

What is an Event of Default?

An Event of Default occurs when a SEC Party breaches one or more of the items or activities listed in **Section M8.1**. If an Event of Default occurs the SEC Panel can undertake certain activities and actions to encourage the resolution of the default or apply certain restrictions until such time as the Panel determines the default to be resolved.

What is considered to be an Event of Default?

An Event of Default occurs when a SEC Party does or experiences one of the following (as set out in **Section M8.1 (a) to (i)**):

- A non-Energy Licence holding SEC Party has failed during a period of six consecutive months to take one or more Services and/or made a request for a formal offer for a proposed Elective Communication Service;
- Committed a material breach of the requirements in **Section I1.2**, concerning having the necessary permissions to access/provide Consumption Data;
- Not complied with an enforcement notice served by the Information Commissioner with respect to the Data Protection Act;
- Failed to pay charges to the DCC, within 3 working days of receiving a Notification of Payment Failure from the DCC (**Section J2.1**);
- Failed to provide to the DCC Credit Support, within 3 working days of receiving a Breach of Credit Cover Obligations from the DCC (**Section J3.14**);
- Failed to pay the DCC, within 5 working days of receiving a notice, amounts payable that do not fall under a Notification of Payment Failure covered by **Section M8.1(d)**;
- Made a material misrepresentation in its application form;
- A material breach of any obligations within the Code and/or Bilateral Agreements, which the Party has then failed to remedy within 20 Working Days of receiving a notice of such a breach; and/or
- Experiences an Insolvency type event.

What is the Process if an Event of Default occurs?

1. **Notify the SEC Panel of an Event of Default** (**Section M8.2**) – If the DCC, SECAS or a SEC Party becomes aware of an Event of Default, the SEC Panel should be notified.
2. **Investigating an Event of Default** (**Section M8.3**) - Following notification of an Event of Default, the SEC Panel may investigate the circumstances relating to the Event of Default. While these investigations are underway all Parties must respond to all reasonable data requests and cooperate with the investigation.
3. **Apply Consequences** - If an Event of Default has occurred, in the SEC Panel's view, and while it continues to occur, the SEC permits the SEC Panel to undertake one or more of a number of steps set out in **Section M8.4**.

Disclaimer

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Consequences of a Default and Suspension of Rights?

The actions available to the Panel (covered by **Section M8.4**) are summarised below:

- **Notify the Authority** that an Event of Default has occurred (**Section M8.4(a)**);
- **Notify the Defaulting Party** that they have committed an Event of Default (**Section M8.4(b)**);
- **Notify each other Party** that an Event of Default has occurred (**Section M8.4(c)**);
- **Require the Defaulting Party to provide an action plan** with timescales setting out how they intend to remedy or mitigate the effects of the Event of Default (**Section M8.4(d)**);
- **Suspend the Party rights** of the Defaulting Party, following consultation with the Defaulting Party if the Panel believes it is appropriate to do so (**Section M8.4(e)**) – see Suspending Party Rights below;
- **Instruct the DCC to suspend the rights** of the Defaulting Party (**Section M8.4(f)**) - see Suspending Party Rights to Access DCC Services below; and/or
- **Expel the Defaulting Party** from the Code (subject to Authority approval if they hold an Energy Licence) (**Section M8.4 (g)**).

Suspending Party Rights

SEC **Section M8.4 (e)** permits the Panel to also suspend the Defaulting Party's rights to do one or more of the following:

- **Vote in Panel Elections** (**Section M8.5 (a)**);
- **Raise Modification Proposals** (**Section M8.5 (b)**); and/or
- **Influence the appointment of Change Board Members**, including suspension of any Change Board Member appointed by the Defaulting Party (**Section M8.5 (c)(i)** and **(ii)**).

Suspending Party Rights to access DCC Services

SEC **Section M8.4 (f)** permits the Panel to suspend the Defaulting Party rights to access one or more of the following DCC Services:

- **Receive** Core Communication or Local Command Services (**Section M8.6(a)**);
- **Receive any or all** Elective Communication Services (**Section M8.6(b)**) (requires Authority approval);
- **Rights to initiate** Enrolment of Smart Metering Systems (**Section M8.6(c)**) (requires Authority approval); and/or
- **Request or Receive** any or all other Services not captured in **Section M8.6(a)-(c)** (requires Authority approval).

Event of Default Appeals

Any decision by the SEC Panel to suspend a Party's rights or to expel them from the SEC, can be referred to the Authority by the Defaulting Party (**Section M8.12**). The Authority can then decide whether it is appropriate to lift any suspensions or reinstate the Party if they have been expelled.

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