



ECOI

Electronic Communications
Office of Iceland

Decision no. xx/2026
**Cost analysis of wholesale prices for optical
wavelengths**

Case number: 2025030008

2 July 2026

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1 Introduction

(1) With the Electronic Communications Office of Iceland (ECOI) Decision No. 1/2024, dated On February 9, 2024, ECOI approved the Tariff of Míla hf. (Míla) for a new service, optical wavelengths, and an amendment to the company's reference offer for this service. Míla's wholesale Tariff for optical wavelengths, which is under consideration here, is fundamentally based on the obligations imposed on the company by the Post and Telecom Administration (PTA) Decision No. 21/2015, dated August 12, 2015, on the designation of an undertaking with significant market power and on the imposition of obligations on the wholesale market for trunk segments of leased lines.

(2) This new service, which is covered by the Míla tariff, is part of the wholesale market for trunk segments of leased lines, which is Market no. 14 according to the recommendations from the EFTA Surveillance Authority (ESA) from 2004 (Market 14/2004). ECOI has initiated a new analysis of this market, but it is clear that it will be many months before a final decision in this regard is issued.

(3) Furthermore, Míla's "Alien Wavelength" service (hereinafter referred to as AWL service) has come under review by ECOI following a complaint from Ljósleiðarinn. ECOI refers to its Decision No. 12/2025, dated December 30 last year. See Chapter 4 below for further details.

(4) The decision underlying the obligations imposed on Míla concerning the trunk segments of leased lines was made during the validity period of Act No. 69/2003 on the Post and Telecom Administration. That Act has now been replaced by Act no. 75/2021 on the Electronic Communications Office of Iceland, which came into force on 1 July 2021.

(5) Pursuant to Act no. 75/2021, the Electronic Communications Office of Iceland (ECOI) took over the statutory role of monitoring implementation of the Electronic Communications Act no. 81/2003 and no. 70/2022, which replaced older legislation on 1 September 2022. This includes monitoring the tariffs of Míla for services on which obligations have been imposed with Decisions issued by the PTA and the ECOI.

(6) The ECOI generally assumes that the PTA's prior rulings set a precedent for the Office's administrative practice, as they involve the implementation and interpretation of the same provisions of legislation on electronic communications. ECOI Decisions should likewise be regarded as a continuation of the Decisions of the PTA, e.g. due to obligations that have been imposed on Míla.

(7) In Transitional Provision No. II to the Electronic Communications Act No. 70/2022, it is stated that all obligations that have been imposed on electronic communication companies pursuant to Chapter VII of the Electronic Communications Act No. 81/2003, and which are in effect upon the entry into force of the newer Electronic Communications Act, shall be maintained until a review of the obligations has been carried out following a market analysis. Furthermore, it is stated in Paragraph 7 of Article 48 of the Regulation on Market Analyses in the Field of Electronic Communications that decisions made by ECOI following a market analysis, including obligations, shall remain in force until the Office has repeated the analysis of the relevant market and made a new decision following a new market analysis.

(8) ECOL's draft decision regarding wholesale pricing for optical wavelengths was submitted for national consultation from 6 May to 8 June 2026. No comments were received.

(9) The draft decision is now being sent to the EFTA Surveillance Authority (ESA) and other regulatory authorities within the EEA for consultation, cf. the provisions of Paragraph 1 of Article 28 of Act No. 75/2021 on the Electronic Communications Office of Iceland, and Article 7 of the EU Framework Directive.

(10) The following sections cover the legal grounds, methodology and calculations that led to the ECOL conclusion. The draft decision describes the ECOL's pending position, which may be amended before a final decision is made, e.g. as a result of comments from stakeholders. The language of the draft should be read in that context.

2 PTA Decision no. 21/2015

(11) On 12 August 2015, the PTA issued Decision no. 21/2015 on the designation of an undertaking with significant market power and on the imposition of obligations on the wholesale market for trunk segments of leased lines (Market 14/2004).

(12) The PTA concluded that the definitions of Market 14 set out in the Recommendation of the EFTA Surveillance Authority (ESA) from 2004 apply in Iceland. The PTA decided to designate Míla as having significant market power on the wholesale market for trunk segments of leased lines (Market 14/2004) throughout the country.

(13) With the authorization of Article 32 of the older Electronic Communications Act no. 81/2003¹ the PTA imposed an obligation on Míla that the tariff for wholesale service for the company's trunk segments of leased lines would be cost-oriented. To establish prices for trunk segments of leased lines, a cost analysis method based on historical costs attributed to the relevant services (HCA FAC) should be applied.

(14) The decision stated that when implementing its cost analysis, Míla should base its methodology on Chapter IV of Regulation no. 564/2011 on bookkeeping and cost analysis in the operations of electronic communications companies², such as on evaluation of operational assets, service life and return on investment. Furthermore, accounts should be taken of the PTA position on criteria and calculations in the PTA Decision no. 14/2011 with respect to cost analysis for trunk segments of leased lines.

(15) According to the PTA's Decision no. 21/2015, Míla's cost analysis for wholesale tariff for trunk segments of leased lines should be based on the following main criteria:

- Allocation of costs is based on accounting separation for a trunk line network, on Míla's asset bookkeeping and on costs from Míla's bookkeeping system where operational costs are entered under bookkeeping accounts.

¹ New telecommunications legislation, Act no. 70/2022, entered into force on 1 September 2022.

² The Regulation on Accounting and Cost Analysis in the Operations of Telecommunications Companies no. 555/2023 has superseded Regulation no. 564/2011.

- The cost base is Míla's historical costs (HCA).
- Operational costs are based on the preceding financial year in each instance. The methodology is based on allocating all costs to the service in question (FAC).
- When evaluating investments for leased lines, the reference shall be indexed historical costs. Replacement cost of operational assets shall also be taken into account, in the light of next generation networks (NGN).
- A depreciation methodology shall be used that reflects the value in use of an asset.
- The annuity method shall be used to calculate annual investment costs.
- The cost of the trunk line network shall be captured, including share of joint costs, management, IT and senior management in accordance with accounting separation.
- The required rate of return used shall be based on weighted average cost of capital (WACC real) from capital tied in assets used in connection with provision of service where the risk premium reflects the risk related to operations on the relevant market.
- The number of lines shall be calculated taking into account line equivalents. In assessment of line equivalents one shall normally take into account costs in proportional context to the capacity and length of leased lines. In the case of new service, it is authorized to take into account an estimate of the number of connections.
- Average base unit cost for the whole country, and/or for specific categories of paths, is calculated from allocated operational and investment costs divided by number of lines or line equivalents.

(16) Míla shall ensure at all times that tariffs include all wholesale services on the market for trunk segments of leased lines available from Míla to its own units and affiliated companies. Furthermore, Míla is obliged to review the product offer in its tariff in step with market requirements at any given time and if reasonable requests are received in accordance with the access obligation. All additions and amendments to the tariff shall be endorsed in advance by the ECOI and do not come into force until such an endorsement has been provided, following national consultation and consultation with the EFTA Surveillance Authority and other telecommunications surveillance institutions in the EEA.

(17) Míla is authorized to offer tariffs by categories of paths if they are based on cost reference and if there is non-discrimination between parties.

(18) The Míla tariffs for leased lines shall be easy to understand and shall take into account the following main principles:

- They shall be based on costs and on objective criteria such as distance and capacity.
- They shall take into account all service items included in the relevant service.

- They shall in general be divided into: Setup charge (installation) and subscription charge (fixed lease charge for a specific period of time). Where another division is used (such as price per kilometer) it shall be based on objective criteria.

(19) According to the Decision, Míla's tariff for leased lines was generally divided into setup charge, subscription charge per month and kilometer charge per month, Exceptions to this rule being that the lease of dark fiber is based solely on a setup charge and the distance charge (divided into urban areas and rural areas) and the tariff for Hraðbraut connections (Data Highway connections) was based on a setup charge and then a subscription charge per month. The PTA considered that Míla should in the coming years aim towards amendments in its tariffs such that there would only be a price for a subscription charge per month independent of distance where possible and based on capacity and on the service items included in the service in question.

3 ECOI Decision No. 1/2024

(20) With ECOI Decision No. 1/2024, *Cost analysis of wholesale prices for optical wavelengths and amendment to the reference offer for leased lines*, dated On February 9, 2024, ECOI approved Míla's tariff for a new service, optical wavelengths, and an amendment to the company's reference offer for this service (Market 14/2004).

