Gas Act 1986 and Electricity Act 1989

SMART METER COMMUNICATION LICENCE

granted pursuant to:

sections 7AB(2) and (4) of the Gas Act 1986

AND

sections 6(1A) and (1C) of the Electricity Act 1989

Commencement Date : 23 September 2013

Department of Energy & Climate Change

20 September 2013

The Company Secretary
Smart DCC Ltd
First Floor, 2 Kingdom Street
Paddington
London
W2 6BD

GRANT OF THIS LICENCE

The Secretary of State, in exercise of the powers conferred by section 7AB(2) of the Gas Act 1986 and section 6(1A) 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 Smart DCC Ltd, a company registered in England and Wales under number 08641679).

This Licence will have effect on and after 23 September 2013 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.

D W

DARON WALKER

Director, Smart Meters and Fuel Poverty

(an official of the Department of Energy & Climate Change
authorised to act on behalf of the Secretary of State)

SMART METER COMMUNICATION LICENCE

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PART 1 OF THIS LICENCE : TERMS

IN RESPECT OF GRANT

PART 1 : TERMS IN RESPECT OF GRANT

Introduction

1. This Smart Meter Communication Licence ("this Licence") has effect and is to be read and treated as:

   (a) a licence granted to the Licensee by the Secretary of State in exercise of the powers conferred by section 7AB(2) of the Gas Act 1986 ("the 1986 Act") (insofar as the activity authorised by this Licence relates to the supply of gas under that Act); and

   (b) a licence granted to the Licensee by the Secretary of State in exercise of the powers conferred by section 6(1A) of the Electricity Act 1989 ("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. This Licence has effect on and after Licence Commencement Date and will remain in force until 22 September 2025 ("the Licence Term"), subject to paragraphs 6 to 11 of these Terms, the Conditions of this Licence as modified from time to time, and the fulfilment of the commitments set out in Schedule 5 (Matters associated with the grant of this Licence).

4. 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

5. The Licensee (being the person who holds this Licence) is Smart DCC Ltd, a company that is registered in England and Wales under number 08641679, and whose registered office is at First Floor, 2 Kingdom Street, Paddington, London W2 6BD.

Section C: Continuation of this Licence

6. The Authority may at any time after 31 March 2018, following consultation with the Licensee and subject to paragraphs 7 to 10 of these Terms, determine that this Licence is to continue:

   (a) on the basis of the Conditions set out in the Licence at that time; or

   (b) on the basis of such other Conditions as the Authority may impose pursuant to paragraph 16 of these Terms,

   for a maximum further period of six years ("the Additional Licence Term") beginning with the expiry of the Licence Term.

7. A determination may only be made under paragraph 6 where the Authority is satisfied that the continuation of this Licence for an Additional Licence Term is necessary or expedient for any of the following purposes:

   (a) to facilitate an efficient competitive tender process for determining the grant of a Successor Licence; or

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

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

   (d) to ensure that energy industry activities (whether considered as a whole or otherwise) can continue to be carried on in an orderly and efficient manner.

8. In paragraph 7(d), "energy industry activities" refers to 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.

9. A determination under paragraph 6 is of no effect unless the Authority has given the Licensee at least:

   (a) six months' Notice where the Additional Licence Term is a year or less; and

   (b) one year's Notice where the Additional Licence Term is more than a year.

10. The Authority's power under paragraph 6 to determine the continuation of this Licence beyond the expiry of the Licence Term may be exercised more than once, but:

    (a) the cumulative total of any periods of continuation so determined may not exceed the maximum duration of the Additional Licence Term specified in that paragraph; and

    (b) except where the Licensee otherwise consents, the Authority may not make more than one determination to continue this Licence for a period of more than one year.

Section D: Revocation of this Licence

11. 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

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

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

Section F: Modification of Conditions

14. The Conditions of this Licence may be modified by either of the Secretary of State and the Authority as described in paragraphs 15 and 16 respectively.

15. The Secretary of State may at any time up to and including 31 October 2018, but not after that date, modify any condition of this Licence**:**

    (a) for any of the purposes set out in section 88 of the Energy Act 2008; and

    (b) in accordance with the procedures prescribed by section 89 of that Act.

16. The Authority (and only the Authority) may at any time modify any condition of this Licence**:**

    (a) in accordance with the procedures prescribed by sections 23 and 23A of the 1986 Act and sections 11A and 11B of the 1989 Act; or

    (b) pursuant to any modification procedure that is set out for the purposes of the Authority within that condition by virtue of section 7B(7) of the 1986 Act and section 7(5) of the 1989 Act.

17. Modification of the Conditions of this Licence by the Authority may be subject to the Secretary of State's exercise of the power of direction under section 23(5) of the 1986 Act and section 11A(5) of the 1989 Act.

Section G: Transfers of this Licence

18. 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

19. 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.

20. 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 of these Terms

21. 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.

22. Subject to paragraph 21 (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.

PART 2 OF THIS LICENCE : TERMS IN RESPECT OF REVOCATION

PART 2 : TERMS IN RESPECT OF REVOCATION

Introduction

1. The Authority may at any time revoke this Licence by giving the Licensee:

   (a) at least 24 hours' Notice in the case of any of the Emergency Revocation Events set out in Section A below;

   (b) at least seven days' Notice in the case of the Grant Revocation Event set out in Section B below; and

   (c) at least 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 43 (Arrangements for the handover of business) 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.

2A Where a Revocation Event occurs solely in respect of Part B of Condition 15 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

3. Emergency Revocation Events (to which the Authority's power of revocation under paragraph 1(a) relates) are as follows.

4. 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 5 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).

5. For the purposes of paragraph 4:

   (a) section 123(l)(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(l)(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).

6. 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.

7. 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.

8. Emergency Revocation Event 4 is if the Licensee passes any resolution for winding-up other than a resolution previously approved by the Authority.

9. 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

10. 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

11. The Other Revocation Events (to which the Authority's power of revocation under paragraph 1(c) relates) are as follows.

12. Other Revocation Event 1 is if the Licensee agrees in Writing with the Authority that this Licence should be revoked.

13. 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).

14. Other Revocation Event 3 (subject to paragraph 15) 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.

15. No Notice under paragraph 14 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.

16. 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 40 of the Data Protection Act 1998.

17. 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.

18. Other Revocation Event 6 occurs if the Licensee breaches any of the requirements of Part F of Condition 8 (Security controls for the Authorised Business) with respect to the legal and operational location of the Licensee.

19. Other Revocation Event 7 is if the Licensee**:**

(a) itself breaches; or

(b) fails to take all appropriate steps within its power to prevent some other person from causing it to breach**:**

(i) any of the requirements of Part C of Condition 9 (Independence and autonomy of the Licensee) in respect of corporate independence; or

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

20. The appropriate steps mentioned in paragraph 19(b) include a duty on the Licensee to notify the Authority forthwith if the Licensee is or becomes aware that a breach has occurred or is likely to occur despite such steps as have been taken to prevent such breach.

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

Section D: Interpretation

24. For the purposes of paragraph 14**:**

(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; and

(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 15, a Validity Application is an application made to the court by the Licensee**:**

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

for the purpose of questioning the validity or effect of the order or the penalty, as the case may be, in accordance with law.

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 OF THIS LICENCE :

THE CONDITIONS

CONDITIONS OF THIS LICENCE

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CHAPTER 1 : CONDITIONS 1 TO 4

Interpretation, contact details, and payments

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 But:

(a) where defined words and expressions are used only in a particular condition, their definitions are included in that condition; and

(b) some defined words and expressions that are used only in the Price Control Conditions in Chapter 9 of this Licence are set out, with their definitions, at Condition 35 (Definitions for the Price Control Conditions).

1.3 References in this Licence to "premises" (whether as such or as "Premises" as part of a defined term) include any land, building, or structure.

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 Electricity Smart Meter	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.
Additional Licence Term	has the meaning that is given to that term in paragraph 6 of Part 1 of this Licence (Terms in Respect of Grant).
Alt HAN Arrangements	has the meaning that is given to that term in paragraph 22.20(e) of Condition 22 (The Smart Energy Code).
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 17 (Requirements 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.
Authorised Activity	means the activity of providing within the area of Great Britain a Smart Meter Communication Service as defined at paragraph 4 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 (see below) and the Permitted Business (see also below), as is set out with further detail in Parts A to C of Condition 6 (Authorised Business of the Licensee).
Authority	means the Gas and Electricity Markets Authority that is established under section 1 of the Utilities Act 2000.
Centralised Registration Service	has the meaning given to that term in Part C of Condition 15 (Incorporation, delivery and provision of the Centralised Registration Service)
Charging Methodology for Service Charges	means the methodology of that name that is designated by the Secretary of State for the purposes of Condition 18 (Charging Methodology for Service Charges) and has been incorporated into the SEC or the REC (as applicable) for the purpose of determining the charges payable for Mandatory Business Services provided by the Licensee under or pursuant to the SEC.
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) and is in a form that is approved for the purposes of Condition 19 (Charging Statement for Service Charges).
Commercial Activities	includes, in particular, Energy Efficiency Services, Energy Management Services, Energy Metering Services, and Energy Price Comparison Services, in each case in relation to the Supply 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:

(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,

a Version of the CH Technical Specification which on the date on which those devices or apparatus are provided by the DCC to a SEC Party pursuant to Part E of Condition 17 (Requirements for the provision of Services) and in accordance with the provisions of the SEC is within its Installation Validity Period.

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:

(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 Commission means the body of that name established by section 45 of the Competition Act 1998 [but see note on page 24].

Compliance Statement means the statement of that name that is approved by the Authority for the purposes of Condition 10 (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 1998).
Conditions	means all of the Conditions of this Licence, including any Price Control Conditions and any other condition however described that has effect in it, and includes 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).
Core Communication Services	means communication services (as specified and defined in the SEC) that relate solely to the Supply of Energy (or its use) under the Principal Energy Legislation and that are provided by the Licensee in accordance with Part B of Condition 17 (Requirements for the provision of Services).
Designated Premises	has the meaning that is given to that term on 10 February 2016: (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.
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).
Elective Communication Services	means communication services (excluding Core Communication Services) that relate solely to the Supply of Energy (or its use) under the Principal Energy Legislation and that are provided by the Licensee in accordance with Part C of Condition 17 (Requirements for the provision of Services).

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	means services forming part of the Mandatory Business of the Licensee that fulfil an enabling role with respect to the provision of Core Communication Services and Elective Communication Services, and that consist of**:** (a) the Enrolment Service; (b) the Communications Hub Service; and (c) Other Enabling Services.
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 Management 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 measure, monitor, and manage the consumption of Energy at the premises with a view to ensuring that such consumption is cost-effective for and consistent with that consumer's requirements (and may include Energy Efficiency Services, Energy Metering Services, and Energy Price Comparison Services).
Energy Meter	means a Gas Meter or an Electricity Meter (and in either case may include a Smart Meter).

Energy Metering Services	means any or all of the services of commissioning, testing, installing, repairing, maintaining, removing, and replacing Energy Meters.
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.
Energy Network Licence	means a licence granted, or treated as granted, under section 7 of the 1986 Act or section 6(1)(b) or (c) of the 1989 Act.
Energy Network Licensee	means a person who holds an Energy Network Licence and is either transmitting or distributing electricity, or conveying gas through pipes, in accordance with that licence.
Energy Price Comparison Services	means, in relation to any premises, services provided to an Energy Consumer for the purpose of enabling him to compare on a standardised basis the charges levied, or to be levied, by different Energy Suppliers in respect of the Supply of Energy by them to the premises.
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	means the service that is operated by the Licensee pursuant to Part D of Condition 17 (Requirements for the provision of Services) for the purpose of enrolling a Smart Metering System under the SEC.
ESME Technical Specification	has the meaning that is given to the term 'Electricity Smart Metering Equipment Technical Specification' in the Smart Energy Code.
External Electronic Communication Network	means a network used for communicating information to and from a Smart Meter that meets both of the following conditions**:**
continued	(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 paragraph 6 of Condition 16) 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, 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).
Final Regulatory Year	means the Regulatory Year immediately preceding the Transfer Date.
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 15) that should be procured by the Licensee in accordance with Condition 16.
Fundamental Service Capability	has the meaning given to that term in Part J of Condition 16 (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 Objectives of the Licensee	means the objectives established by Condition 5 (General Objectives of the Licensee) for the Licensee's activities under this Licence, consisting of (i) the Interim General Objective and (ii) the Enduring General Objectives, as set out in Parts A and B respectively of that condition.

General SEC Objectives	means the objectives that the Smart Energy Code (or SEC) is designed to achieve, as listed in Part D of Condition 22 (The Smart Energy Code).
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.
HCALCS Technical Specification	has the meaning that is given to that term in the Smart Energy Code.
Holding Company	means, in relation to any person, a holding company as it is defined in section 1159 of the Companies Act 2006.
IHD Technical Specification	has the meaning that is given to that term in the Smart Energy Code.
In-Home Display	has the meaning that is given to that term in standard condition 1 (Definitions for standard conditions) of the Energy Supply Licences.
Information	in relation to information requested by the Authority or the Secretary of State, has the meaning given to that term in Part I of Condition 29 (Provision of Information by the Licensee).
Installation Validity Period	has the meaning that is given to that term in the Smart Energy Code.
Interoperability Checker Service	means the service that is operated by the Licensee pursuant to Part D1 of Condition 17 (Requirements for the provision of services) for the purpose of making available information to Energy Consumers about certain types of Smart Meters and the use that may be made of them by Energy Suppliers.
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).
Legally binding decision of the European Commission	means any relevant legally binding decisions of the European Commission and/or the Agency, but a binding

or the agency for the Co-operation of Energy Regulators	decision does not include a decision that is not, or so much of a decision as is not Retained EU law.
Licence	means this Smart Meter Communication Licence.
Licence Application Process	means the competitive tender process, as undertaken by the Secretary of State, that determined the grant of this Licence to the Licensee in accordance with the Electricity and Gas (Competitive Tenders for Smart Meter Communication Licences) Regulations 2012.
Licence Commencement Date	means (except where the Secretary of State has otherwise directed) 23 September 2013.
Licence Term	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 22 September 2025 during which this Licence remains in force and is held by and applies to the Licensee.
Licensee	means Smart DCC Ltd, a company registered in England and Wales under number 08641679, whose registered office is at First Floor, 2 Kingdom Street, Paddington, London W2 6BD, and who is the person that holds this Licence.
Maintenance Validity Period	has the meaning that is given to that term in the Smart Energy Code.
Mandatory Business	means that part of the Authorised Business of the Licensee that consists of the operation or provision, on behalf of or to SEC Parties or REC Parties (or other persons eligible to receive Mandatory Business Services, as described in Condition 17 (Requirements for provision of Services)), of Mandatory Business Services under or pursuant to the SEC or the REC.
Mandatory Business Services	means the services comprising the Mandatory Business of the Licensee, namely (i) the Core Communication Services, (ii) the Elective Communication Services, and (iii) the Enabling Services, (iv) the Interoperability Checker Service, (v) Incorporation, delivery and provision of the Centralised Registration Service (Condition 15) in each case as operated or provided by the Licensee in accordance with the relevant provisions of Condition 17 (Requirements for provision of Services), or in respect to the Incorporation, delivery and provision of the Centralised Registration Service, these may

also be services provided by the Licensee in accordance with a direction given by the Authority in accordance with Condition 15.

Minimal Services means services forming part of the Permitted Business of the Licensee that:

(a) are not provided to any material extent from within capability or resources available to the Mandatory Business of the Licensee; and

(b) do not exceed the limitation as to value imposed by paragraph 8(b) of Condition 6 (Authorised Business of the Licensee).

Notice means prior notice given directly to a person in Writing (and includes a notification).

Other Enabling Services means any Enabling Services forming part of the Mandatory Business of the Licensee (other than the Communications Hub Service and the Enrolment Service) that are specified and defined as such, whether in this Licence or the SEC.

Permitted Business means that part of the Authorised Business of the Licensee that consists of the operation or provision, whether to SEC Parties, REC Parties or otherwise, of Permitted Business Services.

Permitted Business Services means the services operated or provided by the Permitted Business of the Licensee, consisting of (i) any Value Added Services approved by the Authority in accordance with Part D of Condition 6 (Authorised Business of the Licensee) and (ii) any Minimal Services.

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 paragraph 6(c) of Condition 9 (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 27 (Indebtedness and transfers of funds).

PPMID	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 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.
PPMID Technical Specification	has the meaning that is given to that term in the Smart Energy Code.
Price Control Condition	means a condition the purpose of which, whether on its own or in combination with any other Price Control Condition, is to limit or control the charges of, or the revenue of, the Licensee (and the Conditions contained in Chapter 9 are the Price Control Conditions of this Licence).
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 for Relevant Service Capability	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 16 (Procurement of Relevant Service Capability).
REC	means the Retail Energy Code [as to which, see below].
Regulatory Accounts	means the accounts of the Licensee produced in accordance with the provisions of Condition 30 (Requirements for the Regulatory Accounts).
Regulatory Instructions and Guidance	means the document of that name (which may be referred to as "the RIGs" in this Licence) issued by the Authority under Condition 33 (Regulatory Instructions and Guidance) for purposes relating to the obligations of the Licensee under Condition 31 (Reporting of Quality of Service Information) and Condition 32 (Reporting of Price Control Information).
Regulatory Year	Means (a) a period of twelve months beginning on 1 April in any calendar year and ending on 31 March of the next calendar year (and the Licensee's first

Regulatory Year is deemed to have begun on 1 April 2013), or

(b) the period beginning with 1 April and ending with the day immediately before the Transfer Date, where the Transfer Date falls within the period of twelve months beginning with that 1 April.

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 28 (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 16 (Procurement of Relevant Service Capability) for the purposes of securing the provision of Mandatory Business Services under or pursuant to the Smart Energy Code or the Retail Energy Code (as applicable).
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~~, Secretary of State under section 182 (1)(b) of the Energy Act 2023 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.
Retained EU law	has the same meaning as that given by section 6(7) of the European Union (Withdrawal) Act 2018.
SAPC	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.

SAPC Technical Specification	has the meaning that is given to that term in the Smart Energy Code.
SEC	means the Smart Energy Code [as to which, see below].
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 Commencement Date	means the date on which the Smart Energy Code has effect under this Licence (and, except where the Secretary of State may otherwise direct, is the same as the Licence Commencement Date).
SEC Modification Arrangements	means such arrangements established by the Smart Energy Code as are consistent with the requirements of Part B of Condition 23 (Change control for the Smart Energy Code) with respect to modifications of the SEC, but subject to the provisions of Part D of Condition 18 with respect to modifications of the Charging Methodology for Service Charges as incorporated into the SEC.
SEC Panel	means the panel established under the Smart Energy Code that is constituted in such manner and is responsible to such extent and for such activities and other matters (including the delegation of functions to committees of the panel) as may be specified in the SEC with respect to the governance and administration of 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 (being the joint venture company established pursuant to paragraph 26(c) of Condition 22 (The Smart Energy Code) for the purpose of acting as a corporate vehicle to assist the SEC Panel in exercising its powers, duties, and functions, including by entering into contracts for that purpose).
Services	means any or all of the Mandatory Business Services and Permitted Business Services the operation or provision of

which comprises the Authorised Business of the Licensee (and "operation or provision" in this context includes the procurement of all necessary resources for that purpose).

Service Charges means the charges levied by and payable to the Licensee in connection with the operation or provision of Mandatory Business Services under or pursuant to the SEC (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, 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).

Smart Energy Code means the document of that name, as was designated by the Secretary of State under Condition 22 (The Smart Energy Code), that is maintained for the purposes of that condition, that is subject to modification pursuant to Condition 23 (Change control for Smart Energy Code), and that may be referred to in this Licence as "the SEC".

Smart Meter means**:**

(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.

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 or the Secretary of State 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.

Transfer Date has the meaning that is given to that term in paragraph 7 of Condition 43.

Transition Objective has the meaning that is given to that term in paragraph 1 of Condition 13 (Arrangements relating to the Transition Objective) as applied to activities to be undertaken by the Licensee and other persons leading to the Completion of Implementation within the meaning given to that term in Condition 5 (General Objectives of the Licensee).

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

see also notes 1 and 2 that follow

(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.

continued

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.

note 2: sub-paragraph (b) does not include any director or employee of a corporate body in his capacity as such.

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 services forming part of the Permitted Business of the Licensee that:

(a) are not Minimal Services;

(b) are not related solely to the Supply of Energy (or its use) under the Principal Energy Legislation;

(c) do not prejudice the Licensee's ability to carry on the Mandatory Business in accordance with the General Objectives of the Licensee; and

(d) have been approved by the Authority in accordance with Part D of Condition 6 (Authorised Business of the Licensee).

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 161 of the Communications Act 2003.

note: references throughout this Licence to the Competition Commission are to be treated, where the relevant provisions of the Enterprise and Regulatory Reform Act 2013 have come into force, as references to the Competition and Markets Authority (which is the Competition Commission's successor body created by that Act).

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 (so far as the context permits) to the corresponding modified provision of this Licence or of that other type of Energy Licence (as the case may be).

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 to give a direction, consent, derogation, approval, or designation, or to issue a statement, is a power**:**

(a) 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 appropriate in all the circumstances of the case; and

(b) to revoke or amend it (after consulting with the Licensee) or to give or issue it again under that power.

2.11 Unless a contrary intention appears, any power of the Authority or of the Secretary of State under any provision of this Licence to make a determination or a decision is a power**:**

(a) to make it subject to such terms and conditions as the Authority or Secretary of State thinks will be appropriate in all the circumstances of the case; and

(b) to make it again under that power.

2.12 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 given or made in Writing.

2.13 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, he (or it) may also direct the Licensee to comply with such terms or conditions.

Part D: Specification or determination of dates

2.14 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: Calculation of periods of time

2.15 Periods of time under this Licence are to be calculated as follows**:**

(a) where an act is required to be done within a specified period after or from a specified date, the period begins on the day immediately after that date;

(b) any day that is a Saturday or Sunday is to be included in the calculation of the period; but

(c) where the period would include Christmas Day, Good Friday, or a day that under the Banking and Financial Dealings Act 1971 is a bank holiday in England and Wales or, as the case may be, in Scotland, that day is to be excluded from the calculation.

Part F: Reading of words without limitation

2.16 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 G: Particular interpretation of breach

2.17 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 H: Requirements to provide or publish documents

2.18 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.

2.19 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 I: Things done are to have continuing effect

2.20 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.

2.21 Without prejudice to the generality of paragraph 2.20, 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 J: Authority's determination of disputes

2.22 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 K: References to the Licensee

2.23 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 L: References to Licensee's functions

2.24 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**

Smart DCC Ltd
First Floor, 2 Kingdom Street
Paddington
London
W26BD
licence@smartdcc.co.uk

Part B: Details with respect to the Secretary of State

3.3 **Party: The Secretary of State**

Department of Energy and Climate Change
3 Whitehall Place
London
SW1A 2AW

relevant.person@decc.gsi.gov.uk

Part C: Details with respect to the Authority

3.4 **Party: The Authority**

Office of Gas and Electricity Markets
9 Millbank
London
SW1P 9GE

relevant.person@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 his 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 Commission 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 Commission) in the previous Regulatory Year under paragraph 4.5; and

(b) the actual costs of the Competition Commission 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 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 30 days after the date 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 30 days after 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

(a) in relation to Amount 1 (see paragraph 4.3), means 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), means 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 the proportion of costs attributed to the Licensee in accordance with**:**

(a) any order made by the Competition Commission under paragraph 13 of Schedule 22 to the Energy Act 2004; and

(b) any order made by the Competition Commission under either or both of paragraph 12 of Schedule 4A to the 1986 Act and paragraph 12 of Schedule 5A to the 1989 Act,

or, in the absence of any such orders, means zero.

CHAPTER 2 : CONDITIONS 5 TO 8

Nature and conduct of Licensee's business

Condition 5. General Objectives of the Licensee

Introduction

5.1 The purpose of this condition is to establish the General Objectives of the Licensee under this Licence and the Licensee's duties with respect to them.

5.2 This condition has effect in accordance with, and subject to, the provisions of Parts A and B of Condition 13 (Arrangements relating to the Transition Objective).

5.3 Subject to any variation that may be directed by the Secretary of State under Condition 13, the General Objectives of the Licensee**:**

(a) initially comprise the Interim General Objective (as set out in Part A below) and the Enduring General Objectives (as set out in Part B below), taken as a whole, during the period running from Licence Commencement Date to the Completion of Implementation; and

(b) thereafter comprise the Enduring General Objectives only.

Part A: Interim General Objective of the Licensee

5.4 The Interim General Objective of the Licensee is to contribute (taking all reasonable steps for that purpose) to the achievement of a full, timely, efficient, economical, and secure Completion of Implementation in accordance with such requirements as may be imposed on the Licensee under or by virtue of Parts D to F of Condition 13.

5.5 For the purposes of paragraph 5.4, the Interim General Objective includes a duty**:**

(a) to co-ordinate the activities, systems, and procedures of SEC Parties and, if applicable, SECCo Ltd in such manner and to such extent as may be necessary with respect to the requirements to which that paragraph refers; and

(b) to undertake or sponsor such investigation or research (at the Licensee's own cost unless expressly specified to the contrary) as the Secretary of State may from time to time direct for purposes connected with those requirements.

5.6 This Part A will be of no further effect in, and may be treated as omitted from, this condition as from the Completion of Implementation.

5.7 [not used]

Part B: Enduring General Objectives of the Licensee

5.8 The Enduring General Objectives of the Licensee are to consist of the First Enduring General Objective and the Second Enduring General Objective.

5.9 The First Enduring General Objective of the Licensee is to carry on the Mandatory Business in the manner that is most likely to ensure the 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..

5.10 The Second Enduring General Objective of the Licensee is to carry on the Mandatory Business in the manner that is most likely to facilitate**:**

(a) effective competition between persons engaged in, or in Commercial Activities connected with, the Supply of Energy under the Principal Energy Legislation;

(b) 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; and

(c) the reduction (by virtue of benefits arising from the provision of Value Added Services) of the charges payable for Mandatory Business Services.

Part C: Paramount position of the Mandatory Business

5.11 It is the duty of the Licensee under this Licence to carry on the Mandatory Business at all times in accordance with the General Objectives of the Licensee.

5.12 In discharging that duty, the Licensee must have regard to the General Objectives in the round, weighing them as appropriate in each particular case.

5.13 The Licensee must not carry on any activity, or any combination of activities, under or pursuant to the Permitted Business in a manner that prejudices or impairs, or would be likely to prejudice or impair, its ability to carry on the Mandatory Business at all times in accordance with the General Objectives of the Licensee.

Part D: Interpretation

5.14 For the purposes of this condition**:**

Completion of Implementation has the meaning that is given to that term in the Smart Energy Code.

Enduring General Objectives has the meaning given to that term in paragraph 5.8.

Interim General Objective has the meaning given to that term in paragraph 5.4.

First Enduring General Objective of the Licensee has the meaning given to that term in paragraph 5.9.

Second Enduring General Objective of the Licensee has the meaning given to that term in paragraph 5.10.

Condition 6. Authorised Business of the Licensee

Introduction

6.1 This condition sets out the composition of the Authorised Business of the Licensee and the Licensee's functions in relation to it (see Part A below), describes each of the Services that together comprise the Authorised Business (see Parts B and C below), and establishes a procedure by which the Licensee can ask the Authority to approve the enlargement of that business (see Part D below).

Part A: Authorised Business and the Licensee's functions

6.3 The Authorised Business of the Licensee consists of the following two businesses**:**

(a) the Mandatory Business (as to which, see Part B below); and

(b) the Permitted Business (as to which, see Part C below).

6.4 The functions of the Licensee with respect to the Authorised Business are**:**

(a) a duty to carry on the Mandatory Business at all times in accordance with this Licence; and

(b) a power to carry on the Permitted Business in accordance with this Licence and subject to such requirements of this Condition 6 as apply.

Part B: Services forming the Mandatory Business of the Licensee

6.5 The Mandatory Business of the Licensee comprises the provision, for and on behalf of parties to the Smart Energy Code, where relevant, the Retail Energy Code, of the following Mandatory Business Services**:**

(a) Core Communication Services, being communication services (as specified and defined in the SEC) that relate solely to the Supply of Energy (or its use) under the Principal Energy Legislation, and that are provided by the Licensee under or pursuant to an Agreement for Services in accordance with Part B of Condition 17 (Requirements for the provision of Services);

(b) Elective Communication Services, being communication services (excluding Core Communication Services) that relate solely to the Supply of Energy (or its use) under the Principal Energy Legislation, and that are provided by the Licensee under or pursuant to an Agreement for Services in accordance with Part C of Condition 17;

(c) Enabling Services (as to which, see paragraph 6.6), being services that fulfil an enabling role (including making provision for the testing of services and equipment, and for ensuring the security of services) relating to the provision of Core Communication Services and Elective Communication Services,

and the procurement and utilisation of all such resources (including, in particular, the Fundamental Service Capability that is detailed at Schedule 1 to this Licence) as may be necessary or expedient for the purposes of securing such provision; and

(d) The incorporation, delivery and provision of the Centralised Registration Service, in accordance with Condition 15.

6.6 The Enabling Services to which paragraph 6.5(c) refers are these:

(a) the Enrolment Service, being the service operated by the Licensee under an Agreement for Services in accordance with Part D of Condition 17;

(b) the Communications Hub Service, being the service provided by the Licensee under or pursuant to an Agreement for Services in accordance with Part E of Condition 17; and

(c) Other Enabling Services, being any Enabling Services that are specified and defined as such in this Licence or the SEC (other than the Communications Hub Service and the Enrolment Service) and that are provided by the Licensee under or pursuant to an Agreement for Services in accordance with Part F of Condition 17.

6.7 In providing as a Mandatory Business Service any service that has not previously been provided as such, the Licensee must ensure that its provision of that new or amended service does not materially prejudice or impair its continuing ability to provide other Mandatory Business Services that it is obliged to provide pursuant to the requirements of this Licence and the Agreements for Services that it has entered into under it.

Part C: Services forming the Permitted Business of the Licensee

6.8 The Permitted Business of the Licensee comprises the provision, whether for and on behalf of parties to the Smart Energy Code or otherwise, of the following Permitted Business Services:

(a) such Value Added Services as the Authority may from time to time approve in accordance with the provisions of Part D below, and as may be provided by the Licensee under or pursuant to an Agreement for Services in accordance with Part G of Condition 17; and

(b) Minimal Services (which need not be approved by the Authority but must not, in total, exceed a turnover value of £500,000 in any Regulatory Year).

Part D: Procedure for authorising any Value Added Services

6.9 Where the Licensee wishes to provide a particular service as a Value Added Service (including Centralised Registration Service Value Added Service) forming part of its Permitted Business, it must first by Notice to the Authority, and subject to the provisions of this Part D, propose that the service should be so provided by the Licensee with effect from a date ("the Value Added Service Date") that is specified in the Notice.

6.10 In addition to specifying the Value Added Service Date, a Notice to the Authority under paragraph 6.9 must:

(a) describe in appropriate detail the nature, scope, and content of the proposed Value Added Service;

(b) confirm (with supporting evidence) that the Licensee has notified the nature, scope, and content of the proposed Value Added Service to any Relevant Regulator that should be so notified;

(c) explain how, in formulating the proposed Value Added Service, the Licensee has taken account of any advice, consent, or other representation received in response to a notification made under sub-paragraph (b);

(d) set out the Licensee's assessment of the impact of the proposed Value Added Service on the operating costs, technical efficiency, and security of all such aspects of the SEC Arrangements as would be affected by it;

(e) explain why, in the Licensee's opinion, the provision of the proposed Value Added Service (taking account of any benefits likely to accrue to the Mandatory Business of the Licensee from such provision) would be consistent with the General Objectives of the Licensee; and

(f) contain any other analysis or information that the Licensee considers may be relevant to the Authority's consideration of its proposal.

6.11 For the purpose of identifying any Relevant Regulator that should be notified under paragraph 6.10(b), the Licensee must have due regard to the substance of the proposed Value Added Service and the characteristics of the market or other environment in which that service (if approved) would be wholly or mainly provided.

6.12 The Licensee may only provide the proposed service as a Value Added Service forming part of its Permitted Business if the Authority gives the Licensee a direction approving its proposal, with or without amendment of the Value Added Service Date, and on the basis of such terms or conditions as the Authority may specify in that direction.

6.13 The terms or conditions mentioned in paragraph 6.12 may include requirements relating to the provision by the Licensee of additional financial security, pursuant to Part C of Condition 26 (Financial stability and financial security).

6.14 The Licensee may at any time before the Value Added Service Date withdraw a proposal that was the subject of a Notice under paragraph 6.9.

Part E: Authority's guidance and directions under this condition

6.15 The Authority may issue, and may from time to time revise, guidance regarding the procedure that it will follow and the criteria that it will take into account in considering whether and to what extent to exercise its power to give a direction under paragraph 6.12 allowing the Licensee to provide a Value Added Service.

6.16 A direction under paragraph 6.12 may require the Licensee to promptly initiate such modification procedures as may be applicable under the Smart Energy Code (or Retail Energy Code where applicable) with respect to the incorporation of a new Value Added Service into the Permitted Business of the Licensee with effect from the Value Added Service Date.

Part F: Interpretation

6.17 For the purposes of this condition:

Relevant Regulator means any person (excluding the Authority) that would have a statutory or other legal power to exercise any regulatory functions in relation to the provision (if approved) of the Value Added Service, and includes:

(a) the Office of Communications established by section 1 of the Communications Act 2003;

(b) the Information Commissioner appointed by section 6 of the Data Protection Act 1998; and

(c) the Water Services Regulation Authority established by section 1A of the Water Industry Act 1991.

Value Added Services Date has the meaning given to that term in paragraph 6.9.

Condition 7. General controls for the Authorised Business

Introduction

7.1 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

7.2 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.

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

7.4 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.

7.4A The Corporate Governance Statement must be provided to the Authority, where it relates to:

(a) the Final Regulatory Year, within the period of four months beginning with the Transfer Date, and

(b) any other Regulatory Year, on or before 31 July in the following Regulatory Year.

7.5 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 30 (Requirements for the Regulatory Accounts).

Part B: Requirement for internal control arrangements

7.6 Within three months after Licence Commencement Date, the Licensee must have in place an Internal Control Document that sets out its systems and procedures for the internal control of the activities comprising the Authorised Business of the Licensee ("Authorised Business Activities").

7.7 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.

7.8 The contents of the Internal Control Document must 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 Objectives 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.

7.9 The Licensee must ensure that its statutory auditors are appointed on terms which (in addition to any report that they are required to make under any statutory provision or under any other condition of this Licence) require them to report to the Licensee within four months after the end of each Regulatory Year on whether, in the course of any work performed by them for the Licensee, they have identified any material matters to indicate that the Licensee has not kept a proper set of books and records or has not operated an adequate system of internal financial control.

7.10 The Licensee must, on receiving a report under paragraph 7.9, promptly provide a copy to the Authority.

Part C: Requirement for risk management arrangements

7.11 Within three months after Licence Commencement Date, the Licensee must establish and maintain a Risk Management Strategy that sets 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").

7.12 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.

7.13 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

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

7.15 The Secretary of State must have due regard to any comments duly received under paragraph 7.14 and must give reasons for his decisions in relation to them.

7.16 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

(c) publish both the document and the strategy on its Website.

Part E: Interpretation

7.17 For the purposes of this condition**:**

Authorised Business Activities has the meaning given to that term in paragraph 7.6.

Authorised Business Risk has the meaning given to that term in paragraph 7.11.

Corporate Governance Statement has the meaning given to that term in paragraph 7.4.

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 7.6.

Risk Management Strategy has the meaning given to that term in paragraph 7.11.

UK Corporate Governance Code has the meaning that is given to that term in paragraph 7.2.

Condition 8. Security controls for the Authorised Business

Introduction

8.1 This condition requires the Licensee to install, operate, and maintain adequate and proportionate security controls that are designed to protect the integrity of the physical, organisational, and information assets of the Authorised Business.

8.2 The requirements of this condition are without prejudice to the obligations imposed on the Licensee by:

(a) Condition 7 (General controls for the Authorised Business) in respect of corporate governance, internal control, and risk management;

(b) Condition 10 (Protection of Confidential Information) in respect of the duty to prevent unauthorised disclosure of Confidential Information; and

(c) such requirements or other provisions of the SEC and / 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

8.3 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 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 Services.

8.4 In particular, the system of controls to which paragraph 8.3 refers must include measures designed to ensure that:

(a) equipment transported, installed, or operated by the Licensee for the purposes of the Authorised Business is protected against unauthorised access;

(b) the supply, repair, and maintenance of such equipment, and the supply of spare parts for it, are at all times under the control of the Licensee;

(c) all premises used for or in connection with the conduct of the Authorised Business are physically secured and monitored;

(d) equipment and data that are no longer required for any of the purposes of the Authorised Business are securely disposed of or deleted;

(e) not used;

(f) where data is to be transferred, it is transferred in a secure manner.

Part B: Requirements for Licensee's control of organisational security

8.5 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.

8.6 Without prejudice to its obligations under Part E below, the Licensee's duty under paragraph 8.5 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.

8.7 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.

8.8 This paragraph applies if, in premises that are occupied by (i) the Licensee or an External Service Provider and (ii) some other person, there is any area that must be kept secure in order to maintain the security of the Authorised Business.

8.9 Where paragraph 8.8 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 C: Requirements for Licensee's control of information security

8.10 The Licensee must, within 12 months after it first provides Core Communication Services under or pursuant to the SEC, 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 27001:2005 (under the title of *Information Technology – Security Techniques – Information Security Management Systems*); and

(b) any equivalent standard of the ISO that updates or replaces that standard.

Part D: Requirement to maintain a Register of Security Incidents

8.11 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) immediately inform 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, and

(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.

8.12 The Licensee must also:

(a) make the Register of Security Incidents available to the Authority for its inspection at all times; and

(b) 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 Condition 15.6.

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

8.13 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.

8.14 The provisions mentioned in paragraph 8.13 include, in relation to the expiry or any termination of an External Service Provider Contract**:**

(a) requirements for 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

(b) 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

8.15 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 (within the meaning that is given to that term in Schedule 5 to this Licence), except to such extent as is otherwise permitted by the SEC, 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 the Licensee relies upon to detect and prevent events that**:**

(i) appear to be anomalous; and

(ii) may have the potential to impact on the Supply of Energy to Energy Consumers,

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

Part G: Interpretation

8.16 For the purposes of this condition**:**

Chief Information Security Officer means the person having the duties set out at paragraph 8.8 and who is qualified as a senior security manager.

Register of Security Incidents has the meaning that is given to that term in paragraph 8.11(a).

Secure Area has the meaning that is given to that term in paragraph 8.9(a).

CHAPTER 3 : CONDITIONS 9 TO 12

Arrangements for the Licensee's independence

Condition 9. Independence and autonomy of the Licensee

Introduction

9.1 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 (including, in particular, SEC Parties, REC Parties and External Service Providers), whether inside or outside any wider corporate group to which the Licensee might belong.

