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SECTION N: CLEARING, INVOICING & PAYMENT

1. INTRODUCTION

1.1 General

1.1.1 This Section N sets out:

(a) the means by which the BSC Clearer will receive from, or pay to, each Payment Party an amount in respect of Trading Charges and Reconciliation Charges on each Payment Date;

(b) data requirements of, and procedures to be followed by, the FAA in order to determine and notify to Payment Parties the amounts payable by them in respect of Trading Charges and Reconciliation Charges;

(c) procedures for the FAA and Payment Parties to facilitate and make payments in respect of Trading Charges and Reconciliation Charges;

(d) the obligations of Payment Parties and the BSC Clearer to make payments in respect of Trading Charges and Reconciliation Charges, and consequences of any of them failing to make such payment; and

(e) the basis on which amounts paid in respect of Trading Charges and Reconciliation Charges, and on which Credit Cover provided in accordance with Section M, will be held by the BSC Clearer.

1.1.2 For the avoidance of doubt, this Section N applies in relation to Trading Charges, Reconciliation Charges and other payments due from Parties pursuant to this Section N only and not to any BSCCo Charges or other payments due from Parties pursuant to the Code.

2. CLEARING ARRANGEMENTS

2.1 General

2.1.1 In this paragraph 2:

(a) references to a Party are to an Imbalance Party or the NETSO and do not include the BSC Clearer; and

(b) references to a Defaulting Party are to a Party in relation to whom:

(i) a Default within Section H3.1.1 (g) has occurred;

(ii) a notice within Section H3.2.1(f) has been received by the FAA on behalf of the BSC Clearer; or

(iii) a Default within Section H3.1.1 (h) has occurred.

2.2 The BSC Clearer as counter party to each Party

2.2.1 Each Party shall be entitled to receive from the BSC Clearer (and not from any other Party), and shall be obliged to pay to the BSC Clearer (and not to any other Party), amounts (pursuant to the Code) in respect of Trading Charges and Reconciliation Charges (determined pursuant

to paragraphs 2.8.2 and 6.4.2 and including Ad-hoc Trading Charges in accordance with paragraph 6.9.1(b)) and the BSC Clearer shall be correspondingly obliged and entitled.

2.2.2 The BSC Clearer's obligations to pay amounts in respect of Trading Charges and Reconciliation Charges (determined pursuant to paragraphs 2.8.2 and 6.4.2 and including Ad-hoc Trading Charges in accordance with paragraph 6.9.1(b)) shall be subject to the provisions of paragraphs 2.4 to 2.7 (inclusive).

2.3 Determination of payments for Trading Charges

2.3.1 The obligation to pay an amount in respect of Trading Charges for a Settlement Day shall be calculated in accordance with Section T so that there is one obligation to pay an amount (if any) in respect of those Trading Charges.

2.4 Payment netting

2.4.1 If, on any Business Day, amounts in respect of Trading Charges (determined in accordance with paragraph 2.3 and, where applicable, paragraph 6.10), amounts in respect of Reconciliation Charges (determined in accordance with paragraphs 2.8.2 and 6.4.2 and including Ad-hoc Trading Charges in accordance with paragraph 6.9.1(b)) and amounts in respect of interest (determined in accordance with paragraph 4.6.3) would otherwise be payable by each of a Party and the BSC Clearer to the other, then the obligations to make payment of such amounts will automatically be cancelled and replaced by a single obligation upon the Party or the BSC Clearer (as the case may be) who would have had to pay the larger aggregate amount to pay the net amount (if any) to the other.

2.5 Conditions for payment by the BSC Clearer

2.5.1 Subject to paragraph 2.5.2 and 2.5.6, a Party shall be entitled to payment from the BSC Clearer on a Business Day if, and only if, on that Business Day there is no Amount in Default (as defined in paragraph 9.1(a)) due and payable by that Party to the BSC Clearer and not paid or recovered (within the meaning of paragraph 9.3.1) and so long as an Amount in Default, or any part of it, remains owing to the BSC Clearer, that Party will not request, demand or claim to be entitled to payment by the BSC Clearer.

2.5.2 Subject to paragraph 2.5.4 and paragraph 2.5.5 as the case may be, a Defaulting Party shall be entitled to payment from the BSC Clearer if, and only if, all amounts, liabilities and other obligations due, owing, incurred or payable by that Defaulting Party to the BSC Clearer, whether those liabilities or obligations are actual or contingent, present or future, joint or several (including, without limitation, all interest (after as well as before judgment) and expenses) have been paid or recovered and until that time the Defaulting Party will not request, demand or claim to be entitled to payment by the BSC Clearer.

2.5.3 The FAA on behalf of the BSC Clearer shall credit to the Reserve Account amounts due and payable to a Defaulting Party which:

(a) are unpaid pursuant to paragraph 2.5.1 and are not set off under paragraph 2.6; or

(b) are unpaid pursuant to paragraph 2.5.6,

and while any such amount is credited to the Reserve Account, it shall form part of the relevant Party's Credit Cover and may be applied by the FAA on behalf of the BSC Clearer in accordance with this Section N.

2.5.4 Where at any time a Defaulting Party:

(i) is in Default solely by virtue of Section H3.1.1 (g);

(ii) has given a Withdrawal Notice pursuant to Section A5.1 that continues to be effective; and

(iii) is not prevented from withdrawing from the Code or from ceasing to be a Party to the Framework Agreement by virtue of Section A5.1.3;

then references to amounts, liabilities and other obligations of such Defaulting Party in paragraph 2.5.2 shall not include amounts, liabilities and obligations of a contingent nature.

2.5.5 Where at any time BSCCo~~the Panel~~ has determined in accordance with section M2.3A that an Imbalance Party is entitled to:

(a) a reduction in the amount of a Letter of Credit provided by the Imbalance Party, and/or

(b) a withdrawal of cash deposited by the Imbalance Party

then references to amounts, liabilities and other obligations of such Imbalance Party in paragraph 2.5.2 shall not include amounts, liabilities and obligations of a contingent nature.

2.5.6 Where the right of a Defaulting Party to receive payment has been suspended under Section H3.2.2(h), no amount becoming due and payable (pursuant to this Section N) to such Defaulting Party shall be paid by the BSC Clearer to such Defaulting Party (or to any person to whom the Defaulting Party may have assigned or transferred any of its rights pursuant to the Code).

2.6 Set-off

2.6.1 If on any Business Day an amount is due and would but for paragraph 2.5 have been payable from the BSC Clearer to a Party, but before that Business Day there was due from that Party an Amount in Default (as defined in paragraph 9.1(a)) which has not been paid or recovered (within the meaning of paragraph 9.3.1) then notwithstanding paragraph 2.5, the amount owing by the BSC Clearer shall be automatically and unconditionally set off against the Amount(s) in Default.

2.6.2 If in respect of any Non-paying BSC Debtor there is more than one Amount in Default, then any amount due and payable from the BSC Clearer shall be set off against the Amounts in Default in the order in which they originally became due and payable.

2.7 Liability of the BSC Clearer

2.7.1 The liability of the BSC Clearer to make payments on a Business Day under the Code shall be limited so that the aggregate of such payments (excluding the amount (if any) by which each such payment has been increased on account of VAT) does not exceed the aggregate amount of payments (excluding the amount (if any) by which each such payment has been increased on account of VAT) that has been paid to or recovered (within the meaning of paragraph 9.3.1) by the BSC Clearer:

(a) from Parties (including by way of realisation of Credit Cover in accordance with paragraph 9), in respect of that Business Day; and

(b) by way of a Drawing, but only where this Section N provides for such a Drawing to be made, and without prejudice to the further payment obligations of Parties arising following any such Drawing;

and each Party irrevocably and unconditionally releases the BSC Clearer from any other liability in respect of that Business Day other than as provided in this paragraph 2.7.1 and paragraph 2.7.2(b).

2.7.2 Where in relation to any Business Day, the aggregate amount that the BSC Clearer pays to Parties is less than the amount to which those Parties would, but for the operation of paragraph 2.7.1, have been entitled:

(a) the provisions of paragraph 9 shall apply; and

(b) if and to the extent that, after the required time on the Business Day, the BSC Clearer is paid and recovers (within the meaning of paragraph 9.3.1) amounts from any BSC Debtor, the BSC Clearer shall to the extent of such receipts make payments (to certain Parties and/or the BSC Banker) in accordance with the provisions of paragraph 9.

2.7.3 Any amounts in respect of VAT that the BSC Clearer is required to pay to Parties on a Business Day under the Code shall be funded:

(a) by amounts that it receives in respect of VAT from Parties under the Code on that Business Day; and

(b) by way of a Drawing, but:

(i) only where this Section N provides for such a Drawing to be made;

(ii) without prejudice to the further payment obligations of Parties arising following any such Drawing; and

(iii) only to the extent that the amount of such a Drawing represents the part of the Amount in Default that is attributable to VAT;

and where such amounts are insufficient BSCCo shall, in advance in accordance with paragraph 7.1.4 or, where such amount is insufficient due to the occurrence of an Amount in Default, as soon as reasonably practicable, fund the excess provided that the BSC Clearer shall only be required to pay that excess as and when it receives such funding from BSCCo.

2.8 Trading Disputes

2.8.1 For the avoidance of doubt, nothing in this paragraph 2 shall prevent a Party from raising Trading Disputes.

2.8.2 It is acknowledged and agreed that, where any dispute or difference arises under the Code as to any amount paid or payable by any Party by way of Trading Charge:

(a) where such dispute or difference is resolved, any necessary payments or adjustments required in order to give effect to such resolution (including any arbitral award) shall be effected (and may be given full effect) by way of Reconciliation Settlement Run, giving rise to new Reconciliation Charges, or by way of Ad-hoc Trading Charges under paragraph 6.9.1(a)(ii); and

(b) it is not necessary (in order to enable such dispute or difference to be resolved) for the BSC Clearer to participate in any Trading Dispute under Section W, or to be party to any arbitration pursuant to Section H7;

and accordingly no Party shall commence any proceedings against the BSC Clearer in relation to any such dispute or difference or seek to join or involve the BSC Clearer in any such proceedings.

