

**Balancing and Settlement Code**

**BSC Service Description for Funds Administration**

**Version 9.1**

**Date: 25 June 2009**

**BSC Service Description for Funds Administration**

1. Reference is made to the Balancing and Settlement Code and, in particular, to the definition of “Service Description” in Section X, Annex X-1 thereof.
2. This is FAA Service Description, Version 9.1.
3. This Service Description is effective from 25 June 2009.
4. This Service Description has been approved by the BSC Panel or its relevant delegated Panel Committee(s).

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## Amendment Record

Version	Date	Description of Change	CPs Included	Mods Panel Ref.
1.0	27 March 2001	Baseline version		
2.0	21 August 2001	Changes for ECVAA Interim Release	CP519	
3.0	12 August 2002	Changes for BSC Systems Release 2	CP554	P39
4.0	10 December 2002	Changes for CVA Programme December 02 Release		P61, P76
5.0	24 June 2003	Changes for CVA Programme June 03 Release	CP553, CP777	
6.0	3 November 2004	Changes for CVA Programme November 04 Release	CP974	P142, P152
7.0	20 December 2004	Changes for CVA Programme February 05 Release	CP993, CP1078, CP1091	
8.0	2 November 2005	Changes for CVA Programme November 05 Release	CP1128	
9.0	6 November 2008	Changes for November 08 Release	CP1241	P215
9.1	3 December 2008	New version of SD for new BPO Host contract and clarification around Credit Assessment Price changes.	CP1268	

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## FUNDS ADMINISTRATION AGENT (FAA) SERVICE DESCRIPTION

### 1 INTRODUCTION

- 1.1 This Service Description supplements the Service Requirement for Funds Administration (version 13.0).
- 1.2 In the event of conflict between the terms of this Service Description and the Service Requirement for Funds Administration (version 13.0), the terms of the Service Requirement shall take precedence for the purposes of this Agreement.

### 2 OVERVIEW

- 2.1 This Service Description sets out the responsibilities and obligations of the FAA in performing the Services, including (without limitation):
- (a) preparation and production of the Payment Calendar pursuant to paragraph 4;
  - (b) all activities relating to Credit Cover pursuant to paragraph 5 including, without limitation, managing Credit Cover details, calculating Energy Credit Cover and determining Credit Cover Default;
  - (c) managing the BSC Accounts and operating related banking arrangements in respect thereof pursuant to paragraph 6;
  - (d) the taxation activities under paragraph 7;
  - (e) validation of information received from the SAA and calculation of payments set out in paragraph 8;
  - (f) the services in respect of Ad-Hoc Trading Charges including (without limitation) Ad-hoc Trading Charges (Extra-Settlement Determinations, the GBR Process; and the Ad-hoc Payment Process in respect thereof) pursuant to paragraph 9;
  - (g) issuing and despatching Advice Notes in accordance with paragraph 10;
  - (h) carrying out the payment procedures under paragraph 11;
  - (i) dealing with Payment Defaults in accordance with paragraph 12;
  - (j) issuing and despatching Confirmation Notices pursuant to paragraph 13;
  - (k) dealing with payment errors under paragraph 14;
  - (l) enforcement of claims under paragraph 15;
  - (m) establishing, running and maintaining the ledger accounts pursuant to paragraph 16; and

such other services requested by BSCCo from time to time.

2.2 This Service Description also describes the key interfaces between the FAA, the BSC Banker, BSCCo, Payment Parties and other BSC Agents.

### 3 BSC PROCEDURES

In providing the Services, the FAA shall (without prejudice to the requirements in respect of Service Levels as set out in Part 3 Schedule 2 (BSC Operating Services) follow the processes under the following BSC Procedures (“BSCPs”):

- (a) BSCP11 Trading Queries and Trading Disputes;
  - (b) BSCP14 Processing of Manifest Errors;
  - (c) BSCP65 Registration of Parties and Exit Procedures;
  - (d) BSCP301 Clearing, Invoicing and Payment; and
- such other BSCPs as notified by BSCCo from time to time.

### 4 PAYMENT CALENDAR

#### 4.1 Content

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

- (a) subject to paragraph 4.2, determine for each Settlement Day in the next following BSC Year, the following dates:
  - (i) the Initial Payment Date and Initial Notification Date for each Settlement Day in the following BSC Year; and
  - (ii) the Calendar Payment Date and Notification Date for each Reconciliation Settlement Run where the Payment Date is between the earliest and latest Initial Payment Dates identified in (i) above.
- (b) subject to paragraph 4.3 (b) and (c), prepare or cause to be prepared a Payment Calendar showing (for each such Settlement Day) such dates as determined under paragraph 4.1 (a), including, for each Settlement Day in the Payment Calendar:
  - (i) the Notification Date; and
  - (ii) the Calendar Payment Date as specified in BSCP01.

#### 4.2 Requirements

For the purposes of paragraph 4.1 the following requirements shall apply to each Payment Calendar:

- (a) for each Settlement Day, there shall be one Initial Settlement Run followed by four Reconciliation Settlement Runs (1st, 2nd, 3rd and Final Reconciliation Settlement Run) over a 14 month period;

- (b) each Calendar Payment Date and each Notification Date shall fall on a Working Day;
- (c) each Calendar Payment Date relating to a Reconciliation Settlement Run shall not fall earlier than two Working Days after the day on which the relevant Reconciliation Settlement Run is required to be delivered by the SAA to the FAA;
- (d) the Calendar Payment Date relating to a Settlement Run shall be at least two clear Working Days after the Notification Date;
- (e) 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;
- (f) each Initial Payment Date shall fall as close as is reasonably practicable to the 29th day after the Settlement Day to which it relates;
- (g) the Initial Notification Date for each Settlement Day shall be no later than the 25th day after that Settlement Day (or, if such day is not a Working Day, the next succeeding Working Day); and
- (h) where reasonably practicable, no more than 15 Timetabled Reconciliation Settlement Runs and/or Initial Settlement Runs are carried out on any day.

### 4.3 Production of Payment Calendar

The FAA shall:

- (a) prepare the Payment Calendar in such form as BSCCo shall from time to time require.
- (b) produce a draft Payment Calendar by the 15 January every year and send the same to BSCCo for approval;
- (c) on receipt of BSCCo's approval under (b) above, immediately distribute a copy of the Payment Calendar to each BSC Agent and each Payment Party; and
- (d) send a copy of the prevailing Payment Calendar to any new BSC Party upon its becoming a Trading Party and, where applicable, a copy of the Post-Final Payment Calendar to each BSC Agent and each Payment Party.

For the avoidance of doubt, the Post-Final Payment Calendar shall be produced by BSCCo and provided to the FAA for use and distribution under (d) above.

### 4.4 Confirmation of Quarter Dates

- 4.4.1 At the same time as sending the draft Payment Calendar to BSCCo, the FAA shall confirm to BSCCo the date on which Advice Notes will be despatched in relation to each Quarter Date in the following BSC Year (in accordance with Section 8), where such date will either be:



- (a) on the Quarter Date; or
- (b) if the Quarter Date falls on a non- Working Day, the last Working Day prior to the Quarter Date.