Part A: General Prohibition of any unrelated business or activity

9.2 Subject to the provisions of Part B below, 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").

9.3 In paragraph 9.2, "activity" includes:

(a) holding an Energy Licence (other than this Licence) under Part 1 of the 1986 Act or Part 1 of the 1989 Act; and

(b) holding investments:

(i) by way of shares, securities, members' interests, or other interests or rights in any body corporate, or

(ii) by way of 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

9.4 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 9.5) investments acquired in the usual and ordinary course of the Licensee's treasury management operations.

9.5. The Licensee may only rely on the exception permitted by paragraph 9.4(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.

9.6 Nothing in Part A above or Part C below prevents the Licensee from:

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

(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

9.7 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:

(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.

9.8 The Licensee must ensure that no director of the Licensee is or at any time becomes a director or an employee of, or holds or acquires investments by way of shares, securities, or other financial rights or interests in:

(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.

9.9 The Licensee must take all appropriate steps within its power to ensure that it is not and does not at any time become 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; or

(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:

(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.

9.10 The duty imposed on the Licensee by paragraph 9.9 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 19 of Part 2 of this Licence (Terms in Respect of Revocation) and to notify the Authority forthwith.

9.11 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

9.12 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 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.

9.13 A consent under this Part D may be given subject to such terms and conditions as the Authority considers appropriate in all of the circumstances of the case.

Part E: Appointment of Sufficiently Independent Directors

9.14 Except where the Authority otherwise consents, at least two of the persons at any time appointed as the Licensee's directors must be persons who are sufficiently independent from the Licensee and any of its Affiliates or Related Undertakings.

9.15 Those directors, who are to be known as the Sufficiently Independent Directors of the Licensee, must at all times be natural persons who:

(a) have the skills, knowledge, experience, and personal qualities that are necessary for them to perform effectively as non-executive directors of the Licensee;

(b) are not required to perform any executive duties within the Authorised Business of the Licensee; and

(c) satisfy the requirements in respect of independence set out in this Part E ("the Independence Requirements").

9.16 The first Independence Requirement is that, except where and to the extent that the Authority otherwise consents, a Sufficiently Independent Director must not be, and must not at any time during the 12 months preceding his appointment have been:

(a) a director or an employee of the Licensee; or

(b) a director or an employee of any Affiliate or Related Undertaking of the Licensee.

9.17 The second Independence Requirement is that a Sufficiently Independent Director must not have, and must not at any time during the 12 months preceding his appointment have had, any material business relationship with the Licensee or any Affiliate or Related Undertaking of the Licensee.

9.18 The third Independence Requirement is that a Sufficiently Independent Director must at no time during his service as such hold any remit to represent the interests of:

(a) any particular shareholder or group of shareholders of the Licensee; or

(b) any Affiliate or Related Undertaking of the Licensee.

9.19 The fourth Independence Requirement is that a Sufficiently Independent Director must not receive any remuneration from the Licensee or any Affiliate or Related Undertaking of the Licensee apart from a director's fee and reasonable expenses (but, where applicable, this is subject to paragraph 9.20).

9.20 Paragraph 9.19 does not preclude the receipt or retention by a Sufficiently Independent Director of any benefit that has accrued as a result of 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 Sufficiently Independent Director.

9.21 The Licensee must notify the Authority of the names of its Sufficiently Independent Directors within 14 days of each appointment (or reappointment).

9.22 The terms of appointment of each Sufficiently Independent Director must include a condition that requires both the Licensee and the appointee to take all appropriate steps to ensure that the appointee continues to satisfy the Independence Requirements contained in this Part E during his term of service.

9.23 A term of service for a Sufficiently Independent Director may not be longer than six years, but an individual may be reappointed as a Sufficiently Independent Director once (and once only) provided that he continues to satisfy the Independence Requirements of this Part E (excluding paragraph 9.16(a) in respect of his previous appointment as a Sufficiently Independent Director).

9.24 The Licensee must notify the Authority within 14 days if any Sufficiently Independent Director is removed from office or resigns, setting out the reasons for the removal or (as far as they are known to the Licensee) for the resignation.

9.25 If at any time because of a removal or resignation or other reason (including death or incapacity) the Licensee has fewer than two persons serving as Sufficiently Independent Directors, the Licensee must take all appropriate steps within its power to ensure that a new such director is, or new such directors are, appointed so as to maintain the Licensee's compliance with the duty imposed by paragraph 9.14.

Part F: Interpretation

9.26 For the purposes of this condition**:**

General Prohibition has the meaning given to that term in paragraph 9.2.

Independence Requirements are the requirements set out in paragraphs 9.16 to 9.19.

Specified Service Capability means Relevant Service Capability that is procured by the Licensee in accordance with Condition 16 (Procurement of Relevant Service Capability), but excluding any such capacity that is procured by virtue of paragraph 6 of that condition.

Sufficiently Independent Director has the meaning that is given to that term in paragraph 9.15.

Part G: Further relevant provision

9.27 See Condition 12 (Appointment and duties of Compliance Officer), which makes further provision in relation to the subject matter of this Condition 9.

Condition 10. Protection of Confidential Information

Introduction

10.1 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

10.2 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").

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

10.4 The Licensee's duties under this Part A include a duty to take all appropriate 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

10.5 The General Prohibition established by Part A above does not apply to any disclosure of or authorisation of access to Confidential Information**:**

(a) that is expressly permitted or required by any provision of this Licence; or

(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; or

(c) that is made or given with the prior consent of the Authority; or

(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, the Permitted Business of the Licensee.

10.6 The General Prohibition also does not apply to any disclosure of or authorisation of access to Confidential Information that**:**

(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

10.7 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 above in relation to the security and protection of Confidential Information.

10.8 The Licensee may, with the Authority's approval, revise any Compliance Statement that is in place under this Part C.

10.9 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.

10.10 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 within 21 days after the Authority has approved it.

10.11 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.

Part D: No use of Confidential Information for improper purpose

10.12 The Licensee must not use Confidential Information for any purpose other than the effective carrying on of (i) the Mandatory Business of the Licensee and, where approved by the Authority, (ii) the Permitted Business of the Licensee, in each case subject to the General Prohibition imposed by Part A above and the exceptions to it that are permitted under Part B above.

10.13 Without prejudice to the requirements of paragraph 10.12, 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

10.14 For the purposes of this condition, **General Prohibition** has the meaning given to that term in paragraph 10.2.

Part F: Further relevant provision

10.15 See Condition 12 (Appointment and duties of Compliance Officer), which makes further provision in relation to the subject matter of this Condition 10.

Condition 11. Duties arising from Licensee's special position

Introduction

11.1 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.

11.2 The arrangements to which paragraph 11.11 refers must include such procedures or other matters as may be necessary to ensure that revenues flow either:

(a) from the Licensee to the Relevant Provider for and in connection with the provision of Fundamental Service Capability to the Licensee; and then from the Relevant Provider to persons engaged (indirectly pursuant to the Relevant Contract) in the business of financing, procuring, providing, or operating Communications Hubs; or

(b) from the Licensee (or, where the SEC so provides, from SEC Parties) to persons (other than the Relevant Provider) engaged (indirectly pursuant to the Relevant Contract) in the business of financing Communications Hubs,

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

(i) the Relevant Provider is able to fulfil its obligations under the Relevant Contract; and

(ii) the Licensee is able to be provided with the goods, services, and resources necessary to enable it to fulfil its obligations under this Licence.

Part A: General requirement in relation to competition

11.3 The Licensee must at all times manage and operate its Authorised Business in a way that is calculated to ensure that it does not 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

11.4 The Licensee must at all times ensure in carrying on its activities that**:**

(a) the Authorised Business gives no cross-subsidy to, nor receives any cross-subsidy from, any Affiliate or Related Undertaking of the Licensee; and

(b) within the Authorised Business, the Mandatory Business gives no cross-subsidy to, nor receives any cross-subsidy from, the Permitted Business.

11.5 But 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 11.4.

Part C: Prohibition of undue preference and undue discrimination

11.6 This Part C applies (subject to paragraph 11.9) 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.

11.7 In undertaking each such activity, the Licensee must not:

(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.

11.8 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.

11.9 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

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

11.11 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.

11.12 The arrangements to which paragraph 11.11 refers must include such procedures or other matters as may be necessary to ensure that revenues flow:

(a) from the Licensee to the Relevant Provider for and in connection with the provision of Fundamental Service Capability or Fundamental Registration Service Capability to the Licensee; and

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

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

(i) the Relevant Provider is able to fulfil its obligations under the Relevant Contract; and

(ii) the Licensee is able to be provided with the goods, services, and resources necessary to enable it to fulfil its obligations under this Licence.

Part E: Arrangements for securing compliance to be in place

11.13 Without prejudice to the specific requirements of Part D 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.

11.14 The Licensee's obligation under paragraph 11.13 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

11.15 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.

11.16 For the purposes of this condition, **Relevant Contract** and **Relevant Provider** have the meaning given respectively to those terms in paragraph 11.10.

Part G: Further relevant provision

11.17 See Condition 12 (Appointment and duties of Compliance Officer), which makes further provision in relation to the subject matter of this Condition 11.

Condition 12. Appointment and duties of Compliance Officer

Introduction

12.1 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.

12.2 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: Purpose of the Compliance Officer's appointment

12.3 The Licensee must ensure, following appropriate consultation with the Authority, that a competent person (who is to be known as the Compliance Officer, and who must be fully independent of the interests of the Licensee) is appointed for the purposes of monitoring and facilitating the Licensee's compliance with the requirements specified at Part F below ("the Chapter 3 Requirements") .

12.4 The functions of the Compliance Officer under this condition must be exercised with particular regard for the need of SEC Parties, REC Parties (where applicable) and External Service Providers to be fully and formally assured of the Licensee's compliance at all times with the Chapter 3 Requirements.

Part B: Particular functions of the Compliance Officer

12.5 The Licensee must at all times ensure that the Compliance Officer is engaged for the performance of such tasks and duties as the Licensee considers should be assigned to him for the purposes specified at Part A above.

12.6 In particular, those tasks and duties for the Compliance Officer must include**:**

(a) providing relevant advice and information to the Licensee for the purpose of facilitating its compliance with the Chapter 3 Requirements;

(b) monitoring the effectiveness of the practices, procedures, and systems adopted by the Licensee in accordance with the Compliance Statement required under Part C of Condition 10 (Protection of Confidential Information);

(c) advising 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-operation;

(d) investigating any complaint or representation that is made available to him in accordance with paragraph 12.9;

(e) recommending and advising on remedial action that any such investigation has shown to be necessary or desirable;

(f) providing relevant advice and information to the Licensee for the purposes of ensuring its effective 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); and

(g) reporting annually to the Licensee's directors about his activities during the period covered by the report, including the fulfilment of any other duties assigned to him by the Licensee under this condition.

Part C: Licensee's duties to the Compliance Officer

12.7 This Part C sets out the duties that the Licensee owes to the Compliance Officer.

12.8 The Licensee must ensure that the Compliance Officer**:**

(a) is provided with such staff, premises, equipment, facilities, and other resources; and

(b) has such access to the Licensee's premises, systems, information, and documentation,

as he might reasonably expect to require for the fulfilment of the tasks and duties assigned to him.

12.9 The Licensee must give the Compliance Officer a copy of any complaint or other representation that it receives from any person about a matter arising under or because of the Chapter 3 Requirements.

Part D: Contents of the Licensee's Compliance Report

12.10 The Licensee must, as soon as is reasonably practicable after receiving each annual report of the Compliance Officer under paragraph 12.6(g), produce a report ("the Compliance Report") about**:**

(a) its compliance during the reporting year with the Chapter 3 Requirements; and

(b) its implementation during that year of the practices, procedures, and systems maintained pursuant to the Compliance Statement that the Licensee is required to have in place under Part C of Condition 10 (Protection of Confidential Information).

12.11 The Compliance Report produced under paragraph 12.10 must, in particular, do the things described in the following paragraphs of this Part D.

12.12 It must detail the activities of the Compliance Officer during the reporting year.

12.13 It must 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 in place under Condition 10.

12.14 It must set out the details of any investigations carried out by the Compliance Officer during the reporting year, including**:**

(a) the number, type, and source of any complaints or representations on which those investigations were based;

(b) the outcome of the investigations; and

(c) any remedial action taken by the Licensee in response to them.

12.15 It must state the Compliance Officer's opinion of the extent to which the Licensee has complied with the Chapter 3 Requirements during the reporting year.

Part E: Publication of the Licensee's Compliance Report

12.16 The Licensee must give the Authority and the SEC Panel a copy of each Compliance Report prepared by the Licensee in accordance with Part D above.

12.17 The Licensee's Compliance Report given under paragraph 12.16 must be accompanied by a copy of the relevant annual report submitted by the Compliance Officer to the Licensee's directors under paragraph 12.6(g).

12.18 The Licensee must, when sending any Compliance Report to the Authority and the SEC Panel, at the same time publish that report on its Website.

Part F: Interpretation

12.19 The requirement of paragraph 12.3 for a Compliance Officer to be fully independent of the interests of the Licensee does not preclude the appointment to that office of a person who may be paid by the Licensee for his services under this condition.

12.20 For the purposes of this condition**:**

Chapter 3 Requirements means the requirements (including such prohibitions as are associated with them) established and imposed by**:**

(a) Condition 9 (Independence and autonomy of the Licensee);

(b) Condition 10 (Protection of Confidential Information); and

(c) Condition 11 (Duties arising from Licensee's special position).

Compliance Officer has the meaning that is given to that term in paragraph 12.3.

Compliance Report has the meaning given to that term in paragraph 12.10.

CHAPTER 4 : CONDITIONS 13 TO 15

Start-up and future development obligations

Condition 13. Arrangements relating to the Transition Objective

Introduction

13.1 This condition enables the Secretary of State to make appropriate provision under this Licence and the Smart Energy Code for the purpose of facilitating the achievement of an efficient, economical, co-ordinated, timely, and secure process of transition to the Completion of Implementation ("the Transition Objective").

13.2 The Licensee must treat this condition as paramount in the event of any conflict between its provisions and the requirements imposed on the Licensee by any other condition of this Licence, but this condition will be of no further effect in, and may be treated as omitted from, this Licence as from the Completion of Implementation.

Part A: Arrangements with respect to the Interim General Objective

13.3 The Secretary of State may, in pursuance of the Transition Objective, by direction to the Licensee provide for Part A of Condition 5 (which establishes an Interim General Objective for the Licensee):

(a) to be suspended from operation in this Licence in such manner, and in such circumstances, as may be specified in or determined by reference to criteria set out in the direction; or

(b) where it is for the time being so suspended, to be brought back into operation in this Licence in such manner, and in such circumstances, as may be so specified or determined.

13.4 A direction under paragraph 13.3:

(a) may only be given with respect to the whole of Part A of Condition 5; and

(b) may not be so framed as to enable that Part A to remain in operation in this Licence after Completion of Implementation.

Part B: Arrangements with respect to the Enduring General Objectives

13.5 The Secretary of State may, in pursuance of the Transition Objective, by direction to the Licensee provide for any provision of Part B of Condition 5 (which establishes the Enduring General Objectives for the Licensee):

(a) not to have effect in this Licence until brought into operation in such manner, and in such circumstances, as may be specified in or determined by reference to criteria set out in the direction; or

(b) to be suspended from operation in this Licence in such manner, and in such circumstances, as may be so specified or determined; or

(c) where it is for the time being so suspended, to be brought back into operation in this Licence in such manner, and in such circumstances, as may be so specified or determined.

13.6 A direction under paragraph 13.5 may not be so framed as to prevent a provision of Part B of Condition 5 from having effect in this Licence after Completion of Implementation.

Part C: Procedural and other requirements with respect to directions

13.7 Before issuing a direction under either of Parts A or B above, the Secretary of State must consult the Licensee, the Authority, and SEC Parties.

13.8 The Secretary of State must have due regard to the results of the consultation under paragraph 13.7, and give reasons for his decisions in relation to those results.

13.9 Any direction issued under Part A or Part B must be published by the Licensee on its Website, along with an explanation of how it affects the Licensee's activities.

Part D: Production of plans for the purposes of trialling and testing

13.10 Pursuant to the Transition Objective, the Licensee, as soon as reasonably practicable after the Licence Commencement Date, must produce a plan (or plans) to provide for such matters as the design, trialling, commencement, and Systems Integration Testing and User Integration Testing (within the meaning given respectively to those terms in the SEC) of the systems, processes, and procedures that are intended to comprise any part or the whole of the SEC Arrangements.

13.11 For the purpose of producing the plan (or plans) required under paragraph 13.10, the Licensee must first**:**

(a) issue the relevant document in draft to the SEC Panel and all SEC Parties;

(b) consult appropriately with those persons about the proposed content of the document;

(c) where disagreements with such persons arise about the proposed content of the document, seek to reach an agreed solution with them (provided that such solution does not compromise the particular purposes of the document);

(d) after complying with sub-paragraphs (a) to (c), submit the resulting document to the Secretary of State as soon as practicable, indicating to him**:**

(i) why the Licensee considers the document to be fit for purpose, and

(ii) any areas of disagreement that arose during the consultation process and have not been resolved;

(e) comply with any requirements with respect to process and timeframe that the Secretary of State might specify in any direction given to the Licensee to resubmit the document; and

(f) provide the final document to the Secretary of State, the Authority, and the SEC Panel.

13.12 The Licensee must take all reasonable steps to secure the implementation of the plan (or plans) produced in accordance with the provisions of paragraph 13.11, and such steps may include, in particular**:**

(a) co-ordinating the activities of SEC Parties and, where applicable, of SECCO Ltd and any other relevant persons, with a view to achieving that purpose in accordance with such timescales as are specified; and

(b) initiating such modification procedures as may be permitted under or pursuant to the Transitional Provisions (see Part F below) and that are necessary to facilitate the achievement of such purpose.

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

13.13 This Part E applies if (and only if) the Secretary of State is of the opinion that the plan (or plans) in place by virtue of Part D above are no longer suitable for the purpose of achieving the Transition Objective in the terms set out in paragraph 13.1.

13.14 If this Part E applies, the Secretary of State may direct the Licensee to produce a new plan (or plans), covering the same matters as those for which paragraph 13.10 provides and any additional matters specified in the direction, that will be more suitable for the purpose mentioned in paragraph 13.13.

13.15 A direction given under paragraph 13.14 may include requirements for the new plan (or plans) to replace, in whole or in part, the plan (or plans) already in place by virtue of Part D above, or to add to the provisions of any such plan (or plans).

13.16 In complying with a direction given under paragraph 13.14, the Licensee must do so in accordance with the provisions of paragraph 13.11 to the same extent and in the same manner as would apply with respect to the production of a plan (or plans) under Part D above, but subject to an additional requirement for the Licensee to obtain the Secretary of State's approval for the new plan (or plans).

13.17 Where any new plan (or plans) produced under this Part E have been approved by the Secretary of State, the Licensee must implement the approved plan (or plans) (with any amendments that may have been specified in the approval) in the same terms as apply to the Licensee under paragraph 13.12 with respect to the implementation of a plan (or plans) produced under Part D.

13.18 The Secretary of State's powers under this Part E will be of no further effect from the date on which the Completion of Implementation is achieved.

Part F: Arrangements with respect to the Smart Energy Code

13.19 This Part F applies with respect to the scope and contents of the Smart Energy Code ("the SEC") and should be read in conjunction with, in particular, the provisions of Parts C and D of Condition 22 of this Licence (The Smart Energy Code).

13.20 The Secretary of State may, in pursuance of the Transition Objective, and on or after the date on which the SEC is designated by him for the purposes of Condition 22, require and ensure that the SEC is to provide**:**

(a) for certain provisions of the SEC ("the Transitional Provisions") to apply in relation to certain matters in spite of, and to override, any other provision of the SEC on a transitional basis;

(b) for the Licensee to provide such reasonable co-operation and assistance to the SEC Panel and SEC Parties, and vice versa, as may be necessary to facilitate compliance with the Transitional Provisions while they so apply; and

(c) for the Transitional Provisions to cease to so apply as from the Completion of Implementation.

13.21 Pursuant to paragraph 13.20 and the Transition Objective, the SEC may, in particular, include Transitional Provisions for or in connection with any or all of**:**

(a) the referral to, and determination by, the Secretary of State (or such person as he may designate for such purpose) of any disputes arising between SEC

Parties, or any categories of such parties, in connection with the operation or application of the Transitional Provisions;

(b) the variation of limitations on liability provided for in the SEC, and the giving of indemnities against liabilities to which the Licensee or any SEC Party might be exposed in consequence of its implementation of, participation in, or compliance with any of the matters referred to in Part D above; and

(c) the provision to the Licensee by certain SEC Parties, at such times and to such extent as may be specified in the SEC, of Registration Data within the meaning given to that term in the SEC.

13.22 Pursuant to paragraph 13.20 and the Transition Objective, the SEC may, in particular, also include Transitional Provisions for or in connection with any or all of**:**

(a) the variation by the Secretary of State of such provisions of the SEC as may be specified in the SEC, including variations that will have the effect of suspending specified provisions or of applying additional provisions;

(b) the designation of the date from which any specified provision of the SEC is to apply and, if that provision has been subject to any necessary transitional variation, the subsequent designation of the date from which the provision is to apply without such variation;

(c) the application of initial set-up and commencement arrangements with respect to (i) the composition and proceedings of the SEC Panel and (ii) associated matters, including the appointment of the Code Administrator and Secretariat within the meaning given to those terms in Condition 22;

(d) the arrangements for consulting any or all of the Authority, the Licensee, the SEC Panel, and SEC Parties with respect to such matters arising under or by virtue of this Part E as may be specified in the SEC; and

(e) the timely and regular provision to the Secretary of State and the Authority of such information as is specified in the SEC concerning progress towards the achievement of the Transition Objective.

Part G: Interpretation

13.23 For the purposes of this condition**:**

Completion of Implementation is to be read in accordance with the explanation that is set out in Part D of Condition 5 (General Objectives of the Licensee).

Enduring General Objectives and **Interim General Objective** have the meaning given respectively to those terms in Condition 5.

Transition Objective has the meaning that is given to that term in paragraph 13.1.

Transitional Provisions has the meaning given to that term in paragraph 13.20(a).

Condition 13A. Enduring Change of Supplier Arrangements

Introduction

13A.1 This condition enables the Secretary of State to make appropriate provision under this Licence and the Smart Energy Code for the purpose of facilitating the achievement of efficient, economical, co-ordinated, and enduring arrangements for the changing of Device Security Credentials on or following completion of a Supplier Transfer in respect of a premises at which there is a Smart Metering System (the **'Enduring Change of Supplier Arrangements'**).

Part A: Production of Plan for Enduring Change of Supplier Arrangements

13A.2 The Licensee must, as soon as reasonably practicable and in any event by no later than any such date as may be specified in a direction issued under this paragraph 13A.2 to the Licensee by the Secretary of State, 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 the Enduring Change of Supplier Arrangements.

13A.3 For the purpose of producing and submitting the plan required under paragraph 13A.2, the Licensee must first:

(a) issue the plan in draft to the SEC Panel and all SEC Parties;

(b) consult with those persons about the proposed content of the plan; and

(c) have due regard to the responses to the consultation in determining whether, and if so how, to amend the plan before submitting it to the Secretary of State for approval.

13A.4 The Licensee must, as soon as practicable following the consultation undertaken in accordance with paragraph 13A.3(b), submit its proposed plan to the Secretary of State for approval, together with:

(a) a fair and accurate summary of the comments received by the Licensee in the course of the consultation; and

(b) an explanation of how and to what extent (if any) the Licensee has taken account of such comments in the plan submitted for approval.

13A.5 Where the Secretary of State does not approve the Licensee's proposed plan, the Secretary of State may issue a direction to the Licensee:

(a) to make such modifications, or modifications of such nature or purpose or effect, to the plan as are specified in the direction;

(b) for that purpose to comply with any requirements with respect to process and timeframe as may be specified in the direction; and

(c) to resubmit a proposed plan to the Secretary of State for approval by such date as may be specified in the direction.

13A.6 The Secretary of State may give a direction under paragraph 13A.5 in respect of any plan submitted to it under paragraph 13A.4 or paragraph 13A.5(c).

13A.7 The Secretary of State may, following any such consultation as he considers appropriate with SEC Parties and such other persons as he considers appropriate, approve a plan submitted to him under paragraph 13A.4 or 13A.5(c) (as the case may be).

Part B: Implementing the approved plan

13A.8 The Licensee must take all reasonable steps to give effect to the plan approved by the Secretary of State, and such steps:

(a) must include:

(i) working in conjunction and co-operation with Energy Suppliers with a view to achieving that purpose in accordance with such timescales as are specified in or determined under the plan; 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 transition and migration from transitional change of supplier arrangements to the Enduring Change of Supplier Arrangements and notifying SEC Parties of such processes and procedures.

Part C: Powers to direct and approve production of a new plan

13A.9 This Part C applies if the Secretary of State is of the opinion that the plan established by virtue of Part A above is no longer suitable for the purpose of facilitating the implementation of Enduring Change of Supplier Arrangements.

13A.10 If this Part C applies, the Secretary of State may direct the Licensee to produce a new plan, covering the same matters as those for which paragraph 13A.2 provides and any additional matters specified in the direction, which will be more suitable for the purposes of facilitating the implementation of Enduring Change of Supplier Arrangements.

13A.11 A direction given under paragraph 13A.10 may include requirements for the new plan to replace, in whole or in part, the plan already established by virtue of Part A above, or to add to the provisions of any such plan.

13A.12 In complying with a direction given under paragraph 13A.10, the Licensee must do so in accordance with the provisions of paragraphs 13A.3 to 13A.5.

13A.3 Where any new plan produced under this Part C has been approved by the Secretary of State pursuant to paragraph 13A.4 or paragraph 13A.5(c) (as the case may be), the Licensee must implement the approved plan (with any amendments that may have been

specified in the approval) in the same terms as apply to the Licensee under paragraph 13A.8.

Part D: Interpretation

13A.14 In this Condition:

Device Security Credentials has the meaning given to it in the SEC.

Supplier Transfer has the meaning 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 14A (Customer transfer) of the licences granted, or treated as granted, under section 7A(1) of the 1986 Act.

Condition 13B. Network Evolution Arrangements

Introduction

13B.1 This condition enables the Secretary of State to make appropriate provision under this Licence and the Smart Energy Code 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

13B.2 Where the Secretary of State gives a direction to the Licensee under this paragraph 13B.2, the Licensee must, by no later than the date specified in the direction, prepare and submit to the Secretary of State, for approval, a plan (or plans) 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.

13B.3 For the purpose of producing and submitting the plan (or plans) required under paragraph 13B.2, the Licensee must first:

(a) issue the plan in draft to the SEC Panel and all SEC Parties;

(b) consult with those persons about the proposed content of the plan; and

(c) have due regard to the responses to the consultation in determining whether, and if so how, to amend the plan before submitting it to the Secretary of State for approval.

13B.4 The Licensee must, as soon as practicable following the consultation undertaken in accordance with paragraph 13B.3(b), submit its proposed plan to the Secretary of State for approval, together with:

(a) a fair and accurate summary of the comments received by the Licensee in the course of the consultation; and

(b) an explanation of how and to what extent (if any) the Licensee has taken account of such comments in the plan submitted for approval.

13B.5 Where the Secretary of State does not approve the Licensee's proposed plan, the Secretary of State may issue a direction to the Licensee:

(a) to make such modifications, or modifications of such nature or purpose or effect, to the plan as are specified in the direction;

(b) for that purpose to comply with any requirements with respect to process and timeframe as may be specified in the direction; and

(c) to resubmit a proposed plan to the Secretary of State for approval by such date as may be specified in the direction.

13B.6 The Secretary of State may give a direction under paragraph 13B.5 in respect of any plan submitted to it under paragraph 13B.4 or paragraph 13B.5(c).

13B.7 The Secretary of State may, following any such consultation as he considers appropriate with SEC Parties and such other persons as he considers appropriate, approve a plan submitted to him under paragraph 13B.4 or 13B.5(c) (as the case may be).

Part B: Implementing approved plans

13B.8 The Licensee must take all reasonable steps to give effect to the plan (or plans) 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.

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

13B.9 This Part C applies if the Secretary of State is of the opinion that the plan (or plans) established by virtue of Part A above is no longer suitable for the purpose of facilitating the implementation of the Network Evolution Arrangements.

13B.10 If this Part C applies, the Secretary of State may direct the Licensee to produce a new plan (or plans), covering the same matters as those for which paragraph 13B.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.

13B.11 A direction given under paragraph 13B.10 may include requirements for the new plan (or plans) to replace, in whole or in part, the plan (or plans) already established by virtue of Part A above, or to add to the provisions of any such plan (or plans).

13B.12 In complying with a direction given under paragraph 13B.10, the Licensee must do so in accordance with the provisions of paragraphs 13B.3 to 13B.5.

13B.13 Where any new plan (or plans) produced under this Part C has been approved by the Secretary of State pursuant to paragraph 13B.4 or paragraph 13B.5(c) (as the case may be), the Licensee must implement the approved plan (or plans) (with any amendments

that may have been specified in the approval) in the same terms as apply to the Licensee under paragraph 13B.8.

Part D: Implementing approved plans

13B.14 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 and/or made to the Smart Energy Code; and

(d) ensuring, including by way of re-procurement where required, continuity in the provision of the SMKI Service,

and any other arrangements which the Secretary of State reasonably considers are materially associated with or required to support the arrangements referred to in paragraphs (a) to (d) above.

Condition 14. Licensee's future development objectives

Introduction

14.1 This condition requires the Licensee to establish and from time to time review and revise its future business development objectives, and set them out in a Development Plan that is available in the public domain.

Part A: Requirement to prepare and maintain the Development Plan

14.2 Subject to paragraph 14.4, the Licensee must by not later than 31 July in a Regulatory Year ("the Planning Year") prepare a Development Plan in a form that is approved by the Authority.

14.3 The Development Plan must set out and explain in appropriate detail the Licensee's business development objectives for the five-year period consisting of the Planning Year and each of the four succeeding Regulatory Years.

14.4 Except where the Authority otherwise consents, the first Planning Year in respect of which the Licensee is required for the purposes of this condition to prepare and issue a Development Plan is the Regulatory Year beginning on 1 April 2014.

14.5 The Licensee must from time to time review, and where necessary revise without delay, the information set out in the Development Plan in order to ensure that it remains accurate and up-to-date in all material respects, and may alter the form of the plan with the Authority's consent.

14.6 In preparing, reviewing, and revising its Development Plan, the Licensee must take all reasonable steps to ascertain and take account of the views of SEC Parties (in particular) or REC Parties (where applicable) about the matters covered by Part B below.

Part B: Types of information to be included in the Development Plan

14.7 The Development Plan must include such information and evaluation in respect of the following matters as may affect the Licensee's determination of its business development objectives for the period covered by the plan**:**

(a) the main trends and factors that are likely to affect the future development and performance of the Authorised Business, in whole or in part;

(b) the opportunities likely to be available to the Licensee for developing the infrastructure, systems, and processes in place for the provision of Services under or pursuant to the Smart Energy Code or Retail Energy Code;

(c) the current condition of any of such infrastructure, systems, and processes in terms of the capacity, loading, and utilisation factors applicable to them and the interdependence between them;

(d) the loading and utilisation of such infrastructure, systems, and processes by different types of Core Communication Services, Elective Communication Services, and Value Added Services; and

(e) the availability of spare capacity within any of such infrastructure, systems, and processes, and the scope for using it for the purpose of providing new or amended Services requested by SEC Parties or REC Parties.

14.8 The Development Plan must also include such information and evaluation in respect of the following matters as may affect the Licensee's determination of its business development objectives for the period covered by the plan**:**

(a) potential changes in the Licensee's business processes or ways of working that would result in a more efficient provision of Services, or in overall productivity gains or the reduction of operational risk;

(b) the emergence of any specific new or evolving relevant technologies that could improve the Licensee's management and operation of the Authorised Business, in whole or in part; and

(c) the assessment criteria and cost-benefit analyses that are used by the Licensee to determine its business development objectives with due regard for the matters set out in this Part B.

14.9 The information and evaluation to which paragraphs 14.7 and 14.8 refer must include such commentary as is appropriate about any longer-term matters that in the opinion of the Licensee could materially affect the determination of its business development objectives beyond the end of the period covered by the Development Plan.

14.10 The business development objectives of the Licensee must at all times be consistent with the General Objectives of the Licensee.

Part C: General availability and publication of the Development Plan

14.11 The Licensee must give the Authority a copy of each Development Plan prepared in accordance with this condition.

14.12 The Licensee must also (subject to paragraph 14.13)**:**

(a) give a copy of its current Development Plan to any person who asks for it; and

(b) publish that current plan on its Website.

14.13 In complying with the requirements of paragraph 14.12, 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 or might seriously and prejudicially affect his interests.

14.14 Any question arising under paragraph 14.13 as to whether publication of some matter that relates to the affairs of a person would or might seriously and prejudicially affect his interests is to be resolved by the Authority following consultation with that person and the Licensee.

Part D: Interpretation

14.15 For the purposes of this condition**:**

Development Plan has the meaning given to that term in paragraph 14.3.

Planning Year has the meaning given to that term in paragraph 14.2.

Condition 15. Incorporation, delivery and provision of the Centralised Registration Service

Introduction

15.1 The purpose of this condition is to specify the Interim Centralised Registration Service Objective and the General Centralised Registration Service Objective of the Licensee and the Licensee's duties with respect to it.

15.2 The Interim Centralised Registration Service Objective sets out the requirements of the Licensee under the Authority's Switching Programme to procure and provide Relevant Service Capability to deliver a Centralised Registration Service ~~.~~ up to the point when the Authority directs the commencement of Steady State Operations. This covers the Design, Build and Test Phase and Post Implementation Period phase of the Switching Programme.

15.2A 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 through Steady State Operations.

15.2B For the purposes of this condition the Licensee should fulfil the Interim Centralised Registration Service Objective and 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 consumers.

15.3 The Transition Objective and/or General Objectives of the Licensee shall prevail in the event of a conflict between their provisions and the requirements imposed on the Licensee by the Interim Centralised Registration Service Objective, up to but not including, the Post Implementation Period.

Part A: Interim Centralised Registration Service Objective of the Licensee

15.4 Subject to paragraphs 15.6 and 15.7, the Licensee must comply with the Interim Centralised Registration Service Objective by:

(a) contributing to the achievement of a full and timely design for an efficient, economical and secure Centralised Registration Service that will, when implemented, provide a platform for fast and reliable switching for all Registrable Measurement Points in the GB market;

(b) making all relevant preparations for the procurement and provision of Relevant Service Capability to deliver and operate a Centralised Registration Service;

(c) procuring Relevant Service Capability to deliver and operate a Centralised Registration Service that:

(i) reflects the design of a Centralised Registration Service which has been designated by the Authority for this purpose (including any amendments to that designated design); and

(ii) will, when executed, give effect to an efficient, economical and secure Centralised Registration Service that will provide a platform for fast and reliable switching for all Registrable Measurement Points in the GB market;

(iii) (not used);

(iv) has 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; and

(v) will, when executed, be capable of efficiently and economically adapting to future market requirements;

(d) maintaining Interfaces 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, after the commencement of the Post Implementation Period, 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;

(e) processing such personal data as is necessary to achieve the Interim Centralised Registration Service Objective.

15.5 For the purposes of paragraph 15.4(a), the Interim Centralised Registration Service Objective includes, but is not limited to, a duty to contribute to the development and documentation of the design of the Centralised Registration Service.

Part AA: General Centralised Registration Service Objective of the Licensee

15.5AA Subject to paragraphs 15.6 and 15.7 the Licensee must comply with the General Centralised Registration Service Objective through:

(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 during Steady State Operations with:

(i) maintenance of a Central Switching Service design baseline and design authority function in accordance with the requirements in the Retail Energy Code;

(ii) 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;

(iii) the provision of systems and services that can economically and efficiently adapt to meet future market requirements;

(iv) 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; and

(v) appropriate provision for the 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.

(c) 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, during Steady State Operations, 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;

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

Part B: Requirement in respect of Authority direction

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

15.7 The Authority's power under paragraph 15.6 includes a power to direct that any or all of paragraphs 15.4 to 15.5 shall cease to have effect in this Licence on such date and for such period as the Authority may specify.

15.7A Where the Authority issues a direction under Condition 15.6;

(a) it shall vary the Interim Centralised Registration Service Objective or the General Centralised Registration Service Objective, as the case may be, to the extent necessary in order to reflect the ceasing to have effect of obligations of the Licensee in accordance with Condition 15.7;

(b) the Licensee may recover its economic and efficient costs: (i) properly incurred, and/or (ii) previously committed to through a legally binding obligation to a third party entered into for the purposes of the Licensee fulfilling all or part of an obligation which is the subject of a direction under Condition 15.7;

(c) DCC may recover its economic and efficient costs properly incurred in fulfilling its obligations under Condition 43; and

(d) in respect of Condition 15.7A (b) and 15.7A(c) in both cases such costs shall be recovered as a Centralised Registration Service External Cost and shall be subject to Chapter 9 (Price Control Conditions of this Licence).

Part C: Interpretation

15.8 For the purposes of this condition:

Centralised Registration Service means the services provided by the Licensee to achieve the design designated by the Authority, and set out within the Retail Energy Code, and the licensee's role as set out with the Retail Energy Code. This includes, but is not limited to:

(1) provision of the Central Switching Service (including the Address Management Service and the Registration Service);

(2) provision of the Switching Operator service;

(3) 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 Retail Energy Code;

(4) any other functions required of the Licensee pursuant to the Retail Energy Code; and

(5) CSS Systems Integrator and Core Systems Assurance functions (for the purpose of the Interim Centralised Registration Service Objective only)

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.

Address Management Service has the meaning given to it within the Retail Energy Code

Central Switching Service has the meaning given to it within the Retail Energy Code

Core Systems Assurance means the functions carried out by the Core Systems Assurance

Provider with the meaning given to it within the Retail Energy Code

CSS Systems Integrator has the meaning given to it within the Retail Energy Code

Design, Build and Test Phase has the meaning given to it within the Retail Energy Code;

Interfaces has the meaning given to it within the Retail Energy Code;

Interim Centralised Registration Service Objective has the meaning given to that term in Part A of this condition

General Centralised Registration Service Objective has the meaning given to that term in Part AA of this condition

Post Implementation Period has the meaning given to it within the Retail Energy Code

Registrable Measurement Point has the meaning given to it within the Retail Energy Code;

Registration Service has the meaning given to it within the Retail Energy Code

Retail Energy Location Address has the meaning given to it within the Retail Energy Code

Steady State Operations means, for the purpose of this licence condition, the period directly following the Steady State Commencement Date as defined in the Retail Energy Code and designated by the Authority that all exit criteria, as defined within the designated programme

documents, have been met and until such point that the Authority directs the end of Steady State Operations

Switching Operator has the meaning given to it within the Retail Energy Code; and

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

CHAPTER 5 : CONDITIONS 16 TO 20

General arrangements for Services

Condition 16. Procurement of Relevant Service Capability

Introduction

16.1 This condition sets out requirements (Part A below) and principles (Part B below) that are to apply to the Licensee's procurement of Relevant Service Capability.