2.8.3 If, notwithstanding paragraph 2.8.2, a Party commences proceedings against the BSC Clearer:

(a) all costs of the BSC Clearer shall be paid by BSCCo; and

(b) any award against the BSC Clearer shall be paid by BSCCo unless the terms of the award are to the effect that other Parties should pay or be liable for the award in which case such other Parties shall indemnify the BSC Clearer accordingly.

2.9 Assignment

2.9.1 Subject to the provisions of paragraphs 2.4 to 2.7 (inclusive), nothing in this paragraph 2 shall prevent Parties from assigning by way of security only any or all of their rights to receive from the BSC Clearer amounts determined in accordance with this paragraph 2 or in accordance with any other provision of this Section N.

3. PAYMENT CALENDAR

3.1 Content

3.1.1 No later than 31st January in each year the FAA shall:

(a) determine, in accordance with the requirements in paragraph 3.2 and BSCP301 and subject to approval of BSCCo, the following dates:

(i) the Initial Payment Date; and

(ii) the Initial Notification Date;

for each such Settlement Day in the next following BSC Year, and

(iii) the Payment Date for each Timetabled Reconciliation Settlement Run; and

(iv) the Notification Date for each Timetabled Reconciliation Settlement Run,

where the Payment Date is between the earliest and the latest Initial Payment Dates identified in (i) above; and

(b) prepare or cause to be prepared a Payment Calendar showing (for each such Settlement Day) such dates.

3.2 Requirements

3.2.1 The following requirements shall apply to each Payment Calendar:

(a) as an average over the entire BSC Year to which the Payment Calendar relates, each Initial Payment Date shall fall, as nearly as practicable, twenty nine days after the Settlement Day to which it relates;

(b) each Initial Payment Date shall fall as nearly as practicable to the twenty ninth day after the Settlement Day to which it relates;

(c) each Payment Date and each Notification Date shall fall on a Business Day;

(d) no Payment Date shall fall fewer than three Business Days after the relevant Notification Date; and

(e) if possible, it shall not give rise to a requirement for more than fifteen Timetabled Reconciliation and/or Initial Settlement Runs on any day.

3.3 Production

3.3.1 The Payment Calendar shall be in such form as BSCCo~~the Panel~~ shall from time to time decide.

3.3.2 The FAA shall distribute any Payment Calendar prepared pursuant to this paragraph 3 promptly to BSCCo, the SAA and each Payment Party; and shall send the prevailing Payment Calendar to any Party upon its becoming an Imbalance Party.

4. BANKING ARRANGEMENTS

4.1 Establishment of Accounts

4.1.1 The FAA shall establish and operate on behalf of the BSC Clearer the following accounts (each a "**BSC Account**") in the name of the BSC Clearer:

(a) a Clearing Account with the BSC Banker to and from which all payments determined in accordance with this Section N are to be made;

(b) a Collection Account to which payments from Trading Parties are made;

(c) a Reserve Account with the BSC Banker to which all Cash Cover, proceeds of Letters of Credit, surplus payments received from Payment Parties pursuant to paragraph 7 and other amounts specified in this Section N shall be credited or debited;

(d) a Borrowing Account with the BSC Banker on which the FAA on behalf of the BSC Clearer may make permitted Drawings or to cover payments due from Payment Parties that are below the Invoice Threshold Limit during an Invoice Period; and

(e) any other account that the FAA (with the prior written consent of BSCCo) considers desirable to enable the BSC Clearer to perform any obligations imposed on it by this Section N.

For the avoidance of doubt the Clearing Account and Collection Account referred to in 4.1.1(a) and 4.1.1 (b) above can be one and same account.

4.1.2 The FAA shall also establish on behalf of the BSC Clearer the means by which to facilitate and manage the transfer of Reserve Account monies between the Reserve Account and an Investment Account(s).

4.2. Funds Transfer Agreement

4.2.1 Not later than the date required by paragraph 4.2.3, the BSC Clearer and the FAA shall enter into a funds transfer agreement, in a form approved by BSCCo~~the Panel~~, with a bank (the "**BSC Banker**") approved by BSCCo~~the Panel~~, which shall set out the accounts opened in the name of the BSC Clearer and the basis on which the FAA shall operate them.

4.2.2 Neither the BSC Clearer nor the FAA may amend or terminate the Funds Transfer Agreement without the approval of the BSCCo~~Panel~~.

4.2.3 If BSCCo~~the Panel~~ has approved the termination of any existing Funds Transfer Agreement, the required date is ten Business Days before such termination.

4.3 Settlement Account

4.3.1 Each Payment Party shall, unless otherwise agreed by BSCCo~~the Panel~~, at all times maintain a Settlement Account at a Settlement Bank.

4.3.2 Each Payment Party shall also supply to the FAA and BSCCo~~the Panel~~ such information or (as the case may be) further information concerning its Settlement Account as BSCCo~~the Panel~~ or the FAA reasonably requests.

4.3.3 Each Payment Party may change its Settlement Account at any time by delivering the duly noted form in accordance with BSCP301.

4.4 Not Used

4.5 Not Used

4.6 Reserve Account

4.6.1 Where an Imbalance Party provides Credit Cover by delivering cash (as contemplated by Section M) that Cash Cover shall be:

(a) credited to the Reserve Account (an account in the name of the BSC Clearer);

(b) the absolute property of the BSC Clearer (and the relevant Imbalance Party shall have no beneficial or other interest in the Cash Cover); and

(c) a limited recourse loan to the BSC Clearer which is repayable only in the circumstances set out in paragraph 4.6.3 and subject to the provisions of this Section N.

4.6.2 The purpose of the Cash Cover is to ensure that, on a continuing basis and for so long as the Imbalance Party is not a Discontinuing Party, the BSC Clearer is a debtor to the relevant Imbalance Party and in calculating the amounts due either from the BSC Clearer to the Imbalance Party or from the Imbalance Party to the BSC Clearer in accordance with this Section N, the amount of the Cash Cover shall be ignored.

4.6.3 The FAA on behalf of the BSC Clearer shall pay or repay the following amounts at the times indicated from the Reserve Account to each Payment Party:

(a) (subject to paragraph 4.6.6) quarterly the amount of interest referred to in paragraph 4.6.4;

(b) an amount requested in accordance with Section M2.3; and

(c) if that Payment Party is a Discontinuing Party (as defined in Section A), on the Discontinuance Date the cash paid by or on behalf of that Discontinuing Party credited to the Reserve Account and not subsequently withdrawn or repaid in accordance with this Section N.

4.6.4 The amount of interest is:

(a) an amount equal to interest from time to time received which is proportionate to the amount of monies deposited by the Payment Party from time to time in the Reserve Account; and

(b) credited to the Reserve Account and not subsequently withdrawn, repaid or set off in accordance with this Section N.

4.6.5 The BSC Clearer's obligation to repay amounts under this paragraph 4.6 shall be subject to the provisions of paragraphs 2.4 to 2.6 (inclusive).

4.6.6 While any interest is credited to the Reserve Account, it shall be deemed to form part of the relevant Party's Credit Cover for the purposes of this Section N only (and not for the purposes of Section M2.1.3 or any other section of the Code) and may be applied by the FAA on behalf of the BSC Clearer in accordance with this Section N.

4.6.7 Each Payment Party waives any right and agrees not to make any claim it might otherwise have to set off against any obligation owing to the BSC Clearer any claims such Payment Party may have to repayment of moneys paid to the BSC Clearer and credited to the Reserve Account.

4.7 Not Used

4.8 Not Used

4.9 Credit Facility

4.9.1 The BSC Clearer shall enter into a facility agreement, in a form approved by BSCCo~~the Panel~~, with the BSC Banker pursuant to which the BSC Banker shall make available to the BSC Clearer not later than the date required by paragraph 4.9.2 a facility of a maximum aggregate principal amount outstanding of four million pounds sterling (£4,000,000) or such other amount (but subject to a maximum amount of ten million pounds sterling (£10,000,000)) approved by BSCCo~~the Panel~~ from time to time for the purpose set out in paragraph 4.9.3 below.

4.9.2 If an existing Credit Facility will not be extended or renewed, the required date shall be upon the expiry of that Credit Facility.

4.9.3 The purpose of the Credit Facility is to cover banking and payment errors and short-term payment defaults and to minimise the need to use Credit Cover provided by Payment Parties in accordance with this Section N and the Credit Facility shall not be used for any other purpose.

4.9.4 All fees and expenses properly due from the BSC Clearer to the BSC Banker (including any additional amounts payable to the BSC Banker under the terms of the Credit Facility which the FAA on behalf of the BSC Clearer has not been able to pay after acting in accordance with paragraph 9) shall be paid by BSCCo on behalf of the BSC Clearer on the date the fees or expenses are payable to the BSC Banker.

4.9.5 The FAA on behalf of the BSC Clearer shall notify BSCCo and all Payment Parties of, and any changes in, the interest rate notified by the BSC Banker under the Credit Facility to it from time to time.

4.9.6 The FAA on behalf of the BSC Clearer shall:

(a) notify BSCCo forthwith on:

(i) becoming aware of any circumstances which may lead to the BSC Banker withdrawing the Credit Facility;

(ii) receiving a written demand from the BSC Banker as a result of which the Credit Facility ceases to become available;

(iii) receiving notice from the BSC Banker that it requires any additional amount to be paid to it as a result of any change in circumstances or any increased costs; and

(b) notify all Payment Parties as soon as reasonably practicable after receiving notice from the BSC Banker that it requires any additional amount to be paid to it as a result of any change in circumstances or any increased costs.

4.9.7 Neither the BSC Clearer nor the FAA may amend, supplement or cancel the Credit Facility without the prior approval of BSCCo~~the Panel~~.

4.9.8 The FAA on behalf of the BSC Clearer shall:

(a) not earlier than one month before the expiry of the Credit Facility, negotiate with the BSC Banker to extend or renew the Credit Facility on substantially the same terms for a further year, and keep BSCCo~~the Panel~~ informed of the progress of these negotiations; and

(b) subject to the approval of BSCCo~~the Panel~~, extend or renew the Credit Facility on the terms so negotiated.

4.10 Treasury Policy and investment of Reserve Account monies

4.10.1 BSCCo may from time to time, and in accordance with the Treasury Policy, direct the FAA in writing to transfer certain monies between the Reserve Account and an Investment Account.

4.10.2 BSCCo shall notify the Parties in the event the Board amends the Treasury Policy. If there is any amendment to the Treasury Policy, such amendment shall not take effect until at least fifteen Business Days after BSCCo has issued notification to the Parties of the amendment.