## 5 CREDIT COVER ARRANGEMENTS

### 5.1 Managing Credit Cover Details

The FAA shall receive, on behalf of the BSC Clearer, Credit Cover from each Trading Party in the form of a Letter of Credit and/or a Cash Deposit, for credit to the Reserve Account. The FAA shall manage and maintain a record of such Credit Cover including (without limitation):

5.1.1 providing details of outstanding liabilities in respect of Credit Cover for a named Trading Party to BSCCo:

- (a) within the time specified by BSCCo; or
- (b) if no time specified under (b), on the same day of the request before 17:00; or
- (c) if no request is made under (a) or (b) above, 2 Working Days prior to the Withdrawal Date.

5.1.2 validate and check the Credit Cover provided by each Trading Party. Where the Credit Cover provided is:

- (a) a Letter of Credit or Cash Deposit, then unless otherwise agreed with BSCCo, notify the ECVAA of the resultant Energy Credit Cover in accordance with paragraph 5.3 and:
  - (i) if the FAA receives the Credit Cover from the relevant Trading Party by 17:00 hours, on the same Working Day; or
  - (ii) if the FAA has received notification of that Trading Party subject to Level 2 Credit Default Cure Period by 09:00 and receives additional Credit Cover from that Trading Party by 11:00 hours on that Working Day, by 12:00 on that Working Day.
- (b) in any other form not authorised by BSCCo, the FAA shall reject such Letter of Credit and notify the Trading Party of such rejection on the same Working Day the Letter of Credit was received.

5.1.3 where the FAA receives a notice from a Trading Party that it wishes to alter the amounts provided as Credit Cover between different Letters of Credit and/or by way of Letter of Credit and Cash Deposit, validate and check the revised Credit Cover in accordance with paragraph 5.1.2 and, where such alteration is in respect of a reduction of Credit Cover, follow the process under paragraph 5.2.

5.1.4 not later than 20 Working Days before any Letter of Credit is due to expire, request in writing from the Trading Party appropriate Credit Cover to be provided within 10 Working Days of such request in one or more of the following ways:

- (a) confirmation from the issuing bank that the outstanding Letter of Credit has been extended for a period of not less than 3 months and on the terms required by BSCCo;
  - (b) providing to the FAA a new Letter of Credit from the issuing bank with the required credit rating, which must be valid for a period of not less than 3 months, commencing no later than the expiry of the current Letter of Credit and for a monetary value at least equal to the current Letter of Credit; or
  - (c) a Cash Deposit into the Reserve Account.
- 5.1.5 notifying BSCCo in writing of any requests made to Trading Parties under paragraph 5.1.4 no later than 15 Working Days prior to the expiry of the Letter of Credit that is the subject of such request.
- 5.1.6 monitoring the credit rating of issuing banks and, if at any time an issuing bank ceases to have the required credit rating specified by BSCCo, notify BSCCo and the relevant Trading Party immediately in writing and request the Trading Party to provide replacement Credit Cover within 5 Working Days of such notice. Such replacement Credit Cover may be provided by the Trading Party in one or more of the following ways:
- (a) providing to the FAA a new Letter of Credit from an issuing bank with the required credit rating, valid for a period of not less than 3 months and for a monetary value at least equal to the current Letter of Credit (less the amount of any Cash Deposit provided pursuant to (b) below); or
  - (b) an appropriate amount of Cash Deposit transferred into the Reserve Account.

For the avoidance of doubt, the FAA shall not incur any liability by reason of the Credit Cover of a Trading Party proving to be inadequate or excessive.

## **5.2 Reduction of Credit Cover**

### **5.2.1 If the FAA:**

- (a) receives a notification from the ECVAA of a Minimum Eligible Amount; and
- (b) a notification from the relevant Trading Party no later than 2 Working Days following receipt of a notification under (a) above that it wishes to reduce its Credit Cover,

the FAA shall affect such a reduction (either by way of a reduction in the value of the Letter of Credit and/or a withdrawal of Cash Deposit) PROVIDED THAT the amount of the Trading Party's Credit Cover following such reduction and/or withdrawal is not less than the total of the Minimum Eligible Amount notified by the ECVAA multiplied by the Credit Assessment Price.

- 5.2.2 If the FAA receives a notification from BSCCo of a minimum amount of Credit Cover required for a Trading Party, the FAA shall consent to a reduction of a

Trading Party's Credit Cover (however affected), PROVIDED THAT such reduction is not less than the minimum amount notified by BSCCo hereunder.

### 5.3 Establish Energy Credit Cover

The FAA shall:

- (a) receive and keep a record of the Credit Assessment Price as notified by BSCCo from time to time; and
- (b) determine, for each Trading Party, the amount from time to time of that Trading Party's Credit Cover to be:
  - (i) the maximum undrawn amount of any Letter of Credit plus any Cash Deposit; less
  - (ii) the sum of any amounts payable by the Trading Party in respect of Trading Charges which have become due for payment in accordance with paragraph 8.6 and which remain unpaid at such time.

For the avoidance of doubt, if the amount of Credit Cover as calculated under paragraph 5.3 (b) is negative, the Credit Cover will be regarded as zero.

- (c) determine for each Trading Party the amount from time to time of that Trading Party's Energy Credit Cover (ECC) as follows:

$$ECC_p = CC_p / CAP$$

(where 'CAP' is the Credit Assessment Price figure prevailing at the time of such calculation and 'CC<sub>p</sub>' is the amount of Trading Party's Credit Cover at such time as calculated in accordance with paragraph 5.3 (b));

- (d) unless otherwise agreed by BSCCo, if the FAA receives the Credit Cover provided by the relevant Trading Party by 17:00 hours, calculate the Energy Credit Cover for such Trading Party on the same Working Day;
- (e) re-calculate the Energy Credit Cover for any Trading Party on each occasion when new values for the calculation relating specifically to that Trading Party are notified to the FAA or the amount of the Trading Party's Credit Cover changes, and notify ECVA and the Trading Party of the recalculated Energy Credit Cover:
  - (i) unless otherwise agreed by BSCCo, on the same Working Day of the recalculation, if the new Credit Cover is received by 17:00 hours; or
  - (ii) by 12:00 hours on the same Working Day a Level 2 Credit Default Cure Period is due to expire, if the new Credit Cover is received before 11:00 hours on the same Working day, PROVIDED THAT the relevant Trading Party was in a Level 2 Credit Default Cure

Period and the FAA was notified of this by 09:00 hours on the same Working Day;

- (f) re-calculate the Energy Credit Cover for all Trading Parties whenever new values for the common parameters in the Energy Credit Cover calculation are notified to the FAA, prior to the Effective From Date of the parameter change within 1 Working Day of the date of such notification[CP1268]; and
- (g) make available to BSCCo such information regarding the determination of the Energy Credit Cover as may be required in order to facilitate any appeal hearing and attend any appeal hearing as required under Section M4 of the BSC.

