

Gas Act 1986 and Electricity Act 1989

SMART METER COMMUNICATION LICENCE

granted pursuant to:

section 6(1)(f) of the Electricity Act 1989

AND

section 7AB(1) of the Gas Act 1986

Commencement Date: 14 April 2026

14 April 2026

The Company Secretary
DCC 2 Ltd

GRANT OF THIS LICENCE

The Gas and Electricity Markets Authority, in exercise of the powers conferred by section 7AB(1) of the Gas Act 1986 and section 6(1)(f) of the Electricity Act 1989, hereby grants this Licence (comprising a smart meter communication licence under the Gas Act 1986 and a smart meter communication licence under the Electricity Act 1989) to the Licensee (being DCC 2 Ltd, a company registered in England and Wales under number 16740622).

This Licence will have effect on and after 14 April 2026 in accordance with and subject to the Terms set out in Parts 1 and 2, the Conditions set out in Part 3, and the Schedules set out in Part 4.

SMART METER COMMUNICATION LICENCE

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PART 1: TERMS IN RESPECT OF GRANT

Introduction

1. This Licence has effect and is to be read and treated as a licence granted to the Licensee by the Authority in exercise of the powers conferred by:
 - (a) section 7AB(1) of the 1986 Act (insofar as the activity authorised by this Licence relates to the supply of gas under that Act), and
 - (b) section 6(1)(f) of the 1989 Act (insofar as the activity authorised by this Licence relates to the supply of electricity under that Act).
2. By virtue of paragraph 1:
 - (a) any obligation or requirement imposed by or under any provision of this Licence has effect as an obligation or requirement imposed by or under each of the licences that is mentioned in that paragraph, and
 - (b) the Licensee's performance of any obligation or its compliance with any requirement so imposed is to be treated as its performance of that obligation or its compliance with that requirement for the purposes of each such licence.

Section A: Licence duration and Authorised Activity

3. Subject to paragraph 4 and Sections C and D, this Licence has effect for the period beginning with the Licence Commencement Date and ending with the Licence Expiry Date, subject to the Conditions of this Licence as modified from time to time.
4. Conditions 6, 7, 9, 11, 14, 15, 18, 28, 35 and 39, and Schedules 1 and 2 will have effect in accordance with a direction given to the Licensee by the Authority.
5. A direction given under paragraph 4 may relate to the whole or part of a condition.
6. The activity that this Licence authorises the Licensee to carry on ("the Authorised Activity") is the provision within the area of Great Britain, and in accordance with the Conditions of this Licence, of a Smart Meter Communication Service (comprising the activity of arranging with each Domestic Energy Supplier to provide a service, for such suppliers, of communicating information relating to the Supply of Energy under the Principal Energy Legislation to and from Smart Meters through which Energy is supplied to Domestic Premises).

Section B: Name and address of the Licensee

7. The Licensee (being the person who holds this Licence) is DCC 2 Ltd, a company that is registered in England and Wales under number 16740622, and whose registered office is at One Fleet Place, London, England, EC4M 7WS.

Section C: Continuation of this Licence

8. The Licence Expiry Date is the date immediately before the sixth anniversary of the First Transfer Date.
9. The Authority may determine that the term of the Licence will extend beyond the date in paragraph 8 by specifying an amended Licence Expiry Date.

10. The power in paragraph 9 may be exercised more than once but not so as to result in the Licence having effect beyond the date immediately before the 18th anniversary of the Licence Commencement Date.

11. For the purposes of this Section, and in relation to each determination made under paragraph 9, “Additional Term” means the period beginning with the day after the current Licence Expiry Date and ending with the amended Licence Expiry Date.

12. Before making a determination under paragraph 9, the Authority must:

(a) consult with the Licensee, and

(b) obtain the Licensee’s consent where:

(i) the Additional Term is more than one year, and

(ii) there have been two previous Additional Terms of more than one year.

13. The Authority may make a determination under paragraph 9 if it considers that the continuation of this Licence is necessary or expedient to:

(a) facilitate an efficient process for determining the grant of a Successor Licence,

(b) facilitate an efficient handover of the Authorised Business of the Licensee to a Successor Licensee,

(c) secure that such requirements of this Licence as relate to the future procurement of Relevant Service Capability are met,

(d) secure that Energy Industry Activities (whether considered as a whole or otherwise) can continue to be carried on in an orderly and efficient manner, or

(e) otherwise further the Authority’s Principal Objective.

14. The Authority must give the Licensee at least:

(a) one year’s notice for an Additional Term of more than one year, or

(b) six months’ notice for an Additional Term of one year or less.

Section D: Revocation of this Licence

15. This Licence may be revoked in accordance with any of the provisions of Part 2 of this Licence (Terms in Respect of Revocation) that provide for revocation.

Section E: Conditions of this Licence

16. A reference to the Conditions of this Licence means all of its Conditions, including any other Condition however described that has effect in this Licence.

17. A reference to the Conditions of this Licence includes any Schedules to it.

Section F: Modification of Conditions

18. The Conditions of this Licence may be modified by either the Secretary of State or the Authority in accordance with an Act of Parliament.

Section G: Transfers of this Licence

19. This Licence is capable of being transferred in whole or in part by the Licensee in accordance with and subject to the provisions of section 8AA of the 1986 Act and section 7A of the 1989 Act.

Section H: General interpretation of this Licence

20. The Terms and Conditions of this Licence are to be read and understood as if they were in an Act of Parliament and the Interpretation Act 1978 applied to them.

21. In this Licence, unless the context otherwise requires:

- (a) any word or expression that is defined in the 1986 Act, the 1989 Act, the Utilities Act 2000, or any of the Energy Acts 2004 to 2013 has the same meaning when used in this Licence, and
- (b) any reference to an enactment or any other statutory provision is a reference to it as it may have been or may from time to time be amended, replaced, modified, consolidated, or re-enacted.

Section I: Interpretation

22. Words and expressions used in this Part 1 that are defined terms for the purposes of any of the Conditions of this Licence have, for the purposes of this Part 1, the meaning that is given to them in this Licence in the form in which it was in force at Licence Commencement Date.

23. Subject to paragraph 22 (and to paragraph 26 of Part 2 of this Licence), any reference in Part 1 or Part 2 of this Licence to a provision of the Conditions of this Licence is to be read, if that provision is modified at any time after the Licence Commencement Date, as a reference (so far as the context permits) to the corresponding new provision resulting from that modification.

24. In this Part:

1986 Act means the Gas Act 1986.

1989 Act means the Electricity Act 1989.

Authorised Activity has the meaning given in paragraph 6.

Authority's Principal Objective means the principal objective of the Authority as described in either Part 1 of the 1986 Act or Part 1 of the 1989 Act and paragraph 22 does not apply to this definition.

Additional Term has the meaning given in paragraph 11.

Energy Industry Activities means all those activities that are authorised to be carried on by licences granted, or treated as granted, under Part 1 of the 1986 Act or Part 1 of the 1989 Act.

Licence means this Smart Meter Communication Licence.

Licence Expiry Date has the meaning given in paragraph 8 (but see also paragraph 9).

PART 2: TERMS IN RESPECT OF REVOCATION

Introduction

1. The Authority may at any time revoke this Licence by giving the Licensee at least:
 - (a) 24 hours' Notice in the case of any of the Emergency Revocation Events set out in Section A below,
 - (b) seven days' Notice in the case of the Grant Revocation Event set out in Section B below, and
 - (c) 30 days' Notice in the case of any of the Other Revocation Events set out in Section C below.
2. The Authority's powers of revocation under this Part 2 include a power to direct the Licensee to cease carrying on any or all of its activities under this Licence, while still remaining the holder of the Licence, in either of the following cases:
 - (a) for purposes connected with a handover of the Licensee's business, as provided for by Condition 37 (Arrangements for business handover) of this Licence, provided that three months' Notice of the Authority's direction is given; or
 - (b) for purposes arising from an occurrence of any Revocation Event however described under these Terms.
3. Where a Revocation Event occurs solely in respect of Part B of Condition 7 (Provision of the Centralised Registration Service) then the Authority's powers of revocation under this Part 2 shall be limited to the power to direct the Licensee to cease carrying on all or part of the Centralised Registration Service while still remaining the holder of the Licence.

Section A: Emergency Revocation Events

4. Emergency Revocation Events (to which the Authority's power of revocation under paragraph 1(a) relates) are as follows.
5. Emergency Revocation Event 1 is if the Licensee is unable to pay its debts (within the meaning of section 123(1) or (2) of the Insolvency Act 1986, but subject to paragraph 6 below) or has any voluntary arrangement proposed in relation to it under section 1 of that Act or enters into any scheme or arrangement (other than for the purpose of reconstruction or amalgamation on such terms and within such period as may previously have been approved by the Authority).
6. For the purposes of paragraph 5:
 - (a) section 123(1)(a) of the Insolvency Act 1986 has effect as if for "£750" there was substituted "£250,000" or such higher figure as the Authority may from time to time determine by Notice to the Licensee; and
 - (b) the Licensee will not be deemed to be unable to pay its debts if any such demand as is mentioned in section 123(1)(a) of the Insolvency Act 1986: (i) is being contested in good faith by the Licensee with recourse to all appropriate measures and procedures, or (ii) is satisfied before the expiry of such period as may be stated in any Notice given by the Authority under paragraph 1(a).

7. Emergency Revocation Event 2 is if the Licensee has a receiver (which expression includes an administrative receiver within the meaning of section 251 of the Insolvency Act 1986) appointed in respect of the whole or any material part of its assets or undertaking.
8. Emergency Revocation Event 3 is if the Licensee has an administration order made in relation to it under section 8 of the Insolvency Act 1986.
9. Emergency Revocation Event 4 is if the Licensee passes any resolution for winding-up other than a resolution previously approved by the Authority.
10. Emergency Revocation Event 5 is if the Licensee becomes subject to an order for winding-up by a court of competent jurisdiction.

Section B: Grant Revocation Event

11. The Grant Revocation Event (to which the Authority's power of revocation under paragraph 1(b) relates) is if the Authority is satisfied that a material mis-statement of fact was made by, or on behalf of, the Licensee during or in connection with the Licence Application Process.

Section C: Other Revocation Events

12. The Other Revocation Events (to which the Authority's power of revocation under paragraph 1(c) relates) are as follows.
13. Other Revocation Event 1 is if the Licensee agrees in Writing with the Authority that this Licence should be revoked.
14. Other Revocation Event 2 is if any amount payable under Condition 4 of this Licence (Licensee's payments to the Authority) is unpaid 30 days after it has become due and remains unpaid for a period of 14 days after the Authority has given the Licensee Notice that the payment is overdue (but no such Notice may be given earlier than the sixteenth day after the day on which the amount payable became due).
15. Other Revocation Event 3 (subject to paragraph 16) is if the Licensee:
 - (a) fails to comply with a Final Order or a Provisional Order that has been confirmed and (in either case) such failure is not rectified to the satisfaction of the Authority within three months after it has given Notice of such failure to the Licensee; or
 - (b) fails to pay any Financial Penalty by the due date for such payment and such payment is not made to the Authority within three months after it has given Notice of such failure to the Licensee.
16. No Notice under paragraph 15 may be given by the Authority before the expiry of the period within which a Validity Application could be made by the Licensee or before the proceedings relating to any such application are finally determined.
17. Other Revocation Event 4 is if the Licensee fails to comply with:
 - (a) an order made by the court under section 34 of the Competition Act 1998; or
 - (b) an order made by the Authority under section 158 or 160 of the Enterprise Act 2002; or
 - (c) an order made by the Competition Commission under section 76, 81, 83, 84, or 161 of the Enterprise Act 2002; or

(d) an order made by the Secretary of State under section 66, 147, 160, or 161 of the Enterprise Act 2002; or

(e) an enforcement notice served on it by the Information Commissioner under section 149 of the Data Protection Act 2018.

18. Other Revocation Event 5 is if the Authority considers that the Licensee has breached, or is breaching, any condition of this Licence, or any statutory requirement imposed on the Licensee in consequence of or in connection with this Licence, in a manner or to an extent that is so serious as to make it inappropriate for the Licensee to continue to hold this Licence.

19. Other Revocation Event 6 occurs if the Licensee breaches any of the requirements of Part F of Condition 13 (Security controls) with respect to the legal and operational location of the Licensee.

20. Other Revocation Event 7 is if the Licensee breaches:

(a) any of the requirements of Part C of Condition 16 (Independence and autonomy of the Licensee) in respect of corporate independence, or

(b) the requirements of any alternative arrangements in respect of corporate independence to which the Authority may have consented under Part D of that condition.

21. Other Revocation Event 8 is if the Authority is satisfied (whether having regard to the conduct of the Licensee under this Licence or otherwise) that the Licensee no longer is, or never was, a fit and proper person to carry on the Authorised Activity.

22. Other Revocation Event 9 is if the Licensee has ceased (other than as directed by the Authority under paragraph 2 of these Terms) to carry on any part of the Authorised Activity.

23. Paragraphs 15 and 16 are to be read in accordance with the provisions of paragraphs 24 and 25 respectively.

Section D: Interpretation

24. For the purposes of paragraph 15:

(a) a Final Order is a final order within the meaning of section 28 of the 1986 Act or section 25 of the 1989 Act;

(b) a Provisional Order is a provisional order within the meaning of section 28 of the 1986 Act or section 25 of the 1989 Act;

(c) a Financial Penalty is a financial penalty within the meaning of section 30A of the 1986 Act or section 27A of the 1989 Act.

25. For the purposes of paragraph 16, a Validity Application is an application made to the court by the Licensee for the purpose of questioning the validity or effect of the order or the penalty, as the case may be, in accordance with the law under:

(a) section 30 of the 1986 Act or section 27 of the 1989 Act in the case of a Final Order or Provisional Order, or

(b) section 30E of the 1986 Act or section 27E of the 1989 Act in the case of a Financial Penalty.

26. Words and expressions used in this Part 2 that are defined terms for the purposes of any of the Conditions of this Licence have, for the purposes of this Part 2, the meaning that is given to them in this Licence in the form in which it was in force at Licence Commencement Date.

PART 3: CONDITIONS

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CHAPTER 1: INTERPRETATION, CONTACT DETAILS AND PAYMENT

Conditions 1 to 4

Condition 1. Definitions for the Conditions of this Licence

Introduction

- 1.1 Part A of this condition sets out most of the defined words and expressions (all of which begin with capital letters) that are used in the conditions of this Licence.
- 1.2 References in this Licence to “premises” (whether as such or as “Premises” as part of a defined term) include any land, building, or structure.
- 1.3 Part C of Condition 6 (Authorised Business) also sets out defined words and expressions that are used elsewhere in the conditions of this Licence.

Part A: Definitions arranged in alphabetical order

- 1.4 In the Conditions of this Licence, unless the context otherwise requires:

1986 Act	means the Gas Act 1986.
1989 Act	means the Electricity Act 1989.
Additional Licence Term	has the meaning that is given to that term in [] of Part 1 of this Licence (Terms in Respect of Grant).
Additional User Services	has the meaning given in Condition 6 (Authorised Business).
Alt HAN Arrangements	has the meaning that is given to that term in paragraph 2.7 of Schedule 2 to this Licence (Principal Contents of the Smart Energy Code).
AltHanCo Ltd	means the Alt Han Company Limited, a company registered in England and Wales under number 10002859.
Affiliate	means, in relation to any person, any Holding Company of that person, any Subsidiary of that person, or any Subsidiary of a Holding Company of that person.
Agreement for Services	means an agreement with the Licensee under or pursuant to Condition 9 (Arrangements for the provision of Services) for the provision of services, whether on terms as prescribed by or determined in accordance with the provisions of the SEC or the REC, or otherwise.
Assimilated Law	has the same meaning as that given by section 6(7) of the European Union (Withdrawal) Act 2018.
Authorised Activity	means the activity of providing within the area of Great Britain a Smart Meter Communication Service as defined [] paragraph 6 of Part 1 (Terms in Respect of Grant) of this Licence.
Authorised Business-of the Licensee	means the whole of the business carried on by the Licensee under this Licence, comprising the Mandatory Business and the Permitted Business, as is set out with further detail in Condition 6 (Authorised Business).

Authority	means the Gas and Electricity Markets Authority that is established under section 1 of the Utilities Act 2000.
BSTR	<u>has the meaning given in Condition 5.16.</u>
Centralised Registration Service	has the meaning given to that term in Condition 7 (Provision of the Centralised Registration Service <u>)-</u>).
Charging Methodology	means the Charging Methodology for Service Charges that was designated by the Secretary of State under the Previous Licence and has been incorporated into the SEC for the purpose of determining the charges payable for Mandatory Business Services provided by the Licensee under or pursuant to the SEC <u>to meet the costs associated with the provision of the Authorised Business.</u>
Charging Statement for Service Charges	means the statement of that name that sets out the basis on which charges are made for the provision by the Licensee of Mandatory Business Services under or pursuant to the SEC or the REC (as applicable) <u>the Authorised Business</u> and is in a form that is approved for the purposes of Condition 27 (Charging Statement for Service Charges).
Commercial Activities	includes Energy Efficiency Services, Energy Management Services, Energy Metering Services, and Energy Price Comparison Services, in each case in relation to the Supply or Distribution of Energy (or its use) under the Principal Energy Legislation.
Communications Hub	means a component, forming a part of the Smart Metering System installed at an Energy Consumer’s premises, which as a minimum: <ul style="list-style-type: none"> (a) consists of the devices or other apparatus identified in, and (b) has the functional capability specified by and complies with the other requirements of, <p>a Version of the CH Technical Specification which on the date on which those devices or apparatus are provided by the DCCL <u>Licensee, or the Previous Licensee</u>, to a SEC Party pursuant Condition 9 (Arrangements for the provision of Services) and in accordance with the provisions of the SEC is within its Installation Validity Period.</p>
Communications Hub Services	has the meaning given in Condition 6 (Authorised Business).
Communications Hub Technical Specification	means the Communications Hub Technical Specification (which may be referred to as the “CH Technical Specification” in this Licence), being the document (or part of a document) which: <ul style="list-style-type: none"> (a) identifies itself as such, and

	(b) applies in respect of a Communications Hub installed or provided for the purposes of the Supply of Energy.
Compatible	in respect of a Version of a Technical Specification, means that the relevant Version of the Technical Specification is not incompatible, in accordance with the meaning given to the term 'incompatible' in Section F2.12 of the Smart Energy Code, with a Version of any other Technical Specification as identified in the matrix created and published by the SEC Panel pursuant to Section F2.11 of the Smart Energy Code.
Competition and Markets Authority	means the body of that name established by section 25 of the Enterprise and Regulatory Reform Act 2013.
Compliance Statement	means the statement of that name that is approved by the Authority for the purposes of Condition 17 (Protection of Confidential Information).
Confidential Information	means information that is provided to the Licensee (whether directly or indirectly) by any person in connection with the Authorised Business of the Licensee, including information that is provided under or pursuant to the Smart Energy Code, Retail Energy Code or the provisions of any External Service Provider Contract to which the Licensee is a party (and includes any personal data and sensitive personal data within the meaning of the Data Protection Act 2018).
Conditions	means all of the Conditions of this Licence, including any Schedule to this Licence (but does not include any of the Terms in Respect of Grant or Terms in Respect of Revocation set out in Parts 1 and 2 respectively of this Licence).
Consultation	means a consultation that <u>fairly selects the consultees</u> , provides adequate information on which to respond, adequate time to respond and conscientious consideration of the response to the consultation, and “Consult” is and “Consulting” are to be construed accordingly.
Core Communication Services	has the meaning given in Condition 6 (Authorised Business).
Customer Challenge Group	means the sub-committee of that name established under Section C6 of the SEC.
Designated Premises	has the meaning that is given to that term on 10 February 2016: <u>in relation to the supply of:</u> (a) electricity, in standard condition 1 (Definitions for standard conditions) of the licences granted, or treated as granted, under section 6(1)(d) of the 1989 Act; and

	(b) in relation to the supply of gas, in standard condition 1 (Definitions for standard conditions) of the licences granted, or treated as granted, under section 7A(1) of the 1986 Act.
Distribution of Energy	means either or both of the distribution of gas pursuant to the 1986 Act and the supply of electricity pursuant to the 1989 Act, in each case within the meaning that is given to the term “distribute” in the respective Act.
Domestic Energy Supplier	means an Energy Supplier that is authorised by its Energy Supply Licence to supply Energy to Domestic Premises and that supplies Energy to such premises in accordance with that licence.
Domestic Premises	means premises at which a Supply of Energy is or will be taken wholly or mainly for domestic purposes (and is to be read in accordance with and subject to the provisions of standard condition 6 of the Energy Supply Licence).
Electricity Distribution Licence	means a licence granted, or treated as granted, under section 6(1)(c) of the 1989 Act.
Electricity Meter	means any meter that conforms to the requirements of paragraph 2 of Schedule 7 to the 1989 Act and is used for the purpose of measuring the quantity of electricity that is supplied to premises (and includes a Smart Meter).
Enabling Services	has the meaning given in Condition 6.2(b) (Authorised Business).
Energy	means either or both of gas (as supplied to premises under or pursuant to the 1986 Act) and electricity (as supplied to premises under or pursuant to the 1989 Act).
Energy Consumer	means a person who is supplied or requires to be supplied with Energy at any premises in Great Britain.
Energy Efficiency Services	means, in relation to any premises, services (which may include the supply or installation of products) provided to an Energy Consumer in order to improve efficiency and reduce wastage in the use of Energy at the premises.
Energy Licence	means any licence (including this Licence) that is granted, or treated as granted, under section 7, 7A, or 7AB of the 1986 Act or under section 6 of the 1989 Act.
Energy Meter	means a Gas Meter or an Electricity Meter (and in either case may include a Smart Meter).
Energy Supplier	means a person who holds an Energy Supply Licence and supplies Energy to premises in accordance with it.

Energy Supply Licence	means a licence granted, or treated as granted, under section 7A(1) of the 1986 Act or section 6(1)(d) of the 1989 Act.
Enrolment Service	has the meaning given in Condition 6 (Authorised Business).
External Electronic Communication Network	means a network used for communicating information to and from a Smart Meter that meets both of the following conditions: (a) it is an electronic communications network within the meaning given to that term in section 32 of the Communications Act 2003; and (b) it does not form part of a Smart Meter.
External Service Provider	means any person from whom Relevant Service Capability is procured by the Licensee (including a person from whom such capability is being procured by virtue of Condition 10.6) for the purpose of enabling the provision of Mandatory Business Services under or pursuant to the Smart Energy Code or Retail Energy Code.
External Service Provider Contract	means: (a) as between the Licensee and an External Service Provider, any arrangement (however described) that has been entered into for the provision by the External Service Provider to the Licensee of Relevant Service Capability (and includes every Legacy Procurement Contract for the provision of Fundamental Service Capability), and (b) as between the Licensee and a Related Undertaking, any arrangement (however described) that has been entered into for any purpose. .
First Transfer Date	means the date on which the Licensee begins to carry on the Authorised Business <u>of the Licensee</u> .
Fundamental Registration Service Capability	means Relevant Service Capability that is provided in respect of the Centralised Registration Service to deliver the Address Management Service and the Registration Service (described in Condition 7) that should be procured by the Licensee in accordance with Condition 10.
Fundamental Service Capability	has the meaning given to that term in Condition 10 (Procurement of Relevant Service Capability), as amplified by reference to the particulars set out in Schedule 1 to this Licence (Details of Fundamental Service Capability).
Gas Meter	means a meter that conforms to the requirements of section 17(1) of the 1986 Act for the purpose of registering the quantity of gas supplied through pipes to premises (and includes a Smart Meter).

Gas Supply Licence	means a licence granted, or treated as granted, under section 7A(1) of the 1986 Act.
Gas Transporter Licence	means a licence granted, or treated as granted, under section 7(1) of the 1986 Act.
General Duties of the Licensee	means the duties set out in Condition 5.3 and 5.5.
General SEC Objectives	means the objectives that the Smart Energy Code is designed to achieve, as listed in Part C of Condition 11 (Roles in relation to Core Industry Documents).
Holding Company	means, in relation to any person, a holding company as it is defined in section 1159 of the Companies Act 2006.
Information	in relation to information requested by the Authority or the Secretary of State, has the meaning given to that term in Condition 33 (Provision of Information by the Licensee).
Installation Validity Period	has the meaning that is given to that term in the Smart Energy Code.
Legacy Procurement Contract	means any arrangement relating to the procurement by the Licensee of Fundamental Service Capability that falls within the definition and other particulars set out in Schedule 1 to this Licence (Details of Fundamental Service Capability).
Licence	means this Smart Meter Communication Licence.
Licence Commencement Date	means [TBD] <u>14 April 2026</u>
<u>Licence Expiry Date</u>	<u>has the meaning given in Part 1 (Terms in Respect of Grant) of this Licence.</u>
Licence Term	means [TBD] <u>means (subject to the provisions of Part 1 and Part 2 of this Licence with respect to continuation and revocation) the period that begins on Licence Commencement Date and ends on the Licence Expiry Date during which this Licence remains in force and is held by and applies to the Licensee.</u>
Licensee	means [TBD] <u>means DCC 2 Ltd, a company that is registered in England and Wales under number 16740622 and who is the person that holds this Licence.</u>
<u>Licensee Workforce</u>	<u>has the meaning given in Condition 10 (Procurement of Relevant Service Capability).</u>
Mandatory Business	has the meaning given in Condition 6 (Authorised Business).

Mandatory Business Services	has the meaning given in Condition 6 (Authorised Business).
MHHS Requirements	has the meaning given to that term in Condition 11.6 (Roles in relation to Core Industry Documents).
Notice	means prior notice given directly to a person in Writing (and includes a notification).
Other Code Services	has the meaning given in Condition 6 (Authorised Business).
Other Enabling Services	has the meaning given in Condition 6 (Authorised Business).
Permitted Business	has the meaning given in Condition 6 (Authorised Business).
Permitted Purpose	means a purpose of any or all of the following things: (a) the Authorised Business of the Licensee, (b) any business or activity of the Licensee to which the Authority has given its consent under Condition 16.6(c) (Independence and autonomy of the Licensee), and (c) any payment or transaction made or undertaken by the Licensee in accordance with Part C of Condition 31 (Indebtedness and transfers of funds).
PPMID Technical Specification	has the meaning that is given to that term in the Smart Energy Code.
Prescribed Business Services	has the meaning given in Condition 6 (Authorised Business).
Previous Licence	means the Smart Meter Communication Licence that was granted by the Secretary of State on 22 September 2012 2013.
Previous Licensee	means Smart DCC Limited, a company registered in England and Wales under number 08641679.
Price Control Period	has the meaning given in Part A of Condition 22.
Principal Energy Legislation	means the 1986 Act and the 1989 Act, read together so far as they apply for the purposes of this Licence in respect of the Supply of Energy under those Acts.
Procurement Strategy	means the statement of that name that sets out the strategy to be followed by the Licensee in procuring Relevant Service Capability and

	that was approved by the Secretary of State for the purposes of Condition 10 (Procurement of Relevant Service Capability).
REC	means the Retail Energy Code.
Regulatory Accounts	means the accounts of the Licensee produced in accordance with the provisions of Condition 34 (Requirements for Regulatory Accounts).
Regulatory Year	means: <ul style="list-style-type: none"> (a) the period beginning with the First Transfer Date and ending with 31 March 2028<u>2027</u>, or (b) after that period, a period of twelve months beginning with 1 April and ending with 31 March.
<u>Reimbursement Amount</u>	<u>has the meaning given to it in Schedule 5 (Communications Hub Replacement Reimbursement Methodology)</u>
Related Undertaking	means, in relation to any person, any undertaking in which that person has a participating interest as defined in section 421A of the Financial Services and Markets Act 2000.
Relevant Business Assets	has the meaning that is given to that term in paragraph 4 of Condition 32 (Disposal of Relevant Business Assets) in respect of assets required to be identified in the Register of Relevant Business Assets maintained by the Licensee in accordance with that condition.
Relevant Service Capability	means capability procured (or provided from within the Licensee’s own resources) in accordance with Condition 10 (Procurement of Relevant Service Capability) for the purposes of securing the provision of Mandatory Business Services.
Retail Energy Code	means the document designated by the Authority pursuant to standard condition 11 of gas supply licence and 11B of the electricity supply licence, as may be modified from time to time.
Retail Energy Code Parties	means persons (excluding the Licensee) who have acceded to the Retail Energy Code on such terms and conditions of accession as are set out in the Retail Energy Code, and includes every holder of an Energy Licence who is required by a condition of that licence to be a party to and comply with the Retail Energy Code.
SEC	means the Smart Energy Code.
SEC Arrangements	means such arrangements (including all necessary systems, contracts, processes, procedures, resources, products, and facilities) as the Licensee is required to establish, procure, or otherwise have in place under or pursuant to the Smart Energy Code in connection with the provision of services, whether on behalf of or to SEC Parties or otherwise.

SEC Modification Arrangements	means such arrangements established by the Smart Energy Code as are consistent with the requirements of Part E of Schedule 2 to this Licence (Principal Contents of the Smart Energy Code) with respect to modifications of the SEC, but subject to the provisions of Part B of Condition 11 (Charging Methodology for Service Charges).
Second Transfer Date	has the meaning given to that term in Condition 37.7 (Arrangements for business handover).
SEC Panel	has the same meaning as “Panel” in the SEC.
SEC Parties	means persons (excluding the Licensee) who have acceded to the Smart Energy Code on such terms and conditions of accession as are set out in the SEC, and includes every holder of an Energy Licence who is required by a condition of that licence to be a party to and comply with the SEC.
SECCo Ltd	means the Smart Energy Code Company Limited, a company registered in England and Wales under number 08430267.
Service Charges	means the charges levied by and payable to the Licensee in connection with the operation or provision of Mandatory <u>the Authorised Business Services under or pursuant to the SEC</u> (and such charges may reflect, among other things, expenditure incurred for the purpose of investigating or securing the future operation or provision of such services <u>Mandatory Business Services</u> , expenditure incurred in connection with the governance and administration of the Smart Energy Code, and expenditure incurred under, in connection with, or by virtue of the Alt HAN Arrangements).
Significant Managerial Responsibility or Influence	means where a person plays a role in: <ul style="list-style-type: none"> (a) the making of decisions about how the whole or a substantial part of the Licensee’s activities are to be managed or organised, or (b) the actual managing or organising of the whole or a substantial part of those activities.
Smart Energy Code	means the document of that name that was designated by the Secretary of State on 23 September 2013 under the Previous Licence and as modified from time to time.
Smart Meter	means: <ul style="list-style-type: none"> (a) an Energy Meter that can both send and receive information using an External Electronic Communications Network; or (b) an Energy Meter and a device that is associated with or is ancillary to that meter and that enables information to be sent to and received by the meter using an External Electronic Communications Network,

	and the related term “Smart Metering” when used as part of another defined term is to be read accordingly.
Smart Metering System	has the meaning that is given to that term: (a) in relation to the supply of electricity, in standard condition 1 (Definitions for standard conditions) of the licences granted, or treated as granted, under section 6(1)(d) of the 1989 Act; and (b) in relation to the supply of gas, in standard condition 1 (Definitions for standard conditions) of the licences granted, or treated as granted, under section 7A(1) of the 1986 Act.
SMKI	<u>means Smart Metering Key Infrastructure and</u> has the meaning given in the SEC.
Subsidiary	means a subsidiary within the meaning given to that term in section 1159 of the Companies Act 2006.
Successor Licence	means a licence granted (or to be granted) by the Authority under section 7AB of the 1986 Act and section 6 of the 1989 Act for the purpose of authorising a person to carry on the Authorised Activity following the expiry or any revocation of this Licence.
Successor Licensee	means the person that is to succeed (or has succeeded) the Licensee as holder of a licence to carry on the Authorised Activity within Great Britain (and, if the context so permits, may include any person who has applied, or is considering whether to apply, to be that licence holder).
Supply of Energy	means either or both of the supply of gas pursuant to the 1986 Act and the supply of electricity pursuant to the 1989 Act, in each case within the meaning that is given to the term “supply” in the respective Act.
Terms in Respect of Grant	{means all of the matters that are set out in Part 1 of this Licence}.
Terms in Respect of Revocation	{means all of the matters that are set out in Part 2 of this Licence}.
Ultimate Controller	means any of the following: (a) a Holding Company of the Licensee that is not itself a Subsidiary of another company, and (b) subject to notes 1 and 2 set out below, any person who (whether alone or with any person or persons connected with him) is in a position to control, or exercise significant influence over, the policy of the Licensee or the policy of any Holding Company of the Licensee by virtue of: (i) rights under contractual arrangements to which he is a party or of which he is a beneficiary, or

	<p>(ii) rights of ownership (including any rights attached to or deriving from securities or rights under a trust) which are held by him or of which he is a beneficiary.</p> <p>note 1: for the purposes of sub-paragraph (b), a person is connected with another person if he is a party to any arrangement regarding the exercise of any such rights as are described or referred to in that sub-paragraph.</p> <p>note 2: sub-paragraph (b) does not include any director or employee of a corporate body in his capacity as such.</p>
Uniform Network Code	means the document of that name that is maintained in accordance with special condition A11 of the Gas Transporter Licence.
Value Added Services	means Permitted Business designated as Value Added Services by the Authority in accordance with Part B of Condition 6 (Authorised Business).
Version	has the meaning given to it in the Smart Energy Code.
Website	means a website controlled and used by the Licensee for the purposes of communicating and disseminating information as required by or for reasons relating to any of the provisions of this Licence.
Writing	includes writing that is sent or received by means of a public electronic communications network within the meaning given to that term in section 151 of the Communications Act 2003.

Condition 2. Rules of interpretation for this Licence

Introduction

- 2.1 This condition sets out rules of interpretation, of both a general and a specific nature, that apply to the contents of this Licence.
- 2.2 The rules set out in this condition are additional to any general rules of interpretation that are stated in Part 1 of this Licence (Terms in Respect of Grant).

Part A: References within this Licence

- 2.3 Unless the context otherwise requires, any reference in the Conditions of this Licence to an industry code of any kind, or an agreement, or a statement, methodology, scheme, or plan, is a reference to it as modified, supplemented, transferred, novated, revised, or replaced from time to time.
- 2.4 The heading or title of any chapter, condition, part, appendix, schedule, or paragraph in the Conditions of this Licence is for convenience only and does not affect the interpretation of the text to which it relates.
- 2.5 Unless the context otherwise requires:
 - (a) any reference in the Conditions of this Licence to a part, condition, appendix, schedule, or paragraph is a reference to it in the Conditions of this Licence,
 - (b) any reference in a condition of this Licence to a part, paragraph, or appendix is a reference to it in that condition, and
 - (c) any reference in the Conditions of this Licence to any natural or legal person includes that person's successors.
- 2.6 Any reference in the Conditions of this Licence to:
 - (a) a provision of the Conditions of this Licence, or
 - (b) a provision of the conditions of any other type of Energy Licence,is to be read, if the Conditions of this Licence or the conditions of that other type of Energy Licence are subsequently modified, as a reference to the corresponding provision of the other relevant condition (so far as the context permits).
- 2.7 References in the Conditions of this Licence to persons include individuals, bodies corporate, unincorporated associations, firms, and partnerships.

Part B: Licensee's performance of obligations

- 2.8 Where any obligation in this Licence is required to be performed by a specified date or time or within a specified period and the Licensee has failed to do so, the obligation will continue to be binding and enforceable after the specified date or time or after the end of the specified period, but without prejudice to all rights and remedies that are available against the Licensee in relation to its failure.

2.9 The Licensee must comply with a direction (and with any terms or conditions to which the direction may be subject) given to it by the Authority or the Secretary of State under any provision of this Licence that provides for such direction to be given.

Part C: Specific application of powers

2.10 Unless a contrary intention appears, any power of the Authority or of the Secretary of State under any provision of this Licence:

(a) to give a direction, consent, derogation, approval, or designation, or to issue guidance or a statement, is a power:

(i) ———to give or issue it to such extent, for such period of time, and subject to such terms or conditions as the Authority or the Secretary of State thinks will be reasonable in all the circumstances of the case, and

(ii) to revoke or amend it (after consulting with the Licensee) or give or issue it again under that power, and

(b) to make a determination or a decision is a power:

(i) to make it subject to such terms and conditions as the Authority or the Secretary of State thinks reasonable in all the circumstances of the case, and

(ii) to make it again under that power.

2.11 Any direction, consent, derogation, approval, designation, determination, decision, or other instrument given or made by the Authority or the Secretary of State under this Licence will be in Writing.

2.12 Where any consent, derogation, approval, designation, determination, decision, or other instrument given or made by the Secretary of State or Authority under any provision of this Licence is given or made subject to any terms or conditions, the Secretary of State or Authority may also direct the Licensee to comply with such terms or conditions.

Part D: Specification or determination of dates

2.13 In each case in which the Authority or the Secretary of State may specify a date under any provision of this Licence, either the date or the means by which that date is to be determined may be specified.

Part E: Reading of words without limitation

2.14 The words “include”, “includes”, “including”, and “in particular” where they appear in any provision of this Licence are to be read without limitation to the generality of the preceding words.

Part F: Particular interpretation of breach

2.15 In this Licence, “breach” (and any related expression) in relation to a condition, order, direction, or requirement (including a contractual requirement) includes a failure to comply with it, and is to be read as equivalent for all purposes to “contravene” (and any related expression) as that term is used in the Principal Energy Legislation.

Part G: Requirements to provide or publish documents

- 2.16 Any requirement under this Licence for the Licensee to give a copy of a document to any person (including the Authority or the Secretary of State) may be satisfied by giving that person an electronic copy in an intelligible form.
- 2.17 Any requirement under this Licence for the Licensee to publish a document on its Website is a requirement to do so in a manner that ensures that the document is readily accessible from the home page of that Website.