4.10.3 The Treasury Policy shall be made available to Parties upon request.

5. TAXATION

5.1 Tax Agreements

5.1.1 Each Payment Party agrees that it will be bound by any agreement made (whether before or after the entry into force of the Code) between the BSC Clearer (or BSCCo on its behalf) and any tax authority as to the treatment for taxation purposes of obligations to pay amounts

(pursuant to the Code) in respect of Trading Charges between the BSC Clearer and any Payment Party.

5.1.2 Each Payment Party further undertakes that it will not act in any way prejudicial to such agreement, including acting on the basis of, assuming, seeking or making any application or request to any tax authority for, any conflicting treatment.

5.1.3 BSCCo on behalf of the BSC Clearer shall ensure that details of each such agreement as is referred to in this paragraph 5.1 are provided to each Payment Party upon its becoming a Party and upon any change in such agreement.

5.2 Withholdings on account of taxation

5.2.1 The FAA on behalf of the BSC Clearer and any BSC Debtor shall deduct from all payments made by or through it under this Section N any deductions (including withholdings) as are required by law and any such agreement as is referred to in paragraph 5.1.

5.2.2 Such deduction shall be the minimum amount required by law and any such agreement as is referred to in paragraph 5.1.

5.2.3 If any such deductions are made, the FAA on behalf of the BSC Clearer or the relevant BSC Debtor (as the case may be) shall take such further actions as are required by law and any such agreement as is referred to in paragraph 5.1, including making payments and returns to the tax authorities and promptly issuing certificates.

5.3 Taxation of BSC Clearer

5.3.1 Subject to this paragraph 5, if at any time and for any reason the BSC Clearer has an obligation to account for any taxation to any taxation authority, where it has no equivalent credit then available to it but the FAA reasonably believes that such a credit will be receivable from such taxation authority in the future, the FAA on behalf of the BSC Clearer shall borrow the required amount from BSCCo, and BSCCo shall lend such amount, on such terms (if any) as BSCCo may decide, and the FAA on behalf of the BSC Clearer shall repay that amount upon receipt of the equivalent credit from the taxation authority.

5.4 Value Added Tax

5.4.1 Each Party shall, for the purposes of enabling the BSC Clearer to charge and pay the correct amounts in respect of VAT and of enabling BSCCo to account for the correct amounts of VAT, notify BSCCo in accordance with BSCP301 such information about that Party relating to VAT as BSCCo requests.

5.4.2 Each Party shall notify BSCCo (in accordance with BSCP301) as soon as it has actual knowledge that any information which it has given to BSCCo in accordance with paragraph 5.4.1 may change, will change or has changed.

5.4.3 The BSC Clearer, BSCCo and the Parties shall and shall be entitled to charge amounts in respect of VAT in accordance with any agreement referred to in paragraph 5.1.1, on the following basis, subject to paragraph 5.4.4:

(i) if a Party has not notified BSCCo to the contrary in accordance with paragraphs 5.4.1 or 5.4.2, that the address (the "**Relevant VAT Address**") of such Party's relevant business or fixed establishment (within the meaning of Part 3 of The Value Added Tax (Place of Supply of Goods) Order 2004 as amended by The Value Added Tax (Miscellaneous Amendments and Revocations) (EU Exit) Regulations 2019is in the United Kingdom;

(ii) if a Party has not notified BSCCo to the contrary in accordance with paragraphs 5.4.1 or 5.4.2, that such Party has not been issued with an individual identification number by the Member State where its Relevant VAT Address is located; and

(iii) if a Party has notified BSCCo in accordance with either paragraphs 5.4.1 and 5.4.2, that the information contained in the latest such notification is correct.

5.4.4 If in a particular case BSCCo and/or the BSC Clearer reasonably believe that any of the assumptions referred to in paragraphs 5.4.3(i), (ii) or (iii) is incorrect, they shall be entitled but not obliged to charge amounts in respect of VAT on the basis of that belief.

5.4.5 If, in relation to a payment made to BSC Clearer or BSCCo by a Party, that payment has not been increased on account of VAT, for reasons including but not limited to that Party's Relevant VAT Address not being located in the United Kingdom or the Isle of Man, that Party shall (by way of increasing that payment but subject to paragraph 5.4.7) indemnify BSCCo and BSC Clearer in respect of:

(a) any VAT (including interest and penalties) which BSCCo or BSC Clearer becomes liable to pay; and

(b) any reduction in the amount of VAT which BSCCo or BSC Clearer is entitled to recover;

arising because that payment constituted the consideration for a taxable or deemed taxable supply (as such terms are used in the Value Added Tax Act 1994 ("**VATA 1994**")).

5.4.6 If, in relation to a payment made to a Party by BSC Clearer or BSCCo, that payment has been increased on account of VAT, for reasons including but not limited to that Party's Relevant VAT Address being located in the United Kingdom or the Isle of Man, that Party shall (subject to paragraph 5.4.7) indemnify BSCCo to the extent that BSCCo and BSC Clearer are not entitled to a credit for input tax for the increased part of that payment because that payment did not constitute the consideration for a taxable or deemed taxable supply (as such terms are used in VATA 1994).

5.4.7 Paragraphs 5.4.5 and 5.4.6 shall not apply to the extent that BSC Clearer or BSCCo has been compensated by, in the case of paragraph 5.4.5, an increase to the relevant payment, or, in the case of paragraph 5.4.6, a rebate of the relevant payment.

5.4.8 Any part of the Code providing that an amount that is payable should be increased by an amount in respect of VAT, or should otherwise be paid with an amount attributable to VAT or in respect of VAT, shall not apply to amounts constituting consideration for a taxable or deemed taxable supply (as such terms are used in VATA 1994) where the VAT is payable by the recipient of that supply (or any person that is treated as the recipient in accordance with any agreement referred to in paragraph 5.1.1) by way of the reverse charge mechanism.

5.4.9 The FAA shall retain and, on request, grant BSCCo access to the following documents for such period as may be required by law:

(a) sufficient information to allow it to comply with its obligations under applicable VAT legislation; and

(b) copies of all VAT invoices (or other documents that H.M. Customs & Excise have agreed to treat as VAT invoices) for taxable or deemed taxable supplies (as such terms are used in VATA 1994) made to BSCCo.

6. CALCULATION OF PAYMENTS

6.1 Settlement Runs

6.1.1 In relation to each Settlement Day, following each Settlement Run, the information referred to in paragraphs 6.1.2 to 6.1.4 (inclusive) concerning Trading Charges in respect of Settlement Periods in that Settlement Day is to be submitted in accordance with any timings specified in BSCP301 on the relevant Notification Date by the SAA to the FAA.

6.1.2 The following information is to be submitted in relation to each Settlement Run:

(a) the Settlement Day; and

(b) whether the Settlement Run is an Initial Settlement Run, Timetabled Reconciliation Settlement Run or Post-Final Settlement Run.

6.1.3 The following information (subject to paragraph 6.1.5) is to be submitted for each Imbalance Party:

(a) the identity of the Imbalance Party;

(b) the amount (exclusive of VAT) calculated for the Settlement Day in respect of each of the following Trading Charges separately:

(i) the Daily Party BM Unit Cashflow;

(ii) the Daily Party Non-Delivery Charge;

(iii) the Daily Party Energy Imbalance Cashflow;

(iv) the Daily Party Information Imbalance Charges;

(v) the Daily Party Residual Settlement Cashflow;

(vi) the Daily Party RR Instruction Deviation Cashflow;

(vii) the Daily Party RR Cashflow;

(viii) the Daily Virtual Lead Party Compensation Cashflow;

(ix) the Daily Supplier Compensation Cashflow; and

(x) the Daily Direct Compensation Cashflow.

(c) the net credit or debit amount (exclusive of VAT) for the Settlement Day for all Trading Charges under paragraph (b) for that Imbalance Party.

6.1.4 The following information (subject to paragraph 6.1.5) is to be submitted in relation to the NETSO: the Daily System Operator Cashflow which shall be a single credit or debit amount (exclusive of VAT) for the Settlement Day.

6.1.5 In relation to any Reconciliation Settlement Run, the amounts referred to in paragraphs 6.1.3 and 6.1.4 are to be determined as though it were the first Settlement Run to be carried out in relation to the relevant Settlement Day, and so disregarding any payments which may on any prior Payment Date have been paid or payable in respect of the relevant Settlement Day.

6.1.6 For the purposes of this Section N, in relation to any Settlement Day and Notification Date, the amount (in relation to an Imbalance Party) under paragraph 6.1.3(c) and the amount (in relation to the NETSO) under paragraph 6.1.4 is the "**Trading Charges Amount**".

6.2 Validation by FAA

6.2.1 Upon receipt of the information supplied by the SAA, the FAA shall determine whether, on the basis of such information:

(a) the aggregate of the debit Trading Charges Amounts (excluding any amounts attributable to VAT) for all Payment Parties for the relevant Settlement Day (the "**total debits**") is equal to

(b) the aggregate of the credit Trading Charges Amounts (excluding any amounts attributable to VAT) for all Payment Parties for the relevant Settlement Day (the "**total credits**").

6.2.2 If the difference between the total debits and the total credits is less than the amount stipulated in sterling in accordance with BSCP301 , such information is "**valid**".

6.2.3 If the information is valid and there is a difference between the total debits and the total credits, the FAA shall account for such difference by adjusting the Daily Party Residual Settlement Cashflow and the Trading Charges Amount for the Imbalance Party with the largest absolute Trading Charges Amount for the relevant Settlement Day by the amount of such difference and references to "**Trading Charges Amounts**" in paragraphs 6.4, 6.5, and 7 below are to Trading Charges Amounts so adjusted.

6.3 Rectification of errors

6.3.1 If the FAA determines that the information provided by the SAA is not valid in accordance with paragraph 6.2, it shall as soon as possible notify the SAA accordingly, but if the FAA has not so notified the SAA by the close of business on the Notification Date, the SAA may assume that FAA has determined that the information is valid in accordance with paragraph 6.2.

6.3.2 Upon receiving a notice under paragraph 6.3.1, the SAA will use its best endeavours promptly to provide corrected information as may be necessary for the FAA to determine whether the corrected information is valid and to enable it to issue Invoices in accordance with paragraph 7.