(21) Following the ECOI's review of Míla's cost analysis, the Office concluded that the monthly prices for the service would be as follows:

Distance in km	1Gb/s	10Gb/s	25Gb/s	100Gb/s
25	ISK 44,494	ISK 101,490	ISK 140,977	ISK 231,912
50	ISK 56,409	ISK 128,166	ISK 177,739	ISK 291,631
100	ISK 72,132	ISK 163,365	ISK 226,247	ISK 370,432
200	ISK 92,879	ISK 209,810	ISK 290,253	ISK 474,410
300	ISK 107,965	ISK 243,584	ISK 336,796	ISK 550,020
400	ISK 120,254	ISK 271,095	ISK 374,709	ISK 611,610

(22) Port fees were included in the monthly price. Setup charges were set at ISK 96,386, but ECOI's decision stated that upon review of the Tariff, ECOI would request actual cost figures for setting up a connection.

(23) In light of the fact that the cost analysis was based on estimated demand, which had a considerable impact on the outcome, ECOI deemed it appropriate that the cost analysis be reviewed once actual demand became available. Furthermore, operating costs were also based on estimates rather than actual costs. Therefore, Míla was required to submit an updated cost analysis, based on the cost model approved by ECOI, no later than March 1, 2025.

4 ECOI Decision No. 12/2025 on Alien Waves (AWS) service

(24) On December 30, 2025, ECOI published Decision No. 12/2025, *Complaint regarding Míla's breach of obligations*, after Ljósleiðarinn submitted a complaint to the authority regarding Míla's alleged breaches of obligations stipulated in PTA Decisions No. 8/2014 and

21/2015 (leased line markets), as well as in ECOI Decision No. 5/2024 (local loop and bitstream market).

(25) The dispute between the parties concerned various aspects, including a disagreement over Míla's wavelength transmission service, the so-called Alien Wavelength service (AWL service), which the company provides to Farice. The Office concluded that the service fell under the wholesale market for the trunk segments of leased lines and was therefore subject to obligations in accordance with PTA Decision No. 21/2015. The Office concluded that Míla had breached the transparency obligation under that decision by failing to submit an updated reference offer for review and approval by ECOI with respect to the wavelength service. Míla was therefore required to submit an updated reference offer to the Office, along with cost-analyzed prices for AWL service, no later than March 1, 2026.

(26) On March 10, 2026, ECOI received a "*Tariff for Alien Wavelengths*" and a memorandum on the pricing of Alien Wavelengths from Míla, along with a draft reference offer in accordance with the aforementioned ECOI Decision No. 12/2025.

(27) On January 27, 2026, Míla appealed ECOI Decision No. 12/2025 to the Appellate Committee for Electronic Communications and Postal Affairs (ÚFP) and requested a suspension of legal effects. The committee rejected that request in its ruling on February 18 in case no. 2/2026. In light of the committee's conclusion and the fact that ECOI was working on an updated cost analysis for optical wavelengths, both the Office and Míla agreed to combine the cost analyses for the AWL service and optical wavelengths, as such a measure would entail significant efficiencies.

(28) ECOI was granted a deadline of February 26, 2026, and that deadline was subsequently extended to March 12, 2026, to submit its comments on the substantive aspects of the case. The case is therefore currently pending before the Appellate Committee for Electronic Communications and Postal Affairs (ÚFP) and awaits a substantive ruling by the committee.

(29) Since the AWL service relies largely on the same equipment as optical wavelengths, the cost of the AWL service was not separated in the cost model; instead, revenue from this service was deducted from the cost base. The Tariff for Alien Wavelengths submitted by Míla in March 2026 is not based on a separation of costs for the equipment and operation of this service; instead, the Tariff is based on the price components paid by Farice and the coefficients used in the Tariff for wavelengths. In the interest of proportionality, ECOI has decided that it is premature to submit Míla's reference offer and Tariff for AWL service to national consultation until a substantive conclusion regarding that service has been reached by the Appellate Committee for Electronic Communications and Postal Affairs (ÚFP). However, it is not clear when a conclusion will be reached in the appeal case, and ECOI does not consider it appropriate for this to delay the determination of a new Tariff for optical wavelengths.

5 Facts of the case

(30) In ECOI Decision No. 1/2024, it was stipulated that Míla's cost analysis for optical wavelengths should be reviewed when actual demand became available, as that cost analysis by Míla had been based on a demand forecast which had a considerable impact on the result, and Míla was therefore required to submit an updated cost analysis based on the cost model that ECOI had approved in the Office's Decision No. 1/2024 no later than March 1, 2025.

(31) In an email on **June 18, 2025**, ECOI pointed out to Míla that the company had not submitted to the authority an updated cost analysis based on the same calculation methodology, but using actual figures for Operating costs, investment, and usage of the service. ECOI subsequently extended Míla's deadline to September 1, 2025, to submit an updated cost analysis.

(32) In an email dated **September 2, 2025**, Míla submitted an updated cost analysis for optical wavelengths, along with a proposal for a new speed tier, i.e. 400 Gb/s, in the company's Tariff. The email stated that the deployment of the wavelength network had not been fully completed, but that investments had been made in 2025 to strengthen and enhance the system. Deployment had begun in 2021 and had been carried out in phases, i.e., the national ring in 2022-2023, the connection of the Westfjords in mid-2024, and Northeast Iceland at the end of 2024. As a large part of the system had not been operational for a full year, operational figures for the entire system were not available. Operating costs would therefore be calculated based on available data in accordance with the current deployment of the network. The memorandum was therefore comparable in terms of operating costs, but was based on actual investments from the year 2021.

(33) Attached to the email was Míla's memorandum regarding the cost analysis. In that memorandum, Míla pointed out that the company's cost analysis was based on obligations imposed on the company by the Post and Telecom Administration (PTA) Decision No. 21/2015 on the designation of an undertaking with significant market power and on the imposition of obligations on the wholesale market for trunk segments of leased lines (former Market 14/2004). According to that decision, Míla was required to ensure that tariffs were based on the cost of providing the relevant wholesale service and to apply a methodology based on historical costs allocated to the relevant services (HCA/FAC).

(34) Since the obligations had been imposed, market circumstances had changed significantly. More entities were now operating trunk line connections and wavelength systems, both for their own use and on the wholesale market, and Míla considered that competition had increased significantly.

(35) Furthermore, Míla stated that according to the Electronic Communications Act and European regulations, the Electronic Communications Office of Iceland (ECOI) was required to review market analyses within five years, but more than ten years had passed since the last comprehensive review of this market. It was therefore imperative to expedite the review so that the market definition, SMP designation, and obligations would reflect the actual competitive environment.

(36) ESA had repeatedly criticized the excessively long time between market analyses and pointed out that this undermined effective competition and legal certainty. This had been reiterated both in ESA's comments in 2015 and 2021 and in a letter from February 2024, which emphasized the need to regularly review market analyses.

(37) Furthermore, Míla appealed to ECOI to expedite the review of the market analysis, and urged ECOI to set forth a clear timeline for the review of the market analysis.

(38) The assumptions for the cost analysis were also presented in Míla's memorandum, and these will be discussed in further detail where relevant in Chapter 6.

(39) In an email from ECOI to Míla on **November 5, 2025**, it was stated that the ECOI had reviewed Míla's cost analysis, which had been received by the Office on September 2, 2025, and that, in ECOI's assessment, there were several items that required answers or needed to be rectified before proceeding further.

(40) ECOI deemed it necessary for Míla to better justify the proportional split regarding the allocation of investment costs, as two fiber cores had to be freed up to commission the DWDM system, and other systems had been temporarily relocated. ECOI considered it reasonable that other systems should bear a portion of this investment and requested that Míla better justify the proportional allocation presented in the cost analysis.

(41) ECOI pointed out an error in the model regarding the revaluation of the capital cost of equipment and the annual fee, noting that investments were partially indexed and that the company's calculations subsequently relied on $WACC_{nominal}$, a methodology that ECOI could not accept. ECOI also stated that if $WACC_{nominal}$ were used in the calculations, it would not be permissible to adjust the investment using an index, as the result could become distorted since the inflation factor is included in the nominal interest rates. If historical cost were used as a basis, it would be permissible to adjust it using an index, but then $WACC_{real}$ would be used to determine the annual fees.

(42) In the email, ECOI also provided comments to Míla regarding the breakdown of the number of cabinets by rural or urban areas and noted that a new tariff for Specialist D would take effect in two months. ECOI considered it appropriate that Míla take this increase into account in the cost analysis. ECOI also requested that Míla provide information on the actual operating costs of the system for the years 2021 through mid-2025, along with providing the agency with further explanations regarding the forecast for the number of sold connections, as the number of equivalents added due to these forecasts would have a significant impact on the pricing outcome.

