

## 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 a Trading Party or the ~~System Operator~~ 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; or
  - (ii) a notice within Section H3.2.1(f) has been received by the FAA on behalf of the BSC Clearer.

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#### 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, 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 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 and not set off under paragraph 2.6 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.

## **2.6 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 in aggregate of the BSC Clearer to make payments on a Business Day under the Code shall be limited to the aggregate amount 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 drawing on the Credit Facility, 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.

## **2.8 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 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, for each Settlement Day in the next following BSC Year, in accordance with the requirements in paragraph 3.2 and BSCP 301 in consultation with the SAA and subject to approval of BSCCo, the following dates:
    - (i) the Initial Payment Date;
    - (ii) the Initial Notification Date;
    - (ii) the Payment Date for each Timetabled Reconciliation Settlement Run; and
    - (iv) the Notification Date for each Timetabled Reconciliation Settlement Run; 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, 29 days after the Settlement Day to which it relates;
  - (b) each Initial Payment Date shall fall as nearly as practicable to the 29<sup>th</sup> 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 3 Business Days after the relevant Notification Date; and

- (e) if possible, it shall not give rise to a requirement for more than 15 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 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 a Trading 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 at each Collection Bank;
  - (c) a reserve account with the BSC Banker to which all Cash Cover, proceeds of Letters of Credit and other amounts specified in this Section N shall be credited;
  - (d) a borrowing account with the BSC Banker on which the FAA on behalf of the BSC Clearer may make permitted drawings under the Credit Facility; 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.

### **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 the Panel, with a bank (the "**BSC Banker**") approved by 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 Panel.
- 4.2.3 The required date is:
  - (a) two months after the Code Effective Date; and
  - (b) if the Panel has approved the termination of any existing Funds Transfer Agreement, 10 Business Days before such termination.

**4.3 Settlement Account**

- 4.3.1 Each Payment Party shall, unless otherwise agreed by 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 the Panel such information or (as the case may be) further information concerning its Settlement Account as the Panel or the FAA reasonably requests.

**4.4 Settlement and Collection Accounts**

- 4.4.1 The FAA shall notify the names of the Collection Banks determined by the Panel from time to time to all Payment Parties.
- 4.4.2 Each Payment Party shall, not later than the date required by paragraph 4.4.3:
- (a) deliver to the FAA a duly completed and signed Settlement Account designation providing details of the Settlement Account to which the FAA on behalf of the BSC Clearer is instructed to make payments to such person; and
  - (b) select the Collection Account into which payments due from such Payment Party will be transferred in accordance with this Section N.
- 4.4.3 The required date is:
- (a) two months after the Code Effective Date; or
  - (b) in the case of a Trading Party, if later, 10 Business Days (or such shorter period as the Panel may approve in relation to that Party) before it becomes a Trading Party.

**4.5 Change of Settlement and Collection Account**

- 4.5.1 Each Payment Party may change its Settlement Account or its choice of Collection Account at any time by delivering to the FAA a duly completed and signed notice, and with an effective date, in accordance with BSCP 301.

**4.6 Reserve Account**

- 4.6.1 Where a Trading 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 Trading 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 Trading Party is not a Discontinuing Party, the BSC Clearer is a debtor to the relevant Trading Party and in calculating the amounts due either from the BSC Clearer to the Trading Party or from the Trading 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 an amount equal to interest from time to time received and attributable to cash paid by that Payment Party and 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 Details of Accounts**

- 4.7.1 The FAA shall supply bank details, sort code and account numbers for:
- (a) the Reserve Account and the relevant Collection Account to each Payment Party; and
  - (b) the Clearing Account, the Reserve Account, the Collection Accounts, the Borrowing Account (if any) and all other BSC Accounts and the Settlement Accounts to BSCCo and the BSC Clearer.

#### **4.8 Banking Communications Links**

- 4.8.1 The FAA shall set up communications links with:
- (a) the BSC Banker to ensure efficient transfers of funds; and
  - (b) the Collection Banks.

#### **4.9 Credit Facility**

- 4.9.1 The BSC Clearer shall enter into a facility agreement, in a form approved by 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 £4,000,000 or such other amount (but subject to a maximum amount of £10,000,000) approved by the Panel from time to time for the purpose set out in paragraph 4.9.3 below.

- 4.9.2 The required date is:
- (a) the Go-live Date; and
  - (b) if an existing Credit Facility will not be extended or renewed, 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 the Panel.
- 4.9.7 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 the Panel informed of the progress of these negotiations; and
  - (b) subject to the approval of the Panel, extend or renew the Credit Facility on the terms so negotiated.