6.4 Reconciliation

6.4.1 Upon receipt of the information supplied by the SAA in a Reconciliation Settlement Run, the FAA shall calculate, on the basis of such information, for each Payment Party, the difference (if any) between:

(a) the debit or credit Trading Charges Amount calculated in that Reconciliation Settlement Run for that Payment Party;

and

(b) either:

(i) the debit or credit Trading Charges Amount calculated for that Payment Party in the Initial Settlement Run for the same Settlement Day; or

(ii) (if a Reconciliation Settlement Run has already been carried out in respect of that Settlement Day) the debit or credit Trading Charges Amount calculated for that Payment Party in the most recent Reconciliation Settlement Run previously carried out for that Settlement Day (other than a Reconciliation Settlement Run not used to calculate Reconciliation Charges in accordance with paragraph 6.6.3).

6.4.2 Subject to paragraph 5, each Payment Party shall following each Reconciliation Settlement Run be liable to pay to, or (as the case may be) entitled to receive from, the BSC Clearer an amount calculated as being:

(a) the amount of the difference determined under paragraph 6.4.1; plus

(b) interest, calculated on a compound basis in accordance with paragraph 6.4.2A ("the interest amount") on the amount of such difference.

6.4.2A The interest amount shall be calculated in respect of the period from (and including) the Payment Date relating to the Initial Settlement Run to (but not including) the relevant Reconciliation Payment Date by applying the Base Rate:

(a) as prevailing at 00:00 hours on the relevant day on a daily basis to the amount of such compounded difference up to (but not including) the Invoice Date; and

(b) as prevailing at 00:00 hours on the Invoice Date on a daily basis to the amount of such compounded difference up to (but not including) the relevant Reconciliation Payment Date.

6.4.3 The amount determined, for a Payment Party and Reconciliation Settlement Run, pursuant to paragraph 6.4.2 shall be a "**Reconciliation Charge**".

6.4.4 It is hereby acknowledged and agreed that the obligations of Payment Parties and the BSC Clearer under paragraphs 2.8.2 (a) and 6.4.2 are new obligations to pay an amount by way of Trading Charge and not an adjustment or amendment of any existing obligation and those obligations are subject to the provisions of paragraphs 2.4 to 2.7 (inclusive).

6.5 Amounts in Invoices

6.5.1 If the information supplied by the SAA is valid, the amounts to be incorporated in Invoices in accordance with paragraph 7.1:

(a) in relation to an Initial Settlement Run, shall be the Trading Charges Amounts; and

(b) in relation to a Reconciliation Settlement Run, shall be the Reconciliation Charges

together with an amount in respect of applicable VAT on the amount payable.

6.6 Postponed Payments

6.6.1 If no information is received by the FAA in respect of a Settlement Run on a Notification Date or for any reason it is not possible, after application of paragraph 6.3, for the FAA to determine by the close of business on the Notification Date the amounts to be incorporated in the Invoices:

(a) the Payment Date shall be postponed so that it falls on the second Business Day (or such later day as BSCCo~~the Panel~~ shall from time to time decide upon request of the FAA) after the day on which the FAA receives and/or validates the information provided by the SAA pursuant to paragraph 6.2;

(b) the FAA shall inform ~~the Panel,~~ BSCCo, the SAA and each Payment Party:

(i) upon the Notification Date, of such postponement; and

(ii) promptly upon validating such information, of the postponed Payment Date;

(c) such postponed date shall be a "**Postponed Payment Date**", and a reference to a Payment Date in this Section N shall, unless the context otherwise requires, include a Postponed Payment Date.

6.6.2 In the case of an Initial Settlement Run only, if the Postponed Payment Date falls more than one week after the original Payment Date:

(a) each BSC Debtor shall pay to the BSC Clearer; and

(b) each BSC Creditor shall receive from the BSC Clearer

(but subject to paragraphs 2.4 to 2.7 (inclusive)) interest calculated on a compound basis in accordance with paragraph 6.6.2A.

6.6.2A For the purposes of paragraph 6.6.2, interest shall be calculated on the amount shown in the Invoice in respect of the period from (and including) the originally scheduled Payment Date to (but not including) the Postponed Payment Date by applying the Base Rate:

(a) as prevailing at 00:00 hours on the relevant day on a daily compounded basis up to (but not including) the Invoice Date for the Postponed Payment Date; and

(b) as prevailing at 00:00 on the Invoice Date for the Postponed Payment Date on a daily compounded basis up to (but not including) the Postponed Payment Date.

6.6.3 In the case of a Timetabled Reconciliation Settlement Run, other than a Final Reconciliation Settlement Run:

(a) BSCCo~~the Panel~~ may at any time after receiving a notice under paragraph 6.6.1(b)(i), but not after the FAA has given a notice under paragraph 6.6.1(b)(ii), determine and instruct the FAA that Reconciliation Charges will not be determined and payable by reference to that Reconciliation Settlement Run;

(b) if BSCCo~~the Panel~~ makes such a determination:

(i) the FAA shall promptly notify all Payment Parties and the SAA of BSCCo~~the Panel~~'s determination; and

(ii) there shall be no Postponed Settlement Date;

but without prejudice to the determination of Reconciliation Charges by reference to the next following Timetabled Reconciliation Settlement Run for the relevant Settlement Day.

6.6.4 Where in accordance with Section T5.4 BSCCo estimates and submits to the FAA data and information ~~estimated by the Panel~~:

(a) the FAA shall determine the amounts to be incorporated in Invoice on the basis of such data and information (and this paragraph 6 shall apply as though such data and information were information supplied by the SAA under paragraph 6.1);

(b) the Postponed Payment Date shall accordingly be established in accordance with paragraph 6.6.1(a) by reference to the day on which the FAA receives the data estimated by BSCCo~~the Panel~~.

6.7 Payment by BSC Debtors, the BSC Clearer and BSCCo

6.7.1 On the relevant Payment Date, each BSC Debtor shall (without defence, set-off or counterclaim) pay the BSC Clearer, and the BSC Clearer shall pay each BSC Creditor, the full amount (including an amount in respect of any applicable VAT), but subject to paragraphs 2.4 to 2.7 (inclusive), notified in the Invoice as being payable by or to it.

6.7.2 Payment shall be made in accordance with the terms of this Section N.

6.7.3 For the avoidance of doubt, no payment by Payment Parties shall be treated as being paid on account or subject to any condition or reservation, notwithstanding any provision of the Code as to Trading Disputes.

6.7.4 Paragraph 11.1 shall apply to any payment insofar as it is or may constitute an overpayment.

6.7.5 A Payment Party may query an amount calculated, and/or notified to it in an Invoice, by the FAA if, and only if, it has paid the amount in accordance with this Section N.

6.7.6 The FAA shall promptly investigate the query and shall, if so directed by BSCCo~~the Panel~~, issue corrected Invoices to all affected Parties for payment by or to the BSC Clearer (subject to the provisions of paragraphs 2.4 to 2.7 (inclusive)) five Business Days after the date of the corrected Invoices.

6.8 Liability several

Save as otherwise expressly provided, the liability of each Payment Party and the BSC Clearer for amounts payable by it pursuant to this Section N is several.

6.9 Ad-hoc Trading Charges

6.9.1 For the purposes of the Code:

(a) an "**Ad-hoc Trading Charge**" is an amount which a Party is liable to pay to or entitled to receive from the BSC Clearer:

(i) pursuant to any provision of the Code, where such amount is specified in such provision to be such an Ad-hoc Trading Charge;

(ii) pursuant to an Extra-Settlement Determination in accordance with Section U2.2.3;

(b) the date on which payment in respect of an Ad-hoc Trading Charge is due shall be:

(i) the date established in accordance with the relevant provision of the Code or the decision of BSCCo~~the Panel~~ (as referred to in paragraph (a)(i) or (ii) respectively); or

(ii) failing any such date, the tenth Business Day after the FAA received notification from BSCCo under paragraph 6.9.2(a);

(c) references to Reconciliation Charges in the Code, other than in paragraph 2.8, this paragraph 6 and paragraph 7.1.2 (and other than for the purposes of any provision as to Reconciliation Settlement Runs), include Ad-hoc Trading Charges;

(d) it is hereby acknowledged and agreed that the obligations of Parties and the BSC Clearer under the Code in respect of Ad-hoc Trading Charges are new obligations to pay an amount by way of Trading Charge and not an adjustment or amendment of any existing obligation and those obligations are subject to the provisions of paragraphs 2.4 to 2.7 (inclusive).

6.9.2 Where under any provision of the Code any entitlements or liabilities in respect of Ad-hoc Trading Charge(s) arise:

(a) BSCCo shall so notify the FAA, in accordance with such provision or otherwise as soon as reasonably practicable after such entitlements or liabilities arise, specifying (subject to paragraph (b)):

(i) the identity of each Party entitled or liable in respect thereof; and

(ii) the amount(s) of the Ad-hoc Trading Charge for which each such Party is liable or entitled, or (provided that the FAA has indicated that it is able to make such calculation) the basis on which such amount(s) are to be calculated;

(iii) the due date for payment where established as provided in paragraph 6.9.1(b)(i);

(b) where under the relevant provision:

(i) a particular Party is entitled to or liable for a particular amount by way of Ad-hoc Trading Charge, and

(ii) each Imbalance Party is liable for or entitled to its Party Daily Reallocation Proportion of that amount, by way of Ad-hoc Trading Charge,

BSCCo shall specify to the FAA the identity of the Party and amount of the Ad-hoc Trading Charge in paragraph (i), and the Settlement Day by reference to which such Party Daily Reallocation Proportions are to be determined;

(c) BSCCo shall, at the time at which it gives such notification to the FAA, send to each Imbalance Party and the NETSO the details notified to the FAA under paragraph (a) and (where applicable) paragraph (b).

6.9.3 Where the FAA receives from BSCCo a notification under paragraph 6.9.2, the FAA shall:

(a) make any calculation required under paragraph 6.9.2(a)(ii);

(b) where paragraph 6.9.2(b) applies, determine for each Imbalance Party the amount for or to which it is liable or entitled (including where relevant any VAT and/or interest payable at the Base Rate) under paragraph 6.9.2(b)(ii); and

(c) include the amount(s) for or to which each Party is liable or entitled by way of Ad-hoc Trading Charges in Invoices for the Payment Date which is the same as the due date for such charges.

