

Smart Energy Code

Section J: Charges

What does Section J cover?

Section J covers Payment of Charges, Payment Default and Disputes, Credit Cover and the Review and Forecasting of Charges.

Review & Forecasting of Charges

The DCC can amend Charges in accordance with the DCC Licence but can only amend the Charges once in each Calendar Year, with the changes to take effect from the beginning of the Regulatory Year.

Indicative Charging Statements will be published within the first five Working Days of April, July, October and January in each year. Parties will be able to estimate their Charges using a **Working Model** which accompanies the statements.

Indicative **Budgets** are also published for the second and third Regulatory Years due to start thereafter.

Invoicing & Payment of Charges

Charges payable to the DCC are determined according to the **Charging Statement** applicable at that time.

The Charging Statement is prepared by the DCC in accordance with the **Charging Methodology** in Section K of the Smart Energy Code (SEC).

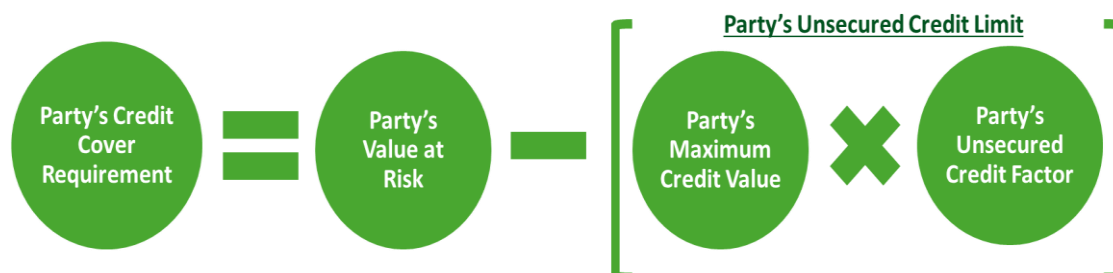
Each Party will be invoiced by the DCC at the end of each month if the Charges applicable are above the Minimum Monthly Charge limit. Payment is due by the later of 5 Working Days following the receipt of the invoice or 8 Working Days following the end of the month.

The invoices may be based on estimated information and upon actual information becoming available, the subsequent invoice will be adjusted.

A separate invoice will be provided for **Communications Hub Finance Charges** to the Approved Finance Party (the person who has accepted payment obligations for the facility put in place for funding the acquisition of a tranche of Communications Hubs).

Credit Cover

Each Party is required to put in place a form of **Credit Support** (a Bank Guarantee, a Letter of Credit and/or a Cash Deposit) if their **Credit Cover Requirement** is over the Credit Cover Threshold. The amount of Credit Support each Party is required to provide is determined using the following calculation:



Value at Risk

The Value at Risk is the sum of any unpaid costs invoiced to the Party by the DCC and any costs that are likely to be incurred before the next Invoice is produced, multiplied by the Working Capital Adjustment.

Unsecured Credit Limit

A Party's Unsecured Credit Limit is calculated by multiplying the Party's Maximum Credit Value by the Party's Unsecured Credit Factor.

- A Party's Maximum Credit Value is provided in a Credit Assessment performed by a Credit Assessor and represents the amount the assessor believes a creditor should have outstanding to the Party at any one time.
- A Party's Unsecured Credit Factor is a percentage of the Party's Maximum Credit Value determined by the Party's Recognised Credit Rating or Credit Assessment Score. These percentages can be found in SEC Section J3.5 and SEC Section J3.8.

Breach of Credit Cover Obligations

If a Party fails to procure the required **Credit Support**, then the DCC shall notify the Party and refer them to the matters in the SEC on an Event of Default (Section M8.1 (e)) and the process to be followed if Credit Support is not provided within three Working Days following that notice.

A Party may dispute the amount of Credit Support requested and the same process shall be followed as for disputed invoice charges.

Use of Credit Support

Credit Support will only be used by the DCC in order to cover any charges unpaid by a Party by the Due Date set out in the Invoice and they will notify the Party that the action has been taken. This will reduce the value of the Credit Support in place.

Pursuing Non-Payment

If a Party fails to pay an amount set out in an Invoice by the Due Date, SEC Section J2 requires the DCC to serve a notice setting out the unpaid amount and the next steps according to the SEC. The Party will accrue interest on the amount payable until the amount has been paid.

If the Charges are not paid within three Working Days then this is treated as an **Event of Default** under SEC Section M8.1 (d) and the Panel are empowered to take action in accordance with SEC Section M8.4. The DCC is required to take all reasonable steps to pursue the unpaid amount in consultation with the Panel, unless the Panel determines that it would not be worthwhile to do so.

Can charges be disputed?

A Party may dispute an amount set out in an **Invoice** up to 12 months after the Due Date for that Invoice. However, the Party must pay the full amount of the Invoice by the Due Date whilst the dispute is ongoing. The SEC facilitates DCC cancelling an Invoice where it agrees there is a manifest error and in that case, will not be payable.

When a dispute has been raised to the DCC, the Party and the DCC should aim to resolve the dispute amicably and in good time. In failing to do so, the following process should be followed:

1. The DCC should provide all evidence in support of its position as the disputing Party requests within 5 Working Days.
2. After 1 Working Day of receiving the information, the disputing Party may refer the dispute to the Panel, in which case the DCC and the Party can provide written submissions in support of their position.
3. On referral, the Panel are required to hold a meeting within 10 Working Days to determine the dispute, with the determination being final and binding for the purposes of the Code.

Disclaimer

These guides are intended to provide a simple overview of the SEC and any supporting or related arrangements and do not replace or supersede the SEC or these related arrangements in any way. The author does not accept any liability for error, omission or inconsistency with the SEC.

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