## 5.4 Determination of Credit Cover Default

5.4.1 If, in relation to a Letter of Credit, a Trading Party fails to comply with paragraphs 5.1.4 or 5.1.6 by the timescales stipulated thereunder, the FAA shall immediately and without notice to the Trading Party, demand payment of the entire amount of the Letter of Credit and deposit the proceeds in the Reserve Account.

5.4.2 The FAA shall forthwith notify BSCCo and the relevant Trading Party as soon as it becomes aware of or if at any time:

- (a) the FAA makes a demand on the Credit Cover held in Cash Deposits and/or Letter of Credit for such Trading Party in the event of a Payment Default;
- (b) the FAA makes a demand under any Letter of Credit provided by such Trading Party as Credit Cover.

## 6 OPERATE BANKING ARRANGEMENTS

### 6.1 Establishment of Accounts

The FAA shall manage the operation of the BSC Accounts, including (without limitation):

- (a) the Clearing Account (which includes the daylight exposure facility) to and from which all payments determined under this Service Description are to be made;
- (b) the Reserve Account to which all Cash Deposits and proceeds of Letters of Credit are paid, settled and/or reduced and from which funds are transferred to and back as Overnight Deposits;
- (c) a Collection Account to which payments from Trading Parties are made;
- (d) a Borrowing Account from which the FAA may make permitted Drawings under the Credit Facility; and
- (e) any other account that the BSC Clearer establishes with the BSC Banker on the recommendation of the FAA, to enable the BSC Clearer to perform any obligations imposed on it by the BSC.

For the avoidance of doubt, the Clearing Account is the only BSC Account from which payments to Payment Parties can be made; subject to paragraph 6.2 all other accounts under paragraph 6.1 (b) to (e) inclusive are used solely for the purpose of transfer of funds to the Clearing Account from which payments are made. The FAA shall not at any time instruct the BSC Banker to transfer any sum from a BSC Account to any other account unless such account is a Settlement Account or such account otherwise authorised by BSCCo.

## **6.2 Banking Activities**

6.2.1 The FAA shall, in consultation with the BSC Clearer, agree with the BSC Banker a process of daily sweeps at the end of each Working Day in the following order:

- (a) Sweep the Collection Account into the Clearing Account; and
- (b) in the event that there is a debit balance on the Clearing Account after a) above, sweep such an amount as is necessary from the Borrowing Account to the Clearing Account in order that the closing balance on the Clearing account is nil.

For the avoidance of doubt, if, following a) and b) above, there is a credit balance on the Collection Account, the FAA shall instruct the BSC Banker to refrain from further sweeping.

6.2.2 The FAA may, at its sole discretion, instruct the BSC Banker to place such amounts as it may determine from time to time, from the Reserve Account on Overnight Deposit for the purposes of earning interest.

6.2.3 The FAA shall ensure that payments to BSC Creditors are made by way of overdraft prior to receipt of funds using the daylight exposure facility.

6.2.4 The FAA shall manage the BSC Accounts, including daily reconciliation of each such account and prompt clearing of all reconciling items.

## **6.3 Settlement Accounts**

6.3.1 The FAA shall use reasonable endeavours to obtain from each Payment Party, not later than the date required by paragraph 6.3.2 a duly completed and signed designation providing details of the Settlement Account to which the FAA is to make payments to such Payment Party.

6.3.2 The required date for the purposes of paragraph 6.3.1 is 10 Working Days, or such shorter period as BSCCo may instruct the FAA from time to time, before a Payment Party becomes a Trading Party.

6.3.3 On receipt from a Payment Party of a duly completed and signed notice of change of its Settlement Account, the FAA shall validate such changes within 4 Working Days and make the appropriate changes to the Trading Party's Settlement Account within 10 Working Days.

## 6.4 Obtain Banking Details and Authorisations

The FAA shall, upon receipt of the sort code, account numbers and such other bank details as are required for the purposes of performing the Services in respect of the BSC Accounts:

- (a) supply to each Payment Party such bank details, sort code and account numbers in respect of the Collection Account and Reserve Account; and
- (b) perform (a):
  - (i) in respect of any new Payment Party, details of which have been provided by the CRA;
  - (ii) upon any change to a Payment Party's Settlement Account.

## 6.5 Banking Communications Links

6.5.1 The FAA shall set up such communications links with the BSC Banker to ensure efficient transfers of funds, including (without limitation) a facility which enables payments to be made between the BSC Accounts and Settlement Accounts.

6.5.2 Payments under paragraph 6.5.1 may be made by combination of CHAPS, BACS, Direct Debit and such other method notified by BSCCo from time to time.

6.5.3 The FAA shall have the ability to periodically monitor payments in and out of the BSC Accounts on a real time basis.

6.5.4 For the purposes of payments made by Direct Debits under paragraph 6.5.2 the FAA shall be set up as the Direct Debit Originator for the purposes of the Banking Code and undertake the necessary processes and procedures to set up such payment mechanism, including (without limitation) obtaining an exemption from the mandatory 14 day notice period under the Direct Debit scheme to enable the FAA to affect payments with 3 day's notice<sup>1</sup>.

## 6.6 Credit Facility

6.6.1 The FAA shall use the Credit Facility for the purpose of covering banking and payment errors and short-term Payment Defaults and to minimise the need to use Credit Cover provided by BSC Payment Parties.

6.6.2 The FAA shall:

- (a) notify BSCCo and all Payment Parties of the interest rate notified to it by the BSC Banker under the Credit Facility from time to time;
- (b) notify BSCCo forthwith on:
  - (i) becoming aware of any circumstances which, in the FAA's opinion, may lead to the BSC Banker withdrawing the Credit Facility;

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<sup>1</sup> Direct Debit Requests and BACS payments are input during day 1 and arrive at the beneficiary on day 3.

- (ii) receiving a written demand from the BSC Banker to the effect that the Credit Facility ceases to become available;
  - (iii) receiving notice from the BSC Banker requiring any additional amount to be paid to it as a result of any change in the BSC Banker's circumstances or any increased costs; and
- (c) notify all Payment Parties as soon as reasonably practicable after receiving any notice from the BSC Banker under paragraphs 6.6.2 (b) (ii) and/or (iii).

## **6.7 Reserve Account**

6.7.1 The FAA shall pay or repay the following amounts at the times indicated from the Reserve Account to each Payment Party:

- (a) (subject to paragraph 6.7.3) quarterly the amount of interest referred to in paragraph 6.7.2;
- (b) an amount requested in accordance with Section M2.3 of the BSC; and
- (c) if that Payment Party is a Discontinuing Party, 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.

6.7.2 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.

6.7.3 While any interest is credited to the Reserve Account, it shall be deemed to form part of the relevant Trading Party's Credit Cover for the purposes of this paragraph 6.7 only, and may be applied by the FAA on behalf of the BSC Clearer accordingly.

## **6.8 Banking Charges and Interest**

The FAA shall not be responsible for apportioning to BSC Parties any banking charges or interest payable incurred on the bank accounts it establishes and operates on behalf of and in the name of the BSC Clearer. Banking charges and interest shall be charged directly to BSCCo (not the BSC Clearer) by the BSC Banker and BSCCo shall pass on such amounts to BSC Parties in accordance with its standard charging mechanism.