(43) ECOI pointed out that in ECOI Decision No. 1/2024, it was noted that Míla considered it appropriate to estimate administrative costs at 15%, as the system was under deployment, and it was therefore reasonable for these costs to be higher than 10%. However, taking into account that the deployment of the system was almost complete, ECOI deemed it appropriate to lower the overhead cost to 10%. ECOI also requested that Míla specify the actual cost of setting up a connection, as it had been stated in ECOI Decision No. 1/2024 that the Office had no objections to Míla charging a setup charge of ISK 96,386, but that upon review of the Tariff, the Office would request actual figures for setting up a connection.

(44) Finally, ECOI requested an updated overview of the system, as there was a lack of consistency regarding the specification of locations where optical wavelengths were available in the cost analysis and in the Office's data collection earlier in 2025. The response deadline had been granted until December 5, 2025. The response deadline was extended to December 12, 2025, at Míla's request.

(45) On **December 10, 2025**, Míla submitted an updated cost analysis along with responses to ECOI's comments.

(46) Míla's email stated that the proportional allocation of investment costs was based on the premise that the installation of the new DWDM system required extensive relocations of

existing connections, as it was necessary to free up fiber cores for the new system and relocate other systems to create space for the new system. According to Míla, a rough estimate indicated that approximately 75% of the cost was attributable to the new DWDM system, 20% was related to the older system, and 5% concerned other tasks carried out concurrently during these trips. In Míla's assessment, this breakdown reflected a realistic picture of the labor, travel costs, and implementation work necessary to bring the new DWDM system into operation.

(47) In the updated cost model, Míla had taken ECOI's comments into consideration and corrected an error regarding the calculation of the revalued capital cost of equipment, as well as modifying the distribution of the number of cabinets between rural and urban areas. In the model, Míla had relied on $WACC_{real}$ in calculating the annual fee. Regarding ECOI's suggestion to rely on the tariff for Specialist D, which would take effect in 2 months, Míla stated that the company used actual figures from 2024 for the work on the task.

(48) Míla submitted information regarding the actual cost of operating the trunk network in its entirety for the years 2021 through mid-2025. In its response, Míla noted that since operating costs were not allocated to individual products in the trunk network, and conducting a detailed cost analysis of the entire trunk network would require significant effort, a more reasonable approach would be to examine the total number of cabinets and estimate the operating costs as a proportion of DWDM based on that.

(49) Míla's response also stated that the figures regarding the number of connections or equivalents were based on both actual and projected sales. Additional sales [...] ³ were anticipated, along with the replacement of Hraðbraut, as it would be sensible to migrate Data Highway connections that were routed along the same path as the optical wavelength network, since this would entail certain efficiency gains. With the increased availability of optical wavelengths in the Westfjords, opportunities for increased sales could be expected, but the Westfjords ring had recently become operational, and it was therefore natural that sales were still in the build-up phase, and revenue potential would also increase when 400 Gb/s connections became available for sale. Míla pointed out that it would take time to sell connections and migrate older connections to new solutions, as customers would need time to phase out older solutions and adopt new ones, and that such transitions would generally take place in phases over a period of time. [...].

(50) Finally, an email from Míla on **December 10, 2025** stated that in the company's updated cost analysis, the administrative costs ratio had been reduced from 15% to 10% following a recommendation from ECOI. Míla's response also included an updated figure showing the name of each location where optical wavelengths were available, along with Míla's explanations for the discrepancy between the Office's data collection earlier in the year and the figure accompanying the cost analysis.

(51) On **December 30, 2025**, ECOI published Decision No. 12/2025, *Complaint regarding Míla's breach of obligations*, after Ljósleiðarinn had submitted a complaint to the authority regarding Míla's alleged breaches of obligations stipulated in PTA Decisions No. 8/2014 and

³ Information within square brackets is confidential.

21/2015, as well as ECOI Decision No. 5/2024. Among the disputed issues in Ljósleiðarinn's complaint regarding Míla was Míla's AWL service, which the company provides to Farice. ECOI concluded that the service fell under the wholesale market for the trunk segments of leased lines and was therefore subject to obligations in accordance with PTA Decision No. 21/2015. Míla was therefore required to submit an updated reference offer to the Office, along with cost-analyzed prices for the service, no later than March 1, 2026.

(52) Given that ECOI was working on a cost analysis of optical wavelengths, the agency considered it advantageous for both Míla and ECOI to update the company's cost analysis of optical wavelengths from December 10, 2025, taking into account the conclusion in PTA Decision No. 21/2015. ECOI therefore sent an email to Míla on January 5, 2026, and submitted a proposal to Míla regarding whether there was cause to update the cost analysis for optical wavelengths to include AWL service, or whether Míla considered it better to keep these services in separate cost analyses.

(53) Míla sent an email to ECOI on **January 6, 2026**, in which Míla requested ECOI's position on the information it had already submitted to the Office regarding the cost analysis of optical wavelengths, so that Míla could take it into consideration if the company updated the cost analysis to include AWL services in accordance with ECOI Decision No. 12/2025. Finally, Míla stated that the company agreed with ECOI's proposal that it would be most appropriate to update the cost analysis already under review by ECOI and finalize them together.

(54) ECOI sent an email to Míla on **February 6, 2026** stating that the Office had now completed its review of Míla's responses and explanations, and the changes to the model resulting from the comments ECOI had set forth in an email to Míla on November 5, 2025. ECOI had no objections to Míla's responses and the changes to the model, except for investments for the years 2021 to 2025 concerning the capital cost of equipment. ECOI could not accept the methodology used by Míla concerning the calculation of the capital cost of equipment, as a portion of the capital cost of equipment was indexed to the building cost index, minus the capital cost of transmission equipment, and $WACC_{real}$ was subsequently used in the calculations.

(55) ECOI considered that when another electronic communication company in the market could replicate the service in question, it would be appropriate to use deprival value and a nominal interest rate model ($WACC_{nominal}$) in accordance with the competition present in the market. This would likely promote the proper investment incentives for access seekers. This methodology would apply in this case, since other electronic communication companies could purchase equipment from Míla and build a comparable service. ECOI therefore requested that Míla send the Office an updated model that was not based on an indexed capital cost, but rather on the total capital cost of equipment, and that a $WACC_{nominal}$ of 8.97% for the year 2025 be used in the calculation of the annual fee. Finally, it was noted that since Míla had now appealed the portion of ECOI Decision No. 12/2025 pertaining to the company's AWL service, the Office would proceed with the cost analysis of optical wavelengths without including the AWL service within its scope for the time being. A deadline to respond was granted until February 13, 2026.

(56) By email on **February 18, 2026**, ECOI received a ruling from the Appellate Committee for Electronic Communications and Postal Affairs in case no. 2/2026 regarding the suspension of

legal effects concerning Míla's appeal of a part of ECOI Decision No. 12/2025. The conclusion of the Appellate Committee was to reject Míla's request to suspend the legal effects of points 3 and 4 of the Office's decision. ECOI sent an email to Míla on the same day and requested information on the status of the matter, as the deadline for a response had passed, having been set for February 13, 2026. ECOI also requested information from Míla regarding the conclusion of the Appellate Committee, and since the suspension of legal effects in case no. 2/2026 had been rejected, there was once again reason to combine the AWL service with the cost analysis of optical wavelengths.

(57) On **March 4, 2026**, ECOI received a Tariff for AWL service and a memorandum on the pricing of AWL service from Míla, along with a draft reference offer in accordance with ECOI Decision No. 12/2025.

(58) On **March 10, 2026**, ECOI received an updated cost analysis for optical wavelengths in accordance with ECOI's recommendations in an email to Míla on February 6, 2026.

(59) ECOI sent an email to Míla on **March 12, 2026**, in which the Office pointed out that Míla had not answered one item in the Office's inquiry of November 5, 2025, regarding the collection of setup charges. Míla was given a deadline of March 18, 2026, to respond to this comment.

(60) A reply was received from Míla on **March 20, 2026**, stating that Míla had compiled an overview of connections that had been set up and calculated the cost based on the actual data available. That analysis was essentially not far from the cost assessment, but it covered more connections and also reflected that unit prices for labor and travel had increased since the previous assessment was conducted. The summary indicated that the cost of setting up a connection could amount to up to approximately ISK 155,000, cf. the attached Excel document containing a more detailed breakdown. In light of the above, Míla considered it appropriate that revenue from setup charges be deducted from operating costs in the 2025 cost analysis, so that the cost of new connections would not be applied to the general monthly price of the service. In Míla's assessment, this methodology would be more objective and practicable than relying on case-by-case actual costs. If ECOI considered the aforementioned approach correct, Míla would review and update the cost analysis in accordance with that methodology. Finally, it was stated that Míla also considered it reasonable that the setup charge would remain in accordance with the current setup charge in the trunk network, i.e. ISK 96,386, unless ECOI considered there to be a special reason to do otherwise and informed Míla accordingly.

