

SECTION J: CHARGES

J1 PAYMENT OF CHARGES

Charges

- J1.1 Each Party shall pay the Charges to the DCC, which Charges shall be determined in accordance with the Charging Statement applicable from time to time.

Invoicing of Charges

- J1.2 Following the end of each month in which one or more Parties incurs Charges in accordance with the Charging Statement, the DCC shall prepare and submit to each such Party an invoice or an invoice with a separate accompanying statement (in either case, an “**Invoice**”) showing:

- (a) the date by which payment is due pursuant to Section J1.4;
- (b) a breakdown (in reasonable detail) of the Charges incurred by that Party in that month;
- (c) subject to Section J1.3, the amount of VAT payable on the above amounts;
- (d) any adjustment required pursuant to Section J1.8; and
- (e) the total amount payable by that Party in respect of the above.

- J1.3 The Charges stated in each Invoice shall be stated exclusive of VAT, which shall be added if appropriate at the rate prevailing at the relevant tax point. A Party shall only be required to pay VAT where the DCC provides an appropriate VAT invoice.

Payment of Charges

- J1.4 Each Party shall pay the amount set out in an Invoice issued to it by the DCC by the “**Due Date**” for payment; being the later of:
- (a) 5 Working Days following receipt of such invoice; and
 - (b) 8 Working Days following the end of the month to which such invoice relates.

J1.5 Without prejudice to a Party's right to dispute the Charges in accordance with Section J2 (Payment Default and Disputes), each Party shall pay the amount set out in each Invoice addressed to it by the Due Date for such payment regardless of any such dispute. Nevertheless, where the DCC agrees that an Invoice contains a manifest error, the DCC shall cancel that Invoice (which will not therefore be payable) and promptly issue a replacement Invoice.

J1.6 Payments shall be made in pounds sterling by transfer of funds to the credit of the account of the DCC specified in the Invoice, and shall not be deemed to be made until the amount is available as cleared funds. Each payment shall identify within its reference the Invoice number to which that payment relates. The paying Party shall be responsible for all banking fees associated with the transfer of funds.

Estimation of Charges

J1.7 If any information that the DCC requires in order to prepare an Invoice is not available at the time that Invoice is prepared, then the DCC may prepare that Invoice based on its reasonable estimate of that information.

Adjustment of Charges

J1.8 Where:

- (a) the DCC prepared an Invoice based on its estimate of any information, and the actual information subsequently becomes available to the DCC;
- (b) there is a change to the information used by the DCC to prepare an Invoice (including following a reconciliation or amendment of Registration Data); or
- (c) it is agreed (or determined), in accordance with Section J2.4 (Resolution of Payment Default), that there was an error in an Invoice,

then the DCC shall include an adjustment in the next Invoice for the relevant Party to be produced thereafter (or, where no Invoice is due to be produced, the DCC shall produce a separate Invoice for such purpose).

J1.9 Each adjustment to be included pursuant to Section J1.8 shall be:

- (a) the difference between the amount included in the previous Invoice, and the amount that should have been included (being, as applicable, either an additional amount payable to the DCC, or a credit in favour of the relevant Party); plus
- (b) interest on the amount of such difference calculated from day-to-day from the Due Date of the previous Invoice to (but excluding) the Due Date of the Invoice in which such adjustment is to be included (compounded monthly).

Interest Rate

J1.10 The interest rate applying for the purposes of Section J1.9 shall be the Non-Default Interest Rate.

Further Supporting Information

J1.11 The DCC shall, where requested by a Party, provide such additional information as that Party may reasonably request regarding the calculation of the Charges payable by that Party.

J2 PAYMENT DEFAULT AND DISPUTES

Notification of Payment Failure

J2.1 Where a Party fails to pay an amount set out in an Invoice by the relevant Due Date, then the DCC shall, on the Working Day following the Due Date, issue a notice to that Party:

- (a) setting out the unpaid amount; and
- (b) referring to the matters set out in Sections J2.2, J2.4, J2.5, J3.16 (where applicable), and M8.1(d) (Events of Default).

Default Interest

J2.2 Where a Party fails to pay an amount set out in an Invoice by the relevant Due Date, then that Party shall pay interest on that amount at the Default Interest Rate calculated from day-to-day from the Due Date to (but excluding) the date on which payment is made (compounded monthly).