16.2 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).

16.3 This condition also requires the Licensee**:**

(a) to take account of any guidance issued by the Secretary of State under Part C below in the form of a Public Interest Statement;

(b) to have in place a Procurement Strategy for Relevant Service Capability, in a form designated by the Secretary of State, that takes account of the principles established by this condition and of any guidance issued pursuant to it; and

(c) to comply with the provisions of Appendix 1 to this condition with respect to any Energy Supplier Contracts adopted by the Licensee.

Part A: Requirements that are imposed on procurement activities

16.4 The Licensee must (subject to paragraph 16.6) 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 below ("the Part B Principles").

16.5 The duty imposed by paragraph 16.4 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.

16.6 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 (excluding Principle 2), is satisfied that the procurement of such capability by that means**:**

(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.

16.6A Subject to paragraph 16.6C, 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 16.6B have first been satisfied in respect of:

(c) the Relevant Service Capability referred to in paragraph 16.6A(a); or

(d) the change to the Relevant Service Capability referred to in paragraph 16.6A(b),

(each of which, in this Part, is the '**proposed Relevant Service Capability**')

16.6B The requirements of this paragraph 16.6B 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 16.6D, to the Authority) a description of the nature and scope of, and reasons and need for, the proposed Relevant Service Capability;

(b) provided such additional details or information relating to the 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 16.6D, to the Authority) having received the Licensee's description of the 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 16.6D, to the Authority) does not object to the proposed Relevant Service Capability.

16.6C Paragraph 16.6A does not apply:

(a) in respect of any 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 16.6D, to the Authority) to the Licensee under this paragraph 16.6C(a); 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 16.6D, to the Authority) has issued a direction to the Licensee under this paragraph 16.6C(b), from such date as is specified in the direction as the date on which the requirements of paragraph 16.6A shall cease to have effect.

16.6D The Secretary of State may, in a direction issued to the Licensee under this paragraph 16.6D, specify that the provisions of paragraphs 16.6B and 16.6C that refer to the Secretary of State shall, from such date as is specified in the direction, refer to the Authority.

16.6E Where the Secretary of State issues a direction under paragraph 16.6D, any direction issued by the Secretary of State pursuant to paragraph 16.6C(a) or 16.6C(b) prior to the date specified in the direction issued under paragraph 16.6D 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 pursuant to paragraph 16.6C(a) or 16.6C(b) (as the case may be).

Part B: Principles that are applicable to procurement activities

16.7 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 below.

16.8 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").

16.9 Principle 2 is that Relevant Service Capability must be procured competitively wherever practicable and proportionate, and with due regard for (i) the principles of equality and non-discrimination between economic operators and (ii) the employment of transparent and objective procurement processes.

16.10 Principle 3 is that Relevant Service Capability must be procured from suitable and appropriate organisations, having due regard to**:**

(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.

16.11 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.

16.12 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 15.6 (as to

which, see paragraph 14 of Condition 43 (Arrangements for the handover of business) for further relevant provision).

16.12A 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.

Part C: Public Interest Statement relating to procurement activities

16.13 In applying the provisions of Parts A and B above to its procurement activities with respect to Fundamental Service Capability, the Licensee must take account of any guidance contained within a Public Interest Statement issued by the Secretary of State in accordance with this Part C.

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

16.15 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.

16.16 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.

16.17 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.

16.18 The Licensee must publish and maintain a Public Interest Statement (including any amended statement following a revision under paragraph 16.17) on its Website.

Part D: Procurement Strategy for Relevant Service Capability

16.19 Except where the Secretary of State otherwise consents, the Licensee must within twelve months after the Licence Commencement Date have in place a statement of its Procurement Strategy for Relevant Service Capability.

16.20 That statement must have been approved by the Secretary of State for the purposes of this condition following consultation (subject to paragraph 16.23) with the Licensee and with the Authority, SEC Parties, and any other persons who are likely to be materially affected by the strategy.

16.21 The statement of the Procurement Strategy for Relevant Service Capability must explain the Licensee's conclusions with respect to the nature and extent of its procurement activities, in such detail and by including such information as may be appropriate for the purpose, with particular reference to:

(a) the determination of the Relevant Service Capabilities necessary to enable the Licensee to exercise its Relevant Functions;

(b) the determination of which of those capabilities are to be procured from External Service Providers by means of a competitive process (having due regard to paragraph 16.6);

(c) the determination of how and to what extent the required Relevant Service Capabilities reflect the guidance contained in any Public Interest Statement issued under Part C above;

(d) the determination of how the required Relevant Service Capabilities are to be assembled into discrete contracts; and

(e) the determination of a forward plan of the procurement activities necessary to secure those contracts.

16.22 The Licensee must take all appropriate steps within its power to comply with the provisions of any Procurement Strategy for Relevant Service Capability that is for the time being in force under this condition.

16.23 The consultation process that is required by virtue of paragraph 16.20 may be subject to the provisions of Part G below.

Part E: Procedure for reviewing the procurement strategy

16.24 The Licensee must, for the purposes of ensuring that its Procurement Strategy for Relevant Service Capability at all times continues to be a document that accurately reflects the requirements of this condition**:**

(a) review that strategy at least once in each full Regulatory Year following the Secretary of State's designation of it under Part D above; and

(b) propose to the Authority such revisions (if any) of the strategy as the Licensee thinks are appropriate or necessary for the purpose of better complying with those requirements.

16.25 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 (subject to paragraph 16.26), direct the Licensee to revise its Procurement Strategy for Relevant Service Capability in such manner, with effect from such time, and to such extent as may be specified in the direction.

16.26 The consultation process that is required by virtue of paragraph 16.25 may be subject to the provisions of Part G below.

Part F: Availability of statement of the procurement strategy

16.27 The Licensee must promptly and properly reflect every revision of its Procurement Strategy for Relevant Service Capability in a corresponding revision of the statement of that strategy that is in place by virtue of paragraph 16.19.

16.28 The Licensee must give the Authority and, where requested, the Secretary of State a copy of the statement of its Procurement Strategy for Relevant Service Capability and of each revision of that statement.

16.29 The Licensee must also (subject to paragraph 16.30) give a copy of the statement of its Procurement Strategy for Relevant Service Capability (or the most recent revision of it) to any SEC Party or REC Party who requests a copy.

16.30 In discharging its duties under paragraph 16.29, the Licensee must comply with such restrictions or requirements (if any) with respect to the manner in which it does so as appear to the Authority to be necessary for the purpose of protecting the legitimate commercial interests of any person.

Part G: Undertakings required in respect of confidentiality

16.31 This Part G applies where the Secretary of State or the Authority (as the case may be) is consulting, or proposing to consult**:**

(a) persons under paragraph 16.20 with respect to the preparation and designation of a statement of the Licensee's Procurement Strategy for Relevant Service Capability; or

(b) persons under paragraph 16.25 with respect to any proposed revision of that strategy.

16.32 Where this Part G applies, the Secretary of State or the Authority (as the case may be) may require any person (including the Licensee) that is taking part, or that wishes to take part, in the relevant consultation process to enter into such undertakings to maintain the confidentiality (in whole or in part) of the document that is the subject of the consultation as appear to the Secretary of State or the Authority to be necessary for the purpose of protecting the legitimate commercial interests of any person.

16.33 An undertaking under paragraph 16.32 may be expressed to survive the expiry or any revocation of this Licence.

Part H: Retention of procurement strategy particulars and records

16.34 The Licensee must maintain, for the full duration of the Licence Term, records and particulars of**:**

(a) all Relevant Service Capability offered to it under or pursuant to its Procurement Strategy for Relevant Service Capability; and

(b) all contractual arrangements that it has entered into under or pursuant to its Procurement Strategy for Relevant Service Capability.

16.35 The Licensee must supply the Authority with any information that it reasonably asks for about the Licensee's procurement and use of Relevant Service Capability.

Part I: Arrangements for the adoption of Energy Supplier Contracts

16.36 The Licensee must contribute to, implement, and give effect to such provisions of the SEC Adoption Process as are applicable to it.

16.37 The SEC Adoption Process comprises those provisions of the SEC that will apply by virtue of Part H of Condition 22 (The Smart Energy Code) to**:**

(a) the process of assessing and determining Energy Supplier Contracts for the purpose of providing Relevant Service Capability to the Licensee pursuant to its procurement obligations under this condition; and

(b) the adoption by the Licensee of any Energy Supplier Contracts that may be required to be so adopted as a consequence of that process.

16.38 Appendix 1 (which has effect as part of this condition) makes further provision with respect to matters arising from the SEC Adoption Process.

Part J: Interpretation

16.39 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 Services.

16.40 For the purposes of this condition**:**

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:

(i) 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 Service pursuant to Part E of Condition 17 (Requirements for the provision of Services); or

(ii) Network Evolution Arrangement Contracts (as they are from time to time identified and described in Schedule 1 (Details of Fundamental Service Capability) to this Licence); and

(b) is deemed to have been procured by the Licensee under this Condition 16, and not by any other person acting by or under any other means, despite anything to the contrary in Schedule 1 to this Licence.

Network Evolution Arrangements has the meaning given to that term in Condition 13 B (Network Evolution Arrangements).

Network Evolution Arrangement Contracts means contracts of equivalent scope and nature to the Legacy Procurement Contracts which have been entered into by the Licensee for the purposes of the Network Evolution Arrangements**.**

Part B Principles has the meaning given to that term in paragraph 16.4, and refers to the principles listed in Part B of this condition.

Public Interest Statement has the meaning given to that term in paragraph 16.15.

Relevant Functions has the meaning that is given to that term in paragraph 16.8.

SEC Adoption Process has the meaning given to that term in paragraph 16.37.

Part K: Further relevant provision

16.41 Condition 44 (Treatment of Intellectual Property Rights) sets out and makes further provision relating to the Licensee's management and development of the External Service Provider Contracts to which it is a party pursuant to this Condition 16.

16.42 Appendix 1 follows immediately below.

Appendix 1: Adoption of Energy Supplier Contracts

Introduction

A1. In accordance with Part I of this condition, this Appendix 1 applies with respect to matters arising from the SEC Adoption Process to which Part I refers in relation to the adoption by the Licensee of Energy Supplier Contracts.

Part A: Any adopted contracts must be capable of novation

A2. The Licensee may not be required by the SEC Adoption Process to adopt an Energy Supplier Contract that is not capable of being transferred or novated**:**

(a) to the Licensee for the purposes of the adoption of the contract; and

(b) to a Successor Licensee in the event of a handover of the Licensee's business to such person following the expiry or any revocation of this Licence (as to which, see Condition 43 (Arrangements for the handover of business) for further relevant provision).

Part B: Status of adopted contracts on and after adoption

A3. An Energy Supplier Contract adopted by the Licensee by virtue of any decision or determination under the SEC Adoption Process**:**

(a) becomes a Legacy Procurement Contract with effect from the date on which the adoption has effect; and

(b) is accordingly subject on and after that date to the provisions of Schedule 1 to this Licence (Details of Fundamental Service Capability) so far as they apply to such a contract.

Part C: Re-procurement of Relevant Service Capability

A4. Where the Licensee proposes to re-procure Relevant Service Capability (whether in whole or in part) that is being provided pursuant to a Legacy Procurement Contract

adopted in accordance with the SEC Adoption Process, the re-procurement process (and any subsequent such process) must be carried out in compliance with:

(a) the Part B Principles of this condition (as opposed to any other principles or criteria by reference to which the contract was required to be adopted under the SEC Adoption Process); and

(b) such provisions of the Procurement Strategy for Relevant Service Capability in place under this condition as are applicable.

Part D: Reporting requirements for adopted contracts

A5. Except where the Authority otherwise consents, the Licensee must, by not later than three months after the end of each Regulatory Year, give the Authority a report in Writing about its operation during that year of any Legacy Procurement Contract adopted in accordance with the SEC Adoption Process.

A6. The report must (where applicable) include details of:

(a) any specific matters of concern arising from such operation that the Licensee considers should be reported to the Authority in respect of each contract to which the report relates; and

(b) any plans or proposals of the Licensee with respect to the future management and development of the Relevant Service Capability provided by each such contract.

A7. Where the Authority so requires, the Licensee must publish its report prepared under paragraph A5 in such form and to such extent as may be approved by the Authority, having had regard to the need to preserve commercial confidentiality.

Condition 17. Requirements for the provision of Services

Introduction

17.1 This condition requires the Licensee to provide Services or, as the case may be, to offer terms for the provision of Services, whether at the request of SEC Parties, REC Parties or otherwise, in accordance with the requirements set out in this condition and subject to such exemptions or restrictions as the condition permits.

Part A: General provisions applicable to this condition

17.2 Where the Licensee is required by any part of this condition to provide Services under or pursuant to an Agreement for Services on terms prescribed by, or determined in accordance with, the provisions of the SEC or REC, such terms of the SEC or REC as are expressed by the SEC or REC to be contractually binding with respect to such provision will comprise the Agreement for Services that applies between the parties by virtue of the obligation of the Licensee to provide the Services.

17.3 The Licensee may, where it would be more economical, efficient, or effective to do so, offer to enter into an Agreement for Services under or pursuant to this condition on terms that relate to the Licensee's receipt of compliant requests from more than one person for the provision of Services, provided that the terms of that offer do not exclude an option for the Services to be provided to only one of the persons making those requests.

17.4 The Licensee may offer to enter into an Agreement for Services on terms that provide, in accordance with any relevant requirement of the Licensee's Charging Methodology for Service Charges, for the allocation and reimbursement of Service Charges among and between persons whose requests for such an agreement (whether because of the timing of those requests or otherwise) would reasonably justify such treatment.

Part B: Terms in respect of Core Communication Services

17.5 The Licensee must, on receiving a request from any SEC Party for the provision of any Core Communication Services that are specified and defined as such in the SEC, provide such services under or pursuant to an Agreement for Services on terms that are prescribed by, or determined in accordance with, the provisions of the SEC.

17.6 The Licensee's obligation to provide Core Communication Services under this Part B is subject to the provisions of Part D below.

Part C: Terms in respect of Elective Communication Services

17.7 The Licensee, on receiving a request from any SEC Party ("the Requester") for the provision of Elective Communication Services under or pursuant to the SEC, must deliver to the Requester as soon as is reasonably practicable, and in any event within 14 days after receiving the request, either**:**

(a) an initial evaluation of the technical feasibility and the likely scale of the cost of satisfying that request for such provision; or

(b) notification that the initial evaluation indicates that a further and more detailed evaluation of the request is required.

17.8 Where paragraph 17.7(a) is applicable, and insofar as the Requester wishes to proceed with the request, the Licensee must offer within 28 days (except where the Requester agrees to a longer period, or where the Authority otherwise consents) to enter into an Agreement for Services with the Requester on such terms as may be agreed.

17.9 Where paragraph 17.7(b) is applicable and the Requester wishes to proceed with the request, the Licensee must undertake and complete the further and more detailed evaluation as soon as is reasonably practicable, and for that purpose may require the Requester to pay evaluation expenses to such extent as may be reasonable in all of the circumstances of the case.

17.10 In paragraph 17.9, "evaluation expenses" means expenses of a kind that**:**

(a) are specified in or are determined in accordance with the Licensee's Charging Methodology for Service Charges; and

(b) have been reasonably incurred by the Licensee in carrying out the further and more detailed evaluation to which that paragraph refers.

17.11 Insofar as the Requester wishes to proceed with the request in the light of the further and more detailed evaluation under paragraph 17.9 and has paid to the Licensee any amount that is payable by virtue of that paragraph, the Licensee must offer within 28 days (except where the Requester agrees to a longer period, or where the Authority otherwise consents) to enter into an Agreement for Services with that person on such terms as may be agreed in respect of the provision.

17.12 Where a request received by the Licensee under paragraph 17.7 does not comply with such requirements as may be specified in the SEC in relation to the submission of requests for the provision of Elective Communication Services, the Licensee must take reasonable steps to ensure that the request does so comply before acting upon it.

17.13 The Licensee's obligation to offer terms under this Part C is subject to**:**

(a) any controls or restrictions on the quantity of services that may be provided, or on the timing with which they are to be provided, that may be in force from time to time under the SEC with respect to the provision of Elective Communication Services; and

(b) the provisions of Part D below.

17.13A To the extent that it is required to do so in any geographic area in accordance with (i) the terms of a plan approved by the Secretary of State under Condition 13 B (Network Evolution Arrangements) for the purposes of the Network Evolution Arrangements, (ii) the provisions of the SEC, or (iii) both the terms of that plan and the provisions of the SEC, the Licensee must ensure that:

(a) the Core Communications Services and the Elective Comniunications Services are each made available by means of more than one External Electronic Communications Network within that area: and

(b) each of those External Electronic Communications Networks uses a different Communications Technology of the type identified in the plan or the SEC (as the case may be)

Part D: Terms for the operation of the Enrolment Service

17.14 The Licensee is not required to provide Core Communication Services under Part B above, or to offer terms for an Agreement for Services in respect of any Elective Communication Services under Part C above, if in either case the Smart Metering System to which such services would relate has not been enrolled (in accordance with such rules and procedures for that purpose as are specified in the SEC) into such arrangements for enrolment as are maintained under the SEC.

17.15 The Licensee must carry on the activities of the Enrolment Service (which is the service to which paragraph 17.14 refers) under or pursuant to an Agreement for Services on terms that are prescribed by, or are determined in accordance with, the provisions of the SEC.

17.16 Subject to paragraph 17.17, the Licensee must, on receiving a request from any SEC Party for the enrolment of a Smart Meter or an Advanced Meter that does not comply with the requirements of the Enrolment Service and therefore does not qualify to be enrolled, offer to enter into an Agreement for Services, in accordance with such rules and procedures as may be specified in the SEC for dealing with such requests, and on such terms as may be agreed in all the circumstances of the case, for:

(a) the provision of advice to the SEC Party with respect to such requirements for the reconfiguration or modification of that meter as must be satisfied to enable it to qualify for such enrolment; and

(b) where applicable, the carrying out of any reconfiguration or modification of systems operated by the Licensee that would be necessary to enable the enrolment of that meter.

17.17 The Licensee is not required to comply with paragraph 17.16 if and insofar as doing so would prejudice, or be likely to prejudice, its ability to comply with the Interim General Objective of the Licensee as set out in Condition 5 (General Objectives of the Licensee).

17.18 The Licensee may charge for services provided under paragraph 17.16 in accordance with and to the extent permitted by the provisions of its Charging Methodology for Service Charges.

17.19 Nothing in this Part D requires the Licensee to provide an Enrolment Service for the purposes of any 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 by the Licensee as a Service Exemption Category in any Statement of Service Exemptions in force under this condition.

17.20 Appendix 1 (which requires the Licensee to publish, maintain, and keep under review a Statement of Service Exemptions initially approved by the Secretary of State) has effect as part of this condition for the purposes of paragraph 17.19.

Part D1: Terms for provision of the Interoperability Checker Service

17.20A The Licensee must, on behalf of Energy Suppliers who are SEC Parties, provide an Interoperability Checker Service, which shall:

(a) consist of making available to Energy Consumers, in a form readily accessible to them, information in relation to certain types of Smart Meters installed at premises and the use that may be made of them by Energy Suppliers;

(c) relate to such types of Smart Meters, such information and such manner of provision of information, as may be more fully described in the SEC; and

(d) be on such terms as are prescribed by, or determined in accordance with, the provisions of the SEC.

Part E: Terms for provision of the Communications Hub Service

17.21 The Licensee must, on receiving a request from any SEC Party for the provision of Communications Hubs:

(a) arrange to provide such Communications Hubs, together with ancillary or associated devices or equipment as may be specified under or pursuant to the SEC;

(b) take all reasonable steps to ensure that each such Communications Hub which is installed as a component of a Smart Metering System continues at all times to satisfy the requirements of a Version of the CH Technical Specification which is:

(i) within its Maintenance Validity Period;

(ii) Compatible with the Version of the ESME Technical Specification and the GSME Technical Specification in accordance with which the Smart Metering System, of which it is a component, is maintained by the Energy Supplier; and

(iii) where at the premises at which the Smart Metering System is installed there is installed a HCALCS, a PPMID, an Additional Electricity Smart Meter or a SAPC, Compatible with the Version of the HCALCS Technical Specification, the PPMID Technical Specification, the ESME Technical Specification or the SAPC Technical Specification (as the case may be) in accordance with which that HCALCS, PPMID, Additional Electricity Smart Meter or SAPC is maintained by the Energy Supplier; and

(c) make such other arrangements as to the ownership, delivery, installation, maintenance, repair, removal and replacement of Communications Hubs as may be specified under or pursuant to the SEC,

in accordance with an Agreement for Services on terms prescribed by, or determined in accordance with, the provisions of the SEC.

17.22 The Licensee must manage its duties under and pursuant to this Part E in a manner that is consistent with, and is designed to facilitate, the full and timely installation by Energy Suppliers of Smart Metering Systems at Energy Consumers' premises in accordance with such requirements of the Energy Supply Licence as apply to the activities associated with such installation.

Part F: Terms for the provision of Other Enabling Services

17.23 The Licensee must, on receiving a request from any person (whether or not a SEC Party) for the provision of any Other Enabling Service that is specified and defined as such, whether in Schedule 5 to this Licence (Matters associated with the grant of this Licence) or in the SEC, provide that service under or pursuant to an Agreement for Services on terms prescribed by, or determined in accordance with, the provisions of the SEC.

17.24 Where a request received by the Licensee under paragraph 17.23 does not comply with such requirements as may be specified in the SEC in relation to the submission of requests for the provision of Other Enabling Services, the Licensee must take reasonable steps to ensure that the request does so comply before acting upon it.

Part G: Terms for the provision of Value Added Services

17.25 The Licensee, on receiving a request from any person for the provision of Value Added Services or Centralised Registration Service Value Added Services that have been approved by the Authority in accordance with Part D of Condition 6 (Authorised Business of the Licensee), may offer to enter into an Agreement for Services with that person on such terms (subject to paragraph 17.26) as may be agreed in respect of such provision.

17.26 Except where the Authority otherwise consents, the terms offered by the Licensee for entering into an Agreement for Services under paragraph 17.25 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 Parts B to F of this condition

17.27 Paragraphs 24(a) of Condition 22 (The Smart Energy Code) and 15 of Condition 43 (Arrangements for the handover of business) are relevant to paragraph 17.26.

Part H: Charges and other terms in respect of Services

17.28 Paragraph 17.29 applies with respect to:

(a) each Agreement for Services under or pursuant to this condition requiring the Licensee to provide Services on terms prescribed by, or to be determined in accordance with, the provisions of the SEC or REC as relevant; and

(b) each offer by the Licensee to enter into an Agreement for Services under or pursuant to this condition on such terms as may be agreed.

17.29 In each case to which paragraph 17.28 refers, the agreement or the offer proposing an agreement (as the case may be) must set out:

(a) the Service Charges to be paid under or pursuant to the relevant agreement (having regard to the requirements of paragraph 17.30); and

(b) such other detailed terms as are appropriate or necessary for the purposes of the relevant agreement and are not otherwise prescribed.

17.30 The Service Charges referred to in paragraph 17.29(a) must:

(a) unless clearly inappropriate, be consistent with the relevant provisions of the Charging Methodology in force under Condition 18 (Charging Methodology for Service Charges) at the time of the agreement or offer; and

(b) be presented so as to be directly referable to the provisions (if applicable) of the Charging Statement in force under Condition 19 (Charging Statement for Service Charges) at the time of the agreement or offer.

Part I: Exemption from obligations imposed by this condition

17.31 Paragraph 17.32 states the circumstances in which the Licensee is not obliged under the provisions of this condition:

(a) to provide Services under or pursuant to an Agreement for Services on terms prescribed by, or determined in accordance with, the provisions of the SEC or the REC; or

(b) to enter into, or offer to enter into, an Agreement for Services with a person requesting terms for such an agreement.

17.32 The circumstances to which paragraph 17.31 refers are those arising if:

(a) providing the Services or (as the case may be) entering into, or offering to enter into, an agreement to do so would cause, or would be likely to cause, the Licensee to be in breach of (i) any of its functions under the Principal Energy Legislation, or (ii) any applicable provision of the SEC or REC, or (iii) any of the Conditions of this Licence; or

(b) the person requesting the terms does not agree to be bound, to the extent applicable to him, by the provisions of the SEC or REC.

Part J: Determination of disputes between the parties

17.33 Any dispute arising between the Licensee and any person that relates to the terms offered by the Licensee for entering into an Agreement for Services under or pursuant to any provision of this condition that requires the Licensee to make such an offer may be referred by either party to the Authority for determination in accordance with such of the provisions of Condition 20 (Determination of disputes by the Authority) as may be applicable to the dispute.

Part K: Interpretation

17.34 For the purposes of this condition:

Advanced Meter has the meaning that is given to that term in standard condition 12 of the Energy Supply Licence.

Communications Technology means each of the communications technologies that may be used for the purposes of providing an External Electronic Communications Network, including in particular: (a) long-range radio; (b) 2C/3G mobile communications technology; and (c) 4G mobile communications technology.

Enrolment Service has the meaning given to that term in Part D of this condition, but subject to any further definition or other relevant provision that may be set out in the SEC.

Interoperability Checker Service has the meaning given to that term in Part D1 of this condition, but subject to any further definition or other relevant provision that may be set out in the SEC.

Network Evolution Arrangements has the meaning given to that term in Part D of Condition 13B (Network Evolution Arrangements).

Requester has the meaning that is given to that term in paragraph 17.7.

Service Exemption Category means either Service Exemption Category 1 or Service Exemption Category 2 (as the case may be), as described respectively at paragraph A3(a) and paragraph A3(b) of Appendix 1.

Statement of Service Exemptions means the document of that name containing the matters set out at Part A of Appendix 1.

17.35 Appendix 1 follows immediately below.

Appendix 1: Statement of Service Exemptions

Introduction

A1. In accordance with paragraph 17.20, this Appendix 1 has effect under this Condition 17 with particular reference to the provisions of paragraph 17.19.

Part A: Preparation and contents of the statement

A2. The Licensee must, within twelve months after the Licence Commencement Date, have prepared and put in place a Statement of Service Exemptions that**:**

(a) sets out, in such detail as may be appropriate for the purpose, the matters that are described at paragraphs A3 and A6; and

(b) has been approved by the Secretary of State following consultation with the Authority, External Service Providers, SEC Parties, and the Licensee.

A3. The matters to which paragraph A2(a) refers are**:**

(a) Service Exemption Category 1, which must specify any types or configurations of premises in Great Britain to which a Smart Meter Communication Service need not for the time being be provided by virtue of the reason that is stated in paragraph A4; and

(b) Service Exemption Category 2, which must specify any geographical areas in Great Britain within which a Smart Meter Communication Service need

not for the time being be provided to premises by virtue of the reason that is stated in paragraph A5.

A4. The reason to which paragraph A3(a) refers is that, in each case falling within Service Exemption Category 1, the provision of a Smart Meter Communication Service**:**

(a) would be technically impracticable; or

(b) though technically practicable, could only be achieved at disproportionate cost,

because of (i) the physical or other characteristics of the specified premises, or (ii) any other relevant consideration with respect to the premises.

A5. The reason to which paragraph A3(b) refers is that, in each case falling within Service Exemption Category 2, the provision of a Smart Meter Communication Service**:**

(a) would be technically impracticable; or

(b) though technically practicable, could only be achieved at disproportionate cost,

because of (i) the insularity or the remoteness of the specified area, or (ii) any other relevant consideration with respect to the area.

A6. 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.

A7. The Licensee must do all that it reasonably can to comply with and take the steps that it is committed to take by virtue of paragraph A6, 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

A8. For the purpose of ensuring that the Statement of Service Exemptions is maintained as a document that accurately reflects the provisions of paragraph 17.19 as amplified by the requirements of this Appendix 1, the Licensee must**:**

(a) review the statement 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 such revisions (if any) of the statement as the Licensee thinks are appropriate or necessary as a result of that review.

A8.A Where, in accordance with paragraph 17,1 3A, 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 proposes revisions to the Statement of Service Exemptions in accordance with paragraph A8. 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 A3.(a) and any geographic area identified for the purposes of paragraph A3.(b). specify whether the exemption applies in respect of only one of the available External Electronic Communications Networks or to each of them.

A9. 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 in such manner, with effect from such time, and to such extent as may be specified in the direction.

A10. 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) 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) on its Website.

Part C: Assessment of provision at disproportionate cost

A11. This Part C applies for the purposes of paragraphs A4(b) and A5(b) with respect to the question of whether the provision of a Smart Meter Communication Service to premises, or within an area containing premises, that is within a Service Exemption Category under paragraph A3 can only be achieved at disproportionate cost.

A12. That question is to be resolved by the Secretary of State or the Authority (as the case may be) in such manner and by reference to such factors as he or it considers 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 the general body of Energy Consumers.

Part D: Interpretation

A13. For the purposes of this Appendix, **Smart Meter Communication Service** has the meaning that is given to that term at paragraph 4 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 18. Charging Methodology for Service Charges

Introduction

18.1 This condition requires the Licensee to have in force, and comply with, a Charging Methodology for Service Charges that is designed to achieve certain specified policy objectives; that has been incorporated into the Smart Energy Code on or following its designation by the Secretary of State for the purposes of this condition; and that may be modified from time to time as provided for in the SEC and by reference to policy objectives that are different from the General SEC Objectives.

18.1A With effect from the date of designation of the charging methodology within the Retail Energy Code then the charging methodology within the REC will apply with respect to costs incurred by the Licensee in relation to the economic and efficient meeting of the Interim Centralised Registration Service Objective and the General Centralised Registration Service Objective in Condition 15.

Part A: General requirements for the Charging Methodology

18.2 The Licensee must at all times have in force a Charging Methodology for Service Charges ("the Charging Methodology").

18.3 The Charging Methodology is required to 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 SEC or REC.

18.4 The Charging Methodology in force under this Part A at the Relevant Incorporation Date (see Part D below) must have been designated by the Secretary of State for the purposes of this condition in accordance with Part B below on the basis that it achieves the Relevant Policy Objectives set out in Part C.

18.5 The Charging Methodology as designated by the Secretary of State for the purposes of this condition is to be incorporated into the Smart Energy Code in accordance with Part D below (which also makes special provision with respect to the modification of the Charging Methodology).

18.6 The Licensee, except where the Authority otherwise consents, must comply with the provisions of the Charging Methodology as modified from time to time in accordance with such provisions of this Condition 18 and the Smart Energy Code as are applicable to such modifications.

18.7 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) subject to the requirements of Part D below, propose such modifications (if any) of the methodology as it believes are appropriate or necessary for the purpose of enabling it to better achieve the Relevant Policy Objectives.

Part B: Matters relating to designation of the Charging Methodology

18.8 Subject to the provisions set out in this Part B, the Secretary of State may designate a Charging Methodology for the purposes of this condition if he is satisfied that it achieves the Relevant Policy Objectives.

18.9 Before designating a Charging Methodology for the purposes of this condition, the Secretary of State must consult:

(a) the Licensee;

(b) the Authority;

(c) SEC Parties (or such persons as the Secretary of State reasonably believes will become SEC Parties); and

(d) such other persons as the Secretary of State considers it appropriate to consult.

18.10 For the purposes of consultation under paragraph 18.9, the Secretary of State must:

(a) publish the terms of the Charging Methodology that he proposes to designate for the purposes of this condition;

(b) state the reasons why he proposes to so designate it; and

(c) allow a period of at least 28 days within which representations or objections may be made to him concerning the proposal.

18.11 The Secretary of State must have due regard to any representations or objections duly received under paragraph 18.10, and give reasons for his decisions in relation to them.

18.12 The Secretary of State may designate a Charging Methodology for the purposes of this condition subject to such conditions as he considers appropriate, having regard to:

(a) the need for any further action to be taken by the Licensee to ensure that the Charging Methodology better achieves the Relevant Policy Objectives; and

(b) the time by which such action must be completed.

18.13 The requirements imposed by this Part B may be satisfied by consultation before, as well as consultation after, the Licence Commencement Date.

Part C: Relevant Policy Objectives of the Charging Methodology

18.14 The Relevant Policy Objectives of the Charging Methodology consist of the First Relevant Policy Objective, the Second Relevant Policy Objective and the Third Relevant Policy Objective.

18.15 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 Elective Communication Services); and

(b) requires the Charging Methodology to ensure that such Service Charges do not distinguish (whether directly or indirectly):

(i) between Energy Consumers at Domestic Premises in different parts of Great Britain; and

(ii) between Energy Consumers at Designated Premises in different parts of Great Britain.

18.16 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 Elective Communication 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):

(a) 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;

(b) notwithstanding (a) above (where the Costs of Communications for a SMETS1 Meter exceeds the Costs of Communications for an Other Smart Metering System, and where an Original Supplier for the Energy Supplier Contract relating to that SMETS1 Meter is (and has at all times since the adoption of the Energy Supplier Contract been) a supplier of Energy to the premises at which that SMETS1 Meter is installed), result in Service Charges that ensure that the excess Costs of Communications are recovered from the Original Supplier from time to time (in addition to the Service Charges referred to in (a) above).

18.17 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.";

18.18 The Charging Methodology will achieve the Third Relevant Policy Objective if it is compliant with the provisions of paragraph 18.17 in the round, weighing them as appropriate in each particular case.

Part D: Incorporation of the Charging Methodology into the SEC

18.19 For the purposes of this Part D, the Relevant Incorporation Date is the date on which the Charging Methodology is designated by the Secretary of State in accordance with Part B above.

18.20 By virtue of this Part D, and having full effect from the Relevant Incorporation Date:

(a) the Licensee's Charging Methodology for Services, as designated by the Secretary of State, is to be incorporated into the Smart Energy Code as one of the matters that is required to be included in that document by virtue of the provisions of Part G of Condition 22 (The Smart Energy Code); and

(b) all of the SEC Modification Arrangements for which the Smart Energy Code is required to make provision under Condition 23 (Change control for the Smart Energy Code) are to be applied equally (to the extent that is relevant) to modifications under the SEC of the Charging Methodology for Services, subject to the requirements of paragraph 18.21.

18.21 Those requirements are that any proposal raised under the Smart Energy Code by the Licensee (or any other person) to modify the Charging Methodology:

(a) must 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 at Part D of Condition 22; and

(b) must be assessed by reference to those Relevant Policy Objectives, and not by reference to the General SEC Objectives.

Part E: General availability of the Charging Methodology

18.22 The Licensee must ensure that a copy of the Charging Methodology in force under this condition:

(a) is published on its Website; and

(b) is also otherwise available 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.

18.23 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) published under Condition 19 (Charging Statement for Service Charges) 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.

18.24 Further relevant provision in respect of the Charging Statement that is mentioned in paragraph 18.23 is set out in Condition 19, and this Condition 18 should be read and construed in conjunction with that condition.

Part F: Interpretation

18.25 For the purposes of this condition:

Charging Methodology has the meaning given to that term in paragraph 18.3.

Costs of Communications means:

(a) in respect of those SMETS1 Meters that are subject to each Energy Supplier Contract adopted by the Licensee under the SEC Adoption Process, the annual costs per meter under or in connection with that contract of providing the SMETS1 Services to each category of SEC Party in respect of those SMETS1 Meters in each region covered by an Original Communications Contract (or the average such cost across all regions where required in order not to distinguish between Energy Consumers at Domestic Premises in different parts of Great Britain); or

(b) in respect of an Other Smart Metering System, the annual costs per metering system in the same region (or the average such cost across all regions where required in order not to distinguish between Energy Consumers at Domestic Premises in different parts of Great Britain) under or in connection with the Original Communications Contracts of providing the Core Communication Services equivalent to the SMETS1 Services referred to in (a) above to the same categories of SEC Party as are referred to in (a) above in respect of the Other Smart Metering System (but always excluding the costs associated with the Communications Hub Service).

First Relevant Policy Objective has the meaning given to that term in paragraph 18.15.

Original Communications Contracts means the contracts for the provision of communications services referred to in paragraphs 1.5(1), (2) and (3) of Schedule 1 (or any replacement contracts).

Original Supplier means, in respect of an Energy Supplier Contract, the Energy Supplier which was party to that contract at the time of its adoption by the Licensee under the SEC Adoption Process (which shall include each and every Energy Supplier which is an Affiliate of the Energy Supplier which was party to that contract at the time of its adoption by the Licensee).

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

Relevant Incorporation Date has the meaning given to that term in paragraph 18.19.

Relevant Policy Objectives means the objectives of the Charging Methodology as set out in Part C of this condition.

Second Relevant Policy Objective has the meaning that is given to that term in paragraph 18.16.

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).

SMETS1 Services means, in respect of a type of SMETS1 Meter, those Core Communication Services which the DCC makes available to SEC Parties in respect of that type of SMETS1 Meter under the SEC.

Third Relevant Policy Objective has the meaning that is given to that term in paragraph 18.17

Condition 19. Charging Statement for Service Charges

Introduction

19.1 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 18 (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 F below) under or pursuant to the SEC.

19.2 Every Service Charge levied by the Licensee for the provision of a Mandatory Business Service as defined in Condition 1 (Definitions for the Conditions of this Licence) must be formulated in compliance with the Charging Methodology.

Part A: Requirements in respect of the Charging Statement

19.3 The Licensee must, within three months after the Licence Commencement Date, make available a Charging Statement for Service Charges ("the Charging Statement") that sets out the basis on which Service Charges will be payable to the Licensee for the provision of Mandatory Business Services under or pursuant to the SEC.

19.4 The Charging Statement available under this Part A must:

(a) relate to each of the Mandatory Business Services (within the meaning of Part F below) 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 18 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 Business Services, to make a reasonable estimate of the Service Charges that he would be liable to pay under an Agreement for Services entered into with the Licensee under or pursuant to Condition 17 (Requirements for the provision of Services).

Part B: Maintenance of the Charging Statement in approved form

19.5 Subject to paragraph 19.6, the Licensee must maintain the Charging Statement in a form that is approved by the Authority.

19.6 The first Charging Statement of the Licensee must be in a form that is approved by the Secretary of State.

Part C: Charging in accordance with the Charging Statement

19.7 Except where the Authority otherwise consents, and subject to paragraph 19.8, 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.

19.8 The requirement imposed by paragraph 19.7:

(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) an Elective Communication Service, or

(ii) an Enrolment Service.

Part D: Procedure for amending any of the Service Charges

19.9 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.

19.10 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 19.9; 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).