(61) ECOI sent an email to Míla on **March 24, 2026**, pointing out that since the setup charge was not included in the cost calculations in Míla's cost analysis, ECOI could not accept that revenue from setup charges be deducted from the costs when calculating the monthly fee for the service. ECOI's discussion regarding the method of deducting setup charge revenue from costs if actual costs were not available had been of a general nature and would only have applied when the cost of setting up a connection was part of operating costs and could not be separated from other operating costs, which did not apply here. Finally, it was stated that since Míla proposed that the setup charge remain in accordance with the current setup charge in the trunk network, i.e. ISK 96,386, then ECOI would accept this and the explanations that Míla had provided.

(62) ECOI sent an email to Míla on **March 20, 2026**, in which the Office requested a copy of Míla's contract with Farice regarding AWL service, which would include the information specified in Míla's Excel document "Pricing of Alien Wavelengths V1.0" and the terms of service as set out in Míla's draft reference offer for this service. Finally, ECOI requested explanations from Míla, as during the institution's review of the company's cost analysis for optical wavelengths, it had noticed that the item "Service Agreements" appeared in both operating costs and capital expenditures. ECOI requested explanations as to what was included in the service agreement specified in the investment cost and what the difference was between them. Míla was given a deadline of March 27, 2026, to submit the agreement with Farice and respond to the aforementioned additional questions.

(63) On **March 25, 2026**, ECOI received a copy of Míla's agreement with Farice regarding AWL service. Regarding ECOI's inquiry concerning service agreements, Míla stated that these were agreements that had been assessed as part of investments, involving a repair agreement for equipment and services for timing equipment on the network, while general service agreements have subsequently been allocated to operations. Míla's response also stated that it considered it appropriate to review the original annual contract amount for service agreements, which had been ISK [...] million under the original agreement, but had increased due to additional services. Míla updated the analysis with actual figures for the year 2025, noting that service agreements for that year had amounted to ISK [...] million, and that the labor component for the year 2025, which had amounted to ISK [...] million, needed to be included. Míla also added [...] connections to the estimated sales – [...]. Attached was an updated Excel file labeled "Kostnaðargreining ljósrásir V1.3_2025.xls".

6 Míla's cost analysis for optic waves

6.1 General

(65) Sections 6.2 to 6.6 below provide the criteria and conclusions of the ECOI regarding cost analysis for optic waves. The main factors that the ECOI considers important as prerequisites for the Office's position in calculating its optic waves tariff are discussed.

(66) These factors are as follows:

- Weighted average cost of capital
- Operating costs
- Investment costs
- Setup charges
- Equivalents
- Calculation of lease

(67) Each section is structured with a description of the Míla cost analysis coming first, followed by the position of the ECOI for each issue. Section 6.8 includes a summary of the ECOI's conclusions and the operative section of the decision.

(68) The ECOI conclusion is based on authority granted to the Office in the Electronic Communications Act no. 70/2022 where reference is particularly made to Article 52 of the Electronic Communications Act on price control and to ECOI Decision no. 21/2015.

(69) Míla has submitted a cost analysis for access to optical wavelengths, along with further explanations at the request of ECOI. The cost analysis is largely an update of the cost analysis on which ECOI Decision No. 1/2024 was based. ECOI refers to that decision regarding a further description of Míla's optical wavelength network and the methodology for calculating the price for the service.

(70) ECOI's conclusion is based on Míla's cost analysis dated September 2, 2025, incorporating the changes made to Míla's cost model, with the most recent changes to the model having been made on March 25, 2026.

(71) Regarding methodology, the cost analysis under discussion here is based on the same type of cost model upon which ECOI Decision No. 1/2024 was based.

6.2 Weighted average cost of capital

6.2.1 Míla's cost analysis

(72) In the cost model submitted by Míla on September 2, 2025, as well as in the analysis upon which this decision is based, the company relied on the $WACC_{nominal}$ for 2025, which is 8.97%.

6.2.2 Position of the Electronic Communications Office of Iceland

(73) The European Commission (EU) has issued a notice with guidelines for calculating infrastructure cost of capital (the WACC Notice). The primary purpose of these guidelines is to

harmonize the calculation of the WACC and make it more accessible and predictable. The ECOI intends to take these guidelines into account where appropriate.

(74) Appendix I provides the ECOI's review and conclusion on WACC for the year 2025. The WACC calculations take into account the BEREK report, dated 5 June 2025: Report on WACC parameter calculations according to the European Commission's WACC Notice (WACC parameters Report 2025), BoR (25) 64.

(75) The ECOI concludes that WACC based on nominal risk-free rate ($WACC_{nominal}$) for 2025 is 8.97%.

(76) ECOI considers that when another electronic communication company in the market can replicate the service in question, it is appropriate to use deprival value and a nominal interest rate model ($WACC_{nominal}$) in accordance with the competition present in the market. In the opinion of ECOI, it is likely to promote proper investment incentives for access seekers. This methodology applies in this case, since other electronic communication companies can purchase inputs from Míla and build a comparable wavelength service. Both Ljósleiðarinn and Nova operate their own wavelength networks and base their systems in part on Míla's infrastructure.

(77) Míla's calculations in the cost model underlying ECOI's conclusion are based on the $WACC_{nominal}$ that ECOI calculated for the year 2025, i.e. 8.97%.

(78) The ECOI determines WACC annually, or as needed, and it was last calculated for the year 2025.

6.3 Operating costs (OPEX)

6.3.1 Míla's cost analysis

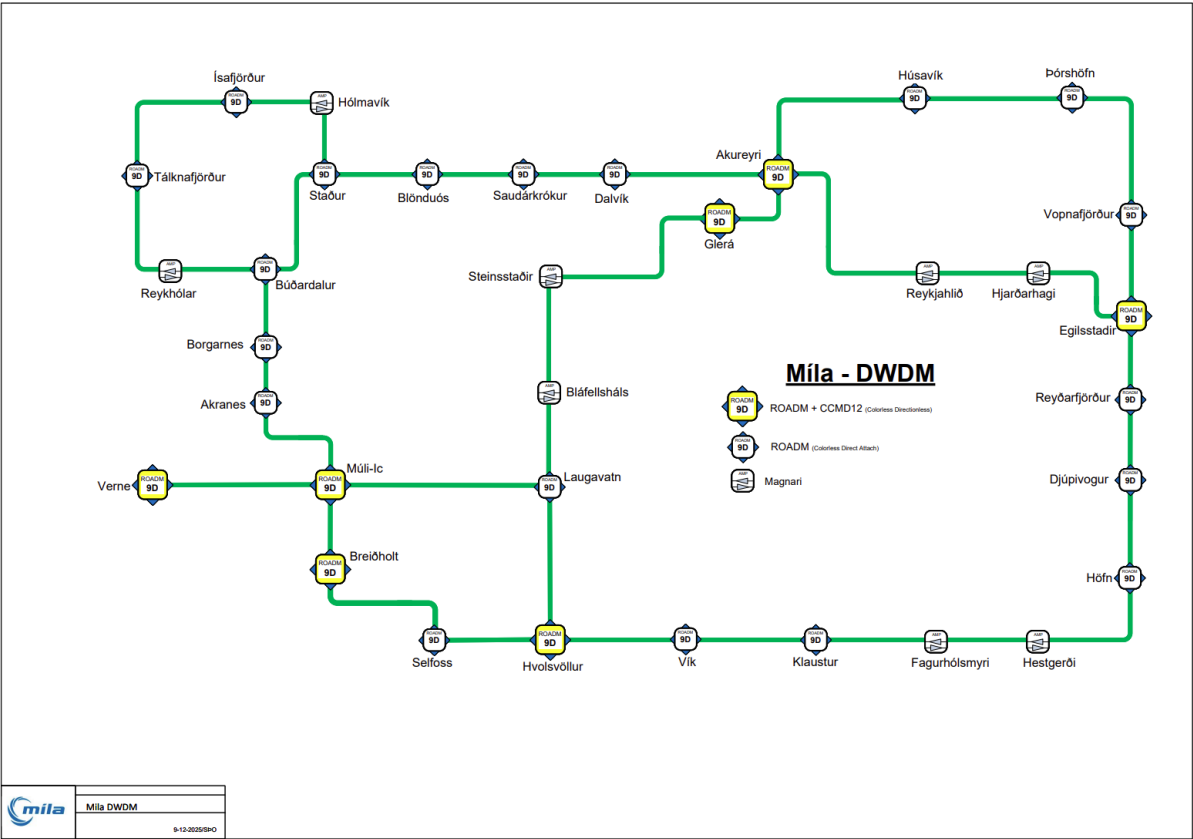
(79) In Míla's cost analysis, dated On September 2, 2025, it is stated that the company is submitting an updated cost analysis for optical wavelengths, along with a proposal for an additional speed tier in the Tariff. The objective of the analysis is to ensure that the pricing of the service continues to reflect the actual cost base in accordance with the obligations that The Electronic Communications Office of Iceland (ECOI) has imposed on the company.