6.10 Replacement Supplier

6.10.1 Where a Replacement Supplier is appointed in accordance with Section K7 and the Replacement Supplier Transfer Date precedes the Appointment Day for that Replacement Supplier, then subject to paragraph 5, the NETSO and each Imbalance Party shall be liable to pay to, or (as the case may be) entitled to receive from, the BSC Clearer a sum in respect of each Settlement Day within the Relevant Period representing the difference between:

(a) the net amount of the Trading Charges for that Party for that Settlement Day determined taking account of the application of Section K7.1.3; and

(b) the net amount of the Trading Charges for that Party for that Settlement Day determined disregarding the application of Section K7.1.3,

which sum shall be payable on the Payment Date for the Initial Settlement Run for that Settlement Day.

6.10.2 It is hereby acknowledged and agreed that the obligations of Payment Parties and the BSC Clearer arising by virtue of paragraph 6.10.1 are new obligations to pay an amount by way of Trading Charges and not an adjustment or amendment to any existing obligation and those obligations are subject to the provisions of paragraphs 2.4 to 2.7 (inclusive).

6.10.3 In respect of each Settlement Day within the Relevant Period and for each Payment Party, the Trading Charges Amount under paragraph 6.1 automatically (by virtue of Section K7) includes the sum referred to in paragraph 6.10.1.

6.10.4 For the purposes of this paragraph 6.10, the "**Relevant Period**", in relation to the appointment of a Replacement Supplier, is the period of whole Settlement Days from (and including) the Replacement Supplier Transfer Date to (and including) the Settlement Day immediately preceding the Appointment Day.

7. INVOICES

7.1 Despatch of Invoices

7.1.1 On each Invoice Date, in good time (in accordance with BSCP301) for Payment Parties to give all necessary instructions for payments to be effected on the relevant Payment Date, the FAA on behalf of the BSC Clearer shall despatch to each Payment Party an Invoice showing the amount (including an amount in respect of VAT), but subject to paragraphs 2.4 to 2.7 (inclusive) which, according to the FAA's calculations, is to be paid by that Payment Party to the BSC Clearer or to that Payment Party by the BSC Clearer on that Payment Date in respect of the Invoice Period.

7.1.2 Each Invoice and/or accompanying associated data shall set out in respect of each Notification Date in the Invoice Period:

(a) in relation to Initial Settlement Runs:

(i) an amount in respect of each of the items set out in paragraph 6.1.3(b) or paragraph 6.1.4 (as the case may be);

(ii) the Trading Charges Amount; and

(iii) if the Payment Date is a Postponed Payment Date, any interest pursuant to paragraph 6.6.2;

(b) in relation to Reconciliation Settlement Runs,

(i) the Reconciliation Charge;

(ii) the Reconciliation Charge excluding interest and any withholdings on account of taxation;

(iii) the interest included in the Reconciliation Charge pursuant to paragraph 6.4.2;

(iv) the amount of any withholdings on account of taxation; and

(v) the Trading Charges Amounts in respect of which the FAA has calculated there to be a Reconciliation Charge due;

(c) any amount due pursuant to paragraph 4.6.3;

(d) the amount of any Ad-hoc Trading Charge due pursuant to paragraph 6.9;

(e) any amount set off pursuant to paragraph 2.6;

(f) any amount due pursuant to paragraph 9.6.4;

(g) the aggregate amount which is to be paid by that Payment Party to the BSC Clearer or to that Payment Party by the BSC Clearer on the relevant Payment Date over the Invoice Period; and

(h) the amount of VAT in respect of the total amount payable or total amount receivable.

7.1.3 Not Used.

7.1.4 On each Invoice Date, the FAA shall provisionally notify BSCCo of the amount in respect of VAT (if any) which, according to its calculations and on the basis that all amounts due are paid, is to be paid by BSCCo to the BSC Clearer or to BSCCo by the BSC Clearer on that Payment Date to ensure that:

(a) BSC Clearer has sufficient funds to pay amounts in respect of VAT to BSC Creditors; and

(b) BSC Clearer is not left with any excess of amounts in respect of VAT that are payable to it over amounts in respect of VAT that are payable by it.

7.1.5 The FAA shall despatch to each Payment Party an Invoice:

(a) on each Notification Date, where the aggregate amount payable or receivable by the Payment Party, in respect of the Invoice Period, is equal to or exceeds the Invoice Threshold Limit; and

(b) where paragraph (a) does not apply, in respect of a Notification Date which is also a Quarter Date, on such date,

(each such Notification Date being an "**Invoice Date**") and, subject to paragraph 7.1.7 to 7.1.9 inclusive, the FAA shall not be required to despatch an Invoice in respect of a Notification Date which is not also an Invoice Date.

7.1.6 For the purposes of paragraph 7 and in respect of a Payment Party:

(a) the "**Invoice Period**" means:

(i) the Notification Date on which an Invoice is despatched pursuant to this Section N; or

(ii) the period (of consecutive Notification Dates) between (but excluding) the last preceding Invoice Date and ending on (and including) the latest Invoice Date;

(b) "**Invoice Threshold Limit**" means five hundred pounds sterling (£500) or such other amount as BSCCo~~the Panel~~ may determine from time to time.

7.1.7 The FAA shall despatch a corrected Invoice pursuant to paragraph 6.7.6.

7.1.8 A Payment Party may request (by notice to BSCCo) that the FAA despatch an Invoice (for such Notification Date or other period specified by the Payment Party) where the Payment Party:

(a) has given a Withdrawal Notice to BSCCo in accordance with Section A5.1;

(b) notifies BSCCo of a change in respect of the information in relation to VAT that the Payment Party previously provided in accordance with paragraph 5.4; or

(c) is a Defaulting Party in accordance with paragraph 2.1.1(b),

and following such a request, the FAA will accordingly despatch an Invoice to the Payment Party.

7.1.9 Without limitation to the foregoing, the FAA shall despatch an Invoice to a Payment Party at such other times as may be requested by BSCCo.

7.2 Method of despatch

7.2.1 All Invoices shall be despatched by the means established in accordance with Section O, or by such other means as BSCCo~~the Panel~~ may reasonably direct.

7.3 Invoice information

7.3.1 In addition to the information referred to in paragraph 7.1.2 above, the Invoice to each Payment Party in respect of each relevant Payment Date shall set out the information required in paragraphs 7.4 and 7.5 and any other information required for the purpose of any VAT and relevant legislation.

7.4 Information – Imbalance Parties

7.4.1 The information required on an Invoice in respect of each Imbalance Party is as follows:

(a) the identity of the Imbalance Party;

(b) the amount (inclusive of an amount in respect of VAT) to be received in, or to be paid out of, the Clearing Account on the relevant Payment Date by the FAA on

behalf of the BSC Clearer in respect of Trading Charges incurred or to be received by that Imbalance Party;

(c) the amount to be received in, or to be paid out of, the Clearing Account on the relevant Payment Date by the FAA on behalf of the BSC Clearer in respect of Trading Charges incurred or to be received by that Imbalance Party, exclusive of VAT;

(d) the amount in respect of VAT to be received in, or to be paid out of, the Clearing Account on the Payment Date by the FAA on behalf of the BSC Clearer in respect of Trading Charges incurred or to be received by that Imbalance Party and the applicable rate at which such VAT is calculated, and where the Imbalance Party is not liable to VAT, the Invoice shall state that and indicate that the Imbalance Party must account for VAT; and

(e) the VAT number and two digit country code for the Imbalance Party

7.5 Information – NETSO

7.5.1 The information required on an Invoice in respect of the NETSO is as follows:

(a) the total amount (inclusive of an amount in respect of VAT) to be received in, or to be paid out of, the Clearing Account on the relevant Payment Date by the FAA on behalf of the BSC Clearer in respect of Daily System Operator Cashflow incurred or received by the NETSO;

(b) the amount to be received in, or to be paid out of, the Clearing Account on the relevant Payment Date by the FAA on behalf of the BSC Clearer in respect of System Operator Cashflow incurred or to be received by the NETSO, exclusive of VAT; and

(c) the amount in respect of VAT to be received in, or to be paid out of, the Clearing Account on the Payment Date by the FAA on behalf of the BSC Clearer in respect of System Operator Cashflow incurred or to be received by the NETSO and the applicable rate at which such VAT is calculated.

8. PAYMENT PROCEDURE

8.1 Instructions for payment

8.1.1 Each BSC Debtor shall, in respect of each Payment Date on which it is under an obligation to make a payment under this Section N, make such arrangements as will ensure that the payment is credited to the Collection Account as soon as practicable and in any event no later than the end of the Business Day on that Payment Date.

8.1.2 Each BSC Debtor shall ensure all remittances by its bank to the Collection Account shall be remittances for value on the relevant Payment Date.

8.2 FAA's responsibilities

8.2.1 The FAA shall undertake the payment processes in respect of payments in accordance with BSCP301.

8.3 Non-payment

8.3.1 If any BSC Debtor becomes aware that a payment for which it is responsible will not be credited to the Collection Account by the end of the Business Day on the relevant Payment Date, it will immediately notify the FAA of the non-payment and the reasons thereof.

8.4 Excess payments

8.4.1 If on the Business Day following any Payment Date the FAA receives from a BSC Debtor a payment in excess of the amount notified to that BSC Debtor pursuant to paragraph 7.1 in respect of that Payment Date, or amounts greater than the amounts notified pursuant to paragraph 7.1. 5 have been credited to the Clearing Account, the FAA shall use its reasonable endeavours to ascertain the nature of the excess payment, to calculate the entitlement to such payment and to instruct the BSC Banker that day to credit the relevant BSC Debtor's Settlement Account or (if so requested by the BSC Debtor) the Reserve Account or such other account authorised by BSCCo. The timings of the FAA's actions pursuant to this paragraph 8.4.1 shall be as stipulated in BSCP301.

8.4.2 Any Payment Party who instructs its bank to make a payment in excess of the amount owing by that Payment Party on any Payment Date shall simultaneously with giving such instructions advise the FAA in writing of the amount of the excess payment providing a description of what that Payment Party considers the excess payment relates to.