19.11 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 19.9 with respect to the immediately preceding amendment of Service Charges; or

(b) the Authority has directed the Licensee to make an additional amendment as a consequence of a decision by the Authority under Part B of Condition 37 (Assessment of Mandatory Business costs) to exclude certain costs from any future calculations of the Licensee's revenues.

19.12 A direction under paragraph 19.11(b) may be given with effect from such date, and subject to such terms and conditions, as the Authority thinks appropriate to the case.

19.13 Before making any amendment of its Service Charges pursuant to this Part D, 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 E: Review and availability of the Charging Statement

19.14 Without prejudice to Part D 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.

19.15 The changes mentioned in paragraph 19.14 include, in particular, any changes that are necessary by virtue of the Licensee's duty under paragraph 23 of Condition 18 to ensure that the effects of any modification of the Charging Methodology in force under that condition are duly incorporated into the Charging Statement.

19.16 Every review of the Charging Statement under paragraph 19.14 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.

19.17 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).

19.18 The Licensee must give or send a copy of the Charging Statement (or of the most recent revision of it) to any person who requests a copy.

Part F: Interpretation

19.19 For the purposes of this condition**:**

Charging Statement has the meaning given to that term in paragraph 19.3.

Mandatory Business Services includes Elective Communication Services and Enrolment Services only to such extent as is practicable.

19.20 This condition should be read and construed in conjunction with Condition 18 (Charging Methodology for Service Charges).

Condition 20. Determination of disputes by the Authority

Introduction

20.1 This condition provides for the Authority to determine any dispute arising between the Licensee and any person about the terms on which certain Services are offered to be provided under or pursuant to the requirements of Condition 17 (Requirements for the provision of Services).

20.2 Provision is also made under Part C of this condition for certain other disputes arising between the Licensee and such a person to be determined by the Authority.

Part A: Disputes over failure to enter into an Agreement for Services

20.3 This Part A applies if, after a period that to the Authority appears reasonable for the purpose, the Licensee has failed to enter into an Agreement for Services with any person ("the Requester") who is entitled, or claims to be entitled, to have such an agreement with the Licensee pursuant to a request made to the Licensee under:

(a) Part C of Condition 17 (with respect to the Licensee's provision of Elective Communication Services);

(b) paragraph 16 of Condition 17 (with respect to the Licensee's provision of certain Enrolment Services); or

(c) paragraph 23 of Condition 17 in respect of those Other Enabling Services expressly identified in the SEC as being subject to the application of this paragraph 20.3(c).

20.4 Where this Part A applies, the Authority may, on the application of the Requester or the Licensee, either:

(a) dismiss the application on the grounds that it is trivial or vexatious; or

(b) determine any terms of the Agreement for Services in dispute between them in such manner as appears to it to be reasonable in all the circumstances of the case, having regard to each of the considerations (where relevant) set out below.

20.5 The first consideration is that the charges payable by the Requester to the Licensee under the Agreement for Services should be determined in accordance with and by reference to the Charging Methodology and the Charging Statement in force under, respectively, Condition 18 (Charging Methodology for Service Charges) and Condition 19 (Charging Statement for Service Charges).

20.6 The second consideration is that the Licensee should not be required to enter into the Agreement for Services if the Requester does not undertake to be bound, so far as is applicable, by the provisions of the Smart Energy Code or Retail Energy code.

20.7 The third consideration is that the Licensee's performance of its obligations under the Agreement for Services should be consistent with the General Objectives of the Licensee, and not cause the Licensee, or be likely to cause it, to be in breach of:

(a) any of its functions under the Principal Energy Legislation; or

(b) any applicable provision of the SEC or REC; or

(c) any of the Conditions of this Licence.

20.8 The fourth consideration is that the terms of an Agreement for Services determined by the Authority, and those of any other agreements entered into by the Licensee pursuant to requests for those Services to which paragraph 20.3 applies, should be in as similar a form as is practicable.

Part B: Licensee's duty to implement a settled agreement

20.9 Insofar as the Requester wishes to proceed on the basis of an Agreement for Services as settled by the Authority under paragraph 20.4, the Licensee must enter into and implement such agreement without delay and in accordance with its terms.

Part C: Disputed consistency with methodology or statement

20.10 This Part C applies if the parties to an Agreement for Services for those Services to which paragraph 20.3 applies are in dispute as to whether the Service Charges levied, or to be levied, in accordance with that agreement comply with the Charging Methodology and Charging Statement in force under, respectively, Condition 18 and Condition 19 in relation to the period in respect of which the dispute arises.

20.11 Where this Part C applies, either party may refer the dispute to the Authority for it to either:

(a) dismiss the referral on the grounds that it is trivial or vexatious; or

(b) determine whether the charges to which the dispute relates did, or would, comply with the relevant Charging Methodology or Charging Statement

Part D: Procedure, provision for costs, and other matters

20.12 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.

20.13 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.

20.14 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.

20.15 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 E: Interpretation

20.16 For the purposes of this condition, **Requester** has the meaning that is given to that term in paragraph 20.3.

CHAPTER 6 : CONDITIONS 21 TO 23

Arrangements for Core Industry Documents

Condition 21. Roles in relation to Core Industry Documents

Introduction

21.1 This condition sets out the Licensee's compliance duties (where applicable) in relation to the Core Industry Documents specified in Parts A to C and F below and the Licensee's rights (where applicable) to receive such information arising from activities carried on in accordance with those documents as it needs for the exercise of its functions.

Part A: Compliance duties relating to the Smart Energy Code

21.2 The Licensee must be a party to and comply with the Smart Energy Code that has been designated by the Secretary of State for the purposes of Condition 22 (The Smart Energy Code).

21.3 The Licensee must also take all appropriate steps within its power to ensure that the Smart Energy Code is maintained as a document in force under this Licence that is at all times consistent with the requirements of Condition 22.

Part B: Compliance with the provisions of the Fuel Security Code

21.4 The Licensee must comply with the provisions of the Fuel Security Code.

21.5 The Fuel Security Code has effect as a condition of this Licence.

Part C: Rights in relation to certain other Core Industry Documents

21.6 Where an arrangement of the kind mentioned in paragraph 31(b) of Condition 22 is in force in relation to a Core Industry Document that is listed in paragraph 7 of this Condition 21, the Licensee will be entitled to be supplied with such information arising from activities carried on in accordance with that document as it reasonably requires for the exercise of its functions under the Principal Energy Legislation, this Licence, the REC and the SEC.

21.7 The Core Industry Documents to which paragraph 21.6 refers are**:**

(a) the Balancing and Settlement Code;

(b) the Distribution Connection and Use of System Agreement;

(c) (Not Used);

(d) (Not Used); and

(e) the Uniform Network Code.

21.8 But, subject to the requirements of Part A above, the Licensee is not to be regarded as, and may not be required to become, a party to a Core Industry Document except with the consent of the Authority and then only to such extent as it may specify.

Part D: Consequential changes in Core Industry Documents

21.9 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 (but see paragraph 21.11).

21.10 For the purposes of paragraph 21.9, a consequential change is any modification that is required to be made to a Core Industry Document solely in order to give full and timely effect to a modification made to that or any other Core Industry Document.

21.11 Paragraph 21.9 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: Interpretation

21.12 For the purposes of this condition:

Balancing and Settlement Code means the document of that name that is maintained in a form approved by the Authority in accordance with condition E1 of the Electricity System Operator Licence.

Core Industry Document means:

(a) any or all of the documents specified under Parts A to C above; and

(b) any other document designated by the Authority for the purposes of this condition following consultation with the Licensee.

Distribution Connection and Use of System Agreement means the document of that name that is maintained in a form approved by the Authority in accordance with standard condition 22 of the Electricity Distribution Licence.

Electricity System Operator Licence means a licence granted or treated as granted under section 6(1)(da) of the 1989 Act.

Fuel Security Code means the document of that name designated by the Secretary of State under section 7(4)(b) of the 1989 Act as a condition of every licence of any type granted, or treated as granted, under section 6 of that Act.

Part F: Compliance duties relating to the Retail Energy Code

21.13 The Licensee must be a party to and comply with the Retail Energy Code.

Part G: Duty to cooperate

21.14 The Licensee will cooperate, as necessary, with the Authority and/or any person(s) appointed by the Authority or appointed pursuant to a direction of the Authority, to undertake any planning, project assurance and/or coordination/systems integration in order to give full effect to the conclusions of a "significant code review".

21.15 Cooperation for the purposes of paragraph 21.14 may include but not be limited to:

(a) the sharing of such information as reasonable, and constructive participation in industry engagement in order to undertake appropriate planning of changes to IT systems or industry standard operational processes system changes pursuant to the conclusions of a significant code review;

(b) the provision of such data as may be identified and reasonably requested in order to undertake testing and/or the population of any new central systems;

(c) the preparation and cleansing of such data as may reasonably be requested in order to facilitate live operation of the new central system;

(d) the provision of test scripts and results of any testing as may be requested by any person appointed to assure the success of any testing;

(e) taking all reasonable steps to:

(i) meet key programme milestones for the completion of any action(s) assigned to the licensee;

(ii) adhere to any remedial plan put in place to address any issues, delays or slippage that may impact the licensees ability to meet programme milestones, to the extent that failure to do so may jeopardise the successful and timely implementation of the programme;

(iii) identify any dependencies that the licensee may have upon agents or other third-parties and secure the necessary support from such parties; and

(iv) promptly escalate and/or resolve any disputes that if unresolved may jeopardise the fulfilment of these obligations.

21.16 For this Part G Significant Code Review means a review of matters which the Authority considers are likely to relate to one or more of the documents referred to in this condition, or to which the licensee is required under this licence to be a party, and concerning which the Authority has issued a notice to the parties stating that the review will constitute a significant code review.

Part H: Market-wide Half hourly Settlement Implementation

21.17 Although the Licensee is not required to become, and shall not be regarded as, a party to the Balancing and Settlement Code, the Licensee shall 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 that Balancing and Settlement Code.

21.18 Paragraph 21.17 has effect from the date the Authority specifies in a direction issued to the licensee in the event that the Balancing and Settlement Code is modified to include the section referenced in paragraph 21.17 titled 'Market-wide Half Hourly Settlement Implementation' of that Balancing and Settlement Code.

Condition 22. The Smart Energy Code

Introduction

22.1 This condition applies for the purpose of establishing (without limitation) the scope and contents of the Smart Energy Code ("the SEC").

22.2 The Licensee must be a party to, comply with, and maintain and have in force the SEC by virtue of Part A of Condition 21 (Roles in relation to Core Industry Documents).

Part A: Mandatory features of the Smart Energy Code

22.3 The Smart Energy Code is the document of that name that:

(a) has effect under this Licence from the SEC Commencement Date;

(b) has been designated by the Secretary of State for the purposes of this condition, (i) in accordance with Part B below, (ii) having due regard to the requirement imposed by Part C below, and (iii) on the basis that the SEC is appropriately designed to achieve the General SEC Objectives set out in Part D below;

(c) makes provision for the technical, commercial, and operational arrangements set out in Part E below;

(d) makes provision in respect of the matters relating to SEC governance and SEC administration set out in Part F below;

(e) makes provision for the other matters relating to the contents of the SEC that are set out in Parts G and H below; and

(f) may be modified on and after SEC Commencement Date in accordance with the provisions of Condition 23 (Change control for Smart Energy Code).

Part B: Designation of the Smart Energy Code

22.4 The Smart Energy Code has no effect under this Licence until it has been designated by the Secretary of State in a direction given for the purposes of this condition.

22.5 Before issuing a direction under paragraph 22.4, the Secretary of State must consult:

(a) the Authority;

(b) every holder of an Energy Licence who is required by a condition of that licence to be a party to and comply with the Smart Energy Code; and

(c) such other persons as the Secretary of State considers it is appropriate to consult in relation to the matter.

22.6 For the purposes of consultation under paragraph 22.5, the Secretary of State must:

(a) state that he proposes to designate the SEC and specify the date (or a method by which such date may be determined) on which he proposes that the SEC should have effect;

(b) set out the text of the SEC and his reasons for proposing to designate it; and

(c) allow a period of at least 28 days within which representations or objections may be made to him concerning the proposal.

22.7 The Secretary of State must have due regard to any representations or objections duly received under paragraph 22.6, and give reasons for his decisions in relation to them.

22.8 The requirements imposed by this Part B may be satisfied by consultation before, as well as consultation after, the Licence Commencement Date.

Part C: Compatibility with Transition Objective under Condition 13

22.9 During the period prior to the Completion of Implementation, as defined in Part D of Condition 5 (General Objectives of the Licensee), the General SEC Objectives set out in Part D below must be read and given effect, so far as it is possible to do so, in a way that is compatible with achieving the Transition Objective in the terms set out in paragraph 1 of Condition 13 (Arrangements relating to the Transition Objective).

Part D: General Objectives of the Smart Energy Code

22.10 The General SEC Objectives that the Smart Energy Code must be designed to achieve are as follows.

22.11 The first General SEC Objective is to facilitate the efficient provision, installation, and operation, as well as interoperability, of Smart Metering Systems at Energy Consumers' premises within Great Britain.

22.12 The second General SEC Objective is to enable the Licensee to comply at all times with the General Objectives of the Licensee, and to efficiently discharge the other obligations imposed upon it by this Licence.

22.13 The third General SEC Objective is to facilitate Energy Consumers' management of their use of Energy through the provision to them of appropriate information by means of Smart Metering Systems.

22.14 The fourth General SEC Objective is to facilitate effective competition between persons engaged in, or in Commercial Activities connected with, the Supply of Energy under the Principal Energy Legislation.

22.15 The fifth General SEC Objective is to facilitate 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.

22.16 The sixth General SEC Objective is to ensure the protection of data and the security of data and systems in the operation of the SEC.

22.17 The seventh General SEC Objective is to facilitate the efficient and transparent administration and implementation of the SEC.

22.18 The eighth General SEC Objective is to facilitate the establishment and operation of the Alt HAN Arrangements.

22.19 For the purposes of this condition and those of Condition 23 (Change control for the Smart Energy Code), the order in which the General SEC Objectives are listed in this Part D is of no significance.

Part E: Principal contents within the Smart Energy Code

22.20 The SEC must include or make appropriate provision for or in connection with the following matters:

(a) 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;

(b) 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;

(c) 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;

(d) 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; and

(e) 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").

22.21 The SEC must include or make appropriate provision for or in connection with the following matters:

(a) of all of the Mandatory Business Services (clearly distinguishing between Core Communication Services, Elective Communication Services, the Enrolment Service, the Communications Hub Service, Other Enabling Services, and, as appropriate, the Incoportaion, delivery and provision of the Centralised Registration Service) that are to be provided by the Licensee under or pursuant to the SEC;

(b) 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;

(c) 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; and

(d) 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.

22.22 The SEC must include or make appropriate provision for or in connection with the following matters:

(a) requirements and procedures for the purposes of ensuring data protection and data and systems security in the operation of the SEC Arrangements; and

(b) 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.

22.23 The SEC must include or make appropriate provision for or in connection with the following matters:

(a) provision for or in connection with the governance and administration of the SEC (as to which, see Part F below);

(b) provision for or in connection with the incorporation of documents into the SEC (as to which, see Part G below);

(c) provision for or in connection with other SEC matters (as to which, see Part H below); and

(d) arrangements for modifying the SEC after consultation with SEC Parties (as to which, see Condition 23 of this Licence).

Part F: Governance and administration of the Smart Energy Code

22.24 Without prejudice to such matters as are required to be included in the SEC by virtue of Part E above, the SEC must also include:

(a) a SEC Framework Agreement, to which the Licensee, every holder of an Energy Licence that is required by that licence to be a party to the SEC, and Other SEC Participants will be required to be party with effect from the SEC Commencement Date on such terms and conditions of accession as are set out in the SEC;

(b) 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; and

(c) 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.

22.25 Without prejudice to such matters as are required to be included in the SEC by virtue of Part E above, the SEC must also include:

(a) arrangements providing for the novation to a Successor Licensee (upon either the expiry of the Licence Term (or of 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; and

(b) 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.

22.26 Without prejudice to such matters as are required to be included in the SEC by virtue of Part E above, the SEC must also include**:**

(a) 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;

(b) provision for the appointment of an independent chairperson of the SEC Panel who is approved by the Authority;

(c) 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");

(d) 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 G below) that set out the roles and duties of SEC Parties and other persons in the management of the Smart Metering Key Infrastructure; and

(e) 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.

22.27 Without prejudice to such matters as are required to be included in the SEC by virtue of Part E above, the SEC must also include**:**

(a) 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 in accordance with such arrangements as are in place by virtue of Condition 23;

(b) 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;

(c) provision for the establishment of a joint venture company, SECCo Ltd, (i) the shareholders of which are to be such SEC Parties as may be specified for that purpose in the SEC, (ii) the sole business of which is to act as a corporate vehicle 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 (iii) the affairs of which are to be conducted in accordance with good business practice;

(d) 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;

(e) 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 21 (Roles in relation to Core Industry Documents); and

(f) provision for the establishment of a joint venture company, AltHANCo Ltd, (i) the shareholders of which are to be Relevant Suppliers which are SEC Parties, (ii) the sole business of which is to act as a corporate vehicle 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 (iii) the affairs of which are to be conducted in accordance with good business practice.

Part G: Incorporation of documents into the Smart Energy Code

22.28 Without prejudice to any of the matters set out in Parts E and F above, the contents of the SEC must also include**:**

(a) provision for the incorporation into the SEC of the Charging Methodology for Service Charges as designated by the Secretary of State under Condition 18 (Charging Methodology for Service Charges) for the purposes of incorporation in accordance with the requirements of that condition;

(b) provision for the incorporation into the SEC of one or more versions of the ESME Technical specification, the GSME Technical Specification, the IHD Technical Specification, the PPMID Technical Specification, the HCALCS, the SAPC Technical Specification and the CH Technical Specification, in each case from a date designated by the Secretary of State under this condition;

(c) provision for incorporation into the SEC of any Certificate Policy as designated by the Secretary of State under this condition;

(d) provision for the incorporation into the SEC, in each case as designated by the Secretary of State under this condition, of such other technical specifications and procedural or associated documents as the Secretary of State believes are required to support the fulfilment of rights or obligations already specified in the SEC,

including, in particular, documents developed by the Licensee under Schedule 5 of this Licence with respect to the following matters:

(i) the interface that is to be used to exchange Registration Data (within the meaning given to that term in the SEC) between the Licensee and the persons providing such data to the Licensee,

(ii) the specification for the interface (or the interfaces) by means of which requests (or other communications) with respect to Services are to be sent between the Licensee and SEC Parties, and vice versa,

(iii) the matters with which SEC Parties have to demonstrate compliance in order to become eligible to receive or use Services,

(iv) the application of appropriate security controls and security standards to business processes carried on under or pursuant to the SEC,

(v) the detailed policy for managing incidents relating to the provision of Services, and the associated business continuity and disaster recovery procedures, and

(vi) the procedures and arrangements required to support the trialling and testing programmes to be undertaken pursuant to the provisions of Condition 13 (Arrangements relating to the Transition Objective); and

(e) provision for the incorporation into the SEC, in each case as designated by the Secretary of State under this condition, of such other procedural or associated documents as the Secretary of State believes are required to support the Alt HAN Arrangements.

22.29 A document may:

(a) be designated under this condition by the Secretary of State for incorporation into the SEC as part of his general designation of the SEC by way of direction under Part B above, or in any circumstances and at any time thereafter up to (but not later than) Completion of Implementation;

(b) where it is a document of a type described in sub-paragraphs 22.28(b), 22.28(c), 22.28(d) or 22.28(e) of this condition and has first been designated under this condition by the Secretary of State, be re-designated by him on one or more occasions subject to such amendments as he considers requisite or expedient,

and where any document is re-designated by the Secretary of State in accordance with sub-paragraph (b) above, the other provisions of this Part G shall apply in relation to it in the same manner as if it were being designated for the first time, and references in those provisions to the document being designated shall be read as referring to it being re-designated.

22.30 The power of the Secretary of State under this condition to designate a document for incorporation into the SEC includes:

(a) power to make such supplementary, incidental or consequential provision with respect to the SEC as he considers necessary or expedient for the purposes of, in consequence of, or for giving full and timely effect to the incorporation of that document; and

(b) power to make such provision for the application of that document to SEC Parties, and for the subsequent governance of the document, as he believes is necessary or expedient for the purpose of facilitating the achievement of the General SEC Objectives.

22.31 The incorporation into the SEC of a document designated for such purpose under this condition is not to be treated as, and does not constitute, a modification of the SEC pursuant to any of the modification arrangements established for the SEC by virtue of the provisions of Condition 23 (Change control for the Smart Energy Code).

Part H: Other necessary matters for the Smart Energy Code

22.32 Without prejudice to any of the matters set out in Parts E to G above, the contents of the SEC must also include**:**

(a) 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;

(b) provision requiring SEC Parties who are also parties to one or more of the other Core Industry Documents mentioned in Condition 21 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;

(c) provision for the establishment and operation of the SEC Adoption Process to facilitate the activities described at Part I of Condition 16 (Procurement of Relevant Service Capability) with respect to the adoption by the Licensee of Energy Supplier Contracts within the meaning that is given to that term in Part J of that condition;

(d) 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;

(e) provision for the vesting, ownership, and novation of intellectual property rights in SEC Materials within the meaning of Condition 44 (Treatment of Intellectual Property Rights) to be compliant with the requirements of that condition with respect to those matters;

(f) provision for a copy of the SEC that is compliant with paragraph 22.27(a) to be published on behalf of the SEC Panel on its website;

(g) 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;

(h) provision for the SEC Panel to secure the compliance of any SEC Party with the requirements of sub-paragraph (g); and

(i) 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 I: Relief from obligations under the Smart Energy Code

22.33 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 J: Interpretation

22.34 Any reference in this condition to a matter that the SEC must include or for which it must make appropriate provision is a reference to that matter whether as included or provided for in the SEC on the SEC Commencement Date or as so included or provided for at any time between that date and the Completion of Implementation (within the meaning that is given to that term in Part D of Condition 5).

22.35 For the purposes of this condition**:**

Accession Agreement has the meaning that is given to that term in paragraph 22.24(b).

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 22.26(d).

Code Administrator has the meaning that is given to that term in paragraph 22.27(b).

Consumer Members has the meaning that is given to that term in paragraph 22.26(c).

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 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).

SEC Adoption Process has the meaning that is given to that term in paragraph 37 of Condition 16 (Procurement of Relevant Service Capability).

SEC Framework Agreement has the meaning given to that term in paragraph 22.24(a).

Secretariat has the meaning that is given to that term in paragraph 22.27(a).

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.

SMKI Policy Management Authority has the meaning that is given to that term in paragraph 22.26(d).

Condition 23. Change control for the Smart Energy Code

Introduction

23.1 This condition applies for the purpose of establishing (without limitation) an effective and transparent change control framework for the Smart Energy Code ("the SEC") that is in force under this Licence by virtue of Condition 22 (The Smart Energy Code).

23.2 Any proposal by any person to modify the SEC must have as its purpose the better achievement of the General SEC Objectives set out at Part D of Condition 22 (or such Relevant Policy Objectives as may be applicable to the particular proposal by virtue of Condition 18 (Charging Methodology for Service Charges) of this Licence).

Part A: Compliance with the SEC Modification Arrangements

23.3 The Smart Energy Code ("the SEC") in force under this Licence by virtue of Condition 22 may be modified at any time after the SEC Commencement Date that is referred to in that condition, subject to the constraint imposed by paragraph 23.4.

23.4 The SEC may only be modified in accordance with modification arrangements set out in the SEC ("the SEC Modification Arrangements") that are consistent with and give full and complete effect to the requirements specified at Part B below.

Part B: Requirements for modifying the Smart Energy Code

23.5 The SEC Modification Arrangements for which the SEC must make provision must satisfy each of the following requirements.

23.6 The first requirement is that the SEC Modification Arrangements must provide for 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.

23.7 The second requirement is that the SEC Modification Arrangements must provide for a timely and efficient process by which the SEC Panel can**:**

(a) 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;

(b) 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

(c) evaluate those proposals in the light of that consultation.

23.8 The third requirement is that the SEC Modification Arrangements must provide for 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**:**

(a) sets out the terms proposed for the modification;

(b) fairly summarises the representations received during the consultation process under paragraph 23.7;

(c) 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 18 of this Licence); and

(d) 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.

23.9 The fourth requirement is that the SEC Modification Arrangements must provide for specified categories of modification (and those categories only) to be capable of**:**

(a) being processed and considered more urgently than any other categories of modification; or

(b) 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.

23.10 The fifth requirement is that the SEC Modification Arrangements must provide**:**

(a) for 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; and

(b) for 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.

23.11 The sixth requirement is that the SEC Modification Arrangements must provide for the Authority, if it considers that a Modification Report does not adequately analyse or fully consider the matter in question**:**

(a) to remit that Modification Report to the SEC Panel; and

(b) to direct the SEC Panel as to the nature of the further analysis or the further consideration, or both, that the Authority believes is required.

23.12 The seventh requirement is that the SEC Modification Arrangements must provide**:**

(a) for 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; and

(b) for 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.

23.13 The eighth requirement is that the SEC Modification Arrangements must provide for the full and timely processing and determination of any modification proposal that is necessary to enable the Licensee, or any SEC Party, or any category of SEC Parties to implement or otherwise comply with any relevant binding decision of the European Commission or the Agency for the Co-operation of Energy Regulators.

23.14 The ninth requirement is that the SEC Modification Arrangements must contain provision (which may be the same as that which applies with respect to other parts of the SEC) for modifying the SEC Modification Arrangements.

23.15 The tenth requirement is that the SEC Modification Arrangements must provide for the SEC Panel to be required to make a modification of the SEC where the Authority is satisfied**:**

(a) that the relevant modification proposal has been processed in accordance with all of the applicable SEC Modification Arrangements;

(b) that the 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 18 of this Licence); and

(c) that the making of that modification would be consistent with the Authority's principal objective and general duties under the Principal Energy Legislation.

Part C: Interpretation

23.16 This condition should be read in conjunction with and subject to**:**

(a) Parts C and D of Condition 18 (Charging Methodology for Service Charges), which make special provision for the modification of the Charging Methodology for Service Charges as incorporated into the SEC;

(b) any provision of the SEC arising for transitional purposes by virtue of Part F of Condition 13 (Arrangements relating to the Transition Objective) that has the effect on a transitional basis of varying, adding to, or overriding any of the SEC Modification Arrangements established pursuant to this Condition 23; and

(c) the provisions of Part G of Condition 22 applying to the incorporation into the SEC of documents designated for such purpose under that condition by the Secretary of State.

Agency for the Co-operation of Energy Regulators means the body of that name established under Regulation 2009/713/EC of the European Parliament and of the Council of 13 July 2009.

Citizens Advice means (in Condition 22 as well as in this condition) the National Association of Citizens Advice Bureaux.

Citizens Advice Scotland (in Condition 22 as well as in this condition) means the Scottish Association of Citizens Advice Bureaux.

Greenhouse Gas in relation to emissions has the meaning given to that term in section 92 of the Climate Change Act 2008.

Modification Report has the meaning given to that term in paragraph 23.8.

Relevant Policy Objectives means the objectives listed in Part C of Condition 18 with respect to the Charging Methodology for Service Charges.

SEC Modification Arrangements has the meaning that is given to that term in paragraph 23.4.

CHAPTER 7 : CONDITIONS 24 TO 28

Financial and ring-fencing provisions

Condition 24. Availability of all necessary resources

Introduction

24.1 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

24.2 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:

(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 Objectives of the Licensee.

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

24.3 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

24.4 The Licensee must ensure that the certificate given to the Authority under Part B 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:

(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.

24.5 The certificate must also be accompanied, in the Regulatory Year beginning on 1 April 2014 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 (i) the certificate given by the

Licensee's directors and the statement submitted with it, and (ii) any information that they have obtained during their audit work under Condition 30 (Requirements for the Regulatory Accounts) in relation to the Licensee's Regulatory Accounts.

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

24.6 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;

(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 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).

24.7 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

24.8 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;

(b) is signed by a director of the Licensee pursuant to that resolution; 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

24.9 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; or

(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: Certificates for the Authority in relation to dividends

24.10 The directors of the Licensee must not declare or recommend a dividend, and the Licensee must not make any other form of distribution within the meaning of sections 829, 830, 849, and 850 of the Companies Act 2006 or redeem or repurchase any of its share capital, unless before declaring, recommending, or

making the distribution, redemption, or repurchase (as the case may be) the Licensee has given the Authority a certificate that complies in all respects with the three requirements set out below.

24.11 The first requirement is that the certificate must be in the following form**:**

"After making enquiries, the directors of the Licensee are satisfied**:**

(a) that the Licensee is in compliance in all material respects with all of the obligations imposed on it by Condition 9 (Independence and autonomy of the Licensee), Condition 24 (Availability of all necessary resources), Condition 25 (Undertakings from an Ultimate Controller), Condition 26 (Financial stability and financial security), Condition 27 (Indebtedness and transfers of funds), and Condition 29 (Provision of Information by the Licensee); and

(b) that the making of a distribution, redemption, or repurchase of [*value*] on [*date*] will not, either alone or when taken in conjunction with any other circumstances that are reasonably foreseeable at the date of this certificate, cause the Licensee to be in breach to a material extent of any of those obligations in the future."

24.12 The second and third requirements are that the certificate**:**

(a) must have been approved by a resolution of the Licensee's board of directors passed not more than 14 days before the date on which the declaration, recommendation, or payment is to be made; and

(b) must be signed by a director of the Licensee.

24.13 Where the certificate given under paragraph 24.10 relates to the declaration or the recommendation of a dividend, the Licensee is under no obligation to issue a further certificate before paying that dividend so long as such payment is made within six months of the date on which the certificate was given.

Part H: Interpretation

24.14 For the purposes of this condition, **Due Date** means**:**

(a) within seven days of the Licence Commencement Date in the Regulatory Year beginning on 1 April 2013; and

(b) 31 July in each subsequent Regulatory Year.

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

Appendix 1: Certification of Financial Resources

A1. 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.

Prescribed Form of Certificate B1

A2. "After making enquiries, and having taken into account in particular (but without limitation) any dividend or other distribution that might reasonably be expected to be declared or paid by the Licensee, 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

A3. "After making enquiries, and having taken into account in particular (but without limitation) any dividend or other distribution that might reasonably be expected to be declared or paid by the Licensee, 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.

A4. "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

A5. "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

A1. In accordance with Part D 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.

Prescribed Form of Certificate D1

A2. "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

A3. "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.

A4. "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

A5. "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

A1. In accordance with Part E 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.

Prescribed Form of Certificate E1

A2. "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 9 (Independence and autonomy of the Licensee), Condition 24 (Availability of all necessary resources), Condition 25 (Undertakings from an Ultimate Controller), Condition 26 (Financial stability and financial security), Condition 27 (Indebtedness and transfers of funds), and Condition 29 (Provision of Information by the Licensee)."

Prescribed Form of Certificate E2

A3. "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 9 (Independence and autonomy of the Licensee), Condition 24 (Availability of all necessary resources), Condition 25 (Undertakings from an Ultimate Controller), Condition 26 (Financial stability and financial security), Condition 27 (Indebtedness and transfers of funds), and Condition 29 (Provision of Information by the Licensee).

A4. "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 25. Undertakings from an Ultimate Controller

Introduction

25.1 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

25.2 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, from each company or other person that the Licensee knows or should reasonably know is at any time an Ultimate Controller of the Licensee.

25.3 The terms that must be given full and binding effect by virtue of the undertaking to which paragraph 25.2 refers are that the Ultimate Controller (in this condition only, "the Covenantor"):

(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.

25.4 The undertaking that is to be procured under paragraph 25.2:

(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

25.5 Whenever the Licensee has obtained an undertaking in accordance with paragraph 25.4(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

25.6 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 25.2 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 25.5(b).

Part D: Provision of an annual schedule of undertakings

25.7 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 25.2 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

25.8 For the purposes of this condition, **Covenantor** has the meaning that is given to that term in paragraph 25.3.

Condition 26. Financial stability and financial security

Introduction

26.1 This condition applies for the purposes (i) of providing assurance that the Licensee will have sufficient financial stability to enable it to access sources of liquidity and capital on reasonable terms, and (ii) of requiring the Licensee to provide financial security in such form as the Authority may approve.

Part A: Requirement to provide assurance of financial stability

26.2 For the purpose of providing assurance as to its continuing financial stability, the Licensee must, with effect from three months after the Licence Commencement Date, have in place and maintain arrangements with respect to that purpose that it has proposed to the Authority and to which the Authority has consented on the basis that they provide a level of assurance that is sufficient to protect the interests of Energy Consumers.

26.3 Any proposal submitted by the Licensee in accordance with paragraph 26.2 must contain 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.

26.4 A consent under paragraph 26.2 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.

Part B: Additional arrangements in respect of financial security

26.5 Within three months after Licence Comencement Date, the Licensee must propose to the Authority, and obtain its consent to, an arrangement in respect of financial security that is additional to such arrangements as the Licensee may have in place under Part A above in respect of financial stability.

26.6 Any proposal for which consent is sought under this Part B must include**:**

(a) provision requiring the Licensee to notify the Authority forthwith should any element of the proposed arrangement for whatever reason cease to be legally effective; and

(b) sufficient information to enable the Authority to consider and decide whether in all the circumstances of the case it would be appropriate for it to consent to the proposal.

26.7 Any arrangement in place under this Part B must be in a form and substance that is approved by the Authority and that contains or is otherwise supported by express provision for the Authority at any time on reasonable Notice to direct**:**

(a) that sums of such amount and on such terms as are specified in the direction are to be released from the arrangement; and

(b) that those sums are to be applied by the Licensee, to such an extent, in such manner, and at such times as may be so specified, for either or both of the purposes referred to in paragraph 26.8.

26.8 Those purposes are:

(a) the purpose of ensuring that any financial liabilities of the Licensee that remain or fall due to be met during a Handover Period within the meaning of Condition 43 (Arrangements for the handover of business) may be discharged, so far as is possible, before the expiry or any revocation of this Licence, or where applicable, pursuant to direction by the Authority under Condition 15.6 and

(b) the purpose of ensuring that any Smart Meter Communication Administrator who may be appointed in respect of the Licensee will have the financial resources necessary to manage the affairs, business and property of the Licensee and to exercise and perform the powers and duties of a Smart Meter Communication Administrator.

26.9 Arrangements arising under this Part B may include (for example only, and subject always to paragraphs 26.10 and 26.11) a Financial Security Instrument, such as:

(a) a parent company guarantee procured in favour of the Licensee in respect of the Relevant Sum from a Holding Company of the Licensee that has an Investment Grade Issuer Credit Rating; or

(b) an unconditional and irrevocable letter of credit, or a performance bond, or an insurance policy, in each case issued in favour of the Licensee in respect of the Relevant Sum by a financial institution that has an Investment Grade Issuer Credit Rating; or

(c) an escrow account containing the Relevant Sum that has been opened with a financial institution that has an Investment Grade Issuer Credit Rating.

26.10 References in paragraph 26.9 to an Investment Grade Issuer Credit Rating are to be read in accordance with the explanatory provisions of Appendix 1 (which has effect as part of this condition).

26.11 A Financial Security Instrument under paragraph 26.9, whether of a type mentioned in that paragraph or otherwise, must be expressed to be exercisable in Great Britain under English law.

26.12 The Authority's consent to a proposal under this Part B may be subject to such terms and conditions as it considers appropriate in all the circumstances of the case.

26.13 An arrangement that is in place in accordance with this Part B must, from the date on which it was put in place, be maintained by the Licensee for the full remaining duration of the Licence Term or (where applicable) of the Licence Term as extended by an Additional Licence Term.

Part C: Authority's powers with respect to Part B arrangements

26.14 This Part C applies where it appears to the Authority that there have been changes (or that changes are proposed):

(a) in the Authorised Business of the Licensee (whether by way of an enlargement of the activities of that business or otherwise); or

(b) in the external environment in which that business is or will be carried on,

that are or are likely to be so significant as to materially affect the basis on which the Relevant Sum mentioned in Part B above was determined.

26.15 If this Part C applies, the Authority, where it considers that it is necessary to do so in all the circumstances of the case, may require the Licensee**:**

(a) to increase (or reduce, as the case may be) the Relevant Sum by such amount as the Authority thinks would be appropriate; or

(b) to propose a variation of any arrangement in respect of financial security to which the Authority has already consented under Part B above.

26.16 Before requiring the Licensee to do anything under paragraph 26.15, the Authority must consult the Licensee and SEC Parties and have regard to such views as may be expressed in relation to the matter.

Part D: Interpretation

26.17 For the purposes of this condition**:**

Financial Security Instrument has the meaning given to it in paragraph 26.9.

Relevant Sum means a monetary amount that**:**

(a) was determined by the Secretary of State for the purposes of Part B above during or as a consequence of the Licence Application Process; and

(b) has been notified to the Licensee and the Authority in a direction issued by the Secretary of State for the purposes of that Part B with effect from the Licence Commencement Date,

and the determination may include an index or other means or method by reference to which the amount of the Relevant Sum may be adjusted (whether upwards or downwards) in such manner and at such intervals of time as may be specified in the determination.

Smart Meter Communication Administrator has the meaning given to that phrase in section 10(2) of the Smart Meters Act 2018.

26.18 Appendix 1 follows immediately below.

Appendix 1: Investment Grade Issuer Credit Ratings

Introduction

A1. This Appendix 1 has effect under this Condition 26 with particular reference to the provisions of paragraph 26.9.

A2. The provisions of this Appendix 1 are also relevant for the purposes of paragraph 5 of Condition 27 (Indebtedness and transfers of funds).

Part A: Meaning of Issuer Credit Rating (by specific rating agency)

A3. For the purposes of paragraph 26.9, an Issuer Credit Rating is any of the following:

(a) an issuer credit rating by Standard & Poor's Ratings Group or any of its Subsidiaries; or

(b) an issuer credit rating by Moody's Investors Services Inc or any of its Subsidiaries; or

(c) an issuer credit rating by Fitch Ratings Ltd or any of its Subsidiaries; or

(d) an issuer credit rating by DBRS Ratings Ltd or any of its Affiliates.

Part B: Meaning of Investment Grade (by specific rating agency)

A4. Subject to Part C below, an Investment Grade, in relation to any Issuer Credit Rating within the meaning of Part A of this Appendix, is any of the following:

(a) an issuer credit rating of at least A– by Standard & Poor's Ratings Group or any of its Subsidiaries; or

(b) an issuer credit rating of at least A3 by Moody's Investors Services Inc or any of its Subsidiaries; or

(c) an issuer credit rating of at least A– by Fitch Ratings Ltd or any of its Subsidiaries; or

(d) an issuer credit rating of at least A (low) by DBRS Ratings Ltd or any of its Affiliates.

Part C: Variation of Investment Grade by any rating agency

A5. If a credit rating higher than a particular rating set out in Part B of this Appendix is at any time specified by the credit rating agency in question as its lowest investment grade credit rating, that higher rating is to be taken as the relevant Investment Grade for the purposes of that Part B.

