adjudicator has carefully considered the comments of stakeholders and has reached the following conclusions.

1. The requirement for Arqiva to produce Regulatory Accounts should be retained.
2. Given the case made by Arqiva and other stakeholders that the current format of the Regulatory Accounts is useful, care should be taken not to undermine this in making any changes. Similarly, where possible, key indicators should be retained and produced using the current methodology to aid year-on-year comparisons that stakeholders find useful.
3. Different submissions made a broad range of suggestions for adding more detail and increasing transparency. Some suggested adding new elements such as future forecasts. The Transmission Adjudicator will, in the short term, ask Arqiva to comment on the changes suggested in this consultation to inform the steps outlined below. It is hoped that Arqiva's additional document can be published with minimum redactions.
4. The Transmission Adjudicator agrees with stakeholders who regard regulatory accounting as a specialist area and plans to work with an external specialist from an economic advisory firm to develop an updated format for the Regulatory Accounts. The external specialist will have access to the consultation submissions and will have follow-up discussions with stakeholders.
5. Once the updated format is developed, the Transmission Adjudicator will work with Arqiva to decide how best to implement the changes. Whilst some stakeholders felt any additional cost was a proper consequence of the Undertakings, the Transmission Adjudicator regards it as important that the regulatory burden on Arqiva should be proportionate.
6. Arqiva's current financial year runs from 1 July 2024 to 30 June 2025, and the Regulatory Accounts for the year will be published in October 2025. Given the lead time and the work involved, it is unlikely a new format can be fully adopted for the set of accounts that will be published this autumn. However, the Transmission Adjudicator will discuss with Arqiva the publication, either at the same time or shortly after the accounts are published, of a commentary or a set of answers to stakeholder questions.

## 2. Stakeholder Responses

### **Q1: How often does someone in your business or organisation read and analyse Arqiva's Regulatory Accounts and supporting information? What purposes are they used for?**

Most people who responded said they looked at the Regulatory Accounts when they are published each year and during contract negotiations. Most submissions were from the larger companies. The response level from smaller radio businesses was very low. Two stakeholders who were approached for phone-out surveys replied they were aware of but had not reviewed the Regulatory Accounts and so declined to respond. One respondent said they were not aware they existed until this consultation.

Those that responded said the Regulatory Accounts provide a useful source for an overview of Arqiva's finances and the regulated business. More specifically, most said they looked at the Regulatory Accounts to try and assess the basis for prices, cost allocations and to identify any year-on-year trends.

The BBC said it reviewed the Regulatory Accounts for a range of internal purposes including internal governance, risk management, to assess Arqiva's health and viability, and to validate charges and check it was getting value for money. It also uses them to predict and plan future actions, changes or outcomes. The Regulatory Accounts provide accountability, helping the BBC to determine whether to escalate any concerns to the Transmission Adjudicator.

These views were echoed by commercial companies. Most stakeholders said they seek to use the Regulatory Accounts to assess the basis for prices and Arqiva's financial health and profitability. Several said they examine the Regulatory Accounts in more detail while in contract negotiations.

Arqiva noted that the Regulatory Accounts are a key element of the Undertakings. Their production, with the involvement of auditors and the Transmission Adjudicator, helps build confidence among customers that prices are in line with the provision in the Undertakings. Arqiva highlighted that data from the Regulatory Accounts are an input to the cost and pricing methodology. In addition, certain customers use the published data to inform calculation of, among other things, bespoke charging mechanics.

Arqiva said that if publication of the Regulatory Accounts was no longer required, its finance team would still be required to undertake a similar exercise to ensure relevant charges and reference offers are compliant with the Undertakings.

Arqiva said it referred to the Regulatory Accounts on a regular basis (about every two months) for specific contractual arrangements and any relevant new pricing with elements of operating expenditure included.

### **Q2: How useful are the Regulatory Accounts for your business or organisation?**

A general view from Arqiva's customers who responded was that the Regulatory Accounts were useful, but that their usefulness could be enhanced through the provision of more detail, greater transparency or additional commentary. One respondent argued some data was presented at too high a level and that significant movements from year-to-year were not explained and, therefore, difficult to understand.

The BBC said the Regulatory Accounts are one of a few sources of financial information it can refer to for what is its largest outsourced service. While they do not provide full visibility into

Arqiva's regulated business, they provide several financial metrics. It said this is vital in what it regards as a monopoly environment where there is limited ability to benchmark prices.

One respondent said the income statement provides useful splits between TV and radio and give customers some visibility of the costs that are passed through to stakeholders. At a high level, information about the costs of servicing Arqiva's debt is useful (the stakeholder reported that financing costs had been used in negotiations to justify price increases).