Part H: Things done are to have continuing effect

- 2.18 Anything done under or because of a condition of this Licence, which is in effect immediately before that condition is modified, has continuing effect for so long as it is permitted or required by or under the modified condition.
- 2.19 Without prejudice to the generality of paragraph 2.20¹⁸, every direction, derogation, consent, approval, designation, determination, decision, or other instrument given or made by the Authority or the Secretary of State in relation to a condition of this Licence, which is in effect immediately before that condition is modified, will have continuing effect for so long as it is permitted or required by or under that modified condition.

Part I: Authority's determination of disputes

- 2.20 Section 4B(2)(a) of the 1986 Act and section 3D(3)(a) of the 1989 Act apply to any determinations of disputes made by the Authority under this Licence.

Part J: References to the Licensee

- 2.21 References to “the Licensee” in this Licence are references to the person to whom this Licence has been granted (see Part 1 of this Licence) and include any person to whom the whole or any part of this Licence has been transferred under section 8AA of the 1986 Act and section 7A of the 1989 Act.

Part K: References to Licensee's functions

- 2.22 References in this Licence to the Licensee's exercise of functions under or by virtue of the Principal Energy Legislation, this Licence, the Retail Energy Code or the Smart Energy Code include the exercise of any powers, rights, or permissions conferred, as well as the performance of any requirements or duties imposed, on the Licensee.

Condition 3. Addresses for the purposes of this Licence

Introduction

- 3.1 The postal and electronic mail addresses of the Licensee, the Secretary of State, and the Authority are set out below for use with respect to the giving of Notice, the delivery of directions, and the exchange of correspondence and any other matters or material under or in connection with any of the provisions of this Licence.

Part A: Details with respect to the Licensee

- 3.2 Party: The Licensee

~~[placeholder to be completed upon licence award]~~

[DCC2 Ltd](#)

[One Fleet Place](#)

[London EC4M 7WS](#)

DCC2.licensee@emailseccoltd.com

Part B: Details with respect to the Secretary of State

- 3.3 Party: The Secretary of State

Department for Energy Security and Net Zero

55 Whitehall

London SW1A 2HP

relevant.person@energysecurity.gov.uk

Part C: Details with respect to the Authority

- 3.4 Party: The Authority

Office of Gas and Electricity Markets

10 South Colonnade

Canary Wharf

London E14 4PU

relevant.personDCCRegulation@ofgem.gov.uk

Part D: Alteration of details

- 3.5 A party under this condition may notify the other parties of any change to any of its details set out above for the purposes of this condition.
- 3.6 A notification under paragraph 3.5 is only effective on and from the date specified in it as the date on which the change is to take place.
- 3.7 The Licensee may alter so much of the details set out in this condition as may be necessary from time to time to reflect any changes to them of which it has become aware, whether by way of notification received under paragraph 3.5 or otherwise.

Condition 4. Licensee's payments to the Authority

Introduction

4.1 This condition requires the Licensee to pay to the Authority fees of the amount and at the times specified in or determined under Parts A and B below.

Part A: Total fee payable in respect of each Regulatory Year

4.2 In each Regulatory Year, the Licensee must pay to the Authority a fee that is the total sum of Amounts 1 to 4 set out below.

4.3 Amount 1 is the annual fee applicable to this Licence in respect of the Relevant Costs likely to be incurred by the Secretary of State during the coming year in the exercise of the functions under the Principal Energy Legislation and the Energy Act 2008 in relation to the Licensee.

4.4 Amount 2 is the annual fee applicable to this Licence in respect of the Relevant Costs likely to be incurred by the Authority during the coming year in the exercise of its functions under the Principal Energy Legislation and the Energy Act 2008 in relation to the Licensee.

4.5 Amount 3 is the Relevant Proportion of the costs estimated to have been incurred by the Competition and Markets Authority in the previous Regulatory Year in connection with any appeal made to it in respect of this Licence or any other Energy Licence granted under the Principal Energy Legislation.

4.6 Amount 4 is the Relevant Proportion of the difference (being a positive or a negative amount), if any, between:

- (a) any costs estimated by the Authority (having had regard to the views of the Competition and Markets Authority) in the previous Regulatory Year under paragraph 4.5, and
- (b) the actual costs of the Competition and Markets Authority in connection with appeals of the type referred to in paragraph 4.5 for the Regulatory Year before the previous Regulatory Year.

Part B: Payment of fees and treatment of late payment

4.7 The total annual fee determined in accordance with ~~Part A: References within this Licence~~ Part A: Total fee payable in respect of each Regulatory Year above must be paid by the Licensee to the Authority in two instalments, of which:

- (a) the first is to be paid by 30 June in each year, if the Authority gives Notice to the Licensee of the amount of that instalment by 31 May in the year; and
- (b) the second is to be paid by 31 January in each year, if the Authority gives Notice to the Licensee of the amount of that instalment by 1 January in the year.

4.8 If the Authority does not give Notice to the Licensee of the amount of the instalment by 31 May or (as the case may be) 31 January in the Regulatory Year, the Licensee must pay the amount in question to the Authority within the period of 30 days beginning with the day on which the Authority does give such Notice to the Licensee.

- 4.9 If the Licensee does not pay an amount due under this condition to the Authority within the period of 30 days beginning with the relevant payment date referred to in paragraph 4.7 or 4.8, it must with effect from that date pay simple interest on the amount at the rate that is equivalent to the average value of the Official Bank Rate of the Bank of England during the period of default.

Part C: Interpretation

- 4.10 For the purposes of this condition:

Relevant Costs means:

- (a) —in relation to Amount 1 (see paragraph 4.3), costs notified to the Authority by the Secretary of State that have been estimated by the Secretary of State in accordance with principles established by him for the purposes of this condition following consultation with the Licensee, the Authority, and persons likely to be affected by the application of such principles, and
- (b) —in relation to Amount 2 (see paragraph 4.4), costs estimated by the Authority in accordance with principles established by it for the purposes of this condition following consultation with the Licensee, the Secretary of State, and persons likely to be affected by the application of such principles.

Relevant Proportion means either:

- (a) the proportion of costs attributed to the Licensee Proportion in accordance with any order made by the Competition and Markets Authority under:
 - (i) paragraph 13 of Schedule 22 to the Energy Act 2004, or
 - (ii) either or both of paragraph 12 of Schedule 4A to the 1986 Act and paragraph 12 of Schedule 5A to the 1989 Act, or
- (b) in the absence of any such orders, zero.

CHAPTER 2: NATURE AND CONDUCT OF THE LICENSEE'S BUSINESS

Conditions 5 to 11

Condition 5. General duties and strategy

Introduction

- 5.1 This condition sets out the General Duties of the Licensee, including its Primary Objective. At the point of taking on the Licence, the Licensee will also be under several transitional duties.
- 5.2 In addition to the general duties, this condition also sets out the requirements for a new Business Strategy and Technology Roadmap that will guide the way in which the Licensee carries out its Authorised Business.

Part A: General ~~duties~~Duties

- 5.3 The Licensee must carry out the Mandatory Business in the manner that is most likely to achieve the Primary Objective (see ~~Condition paragraph~~ 6.2 for the definition of Mandatory Business).
- 5.4 The Primary Objective is the ongoing development, operation, and maintenance of an efficient, economical, co-ordinated, and secure system for the provision of Mandatory Business Services under the Smart Energy Code and, where relevant, the Retail Energy Code, having regard to the impact on consumers.
- 5.5 So far as is consistent with the duty to act in pursuance of the Primary Objective, the Licensee must carry out the Mandatory Business in the manner that is most likely to promote:
- (a) ~~—promote~~ innovation by Energy System Participants,
 - (b) ~~—promote~~ competition among Supplier Energy System Participants, and
 - (c) ~~—the protection of~~protect the Natural Environment.
- 5.6 The Licensee must not carry on any Permitted Business (see Part B: Permitted Business of Condition 6) in a manner that prejudices or impairs its ability to meet the duties in paragraphs 5.3 ~~to~~and 5.5.

Part B: Transitional duties

- 5.7 The Licensee must take all reasonable steps to achieve a full, timely, efficient, economical and secure transfer of the Authorised Business of the Licensee from the Previous Licensee during the Handover Period.
- 5.8 The duty in paragraph 5.7 includes the duty to comply with any directions issued to the Licensee by the Authority in accordance with Condition 43.21 of the Previous Licence as if that Condition 43.21 were a condition of this Licence.
- 5.9 Within the period of 12 months beginning with the First Transfer Date, the Licensee must withdraw from all Transitional Services Agreements.
- 5.10 The Authority may, by direction given to the Licensee, extend the period within which the Licensee must discharge the duty in paragraph 5.9.
- 5.11 The Authority may, by direction given to the Licensee, require the Licensee to carry out a review of the Licensee's External Service Provider Contracts.

- 5.12 A direction under paragraph 5.11 may only be given once but may be modified at any time prior to the completion of the review (see paragraph 5.14).
- 5.13 A direction under paragraph 5.11 may:
- (a) describe the contracts that must be reviewed, including by reference to (among other things) the:
 - (i) value of the contract;
 - (ii) date the contract was procured;
 - (iii) duration of the contract;
 - (b) describe the matters that must be reviewed, including (among other things) the:
 - (i) number and identity of the contracts that meet the description in sub-paragraph (a);
 - (ii) ~~term~~ term of the contracts;
 - (iii) opportunities to reprocure ~~each of, or modify~~ the ~~contract~~terms of, a contract with a more economical and efficient alternative;
 - (iv) risks of reprocurring each of the contracts;
 - (v) ~~approach to handling any ongoing disputes with External Service Providers~~ approach to handling any ongoing disputes with External Service Providers;
 - (c) require the Licensee to, where appropriate and consistent with the General Duties of the Licensee, make proposals to reprocure each of the contracts;
 - (d) ~~describe~~ describe the form in which the outcome of the review must be reported;
 - (e) ~~specify~~ specify the time within which a report submitted on the outcome of the review (see paragraph 5.14(b)).
- 5.14 Where the Authority gives a direction under paragraph 5.11, the Licensee must:
- (a) ~~carry out~~ carry out the review,
 - (b) ~~submit~~ submit a report to the Authority on the outcome of the review, and
 - (c) ~~provide~~ provide a copy of the report to the SEC Panel.
- 5.15 Following receipt of the report, the Authority may, in Writing, confirm that the review is complete.

Part C: Business Strategy and Technology Roadmap

- 5.16 On or before ~~31st March 2028~~31 July 2027 (or such later date as notified to the Licensee by the Authority), the Licensee must submit a draft Business Strategy and Technology Roadmap (“BSTR”) to the Authority and the Secretary of State.
- 5.17 The draft BSTR must set out:

- (a) with reference to ~~the~~ the General Duties of the Licensee, the outcomes the Licensee seeks to achieve in carrying out the Authorised Business,
- (b) —the key areas of activity, products and services that will comprise the Authorised Business,
- (c) the factors that the Licensee expects to impact the development and performance of the Authorised Business,
- (d) —how the Licensee will develop the infrastructure, systems and processes to provide the Authorised Business,
- (e) —the type of technology that will be used or acquired to carry out the Authorised Business,
- (f) —where relevant, the Licensee’s best estimate of when it may acquire any such technology,
- (g) —on the basis of relevant market analysis, the Licensee’s view of:
 - (i) the risk of technology used to deliver the Authorised Business expiring or becoming obsolete;
 - (ii) the risk of new security threats;
 - (iii) emerging or evolving technologies that could improve the Licensee’s management and operation of the Authorised Business,

~~(h)~~—taking into account the market analysis:

(h) , how the Licensee will:

- (i) use the available technology to carry out the Authorised Business in an economic and efficient manner, and
- (ii) ~~how the Licensee will~~ mitigate the risk of new and existing security threats,
- (i) the compatibility and interoperability of the technology that the Licensee will use to carry out the Authorised Business,
- (j) how the Licensee will work with Code Managers to contribute towards them meeting their Strategic Direction Statements, and
- (k) how the Licensee will measure the effectiveness of the BSTR in achieving the outcomes set out in accordance with sub-paragraph (a).

5.18 The matters specified in paragraph 5.17(d) to (i) must be set out with reference to the relevant Fundamental Service Capability.

5.19 The period covered by the BSTR must include for:

- (a) ~~for~~ all of the matters listed in paragraph 5.17, at least two prospective Price Control Periods, and
- (b) ~~for~~ the matters listed in paragraph 5.17(d) to (i), the duration of the relevant Legacy Procurement Contract.

5.20 Before the Licensee submits ~~it~~the draft BSTR, the Licensee must ~~consult~~Consult on ~~the draft BSTR~~it with the Authority, the Secretary of State, SEC Parties, REC Parties and other persons whom, in its opinion, it would be appropriate to consult.

5.21 After the Licensee submits a draft or revised (see paragraph 5.26(c)) BSTR, ~~either the Authority or the Secretary of State~~ may direct the Licensee to modify the draft or revised BSTR.

5.22 The Authority ~~or the Secretary of State~~ may, by Notice given to the Licensee, ~~confirm that~~approve the draft or revised BSTR ~~has been approved~~.

5.23 The Authority may not approve the draft or any revised BSTR if the Secretary of State objects.

~~5.23~~5.24 Following receipt of the Notice given under paragraph 5.22, the Licensee must:

- (a) publish a copy of the approved BSTR on its Website, and
- (b) where appropriate, have regard to the approved BSTR when carrying out the Authorised Business.

~~5.24~~5.25 Before publishing a copy of the end of a Price Control Period that has commenced after the BSTR has been approved BSTR, the Licensee must: ~~redact information if its publication would contravene the requirements of Conditions 13 or 17 or prejudice the commercial interests of any person.~~

5.26 Before the date by which the Licensee must submit its Business Plan Report under paragraph 22.7, the Licensee must:

- (a) update the BSTR so that it continues to cover the periods specified in paragraph 5.19,
- (b) ~~consult~~Consult on a revised BSTR in draft with the Authority, the Secretary of State and other persons whom, in its opinion, it would be appropriate to consult, and
- (c) after the ~~consultation~~Consultation, submit ~~at~~the revised ~~copy in draft~~BSTR to the Authority and the Secretary of State.

~~5.25~~5.27 Where the Authority ~~or Secretary of State approve~~approves a revised BSTR, the approval of any earlier BSTR is withdrawn.

Part D: Interpretation

~~5.26~~5.28 In this condition:

BSTR has the meaning given in paragraph 5.16.

Code Manager has the meaning given in section 183 of the Energy Act 2023.

Energy System Participants means persons engaged in Commercial Activities connected to the Supply of Energy or Distribution of Energy under the Principal Energy Legislation.

Handover Period has the meaning given in Condition 43 of the Previous Licence.

Natural Environment has the meaning given in section 44 of the Environment Act 2021.

Strategic Direction Statement has the meaning given in section 190 of the Energy Act ~~2003~~2023.

Supplier Energy System Participants means persons engaged in Commercial Activities connected to the Supply of Energy under the Principal Energy Legislation.

Transitional Services Agreements means any agreement:

- (a) —where the parties include the Licensee and either:
 - (i) the Previous Licensee, or
 - (ii) a Related Undertaking of the Previous Licensee, and
- (b) that was made before the First Transfer Date.

Condition 6. Authorised Business

Introduction

6.1 The Licensee must carry out the Mandatory Business and may carry out the Permitted Business. This condition defines those terms which, together, are known as the Authorised Business.

Part A: Mandatory Business

6.2 The Mandatory Business means the provision of the following services (together referred to as the “Mandatory Business Services”):

- (a) Core Communication Services provided in accordance with an Agreement for Services,
- (b) the following services provided in accordance with an Agreement for Services (together referred to as the “Enabling Services”):
 - (i) Enrolment Service,
 - (ii) CH Replacement Reimbursement Service,
 - (iii) Communications Hub Services,
 - ~~(ii)~~(iv) Virtual WAN Provider Service, and
 - ~~(iii)~~(v) Other Enabling Services,
- (c) Additional User Services provided in accordance with an Agreement for Services, and
- ~~(d)~~—Prescribed Business Services, and
- ~~(e)~~(d) Other Code Services.

Part B: Permitted Business

6.3 The Permitted Business means the provision of services, other than the Mandatory Business Services, authorised by the Authority in Writing.

6.4 Where the Licensee wishes to provide a service other than the Mandatory Business Services, it must, by Notice to the Authority, propose that the service be provided by the Licensee and the Authority will respond before the end of the period of 30 days beginning with the date the Notice is received.

6.5 A Notice to the Authority must be prepared in accordance with guidance (“Permitted Business Guidance”) provided by the Authority.

6.6 The Authority may issue Permitted Business Guidance which may contain a description of:

- (a) the format in which the Notice must be presented;
- (b) the processes and procedures the Authority expects to follow to decide whether to authorise the service;

- (c) the principles the Authority expects to apply to decide whether to:
 - (i) authorise the service;
 - (ii) if authorised, designate the service as Value Added Services ~~or Innovative Services~~;
- (d) any other information that may help the Licensee prepare the Notice;
- (e) how, if appropriate, the matters in sub-paragraphs (a), (b), (c)(i) and (d) varies in relation to Value Added Services ~~and Innovative Services~~.

6.7 Where the Authority provides authorisation for Permitted Business, it ~~will~~ may designate that Permitted Business as ~~Innovative Services or~~ Value Added Services (for the effect of this, see paragraph 24.4, ~~24.16~~ 24.16 and Condition 25).

Part C: Interpretation

6.8 In this Licence:

Additional User Services means a service requested by a SEC Party pursuant to the SEC other than a Core Communication Service, Enabling Service, ~~or~~ Prescribed Business ~~Service or Other Code~~ Service.

CH Replacement Reimbursement Service has the meaning given in the SEC.

Communications Hub Services has the meaning given in the SEC.

Core Communication Services has the meaning given in the SEC.

Enabling Services has the meaning given in paragraph 6.2(b).

Enrolment Service has the meaning given in the SEC.

Prescribed Business Services means the services needed to discharge:

- (a) the Licensee's duties in:
 - (i) Condition 7 (Provision of the Centralised Registration Service) ~~);~~, and
 - (ii) Schedule 4 to this Licence; and

(b) the MHHS Requirements.

Mandatory Business Services has the meaning given in paragraph 6.2.

~~**Other Code Services** means the services needed to discharge the Licensee's duties in the Smart Energy Code or Retail Energy Code other than a Core Communication Service, Enabling Service, Additional User Service or Prescribed Business Service.~~

Other Enabling Services has the meaning given in the SEC.

Virtual WAN Provider Service has the meaning given in the SEC.

Condition 7. Provision of the Centralised Registration Service

Introduction

- 7.1 The purpose of this condition is to specify the General Centralised Registration Service Objective of the Licensee and the Licensee's duties with respect to it.
- 7.2 The General Centralised Registration Service Objective sets out the requirements of the Licensee under the Authority's Switching Programme to provide Relevant Service Capability to operate a Centralised Registration Service.
- 7.3 For the purposes of this condition the Licensee should fulfil the General Centralised Registration Service Objective with due consideration to the total cost to and impact on industry, taking into account, in so far as is relevant and possible, the likely impact on ~~DCC~~the Licensee's customers and consumers.

Part A: General Centralised Registration Service Objective of the Licensee

- 7.4 Subject to paragraphs 7.5 and 7.7 the Licensee must carry out the following ("the General Centralised Registration Service Objective"):
- (a) the timely provision, delivery, management and upkeep of a reliable, efficient, economic and secure Centralised Registration Service that will improve consumers' experience of switching,
 - (b) the management of the Relevant Service Capability of the Centralised Registration Service with:
 - (c) maintenance of a Central Switching Service design baseline and design authority function in accordance with the requirements in the Retail Energy Code,
 - (d) provision of a prompt and constructive approach to support change management that meets the process and service level agreements set out within the Retail Energy Code,
 - (e) the provision of systems and services that can economically and efficiently adapt to meet future market requirements,
 - (f) proactive data stewardship for the Retail Energy Location Address that will lead to a very high level of continually improving accuracy for Registerable Measurement Points that meets or exceeds the standards set out within the Retail Energy Code,
 - (g) appropriate provision for the economic transfer or novation of all Relevant Business Assets in relation to the Centralised Registration Service, including but not limited to, contracts and IPR, to a Successor Licensee or future operator of the Central Switching Service,
 - (h) maintaining Interfaces, agreements and/or arrangements (as applicable) for the secure, efficient and economical exchange of information with the Centralised Registration Service that meet the communication standards as described in the Retail Energy Code, which can be changed from time to time subject to the change procedures set out within the Retail Energy Code. If,- it is determined necessary (in accordance with the Retail Energy Code) for the Licensee to enter into new

arrangements and/or agreements to enable the secure, efficient and economical exchange of information with the Centralised Registration Service then, where appropriate and possible, the Licensee may enter into and maintain a user agreement(s) on standard user terms with a third party network(s) to achieve this purpose. In this event, the conditions of this Licence that relate to Relevant Service Capability and Fundamental Registration Service Capability will not apply to such user agreement(s) or to the services or capabilities provided under them, and

- (i) processing such personal data as is necessary to achieve the General Centralised Registration Service Objective.

Part B: Requirement in respect of Authority direction

7.5 The Licensee must comply with any direction issued to it by the Authority for the purposes of meeting the General Centralised Registration Service Objective in respect of the Licensee's obligations in this condition.

7.6 The direction may:

- (a) provide that any or all of paragraph 7.4 shall cease to have effect in this Licence on such date and for such period as the Authority may specify;
- (b) make consequential variations to the General Centralised Registration Service Objective.

Part C: Interpretation

~~7.67.7~~ For the purposes of this condition:

Address Management Service has the meaning given to it within the REC.

Centralised Registration Service means the services provided by the Licensee to achieve the design designated by the Authority, and set out within the REC, and the Licensee's role as set out with the REC. This includes:

- (a) provision of the Central Switching Service (including the Address Management Service and the Registration Service),
- (b) provision of the Switching Operator service,
- (c) provision, where required, of Interfaces and/or relevant arrangements for the secure, efficient and economical exchange of information between parties and the Centralised Registration Service that meet the communication standards required by the REC, and
- (d) any other functions required of the Licensee pursuant to the REC which supports any further or alternative arrangements as may be identified as being required of the Centralised Registration Service by the Authority for the purposes of the Switching Programme.

Central Switching Service has the meaning given to it within the REC.

Provider with the meaning given to it within the REC.

Interfaces has the meaning given to it within the REC.

General Centralised Registration Service Objective has the meaning given to that term in paragraph ~~7.4~~[Part A: General Centralised Registration Service Objective of the Licensee](#)7.4 of this condition.

Registration Service has the meaning given to it within the REC.

Retail Energy Location Address has the meaning given to it within the REC.

Switching Operator has the meaning given to it within the REC.

Switching Programme means the Authority's programme to implement the Centralised Registration Service, for the purpose of providing fast and reliable switching.

Condition 8. Network Evolution

Introduction

8.1 This condition enables the Secretary of State to direct the Licensee to produce, and implement, plans for the purpose of facilitating the achievement of efficient, economical, co-ordinated and timely Network Evolution Arrangements.

Part A: Production of Plans for the Network Evolution Arrangements

8.2 The Secretary of State may, by direction given to the Licensee, require the Licensee to prepare and submit to the Secretary of State, for approval, a plan for the design, development, and implementation of the systems, processes, and procedures intended to comprise any part or the whole of the Network Evolution Arrangements, as may be specified in any such direction.

8.3 Before submitting the plan, under paragraph 8.2, the Licensee must consult on the plan in draft with the SEC Panel and all SEC Parties.

8.4 When submitting the proposed plan, the Licensee must also submit:

- (a) a fair and accurate summary of the comments received by the Licensee during the consultation, and
- (b) an explanation of how and to what extent the Licensee has taken account of such comments in the proposed plan.

8.5 Upon receipt of the proposed plan, the Secretary of State may:

~~(a) following a consultation with SEC Parties and any other persons whom, in the Secretary of State's opinion, it would be appropriate to consult, approve the plan, or~~

(a) approve the plan, or

(b) issue a direction to the Licensee to modify the proposed plan and resubmit it.

Part B: Powers to direct and approve production of new plans

8.6 This Part applies if the Secretary of State is of the opinion that ~~the~~ plan established by virtue of either Part A: Production of Plans for the Network Evolution Arrangements above, or Condition 13B of the Previous Licence, is no longer suitable for the purpose of facilitating the implementation of the Network Evolution Arrangements.

8.7 If this Part applies, the Secretary of State may, by direction given to the Licensee, require the Licensee to produce a new plan covering the same matters as those for which paragraph 8.2 provides and any additional matters specified in the direction, which will be more suitable for the purposes of facilitating the implementation of the Network Evolution Arrangements.

8.8 A direction given under paragraph 8.7 may include requirements for the new plan to add to, or replace, in whole or in part, ~~the~~ plan already established by virtue of either Part A: Production of Plans for the Network Evolution Arrangements above, or to add to the provisions Condition 13B of any such plan the Previous Licence.

8.9 The provisions of paragraphs 8.3 to 8.5 apply to a new plan submitted in accordance with a direction issued under paragraph 8.7.

Part C: Implementing approved plans

8.10 The Licensee must take all reasonable steps to give effect to a plan approved by the Secretary of State, and such steps:

(a) must include:

- (i) working in conjunction and cooperation with SEC Parties, the SEC Panel and, where applicable, SECCo Ltd and any other relevant persons, with a view to achieving that purpose in accordance with such timescales as are specified, and
- (ii) making changes to existing Relevant Service Capability and/or procuring additional Relevant Service Capability, in each case to such extent as may be required for that purpose, and

(b) may include the establishing of processes and procedures to be followed by SEC Parties, including the Licensee, for the orderly and co-ordinated delivery and implementation of, and transition and/or migration to, the Network Evolution Arrangements and notifying SEC Parties of such processes and procedures.

8.11 The reference to a “a plan approved by the Secretary of State” in paragraph 8.10 includes a plan approved by the Secretary of State under Condition 13B of the Previous Licence.

Part D: Interpretation

~~8.11~~8.12 In this condition, **Network Evolution Arrangements** means arrangements for:

- (a) utilising the newer forms of next-generation wireless mobile telecommunications technology for the secure telecommunication platform used (or to be used) for the purposes of communicating with Smart Metering Systems,
- (b) ensuring, including by way of re-procurement where required, continuity in the provision of data services with respect to Smart Metering Systems,
- (c) delivering further automated testing of system changes required for implementation of changes proposed or made to the Smart Energy Code,
- (d) ensuring, including by way of re-procurement where required, continuity in the provision of the SMKI service, and
- (e) and any other arrangements which the Secretary of State reasonably considers are materially associated with or required to support the arrangements referred to in paragraph ~~8.11~~8.12(a) to 8.12(d).

Condition 9. Arrangements for the provision of services

Introduction

- 9.1 This condition imposes duties on the Licensee to undertake certain steps when a request is made for services, as well as other duties relating to the provision of services.
- 9.2 For Core Communication Services, Enabling Services and Additional User Services, Part A: Agreement for Services requires the Licensee to enter into an Agreement for Services. At that point, the Licensee is obliged to provide those services under Condition 6. ~~Authorised Business.~~
- 9.3 Part B: Powers to direct and approve production of new plans imposes duties on the Licensee to take certain steps where it receives a request to provide an Enrolment Service for a meter that cannot be enrolled.
- 9.4 An agreement for Additional User Services may only be provided where they are Allowable. Part C makes provision for a process to determine whether the services are Allowable.
- 9.5 Part D: Permitted Business confers a discretion on the Licensee to enter into an Agreement for Services in relation to Permitted Business.
- 9.6 Part E: Statement of Availability of Communication Services places a duty on the Licensee to provide information in relation to communication services for cohorts of SMETS1 Smart Metering Systems and 2G/3G Smart Metering Systems.
- 9.7 Part F: CH Replacement Reimbursement Service makes provision for the calculation of payments under the CH Replacement Reimbursement Service.
- ~~9.69.8~~ Where the Licensee is under a duty to enter into an Agreement for Services but is unable to agree terms with the counterparty, Condition 14 makes provision for the determination of disputes by the Authority.
- ~~9.79.9~~ In addition to Part G: Interpretation, Part C: Interpretation of Condition 6 (Authorised Business) provides definitions that are relevant to this condition.

Part A: Agreement for Services

- ~~9.89.10~~ Where the Licensee receives a request for Core Communication Services or Enabling Services from an Eligible Requestor, the Licensee must enter into an Agreement for Services with the requestor on terms prescribed by, or determined in accordance with, the SEC.
- ~~9.99.11~~ Where the Licensee receives confirmation that the requestor wishes to proceed with Allowable Additional User Services (see Part C: Additional User Services – further provision), the Licensee must, within the period of 28 days beginning with the date the confirmation is received, offer to enter into an Agreement for Services with the requestor on such terms as may be agreed.
- ~~9.109.12~~ The Licensee is not required to enter into an Agreement for Services for the provision of Core Communication Services if the Smart Metering System to which the services would relate is not Enrolled.

9.119.13 An offer proposing an Agreement for Services must set out the Service Charges to be paid under or pursuant to the agreement.

9.129.14 The Service Charges referred to in paragraph 9.119.13 must:

- (a) —unless clearly inappropriate, be consistent with the relevant provisions of the Charging Methodology in force at the time of the offer, and
- (b) —be presented so as to be directly referable to the provisions (if applicable) of the Charging Statement in force at the time of the offer.

Part B: Enrolment Service

9.139.15 The Licensee is not required to enter into an Agreement for Services for the provision of the Enrolment Service if the Smart Meter or Advanced Meter is not Enrollable.

9.149.16 Where the Licensee receives an Enrolment Service request for a Smart Meter or Advanced Meter that is not Enrollable, the Licensee must offer to enter into an Agreement for Services for:

- (a) —the provision of advice to the requestor on the requirements for the reconfiguration or modification of that meter to enable it to become Enrollable, and
- (b) —where applicable, the carrying out of any reconfiguration or modification of systems operated by the Licensee that would be necessary to enable it to become Enrollable.

9.159.17 The Agreement for Services referred to in paragraph 9.149.16:

- (a) —must be offered in accordance with any relevant rules and procedures specified in the SEC and on such terms as may be agreed, and
- (b) —may allow the Licensee to charge for the services in accordance with, and to the extent permitted by, the Charging Methodology.

9.169.18 ~~The~~Subject to paragraph 9.19, the duties in this Part B do not apply to a Smart Metering System by means of which a Smart Meter Communication Service is proposed to be provided to any premises, or within any area containing premises, that falls within a category that is for the time being specified in the Statement of Service Exemptions.

9.19 Paragraph 9.18 is without prejudice to the requirement for the Licensee to provide an Enrolment Service for those Smart Metering Systems with which the Licensee is able to communicate via the Virtual WAN Provider Service.

9.179.20 Appendix 1 (Statement of Service Exemptions) has effect as part of this condition.

Part C: Additional User Services – further provision

9.189.21 Additional User Services are Allowable if those services:

- (a) —can be provided without the need to procure a new External Service ~~provider~~Provider Contract,

- (b) —relate to aspects of the Mandatory Business existing at the time of the Additional User Service Request, and
- (c) —do not impair the Licensee’s ability to meet its duties under this [Licensee Licence](#).

[9.199.22](#) Where the Licensee receives an Additional User Services Request then the Licensee must, within the period of 14 days beginning with the date it is received, either:

- (a) —where the services are not Allowable, inform the requestor,
- (b) —where the services are Allowable, provide the requestor with an initial evaluation of the likely cost of providing the services, or
- (c) —where a more detailed evaluation is required to assess whether the service is Allowable, provide the requestor with confirmation of the Evaluation Expenses.

[9.209.23](#) Where the requestor asks the Licensee to carry out a more detailed evaluation the Licensee must, as soon as is reasonably practicable:

- (a) —carry out the detailed evaluation,
- (b) —either:
 - (i) inform the requestor that the services are not Allowable, or
 - (ii) where the services are Allowable, provide the requestor with an initial evaluation of the likely cost of providing the services, and
- (c) recover the Evaluation Expenses from the requestor.

Part D: Permitted Business

[9.219.24](#) Where the Licensee receives a request from any person for the provision of Permitted Business, it may offer to enter into an Agreement for Services with that person on such terms as may be agreed in respect of such provision.

[9.229.25](#) Except where the Authority otherwise consents, the terms offered by the Licensee for entering into an Agreement for Services for Permitted Business must include terms providing for the novation of that agreement that are substantially the same as those contained within the SEC or the REC as applicable in relation to the novation of any Agreement for Services in place by virtue of Part A: Agreement for Services of this condition.

Part E: Interpretation

Part E: Statement of Availability of Communication Services

[9.26](#) The Licensee must, as soon as reasonably practicable, prepare and publish a statement (the “Communication Services Availability Statement”) which:

- (a) identifies cohorts of SMETS1 Smart Metering Systems and cohorts of 2G/3G Smart Metering Systems for which the Licensee is, at the date of the statement, providing communication services (as specified and defined in the SEC), and

(b) identifies, for each such cohort, the end date from which the Licensee will no longer be able to provide communication services for that cohort.

9.27 Where, as at the date of the Communication Services Availability Statement, the Licensee is seeking, under a relevant External Service Provider Contract, to extend the end date applicable to the provision of communication services in respect of a cohort, the end date identified in the Communication Services Availability Statement for that cohort shall be the date which, based on the information set out in the Joint Sunsetting Statement, will be the last date on which UK mobile network operators will offer 2G and 3G mobile networks.

9.28 The Licensee must not publish a Communication Services Availability Statement unless and until the requirements of paragraph 9.29 have first been satisfied.

9.29 The requirements of this paragraph are that the Licensee has:

(a) submitted to the Secretary of State a copy of the Communication Services Availability Statement it proposes to publish, and

(b) obtained confirmation in Writing that the Secretary of State does not object to the publication of that Communication Services Availability Statement.

9.30 The Licensee must ensure that the published Communication Services Availability Statement is, at any given time, accurate and up to date. Where updates are required, the Licensee must publish the updated statement as soon as reasonably practicable after having followed the requirements of paragraph 9.29.

Part F: CH Replacement Reimbursement Service

9.239.31 The payment the Licensee is required to make under the CH Replacement Reimbursement Service is to be determined in accordance with the methodology in Schedule 5, which has effect as a ~~condition~~ of this licence.

Part G: Interpretation

9.32 In this condition:

2G/3G Smart Metering System means a Smart Metering System which includes a Communications Hub which is designed to be capable of using only second generation (2G) and/or third generation (3G) mobile cellular radio technology to connect to the SM WAN (as defined in the SEC).

Additional User Services Request means a request from a SEC party for Additional User Services that complies with any requirements specified in the SEC in relation to such a request.

Allowable has the meaning given in paragraph ~~9.189~~.19.

Communication Services Availability Statement has the meaning given in paragraph 9.26.

Eligible Requestor means:

- (a) in relation to Core Communication Services, Enrolment Service or Communications Hub Services, a SEC Party;
- (b) in relation to Other Enabling Services, any person.

Enrollable, in relation to a Smart Meter or Advanced Meter, means that it complies with the requirements to be Enrolled as set out in the SEC.

Enrolled has the meaning given in the SEC.

Joint Sunsetting Statement means the 'joint statement on the sunsetting of 2G and 3G networks and public ambition for Open RAN rollout as part of the Telecoms Supply Chain Diversification Strategy' published on 8 December 2021 by the Department for Digital, Culture, Media and Sport.

Evaluation Expenses means the cost of carrying out a detailed evaluation of aan Additional User Services Request as specified in, or determined in accordance with, the Charging Methodology.

SMETS1 Smart Metering System means a Smart Metering System which includes or comprises a SMETS1 Meter (as defined in Condition 26).

Virtual WAN Provider Service has the meaning given in the SEC.

Appendix 1: Statement of Service Exemptions

Part A: Preparation and contents of the statement

~~1.1. Within~~Before the period of 12 months beginning with the Licence Commencement Date, the Licensee must submit a draft Statement of Service Exemptions to the Secretary of State.

1.1 Within the period of 3 months beginning with the date a draft is first approved under this condition, the Statement of Service Exemptions is submitted, the Secretary of State, following consultation with the Authority, External Service Providers, SEC Parties, and the Licensee, that was in force under Condition 17 of the Previous Licence on the First Transfer Date will either:apply for the purposes of Condition 9.

~~(a) approve~~Subject to paragraph 1.5, the Statement of Service Exemptions, ~~or~~
direct the Licensee to modify the Statement of Service Exemptions and resubmit it to the Secretary of State.

1.2 ~~The~~ Statement of Service Exemptions must specify:

- (a) any types or configurations of premises in Great Britain to which a Smart Meter Communication Service need not for the time being be provided due to Premises Constraints (“Service Exemption Category 1”), and
- (b) any geographical areas in Great Britain within which a Smart Meter Communication Service need not for the time being be provided due to Area Constraints (“Service Exemption Category 2”).

1.3 Premises Constraints means the provision of a Smart Meter Communication Service would be technically impracticable or, though technically practicable, could only be achieved at disproportionate cost, because of either:

- ~~(e)~~(a) the physical or other characteristics of the specified premises, or
- ~~(d)~~(b) any other relevant consideration with respect to the premises.

1.4 Area Constraints means the provision of a Smart Meter Communication Service would be technically impracticable or, though technically practicable, could only be achieved at disproportionate cost, because of either:

- (a) the insularity or the remoteness of the specified area, or
- (b) any other relevant consideration with respect to the area.