(80) Míla noted that the deployment of the wavelength system was not fully completed. During 2025, investments were ongoing to strengthen and enhance the network. The deployment of a new wavelength system had begun in 2021 and had been carried out in phases; i.e., the national ring in 2022 and 2023, the Westfjords connected in mid-2024, and Northeast Iceland at the end of 2024.

(81) For these reasons, operational figures for a full operating year for the entire system were not available, and therefore Míla considered it appropriate to calculate the system's operating costs based on available data, in accordance with the system's deployment.

(82) On December 10, 2025, Míla submitted a diagram of the wavelength network showing the sites that have been added.

Figure 6.1 Míla’s DWDM system



(83) Míla stated that the system consisted of 34 wavelength sites (including 8 amplifier sites) interconnected over a 2,000 km route (distance, straight-line) via Míla's fiber-optic network, compared to 1,530 km (distance, as the crow flies) in the previous cost analysis.

(84) Operating costs would be based on Míla's Tariff where applicable and would cover the lease of optical fiber, hosting of 38 cabinets, 48V power consumption, staff labor, and system monitoring. Furthermore, a service agreement with the equipment manufacturer would also be accounted for. The cost would be calculated based on the equipment currently in operation, and not on the basis of historical cost. This was justified on the grounds that the system had been under continuous deployment since 2021 and was still under development, and it was therefore considered appropriate that the calculations reflect the current state of the wavelength system as accurately as possible.

(85) Table 6.1 specifies the locations where equipment is accounted for in Míla's calculations.

Table 6.1 Locations with equipment for the optical wavelength system

Place
Akranes
Akureyri
Bláfellsháls
Blönduós
Borgarnes
Breiðholt
Búðardalur
Dalvík
Djúpivogur
Egilsstaðir
Fagurhólsmýri
Glerá
Hestgerði
Hjarðarhagi
Hólmavík
Húsavík
Hvolsvöllur
Höfn
Ísafjörður
Klaustur
Laugarvatn
Múli
Reyðarfjörður
Reykholar
Reykjahlíð
Sauðárkrókur
Selfoss
Town
Steinsstaðir
Tálknafjörður
Verne
Vík
Vopnafjörður
Þórshöfn

(86) Table 6.2 details Míla's calculated operating costs for the equipment.

Table 6.2 Calculated operating costs of equipment

OPEX	Number	Month (ISK)	Year (ISK)	
Work			[...]	(Activity 62150 - Actual 2025)
Hosting (Urban)	32	18,955	7,278,720	Cabinets with 15% discount
Hosting (Rural)	6	20,570	1,481,040	Cabinets with 15% discount
Electricity (Urban)	32	12,800	4,915,200	Average consumption of about [...] kW
Electricity (Rural)	6	15,800	1,137,600	Average consumption of about [...] kW
Other	34	5,000	2,040,000	Other expenses
NOC	1	[...]	[...]	Agreement with NOC for monitoring'
Service agreements	1	[...]	[...]	(Activity 62150 - Actual 2025)
			[...]	
		With administrative costs	[...]	
		Without administrative costs	[...]	
		Ratio without administrative costs	[...]	

(87) With Míla's updated cost analysis, dated On December 10, 2025, Míla changed its approach regarding the labor component in the operating costs and relied on actual costs for the year 2024 instead of estimating the number of hours and calculating the cost based on that. In the updated model received by ECOI on March 25, 2026, Míla relied on actual costs regarding the service agreement in the operating costs for the year 2025.

(88) In an email to Míla, dated On November 5, 2025, ECOI requested information regarding the actual operating costs of the system for the years 2021 through mid-2025. In Míla's response, it was stated that since operating costs were not allocated to individual products in the trunk network, and significant effort would be required to gather this information, the most reasonable approach would be to examine the total number of cabinets and estimate the proportion of DWDM operating costs based on that. This would not be an exact methodology, but it would provide some indication. According to this, approximately [...] % of the cabinets (racks) in the trunk network are utilized for the DWDM system.

(89) Table 6.3 shows Míla's operating costs for the trunk network.

Table 6.3 Operating Costs Trunk Network 2021-2025 (6 months)

Operating costs	2021	2022	2023	2024	2025 (6)	Total
* Internal facility costs	[...]	[...]	[...]	[...]	[...]	[...]
* Internal labor and travel/capitalization	[...]	[...]	[...]	[...]	[...]	[...]
* Sales and marketing costs	[...]	[...]	[...]	[...]	[...]	[...]
* Service agreements	[...]	[...]	[...]	[...]	[...]	[...]
* Purchased electronic communications services	[...]	[...]	[...]	[...]	[...]	[...]
* License fees	[...]	[...]	[...]	[...]	[...]	[...]
* Material cost	[...]	[...]	[...]	[...]	[...]	[...]
* Domestic travel and training	[...]	[...]	[...]	[...]	[...]	[...]
* Telecommunications costs	[...]	[...]	[...]	[...]	[...]	[...]
* Operation of equipment rooms	[...]	[...]	[...]	[...]	[...]	[...]
* Information systems	[...]	[...]	[...]	[...]	[...]	[...]
* Marketing costs	[...]	[...]	[...]	[...]		[...]
* Computer and software service agreements	[...]	[...]	[...]	[...]	[...]	[...]
* Written-off domestic receivables		[...]				[...]
* Vehicle costs	[...]	[...]	[...]	[...]	[...]	[...]
* Cost of resold services	[...]	[...]	[...]			[...]
* Office supplies		[...]	0		[...]	[...]
* Invoicing and collection	[...]	[...]	[...]	[...]	[...]	[...]
* Personnel costs		[...]	0	[...]		[...]
* Internal vehicle costs	[...]					[...]
* Other	[...]					[...]
* Internal telephone costs	[...]					[...]
Total	[...]	[...]	[...]	[...]	[...]	[...]

(90) The operating costs of the trunk network for the year 2024 are ISK [...], and Míla calculates that the operating costs for the DWDM system, based on a [...] % share, are approximately ISK [...] million. Míla points out that, by comparison, the result of the cost analysis is now approximately ISK [...] million after the labor component was increased by ISK [...] million in light of actual labor figures for 2025.

(91) Table 6.4 specifies Míla's estimated cost for leasing fiber optics.

Table 6.4 Fiber-optic cost for the DWDM system

Place	Location B	Straight-line km	Fiber [ISK]
Múli	Akranes	23	2,080,667
Akranes	Borgarnes	25	2,261,595
Borgarnes	Búðardalur	64	5,789,683
Búðardalur	Town	33	2,985,305
Town	Blönduós	67	6,061,075
Blönduós	Sauðárkrókur	31	2,804,378
Sauðárkrókur	Dalvík	57	5,156,437
Dalvík	Akureyri	38	3,437,624
Akureyri	Reykjahlíð	55	4,975,509
Reykjahlíð	Hjarðarhagi	95	8,594,061
Hjarðarhagi	Egilsstaðir	29	2,623,450
Egilsstaðir	Reyðarfjörður	27	2,442,523
Reyðarfjörður	Djúpivogur	42	3,799,480
Djúpivogur	Höfn	63	5,699,219
Höfn	Hestgerði	29	2,623,450
Hestgerði	Fagurhólsmýri	54	4,885,045
Fagurhólsmýri	Klaustur	70	6,332,466
Klaustur	Vík	63	5,699,219
Vík	Hvolsvöllur	71	6,422,930
Hvolsvöllur	Selfoss	43	3,889,943
Selfoss	Breiðholt	45	4,070,871
Breiðholt	Múli	4.5	407.087
Múli	Laugarvatn	56	5,065,973
Laugarvatn	Bláfellsháls	52	4,704,118
Bláfellsháls	Steinsstaðir	109	9,860,554
Steinsstaðir	Glerá	62	5,608,756
Glerá	Akureyri	3	271.391
Hvolsvöllur	Laugarvatn	58	5,246,900
Breiðholt	Verne	46	4,161,335
Verne	Múli	38	3,437,624
Egilsstaðir	Vopnafjörður	58	5,246,900
Vopnafjörður	Þórshöfn	55	4,975,509
Þórshöfn	Húsavík	92	8,322,670
Húsavík	Akureyri	53	4,794,581
Town	Hólmavík	68	6,151,538
Hólmavík	Ísafjörður	77	6,965,713
Ísafjörður	Tálknafjörður	22	1,990,204
Tálknafjörður	Reykhólar	78	7,056,176
Reykhólar	Búðardalur	44	3,980,407
Total		2,000	180,882,368

(92) Fiber-optic leasing is calculated based on Míla's tariff with a 15% discount and the monthly price is calculated according to straight-line distance.