## **7 TAXATION**

### **7.1 Requirements**

The FAA shall:

- (a) comply with the rules of any relevant tax authority as to the treatment for taxation purposes of any transaction under this Service Description;
- (b) maintain and keep updated a record of the current VAT code and rate and country code of Payment Parties; and

- (c) provide quarterly reports to BSCCo summarising transactions in respect of Trading Charges for the purposes of VAT reporting to HMRC.

7.2 For the purposes of paragraph 7.1, BSCCo has entered into an agreement with HMRC which confirms the tax treatment of the Services performed by the FAA hereunder (the “Agreements with Tax Authorities”). The FAA shall, when required, co-operate with HMRC and/or BSCCo in the provision of information to support any changes to such agreement as may be required from time to time.

### **7.3 Withholding on account of taxation**

7.3.1 The FAA shall (on behalf of the BSC Clearer and any BSC Debtor) deduct from all payments made by or through it under this Service Description such amounts (including withholdings) as are required by law.

7.3.2 Any deduction under paragraph 7.3.1 shall be the minimum amount required by law and/or under the terms of any agreement between BSCCo and the relevant taxation authority.

7.3.3 If any such deductions are made, the FAA shall, on behalf of the BSC Clearer or the relevant BSC Debtor (as the case may be), take such further actions as instructed by BSCCo, including (without limitation) making payments and returns to the tax authorities and issuing certificates.

### **7.4 Taxation of BSC Clearer**

If at any time and for any reason the BSC Clearer is required to account for any taxation to any taxation authority and:

- (a) where the BSC Clearer has no equivalent credit then available to it, and
- (b) the FAA reasonably believes that such credit will be due to such taxation authority in the future,

the FAA shall, on behalf of the BSC Clearer, borrow the required amount from BSCCo, and BSCCo shall lend such amount, on such terms (if any) as BSCCo may decide to loan the FAA. The BSC Clearer, acting through FAA, shall repay that amount upon receipt of the equivalent tax credit back from the taxation authority.

## **8 CALCULATION OF PAYMENTS**

### **8.1 SAA Data**

8.1.1 The FAA shall, not later than 10:00 on the Notification Date, use reasonable endeavours to ensure it receives from the SAA the information set out in paragraph 8.1.3 in respect of the Settlement Days due on that Notification Date, as set out in the Payment Calendar.

8.1.2 In respect of Post-Final Settlement Runs, the FAA shall, not later than 10:00 on the Notification Date, use reasonable endeavours to ensure it receives from the SAA the information set out in paragraph 8.1.3 in respect of Settlement Days due on that Notification Date, as set out in the Post-Final Payment Calendar.



- 8.1.3 For the purposes of paragraphs 8.1.1 and 8.1.2 the FAA shall receive the following information:
- (a) in relation to a Trading Party:
    - (i) the identifier of the Trading Party;
    - (ii) the net amount (exclusive of VAT) for the Settlement Day, shown to be payable by or to the Trading Party in respect of each of the following Trading Charges separately:
      - the Daily Party BM Unit Cashflow ;
      - the Daily Party Non-Delivery Charge ;
      - the Daily Party Energy Imbalance Cashflow ;
      - the Daily Party Information Imbalance Charges;
      - the Daily Party Residual Settlement Cashflow; and
      - the net amount (exclusive of VAT), for the Settlement Day and for all Trading Charges under paragraph (b), shown to be payable by or to the Trading Party.
  - (b) in relation to the System Operator, the net amount (exclusive of VAT), for the Settlement Day, shown to be owing by or to the System Operator in respect of Daily System Operator BM Cashflows.
- 8.1.4 If the FAA does not receive such information set out in paragraph 8.1.3 within the time frame specified under paragraph 8.1.1, the FAA shall use reasonable endeavours to obtain such data from the SAA and to complete the issuance of Advice Notes in accordance with paragraph 10.1.1, 10.1.2 (a) and 10.1.2 (b) on the Working Day on which such information is received and shall promptly notify BSCCo that such information was not received by 10:00 hours.

## 8.2 Validation

- 8.2.1 Upon receipt of the information specified in paragraph 8.1.3, the FAA shall determine whether, on the basis of such information, the sum of the Net Payment Amounts shown to be receivable from Payment Parties for the relevant Settlement Day (the "Total Receivables") is equal to the sum of the Net Payment Amounts shown to be payable by all Payment Parties for the relevant Settlement Day (the "Total Payables"). If the difference between the Total Receivables and the Total Payables is less than £10.00, such information under paragraph 8.1.3 is deemed 'Valid'.
- 8.2.2 If the information specified in paragraph 8.1.3 is Valid, the FAA shall:
- (a) account for the difference between the Total Receivables and Total Payables by adjusting the largest Net Payment Amount (by credit/debit) for the relevant Settlement Day by an amount equal to such difference; and

- (b) adjust the amounts payable or receivable by the BSC Clearer correspondingly.

8.2.3 If the FAA determines that the information specified in paragraph 8.1.3 not to be Valid, it shall, as soon as possible and in any event by close of business on the Notification Date, notify the SAA accordingly.

### 8.3 Determination of Payments

8.3.1 The FAA shall:

- (a) for each Calendar Payment Date, calculate the charges and payments from each Payment Party resulting from the information provided pursuant to paragraph 8.1.3 for the Settlement Days notified by the SAA;
- (b) for each Initial Settlement Run, Reconciliation Settlement Run and Post-Final Settlement Run, include the information to be received under paragraph 8.1.3; and
- (c) for Initial Settlement Runs, calculate any tax that may apply to the charges and payments notified in paragraph 8.1.3 and aggregate the total payments and charges together with the tax for each Trading Party in respect of each Initial Settlement Run relating to a Calendar Payment Date.

8.3.2 Upon receipt of the information specified in paragraph 8.1.3 as supplied by the SAA in respect of a Reconciliation Settlement Run or Post-Final Settlement Run, the FAA shall calculate, on the basis of such information, for each Payment Party, the difference (if any) between:

- (a) the Net Payment Amount shown in that Reconciliation Settlement Run as payable by or to that Payment Party (exclusive of VAT); and
- (b) the Net Payment Amount (exclusive of VAT) which was shown to be payable by or to that Payment Party:
  - (i) in the Initial Settlement Run for the same Settlement Day, or
  - (ii) if a Reconciliation Settlement Run or Post-Final Settlement Run has already been carried out in respect of that Settlement Day, in the most recent of either the Reconciliation Settlement Run or Post-Final Settlement Run previously carried out for that Settlement Day,

(the “Reconciliation Charge”)

8.3.3 Following each Reconciliation Settlement Run, the FAA shall determine the amount which each Payment Party shall be liable to pay or entitled to receive (as the case may be), being the amount of the difference determined under paragraph 8.3.2, together with an amount in lieu of interest calculated by applying the Base Rate to such amount in respect of the period since the last Payment Date to the current Reconciliation Payment Date.