8.5 Payment to BSC Creditors

8.5.1 By no later than 15.00 hours on each Payment Date, the FAA shall:

(a) estimate the aggregate amounts which will be credited to the Collection Account in accordance with paragraph 8.1;

(b) subject to paragraph 8.5.4, on the basis of such estimate, calculate the amounts available for payment by the BSC Clearer to BSC Creditors, taking account of paragraph 2.7 and anticipating the steps (where relevant) in paragraph 9.2, on that Payment Date;

(c) for the purposes of paragraph 8.5.4, determine, by reference only to the amounts which have by that time on the Payment Date already been credited to the Collection Account:

(i) the amount (if any) which would be required to be drawn on the Credit Facility in order to enable full payment to be made of the amounts due to BSC Creditors;

(ii) whether, and if so the amount ("**possible shortfall amount**") by which, the amount in paragraph (i) exceeds the amount then remaining available to make a Drawing;

after allowing for any amounts which the FAA is satisfied will be paid into the Clearing Account on the Payment Date pursuant to paragraphs 9.2.2 (b) and (c).

8.5.2 Subject to paragraph 8.5.4, as soon as practicable and not later than 16.00 hours on the Payment Date the FAA shall arrange for the remittance from the Clearing Account to the relevant Settlement Accounts maintained by the BSC Creditors of the aggregate of amounts determined by the FAA to be available for payment to BSC Creditors and, if required, arrange for the transfer of amounts from the Reserve Account or (subject to paragraph 8.5.3) the Borrowing Account to the Clearing Account or vice versa.

8.5.3 Subject to paragraph 8.5.4, any differences between the amount of the FAA's estimate under paragraph 8.5.1(a) and the aggregate amount actually credited to the Collection Account in accordance with paragraph 8.1 on the Payment Date shall be addressed by way of adjustment (later on the Payment Date) to the amount of any Drawing, and the FAA shall arrange for such adjustment to be made in respect of the transfer of any amount from the Borrowing Account to the Clearing Account or vice versa.

8.5.4 If the FAA determines that there is a possible shortfall amount, the FAA shall calculate the amounts under paragraph 8.5.1(b) assuming the reduction of payments (by the BSC Clearer to BSC Creditors) under paragraph 9.2.2(d) by an aggregate amount equal to the possible shortfall amount, and arrange remittances under paragraph 8.5.2 accordingly.

8.6 Prohibition on transfers

8.6.1 The FAA shall not at any time instruct the BSC Banker to transfer any sum from a BSC Account to another account (not being a BSC Account) unless that account is a Settlement Account or (in the case of erroneous payments to the BSC Clearer) with the authority of BSCCo and the relevant Payment Party concerned.

8.6.2 Notwithstanding paragraph 8.6.1, the FAA may instruct the BSC Banker to transfer monies between the Reserve Account and an Investment Account. Such instruction by the FAA to the BSC Banker shall only be made by the FAA upon receipt of a written instruction issued by BSCCo in accordance with paragraph 4.10.1.

8.6.3 For the avoidance of doubt the FAA shall not at any time instruct the transfer of any sum from an Investment Account(s) to any other account not being the Reserve Account.

8.7 Clearing of Clearing Account

8.7.1 Any amounts standing to the credit of the Clearing Account at the close of business on any Payment Date shall be transferred to the Reserve Account so that the balance in the Clearing Account shall at the end of such day be nil.

9. PAYMENT DEFAULT

9.1 General

9.1.1 For the purposes of this Section N:

(a) an "**Amount in Default**" is all or any part of any amount due and payable from a BSC Debtor to the BSC Clearer which is not remitted to the Collection Account by 23.59 hours on the relevant Payment Date and, at any time thereafter, together with interest payable by that Non-paying BSC Debtor pursuant to paragraph 9.4 and less any amounts paid or recovered (as defined in paragraph 9.3.1) in respect thereof at that time;

(b) a "**Drawing**" is a drawing on the Credit Facility by the FAA on behalf of the BSC Clearer and includes interest and banking charges charged to the BSC Clearer by the BSC Banker from time to time;

(c) the "**Default Interest Rate**", in relation to an Amount in Default, is the Base Rate plus 2 per cent per annum;

(d) the "VAT Element" means, in respect of any payment, part of that payment equal to the VAT that is chargeable on the taxable supply or deemed taxable supply for which the payment constitutes the consideration; and

(e) the "VAT Exclusive Element" means, in respect of any payment, part of that payment equal to that payment less the VAT Element of that payment.

9.2 Affected Date

9.2.1 Paragraph 9.2.2 shall apply if, on any Payment Date (such date, in respect of the Settlement Day to which it relates, the "**Affected Date**"), the FAA has been notified by a Settlement Bank or it otherwise has reason to believe there will be an Amount in Default in respect of any BSC Debtor (the "**Non-paying BSC Debtor**").

9.2.2 Where this paragraph 9.2.2 applies, subject to paragraphs 8.5.4 and 9.2.5, the FAA shall, on behalf of the BSC Clearer, act in accordance with the following provisions (or whichever of them shall apply) in the order in which they appear, until the FAA is satisfied that the Clearing Account will clear to zero not later than the close of business on the Affected Date:

(a) if a Credit Facility is available to the BSC Clearer, the FAA shall make a Drawing by debiting the Borrowing Account and crediting the Clearing Account with a sum being the lesser of the Amount in Default and the amount available for drawing under the Credit Facility;

(b) if the FAA is satisfied that any Cash Cover provided by the Non-paying BSC Debtor will be paid into the Clearing Account in sufficient time to ensure that that Cash Cover can be applied to the Amount in Default by close of business on the Affected Date, the FAA shall debit the Reserve Account and credit the Clearing Account with a sum being the lesser of the Amount in Default (to the extent that it will not be covered by the amount borrowed by application of paragraph (a)) and that Cash Cover;

(c) if the FAA is satisfied that the proceeds of a call under the Letter(s) of Credit supplied by the Non-paying BSC Debtor will be paid into the Clearing Account in sufficient time to ensure that those proceeds can be applied to the Amount in Default by close of business on the Affected Date, the FAA shall make a call under the Letter of Credit(s) in a sum not exceeding the lesser of the Amount in Default (to the extent it will not be covered by the application of paragraph (a) or recovered by the application of paragraph (b)) and the available amount of such Letter(s) of Credit and the FAA shall cause the proceeds of such call to be paid into the Clearing Account; and

(d) if and to the extent that, notwithstanding application of the foregoing measures, it is not possible to credit an amount in cleared funds equal to the Amount in Default to the Clearing Account by close of business on the Affected Date, the FAA shall:

(i) on behalf of the BSC Clearer, reduce the VAT Exclusive Elements of the payments by the BSC Clearer to all BSC Creditors in proportion to the VAT Exclusive Element of the amounts payable to them by the BSC Clearer on and in respect of the Affected Date by an aggregate amount equal to the amount necessary to cover the VAT Exclusive Element of the Amount in Default (to the extent it will not be covered by the application of paragraph (a) or recovered by the application of paragraphs (b) or (c));

(ii) determine and pay the appropriate VAT Elements (if any) of the payments by the BSC Clearer to all BSC Creditors accordingly; and

(iii) (subject to paragraph 2.7) account for such reduction in the Ledger Accounts as amounts due and owing by the BSC Clearer to each BSC Creditor (a "**Shortfall Creditor**") whose payments were so reduced; and

(e) notify BSCCo and (in the case of action under paragraph (b) or (c)) the Non-paying BSC Debtor as soon as reasonably practicable of the action taken.

9.2.3 For the purposes of this paragraph 9, the amount of the reduction pursuant to paragraph 9.2.2(d) plus interest at the Default Interest Rate from time to time in respect of each Shortfall Creditor is a "**Shortfall Amount**".

9.2.4 It is acknowledged for the avoidance of doubt that the FAA may (for the purposes of paragraph 9.2.1) have reason to believe, before a given Payment Date, that there will on that Payment Date be an Amount in Default in respect of a BSC Debtor; and in such case the FAA may (if it is feasible to do so) take steps before such date to implement paragraph 9.2.2(b) or (c) on that date.

9.2.5 Where there is an Amount in Default on a Payment Date in respect of a BSC Debtor which is a Defaulting Party, the order in which the FAA shall act in accordance with the provisions (or whichever of them shall apply) of the sub-paragraphs of paragraph 9.2.2 shall be as follows: (b), (c), (a), (d) (and references therein to the application of prior paragraphs shall be construed accordingly).

9.3 Amount in Default

9.3.1 For the purposes of this Section N, an Amount in Default shall be "**paid or recovered**" on any Business Day, only if, and to the extent that:

(a) an amount has been paid to the BSC Clearer on that Business Day and applied by the FAA on behalf of the BSC Clearer to that Amount in Default; or

(b) it has been recovered from the Non-paying BSC Debtor on that Business Day by operation of set-off pursuant to paragraph 2.6; or

(c) it has been recovered from the Non-paying BSC Debtor on that Business Day by applying its Cash Cover or the proceeds of its Letter of Credit in accordance with this paragraph 9.

9.3.2 Any amount received from a Non-paying BSC Debtor shall be applied by the FAA on behalf of the BSC Clearer in or towards Amounts in Default payable by the Non-paying BSC Debtor to the BSC Clearer on each successive Payment Date in respect of which there is an outstanding default, with the longest outstanding default being settled first, and where a day is a Payment Date for more than one Settlement Day, with the default in respect of the earliest Settlement Day being settled first.

9.3.3 As soon as any portion of an Amount in Default (whether attributable to principal or interest) is paid or recovered, the FAA on behalf of the BSC Clearer shall:

(a) first, apply the proceeds to the Drawing;

(b) secondly, apply the VAT Exclusive Element of any remaining proceeds to (and in proportion to) the VAT Exclusive Elements of the Shortfall Amounts or the Default Share Amounts (in accordance with paragraph 9.6.8 below) in relation to that Amount in Default; and

(c) determine and pay the amount of VAT (if any) attributable to amounts paid pursuant to paragraph 9.3.3(b) accordingly.

9.3.4 Consistent with paragraph 9.3.3, for the purposes of determining amounts payable pursuant to paragraphs 9.5.2 and 9.5.3, references in those paragraphs to certain amounts shall be construed as follows:

(a) in the context of the payment or recovery of all or part of an Amount in Default from a Non-paying BSC Debtor (including payment or recovery by debiting the Reserve Account or making a call under a Letter of Credit), such references are to both the VAT Element and the VAT Exclusive Element of that amount;

(b) in the context of the application of an amount so paid or recovered (including application by way of crediting the Borrowing Account, or payment to Shortfall Creditors):

(i) such references are to the VAT Exclusive Element of that amount;

(ii) the amount of VAT (if any) attributable to amounts so applied shall be separately determined.

