UNIFORM NETWORK CODE – OFFTAKE ARRANGEMENTS DOCUMENT

SECTION L

COST RECOVERY AND INVOICING

1 General

1.1 Introduction

1.1.1 This Section L sets out:

(a) the basis on which the costs incurred by a Party are to be determined for the purposes of any provision of this Document obliging another Party to bear or reimburse such costs; and

(b) the arrangements by which any amounts payable by a Party under this Document are to be invoiced and paid.

2 Costs

2.1 Introduction

2.1.1 This paragraph 2 applies for the purposes of any provision of this Document under which any one Party is entitled to recover from another Party, or that other Party is required to bear or reimburse to the first Party, costs incurred by the first Party.

2.1.2 For the purposes of this Clause:

(a) a "**relevant provision**" is such a provision of this Document as is referred to in paragraph 2.1.1;

(b) the "**Recovering Party**" is the Party which incurs the relevant costs;

(c) the "**Reimbursing Party**" is the Party which is obliged to bear, pay or reimburse, or from which the Recovering Party is entitled to recover, the costs incurred by the Recovering Party;

(d) "**recoverable costs**" means the costs which (pursuant to a relevant provision) the Recovering Party is entitled to recover from the Reimbursing Party or the Reimbursing Party is required to bear or reimburse to the Recovering Party;

(e) "**costs**" includes expenses.

2.2 Costs

2.2.1 Subject to any other provision of this Document, the recoverable costs shall be determined in accordance with the following provisions.

2.2.2 The recoverable costs shall not exceed the costs which would have been incurred by a Reasonable and Prudent Operator in the circumstances (pursuant to the relevant provision).

2.2.3 (Without prejudice to any provision of the Transportation Principal Document) recoverable costs shall not include any amount which would fall within Section N7.1.4(b), (c) or (d)

(including without limitation any liability or loss of revenue under the Transportation Principal Document).

2.2.4 Where the activities of the Recovering Party in respect of which recoverable costs and expenses arise are activities within the scope of its Condition 4B Statement, the amount of the recoverable costs shall be determined in accordance with that statement.

2.2.5 Subject to paragraph 2.2.2, the amount of the recoverable costs in respect of any external cost shall be the actual amount thereof, provided that where any recoverable costs were incurred under a contract or arrangement with a 33⅓% Affiliate of the Recovering Party which is not on arms length terms, the amount recoverable shall be the amount which would be recoverable by such Affiliate if it were a Party in the capacity of the Recovering Party.

2.2.6 Recoverable costs shall include a reasonable and appropriate amount in respect of internal costs, including cost of capital, personnel and reasonable overhead costs (determined consistent with any relevant determinations made by the Authority in connection with the most recent determination of the principal price control in the Recovering Party's Transporter's Licence, failing which on the basis of cost allocation methodologies recognised as appropriate for determining the fully absorbed costs of a rechargeable activity).

2.2.7 For the avoidance of doubt (unless otherwise provided in this Document) the amount of recoverable costs shall be determined on the basis of actual costs (incurred by the Recovering Party in carrying out the relevant activities), and not on the basis of costs which it would not have incurred but for the relevant act or omission on the part of the Reimbursing Party.

2.3 Process

2.3.1 Where the Recovering Party proposes to recover any recoverable costs:

(a) the Recovering Party shall (as soon as reasonably practicable after the act or omission or other event giving rise to such recovery) give notice to the Reimbursing Party specifying:

(i) the relevant provision;

(ii) the act or omission on the part of the Reimbursing Party or other event giving rise to the application of the relevant provision; and

(iii) the amount which it claims as recoverable costs, and a brief explanation of the basis on which such amount has been determined;

(b) the Reimbursing Party may, within 5 Business Days after receipt of such notice, request a meeting to discuss the maters contained therein, in which case the Parties shall meet as soon as practicable for that purpose; and

(c) the Recovering Party may submit an Invoice in respect of the recoverable costs within 10 Business Days after sending its notice under paragraph (a).

2.3.2 Upon the request of the Reimbursing Party, the Recovering Party shall provide reasonable evidence of the specific amount of recoverable costs incurred by it in any particular case in which such amounts are recoverable under a relevant provision.

2.3.3 Paragraph 2.3.1 shall not:

(a) entitle the Reimbursing Party to delay in paying the amount of any recoverable costs (but without prejudice to its right to require a subsequent adjustment where relevant);

(b) require the Recovering Party to provide evidence supporting rates or unit amounts of costs which are provided for in the statement referred to in paragraph 2.2.4/

3 Invoicing and payment

3.1 Invoicing

3.1.1 Where any amount is payable by one Party (the "**payor**") to another Party (the "**payee**") pursuant to this Document, the payee shall prepare and send to the payee, as soon as practicable following the month in which such amount became payable, an invoice ("**Invoice**") setting out:

(a) the identity of the payor and the payee;

(b) the Day, month or other period to which the invoice relates;

(c) the item(s) to which the invoice relates;

(d) in respect of each such item, the amount payable;

(e) a unique number by which the invoice may be identified; and

(f) the amount of Value Added Tax (if any) payable in respect of each item and the further details required under Regulation 14 of the Value Added Tax Regulations 1995.