- 8.3.4 For Reconciliation Settlement Runs and Post-Final Settlement Runs, the FAA shall calculate:
- (a) any tax that may apply to the charges and payments notified in the revised credit/debit instructions received from the SAA;
  - (b) the differences in charges and payments since the last Initial Settlement Run or Reconciliation Settlement Run (applying interest as necessary to the differences at Base Rate or any other such rate as may be set by BSCCo from time to time);
- 8.3.5 Where interest has been calculated (such interest to be calculated daily from the last Payment Date in respect of that Settlement Day to, but not including, the current Payment Date) the FAA shall assess any liability for tax and, where liable, calculate such tax.
- 8.3.6 The FAA shall aggregate for each Payment Party, into a single charge or payment, all charges and payments calculated from the information notified by the SAA pursuant to paragraph 8.1.3 in respect of the Initial Settlement Run and Reconciliation Settlement Runs for a Payment Date.
- 8.3.7 The FAA shall, for each Settlement Day, carry out the relevant processes under paragraph 7 for the Initial Settlement Run, three Reconciliation Settlement Runs and a Final Settlement Run over a 14 month period as detailed in the Payment Calendar and where applicable for a Post-Final Settlement Run and, if required, implement the credits and debits associated with a Post-Final Settlement Run in respect of a Settlement Day.
- 8.3.8 If the information specified in paragraph 8.1.3 is Valid, the FAA shall, without prejudice to the requirements under paragraph 10.1.2 (a) and 10.1.2 (b) include in relation to an Initial Settlement Run, the Net Payment Amounts, together with VAT, if applicable.

#### **8.4 Postponed Payments**

- 8.4.1 If for any reason it is not possible for the FAA to determine, by the close of business on the Notification Date, the amounts to be incorporated in the Advice Notes under paragraph 8.3:
- (a) the Payment Date shall be postponed so that it falls on the second Working Day (or such later day as BSCCo may from time to time determine on the recommendation of the FAA) after the day on which the FAA validates the information provided by the SAA pursuant to paragraph 8.2 (the “Postponed Payment Date”);
  - (b) the FAA shall notify BSCCo, the SAA and each Payment Party:
    - (i) on the Notification Date, of such postponement; and
    - (ii) promptly upon validating such information, of the Postponed Payment Date.

For the avoidance of doubt, reference to a Payment Date in this Service Description shall, unless the context otherwise requires, include a Postponed Payment Date.

- 8.4.2 In the case of an Initial Settlement Run only, if the Postponed Payment Date falls more than one week after the original Payment Date, the FAA shall calculate and show in the Advice Note in respect of each BSC Debtor (as payable to the BSC Clearer) and each BSC Creditor (as receivable from the BSC Clearer) interest at the Base Rate on the amount shown for each day from and including the originally scheduled Settlement Payment Date to (but excluding) the Postponed Payment Date.
- 8.4.3 In the case of a Timetabled Reconciliation Settlement Run, other than a Final Reconciliation Settlement Run:
- (a) BSCCo may, at any time after receiving a notice under paragraph 8.4.1 (b) (i), but not after the FAA has given a notice under paragraph 8.4.1 (b) (ii), determine and instruct the FAA that Reconciliation Charges will not be determined and payable by reference to that Reconciliation Run.
  - (b) if BSCCo makes a determination under (a) above then, without prejudice to the obligation to calculate Reconciliation Charges in respect of the following Reconciliation Settlement Run for the relevant Settlement Day:
    - (i) the FAA shall promptly notify all Payment Parties and the SAA of the same; and
    - (ii) there shall be no Postponed Payment Date.

## **9 AD-HOC TRADING CHARGES**

- 9.1 BSCCo shall notify the FAA in respect of any entitlements or liabilities in respect of Ad-hoc Trading Charge(s) arising from time to time, including:
- (a) the identifier of each Trading Party entitled to or liable for such Trading Charge(s); and
  - (b) the amount(s) of the Ad-hoc Trading Charge for which each such party is liable for or entitled to; and
  - (c) the due date for payment.
- 9.2 At the time of sending any notifications to the FAA under paragraphs 9.1, BSCCo shall send to each Trading Party and the Transmission Company the details notified thereunder.
- 9.3 The due date on which payment in respect of an Ad-hoc Trading Charge under paragraphs 9.1 (c) shall be:
- (a) a date established in accordance with the relevant provision of the BSC or otherwise agreed by the Panel and notified to the FAA by BSCCo; or
  - (b) the 10th Working Day after the FAA receives notification from BSCCo of any entitlements or liabilities in respect of Ad-hoc Trading Charge(s).

9.4 Upon receipt of a notification from BSCCo under paragraph 9.1, the FAA shall determine for each Trading Party the amount to which it is liable for or entitled to under paragraphs 9.1 (including, where requested by BSCCo, any VAT and/or interest payable at the Base Rate) and include the amount(s) which each Trading Party is liable for or entitled to 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.

9.5 Where:

- (a) a Trading Party is entitled to or liable for a particular amount by way of Ad-hoc Trading Charge; and
- (b) such Trading Party is liable for or entitled to its Party Daily Reallocation Proportion of that amount, BSCCo shall notify the FAA of the identity of such Trading Party and the Settlement Day on which such Daily Reallocation Proportions are to be determined.

## 9.6 **Extra-Settlement Determinations ('ESDs')**

9.6.1 BSCCo shall provide the FAA with:

- (a) a list of the BSC Parties that ESD amounts are to be recovered from and the corresponding BSC Parties (the "Receiving Party") to whom the ESD will be paid; and
- (b) further instructions to recover an ESD amount under (a) above, including calculating the interest payable on such amount based on the Base Rate.

## 10 **ADVICE NOTES**

### 10.1 **Despatch of Advice Notes**

10.1.1 On each Advice Note Date, the FAA shall (in good time for Payment Parties to give all necessary instructions for payments to be effected on the relevant Payment Date) despatch to each Payment Party an Advice Note showing the amounts (inclusive of any VAT where applicable) which, according to its calculations, are to be paid either:

- (a) by each Payment Party to the BSC Clearer, or
- (b) to each Payment Party by the BSC Clearer,

on that Payment Date, in respect of the Advice Note Period.

10.1.2 In each Advice note under paragraph 10.1.1, the FAA shall set out in respect of each Notification Date in the Advice Note Period:

- (a) in relation to Initial Settlement Runs:
  - (i) an amount in respect of each of the items set out in paragraph 8.1.3(a)(ii) or 8.1.3(b) (as the case may be);
  - (ii) the Trading Charges; and

- (iii) in respect of a Postponed Payment Date, any interest pursuant to paragraph 8.4.2.
- (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 8.4.2;
  - (iv) the amount of any withholdings on account of taxation; and
  - (v) the Trading Charges in respect of which the FAA has calculated there to be a Reconciliation Charge due.
- (c) in relation to Ad-Hoc Trading Charges:
  - (i) the Extra-Settlement Determination initial payment; and
  - (ii) the Extra-Settlement Determination secondary payment including an interest element based on Base Rate.
- (d) 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 Advice Note Period.
- (e) the amount of VAT in respect of the total amount payable or the total amount receivable.