Some stakeholders highlighted that the basis for the valuation of assets in the Regulatory Accounts differs from the valuation used to calculate prices. They felt this mismatch means users of the Regulatory Accounts cannot properly understand how charges were derived and reconcile the Regulatory Accounts with the charges. One stakeholder complained this prevents customers from assessing the return Arqiva makes on its capital investment. Another expressed surprise that this issue had not been addressed by the Adjudicator.

Arqiva said the Regulatory Accounts are critical for its compliance with the Undertakings and underpinning charges for operating expenditure under the regulatory pricing mechanism. Also, some customers rely on the Regulatory Accounts for bespoke contractual mechanics.

**Q3: In the current format, how clear and easy to understand is the financial information? How easy is it to track year-on-year changes and identify trends?**

The BBC said it found the current format relatively easy to understand and enable it to make year-on-year comparisons. It extracts data to make comparisons over a five-year period. A commercial company explained it does a similar analysis to track trends.

Arqiva said the Regulatory Accounts apply a standard format widely used across a number of businesses. It said that anyone with a degree of financial understanding would be able to review the accounts.

The BBC queried why there was a lower level of detail in Regulatory Accounts in comparison with the accompanying Regulatory Accounting Principles and Methodologies (RAPM) document. It said this makes it challenging to reconcile published financial statements to commercial information provided by Arqiva or other market intelligence.

As noted, smaller stakeholders tended not to engage with the consultation and may not be engaging with the Regulatory Accounts when they are published each year. Some said they believe it is for the Adjudicator to take a more active role in drawing stakeholders' attention to the Regulatory Accounts and assist them in understanding the key elements and to seek further information from Arqiva on any major year-on-year variation or exceptional items. One stakeholder added that stakeholders are all busy running their businesses and regarded it as one of the functions for the Adjudicator to play this role.

**Q4: Is there additional information you would like to see and if so, why? Could some information be dropped and, if so, why?**

The BBC said it would like to see more granular information. It argued the incremental cost of disclosing further detail would be marginal for Arqiva but valuable for customers. It would welcome the detail outlined in Appendix 14 of the Undertakings (e.g. breaking down revenue by customer, operating costs, etc.).

D34 and several other respondents said operating costs should be reported in more detail with explanations of any substantial year-on-year changes. It suggested more detailed

information should be provided under the headings of Network Access and Managed Transmission Services. One respondent wanted more information on pass-through costs of electricity, rent and rates.

Three respondents argued Arqiva should provide a forecast for the next 12 months so that customers can understand how Network Access revenues and operating costs are forecast to change over the next financial year.

Arqiva noted it produces the Regulatory Accounts in line with the requirements of the Undertakings. The existing information requirements enable it to provide a representation of its regulated business for a given year when read in conjunction with the Arqiva Group statutory accounts.

Arqiva (in its answer to question 2) said the impact of any changes to the Regulatory Accounts should be carefully considered for three reasons: to ensure any changes still enable Arqiva to meet its obligations in respect of regulatory pricing; to ensure that agreed contractual positions and principles were maintained; and to avoid it having to create, potentially at additional cost, bespoke accounts for particular customers.

**Q5: Do you encounter any difficulties in navigating or understanding the documents? Do you have views about whether an alternative format or way to present the information would help enhance their usability?**

The BBC had no concerns regarding navigating the current format of the Regulatory Accounts. It said they could be improved by the addition of a five-year view of changes and the addition of forecasts for key data.

Several respondents said the Regulatory Accounts are easy to navigate, but felt additional commentary would be useful. Some said it would help, when there were substantial changes from year-to-year, to present detailed bridges on the component costs with explanations.

Arqiva said the standard format, which has been refined over time with input from the Adjudicator, aids accessibility. It cautioned against any variations which would make preparation more complex or make the Regulatory Accounts more difficult to read.

**Q6: If a stakeholder has questions arising from the Regulatory Accounts, is it clear how to get answers? Have you any experience of how well the process for follow-up works?**

One respondent said it had found Arqiva open and helpful in discussions about information within the Regulatory Accounts. But other respondents were less satisfied. Several said the process was long and iterative and did not result in clear, detailed answers. Some said it was not easy to formulate questions and would prefer to have a more unstructured discussion.

One stakeholder said it had tried to get additional information over time. While their account manager sought to provide the information, it was not always forthcoming from other parts of Arqiva's business.

Arqiva said (in its answer to question 3) it aims to work in an open and transparent manner with customers. It estimated that over the past five years it had received fewer than a dozen queries. Many of those had related to bespoke contractual matters or were raised by people new to a customer's finance team. Arqiva's view was that complaints that questions were

not appropriately answered were due to misunderstandings about the level of detail required or the need to keep information about other customers confidential.

