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MP086 ‘Alt-HAN Roll-Out Financing’

Annex A

Legal text – version 1.0

About this document

This document contains the redlined changes to the SEC that would be required to deliver this Modification Proposal.

These changes have been drafted against SEC Version 6.17.

This document contains the changes required to deliver the Proposed Solution.

Section Z ‘Alt HAN Arrangements’

Amend Sections 4.2, 4.8, 4.9, 4.16, 4.17, 4.18, 4.19 and 4.20 as follows:

General

Z4.1 The costs and expenses incurred by (or on behalf of) the Forum in exercising its powers, performing its functions and discharging its duties in respect of this Section Z shall be incurred by AltHANCo, and the DCC shall provide AltHANCo:

- (a) with the funds necessary to meet such costs and expenses; and
- (b) with the funds necessary to meet all other costs and expenses incurred by AltHANCo in the exercise of its duties, powers and functions under this Section Z.

Alt HAN Costs and Expenses

Z4.2 The costs and expenses capable of recovery under this Section Z4 (the **Alt HAN Costs**) shall be all the reasonable costs and expenses incurred:

- (a) subject to Section Z4.3, by the Forum Chair, Alternate Chair, Forum Members, Board Members and Forum Sub-Group Members in their capacities as such;
- (b) by AltHANCo under or in connection with contracts that AltHANCo has entered into in accordance with this Section Z, including in particular any contracts for:
 - (i) the acquisition of any services which comprise or form a part of the Alt HAN Activities;
 - (ii) the provision of any Alt HAN Services;
 - (iii) the appointment of the Forum Chair;
 - (iv) the appointment of Forum Sub-Group Members;

(v) the appointment of the Alt HAN Secretariat; and

(vi) the appointment of advisers; ~~and~~

(c) by AltHANCo under or in connection with the DAB Phase Financing (the “DAB Phase Financing Alt HAN Costs”);

(d) by AltHANCo under or in connection with the Roll Out Phase Financing (the “Roll Out Financing Alt HAN Costs”); and

~~(e)~~(e) by AltHANCo under or in connection with any provision of this Section Z,

(in each case) provided that such costs or expenses are provided for in, or otherwise consistent with, an Approved Alt HAN Budget or an Approved Alt HAN Financing Budget.

Z4.3 Subject to the terms of those contracts referred to in Section Z4.2(b):

- (a) the Forum Chair, Alternate Chair, Forum Members, Board Members and Forum Sub-Group Members shall be entitled to recover all reasonable travel expenses properly incurred by them in their roles as such (and the Board shall adopt a policy that sets out guidelines regarding what constitutes reasonable travel expenses);
- (b) no Alternate Chair, Forum Member or Board Member shall be entitled to a salary in respect of his or her role as such, or to any payment in respect of the time he or she spends in performing that role; and
- (c) no Forum Sub-Group Member shall be entitled to a salary in respect of his or her role as such, or to any payment in respect of the time he or she spends in performing that role, except to the extent that the Forum has approved any such payment.

Z4.4 Where the Forum Chair, Alternate Chair or any Forum Member, Board Member or Forum Sub-Group Member wishes to recover any cost or expense (excepting, in the case of the Forum Chair, any regular payment of salary for which no claim is required

to be made) he or she shall submit evidence of the cost or expense in question to the Board (or a named person approved by the Board) for approval.

Z4.5 Any cost or expenses referred to in Section Z4.4 shall only be approved to the extent that it is an Alt HAN Cost, and only if the evidence is submitted in a timely manner (and in any event on or before the 20th Working Day following the end of the relevant Regulatory Year). Once approved, the evidence of the Alt HAN Cost shall be submitted to AltHANCo for payment.

Z4.6 Within 20 Working Days following receipt of evidence of an Alt HAN Cost that has been approved in accordance with Section Z4.5, AltHANCo shall pay the relevant amount to the Forum Chair, Alternate Chair, Forum Member, Board Member or Forum Sub-Group Member making the claim.

Alt HAN Costs to be Reimbursed by the DCC

Z4.7 The Alt HAN Costs incurred by AltHANCo shall be reimbursed to AltHANCo by the DCC. Nothing in Section M2 (Limitations of Liability) shall limit the DCC's liability to reimburse AltHANCo for the AltHANCo Costs.