Notification of Payment Disputes

J2.3 Where a Party wishes to dispute any amount set out in an Invoice addressed to it, then that Party shall nevertheless pay the full amount set out in the Invoice by the Due Date, and shall give notice to the DCC of the disputed amount and the reason for the dispute. A Party may not give notice under this Section J2.3 (or otherwise dispute an amount set out in an Invoice) more than 12 months after the Due Date for that Invoice.

Resolution of Payment Disputes

J2.4 Where a Party disputes, in accordance with Section J2.3, any amount set out in an Invoice addressed to it, then:

- (a) such Party and the DCC shall each in good faith negotiate to resolve the dispute amicably and as soon as reasonably practicable after it arises;
- (b) the DCC shall provide all such evidence in support of its position as the disputing Party may reasonably request, and the DCC shall provide such

evidence within 5 Working Days after such request;

- (c) no earlier than 1 Working Day after receipt from the DCC of the information requested under Section J2.4(b) (or, where the DCC does not comply with such request, on the expiry of the period referred to in that Section), the disputing Party may refer the dispute to the Panel, in which case each of the DCC and the disputing Party shall be entitled to provide written submissions in support of its position;
- (d) where a dispute is referred to the Panel in accordance with Section J2.4(c), the Panel shall convene a meeting and determine the dispute within 10 Working Days of the reference being made (to which meeting representatives of the disputing Party and the DCC may be invited in accordance with Section C (Governance)); and
- (e) where the Panel determines that there has been an overpayment to the DCC, the DCC shall include an adjustment in accordance with Section J1.8(c) to address such overpayment (or comply with any direction of the Panel to repay the relevant amount together with interest at the rate that would have applied had the adjustment been made in accordance with Section J1.8(c)).

J2.5 Section J2.4, and any determination by the Panel pursuant thereto, are without prejudice to the following rights of the Parties:

- (a) where the amount set out in an Invoice addressed to a Party is disputed on the grounds of whether or not the Charges were calculated and levied in accordance with the Charging Methodology and the Charging Statement, then either of that Party or the DCC may refer the matter to the Authority for determination pursuant to Condition 20 of the DCC Licence; or
- (b) where the amount set out in an Invoice addressed to a Party is disputed on any other grounds, then either of that Party or the DCC may refer the matter to arbitration in accordance with Section M7 (Dispute Resolution).

Pursuing Non-Payment

J2.6 Where the DCC has served a notice in accordance with Section J2.1 in respect of

Charges payable by a Party, and such Charges have not been paid within three (3) Working Days following that notice, the DCC shall:

- (a) as required by Section M8.2 (Notification of Events of Default), notify the Panel that an Event of Default has occurred in respect of that Party under Section M8.1(d); and
- (b) the DCC shall take all reasonable steps and proceedings (in consultation with the Panel) to pursue and recover the unpaid amount (together with interest), unless and until the Panel (whether on the application of the DCC or otherwise) determines that it would not be worthwhile to do so in the circumstances (having regard to, amongst other things, the DCC's duties under part D of Condition 11 of the DCC Licence).

J2.7 Any Party may appeal the decision of the Panel under Section J2.6 to the Authority, and the DCC shall comply with any decision of the Authority in respect of such matter (which shall be final and binding, but without prejudice to the Panel's ability to make a further decision under Section J2.6 following a material change in circumstances).

Records

J2.8 Without prejudice to any other requirements under Laws or Directives, the DCC shall maintain records of each Invoice (together with reasonable supporting evidence for the Charges levied in the Invoice) for a period of at least 18 months following the date of the Invoice.

J3 CREDIT COVER

Obligation to Provide Credit Support

J3.1 Each User shall procure that one or more of the following forms of Credit Support is delivered to the DCC, and thereafter maintained, such that the aggregate value of such Credit Support is equal to or greater than that User's Credit Cover Requirement (as notified by the DCC to the User from time to time):

- (a) a Bank Guarantee;
- (b) a Letter of Credit; and/or
- (c) a Cash Deposit.

Calculation of Credit Cover Requirement

J3.2 The DCC shall calculate each User's "**Credit Cover Requirement**" from time to time (and at least once a week) as follows:

- (a) the User's Value at Risk; multiplied by
- (b) the User's Credit Cover Factor,

and (except where the Credit Cover Requirement for a User is zero) shall notify each User of the Credit Cover Requirement calculated in respect of that User (and of the Value at Risk and Credit Cover Factor used in that calculation).