Condition 27. Indebtedness and transfers of funds

Introduction

27.1 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

27.2 In addition to complying with the requirements of Condition 28 (which restricts the Licensee's ability to dispose 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 27 that does not comply with the restrictions that are applicable to it under those provisions.

Part B: Restricted Transactions Category 1

27.3 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 28 (Disposal of Relevant Business Assets), it must comply with the requirements of that condition.

27.3A The Licensee must ensure that it returns the over-recovery of Allowed Revenue to any person to whom such amount is payable, as soon as is reasonably practicable, and by no later than the Transfer Date within the meaning of Condition 43.7.

27.3B 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 32, 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.

27.3C For the avoidance of doubt, any residual amount of over-recovery once the Licensee has complied with Condition 27.3A, will remain subject to Condition 43.16

Part C: Restricted Transactions Category 2

27.4 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; or

(b) a repayment of capital; or

(c) a payment properly due for any goods, services, or assets provided on an arm's length basis and on normal commercial terms; or

(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 27.5; or

(e) a repayment of, or payment of interest on, a loan that is not prohibited by the provisions of Part B above; or

(f) payments for group corporation tax relief calculated on a basis that does not exceed the value of the benefit received; or

(g) an acquisition of shares or other investments that is not inconsistent with the requirements of Condition 9 (Independence and autonomy of the Licensee) and that is made on an arm's length basis and on normal commercial terms.

27.5 The Payment Condition referred to in paragraph 27.4 is that the consideration due in respect of the transaction in question must be paid in full when the transaction is entered into, unless either:

(a) the counter-party to the transaction has and maintains until payment is made in full an Investment Grade Issuer Credit Rating as defined in Appendix 1 of Condition 26 (Financial stability and financial security); or

(b) 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.

27.6 The provisions of this Part C are subject to the provisions of Part D below.

Part D: Circumstances that trigger the provisions of Part E

27.7 Where any of the four circumstances described in the following paragraphs of this Part D 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 except in accordance with the provisions of Part E below.

27.8 Circumstance 1 is that arrangements providing assurance of the Licensee's financial stability to which the Authority has consented under Part A of Condition 26 have for whatever reason ceased to be legally effective.

27.9 Circumstance 2 is that, as part or the whole of the arrangements to which paragraph 27.8 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; 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.

27.10 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 24 (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; or

(b) has given the Authority a certificate in the form of Certificate D3 as set out in Appendix 2 to Condition 24 (Availability of all necessary resources) for 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 2; or

(c) has informed the Authority of any circumstance of the type referred to at Part F of Condition 24, 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.

27.11 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 concerned and the remedy or renegotiation (as the case may be) has been notified to the Authority; 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

27.12 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; or

(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; or

(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 terms; 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

27.13 The Licensee must not enter into any agreement or incur any commitment that incorporates a Cross-Default Obligation.

27.14 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 F1: Ring-fencing of the Licensee's revenues

27.14A Subject to paragraph 27.14C, the Licensee must ensure that all revenues that:

(a) accrue to the Licensee from Service Charges levied in accordance with the provisions of Condition 18 (Charging Methodology for Services) and of Condition 19 (Charging Statement for Services); 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).

27.14B For the purposes of paragraph 27.14A, a "**Secure Account**" is a bank account held within the United Kingdom and/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 Licensee; 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.

27.14C 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 amounts;

(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 27.14C(c));

(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);

(d) an amount equal to the interest that accrues to such bank account (excluding that referred to in paragraph 27.14C(c)) is paid to the Licensee as soon as reasonably practicable after it so accrues;

(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 27.14C(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 27.14C(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.

27.14D 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 27.14C; and

(b) if the Authority so requests, provide the Authority with access to such records for inspection by it at any time.

Part G: Interpretation

27.15 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 transaction; 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.

27.16 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 Licensee;

(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 directors; 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 (Authorised Business of the Licensee).

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.

Investment Grade and **Issuer Credit Rating** are each to be read in accordance with the explanatory provisions set out in Appendix 1 of Condition 26 (Financial stability and financial security).

Payment Condition has the meaning given to that term in paragraph 27.5.

Condition 28. Disposal of Relevant Business Assets

Introduction

28.1 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

28.2 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 43 (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 Condition 16 (Procurement of Relevant Service Capability), on terms that are substantially the same as those contained in Schedule 2 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 paragraph 24(a) of Condition 22 (The Smart Energy Code).

Part B: Duty to maintain a Register of Relevant Business Assets

28.3 Within six months after Licence Commencement Date, the Licensee must have in place and give the Authority a copy of a Register of Relevant Business Assets that identifies and records particulars of the Relevant Business Assets of the Licensee.

28.4 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 16 (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; and

(c) any contractual right to receive any sum or sums or any other financial asset from another person.

28.5 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.

28.6 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

28.7 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.

28.8 A consent by the Authority under paragraph 28.7(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

28.9 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

28.10 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 Retained EU law.

Part F: Interpretation

28.11 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,

and references to "dispose" are to be read accordingly.

Notice Period means the period of the Notice given to the Authority under paragraph 28.7(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 28.3.

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 : CONDITIONS 29 TO 34

Provision of regulatory information

Condition 29. Provision of Information by the Licensee

Introduction

29.1 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 also requires the Licensee to obtain legally enforceable undertakings in respect of those duties from persons who ultimately control the Licensee.

Part A: General obligation to provide Information

29.2 After receiving a request from the Authority for Information that it may reasonably require or that it considers may be necessary to enable it to exercise any functions given or transferred to it by or under any Legislation, the Licensee must give that Information to the Authority within the time and in the form requested.

29.3 After receiving a request from the Secretary of State for Information that he may reasonably require or that he considers may be necessary to enable him to perform any functions given or transferred to him by or under any Legislation, the Licensee must give that Information to the Secretary of State within the time and in the form requested.

29.4 Information that is provided under paragraph 29.2 or 29.3 must be accompanied or supplemented by such explanations as the Authority or the Secretary of State (as the case may be) may reasonably require.

29.5 This Part A is subject to the provisions of Part C below.

Part B: Provision of information in response to standing request

29.6 The Authority may by Notice put in place (and may from time to time revise after consulting the Licensee) a standing request requiring the Licensee to provide it with such Information, at such times or in relation to such periods of time, and in such manner as may be specified in the Notice, including prior Information about such actions proposed to be taken by the Licensee as may be so specified.

29.7 The Secretary of State may by Notice put in place (and may from time to time revise after consulting the Licensee) a standing request requiring the Licensee to provide him with such Information, at such times or in relation to such periods of time, and in such manner as may be specified in the Notice, including prior Information about such actions proposed to be taken by the Licensee as may be so specified.

29.8 Information that is provided under paragraph 29.6 or 29.7 must be accompanied or supplemented by such explanations as the Authority or the Secretary of State (as the case may be) may reasonably require.

29.9 This Part B is subject to the provisions of Part C below.

Part C: Limits of the obligation to provide Information

29.10 Neither this condition nor any other condition of this Licence requires the Licensee to give the Authority or the Secretary of State:

(a) any Information for any such purpose as is referred to in section 38 of the 1986 Act or section 28 of the 1989 Act (each dealing with the power to require information for enforcement purposes) that the Licensee could not be compelled to produce or provide under such section; or

(b) any Information that the Licensee would be entitled to refuse to disclose or produce on grounds of legal professional privilege in proceedings in the High Court.

29.11 Neither this condition nor any other condition of this Licence requires the Licensee to give Information to the Authority or the Secretary of State in respect of any functions of the Authority under section 34 of the 1986 Act or section 47 of the 1989 Act (each dealing with the general duty of the Authority to keep matters under review).

29.12 But the Licensee must, if requested by the Authority, give reasoned comments on the accuracy and text of any information that the Authority proposes to publish pursuant to section 35 of the 1986 Act or section 48 of the 1989 Act (each dealing with the publication by the Authority of information and advice in relation to consumer matters).

Part D: Sufficiency of Information provision by the Licensee

29.13 The power of the Authority or (as the case may be) of the Secretary of State under this condition to request Information is additional to that person's power to call for Information under or pursuant to any other condition of this Licence.

29.14 But where the Licensee provides Information to the Authority or (as the case may be) the Secretary of State in accordance with any other condition of this Licence, such provision will be presumed to be sufficient for the purposes of that condition unless in either case that person states by Notice to the Licensee that in its opinion such further Information as is specified in that Notice will be required to enable it to exercise its functions.

Part E: Procurement of an Information Undertaking

29.15 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, from each company or other person that the Licensee knows or should reasonably know is at any time an Ultimate Controller of the Licensee.

29.16 The terms that must be given full and binding effect by virtue of the Information Undertaking procured under paragraph 29.15 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 Parts A and B above.

29.17 The Information Undertaking that is to be procured under paragraph 29.15**:**

(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 is the holder of this Licence and the Information Covenantor remains an Ultimate Controller of the Licensee.

Part F: Evidence of compliance and the duty to enforce

29.18 Whenever the Licensee has obtained an Information Undertaking in accordance with paragraph 29.17(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 G: Restriction of arrangements with an Ultimate Controller

29.19 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; or

(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 29.18(b).

Part H: Information required from agents and contractors

29.20 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 E above.

29.21 Where paragraph 29.20 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.

29.22 Paragraph 29.21 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 43 (Arrangements for the handover of business).

Part I: Interpretation

29.23 For the purposes of 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 10 (Protection of Confidential Information).

Information Covenantor has the meaning given to that term in paragraph 29.16.

Information Undertaking has the meaning given to that term in paragraph 29.15.

Legislation means any applicable provision of**:**

(a) a public general Act of Parliament;

(b) subordinate legislation within the meaning of the Interpretation Act 1978;

(c) a regulation or of the Council or Commission of the European Union that forms part of Retained EU law.

Condition 30. Requirements for the Regulatory Accounts

Introduction

30.1 This condition applies to the Licensee in respect of each separate Regulatory Year of this Licence (the first of which is deemed to run from 1 April 2013 to 31 March 2014) 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

30.2 For the purposes of this condition, but without prejudice to the requirements of Part C below, the Licensee must prepare Regulatory Accounts for each Regulatory Year.

30.3 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.

30.4 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).

30.5 The Regulatory Accounts are to be prepared on a consistent basis derived from the accounting records and other records referred to in paragraph 30.4 in respect of each Regulatory Year, and must have the contents specified in Part B below.

Part B: Required contents of the Regulatory Accounts

30.6 The Regulatory Accounts prepared for each Regulatory Year must comprise**:**

(a) the matters set out in paragraph 30.7; supported by

(b) the matters set out in paragraph 30.8.

30.7 The matters to which paragraph 30.6(a) refers are these**:**

(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 of Condition 7 (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.

30.8 The matters to which paragraph 30.6(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 30.7(a) refers, the Segmental Information for each of the Authorised Business Activities.

Part C: Consistency required with the statutory accounts

30.9 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 30.8(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

30.10 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 where the Regulatory Accounts relate to:

(i) the Final Regulatory Year, within the period of four months beginning with the Transfer Date;

(ii) any other Regulatory Year, on or before 31 July after the end of that Regulatory Year.

Part E: Terms of appointment of the Appropriate Auditor

30.11 For the purposes of Part D above, the Licensee must, at its own expense, enter into a contract of appointment with an Appropriate Auditor that includes a term requiring that the audit of the Licensee's Regulatory Accounts must be conducted by that person in accordance with all such 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

30.12 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 11 (Duties arising from Licensee's special position) with respect to the prohibition of cross-subsidy and discrimination.

30.13 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 that**:**

(a) states that he 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 his findings for the Authority's attention.

30.13A The report in paragraph 30.13 must be delivered to the Authority, where it relates to:

(a) the Final Regulatory Year, within the period of four months beginning with the Transfer Date;

(b) any other Regulatory Year, on or before 31 July after the end of that Regulatory Year.

Part G: Publication and provision of the Regulatory Accounts

30.14 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) for accounts that relate to:

(i) the Final Regulatory Year, within the period of four months beginning with the Transfer Date, or

(ii) any other Regulatory Year, by 31 July after the end of that Regulatory Year;

(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.

30.15 A copy of the Regulatory Accounts must be provided free of charge to any person who requests a copy.

Part H: Interpretation

30.16 The requirement under paragraph 30.7 of this condition 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.

30.17 For the purposes of this condition**:**

Agreed Upon Procedures means procedures from time to time agreed 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 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**:**

(a) as part of the Mandatory Business**:**

(i) the procurement and provision of Core Communication Services,

(ii) the procurement and provision of Elective Communication 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.

(b) as part of the Permitted Business**:**

(i) the procurement and provision of Value Added Services,

(ii) the procurement and provision of Minimal Services; and

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 31. Reporting of Quality of Service Information

Introduction

31.1 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 34 (Annual Service Report to the Authority), or with the Price Control Conditions contained in Chapter 9 of this Licence, or otherwise.

31.2 This condition should be read in conjunction with Condition 32 (Reporting of Price Control Information) and Condition 33 (Regulatory Instructions and Guidance).

Part A: Licensee's obligations in respect of reporting

31.3 Except where the Authority otherwise consents, the Licensee must at all times act in accordance with so much of any Regulatory Instructions and Guidance ("RIGs") issued by the Authority under Condition 33 (Regulatory Instructions and Guidance) as apply for the purposes of this Condition 31.

31.4 In particular, the Licensee must, for those purposes, 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 16, has in place and maintains) appropriate records, systems, processes, and procedures to enable the Licensee**:**

(a) to measure, record, and collect such Quality of Service Information as may be specified from time to time in the RIGs; and

(b) to report Quality of Service Information in respect of such periods, in such a manner, and within such timeframes as are specified in the RIGs.

Part B: Application of the RIGs to this condition

31.5 Any RIGs issued by the Authority under Condition 33, so far as they apply for the purposes of this Condition 31**:**

(a) may make provision for or in connection with any of the matters specified at Part A of Condition 33;

(b) may be modified or replaced in accordance with the procedures set out in Part B of Condition 33;

(c) may specify which (if any) of the Quality of Service Information reported to the Authority is to be subject to publication by the Authority (having regard to section 105 of the Utilities Act 2000); and

(d) must not exceed what is reasonably required to achieve the purposes of this Condition 31.

31.6 For purposes relating to enforcement, paragraph 31.7 applies where any question ("an Enforcement Question") arises in connection with the Licensee's compliance with any requirement imposed by this condition.

31.7 Where any provision of any RIGs issued by the Authority under Condition 33 applies for the purposes of this Condition 31 and the Licensee has acted in accordance with

that provision, the Authority will take both those matters into account in determining the Enforcement Question.

Part C: Provision for the Authority to appoint a Reviewer

31.8 The Authority may itself review, or arrange for a person appointed by the Authority (a "Reviewer") to review, any matters in the Quality of Service Information reported by the Licensee in respect of which the Authority requires clarification.

31.9 Subject to paragraph 31.12, 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.

31.10 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.

31.11 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;

(b) any External Service Provider from whom Relevant Service Capability is procured pursuant to Condition 16; and

(c) any auditor of such person, or of the Licensee, or of any Affiliate or Related Undertaking of the Licensee.

31.12 The Licensee is not required to perform its obligations in relation to a Reviewer and his functions unless the Reviewer has entered into an agreement with the Licensee to maintain confidentiality on reasonable terms.

Part D: Interpretation

31.13 For the purposes of this condition**:**

Enforcement Question has the meaning given to that term in paragraph 31.6.

Quality of Service Information means such of the Specified Information contained in any RIGs issued by the Authority under Condition 33 as is required to be reported to the Authority in accordance with this Condition 31, in such manner, to such extent, and subject to such further definition as may be set out in those RIGs.

Reviewer has the meaning given to that term in paragraph 31.8.

Condition 32. Reporting of Price Control Information

Introduction

32.1 This condition requires the Licensee to collect and provide the Authority with Price Control Information in such manner as will:

(a) ensure that the Authority is provided with such information on a consistent basis in respect of each Regulatory Year of this Licence;

(b) enable the Authority to monitor the Licensee's compliance with the Price Control Conditions contained in Chapter 9 of this Licence; and

(c) facilitate any review or modification by the Authority of those conditions.

32.2 This condition should be read in conjunction with Condition 31 (Reporting of Quality of Service Information) and Condition 33 (Regulatory Instructions and Guidance), and is relevant to (among other things) the exercise of the Authority's power under Part B of Condition 37 (Assessment of Mandatory Business costs) to determine the treatment of costs associated with the provision of Mandatory Business Services.

Part A: Licensee's obligations in respect of reporting

32.3 Except where the Authority otherwise consents, the Licensee must at all times act in accordance with so much of any Regulatory Instructions and Guidance ("RIGs") issued by the Authority under Condition 33 (Regulatory Instructions and Guidance) as apply for the purposes of this Condition 32.

32.4 In particular, the Licensee must, for those purposes, 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 16, has in place and maintains) appropriate accounting records, systems, processes, and procedures to enable the Licensee:

(a) to measure, record, and collect such Price Control Information as is specified from time to time in the RIGs; and

(b) to report Price Control Information to the Authority in respect of the period comprising each separate Regulatory Year of this Licence:

(i) for the Final Regulatory Year, within the period of three months beginning with the Transfer Date, and

(ii) for any other Regulatory Year, on or before 31 July in the following Regulatory Year.

Part B: Application of the RIGs to this condition

32.5 Any RIGs issued by the Authority under Condition 33, so far as they apply for the purposes of this Condition 32:

(a) may make provision for or in connection with any of the matters specified at Part A of Condition 33;

(b) may be modified or replaced in accordance with the procedures set out in Part B of Condition 33;

(c) may specify which (if any) of the Price Control Information reported to the Authority is to be subject to publication by the Authority (having particular regard to section 105 of the Utilities Act 2000); and

(d) must not exceed what is reasonably required to achieve the purposes of this Condition 32.

32.6 For purposes relating to enforcement, paragraph 32.7 applies where any question ("an Enforcement Question") arises in connection with the Licensee's compliance with any requirement imposed by this condition.

32.7 Where any provision of any RIGs issued by the Authority under Condition 33 applies for the purposes of this Condition 32 and the Licensee has acted in accordance with that provision, the Authority will take both those matters into account in determining the Enforcement Question.

Part C: Provision for the Authority to appoint a Reviewer

32.8 The Authority, notwithstanding any audit of the Regulatory Accounts of the Licensee carried out under Condition 30 (Requirements for the Regulatory Accounts), may**:**

(a) itself review; or

(b) arrange for a person appointed by the Authority (a "Reviewer") to review,

any matters in the Price Control Information reported by the Licensee in respect of which the Authority requires clarification.

32.9 Subject to paragraph 32.11, 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.

32.10 The Licensee's obligation to assist the Authority or a Reviewer under this Part C 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;

(b) any External Service Provider from whom Relevant Service Capability is procured pursuant to Condition 16; and

(c) any auditor of such person, or of the Licensee, or of any Affiliate or Related Undertaking of the Licensee.

32.11 The Licensee is not required to perform its obligations in relation to a Reviewer and his functions unless the Reviewer has entered into an agreement with the Licensee to maintain confidentiality on reasonable terms.

Part D: Interpretation

32.12 For the purposes of this condition**:**

Enforcement Question has the meaning given to that term in paragraph 32.6.

Price Control Information means such of the Specified Information contained in any RIGs issued by the Authority under Condition 33 as is required to be reported

to the Authority in accordance with this condition, in such manner, to such extent, and subject to such further definition as may be set out in those RIGs.

Reviewer has the meaning given to that term in paragraph 32.8(b).

Condition 33. Regulatory Instructions and Guidance

Introduction

33.1 This condition indicates the contents of, and sets out the modification arrangements for, any Regulatory Instructions and Guidance ("RIGs") issued by the Authority under this condition with respect to the reporting and other obligations imposed on the Licensee by:

(a) Condition 31 (Reporting of Quality of Service Information); and

(b) Condition 32 (Reporting of Price Control Information).

Part A: Scope of the matters for which the RIGs may make provision

33.2 In this Part A and in Part C below, the term "Specified Information" refers to both:

(a) the Quality of Service Information that is the subject of Condition 31; and

(b) the Price Control Information that is the subject of Condition 32.

33.3 Subject to paragraph 33.4, the matters that may be included, or for which provision may be made, in any RIGs issued under this condition are:

(a) a complete statement of the information that is to comprise the Specified Information;

(b) instructions and guidance on the Authority's requirements with respect to the collection, recording, and provision of Specified Information;

(c) instructions and guidance on the standards of accuracy and reliability that are applicable to the recording of the Specified Information (including different classes of Specified Information);

(d) a timetable for the development of such systems, processes, and procedures as are required to achieve such standards for the Specified Information;

(e) provision with respect to the meaning of words and phrases used in defining the Specified Information;

(f) requirements as to the form and manner in which, or the frequency with which, the Specified Information must be recorded;

(g) requirements as to the form and manner in which, or the frequency with which, the Specified Information must be provided to the Authority; and

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

33.4 No Specified Information that is to be provided by the Licensee to the Authority under Condition 31 or Condition 32 by virtue of any requirement of any RIGs issued under this Condition 33 may exceed what could reasonably be requested

from the Licensee by the Authority under Condition 29 (Provision of Information by the Licensee) (excluding any reference to paragraph 14 of that condition).

Part B: Modification and future development of the RIGs

33.5 Before modifying any RIGs already in force under this condition or issuing any new RIGs under it, the Authority, by Notice given to the Licensee, must:

(a) state that it proposes to modify any RIGs or (as the case may be) issue new RIGs, and specify the date on which it proposes that the provisions of the modified or new RIGs should take effect;

(b) set out the text of the modified RIGs or (as the case may be) the new RIGs and the Authority's reasons for proposing to issue them; and

(c) specify the time (which must not be less than a period of 28 days from the date of the Notice) within which representations or objections with respect to the proposal may be made.

33.6 The Authority must consider any representations or objections that are duly made and not withdrawn, and give reasons for its decision.

33.7 The Authority may modify RIGs or issue new RIGs by giving the Licensee a direction for that purpose after complying with the requirements of this Part B.

33.8 In this Part B, references to "new RIGs" include RIGs that are being issued for the first time under this condition, as well as RIGs that are replacing any RIGs already in force under it.

33.9 The Licensee must comply with any modified or new RIGs, subject to Part C below.

Part C: Requirements for new or more detailed information

33.10 This Part C applies if any modified or new RIGs have the effect of introducing for the purposes of Condition 31 or Condition 32 (as the case may be) a requirement to provide:

(a) a new category of Specified Information; or

(b) an existing category of Specified Information to a greater level of detail,

and such information has not previously been collected by the Licensee, whether under the provisions of the RIGs or otherwise.

33.11 Where this Part C applies, the Licensee may provide estimates to the Authority in respect of the relevant category of Specified Information:

(a) for the Regulatory Year in which the modified RIGs or new RIGs first have effect; and

(b) for any preceding Regulatory Year specified by the Authority.

33.12 The estimates that are mentioned in paragraph 33.11 may be derived from such other information available to the Licensee as may be appropriate for that purpose.

Part D: Interpretation

33.13 For the purposes of this condition, **Specified Information** has the meaning that is given to that term in paragraph 33.2.

Condition 34. Annual Service Report to the Authority

Introduction

34.1 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.

34.2 This condition is without prejudice to such other reporting requirements as may be imposed on the Licensee under or pursuant to Condition 31 in respect of the Quality of Service Information mentioned in that condition.

Part A: Requirement to prepare an Annual Service Report

34.3 The Licensee must prepare and submit to the Authority a report ("the Annual Service Report") about Overall Service Performance during the previous Regulatory Year ("the Performance Year").

34.3A The Annual Service Report must be submitted to the Authority, where it relates to:

(a) the Final Regulatory Year, within the period of three months beginning with the Transfer Date;

(b) any other Regulatory Year, on or before 31 July in the following Regulatory Year.

34.4 The concept of Overall Service Performance to which paragraph 34.3 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 Year; 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 16 (Procurement of Relevant Service Capability) ("the Providers' Performance") during the Performance Year.

34.5 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.

34.6 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.

34.7 Any statistical record that is required to be presented in the Annual Service Report by virtue of paragraph 34.6 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.

34.8 The Authority must consult the Licensee, SEC Parties, and all External Service Providers before issuing any direction under paragraph 34.7.

Part B: Procedure for preparing the Annual Service Report

34.9 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.

34.10 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 34.9; 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

34.11 The Licensee must**:**

(a) submit each Annual Service Report to the Authority in accordance with the requirements of paragraph 34.3; 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.

34.12 The Licensee must also (subject to paragraph 34.13)**:**

(a) give a copy of the Annual Service Report to any person who requests it; and

(b) publish the report on its Website.

34.13 In complying with the requirements of paragraph 34.12, 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, his commercial interests.

34.14 Any question arising under paragraph 34.13 as to whether the publication of some matter that relates to the affairs of a person would prejudice, or would be likely to prejudice, his commercial interests is to be resolved by the Authority following consultation with that person and the Licensee.

Part D: Interpretation

34.15 For the purposes of this condition**:**

Annual Service Report and **Performance Year** have the meaning that is given to those terms respectively in paragraph 34.3.

Licensee's Performance, Overall Service Performance, and **Providers' Performance** have the meaning that is given to those terms respectively in paragraph 34.4.

Condition 34A. Successor Licensee Business Plan Report

Introduction

34A.1 This condition requires the Licensee to prepare and submit a Business Plan Report to the Authority in relation to the anticipated Authorised Business of the Successor Licensee for the 1st SL Price Control Period.

34A.2 The Business Plan Report will form part of the information used by the Authority to determine the Successor Licensee's Required Revenue.

34A.3 This condition must be read in conjunction with Condition 34B (Successor Licensee Price Control Information).

Part A: Successor Licensee's Required Revenue

34A.4 For the purposes of this condition and Condition 34B, the Successor Licensee's Required Revenue is equal to the costs likely to be incurred during the 1st SL Price Control Period to economically and efficiently carry on the Authorised Business of the Successor Licensee.

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

34A.5 On or before 31 December 2025, the Licensee must submit a Business Plan Report to the Authority.

34A.6 The Business Plan Report must be prepared in accordance with guidance ("Business Plan Guidance") provided by the Authority in accordance with Part C.

34A.7 Irrespective of the requirements of the Business Plan Guidance, the Business Plan Report must contain any information that is or could reasonably be required by the Authority to determine the Successor Licensee's Required Revenue.

34A.8 The duty in paragraph 34A.7 does not require the provision of any information already provided, or to be provided, in accordance with Condition 34B (Successor Licensee Price Control Information).

Part C: Business Plan Guidance

34A.9 On or before 29 August 2025, the Authority must provide:

(a) the Licensee with Business Plan Guidance for the purposes of preparing the Business Plan Report, and

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

34A.10 The Business Plan Guidance must contain:

(a) a description of the business the Authority expects to be carried on by any Successor Licensee under a Successor Licence ("Authorised Business of the Successor Licensee"),

(b) the Authority's best estimate of the Transfer Date, and

(c) a complete statement of the information relating to the Authorised Business of the Successor Licensee that the Authority reasonably requires from the Licensee to determine the Successor Licensee's Required Revenue ("Mandatory Content").

34A.11 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 Successor Licensee's Required Revenue;

(c) the principles the Authority expects to apply to determine whether the costs to carry on the Authorised Business of the Successor Licensee are economic and efficient;

(d) the processes and procedures the Authority expects to follow to adjust its determination of the Successor Licensee's Required Revenue;

(e) any other information that may help the Licensee prepare the Business Plan Report.

Part D: Procedure for preparing the Business Plan Report

34A.12 Before the Licensee submits the Business Plan Report to the Authority, the Licensee must:

(a) on or before 29 August 2025, issue the Business Plan Report in draft to the SEC Panel,

(b) provide the SEC Panel with sufficient and accurate information to allow it to understand the contents of the draft Business Plan Report,

(c) consult in good faith with the SEC Panel about the proposed content of the Business Plan Report, and

(d) have due regard to the response to the consultation in determining whether, and if so how, to amend the draft Business Plan Report.

Part E: Requirements for new or more detailed information

34A.13 The Authority may, in writing, request from the Licensee any further information it reasonably requires to determine the Successor Licensee's Required Revenue.

34A.14 The Licensee must comply with a request given under paragraph 34A.13 within the period of 14 days beginning with the day on which the request was made.

Part F: Interpretation

34A.15 In this Condition:

Authorised Business of the Successor Licensee has the meaning given to that term in paragraph 34A.10(a).

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 34A.6.

Mandatory Content has the meaning given to that term in paragraph 34A.10(c).

Successor Licensee's Required Revenue has the meaning given to that term in paragraph 34A.4.

The 1st SL Price Control Period means the period beginning with the Transfer Date and ending with 31 March 2028.

Condition 34B. (Successor Licensee Price Control Information)

Introduction

34B.1 This condition requires the Licensee to provide the Authority with information to enable it to calculate the Successor Licensee's Required Revenue. It also indicates the contents of the instructions and guidance that the Authority must provide to enable the Licensee to fulfil this duty.

34B.2 This condition must be read in conjunction with Condition 34A (Successor Licensee Business Plan Report).

Part A: Duty to provide SL Price Control Information

34B.3 On or before 31 December 2025, the Licensee must provide the Authority with the information it requires to calculate the Successor Licensee's Required Revenue ("SL Price Control Information").

34B.4 The information must be provided in accordance with the instructions and guidance ("SL RIGs") issued by the Authority under Part B.

34B.5 The duty in paragraph 34B.3 does not require the provision of any information already provided, or to be provided, in accordance with Condition 34A (Business Plan Report).

Part B: SL RIGs

34B.6 On or before 29 August 2025, the Authority must issue SL RIGs to the Licensee in relation to the duty to provide SL Price Control Information.

34B.7 The matters that may be included, or for which provision may be made, in the SL RIGs are:

(a) a complete statement of the information that is to comprise the SL Price Control Information;

(b) instructions and guidance on the Authority's requirements with respect to the collection, recording, and provision of the SL Price Control Information;

(c) instructions and guidance on the standards of accuracy and reliability that are applicable to the recording of the SL Price Control Information (including different classes of SL Price Control Information);

(d) a timetable for the development of such systems, processes, and procedures as are required to achieve such standards for the SL Price Control Information;

(e) provision with respect to the meaning of words and phrases used in defining the SL Price Control Information;

(f) requirements as to the form and manner in which, or the frequency with which, the SL Price Control Information must be recorded;

(g) requirements as to the form and manner in which, or the frequency with which, the SL 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 SL RIGs.

Interpretation

34B.8 In this Condition:

SL Price Control Information has the meaning given to that term in 34B.3

SL RIGs has the meaning given to that term in 34B.4

Successor Licensee's Required Revenue has the meaning given to that term in 34A.4.

CHAPTER 9 : CONDITIONS 35 TO 41

Price Control Conditions of this Licence

Condition 35. Definitions for the Price Control Conditions

Introduction

35.1 This condition has effect on and after 23 September 2013 as one of the Price Control Conditions of this Licence.

35.2 In this Licence, a Price Control Condition is any condition the purpose of which, whether on its own or in combination with any other Price Control Condition, is to limit or control the charges of, or the revenue of, the Licensee.

Part A: Defined terms used in the Price Control Conditions

35.3 Part B below sets out most of the defined words and expressions (all of which begin with capital letters) that are used in the Price Control Conditions of this Licence, and gives their definitions next to them ("the Chapter 9 Particular Definitions").

35.4 But words and expressions used in the Price Control Conditions that are defined for any of the purposes of this Licence in Condition 1 (Definitions for the Conditions of this Licence) have in this Chapter 9 the meaning given to them in that condition.

Part B: The Chapter 9 Particular Definitions

35.5 In the Price Control Conditions, unless the context otherwise requires:

Allowed Revenue	means the total amount of revenue determined on an accruals basis in relation to each Regulatory Year in accordance with the Principal Formula set out at Part C of Condition 36 (Determination of the Licensee's Allowed Revenue) after the deduction of value added tax (if any) and any other taxes based directly on the amount concerned.
Average Specified Rate	means the rate that is equivalent to the average value of the Official Bank Rate of the Bank of England during the period in respect of which the calculation falls to be made.
Baseline Margin	means in relation to each Regulatory Year an amount of additional revenue, over and above the sum of the Licensee's Internal Costs and External Costs, that the Secretary of State has agreed shall be included (subject to the operation of the Baseline Margin Performance Adjustment) in the Licensee's Allowed Revenue, and is determined in accordance with the provisions of Part C of Condition 36.
Baseline Margin Implementation Performance Adjustment	means the amount (if any) of reduction in the Baseline Margin determined in accordance with the provisions of Part B of Condition 38 so as to secure, with respect to the applicable period, the effect set out in Part A of that condition.
Baseline Margin	

Implementation Total	means the Licensee's Baseline Margin, in total, for the period running from 23 September 2013 until the end of the Regulatory Year 2015/2016 (and, arising from the Licence Application Process, is calculated for the purposes of Schedule 3 to this Licence to have the value of £7.687 million, subject to adjustments for inflation as set out in paragraph 35.6.
Baseline Margin Performance (BMP) Adjustment	means the component of the Licensee's Allowed Revenue that is determined in accordance with Part F of Condition 36 and subject to the operation of the provisions of Condition 38 (Determination of the BMP Adjustment).
Baseline Margin Operational Performance Adjustment	means the amount (if any) of reduction in the Baseline Margin determined in accordance with the provisions of Part C of Condition 38 so as to secure, with respect to the applicable period, the effect set out in Part A of that condition.
Centralised Registration Service External Contract Gain Share	means the component of the Allowed Revenue for the Centralised Registration Service (Condition 15) that is determined in accordance with the provisions of Condition 39 (Determination of External Contract Gain Share) so as to secure the effect set out in Part A of that condition and in accordance with the provision set out in the Retail Energy Code.
Centralised Registration Service Cost Adjustment	means in relation to each Regulatory Year a cost adjustment to Centralised Registration Service Revenue that may be directed by the Authority. In the absence of a direction, this shall take the value of zero.
Centralised Registration Service External Cost	means in relation to each Regulatory Year the actual amount of the costs that were economically and efficiently incurred by the Licensee in provision of Fundamental Registration Service Capability and meeting its obligation in relation to the Switching Network and CSS Systems Integrator (as defined in Condition 15) during that period.
Centralised Registration Service Internal Cost	means in relation to each Regulatory Year the sum of the costs (excluding Internal Costs, External Costs, Pass-through Costs, Centralised Registration Service External Costs and Centralised Registration Service Pre-Agreed Costs) that were economically and efficiently incurred by the Licensee for the purposes of the provision of Mandatory Business Services.

Centralised Registration Service Margin	means in relation to each Regulatory Year a component in the calculation of the term Centralised Registration Service Revenue, over and above the sum of the Licensee's Centralised Registration Service Internal Costs and Centralised Registration Service External Costs, that the Authority has agreed shall be included in the Licensee's Centralised Registration Service Revenue, and is determined in accordance with the provisions of Part D of Condition 36
Centralised Registration Service Pass-Through Costs	means in relation to each Regulatory Year the sum of the amounts that are or that will be directed by the Authority as Centralised Registration Service Pass-Through Costs. In the absence of a direction, this shall take the value of zero.
Centralised Registration Service Performance Adjustment	means in relation each Regulatory Year a Performance Adjustment to Centralised Registration Service Revenue that may be directed by the Authority. In the absence of a direction, this shall take the value of zero.
Centralised Registration Service Pre-Agreed Cost	means in relation each Regulatory Year cost that will be directed by the Authority. In the absence of a direction, this shall take the value of zero.
Centralised Registration Service Revenue	means in relation to each Regulatory Year, revenue for Centralised Registration Services calculated in accordance with Part D of Condition 36.
Centralised Registration Service Value Added Service (VAS) Contribution	means the component of the Allowed Revenue of the Centralised Registration Service (Condition 15) that is determined in accordance with the provisions of Condition 40 (Determination of the VAS Contribution) so as to secure the effect set out in Part A of that condition.
External Contract Gain Share	means the component of the Allowed Revenue of the Licensee that is determined in accordance with the provisions of Condition 39 (Determination of External Contract Gain Share) so as to secure the effect set out in Part A of that condition.
External Costs	means in relation to each Regulatory Year the actual amount of the costs that were economically and efficiently incurred by the Licensee in procuring Fundamental Service Capability during that period.
Internal Costs	means in relation to each Regulatory Year the sum of the costs (excluding Centralised Registration Service External Costs, Centralised Registration Internal Costs, Centralised Registration Service Pre-agreed Costs,

External Costs and Pass-Through Costs) that were economically and efficiently incurred by the Licensee for the purposes of the provision of Mandatory Business Services under or pursuant to the SEC (and may include costs incurred in respect of the governance and administration of the SEC that are not included in Pass-Through Costs).

Pass-Through Costs means in relation to each Regulatory Year the sum of the amounts that are specified as Pass-Through Costs in paragraph 8 of Condition 36.

Project means an activity, or group of related activities, that is:

(a) being undertaken, or planned to be undertaken, by the Licensee;

(b) intended to support a change to the nature or scope of the Services; and

(c) identified as being a 'Project', for the purposes of the Price Control Conditions, in a direction given by the Secretary of State to the Licensee, and:

(i) constitutes an activity, or group of related activities, specified in that direction;

(ii) takes place during such period of time as is specified in that direction; and

(iii) is undertaken for any such purpose as may be specified in that direction,

and any individual project shall be represented by the subscript n.

Regulatory Year t means the particular Regulatory Year for the purposes of which any calculation is required to be made under the Price Control Conditions.

Regulatory Year t–1 means the Regulatory Year immediately preceding the Regulatory Year t (and any similar expressions are to be read accordingly).

Regulated Revenue means in relation to each Regulatory Year the actual revenue, measured on an accruals basis:

(a) received by the Licensee through Service Charges that are levied in accordance with the provisions of Condition 18 (Charging Methodology for Services) and Condition 19 (Charging Statement for Services); including any interest earned on Service Charges; or

(b) otherwise received by the Licensee in relation to the carrying on of the Mandatory Business,

after the deduction of value added tax (if any) and any other taxes based directly on the amount concerned. Paragraph (a) above shall be deemed to include any and all amounts paid by SEC Parties under the SEC to persons (other than the External Service Provider) engaged (indirectly pursuant to an External Service Provider Contract) in the business of financing Communications Hubs.

Value Added Service (VAS) Contribution means the component of the Allowed Revenue of the Licensee that is determined in accordance with the provisions of Condition 40 (Determination of the VAS Contribution) so as to secure the effect set out in Part A of that condition.

35.6 The value of the Baseline Margin Implementation Total shall be the sum of:

(a) £1.769 million;

(b) £3.194 million multiplied by the value of PIBM in Regulatory Year 2014/15; and

(c) £2.724 million multiplied by the value of PIBM in Regulatory Year 2015/16,

where PIBM is the price index adjuster applied to the Baseline Margin in each Regulatory Year and calculated in accordance with Part C of Condition 36 (Determination of the Licensee's Allowed Revenue).