(93) In Míla's updated analysis, dated On March 25, 2026, Míla assumes 10% administrative costs. Míla's conclusion regarding Operating costs is specified in Table 6.5.

Table 6.5 Míla's conclusion on operating costs

Note	Operating costs (ISK)	Percentage %
Operations	[...]	[...]
Fiber	180,882,368	[...]
Overhead*	[...]	[...]
Total	[...]	100%

Overhead* - Calculated as a percentage of operating costs and the annual investment charge.

(94) According to the above, Míla's operating costs are ISK [...] per year.

6.3.2 Position of the Electronic Communications Office of Iceland

(95) As stated above, operating costs are based mostly on internal purchases of Míla services according to the tariff. The largest part of the operating cost is the rental of fiber-optic between locations, which is according to the Míla tariff for fiber-optic.

(96) This update to the cost analysis takes into account the actual cost of work on the system and is based on the year 2025. The system has expanded since the last cost analysis, and consequently, operating costs have increased. Regarding hosting and electricity, the calculations are based on Míla's tariff and the locations currently operational in the optical wavelength network.

(97) ECOI has reviewed Míla's calculations and estimates of operating costs and does not comment on Míla's conclusions.

(98) Accordingly, operating cost for the calculation of the tariff are estimated at ISK [...] per year.

6.4 Investment cost (CAPEX)

6.4.1 Míla's cost analysis

(99) In the memorandum accompanying Míla's cost analysis, dated On September 2, 2025, it is stated that Míla bases its cost analysis on actual investments (CAPEX) in wavelength equipment and installation from 2021.

(100) The calculated annual fee for investments is based on the cost of transmission equipment and the labor required for the preparation and installation of the system. Useful life is estimated at approximately 10 years, and the WACC was 8.97%. It was noted that Míla had indexed the capital cost based on the building cost index for all items, except for the price of system equipment from the manufacturer, which had seen little to no change during the system's installation period.

(101) As stated in Chapter 5 above, ECOI made comments on Míla's calculations of investment costs. In Míla's response on December 10, the following was stated:

"The proportional allocation of the investment cost is based on the fact that the installation of the new DWDM system required extensive relocations of existing connections. It was necessary to free up fiber cores for the new system and relocate other systems to create space for the new system. A rough estimate indicates that approximately 75% of the cost is attributable to the new DWDM system, 20% is related to the older system, and 5% concerns other tasks carried out concurrently during these trips. In Míla's assessment, this breakdown reflects a realistic picture of the labor, travel costs, and implementation work necessary to bring the new DWDM system into operation."

(102) Subsequently, Míla made changes to the investment cost calculations in accordance with ECOI's comments, see Chapter 5 above. The investment cost calculations in the following tables are based on the cost model submitted by Míla on March 25, 2026.

Table 6.6 Capital cost of equipment

Classification	2021	2022	2023	2024	2025	Grand Total
Transmission equipment	[...]	[...]	[...]	[...]	[...]	[...]
Work	[...]	[...]	[...]	[...]	[...]	[...]
Other equipment	[...]	[...]	[...]	[...]	[...]	[...]
Travel expenses	[...]	[...]	[...]	[...]	[...]	[...]
Subcontracted labor	[...]	[...]	[...]	[...]	[...]	[...]
Other expenses	[...]	[...]	[...]	[...]	[...]	[...]
Service agreements			0	[...]	[...]	[...]
Radio equipment		[...]	[...]	[...]	[...]	[...]
Grand Total	[...]	[...]	[...]	[...]	[...]	[...]

(103) The above table is a summary of an extract from Míla's SAP system, which Míla states contains all investments for the implementation and installation of Míla's new DWDM optical wavelength system from 2021 (March) to 2025 (July).

(104) As stated above, Míla considered it reasonable that other systems should bear a proportionate cost due to relocations and modifications of fiber-optic connections. To commission the DWDM system, it would have been necessary to free up two fiber strands for it, and other systems would have been temporarily relocated. Míla had therefore reassessed the capital cost of equipment to account for this.

Table 6.7 Reassessed capital cost of equipment and annual fee

Classification	Split*	2021	2022	2023	2024	2025	Total (ISK)
Transmission equipment	100%	[...]	[...]	[...]	[...]	[...]	[...]
Work	75%	[...]	[...]	[...]	[...]	[...]	[...]
Other equipment	100%	[...]	[...]	[...]	[...]	[...]	[...]
Travel expenses	75%	[...]	[...]	[...]	[...]	[...]	[...]
Subcontracted labor	100%	[...]	[...]	[...]	[...]	[...]	[...]
Other expenses	75%	[...]	[...]	[...]	[...]	[...]	[...]
Service agreements	100%	0	0	0	[...]	[...]	[...]
Radio equipment	0%	0	0	0	0	0	0
Grand Total		[...]	[...]	[...]	[...]	[...]	[...]

Nominal WACC 8.97%

Useful life 10

Annual fee (CAPEX)	[...]
---------------------------	--------------

(105) The reassessed investment cost of the equipment is ISK [...]. Míla assumes a useful life of 10 years and 8.97% WACC in its calculations. The annual payment is therefore ISK [...].

6.4.2 Position of the Electronic Communications Office of Iceland

(106) As stated above, the investment cost is largely based on equipment costs. The cost is Míla's actual cost according to the company's accounting records.

(107) Useful life of the equipment is the same as that assumed in the previous cost analysis of optical wavelengths.

(108) Míla uses $WACC_{nominal}$ in its calculations, which is consistent with previous practice in the prior cost analysis of this service. As other telecommunications companies could buy comparable equipment and lease resources from Míla to create a similar product and therefore it is natural to use replacement costs as basis. As the equipment in question is very recent and, according to Míla, the price of the equipment has remained stable, ECOI considers it appropriate to use this approach, which should provide the market with the right investment incentives for access seekers.

(109) In view of the above, the ECOI does not comment on Míla's investment costs and the assumed annual payment of ISK [...] in the calculation of wholesale lease rates.

6.5 Setup charges

6.5.1 Míla's cost analysis

(110) In an email from Míla, dated On March 20, 2026, the following was stated regarding setup charges:

"Míla previously submitted a preliminary cost estimate for the installation of connections, where the estimated cost amounted to ISK 65,536 at each end, or ISK 131,071 in total. The cost estimate was broken down into on-site installation and travel, system route setup, ordering and registration, as well as a travel fee. Furthermore, it was proposed that the fee be set at ISK 96,386 to maintain consistency with a comparable setup charge in the core network market.

Míla has now compiled an overview of connections that have been set up and calculated the cost based on the actual data available. That analysis is essentially not far from the previous cost assessment, but it covers more connections and also reflects that unit prices for labor and travel have increased since the previous assessment was conducted. The summary indicates that the cost of setting up a connection can reach up to approximately ISK 155,000.

However, Míla points out that setting up a connection is a complex process that involves fieldwork, travel, system path setup, system configurations, ordering, registration, and other administrative tasks. The cost of individual cases can also depend on distances, synergies when more than one connection is installed during the same trip, and varying contractor rates. For these reasons, it is highly difficult to trace costs to each individual connection with sufficient accuracy.

In light of the above, Míla considers it appropriate that revenue from setup charges be deducted from operating costs in the 2025 cost analysis, so that the cost of new connections is not applied to the general monthly price of the service. In Míla's assessment, this methodology is more objective and practicable than relying on case-by-case actual costs. If the Electronic Communications Office of Iceland (ECOI) considers the aforementioned approach correct, Míla will review and update the cost analysis in accordance with that methodology.