1.5 As an alternative to the requirements of paragraph 1.1(a), the Statement of Service Exemptions may set out the number or proportion of premises within any geographic region in relation to which the DCC only provides a Smart Meter Communication Service as a consequence of Premises Constraints and/or Area Constraints.

~~1.5~~1.6 The Statement of Service Exemptions must also set out such steps as the Licensee has committed to take with a view to securing the eventual provision, by such means as may be technically practicable and at a cost that is not disproportionate, of a Smart Meter Communication Service to premises, or within areas, falling within a Service Exemption Category under paragraph ~~A3~~1.2.

~~1.6~~1.7 The Licensee must take the steps that it is committed to take in accordance with such estimates as are provided in the Statement of Service Exemptions of the timeframe over which those steps are expected to be taken and completed.

Part B: Licensee's duties with respect to the statement

~~1.7~~1.8 The Licensee must:

- (a) review the Statement of Service Exemptions at least once in each full Regulatory Year ~~following the Secretary of State's approval of it under paragraph A2~~, and
- (b) ~~propose to the Authority~~make such revisions (if any) of the statement as ~~the Licensee thinks are~~ appropriate or necessary for it to meet the requirements of Part A.

1.9 Before making any material changes to the statement under paragraph 1.8(b), the Licensee must consult with the Authority.

1.10 Where, in accordance with Condition 6 and the SEC, the Licensee has commenced to make available in a geographic area more than one External Electronic Communications Network, each using a different Communications Technology, it shall ensure that it makes revisions to the Statement of Service Exemptions in accordance with paragraph 1.8 which:

- (a) identify the different External Electronic Communications Networks available in that area, and
- (b) in relation to any premises identified for the purposes of paragraph 1.2(a), or any geographic area identified for the purposes of paragraph 1.2(b), specify whether the exemption, or Smart Meter Communication Service provision set out in accordance with paragraph 1.5, applies in respect of only one of the available External Electronic Communications Networks or to each of them.

~~1.8~~1.11 The Authority may at any time, after consulting the Licensee and such other persons as it considers should be consulted in relation to the matter, direct the Licensee to revise the Statement of Service Exemptions.

~~1.9~~1.12 The Licensee must:

- (a) give a copy of the Statement of Service Exemptions (or of any amended such statement following a revision under paragraph ~~A9~~1.8) to any person who asks for a copy, and
- (b) publish and maintain the Statement of Service Exemptions (or any amended such statement following a revision under paragraph ~~A9~~1.8) on its Website.

Part C: Assessment of provision at disproportionate cost

~~1.10~~1.13 Whether the provision of a Smart Meter Communication Service can be achieved at a proportionate cost is to be decided by the Secretary of State or the Authority (as the case may be) in such manner and by reference to such factors as they consider appropriate, having particular regard to the national policy objective to secure the widespread installation and operation of Smart Meters at premises in Great Britain at a reasonable overall cost to Energy Consumers.

Part D: Interpretation

~~1.11.1.14~~ For the purposes of this Appendix, Smart Meter Communication Service has the meaning that is given to that term at paragraph ~~16~~ [6 of Part 1](#) (Terms in Respect of Grant) of this Licence, but with references in that paragraph to Domestic Energy Suppliers and Domestic Premises being read as references to Energy Suppliers and premises generally.

Condition 10. Procurement of Relevant Service Capability

Introduction

- 10.1 This condition sets out requirements (Part A: Requirements that are imposed on procurement activities below) and principles (Part B: Principles that are applicable to procurement activities below) that are to apply to the Licensee's procurement of Relevant Service Capability.
- 10.2 Relevant Service Capability is capability that is used (or is to be used) for the purposes of securing the provision of Mandatory Business Services under or pursuant to the Smart Energy Code or Retail Energy Code (and includes Fundamental Service Capability and Fundamental Registration Service Capability).
- 10.3 This condition also requires the Licensee to:
- (a) take account of any guidance issued by the Secretary of State under Part C: Public Interest Statement relating to procurement activities below in the form of a Public Interest Statement, and
 - (b) have in place a Procurement Strategy that takes account of the principles established by this condition and of any guidance issued pursuant to it.

Part A: Requirements that are imposed on procurement activities

- 10.4 The Licensee must (subject to paragraph 10.6) procure Relevant Service Capability from External Service Providers on a competitive basis and under arrangements to be known as External Service Provider Contracts that are compliant with the principles established by Part B: Principles that are applicable to procurement activities below ("the Part B Principles").
- 10.5 The duty imposed by paragraph ~~15.5~~10.4 applies without exception to the procurement by the Licensee of such Relevant Service Capability as is specified as:
- (a) Fundamental Service Capability in Schedule 1 (which has effect as part of this condition) to this Licence, or
 - (b) Fundamental Registration Service Capability.
- 10.6 Relevant Service Capability that is not so specified may be provided by the Licensee from its own resources, or be procured from an Affiliate or Related Undertaking, or from elsewhere, if the Licensee, having had regard to the Part B: Principles that are applicable to procurement activities (excluding ~~Principle~~principle 2), is satisfied that the procurement of such capability by that means would be:
- (a) ~~would be~~ the most economical and efficient option, or
 - (b) ~~would be~~ immaterial in terms of its value or use of resources within the overall context of the Mandatory Business of the Licensee.
- 10.7 Subject to paragraph ~~15.10~~10.9, the Licensee must not:
- (a) enter into arrangements with an External Service Provider for the provision of any new or additional Relevant Service Capability, or

(b) require or agree to any change to existing Relevant Service Capability provided by an External Service Provider,

unless and until the requirements of paragraph ~~15.9~~10.8 have first been satisfied in respect of:

~~the:~~

(c) Relevant Service Capability referred to in paragraph ~~10.7(a)~~10.7(a), or

(d) ~~the~~ change to the Relevant Service Capability referred to in paragraph ~~10.7(b)~~,10.7(b),

(each of which, in this Part, is the “~~proposed~~Proposed Relevant Service Capability”)

10.8 The requirements of this paragraph ~~10.8~~10.8 are that the Licensee has:

(a) submitted to the Secretary of State (or from such date as may be specified in a direction issued by the Secretary of State under paragraph ~~10.10~~10.10, to the Authority) a description of the nature and scope of, and reasons and need for, the ~~proposed~~Proposed Relevant Service Capability;

(b) provided such additional details or information relating to the ~~proposed~~Proposed Relevant Service Capability as may be requested by the Secretary of State (or from such date as may be specified in a direction issued by the Secretary of State under paragraph ~~10.10~~10.10, ~~to~~by the Authority) having received the Licensee's description of the ~~proposed~~Proposed Relevant Service Capability, and

(c) obtained confirmation in Writing that the Secretary of State (or from such date as may be specified in a direction issued by the Secretary of State under paragraph 10.10, ~~to~~by the Authority) does not object to the ~~proposed~~Proposed Relevant Service Capability.

10.9 Paragraph ~~10.7~~10.7 does not apply:

(a) in respect of any ~~proposed~~Proposed Relevant Service Capability which is of a type described or specified in a direction issued by the Secretary of State (or from such date as may be specified in a direction issued by the Secretary of State under paragraph ~~10.10~~10.10, ~~to~~by the Authority) to the Licensee under this paragraph ~~10.9(a)~~,10.9(a) or Condition 16.6C(a) of the Previous Licence, or

(b) if the Secretary of State (or from such date as may be specified in a direction issued by the Secretary of State under paragraph ~~10.10~~, ~~to~~10.10, the Authority) has issued a direction to the Licensee under this paragraph ~~10.9(b)~~,10.9(b) or Condition 16.6C(b) of the Previous Licence, from such date as is specified in the direction as the date on which the requirements of paragraph ~~10.7~~10.7 (or Condition 16.6A of the Previous Licence) shall cease to have effect.

10.10 The Secretary of State may, in a direction issued to the Licensee under this paragraph, specify that the provisions of paragraphs ~~10.8 and 10.9~~10.8 and 10.9 that refer to the Secretary of State shall, from such date as is specified in the direction, refer to the Authority.

10.11 Where the Secretary of State issues a direction under paragraph ~~10.10~~10.10, any direction issued by the Secretary of State pursuant to paragraph ~~10.9~~10.9 prior to the date specified in the direction issued under paragraph ~~10.10~~10.10 shall not cease to have effect (other than in accordance with the terms of that direction) unless and until it is amended, replaced or revoked by a direction issued by the Authority.

Part B: Principles that are applicable to procurement activities

10.12 This Part B establishes principles:

- (a) that are to apply to the Licensee’s procurement of Relevant Service Capability, and
- (b) taking account, except in respect of the Fundamental Registration Service Capability, of any guidance contained in a Public Interest Statement issued under Part D: Duty to prepare a Procurement Strategy below.

10.13 Principle 1 is that Relevant Service Capability must be procured with due regard for the Licensee’s ability (and the ability of any Successor Licensee) at all times to fully exercise the functions it has under or by virtue of the Principal Energy Legislation, this Licence, the Retail Energy Code and the Smart Energy Code (“the Relevant Functions”).

10.14 Principle 2 is that Relevant Service Capability must be procured competitively wherever practicable and proportionate, and with due regard ~~for (i) to:~~

- (a) the principles of equality and non-discrimination between economic operators, and ~~(ii)~~
- ~~(a)~~(b) the employment of transparent and objective procurement processes.

~~10.14~~10.15 Principle 3 is that Relevant Service Capability must be procured from suitable and appropriate organisations, having due regard to the:

- (a) ~~the~~ good standing, conduct, and financial capacity of such organisations, and
- (b) ~~the~~ capability and capacity of such organisations to deliver the Relevant Service Capability.

~~10.15~~10.16 Principle 4 is that Relevant Service Capability must be procured in a manner that:

- (a) secures value for money in terms of the combination of quality and cost over the lifetime of the contract,
- (b) delivers the required goods, services, or works to the appropriate standards according to the needs of service users,
- (c) takes account of the potential need to replace from time to time the persons engaged in providing the capability, and
- (d) incorporates (at a cost that is not disproportionate to any expected benefit) sufficient flexibility to adapt to changing service user requirements over the duration of the contract.

~~10.16~~10.17 Principle 5 is that Relevant Service Capability must be procured under contractual arrangements that make provision for the full and enduring protection of business continuity, including:

- (a) appropriate provision to secure the Licensee's ability to exercise all of the Relevant Functions in the event of any material financial default of an External Service Provider,
- (b) appropriate provision to secure the Licensee's ability to exercise all of the Relevant Functions in the event of any operational failure of an External Service Provider, and
- (c) appropriate provision to secure the transfer or novation of the contract in the circumstances of a handover of the business of the Licensee to a Successor Licensee following the expiry or any revocation of this Licence or where applicable, pursuant to direction by the Authority under ~~Condition paragraph 7.5~~Condition paragraph 7.57.5 (as to which, see ~~Condition paragraph 37.13(a)~~Condition paragraph 37.13(a)37.17(a) (Arrangements for the handover of business) for further relevant provision).

~~10.17~~10.18 Principle 6 is that the procurement of Relevant Service Capability must not also include or incorporate the procurement of additional, contingent, excess or surplus capability or capacity for the purposes of, or with the intention of, the utilisation of such capability or capacity by the Licensee for the provision of Permitted Business Services.

~~10.18~~10.19 Principle 7 is that Relevant Service Capability must be procured from suitable and appropriate organisations, having due regard to the approach of such organisations to environmental matters.

~~10.19~~10.20 Principle 8 is that the procurement of Relevant Service Capability must be procured in a manner that takes account of the potential impact on Energy Consumers.

Part C: Public Interest Statement relating to procurement activities

~~10.20~~10.21 In applying the provisions of Part A: Requirements that are imposed on procurement activities and Part B: Principles that are applicable to procurement activities above to its procurement activities with respect to Fundamental Service Capability, the Licensee must take account of the Business Strategy and Technology Roadmap in place under Part C: Business Strategy and Technology Roadmap of Condition 5 and any guidance contained within a Public Interest Statement issued by the Secretary of State in accordance with this Part C.

~~10.21~~10.22 Before issuing a Public Interest Statement, the Secretary of State must consult the Authority and the Licensee about the contents of the statement.

~~10.22~~10.23 The purpose of a Public Interest Statement under this Part C is to provide guidance to the Licensee with respect to the public interest considerations that may need to be reflected in the scope and functionality of Fundamental Service Capability procured by the Licensee pursuant to the provisions of Parts A and B above.

~~10.23~~10.24 Such guidance may, in particular, indicate how and to what extent the procurement of Fundamental Service Capability might be expected to contribute towards the achievement of any one or more of such energy policy outcomes as are set

out in any strategy and policy statement designated by the Secretary of State for the purposes of Part 5 of the Energy Act 2013.

~~10.24~~10.25 A Public Interest Statement issued in accordance with this Part C may be revised at any time by the Secretary of State following consultation with the Authority and the Licensee.

~~10.25~~10.26 The Licensee must publish and maintain a Public Interest Statement (including any amended statement following a revision under paragraph 10.25) on its Website.

Part D: Duty to prepare a Procurement Strategy

~~10.26~~10.27 The Licensee must submit a draft Procurement Strategy to the Authority before:

- (a) the end of the period of 12 months beginning with the ~~day on which this Licence is granted~~ Commencement Date, or
- (b) another date specified by the Authority in Writing to the Licensee.

~~10.27~~10.28 Before it is submitted to the Authority, the Licensee must ~~consult~~ Consult on the draft Procurement Strategy with the Secretary of State, SEC Parties, REC Parties and any other persons whom, in its opinion, it would be appropriate to ~~consult~~ Consult (but see Part G: Undertakings required in respect of confidentiality).

~~10.28~~10.29 The draft Procurement Strategy must contain a description of:

- (a) the Relevant Service Capabilities necessary to enable the Licensee to exercise its Relevant Functions,
- (b) which of those capabilities are to be procured from External Service Providers by means of a competitive process (see paragraph ~~10.6~~, 10.6),
- (c) how and to what extent the required Relevant Service Capabilities reflect the:
 - (i) guidance contained in any Public Interest Statement issued under Part C;
 - ~~(i)~~(ii) BSTR,
- ~~(e)~~(d) how the required Relevant Service Capabilities are to be assembled into discrete contracts, and
- ~~(d)~~(e) the procurement activities necessary to secure those contracts.

Part E: Review of the ~~procurement strategy~~ Procurement Strategy

~~10.29~~10.30 Before the end of the period of 12 months beginning with the day on which the Procurement Strategy is approved (see paragraph 10.32), the Licensee must:

- (a) review it and, if necessary, prepare a revised copy, and
- (b) if any modifications are made, submit a revised copy to the Authority.

~~10.30~~10.31 If any significant modifications are made following the review, the Licensee must ~~consult~~ Consult on the revised copy with SEC Parties and REC Parties before submitting a revised copy to the Authority (but see Part G).

Part F: Approval and effect of the Procurement Strategy

~~10.31~~10.32 Following the submission of the draft or revised Procurement Strategy to the Authority, the Authority will either:

- (a) approve the draft or revised Procurement Strategy by Notice given to the Licensee, or
- (b) direct the Licensee to modify the draft or revised Procurement Strategy and resubmit it to the Authority.

~~10.32~~10.33 Where the Authority approves a revised Procurement Strategy, the approval of any earlier Procurement Strategy is withdrawn.

~~10.33~~10.34 Once the Procurement Strategy is approved, the Licensee must:

- (a) publish a copy of it on its ~~website~~Website, and
- (b) act in accordance with it until any revised copy is approved.

~~10.34~~10.35 Before the Procurement Strategy is approved under this condition, the Licensee must act in accordance with the latest procurement strategy prepared by the Previous Licensee and approved by the Authority under Condition 16 of the Previous Licence.

Part G: Undertakings required in respect of confidentiality

~~10.35~~10.36 Where the Licensee is ~~consulting~~Consulting with a SEC Party or REC Party on a draft or revised Procurement Strategy, the Licensee may require that person to enter into an undertaking to maintain the confidentiality (in whole or in part) of the document for the purpose of protecting the legitimate commercial interests of any other person.

Part H: Retention and publication of procurement records

~~10.36~~10.37 The Licensee must maintain, for the full duration of the Licence Term, records and particulars of:

- (a) all Relevant Service Capability offered to it, and
- (b) all contractual arrangements that it has entered.

10.38 The Licensee must publish and maintain on its Website every-:

- ~~(a)~~ Legacy Procurement Contract, and every other
- ~~(b)~~ External Service Provider Contract ~~to which it is that:~~
 - ~~(i)~~ has a ~~party~~ value exceeding £150,000, or
 - ~~(ii)~~ in the case of any framework or master agreement, contains subsidiary or call-off contracts with an aggregate value exceeding £150,000.

~~10.37~~10.39 The duty in paragraph 10.38 is subject to the Licensee's duties under the terms of that contract as may apply with respect to the maintenance of commercial confidentiality.

~~10.38~~10.40 But the restriction imposed by paragraph 10.39 does not apply with respect to any matter withheld from publication by the Licensee by virtue of that restriction that

nevertheless enters into the public domain by any means other than as a consequence of unauthorised publication by the Licensee, or by any Affiliate or Related Undertaking of the Licensee (or by any person to whom that matter has been lawfully disclosed by the Licensee or by any Affiliate or Related Undertaking of the Licensee).

Part I: Intercompany Agreements

~~10.39~~10.41 The provisions of this condition apply to any agreement between the Licensee and a Related Undertaking without exception.

Part J: Employment arrangements

~~10.40~~10.42 At any time, the Licensee must ~~directly employ~~have a direct contract of employment with:

- (a) more than half of the Licensee Workforce, and
- (b) all Senior Managers.

~~10.41~~10.43 Where the Authority considers that the arrangements relating to the Licensee Workforce may harm the Licensee's independence from any single interest then it may, by direction given to the Licensee, require the Licensee to directly employ a specified class of the Licensee Workforce.

10.44 In this Part, Licensee Workforce means all persons who comprise the organised grouping of employees, workers and Contractors that has as its principal purpose the carrying out of the Authorised Business but excluding Fundamental Service Capability.

10.45 For the purposes of the definition of Licensee Workforce, the Authority may, by direction given to the Licensee, exclude other Relevant Service Capability.

Part K: Interpretation

~~10.42~~10.46 References to "capability" in this condition do not include capability required for the purpose of facilitating any incidental administrative, co-ordination, or contract management services associated with or ancillary to the provision of any Mandatory Business Services or Permitted Business Services.

10.47 A reference to confirmation in Writing that the Secretary of State does not object to the Proposed Relevant Service Capability in paragraph 10.8(c) includes confirmation obtained by the Previous Licensee under Condition 16.6B(c) of the Previous Licence.

~~10.43~~10.48 For the purposes of this condition:

~~**Employee** means any individual who works for another person whether under a contract of service or apprenticeship or otherwise but does not include anyone who provides services under a contract for services.~~

Contractor means a contractor who is a natural person.

Energy Supplier Contract means a contractual arrangement (in whatever form and however described) that an Energy Supplier has entered into, whether before or after Licence Commencement Date, with any person other than the Licensee for the purpose of procuring and providing communication or data services with respect to Smart Metering Systems.

Fundamental Service Capability:

- (a) means Relevant Service Capability that is provided under Legacy Procurement Contracts (as they are defined and from time to time identified and described in Schedule 1 (Details of Fundamental Service Capability) to this Licence), including the provision of all such capability (including goods and products) as is necessary to enable the Licensee to provide, or arrange for the provision of, the Communications Hub Services, and
- (b) is deemed to have been procured by the Licensee under this Condition ~~16~~10, and not by any other person acting by or under any other means, despite anything to the contrary in Schedule 1 to this Licence.

~~Licensee Workforce means the organised grouping of employees that has as its principal purpose the carrying out of the Authorised Business.~~

Part B Principles has the meaning given to that term in paragraph 10.4, and refers to the principles listed in Part B: Principles that are applicable to procurement activities of this condition.

Procurement Strategy means the document of that name that has effect in accordance with paragraph 10.34.

Public Interest Statement has the meaning given to that term in paragraph 10.23.

Relevant Functions has the meaning that is given to that term in paragraph 10.13.

Senior Manager has the meaning given to that term in Condition 20.

Condition 11. Roles in relation to Core Industry Documents

Introduction

- 11.1 This condition regulates the Licensee's relationship with industry codes ~~and other documents~~. Part A: Compliance duties relating to the industry codes ~~places~~ and Part B: Compliance duties relating to other industry documents ~~place~~ duties on the Licensee in relation to certain codes and ~~places~~ industry documents, and ~~place~~ a general prohibition on becoming a party to other codes.
- 11.2 Part C: General duty in relation to the Smart Energy Code and Part D: General Objectives and Principal Content of the Smart Energy Code place a general duty on the Authority and Licensee in relation to the SEC and defines the general objectives and content of that code.
- 11.3 Part E: Consequential changes in Core Industry Documents places a duty on the Licensee in relation to certain consequential changes required following a modification to a code and Part G: Duty to cooperate requires the Licensee to comply with a Significant Code Review.

Part A: Compliance duties relating to the Industry Codes

- 11.4 The Licensee must be a party to and comply with the:
- (a) Smart Energy Code, and
 - (b) Retail Energy Code.
- 11.5 The Fuel Security Code has effect as a condition of this Licence and the Licensee must comply with the relevant provisions.
- 11.6 The Licensee must comply with the obligations expressed to apply to it (either specifically or generically as a category of participant) under the section titled 'Market-wide Half Hourly Settlement Implementation' of the Balancing and Settlement Code (the "MHHS Requirements").
- 11.7 Other than the SEC and REC, the Licensee must not become a party to any Core Industry Document without the consent of the Authority.

Part B: Compliance duties relating to other industry documents

- 11.8 The Authority will issue guidance in relation to a framework that supports transparency, interoperability, and strategic use of data across the energy sector ("Data Best Practice Guidance").
- 11.9 The Licensee must use its best endeavours to act in accordance with the Data Best Practice Guidance when working with or making decisions about the use of Energy System Data.
- 11.10 The Licensee must publish a Digitalisation Strategy and Digitalisation Action Plan at intervals specified in a guidance issued by the Authority ("DSAP Guidance"). The Licensee must:

- (a) publish its Digitalisation Strategy and Action Plan and updates to the Digitalisation Strategy and Action Plan on the Licensee’s Website where they are readily accessible to the public;
- (b) maintain an archive of all published versions of its Digitalisation Strategy and Action Plan on the Licensee’s Website where they are readily accessible to the public; and
- (c) notify the Authority of any updates to its Digitalisation Strategy and Action Plan.

Part C: General duty in relation to the Smart Energy Code

11.811.11 The Licensee and Authority must, in carrying out their functions under this Licence, have regard to the need for the Smart Energy Code to:

- (a) achieve the General SEC Objectives, and
- (b) include or make appropriate provision for, or in connection with, the Principal SEC Content.

11.911.12 The Smart Energy Code may be modified subject to the constraint imposed by SEC Modification Arrangements (see paragraph Schedule 1.2.34 of Schedule 22.33 of Schedule 2 to this Licence).

Part CD: General Objectives and Principal Content of the Smart Energy Code

11.1011.13 The General SEC Objectives are that the Smart Energy Code:

- (a) facilitates:
 - (i) the efficient provision, installation, and operation, as well as interoperability, of Smart Metering Systems at Energy Consumers’ premises within Great Britain,
 - (ii) Energy Consumers’ management of their use of Energy through the provision to them of appropriate information by means of Smart Metering Systems,
 - (iii) effective competition between persons engaged in, or in Commercial Activities connected with, the Supply of Energy under the Principal Energy Legislation,
 - (iv) such innovation in the design and operation of Energy Networks as will best contribute to the delivery of a secure and sustainable Supply of Energy under the Principal Energy Legislation,
 - (v) the efficient and transparent administration and implementation of the SEC, and
 - (vi) the establishment and operation of the Alt HAN Arrangements,
- (b) enables the Licensee to always comply with the General Duties of the Licensee, and to efficiently discharge the other obligations imposed upon it by this Licence, and
- (c) ensures the protection of data and the security of data and systems in the operation of the SEC.

11.1111.14 Schedule 2 to this Licence defines the Principal SEC Content.

Part ~~C~~E: Relief from obligations under the Smart Energy Code

~~11.12~~11.15 The Authority may (after consulting with the Licensee and, where appropriate, any other person likely to be materially affected) give a direction (~~“a derogation”~~) to the Licensee that relieves it of any one or more of its obligations under the Smart Energy Code to such extent, for such period of time, and subject to such conditions as may be specified in the direction.

Part ~~D~~F: Consequential changes in Core Industry Documents

~~11.13~~11.16 If any Consequential Change is required in a Core Industry Document to which the Licensee is a party, the Licensee must take all reasonable steps to secure, and not take any unreasonable steps to prevent or delay, the making or implementation of that consequential change.

~~11.14~~11.17 Paragraph 11.16 is without prejudice to:

- (a) any rights of appeal that the Licensee may have in relation to decisions made by the Authority under a Core Industry Document, and
- (b) any rights of approval, veto, or direction that the Authority or the Secretary of State may have in relation to changes to a Core Industry Document.

Part ~~E~~G: Duty to cooperate

~~11.15~~11.18 The Licensee must cooperate with the Authority to undertake any planning, project assurance, and coordination or systems integration arising from a Significant Code Review.

~~11.16~~11.19 Cooperation for the purposes of paragraph 11.18 may include:

- (a) the preparation and sharing of data, information and constructive participation in industry engagement in relation to changes to IT systems, new central systems or industry standard operational processes,
- (b) the provision of test scripts and results of testing requested by a person appointed to ensure the success of any testing,
- (c) identifying of any dependencies that the Licensee may have on third-parties and securing support from them, and
- (d) escalating and resolving disputes that jeopardise the duty in paragraph 11.18.

Part ~~F~~H: Designation of a Core Industry Document

~~11.17~~11.20 The Authority may, by Notice given to the Licensee, designate a document as a Core Industry Document for the purposes of this condition.

Part I: Interpretation

11.21 In this condition:

~~Part G: Interpretation~~

~~11.18~~1.1~~In this condition:~~

Consequential Change means a modification to a Core Industry Document made solely to give full and timely effect to a modification made to that or any other Core Industry Document.

Core Industry Document means a document designated by the Authority in accordance with paragraph 11.20.

Data Best Practice Guidance has the meaning given in paragraph 11.8.

Digitalisation Strategy has the meaning given to that term in the DSAP Guidance.

Digitalisation Action Plan has the meaning given to that term in the DSAP Guidance.

DSAP Guidance is a guidance document published by the Authority for the purposes of paragraph 11.10.

Energy Networks means any or all of a pipe-line system within the meaning of section 7 of the 1986 Act, a distribution system as defined in section 4(4) of the 1989 Act, and a transmission system as defined in section 4(4) of the 1989 Act.⁴

Energy System Data has the meaning given to that term in the Data Best Practice Guidance

General SEC Objectives has the meaning given in paragraph 11.13.

SEC Modification Arrangements means the means the arrangements described in paragraph ~~Schedule 1.2.34~~ of Schedule 2 to this Licence.

Significant Code Review means a review of a Core Industry Document where the Authority has issued a Notice to the Licensee stating that the review will constitute a Significant Code Review.

**CHAPTER 3: GENERAL
ARRANGEMENTS FOR SERVICES AND
THE LICENSEE'S BUSINESS**

Conditions 12 to 14

Condition 12. General controls for the Authorised Business

Introduction

12.1 This condition requires the Licensee to establish and maintain effective arrangements for corporate governance, internal control, and risk management so that the environment in which the Authorised Business is carried on is and will remain fit for purpose.

Part A: Requirement for corporate governance arrangements

12.2 This Part A applies to the Licensee as if it were a quoted company within the meaning of section 385 of the Companies Act 2006, whether or not it is such a company.

12.3 The Licensee must, unless and to the extent that the Authority otherwise consents, comply with the main principles of the UK Corporate Governance Code 2024 (“the Code”) that has effect pursuant to the listing rules of the Financial Conduct Authority.

12.4 ~~The Licensee must, by not later than~~ On or before the 31 July in ~~following~~ each Regulatory Year ~~beginning on and after 1 April 2027,~~ the Licensee must provide to the Authority a Corporate Governance Statement that sets out how the Licensee has complied ~~during the previous Regulatory Year~~ with the main principles of the Code during the previous Regulatory Year.

12.5 The Licensee must incorporate the Corporate Governance Statement into:

- (a) its annual statutory report and accounts, and
- (b) its Regulatory Accounts prepared and submitted to the Authority under Condition 34 (Requirements for Regulatory Accounts).

Part B: Requirement for internal control arrangements

~~12.6 Within~~ The Licensee must submit a draft Internal Control Document to the Authority before the end of the period of three months beginning with the ~~Licensee Award~~ First Transfer Date;

~~12.7 If the Licensee must have in place and proposes to make any significant modifications to the~~ Internal Control Document that sets, the Licensee must submit a revised copy to the Authority.

~~12.6—The Internal Control Document must set out~~ the Licensee’s systems and procedures for the internal control of the activities comprising the Authorised Business of the Licensee (“Authorised Business Activities”);

~~12.7—The first Internal Control Document must be approved by the Secretary of State and the Licensee must not materially revise it without the Authority’s prior approval.~~

12.8 ~~The contents of the Internal Control Document must~~) and demonstrate that the Licensee has in place and maintains:

- (a) an appropriate organisational structure within which the Authorised Business Activities are planned, executed, controlled, and monitored effectively to achieve the General Duties of the Licensee,

- (b) transparent and reliable audit trails for all processes, procedures, and internal financial controls relating to the Licensee’s management and operation of the Authorised Business Activities,
 - (c) a monitoring process that provides control procedures for all the Authorised Business Activities and ensures that those procedures are followed, and
 - (d) a formal procedure for identifying the lack in any particular respect of an effective system of internal control and for ensuring remedial action.
- 12.9 The Licensee must appoint its statutory auditors on terms which require the auditors to report to the Licensee within the period of four months beginning with the end of each Regulatory Year on whether they have identified any material matters to indicate that the Licensee has not:
- (a) kept a proper set of books and records, or
 - (b) operated an adequate system of internal financial control.
- 12.10 The Licensee must, on receiving a report under paragraph ~~12.9~~12.9, promptly provide a copy to the Authority.

Part C: Requirement for risk management arrangements

~~12.11~~ 12.11 ~~Within~~The Licensee must submit a draft Risk Management Strategy to the Authority before the end of the period of three months beginning with the ~~Licensee Award~~First Transfer Date;

~~12.12~~ 12.12 If the Licensee ~~must establish and maintain~~proposes to make any significant modifications to the Risk Management Strategy ~~that sets,~~ the Licensee must submit a revised copy to the Authority.

~~12.11~~12.13 12.13 The Risk Management Strategy must set out a robust framework for the identification, evaluation, and management of risk with respect to the carrying on of the Authorised Business Activities of the Licensee (“Authorised Business Risk”).

~~12.12~~ 12.12 ~~The first Risk Management Strategy must be approved by the Secretary of State and the Licensee must not materially revise it without the Authority’s prior approval.~~

~~12.13~~12.14 12.14 The Risk Management Strategy must, in particular:

- (a) explain the Licensee’s attitude to, capacity for, and tolerance of Authorised Business Risk,
- (b) enable Authorised Business Risk to be identified across all of the Authorised Business Activities along with an assessment of the materiality in each case,
- (c) require the maintenance of a permanent register of Authorised Business Risk,
- (d) require the maintenance of a plan for the purpose of recovering or continuing Authorised Business Activities after any natural or human-induced disaster,
- (e) contain evaluation criteria in respect of Authorised Business Risk that are to be reviewed annually, and

(f) provide for the allocation of resources in respect of Authorised Business Risk.

Part D: Document approval procedures and publication

12.15 Following the submission of a draft or revised LC12 Document to the Authority, the Authority will either:

- (a) approve the draft or revised LC12 Document by Notice given to the Licensee, or
- (b) direct the Licensee to modify the draft or revised LC12 Document and resubmit it to the Authority.

12.16 Before an LC12 Document is approved under this condition, the Licensee must act in accordance with the latest equivalent document prepared by the Previous Licensee and approved by the Authority under Condition 7 of the Previous Licence.

12.17 Once an LC12 Document is approved, the Licensee must act in accordance with it until any revised copy is approved.

12.18 Where the Authority approves a revised LC12 Document, the approval of any earlier LC12 Document is withdrawn.

12.19 Before approving the Licensee's Internal Control Document or its Risk Management Strategy (or any revision of either), the Secretary of State LC12 Document, the Authority must consult the Authority, SEC Parties, and such other persons as the Secretary of State it considers it appropriate to consult, allowing them a period of at least 28 days within to respond.

~~12.14—Before the end of the period of 7 days beginning with the date on which to comment to him in Writing about the matter.~~

~~12.15—The Secretary of State must have due regard to any comments duly received under paragraph 12.14 and must give reasons for decisions made in relation to them.~~

~~12.16—The LC12 Document is approved, the Licensee must:~~

- ~~(a)—give the Authority a copy of the Internal Control Document, of the Risk Management Strategy, and of each revision of either,~~
- ~~(b)—give a copy of the document or strategy, or most recent revision of either, to any person who asks for a copy, and~~

~~12.17~~12.20 publish both the document and the strategy the LC12 Document on its Website.

12.21 Where the Licensee makes a non-significant modification to an LC12 Document, before the end of the period of 7 days beginning with the date on which the modification is made the Licensee must:

- (a) submit the modified LC12 Document to the Authority, and
- (b) publish the modified LC12 Document on its Website.

Part E: Interpretation

~~12.18~~12.22 For the purposes of this condition:

Authorised Business Activities has the meaning given to that term in paragraph 12.6.

Authorised Business Risk has the meaning given to that term in paragraph ~~12.11~~12.13.

Code has the meaning that is given to that term in paragraph ~~12.2~~12.3.

Corporate Governance Statement has the meaning given to that term in paragraph 12.4.

Financial Conduct Authority means the body of that name that was created as one of the successors to the Financial Services Authority by the Financial Services Act 2012.

Internal Control Document ~~has the meaning given to that term in paragraph 12.6.~~

Licence Award Date means the ~~date on which~~document of that name approved by the Authority granted in accordance with this Licence condition.

LC12 Document means the Internal Control Document or Risk Management Strategy ~~has.~~

Risk Management Strategy means the meaning given to document of that term name approved by the Authority in paragraph 12.11 accordance with this condition.

Condition 13. Security controls

Introduction

- 13.1 This condition requires the Licensee to install, operate, and maintain adequate and proportionate security controls that are designed to protect the availability, confidentiality and integrity of the physical, organisational, and information assets of the Authorised Business.
- 13.2 The requirements of this condition are without prejudice to the obligations imposed on the Licensee by:
- (a) Condition 12 (General controls for the Authorised Business) in respect of corporate governance, internal control, and risk management^{5, 2}
 - (b) Condition 17 (Protection of Confidential Information) in respect of the duty to prevent unauthorised disclosure of Confidential Information^{5, 2} and
 - (c) such requirements or other provisions of the SEC or REC as may apply in respect of security controls relating to the conduct of the Authorised Business.

Part A: Requirements for Licensee's control of physical security

- 13.3 The Licensee must at all times have in place a system of controls that is designed to ensure the security of all equipment, networks, processes, procedures, and data (whether physical, digital or virtual) used in or for the purposes of carrying on the Authorised Business so as to minimise opportunities for theft, fraud, or other unauthorised interference or misuse that whether directly or indirectly could cause any interruption or cessation of Mandatory Business Services or Permitted Business Services.
- 13.4 In particular, the system of controls to which paragraph 13.3 refers must include measures designed to ensure that:
- (a) equipment transported, installed, configured or operated by the Licensee (whether physical devices or cloud-based infrastructure) for the purposes of the Authorised Business is protected against unauthorised access;
 - (b) the supply, repair, and maintenance of such equipment, systems (including virtual components and cloud services) and the supply of spare parts or updates for it, are at all times under the control of the Licensee;
 - (c) all premises and virtual environments used for or in connection with the conduct of the Authorised Business are physically secured and monitored;
 - (d) equipment, systems and data that are no longer required for any of the purposes of the Authorised Business are securely disposed of or deleted;
 - (e) where data is to be transferred, it is transferred in a secure manner.
- 13.5 This paragraph applies if, in premises that are occupied by:
- (a) the Licensee or an External Service Provider and
 - (b) some other person,

there is any area that must be kept secure in order to maintain the security of the Authorised Business.

13.6 Where paragraph 13.5 applies, the Licensee must ensure that:

- (a) —the area to which that paragraph refers (which may be the whole or any part of the area occupied by the Licensee or an External Services Provider within the premises in question) is designated as a “Secure Area”, and
- (b) an appropriate level of security in relation to the Secure Area is maintained —(in particular, by ensuring that no person gains access to such area unless it is a person whose name is on a register maintained by the Licensee or the External Service Provider for that purpose, or who is supervised by such a ——— person).

Part B: Requirements for Licensee’s control of personnel and organisational security

13.7 The Licensee must verify (by such means as may be appropriate in each case) the backgrounds of its existing and all new personnel engaged in or for the purposes of carrying on the Authorised Business.

13.8 Without prejudice to its obligations under Part E: Requirements in respect of the Licensee’s contracts below, the Licensee’s duty under paragraph 13.7 includes a requirement to take all appropriate steps within its power to ensure that any agents and contractors of the Licensee (including, in particular, its External Service Providers) establish and maintain arrangements that are equivalent in their effect to those established and maintained by the Licensee for the purposes of that paragraph.