Several stakeholders argued the Adjudicator should play a role in providing a process for enabling follow-up question to be asked and answered. There were also suggestions that Arqiva could play a role in providing opportunities for customers to ask questions – either individually or in groups.

**Q7: In your opinion, which of the options in Section 2, i.e. a), b), c) or d), most closely reflects your views and why?**

*NB The options were:*

- a) remain unchanged;*
- b) be left largely unchanged with relatively minor changes;*
- c) be changed either to be more useful to stakeholders or to reduce the resources required to produce them; or that*
- d) the requirement to produce the Regulatory Accounts should be lifted.*

Arqiva said the impact of any changes to the Regulatory Accounts should be carefully considered for three reasons: to ensure any changes still enable Arqiva to meet its obligations in respect of regulatory pricing; to ensure that agreed contractual positions and principles were maintained; and to avoid it having to create, potentially at additional cost, bespoke accounts for particular customers. Provided those considerations were respected, Arqiva said it found option a), b) or c) acceptable.

No respondent supported option d). There was limited support for option a). Most stakeholders preferred options b) and c). But respondents offered varying amounts of detail about the format they would recommend.

One respondent said there is value in the transparency the Regulatory Accounts provide. It argued they should carry on either unchanged or only simplified to make them more useful to stakeholders.

In contrast, some respondents said leaving the Regulatory Accounts unchanged would undermine the effectiveness of the Undertakings and fail to provide the proper level transparency. One respondent said the Regulatory Accounts need “an overhaul”.

D34 said the Regulatory Accounts are already minimal and condensed, and opposed changes that may reduce their usefulness even if it reduces cost to Arqiva. It felt relatively minor changes would likely be insufficient to provide stakeholders with the required transparency.

**Q8: Are there new tools or technologies that could be adopted to improve the transparency, usability or usefulness of the Regulatory Accounts?**

There were no specific comments from Arqiva customers on this question. Arqiva said that it looked forward to consultation suggestions for any tools that could improve the usefulness of the Regulatory Accounts. It noted new tools or developments could potentially incur more cost and could impact year-on-year comparisons.

**Q9: Are there other regulatory accounts which you regard as examples of best practice and what do you regard as their strengths in the context of the Arqiva regulated businesses?**

Arqiva noted the Regulatory Accounts by their nature are developed for particular purposes, which vary from industry to industry. Arqiva pointed out that the report referred to in the consultation document (The role of regulatory accounts in regulated industries, Inter-Regulatory Working Group, April 2001) highlighted the importance of consistency over time. It therefore cautioned against attempting to mix and match elements of different regulatory accounts.

Some examples were highlighted by respondents. BT's regulatory accounts were given as a good example of how to provide clear cost causality and detailed commentary and Heathrow's regulatory accounts were said to offer significantly more granularity on operating costs than Arqiva's. Some stakeholders mentioned others such as the UK regulated water companies and energy companies.

**Q10: Bearing in mind the resources needed to produce Regulatory Accounts, do you think there is still a need for Arqiva to produce them in some form?**

All stakeholders said there is still a need for Arqiva to produce the Regulatory Accounts in some form.

The BBC said the cost of producing the Regulatory Accounts is a small overhead in relation to Arqiva's regulated business and the requirement is the corollary of its "monopoly position". It said the Regulatory Accounts should be adapted to offer greater insights and transparency for customers. Others made similar comments.

One response suggested that the current format of the Regulatory Accounts could not be justified under a cost benefit analysis. D34 argued that the Regulatory Accounts needed significant reform to make them more transparent and useful for customers.

Arqiva noted again that if the Regulatory Accounts were no longer required per se, then much of the work required to produce them would still be needed. It said that the Regulatory Accounts are a key input to the current pricing methodology for contracts.

**Q11: Are there other views, in areas not covered by the previous ten questions, which you believe are relevant to this consultation?**

One comment was that Regulatory Accounts do not provide sufficient information about asset valuations, depreciation and how these contribute to the calculation of prices.

Two stakeholders suggested that the Undertakings should be reviewed to ensure they are effective in ensuring customers are treated fairly and that prices are appropriate in the current market context. One suggested that regulation might be resulting in higher prices.



### 3. Background to the Consultation

Arqiva made a set of promises (Undertakings<sup>1</sup>) about how it will run its broadcasting transmission business. As part of these Undertakings, it annually produces Regulatory Accounts, which differ from Arqiva Group Limited accounts as they have a narrower focus on parts of the business covered by the Undertakings i.e. providing Network Access (NA) and Managed Transmission Services (MTS) to television and radio broadcasters.