## **5. TAXATION**

### **5.1 Tax Agreements**

- 5.1.1 Subject only to paragraph 5.1.3, 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 Subject only to paragraph 5.1.3, 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 A Payment Party shall not be bound by paragraph 5.1.1 or 5.1.2, if and to the extent that such Payment Party has first obtained an opinion of leading counsel, in unequivocal terms, to the effect that such agreement is unlawful, or that it is required by law to act in breach of paragraph 5.1.2, and has provided to BSCCo a copy of such opinion and notified to BSCCo the action which such Payment Party intends to take.
- 5.1.4 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.

## 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 by 09.00 hours 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 Trading Party:

- (a) the identity of the Trading Party;
- (b) the amount 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; and
  - (v) the Daily Party Residual Settlement Cashflow; and
- (c) the net credit or debit amount for the Settlement Day for all Trading Charges under paragraph (b) for that Trading Party.

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

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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 a Trading Party) under paragraph 6.1.3(c) and the amount (in relation to the ~~System Operator~~) under paragraph 6.1.4 is the "**Trading Charges Amount**".

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## 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 for all Payment Parties for the relevant Settlement Day (the "**total debits**") is equal to
  - (b) the aggregate of the credit Trading Charges Amounts for all Payment Parties for the relevant Settlement Day (the "**total credits**").
- 6.2.2 If difference between the total debits and the total credits is less than £10.00, 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 Trading 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 Advice Notes.

## 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) an amount in lieu of interest calculated by applying the Base Rate to the amount of such difference in respect of the period since the last Payment Date to 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 Advice Notes

6.5.1 If the information supplied by the SAA is valid, the amounts to be incorporated in Advice Notes 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 Advice Notes:

- (a) the Payment Date shall be postponed so that it falls on the second Business Day (or such later day as 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 at the Base Rate on the amount shown in the Advice Note for each day from and including the originally scheduled Payment Date to (but excluding) the Postponed Payment Date.
- 6.6.3 In the case of a Timetabled Reconciliation Settlement Run, other than a Final Reconciliation Settlement Run:
- (a) 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 the Panel makes such a determination:
    - (i) the FAA shall promptly notify all Payment Parties and the SAA of 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 submits to the FAA data and information estimated by the Panel:
- (a) the FAA shall determine the amounts to be incorporated in Advice Notes 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 the Panel.
- 6.7 Payment by BSC Debtors and the BSC Clearer**
- 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 VAT), but subject to paragraphs 2.4 to 2.7 (inclusive), notified in the Advice Note 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 Advice Note, by the FAA if, and only if, it has paid the amount in accordance with this Section N.
- 6.7.5 The FAA shall promptly investigate the query and shall, if so directed by the Panel, issue corrected Advice Notes 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 Advice Notes.

## **6.8 Liability several**

- 6.8.1 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 the Panel (as referred to in paragraph (a)(i) or (ii) respectively); or
    - (ii) failing any such date, the 10<sup>th</sup> 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 Trading 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 Trading Party and the ~~System Operator~~ the details notified to the FAA under paragraph (a) and (where applicable) paragraph (b).

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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 Trading Party the amount for or to which it is liable or entitled 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 Advice Notes 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 ~~System Operator~~ and each Trading 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:

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- (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. **ADVICE NOTES**

### 7.1 **Despatch of Advice Notes**

- 7.1.1 On each Notification Date, in good time (in accordance with BSCP 301) for Payment Parties to give all necessary instructions for payments to be effected on the relevant Payment Date, the FAA shall despatch to each Payment Party an Advice Note showing the amount (including an amount in respect of VAT), but subject to paragraphs 2.4 to 2.7 (inclusive) which, according to its calculations, is to be paid by that Payment Party to the BSC Clearer or that Payment Party by the BSC Clearer on that Payment Date.
- 7.1.2 Each Advice Note shall set out:
- (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 the amount in lieu of interest and any withholdings on account of taxation;
    - (iii) the amount in lieu of interest included in the Reconciliation Charge pursuant to paragraph 6.4.2;
    - (iv) the amount of any withholdings on account of taxation;
    - (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; and
- (f) the amount of VAT in respect of the amount due.

7.1.3 On each Notification Date, in good time (in accordance with BSCP 301) for Payment Parties to give all necessary instructions for payments to be effected on the relevant Payment Date, the FAA shall notify:

- (a) each Collection Bank of amounts payable by each Payment Party who chose the Collection Account at that Collection Bank; and
- (b) the BSC Banker of the amount to be remitted to the Clearing Account by each Collection Bank.

## **7.2 Method of despatch**

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

## **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 relevant Collection Account as soon as practicable and in any event no later than 15.30 hours on that Payment Date.

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

### **8.2 FAA's responsibilities**

8.2.1 As soon as practicable and in any event not later than 16.00 hours on each Payment Date the FAA shall find out whether all amounts required to be credited to each Collection Account on such Payment Date have been so credited.