10.1.3 The FAA shall despatch each Payment Party an Advice Note:

- (a) on each Notification Date where the aggregate amount payable or receivable by the Payment Party in respect of the Advice Note Period is equal to or exceeds the Advice Note Threshold Limit; and/or
- (b) where the Notification Date is a Quarter Date or, where a Quarter Date falls on non-working day, the last working day prior to that Quarter Date.

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

- (a) has given a Withdrawal Notice to BSCCo;
- (b) has given notification to BSCCo of a change in VAT status that alters the liability of the Payment Party in respect of UK VAT; or
- (c) is a Defaulting Party.

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

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

10.1.6 The FAA shall despatch all Advice Notes by email and optionally by first class post, or by such other means as BSCCo may reasonably direct from time to time.

## 10.2 Interest

Where interest is payable by or to any Payment Party under any part of this Service Description, the FAA shall, at the same time as it despatches the Advice Notes, despatch to each Payment Party who is required to pay interest to the BSC Clearer and to each Payment Party who is entitled to receive interest from the BSC Clearer a statement showing the amount of interest payable or receivable by it, the rate of interest applicable thereto and the amount (if any) of tax to be withheld.

## 11 PAYMENT PROCEDURE

11.1 The FAA shall, as soon as practicable and in any event not later than 11:00 hours on the day after each Payment Date take such action as is required to:

- (a) determine that all amounts required to be credited to the Collection Account on behalf of each Payment Party on such Payment Date have been so credited (or if not so credited, the reason therefore established); and
- (b) ensure that it reconciles the actual amounts credited to the Collection Account and remitted to the Clearing Account by not later than 11:00 on the day after the Payment Date.

### 11.2 Non-Payment

The FAA shall:

- (a) as soon as it becomes aware that a payment will not be remitted to the Collection Account by 11:00 hours on payment date +1 (D+1) or has not been remitted in full, use its reasonable endeavours to establish the cause of non-payment with the BSC Debtor or BSC Banker; and
- (b) in the event of non-payment, follow the procedure for non-receipt of payment set out in paragraph 12.

### 11.3 Excess payments

The FAA shall:

- (a) establish by 11:00 hours of the day after the Payment Date if it has received from a BSC Debtor a payment in excess of the amount notified to that BSC Debtor pursuant to paragraph 10 in respect of that Payment Date;

- (b) use 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.

#### 11.4 **Payment to BSC Creditors**

11.4.1 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;
- (b) subject to paragraph 11.4.1 (c), on the basis of such estimate under (a) above, calculate the amounts available for payment by the BSC Clearer to BSC Creditors on that Payment Date;
- (c) for the purposes of (b) above, determine whether, by reference to the estimate set out in (a) above, the amount (if any) anticipated to be received from BSC Debtors is less than the amounts due to BSC Creditors ("Estimated Shortfall Amount"); and
- (d) as soon as practicable and not later than 16:00 hours on that day, arrange for the remittance from the Clearing Account to the relevant Settlement Accounts of amounts determined by the FAA to be available for payment to BSC Creditors and, if a Payment Party is in default pursuant to paragraph 12, arrange for the transfer of amounts from the Reserve Account.

11.4.2 The FAA shall:

- (a) ensure that at close of business each day, the BSC Banker has Swept the closing balance on the Collection Account into the Clearing Account;
- (b) ensure that if there is an overdraft on the Clearing Account following (a) above, the BSC Banker transfers such amount as is required from the Borrowing Account to the Clearing Account so that the balance on the Clearing Account is nil; and
- (c) if the resultant balance on the Borrowing Account exceeds the agreed Credit Facility, notify BSCCo as soon as possible and take such actions as agreed between BSCCo to resolve this.

#### 11.5 **Resolve VAT imbalance**

On the Payment Date, the FAA shall settle the VAT imbalance and settle such imbalance with BSCCo.

## 12 **PAYMENT DEFAULT**

### 12.1 **General**

For the purposes of this paragraph 12:



- (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 the close of the banking Working Day on the relevant Payment Date (together with interest payable by that Non-paying BSC Debtor pursuant to paragraph 11.4) less any amounts paid or recovered (as defined in paragraph 11.3.1) in respect thereof at that time;
- (b) a "Drawing" is a drawing on the Credit Facility by the FAA 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 annum.

## 12.2 Affected Date

- 12.2.1 Paragraph 12.2.2 shall apply if, on any Payment 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").
- 12.2.2 Subject to paragraphs 11.4.1 (d) and 12.2.5, the FAA shall act in accordance with the following provisions, where applicable, 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, 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 Deposit provided by the Non-paying BSC Debtor will be paid into the Clearing Account in sufficient time to ensure that such cash amount 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 Deposit;
  - (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) reduce payments by the BSC Clearer to all BSC Creditors in proportion to the amounts payable to the BSC Creditors 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) 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 paragraphs (b) or (c)) the Non-paying BSC Debtor as soon as reasonably practicable of the action taken.
- 12.2.3 The amount of the reduction pursuant to paragraph 12.2.2(d) plus interest at the Default Rate from time to time in respect of each Shortfall Creditor is a "Shortfall Amount".
- 12.2.4 It is acknowledged for the avoidance of doubt that the FAA may (for the purposes of paragraph 12.2.1) 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 12.2.2(b) or (c) on that date. If the FAA is in doubt as to the appropriate course of action to take, then the FAA shall seek guidance from BSCCo.
- 12.2.5 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 12.2.2 shall be as follows: (b), (c), (a), (d) (and references therein to the application of prior paragraphs shall be construed accordingly).

### **12.3 Amount in Default**

- 12.3.1 For the purposes of this paragraph 12.3, an Amount in Default shall be "paid" or "recovered" on any Working Day, only if, and to the extent that:
- (a) an amount has been paid to the BSC Clearer on that Working Day and applied by the FAA to that Amount in Default; or
  - (b) it has been recovered from the Non-paying BSC Debtor on that Working Day by operation of set-off; or
  - (c) it has been recovered from the Non-paying BSC Debtor on that Working Day by applying its Cash Deposit or the proceeds of its Letter of Credit in accordance with this paragraph 12.3.

- 12.3.2 For the avoidance of doubt, where a Direct Debit payment is subsequently recalled by the Settlement Bank, the FAA shall investigate to determine whether such non-payment was due to an administration error and, in the event that subsequently the Direct Debit payment is not repaid, it will be deemed to be an Amount in Default following which the procedure as set out in paragraph 12.3.3 and 12.3.4 shall apply.
- 12.3.3 Any amount received from a Non-paying BSC Debtor shall be applied by the FAA towards Amounts in Default payable by the Non-paying BSC Debtor on each successive Payment Date in respect of which there is an outstanding default, with the longest outstanding default being settled first. Where a Payment Date is in respect of more than one Settlement Day, the default in respect of the earliest Settlement Day shall be settled first.
- 12.3.4 As soon as any portion of an Amount in Default (whether attributable to principal or interest) is paid or recovered, the FAA shall apply the proceeds:
- (a) first, to the Drawing; and
  - (b) secondly, to (in proportion) the Shortfall Amounts or the Default Share Amounts in accordance with paragraph 12.6.8.