Z4.8 AltHANCo may periodically invoice the DCC for the Alt HAN Costs incurred, or reasonably expected to be incurred, by AltHANCo in accordance with the Approved Alt HAN Budget or Approved Alt HAN Financing Budget, provided that AltHANCo shall deduct from such invoice any amounts that represent previous overpayments by the DCC (due to the inaccuracy of AltHANCo estimates, or otherwise) on the basis that AltHANCo shall:

- (a) only deduct from an invoice for DAB Phase Financing Alt HAN Costs any previous overpayment in respect of a DAB Phase Financing Alt HAN Cost; and
- ~~(a)~~(b) only deduct from an invoice for Roll Out Financing Alt HAN Costs any previous overpayment in respect of a Roll Out Financing Alt HAN Cost.

Z4.8Z4.9 The DCC shall pay each invoice submitted by AltHANCo in accordance with Section Z4.7 within 10 Working Days of receipt of such invoice by the DCC, to the account or accounts for payment specified by AltHANCo to the DCC from time to time.

~~Z4.9~~Z4.10 It is acknowledged that the DCC is entitled to recover amounts paid by it to AltHANCo in accordance with this Section Z4 through the Charges (subject to the requirements of the DCC Licence).

~~Z4.10~~Z4.11 In the event that the DCC does not pay AltHANCo in accordance with Section Z4.9, and subject to prior approval from the Authority, AltHANCo may invoice the Relevant Supplier Parties for the unpaid amount (and those Parties shall pay the invoiced amounts to AltHANCo as if they were Charges).

~~Z4.11~~Z4.12 Where Section Z4.11 applies, the amount to be paid by each Relevant Supplier Party shall, unless the Authority approves or directs the use of an alternative methodology, be the same as the amount that the Relevant Supplier Party would have paid in Fixed Alt HAN Charges and in Explicit Charges under Section K7.6(j), calculated in accordance with the Charging Methodology, had the amounts been recovered by the DCC through the Charges.

~~Z4.12~~Z4.13 Any amounts paid by a Relevant Supplier Party in accordance with Section Z4.12 shall be reimbursed by AltHANCo to that Relevant Supplier Party (plus interest at the Non-Default Interest Rate) at such time as the Authority may determine.

Budgets and Work Plans

Timetable

~~Z4.13~~Z4.14 The Board shall take all reasonable steps to give effect to the provisions of Sections Z4.15 to Z4.19 so that a copy of each Approved Alt HAN Budget is provided to the DCC by no later than 1 December in the year prior to the commencement of the first Regulatory Year to which that Approved Alt HAN Budget relates.

Draft Budgets and Work Plans

~~Z4.14~~Z4.15 The Board shall during each Regulatory Year prepare and circulate to all Relevant Supplier Parties, the Secretary of State and the Authority a draft budget in respect of Alt HAN Costs for the next two Regulatory Years commencing thereafter (a **Draft Alt HAN Budget**).

~~Z4.15~~Z4.16 Each Draft Alt HAN Budget:

- (a) shall set out the Board's good-faith estimate of the Alt HAN Costs that it anticipates will be incurred (or committed to) during each of the relevant Regulatory Years (but excluding DAB Phase Financing Alt HAN Costs and Roll Out Financing Alt HAN Costs to the extent that the Board is satisfied those costs are or will be covered by a separate budget as contemplated under Section Z4.17A);
- (b) shall set out how that estimate is composed of the Board's estimates of the total costs and expenses that it anticipates will be incurred (or committed to) during each of the relevant Regulatory Years in relation to:
 - (i) the carrying out of the Alt HAN Activities;
 - (ii) the provision of Alt HAN Services in respect of:
 - (A) Smart Metering Systems that will use (or be capable of using) installed Shared Solution Alt HAN Equipment;
 - (B) Smart Metering Systems that will use (or be capable of using) installed Point-to-Point Alt HAN Equipment; and
 - (C) Point-to-Point Alt HAN Equipment that is provided to, but not installed by, Relevant Supplier Parties;
- (c) shall be accompanied by a detailed work plan showing the activities and projects to which the relevant costs and expenses relate; and
- (d) may make reasonable provision for contingencies.

~~Z4.16~~Z4.17 Each Draft Alt HAN Budget must provide for limits (both individually and in the aggregate) on costs and expenses not expressly provided for in the budget which can be incurred without having to amend the budget.

Z4.17A The Board may prepare and circulate to all Relevant Supplier Parties, the Secretary of State and Authority separate budgets in respect of:

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(a) the DAB Phase Financing Alt HAN Costs (a **Draft Alt HAN (DAB Phase) Financing Budget**); and

~~(a)~~(b) the Roll Out Financing Alt HAN Costs (a **Draft Alt HAN (Roll Out) Financing Budget**).