8.2.2 As soon as practicable and in any event not later than 16.00 hours on each Payment Date the FAA shall take such action as is required to ensure that all amounts credited to each Collection Account on such Payment Date in accordance with paragraph 8.1 have been remitted to the Clearing Account.

8.2.3 As soon as practicable and in any event not later than 16.00 hours on each Payment Date the FAA shall reconcile the actual amounts credited to each Collection Account and remitted to the Clearing Account on or before 16.00 hours on that Payment Date and the aggregate of such amounts.

### **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 relevant Collection Account by 15.30 hours on the relevant Payment Date, it will immediately notify the FAA of the non-payment and the reasons therefor.

- 8.3.2 The FAA shall, as soon as it becomes aware that a payment has not or will not be credited to the relevant Collection Account or remitted to the Clearing Account, use its reasonable endeavours to establish the reason.

#### 8.4 Excess payments

- 8.4.1 If by 15.30 hours on any Payment Date the FAA is advised by a Collection Bank that it has received 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 if the BSC Banker notifies the FAA by 15.30 hours that amounts greater than the amounts notified to the BSC Banker pursuant to paragraph 7.1.3(b) 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 by 16.00 hours 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.
- 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 At about 15.00 hours on each Payment Date, the FAA shall:
- (a) estimate the aggregate amounts which will be credited to Collection Accounts 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 accounts:
    - (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 for drawing on the Credit Facility;

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 Collection

Accounts 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 on the Credit Facility, 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.

## **8.7 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 paragraph 9:

- (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 relevant Collection Account by 15.30 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; and
- (c) the "**Default Interest Rate**", in relation to an Amount in Default, is the Base Rate at the Affected Date plus 2 per cent per annum.

## **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 payments by the BSC Clearer to all BSC Creditors in proportion to 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 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)); and
    - (ii) (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 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 by 15.30 hours 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 apply the proceeds:

- (a) first, to the Drawing; and
- (b) secondly, to (and in proportion to) the Shortfall Amounts or the Default Share Amounts (in accordance with paragraph 9.6.8 below)

in relation to that Amount in Default.

### 9.4 Interest

9.4.1 Each Non-paying BSC Debtor shall pay to the account of the BSC Clearer:

- (a) if the FAA on behalf of the BSC Clearer made a Drawing to cover the Amount in Default, interest equal to the amount of interest and any banking charges charged to the BSC Clearer by the BSC Banker from time to time in connection with that Drawing determined in accordance with paragraph 9.4.3; and
- (b) interest from time to time (after as well as before judgment) at the Default Interest Rate on the part of the Amount in Default not covered by a Drawing from the due date up to the day of its payment or recovery from the Non-paying Debtor.

9.4.2 The amount in paragraph 9.4.1 (a) shall be payable on or before the time for payment notified to the Non-paying BSC Debtor by the FAA (being 2 Business Days before the date on which interest is payable by the BSC Clearer under the Credit Facility to the BSC Banker for the month in which the principal amount was outstanding) into the Clearing Account.

- 9.4.3 The FAA on behalf of the BSC Clearer shall reasonably determine:
- (a) the amount of interest using the effective daily rate of interest on the basis of the aggregate interest (including compound interest); and
  - (b) banking charges as being a proportionate share for the Non-paying BSC Debtor of the banking charges,

in each case payable under the Credit Facility in relation to the period for which the principal amount drawn in relation to the Amount in Default remained outstanding.

## **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 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.

## **9.6 D+2**

- 9.6.1 Subject to paragraph 9.6.2A, paragraph 9.6.2 shall apply 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**").

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, 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 to repay the Drawing to the BSC Banker:

- (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 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 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
  - (ii) 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, 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 3 Business Days; and accordingly 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 the 5<sup>th</sup> Business Day after the Affected Date.

9.6.4 Where this paragraph 9.6.4 applies, the FAA shall:

- (a) determine the Amount in Default (including all interest accrued thereon) which has not been paid or recovered;
- (b) determine for each Payment Party other than 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 the Amount in Default;
- (c) in good time (in accordance with BSCP 301) for the relevant Payment Parties to give instructions for payments to be effected on the Default Payment Date, despatch to each Payment Party other than the Non-paying BSC Debtor an Advice Note showing the amount or amounts inclusive of VAT (as applicable to that Payment Party), determined under paragraph 9.6.5 below; 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 outstanding Shortfall Amount (including interest at the Default Rate for each day 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 Advice Note calculated in accordance with paragraph 9.6.5 (a) or if applicable, paragraph 9.6.5(b)(ii), not later than 15.30 on the second Business Day (the "**Default Payment Date**") after the date of the Advice Note 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 Advice Note by the Default Payment Date shall be Non-paying BSC Debtors.

9.6.8 If, after despatching Advice Notes 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 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)).