13.9 The Licensee must have in place an appropriate framework for security management that provides for an appropriately qualified Chief Information Security Officer to be directly responsible to the Licensee’s board of directors for ensuring that:

- (a) the Licensee’s security policies are communicated to all of its staff;
- (b) training that is tailored to the security roles and responsibilities of different staff within the Licensee’s organisation is provided on a regular basis;
- (c) each person engaged in or for the purposes of the Authorised Business is (and remains):
 - (i) a fit and proper person to be so engaged, and
 - (ii) suitably qualified and appropriately trained to be so engaged; and
- (d) the Licensee is at all times compliant with the requirements of this condition and (to the extent applicable) of the SEC and / or REC with respect to security controls for the Authorised Business.

Part C: Requirements for Licensee’s control of information security

13.10 ~~Before~~On or before the First Transfer Date, the Licensee must, hold appropriate certification by a body that is accredited by the United Kingdom Accreditation Service in relation to the following standards of the International Organisation for

Standards (“ISO”) with respect to the resilience, reliability, and security of information assets, processes, and systems used for the purposes of carrying on the Authorised Business:

- (a) ISO/IEC 27001:2022 (under the title of Information security, cybersecurity and privacy protection — Information security management systems),
- (b) any equivalent standard of the ISO that updates or replaces that standard, and
- (c) any specific interpretations of ISMS such as ISO 27010 (Telecoms), ISO 27018 (Cloud Environments), ISO 27019 (Energy Utility) where these support augmentation of the control set based on operational environment and may well be relevant.

~~13.11 — The Licensee must also, within 12 months after it first provides Core Communication Services under or pursuant to the SEC, obtain Cyber Essentials and certification for all its systems as a minimum security baseline.~~

Part D: Requirement to maintain a Register of Security Incidents

~~13.12~~13.11 The Licensee must:

- (a) maintain a register of every incident (as may be defined in accordance with such provisions of the SEC as are applicable) arising from a failure (whether actual or apparent) or an absence of any of the security controls established, operated, and maintained by the Licensee pursuant to this condition (“the Register of Security Incidents”);
- (b) record each such incident in the Register of Security Incidents immediately upon becoming aware of it;
- (c) promptly notify such body as is required by the provisions of the SEC to be so informed of the incident as soon as the Licensee has become aware of it; and
- (d) within such timescale as is specified by the Authority, provide the Authority with a report that details:
 - (i) the nature, cause, and impact (or likely impact) of the incident,
 - (ii) the action taken by the Licensee to remedy or minimise the immediate or expected consequences of the incident,
 - (iii) the action taken (or proposed to be taken) by the Licensee to ensure that the incident does not recur, or that the risk of recurrence is minimised, and
 - (iv) confirmation that remediation has occurred and proposed actions under (iii) have been completed.

~~13.13~~13.12 The Licensee must also:

- (a) ~~make the~~ notify the Authority of any updates to the Register of Security Incidents and make it available to the Authority for ~~its~~ inspection at all times upon request,

- (b) update ~~the risk that~~ register to include the mitigation actions taken by the Licensee to ensure that the incident does not recur, or that the risk of recurrence is minimised, and
- (c) provide the Authority with a copy of the Register of Security Incidents on the expiry or any revocation of this Licence or where and to the extent applicable, pursuant to direction by the Authority under paragraph 7.5 (Provision of the Centralised Registration Service).

Part E: Requirements in respect of the Licensee's contracts

~~13.14~~13.13 The Licensee must not enter into any contractual arrangement with any person (including, in particular, any External Service Provider) that does not contain appropriate provisions requiring such steps to be taken as may be necessary to facilitate the Licensee's fulfilment of its obligations under this condition and under or pursuant to the SEC in respect of the ongoing security of its physical, organisational, and information assets.

~~13.15~~13.14 The provisions mentioned in paragraph 13.3 include, ~~in relation to the expiry or any termination of an External Service Provider Contract:~~

~~(a) requirements for~~ requirements for any External Service Provider to conduct appropriate due diligence to ensure its subcontractors, agents and/or suppliers implement security controls that are consistent with the requirements of this Licence and the SEC, and

~~(b) in relation to the expiry or any termination of an External Service Provider Contract, requirements for:~~

- (i) an External Service Provider to return or provide to the Licensee any equipment or other physical or organisational assets and any information assets that are essential to the ongoing secure conduct of the Authorised Business; and
- (ii) ~~requirements for~~ the Licensee to revoke any security credentials that are held by the External Services Provider pursuant to that contract.

Part F: Legal and operational location of the Licensee

~~13.16~~13.15 The Licensee must at all times:

- (a) remain a company that is incorporated in the United Kingdom and/or the European Economic Area;
- (b) procure ~~the SMKI service~~ Public Key Infrastructure and DCC Live Systems, except to such extent as is otherwise permitted by the SEC Security Sub-Committee to allow off-shore or near-shore involvement, from Relevant Service Capability the provision and management of which are carried on within the United Kingdom; and
- (c) ensure that all sites and systems ~~that are located, configured, operated, tested and maintained within the United Kingdom where~~ the Licensee relies upon those sites and systems to detect and prevent events that:

- (i) appear to be anomalous⁵² and
- (ii) may have the potential to impact on the Supply of Energy to Energy Consumers⁵²

~~are configured, operated, and maintained within the United Kingdom.~~

Part G: ~~Interpretation~~Independent Security Assessment Arrangements

13.16 Where the Licensee proposes to introduce a new, or materially change an existing, component or functionality of the DCC Systems (a “System Change”), it must procure an independent assessment of Security Matters.

13.17 For the purposes of paragraph 13.16, Security Matters are:

- (a) all security risk assessments undertaken by the Licensee;
- (b) the effectiveness and proportionality of the security controls that are in place to mitigate security risks;
- (c) the Licensee’s compliance, or its proposals to comply, with:
 - (i) the requirements of Condition 13 (Security Control) of this Licence, and
 - (ii) such other security requirements as are applicable under the SEC.

13.18 The assessment must be carried out:

- (a) in accordance with a scope that has been approved by the SEC Security Sub-Committee,
- (b) by a Competent Independent Organisation,
- (c) during the design and build of the System Change and, specifically, throughout each of the Pre-Integration Testing, Systems Integration Testing, and User Integration Testing periods that take place before the System Change is implemented.

13.19 A Competent Independent Organisation is a body that:

- (a) is independent of the interests of the Licensee,
- (b) employs one or more Qualified Persons,
- (c) is Accredited, and
- (d) has, for the purposes of any assessment carried out in accordance with this condition~~52~~, engaged a Qualified Person as its lead auditor.

13.20 The Licensee must provide a report that details the outcome of the assessment to the Secretary of State, the Authority and the SEC Security Sub-Committee.

13.21 Where the assessment identifies a problem or recommendation, the Licensee must:

- (a) produce a draft remediation plan and consult on that draft plan with the SEC Security Sub-Committee, and

(b) provide a copy of the final remediation plan and, as soon as may be practicable, a report on the implementation of that plan to the Secretary of State, the Authority and the SEC Security Sub-Committee.

Part H: Interpretation

13.22 For the purposes of this condition:

Accredited means either:

(a) in relation to providing audit and certification of information security management systems, accredited by UKAS as meeting the requirements of ISO/IEC 27001:2022 Information Technology – Security Techniques – Information Security Management Systems,

(b) in relation to any other assessment, that the organisation carrying out the assessment holds a currently active and relevant membership of the NCSC Assured Cyber Security Consultancy Scheme, or

(c) in either case, another relevant membership, accreditation, approval or form of professional validation that is:

(i) substantially equivalent in status and effect to the arrangements described in sub-paragraphs (a) or (b) (as appropriate) or is an update or replacement to either or both of those standards, and

(ii) approved by the SEC Security Sub-Committee.

Chief Information Security Officer means the person having the duties set out at paragraph 13.9 and who is qualified as a senior security manager.

Competent Independent Organisation has the meaning given in paragraph 13.19

DCC Live Systems has the meaning that is given to that term in the SEC.

NCSC Assured Cyber Security Consultancy Scheme is the scheme of that name established by the National Cyber Security Centre, a part of the Government Communications Headquarters.

Public Key Infrastructure has the meaning that is given to that term in the SEC.

Qualified Person means a person who holds a cyber security qualification that is:

(a) recognised as being “chartered” by the UK Cyber Security Council, and

(b) any successor or equivalent scheme approved by the SEC Security Sub-Committee.

Register of Security Incidents has the meaning ~~that is given to that term in~~ paragraph ~~13.12(a)~~13.11(a).

Secure Area has the meaning ~~that is given to that term in~~ paragraph ~~13.6~~13.6.

Security Matters has the meaning given in paragraph 13.17.

System Change has the meaning given in paragraph 13.16.

Condition 14. Determination of disputes by the Authority

Introduction

- 14.1 This condition provides for the Authority to determine disputes arising between the Licensee and any person about the terms on which certain services provided under the requirements of Condition 9 Arrangements for the provision of services.
- 14.2 Provision is also made under Part B: Disputed consistency with methodology or statement of this condition for certain other disputes arising between the Licensee and another person to be determined by the Authority.

Part A: Disputes over failure to agree terms of an Agreement for Services

- 14.3 This Part A applies where:
- (a) a person (“the Requestor”) has made a request to the Licensee under Part A: Agreement for Services or Part B: Enrolment Service of Condition 9 (Arrangements for the provision of services),
 - (b) in response to that request, the Licensee must offer to enter into an Agreement for Services, and
 - (c) the Requestor and Licensee are unable to agree the terms of that agreement.
- 14.4 On the application of the ~~Requester~~[Requestor](#) or the Licensee, the Authority may
- (a) dismiss the application where in the Authority’s view it:
 - (i) is trivial or vexatious, or
 - (ii) would be more appropriately dealt with under the dispute resolution procedures in the SEC, or
 - (b) determine any terms of the Agreement for Services that have not been agreed.
- 14.5 Before the Authority determines any terms under paragraph 14.4(b), it must consider (where relevant):
- (a) in relation to charges payable under the Agreement for Services, the Charging Methodology and Charging Statement for Service Charges,
 - (b) whether the Requestor agrees to be bound by the provisions of the SEC or REC,
 - (c) whether the Agreement for Services is consistent with the General Duties of the Licensee and the Licensee’s obligations under the Principal Energy Legislation, SEC, REC, and this Licence, and
 - (d) the terms of any other Agreements for Services entered into following a request from another person under the provisions set out in paragraph 14.3(a).
- 14.6 Where the ~~Requester~~[Requestor](#) accepts the terms determined by the Authority under paragraph 14.3(b), the Licensee must enter into an Agreement for Services on those terms.

Part B: Disputed consistency with methodology or statement

14.7 This Part B applies where:

- (a) the Licensee has entered into an Agreement for Services following a request under the provisions set out in paragraph 14.3(a), and
- (b) the parties are in dispute as to whether the Service Charges under that agreement comply with the Charging Methodology or Charging Statement for Service Charges.

14.8 Upon application by either party, the Authority may:

- (a) where it appears to be trivial or vexatious, dismiss the application, or
- (b) determine whether the Service Charges comply.

Part C: Procedure and costs

14.9 The Authority may decide the procedure to be followed in the determination of a dispute under this condition.

14.10 The Authority must send a copy of its determination, together with a statement of the reasons for it, to both parties to the dispute.

14.11 The Authority may require either or both parties to the dispute to pay a sum in respect of the costs or expenses incurred by the Authority in making the determination.

14.12 The Authority may only require a sum to be paid under paragraph 14.11 where it has provided the parties with:

- (a) an estimate of the sum likely to be payable, and
- (b) an opportunity to withdraw the application.

Part D: Interpretation

14.13 For the purposes of this condition, ~~Requester~~Requestor has the meaning that is given to—— that term in paragraph 14.3(a).

CHAPTER 4: ARRANGEMENTS FOR THE LICENSEE'S INDEPENDENCE

Conditions 15 to 19

Condition 15. Licensee's Board of Directors and Managers

Introduction

15.1 This condition outlines the requirements in relation to the Licensee's Board of Directors with a view of securing independence from any single interest.

Part A: Director independence requirements

15.2 More than 50% of the directors the Licensee has in place must be independent (see paragraphs 15.3 and 15.4).

15.3 A person cannot be independent where that person:

(a) holds a remit to represent the interests of any:

(i) ~~any~~-shareholder or group of shareholders of the Licensee, or

(ii) ~~any~~-Affiliate or Related Undertaking of the Licensee;

(b) receives remuneration from the Licensee or any Affiliate or Related Undertaking of the Licensee other than a:

(i) ~~a~~-director's fee and reasonable expenses, or

(ii) ~~a~~-benefit that accrued from employment by, or service with, the Licensee or with any Affiliate or Related Undertaking of the Licensee before the appointment of that person as a director.

15.4 For the purpose of determining whether a person is independent, circumstances that may impair a person's independence which include where that person:

(a) is or has been an employee of the Licensee or any Affiliate or Related Undertaking of the Licensee within the period of 12 months ending with the day of appointment;

(b) within the period of 12 months ending with the day of appointment, has had a material business relationship with the Licensee, either directly or as a partner, shareholder, director or senior employee of a body that has such a relationship with the Licensee;

(c) is a Close Relative of any of the Licensee's advisers, directors or senior employees;

(d) holds cross-directorships or has significant links with other directors of the Licensee through involvement in other companies or bodies.

15.5 A person must not be appointed as the Chair (see paragraph 15.20~~15.6~~) if any of the circumstances described in paragraphs 15.3 or 15.4 apply to that person.

15.6 The Licensee must not have a director in place who is a director or employee of, or hold or acquire investments by way of shares, securities, or other financial rights or interests in any:

- (a) ~~any~~ person (or any Affiliate or Related Undertaking of such person) to whom any Services are provided as part of the Licensee's Authorised Business, or
 - (b) ~~any~~ External Service Provider (or any Affiliate or Related Undertaking of such person) from whom Specified Service Capability is or is likely to be procured by the Licensee.
- 15.7 Where the Licensee appoints a person as a non-executive director, that person must be appointed for a fixed period of three years or less.
- 15.8 The Licensee may reappoint a person who is or has been a non-executive director for a further fixed period of three years or less (but see paragraph 15.9).
- 15.9 A person must not hold the office of non-executive director of the Licensee or Previous Licensee for more than nine years in total.
- 15.10 The Licensee must specify in its annual statutory report
- (a) each director whom it considers to be independent,
 - (b) if any of the circumstances in paragraph 15.4 apply, the Licensee's reasons for nevertheless considering the director to be independent, and
 - (c) where a director is no longer considered independent, the reasons for this.
- 15.11 If it appears to the Authority that the Licensee is in breach of paragraph 15.2, it may direct the Licensee to:
- (a) make the necessary appointment or appointments to achieve compliance; and
 - (b) remove one or more:
 - (i) specified directors, or
 - (ii) directors of a specified class.

Part B: Fit and proper requirements

- 15.12 The Licensee must not appoint or have in place a person in a position of Significant Managerial Responsibility or Influence who is not a fit and proper person to occupy that role.
- 15.13 The Licensee must:
- (a) have ~~in place~~ and maintain robust processes, systems and governance in place to ensure that any person holding a position of Significant Managerial Responsibility or Influence in the Licensee is fit and proper to occupy that role, and
 - (b) carry out regular assessments on such person(s) to ensure that they remain fit and proper to occupy that role.
- 15.14 In complying with 15.12 and 15.13, the Licensee must have regard to and take account of all relevant matters including, but not limited to, whether the individual has:

- (a) been responsible for, contributed to or facilitated any serious misconduct or mismanagement (whether unlawful or not) in any jurisdiction either as an individual, or in relation to the course of carrying out a business in regulated activity (or, providing a service elsewhere which that person was in a position of Significant Managerial Responsibility or Influence, if provided in Great Britain, would be a regulated activity);
- (b) any relevant unspent criminal convictions in any jurisdiction in particular fraud or money laundering;
- (c) any insolvency history, ~~(including any period of receivership, administration, compulsory liquidation or creditors voluntary liquidation of a company where the individual was in a position of Significant Managerial Responsibility or Influence within the 12 months prior to the event)~~ undischarged bankruptcy, debt ~~judgements~~judgments and County Court ~~judgements~~judgments;
- (d) been disqualified from acting as a director of a company ~~or to any extent from acting in connection with the affairs of a company in any jurisdiction;~~;
- (e) been a person with Significant Managerial Responsibility or Influence at a current or former licensed Gas Supplier or Electricity Supplier in respect of whose Customers'~~customers'~~ premises the Authority issued a Last Resort Supply Direction, ~~or which had a Special Administrator appointed in respect of it~~ (including where they were a person with Significant Managerial Responsibility or Influence at that licensed Gas Supplier or Electricity Supplier within the 12 months prior to the Last Resort Supply Direction being issued ~~or the appointment of the Special Administration Regime~~););
- ~~(f)~~—been refused, had revoked, restricted or terminated any form of authorisation, or had any disciplinary, compliance, enforcement or regulatory action taken by any regulatory body ~~or industry code body~~ in any jurisdiction whether as an individual, or in relation to a business in which that person held Significant Managerial Responsibility or Influence;
- ~~(g)(f)~~ ~~any current designation as a sanctioned person under the Sanctions and Anti-Money Laundering Act 2018 or sanctions from any other jurisdiction.~~

15.15 The Licensee must give particular regard to circumstances in which the relevant person has a background in the energy sector in Great Britain and the previous actions of that person resulted in or contributed towards significant consumer or market detriment.

Part C: Other board requirements

15.16 At least 25% of the directors the Licensee has in place must have substantial and recent experience working in, or for, a part of the Energy Industry in Great Britain at a senior level.

15.17 The Licensee must have at least one director with substantial and recent experience in commercial contract management.

- 15.18 The Licensee must have at least one director with substantial and recent experience in data and electronic communication technology.
- 15.19 The Licensee must have at least one director who:
- (a) has substantial and recent experience of providing advocacy and advisory services to energy consumers, and
 - (b) is independent (see paragraphs ~~15.23~~15.3 and 15.4).
- 15.20 The Licensee must appoint a director to be the Chair of the Board (the “Chair”).
- 15.21 The Chair must have substantial and recent experience in an organisation of a size similar to the size of the Previous Licensee on the day before the ~~grant of this~~ Licence Commencement Date.

Part D: Board appointments

- 15.22 At least 28 days before a person is appointed as a director, the Licensee must, by Notice, inform the Authority of the intended appointment and the planned effective date.
- 15.23 Where the Licensee considers that person to be independent, the Notice in paragraph 15.22 must explain why with reference to the factors set out in ~~paragraph~~paragraphs 15.3~~15.3~~ and 15.4.
- 15.24 Where the Authority makes representations to the Licensee in relation to the intended appointment at least 7 days before the planned effective date, the Licensee must have due regard to those representations.

Part E: -Interpretation

- 15.25 In relation to the requirement for directors to have recent experience, “recent” is to be judged by reference to the ~~date on which the~~ Licence ~~is granted~~Commencement Date, or, if later, by reference to the date on which the director was first appointed as director of the Licensee.
- 15.26 In this condition:

Close Relative, in relation to a person (“P”), means:

- (a) a parent,
- ~~(a)~~(b) a wife, husband or civil partner ~~of P~~,
- ~~(b)~~(c) a brother or sister ~~of P~~,
- ~~(e)~~(d) a child of P, or
- ~~(d)~~(e) any othera person who is treated as a childliving with P, or with any of the persons described in ~~relations~~sub-paragraph (a) to a marriage or ~~(d)~~, as husband and wife or as if they were civil ~~partnership to which P is or was at any time a~~ partners.

Chair has the meaning given in paragraph 15.20 (but also see 15.5 and 15.21).

|

Energy Industry comprises those entities engaged in carrying out the activities of the generation, transmission, distribution and supply of electricity, and the storage, and the conveyance, shipping and supply through pipes, of natural gas.

Condition 16. Independence and autonomy of the Licensee

Introduction

16.1 This condition establishes prohibitions and restrictions (subject to certain exceptions) in relation to the Licensee's activities other than under this Licence, with a view to securing the independence and autonomy of the Licensee from other entities.

Part A: General Prohibition of any unrelated business or activity

16.2 Subject to the provisions of Part B: Permitted exceptions to the General Prohibition, the Licensee must not carry on any business or undertake any activity other than a business or an activity of the Authorised Business ("the General Prohibition").

16.3 In paragraph 16.2, "activity" includes holding:

- (a) an Energy Licence (other than this Licence) under Part 1 of the 1986 Act or Part 1 of the 1989 Act, and
- (b) investments by way of:
 - (i) shares, securities, members' interests, or other interests or rights in any body corporate, or
 - (ii) securities, members' interests, or other interests or rights in any partnership or unincorporated association, that carries on a business or undertakes an activity that does not form part of the Authorised Business.

Part B: Permitted exceptions to the General Prohibition

16.4 The Licensee may, with the Authority's consent, hold or acquire:

- (a) shares or other investments in any wholly owned Subsidiary the sole activity of which is to carry on business for a Permitted Purpose, or
- (b) shares or other investments in any wholly owned Subsidiary that has been incorporated by the Licensee solely for the purpose of raising finance for the Authorised Business, or
- (c) subject to paragraph 16.5, investments acquired in the usual and ordinary course of the Licensee's treasury management operations.

16.5 The Licensee may only rely on the exception permitted by paragraph 16.4(c) if it has in place a system of internal controls in relation to its treasury management operations that complies with such best corporate governance practice as is required (or, in the absence of that, is recommended) from time to time by the UK listing authority (or a successor body) for listed companies in the United Kingdom.

16.6 Nothing in Part A: General Prohibition of any unrelated business or activity or Part C: Restrictions relating to the Licensee's corporate structure prevents the Licensee from:

- (a) performing the supervisory or management functions of a Holding Company in respect of any Subsidiary,

- (b) holding shares as, or performing the supervisory or management functions of, an investor in respect of any body corporate in which it holds an interest consistent with the provisions of this condition, or
- (c) carrying on any business or conducting any activity to which the Authority has given its consent.

Part C: Restrictions relating to the Licensee's corporate structure

- 16.7 Neither the Licensee nor a Subsidiary of the Licensee may at any time hold or acquire any investments by way of shares, securities, or other financial rights or interests in any:
- (a) person (or any Affiliate or Related Undertaking of such person) to whom any Services are provided as part of the Licensee's Authorised Business, or
 - (b) External Service Provider (or any Affiliate or Related Undertaking of such person) from whom Specified Service Capability is or is likely to be procured by the Licensee.
- 16.8 The Licensee must not be a Related Undertaking of:
- (a) a SEC Party or any other person to whom any Services are provided as part of the Licensee's Authorised Business,
 - (b) any External Service Provider from whom Specified Service Capability is or is likely to be procured by the Licensee, or
 - (c) any person who, whether by virtue of the investments he holds or otherwise, is able to exert a material influence over the conduct of the affairs of any:
 - (i) ~~any~~ person to whom any Services are provided as part of the Licensee's Authorised Business, or
 - (ii) ~~any~~ External Service Provider from whom Specified Service Capability is or is likely to be procured by the Licensee.
- 16.9 The duty imposed on the Licensee by paragraph 16.8 includes, where the Licensee is aware that any person of a description within that paragraph has caused or is likely to cause the Licensee to breach its requirements, a duty to draw that person's attention to the substance of both that paragraph and paragraph ~~1120~~ Part ~~112~~ of this Licence (Terms in Respect of Revocation) and to notify the Authority.
- 16.10 The Licensee must not, for any purpose, provide to itself any of the services that are provided (whether to SEC Parties, REC Parties or otherwise) as part of its Mandatory Business.

Part D: Alternative arrangements to secure independence

- 16.11 The Licensee may at any time in Writing to the Authority propose arrangements that do not conform in all respects with the restrictions imposed by Part C: Restrictions relating to the Licensee's corporate structure above, and the Authority may consent to such arrangements if it is satisfied that they will secure a sufficiently equivalent level of corporate independence for the Licensee.

16.12 A consent under this Part D: Alternative arrangements to secure independence may be given subject to such terms and conditions as the Authority considers appropriate.

Part E: Interpretation

16.13 For the purposes of this condition:

General Prohibition has the meaning given to that term in paragraph 16.2.

Specified Service Capability means Relevant Service Capability that is procured by the Licensee in accordance with Condition 10 (Procurement of Relevant Service Capability), but excluding any such ~~capacity~~capability that is procured by virtue of paragraph 10.6.

Part F: Further relevant provision

16.14 See Condition 19 (Appointment and duties of Compliance Officer)) which makes further provision in relation to the subject matter of this condition.

Condition 17. Protection of Confidential Information

Introduction

17.1 This condition requires the Licensee to take appropriate action to detect and prevent disclosure of or unauthorised access to Confidential Information, to have in place a Compliance Statement describing how the Licensee will comply with that requirement, and to use Confidential Information only for the purposes of the Authorised Business.

Part A:- General Prohibition with respect to Confidential Information

17.2 The Licensee must neither disclose Confidential Information to, nor authorise access to Confidential Information by, any person except in accordance with the provisions of this condition (“the General Prohibition”).

17.3 The Licensee must put in place and maintain managerial and operational practices, systems, and procedures that ensure it complies with the General Prohibition.

17.4 The Licensee’s duties under this Part A: General Prohibition with respect to Confidential Information include a duty to take all reasonable steps within its power (including where necessary by way of contractual requirement) to ensure that any Affiliate or Related Undertaking of the Licensee, and any agent, consultant, or contractor of the Licensee, complies with the General Prohibition.

Part B:—Matters to which the General Prohibition does not apply

17.5 The General Prohibition established by Part A: General Prohibition with respect to Confidential Information above does not apply to any disclosure of or authorisation of access to Confidential Information that is:

- (a) ~~that is~~ expressly permitted or required by any provision of this Licence,
- (b) ~~that is~~ necessary for the exercise of any of the functions of the Licensee under the Principal Energy Legislation, this Licence, the Retail Energy Code or the Smart Energy Code,
- (c) ~~that is~~ made or given with the prior consent of the Authority,
- (d) ~~that is~~ made or given to such employees of the Licensee or of any other person (as the case may be) as require to be so informed for the effective carrying on of the Mandatory Business and, where approved by the Authority, of the Permitted Business of the Licensee, or
- (e) ~~that is~~ made or given to such of the agents, consultants, and contractors of —the Licensee as require to be so informed for the effective carrying on of the Mandatory Business and, where approved by the Authority (see paragraph ~~7017.12(b)~~17.12(b)), the Permitted Business of the Licensee.

- 17.6 The General Prohibition does not apply to any disclosure of or authorisation of access to Confidential Information that is:
- (a) ~~is~~ made or given in compliance with any statutory duty of the Licensee, or with the rules of any recognised stock exchange or of any governmental, parliamentary, or regulatory authority having the force of law, or
 - (b) ~~is~~ already available in the public domain other than as a result of a breach of the General Prohibition or of any other duty of confidentiality.

Part C: -Requirement for Compliance Statement to be in place—

- 17.7 Within three months after Licence Commencement Date, the Licensee must have in place a Compliance Statement that is approved by the Authority and that describes the practices, procedures, and systems that the Licensee has adopted (or intends to adopt) to ensure compliance with its duties under Part A: General Prohibition with respect to Confidential Information above in relation to the- security and protection of Confidential Information.
- 17.8 The Licensee may, with the Authority's approval, revise any Compliance Statement that is in place under this Part C: Requirement for Compliance Statement to be in place.
- 17.9 Where the Authority does not direct the Licensee to amend any proposed revision of a Compliance Statement within 90 days after receiving it, the Licensee may treat the revised statement as approved by the Authority.
- 17.10 The Licensee must publish on its Website a copy of the Compliance Statement (or of any revision of it) that is in place under this Part C: Requirement for Compliance Statement to be in place within 21 days after the Authority has approved it- or it is treated as approved in accordance with paragraph 17.9.
- 17.11 The Licensee must take all appropriate steps within its power to ensure that it complies with the terms of the Compliance Statement that is in place under this Part C: Requirement for Compliance Statement to be in place.

Part D:- No use of Confidential Information for improper purpose

- 17.12 In addition to the General Prohibition, the Licensee must not use Confidential Information for any purpose other than the effective carrying on of:
- (a) the Mandatory Business of the Licensee, and
 - (b) where approved by the Authority, the Permitted Business of the Licensee.
- 17.13 The Licensee's request for approval under paragraph 17.12(b) must be made to the Authority by Notice, which must set out:
- (a) a description of the Confidential Information,
 - (b) the proposed use of the Confidential Information,
 - (c) the outcome the Licensee seeks to achieve by using the Confidential Information,
 - (d) any Conditions on which the Licensee relies, and

(e) the measures that have been, or will be, taken to achieve the security and protection of the Confidential Information.

17.14 A Notice given under paragraph 17.13 may be withdrawn but may not be amended.

17.15 The Authority's decision to approve, or refuse to approve, must be given to the Licensee in Writing and include the reasons for the decision.

17.16 The Licensee must not use Confidential Information in any manner that might obtain for the Licensee, or for any other person, any unfair commercial advantage over any other person (whether before or after the expiry or any revocation of this Licence).

Part E: - Interpretation_____

17.17 In this condition, **General Prohibition** has the meaning given to that term in paragraph 17.2.

Part F:- Further relevant provision

17.18 See Condition 19 (Appointment and duties of Compliance Officer), which makes further provision in relation to the subject matter of this condition.

Condition 18. Special position duties

Introduction

- 18.1 The purpose of this condition is to ensure that the Licensee always acts in a manner that is consistent with its special position as the person that is licensed under the Principal Energy Legislation to carry on the Authorised Activity in Great Britain.
- 18.2 Condition 19 makes further provision in relation to the subject matter of this condition.

Part A: General requirement in relation to competition

- 18.3 The Licensee must carry out the Authorised Business in a way that is calculated not to restrict, prevent, or distort competition:
- (a) in any activity (other than the Authorised Activity) that is authorised by an Energy Licence under the Principal Energy Legislation, or
 - (b) in the provision of, or in any of the markets for, Commercial Activities that are connected with the Supply of Energy under the Principal Legislation.

Part B: Prohibition of provision or receipt of cross-subsidy

- 18.4 Subject to paragraph 18.5, the Licensee must not:
- (a) in carrying out the Authorised Business, give a cross-subsidy to, or receive a cross-subsidy from, any Affiliate or Related Undertaking of the Licensee, or
 - (b) in carrying out the Mandatory Business, give a cross-subsidy to, or receive a cross-subsidy from, the Permitted Business.
- 18.5 Anything done or incurred by the Licensee in a particular manner that is expressly required or permitted to be so done or incurred under or by virtue of any provision of the Principal Energy Legislation, this Licence, the Retail Energy Code or the Smart Energy Code will not breach the requirements of paragraph 18.4.

Part C: Prohibition of undue preference and undue discrimination

- 18.6 This Part C applies in relation to every activity that the Licensee is required or permitted to undertake by virtue of any of the provisions of the Principal Energy Legislation, this Licence, the Retail Energy Code or the Smart Energy Code.
- 18.7 In undertaking each such activity, the Licensee must not unduly:
- (a) unduly prefer itself or any Affiliate or Related Undertaking over any person or any class or description of persons, or
 - (b) unduly discriminate between any person or any class or description of persons.
- 18.8 In particular, the Licensee must not make charges for providing Mandatory Business Services under or pursuant to the Smart Energy Code or Retail Energy Code to any person or class or description of persons that differ from the charges made for such provision to any other person or class or description of persons, except insofar as such differences reasonably reflect differences in the costs associated with such provision.

18.9 Anything done by the Licensee in a particular manner that is expressly required or permitted to be so done under or by virtue of any provision of the Principal Energy Legislation, this Licence, the Retail Energy Code or the Smart Energy Code will not constitute undue preference or undue discrimination (as the case may be) for the purposes of this condition.

Part D: Management of External Service Provider Contracts

18.10 The requirements of this Part D apply in relation to the provision of Fundamental Service Capability or Fundamental Registration Service Capability by an External Service Provider (“a Relevant Provider”) under or pursuant to an External Service Provider Contract (“a Relevant Contract”).

18.11 The Licensee must implement with each Relevant Provider arrangements (including appropriate monitoring and reporting arrangements with respect to the performance by each party of its rights and obligations under the Relevant Contract) that are designed to secure the good and effective management of the Relevant Contract in accordance with its terms.

18.12 The arrangements to which paragraph 18.11 refers must include such procedures or other matters as may be necessary to ensure that revenues flow from the:

- (a) ~~from the~~ Licensee to the Relevant Provider, and
- (b) ~~from the~~ Relevant Provider to persons engaged in the business of financing, procuring, providing, or operating Communications Hubs pursuant to the Relevant Contract,

in such manner, at such times, and to such extent as will ensure that ~~the~~:

- (i) the Relevant Provider is able to fulfil its obligations under the Relevant Contract, and
- (ii) the Licensee is provided with the goods, services, and resources necessary to fulfil its obligations under this Licence.

Part E: Arrangements for securing compliance to be in place

18.13 Without prejudice to the specific requirements of Part D: Management of External Service Provider Contracts above, the Licensee must establish and maintain management systems, procedures, and arrangements that are designed to secure its compliance with the requirements of this condition.

18.14 The Licensee’s obligation under paragraph 18.13 includes an obligation to take all appropriate steps within its power to ensure that any agents and contractors of the Licensee establish and maintain arrangements that are equivalent in their effect to those established and maintained by the Licensee for the purpose of complying with the requirements of this condition.

Part F: Interpretation

18.15 In this condition, any reference to an activity or business of the Licensee includes a reference to that activity or business if and to the extent that it is carried on by a third party acting on the Licensee’s instruction or behalf.

18.16 For the purposes of this condition, **Relevant Contract** and **Relevant Provider** have the meaning given to those terms in paragraph 18.10.

Condition 19. Appointment and duties of Compliance Officer

Introduction

- 19.1 This condition requires the Licensee to appoint a Compliance Officer for purposes relating to the Licensee's compliance with certain specified requirements under the Conditions of this Licence.
- 19.2 The Compliance Officer must produce an annual report for the Licensee's directors, which they must forward to the Authority along with a Compliance Report prepared by them, which must also be published on the Licensee's Website.

Part A: Duty to appoint a Compliance Officer

- 19.3 The Licensee must appoint a person (a "Compliance Officer") to monitor and facilitate the Licensee's compliance with the Chapter 4 Requirements.
- 19.4 The Compliance Officer must be:
- (a) be independent (see [Condition paragraph 15.3](#) for the circumstances that may impair the person's independence), and
 - (b) approved by the Authority before appointment.

Part B: Functions of the Compliance Officer

- 19.5 The Licensee must require that the Compliance Officer performs the tasks and duties necessary to discharge the role described in paragraph 19.3.
- 19.6 This must include the duty to:
- (a) provide relevant advice and information to the Licensee to facilitate compliance with the Chapter 4 Requirements₂;
 - (b) monitor the effectiveness of the practices, procedures, and systems adopted by the Licensee in accordance with the Compliance Statement (see [Error! Reference source not found. of Condition 17 \(Protection of Confidential Information\)](#)), Part C: Requirement for Compliance Statement to be in place [of Condition 17](#));
 - (c) advise whether, to the extent that the implementation of such practices, procedures, and systems requires the co-operation of any other person, they are designed so as reasonably to allow the required co-operation₂;
 - (d) investigate any complaint or representation made in relation to the Chapter 4 Requirements₂;
 - (e) recommend and advise on remedial action that any such investigation has shown to be necessary or desirable₂;
 - (f) provide advice and information to the Licensee in relation to the implementation of the practices, procedures, and systems referred to at sub-paragraph (b), and of taking any remedial action recommended in accordance with sub-paragraph (e)₂);

- (g) report annually to the Licensee’s directors about the activities carried out by the Compliance Officer during the period covered by the report, including the fulfilment of any other duties assigned by the Licensee under this paragraph⁵ⁱ;
- (h) exercise the functions assigned to the Compliance Officer with regard to the need to assure SEC Parties, REC Parties (where applicable) and External Service Providers of the Licensee’s compliance with the Chapter 4 Requirements.

Part C: Licensee’s duties to the Compliance Officer

- 19.7 To the extent required to fulfil the tasks and duties in paragraph 19.6, the Licensee must provide the Compliance Officer with:
- (a) staff, premises, equipment, facilities, and other resources, and
 - (b) access to the Licensee’s premises, systems, information, and documentation.
- 19.8 The Licensee must give the Compliance Officer a copy of any complaint or other representation that it receives from any person in relation to the Chapter 4 Requirements.

Part D: Licensee’s Compliance Report

- 19.9 After the directors receive the report described in paragraph 19.6(g), the Licensee must produce a report (“the Compliance Report”) about its:
- (a) ~~its~~ compliance during the reporting year with the Chapter 4 Requirements, and
 - (b) ~~its~~ implementation during that year of the practices, procedures, and systems maintained pursuant to the Compliance Statement.
- 19.10 The Compliance Report must be produced as soon as is reasonably practicable after, and in any event within the period of 90 days beginning with, the date on which the directors receive the report described in paragraph 19.6(g).
- 19.11 The Compliance Report must:
- (a) detail the activities of the Compliance Officer during the reporting year,
 - (b) refer to such other matters as may be appropriate in relation to the Licensee’s implementation during the reporting year of the practices, procedures, and systems adopted in accordance with the Compliance Statement,
 - (c) set out the details of any investigations carried out by the Compliance Officer during the reporting year, including:
 - (i) the number, type, and source of any complaints or representations on which those investigations were based,
 - (ii) the outcome of the investigations, and
 - (iii) any remedial action taken by the Licensee in response to them.
 - (d) state the Compliance Officer’s opinion of the extent to which the Licensee has complied with the Chapter 4 Requirements during the reporting year and

- (e) with regard to ~~Condition~~ Condition 16 (Independence and autonomy of the Licensee) describe any perceived or real conflicts of interest that have arisen during the reporting year, and the steps taken to address them.