#### **12.4 Interest**

Each Non-paying BSC Debtor will pay into the appropriate BSC Account interest from time to time at the Default Interest Rate on the part of the Amount in Default not covered by a Drawing, from the due date of payment up to actual payment or recovery from the Non-paying BSC Debtor (whether before or after judgement).

#### **12.5 D+1**

- 12.5.1 Subject to paragraphs 12.6.2 paragraphs 12.5.2 to 12.5.4 (inclusive) shall apply if:
- (a) the FAA reduces payments to BSC Creditors in accordance with paragraph 12.2.2 (d); and
  - (b) the Amount in Default is not paid in full by the Non-paying BSC Debtor and/or recovered by operation of set-off by the Working Day after the Affected Date ("D+1").
- 12.5.2 Where this paragraph 12.5.2 applies, the FAA shall, 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 Deposit 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 12.4) 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.
- 12.5.3 subject to paragraph 12.6.8, on the next Working Day following receipt of proceeds under a Letter of Credit in accordance with paragraph 12.5.2 (b), the FAA shall pay 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.
- 12.5.4 The FAA shall promptly notify Shortfall Creditors and BSCCo and, where it takes action under paragraph 12.5.2 the Non-paying BSC Debtor, of actions under this paragraph 12.5.
- 12.6 D+2**
- 12.6.1 Subject to paragraph 12.6.2, paragraph 12.6.1 shall apply if:
  - (a) the FAA has made a Drawing pursuant to paragraph 12.2.2; and
  - (b) the Amount in Default is not paid in full by the Non-paying BSC Debtor and/or recovered by operation of set-off by the second Working Day after the Affected Date ("D+2").
- 12.6.2 Where this paragraph 12.6.2 applies, the FAA shall, not later than 15.30 hours on D+2, where applicable, act in accordance with the following provisions in the order in which they appear until the BSC Clearer has 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 12.4) and that Non-paying BSC Debtor's Cash Deposit 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 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 12.4) 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.
- 12.6.3 Where, on the Affected Date, the Non-paying BSC Debtor was a Defaulting Party:
  - (a) paragraphs 12.6.1 and 12.6.2 shall apply on the basis that the reference in paragraph 12.6.1 (b) to the second Working Day after the Affected Date is

to the first Working Day after the Affected Date (and references to D+2 shall be construed accordingly);

- (b) the FAA shall act in accordance with paragraph 12.6.2 before acting in accordance with paragraph 12.5.2 (if applicable).

12.6.4 Subject to paragraph 12.6.3, this paragraph 12.6.4 shall apply if:

- (a) the FAA makes a Drawing pursuant to paragraph 12.2.2(a), and the BSC Banker has not been repaid in full pursuant to paragraph 12.6.2; or
- (b) the FAA on behalf of BSC Clearer reduced payments to BSC Creditors in accordance with paragraph 12.2.2(d), and the Shortfall Amounts have not been paid or credited to the Shortfall Creditors in full pursuant to paragraph 12.5.3

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

12.6.5 Where:

- (a) the Non-paying BSC Debtor has provided a Cash Deposit but for any reason the Reserve Account has not yet been debited in accordance with paragraph 12.5.2(a) or 12.6.2(a), and/or
- (b) the Non-paying BSC Debtor has provided Letter(s) of Credit and the FAA has (in accordance with paragraph 12.5.2(b) or 12.6.2(b)) made call(s) thereon which have not yet been paid, however, 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 Deposit 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 may, subject to BSCCo's consent, defer acting in accordance with paragraph 12.6.4 for a period not exceeding 3 Working Days; accordingly the reference in paragraph 12.6.3 to D+2 shall be a reference to such later day as the FAA shall determine, not being later than the 5th Working Day, after the Affected Date.

12.6.6 Where this paragraph 12.6.6 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 of that Payment Party's Annual Funding Share on a default basis (the "Default Share Amount") for the month in which the Affected Date fell, of the Amount in Default;
- (c) give instructions for payments to the relevant Payment Parties to be effected on the Default Payment Date and 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 12.6.7 below; and

- (d) notify BSCCo, the Panel and each Payment Party of actions under (a) to (c), above.

12.6.7 For the purposes of paragraph 12.6.6 (c) the amounts are:

- (a) for each Payment Party, the Default Share Amount (including interest at the Default Rate for each day from and including the Affected Date up to, but excluding, the Default Payment Date); 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); and
  - (ii) the difference between the amounts under paragraph (a) and paragraph (b)(i).

12.6.8 Each Payment Party shall be liable to pay or entitled to receive (as the case may be) the amount set out in the relevant Advice Note calculated in accordance with paragraph 12.6.7 on the second Working Day after the date of the Advice Note (the "Default Payment Date"). For the avoidance of doubt, any payment made by a Payment Party to the BSC Clearer under this paragraph is a limited recourse loan on which interest is payable and which is repayable only to the extent set out in paragraph 12.6.10 (b).

12.6.9 Payment Parties who fail to pay the amount in the Advice Note by the Default Payment Date shall be 'Non-paying BSC Debtors'.

12.6.10 If, after despatching Advice Notes under paragraph 12.6.7:

- (a) any portion of the Amount in Default attributable to principal is paid or recovered; or
- (b) any portion of the Amount in Default attributable to interest is paid or recovered,

the FAA shall distribute such amounts to Payment Parties in their Annual Funding Shares (as referred to in paragraph 12.6.6).

## 12.7 Notification to BSCCo

The FAA shall notify BSCCo if:

- (a) a Non-paying BSC Debtor has failed to pay the Amount in Default on the second Working Day after the Affected Date into the Collection Account; or

- (b) (as the case may be) after the application of paragraph 12.2.2(b) and 12.2.2(c) any part of the Amount in Default (together with and interest and charges incurred by the BSC Clearer in connection with such non-payment) remains outstanding or,
- (c) a Withdrawing Party has any outstanding liabilities.

## **12.8 Declare Defaults**

- 12.8.1 Where the Credit Cover provided by a Trading Party is not sufficient to cover any outstanding debt, this is deemed a Payment Default and the FAA shall provide a notice of Payment Default to BSCCo.
- 12.8.2 When BSCCo rulings on notice of Credit Default and/or notice of Payment Default are received by the FAA, the FAA shall take the appropriate action determined by such ruling.
- 12.8.3 Where it is necessary for the FAA to demand payment outstanding against a Letter of Credit, the FAA shall keep BSCCo apprised of such actions.

## **12.9 Application of payments**

Any amount received by the FAA from a Non-paying BSC Debtor for the credit of any BSC Account shall be applied by the FAA in or towards payment of amounts 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.

## **12.10 Claims**

Where appropriate, the FAA shall be entitled to make a claim against a Non-Paying BSC Debtor or, as the case may be, the Non-Paying Debtor's Administrator or Liquidator on behalf of the BSC Clearer to recover Default Share Amounts. The amount claimed shall include interest at the Default Rate for each day from and including the Default Payment Date to, but excluding, the date that the Default Share Amount is paid or recovered from the Non-Paying BSC Debtor. The enforcement of such claims shall be in accordance with paragraph 15.2.