Part C: Matters agreed by the Secretary of State

35.7 A reference in this condition or in any of the other Price Control Conditions to a value or amount agreed by the Secretary of State is a reference to that value or amount as agreed by the Secretary of State during or as a consequence of the Licence Application Process.

Part D: Guide to abbreviated price control terms

35.8 Most of the defined terms in the Chapter 9 Particular Definitions set out above appear in formulas embedded in the Price Control Conditions in the following abbreviated forms:

Allowed Revenue	AR

Average Specified Rate	ASR
Baseline Margin	BM
Baseline Margin Implementation Performance Adjustment	BMIPA
Baseline Margin Implementation Total	BMIT
Baseline Margin Operational Performance Adjustment	BMOPA
Baseline Margin Performance Adjustment	BMPA
Baseline Margin Project Performance Adjustment	BMPPA
Centralised Registration Service Cost Adjustment	CRSCA
Centralised Registration Service External Cost	CRSEC
Centralised Registration Service External Contract Gain Share	CRSECGS
Centralised Registration Service Internal Cost	CRSIC
Centralised Registration Service Margin	CRSM
Centralised Registration Service Pass-Through Costs	CRSPTC
Centralised Registration Service Performance Adjustment	CRSPA
Centralised Registration Service Pre-Agreed Cost	CRSPC
Centralised Registration Service Revenue	CRSR
Centralised Registration Service Value Added Service Contribution	CRSVASC
External Contract Gain Share	ECGS
External Costs	EC
Internal Costs	IC
Pass-Through Costs	PTC
Project Activity Amount	PAA
Project Activity Performance Factor	PF
Project Activity Weighting Factor	WF
Project Baseline Margin	PBM
Project Performance Adjustment	PPA
Regulated Revenue	RR
Value Added Service Contribution	VASC

Condition 36. Determination of the Licensee's Allowed Revenue

Introduction

36.1 This condition has effect on and after 23 September 2013 as one of the Price Control Conditions of this Licence.

36.2 The purpose of this condition is to establish the mechanism for determining the amount of Allowed Revenue that may be recovered by the Licensee through Service Charges levied in respect of its provision of Mandatory Business Services.

Part A: Conditions supplementary to this condition

36.3 This condition is supplemented by:

(a) Condition 37 (Assessment of Mandatory Business costs), which provides for the Authority to determine the treatment of any costs associated with the provision of Mandatory Business Services that the Authority considers were not economically and efficiently incurred;

(b) Condition 38 (Determination of the BMP Adjustment), which provides for the Allowed Revenue to be adjusted upwards or downwards to reflect the Licensee's performance against certain specified incentives; and

(c) Condition 39 (Determination of External Gain Share) and Condition 40 (Determination of the VAS Contribution), which provide for the Allowed Revenue to be varied to reflect benefits arising from, respectively, the Licensee's management of External Service Provider Contracts and its provision of Value Added Services.

Part B: Duty of the Licensee with respect to Regulated Revenue

36.4 The Licensee, in setting Service Charges for its Mandatory Business Services, must take all reasonable steps to secure that, in Regulatory Year t, its Regulated Revenue does not exceed a prudent estimate of its Allowed Revenue for that Regulatory Year.

36.5 For the purposes of paragraph 36.4, and subject to paragraph 36.6, a prudent estimate of Allowed Revenue is the Licensee's best estimate of Allowed Revenue as adjusted to ensure that (disregarding any within-year adjustments that may be permitted in circumstances prescribed by the Charging Methodology of the Licensee) the Service Charges as they apply for Regulatory Year t will not need to be amended in the course of that year except in response to a reasonably unlikely contingency.

36.6 The adjustment to which paragraph 36.5 refers must not be such as to result in an expectation that Regulated Revenue will significantly diverge from the Allowed Revenue in Regulatory Year t.

Part C: Determination of the Allowed Revenue (AR) term

36.7 The amount of the Licensee's Allowed Revenue in relation to Regulatory Year t is to be determined in accordance with the following formula (in this condition, the Principal Formula):

$$AR_t = EC_t + IC_t + CRSR_t + PTC_t + BM_t + BMPA_t + ECGS_t - VASC_t + K_t$$

36.8 In the Principal Formula above:

AR_t means the amount of the Allowed Revenue in Regulatory Year t.

EC_t means the actual amount of the Licensee's External Costs, as calculated for Regulatory Year t by the Licensee, except to such extent (if any) as may be otherwise directed by the Authority acting under Part B of Condition 37.

IC_t means the actual amount of the Licensee's Internal Costs, as calculated for Regulatory Year t by the Licensee, except to such extent (if any) as may be otherwise directed by the Authority acting under Part B of Condition 37.

$CRSR_t$ means the amount of the Licensee's Centralised Registration Services Revenue , as calculated for Regulatory Year t in accordance with Part D below.

PTC_t means the total amount of Pass-Through Costs incurred by the Licensee in Regulatory Year t, and is the sum of:

(i) the amount that is equal to the total annual fee paid by the Licensee to the Authority during Regulatory Year t as determined in accordance with Part A of Condition 4 (Licensee's payments to the Authority);

(ii) the amount that is equal to the payments made by the Licensee during Regulatory Year t to SECCo Ltd for purposes associated with the governance and administration of the SEC; ~~and~~

(iii) the amount that is equal to the payments made by the Licensee during Regulatory Year (t) to AltHANCo Ltd for purposes associated with the Alt HAN Arrangements~~.~~; and

(iv) the amount that is equal to the payments made by the Licensee to the Successor Licensee for purposes associated with Business Handover as the Authority may direct.

BM_t means the amount of the Licensee's Baseline Margin that is specified for the Regulatory Year; t in Appendix 1 (which has effect as part of this condition) (or such other amount as may have been determined for that Regulatory Year pursuant to the provisions of Part E below), as multiplied by the price index adjuster (PIBM) for that year, which in the Regulatory Year 2013/14 shall have the value of 1 and in each subsequent Regulatory Year is derived from the following formula:

$$PIBM_t = \left[1 + \frac{CPIH_t}{100}\right] \text{ x } PIBM_{t-1}$$

where $CPIH_t$ means the percentage change (whether it is positive or negative) between (i) the arithmetic average of the Consumer Prices Index (including owner occupiers' housing costs) numbers published or determined with respect to each of the six months from July to December (inclusive) in Regulatory Year t–2, and (ii) the arithmetic average of the Consumer Prices Index (including owner occupiers' housing costs) numbers published or determined with respect to the same months in RegulatoryYear t–1 (and "Consumer Prices Index (including owner occupiers' housing costs)" has the meaning given to that term in Part H below).

$BMPA_t$ means the Baseline Margin Performance Adjustment, as calculated for the Regulatory Year t in accordance with Part F below.

$ECGS_t$ means the amount of revenue adjustment in respect of External Contract Gain Share, as calculated for Regulatory Year t in accordance with Condition 39 (Determination of External Contract Gain Share).

$VASC_t$ means the amount of the Value Added Services Contribution, as calculated for Regulatory Year t in accordance with Condition 40 (Determination of the VAS Contribution).

K_t means the correction factor, whether positive or negative, as calculated for Regulatory Year t in accordance with the formula set out in Part G below.

Part D: Centralised Registration Service Revenue term

36.9 For the purposes of the Principal Formula, the total amount of the Centralised Registration Service Revenue (CRSR) will be calculated for Regulatory Year t in accordance with the following Formula:

$$CRSRt = CRSECt + CRSICt + CRSPCt + CRSCAt + CRSPAt + CRSPTCt + CRSECGSt + CRSVASCt + CRSMt$$

36.10 In the formula above:

$CRSEC_t$ means the actual amount of the Licensee's Centralised Registration Service External Costs, as calculated for Regulatory Year t by the Licensee, except to such extent (if any) as may be otherwise directed by the Authority acting under Part B of Condition 37.

$CRSIC_t$ means the actual amount of the Licensee's Centralised Registration Service Internal Costs, as calculated for Regulatory Year t by the Licensee, except to such extent (if any) as may be otherwise directed by the Authority acting under Part B of Condition 37.

CRSMt (a) means the amount of the Licensee's Centralised Registration Service Margin that is specified for the Regulatory Year t;

(b) $CRSM_t$ will be determined in accordance with provisions developed and populated by the Authority in a direction to be given to the Licensee, following consultation with the Licensee and relevant stakeholders as appropriate.

CRSPCt

(a) means in relation to each Regulatory Year Centralised Registration Service Pre-Agreed Cost

(b) the value of the $CRSPC_t$ term will be zero unless otherwise directed by the Authority, following consultation with the Licensee, the SEC Panel, SEC Parties and REC Parties as appropriate.

CRSCAt

(a) means in relation to each Regulatory Year a cost adjustment to the pre-agreed cost or correction factor

(b) the value of the term $CRSCA_{t:}$ will be zero unless directed by the Authority, as set out in (c).

(c) $CRSCA_t$ will be determined in accordance with provisions developed and populated by the Authority in a direction to be given to the Licensee following consultation with the Licensee, the SEC Panel, SEC Parties and REC Parties as appropriate.

CRSPAt

(a) means in relation to each Regulatory Year a performance adjustment.

(b) the value of the term $CRSPA_t$ will be zero unless directed by the Authority, as set out in (c).

(c) until the end of the Regulatory Year 2022/23, $CRSPA_t$ will be determined in accordance with provisions developed and populated by the Authority in a direction to be given to the Licensee following consultation with the Licensee, the SEC Panel, SEC Parties and REC Parties as appropriate.

(d) thereafter, $CRSPA_t$ will be determined in accordance with the provisions of paragraph 36.10A.

CRSPTCt

(a) means in each Regulatory Year a Pass-Through Cost in relation to the Centralised Registration Service

(b) the value of the $CRSPTC_t$ term will be zero unless otherwise directed by the Authority, following consultation with the Licensee, the SEC Panel, SEC Parties and REC Parties as appropriate.

CRSECGSt

(a) means in each Regulatory Year an External Contract Gain Share in relation to the Centralised Registration Service

(b) the value of the $CRSECGS_t$ term will be zero unless otherwise directed by the Authority, following consultation with the Licensee, the SEC Panel, SEC Parties and REC Parties as appropriate.

CRSVASCt (a) means in each Regulatory Year External Value Added Service Contribution in relation to the Centralised Registration Service

(b) the value of the $CRSPC_t$ term will be zero unless otherwise directed by the Authority, following consultation with the Licensee, the SEC Panel, SEC Parties and REC Parties as appropriate.

Part D1: Calculation of the CRS Performance Adjustment (CRSPA) term

36.10A For the purposes of 36.9, the value of the CRSPA term in Regulatory Year t is to be calculated in accordance with the following formula:

CRSPAt = [SIRSUM 1–4] + [SIRSDM 1–4] + [SIRDIM 1–4] + [SIRVMM 1–4]

where the amount of each of those terms will be zero unless determined otherwise in accordance with such calculations as may apply to the term under the Switching Incentive Regime (being the regime that is set out at Schedule 6 to this Licence and that has effect in relation to this condition for illustrative purposes only, until it is modified by the Authority pursuant to paragraph 36.10B).

36.10B The provisions of Schedule 6 will be developed and populated (subject to paragraph 36.10C) by the Authority in a direction to be given to the Licensee for the purposes of paragraph 36.10A following consultation with the Licensee and relevant stakeholders as appropriate.

(a) Following the initial population of the provisions of Schedule 6, these provisions may be amended subject to paragraph 36.10C in any given regulatory year by the Authority in a direction to be given to the Licensee for the purposes of paragraph 36.10A, following consultation with the Licensee, and relevant stakeholders as appropriate.

(b) The Authority may issue (and may from time to time revise after consulting with the Licensee), guidance ("Switching Incentive Regime Guidance") regarding the process, procedures and criteria used to determine the value of the terms applied in the CRSPA calculation. The new, or revised, Switching Incentive Regime Guidance must be published before the beginning of the Regulatory Year in which it is to take effect.

36.10C Without limiting the general effect of paragraph 36.10B, the Switching Incentive Regime established by Schedule 6:

(a) must not allow the amount of the Licensee's revenues that are at risk under that regime in Regulatory Year t to be less, in total, than 100% of the value of CRSMt;

(b) must not, in terms of its structure and contents, differ substantially from the illustrative provisions of Parts A to D of Schedule 6.

Part E: Adjustment mechanism for the Baseline Margin term

36.11 The amount of the Baseline Margin term as specified in Appendix 1 for any one or more of the Regulatory Years to which that Appendix applies may be varied in such manner and to such extent as may be directed by the Authority in accordance with and subject to the provisions of Appendix 2 (Adjustment mechanism for the BM term), which has effect as part of this condition.

Part F: Calculation of the BMP Adjustment (BMPA) term

36.12 For the purposes of the Principal Formula, the total amount of the Baseline Margin Performance Adjustment term (BMPA) will be calculated for Regulatory Year t in accordance with the following formula:

$$BMPA_t = BMIPA_t + BMOPA_t + BMPPA_t$$

36.13 For the purposes of paragraph 36.12, the value of the term $BMIPA_t$:

(a) shall be determined in accordance with the provisions of Part B of Condition 38 (Determination of the BMP Adjustment) until the end of the Regulatory Year in which Completion of Implementation (within the meaning given to that term in Condition 5 (General Objectives of the Licensee)) is achieved (or such earlier date as the Authority may specify in a direction given to the Licensee under paragraph 36.15); and

(b) thereafter shall be zero.

36.14 For the purposes of paragraph 36.12, the value of the term $BMOPA_t$:

(a) shall be zero until the end of the Regulatory Year 2015/16 (or such later date as the Authority may specify in a direction given to the Licensee under paragraph 36.15); and

(b) thereafter shall be determined in accordance with the provisions of Part C of Condition 38 (Determination of the BMP Adjustment).

36.15 A direction that is given for the purposes of paragraph 36.13 or 36.14 will be of no effect unless, before issuing it, the Authority has first:

(a) by Notice given to the Licensee and published on the Authority's website, set out the revised date that it proposes to specify in the direction;

(b) set out in that Notice a statement of the reasons why the Authority proposes to specify that date;

(c) specified in the Notice the period (which may not be less than 28 days from the date of the Notice) within which representations may be made to the Authority about its proposals; and

(d) considered any representations duly received in response to the Notice.

36.16 The Authority must have regard to any representations duly received in response to its Notice under paragraph 36.15 and must give reasons for its decisions in relation to them when giving the relevant direction.

36.17 For the purposes of paragraph 36.12, the value of $BMPPA_t$ shall be determined in accordance with the provisions of Part D of Condition 38 (Determination of the BMP Adjustment).

Part G: Calculation of the correction factor (K)

36.18 For the purposes of the Principal Formula, the correction factor (K) shall in the Regulatory Year 2013/2014 have the value of 0, and in each subsequent Regulatory Year shall be calculated in accordance with the following formula:

$$K_t = \left[(AR_{t-1} - RR_{t-1} - BDC_{t-1}) \times \left(1 + \left(\frac{ASR_t}{100}\right)\right)\right] + \left[\left((AR_{t-1} - RR_{t-1} - BDC_{t-1}) \times F_t\right) \times \left(\frac{INT_t}{100}\right)\right]$$

36.19 In the formula for the K term above:

AR_{t-1} means the amount of Allowed Revenue in Regulatory Year t–1.

BDC_{t-1} means the contribution to bad debt within the Licensee's Internal Costs and as appropriate, Centralised Registration Service Internal Costs in Regulatory Year t–1, and will be zero except where the Licensee has failed to comply fully with its obligations under or pursuant to the SEC in relation to the management of SEC Parties' credit cover and the recovery of bad debt, in which event it will have such value as may be determined by the Authority.

RR_{t-1} means the Regulated Revenue in Regulatory Year t–1.

ASR_t means the Average Specified Rate, as defined in Condition 35 (Definitions for the Price Control Conditions), in Regulatory Year t.

F_t means the factor determined in accordance with paragraph 36.19

INT_t means the interest rate adjustment in Regulatory Year t made in respect of the relevant amount of over-recovery of Regulated Revenue as determined in accordance with paragraph 36.20.

36.20 The value of the interest rate adjustment INT_t is determined as follows:

(a) if, in respect of Regulatory Year t–1, RR_{t-1} exceeds the threshold of 105 per cent of AR_{t-1} , the Licensee must, by no later than 31 July of the Regulatory Year t, explain and demonstrate to the Authority in writing why that event is justified. After considering the explanation provided and after consulting with the Licensee and SEC Parties, the Authority may direct the Licensee to apply the value of 3 to INT_t for any proportion (F_t) of the difference between RR_{t-1}

and AR_{t-1} that the Authority determines has not been justified by the Licensee; or

(b) if the Authority has not directed the Licensee to apply any value to INT_t, it will take the value of 0; and

(c) the Authority may adjust the threshold percentage and the value of the interest rate adjustment INT_t that are set out in paragraph (a) above in respect of any Regulatory Year by direction, after consulting with the Licensee and SEC Parties

36.20A The written explanation referred to in paragraph 36.20(a) must be delivered to the Authority, where the Regulatory Year t–1 begins with:

(a) the 1 April immediately before the Transfer Date, within the period of three months beginning with the Transfer Date; or

(b) any other date, on or before 31 July of the Regulatory Year t.

Part H: Interpretation

36.21 For the purposes of this condition, **Consumer Prices Index (including owner occupiers' housing costs)** means:

(a) the general index of consumer prices (including owner occupiers' housing costs) (CPIH) that is published by the Office for National Statistics each month in respect of all items; or

(b) if that index in respect of any month that is relevant for the purposes of this condition has not been published on or before the last day of February, such price index as the Authority, after consultation with the Licensee, may determine to be appropriate; or

(c) if there is a material change in the basis of that index, such other index as the Authority, after consultation with the Licensee, may determine to be appropriate.

36.22 Appendices 1 to 3 follow immediately below.

Appendix 1: Values for the BM term (£ million and before adjustment for relevant price index) for each Regulatory Year (see Part E of this condition)

2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
1.769	**3.194**	**2.724**	**2.041**	**2.008**	**2.059**	**2.443**
2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
1.959	**1.869**	**1.875**	**2.035**	**1.840**	**0.762**	**n/a**

Appendix 2: Adjustment mechanism for the BM term

Introduction

A1. In accordance with Part E above, and recognising the uncertainty attaching to the BM values as specified in Appendix 1 (above) at the Licence Commencement Date, this Appendix 2 enables adjustments to be proposed to those amounts and provides for the Authority to assess and determine any such proposals.

Part A: Requirements for the proposal of Relevant Adjustments

A2. Subject to the following provisions of this Part A, the Licensee may, by Notice given to the Authority, and the Authority may, by Notice given to the Licensee, propose a Relevant Adjustment to any one or more of the BM values specified in Appendix 1 for any one or more of the Regulatory Years to which that Appendix applies.

A3. A Relevant Adjustment proposed (whether by the Licensee or the Authority) under paragraph A2 must relate to any variation (whether occurring as an aggregation of incremental but non-material changes or as a discrete but material change) that has taken place, or is likely to take place, in any one or more of the following aspects of the Mandatory Business of the Licensee**:**

(a) the total volume of the activities comprising that business;

(b) the characteristics of the activities comprising that business;

(c) the mixture (whether by category or volume) of the activities comprising that business;

(d) the risks (whether financial or operational) to which the Licensee is exposed in the carrying on of that business; and

(e) the timescales or deadlines that the Licensee is required to meet (whether under this Licence or otherwise) in the carrying on of that business.

A4. Notice given under paragraph A2 of a proposed Relevant Adjustment must**:**

(a) refer to relevant information about actual or forecast levels of expenditure, use of resources, or performance of activities in the carrying on of the Mandatory Business of the Licensee that could not have been available when the values of the BM term in Appendix 1 were first agreed;

(b) demonstrate why, to what extent, and in which respects the variation to which the proposed Relevant Adjustment relates is a material change within the overall context of the Mandatory Business of the Licensee;

(c) separately identify the value of any elementof the proposed Relevant Adjustment that relates toa Project n (the **Project Baseline Margin**), so that it is clearly distinguishable both from:

(i) the value of any element of the proposed Relevant Adjustment that relates to any other Project n; and

(ii) the value of the elements of the proposed Relevant Adjustment that do not relate to a Project; and

(d) take account of any Relevant Adjustments previously determined under this Appendix 2.

A5. Notice given under paragraph A2 of a proposed Relevant Adjustment must also**:**

(a) detail the change (or changes) to the BM value (or values) that are proposed and the Regulatory Year (or Years) to which the change (or changes) would relate, in each case identifying separately the change (or changes) relating to the Project Baseline Margin for any Project n;

(aa) express each of the changes referred to in paragraph (a) in 2013/14 prices, calculated by reference to the value of PIBMt in the Regulatory Year preceding that in which the Relevant Adjustment is proposed

(b) set out the basis of the calculation of those proposed changes; and

(c) explain why, in the opinion of the person making the proposal, the Relevant Adjustment is justified in all the circumstances of the case.

A6. Notice given under paragraph A2 of a proposed Relevant Adjustment**:**

(a) provided that it complies in all respects with the provisions of this Part A, may be served (the "Application Window") where the Notice relates to:

(i) the Regulatory Year 2026/27, within the period of three months beginning with the Transfer Date;

(ii) any other Regulatory Year (excluding the Regulatory Year 2013/14), at any time during the month of July in a preceding Regulatory Year;

(b) must be served within the first Application Window after the date on which the grounds for proposing the Relevant Adjustment first arose; and

(c) must contain an Adjustment Date (being the date on which it is proposed that the Relevant Adjustment should take effect), which (other than for Regulatory Year 2026/27) may not be earlier than 1 April of the Regulatory Year immediately following the Regulatory Year in which the Notice has been served.

Part B: Authority's power to determine Relevant Adjustments

A7. Where a proposal for a Relevant Adjustment has been duly made under paragraph A2, the Authority will, by direction given to the Licensee at any time before the end of the Determination Period, and subject to paragraphs A8 and A9, determine any adjustment that is to be made to any BM value specified in Appendix 1 for the Regulatory Year to which that BM value relates (excluding the BM value for the Regulatory Year 2013/14).

A8. The Authority may, at any time within the Determination Period, by Counter-Notice given to the Licensee direct that the Determination Period is to be extended with effect from the date of its expiry by such a further period (which may not be longer than three months) as is specified in the Counter-Notice.

A9. The Authority may, at any time within the Determination Period, direct the Licensee to supply any further information that the Authority considers is necessary to enable it to determine the proposed Relevant Adjustment.

A10. In determining any adjustment under paragraph A7, the Authority will**:**

(a) consult with the Licensee and with SEC Parties;

(b) have particular regard to the purposes the BM term is intended to serve within the Price Control Conditions and to the basis on which the values attributed to that term were agreed during the Licence Application Process with respect to the Licensee's expected rate of return on its activities over time; and

(c) take no account of the general financial performance of the Licensee under the provisions, taken as a whole, of the Price Control Conditions.

A11. A determination under paragraph A7 may**:**

(a) confirm, reject, or amend the proposed Relevant Adjustment;

(b) include such additional or consequential adjustments (if any) as the Authority thinks appropriate to the BM value (or values) for any Regulatory Year (or Years) other than the Regulatory Year (or Years) set out in the proposed Relevant Adjustment; and

(c) separately identify the value of any Project Baseline Margin that relates to a Project n, so that it is cleary distinguishable both from:

(i) the value of any element of the Relevant Adjustment that relates to any other Project n; and

(ii) the value of the elements of the Relevant Adjustment that do not relate to a Project.

Providing always that each of the values specified in the determination shall be expressed in 2013/14 prices, calculated by reference to the value of the PIBMt in the Regulatory Year preceding that in which the Relevant Adjustment is determined.

Part C: Licensee's right to make a Relevant Adjustment

A12. If the Authority has not determined a Relevant Adjustment proposed by the Licensee under paragraph A2 by the end of the Determination Period, and the proposal has not been withdrawn, the Relevant Adjustment will be deemed to have been made and Appendix 1 will have effect for all relevant purposes as if it had been amended accordingly with effect from the Adjustment Date.

Part D: Guidance for the purposes of this Appendix

A13. The Authority may issue, and from time to time revise, guidance on the procedure that it will follow and the matters that it will take into account in determining a proposed Relevant Adjustment under paragraph A7.

A14. Guidance under paragraph A13 may, in particular, set out the principles, methods of assessment, and types of criteria that are likely to be applied by the Authority in determining any proposed Relevant Adjustment.

Part E: Relationship to Baseline Margin Project Performance Adjustment Scheme

A15 For the purposes of:

(a) Any proposal for a Relevant Adjustment under paragraph A2;

(b) Any determination of a Relevant Adjustment under paragraph A7,

No account shall be taken of a Baseline Margin Project Performance Adjustment Scheme that has been, or may be, made by the Secretary of State under Appendix 1 of Condition 38; and

Part F: Interpretation

A16. For the purposes of this Appendix**:**

Adjustment Date has the meaning that is given to that term in paragraph A6(c)

Application Window has the meaning that is given to that term in paragraph A6(a).

Counter-Notice has the meaning that is given to that term in paragraph A8.

Determination Period means, in relation to a Notice served under paragraph A2:

(a) in the Regulatory Year 2025/26, the period beginning with 1 August 2024 and ending with 28 February 2026 or such later date as may be directed by the Authority in a Counter-Notice;

(b) in the Regulatory Year 2026/27, the period beginning with 1 August 2025 and ending with 30 September 2027.

Project Baseline Margin has the meaning given to that term in paragraph A4 (c).

Relevant Adjustment means an adjustment that is proposed in accordance with the requirements of Part A of this Appendix.

Condition 37. Assessment of Mandatory Business costs

Introduction

37.1 This condition has effect on and after 23 September 2013 as one of the Price Control Conditions of this Licence.

37.2 The purpose of this condition is to enable the Authority to monitor and assess certain costs associated with the provision of Mandatory Business Services in order to determine whether they were economically and efficiently incurred or, where that is not the case, whether such costs may be liable:

(a) to be excluded from the mechanism for determining the Licensee's Allowed Revenue under Condition 36; or

(b) to be the subject of an undertaking given by the Licensee with respect to their future management.

Part A: Submission of annual report on cost performance

37.3 The Licensee, in submitting Price Control Information to the Authority for the period of any Regulatory Year of this Licence ("the Relevant Regulatory Year") in accordance with paragraph 4 of Condition 32 (Reporting of Price Control Information), must at the same time submit to the Authority a report drawing upon the Price Control Information that includes the following two comparisons.

37.4 Comparison 1 is between:

(a) the amount of the External Costs and Centralised Registration Service External Cost that were actually incurred for the Relevant Regulatory Year; and

(b) the amount of the External Costs and Centralised Registration Service External Cost that the Licensee estimated would be likely to be incurred for the Relevant Regulatory Year in its Licence Application Business Plan (and in all updated forecasts of expenditure submitted under Condition 32 by the Licensee).

37.5 Comparison 2 is between:

(a) the amount of the Internal Costs and Centralised Registration Service External Cost that were actually incurred by the Licensee for the Relevant Regulatory Year; and

(b) the amount of the Internal Costs and Centralised Registration Service External Cost that the Licensee estimated it would be likely to incur for the Relevant Regulatory Year in its Licence Application Business Plan (and in all updated forecasts of expenditure submitted under Condition 32 by the Licensee).

37.6 The report submitted under paragraph 37.3 must also contain:

(a) an explanation of any material divergence that is revealed by any of the two comparisons to which paragraphs 37.4 and 37.5 refer between the amount

of the category of costs mentioned in sub-paragraph (a) of the comparison and the amount of the category of costs mentioned in sub-paragraph (b) of that comparison; and

(b) a statement of any material revision arising from any such divergence that the Licensee thinks it is appropriate or necessary to make to any financial or operational matter included in its Licence Application Business Plan for the purposes of any of the remaining years of that plan.

37.7 Without prejudice to the requirements of paragraphs 37.4 and 37.5 with respect to the presentation of costs within the required report, all of the categories of cost mentioned in those paragraphs must be set out in that report in such manner and at such levels of detail as may be required by any Regulatory Instructions and Guidance issued by the Authority under Condition 33 that apply to the Price Control Information provided by the Licensee to the Authority under Condition 32.

Part B: Authority's powers with respect to certain costs

37.8 Subject to paragraph 37.9, and after considering the report that has been submitted to it under paragraph 37.3, the Authority may**:**

(a) direct that any External Costs and Centralised Registration Service External Cost or Internal Costs and Centralised Registration Service Internal Cost that it considers were not economically and efficiently incurred in the Relevant Regulatory Year ("the Unacceptable Costs") are to be excluded from any future calculation of the Licensee's Allowed Revenue under Condition 36;

(b) accept an undertaking given by the Licensee with respect to the Unacceptable Costs on terms that relate to either or both of**:**

(i) the Licensee's future management of those costs, and

(ii) the Licensee's future procurement of Relevant Service Capability.

37.9 In deciding whether to make a direction or to accept an undertaking under paragraph 37.8, the Authority must**:**

(a) consult with the Licensee;

(b) consider the extent to which the Licensee was able, or should have been able, to control or otherwise influence the occurrence of the Unacceptable Costs, taking due account of the Licensee's role in procuring any Relevant Service Capability giving rise to those costs;

(c) consider the likelihood that the Licensee will be able to recover any of the Unacceptable Costs through its future procurement of Relevant Service Capability; and

(d) consider the likelihood that through appropriate future management actions the Licensee will be able to avoid, prevent, or mitigate a further occurrence of the same or any similar costs.

37.10 Paragraphs 37.8 and 37.9 are without prejudice to the power of the Authority to take account of any other matters that are revealed by or are capable of being derived

from the Licensee's Price Control Information under Condition 32 and that the Authority considers would be relevant to its functions under this Condition 37 of monitoring and assessing certain costs associated with the provision of Mandatory Business Services during any Regulatory Year.

Part C: Guidance for the purposes of this condition

37.11 The Authority may issue, and from time to time revise, guidance about the procedure it will follow and the matters it will take into account in considering whether and to what extent to exercise its power to give a direction or accept an undertaking under paragraph 37.8.

37.12 Guidance under paragraph 37.11 may, in particular, set out the principles, methods of assessment, and types of criteria that are likely to be applied by the Authority in determining whether costs have been economically and efficiently incurred.

Part D: Interpretation

37.14 For the purposes of this condition**:**

Licence Application Business Plan means the plan of that name that**:**

(a) was submitted by the Licensee in the course or as a consequence of the Licence Application Process;

(b) contains the Licensee's estimates (which may be estimates that have been modified by the Licensee as a consequence of the Licence Application Process) of its revenues, costs, capital investments, and cashflows for each Regulatory Year of the Licence Term;

(c) was taken into account by the Secretary of State in determining the grant of this Licence to the Licensee,

and to which the Licensee committed itself as a condition of that grant.

Relevant Regulatory Year has the meaning given to that term in paragraph 37.3.

Unacceptable Costs has the meaning given to that term in paragraph 37.8(a).

Condition 38. Determination of the BMP Adjustment

Introduction

38.1 This condition has effect on and after 23 September 2013 as one of the Price Control Conditions of this Licence.

38.2 The purpose of this condition is to establish the mechanism for determining the amounts of the Baseline Margin Implementation Performance Adjustment term (BMIPA), the Baseline Margin Operational Performance Adjustment term (BMOPA), and Baseline Margin Project Performance Adjustment term (BMPPA); that have effect in Part F of Condition 36 (Determination of Licensee's Allowed Revenue).

Part A: Intended effect of applying the BMIPA and BMOPA terms

38.3 The effect of the application of the BMIPA, BMOPA and BMPPA terms in Part F; of Condition 36 is to provide for an adjustment to the Allowed Revenue of the Licensee, where appropriate, to reflect the Licensee's performance against certain Implementation Milestones and, subsequently, against other measures.

Part B: Calculation of the value of the BMIPA term

38.4 For the purposes of sub-paragraph 13(a) of Condition 36, the value of BMIPA in Regulatory Year t is calculated in accordance with the following formula:

$$BMIPA_t = IM1_{t-1}+IM2_{t-1}+IM3_{t-1}+IM4_{t-1}+IM5_{t-1}+IM6_{t-1}+IM7_{t-1}+IM8_{t-1} +IM9_{t-1}+IM10_{t-1}+IM11_{t-1}+IM12_{t-1}+IM13_{t-1}+IM14_{t-1}$$

where the amount of each of those terms will be zero unless determined otherwise in accordance with such calculations as may apply to the term under the Implementation Performance Regime that is set out at Schedule 3 to this Licence.

38.5 To facilitate the determination of the value of any term falling within the formula set out at paragraph 38.4, the Licensee may enter into a contract of appointment with an appropriate Performance Auditor requiring him to review, verify, and confirm in Writing to the Authority that the Implementation Due Date that is applicable to that term by virtue of Schedule 3 was in fact reached.

38.6 The Licensee must provide a person appointed as a Performance Auditor with such assistance for the purposes of his appointment as would be required to be given to a Reviewer appointed by the Authority under Part C of Condition 31 (Reporting of Quality of Service Information) for the purposes of that condition.

38.7 The Secretary of State may require, in accordance with and subject to the provisions of Part F of Schedule 3:

(a) that any Implementation Due Date that is specified in that Schedule is to be changed to such other date as he may direct; or

(b) that such Implementation Milestone Criteria as are identified in the Schedule as subject to further definition and development are to be further defined and developed in such manner and to such extent as he may direct.

Part C: Calculation of the value of the BMOPA term

38.8 For the purposes of sub-paragraph 14(b) of Condition 36, the value of the BMOPA term in Regulatory Year t is to be calculated in accordance with the following formula:

$$\text{BMOPA}_t = [\text{SUM } 1\text{–}4] + [\text{SDM } 1\text{–}4] + [\text{DIM } 1\text{–}4] + [\text{VMM } 1\text{–}4]$$

where the amount of each of those terms will be zero unless determined otherwise in accordance with such calculations as may apply to the term under the Operational Performance Regime (being the regime that is set out at Schedule 4 to this Licence and that has effect in relation to this condition for illustrative purposes only, until it is modified by the Authority pursuant to paragraph 38.9).

38.9 The provisions of Schedule 4 will be developed and populated (subject to paragraph 38.10) by the Authority in a direction to be given to the Licensee for the purposes of paragraph 38.8 no earlier than 31 March 2016, but no later than 31 August 2020, following consultation with the Licensee, the SEC Panel, and SEC Parties.

(a) Following the initial population of the provisions of Schedule 4, these provisions may be amended subject to paragraph 38.10 in any given regulatory year by the Authority in a direction to be given to the Licensee for the purposes of paragraph 38.8, following consultation with the Licensee, the SEC Panel, and SEC Parties.

(b) The Authority may issue (and may from time to time revise after consulting with the Licensee), guidance ("OPR Guidance") regarding the process, procedures and criteria used to determine the value of the terms applied in the BMOPA calculation. The new, or revised, OPR Guidance must be published before the beginning of the Regulatory Year in which it is to take effect.

38.10 Without limiting the general effect of paragraph 38.9, the Operational Performance Regime established by Schedule 4:

(a) must not relate to any Project Baseline Margin;

(b) must not allow the amount of the Licensee's revenues that are at risk under that regime in Regulatory Year t to be less, in total, than 100% of the value of BMt; excluding any Project Baseline Margin;

(c) must not, in terms of its structure and contents, differ substantially from the illustrative provisions of Parts A to D of Schedule 4.

Part D: Calculation of the value of the BMPPA term

38.11 For the purposes of paragraph 17 of Condition 36, the value of the BMPPA term in Regulatory Year t is to be expressed as an amount in £ million to three decimal places, and calculated in accordance with the following formula:

$$\boldsymbol{BMPPA_t} = \left(\sum_{\boldsymbol{All_n}} \boldsymbol{PPA_{n,t}} \right) \times \boldsymbol{-1}$$

38.12 For the purposes of paragraph 38.11:

$PPA_{n,t}$ means a **Project Performance Adjustment**, being the amount of an adjustment that is determined in respect of Project n in Regulatory Year t in accordance with the terms of a BMPPA Scheme made by the Secretary of State under Appendix 1 (Baseline Margin Project Performance Adjustment Schemes) which has effect as part of this condition.

38.13 Where in respect of any Regulatory Year t the Secretary of State has not made any BMPPA Scheme that results in the determination of a Project Performance Adjustment in that Regulatory Year, the value of BMPPA shall be zero.

Part E: Interpretation

38.14 For the purposes of this condition**:**

Implementation Due Date, Implementation Milestone, and **Implementation Milestone Criteria** have the meaning that is given to those terms respectively in Schedule 3 (The Implementation Performance Regime) to this Licence.

Performance Auditor means a person who is appointed by the Licensee for the purposes set out in paragraph 38.5

Project Baseline Margin has the meaning given to that term in Appendix 2 to Condition 36 (Adjustment Mechanism for the BM term).

SCHEDULE 1

Appendix 1: Baseline Margin Project Performance Adjustment Scheme

Introduction

A1. For the purposes of Part D above, this Appendix 1 provides for the Secretary of State to make a Baseline Margin Project Performance Adjustment Scheme, and to determine the nature and terms of operation of that scheme, in order to calculate the value of BMPPA in any Regulatory Year.

Part A: Baseline Margin Project Performance Adjustment Scheme

A2. The Secretary of State may at any time, by notice in writing given to the Licensee, make a scheme for the purposes of this Appendix, which shall be known as a **Baseline Margin Project Performance Adjustment Scheme** (or **BMPPA Scheme**).

A3. A BMPPA Scheme made under paragraph A2 may relate to one or more Projects in respect of which a Project Baseline Margin has been (or is deemed to have been) determined, or may subsequently be (or be deemed to be) determined.

A4. A BMPPA Scheme made under paragraph A2 must include, in respect of each Project to which the scheme relates**:**

(a) a description of one or more activities which are being carried out, or are to be carried out, by the Licensee for the purposes of undertaking that Project (each a **Project Activity**);

(b) a weighting factor in relation to each such Project Activity, corresponding to the proportion of that Project which the Project Activity is deemed to represent for the purposes of the scheme (a **Project Activity Weighting Factor**), where**:**

(i) that factor is a number between 0 (zero) and 1 (one);

(ii) the total of all such factors in relation to all Project Activities described in the scheme shall not exceed 1 (one);

(c) a description of a performance target relating to each Project Activity (a **Project Activity Milestone**); and

(d) a performance factor in relation to each Project Activity Milestone, representing a measure of the Licensee's performance of the Project Activity relative to the target (a **Project Activity Performance Factor**), where**:**

(i) that factor is a number falling within in a range of numbers equal to or less than 1 (one), which may in particular include negative numbers;

(ii) that number may vary within that range in accordance with such aspects of the performance of the Licensee, measured by reference to the Project Activity Milestone, as may be described in the scheme.