The Regulatory Accounts are intended to “fairly represent the state of the businesses’ affairs to which they relate” i.e. provide a breakdown of financial performance, outlining cost allocations and revenue streams for the services covered by the Undertakings.

The obligation to produce regulatory accounts applies to some regulated businesses. A group of regulators in 2000<sup>2</sup> suggested they could be useful for all stakeholders to monitor performance against assumptions underlying price controls; inform future price control reviews; assist in detection of certain anti-competitive behaviour; assist in monitoring financial health; and improve transparency in the regulatory process.

The Undertakings Section 15 defines a framework for Regulatory Accounting with a provision giving the Transmission Adjudicator the ability either to change the financial information Arqiva is required to publish or remove the obligation to provide Regulatory Accounts. The Undertakings Appendix 14<sup>3</sup> ‘Form of Regulatory Accounting Statement’ shows illustrative data proposed by Arqiva when the Undertakings were agreed with the competition authorities. The format currently used is different (changes agreed with the Transmission Adjudicator in 2009<sup>4</sup>) and has been used, with minor changes, for the past 15 years.

Each year, Arqiva produces a ‘Regulatory Accounting Principles and Methodologies’ (RAPM) for review by the Office of the Transmission Adjudicator. The RAPM must contain an adequate level of detail to enable the Transmission Adjudicator to understand the basis on which the Regulatory Accounts will be prepared and must take into account all relevant guidance issued by the Transmission Adjudicator.

Arqiva published its most recent Regulatory Accounts for financial year ending 30 June 2024, and an archive, going back to 2009, are all published on Arqiva’s website.

Over the past year, the Transmission Adjudicator has spoken with a range of Arqiva’s broadcast transmission customers. These conversations suggest that few customers are deriving much of value from the Regulatory Accounts.

The purpose of the consultation was to explore views of stakeholders more systematically, to ask how relevant and useful the Regulatory Accounts are, or are they still needed. To ask about the usefulness of the current format, the information included and level of detail, and to see if any changes could enhance their value.

Stakeholder feedback will inform the Transmission Adjudicator’s assessment and decision about whether the requirements for the Regulatory Accounts should remain unchanged; be left largely unchanged with relatively minor changes; be changed either to be more useful to stakeholders or to reduce the resources required to produce them; or that the requirement to produce the Regulatory Accounts should be lifted.

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<sup>1</sup> For a brief background to the Undertakings and full link to the whole document, see Appendix 1.

<sup>2</sup> See full document at [www.urgeni.gov.uk](http://www.urgeni.gov.uk): [Role of Regulated Accounts in regulated Industries](#)

<sup>3</sup> The Undertakings, Appendix 14, Page 62

<sup>4</sup> [https://www.ota-bts.org.uk/documents/OTABTSreport\\_july09september09.pdf](https://www.ota-bts.org.uk/documents/OTABTSreport_july09september09.pdf)

#### 4. Appendix

##### List of Respondents

Arqiva	Non-Confidential version	
	<a href="https://ota-bts.org.uk/wp-content/uploads/2025/03/Arqiva-Final-Non-Confidential-2-2024.pdf">https://ota-bts.org.uk/wp-content/uploads/2025/03/Arqiva-Final-Non-Confidential-2-2024.pdf</a>	
BBC	Non-Confidential version	
	<a href="https://ota-bts.org.uk/wp-content/uploads/2025/03/BBC-Final-Non-Confidential-2-2024.pdf">https://ota-bts.org.uk/wp-content/uploads/2025/03/BBC-Final-Non-Confidential-2-2024.pdf</a>	
D34	Non-Confidential version	
	<a href="https://ota-bts.org.uk/wp-content/uploads/2025/03/D34-Final-Non-Confidential-2-2024.pdf">https://ota-bts.org.uk/wp-content/uploads/2025/03/D34-Final-Non-Confidential-2-2024.pdf</a>	
News Broadcasting	Non-Confidential version	
	<a href="https://ota-bts.org.uk/wp-content/uploads/2025/03/News-Broadcasting-Final-Non-Confidential-2-2024.pdf">https://ota-bts.org.uk/wp-content/uploads/2025/03/News-Broadcasting-Final-Non-Confidential-2-2024.pdf</a>	
Nimux	Non-Confidential version	
	<a href="https://ota-bts.org.uk/wp-content/uploads/2025/03/Nimux-Final-Non-Confidential-2-2024.pdf">https://ota-bts.org.uk/wp-content/uploads/2025/03/Nimux-Final-Non-Confidential-2-2024.pdf</a>	
SDN	Confidential	
Global Media	Confidential	
Folder Media	Confidential	
Anonymous	Confidential	
Anonymous	Confidential	