19.12 Within the time specified in paragraph 19.10, the Licensee must:

- (a) give the Authority and the SEC Panel a copy of the:
- (i) ~~the~~ Compliance Report;
 - (ii) ~~the~~ relevant report described in paragraph 19.6(g), and
- (b) publish the Compliance Report on its Website.

Part E: Remuneration

19.13 The Licensee may pay the Compliance Officer for their services under this condition.

Part F: Interpretation

19.14 For the purposes of this condition:

Chapter 4 Requirements means the requirements (including such prohibitions as are associated with them) established and imposed by:

- (a) Condition 15 (Licensee's Board of Directors and Managers)
- (b) Condition 16 (Independence and autonomy of the Licensee),
- (c) Condition 17 (Protection of Confidential Information), and
- (d) Condition 18 (Special position duties).

Compliance Officer has the meaning that is given to that term in paragraph 19.3.

Compliance Report has the meaning given to that term in paragraph 19.9.

CHAPTER 5: ARRANGEMENTS RELATING TO THE LICENSEE'S PERFORMANCE

Conditions 20 to 21

Condition 20. Remuneration Policy

Introduction

20.1 This condition makes provision regarding a policy to link the remuneration of ~~senior staff~~Senior Managers with the Licensee's performance in carrying out the Authorised Business.

Part A: Preparation and submission

20.2 The Licensee must submit a draft Remuneration Policy to the Authority:

- (a) within the period of ~~12~~6 months beginning with the ~~day on which this Licence is granted~~Commencement Date, or
- (b) such ~~other~~later date as the Authority may direct in Writing to the Licensee.

20.3 The Licensee must establish a committee ("the Remuneration Committee") comprised only of directors whom the Licensee consider to be independent in accordance with paragraphs 15.2 to 15.4.

20.4 Prior to submission to the Authority, the draft Remuneration Policy must be approved by the Remuneration Committee and that committee must have due regard to the requirements set out in paragraph 20.5.

Part B: Contents

20.5 The draft Remuneration Policy must:

- (a) contain a description of:
 - (i) how the remuneration of Senior Managers is linked to the Licensee's Operational Performance, and
 - (ii) other policies relevant to the performance of Senior Managers, and
- (b) be prepared in accordance with any Remuneration Policy Guidance provided by the Authority under Part C: Remuneration Policy Guidance.

Part C: Remuneration Policy Guidance

20.6 The Authority may provide the Licensee with guidance for the purposes of preparing the draft Remuneration Policy ("Remuneration Policy Guidance").

20.7 The Remuneration Policy Guidance may (amongst other things) contain a description of:

- (a) the format in which the Remuneration Policy must be presented;
- (b) any matters that must be considered when determining the remuneration of Senior Managers, including the meaning of that term;
- (c) any other information relevant to the preparation of the Remuneration Policy.

Part D: Review

20.8 Before the end of the period of 12 months beginning with the day on which the Remuneration Policy is approved, the Licensee must:

- (a) review it, and
- (b) if any modifications are made, submit a revised copy to the Authority.

Part E: Approval and effect

20.9 Before the end of the period of 60 days beginning with the day the draft or revised Remuneration Policy is submitted under this condition, the Authority will ~~either respond to the Licensee. The Authority may:~~

- (a) approve the draft or revised Remuneration Policy by Notice given to the Licensee,
~~or~~
- (b) direct the Licensee to modify the draft Remuneration Policy and resubmit it to the Authority, ~~or~~
- (c) require further information from the Licensee to enable it to exercise the power under sub-paragraphs (a) or (b).

20.10 Where the Authority approves a revised Remuneration Policy, the approval of any earlier Remuneration Policy is withdrawn.

20.11 Once the Remuneration Policy is approved, the Licensee must:

- (a) publish a copy of it on its ~~website~~Website,
- (b) act in accordance with it until any revised copy is approved.

Part F: Interpretation

20.12 For the purposes of this condition:

Senior Manager means a person ~~in a position of Significant Managerial Responsibility or Influence.;~~

- (a) in a position of Significant Managerial Responsibility or Influence, or
- (b) who plays a significant role in making decisions about how the whole or a substantial part of a programme is delivered, and as may be further specified within the Remuneration Policy Guidance.

Operational Performance means the results of the System Performance Report (see Part A: System performance of Condition 21), Customer Satisfaction Survey (see Part B: Customer satisfaction of Condition 21) and any other matter specified in guidance issued by the Authority under Part C: Remuneration Policy Guidance.

Remuneration Committee has the meaning given in paragraph 20.3.

Remuneration Policy means the document:

- (a) prepared and submitted by the Licensee in accordance with this condition, and
- (b) approved by the Authority in accordance with paragraph ~~20.99~~20.9(a) (but see paragraph 20.100).).

Condition 21. Operational performance regime

Introduction

21.1 This condition makes provision for the monitoring of the Licensee's system performance, customer satisfaction, procurement and management of contracts. Amongst other things, this information will be used as part of the Remuneration Policy in Condition 20 (Remuneration Policy).

Part A: System performance

21.2 Before the start of a Reporting Period, the Licensee must choose its system performance targets ("Key Performance Indicators") for that period in accordance with any OPR Guidance provided by the Authority under Part D: OPR Guidance.

21.3 Where the Authority has not issued any guidance on the selection of the Key Performance Indicators, the Licensee must ~~consult~~[Consult](#) with the SEC ~~Panel~~[Parties](#) and ~~REC~~[Parties](#) before choosing its Key Performance Indicators for a Reporting Period.

21.4 On or before the first working day after a Reporting Period, the Licensee must publish on its ~~website~~[Website](#) a report that describes how the Licensee has performed against the Key Performance Indicators for that period ("System Performance Report").

Part B: Customer satisfaction

21.5 The Licensee must design and conduct a survey of its Customers for the purpose of ascertaining their views on the Licensee's performance in carrying out the Authorised Business ("Customer Satisfaction Survey").

21.6 The Licensee must design and conduct the Customer Satisfaction Survey in accordance with any OPR Guidance provided by the Authority under Part D: OPR Guidance.

21.7 The Licensee must:

(a) appoint an independent and competent third party to review the design, supervise the conduct, and review the output of the survey;

(b) have due regard to the views of the third party when discharging the duties in this Part.

21.8 The Licensee must commence:

(a) the first Customer Satisfaction Survey within the period beginning with the First Transfer Date and ending with 31 March 2028, and

(b) subsequent Customer Satisfaction Surveys within the period of two years beginning with the date the prior survey was commenced.

21.9 Within the period of 30 days beginning with the day the Customer Satisfaction Survey closes, the Licensee must:

(a) provide the Authority with a copy of the results of the Customer Satisfaction Survey, and

(b) publish the results on its ~~website~~Website.

21.10 At any time after the publication of the Customer Satisfaction Survey results, the Authority may:

(a) request a report from the Licensee that describes how the Licensee has responded to the results;

(b) direct the Licensee to:

(i) provide to the Authority a plan for addressing any issues revealed by the Customer Satisfaction Survey (“Rectification Plan”);

(ii) modify the Rectification Plan;

(iii) comply with the Rectification Plan.

Part C: Contract management and procurement

21.11 At any time, the Authority may appoint an independent and competent third party to audit the Licensee’s contract management and procurement.

21.12 The Licensee must co-operate with the third party in any way that the third party considers necessary or expedient for the purposes of the conduct of the audit.

21.13 The Licensee must take appropriate action in response to the outcome of the audit and must have regard to the Objectives set out in Condition 5 (General duties and strategy) in doing so.

21.14 At any time after the completion of the audit, the Authority may request a report from the Licensee that describes how the Licensee has responded to the outcome of the audit.

Part D: OPR Guidance

21.15 The Authority may provide the Licensee with guidance for the purposes of discharging its duties under this condition (“OPR Guidance”).

21.16 Without prejudice to the generality of the power in paragraph 21.15, the OPR Guidance may contain a description of ~~any~~:

(a) ~~any~~ mandatory Key Performance Indicators;

(b) ~~any~~ requirements for the conduct of the Customer Satisfaction Survey;

(c) ~~any~~ content and format requirements for the System Performance Report, Customer Satisfaction Survey or results of the Customer Satisfaction Survey;

(d) terms of reference for an audit under Part C of this condition.

Part E: Interpretation

21.17 For the purposes of this condition:

Customers mean the SEC Parties and REC Parties but excluding the Licensee.

Customer Satisfaction Survey has the meaning given in paragraph 21.5

Rectification Plan has the meaning given in paragraph 21.10(b)(i).

Key Performance Indicators has the meaning given in paragraph 21.2.

OPR Guidance has the meaning given in paragraph 21.15.

Reporting Period means the period beginning with the first day and ending with the last day of a calendar month and the first Reporting Period begins with ~~1 April 2027~~the First Transfer Date.

System Performance Report has the meaning given in paragraph ~~21.14~~21.4.

CHAPTER 6: COST CONTROL OF THE LICENSEE

Conditions 22 to 27

Condition 22. Business Plan Report

Introduction

- 22.1 This condition places a duty on the Licensee to prepare a report that describes the business the Licensee expects to carry out over an upcoming Price Control Period. Along with the price control information described in Condition 23, the report will be used by the Authority to determine the revenue the Licensee will need and therefore must be prepared in accordance with guidance issued by the Authority.
- 22.2 When preparing the report, the Licensee will need to ~~consult~~Consult with the SEC Panel. In practice, the ~~consultation~~Consultation will be carried out with a sub-committee established for this specific purpose.

Part A: Price Control Period

- 22.3 Price Control Period means the period of three years beginning with the 1 April immediately following the previous Price Control Period and ending with 31 March.
- 22.4 The first Price Control Period means the period beginning with the First Transfer Date and ending with 31 March 2028.
- 22.5 The Authority may, by direction given to the Licensee, amend the duration of a Price Control Period.
- 22.6 A direction given under paragraph 22.5 must be given to the Licensee on or before 1 April in a Regulatory Year immediately preceding the amended Price Control Period.

Part B: Duty to prepare and submit a Business Plan Report

- 22.7 On or before 31 July in a Regulatory Year immediately preceding a new Price Control Period, the Licensee must submit a Business Plan Report to the Authority for that Price Control Period that describes the business the Licensee expects to carry out over that period.
- 22.8 The Business Plan Report must be prepared in accordance with guidance (“Business Plan Guidance”) provided by the Authority in accordance with Part C: Business Plan Guidance.
- 22.9 Irrespective of the requirements of the Business Plan Guidance, the Business Plan Report must contain any information the Licensee holds that appears to it to be relevant to the determination of the Licensee’s Required Revenue under paragraph ~~23.2~~24.2 for the next Price Control Period.
- 22.10 The duty in paragraph 22.9 does not require the provision of any information already provided, or to be provided, in accordance with Condition 23 (Price Control Information).

Part C: Business Plan Guidance

- 22.11 On or before 1 April in a Regulatory Year immediately preceding a new Price Control Period, the Authority must provide:
- (a) the Licensee with Business Plan Guidance for the purposes of preparing the Business Plan Report for the next Price Control Period, and

(b) the SEC Panel with a copy of that Business Plan Guidance.

22.12 The Business Plan Guidance must contain a complete statement of the information relating to the Authorised Business that the Authority reasonably requires from the Licensee to determine the Required Revenue.

22.13 The Business Plan Guidance may also contain a description of:

- (a) the format in which the Business Plan Report must be presented;
- (b) the processes and procedures the Authority expects to follow to determine the Required Revenue for the next Price Control Period;
- (c) the principles the Authority expects to apply to determine whether the costs to carry on the Authorised Business are economic and efficient;
- (d) the processes and procedures the Authority expects to follow to adjust its determination of the Required Revenue for the next Price Control Period;
- (e) any other information that may help the Licensee prepare the Business Plan Report.

Part D: Procedure for preparing the Business Plan Report

22.14 Before the Licensee submits the Business Plan Report to the Authority, the Licensee must:

- (a) on or before ~~1st~~ April in a Regulatory Year immediately preceding a new Price Control Period, issue the Business Plan Report in draft to the Customer Challenge Group,
- (b) ~~consult~~ Consult with the Customer Challenge Group on the proposed content of the Business Plan Report.

Part E: Requirements for new or more detailed information

22.15 The Authority may, in writing, request from the Licensee any further information it reasonably requires to determine the Licensee's Required Revenue for the next Price Control Period.

22.16 The Licensee must comply with a request given under paragraph 22.15 within the period of 14 days beginning with the day on which the request was made.

Part F: Interpretation

22.17 In this condition:

Business Plan Report means the document prepared and submitted in accordance with this Condition.

Business Plan Guidance has the meaning given to that term in paragraph 22.8.

Required Revenue, in relation to a Price Control Period, is the amount determined by the Authority in accordance with paragraph 24.2.

Condition 23. Price Control Information

Introduction

23.1 In addition to the duty to prepare a Business Plan Report in Condition 22, this condition places a duty on the Licensee to provide more granular information to allow the Authority to determine the revenue the Licensee will need for the next Price Control Period. The Authority will provide instructions and guidance to help the Licensee know what information the Authority needs.

Part A: Duty to provide Price Control Information

23.2 On or before 31 July in a Regulatory Year immediately preceding a new Price Control Period, the Licensee must provide the Authority with the information it requires to calculate the Required Revenue for the next Price Control Period (“Price Control Information”).

23.3 The information must be provided in accordance with the instructions and guidance (“RIGs”) issued by the Authority under Part B: RIGs.

23.4 The duty in paragraph 23.2 does not require the provision of any information already provided, or to be provided, in accordance with Condition 22 (Business Plan Report).

Part B: RIGs

23.5 On or before 1 April in a Regulatory Year immediately preceding a new Price Control Period, the Authority must issue RIGs to the Licensee in relation to the duty to provide Price Control Information.

23.6 The matters that may be included, or for which provision may be made, in the RIGs are:

- (a) a complete statement of the information that is to comprise the Price Control Information;
- (b) instructions and guidance on the Authority’s requirements with respect to the collection, recording, and provision of the Price Control Information;
- (c) instructions and guidance on the standards of accuracy and reliability that are applicable to the recording of the Price Control Information (including different classes of Price Control Information);
- (d) a timetable for the development of such systems, processes, and procedures as are required to achieve such standards for the Price Control Information;
- (e) provision with respect to the meaning of words and phrases used in defining the Price Control Information;
- (f) requirements as to the form and manner in which, or the frequency with which, the Price Control Information must be recorded;
- (g) requirements as to the form and manner in which, or the frequency with which, the Price Control Information must be provided to the Authority;

(h) provision about how the Authority may monitor and assess the Licensee's compliance with the RIGs.

Part C: Interpretation

23.7 In this Condition:

Price Control Information has the meaning given to that term in paragraph 23.2

RIGs has the meaning given to that term in paragraph 23.3.

Required Revenue in relation to a Price Control Period, is the amount determined by the Authority in accordance with paragraph ~~24.2~~.

~~**Recovered Revenue** in relation to a Price Control Period, is the amount calculated in accordance with paragraph 25.3.24.2.~~

Condition 24. Determination of the Licensee's Required Revenue

Introduction

24.1 This condition provides for the determination of the revenue the Licensee will need to discharge its functions under this Licence for a Price Control Period, and for the circumstances in which that determination may be adjusted.

Part A: Determination of the Licensee's Required Revenue

24.2 The Licensee's Required Revenue for ~~a~~each Regulatory Year ~~is in a Price Control Period will be~~ determined by the Authority and set out in directions to the Licensee ~~on or before 28th February in the Regulatory Year immediately preceding a new Price Control Period.:~~

(a) for the first Price Control Period, before the period of 30 days ending with the First Transfer Date;

(b) for any other Price Control Period, on or before 28th February in the Regulatory Year immediately preceding that Price Control Period.

24.3 The Authority may, by direction given to the Licensee, extend the time available for it to make the determination in paragraph 24.2-~~(b)~~ (but not beyond 31st March, by which time the Authority must make the determination).

24.4 In relation to ~~a~~ Regulatory Year t, the Required Revenue ("ReqR_t") is the amount calculated in accordance with the following formula:

$$EC + IC + PTC - VASC$$

$$\{ReqR_t = EC_t + IC_t + PTC_t - VASC_t$$

Part B: Ringfencing

24.5 The Authority may, in the determination referred to in paragraph 24.2, ringfence a proportion of the Required Revenue for a specific purpose.

24.6 Where the Authority exercises the power in paragraph 24.5, the Licensee must not spend the ringfenced amount for any other purpose-~~].~~

Part C: Automatic Adjustments

24.7 The Licensee may apply for prior approval of a factor that will or could affect the Required Revenue for a Regulatory Year (a "Driver").

24.8 Either where the Licensee applies or where the Authority acts of its own volition, the Authority may, by direction given to the Licensee, approve the Driver where ~~it~~:

(a) it will or could affect ~~the~~ EC, IC, PTC, EC_t, IC_t, PTC_t or ~~VASC~~ VASC_t, and

(b) the precise effect of the Driver on these amounts cannot be:

(i) foreseen by the Licensee at the time the Price Control Information for the Price Control Period is submitted;

(ii) controlled by the Licensee.

24.9 Where a Driver is approved, the Licensee must adjust the Required Revenue in accordance with any instructions given by the Authority in its approval.

Part D: Annual or Emergency Reopener

24.10 Where the Licensee applies in accordance with paragraph 24.11 (“Annual Reopener”) or 24.12 (“Emergency Reopener”), the Authority may, by direction given to the Licensee, amend the Required Revenue for a Regulatory Year.

24.11 The Licensee may apply for an Annual Reopener, and the application:

(a) must:

- (i) be prepared in accordance with any guidance issued by the Authority for this purpose,
- (ii) be submitted in Writing ~~within the period of seven days beginning with~~ 24~~during~~ December, and
- (iii) relate to a future Regulatory Year in the Price Control Period in which the application is submitted, and

(b) may not be submitted in the Regulatory Year beginning with ~~1 April 2026~~the First Transfer Date.

24.12 The Licensee may apply for an Emergency Reopener, and the application:

- (a) must be prepared in accordance with any guidance issued by the Authority for this purpose,
- (b) must be submitted in Writing,
- (c) may be submitted at any time, and
- (d) may relate to any Regulatory Year in the Price Control Period in which the application is submitted.

24.13 Where the Licensee has applied for an Annual Reopener and the Authority is minded not to exercise the power in paragraph 24.9, the Authority must ~~Consult~~consult with the Licensee before making a final decision.

Part E: Guidance for the purposes of this condition

24.14 The Authority may issue guidance about the procedure it will follow and the matters it will consider when exercising its functions under this condition.

24.15 Guidance under paragraph ~~24.13~~24.14 may set out the principles, methods of assessment, and types of criteria that the Authority is likely to apply to determine whether costs would be economically and efficiently incurred.

Part F: Interpretation

24.16 In this condition-:

Driver has the meaning given in paragraph 24.7 (and ~~Condition 25~~; see Part C of Condition 22 for the power of the Authority to issue guidance on related matters).

~~ECEC_t~~ is the Authority's view of the External Costs likely to be incurred during the ~~Regulated~~Regulatory Year t.

~~IC_t~~ is the Authority's view of the Internal Costs likely to be incurred during the Regulatory Year t.

~~PTC_t~~ is the Authority's view of the Pass-Through Costs likely to be incurred during the Regulatory Year t.

~~RECCo~~ means ~~the Retail Energy Code Company Limited, a company registered in England and Wales under number 10989875.~~

~~VASC_t~~ is the Authority's view of the Value Added Services Contribution the Authority expects the Licensee to receive during the Regulatory Year t.

24.17 In this condition and in Condition 25:

External Costs means, in relation to a Regulatory Year, ~~the t,~~ costs economically and efficiently incurred in procuring Fundamental Service Capability ~~during that year.~~

~~IC~~ is ~~the Authority's view of the Internal Costs likely to be incurred during the Regulated Year.~~

Internal Costs means, in relation to a Regulatory Year, the sum of the costs (excluding ~~Centralised Registration Service External Costs, Centralised Registration Internal Costs,~~ External Costs and Pass-Through Costs) economically and efficiently incurred to provide ~~Mandatory~~the Authorised Business Services under or pursuant to the SEC.

Pass-Through Costs ~~or PTC~~ ~~is~~ means, in relation to a Regulatory Year t, the sum of the amounts ~~the Authority expects~~paid by the Licensee ~~to pay~~ to:

- (a) the Authority under Condition 4 (Licensee's payments to the Authority),
- (b) SECCo Ltd for purposes associated with the governance and administration of the SEC,
- (c) AltHANCo Ltd for purposes associated with the Alt Han Arrangements,
- (d) RECCo Ltd for the purposes associated with the Centralised Registration Service,
- (e) to Energy Suppliers as Reimbursement Amount for the purposes of the CH Replacement Reimbursement Service,
- (f) any other person in accordance with a direction given to the Licensee by the Authority ~~on.~~

Regulatory Year t means the particular Regulatory Year for the purposes of which any calculation is required to be made under this condition ~~or before the date mentioned in paragraph 24.2. Condition 25.~~

~~RECCo~~ means ~~the Retail Energy Code Company Limited, a company registered in England and Wales under number 10989875.~~

VASC (Value Added Services Contribution) ~~is~~ means, in relation to a Regulatory Year t, the net financial benefit ~~the Authority expects~~ received by the Licensee ~~to receive~~ from carrying out Permitted Business designated as Value Added Services ~~in that Regulatory Year.~~

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Condition 25. Licensee's Recovered Revenue and Reporting

Introduction

25.1 This condition controls the revenue that the Licensee may recover from those liable to pay ~~service charges.~~Service Charges. It also makes provision for related reporting requirements.

Part A: Recovered Revenue

25.2 The total Service Charges levied for a Regulatory Year t ("Recovered Revenue") RecR_t) must not exceed the amount calculated in accordance with the following formula:

$$\text{RecR}_t = (ECc_t + IC_t + PTC_t - VASC_t) \times 1.05 - A_t$$

25.3 On the ~~last~~first working day of ~~a month~~each Quarter, the Licensee must calculate the proportion of cash it ~~holds on that day~~held in relation to the Required Revenue for the current Regulatory Year ("Cash Position") CP_d) in accordance with the following formula:

$$\text{Where } CP_d = \frac{B_d}{(ECc_t + IC_t + PTC_t - VASC_t)}$$

25.4 Within the period of 7 days beginning with the date the Cash Position is ~~greater than~~1.05~~calculated,~~ the Licensee must ~~notify~~provide the Authority with a report in Writing ~~as soon as is practicable.~~that sets out:

(a) its Cash Position, and

(b) an assessment of the appropriateness of the Cash Position.

25.5 Where the Authority becomes aware that the Cash Position is, or is likely to become, greater than 1.05, it may direct the Licensee to modify the Charging Statement for the purposes of reducing the Cash Position to 1.05 as soon as is practicable.

25.6 In this Part:

~~(a) —A_t is, in relation to:~~

(a) the Regulatory Year beginning with the First Transfer Date, an sum of:

(i) any amount equal to the cash transferred paid by any person to the Licensee by in Regulatory Year t but excluding Service Charges levied by the Licensee, Value Added Services Contribution or any amount paid pursuant to an Agreement for Services;

(ii) any amount paid by the Licensee in Regulatory Year t to meet a cost of the Previous Licensee ~~on or before~~ pursuant to an agreement made under

Condition 43 of the First Transfer Date Previous Licence, expressed as a negative value;

(ii) ~~any other Regulatory Year, zero.~~

(iii) Any amount paid by the Licensee to the Previous Licensee in Regulatory Year t to reflect an under-recovery of Allowed Revenue as is found to have arisen at the First Transfer Date, expressed as a negative value.

(b) B_d is an amount equal to the cash held by the Licensee on the working day d before the day the calculation is performed.

(c) ~~EC_t~~EC_t is the sum of the amounts the Licensee will pay during the Regulated Regulatory Year t to meet the amount of External Costs– (EC_t) directed by the Authority under paragraph 24.2 and amended under paragraphs 24.9 and 24.10.

(d) IC_t is, in relation to a Regulatory Year t, an amount of Internal Costs directed by the Authority under paragraph 24.2 and amended under paragraphs 24.9 and 24.10.

(e) PTC_t is, in relation to a Regulatory Year t, an amount of Pass-Through Costs directed by the Authority under paragraph 24.2 and amended under paragraphs 24.9 and 24.10.

(f) VASC_t is, in relation to a Regulatory Year t, an amount of Value Added Services Contribution directed by the Authority under paragraph 24.2 and amended under paragraphs 24.9 and 24.10.

Part B: Reporting

25.7 Upon a request by the Authority, the Licensee must provide the Authority with a report on its Cash Position which must:

(a) be submitted in Writing by the date specified by the Authority,

(b) be prepared in accordance with any guidance issued by the Authority for this purpose,

(c) include confirmation of whether the Cash Position is greater than ±0.05, and

(d) where the Cash Position is greater than ±0.05, contain an explanation.

25.8 ~~Within each~~Before the end of ~~the months~~a period of ~~July, October, December and April~~28 days beginning with the first day of each Regulatory Year~~a Quarter~~, the Licensee must submit to the Authority and the Customer Challenge Group a financial update covering the previous ~~three months~~Quarter (a Quarterly Report).

25.9 The Quarterly Report must:

(a) describe the Licensee's progress against the Business Plan Report submitted under Condition 22, with particular reference to any matters mentioned in guidance issued by the Authority on the purview of the Customer Challenge Group, and

(b) state the Licensee's assessment of the risk that it will spend more than the Required Revenue (or any ringfenced amount) for any Regulatory Year as determined under Condition 24 (Determination of the Licensee's Required Revenue).

25.10 In addition to the matters set out in paragraph 25.9, the Quarterly Report submitted in ~~December~~October must state whether any Annual Reopener is expected to be submitted to the Authority and, if so, the reasons.

25.11 On or before 31 July, the Licensee must provide the Authority with an End-of-Year Report for the previous Regulatory Year which must:

(a) be prepared in accordance with any guidance issued by the Authority for this purpose,

(b) state the costs incurred by the Licensee in that Regulatory Year,

(c) compare the incurred costs with the costs the Authority expected to be incurred when determining the Required Revenue for that Regulatory Year,

(d) where the comparison in (c) shows a variation, provide an explanation,

(e) state any adjustments to the Required Revenue for the Regulatory Year in which the End-of-Year Report is submitted, or any future Regulatory Years, arising from the Authority exercising its powers under paragraphs ~~24.7~~24.8 or 24.9.

Part C: Interpretation

25.12 In this condition,:

Allowed Revenue has the meaning given in Condition 35.5 of the Previous Licence.

Annual Reopener has the meaning given in Condition 24, Part D: Annual or Emergency Reopener

Cash Position has the meaning given in paragraph 25.3.

Required Revenue, in relation to a Price Control Period, is the amount determined by the Authority in accordance with paragraph 24.2.

Quarter means a period of three months ending on 31 March, 30 June, 30 September or 31 December.

Condition 26. Charging Methodology for Service Charges

Introduction

- 26.1 Under the Previous Licence, a Charging Methodology for Service Charges (“Charging Methodology”) was incorporated into the SEC. This condition maintains the duty on the Licensee to always have, and comply with, a Charging Methodology. It also sets out the objectives of the Charging Methodology.
- 26.2 As part of the SEC, the Charging Methodology may be modified in the same way as the SEC. However, the objectives of the Charging Methodology differ to the general objectives of the SEC. The Licensee must keep the Charging Methodology under review and propose modifications where appropriate. The Licensee must also make the Charging Methodology accessible.

Part A: General requirements for the Charging Methodology

- 26.3 The Licensee must have a Charging Methodology incorporated in the SEC.
- 26.4 The Licensee, except where the Authority otherwise consents, must comply with the provisions of the Charging Methodology.
- 26.5 The Charging Methodology must:
- (a) be a complete and documented explanation, presented in a coherent and consistent manner, of the methods, principles, and assumptions that apply for the purpose of determining the Service Charges payable ~~for Mandatory Business Services provided under or pursuant to the SEC or REC, and~~
 - (b) achieve the Relevant Policy Objectives.
- 26.6 The First Relevant Policy Objective:
- (a) applies in respect of Service Charges imposed under or pursuant to the SEC in respect of the operation of provision of Mandatory Business Services (excluding Additional User Services), and
 - (b) requires the Charging Methodology to ensure that such Service Charges do not distinguish (whether directly or indirectly) between Energy Consumers at:
 - (i) Domestic Premises in different parts of Great Britain, and
 - (ii) Designated Premises in different parts of Great Britain.
- 26.7 The Second Relevant Policy Objective applies in relation to SMETS1 Meters. The Second Relevant Policy Objective is that, subject to compliance with the First Relevant Policy Objective, the Charging Methodology in respect of all of the Mandatory Business Services (excluding Additional User Services) must (in each of the following cases, as far as is reasonably practicable in all of the circumstances of the case, having regard to the costs of implementing the Charging Methodology) result in Service Charges that are the same for SMETS1 Meters as they are for Other Smart Metering Systems, save that no Service Charges for Communications Hub Services will apply to SMETS1 Meters;

26.8 The Third Relevant Policy Objective is that, subject to compliance with the First and Second Relevant Policy Objectives, the Charging Methodology ~~in respect of all of the Mandatory Business Services provided under or pursuant to the SEC~~ must result in Service Charges that:

- (a) facilitate effective competition in the Supply of Energy (or its use) under the Principal Energy Legislation,
- (b) do not restrict, distort, or prevent competition in Commercial Activities that are connected with the Supply of Energy under that legislation,
- (c) do not deter the full and timely installation by Energy Suppliers of Smart Metering Systems at Energy Consumers' premises in accordance with their obligations under the Energy Supply Licence, and
- (d) do not unduly discriminate in their application and are reflective of the costs incurred by the Licensee, as far as is reasonably practicable in all of the circumstances of the case, having regard to the costs of implementing the Charging Methodology.

26.9 The Charging Methodology will achieve the Third Relevant Policy Objective if it is compliant with the provisions of paragraph 26.8 in the round, weighing them as appropriate in each particular case.

Part B: Review of the Charging Methodology

26.10 The Licensee must, for the purpose of ensuring that the Charging Methodology will continue to achieve the Relevant Policy Objectives:

- (a) review the methodology at least once in each Regulatory Year, and
- (b) propose such modifications (if any) of the Charging Methodology in the SEC as it believes are appropriate or necessary for the purpose of enabling it to better achieve the Relevant Policy Objectives.

26.11 Any proposed modification of the Charging Methodology by the Licensee must:

- (a) have as its purpose the better achievement of the Relevant Policy Objectives set out in Part C above, instead of the better achievement of the General SEC Objectives set out in Condition 11 and Schedule 2, and
- (b) must be assessed by reference to those Relevant Policy Objectives, and not by reference to the General SEC Objectives.

Part C: General availability of the Charging Methodology

~~26.12~~—The Licensee must:

- ~~(a) provide a copy of the Charging Methodology to any person who requests it upon payment of an amount (if any) that does not exceed the reasonable costs of making and supplying that copy, and~~

~~26.13~~26.12 make a copy of the Charging Methodology available on its Website.

~~26.14~~26.13 When any modification of the Charging Methodology is made, the Licensee must at the same time:

- (a) to such extent as may be necessary, revise the Charging Statement (or the most recent revision of it) so that the statement properly sets out the effect of the changes to the Charging Methodology and the date from which they will be implemented, and
- (b) give the Authority a copy of that revised Charging Statement.

Part D: Interpretation

~~26.15~~26.14 For the purposes of this condition:

Charging Methodology has the meaning given to that term in paragraph 26.1.

First Relevant Policy Objective has the meaning given to that term in paragraph 26.6.

Other Smart Metering System means a Smart Metering System other than a Smart Metering System comprising of or including a SMETS1 Meter

Relevant Policy Objectives means the objectives of the Charging Methodology as set out in paragraphs 26.6 to 26.8.

Second Relevant Policy Objective has the meaning that is given to that term in paragraph 26.7.

SMETS1 Meter means an Energy Meter that has (as a minimum) the functional capability specified by and complies with the other requirements of the document titled "Smart Metering Equipment Technical Specifications" that was designated on 18 December 2012 and amended and restated on 31 March 2014 (but not any subsequent version of that document).

Third Relevant Policy Objective has the meaning that is given to that term in paragraph 26.8.

Condition 27. Charging Statement for Service Charges

Introduction

- 27.1 This condition requires the Licensee to prepare and comply with a Charging Statement for Service Charges that:
- (a) has been prepared in accordance with the Charging Methodology in force under Condition 26 (Charging Methodology for Service Charges), and
 - (b) will enable SEC Parties, REC Parties and any other persons to estimate the Service Charges that are payable for the provision by the Licensee of ~~Mandatory Business Services (within the meaning of Part E below) under or pursuant to the SEC~~ the Authorised Business.
- 27.2 Every Service Charge levied by the Licensee for the provision of ~~a Mandatory~~ the Authorised Business ~~Service~~ will be formulated in compliance with the Charging Methodology.

Part A: Requirements in respect of the Charging Statement

- 27.3 Within the period of three months beginning with the Licence Commencement Date, the Licensee must make available a Charging Statement for Service Charges (“Charging Statement”) that sets out the basis on which Service Charges will be payable to the Licensee for the provision of ~~Mandatory~~ the Authorised Business ~~Services under or pursuant to the SEC~~.
- 27.4 The Charging Statement must:
- (a) relate to each ~~of service comprising~~ the ~~Mandatory~~ Authorised Business ~~Services operated or provided by the Licensee under or pursuant to the SEC~~,
 - (b) be prepared in accordance with and contain such information as is necessary to comply with the Charging Methodology in force under Condition 26 at the time at which the Charging Statement has effect, and
 - (c) be presented in such form and with such detail as will enable any SEC Party, or any other person entitled to receive ~~Mandatory~~ the services comprising the Authorised Business ~~Services~~, to make a reasonable estimate of the Service Charges that they would be liable to pay under an Agreement for Services entered into with the Licensee under or pursuant to Condition 9 (Arrangements for the provision of services).
- 27.5 Subject to paragraph 27.6, the Licensee must maintain the Charging Statement in a form that is approved by the Authority.

Part B: Charging in accordance with the Charging Statement

- 27.6 Except where the Authority otherwise consents, and subject to paragraph 27.7, every Agreement for Services must be so framed as to ensure that the Service Charges that are or become payable under it will comply with the Charging Statement in the form in which it is in force under this condition at each time at which such Service Charges are to be paid under or pursuant to that agreement.

27.7 The requirement imposed by paragraph 27.6:

- (a) does not apply to an Agreement for Services in respect of any Value Added Services, and
- (b) applies only to such as extent as is practicable to any Agreement for Services in respect of:
 - (i) Additional User Services, or
 - (ii) an Enrolment Service.

Part C: Procedure for amending any of the Service Charges

27.8 The Licensee must, not less than three months before the date on which it proposes to amend its Service Charges in respect of any Agreement for Services:

- (a) give the Authority a Notice that sets out those proposals, together with an explanation of them (which must include a statement of any assumptions on which the proposals are based), and
- (b) send a copy of the Notice to any person with whom the Licensee has entered into an Agreement for Services.

27.9 ~~Where For an Emergency Adjustment:~~

- ~~(a) the proposed amendment~~ Licensee must propose to amend its Service Charges as soon as is consequential to an Emergency Adjustment, reasonably practicable, and
- ~~(e)~~(b) paragraph 27.8 has effect as if for “three months” there were substituted “one month”.

~~27.9~~27.10 Except if the Authority otherwise consents, the Licensee may only amend its Service Charges in respect of any Agreement for Services if:

- (a) it has given Notice of the proposed amendment in accordance with paragraph 27.8, and
- (b) the amendment, when made, conforms to the proposals that were set out in that Notice (except for any necessary revisions resulting from the occurrence of a material change in any of the matters on which the assumptions set out in the statement to which the Notice refers were based, and then only to such extent as is necessary to reflect the change in such matters).

~~27.10~~27.11 The Licensee may only amend Service Charges more than once in a Regulatory Year if:

- (a) the Licensee has first given the Authority a statement of the factors that have led it to conclude that an additional amendment is necessary, explaining in particular why it did not (or could not) take account of those factors when giving Notice under paragraph 27.8 with respect to the immediately preceding amendment of Service Charges, or
- (b) the additional amendment is consequential to-

(b) —an:

- (i) Automatic Adjustment, or
- (ii) an Emergency Adjustment.

~~27.11~~27.12 The Licensee may only amend Service Charges in consequence of an Automatic ~~Adjustments~~Adjustment up to three times in any Regulatory Year.

~~27.12~~27.13 Before making any amendment of its Service Charges, the Licensee must give the Authority a revised Charging Statement that sets out the amended Service Charges and specifies the date from which they will have effect.

Part D: Review and availability of the Charging Statement

~~27.13~~27.14 Without prejudice to Part C: Procedure for amending any of the Service Charges above, the Licensee must periodically review information set out in a Charging Statement in force under this condition and, at least once in each Regulatory Year, make any changes that are necessary to the statement to ensure that such information continues to be accurate and reliable in all material respects.

~~27.14~~27.15 The changes mentioned in paragraph 27.14 include, in particular, any changes that are necessary by virtue of the Licensee's duty under paragraph 26.13(a) to ensure that the effects of any modification of the Charging Methodology in force under that condition are duly incorporated into the Charging Statement.

~~27.15~~27.16 Every review of the Charging Statement must comply with such requirements of the SEC with respect to the timeframe and process for such reviews as are applicable at the relevant time.

~~27.16~~27.17 The Charging Statement, as from time to time revised, must be published in such manner as the Licensee believes will ensure adequate publicity for it (including on the Licensee's Website).