## **13 CONFIRMATION NOTICES IN RESPECT OF A PAYMENT DATE**

### **13.1 Despatch of Confirmation Notices**

- 13.1.1 Within two Working Days after each Payment Date, the FAA shall issue a Confirmation Notice to each Payment Party in respect of that Payment Date setting out the information required in paragraphs 13.2 and 13.3 and any other information required in invoices for the purposes of VAT.
- 13.1.2 The FAA shall despatch Confirmation Notices by email and optionally by first class post, or by such other means as the BSCCo may reasonably direct. In order to satisfy

Her Majesty's Revenue and Customs (HMRC) requirements for VAT any posted Confirmation Notice shall be clearly marked 'copy'.

### **13.2 Information to Trading Parties**

The FAA shall include the following information in Confirmation Notices:

- (a) the identifier of the Trading Party;
- (b) the amount (inclusive of any applicable VAT) received or paid out of the Clearing Account (as the case may be) on the relevant Payment Date by the FAA in respect of Trading Charges incurred or received by that Trading Party;
- (c) the amount received or paid out of the Clearing Account (as the case may be) on the relevant Payment Date by the FAA in respect of Trading Charges incurred or received by that Trading Party, exclusive of VAT;
- (d) the amount of VAT received or paid out of the Clearing Account (as the case may be) on the Payment Date by the FAA in respect of Trading Charges incurred or received by that Trading Party and the applicable rate at which such VAT is calculated. Where the Party is not liable to VAT, the Confirmation Notice shall contain a statement to indicate that the recipient must account for VAT; and
- (e) the VAT number and two digit country code for the Trading Party.

### **13.3 Information to System Operator**

The FAA shall include the following information in Confirmation Notices in respect of the System Operator:

- (a) the amount (inclusive of any applicable VAT) received or paid out of the Clearing Account on the relevant Payment Date in respect of System Operator Balancing Mechanism Cashflow incurred or received by the System Operator;
- (b) the amount in (a) above, exclusive of VAT; and
- (c) the amount of VAT received or paid out of the Clearing Account on the Payment Date in respect of System Operator Balancing Mechanism Cashflow incurred or received by the System Operator and the applicable rate at which such VAT is calculated.

### **13.4 VAT imbalance**

At the same time as issuing the Confirmation Notices to Payment Parties, the FAA shall notify BSCCo of the settled VAT imbalance in respect of that Payment Date.

## **14 PAYMENT ERRORS**

### **14.1 Overpayments**



If the FAA establishes that a Payment Party has received a payment in excess of the amount it is entitled to (an "Overpayment"), the FAA shall forthwith notify the Payment Party of the amount of the Overpayment in writing and require the Payment Party forthwith to pay such Overpayment to the Clearing Account.

## 14.2 Underpayments

14.2.1 If the FAA receives notice from the BSC Creditor or otherwise becomes aware of a BSC Creditor not receiving the full amount disclosed as owing to it on a Payment Date pursuant to the ledger account (an "Underpayment"), the FAA shall use all reasonable endeavours promptly to correct such Underpayment.

14.2.2 If, by reason of negligence, the FAA holds or has under its control amounts which it ought properly to have paid to a BSC Creditor, such BSC Creditor shall be entitled to interest on such outstanding amounts at the Default Interest Rate and for such period as the FAA improperly holds such amounts under its control less the amount of interest that has actually accrued on such amount during such period and which the FAA has remitted to or which has otherwise accrued to the BSC Clearer or BSCCo.

## 15 ENFORCEMENT OF CLAIMS

### 15.1 Notification of reductions and redistributions

The FAA shall promptly notify:

- (a) the Shortfall Creditors, whenever it makes any reduction as is referred to in paragraph 12.2.2 (d); and
- (b) BSCCo and each Payment Party, whenever it acts in accordance with paragraph 12.6.6 (d).

### 15.2 Action to recover Default Share Amounts

15.2.1 Where requested by BSCCo, the FAA shall institute proceedings against a Non-Paying BSC Debtor on behalf of the BSC Clearer, PROVIDED THAT the FAA is indemnified or otherwise receives such security as it may reasonably require against all costs, claims, expenses (including legal fees) and liabilities which it may sustain or incur in instituting such proceedings.

15.2.2 The FAA shall recommend to BSCCo any interim proceedings or other step which it believes should be taken in relation to a Non-Paying BSC Debtor. Where requested by BSCCo, the FAA shall take such interim proceedings or such steps (whether on the basis of the FAA's recommendation or otherwise) on behalf of the BSC Clearer.

## 16 LEDGER ACCOUNTS

### 16.1 Maintenance of Ledger Accounts

The FAA shall maintain ledger accounts showing all net 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 Service Description.

## 16.2 Ledger extracts

The FAA shall provide to each Payment Party a quarterly extract of the ledger account showing all amounts debited and credited to its account or, where requested by a Payment Party, a monthly extract of such ledger account.

## 16.3 Certified copy extracts

In the event of any enforcement proceedings being brought by a Payment Party against a Non-paying BSC Debtor pursuant to paragraph 15.2.1, the FAA shall immediately if requested by a Payment Party provide such Payment Party, at the Payment Party's cost, a certified copy of an extract of the ledger accounts sufficient to establish the details of each Default Share Amount in respect of which that Payment Party will have a claim against the Non-paying BSC Debtor upon assignment of that Default Share Amount by the BSC Clearer to that Payment Party.

## 16.4 Confidentiality

The ledger accounts maintained by the FAA under this Service Description shall be kept confidential from the Panel and all Payment Parties except as required:

- (a) 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
- (b) to be disclosed to the BSC Auditor for the purpose of any audit.

## 16.5 Dispute of accuracy

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 lodging such notice and use all reasonable endeavours to resolve such dispute and agree the information.

## 17 EMAIL DESPATCHMENT

### 17.1 Content Specific Emails

17.1.1 In despatching Advice Notes, Confirmation Notices, and Backing Sheets the FAA shall ensure that it sends to each Payment Party a separate email for each of the following:

- (a) Advice Notes;
- (b) Confirmation Notices;
- (c) Trading Charges Backing Sheets;
- (d) Default Charges Backing Sheets; and
- (e) Ad-hoc Charges Backing Sheets.

17.1.2 When despatching each of the above by email, the subject of each email shall clearly identify the file which it contains.

## **17.2 Email Delivery Failure**

17.2.1 Should an emailed Advice Note/Confirmation Notice fail to be delivered then the FAA will initially contact the affected Payment Party by telephone and either:

- (a) request a temporary email address to deliver the file electronically;
- (b) request a fax number in order to fax the document to the Payment Party; or
- (c) agree with the Payment Party to deliver the document by post.

17.2.2 In the event that the FAA is unable to contact the affected Payment Party, the FAA shall despatch Advice Notes/Confirmation Notices to the Payment Party by post until such time as the FAA is able to contact the Payment Party and resolve the situation.

## **17.3 Deemed Receipt**

Advice Notes, Confirmation Notices and backing sheets sent by email shall be deemed to have been received one hour after being sent in the absence of any undeliverable return receipt received by the FAA.