A5. For the purposes of sub-paragraph A4(c), a Project Activity Milestone may be related to such factors concerning the performance by the Licensee of a Project Activity as the Secretary of State considers appropriate, which may include in particular any one or more (or any combination) of the following**:**

(a) the date on which the Project Activity takes place;

(b) the number of steps, events, actions or outputs that constitute (or are generated by) the Project Activity;

(c) any measure of quality associated with the steps, events, actions or outputs that constitute (or are generated by) the Project Activity;

(d) the results of an audit or assessment carried out by any person in respect of any matter relating to the performance by the Licensee of the Project Activity; and

(e) a determination made by the Secretary of State or the Authority in respect of any matter relating to the performance by the Licensee of the Project Activity.

A6. For the purposes of sub-paragraph A4(d)(ii), a Project Activity Performance Factor may vary by reference to such aspects of the performance by the Licensee of a Project Activity as the Secretary of State considers appropriate, which may include in particular any one or more (or any combination) of the factors specified at sub-paragraphs A5(a) to (e).

A7. In paragraphs A5 and A6, any reference to a Project Activity shall be read as including a reference to any part of that Project Activity.

A8. A BMPPA Scheme made under paragraph A2 may also include such provision as the Secretary of State considers appropriate for the purpose of interpreting and giving effect to the scheme (the **BMPPA Scheme Principles**).

A9. For the purposes of paragraph A8, BMPPA Scheme Principles may include in particular provisions for the purpose of any one or more (or any combination) of the following**:**

(a) interpreting the provisions of the scheme in relation to any Project Activity Milestone or Project Activity Performance Factor;

(b) identifying whether the Licensee has reached any Project Activity Milestone;

(c) identifying whether any Project Activity has been completed;

(d) calculating any Project Activity Performance Factor;

(e) requiring an audit or assessment to be carried out by any person in respect of any matter relating to the performance by the Licensee of the Project Activity; and

(f) the determination by the Secretary of State or the Authority in respect of any matter relating to the performance by the Licensee of the Project Activity.

A10. Where a BMPPA Scheme includes any BMPPA Scheme Principles**:**

(a) the scheme shall be interpreted and applied in accordance with those principles; and

(b) any question as to the calculation of a Project Performance Adjustment under the scheme shall be determined, and the amount of that adjustment calculated, in accordance with those principles.

A11. The Secretary of State may amend an existing BMPPA Scheme at any time by notice in writing given to the Licensee.

Part B: Consultation

A12. Before making or amending a BMPPA Scheme, the Secretary of State must first**:**

(a) consult with the Authority, the Licensee and the SEC Parties on a draft of the proposed scheme (or of the amendments to it); and

(b) take into account any responses received to the consultation before finalising and making the scheme (or the amendments to it).

Part C: Calculation of PPA

A13. For the purposes of Part D above, the Project Performance Adjustment in respect of any Project n in Regulatory Year t shall be calculated in accordance with the following formula**:**

$$\boldsymbol{PPA_{n,t}} = \sum_{\boldsymbol{All_PA}} \boldsymbol{PAA_{PA,t}}$$

A14. In paragraph A13**:**

$PPA_{n,t}$ has the meaning given to it in paragraph 38.12;

$PAA_{PA,t}$ means a **Project Activity Amount**, being the amount determined in relation to each Project Activity PA in respect of Project n in Regulatory Year t, and calculated in accordance with the provisions of paragraphs A15 to A18.

Regulatory Years before completion of the Project Activity

A15. In each Regulatory Year t prior to that in which the circumstances described in paragraph A16 occur, the value of the PAA term in respect of a Project Activity PA shall be 0 (zero).

Regulatory Year in which the Project Activity is completed

A16. In any Regulatory Year t in which**:**

(a) the Project Activity PA is first completed; or

(b) if that Project Activity PA had been completed, the Project Activity Performance Factor would be 1 (one),

the value of the PAA term shall be calculated in accordance with paragraph A17.

A17. Where this paragraph applies, the value of the PAA term shall be calculated in accordance with the following formula**:**

$$\boldsymbol{PAA_{PA,t} = WF_{PA} \cdot PF_{PA}\left(PBM_{n,t} + \sum_{All_I} PBM_{n,I}\right)}$$

Where:

WF_{PA} means the Project Activity Weighting Factor of that Project Activity PA, in accordance with the BMPPA scheme.

PF_{PA} means the Project Activity Performance Factor of that Project Activity PA, calculated in accordance with the provisions of the BMPPA Scheme (and in the circumstances described in paragraph A.16(b), its value shall be 1 (one)).

$PBM_{n,t}$ means the amount of the Project Baseline Margin in respect of Project n in Regulatory Year t (expressed in 2013/2014 prices) which has been (or is deemed to have been) determined for that Regulatory Year, multiplied by the price index adjuster (PIBM) for that Regulatory Year,

and for these purposes PIBM in the Regulatory Year 2013/14 shall have the value of 1 and in each subsequent Regulatory Year shall be derived from the following formula:

$$\mathrm{PIBM_t} = \left[1 + \frac{\mathrm{CPIH_t}}{100}\right] \mathrm{x\ PIBM_{t-1}}$$

where $CPIH_t$ means the percentage change (whether it is positive or negative) between (i) the arithmetic average of the Consumer Prices Index including owner occupiers' housing costs numbers published or determined with respect to each of the six months from July to December (inclusive) in Regulatory Year t–2 and (ii) the arithmetic average of the Consumer Prices Index including owner occupiers' housing costs numbers published or determined with respect to the same months in Regulatory Year t–1 (and "Consumer Prices Index including owner occupiers' housing costs" has the meaning given to that term in Part H of Condition 36 (Determination of the Licensee's Allowed Revenue)).

$PBM_{n,I}$ means the value of PBM_n in any preceding Regulatory Year, indexed up to Regulatory Year t by reference to the Average Specified Rate, so that:

(a) in relation to PBM_n for Regulatory Year t-1:

$$\mathrm{PBM}_{n,I} = \mathrm{PBM_{n,t-1}}\left[1 + \frac{(\mathrm{ASR_t})}{100}\right]$$

(b) in relation to PBM_n for Regulatory Year t-2:

$$\mathrm{PBM}_{n,I} = \mathrm{PBM_{n,t-2}}\left[\left(1 + \frac{(\mathrm{ASR_t})}{100}\right) \cdot \left(1 + \frac{(\mathrm{ASR_{t-1}})}{100}\right)\right]$$

(c) in Regulatory Year t-3 and any preceding Regulatory Year, $PBM_{n,I}$ shall be calculated using the same method as in sub-paragraphs (a) and (b).

Regulatory Years after the Project Activity is completed

A18. In each Regulatory Year t after that in which the circumstances described in paragraph A16 have occurred, the value of the PAA term shall be calculated in accordance with the following formula**:**

$$\boldsymbol{PAA_{PA,t} = WF_{PA} \cdot PF_{PA} \cdot PBM_{n,t}}$$

For the purposes of paragraph A18, the meaning of each formula term shall be the same as in paragraph A17.

Part D: Interpretation

A19. For the purposes of this Appendix**:**

Baseline Margin Project Performance Scheme (or **BMPPA Scheme**) has the meaning given to that term in paragraph A2.

BMPPA Scheme Principles has the meaning given to that term in paragraph A8.

Project Activity has the meaning given to that term in paragraph A4(a).

Project Activity Amount has the meaning given to that term in paragraph A14.

Project Activity Milestone has the meaning given to that term in paragraph A4(c).

Project Activity Performance Factor has the meaning given to that term in paragraph A4(d).

Project Activity Weighting Factor has the meaning given to that term in paragraph A4(b).

Project Baseline Margin has the meaning given to that term in Appendix 2 to Condition 36 (Adjustment Mechanism for the BM term).".

Condition 39. Determination of External Contract Gain Share

Introduction

39.1 This condition has effect on and after 23 September 2013 as one of the Price Control Conditions of this Licence.

39.2 The purpose of this condition is to establish the mechanism for determining the amount of the External Contract Gain Share (ECGS) and Centralised Registration Service External Contract Gain Share (CRSECGS) term that applies for the purposes of the Principal Formula set out under Part C of Condition 36 (Determination of Licensee's Allowed Revenue) and Part D of Condition 36 (Centralised Registration Service Revenue term).

Part A: Intended effect of the application of the ECGS term

39.3 The effect of the application of the ECGS term in Condition 36 is to provide, where relevant, for an upward adjustment to the amount of the Licensee's Allowed Revenue that reflects some part of the reduction in External Costs that the Licensee has proposed to effect, or has effected, through amendments to the External Service Provider Contracts to which the Licensee is party.

Part B: Determination of the amount of the ECGS term

39.4 For the purposes of Part C of Condition 36, which establishes the determination of the Licensee's Allowed Revenue, the amount of the External Contract Gain Share term (ECGS) will (subject to the operation of the adjustment mechanism that is incorporated into this condition by virtue of paragraph 39.5) be zero**.**

39.5 The amount of the ECGS term for any one or more of the Regulatory Years from 2015/16 to 2026/27 may be varied in such manner and to such extent as may be directed by the Authority in accordance with and subject to the provisions of Appendix 1 (Adjustment mechanism for the ECGS term), which has effect as part of this condition.

39.6 Appendix 1 follows immediately below.

Appendix 1: Adjustment mechanism for the ECGS term

Introduction

A1. In accordance with paragraph 39.5, this Appendix 1 enables the Licensee to propose adjustments to the amount of the ECGS term for one or more Regulatory Years and provides for the Authority to assess and determine any such proposals.

Part A: Requirements for the proposal of Relevant Adjustments

A2. Subject to the following provisions of this Part A, the License may, by Notice given to the Authority, propose a Relevant Adjustment to the value of the ECGS term for any one or more of the Regulatory Years from 2015/16 to 2026/27.

A3. Notice given under paragraph A2 of a proposed Relevant Adjustment must:

(a) take account of any Relevant Adjustments previously determined under this Appendix 1;

(b) detail the change (or changes) to the ECGS value (or values) that are proposed and the Regulatory Year (or Years) to which the change (or changes) would relate; and

(c) set out the particular activities that are the subject of the proposal under the relevant External Service Provider Contract (or Contracts).

A4. Notice given under paragraph A2 of a proposed Relevant Adjustment must also:

(a) set out how the costs associated with the activities that are the subject of the proposal were included in the original External Service Provider Contract (or Contracts);

(b) describe how such activities are to be, or are being, more efficiently carried out, and provide assurance that costs will not be, or have not been, increased for any other activity as a result;

(c) describe the collaborative process associated with negotiation of the relevant contractual amendment, the amount by which External Costs are to be (or are expected to be) reduced by virtue of the amendment, and the amount of the gain that has been (or is expected to be) derived by the relevant External Service Provider (or Providers) as a consequence of the process;

(d) set out the basis of the calculation of proposed changes to the amount of the ECGS term and justify them in relation to the amount of the reduction that has been, or is expected to be, achieved in External Costs; and

(e) explain why, in the Licensee's opinion, the Relevant Adjustment is justified in all the circumstances of the case.

A5. Notice given under paragraph A2 of a proposed Relevant Adjustment:

(a) provided that it complies in all respects with the provisions of this Part A may be served (the "Application Window") where the Notice relates to:

(i) the Regulatory Year 2026/27, within the period of three months beginning with the Transfer Date;

(ii) any other Regulatory Year (excluding Regulatory Years 2013/14 and 2014/15), at any time during the month of July in a preceding Regulatory Year;

(b) must be served within the first Application Window after the date on which the grounds for proposing the Relevant Adjustment first arose; and

(c) must contain an Adjustment Date (being the date on which it is proposed that the Relevant Adjustment should take effect), which may not be earlier than 1 April of the Regulatory Year immediately following the Regulatory Year in which the Notice has been served.

Part B: Authority's power to determine Relevant Adjustments

A6. Where a proposal for a Relevant Adjustment has been duly made under paragraph A2, the Authority will, by direction given to the Licensee at any time before the end of the Determination Period, and subject to paragraphs A7 and A8, determine any adjustment that is to be made to the amount of the ECGS term for the Regulatory Year or Years referred in the proposal (excluding the ECGS terms for Regulatory Years 2013/14 and 2014/15).

A7. The Authority may, at any time within the Determination Period, by Counter-Notice given to the Licensee direct that the Determination Period is to be extended with effect from the date of its expiry by such a further period (which may not be longer than three months) as is specified in the Counter-Notice.

A8. The Authority may, at any time within the Determination Period, direct the Licensee to supply any further information that the Authority considers is necessary to enable it to determine the proposed Relevant Adjustment.

A9. In determining any adjustment under paragraph A6, the Authority will**:**

(a) consult with the Licensee in such manner and to such extent as it considers appropriate;

(b) have particular regard to the purposes that the ECGS term is intended to serve within the Price Control Conditions; and

(c) take no account of the general financial performance of the Licensee under the provisions, taken as a whole, of the Price Control Conditions.

A10. A determination under paragraph A6 may confirm, reject, or amend the proposed Relevant Adjustment.

Part C: Licensee's right to make a Relevant Adjustment

A11. If the Authority has not determined a Relevant Adjustment proposed by the Licensee under paragraph A2 by the end of the Determination Period, and the proposal has not been withdrawn, the Relevant Adjustment will be deemed to have been made with effect from the Adjustment Date.

Part D: Application of other reporting requirements

A12. The requirements of this condition are without prejudice to such requirements as may apply to the reporting by the Licensee to the Authority of matters relating to the composition, calculation, and presentation of External Costs and the ECSG term by virtue of**:**

(a) the provisions of Condition 37 (Assessment of Mandatory Business Costs); and

(b) so much of any RIGs issued by the Authority under Condition 33 (Regulatory Instructions and Guidance) as apply to the Price Control Information that is provided by the Licensee to the Authority under Condition 32 (Reporting of Price Control Information).

Part E: Interpretation

A13. For the purposes of this Appendix**:**

Adjustment Date has the meaning that is given to that term in paragraph A5(c)

Application Window has the meaning that is given to that term in paragraph A5(a).

Counter-Notice has the meaning that is given to that term in paragraph A7.

Determination Period means the period running from the close of the Application Window at the end of July until the end of the first month of November after that closure, or such later date as may be directed by the Authority in a Counter-Notice served under paragraph A7.

Relevant Adjustment means an adjustment that is proposed in accordance with the requirements of Part A of this Appendix.

Condition 40. Determination of the VAS Contribution

Introduction

40.1 This condition has effect on and after 23 September 2013 as one of the Price Control Conditions of this Licence.

40.2 The purpose of this condition is to establish the mechanism for determining the amount of the Value Added Services (VAS) Contribution term (VASC) and the Centralised Registration Service Value Added Services (VASC) term that applies for the purposes of the Principal Formula set out under Part C of Condition 36 (Determination of Licensee's Allowed Revenue) and Part D of Condition 36 (Centralised Registration Service Revenue term) (and that will be zero unless and until such time as the Authority determines otherwise).

Part A: Intended effect of the application of the VASC term

40.3 The effect of the application of the VASC term in Condition 36 is to provide, where relevant, that some part of the net benefit that arises as a result of the Licensee's provision of Value Added Services is reflected in a reduction in the price that would otherwise be payable for Mandatory Business Services by persons receiving them.

Part B: Determination of the amount of the VASC term

40.4 For the purposes of Part C of Condition 36, which establishes the determination of the Licensee's Allowed Revenue, the total amount of the VAS Contribution term (VASC) is determined in accordance with the following formula:

$$VASC_t = \sum_{all\ k}[CVAS_{k,t}]$$

40.5 In the formula for the VASC term above:

$CVAS_{k,t}$ means the share of the net benefit arising in Regulatory Year t from the Licensee's provision of Value Added Service k that was agreed with the Authority when it approved the provision of that service in accordance with Part D of Condition 6 (Authorised Business of the Licensee).

Condition 41. Disapplication of the Price Control Conditions

Introduction

41.1 This condition has effect on and after 23 September 2013 as one of the Price Control Conditions of this Licence.

41.2 The purpose of this condition is to set out the process for a disapplication of the Price Control Conditions of this Licence in whole or in part.

41.3 Nothing in this condition overrides or limits the power of the Authority to modify any of the Conditions of this Licence (including pursuant to a Disapplication Request received under this condition) at any time in accordance with the procedure set out in the Principal Energy Legislation with respect to such modifications.

Part A: Conditions are to continue subject to disapplication

41.4 Subject to paragraph 41.3 above, the Price Control Conditions apply for as long as this Licence continues in force, but will cease to have effect (in whole or in part, as the case may be) if the Licensee gives a Disapplication Request to the Authority in accordance with the provisions of Parts B and C below and**:**

(a) the Authority agrees in Writing to the Disapplication Request; or

(b) the application of the Price Control Conditions (in whole or in part, as the case may be) is terminated by Notice given by the Licensee in accordance with the provisions of Part D below.

Part B: Procedure for making a Disapplication Request

41.5 The Licensee may ask the Authority to consent to the disapplication of the Price Control Conditions (in whole or in part) by giving the Authority a Disapplication Request under this Condition 41.

41.6 A Disapplication Request must**:**

(a) be in Writing addressed to the Authority;

(b) specify the Price Control Conditions (or any part or parts of them) to which the request relates;

(c) provide a full statement of the Licensee's reasons for making the request;

(d) contain any other information or analysis that the Licensee considers sufficient to enable the Authority to fully assess the Disapplication Request; and

(e) state the date that is proposed by the Licensee (which must not be earlier than the appropriate date that is mentioned in Part C below) on or after which the specified Price Control Conditions (or part or parts of them) would cease to have effect ("the Disapplication Date").

41.7 The Authority may require the Licensee to supply such further information as may be necessary to enable the Authority to decide whether it would be appropriate for it to consent to the Disapplication Request.

41.8 The Licensee may withdraw a Disapplication Request at any time.

Part C: Date from which a disapplication may take effect

41.9 Except where the Authority otherwise consents, a disapplication following the delivery of a Disapplication Request may not have effect until a date that is at least 18 months after the delivery of that request.

Part D: Licensee's rights to terminate under a Disapplication Request

41.10 If the Licensee has given the Authority a Disapplication Request that complies with the requirements of this condition, it may subsequently give the Authority a Notice that terminates the application of the Price Control Conditions or the part or parts of them specified in that request:

(a) in the circumstance described in Part E below, on or after the Disapplication Date (or with effect from any earlier date to which the Authority may have consented under Part C above); or

(b) in the circumstance described in Part F below, on or after the Disapplication Date, so long as the Licensee gives Notice of the termination to the Authority within 30 days after the date of the direction given by the Competition Commission to which Part F refers with respect to the determination of the Licensee's appeal.

Part E: Termination without involvement of the Competition Commission

41.11 The circumstance described in this Part E (to which paragraph 41.10(a) relates) is that, by the beginning of the period of six months that would end on the Disapplication Date, the Authority has not:

(a) published a decision under the Relevant Provisions of the Principal Energy Legislation to modify the Price Control Conditions (in whole or in part) in response to the Disapplication Request; or

(b) published a decision under the Relevant Provisions of the Principal Energy Legislation to modify this Condition 41 in response to the Disapplication Request so as to remove the Licensee's right to give the Authority a Notice under paragraph 41.10(a) in relation to that request.

Part F: Termination after involvement of the Competition Commission

41.12 The circumstance described in this Part F (to which paragraph 41.10(b) relates) is that:

(a) the Authority, acting in response to the Disapplication Request, has published a decision pursuant to either paragraph 41.11(a) or paragraph 41.11(b) by the beginning of the period of six months that would end on the Disapplication Date;

(b) the Licensee has exercised its right in accordance with the Relevant Provisions of the Principal Energy Legislation to appeal to the Competition Commission against that decision of the Authority; and

(c) the Competition Commission, acting under the Relevant Provisions of the Principal Energy Legislation, has**:**

(i) quashed the Authority's decision, and

(ii) directed the Licensee to give Notice to the Authority terminating such of the Price Control Conditions specified in the Disapplication Request, in such manner and to such extent, as may be specified in that direction.

Part G: Interpretation

41.13 For the purposes of this condition**:**

Disapplication Date has the meaning given to that term in paragraph 41.6(e).

Disapplication Request has the meaning given to that term in paragraph 41.6.

Relevant Provisions of the Principal Energy Legislation means**:**

(a) in paragraph 41.11, both section 23(7) of the 1986 Act and section 11A(7) of the 1989 Act;

(b) in paragraph 41.12(b), both section 23B(2) of the 1986 Act and section 11C(2) of the 1989 Act; and

(c) in paragraph 41.12(c), both section 23E(2) of the 1986 Act and section 11F(2) of the 1989 Act.

Condition 41A. Ringfenced Amount pending final Price Control

Introduction

41A.1 Pursuant to Condition 36.4, the Licensee must estimate its Allowed Revenue for each Regulatory Year, including the Baseline Margin and External Contract Gain Share components.

41A.2 The actual Allowed Revenue for the Regulatory Year 25/26 and Final Regulatory Year will not be determined until after the Transfer Date. It is possible that the Regulated Revenue exceeds the Allowed Revenue for those years (an over-recovery). By this time, the Licensee will not be collecting Service Charges and it will not be possible to apply a correction factor pursuant to Part G of Condition 36.

41A.3 The Baseline Margin and External Contract Gain Share are not needed to meet the Licensee's costs during the Regulatory Year 25/26 or Final Regulatory Year and so are available to be ringfenced to correct any over-recovery.

41A.4 If appropriate, the Successor Licence will provide for the return of the Ringfenced Amount to the Licensee (with interest).

Part A: Duty to pay Ringfenced Amount to the Successor Licensee

41A.5 On the Transfer Date, the Licensee must pay the Ringfenced Amount to the Successor Licensee.

41A.6 The Ringfenced Amount is the sum of the Licensee's estimate of the following amounts of the Allowed Revenue for the Final Regulatory Years:

(a) the BMt + BMPAt components, and

(b) the ECGSt component.

41A.7 The reference to an estimate in paragraph 41A.6 is a reference to the estimate the Licensee used to set its Service Charges for the Final Regulatory Years in accordance with Condition 36.4.

Part B: Interpretation

41A.8 In this condition:

BM_t has the meaning given in Condition 36.8.

$BMPA_t$ has the meaning given in Condition 36.8

ECGSt has the meaning given in Condition 36.8.

Final Regulatory Years means the:

(a) Regulatory Year 25/26, and

(b) Final Regulatory Year.

CHAPTER 10 : CONDITIONS 42 TO 44

Arrangements for intervention and continuity

Condition 42. Management Orders for the Licensee

Introduction

42.1 This condition enables the Authority to make and keep in place a Management Order for as long as is necessary and appropriate (but no longer) to secure the proper running of the Authorised Business of the Licensee if it appears to the Authority that the circumstances described in this condition would justify such intervention.

Part A: Circumstances giving rise to a Management Order

42.2 This Part A applies if (and only if) the following two requirements are met.

42.3 Requirement 1 is that the Authority considers:

(a) that an event within the meaning of paragraph 17 of Part 2 of this Licence (Terms in Respect of Revocation) has occurred, or is likely to occur; or

(b) that there are significant financial or operational failings in the way in which the Licensee is carrying on the Authorised Business.

42.4 Requirement 2 is that the Authority is satisfied (having regard to its principal objective and general duties under the Principal Energy Legislation) that it is necessary and appropriate in all the circumstances of the case for it to take action under this condition.

42.5 Where this Part A applies, the Authority may give the Licensee a direction under this condition that contains a Management Order (see Part B below).

42.6 The giving of a direction under this condition is without prejudice to the Authority's exercise of any of the powers or duties to which Part C below refers.

42.7 If the Licensee receives a direction under this condition, it must do all such things as are necessary to give full effect to the provisions of the Management Order.

Part B: Matters for which a Management Order may provide

42.8 A Management Order may impose requirements in respect of, or make provision for or in connection with, any matter that the Authority considers is calculated to achieve the purpose of the Management Order, including, in particular, any of the matters that are authorised by this Part B (or any combination of such matters).

42.9 A Management Order may:

(a) require the removal from office of all of the directors of the Licensee, or such directors as are specified in the order; and

(b) provide for their replacement with individuals specified in or determined or appointed in accordance with the order.

42.10 A Management Order may:

(a) require the suspension (either wholly, or in respect only of such functions as are specified in or determined in accordance with the order) of all of the directors of the Licensee, or such directors as are specified in the order; and

(b) provide for the functions of the suspended directors to be performed during their suspension by individuals specified in or determined or appointed in accordance with the order.

42.11 A Management Order may require the Licensee to secure that any activity or other function of the Licensee that is specified in the order**:**

(a) is performed, to the extent specified in the order, on behalf of the Licensee and at its expense, by such person as may be specified in the order; and

(b) is so performed in such a way as to achieve such objectives as are so specified,

and may also require that any contract or other arrangement made by the Licensee with that person contains such terms and conditions as may be so specified or deals with such matters as may be so specified.

42.12 A Management Order may**:**

(a) provide for the Authority to appoint or require the directors of the Licensee to appoint a suitably qualified person to act as adviser, at the Licensee's expense, in respect of the performance of any activity or other function of the Licensee that is specified in the order;

(b) require the Licensee to act in accordance with such recommendations or other advice as that person gives it;

(c) require that person to report to the Authority or the directors of the Licensee, in such manner and at such times as may be specified in the order, with respect to such matters as may be so specified; and

(d) provide for the Authority to vary, suspend, or terminate the appointment of any adviser appointed by the Authority or by the directors of the Licensee pursuant to the terms of the order.

42.13 A Management Order may require**:**

(a) that funds of such amount and on such terms as are specified in the order are to be released to the Licensee from such Financial Security Instrument as is in place under Part B of Condition 26 (Financial stability and financial security); and

(b) that such funds are to be applied by the Licensee for such purposes, to such an extent, in such manner, and at such times as are so specified.

42.14 The Authority must revoke any direction under this condition, in whole or in part, if and to the extent that it considers that the purpose for which the Management Order was made has been achieved.

Part C: Application and scope of this condition

42.15 This condition is not to be read as limiting, and does not limit, any of such powers or duties of the Authority as would be exercisable in accordance with any enactment

set out in paragraph 42.16 for any purpose arising under or because of this condition or any of the other Conditions of this Licence.

42.16 The enactments to which paragraph 42.15 refers are**:**

(a) Part 2 (Terms in Respect of Revocation) of this Licence (with respect to the revocation of this Licence);

(b) sections 28 or 30A to 30F of the 1986 Act or sections 25 or 27A to 27F of the 1989 Act (with respect to the enforcement of obligations and imposition of financial penalties); and

(c) regulations made under section 41HC of the 1986 Act or section 56FC of the 1989 Act (with respect to the determination of a Successor Licensee).

Part D: Duration of this condition

42.17 This condition will be of no effect in this Licence from the date on which either or both of the Secretary of State and the Authority is able by virtue of an enactment to apply to the High Court for an order appointing a person to manage the business, affairs, and property of the Licensee for purposes and in circumstances substantially equivalent to those that apply under Chapter 3 of Part 3 of the Energy Act 2004 with respect to the making of an energy administration order in relation to a protected energy company.

Part E: Interpretation

42.18 For the purposes of this condition, **Management Order** has the meaning that is given to that term at paragraph 42.8.

Condition 43. Arrangements for the handover of business

Introduction

43.1 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 or pursuant to direction by the Authority under Condition 15.6.

43.2 In accordance with paragraph 2 of Part 2 (Terms in Respect of Revocation) and Condition 15.6 of this Licence, 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.

43.3 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, direction by the Authority pursuant to Condition 15.6 and an act of Licence revocation.

Part A: Licensee's duties in respect of a business handover

43.4 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 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.

43.5 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

43.6 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;

(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; or

(c) the date on which (or any date after which) the Authority gives a direction to the Licensee pursuant to Condition 15.6.

43.7 A notification given under this Part B must specify a Transfer Date, being either:

(a) the date on which the Licence Term (or Additional Licence Term) will expire; 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.

43.8 The Authority may withdraw or amend a notification relating to paragraph 43.7(b) at any time if it considers it appropriate to do so in all the circumstances of the case.

Part C: Requirement to have a Business Handover Plan in place

43.9 Within 12 months after the Licence Commencement Date, the Licensee must submit to the Authority a Business Handover Plan prepared for the purposes of this condition that details how the Licensee will fulfil its general duty under Part A above during a Handover Period, with particular reference to such matters as are mentioned in Parts D and E below with respect to the contents of the plan.

43.10 In preparing a Business Handover Plan for submission to the Authority, the Licensee must take all reasonable steps to ascertain and take account of the views of External Service Providers and SEC Parties in relation to the proposed contents of the plan.

43.11 The Authority, after consulting the Licensee with respect to the Business Handover Plan submitted to it, may direct the Licensee to modify the contents of that plan in such manner and to such extent as may be specified in the direction.

43.12 The Authority may approve the Business Handover Plan for all of the purposes of this condition where it is satisfied that the plan, as submitted to it under paragraph

43.9 or with any modifications directed by it under paragraph 43.11, will enable the Licensee to fulfil its general duty under Part A during a Handover Period.

Part D: Mandatory contents of the Business Handover Plan

43.13 The Business Handover Plan must contain commitments, objectives, or other suitable provision for or in connection with the following mandatory matters.

43.14 The first mandatory matter is provision for securing 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 2 to this Licence (Novation of External Service Provider Contracts) (which has effect as part of this condition).

43.15 The second mandatory matter is provision for securing the novation (as directed by the Authority) to the Successor Licensee of the whole of the Licensee's interest under the SEC (including, for the avoidance of doubt, every Agreement for Services that is in place in accordance with the provisions of Condition 17 (Requirements for the provision of Services)), on the terms required by virtue of paragraph 24(a) of Condition 22 (The Smart Energy Code) or the REC as applicable.

43.16 The third mandatory matter is provision for 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 Allowed Revenue as is finally found to have arisen at the Transfer Date in accordance with the formula set out at Part F of Condition 36 (Determination of Licensee's Allowed Revenue).

43.17 The fourth mandatory matter is provision for securing the Licensee's ability at any time prior to the 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 43.16.

Part E: Other appropriate contents of the Business Handover Plan

43.18 Without prejudice to the requirements of Part D above, the Business Handover Plan may, in particular, contain commitments, objectives, or other suitable provision for or in connection with the following matters**:**

(a) 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;

(b) 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 sub-paragraph (a);

(c) 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 sub-paragraphs (a) and (b);

(d) the treatment by the Licensee prior to the 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);

(e) the application or other appropriate treatment of any sums that are directed by the Authority to be released to the Licensee from such Financial Security Instrument as is in place under Part B of Condition 26 (Financial stability and financial security) for any of the purposes specified in that Part B, at such time or times as may be directed by the Authority; and

(f) 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.

Part F: Requirement to review the Business Handover Plan

43.19 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; and

(b) propose to the Authority such modifications (if any) of the plan as it thinks are appropriate or necessary for the purpose of better complying with those requirements.

43.20 The Authority may at any time, after consulting the Licensee, the External Service Providers, SEC Parties, and REC Parties as applicable direct the Licensee to modify the Business Handover Plan in such manner and to such extent as may be specified in the direction.

Part G: Directions by the Authority during a Handover Period

43.21 Subject to paragraph 43.23, 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 in accordance with Parts D and E above are implemented in a full and timely manner.

43.22 Directions under paragraph 43.21 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 43.22.

43.23 No direction under paragraph 43.21 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.

43.24 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 above.

Part H: Interpretation

43.25 See Condition 44 (Treatment of Intellectual Property Rights), which makes further provision in connection with the subject matter of this Condition 43.

43.26 For the purposes of this condition**:**

Business Handover Plan has the meaning given to that term in paragraph 43.9.

Handover Period means the whole of the period, beginning with the date notified to the Licensee by the Authority in accordance with paragraph 43.6 and ending on a date (which may not be earlier than the 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 of this condition.

Transfer Date has the meaning given to that term in paragraph 43.7.

Condition 44. Treatment of Intellectual Property Rights

Introduction

44.1 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

44.2 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 16 (Procurement of Relevant Service Capability).

44.3 The Licensee must at all times carry on those activities with appropriate regard for the potential impacts of IPR ownership and IPR licensing on:

(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, and

(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

44.4 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; or

(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.

44.5 The Licensee must, on the expiry or revocation of this Licence, or where and to the extent applicable, pursuant to direction by the Authority under Condition 15.6 novate all such IPRs (including any associated licences for their use) to a Successor Licensee:

44.6 The novation to which paragraph 44.5 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

44.7 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.

44.8 The Licensee may not be party to any External Service Provider Contract under or pursuant to Condition 16 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.

44.8A 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

44.9 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 22 (The Smart Energy Code) and Condition 23 (Change control for the Smart Energy Code), including any and all associated drafts and working papers (collectively, "the SEC Materials").

44.10 By virtue of this Part D, and subject to paragraph 44.11, all IPRs subsisting in the SEC Materials, and the whole of the title to the SEC Materials:

(a) will be owned by SECCo Ltd (being the company established pursuant to paragraph 26(c) of Condition 22 (The Smart Energy Code);

(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.

44.11 Paragraph 44.10 does not apply to any IPRs subsisting in the SEC Materials (as defined in paragraph 44.9) 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

44.12 For the purposes of this condition**:**

Intellectual Property Rights means**:**

(a) patents, trade marks, 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 44.9.

CHAPTER 11 : CONDITION 45

Other Provisions

Condition 45. Provision of Market Share Information to the Central Delivery Body

Introduction

45.1 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.

General Obligation

45.2 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**).

Terms of the Agreement

45.3 Where pursuant to paragraph 45.2 the Licensee offers to enter into a Market Information Agreement, the terms of that agreement shall, subject to paragraphs 45.4 and 45.7, be such as may be agreed between the Licensee and the Central Delivery Body.

45.4 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 45.5, prohibit the Central Delivery Body from disclosing Market Share Information provided to it by the Licensee to any person.

45.5 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 45.4(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.

Determination of disputes between the parties

45.6 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.

45.7 Where the Central Delivery Body wishes to proceed on the basis of a Market Information Agreement on terms determined by the Authority under paragraph 45.6, the Licensee must enter into and implement such agreement without delay and in accordance with its terms.

45.8 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.

45.9 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.

45.10 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.

45.11 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.

Definitions

45.12 In this Condition:

Central Delivery Body means the body corporate established by Energy Suppliers in accordance with Standard Licence Condition 45 or as the case may be with Standard Licence Condition 45A 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 45.2.

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.

PART 4 OF THIS LICENCE :

SCHEDULES 1 TO 5

SCHEDULES TO THIS LICENCE

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Schedule 1. Details of Fundamental Service Capability

Introduction

1.1 Condition 16 of this Licence (Procurement of Relevant Service Capability) provides that Fundamental Service Capability consists of the Relevant Service Capability that is or has been provided under:

(a) Legacy Procurement Contracts as defined and from time to time identified and described in this Schedule 1; and

(b) the Network Evolution Arrangement Contracts as from time to time identified and described in this Schedule 1.

1.2 Not Used

1.3 In this Schedule:

(a) Part A below defines a Legacy Procurement Contract;

(b) 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; and

(c) Part B1 below identifies each Network Evolution Arrangement 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

1.4 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**:**

(a) was developed in a procurement exercise undertaken by the Secretary of State before the Licence Commencement Date and has been entered into by the Licensee on or before that date under a requirement to do so pursuant to the grant of this Licence in accordance with the Licence Application Process;

(b) has been adopted by the Licensee on or after the Licence Commencement Date, pursuant to a decision or determination under the SEC Adoption Process to which Part I of Condition 16 (Procurement of Relevant Service Capability) refers with respect to the adoption by the Licensee of Energy Supplier Contracts within the meaning of Part J of that condition; or

(c) has been entered into by the Licensee on or after the Licence Commencement Date for the purposes of procuring and providing communication or data services with respect to any SMETS1 Smart Metering System.

Part B: Particulars of Legacy Procurement Contracts

1.5 The following contracts are, without limitation, Legacy Procurement Contracts in force under this Licence**:**

(1) **Pursuant to OJEU reference 2011/S 165–273113:** contract entered into with Arqiva Smart Metering Ltd, on 20 September 2013, for the provision of communication services in respect of the Northern Region of Great Britain including Scotland.

Contract term**:** fifteen years, plus five optional further periods each of twelve months' duration.

(2) **Pursuant to OJEU reference 2011/S 165–273113:** contract entered into with Telefonica Ltd, on 12 September 2013, for the provision of communications services in respect of the Central Region of Great Britain including Wales.

Contract term**:** fifteen years, plus five optional further periods each of twelve months' duration.

(3) **Pursuant to OJEU reference 2011/S 165–273113:** contract entered into with Telefonica Ltd, on 12 September 2013, for the provision of communication services in respect of the Southern Region of Great Britain.

Contract term**:** fifteen years, plus five optional further periods each of twelve months' duration.

(4) **Pursuant to OJEU reference 2011/S 165–273114:** contract entered into with CGI IT UK Ltd, on 9 September 2013, for the provision of data services in respect of the whole of Great Britain.

Contract term**:** eight years, plus three optional further periods each of twelve months' duration.

1.6 The Licensee must make such alterations to the particulars set out under paragraph 1.5 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.

1.6A The following contracts are, without limitation, Network Evolution Arrangement Contracts in force under this Licence:

(1) [intentionally blank]

1.6B The Licensee must make such alterations to the particulars set out under paragraph 1.6A 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.

Part C: Publication of External Service Provider Contracts

1.7 Subject to any restriction arising by virtue of paragraph 1.8, the Licensee must publish and maintain on its Website every Legacy Procurement Contract, every Network Evolution Arrangement Contract and every other External Service Provider Contract to which it is a party.

1.8 The Licensee's obligation under paragraph 1.7 is subject, in the case of each of the contracts to which it refers, to the Licensee's continuing compliance with

such of the terms of that contract as may apply with respect to the maintenance of commercial confidentiality.

1.9 But the restriction imposed by paragraph 1.8 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 D: Interpretation

1.10 References in this Licence to Legacy Procurement Contracts and Network Evolution Arrangement Contracts are references to each such contract as from time to time amended, supplemented, revised, or replaced (whether pursuant to any future exercise of the Licensee's procurement functions with respect to Fundamental Service Capability under Condition 16 or otherwise) and include each such contract as novated to a Successor Licensee in the event of the expiry or any revocation of this Licence.

1.11 In this Schedule 1:

SMETS1 Smart Metering System	has the meaning given to it in the Smart Energy Code

Schedule 2. Novation of External Service Provider Contracts

Introduction

2.1 The Business Handover Plan designated by the Authority under Condition 43 of this Licence (Arrangements for the handover of business) requires the Licensee, where a Handover Period is in force under that condition, to novate to a Successor Licensee its interest in each External Service Provider Contract to which it is a party, on terms that are substantially the same as those contained in the Deed of Novation set out below.