## 9.7 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. CONFIRMATION NOTICES IN RESPECT OF A PAYMENT DATE

### 10.1 Despatch of Confirmation Notices

- 10.1.1 Within two Business Days after each Payment Date the FAA shall, on behalf of the BSC Clearer, issue a Confirmation Notice to each Payment Party in respect of that Payment Date setting out the information required in paragraphs 10.2 and 10.3 and any other information required for the purposes of VAT.

### 10.2 Information – Trading Parties

- 10.2.1 The information required on a Confirmation Notice in respect of each Trading Party is as follows:

- (a) the identity of the Trading Party;
- (b) the amount (inclusive of an amount in respect of VAT) received in, or 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 received by that Trading Party;
- (c) the amount received in, or 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 received by that Trading Party, exclusive of VAT; and
- (d) the amount in respect of VAT received in, or 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 received by that Trading Party and the applicable rate at which such VAT is calculated.

### 10.3 Information - ~~System Operator~~

**Deleted:** Transmission Company

- 10.3.1 The information required on a Confirmation Notice in respect of the ~~System Operator~~ is as follows:

**Deleted:** Transmission Company

- (a) the total amount (inclusive of an amount in respect of VAT) received in, or 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 BM Cashflow incurred or received by the ~~System Operator~~;

**Deleted:** Transmission Company

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

**Deleted:** Transmission Company

**Deleted:** Transmission Company

## 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 relevant 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 If all or any part of an overpayment is not repaid to the relevant Collection Account by 1700 hours on the relevant Payment Date and 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 equal to the amount not repaid.

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 by 1330 hours 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 by 1330 hours 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 funds 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 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, 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.
- 12.2.2 The Panel shall make a decision for the purposes of paragraph 12.2.1 after consultation with the Payment Parties (other than the Non-paying BSC Debtor) and no later than 28 days after the Affected Date, and shall notify its decision to the Payment Parties.
- 12.2.3 Where the Panel decides that BSCCo 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 Panel informed of the progress of such proceedings, and shall not settle or discontinue the same without the 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 the decision of the Panel under paragraph 12.2.2, 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 Chairman.
- 12.2.5 If the Panel decides under paragraph 12.2.2 that BSCCo should not 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 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 directs.

### **13. LEDGER ACCOUNTS**

#### **13.1 Maintenance of Ledger Accounts**

- 13.1.1 The FAA shall maintain ledger accounts showing all amounts payable and receivable by each Payment Party and the BSC Clearer according to calculations made and notifications issued by the FAA pursuant to this Section N.

#### **13.2 Ledger extracts**

- 13.2.1 Each Payment Party shall be entitled to receive a quarterly extract of the ledger account which is relevant to it showing all amounts debited and credited to its account provided that if a Payment Party so requests of the FAA, it shall be entitled to receive a monthly extract of such ledger account.

#### **13.3 Certified copy extracts**

- 13.3.1 In the event of any enforcement proceedings being brought against a Non-paying BSC Debtor pursuant to paragraph 12.2.3, the FAA shall forthwith upon request being made to it at the cost of the requesting Payment Parties provide a certified copy of an extract of the ledger accounts sufficient to establish the details of each Default Share Amount in respect of which those Payment Parties will have a claim against the Non-paying BSC Debtor upon assignment of that Default Share Amount by the BSC Clearer to those Payment Parties.

#### **13.4 Confidentiality**

- 13.4.1 The ledger accounts maintained by the FAA shall be kept confidential from the Panel and from all Payment Parties except as required:
- (a) pursuant to paragraph 13.2 or 13.3; or
  - (b) for the purposes of calculating the amount of Energy Credit Cover to be provided by a Trading Party or monitoring or enforcing compliance by a Trading Party with its obligations with respect to the provision and maintenance of Credit Cover; or
  - (c) to be disclosed to the BSC Auditor for the purpose of any BSC Audit.

#### **13.5 Information**

- 13.5.1 Any extract of a ledger account of any other records, data or information provided pursuant to paragraph 13.2 or paragraph 13.4 (collectively referred to in this paragraph 13 as the "**information**") shall, save in the case of manifest error, be deemed prima facie evidence of its contents.

#### **13.6 Review of extracts**

- 13.6.1 Each Payment Party shall promptly review all extracts of ledger accounts sent to it and shall (without prejudice to any of its rights under the Code) where practicable within 10 Business Days after receiving such information notify the FAA of any errors on the face of

such account of which it is aware or, if it is not aware of any such errors on the face of the extracts, so notify the FAA.

**13.7 Dispute of accuracy**

- 13.7.1 If the FAA at any time receives a notice disputing the accuracy of any ledger account, records, data or information, it shall consult with the Payment Party who gave the notice and each shall use all reasonable endeavours to agree the information.