Part E: Interpretation

~~27.17~~27.18 For the purposes of this condition:

Automatic Adjustment means an amendment to the Licensee's Required Revenue in accordance with a direction given by the Authority under Part C: Automatic Adjustments of Condition 24.

Charging Statement has the meaning given to that term in paragraph 27.3.

Emergency Adjustment means an amendment to the Licensee's Required Revenue in accordance with a direction given by the Authority following an Emergency Reopener.

Emergency Reopener has the meaning given in Condition 24, Part D: Annual or Emergency Reopener.

~~**Mandatory Business Services** includes Additional User Services and Enrolment Services only to such extent as is practicable.~~ **Required Revenue**, in relation to a Price

Control Period, is the amount determined by the Authority in accordance with paragraph 24.2.

CHAPTER 7: FINANCIAL AND RINGFENCING PROVISIONS

Conditions 28 to 32

Condition 28. Availability of all necessary resources

Introduction

28.1 This condition applies for the purpose of ensuring that the Licensee will at all times have at its disposal all of the resources necessary to enable it to carry on its Authorised Business in accordance with the functions it exercises under or by virtue of the Principal Energy Legislation, this Licence, the Retail Energy Code and the Smart Energy Code.

Part A: General obligations under this condition

28.2 The Licensee must at all times act in a manner designed to ensure that it has available to itself, either directly or under appropriate contractual arrangements, such resources (including management and financial resources, personnel, fixed and moveable assets, rights, licences, consents, and facilities), on such terms and with all such rights, as will enable it to properly and efficiently:

- (a) ~~properly and efficiently~~ carry on its Authorised Business; and
- (b) ~~properly and efficiently~~ exercise the functions it has under or by virtue of the Principal Energy Legislation, this Licence, the Retail Energy Code and the Smart Energy Code, including, in particular, its duty to carry on the Mandatory Business at all times in accordance with the General Duties of the Licensee.

Part B: Certificates for the Authority in relation to financial resources

28.3 The Licensee must by the Due Date each year give the Authority a certificate that:

- (a) has been approved by a resolution of the Licensee's board of directors;
- (b) is signed by a director of the Licensee pursuant to that resolution; and
- (c) is in one of the three forms of certificate (that is to say, Certificate B1, or Certificate B2, or Certificate B3) prescribed for the purposes of this Part B in Appendix 1 (which has effect as part of this condition).

Part C: Statement of relevant factors and report by the auditors

28.4 The Licensee must ensure that the certificate given to the Authority under Part B: Certificates for the Authority in relation to financial resources above is accompanied by a statement of the main factors that the Licensee's directors have taken into account in giving that certificate, including reference to the:

- (a) ~~the~~ main financial resources and financial facilities that are available to the Licensee; and
- (b) ~~the~~ most recent cashflow statement prepared for the Licensee.

28.5 The certificate must also be accompanied, in the Regulatory Year beginning on 1 April 2027 and in each subsequent Regulatory Year, by a report prepared by the Licensee's auditors and addressed to the Authority that states whether or not the auditors are aware of any inconsistencies between

- (a) the certificate given by the Licensee's directors and the statement submitted with it, and
- (b) any information that they have obtained during their audit work under Condition 34 (Requirements for Regulatory Accounts) in relation to the Licensee's Regulatory Accounts.

Part D: Certificates for the Authority in relation to operational resources

28.6 The Licensee must by the Due Date each year give the Authority a certificate that:

- (a) has been approved by a resolution of the Licensee's board of directors^{5.2}
- (b) is signed by a director of the Licensee pursuant to that resolution^{5.2} and
- (c) is in one of the three forms of certificate (that is to say, Certificate D1, or Certificate D2, or Certificate D3) prescribed for the purposes of this Part D in Appendix 2 (which has effect as part of this condition).

28.7 The Licensee must ensure that the certificate given to the Authority under this Part D is accompanied by a statement of the main factors that the Licensee's directors have taken into account in giving that certificate.

Part E: Certificates for the Authority in relation to Licence compliance

28.8 The Licensee must by the Due Date each year give the Authority a certificate that:

- (a) has been approved by a resolution of the Licensee's board of directors^{5.2}
- (b) is signed by a director of the Licensee pursuant to that resolution^{5.2} and
- (c) is in one of the two forms of certificate (that is to say, Certificate E1 or Certificate E2) prescribed for the purposes of this Part E in Appendix 3 (which has effect as part of this condition).

Part F: Obligation to report in respect of adverse circumstances

28.9 The Licensee must inform the Authority in Writing immediately if the directors of the Licensee:

- (a) become aware of any circumstance that causes them no longer to have the reasonable expectations expressed in the most recent Certificate B1 or Certificate B2 given to the Authority,
- (b) become aware of any circumstance that causes them no longer to have the reasonable expectations expressed in the most recent Certificate D1 or Certificate D2 given to the Authority, or
- (c) consider that any of the adverse circumstances that caused them to give the Authority a certificate in the form of Certificate B3 or Certificate D3 have materially worsened.

Part G: Interpretation

28.10 In this condition, **Due Date** means:

(a) for the Regulatory Year beginning with ~~1 April 2027, the First Transfer Date,~~ the end of the period of ~~seven~~⁹⁰ days beginning with the ~~Licensee Commencement~~^{First Transfer} Date, and

(b) in each subsequent Regulatory Year, 31 July.

28.11 Appendices 1, 2, and 3 follow immediately below.

Appendix 1: Certification of Financial Resources

1.1 In accordance with Part B of this condition, the Licensee is required by the Due Date each year to give the Authority one of the following three forms of certificate that are prescribed for use by the Licensee for the purposes of that Part B: Certificates for the Authority in relation to financial resources.

Prescribed Form of Certificate B1

1.2 “After making enquiries, the directors of the Licensee have a reasonable expectation that the Licensee will have sufficient financial resources and financial facilities available to itself to enable it to carry on the Authorised Business for a period of 12 months from the date of this certificate.”

Prescribed Form of Certificate B2

1.3 “After making enquiries, the directors of the Licensee have a reasonable expectation, subject to what is explained below, that the Licensee will have sufficient financial resources and financial facilities available to itself to enable it to carry on the Authorised Business for a period of 12 months from the date of this certificate.

1.4 “However, the directors of the Licensee would like to draw attention to the following factors, which may cast doubt on the Licensee’s ability to carry on the Authorised Business” [*followed by a description of those factors*].

Prescribed Form of Certificate B3

1.5 “In the opinion of the Licensee’s directors, the Licensee will not have sufficient financial resources and financial facilities available to itself to enable the Licensee to carry on the Authorised Business for a period of 12 months from the date of this certificate.”

Appendix 2: Certification of Operational Resources

2.1. In accordance with Part D: Certificates for the Authority in relation to operational resources of this condition, the Licensee is required by the Due Date each year to give the Authority one of the following three forms of certificate that are prescribed for use by the Licensee for the purposes of that Part D: Certificates for the Authority in relation to operational resources.

Prescribed Form of Certificate D1

2.2. “After making enquiries, the Licensee’s directors have a reasonable expectation that the Licensee will have available to itself, either directly or under appropriate contractual arrangements, sufficient operational resources (including management,

personnel, fixed and moveable assets, rights, licences, consents, and facilities) to enable the Licensee to carry on the Authorised Business for a period of 12 months from the date of this certificate.”

Prescribed Form of Certificate D2

- 2.3. “After making enquiries, the Licensee’s directors have a reasonable expectation, subject to what is explained below, that the Licensee will have available to itself, either directly or under appropriate contractual arrangements, sufficient operational resources (including management, personnel, fixed and moveable assets, rights, licences, consents, and facilities) to enable the Licensee to carry on the Authorised Business for a period of 12 months from the date of this certificate.
- 2.4. “However, the directors of the Licensee would like to draw attention to the following factors, which may cast doubt on the Licensee’s ability to carry on the Authorised Business” [*followed by a description of those factors*].

Prescribed Form of Certificate D3

- 2.5. “After making enquiries, the Licensee’s directors do not have a reasonable expectation that the Licensee will have available to itself, either directly or under appropriate contractual arrangements, sufficient operational resources (including management, personnel, fixed and moveable assets, rights, licences, consents, and facilities) to enable the Licensee to carry on the Authorised Business for a period of 12 months from the date of this certificate.”

Appendix 3: Certification of Licence Compliance

- 3.1 In accordance with Part E: Certificates for the Authority in relation to Licence compliance of this condition, the Licensee is required by the Due Date each year to give the Authority one of the following two forms of certificate that are prescribed for use by the Licensee for the purposes of that Part E: Certificates for the Authority in relation to Licence compliance.

Prescribed Form of Certificate E1

- 3.2 “After making enquiries, the Licensee’s directors consider that at the time of their approval of this certificate, the Licensee is in compliance in all material respects with all of the obligations imposed on it by Condition 15 (Licensee’s Board of Directors and Managers), Condition 16 (Independence and autonomy of the Licensee), Condition 29 (Undertakings from an Ultimate Controller), Condition 30 (Financial stability), Condition 31 (Indebtedness and transfers of funds), and Condition 33 (Provision of Information by the Licensee).”

Prescribed Form of Certificate E2

- 3.3 “In the opinion of the Licensee’s directors, after making enquiries, the Licensee is not, at the time of their approval of this certificate, in compliance in all material respects with all of the obligations imposed on it by Condition 15 (Licensee’s Board of Directors and Managers), Condition 16 (Independence and autonomy of the Licensee), Condition 29 (Undertakings from an Ultimate Controller), Condition 30

(Financial stability), Condition 31 (Indebtedness and transfers of funds), and Condition 33 (Provision of Information by the Licensee).

3.4 “The directors of the Licensee are unable to certify such compliance in respect of the following matters” [*followed by a statement of those matters*].

Condition 29. Undertakings from an Ultimate Controller

Introduction

29.1 This condition requires the Licensee to obtain and provide the Authority with legally enforceable undertakings given by persons who ultimately control the Licensee that they will refrain from taking any action that might cause the Licensee to breach or fail to discharge any of the functions that it is required to exercise under or by virtue of the Principal Energy Legislation, this Licence, the Retail Energy Code or the Smart Energy Code.

Part A: General obligation to procure undertakings

29.2 The Licensee must procure a legally enforceable undertaking in favour of itself, in a form specified by the Authority with effect from the ~~grant of this~~ Licence Commencement Date, from each company or other person that the Licensee knows or should reasonably know is at any time an Ultimate Controller of the Licensee.

29.3 The terms that must be given full and binding effect by virtue of the undertaking to which paragraph 29.2 refers are that the Ultimate Controller (in this condition only, “the Covenantor”~~”~~) will:

- (a) ~~will~~ refrain from any action; and
- (b) ~~will~~ procure that any person (including a corporate body) that is a Subsidiary of, or is controlled by, the Covenantor (other than the Licensee itself and any Subsidiary of the Licensee) will refrain from any action, that would be likely to cause the Licensee to breach or fail to discharge any of the functions it exercises under or by virtue of the Principal Energy Legislation, this Licence, the REC or the Smart Energy Code.

29.4 The undertaking that is to be procured under paragraph 29.2~~”~~ must:

- (a) ~~must~~ have been obtained before the end of seven days after the date on which the corporate body or person in question becomes an Ultimate Controller of the Licensee; and
- (b) ~~must~~ be stated to remain in full force and effect for as long as the Licensee remains the holder of this Licence and the Covenantor remains an Ultimate Controller of the Licensee.

Part B: Evidence of compliance and the duty to enforce

29.5 Whenever the Licensee has obtained an undertaking in accordance with paragraph 29.4(a), it must:

- (a) give the Authority evidence of its compliance without delay, including a certified copy of the undertaking;
- (b) at all times comply with any direction from the Authority to enforce the undertaking; and

- (c) immediately inform the Authority in Writing if it becomes aware that the undertaking has ceased to be legally enforceable or that there has been any breach of its terms.

Part C: Restriction of arrangements with an Ultimate Controller

- 29.6 Except where the Authority otherwise consents, the Licensee must not enter (directly or indirectly) into any agreement or arrangement with any Ultimate Controller of the Licensee or, where the Ultimate Controller is a corporate body, with any of the Subsidiaries of such an Ultimate Controller (other than a Subsidiary of the Licensee itself) at any time when:
- (a) an undertaking procured under paragraph 29.2 is not in place in relation to the Ultimate Controller; or
 - (b) there is an unremedied breach of any undertaking that is in place in relation to that Ultimate Controller; or
 - (c) the Licensee is in breach of the terms of any direction given by the Authority under paragraph 29.5(b).

Part D: Provision of an annual schedule of undertakings

- 29.7 The Licensee must, on or before 31 July each year, provide the Authority with a schedule specifying every undertaking that has been obtained from an Ultimate Controller in accordance with paragraph 29.2 and that is in force at the date of the schedule, together with confirmation that the Licensee has in Writing formally reminded each such Ultimate Controller, within the previous 12 months, of the terms of the undertaking that such person has given.

Part E: Interpretation

- 29.8 In this condition, **Covenantor** has the meaning that is given to that term in paragraph 29.3.

Condition 30. Financial stability

Introduction

30.1 This condition applies for the purposes of providing assurance that the Licensee will have sufficient financial stability to deliver the Authorised Business and protect the interests of Energy Consumers.

Part A: Requirement to provide assurance of financial stability

30.2 ~~For~~Before the ~~purpose~~end of ~~providing assurance as to its continuing financial stability, the Licensee must, with effect from the period of~~ three months ~~after beginning with the Licence Commencement~~First Transfer Date, ~~have in place and maintain arrangements with respect to that purpose that~~the Licensee must submit a proposal for how it ~~has proposed to the Authority and to which the Authority has consented on the basis that they will~~ provide a level of assurance as to its continuing financial stability that is sufficient to protect the interests of Energy Consumers.

30.3 Any proposal submitted by the Licensee ~~in accordance with paragraph 30.2~~ must contain:

(a) arrangements:

- (i) relating to financial governance,
- (ii) for monitoring its financial stability, and
- (iii) for a cashflow management credit facility, and

(b) sufficient information to enable the Authority to consider and decide whether it would be appropriate for the Authority to consent to the proposal in all the circumstances of the case.

~~30.4~~ A~~Following the submission of the proposal, the Authority will either:~~

~~(a) consent to the proposal, or~~

~~(b) direct the Licensee to modify the proposal and resubmit it to the Authority.~~

~~30.4~~30.5 Consent under paragraph ~~30.2~~30.4(a) may be subject to such terms and conditions as the Authority considers appropriate, having particular regard to the purpose that the arrangements that are proposed to be put in place are required to fulfil.

~~30.6~~ Where the Authority consents to the proposal, the Licensee must have in place and maintain the arrangements contained in that proposal.

Condition 31. Indebtedness and transfers of funds

Introduction

31.1 This condition places restrictions on the Licensee's ability to incur debt, or create security, or have exposure to the financial risks of other persons, and applies for the purpose of ensuring that such liabilities as the Licensee may assume will only be liabilities relating to its conduct of the Authorised Business.

Part A: General prohibition of certain transactions

31.2 In addition to complying with the requirements of Condition 32 (Disposal of Relevant Business Assets), the Licensee must not, without the Authority's consent following the Licensee's disclosure of all material facts, enter into any transaction or commitment of a type described or referred to in the provisions of this Condition 31 that does not comply with the restrictions that are applicable to it under those provisions.

Part B: Restricted Transactions Category 1

31.3 The Licensee must not create or continue or permit to remain in effect any mortgage, charge, pledge, lien or other form of security or encumbrance, or undertake any Indebtedness to any other person, or enter into any guarantee or any obligation to any other person, except in accordance with each of the following requirements:

- (a) the transaction in question must be on an arm's length basis,
- (b) it must be on normal commercial terms,
- (c) it must be for a Permitted Purpose, and
- ~~(d)~~—if it is within the ambit of Condition 32 (Disposal of Relevant Business Assets), it must comply with the requirements of that condition.

~~31.4—The Licensee must ensure that it returns the over-recovery of Required Revenue to any person to whom such amount is payable, as soon as is reasonably practicable, and by no later than the Second Transfer Date.~~

~~31.5—The Licensee must, by no later than three months after this condition takes effect, prepare and submit to the Authority, for approval, a plan for the return of any over-recovery that has been accrued. This plan must include a timetable to demonstrate the return of the over-recovery of Allowed Revenue in a phased manner. Pursuant to Condition 23, the Licensee must report progress against this plan to the Authority at the end of each Regulatory Year as part of its Price Control Information.~~

- ~~(a)(d)~~ For the avoidance of doubt, any residual amount of over-recovery once the Licensee has complied with Condition 31.4, will remain subject to Condition 37.13(e).

Part C: Restricted Transactions Category 2

~~31.6~~31.4 The Licensee must not transfer, lease, license, or lend any sum or sums, asset, right, or benefit to any Affiliate or Related Undertaking of the Licensee except by way of any of the following transactions:

- (a) a dividend or other distribution out of distributable reserves~~;~~~~☒~~₂
- (b) a repayment of capital~~;~~~~☒~~₂
- (c) a payment properly due for any goods, services, or assets provided on an arm's length basis and on normal commercial terms~~;~~~~☒~~₂
- (d) a transfer, lease, licence, or loan of any sum or sums, or of any asset, right, or benefit, that is on an arm's length basis, on normal commercial terms, and is made in compliance with the Payment Condition described in paragraph 31.5~~;~~~~☒~~₂
- (e) a repayment of, or payment of interest on, a loan that is not prohibited by the provisions of Part B: Restricted Transactions Category 1 above~~;~~~~☒~~₂
- (f) payments for group corporation tax relief calculated on a basis that does not exceed the value of the benefit received~~;~~₂ or
- (g) an acquisition of shares or other investments that is not inconsistent with the requirements of Condition 16 (Independence and autonomy of the Licensee) and that is made on an arm's length basis and on normal commercial terms.

~~31.7~~31.5 The Payment Condition referred to in paragraph 1.1 is that the consideration due in respect of the transaction in question must be paid in full when the transaction is entered into, unless the obligations of that counter-party are fully and unconditionally guaranteed throughout the period during which any part of the consideration remains outstanding by a guarantor that has and maintains such a rating.

~~31.8~~31.6 The provisions of this Part C: Restricted Transactions Category 2 are subject to the provisions of Part D: Circumstances that trigger the provisions of Part E below.

Part D: Circumstances that trigger the provisions of Part E

~~31.9~~31.7 Where any of the four circumstances described in the following paragraphs of this Part D: Circumstances that trigger the provisions of Part E applies, the Licensee must not, except with the Authority's consent, enter into or complete any transaction of a type described or referred to in Part C: Restricted Transactions Category 2 except in accordance with the provisions of Part E: Restricted Transactions Category 3 below.

~~31.10~~31.8 Circumstance 1 is that arrangements providing assurance of the Licensee's financial stability to which the Authority has consented under Part A: General requirements for the Charging Methodology of Condition 26 have for whatever reason ceased to be legally effective.

~~31.11~~31.9 Circumstance 2 is that, as part or the whole of the arrangements to which paragraph ~~31.8~~31.8 refers, the Licensee holds any credit rating of a type approved by the Authority for the purpose of those arrangements, and either:

- (a) that credit rating is under review for possible downgrade~~;~~₂ or
- (b) the Licensee has been placed on "credit watch" or "rating watch" (within the meaning of those terms as used by reputable credit rating agencies in Great Britain) with a negative designation with respect to that rating.

~~31.12~~31.10 Circumstance 3 is that the Licensee:

- (a) has given the Authority a certificate in the form of Certificate B3 as set out in Appendix 1 to Condition 28 (Availability of all necessary resources) for the purposes of Part B of that condition, and has not subsequently given the Authority a certificate in the form of Certificate B1 or Certificate B2 as set out in that Appendix 1~~;~~²;
- (b) has given the Authority a certificate in the form of Certificate D3 as set out in Appendix 2 to Condition 28 or the purposes of Part D of that condition, and has not subsequently given the Authority a certificate in the form of Certificate D1 or Certificate D2 as set out in that Appendix 2² or
- (c) has informed the Authority of any circumstance of the type referred to at Part F of Condition 28, and has not subsequently given the Authority a certificate in the form of Certificate B1 or Certificate B2 as set out in Appendix 1 to that condition, or (as the case may be) in the form of Certificate D1 or D2 as set out in Appendix 2 to that condition.

~~31.13~~31.11 Circumstance 4 is that the Licensee has materially breached any formal covenant or similar arrangement relating to its financial affairs that it has entered into with a bank or finance provider, unless one of the following applies:

- (a) the Licensee has remedied the breach, or has renegotiated the covenant or arrangement, to the satisfaction of the ~~counter-party~~counterparty concerned and the remedy or renegotiation (as the case may be) has been notified to the Authority²; or
- (b) in response to a written request from the Licensee, the Authority has either confirmed in Writing, before the breach occurs, that the breach in question will not trigger the provisions of Part E, or has not provided a substantive response to such a written request within seven days after receiving it.

Part E: Restricted Transactions Category 3

~~31.14~~31.12 Where any of the circumstances described in Part D above applies, the Licensee must not, without the consent of the Authority following the Licensee's disclosure of all material facts, transfer, lease, license, or lend any sum or sums, or any asset, right, or benefit, to any Affiliate or Related Undertaking of the Licensee except by way of one of the following transactions:

- (a) a payment properly due for any goods, services, or assets in relation to commitments entered into before the date on which the relevant circumstance under Part D arose, and which are provided on an arm's length basis and on normal commercial terms~~;~~²;
- (b) a transfer, lease, licence, or loan of any sum or sums, asset, right, or benefit on an arm's length basis, on normal commercial terms, and where the value of the consideration due in respect of the transaction in question is payable wholly in cash and is also paid in full when the transaction is entered into~~;~~²;

- (c) a repayment of, or payment of interest on, a loan that is not prohibited by the provisions of Part C above and that was contracted before the date on which the relevant circumstance under Part D arose, provided that such payment is not made earlier than the original due date for payment in accordance with its terms²; or
- (d) payments for group corporation tax relief calculated on a basis that does not exceed the value of the benefit received, so long as they are not made before the date on which the amounts of tax so relieved would otherwise have been due.

Part F: Restricted Transactions Category 4

~~31.15~~31.13 The Licensee must not enter into any agreement or incur any commitment that incorporates a Cross-Default Obligation.

~~31.16~~31.14 But that prohibition does not prevent the Licensee from giving any guarantee that is permitted by and compliant with the requirements of Part B above.

Part ~~F4~~G: Ring-fencing of the Licensee's revenues

~~31.17~~31.15 Subject to paragraph ~~31.20~~31.17, the Licensee must ensure that all revenues that:

- (a) accrue to the Licensee from Service Charges levied in accordance with the provisions of Condition 26 (Charging Methodology for Service Charges) and Condition 27 (Charging Statement for Service Charges)~~2~~; or
- (b) are otherwise received by the Licensee in relation to the carrying on of the Authorised Business of the Licensee,

are paid into and held and maintained in a Secure Account (but without prejudice to the full and timely disbursement from that account of all monies that are properly payable by the Licensee).

~~31.18~~31.16 For the purposes of paragraph ~~31.18~~31.15, a "Secure Account" is a bank account held within the United Kingdom or the European Economic Area in the name of the Licensee that:

- (a) is separate from any bank account or bank accounting arrangement, however described, that is held in the name of or is otherwise operated by or on behalf of any Affiliate or Related Undertaking of the Licensee²; and
- (b) is so structured and controlled that the revenues accruing to it and any interest that is earned on them can only be used for the purposes of the Authorised Business of the Licensee as carried on under this Licence.

~~31.19~~31.17 To the extent provided for in the SEC, the Licensee may direct SEC Parties to pay amounts due by way of certain Service Charges relating to the provision of Communications Hubs into a bank account held in the name of a person (other than the External Service Provider) engaged (indirectly pursuant to an External Service Provider Contract) in the business of financing those Communications Hubs. The Licensee must ensure that:

- (a) such bank account is one which bears a reasonable rate of interest, which is held within the United Kingdom and/or European Economic Area, and which is exclusively used to receive payments of such amounts⁵²;
- (b) the payment of such amounts into such bank account is in settlement of the Licensee's obligation under the External Service Provider Contract (or any direct agreement entered into by the Licensee in relation to the External Service Provider Contract) to pay an equivalent amount in respect of those Communications Hubs (unless returned under paragraph ~~31.20(e)~~31.17(c) below)⁵²;
- (c) any amounts paid by a SEC Party into such bank account in error are returned to that SEC Party as soon as reasonably practicable after the error is identified (together with any interest earned)⁵²;
- (d) an amount equal to the interest that accrues to such bank account (excluding that referred to in paragraph ~~31.20(e)~~31.17(c)) is paid to the Licensee as soon as reasonably practicable after it so accrues⁵²;
- (e) the only withdrawals made from such bank account are in the amounts the Licensee is due to pay under its obligations referred to in paragraph ~~31.20(b)~~31.17(b) and are made when the Licensee is due to pay the same (or are otherwise made in compliance with the Licensee's obligations under paragraphs ~~31.20(e), (d) or (f)~~31.17(c), (d) or (f), and
- (f) once the Licensee has paid all of the amounts that it is (or will become) liable to pay under the External Service Provider Contract (or any direct agreement entered into by the Licensee in relation to the External Service Provider Contract) in respect of those Communications Hubs, an amount equal to the balance then held in the bank account is promptly paid to the Licensee.

~~31.20~~31.18 The Licensee will:

- (a) keep records, in a form that may be readily inspected and analysed, of every financial transaction or financial event relating to the operation of the Secure Account or any bank account of the nature referred to in paragraph 31.17⁵² and
- (b) if the Authority so requests, provide the Authority with access to such records for inspection by it at any time.

Part GH: Interpretation

~~31.21~~31.19 A transaction by the Licensee is on an arm's length basis for the purposes of this condition if it is on terms that:

- (a) are fair and reasonable to the other party to the transaction⁵² and
- (b) are no more favourable to that party than those that it could reasonably expect to obtain in any comparable arm's length transaction with someone other than the Licensee.

~~31.22~~31.20 For the purposes of this condition:

Cross-Default Obligation means a term of any agreement or arrangement under which the Licensee's liability to pay or repay any debt or other sum arises or is increased or accelerated, or is capable of arising or increasing or of being accelerated, because of a default (however described or defined) by any person other than the Licensee, unless:

- (a) that liability can arise only as the result of a default by a Subsidiary of the Licensee²;
- (b) the Licensee holds a majority of the voting shares in that Subsidiary and has the right to appoint or remove a majority of its board of directors² and
- (c) that Subsidiary carries on business only for a purpose that is a purpose of the Mandatory Business of the Licensee as described in Condition 6.

Indebtedness includes any obligation, whether incurred solely by the Licensee or jointly with any other person, and whether as principal or surety, for the payment or repayment of money, whether present or future, actual or contingent.

Payment Condition has the meaning given to that term in paragraph 31.5.

Condition 32. Disposal of Relevant Business Assets

Introduction

32.1 This condition prevents the Licensee from taking any action that is or would be a Disposal of or Relinquishment of Operational Control over any Relevant Business Asset except in accordance with the provisions set out below.

Part A: Exclusion of any novations directed by the Authority

32.2 This condition does not apply to any Disposal of a Relevant Business Asset that consists of the novation (as directed by the Authority) to any Successor Licensee, pursuant to Condition 37 (Arrangements for the handover of business), of:

- (a) the whole of the Licensee's interest in any External Service Provider Contract within the meaning of ~~with~~ Condition 10 (Procurement of Relevant Service Capability), on terms that are substantially the same as those contained in Schedule 3 to this Licence, or
- (b) the whole of the Licensee's interest under the Smart Energy Code, on such terms as are required to be provided for within that document by virtue of Condition 11 (Roles in relation to Core Industry Documents).

Part B: Duty to maintain a Register of Relevant Business Assets

32.3 Within six months after Licence Commencement Date, the Licensee must have in place and give the Authority a copy of a register that identifies and records particulars of the Relevant Business Assets of the Licensee ("Register of Relevant Business Assets").

32.4 The Relevant Business Assets that are to be identified and particularised within the Register of Relevant Business Assets consist of:

- (a) every External Service Provider Contract to which the Licensee is, or is likely to become, a party in accordance with Condition 10 (Procurement of Relevant Service Capability),
- (b) any other asset (however described and in whatever form, whether tangible or intangible) that is considered to be essential to the Licensee's ability to carry on the Authorised Business in accordance with this Licence,
- (c) any contractual right to receive any sum or sums or any other financial asset from another person, and

(d) for every person constituting the Licensee Workforce:

- (i) an anonymised unique identifier ~~and the,~~
- (ii) title of that person's role, and
- (~~+~~)(iii) a brief description of ~~every person employed by the Licensee~~ role.

32.5 The Licensee must:

- (a) review the Register of Relevant Business Assets at least once in each Regulatory Year for the purpose of ensuring that its contents remain at all times consistent with the requirements of this condition; and
- (b) provide the Authority with a copy of the Register as revised from time to time following any such review.

32.6 The Authority may at any time, following consultation with the Licensee, direct the Licensee to modify the Register of Relevant Business Assets in such manner and to such extent as may be specified in the direction.

Part C: Requirement to obtain the Authority's prior consent

32.7 Except where the provisions of Part D or Part E below apply, the Licensee:

- (a) must give the Authority at least two months' Notice of its intention to dispose of or relinquish operational control over any Relevant Business Asset, together with such further information as the Authority may request relating to that asset, or to the circumstances of the intended Disposal or Relinquishment of Operational Control, or to the intentions with regard to those matters of the person who proposes to acquire the asset or operational control over it; and
- (b) may dispose of or relinquish operational control over that Relevant Business Asset if (and only if) the Authority consents to the transaction in question or does not inform the Licensee in Writing of any objection to it within the Notice Period.

32.8 A consent by the Authority under paragraph 32.7(b) may be given subject to the acceptance by the Licensee, or by any third party in favour of whom the Relevant Business Asset is proposed to be disposed or to whom operational control would be relinquished, of such conditions as may be specified in that consent.

Part D: Exemptions from Part C by virtue of a general consent

32.9 The Licensee may dispose of or relinquish operational control over any Relevant Business Asset without Prior Notice to the Authority:

- (a) if the Authority has for the purposes of this condition issued a direction containing a general consent (whether or not subject to conditions) to individual transactions of a specified description, or to the Disposal of or Relinquishment of Operational Control over any Relevant Business Assets of a specified description; and
- (b) the transaction or Relevant Business Asset in question is of a description to which that general consent applies and will be in accordance with any conditions to which the consent is subject; or
- (c) if Part E below applies.

Part E: Exemptions from Part C under a statutory requirement

32.10 The Licensee may dispose of or relinquish operational control over any Relevant Business Asset without Prior Notice to the Authority if the transaction in question in relation to that asset is required by or under any enactment, or any provision of

subordinate legislation within the meaning of the Interpretation Act 1978, or by a regulation of the Council or Commission of the European Union that forms part of Assimilated Law.

Part F: Interpretation

32.11 For the purposes of this condition, and in relation to a Relevant Business Asset:

Disposal means any of the following:

- (a) a novation, assignment, transfer, or other passing of that asset (whether or not for value) to a person other than the Licensee; or
- (b) a lease, licence, or loan of (or the grant of any other right of possession in relation to) that asset; or
- (c) the grant of any mortgage, charge, or other form of security over that asset; or
- (d) where the asset comprises a contractual arrangement of any kind, any variation of its terms that would be likely to reduce or otherwise impair the efficiency and effectiveness of the Licensee's provision of services under or pursuant to this Licence,
- (e) and references to "dispose" are to be read accordingly.

Notice Period means the period of the Notice given to the Authority under paragraph ~~11632.7(a)~~32.7(a) with respect to the Licensee's intention in relation to the asset.

Register of Relevant Business Assets has the meaning that is given to that term in paragraph 32.3.

Relinquishment of Operational Control includes entering into any agreement or arrangement under which operational control of the asset is not or will cease to be under the sole management of the Licensee, and "relinquish" and any related expressions in this context are to be read accordingly

CHAPTER 8: PROVISION OF REGULATORY INFORMATION

Conditions 33 to 36

Condition 33. Provision of Information by the Licensee

Introduction

33.1 This condition imposes on the Licensee duties to provide Information (subject to certain exceptions) when requested to do so by the Authority or the Secretary of State and requires the Licensee to obtain legally enforceable undertakings in respect of those duties from persons who ultimately control the Licensee.

Part A: Duty to provide Information

- 33.2 The Authority or the Secretary of State may request from the Licensee any Information reasonably required to exercise any of their functions under any Legislation.
- 33.3 The “functions” referred to in paragraph 33.2 do not include functions under sections 34 of the 1986 Act or 47 of the 1989 Act (general functions).
- 33.4 A request under paragraph 33.2 may include:
- (a) a standing request for the Licensee to provide Information at times, or in relation to periods of times, as requested;
 - (b) a request for:
 - (i) explanations in relation to the Information;
 - (ii) reasoned comments on the accuracy and text of any Information that the Authority proposes to publish pursuant to sections 35 of the 1986 Act or 48 of the 1989 Act (publication of information and advice).
- 33.5 Subject to paragraph 33.6, the Licensee must give the requested Information to the Authority or the Secretary of State (as the case may be) within the time and in the form requested.
- 33.6 The Licensee need not give any Information that the Licensee could not be compelled to produce or give in evidence in civil proceedings before a court.
- 33.7 The power in paragraph 33.2 is additional to any other power to request Information under this Licence.

Part B: Procurement of an Information Undertaking

- 33.8 The Licensee must procure a legally enforceable undertaking (“the Information Undertaking”) in favour of itself, in a form specified by the Authority with effect from the ~~grant of this~~ Licence Commencement Date, from each company or other person that the Licensee knows or should reasonably know is at any time an Ultimate Controller of the Licensee.
- 33.9 The terms that must be given full and binding effect by the Information Undertaking are that the Ultimate Controller (in this condition only, “the Information Covenantor”):
- (a) will give to the Licensee, and

- (b) will procure that any person (including a corporate body) that is a Subsidiary of, or is controlled by, the Information Covenantor (other than the Licensee itself or any Subsidiary of the Licensee) will give to the Licensee,

all such Information as may be necessary to enable the Licensee to comply with its obligations under Part A above.

33.10 The Information Undertaking:

- (a) must have been obtained within the period of seven days beginning with the date on which the corporate body or person in question becomes an Ultimate Controller of the Licensee, and
- (b) must be stated to remain in full force and effect for as long as the Licensee is the holder of this Licence and the Information Covenantor remains an Ultimate Controller of the Licensee.

Part C: Evidence of compliance and the duty to enforce

33.11 Whenever the Licensee has obtained an Information Undertaking in accordance with paragraph 33.10(a), it must:

- (a) give the Authority evidence of its compliance without delay, including a certified copy of the undertaking,
- (b) at all times comply with any direction from the Authority to enforce the undertaking, and
- (c) immediately inform the Authority in Writing if it becomes aware that the undertaking has ceased to be legally enforceable or that there has been any breach of its terms.

Part D: Restriction of arrangements with an Ultimate Controller

33.12 Except where the Authority otherwise consents, the Licensee must not enter (directly or indirectly) into any agreement or arrangement with any Ultimate Controller of the Licensee or, where the Ultimate Controller is a corporate body, with any of the Subsidiaries of such an Ultimate Controller (other than a Subsidiary of the Licensee itself) at any time when:

- (a) an Information Undertaking is not in place in relation to the Ultimate Controller,
- (b) there is an unremedied breach of an Information Undertaking that is in place in relation to that Ultimate Controller, or
- (c) the Licensee is in breach of the terms of any direction given by the Authority under paragraph 33.11(b).

Part E: Information required from agents and contractors

33.13 This paragraph applies to the Licensee in relation to its dealings with any person who is materially connected with the carrying on of the Authorised Business (including, in particular, any External Service Provider) but who is outside the jurisdiction of an Information Undertaking obtained under Part B above.

33.14 Where paragraph 33.13 applies, the Licensee must not enter into or be a party to any agreement or arrangement with the person mentioned in that paragraph that does not contain rights enabling the Licensee to procure from that person and to provide to the Authority or (as the case may be) the Secretary of State any Information that is requested under or pursuant to this condition.

33.15 Paragraph 33.14 applies (for the avoidance of doubt) to any request for Information that may be needed in order to facilitate the handover of the Licensee's Authorised Business to a Successor Licensee in accordance with the provisions of Condition 37 (Arrangements for business handover).

Part F: Interpretation

33.16 In this condition:

Information means information in any form or medium, however conveyed or stored, and of any description specified by the Authority or the Secretary of State, and includes any documents, accounts, estimates, returns, records, certificates, or reports, and data of any kind, whether or not prepared specifically at the request of the Authority or the Secretary of State, and any and all Confidential Information within the meaning of Condition 17 (Protection of Confidential Information).

Information Covenantor has the meaning given to that term in paragraph 33.9.

Information Undertaking has the meaning given to that term in paragraph 33.8.

Legislation means any applicable provision of:

- (a) a public general Act of Parliament;
- (b) subordinate legislation;
- (c) a regulation of the Council or Commission of the European Union that forms part of Assimilated Law.

Condition 34. Requirements for Regulatory Accounts

Introduction

- 34.1 This condition applies to the Licensee in respect of each separate Regulatory Year of this Licence and has effect for the purpose of ensuring that the Licensee:
- (a) prepares and publishes Regulatory Accounts so as to ensure the provision to the Authority of annual regulatory accounting information that will enable it to assess the financial position of the Licensee on a consistent basis; and
 - (b) maintains (and ensures that any Affiliate or Related Undertaking of the Licensee maintains) such accounting records, other records, and reporting arrangements as are necessary to enable the Licensee to comply with that obligation.