9.4 Interest

9.4.1 Each Non-paying BSC Debtor shall pay to the account of the BSC Clearer interest from time to time (after as well as before judgment) calculated on a compound basis by applying the prevailing Default Interest Rate on a daily basis to the part of the Amount in Default (as compounded) not covered by a Drawing from the due date up to (but not including) the day of its payment or recovery from the Non-paying Debtor.

9.4.2 The Implementation Date for the application of compound interest pursuant to paragraph 9.4.1 shall be the Go-live Date.

9.5 D+1

9.5.1 Subject to paragraph 9.6.2A, paragraphs 9.5.2 to 9.5.4 (inclusive) shall apply if:

(a) the FAA on behalf of the BSC Clearer reduced payments to BSC Creditors in accordance with paragraph 9.2.2 (d); and

(b) the Amount in Default is not paid in full by the Non-paying Debtor and/or recovered by operation of set-off pursuant to paragraph 2.6 by the Business Day after the Affected Date ("**D+1**").

9.5.2 Where this paragraph 9.5.2 applies, the FAA shall, on behalf of the BSC Clearer, not later than the close of business on D+1 act in accordance with the following provisions (or whichever of them shall apply) in the order in which they appear:

(a) debit the Reserve Account with a sum being the lesser of the Amount in Default (including interest at the Default Interest Rate) and that Non-paying BSC Debtor's Cash Cover and credit the Settlement Accounts (and the ledger accounts) of the Shortfall Creditors with that sum, in proportion to their respective Shortfall Amounts; and

(b) if, after the application of paragraph (a), there remains any Shortfall Amounts:

(i) make a call under the Non-paying BSC Debtor's Letter of Credit in a sum not exceeding the lesser of the Amount in Default (including interest due pursuant to paragraph 9.4) and the available amount of such Letter(s) of Credit; and

(ii) cause the proceeds of such call to be paid forthwith into the Reserve Account.

9.5.3 On the next Business Day following receipt of such proceeds under a Letter of Credit in accordance with paragraph 9.5.2 (b), the FAA shall pay on behalf of the BSC Clearer such amounts as have been credited to the Reserve Account to the Shortfall Creditors in full or (as the case may be) in proportion to their respective Shortfall Amounts, except where paragraph 9.6.8 applies.

9.5.4 Where paragraphs 9.5.2 to 9.5.4 apply, the FAA shall promptly notify Shortfall Creditors and BSCCo and (where it takes action under paragraph 9.5.2) the Non-paying BSC Debtor.

9.5.5 The FAA shall, on behalf of the BSC Clearer, apply paragraph 9.5.6 if:

(a) the FAA, on behalf of the BSC Clearer, has made a Drawing pursuant to paragraph 9.2.2 (a); and

(b) the Amount in default is not paid in full by the Non-paying Debtor and/or recovered by operation of set-off pursuant to paragraph 2.6 by D+1.

9.5.6 If, in accordance with paragraph 9.5.5 above, the FAA applies this paragraph 9.5.6, the FAA shall, on behalf of the BSC Clearer, not later than the close of business on D+1;

(a) debit the Reserve Account with a sum being the lesser of the Amount in Default (including interest due pursuant to paragraph 9.4) and that non-paying BSC Debtor's Cash Cover; and

(b) credit the Borrowing Account with that sum.

9.6 D+2

9.6.1 Subject to paragraph 9.6.2A, the FAA shall on behalf of the BSC Clearer, apply paragraph 9.6.2 if:

(a) the FAA on behalf of the BSC Clearer has made a Drawing pursuant to paragraph 9.2.2 (a); and

(b) the Amount in Default is not paid in full by the Non-paying Debtor and/or recovered by operation of set-off pursuant to paragraph 2.6 by the second Business Day after the Affected Date ("**D+2**").

(c) the Amount in Default is not paid in full by the non-paying Debtor and/or recovered by operation of paragraph 9.5.6 by the second Business Day after the Affected Date ("D+2").

9.6.2 Where this paragraph 9.6.2 applies, the FAA shall, on behalf of the BSC Clearer, not later than 15.30 hours on D+2;

(a) make a call under the Non-paying BSC Debtor's Letter(s) of Credit in a sum not exceeding the lesser of the Amount in Default (including interest due pursuant to paragraph 9.4) and the available amount of such Letter(s) of Credit; and

(b) cause the proceeds of such call to be paid forthwith into the Borrowing Account.

9.6.2A Where (on the Affected Date) the Non-paying Debtor was a Defaulting Party:

(a) paragraphs 9.6.1 and 9.6.2 shall apply on the basis that the reference in paragraph 9.6.1(b) to the second Business Day after the Affected Date is to the first Business Day after the Affected Date (and references to D+2 shall be construed accordingly);

(b) the FAA shall act in accordance with paragraph 9.6.2 (on such basis) before acting in accordance with paragraph 9.5.2 (if applicable).

9.6.3 Subject to paragraph 9.6.3A and paragraph 9.6.3B, paragraph 9.6.4 shall apply if:

(a) the FAA on behalf of the BSC Clearer made a Drawing pursuant to paragraph 9.2.2(a), and the BSC Banker has not been repaid in full pursuant to paragraph 9.6.2; or

(b) the FAA on behalf of BSC Clearer reduced payments to BSC Creditors in accordance with paragraph 9.2.2(d), and the Shortfall Amounts have not been paid or credited to the Shortfall Creditors in full pursuant to paragraph 9.5.3

in either case, by 17.00 hours on D+2.

9.6.3A Where:

(a) the Non-paying BSC Debtor has provided Cash Cover but for any reason the Reserve Account has not yet been debited in accordance with paragraph 9.5.2(a) or 9.6.2(a), and/or

(b) the Non-paying BSC Debtor has provided Letter(s) of Credit, the FAA has (in accordance with paragraph 9.5.2(b) or 9.6.2(b)) made call(s) thereon which have not yet been paid, but the FAA has no reason to believe such call(s) will not be paid; and

(c) the sum of the available amount of such Cash Cover and/or (otherwise uncalled) amounts of such Letter(s) of Credit subject to such call is sufficient to enable the outstanding Amount in Default to be paid or recovered,

the FAA, with the approval of BSCCo, may defer acting in accordance with paragraph 9.6.4 for a period not exceeding three Business Days; and accordingly where this paragraph 9.6.3A applies the reference in paragraph 9.6.3 to D+2 shall be a reference to such later day as the FAA shall determine, not being later than five Business Days after the Affected Date.

9.6.3B Where:

(a) the Non-paying BSC Debtor has received an Invoice in respect of a Notification Date which is also a Quarter Date pursuant to paragraph 7.1.5(b); and

(b) the aggregate amount payable in respect of that Invoice is less than the Invoice Threshold Limit,

the FAA, with approval of BSCCo, may defer acting in accordance with paragraph 9.6.4 for a period not exceeding thirteen Business Days; and accordingly where this paragraph 9.6.3B applies the reference in paragraph 9.6.3 to D+2 shall be a reference to such later day as the FAA shall determine, not being later than fifteen Business Days after the Affected Date.

9.6.4 Where this paragraph 9.6.4 applies, the FAA shall:

(a) determine the VAT Exclusive Element of the Amount in Default (including all interest accrued thereon) which has not been paid or recovered;

(b) determine for each Payment Party other than Virtual Lead Parties and the Non-paying BSC Debtor the amount (the "**Default Share Amount**") of that Payment Party's Annual Funding Share (on a default basis, for the month in which the Affected Date fell) of that VAT Exclusive Element of the Amount in Default;

(c) in good time (in accordance with BSCP301) for the relevant Payment Parties to give instructions for payments to be effected on the Default Payment Date, despatch to BSCCo and each Payment Party other than the Non-paying BSC Debtor an Invoice showing the amount or amounts (as applicable to that Payment Party) determined under paragraph 9.6.5 below increased to take VAT into account; and

(d) notify BSCCo~~, the Panel~~ and each Payment Party.

9.6.5 The amounts are:

(a) for each Payment Party, the Default Share Amount; and

(b) for each Shortfall Creditor:

(i) the VAT Exclusive Element of the outstanding Shortfall Amount (including interest applied at the Default Interest Rate for each day on a compounded basis from and including the Affected Date to, but excluding, the Default Payment Date (as defined below)); and

(ii) the difference between the amounts under paragraph (a) and paragraph (b)(i).

9.6.6 Each Payment Party shall be liable to pay or (where the amount under paragraph 9.6.5(b)(i) is greater than the amount under paragraph 9.6.5(a)) entitled to receive the amount set out in the relevant Invoice calculated in accordance with paragraph 9.6.5 (a) or if applicable, paragraph 9.6.5(b)(ii), on the second Business Day (the "**Default Payment Date**") after the date of the Invoice and any payment made by a Payment Party to the BSC Clearer in accordance with this paragraph is a limited recourse loan on which interest is payable and which is repayable only to the extent set out in paragraph 9.6.8.

9.6.7 The provisions of paragraphs 8 and 9 shall apply to the making of payments under paragraph 9.6.6 and Payment Parties who fail to pay the amount in the Invoice by the Default Payment Date shall be Non-paying BSC Debtors.

9.6.8 If, after despatching Invoices under paragraph 9.6.4(c):

(a) any portion of the Amount in Default attributable to principal is paid or recovered, the FAA on behalf of the BSC Clearer shall distribute the VAT Exclusive Element (increased by an amount in respect of VAT if applicable) of such amounts to Payment Parties in their Annual Funding Shares (as referred to in paragraph 9.6.4(b)); or

(b) any portion of the Amount in Default attributable to interest is paid or recovered, the FAA on behalf of the BSC Clearer shall distribute such amounts to Payment Parties in their Annual Funding Shares (as referred to in paragraph 9.6.4(b)).

9.6.9 To the extent that the VAT Element of amounts received by the BSC Clearer (net of the VAT Element of amounts paid by the BSC Clearer) in respect of an Amount in Default under

paragraph 9.6.6 are insufficient to repay that part of the Drawing (if any) representing the part of that Amount of Default that is attributable to VAT, BSCCo shall pay an amount equal to the excess into the Credit Facility.