Míla also considers it reasonable that the setup charge remains in accordance with the current comparable setup charge in the trunk network, i.e. ISK 96,386, unless the Electronic Communications Office of Iceland (ECOI) considers there to be a special reason to do otherwise and informs Míla accordingly.

6.5.2 Position of the Electronic Communications Office of Iceland

(111) In determining setup charges, two approaches have been used in previous cost analyses. Either the cost of establishing a new connection is part of the total cost, in which case income from the setup charges (and other income) is deducted from the total cost before calculating monthly fees. The alternative approach is for the setup charges to reflect the actual cost of establishing a new connection. Since this is a new product, Míla has proposed a cost estimate, as actual costs are not available.

(112) In an email from Míla to ECOI on March 20, 2026, Míla submitted the proposal that the setup charge should remain in accordance with the current setup charge in the trunk network, i.e. ISK 96,386, and in an email to Míla on March 24, 2026, ECOI accepted that proposal and Míla's explanations.

6.6 Number of equivalents

6.6.1 Míla's cost analysis

(113) In Míla's memorandum, dated On September 2, 2025, it was stated that the lease price was calculated based on equivalents, and the scaling exponent for bandwidth was 0.35, while the scaling exponent for connection distance is 0.4.

"Equivalents are calculated for bandwidth and distance; on the one hand, an exponent of 0.35 is used for bandwidth

Gb/s	Equivalent
1	1.00
10	2.24
25	3.09
100	5.01
400	8.14

and on the other hand, an exponent of 0.4 is used for distance."

Distance km	Equivalent
1	1.00
25	3.62
50	4.78
100	6.31
200	8.33
300	9.79
400	10.99

(114) Furthermore, Míla stated that the company considers it important to offer 400 Gb/s connections, as it has observed growing customer demand for increased transmission capacity. This would be in line with the increased needs of data centers, both in the capital region and in regional areas. The bandwidth of the connections offered would be 1 Gb/s, 10 Gb/s, 25 Gb/s, 100 Gb/s, and 400 Gb/s. The service is divided into six distance categories, i.e. 25 km, 50 km, 100 km, 200 km, 300 km and 400 km.

(115) The number of Míla's equivalents was based primarily on actual usage and partly on a forecast. The table below shows Míla's forecast for the number of connections and the corresponding calculations of equivalents.

Table 6.8 Calculation of the number of equivalents

[...]

(116) Míla concludes that the number of equivalents is [...].

(117) ECOI requested further clarification on Míla's estimate of the number of equivalents. In Míla's response, the following was stated:

"Míla's figures on the number of connections (equivalents) are based on both actual sales and forecasts for future sales, as presented in the tab 'Equivalents and revenue'. [...]. It

is sensible to migrate Hraðbraut connections that follow the same route as the optical wavelength network, as this entails certain efficiencies. With the increased supply of optical wavelengths in the Westfjords, opportunities for increased sales can be anticipated. When 400 Gb/s connections become available for sale, revenue opportunities increase. The latest routes, including the Westfjords Ring, have recently become operational, and it is therefore normal that sales are still in the development phase. It inevitably takes time to sell connections and migrate older connections to new solutions. Customers also need time to phase out older solutions and adopt new ones, and such transitions generally take place in phases over a period of time. [...].”

6.6.2 Position of the Electronic Communications Office of Iceland

(118) Míla's tariff varies depending on the data transmission rate and the distance of the connection. To calculate the tariff, equivalents are used, as well as a scaling exponent to determine how much prices increase with data transmission speeds and distance of connections.

(119) Míla has chosen to use an exponent of 0.35 for the data transmission speed and 0.4 for distance to calculate equivalents. The exponent determines how much equivalents (and prices) increase with higher data transmission speeds or longer distances. If the exponent is 1, prices would increase in direct proportion to the increase in the transmission rate, so a 10 Gb/s connection would be 10 times more expensive than 1 Gb/s. If the exponent is 0, the price would be completely independent of the data transmission speed or distance. Therefore, an exponent of 0.4 for distance results in a greater price increase for longer distances than 0.35 does for data transmission speed, as can be seen when comparing the equivalents for 100 Gb/s and 100 km in the tables above.

(120) The coefficients for the equivalents are the same as those ECOI approved for use in ECOI Decision No. 1/2024, and ECOI sees no reason to change this. Furthermore, Míla has requested to add a category for 400 Gb/s connections, and ECOI considers this to be a natural development. Furthermore, ECOI considers it appropriate that Míla may add data transmission speeds and kilometer categories in the future without seeking ECOI's approval, provided that the same equivalence factors are used.

(121) In previous cost analyses in the trunk line market, an exponent coefficient for data transmission speed ranging from 0.35 to 0.45 has been used, and ECOI does not object to using 0.35 in this tariff, especially as there is a growing need for increased data transmission speed. ECOI does not object to Míla using 0.4 as the exponent coefficient for distance equivalents, since from a cost perspective it is clear that the cost is much more dependent on distance⁴ than on data transmission speed.

(122) Regarding Míla's forecast for the number of sold connections beyond those already in use, Míla has provided further clarifications. There is, however, some uncertainty regarding the uptake of optical wavelengths on new routes and at new speeds. If the conclusion of the Rulings Committee for Electronic Communications and Postal Affairs is that Míla is required to offer AWL service, this may affect projected sales, and it is possible that some companies will

⁴ Fibre-optic leasing is the largest individual cost item, and this cost is highly dependent on distance.

migrate from optical wavelengths to AWL service. However, there is also the possibility that [...] will begin to use Míla's wavelength system by utilizing the AWL service, which would then reduce the portion of the cost allocated to optical wavelengths, as revenue from the AWL service is deducted in the calculation of the wavelength system's cost. As stated in ECOI Decision No. 12/2025, Ljósleiðarinn has expressed interest in utilizing Míla's AWL service [...].

(123) Based on Míla's cost analysis, the [...].

(124) [...].

(125) ECOI approves Míla's calculations of equivalents and that the monthly price calculations be based on [...] equivalents.

6.7 Calculation of wholesale lease rates

6.7.1 Míla's cost analysis

(126) The result of Míla's calculations, based on the latest update to the company's cost model from March 25, 2026, is that the total annual cost for the wavelength system would be as follows:

Table 6.9 Total annual cost

Note	Operating costs (ISK)	Percentage %
Operations	[...]	[...]
Fiber	180,882,368	[...]
Overhead*	[...]	[...]
Total	[...]	100%

Note	Annual fee (ISK)	Percentage %
Annual investment fee	[...]	100%
	[...]	100%

Grand total [...]	[...]
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Overhead* - Calculated as a percentage of operating costs and the annual investment charge.

(127) The administrative costs are calculated from the annual investment fee and operating cost not calculated based on the tariff as administrative costs are already included in Míla's tariff. For these calculations, the administrative cost is ISK [...].

(128) Míla determines prices for ports, which are then collected with the monthly fees. The prices for the ports are in accordance with the following table:

Table 6.10 Port fees

Port GbE	Factor	Monthly fee
1	1.00	3,600
10	2.50	9.000
25	3.60	12.960
100	6.25	22.500
400	10.85	39,063

(129) Port fees remain unchanged from the previous cost analysis for optical wavelengths, except that a ports fee for a 400 Gb/s optical wavelength has been added. Míla calculates estimated revenue from port fees, based on estimates of the number of connections, with estimated revenue from ports amounting to ISK [...]. This revenue is deducted from the total cost before the monthly fees are calculated, after which the port fee is added to the monthly price, based on the size of the connection, to calculate a tariff that includes port fees.

(130) Revenue from the contract with Farice for AWL service, amounting to ISK [...] per year, is also deducted from the total cost. Furthermore, revenue from the Sync service is also deducted.

Table 6.11 Deducted revenue

Farice revenue	[...]
Ports revenue	[...]
Sync revenue:	[...]