Part A: Preparation of the Regulatory Accounts

- 34.2 For the purposes of this condition, but without prejudice to the requirements of Part B below, the Licensee must prepare Regulatory Accounts for each Regulatory Year.
- 34.3 Except and so far as the Authority otherwise consents, the Licensee must comply with the obligations imposed by the following paragraphs of this Part A in relation to the preparation of Regulatory Accounts.
- 34.4 The Licensee must keep or cause to be kept for a period approved by the Authority, but no less than the period referred to in section 388(4)(b) of the Companies Act 2006 and in the manner referred to in that section, such accounting records and other records as are necessary to ensure that all of the revenues, costs, assets, liabilities, reserves, and provisions of, or that are reasonably attributable to, each of the Authorised Business Activities of the Licensee are separately identifiable in those records (and in those of any Affiliate or Related Undertaking of the Licensee).
- 34.5 The Regulatory Accounts are to be prepared on a consistent basis derived from the accounting records and other records referred to in paragraph 34.4 in respect of each Regulatory Year, and must have the contents specified in Part B below.

Part B: Required contents of the Regulatory Accounts

- 34.6 The Regulatory Accounts prepared for each Regulatory Year must comprise:
- (a) the matters set out in paragraph 34.7; supported by
 - (b) the matters set out in paragraph 34.8.
- 34.7 The matters to which paragraph 34.7(a) refers are:
- (a) an income statement and a statement of comprehensive income (or, as appropriate, a profit and loss account and a statement of total recognised gains and losses),
 - (b) a statement of changes in equity, if appropriate,
 - (c) a statement of financial position (or, as appropriate, a [balance sheet](#)),
 - (d) a statement of cash flows (or, as appropriate, a cash flow statement),

- (e) the Corporate Governance Statement prepared by the Licensee in accordance with Part A: Requirement for corporate governance arrangements of Condition 12 (General controls for the Authorised Business),
- (f) a Directors' Report in respect of the Authorised Business of the Licensee, and
- (g) a Business Review in respect of the Authorised Business of the Licensee.

34.8 The matters to which paragraph 34.6(b) refers are explanatory notes that:

- (a) provide a summary of the accounting policies adopted by the Licensee for the purpose of producing its Regulatory Accounts, and
- (b) disclose, in relation to the matters to which paragraph 34.7(a) refers, the Segmental Information for each of the Authorised Business Activities.

Part C: Consistency required with the statutory accounts

34.9 The Licensee must ensure, so far as is reasonably practicable and except where the Authority otherwise consents, that Regulatory Accounts and information prepared in accordance with Parts A and B above:

- (a) have the same content and format as the most recent or concurrent statutory accounts of the Licensee prepared under Part 15 of the Companies Act 2006, subject to the inclusion of Segmental Information as specified under paragraph 34.8(b), and
- (b) comply with the requirements applicable to a Quoted Company, whether or not the Licensee is such a company, in Chapter 4 of the Companies Act 2006 with respect to the preparation of annual accounts and the requirements of the applicable accounting framework under which it prepares them.

Part D: Audit and delivery of the Regulatory Accounts

34.10 Except where the Authority otherwise consents, the Licensee must:

- (a) procure an audit by an Appropriate Auditor of such parts of its Regulatory Accounts and the Directors' Report and Business Review as would be specified in the Companies Act 2006 as being required to be so audited if the Licensee were a Quoted Company and those accounts were the statutory accounts of the Licensee drawn up to 31 March and prepared under Part 15 of the Companies Act 2006,
- (b) procure a report by that auditor, addressed to the Authority, that states whether in the auditor's opinion those accounts fairly present the financial position, financial performance, and cash flows of, or that are reasonably attributable to, each of the Authorised Business Activities in accordance with the requirements of Part A above, and
- (c) deliver those accounts and the auditor's report required under sub-paragraph (b) to the Authority as soon as is reasonably practicable, and in any event before their publication under Part G below and not later than 31 July after the end of the Regulatory Year to which the Regulatory Accounts relate.

Part E: Terms of appointment of the Appropriate Auditor

- 34.11 For the purposes of Part D above, the Licensee must, at its own expense, enter into a contract of appointment with an Appropriate Auditor.
- 34.12 That contract must require the audit of the Licensee's Regulatory Accounts to be conducted by the Appropriate Auditor in accordance with the relevant auditing standards in force on the last day of the Regulatory Year to which the audit relates as would be appropriate for accounts prepared in accordance with the provisions of Part 15 of the Companies Act 2006.

Part F: Agreed Upon Procedures for the Appropriate Auditor

- 34.13 The Licensee must, at its own expense, enter into a contract of appointment with an Appropriate Auditor for the completion of Agreed Upon Procedures that are to apply for the purposes of enabling that person to review the Licensee's compliance with the requirements of Condition 18 (Special position duties) with respect to the prohibition of cross-subsidy and discrimination.
- 34.14 The contract of appointment must require that the Agreed Upon Procedures are to be conducted in relation to each Regulatory Year and that the Licensee will arrange for the Appropriate Auditor to address a report to the Authority by 31 July after the end of each such year that:
- (a) states that the Appropriate Auditor has, in a manner consistent with the relevant auditing standards, completed the Agreed Upon Procedures issued by the Authority in respect of the Regulatory Year under report, and
 - (b) sets out the findings for the Authority's attention.

Part G: Publication and provision of the Regulatory Accounts

- 34.15 Except where the Authority after consulting with the Licensee otherwise directs, the Licensee must publish its Regulatory Accounts (excluding any information agreed by the Authority to be confidential):
- (a) as a stand-alone document in accordance with this condition,
 - (b) by 31 July after the end of the Regulatory Year to which the accounts relate,
 - (c) on the Licensee's Website, and
 - (d) in any other manner which, in the opinion of the Licensee, is necessary to secure adequate publicity for the accounts.
- 34.16 A copy of the Regulatory Accounts must be provided free of charge to any person who requests a copy.

Part H: Interpretation

- 34.17 The requirement under paragraph 34.7 for the Licensee to include a Directors' Report and a Business Review in its Regulatory Accounts is to be read as if the requirement applied to the Licensee as a Quoted Company, whether or not it is such a company, such that:

- (a) the Directors' Report has the coverage and content of the directors' report that a Quoted Company is required to prepare under section 415 of the Companies Act 2006, and
- (b) the Business Review has the coverage and content of the business review that a Quoted Company is required to prepare under section 417 of that Act.

34.18 For the purposes of this condition:

Agreed Upon Procedures means procedures agreed on an annual basis between the Authority, the Appropriate Auditor, and the Licensee for the purpose of enabling the Appropriate Auditor to review and report to the Authority on matters relating to the requirements to which Part F: Agreed Upon Procedures for the Appropriate Auditor of this condition refers.

Appropriate Auditor means:

- (a) if the Licensee is a company within the meaning of section 1 of the Companies Act 2006, a person appointed as auditor under Chapter 2 of Part 16 of that Act, or
- (b) in any other case, a person who is eligible for appointment as a company auditor under Part 42 of that Act.

Authorised Business Activities means ~~each of the following activities carried on within the Authorised Business of the Licensee:~~

~~(c) as part of the Mandatory Business:~~

- ~~(i) the procurement and provision of Core Communication Mandatory Business Services;~~
- ~~(ii) the procurement and provision of Additional User Services;~~
- ~~(iii) the operation of the Enrolment Service;~~
- ~~(iv) the procurement and provision of the Communications Hub Service;~~
- ~~(v) the procurement and provision of Other Enabling Services, and~~
- ~~(vi) the preparation, delivery and provision for the Centralised Registration Service.~~

~~the procurement and provision of the Permitted Business servicesServices.~~

Quoted Company has the meaning given in section 385 of the Companies Act 2006.

Segmental Information means such financial and descriptive information about the Authorised Business Activities of the Licensee as would be disclosable under International Financial Reporting Standard 8 (or Statement of Standard Accounting Practice 25) if each of those activities was an operating segment (or a reportable segment) of the Licensee within the meaning of those respective standards.

Condition 35. Reporting of Quality of Service Information

Introduction

35.1 This condition requires the Licensee to collect and provide the Authority with such Quality of Service Information at such times and in such manner as will enable the Authority to monitor the Licensee's quality of service performance on a continuing basis, whether for purposes connected with the Licensee's compliance with Condition 36 (Annual Service Report to the Authority) or otherwise.

Part A: Licensee's obligations in respect of reporting

35.2 Except where the Authority otherwise consents, the Licensee must act in accordance with any guidance issued by the Authority ("QoS Information Guidance") for the reporting of information relating to the quality of the service provided by the Licensee ("QoS Information").

35.3 The Licensee must, for the purpose of monitoring the quality of service provided by it, have in place and maintain (and must ensure that any Affiliate or Related Undertaking of the Licensee, and any External Service Provider from whom Relevant Service Capability is procured pursuant to Condition 10, has in place and maintains) appropriate records, systems, processes, and procedures to enable the Licensee to:

- (a) measure, record, and collect such information as may be specified in the QoS Information Guidance, and
- (b) report that information in respect of such periods, in such a manner, and within such timeframes as are specified in the QoS Information Guidance.

Part B: QoS Information Guidance

35.4 The QoS Information Guidance may:

- (a) may make provision for or in connection with any of the matters specified at Part B of Condition 23;
- (b) may specify which (if any) of the information reported to the Authority under this condition is to be subject to publication by the Authority (having regard to section 105 of the Utilities Act 2000); and
- (c) must not exceed what is reasonably required to achieve the purposes of this condition.

35.5 For purposes relating to enforcement, paragraph 35.6 applies where any question ("an Enforcement Question") arises in connection with the Licensee's compliance with any requirement imposed by this condition.

35.6 Where the Licensee has acted in accordance with the QoS Information Guidance, the Authority will take that into account in determining the Enforcement Question.

Part C: Provision for the Authority to appoint a Reviewer

35.7 The Authority may itself review, or arrange for a person appointed by the Authority (a "Reviewer") to review, any matters in the QoS Information reported by the Licensee in respect of which the Authority requires clarification.

- 35.8 Subject to paragraph 35.11, the Licensee must give the Authority or (as the case may be) the Reviewer all such assistance as it or he may reasonably require for the purposes of any review carried out under this Part C.
- 35.9 The Licensee's obligation to assist the Authority or a Reviewer under this Part C includes an obligation to allow it or him to carry out any inspections, measurements, or tests considered necessary in relation to any systems, processes, or procedures operated or maintained for or in relation to the requirements of this condition.
- 35.10 The Licensee's obligation to assist the Authority or a Reviewer under this Part C also includes an obligation to ensure, so far as it can, that the following persons will also (if requested to do so) assist the Authority or that Reviewer:
- (a) any Affiliate or Related Undertaking of the Licensee^{7.2}
 - (b) any External Service Provider from whom Relevant Service Capability is procured pursuant to Condition 10^{7.2} and
 - (c) any auditor of such person, or of the Licensee, or of any Affiliate or Related Undertaking of the Licensee.
- 35.11 The Licensee is not required to perform its obligations in relation to a Reviewer and their functions unless the Reviewer has entered into an agreement with the Licensee to maintain confidentiality on reasonable terms.

Part D: Interpretation

- 35.12 For the purposes of this condition:

Enforcement Question has the meaning given to that term in paragraph 35.5.

QoS Information Guidance has the meaning given to that term in paragraph 35.2.

QoS Information has the meaning given to that term in paragraph 35.2

Reviewer has the meaning given to that term in paragraph 35.7.

Condition 36. Annual Service Report to the Authority

Introduction

- 36.1 This condition requires the Licensee to prepare and make an Annual Service Report to the Authority about Overall Service Performance during the previous Regulatory Year, and to publish that report on its Website.
- 36.2 This condition is without prejudice to such other reporting requirements as may be imposed on the Licensee under or pursuant to Condition 35 in respect of the Quality of Service Information mentioned in that condition.

Part A: Requirement to prepare an Annual Service Report

- 36.3 The Licensee must by not later than 31 July in each Regulatory Year commencing on and after 1 April 2027 prepare and submit to the Authority a report (“the Annual Service Report”) about Overall Service Performance during the previous Regulatory Year (“the Performance Year”).
- 36.4 The concept of Overall Service Performance to which paragraph 36.3 refers must be presented, analysed, and evaluated by the Licensee in its Annual Service Report by reference both separately and collectively, as appropriate, to:
- (a) the performance (both generally and in detail) of the Licensee in providing services to SEC Parties under or pursuant to the Smart Energy Code (“the Licensee’s Performance”) during the Performance Year⁵² and
 - (b) the performance (both generally and in detail) of each External Service Provider in providing such Relevant Service Capability as it was contracted to provide to the Licensee pursuant to Condition 10 (Procurement of Relevant Service Capability) (“the Providers’ Performance”) during the Performance Year.
- 36.5 The Annual Service Report should, in particular, identify and set out in appropriate detail all relevant operational and technical aspects of user service arising from the Licensee’s Performance and the Providers’ Performance during the Performance Year that the Licensee considers should be brought to the Authority’s notice, having regard to the functions that the Licensee is required to exercise under or by virtue of the Principal Energy Legislation, this Licence, and the Smart Energy Code.
- 36.6 The Authority may require the Annual Service Report of the Licensee to contain a statistical record based on appropriate performance measures with respect to either or both of the Licensee’s Performance and the Providers’ Performance during the Performance Year, including, in particular, details of any failures, loss of service, or other material faults within the overall expected reliability of such performance.
- 36.7 Any statistical record that is required to be presented in the Annual Service Report by virtue of paragraph 36.6 must have such content and be presented in such format and with respect to such periods of time as are specified in any direction issued by the Authority for the purposes of this condition.
- 36.8 The Authority must consult the Licensee, SEC Parties, and all [affected](#) External Service Providers before issuing any direction under paragraph 36.7.

Part B: Procedure for preparing the Annual Service Report

36.9 Before submitting an Annual Service Report to the Authority in accordance with Part A above, the Licensee must:

- (a) provide each of its External Service Providers with a copy of the report in draft;
- (b) invite them to comment in Writing on such parts of the draft report as may be particularly relevant to their interests; and
- (c) allow them a period of at least 28 days within which to make such comments.

36.10 The Licensee, in finalising its Annual Service Report for the Authority, must:

- (a) fairly and accurately summarise in that report any comments duly received under paragraph 36.9 and
- (b) state in the report how and to what extent (if any) the Licensee has taken account of such comments.

Part C: General availability of the Annual Service Report

36.11 The Licensee must:

- (a) submit each Annual Service Report to the Authority in accordance with the requirements of paragraph 36.3 and
- (b) at the same time provide copies of the report to the Secretary of State, the SEC Panel, and each External Service Provider of the Licensee.

36.12 The Licensee must also (subject to paragraph 36.3) publish the report on its Website.

- ~~(a) give a copy of the Annual Service Report to any person who requests it; and~~
- ~~(b) publish the report on its Website.~~

36.13 In complying with the requirements of paragraph 36.12, the Licensee must have due regard to the need for excluding from the statement, so far as is practicable, any matter that relates to the affairs of a person if the publication of that matter would prejudice, or be likely to prejudice, their commercial interests.

36.14 Any question arising under paragraph 36.13 as to whether the publication of some matter that relates to the affairs of a person would prejudice, or would be likely to prejudice, their commercial interests is to be resolved by the Authority following consultation with that person and the Licensee.

Part D: Interpretation

36.15 For the purposes of this condition:

Annual Service Report and **Performance Year** have the meaning that is given to those terms respectively in paragraph 36.3.

Licensee's Performance, Overall Service Performance, and Providers' Performance have the meaning that is given to those terms respectively in paragraph 36.4.

CHAPTER 9: ARRANGEMENTS FOR INTERVENTION AND CONTINUITY

Conditions 37 to 38

Condition 37. Arrangements for business handover

Introduction

- 37.1 This condition imposes duties on the Licensee that are designed to ensure that the Authorised Business will be transferred without disruption and in an orderly manner to a Successor Licensee in the event of the revocation or expiry of this Licence.
- 37.2 In accordance with ~~paragraph~~ 2 of Part 2 (Terms in Respect of Revocation) a revocation for the purposes of this condition may include a direction from the Authority to the Licensee to cease carrying on any or all of its activities under this Licence even though it still remains the holder of the Licence.
- 37.3 Nothing in this condition prevents the Business Handover Plan of the Licensee from containing different provision for different cases or for different circumstances, in recognition of the factual, legal, and qualitative differences between an event of Licence expiry, and an act of Licence revocation.

Part A: Licensee's duties in respect of a business handover

- 37.4 Where a Handover Period is in force for the purposes of this condition under Part B below, the Licensee will by virtue of this Part A be under a general duty to arrange to cease carrying on the relevant part of the Authorised Business at the Second Transfer Date in a manner that:
- (a) is consistent with the Licensee's proper performance of its obligations under this Licence;
 - (b) will not prejudice or frustrate the ability of a Successor Licensee to commence carrying on the Authorised Business in accordance with its obligations under its licence;
 - (c) is most likely to ensure an effective business handover with, in particular, no adverse impact on the quality and efficiency with which services are delivered; and
 - (d) will to the extent that any revocation or direction is in respect of part only of the Authorised Business, allow the Licensee to continue to provide the remainder of the Authorised Business under this Licence.
- 37.5 In discharging its general duty under this Part A, the Licensee must:
- (a) comply with and give effect to the Business Handover Plan as approved by the Authority under the provisions of Part C below;
 - (b) take no steps that would have the effect, directly or indirectly, of avoiding or circumventing any requirement or objective of that plan; and
 - (c) if so required by the Authority, provide such reasonable support and assistance (including information) as may be specified to persons taking part in any competitive tender process to determine the grant of a Successor Licence.

Part B: Authority's power to bring a Handover Period into force

37.6 The Authority may at any time notify the Licensee that a Handover Period is in force, or will come into force, with effect from:

- (a) such date as the Authority considers to be appropriate for the purposes of this condition, having regard to the ~~date on which the Licence Term (or any Additional Licence Term within the meaning given to that expression in Part 1 (Terms in Respect of Grant) of this Licence) will expire,~~Licence Expiry Date (including any Additional Term), or
- (b) the date on which (or any date after which) the Authority notifies the Licensee that it considers that a Revocation Event within the meaning of Part 2 of this Licence (Terms in Respect of Revocation) has arisen or is likely to arise.

37.7 A notification given under this Part B: Authority's power to bring a Handover Period into force must specify a Second Transfer Date, being either:

- (a) ~~the date on which the Licence Term (or Additional Licence Term) will expire;~~Expiry Date, or
- (b) any earlier date on which, by virtue of a direction to be given by the Authority, the Licensee will cease to carry on the Authorised Business although still remaining the holder of this Licence.

37.8 The Authority may withdraw or amend a notification relating to paragraph 37.7 at any time if it considers it appropriate to do so in all the circumstances of the case.

Part C: Preparation and submission of the Business Handover Plan

37.9 The Licensee must submit a draft Business Handover Plan to the Authority before the end of the period of 12 months beginning with: the Licence Commencement Date.

- ~~(a) the day on which this Licence is granted, and~~
- ~~(b) thereafter, the day on which the latest Business Handover Plan was approved (see paragraph 37.12(a)).~~

37.10 The Business Handover Plan must:

- (a) explain how the Licensee will fulfil the General Handover Duty, and
- (b) refer to the matters mentioned in Part E: Mandatory contents of the Business Handover Plan below.

37.11 Prior to submission to the Authority, the Licensee must Consult with External Service Providers and SEC Parties on the proposed contents of the draft Business Handover Plan.

37.12 The Licensee must for the purpose of ensuring that the Business Handover Plan will at all times continue to be a document that accurately reflects the requirements of this condition:

- (a) review the plan at least once in each Regulatory Year,

(b) make such modifications (if any) to the plan as are appropriate or necessary for the purpose of better complying with those requirements, and

(c) submit a revised version to the Authority.

37.13 Before the Licensee makes any material modifications to the Business Handover Plan under paragraph 37.12(b), it must Consult with External Service Providers and SEC Parties before submitting a revised version to the Authority.

Part D: Approval of the Business Handover Plan

~~37.12~~37.14 Following submission of the draft or revised Business Handover Plan to the Authority, the Authority will either:

- (a) approve the draft or revised Business Handover Plan by Notice given to the Licensee, or
- (b) direct the Licensee to modify the draft or revised Business Handover Plan and resubmit it to the Authority.

37.15 The Authority may at any time, after consulting the Licensee and other parties as it considers appropriate, having regard to the materiality of the proposed modifications, direct the Licensee to modify the Business Handover Plan in such manner and to such extent as may be specified in the direction.

37.16 Where the Authority approves a new or a revised version of the Business Handover Plan, a previous approval of an earlier version is withdrawn.

Part E: Mandatory contents of the Business Handover Plan

~~37.13~~37.17 The Business Handover Plan must contain commitments, objectives, or other suitable provision for or in connection with:

- (a) the novation (as directed by the Authority) to the Successor Licensee of the whole of the Licensee's interest under any agreement or arrangement that is an External Service Provider Contract on terms that are substantially the same as those set out in Schedule 3 to this Licence (Novation of External Service Provider Contracts) (which has effect as part of this condition),
- (b) the SEC (including every Agreement for Services that is in place in accordance with the provisions of Condition 9 (Arrangements for the provision of services), on the terms required by the SEC or REC,
- (c) securing that payment will be made, by agreement between the parties on a legally enforceable basis, of such sum of money by the Licensee to the Successor Licensee, or vice versa, as is calculated to be necessary for the purpose of fairly reflecting the benefit or burden (as the case may be) of such accrued under-recovery or over-recovery of Required Revenue as is finally found to have arisen at the Second Transfer Date,
- (d) securing the Licensee's ability at any time prior to the Second Transfer Date to have its interests fully and appropriately represented in the management, conduct, and settlement of any dispute arising as between the Successor Licensee and an

External Service Provider, a SEC Party, a REC Party or any other person that might reasonably be expected to affect the determination of the amount of any such under-recovery or over-recovery as is mentioned in paragraph

~~(a)37.13(a)~~37.17(a),

- (e) the general co-operation of the Licensee with the Authority and the Successor Licensee in order to secure the continuity of, and an orderly handover of control of, the Authorised Business, the provision of supplies or services in connection with that business, and the effective operation of any asset in connection with it,
- (f) the timetable, process and procedures, critical controls, contingency and risk management plans, transitional arrangements, and assistance services that are intended to be applicable for the purposes of facilitating and achieving the matters mentioned in paragraph 37.17(c),
- (g) the availability of appropriately skilled, qualified, and experienced members of the Licensee's staff for the purposes of attendance at such meetings with the Authority, the Successor Licensee, and other relevant parties as are necessary to facilitate and achieve the matters mentioned in paragraph 37.17(c) and (d),
- (h) the treatment by the Licensee prior to the Second Transfer Date of all records, systems, documents, software, databases, information, and data held by it in connection with the carrying on of the Authorised Business (including the prevention of any third-party access to such things or, where the Authority so directs, the permanent deletion of any or all of them),
- (i) the ability of either or both of the Licensee and Successor Licensee to propose modifications of the Business Handover Plan, and the Licensee's duty to make such (if any) of those modifications as the Authority may require it to make following consideration of the matter, and
- (j) the transfer of the Licensee Workforce to the Successor Licensee.

Part F: Directions by the Authority during a Handover Period

~~37.14~~37.18 Subject to paragraph 37.20, and after consulting with the parties, the Authority may issue directions to either or both of the Licensee and the Successor Licensee during a Handover Period with respect to the execution of the Business Handover Plan for the purpose of ensuring that the commitments and objectives of the plan are fulfilled and that the matters for which it makes provision are implemented in a full and timely manner.

~~37.15~~37.19 Directions under paragraph 37.18 may require any or all of the following things to be done in such manner and to such extent as are specified in the direction in relation to the execution and implementation of the Business Handover Plan:

- (a) the transfer of property, rights, or liabilities from the Licensee to the Successor Licensee;
- (b) the creation of rights in relation to property, rights, or liabilities in favour of the Successor Licensee;

- (c) the creation of other rights and liabilities as between the Licensee and the Successor Licensee;
- (d) that the Licensee enters into a written agreement with the Successor Licensee, or executes an instrument of another kind in favour of him;
- (e) that the Licensee must pay compensation to the Successor Licensee, or to any third party affected by any of the matters mentioned in this paragraph;
- (f) that the Licensee and Successor Licensee must enter into an agreement to co-operate on matters arising from the execution of the Business Handover Plan.

~~37.16~~37.20 No direction under paragraph 37.18 will be effective unless the Authority has first complied with the requirements of section 7B(5E) of the 1986 Act and section 7(3F) of the 1989 Act with respect to the rights of any person who would potentially be affected by the direction to be consulted about its proposed contents.

~~37.17~~37.21 The Authority may at any time from the beginning of a Handover Period direct that any one or more of the Conditions of this Licence shall cease to have effect if and to such extent as the Authority considers this necessary or expedient for the purpose of facilitating the Licensee's compliance with its general duty under Part A: Licensee's duties in respect of a business handover above.

Part G: Interpretation

~~37.18~~37.22 ~~See 137Condition 38~~See Condition 38 (Treatment of Intellectual Property Rights), which makes further provision in connection with the subject matter of this condition.

~~37.19~~37.23 In this condition:

Handover Period means the whole of the period, beginning with the date notified to the Licensee by the Authority in accordance with paragraph 37.6 and ending on a date (which may not be earlier than the Second Transfer Date) that is specified in or is to be determined in accordance with that notification, during which the Licensee will be subject to the general duty and associated requirements set out in Part A: Licensee's duties in respect of a business handover of this condition.

~~Licensee Workforce has the meaning given in Condition 10.~~

Required Revenue means the amount calculated in accordance with paragraph 24.4.

Condition 38. Treatment of Intellectual Property Rights

Introduction

38.1 This condition sets out the general rules that are to apply to the treatment of rights in Intellectual Property (“Intellectual Property Rights” or “IPRs”) arising from or in consequence of any of the functions exercised by the Licensee under or by virtue of the Principal Energy Legislation, this Licence, the Retail Energy Code and the Smart Energy Code.

Part A: Consideration of IPR issues in contract management

38.2 This Part A applies to the Licensee in all of its activities of managing and developing the External Service Provider Contracts (including every Legacy Procurement Contract) to which it is a party under or pursuant to Condition 10 (Procurement of Relevant Service Capability).

38.3 The Licensee must at all times carry on those activities with appropriate regard for the potential impacts of IPR ownership and IPR licensing on the:

- (a) ~~the~~ development of effective competition in the provision to the Licensee of Relevant Service Capability,
- (b) ~~the~~ existing and future integration of the services provided by the Licensee under or pursuant to the Smart Energy Code,
- (c) ~~the~~ rights of:
 - (i) any External Service Provider, any successor to that person, or any Successor Licensee,
 - (ii) any successor to either of those successors,to be able to use essential IPRs created or held by any of their predecessors, and
- (d) the relevant conditions set out within the REC.

Part B: Novation by the Licensee of IPRs to its successors

38.4 This Part B applies in relation to any IPRs of the Licensee that:

- (a) are used or have been created by the Licensee as part of its carrying on of the Mandatory Business,
- (b) arise from and are held by or have been assigned to the Licensee, or that the Licensee has been licensed to use, under or pursuant to any External Service Provider Contract (including any Legacy Procurement Contract) to which the Licensee is party, or
- (c) have been novated, assigned, or otherwise transferred to the Licensee, or that the Licensee has been licensed to use, by any predecessor holding a licence to carry on the Authorised Activity.

38.5 The Licensee must, on the expiry or revocation of this Licence, novate all such IPRs (including any associated licences for their use) to a Successor Licensee.

- 38.6 The novation to which paragraph 38.5 refers relates only to the purposes for which the relevant IPRs and any associated licences for their use will be required in connection with the functions to be exercised by any Successor Licensee under or pursuant to its licence to carry on the Authorised Activity.

Part C: Other general requirements for the treatment of IPRs

- 38.7 Where the Licensee has created or relies on any IPRs as part of its carrying on of the Permitted Business, it must, upon the expiry or revocation of this Licence, grant a royalty-free, payment-free, and non-exclusive licence for their use to the Successor Licensee on terms ensuring that such licence may be novated in perpetuity.
- 38.8 The Licensee may not be party to any External Service Provider Contract under or pursuant to Condition 10 that does not expressly provide for the Licensee to license any successor to the External Service Provider to use such IPRs arising from that contract as are necessary to enable the successor to secure an orderly transfer of the effective provision of Relevant Service Capability under the contract on terms that are not materially disadvantageous relative to those applying previously.
- 38.9 The Authority may at any time, following consultation with:
- (a) the Licensee, and
 - (b) where appropriate, any other person likely to be materially affected,
- give a direction (~~“a derogation”~~) to the Licensee that relieves it of any one or more of its obligations under Part C of this condition to such extent, for such period of time, and subject to such conditions as may be specified in that direction.

Part D: Intellectual Property Rights arising under the SEC

- 38.10 This Part D applies in relation to any and all documents, materials, reports, charts and tables, diagrams, and specifications, and any and all other works, inventions, ideas, designs, or proposals (in whatever form), arising out of or in connection with the central administration, operation, and development of the Smart Energy Code under or pursuant to Condition 11: Roles in relation to Core Industry Documents and Schedule 2, including any and all associated drafts and working papers (collectively, “the SEC Materials”).
- 38.11 By virtue of this Part D, and subject to paragraph 38.12, all IPRs subsisting in the SEC Materials, and the whole of the title to the SEC Materials:
- (a) will be owned by SECCo Ltd,
 - (b) will immediately vest in SECCo Ltd upon their creation or acquisition, and
 - (c) may be authorised by the SEC Panel to be licensed or sub-licensed for any use that does not hinder, delay, or frustrate the continuing achievement of the General SEC Objectives.
- 38.12 Paragraph 38.11 does not apply to any IPRs subsisting in the SEC Materials (as defined in paragraph 38.10) that have been created by or arise from or that are otherwise associated with:

- (a) the activities undertaken by the Licensee for the purpose of carrying on the Authorised Business in accordance with this Licence, or
- (b) the performance, by the parties, of an External Service Provider Contract in accordance with its provisions.

Part E: Interpretation

38.13 For the purposes of this condition:

Intellectual Property Rights means:

- (a) patents, ~~trade mark~~trademarks, trade names, service marks, rights in designs, copyright (including rights in computer software), logos, rights in internet domain names, and moral rights, database rights, rights in know-how, and other intellectual property rights,

- (b) in each case, whether registered or unregistered or subject to an application for registration,

and includes any and all rights or forms of protection having equivalent or similar effect anywhere in the world.

SEC Materials has the meaning given to that term in paragraph 38.10.

CHAPTER 10: OTHER PROVISIONS

~~Condition~~Conditions 39 to 40

Condition 39. Provision of Market Share Information to the Central Delivery Body

Introduction

39.1 This condition requires the Licensee to provide Market Share Information to the Central Delivery Body on terms agreed between them or determined by the Authority.

Part A: General Obligation

39.2 The Licensee must within 28 days (except where the Central Delivery Body agrees to a longer period or where the Authority otherwise consents) of receipt of a request from the Central Delivery Body to do so, offer to enter into an agreement for the provision of Market Share Information (~~“(Market Information Agreement)”~~).

Part B: Terms of the Agreement

39.3 Where pursuant to paragraph 39.2 the Licensee offers to enter into a Market Information Agreement, the terms of that agreement shall, subject to paragraphs 39.4, 39.5 and 39.7, be such as may be agreed between the Licensee and the Central Delivery Body.

39.4 The terms of a Market Information Agreement must, as a minimum:

- (a) specify that the Licensee will provide Market Share Information to the Central Delivery Body free of charge,
- (b) identify or make provision for determining the Market Share Information to be provided and the period to which it shall relate,
- (c) make provision for the times at which and the manner in which the Market Share Information is to be provided,
- (d) prohibit the Central Delivery Body from using the Market Share Information for any purpose other than for the purpose of:
 - (i) establishing a mechanism to allocate the costs of the Central Delivery Body between licensed gas and electricity suppliers on the basis of such suppliers' respective shares of the markets for gas and electricity supply, and
 - (ii) determining the amount of each invoice to be sent to each licensed gas and electricity supplier for the purposes of recovering the costs allocated to each such supplier in accordance with the established mechanism, and
- (e) subject to paragraph 39.5, prohibit the Central Delivery Body from disclosing Market Share Information provided to it by the Licensee to any person.

39.5 The terms of a Market Information Agreement may provide for the Central Delivery Body to disclose Market Share Information:

- (a) that relates only to an individual gas or electricity supplier to that gas or electricity supplier;
- (b) to any agent, consultant or contractor of the Central Delivery Body where required for the purposes of enabling the Central Delivery Body to use the Market Share

Information for either of the purposes referred to in paragraph 39.4(d), provided that the Central Delivery Body ensures that any such person does not use the information for any other purpose or further disclose it to any other person.

Part C: Determination of disputes between the parties

- 39.6 Any dispute arising between the Licensee and the Central Delivery Body in relation to the terms offered by the Licensee for entering into a Market Information Agreement may be referred by either of them to the Authority for determination.
- 39.7 Where the Central Delivery Body wishes to proceed on the basis of a Market Information Agreement on terms determined by the Authority under paragraph 39.6, the Licensee must enter into and implement such agreement without delay and in accordance with its terms.
- 39.8 The practice and procedure to be followed in connection with the determination of a dispute under this condition are to be such as the Authority considers appropriate in all the circumstances of the case.
- 39.9 The Authority must send a copy of its determination, together with a full statement of the reasons for it, to both parties to the dispute.
- 39.10 The Authority may publish (in such manner as it considers appropriate) so much of any determination made under this condition as (having regard to the need to preserve commercial confidentiality) it considers should be published.
- 39.11 A determination under this condition may include such provision requiring either or both of the parties to the dispute to pay a sum in respect of the costs or expenses incurred by the Authority in making the determination as the Authority considers appropriate in all the circumstances of the case.

Part D: Interpretation

- 39.12 In this ~~Condition~~condition:

Central Delivery Body means the body corporate established by Energy Suppliers in accordance with Standard Licence Condition 39 or as the case may be with Standard Licence Condition 39A of the Electricity Supply Licences and Standard Licence Condition 39 or as the case may be with Standard Licence Condition 39A of the Gas Supply Licences (Smart Metering Consumer Engagement).

Market Information Agreement has the meaning given to it in paragraph 39.2.

Market Share Information means information held by the Licensee pursuant to Section E of the Smart Energy Code in respect of the total number of:

- (a) MPANs registered for each licensed electricity supplier, and
- (b) MPRNs registered for each licensed gas supplier.

MPAN has the meaning given to it in the Retail Energy Code.

MPRN has the meaning given to it in the Uniform Network Code.

Condition 40. General power of derogation

Introduction

40.1 This condition will allow the Authority to limit the force of a provision in this Licence. This is expected to provide greater flexibility to address any adverse effects of the licence requirements on consumers, markets and competition.

Part A: Derogations

40.2 The Authority may give a direction to the Licensee that a provision of this Licence will cease to have effect at such times, in such circumstances, and subject to such conditions as is specified in the direction.

40.3 The Authority may issue guidance regarding the way it expects to exercise its power in this condition, which may set out (amongst other things) the:

(a) process for requesting the Authority to exercise its power;

(b) type of information that is likely to be required by the Authority as part of that process;

(c) criteria the Authority may have regard to in considering whether to exercise its power.

40.4 In this condition, “provision” may mean a condition or any part of a condition.

SCHEDULES TO THE LICENCE

Schedule 1. Details of Fundamental Service Capability

Introduction

- 1.1 -Condition 10 (Procurement of Relevant Service Capability) of this Licence provides that Fundamental Service Capability consists of the Relevant Service Capability that is or has been provided under Legacy Procurement Contracts as defined and from time to time identified and described in this Schedule 1.
- 1.2 Part A below defines a Legacy Procurement Contract, while Part B below identifies each such contract in force under this Licence and provides brief particulars as to its subject matter, effective date, and purpose.

Part A: Definition of a Legacy Procurement Contract

- 1.3 A Legacy Procurement Contract is any contractual arrangement (in whatever form and however described) to which the Licensee is, or is to become, a party that relates to the procurement of Fundamental Service Capability and that was novated to the Licensee under the Previous Licence.
- 1.4 References in this Licence to Legacy Procurement Contracts include:
 - (a) each such contract even if amended, supplemented or revised,
 - (b) any contract that replaces, in full or in part, such a contract, and
 - (c) each such contract as novated to a Successor Licensee in the event of the expiry or any revocation of this Licence.

Part B: Particulars of Legacy Procurement Contracts

- 1.5 The following contracts are, without limitation, Legacy Procurement Contracts in force under this Licence:
 - (1) Contract entered into with CGI IT UK LTD for the provision of data services in respect of the whole of Great Britain.

Contract Reference: CTR000063
Contract ~~Start~~Commencement Date: Friday 1 November 2013
Current Contract Expiry Date: Saturday 31 October 2026
Absolute Contract ~~Extension~~Expiry Date: Saturday 31 October ~~2026~~2028.
 - (2) Contract entered into with TELEFONICA O2 UK LTD for the provision of communication services in respect of the Southern Region of Great Britain.

Contract Reference: CTR000079
Contract ~~Start~~Commencement Date: Friday 1 November 2013
Current Contract Expiry Date: Tuesday 31 October 2028
Absolute Contract ~~Extension~~Expiry Date: Monday 31 October 2033.
 - (3) Contract entered into with TELEFONICA O2 UK LTD for the provision of communication services in respect of the Central Region of Great Britain including Wales.