DEED OF NOVATION FOR EXTERNAL SERVICE PROVIDER CONTRACTS

THIS DEED is dated [xxxxxxxxxxxxxxxx] and is made between**:**

(1) **Smart DCC Ltd**, a company incorporated in England and Wales under the number 08641679, whose registered office is at First Floor, 2 Kingdom Street, Paddington, London W2 6BD (referred to below as **Party A**);

(2) [**The External Service Provider Company Ltd**, a company incorporated in England and Wales under number xxxxxxx], whose registered office is at [xxxxxxxxxxxxx xxxxxxxxxxxxxxxxxxxxxxx] (referred to below as **Party B**); and

(3) [**The New DCC Company Ltd**, a company incorporated in England and Wales under number xxxxxxx], whose registered office is at [xxxxxxxxxxxxxxxxxxxxxxxxxxx xxxxxxxxxxxxxxxxxxxxxxx] (referred to below as **Party C**).

BACKGROUND

(A) Party A (being the Licensee) carries on the Authorised Activity under a Licence dated 23 September 2013 granted to it by the Secretary of State under section 7AB(2) of the Gas Act 1986 and section 6(1A) of the Electricity Act 1989.

(B) Party A and Party B entered into an agreement ("the Contract") dated [xxxxxxxxxxxx] for the provision by Party B to Party A of Relevant Service Capability for purposes connected with the carrying on of the Authorised Activity under Party A's Licence.

(C) Following the expiry [or revocation] of Party A's Licence, the Authority has appointed Party C as the Successor Licensee to carry on the Authorised Activity with effect from [xxxxxxxxx] under a licence ("the Successor Licence") granted by the Authority under section 7AB(1) of the Gas Act 1986 and section 6(1)(f) of the Electricity Act 1989.

(D) Party A wishes to be released and discharged from the Contract, and the parties have agreed to the novation of the Contract and to the substitution of Party C as a party to the Contract in place of Party A.

IT IS HEREBY AGREED as follows:

Clause 1: Definitions and interpretation

1.1 Words and expressions defined in Party A's Licence and not otherwise defined in this Deed have the same meaning as is given to them in that Licence.

1.2 Headings are inserted for convenience, and do not affect the construction of this Deed.

1.3 Words importing the plural include the singular, and vice versa, and references to one gender include all genders.

1.4 References to clauses in this Deed are references to the clauses of this Deed.

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 3: The Implementation Performance Regime

Introduction

3.1 In accordance with Part B of Condition 38 (Determination of the BMP Adjustment), this Schedule 3 applies for the purposes of calculating the amount of each of the algebraic terms in the formula set out at paragraph 5 of that condition that determines the value of the BMIPA term in Regulatory Year t.

3.2 The amounts of the algebraic terms within this Schedule are to be expressed (unless the calculation otherwise requires) as negative amounts in £ million to three decimal places.

Part A: In respect of Regulatory Year 2013/14

Implementation Milestone 1: Completion of Licensee Mobilisation

Algebraic term: IM1t

Implementation Due Date: 31 October 2013

Implementation Milestone Criteria: As specified in the Statement of Implementation Milestone Criteria set out at Part E of this Schedule.

Amount of term: IM1t = BMIT x (2% x TF), where TF (Time Factor) has the value of**:**

0 if the specified criteria are achieved by 31 October 2013

0.2 if the specified criteria are achieved after 31 October 2013 but before (+ 1 week)

0.4 if the specified criteria are achieved after (+ 1 week) but before (+ 2 weeks)

0.6 if the specified criteria are achieved after (+ 2 weeks) but before (+ 3 weeks)

1.0 if the specified criteria are not achieved before (+ 3 weeks)

Implementation Milestone 2: Submission of Integrated Solution Delivery Plan

Algebraic term: IM2t

Implementation Due Date: 29 November 2013

Implementation Milestone Criteria: As specified in the Statement of Implementation Milestone Criteria set out at Part E of this Schedule.

Amount of term: IM2t = BMIT x (3% x TF), where TF (Time Factor) has the value of**:**

0 if the specified criteria are achieved by 29 November 2013

0.2 if the specified criteria are achieved after 29 November 2013 but before (+ 1 week)

0.4 if the specified criteria are achieved after (+ 1 week) but before (+ 2 weeks)

0.6 if the specified criteria are achieved after (+ 2 weeks) but before (+ 3 weeks)

1.0 if the specified criteria are not achieved before (+ 3 weeks)

Part A (continued): In respect of Regulatory Year 2013/14

Implementation Milestone 3: Establishment of Service Design Authority

Algebraic term: IM3t

Implementation Due Date: 29 November 2013

Implementation Milestone Criteria: As specified in the Statement of Implementation Milestone Criteria set out at Part E of this Schedule.

Amount of term: IM3t = BMIT x (4% x TF), where TF (Time Factor) has the value of**:**

0 if the specified criteria are achieved by 29 November 2013

0.1 if the specified criteria are achieved after 29 November 2013 but before (+ 2 weeks)

0.4 if the specified criteria are achieved after (+ 2 weeks) but before (+ 4 weeks)

0.7 if the specified criteria are achieved after (+ 4 weeks) but before (+ 6 weeks)

1.0 if the specified criteria are not achieved before (+ 6 weeks)

but subject to TF taking the value of**:**

0 if the specified criteria for Implementation Milestone 4 (see below) are achieved by 28 February 2014.

Implementation Milestone 4: Submission of the Test Strategy

Algebraic term: IM4t

Implementation Due Date: 28 February 2014

Implementation Milestone Criteria: As specified in the Statement of Implementation Milestone Criteria set out at Part E of this Schedule.

Amount of term: IM4t = BMIT x (4% x TF), where TF (Time Factor) has the value of**:**

0 if the specified criteria are achieved by 28 February 2014

0.2 if the specified criteria are achieved after 28 February 2014 but before (+ 1 week)

0.4 if the specified criteria are achieved after (+ 1 week) but before (+ 2 weeks)

0.6 if the specified criteria are achieved after (+ 2 weeks) but before (+ 3 weeks)

1.0 if the specified criteria are not achieved before (+ 3 weeks)

but subject to TF taking the value of**:**

0 if the specified criteria for Implementation Milestone 12 (see below) are achieved by 30 September 2015.

continued below

Part A (continued): In respect of Regulatory Year 2013/14

Implementation Milestone 5: Submission of DSP Interface Specifications

Algebraic term: IM5t

Implementation Due Date: 28 February 2014

Implementation Milestone Criteria: As specified in the Statement of Implementation Milestone Criteria set out at Part E of this Schedule.

Amount of term: IM5t = BMIT x (4% x TF), where TF (Time Factor) has the value of**:**

0 if the specified criteria are achieved by 28 February 2014

0.1 if the specified criteria are achieved after 28 February 2014 but before (+ 3 weeks)

0.4 if the specified criteria are achieved after (+ 3 weeks) but before (+ 4 weeks)

0.7 if the specified criteria are achieved after (+ 4 weeks) but before (+ 6 weeks)

1.0 if the specified criteria are not achieved before (+ 6 weeks)

but subject to TF taking the value of**:**

0 if the specified criteria for Implementation Milestone 12 (see below) are achieved by 30 September 2015.

Implementation Milestone 6: Submission of the ICHIS

Algebraic term: IM6t

Implementation Due Date: 28 February 2014

Implementation Milestone Criteria: As specified in the Statement of Implementation Milestone Criteria set out at Part E of this Schedule.

Amount of term: IM6t = BMIT x (4% x TF), where TF (Time Factor) has the value of**:**

0 if the specified criteria are achieved by 28 February 2014

0.1 if the specified criteria are achieved after 28 February 2014 but before (+ 2 weeks)

0.4 if the specified criteria are achieved after (+ 2 weeks) but before (+ 4 weeks)

0.7 if the specified criteria are achieved after (+ 4 weeks) but before (+ 6 weeks)

1.0 if the specified criteria are not achieved before (+ 6 weeks)

but subject to TF taking the value of**:**

0 if the specified criteria for Implementation Milestone 12 (see below) are achieved by 30 September 2015.

continued below

Part B: In respect of Regulatory Year 2014/15

Implementation Milestone 7: Approval of the Service Management System

Algebraic term: IM7t

Implementation Due Date: 30 September 2014

Implementation Milestone Criteria: As specified in the Statement of Implementation Milestone Criteria set out at Part E of this Schedule.

Amount of term: IM7t = BMIT x (4% x TF), where TF (Time Factor) has the value of**:**

0 if the specified criteria are achieved by 30 September 2014

0.2 if the specified criteria are achieved after 30 September 2014 but before (+ 1 week)

0.4 if the specified criteria are achieved after (+ 1 week) but before (+ 2 weeks)

0.6 if the specified criteria are achieved after (+ 2 weeks) but before (+ 3 weeks)

1.0 if the specified criteria are not achieved before (+ 3 weeks)

but subject to TF taking the value of**:**

0 if the specified criteria for Implementation Milestone 12 (see below) are achieved by 30 September 2015.

Implementation Milestone 8: DSP Ready for Systems Integration Testing with Licensee

Algebraic term: IM8t

Implementation Due Date: 31 October 2014

Implementation Milestone Criteria: As specified in the Statement of Implementation Milestone Criteria set out at Part E of this Schedule.

Amount of term: IM8t = BMIT x (10% x TF), where TF (Time Factor) has the value of**:**

0 if the specified criteria are achieved by 31 October 2014

0.1 if the specified criteria are achieved after 31 October 2014 but before (+ 2 weeks)

0.4 if the specified criteria are achieved after (+ 2 weeks) but before (+ 4 weeks)

0.7 if the specified criteria are achieved after (+ 4 weeks) but before (+ 6 weeks)

1.0 if the specified criteria are not achieved before (+ 6 weeks)

but subject to TF taking the value of**:**

0 if the specified criteria for Implementation Milestone 12 (see below) are achieved by 30 September 2015.

continued below

Part B (continued): In respect of Regulatory Year 2014/15

Implementation Milestone 9: DSP and CSPs Ready for Systems Integration Testing

Algebraic term: IM9t

Implementation Due Date: 28 November 2014

Implementation Milestone Criteria: As specified in the Statement of Implementation Milestone Criteria set out at Part E of this Schedule.

Amount of term: IM9t = BMIT x (10% x TF), where TF (Time Factor) has the value of**:**

0 if the specified criteria are achieved by 28 November 2014

0.1 if the specified criteria are achieved after 28 November 2014 but before (+ 2 weeks)

0.4 if the specified criteria are achieved after (+ 2 weeks) but before (+ 4 weeks)

0.7 if the specified criteria are achieved after (+ 4 weeks) but before (+ 6 weeks)

1.0 if the specified criteria are not achieved before (+ 6 weeks)

but subject to TF taking the value of**:**

0 if the specified criteria for Implementation Milestone 12 (see below) are achieved by 30 September 2015.

Implementation Milestone 10: Completion of Systems Integration Testing

Algebraic term: IM10t

Implementation Due Date: 31 March 2015

Implementation Milestone Criteria: As specified in the Statement of Implementation Milestone Criteria set out at Part E of this Schedule.

Amount of term: IM10t = BMIT x (10% x TF), where TF (Time Factor) has the value of**:**

0 if the specified criteria are achieved by 31 March 2015

0.1 if the specified criteria are achieved after 31 March 2015 but before (+ 2 weeks)

0.4 if the specified criteria are achieved after (+ 2 weeks) but before (+ 4 weeks)

0.7 if the specified criteria are achieved after (+ 4 weeks) but before (+ 6 weeks)

1.0 if the specified criteria are not achieved before (+ 6 weeks)

but subject to TF taking the value of**:**

0 if the specified criteria for Implementation Milestone 12 (see below) are achieved by 30 September 2015.

continued below

Part C: In respect of Regulatory Year 2015/16

Implementation Milestone 11: Completion of User Interface Testing

Algebraic term: IM11t

Implementation Due Date: 1 June 2015

Implementation Milestone Criteria: As specified in the Statement of Implementation Milestone Criteria set out at Part E of this Schedule.

Amount of term: IM11t = BMIT x (15% x TF), where TF (Time Factor) has the value of:

0 if the specified criteria are achieved by 1 June 2015

0.05 if the specified criteria are achieved after 1 June 2015 but before (+ 3 weeks)

0.25 if the specified criteria are achieved after (+ 3 weeks) but before (+ 6 weeks)

0.5 if the specified criteria are achieved after (+ 6 weeks) but before (+ 9 weeks)

1.0 if the specified criteria are not achieved before (+ 9 weeks)

Implementation Milestone 12: Commencement of Initial Operational Services

Algebraic term: IM12t

Implementation Due Date: 30 September 2015

Implementation Milestone Criteria: As specified in the Statement of Implementation Milestone Criteria set out at Part E of this Schedule.

Amount of term: IM12t = BMIT x (15% x TF), where TF (Time Factor) has the value of:

0 if the specified criteria are achieved by 30 September 2015

0.05 if the specified criteria are achieved after 30 September 2015 but before (+ 3 weeks)

0.25 if the specified criteria are achieved after (+ 3 weeks) but before (+ 6 weeks)

0.5 if the specified criteria are achieved after (+ 6 weeks) but before (+ 9 weeks)

1.0 if the specified criteria are not achieved before (+ 9 weeks)

continued below

Part C (continued): In respect of Regulatory Year 2015/16

Implementation Milestone 13: Commencement of Initial Mass Rollout

Algebraic term: IM13t

Implementation Due Date: 30 September 2015

Implementation Milestone Criteria: As specified in the Statement of Implementation Milestone Criteria set out at Part E of this Schedule.

Amount of term: IM13t = BMIT x (15% x TF), where TF (Time Factor) has the value of:

0 if the specified criteria are achieved by 30 September 2015

0.05 if the specified criteria are achieved after 30 September 2015 but before (+ 3 weeks)

0.25 if the specified criteria are achieved after (+ 3 weeks) but before (+ 6 weeks)

0.5 if the specified criteria are achieved after (+ 6 weeks) but before (+ 9 weeks)

1.0 if the specified criteria are not achieved before (+ 9 weeks)

Part D: In respect of Regulatory Year 2016/17

Implementation Milestone 14: Completion of User Integration Testing

Algebraic term: IM14t

Implementation Due Date: 1 April 2016

Implementation Milestone Criteria: As specified in the Statement of Implementation Milestone Criteria set out at Part E of this Schedule.

Amount of term if the specified criteria are not met by the Implementation Due Date:

IM14t = – (the amount of the term IM11t + the amount of the term IM12t + the amount of the term IM13t) x 0.7

note: the term BMIT, wherever it occurs in Parts A to C above, refers to the amount of the Baseline Margin Implementation Total, as defined in Condition 35 (Definitions for the Price Control Conditions).

Parts E and F follow below

Part E: Statement of Implementation Milestone (IM) Criteria

3.3 Terms and expressions appearing in the Implementation Milestones set out below that are not defined or otherwise explained under any provision of this Licence, or in the SEC, are to be read and understood by reference to the meanings given to them, as at Licence Commencement Date, in the relevant External Service Provider Contracts published by the Licensee on its Website pursuant to Part C of Schedule 1 (Details of Fundamental Service Capability) to this Licence.

3.4 The criteria that are set out below for IM 7 to IM 14 inclusive may be subject to further definition and development (as to which, see Part F below) as a consequence of the Test Strategy approved under IM4.

IM1: Completion of Licensee Mobilisation

- Registration of Licensee company, appointment of board of directors, and installation of senior management and operational management teams at Licensee's offices.
- Initial Licensee Website has been established and is operational, with adequate content being provided for the purpose.
- All major corporate policy documents of the Licensee have been approved by its board of directors, submitted to the Authority, and published.
- External Service Provider Governance Framework and Joint Partnership Charter have been approved by Partnership Management Board.

IM2: Submission of Integrated Solution Delivery Plan

- Licensee has received draft Implementation Plans and High Level Plans from External Service Providers.
- Licensee has completed and issued to all relevant parties its Gap Analysis of the draft Implementation Plans, prior to submission.
- Integrated Solution Delivery Plan (received from the Data Services Provider) has been authorised by the Licensee and submitted to Smart Metering Delivery Group.

IM3: Establishment of Service Design Authority

- Terms of Reference for the Service Design Authority have been agreed.
- First meeting of the Service Design Authority has been held and appropriate meeting notes are published promptly on the Licensee's Website.

IM4: Approval of the Test Strategy

- Test Strategy Product Descriptions have been produced by the Data Services Provider and been approved by the Licensee.
- Initial draft of the full Test Strategy has been produced by the Data Services Provider and been approved by the Licensee.
- Final Test Strategy has been produced by the Data Services Provider, approved by the Licensee, and is published promptly on the Licensee's Website.

IM5: Submission of DSP Interface Specifications

- The following documents have been produced and approved by the Licensee and been submitted to the Secretary of State in accordance with Schedule 5 to this Licence**:**

the Self-Service Interface Specification, the Registration Interface Specification, and the User Gateway Interface Specification.

- The Enterprise Systems (Billing / Reporting) Interface Specification has been reviewed and approved by the Licensee.

- The SMWAN Gateway Interface Specification has been reviewed and approved by the Licensee, in line with the Code of Connection and overall solution design.

IM6: Submission of the ICHIS

- Initial draft of the ICHIS (Intimate Communications Hub Interface Specification) has been approved by the Licensee.

- Consultation with SEC Parties on that initial draft has been completed by the Licensee and the comments received are published.

- ICHIS document has been finalised and an Authority to Proceed Notice has been issued by the Licensee to the Communication Service Providers.

- ICHIS has been approved by the Licensee and has been submitted to the Secretary of State in accordance with Schedule 5 to this Licence.

IM7: Approval of Service Management System

- A solution definition document for the Service Management System has been produced by the Data Services Provider and approved by the Licensee.

- The technical specification for the Service Management System has been produced by the Data Services Provider and approved by the Licensee.

- Service Management System Interface Specification has been reviewed and approved by the Licensee, in line with the Code of Connection and overall solution design.

- Pre-Integration Testing of the Service Management System has been completed and is approved by the Licensee.

IM8: DSP Ready for Systems Integration Testing with Licensee

- Phase Entry Criteria for the Systems Integration Testing of the DCC Systems have been achieved (with the exception of the billing system).

- Phase Entry Criteria for Systems Integration Testing of Industry Registration Systems have been achieved.

IM9: DSP and CSPs Ready for Systems Integration Testing

- Pre-Integration Test Phase Certificates have been issued by the Licensee.

- At least one Communication Services Provider has met the Phase Entry Criteria for the Systems Integration Testing as approved by the Licensee.

- The Data Services Provider is ready for Systems Integration Testing and the assessment of testing outcomes.

IM10: Completion of Systems Integration Testing

- Interfaces and Gateways between the Data Services Provider and the Licensee have been integrated successfully and comply with DSP obligations.
- Interfaces between the Data Services Provider and Industry Registration Systems have been integrated successfully.
- Test Stage Exit Criteria for non-functional testing for the Licensee and for the Industry Registration Systems have been achieved.
- UAT Test Stage Exit Criteria for the Licensee and for the Industry Registration Systems have been achieved.
- The Test Stage Certificate has been issued by the Licensee.

IM11: Completion of User Interface Testing

- User Interface Testing (Exit Criteria met) with Communication Services Providers for at least two Large Supplier Parties has been completed.
- The Test Stage Certificate has been issued by the Licensee.
- Final criteria for this IM11 have been completed and are approved by the SEC Panel.

IM12: Commencement of Initial Operational Services

- At least one Large Supplier Party has passed through the User Integration Testing in accordance with the IM11 criteria.
- The scope of "routine live operational services" has been agreed with the Data Services Provider and approved by the SEC Panel.
- The Licensee has approved the commencement of routine live operational services (by the DSP) within the area of at least one Communication Services Provider region.

IM13: Commencement of Initial Mass Rollout

- At least one Large Supplier Party has passed through User Integration Testing.

IM14: Completion of User Integration Testing

- Completion of the User Integration Testing Phase (with Stage Exit Criteria met) has been achieved (subject to UIT extension).
- Market Entry Phase Criteria have been established and are approved by the SEC Panel.

Part F: Variation of due dates and development of milestone criteria

3.5 On application by the Licensee in accordance with the provisions of paragraph 3.6 or paragraph 3.9 (as the case may be):

(a) any Implementation Due Date specified in Parts A to D of this Schedule; and

(b) any of the Implementation Milestone Criteria identified in paragraph 3.4 of this Schedule as subject to further definition and development,

may be varied or (as the case may be) may be further defined and developed pursuant to a direction given by the Secretary of State.

3.6 If the Licensee considers, that an application under paragraph 3.5 is needed because an Implementation Due Date should be varied, or because any of the Implementation Milestone Criteria identified in paragraph 3.3 should be further defined and developed, the Licensee must consult the SEC Panel and SEC Parties with respect to the matter and then, in making the application, must set out for the attention of the Secretary of State:

(a) a statement of the Licensee's proposal;

(b) a full description of the circumstances giving rise to the application;

(c) a fair and accurate summary of the comments received by the Licensee in the course of the consultations; and

(d) an explanation of how and to what extent (if any) the Licensee has taken account of such comments in establishing the proposal.

3.7 The Licensee must allow such period of time for consultations under paragraph 3.6 as is appropriate to the case, having particular regard, where applicable, to the urgency or complexity of the matter, or both.

3.8 A direction given under this Part F may be subject to such terms and conditions as the Secretary of State thinks are appropriate in all the circumstances of the case.

3.9 The Licensee will be under a duty to undertake:

(a) from the date on which Implementation Milestone 4 is reached, as soon as is reasonably practicable, a general review of all of the Implementation Due Dates and Implementation Criteria that remain in force in this Schedule 3 at that date;

(b) from any later date on which it is required to do so by the Secretary of State as soon as is reasonably practicable, a review of such of the Implementation Due Dates and Implementation Criteria as remain in force in this Schedule 3 at that date and are specified by the Secretary of State,

and (in either case) to make an application to the Secretary of State under paragraph 3.5 with respect to the findings of that review.

3.10 The Secretary of State's powers under this Part F, and the procedural requirements of paragraphs 3.6 and 3.7, will apply to any review undertaken and any application made by the Licensee pursuant to the requirements of paragraph 3.9.

Schedule 4: The Operational Performance Regime

Introduction

4.1 In accordance with Part C of Condition 38 (Determination of the BMP Adjustment), this Schedule 4 establishes the Operational Performance Regime under which the operational performance of the Licensee will be monitored against the four headings outlined below as SUM, SDM, DIM, and VMM.

4.2 The performance monitoring to which paragraph 4.1 refers is for the purposes of calculating the amount of each of the algebraic terms within the formula set out at paragraph 9 of Condition 38 that determines the value of the BMOPA term in Regulatory Year t.

Part A: Service User Measure (SUM)

SUM 1	see
SUM 2	Part E
SUM 3	below
SUM 4	

Part B: Service Delivery Measure (SDM)

SDM 1	see
SDM 2	Part E
SDM 3	below
SDM 4	

Part C: Development and Improvement Measure (DIM)

DIM 1	see
DIM 2	Part E
DIM 3	below
DIM 4	

Part D: Value for Money Measure (VMM)

VMM 1	see
VMM 2	Part E
VMM 3	below
VMM 4	

Part E: Interpretation

4.3 In accordance with paragraph 9 of Condition 38, this Schedule 4 is to be read for illustrative purposes only, pending the further development and populating of the above provisions by the Authority pursuant to and in accordance with paragraphs 10 and 11 of Condition 38.

Schedule 5. Matters associated with the grant of this Licence

Introduction

5.1 The purpose of this Schedule is to ensure that certain commitments that were made by the Licensee, and accepted by the Secretary of State, during or in connection with the Licence Application Process are recorded under this Licence in a form that is clear, unambiguous, and unqualified for purposes connected with the interpretation of this Licence and its application to the Licensee.

Part A: Statements of Intent made by the Licensee

5.2 Before this Licence came into force, the Licensee made certain commitments to the Secretary of State ("the Statements of Intent") during or in connection with the Licence Application Process about the Licensee's intentions with respect to certain matters relating to the exercise of its functions under or pursuant to this Licence.

5.3 The Licensee acknowledges that the Statements of Intent were specifically addressed to the Secretary of State and were relied upon by him when determining the grant of this Licence to the Licensee.

5.4 The Licensee now further acknowledges that, by virtue of their incorporation into this Schedule 5, each of the Statements of Intent as restated under and in accordance with Part B below is to be treated for all the purposes of this Licence as a Relevant Condition.

Part B: Restatement of the Statements of Intent

5.5 The Statements of Intent now restated under this Part B are as follows:

(a) Statements of Intent with respect to the Licensee's performance of certain commitments (as set out in Annexes 1 and 2 respectively);

(b) Statements of Intent with respect to the Licensee's procurement of specified functionality (as set out in Annexes 3 and 4 respectively); and

(c) Statements of Intent with respect to the Licensee's development of specified documents (as set out in Annexes 5 to 12 respectively).

5.6 Each of the annexes mentioned in paragraph 5.5 has effect as part of this Schedule.

Part C: Interpretation

5.7 For the purposes of this Schedule:

Relevant Condition has, for the purposes of enforcement, the meaning given to that term in section 28(8) of the 1986 Act and section 25(8) of the 1989 Act.

Statements of Intent has the meaning given to that term in paragraph 5.2.

5.8 Any term appearing in an annex to this Schedule that is not defined in Condition 1 (Definitions for the Conditions of this Licence) or in any other provision of this

Licence (including the relevant annex) is to be read subject to and in accordance with the meaning (or any elaboration or further explanation thereof) that is given to that term in the SEC. .

SCHEDULE 5 (continued) : ANNEXES 1 AND 2

Statements of Intent with respect to the Licensee's performance of certain commitments

Annex 1: Not Used

Annex 2: Independent Security Assessment Arrangements

Part A: The purpose of the arrangements

2A.1 The Licensee will, as soon as reasonably practicable after Licence Commencement Date, put in place and maintain Independent Security Assessment Arrangements for the purpose of procuring independent assessments of**:**

(a) all security risk assessments undertaken by the Licensee itself;

(b) the effectiveness and proportionality of the security controls that are in place to mitigate security risks; and

(c) the Licensee's compliance with, or its proposals to comply with**:**

(i) the requirements of Condition 8 (Security controls for the Authorised Business) of this Licence; and

(ii) such other security requirements as are applicable under the SEC.

Part B: Matters for which the arrangements must provide

2A.2 The Independent Security Assessment Arrangements to which Part A above refers are arrangements whereby the Licensee will**:**

(a) procure the services of a Competent Independent Organisation ("the CIO") that is able to undertake the security assessments that are required by that paragraph;

(b) ensure that the CIO performs such security assessments during the design and build of the Licensee's systems and throughout each of the Pre-Integration Testing, Systems Integration Testing, and User Integration Testing periods;

(c) consult with the SEC Panel on the scope of each such security assesssment before it is undertaken;

(d) obtain the approval of the SEC Panel for the proposed decision as to scope that arises from each such consultation;

(e) make each of the CIO's assessment reports arising from the above process available to the Secretary of State, the Authority, and the SEC Panel;

(f) if the assessment report identifies any material problems or recommendations concerning the Licensee's security controls or the assessment of security risk to which the Licensee is exposed, produce and implement a remediation plan in consultation with the SEC Panel; and

(g) provide the 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 Panel.

Part C: The Competent Independent Organisation

2A.3 For the purposes of Part B, a Competent Independent Organisation is a body that**:**

(a) is sufficiently independent of the interests of the Licensee;

(b) is recognised as being qualified to conduct information security assessments because it**:**

(i) employs one or more consultants who are members of the CESG Listed Adviser Scheme (CLAS), or any successor to that scheme, at the Lead or Senior Practitioner level for either the "Security & Information Risk Advisor" or "Information Assurance Auditor" role, or

(ii) is accredited under the CESG CHECK Scheme, or any successor to that scheme, or

(iii) is approved as a provider of CTAS (CESG Tailored Assurance Service) assessments, or any successor to that service, or

(iv) holds any other membership, accreditation, approval, or similar form of validation that is substantially equivalent in its status and effect to any one or more of the arrangements to which sub-paragraphs (i) to (iii) refer;

and

(c) has engaged as its lead auditor, for the purposes of any assessment carried out in accordance with the Independent Security Assessment Arrangements, an individual who is a member of CLAS, or of any successor to or equivalent of that scheme, at the Lead or Senior Practitioner level for either the "Security & Information Risk Advisor" or "Information Assurance Auditor" role,

and references above to "CESG" are references to the British government's National Technical Authority for Information Assurance.

SCHEDULE 5 (continued) : ANNEXES 3 AND 4

Statements of Intent with respect to the Licensee's procurement of functionality

Annex 3: Smart Metering Key Infrastructure Service

3A.1 The Licensee will, following consultation with SEC Parties, procure the provision of a Smart Metering Key Infrastructure Service ("SMKI Service") for purposes set out in the SEC that is able to support secure messaging from the beginning of the Systems Integration Testing period (or such later date as the Secretary of State may direct) and will subsequently be able to fully support the implementation of User Integration Testing.

3A.2 The SMKI Service comprises the provision by or on behalf of the Licensee to SEC Parties of a secure public key infrastructure consisting of a set of arrangements for controlling the creation, distribution, and management of public key Certificates and Bindings for use by SEC Parties and in devices forming part of Smart Metering Equipment for the purpose of ensuring, among other things, the authenticity, integrity, and non-repudiation of communications and data, and the confidentiality of information within them.

3A.3 The SMKI Service is an Other Enabling Service, such as is referred to in Part F of Condition 17 (Requirements for the provision of Services).

Annex 4: Parsing and Correlation Service

4A.1 The Licensee will, by not later than the beginning of Systems Integration Testing (or such later date as the Secretary of State may direct), and following consultation with SEC Parties, procure the implementation of a Parsing and Correlation Service.

4A.2 The Parsing and Correlation Service comprises the provision by or on behalf of the Licensee to SEC Parties of software that**:**

(a) is designed to enable them to convert communications that are received from the Licensee from one specified format into another; and

(b) will ensure the equivalence of communications that have been converted by the Licensee from one format into another,

in each case as may be further defined in the SEC.

4A.3 The Parsing and Correlation Service is an Other Enabling Service, as is referred to in Part F of Condition 17 (Requirements for the provision of Services).

SCHEDULE 5 (continued) : ANNEXES 5 TO 12

Statements of Intent with respect to the Licensee's development of documents

Annex 5: Procedure for Document Development

5A.1 The Licensee will carry out and comply with the requirements of the Procedure for Document Development in developing each of the documents that are specified in Annexes 6 to 12 below.

5A.2 The Procedure for Document Development is that**:**

(a) the Licensee must produce a draft of the relevant document by the date that is specified in the particular annex;

(b) in producing the document, the Licensee must consult appropriately with the persons specified in that annex;

(c) where disagreements with such persons arise about the proposed content of the document, the Licensee must seek to reach an agreed solution with them, but without prejudice to the particular purposes of the document;

(d) having complied with sub-paragraphs (a) to (c), the Licensee must submit the document in draft to the Secretary of State as soon as is practicable;

(e) in submitting a draft under sub-paragraph (d), the Licensee must indicate to the Secretary of State**:**

(i) why the Licensee considers the draft to be fit for purpose, and

(ii) any areas of disagreement that arose during the consultation process and that have not been resolved;

(f) the Licensee must comply with the requirements with respect to process and timeframe of any direction that is given by the Secretary of State to resubmit the document.

5A.3 A reference in an annex below to a numbered Implementation Milestone is a reference to the Implementation Milestone bearing that number as set out in Schedule 3 (The Implementation Performance Regime) to this Licence.

Annex 6: Message Mapping Catalogue

6A.1 The Licensee will, by not later than the date that is four months before the proposed commencement of Systems Integration Testing (or such later date as the Secretary of State may direct), and in consultation with SEC Parties, develop a Message Mapping Catalogue in accordance with the Procedure for Document Development.

6A.2 The Message Mapping Catalogue is a document that specifies the format into which messages that the Licensee sends across the DCC User Gateway to SEC Parties will be converted by the Parsing and Correlation Service to which Annex 4 refers.

Annex 7: Incident Management Policy

7A.1 The Licensee will, by not later than 30 June 2014 (or such later date as the Secretary of State may direct), and in consultation with SEC Parties, develop in accordance with the Procedure for Document Development an Incident Management Policy.

7A.2 The Incident Management Policy is the document that provides (in a manner that is consistent with the Incident Management Policy Standards) for the management of Incidents, including, in particular, provision for:

(a) the recording, assessment, categorisation, and prioritisation of Incidents;

(b) the allocation of responsibility for Incidents and the identification of persons who are to be kept informed regarding Incidents;

(c) the courses of action to be taken in seeking to resolve Incidents;

(d) the rules that are to apply for escalating Incidents, declaring Major Incidents or any Major Security Incidents, closing resolved Incidents, and reopening closed Incidents; and

(e) the business continuity and disaster recovery procedures that will apply with respect to the DCC Systems.

Annex 8: Error Handling Strategy

8A.1 The Licensee will, by not later than 30 June 2014 (or such later date as the Secretary of State may direct), and in consultation with SEC Parties, develop in accordance with the Procedure for Document Development an Error Handling Strategy.

8A.2 The Error Handling Strategy is the document that:

(a) defines the determination and classification of instances, within the DCC Systems, where a service request or the commands or responses related to it fail to provide the result expected from that type or category of service request; and

(b) sets out procedures to be followed and actions to be taken for the purposes of investigating and correcting such failures.

Annex 9: DCC User Gateway-related documents

9A.1 The Licensee will, by not later than the date on which Implementation Milestone 5 is intended to be reached under Schedule 3 to this Licence, or by not later than such variation of that date as may be permitted pursuant to paragraph 8 of Condition 38, and in consultation with SEC Parties, develop in accordance with the Procedure for Document Development:

(a) a DCC User Gateway Interface Specification; and

(b) a DCC User Gateway Code of Connection.

9A.2 The DCC User Gateway Interface Specification is the document that specifies the technical details of the DCC User Gateway, including the protocols and technical standards for message exchanges across it.

9A.3 The DCC User Gateway Code of Connection is the document that sets out the details of how a SEC Party's connection to the DCC User Gateway will operate.

Annex 10: Self-Service Interface-related documents

10A.1 The Licensee will, by not later than the date on which Implementation Milestone 5 is intended to be reached under Schedule 3 to this Licence, or by not later than such variation of that date as may be permitted pursuant to paragraph 8 of Condition 38, and in consultation with SEC Parties, develop in accordance with the Procedure for Document Development**:**

(a) a Self-Service Interface Design Specification; and

(b) a Self-Service Code of Connection.

10A.2 The Self-Service Interface Design Specification is the document that specifies technical details of the Self-Service Interface, including the protocols and technical standards that apply to the data available on it.

10A.3 The Self-Service Code of Connection is the document that sets out the procedure by which SEC Parties will be able to access the data available on the Self-Service Interface, including a description of how the mutual authentication and protection of communications will operate.

Annex 11: Registration Interface-related documents

11A.1 The Licensee will, by not later than the date on which Implementation Milestone 5 is intended to be reached under Schedule 3 to this Licence, or by not later than such variation of that date as may be permitted pursuant to paragraph 8 of Condition 38, and in consultation with SEC Parties and registration data providers (including such of the Central Registration Bodies mentioned in Condition 15 of this Licence (Incorporation, delivery and provision of the Centralised Registration Service) as are relevant for the purpose), develop in accordance with the Procedure for Document Development

(a) a Registration Interface Specification; and

(b) a Registration Code of Connection.

11A.2 The Registration Interface Specification comprises**:**

(a) a document with respect to Electricity Registration Data; and

(b) a document with respect to Gas Registration Data,

in each case specifying technical details of the Registration Interface, including the protocols and technical standards for message exchanges across it.

11A.3 The Registration Code of Connection comprises**:**

(a) a document with respect to Electricity Registration Data; and

(b) a document with respect to Gas Registration Data,

in each case setting out the details of how a person's connection to the registration Interface will operate.

Annex 12: Intimate Communications Hub Interface Specification

12A.1 The Licensee will, by not later than the date on which Implementation Milestone 6 is intended to be reached under Schedule 3 to this Licence, or by not later than such variation of that date as may be permitted pursuant to paragraph 8 of Condition 38, and in consultation with SEC Parties, develop in accordance with the Procedure for Document Development (as varied by paragraph 12A.4) an Intimate Communications Hub Interface Specification ("ICHIS") for publication on the Licensee's Website.

12A.2 The ICHIS is the document that describes the specification for the physical, electrical, and data interface between:

(a) the Communications Hub (which will incorporate the male components of the physical interface); and

(b) either:

(i) the Smart Meter, or

(ii) the Communications Hub Hot Shoe,

which will (in either case) incorporate the female components of the physical interface.

12A.3 The specification described by the ICHIS:

(a) must only require the use of such tangible and intangible property (including physical components and Intellectual Property Rights) as is readily available on a reasonable and non-discriminatory basis; and

(b) must be initially developed (and may only be amended) in accordance with such prototype development and testing as the Licensee reasonably thinks necessary to ensure that the ICHIS is fit for the purposes envisaged for it by the SEC.

12A.4 In complying with sub-paragraph (e) of the Procedure for Document Development, the Licensee must also inform the Secretary of State of the costs and expenses that are likely to arise as a result of the position that it proposes to adopt with respect to the ICHIS, including the costs and expenses that are likely to result from the proposed initial design and any subsequent necessary development of Smart Meters, Communications Hubs, and Communications Hub Hot Shoes.

12A.5 The maintenance of ICHIS by the Licensee, in a form that can be readily accessed and used by SEC Parties on a royalty-free basis (whether for the purposes of the SEC or otherwise), will be an Other Enabling Service, such as is referred to in Part F of Condition 17 (Requirements for the provision of Services).

Schedule 6: The Switching Incentive Regime

Introduction

6.1 In accordance with Part D2 of Condition 36 (Calculation of the CRS Performance Adjustment (CRSPA) term), this Schedule 6 establishes the Switching Incentive Regime

under which the operational performance of the Licensee will be monitored against the four headings outlined below as SIRSUM, SIRSDM, SIRDIM, and SIRVMM.

6.2 The performance monitoring to which paragraph 6.1 refers is for the purposes of calculating the amount of each of the algebraic terms within the formula set out in 36.10A that determines the value of the CRSPA term in Regulatory Year t.

Part A: Service User Measure (SIRSUM)

SIRSUM 1	see
SIRSUM 2	Part E
SIRSUM 3	below
SIRSUM 4	

Part B: Service Delivery Measure (SIRSDM)

SIRSDM 1	see
SIRSDM 2	Part E
SIRSDM 3	below
SIRSDM 4	

Part C: Development and Improvement Measure (SIRDIM)

SIRDIM 1	see
SIRDIM 2	Part E
SIRDIM 3	below
SIRDIM 4	

Part D: Value for Money Measure (SIRVMM)

SIRVMM 1	see
SIRVMM 2	Part E
SIRVMM 3	below
SIRVMM 4	

Part E: Interpretation

6.3 In accordance with 36.10B, this Schedule 6 is to be read for illustrative purposes only, pending the further development and populating of the above provisions by the Authority pursuant to and in accordance with paragraphs 36.10B and 36.10C.

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