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Action:	For Decisions
<i>Acronyms and Defined Terms SEC Glossary</i>	

Proposed SEC Changes to support 4G Communications Hub & Network Financing arrangements

1. Purpose

This paper provides Panel with a summary of DCC proposed SEC changes to support the financing arrangements for the 4G Communication Hubs and Networks (CH&N) programme. A copy of the consultation can be found [here](#).

The Panel is requested to note the paper and review the draft response in Annex 1.

2. Background

DCC is consulting on proposed changes to the SEC to facilitate the financing of DCC 4G CH&N programme. The approach DCC is taking moves away from a single prime service provider, and for DCC to contract directly with parties providing individual components for the 4G CH&N programme. In terms of financing 4G CH&N, the DCC takes on two roles that would have previously been subcontracted by a prime service provider;

- Managing Direct Financing for Communication Hubs
- Managing financing arrangements to smooth costs for SEC Parties for payment during Design Build and Test (DBT) programme phases.

DCC is seeking changes to SEC; Section A, (Definitions and Interpretation), K (Charging Methodology) and Section M (General). The DCC believes that its proposed arrangements for DBT financing and securing direct financing for Communication Hubs may be at risk, and delay the programme, without enacting the changes. As the 4G CH&N programme is managed under transitional governance, BEIS is prepared to make the changes to the SEC through its powers under Section 88 of the Energy Act 2008. Due to limited Parliamentary time available, BEIS will need to lay the changes in March 2023.

3. Proposed SEC changes

The effect of the proposed changes to SEC recognises that the DCC will be making financing arrangements directly with lenders for Communication Hub and DBT financing, rather than via DCC Service Provider.

In addition, the changes will enable the lender to recover charges directly from SEC Parties should the DCC default. It should be noted that SEC Section K Clause 9.7 and Section M Clause 11.5 already has provision for this event “Communications Hub Finance Acceleration Event.” The proposed changes to Section K Clause 9.7 and Section M Clause 11.5 will provide provision for the proposed “4G DBT Finance Acceleration Event” in the same way as the existing “Communications Hub Finance Acceleration Event”.

4. SECAS Review

It is disappointing that the consultation was not highlighted at the SECP_112 meeting. This would have provided members an opportunity to discuss and provide initial views. This highlights issues with DCC programme management and communication between transitional and enduring SEC governance forums.

The proposed legal text changes seem reasonable. The change to the definition “Communication Hub Finance Facility” is practical. The addition of the proposed 4G “DBT Finance Acceleration Event” is sensible. SECAS therefore recommends the proposed drafting is approved and taken forward by BEIS.

The consultation closes 27 February 2023. SECAS has advised DCC that Panel will provide its response post the SECP_113 meeting on 28 February 2023.

5. Recommendations

The Panel is requested to:

- **Review** and **Approve** the draft response Annex 1 be submitted subject to any changes agreed with the Chair.

Tim Newton

SECAS Team

06 Feb 2023

Attachments

Annex: 1 Draft Response

Annex 1 Draft Response

Peter Davies, SEC Panel Chair
Smart Energy Code Company Limited
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DCC via email
Consultations@dcc.co.uk

[28] February 2023

Consultation on SEC Changes to support 4G Communications Hub & Network Financing arrangements

Dear Sir / Madam,

The Panel is pleased to provide views against the issues raised in the consultation re 4G Communication Hub and Network (CH&N) financing arrangements. The consultation asks three questions which we respond to below;

Q1. Do you support DCC proposal that the SEC should be amended to support direct CH financing between DCC and lenders?

The SEC Panel believe the principle is right. However, we are concerned that the timing of the consultation leaves limited time for Parties to consider any wider consequences. This is symptomatic of DCC programme management, and engagement with industry governance. The issues should have been dealt with via a SEC Modification.

Q2. Do you have any comments on the proposed legal drafting changes to the SEC to support direct CH financing between DCC and lenders?

The proposed Change to the definition of Communication Hub Finance Facility seems to address the issue succinctly.

Q3. Do you have any comments on the proposed legal text changes to the SEC to support financing for DBT?

The proposed drafting is reasonable. The introduction of the "DBT Finance Acceleration Event," is sensible and replicates existing arrangements.

If you would like to discuss any elements of this response further, please do not hesitate to contact me on 020 7090 7755 or SECAS@gemserv.com

Yours Faithfully,



Peter Davies
SEC Panel Chair