Z4.17B Each Draft Alt HAN Financing Budget that the Board decides to prepare and circulate:

(a) shall set out the Board's good-faith estimate of the DAB Phase Financing Alt HAN Costs or, as applicable, Roll Out Financing Alt HAN Costs, that the Board anticipates will be incurred (or committed to) over whatever period the Board may determine provided such period shall be no longer than necessary to support the DAB Phase Financing or Roll Out Phase Financing, as relevant);

(b) shall be accompanied by evidence showing the basis for any estimate provided in accordance with paragraph (a) above; and

~~(a)~~(c) may make reasonable provision for contingencies.

Approval of Budgets

~~Z4.17~~Z4.18 In relation to (1) the Draft Alt HAN Budget circulated in any Regulatory Year in respect of the next two Regulatory Years commencing thereafter and (2) any Draft Alt HAN Financing Budget, the Board shall:

- (a) arrange for the circulation to all the Relevant Supplier Parties of the comments received from each Relevant Supplier Party regarding the Draft Alt HAN Budget or Draft Alt HAN Financing Budget during the 20 Working Days following the date of its circulation;
- (b) consider and respond to those comments, and circulate its responses to all Relevant Supplier Parties;
- (c) to the extent that it considers it appropriate to do so, amend the Draft Alt HAN Budget and/or the accompanying work plan or the Draft Alt HAN Financing

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Budget in the light of those comments; and

- (d) submit that Draft Alt HAN Budget or Draft Alt HAN Financing Budget to the Forum for its approval, subject to any amendments that the Forum may determine,

and (1) the Draft Alt HAN Budget in such form as it may be approved by the Forum shall be the **Approved Alt HAN Budget** for the relevant Regulatory Year and (2) any Draft Alt HAN Financing Budget in such form as it may be approved by the Forum shall be an Approved Alt HAN Financing Budget for the period covered by any such Approved Alt HAN Financing Budget.

~~Z4.18~~Z4.19 The Board shall, promptly upon its approval by the Forum, provide the DCC with a copy of the Approved Alt HAN Budget and any Approved Alt HAN Financing Budget, -together (in each case) with such supporting information as may reasonably be requested by the DCC.

Amendments to Budgets

~~Z4.19~~Z4.20 The Approved Alt HAN Budget relating to each Regulatory Year may be amended from time to time (whether before, during or after that Regulatory Year, and including in respect of Alt HAN Costs already incurred) and any Approved Alt HAN Financing Budget may be amended from time to time (including in respect of Alt HAN Costs already incurred), provided that, (in each case):

- (a) the Board has first followed the procedure set out in Section Z4.18 in relation to the amendment as if it were a Draft Alt HAN Budget or a Draft Alt HAN Financing Budget; and
- (b) the Forum has approved either the proposed amendment or such alternative amendment as it may determine.

Add definitions to Section 6.1 as follows: Z6.1 For the purpose of this Section Z, unless the context otherwise requires, the following words shall have the meaning given to them below:

Alt HAN Activities	has the meaning given to that expression in Standard Condition 55.6 of the Electricity Supply Licence and Standard Condition 49.6 of the Gas Supply Licence
Alt HAN Costs	has the meaning given to that expression in Section Z4.2 (Alt HAN Costs and Expenses).
Alt HAN Equipment	has the meaning given to that expression in Standard Condition 55.8 of the Electricity Supply Licence and Standard Condition 49.8 of the Gas Supply Licence.
Alt HAN Inventory	has the meaning given to that expression in Section Z4.30 (Establishment and Maintenance of the Alt HAN Inventory).
Alt HAN Secretariat	has the meaning given to that expression in Section Z3.1 (Alt HAN Secretariat).
Alt HAN Services	has the meaning given to that expression in Standard Condition 55.7 of the Electricity Supply Licence and Standard Condition 49.7 of the Gas Supply Licence.
Alternate Chair	has the meaning given to that expression in Section Z1.10 (Election of Forum Chair and Alternate Chair).
AltHANCo	has the meaning given to that expression in Section Z2.1 (Establishment of AltHANCo).