Contract Reference: CTR000084
Contract [StartCommencement](#) Date: Friday 1 November 2013
[Current](#) Contract Expiry Date: Tuesday 31 October 2028
[Absolute](#) Contract [ExtensionExpiry](#) Date: Monday 31 October 2033.

- (4) Contract entered into with ARQIVA SMART METERING LTD for the provision of communication services in respect of the Northern Region of Great Britain including Scotland.

Contract Reference: CTR000006
Contract [StartCommencement](#) Date: Monday 23 December 2013
[Current](#) Contract Expiry Date: Friday 22 December 2028
[Absolute](#) Contract [ExtensionExpiry](#) Date: Thursday 22 December 2033.

- (5) Contract entered into with TRILLIANT NETWORKS OPERATIONS (UK) LTD for the provision of services in respect of the SMETS1 Smart Metering Programme.

Contract Reference: CTR000078
Contract [StartCommencement](#) Date: ~~Tuesday~~[Monday 1 May 2018](#)
[March 2021](#)
[Current](#) Contract Expiry Date: Monday 28 February 2033
[Absolute](#) Contract [ExtensionExpiry](#) Date: Thursday 28 February 2036.

- (6) Contract entered into with ENTSERV UK LTD for the provision of services in respect of the SMETS1 Smart Metering Programme (DXC).

Contract Reference: CTR000072
Contract [StartCommencement](#) Date: ~~Friday~~[Wednesday 28 September 2018](#)
[April 2021](#)
[Current](#) Contract Expiry Date: Saturday 31 July 2027
[Absolute](#) Contract [ExtensionExpiry](#) Date: Saturday 31 July 2027.

- (7) Contract entered into with SECURE METERS (UK) LIMITED for the provision of services in respect of the SMETS1 Smart Metering Programme.

Contract Reference: CTR000076
Contract [StartCommencement](#) Date: ~~Friday 1 March 2019~~
[Sunday 16 August 2020](#)
[Current](#) Contract Expiry Date: Sunday 15 August 2032
[Absolute](#) Contract [ExtensionExpiry](#) Date: Monday 15 August 2033.

- (8) Contract entered into with LANDMARK INFORMATION GROUP LTD for the provision of services in respect of the Switching Programme.

Contract Reference: CTR000074
Contract [StartCommencement](#) Date: Friday 10 May 2019
[Current](#) Contract Expiry Date: Saturday 17 July 2027
[Absolute](#) Contract [ExtensionExpiry](#) Date: Tuesday 17 July 2029.

- (9) Contract entered into with VODAFONE GLOBAL ENTERPRISE LIMITED for the provision of communication services in respect of the SMETS1 Smart Metering Programme.

Contract Reference: CTR000088

Contract StartCommencement Date: Thursday 30 May 2019

Current Contract Expiry Date: Friday 30 September 2033

Absolute Contract ExtensionExpiry Date: Friday 30 September 2033

- (10) Contract entered into with CAPGEMINI UK PLC for the provision of service management tools in respect of the Switching Programme.

Contract Reference: CTR000016

Contract StartCommencement Date: Thursday 4 July 2019

Current Contract Expiry Date: Saturday 17 July 2027

Absolute Contract ExtensionExpiry Date: Tuesday 17 July 2029.

- (11) Contract entered into with CGI IT UK LTD for the provision of services in respect of the SMETS1 Smart Metering Programme.

Contract Reference: CTR000062

Contract StartCommencement Date: Sunday 28 July 2019

Current Contract Expiry Date: ~~Sunday 27 July 2034~~

Saturday 30 November 2030

Absolute Contract ExtensionExpiry Date: Thursday 27 July 2034.

- (12) Contract entered into with TELEFONICA UK LTD for the provision of communication services in respect of the SMETS1 Smart Metering Programme.

Contract Reference: CTR000087

Contract StartCommencement Date: Friday 7 February 2020

Current Contract Expiry Date: Sunday 31 December 2028

Absolute Contract ExtensionExpiry Date: Friday 31 December 2032.

- (13) Contract entered into with CRITICAL SOFTWARE LTD for the provision of ECoS Application support services.

Contract Reference: CTR000071

Contract StartCommencement Date: Thursday ~~5 August 2021~~
29 June 2023

Current Contract Expiry Date: Monday 29 June 2026

Absolute Contract ExtensionExpiry Date: Friday 29 June 2029.

- (14) Contract entered into with ACCENTURE (UK) LIMITED for the provision of service management and hosting for ECoS.

Contract Reference: CTR000001

Contract StartCommencement Date: ~~Monday 31 January 2022~~
Friday 30 June 2023

Current Contract Expiry Date: Thursday 29 June 2028

Absolute Contract ExtensionExpiry Date: Sunday 29 June 2031.

- (15) Contract entered into with ACCENTURE (UK) LIMITED for the provision of services in respect of the Network Evolution Programme - Device Manager (CH&N).

Contract Reference: CTR000004

Contract [StartCommencement](#) Date: Friday 7 October 2022

[Current](#) Contract Expiry Date: Friday 2 December 2039

[Absolute](#) Contract [ExtensionExpiry](#) Date: Friday 2 December 2044.

- (16) Contract entered into with TOSHIBA EUROPE LIMITED for the provision of services in respect of the Network Evolution Programme - Devices (CH&N).

Contract Reference: CTR000077

Contract [StartCommencement](#) Date: Friday 7 October 2022

[Current](#) Contract Expiry Date: Monday 28 November 2039

[Absolute](#) Contract [ExtensionExpiry](#) Date: Monday 28 November 2044.

- (17) Contract entered into with VODAFONE LIMITED for the provision of services in respect of the Network Evolution Programme - WAN (CH&N).

Contract Reference: CTR000089

Contract [StartCommencement](#) Date: Friday 7 October 2022

[Current](#) Contract Expiry Date: Friday 2 December 2039

[Absolute](#) Contract [ExtensionExpiry](#) Date: Friday 2 December 2044.

- (18) Contract entered into with HCL TECHNOLOGIES UK LTD for provision of Test Automation and Robotics Framework services relating to the Smart Metering Programme.

Contract Reference: CTR000073

Contract [StartCommencement](#) Date: Friday 27 January 2023

[Current](#) Contract Expiry Date: Thursday 29 July 2027

[Absolute](#) Contract [ExtensionExpiry](#) Date: Sunday 29 July 2029.

- (19) Contract entered into with CAPGEMINI UK PLC for the provision of IT Service Management services (FSM).

Contract Reference: CTR000174

Contract [StartCommencement](#) Date: Monday 16 September 2024

[Current](#) Contract Expiry Date: ~~Monday 25 October 2032~~

[Friday 16 September 2039](#)

[Absolute](#) Contract [ExtensionExpiry](#) Date: ~~Thursday~~[Tuesday](#) 16 September 20322042.

- (20) Contract entered into with CAPGEMINI UK PLC for the provision of the hosting and service management for the Dual Control Organisation in respect of the SMETS1 Smart Metering Programme.

Contract Reference: CTR000287

Contract [StartCommencement](#) Date: ~~Monday 23 December 2024~~

[Wednesday 1 January 2025](#)

Current Contract Expiry Date: Saturday 31 March 2029
Absolute Contract ~~Extension~~Expiry Date: Saturday 31 December 2033.

- (21) Contract entered into with CRITICAL SOFTWARE LTD for the provision of the application maintenance for the Dual Control Organisation services in respect of the SMETS1 Smart Metering Programme.

Contract Reference: CTR000285
Contract ~~Start~~Commencement Date: ~~Monday 23 December 2024~~
Wednesday 1 January 2025
Current Contract Expiry Date: Saturday 31 March 2029
Absolute Contract ~~Extension~~Expiry Date: Saturday 31 December 2033.

- (22) Contract entered into with NORDCLOUD LIMITED for the provision of Azure Billing Subscriptions and Support for Device Manager.

Contract Reference: CTR000206
Contract ~~Start~~Commencement Date: ~~Monday 3 February~~ Friday 31 January 2025
Current Contract Expiry Date: Monday 31 January 2028
Absolute Contract ~~Extension~~Expiry Date: Monday 31 January ~~2028~~2031.

- (23) Contract entered into with NETCOMPANY UK LTD for the provision of services in respect of the Switching Programme.

Contract Reference: CTR000415
Contract ~~Start~~Commencement Date: ~~Friday 14~~ Saturday 15 February 2025
Current Contract Expiry Date: ~~Saturday 13~~ Sunday 14 February 2027
Absolute Contract ~~Extension~~Expiry Date: ~~Wednesday 13~~ Friday 15 February 2030.

- (24) Contract entered into with CGI IT UK LTD for the provision of systems integration services across the DSP2 Programme, including end-to-end testing, assurance and programme governance.

Contract Reference: CTR000273
Contract ~~Start~~Commencement Date: Friday 28 March 2025
Current Contract Expiry Date: Tuesday 27 March 2040
Absolute Contract ~~Extension~~Expiry Date: Friday 27 March 2043.

- (25) Contract entered into with IBM UNITED KINGDOM LTD for the provision of various services related to the DSP2, including data services, communication services, and other supporting services.

Contract Reference: CTR000270
Contract ~~Start~~Commencement Date: Friday 28 March 2025
Current Contract Expiry Date: Friday 27 March 2043
Absolute Contract ~~Extension~~Expiry Date: Friday 27 March 2043.

- (26) Contract entered into with NETCOMPANY UK LTD for the provision of Modular DUIS and Monolithic DUIS, and Message Mapping Catalogue

(MMC).

Contract Reference: CTR000264

Contract StartCommencement Date: Friday 28 March 2025

Current Contract Expiry Date: Tuesday 28 March 2034

Absolute Contract ExtensionExpiry Date: Saturday 28 March 2037.

- (27) Contract entered into with VODAFONE LIMITED for provision of services, functions and responsibilities required for the DSP2 network connectivity and services to support the DSP2 platform.

Contract Reference: CTR000271

Contract StartCommencement Date: Friday 28 March 2025

Current Contract Expiry Date: Sunday 24 September 2034

Absolute Contract ExtensionExpiry Date: Monday 24 September ~~2035~~2037.

- (28) Contract entered into with BRITISH TELECOMMUNICATIONS PLC for the provision of Azure services related to Smart Meter Key Infrastructure (SMKI) Services.

Contract Reference: CTR000261

Contract StartCommencement Date: Monday 31 March 2025

Current Contract Expiry Date: Sunday 30 September 2035

Absolute Contract ExtensionExpiry Date: Tuesday 31 March 2037.

- 1.6 The Licensee must make such alterations to the particulars set out under paragraph 1.4 as may be necessary from time to time to reflect changes (including additions) to them and must immediately notify the Authority of each such alteration.

Schedule 2. Principal Contents of the Smart Energy Code

Introduction

- 2.1. Condition 11 of this Licence (Smart Energy Code) refers to the need for the Smart Energy Code to include or make appropriate provision for, or in connection with, the Principal SEC Content. This Schedule defines the meaning of Principal SEC Content.

Part A: Definition of Principal SEC Content

- 2.2. Each of paragraphs 2.3 to 2.42.41 describe the matters that constitute the Principal SEC Content.

Part B: Fundamental contents

- 2.3. The terms on which the Licensee will arrange with each Energy Supplier to provide, in respect of a Smart Meter that is installed at premises supplied with Energy by that supplier, a service by means of which information may be communicated to and from that meter on behalf of the supplier, whether for the purposes of compliance with the conditions of its Energy Supply Licence or otherwise.
- 2.4. The terms on which the Licensee will contract with any other SEC Party to provide that person with a service by means of which information may be communicated to and from any Smart Meter installed at premises by that person.
- 2.5. The arrangements designed to provide assurance that all Smart Metering Systems installed at Energy Consumers' premises for the purposes of the Supply of Energy consist of the apparatus identified in, have the functional capability specified by, and comply with the other requirements of the ESME Technical Specification, the GSME Technical Specification or the CH Technical Specification (as the case may be) applicable at the date at which such systems are installed.
- 2.6. The contractual and commercial arrangements necessary to secure the ownership, delivery, installation, repair, maintenance, and replacement of Communications Hubs pursuant to the Communications Hub Service.
- 2.7. The arrangements for the governance, management and implementation of processes and procedures by means of which Relevant Suppliers shall be able, acting in conjunction and co-operation with each other, to ensure that the Alt HAN Activities are carried out and that the Alt HAN Services are made available to all Relevant Suppliers and are provided on reasonable terms to any Relevant Supplier which elects to acquire them (the "Alt HAN Arrangements").
- 2.8. The Mandatory Business Services (clearly distinguishing between the types listed in Condition 6.2 ~~and~~, including, as appropriate, the delivery and provision of the Centralised Registration Service) that are to be provided by the Licensee under or pursuant to the SEC.
- 2.9. The procedures relating to any requirement for SEC Parties to make Smart Metering Systems available for use by other specified persons (including the Licensee) for specified purposes, whether under or pursuant to the SEC or otherwise.
- 2.10. The terms and procedures for the implementation of charging, billing, and payment arrangements in respect of (i) services provided under or pursuant to the SEC for and

on behalf of SEC Parties, and (ii) the recovery of the costs of ensuring that the Alt HAN Activities are carried on, that the Alt HAN Services are made available and provided, and that the Alt HAN Arrangements are administered.

- 2.11. The terms and arrangements relating to (i) the ownership, licensing, and protection of any intellectual property rights created by or arising by virtue of the operation of any of the SEC Arrangements, and (ii) the treatment and allocation of any royalty revenues resulting from the exercise of such rights.
- 2.12. The requirements and procedures for the purposes of ensuring data protection and data and systems security in the operation of the SEC Arrangements.
- 2.13. The terms providing for the limitation of the liability of the Licensee and SEC Parties in respect of loss or damage arising from the procurement, provision, or use of services under or pursuant to the SEC.

Part C: Governance and administration provisions

- 2.14. A Framework Agreement, to which the Licensee and Original Parties are a party.
- 2.15. Provision for other persons (being persons who accept the terms and fulfil all of the conditions on which accession to the SEC is offered) to be admitted subsequently as parties to the SEC by entering into an agreement (an "Accession Agreement") with SECCo Ltd acting for that purpose on behalf of all SEC Parties.
- 2.16. Provision enabling any person who seeks to be admitted as a SEC Party pursuant to an Accession Agreement to request the Authority to determine any dispute as to whether that person has fulfilled the terms and conditions of accession.
- 2.17. The arrangements providing for the novation to a Successor Licensee (upon either the expiry of the Licence Term (~~or of~~ including any Additional Licence Term) within the meaning of Part 1 of this Licence, or any revocation of this Licence pursuant to a Revocation Event under its Part 2) of the whole of the Licensee's interest under the SEC, on terms that require the Successor Licensee to assume all accrued rights or obligations of the Licensee and all accrued liabilities of the Licensee, in each case in respect of any act or omission relating to the SEC Arrangements on or at any time before the date of the novation.
- 2.18. The terms providing for the Licensee and such SEC Parties as are specified in the SEC to be contractually bound by some or all of the provisions of the SEC.
- 2.19. The arrangements for the establishment, in accordance with such procedures for the election of members as are specified in the SEC, of a representative body, the SEC Panel, which is to be responsible, by way of such proceedings as are so specified (which may include voting procedures), for the governance and administration of the SEC.
- 2.20. Provision for the appointment of an independent chairperson of the SEC Panel who is approved by the Authority.
- 2.21. Provision for the Citizens Advice or Citizens Advice Scotland to appoint to the membership of the SEC Panel two persons (neither of them being a SEC Party) to represent to the Panel the interests of Energy Consumers ("the Consumer Members").

- 2.22. The arrangements for the establishment, in accordance with such procedures as are specified in the SEC, of a body, the SMKI Policy Management Authority, which is to be responsible, by way of such proceedings as are so specified (which may include voting procedures), for the oversight and implementation of documents to be known as the Certificate Policies (whether or not incorporated into the SEC by virtue of the provisions of Part D below) that set out the roles and duties of SEC Parties and other persons in the management of the Smart Metering Key Infrastructure.
- 2.23. The arrangements for the establishment, in accordance with such procedures as are specified in the SEC, of a body, the Alt HAN Forum, which is to be responsible, by way of such proceedings as are so specified (which may include voting procedures), for matters related to ensuring that the Alt HAN Activities are carried out and that the Alt HAN Services are made available and provided.
- 2.24. The arrangements for the establishment and funding of a Secretariat to service the SEC Panel in connection with such matters of governance and administration as are specified in the SEC, including the maintenance of a conformed and up-to-date copy of the SEC as from time to time modified.
- 2.25. The arrangements for the establishment and funding of a person to be known as the Code Administrator to advise and assist the SEC Panel (including, in particular, the Consumer Members), SEC Parties, and other interested persons with respect to the policy and administration of the SEC, to such extent and in relation to such matters as are specified in the SEC.
- 2.26. Provision for the establishment and maintenance of a joint venture company, SECCo Ltd, that must:
 - (a) only have shareholders that are such SEC Parties as may be specified for that purpose in the SEC,
 - (b) only carry out activities to assist the SEC Panel in exercising its powers, duties, and functions (including by entering into contracts where necessary or desirable in order to implement any decision of the SEC Panel), and
 - (c) conduct its affairs in accordance with good business practice.
- 2.27. The arrangements for the establishment and funding of one or more bodies that may be required to support the Certificate Policy Management Authority in the implementation of the Certificate Policy, including arrangements that provide for such bodies to become SEC Parties to such extent, for such purposes, and in such circumstances as may be specified in the SEC.
- 2.28. The terms requiring the Code Administrator to act in accordance with any Code of Practice approved by the Authority that relates to the performance of their duties by persons or bodies responsible for administering documents of the kind that are described in Condition 11 (Roles in relation to Core Industry Documents).
- 2.29. Provision for the establishment of a joint venture company, AltHANCo Ltd, that must:
 - (a) only have shareholders that are Relevant Suppliers to SEC Parties,

- (b) only carry out activities to assist the Alt HAN Forum in exercising its powers, duties and functions (including by entering into contracts where necessary or desirable in order to implement any decision of the Alt HAN Forum), and
- (c) conduct its affairs in accordance with good business practice.

Part D: Provisions for the incorporation of documents

2.30. Provision for the incorporation into the SEC of the Charging Methodology for the purposes of incorporation in accordance with the requirements of that condition.

~~2.31. Provision for the incorporation into the SEC of one or more versions of the ESME Technical specification, the GSME Technical Specification, the IID Technical Specification, the PPMID Technical Specification, the HCALCS, the SAPC Technical Specification and the CH Technical Specification, in each case from the date designated by the Secretary of State under Condition 22 of the Previous Licence.~~

~~2.32. Provision to designate for incorporation into the SEC of any Certificate Policy as designated by the Secretary of State under Condition 22 of the Previous Licence.~~

~~2.33-2.31. Provision for the incorporation into the SEC, in each case as designated by the Secretary of State under Condition 22 of the Previous Licence, of such other certificate policies, technical specifications and procedural or associated documents as the Secretary of State believes considers are required to support the Alt HAN Arrangements fulfilment of rights or obligations already specified in the SEC (such policies, specifications and documents, together with those designated by the Secretary of State under the Previous Licence, being the “Designated Documents”).~~

2.32. This provision must:

(a) include the power for the Secretary of State to:

(i) determine the required form of a Designated Document,

(ii) make such supplementary, incidental or consequential provision with respect to the SEC as the Secretary of State considers necessary or expedient for the purposes of, in consequence of, or for giving full and timely effect to the incorporation of that document,

(iii) make such provision for the application of that document to SEC Parties, and for the subsequent governance of the document, as the Secretary of State believes is necessary or expedient for the purpose of facilitating the achievement of the General SEC Objectives,

(iv) modify, replace or omit any Designated Document,

(b) provide for the Secretary of State’s power to be exercised independently of the SEC Modification Arrangements, and

(c) cease to have effect after the end of the date specified in section 88(5) of the Energy Act 2008 (sunset of the power to amend licence conditions etc: smart meters).

Part E: SEC Modification Arrangements

2.34.2.33. The arrangements for the modification of the SEC, which must provide for:

- (a) the Licensee and all other SEC Parties to meet periodically for the purpose of discussing the continuing development of the SEC, having regard to the General SEC Objectives.
- (b) a timely and efficient process by which the SEC Panel can:
 - (i) formally receive modification proposals from the Licensee, any SEC Party, the Authority, the Secretary of State, Citizens Advice or Citizens Advice Scotland, or from any other person or body that may be either designated by the Authority for the purpose of making such proposals or specified for such purpose by a provision of the SEC,
 - (ii) ~~consult~~**Consult** on the merits of those modification proposals with the Licensee, SEC Parties, Citizens Advice and Citizens Advice Scotland, and any other persons whose interests are materially affected by the SEC, and
 - (iii) evaluate those proposals in the light of that consultation.
- (c) the SEC Panel to have a report on any modification proposal (“a Modification Report”) prepared in a timely and efficient manner for submission to the Authority that:
 - (i) sets out the terms proposed for the modification,
 - (ii) fairly summarises the representations received during the consultation process under paragraph 2.34(b), Schedule 1.2.33(b),
 - (iii) sets out the conclusions reached by the SEC Panel (or by such other body as may be specified for this purpose by the SEC) about the modification proposal in question, including whether in the SEC Panel’s opinion (or the opinion of that other body, as the case may be) the modification would, if made, better achieve the General SEC Objectives (or such Relevant Policy Objectives as may be applicable to the proposal by virtue of Condition 26 of this Licence),
 - (iv) sets out a timetable for implementing the modification, if it were to be made, and the date with effect from which the modification (if made) would take effect.
- (d) specified categories of modification (and those categories only) to be capable of:
 - (i) being processed and considered more urgently than any other categories of modification, or
 - (ii) being made by the SEC Panel (or by such other body as may be specified for this purpose by the SEC) without the Authority’s approval.

- (e) every Modification Report to include an assessment of the quantifiable impact (if it is likely to be material) of the relevant modification proposal on Greenhouse Gas emissions,
- (f) that assessment to be conducted in accordance with any guidance issued for that purpose by the Authority about the evaluation of such emissions and the appropriate treatment of carbon costs,
- (g) the Authority, if it considers that a Modification Report does not adequately analyse or fully consider the matter in question to:
 - (i) remit that Modification Report to the SEC Panel, and
 - (ii) direct the SEC Panel as to the nature of the further analysis or the further consideration, or both, that the Authority believes is required.
- (h) the Authority and for the Secretary of State to bring forward a modification proposal of its own motion (or to direct the Licensee to bring forward such a proposal) by reference to particular policy considerations specified in the SEC for that purpose,
- (i) any such modification proposal to be initiated, processed, and determined in accordance with such procedures as are set out in the SEC for the purpose of dealing with such a proposal by reason of its special status,
- (j) modifying the SEC Modification Arrangements, and
- (k) the SEC Panel to be required to make a modification of the SEC where the Authority is satisfied that the:
 - (i) relevant modification proposal has been processed in accordance with all of the applicable SEC Modification Arrangements,
 - (ii) modification, if made, would better facilitate the achievement of the General SEC Objectives (or such Relevant Policy Objectives as are applicable to the modification by virtue of Condition 26 of this Licence), and
 - (iii) making of that modification would be consistent with the Authority's principal objective and general duties under the Principal Energy Legislation.

Part F: Other matters

2.35-2.34. Provision enabling such SEC Parties (or categories of SEC Party) as are specified in the SEC to appoint agents (in accordance with such requirements regarding the eligibility of such persons as are so specified) for the purpose of exercising such functions under or in connection with the SEC, in such circumstances and subject to such restrictions, as are so specified.

2.36-2.35. Provision requiring SEC Parties who are also parties to one or more of the other Core Industry Documents mentioned in Condition 11 to establish arrangements for the purpose of ensuring that such information arising from activities carried on in accordance with those documents as the Licensee may reasonably require for the exercise of its functions under the Principal Energy Legislation, this Licence, and the

SEC will be supplied to the Licensee at such times and in such form and manner as may be specified in the SEC.

~~2.37~~2.36. Provision for the Licensee to receive, from such SEC Parties as are specified in the SEC, such services or resources, for such purposes and on such terms, as are so specified.

~~2.38~~2.37. Provision for the vesting, ownership, and novation of intellectual property rights in SEC Materials within the meaning of Condition 38 (Treatment of Intellectual Property Rights) to be compliant with the requirements of that condition with respect to those matters.

~~2.39~~2.38. Provision for a copy of the SEC that is compliant with paragraph ~~3.24~~2.24 to be published on behalf of the SEC Panel on its website.

~~2.40~~2.39. Provision for information about the operation of the SEC Arrangements to be supplied on request to the Authority or to be published by it or the SEC Panel.

~~2.41~~2.40. Provision for the SEC Panel to secure the compliance of any SEC Party with the requirements of paragraph ~~3.40~~2.39.

~~2.42~~2.41. Provision for such other matters as may be appropriate, having regard to the requirement for the SEC to be maintained as a document that is designed to achieve the General SEC Objectives.

Part G: Interpretation

~~2.43~~2.42. In this Schedule:

Accession Agreement has the meaning that is given to that term in paragraph ~~2.15~~2.15 of this Schedule.

Alt HAN Activities has the meaning that is given to that term in standard condition 55 of the electricity supply licence and standard condition 49 of the gas supply licence (Smart Metering – The Alt HAN Arrangements).

Alt HAN Services has the meaning that is given to that term in standard condition 55 of the electricity supply licence and standard condition 49 of the gas supply licence (Smart Metering – The Alt HAN Arrangements).

Certificate Policies has the meaning that is given to that term in paragraph 2.22 of this Schedule.

Citizens Advice means the National Association of Citizens Advice Bureaux.

Citizens Advice Scotland means the Scottish Association of Citizens Advice Bureaux.

Code Administrator has the meaning that is given to that term in paragraph ~~2.25~~2.25 of this Schedule.

Consumer Members has the meaning that is given to that term in paragraph ~~2.21~~2.21 of this Schedule.

ESME Technical Specification has the meaning given to the term 'Electricity Smart Metering Equipment Technical Specification' in the Smart Energy Code.

Greenhouse Gas in relation to emissions has the meaning given to that term in section 92 of the Climate Change Act 2008.

GSME Technical Specification has the meaning that is given to the term 'Gas Smart Metering Equipment Technical Specification' in the Smart Energy Code.

HCALCS has the meaning that is given to that term in standard condition 1 (Definitions for standard conditions) of the licences granted, or treated as granted, under section 6(1)(d) of the 1989 Act.

IHD Technical Specification has the meaning that is given to that term in the Smart Energy Code.

Modification Report has the meaning given to that term in paragraph [2.34\(e\)](#) Schedule 1.2.33(c) of this Schedule.

Other Party has the meaning given to that term in the SEC.

Other SEC Participants means every party to the SEC who is neither the Licensee nor the holder of an Energy Licence that requires that person to be a party to the SEC.

Relevant Policy Objectives means the objectives listed in Part A of Condition 26 with respect to the Charging Methodology.

Relevant Supplier has the meaning that is given to that term in standard condition 55 of the electricity supply licence and standard condition 49 of the gas supply licence (Smart Metering – The Alt HAN Arrangements).

SAPC Technical Specification has the meaning given to that term in the SEC.

SEC Modification Arrangements means the arrangements described in paragraph 2.34 of this Schedule.

Smart Metering Key Infrastructure means the arrangements in place under the SEC that govern the creation, management, distribution, use, storage, and revocation of digital certificates.

- 1.5 Any reference to a company includes a reference to any permitted successor in business or any assignee of that company.
- 1.6 Any reference to an enactment is a reference to it as it may have been, or may from time to time be, amended, modified, consolidated, or re-enacted.
- 1.7 Condition 2 of Party A’s Licence, which sets out rules of interpretation for that Licence is relevant to such extent as may be applicable.

Clause 2:- Novation of the Contract

- 2.1 In consideration of the mutual undertakings contained in this Deed, and with effect from [xxxxxxxxxxx] (“the Effective Date”):
 - (a) —Party A ceases to be a party to the Contract and Party C becomes a party to it in place of Party A;
 - (b) —Party C undertakes to Party B to accept, observe, perform, and discharge all of —the obligations and liabilities of Party A arising under the Contract in substitution for Party A;
 - (c) —Party B agrees to the substitution of Party C in place of Party A and agrees that Party C may exercise and enjoy all of the rights of Party A arising under the Contract in substitution for Party A as if Party C had at all times been a party to the Contract; and
 - (d) —Party B releases and discharges Party A from all claims, demands and liabilities, and obligations under the Contract -(however arising and whether arising on, before, or after the Effective Date) and accepts the liabilities and obligations to it of Party C in place of Party A.

Clause 3:- Further assurance under this Deed

- 3.1 Each of the parties agrees to perform (or procure the performance of) all further acts and things, and to execute and deliver (or procure the execution and delivery of) such further documents, as may be required by law or as may be necessary or reasonably desirable in order to implement and give effect to this Deed.

Clause 4:- Supremacy of the Successor Licence

- 4.1 Each of Party A and Party C agrees with the other that, in the event of any inconsistency between any of the terms of this Deed and any of the provisions of the Successor Licence, those provisions will prevail as between them but without prejudice to Party B’s rights under this Deed and the Contract.

Clause 5:- Protection of confidential information

- 5.1 Each of the parties, both during the arrangements contemplated by this Deed and after —such arrangements have terminated, will:
 - (a) —keep confidential the terms of this Deed and all information, whether in written—_or any other form, that has been disclosed to it by or on behalf of any other party pursuant to its respective obligations under this Deed and that by its nature ought to be regarded as confidential (including any business information in

respect of that other party that is not directly applicable or relevant to any of the transactions contemplated by this Deed); and

(b) procure that its officers, employees, and representatives will keep and treat as —confidential all such documents and information.

5.2 Clause 5.1 does not apply to information:

(a) —that after the date of this Deed becomes published or otherwise available to the —public, except in consequence of a wilful or negligent act or omission of a party to this Deed in breach of the obligations set out in Clause 5.1; or

(b) —that is required to be disclosed by any applicable law or by any recognised stock exchange or governmental or other regulatory or supervisory body or authority of competent jurisdiction to whose rules (whether or not having the —force of law) the party making the disclosure is subject; or

(c) that a party is required to disclose to a third party in order to perform any of its obligations under or pursuant to this Deed; or

(d) —that a party is required to disclose to the Authority or the Secretary of State in —order to perform its obligations under the Licence or (as the case may be) the —Successor Licence.

5.3 The provisions of this Clause 5 survive any termination of this Deed.

Clause 6:- Exclusion of Third Party Rights

6.1 A person who is not a party to this Deed is not intended to have any rights under the Contracts (Rights of Third Parties) Act 1999 to enforce any of its terms.

Clause 7:- Provisions to be treated as severable

7.1 Every provision contained in this Deed is severable and distinct from every other such provision, and if at any time one or more of such provisions is found to be or becomes invalid, illegal, or unenforceable, the validity, illegality, or enforceability of the remaining such provisions will not in any way be affected.

Clause 8:- Entire agreement and understanding

8.1 This Deed sets out the entire agreement and understanding between the parties with respect to the subject matter of this Deed.

8.2 But this Clause 8 does -not exclude any liability for, or any remedy available in respect of, fraudulent misrepresentation by either party.

Clause 9:- Signature by way of counterparts

9.1 This Deed may be executed in any number of counterparts, and this will have the same effect as if the signatures on the counterparts were on a single copy of this Deed.

Clause 10:- Governing law and jurisdiction

10.1 This Deed is governed by and is to be construed in accordance with the provisions of English law.

10.2 The parties agree that the English courts will have exclusive jurisdiction in relation to any legal action or proceedings arising out of or in connection with this Deed.

EXECUTION

The parties have shown their acceptance of the terms of this Deed by executing it below as a deed on the date set out at the head of this Deed:

SIGNED by _____)
)
duly authorised for and on behalf _____)
of Party A— _____)

SIGNED by _____)
)
duly authorised for and on behalf _____)
of Party B _____)

SIGNED by _____)
)
duly authorised for and on behalf _____)
of Party C— _____)

Schedule 4. Prescribed Business Services and other duties

Introduction

4.1 This Schedule will list new services and duties provided as part of the Licensee's Mandatory Business.

Part A: New services

4.2 The Licensee's duties under a written Agreement entered into by the Licensee with the Previous Licensee for the purposes of enabling the Previous Licensee to discharge its licence obligations.

Schedule 5. Communications Hub Replacement Reimbursement Methodology

Introduction

5.1 In accordance with Condition 9.30, this schedule prescribes the methodology for determining payments under the CH Replacement Reimbursement Service.

Part A: The Methodology

5.2 In this schedule, the “Communications Hub Replacement Reimbursement Methodology” (referred to as the Methodology) means a methodology which:

(a) is determined in accordance with the procedure set out in Part B or Part C;

(b) sets out the method for calculating an amount (the Reimbursement Amount) to be paid:

(i) by the Licensee for the purposes of the CH Replacement Reimbursement Service,

(ii) to an Energy Supplier,

(iii) in respect of each visit carried out by (or on behalf of) that Energy Supplier to the premises of one of its Energy Consumers during which a 2/3G Communications Hub at those premises is replaced with a 4G Communications Hub, and

(c) provides for the calculation of that Reimbursement Amount so that the amount shall be expressed in the form of a number of £ (pounds sterling) for each such visit.

Part B: Procedure for Determining the Methodology

The Initial Methodology

5.3 The initial Methodology shall be determined jointly between the Secretary of State and the Authority, by way of mutual agreement between them, and shall apply in respect of the Regulatory Year commencing immediately following that determination.

5.4 Before the initial Methodology is determined:

(a) the Secretary of State will liaise with the Authority as to the text of the draft initial Methodology on which they will consult, and

(b) the Secretary of State and the Authority will consult on that draft Methodology with all those persons they consider to have an interest in it.

5.5 The steps described in paragraph 5.4 may take place either before or after this Schedule 5 comes into force.

5.6 The initial Methodology determined jointly by the Secretary of State and the Authority will be so designed as to provide that the Reimbursement Amount paid by the Licensee to an Energy Supplier:

(a) is calculated so as to reflect the reasonable expected costs – in the Regulatory Year in which it applies – of a typical visit to the premises of an Energy Consumer by (or on behalf of) and Energy Supplier during which a 2/3G Communications Hub at those premises is replaced with a 4G Communications Hub, and

(b) incorporates an allowance for the reasonable expected costs – in the Regulatory Year in which it applies – of visits to the premises of Energy Consumers by (or on behalf of) Energy Suppliers with the purpose of replacing a 2/3G Communications Hub at those premises with a 4G Communications Hub, but during which it is either not possible or not reasonably practicable to carry out that replacement.

5.7 The Methodology may, at the discretion of the Secretary of State and the Authority, provide that the Reimbursement Amount will be calculated so as to incorporate an allowance for such other categories of cost incurred by Energy Suppliers in replacing 2/3G Communications Hubs with 4G Communications Hubs as the Secretary of State and the Authority may consider appropriate.

5.8 The Secretary of State and the Authority:

(a) will jointly apply the Methodology determined by them so as to calculate an agreed Reimbursement Amount for the first Regulatory Year to which that Methodology applies, and

(b) may jointly apply the Methodology determined by them so as to calculate an agreed Reimbursement Amount for any subsequent Regulatory Year to which that Methodology applies.

5.9 Where, in respect of any Regulatory Year, the Secretary of State and the Authority have not exercised the function of determining a Reimbursement Amount under sub-paragraph 5.8(b), the Licensee will not be required to provide a CH Replacement Reimbursement Service in that Regulatory Year.

Subsequent Methodologies

5.10 The Secretary of State and the Authority will from time to time jointly consider whether the initial Methodology determined by them requires to be amended for the purposes of any subsequent Regulatory Year after the first Regulatory Year in which it applies and, where by mutual agreement they consider that it does, they will:

(a) jointly determine a new Methodology, by way of mutual agreement between them, to replace the initial Methodology commencing in such Regulatory Year as they may specify,

(b) for that purpose, follow the procedure set out at paragraph 5.4, and

(c) ensure that the new Methodology is designed in accordance with paragraphs 5.6 and 5.7.

5.11 For the purposes of sub-paragraphs 5.10(b) and (c), references in paragraphs 5.4 and 5.6 to the initial Methodology must be treated as if they were references to the replacement Methodology.

5.12 Paragraph 5.10 applies to the first and any subsequent replacement Methodology in the same manner as it applies to the initial Methodology and, where any replacement Methodology has been determined, references in paragraph 5.10 to the initial Methodology are to be treated as if they were references to that replacement Methodology.

The Authority

5.13 The Secretary of State may, by means of a direction in accordance with this paragraph which is issued to the Authority, to the Licensee and to all Energy Suppliers, provide that the functions that are exercisable jointly by the Secretary of State and the Authority by virtue of paragraph 5.10 shall, from such date as may be specified in the direction, be treated as functions exercisable by the Authority alone.

5.14 Where the Secretary of State has issued a direction in accordance with paragraph 5.13, with effect from such date as may be specified in the direction:

(a) paragraph 5.4 is to be treated as solely comprising a requirement for the Authority to consult on the draft Methodology with the Secretary of State and with all such other persons as it considers to have an interest in that draft, and

(b) all references in paragraphs 5.6 to 5.10 to functions that are exercisable jointly by the Secretary of State and the Authority are to be treated as references to functions that are exercisable by the Authority alone.

Part C: Interpretation

5.15 In this Schedule:

Methodology means the Communications Hub Replacement Reimbursement Methodology, as described in paragraph 5.2 (as replaced from time to time in accordance with paragraph 5.10); and

Reimbursement Amount has the meaning given to it in paragraph 5.2.