(131) This leaves ISK [...] for the calculation of the monthly price. The following table shows Míla's calculations:

Table 6.12 Calculation of the base price for a connection

Income	[...]
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Number of equivalents	[...]
Price of one equivalent	11.163
Base price of 1Gb/s - 25 km	<u>40,453</u>

(132) The following table shows Míla's calculations of monthly prices without ports based on equivalents for each connection:

Table 6.13 Tariff without ports

Distance [km]	Factor	1Gb/s	10Gb/s	25Gb/s	100Gb/s	400 Gb/s
25	3.62	40,453	90,564	124,805	202,747	329,363
50	4.78	53,378	119,499	164,682	267,526	434,597
100	6.31	70,433	157,681	217,299	353,003	573,455
200	8.33	92,937	208,061	286,727	465,790	756,678
300	9.79	109,302	244,696	337,214	547,806	889,913
400	10.99	122,632	274,538	378,339	614,613	998,442

(133) Míla's tariff for optical wavelengths according to bandwidth and distance is as follows:

Table 6.14 Tariff for optical wavelengths - Bandwidth, ports and distances

Distance [km]	1Gb/s	10Gb/s	25Gb/s	100Gb/s	400Gb/s
25	47,653	108,564	150,725	247,747	407,489
50	60,578	137,499	190,601	312,526	512,723
100	77,633	175,681	243,218	398,003	651,581
200	100,137	226,061	312,647	510,790	834,804
300	116,502	262,696	363,134	592,806	968,039
400	129,832	292,538	404,259	659,613	1,076,569

(134) Port fees are included in the monthly price. The distance categories are based on the number of kilometres below the specified distance, i.e. 0 to 24, 25 to 49, etc.

6.7.2 Position of the Electronic Communications Office of Iceland

(135) ECOL's position is based on an updated cost model submitted by Míla on March 25, 2026, and is fundamentally based on PTA Decision No. 21/2015, dated 12 August 2015

(136) The main assumptions of the Míla cost model are as follows:

- Operating costs are based on actual and estimated costs, but the largest portion is based on Míla's current tariff.
- The investment is based on the purchase of equipment, which primarily took place during the years 2021 to 2025.
- The number of equivalents is calculated based on sold connections and demand forecasts, as the system is still under development. Factors based on data transmission rates and distance in kilometers are used to determine the equivalents for each connection sold.
- The nominal expected rate of return for capital ($WACC_{\text{nominal}}$) for 2025 is estimated at 8.97%.

(137) Administrative costs are calculated at 10% of the annualized capital charge and operating costs not calculated from the Míla tariff.

(138) The following table lists the total costs and the calculations of the monthly fee for a basic connection of 1 Gb/s and less than 25 km:

Table 6.15 Calculations of annual cost and monthly price for a basic connection

Operating costs	ISK per year
Operations	[...]
Fiber-optic leasing	180,882,368
Total	[...]
Operating costs without administrative costs	[...]
Investment costs	ISK
Equipment	[...]
Setup	[...]
Total	[...]
	ISK per year
Annual investment payment	[...]
Administrative costs	[...]
Total cost	[...]
Deduction due to income	ISK per year
Farice revenue	[...]
Ports revenue	[...]
Sync revenue:	[...]
Total	[...]
For the calculation of monthly fees	[...]
Monthly fee for one equivalent	11,163
Monthly fee for basic connection 1Gb/s - 25 km	40,453

(139) Thus the results of calculation of monthly lease for a basic connection (1Gb/s and <25 km) without ports is ISK 40,453/month. The monthly price for other connections is then determined by equivalent coefficients:

Table 6.16 Tariff excluding port fees

Distance in km	1Gb/s	10Gb/s	25Gb/s	100Gb/s	400Gb/s
25	ISK 40,453	ISK 90,564	ISK 124,805	ISK 202,747	ISK 329,363
50	ISK 53,378	ISK 119,499	ISK 164,682	ISK 267,526	ISK 434,597
100	ISK 70,433	ISK 157,681	ISK 217,299	ISK 353,003	ISK 573,455
200	ISK 92,937	ISK 208,061	ISK 286,727	ISK 465,790	ISK 756,678
300	ISK 109,302	ISK 244,696	ISK 337,214	ISK 547,806	ISK 889,913
400	ISK 122,632	ISK 274,538	ISK 378,339	ISK 614,613	ISK 998,442

(140) These prices are minus port prices, but an amount corresponding to the price of two ports is added to each connection to calculate the final monthly fees. This is based on the port prices presented in Table 6.10.

(141) This results in the following monthly prices for optical wavelengths with port prices included:

Table 6.17 Monthly prices for optical wavelengths

Distance in km	1Gb/s	10Gb/s	25Gb/s	100Gb/s	400Gb/s
25	ISK 47,653	ISK 108,564	ISK 150,725	ISK 247,747	ISK 407,489
50	ISK 60,578	ISK 137,499	ISK 190,602	ISK 312,526	ISK 512,723
100	ISK 77,633	ISK 175,681	ISK 243,219	ISK 398,003	ISK 651,581
200	ISK 100,137	ISK 226,061	ISK 312,647	ISK 510,790	ISK 834,804
300	ISK 116,502	ISK 262,696	ISK 363,134	ISK 592,806	ISK 968,039
400	ISK 129,832	ISK 292,538	ISK 404,259	ISK 659,613	ISK 1,076,568

(142) ECOI has reviewed Míla's calculations of monthly fees and does not comment on them.

6.8 Conclusion of the Electronic Communications Office of Iceland regarding Míla's cost analysis for optical wavelengths

(143) ECOI has reviewed Míla's assumptions and calculations regarding operating costs, administrative costs, annualized investment costs, setup charges, equivalents, and the calculation of the lease price for optical wavelengths, according to Míla's cost analysis, dated September 2, 2025, with the changes made to the analysis during ECOI's review, which have been detailed above. The latest update to the cost analysis is dated 25 March 2026.

(144) In accordance with Sections 6.1 – 6.7 above, on Míla's criteria and calculations for optical wavelengths, ECOI has reviewed Míla's conclusions on setup charges and monthly fees for access to Míla's optic waves system.

(145) The ECOI has decided to approve Míla's cost analysis for optic waves and for monthly prices for the service to be as follows:

Table 6.18 Tariff for Optical Wavelengths

Distance in km	1Gb/s	10Gb/s	25Gb/s	100Gb/s	400Gb/s
25	ISK 47,653	ISK 108,564	ISK 150,725	ISK 247,747	ISK 407,489
50	ISK 60,578	ISK 137,499	ISK 190,602	ISK 312,526	ISK 512,723
100	ISK 77,633	ISK 175,681	ISK 243,219	ISK 398,003	ISK 651,581
200	ISK 100,137	ISK 226,061	ISK 312,647	ISK 510,790	ISK 834,804
300	ISK 116,502	ISK 262,696	ISK 363,134	ISK 592,806	ISK 968,039
400	ISK 129,832	ISK 292,538	ISK 404,259	ISK 659,613	ISK 1,076,568

(146) The monthly prices includes port fees. Setup charges will be ISK 96,386.

The Decision

1. ECOI endorses the cost analysis submitted by Míla hf., dated 2 September 2025, with those amendments made to the Míla hf. cost model, the most recent amendments having been made on 25 Mars 2026.
2. According to the conclusion of the cost analysis, the monthly fee for access to Míla's optical waves are the following:

Distance in km	1Gb/s	10Gb/s	25Gb/s	100Gb/s	400Gb/s
25	ISK 47,653	ISK 108,564	ISK 150,725	ISK 247,747	ISK 407,489
50	ISK 60,578	ISK 137,499	ISK 190,602	ISK 312,526	ISK 512,723
100	ISK 77,633	ISK 175,681	ISK 243,219	ISK 398,003	ISK 651,581
200	ISK 100,137	ISK 226,061	ISK 312,647	ISK 510,790	ISK 834,804
300	ISK 116,502	ISK 262,696	ISK 363,134	ISK 592,806	ISK 968,039
400	ISK 129,832	ISK 292,538	ISK 404,259	ISK 659,613	ISK 1,076,568

3. The monthly fee includes port fees, setup charges will be ISK 96,386. Prices are ex VAT.
4. The tariff comes into force xx. xx 2026 provided that Míla hf. has issued notification on the entry into force with the required notice.
5. This Decision can be appealed to the Appellate Committee for Electronic Communications and Postal Affairs see Article 20 of Act no. 75/2021 on the ECOI. The appeal shall have reached the Appellate Committee within four weeks from the time that the party in question became aware of the decision of the ECOI. Costs for an appeal are according to Paragraph 5 of Article 20 of the same Act, and in addition to this there is a special appeal charge to the amount of ISK 150,000 to be paid pursuant to Article 6 of Regulation no. 36/2009 on the Appellate Committee for Electronic Communications and Postal Affairs. Pursuant to Act no. 75/2021 on the ECOI, a party can also refer a decision from the ECOI directly to the courts without the case being first put to the Appellate Committee. Such cases shall be brought within three months from the time that the party in question received information about the Administration's decision. Appeal does not postpone the legal impact of decisions by the Administration. Appeal direct to the courts hinders the Appellate Committee being authorised to take a case for processing.

Reykjavík, XX XX 2026.

Appendix I: Weighted average cost of capital (WACC)