AltHANCo Election Protocol	has the meaning given to that expression in Section Z2.14 (Election of Board Members).
AltHANCo Objectives	has the meaning given to that expression in Section Z2.5 (AltHANCo Objectives).
Approved Alt HAN Budget	has the meaning given to that expression in Section Z4.18 (Approval of Budgets).
Approved Alt HAN Charging Data	has the meaning given to that expression in Section Z4.28 (Approved Alt HAN Charging Data).
<u>Approved Alt HAN Financing Budget</u>	<u>has the meaning given to that expression in Section Z4.18 (Approval of Budgets).</u>
Board	has the meaning given to that expression in Section Z2.3 (Establishment of AltHANCo).
Board Member	has the meaning given to that expression in Section Z2.8 (Board Composition).
Central Point-to-Point Alt HAN Equipment	means Point-to-Point Alt HAN Equipment which is not Opted-out Alt HAN Equipment.
Central Shared Solution Alt HAN Equipment	means Shared Solution Alt HAN Equipment which is not Opted-out Alt HAN Equipment.
Chair	has the meaning given to that expression in Section Z2.23 (Appointment of the Chair).
<u>DAB Phase Financing</u>	<u>means any debt financing entered into by AltHANCo for the purpose of financing Alt HAN Costs in respect of:</u> <u>(a) the design assurance and build phase of the</u>

technological solution development of the Alt HAN Equipment;

(b) the operational mobilisation work necessary for the roll-out of the chosen Alt HAN Equipment; and

(c) fees, costs and expenses in connection with the same.

DAB Phase Financing Alt HAN Costs has the meaning given that expression in Section Z4.2(c) (Alt HAN Costs and Expenses)

DCC Licence means the licence for the provision of a smart meter communication service granted pursuant to sections 6(1A) and (1C) of the Electricity Act 1989.

Draft Alt HAN Budget has the meaning given to that expression in Section Z4.15 (Draft Budgets and Work Plans).

Draft Alt HAN Charging Data has the meaning given to that expression in Section Z4.22 (Draft Alt HAN Charging Data).

Draft Alt HAN Financing Budget means a Draft Alt HAN (DAB Phase) Financing Budget, or a Draft Alt HAN (Roll Out) Financing Budget.

Draft Alt HAN (DAB Phase) Financing Budget has the meaning given to that expression in Section Z4.17A (Draft Budgets and Work Plans)

Draft Alt HAN (Roll Out) Financing Budget has the meaning given to that expression in Section Z4.17A (Draft Budgets and Work Plans).

Exempt Premises	has the meaning given to that expression in Standard Condition 55.10 of the Electricity Supply Licence and Standard Condition 49.10 of the Gas Supply Licence.
Exempt Premises List	has the meaning given to that expression in Standard Condition 55.12 of the Electricity Supply Licence and Standard Condition 49.12 of the Gas Supply Licence.
Explicit Charges	has the meaning given to that expression in Section K11.1 (Definitions).
Explicit Charging Metrics	has the meaning given to that expression in Section K11.1 (Definitions).
Forum Chair	has the meaning given to that expression in Section Z1.10 (Election of Forum Chair and Alternate Chair).
Forum Member	has the meaning given to that expression in Section Z1.7 (Appointment of Members).
Forum Objectives	has the meaning given to that expression in Section Z1.3 (Forum Objectives).
Forum Sub-Group	has the meaning given to that expression in Section Z1.42 (Establishing Forum Sub-Groups).
Forum Sub-Group Member	has the meaning given to that expression in Section Z1.46 (Membership of Forum Sub-Groups).
Forum Voting Protocol	means the SEC Subsidiary Document of that

name set out in Appendix [TBC].

Opted-out Alt HAN Equipment means Alt HAN Equipment which is installed and maintained at premises otherwise than under and in accordance with the arrangements set out at this Section Z.

Relevant Preceding Period has the meaning given to that expression in Section Z1.30 (Voting).

Relevant Supplier Party means a Supplier Party which is required in accordance with standard condition 39 of an Electricity Supply Licence or standard condition 33 of a Gas Supply Licence (in each case entitled 'Smart Metering System – Roll-out, Installation and Maintenance') to install a Smart Metering System at any premises.

Roll Out Financing Alt HAN Costs has the meaning given that expression in Section Z4.2(d) (Alt HAN Costs and Expenses).

Roll Out Phase Financing means any debt financing entered into by AltHANCo for the purpose of raising finance to support the roll out of the Alt HAN Equipment, related ancillary services and any fees, costs and expenses in connection with the same.

Supplier Weighted Vote has the meaning given to that expression in Section Z1.27 (Voting).

Transitional Decision has the meaning given to that expression in Section Z5.3 (Forum Decisions).