3.1.2 In the absence of fraud, after the expiry of 18 months (or any other period agreed between the payor and payee) after the Invoice Due Date in respect of any Invoice, the Invoice shall be deemed to be final and conclusive as to the amounts shown as payable thereunder, except for any adjustments already made and any matters of which either Party had given notice to the other before the expiry of such period.

3.2 Invoice Due Date

3.2.1 In relation to an Invoice, the "**Invoice Due Date**" shall be whichever is the later of:

(a) the 12th Day after the Day on which the Invoice was deemed to be received in accordance with GT Section B5.2.5; and

(b) the 20th Day after the Day or last Day of the other period to which (in accordance with paragraph 3.1.1(b)) the Invoice relates.

3.2.2 The amount payable under each Invoice shall be paid by the payor on or before the Invoice Due Date.

3.3 Payment Details

3.3.1 Payment of any amount payable under this Document shall be made in pounds sterling in same day funds to the account of the payee at a bank in the United Kingdom notified to the payor in accordance with paragraph 3.3.2.

3.3.2 Each Party shall notify each other Party of:

(a) the account name and number; and

(b) the name, address and sort code of the account bank;

to which payments are to be made, before or within five Business Days after the date on which any Party becomes a Party, and of any change in such details not less than 30 Days before such change shall become effective.

3.4 Deductions, Withholdings and Tax

3.4.1 All amounts payable under this Document shall be paid:

(a) free and clear of any restriction, reservation or condition; and

(b) except to the extent (if any) required by law, without deduction or withholding in respect of tax or on account of any amount due or to become due to the payor, whether by way of set-off, counterclaim or otherwise.

3.4.2 If, in respect of a payment to be made by one Party to another, any deduction or withholding is required to be made by the law of any country other than a country of the United Kingdom, the payor shall:

(a) ensure that the amount of such withholding or deduction does not exceed the minimum so required;

(b) forthwith pay the payee such additional amounts as will ensure that the net amount received by the payee is equal to that which would have been received by the payee had no deduction or withholding been made; and

(c) pay the amount withheld or deducted to the relevant authority in accordance with the relevant requirement of law, and provide to the payee a receipt issued by such authority or, if such receipt is not available, a certificate in respect of such payment.

3.5 Late Payment

3.5.1 Where any amount payable under an Invoice is not paid on or before the Invoice Due Date, the payor shall pay interest, after as well as before judgment, at the Applicable Interest Rate, on the unpaid amount from the Invoice Due Date until the Day on which payment is made in full.

3.5.2 For the avoidance of doubt, paragraph 3.5.1 shall not be construed as permitting late payment of any Invoice Amount.

3.6 Interest

3.6.1 Where pursuant to any provision of this Section L interest is payable by a Party, such interest shall accrue on a daily basis and on the basis of a 365-day year.

3.6.2 The "**Applicable Interest Rate**" is the rate of interest, expressed as a percentage rate per annum, payable in respect of amounts overdue for payment, or subject to repayment, under this Document, and shall be the base rate for the time being of Barclays Bank plc plus:

(a) for the purposes only of paragraph 3.7 or where otherwise expressly provided in this Document, one (1) percentage point per annum; and

(b) in all other instances, three (3) percentage points per annum.

3.7 Disputed Payments

3.7.1 Where the payor disputes any amount under an Invoice, it shall (as promptly as reasonably practicable after identifying the matter in dispute) give notice to the payee specifying in reasonable detail:

(a) the error or inaccuracy which it considers to have been made in the Invoice, and its reasons for so considering; and

(b) the amount which it considers should properly be payable in respect of the Invoice.

3.7.2 Subject to paragraph 3.7.3, and except in the case of a manifest clerical error in the preparation of an Invoice (or where a dispute is resolved before the Invoice Due Date), the payor shall pay in full the amount shown in the Invoice on or before the Invoice Due Date, notwithstanding the existence of any dispute.

3.7.3 Where the payor has given notice of a bona fide dispute in accordance with paragraph 3.7.1 before the Invoice Due Date, only the amount which is not the subject of the dispute shall be payable on or before the Invoice Due Date.

3.7.4 The Parties shall discuss and endeavour to resolve the dispute, and if they agree upon such resolution the payee shall promptly issue an Invoice in respect of any agreed adjustment.

3.7.5 If the Parties are unable to resolve the dispute within 30 Days after the disputing Party gave notice of the dispute, subject to the provisions of GT Section A (where applicable) either Party may commence proceedings for the resolution of such dispute.

3.7.6 Upon resolution (by agreement or determination) of an Invoice Dispute, an adjustment payment shall be made:

(a) by the payee, in respect of any amount established to have been over-paid; or

(b) by the payor, in respect of any amount established to have been under-paid;

together with interest in accordance with paragraph 3.6.2(a).

3.8 Value Added Tax

3.8.1 All amounts expressed as payable by a Party pursuant to this Document are exclusive (unless expressly otherwise stated) of any applicable Value Added Tax, and accordingly Value Added Tax shall be paid by the payor where payable in respect of any such amount.