9.6.10 Notwithstanding anything to the contrary herein, this paragraph shall apply if, on any Notification Date:

(a) any BSC Debtor is a Defaulting Party; and

(b) the FAA is reasonably satisfied that:

(i) the Credit Cover provided by that Defaulting Party will be insufficient to settle the Amount in Default (including interest due on that sum) of that Defaulting Party; and

(ii) there is no prospect of the Defaulting Party being in a position to settle any Amount in Default (including interest due on that sum) by the Payment Date

then, the FAA may, with the approval of BSCCo, on the basis that it is in the best interests of all BSC Parties not to incur Credit Facility interest in relation to the Amount in Default, immediately apply section 9.6.4 without needing to consider or follow the normal process set out in 9.5, 9.6.1, 9.6.2, 9.6.2A and 9.6.3.

9.7 No liability

9.7.1 The BSC Clearer shall have no liability in respect of any Shortfall Amount or Default Share Amount in accordance with this paragraph 9, save to the extent that the Amount in Default (including interest) is paid or recovered.

10. Not Used

11. PAYMENT ERRORS

11.1 Overpayments

11.1.1 If, for any reason whatsoever, a Payment Party receives from the BSC Clearer on any Payment Date a payment in excess of the amount it is entitled to (an "**overpayment**"):

(a) the Payment Party shall forthwith on becoming aware of the overpayment notify the FAA of the amount of the overpayment;

(b) the FAA shall (if it has received notice from the BSC Banker or otherwise of the overpayment and the Payment Party has not already notified it) forthwith notify the Payment Party of the amount of the overpayment in writing; and

(c) the Payment Party shall forthwith repay the overpayment to the Collection Account.

11.1.2 For the purposes of this paragraph 11:

(a) the "**overpayment notification date**" is the day on which a Payment Party notified the FAA or the FAA notified a Payment Party of an overpayment;

(b) the "**repayment date**" is a Business Day falling two Business Days after the overpayment notification date; and

(c) paragraph 2.6 shall apply as if references to "overpayments" were substituted for "Amount in Default".

11.1.3 Not Used.

11.1.4 A Payment Party shall not be liable to pay interest on all or any part of an overpayment if and to the extent that:

(a) an amount has been paid to the BSC Clearer on the repayment date and applied by the FAA on behalf of the BSC Clearer to that overpayment; and/or

(b) it has been recovered from that Payment Party on or before the repayment date by operation of set-off pursuant to paragraphs 2.6 and 11.1.2(c).

11.1.5 All interest and banking charges properly due from the BSC Clearer to the BSC Banker as a result of an overpayment shall be paid by BSCCo on behalf of the BSC Clearer on the date the interest and/or banking charges is payable to the BSC Banker.

11.2 Failure to repay overpayments

11.2.1 Paragraph 11.2.2 shall apply if on the repayment date an overpayment has not been repaid in full and/or recovered by operation of set-off pursuant to paragraphs 2.6 and 11.1 2(c).

11.2.2 Where this paragraph 11.2.2 applies, the FAA shall, on behalf of the BSC Clearer, act in accordance with the following provisions (or whichever of them shall apply) in the order in which they appear until the BSC Clearer has available sufficient funds in the Clearing Account on the repayment date to repay the amount of the Drawing to the BSC Banker:

(a) debit the Reserve Account with a sum being the lesser of the overpayment and the relevant Payment Party's Cash Cover and credit the Borrowing Account with that sum; and

(b) if, after the application of paragraph (a), there remains an amount due and owing by the BSC Clearer to the BSC Banker, the FAA on behalf of the BSC Clearer shall:

(i) make a call under the relevant Payment Party's Letter(s) of Credit in a sum not exceeding the lesser of the overpayment and the available amount of such Letter(s) of Credit; and

(ii) cause the proceeds of such call to be paid forthwith into the Borrowing Account; and

(c) if and to the extent that, notwithstanding application of the foregoing measures, it is not possible to credit an amount in cleared finds equal to the overpayment to the Borrowing Account, apply paragraphs 9.6.4 to 9.6.8 (inclusive) as if references to "overpayments" were substituted for "Amount in Default" and references to interest were to interest in accordance with paragraph 11.2.3.

11.2.3 If a Payment Party does not repay any overpayment (or part thereof) on the repayment date, it shall pay interest from time to time (after as well as before judgment) at the Default Interest

Rate on that overpayment (or part thereof) from the repayment date until the day of its payment.

11.2.4 Paragraph 9.3.3 shall apply to overpayments as if references to "overpayments" were substituted for "Amount in Default".

11.3 Underpayments

11.3.1 If, for any reason whatsoever, a BSC Creditor does not receive on the relevant Payment Date the full amount it is entitled to (an "**underpayment**"):

(a) that BSC Creditor shall forthwith on becoming aware of any underpayment notify the FAA of the amount of the underpayment;

(b) the FAA after consultation with the BSC Banker and on behalf of the BSC Clearer shall use all reasonable endeavours to promptly to correct the underpayment; and

(c) the FAA on behalf of the BSC Clearer shall pay interest equal to the amount of interest earned by the BSC Clearer as a result of such underpayment to such BSC Creditor.

12. ENFORCEMENT OF CLAIMS

12.1 Duties of FAA

12.1.1 Except as otherwise expressly provided in this Section N and Section M, neither the FAA nor the BSC Clearer shall be required to ascertain or enquire as to the performance or observance by any Payment Party of its obligations under the Code and neither shall have a duty to inform BSCCo~~the Panel~~ or Payment Party of any default, other than a failure to pay, as may come to its attention.

12.2 Action to recover Default Share Amounts

12.2.1 Where a Payment Party has failed to make a payment required under this Section N and pursuant to paragraph 9.6.6 Payment Parties have borne Default Share Amounts of the Amount in Default, BSCCo shall consult the Stakeholder Advisory Forum on its intention to~~, if the Panel so decides but not otherwise~~, institute proceedings on behalf of the BSC Clearer against the Non-paying BSC Debtor for the recovery of the Amount in Default and interest thereon~~, and following such consultation, having taken full and proper account of any recommendation by the Stakeholder Advisory Forum, decide if it institutes such proceedings and commence action accordingly~~.

12.2.2 ~~The Stakeholder Advisory Forum~~~~Panel~~BSCCo shall ~~make a decision for the purposes of paragraph 12.2.1 after~~ consult~~ation~~ with the Payment Parties (other than the Non-paying BSC Debtor) and no later than twenty eight days after the Affected Date, ~~and~~ shall notify its recommendation~~decision~~ to BSCCo and the Payment Parties.

12.2.3 Where ~~the Panel decides that~~ BSCCo decides to~~should~~ institute proceedings against a Non-paying BSC Debtor:

(a) BSCCo shall institute and prosecute such proceedings with all reasonable diligence;

(b) such proceedings may be instituted by the FAA (if so agreed with BSCCo) on behalf of the BSC Clearer; and

(c) BSCCo shall keep the Stakeholder Advisory Forum ~~Panel~~ informed of the progress of such proceedings, and shall not settle or discontinue the same without the prior consultation of the Stakeholder Advisory Forum, having taken full and proper account of its recommendation.~~Panel's approval~~.

12.2.4 Where it appears to BSCCo (on the recommendation of the FAA or otherwise) that any interim proceedings or other step should be taken, in relation to the Non-paying BSC Debtor, in order to protect the interests of the BSC Clearer and/or Payment Parties pending its ~~the~~ decision ~~of the Panel~~ under ~~paragraph 12.2.2~~paragraph 12.2.1, BSCCo shall take or instruct the FAA to take such interim proceedings or step on behalf of the BSC Clearer~~, after consulting where time permits with the Panel Chair~~.

12.2.5 If ~~the Panel~~BSCCo decides under ~~paragraph 12.2.2~~ paragraph 12.2.1 ~~that BSCCo should~~ not to institute proceedings, ~~or does not make a decision by the time required under that paragraph~~, or later decides that any such proceedings should be discontinued, the BSC Clearer shall upon the written request of any Payment Party that it wishes to institute proceedings or take any action to recover its Default Share Amount together with interest at the Default Interest Rate:

(a) assign to the requesting Payment Party a part of the Amount in Default equal to that Party's Default Share Amount; and

(b) if that Payment Party shall so request, at the sole cost of that Payment Party and upon such terms (as to indemnity from that Payment Party, payment in advance in respect of costs, and otherwise) as BSCCo~~the Panel~~ may require, institute or maintain on behalf of that Payment Party proceedings against the Non-paying BSC Debtor for recovery of its Default Share Amount.

12.2.6 Subject to paragraph 12.2.1, BSCCo on behalf of the BSC Clearer may take any other steps to recover payment from any Non-paying BSC Debtor, including proving in its insolvency, ~~unless the Panel otherwise directssubject to consultation with the Stakeholder Advisory Forum taking full and proper account of its recommendations.~~

13. Not Used

AMENDMENT RECORD – SECTION N

Section N	Version 23.0	Effective Date: 06 November 2025

Modification Proposal	Decision Date	Implementation Date	Version
P444	04/04/2025	06/11/2025	23.0
P466	06/12/24	28/04/25	22.0
P473	17/09/2024	07/11/24	21.0
P415	06/10/23	07/11/24	21.0
P450	12/01/23	23/02/23	20.0
P445	13/10/22	17/11/22	19.0
P438	14/07/22	15/07/22	18.0
P433 Self Governance	13/01/22	30/06/22	17.0
P375	24/02/21	30/06/22	17.0
P369	24/09/18	29/03/19	16.0

Modification Proposal	Decision Date	Implementation Date	Version
P344	24/08/18	28/02/19	15.0
P337 Self-Governance	14/04/16	03/11/16	14.0
P249	26/05/10	03/06/10	13.0
P248	05/02/10	12/02/10	12.0
P235	02/07/09	06/07/09	11.0
P214	24/01/08	06/11/08	10.0
P179	09/02/05	23/02/05	9.0
P170	29/11/04	06/12/04	8.0
P152	30/04/04	05/07/04	7.0
P127	22/12/03	15/03/04	6.0
P126	18/07/03	08/08/03	5.0
P61	28/08/02	10/12/02	4.0
P39	11/06/02	12/08/02	3.0
P46	14/05/02	22/05/02	2.0