User's Value at Risk

J3.3 Each User's "**Value at Risk**" shall be calculated as the sum of:

- (a) the Charges (inclusive of VAT) set out in Invoices addressed to, but not yet paid by, the User; plus
- (b) the Charges (inclusive of VAT) that the DCC reasonably estimates are likely to be incurred by the User in the period until the next Invoice for that User is due to be produced by the DCC,

provided that, where a User's Value at Risk would otherwise be £500 or less, the User's Value at Risk shall be deemed to be zero.

User's Credit Cover Factor

- J3.4 Each User's "Credit Cover Factor" shall be determined in accordance with Section J3.5, J3.6 or J3.7 (as applicable); provided that, where a User has failed to pay the Charges set out in an Invoice by the Due Date on 3 or more occasions during the 12 months preceding the date on which the Credit Cover Factor is being determined, then the User's Credit Cover Factor shall be 100%.
- J3.5 Where a User has one or more Recognised Credit Ratings, the User's Credit Cover Factor shall be determined on the basis of that Recognised Credit Rating from time to time as follows (based, where the User has more than one such rating, on the lower of the ratings):

DBRS		Moody's		Fitch		Standard and Poor's		Credit Cover Factor (%)
Long-Term	Short-Term	Long-Term	Short-Term	Long-Term	Short-Term	Long-Term	Short-Term	
AAA	R-1 H	Aaa	P-1	AAA	F1+	AAA	A-1+	0
AA (high)	R-1 H	Aa1	P-1	AA+	F1+	AA+	A-1+	0
AA	R-1 M	Aa2	P-1	AA	F1+	AA	A-1+	0
AA (low)	R-1 M	Aa2	P-1	AA-	F1+	AA-	A-1+	0
A (high)	R-1 L	A1	P-1	A+	F1	A+	A-1	0
A	R-1 L	A2	P-1	A	F1	A	A-1	0
A (low)	R-1 L	A3	P-2	A-	F2	A-	A-2	0
BBB (high)	R-2 H	Baa1	P-2	BBB+	F2	BBB+	A-2	50
BBB	R-2 M	Baa2	P-3	BBB	F3	BBB	A-3	50
BBB (low)	R-2 L	Baa3	P-3	BBB-	F3	BBB-	A-3	50
lower	lower	lower	lower	lower	lower	lower	lower	100

- J3.6 Where a User's obligations are guaranteed by a Parent Company Guarantee, and where the provider of that Parent Company Guarantee has a Recognised Credit Rating, the User's Credit Cover Factor shall be determined in accordance with Section J3.5; save that:
- Section J3.5 shall apply on the basis of the Recognised Credit Rating of the guarantor under the Parent Company Guarantee (rather than of the User); and
 - where the Parent Company Guarantee is capped at an amount lower than the User's Value at Risk, then the User's Credit Cover Factor shall be the weighted average of the amounts determined under Sections J3.6(a) and either

(as applicable) J3.5 or J3.7(a) (such average to be weighted by reference to the Parent Company Guarantee cap and the amount by which the User's Value at Risk exceeds such cap).

J3.7 To the extent that neither Section J3.5 nor J3.6 applies to a User, the User's Credit Cover Factor shall be determined:

- (a) where a User's obligations are not guaranteed by a Parent Company Guarantee, on the basis of the User's Credit Assessment Score;
- (b) where a User's obligations are guaranteed by a Parent Company Guarantee and that guarantee is capped at an amount higher than the User's Value at Risk, on the basis of the guarantor's Credit Assessment Score; or
- (c) where a User's obligations are guaranteed by a Parent Company Guarantee and that guarantee is capped at an amount lower than the User's Value at Risk, on the basis of the weighted average of the User's Credit Assessment Score and the guarantor's Credit Assessment Score (weighted by reference to the Parent Company Guarantee cap and the amount by which the User's Value at Risk exceeds such cap).

J3.8 For the purposes of Section J3.7, the User's (and/or its guarantor's) "**Credit Assessment Score**" shall be determined in accordance with the table set out below (subject to Section J3.9(d)):

Check It (ICC) Credit Score Report	Dunn & Bradstreet / N2 Check Comprehensive Report	Equifax	Experian Bronze, Silver or Gold Report	Graydons Level 1, Level 2, or Level 3 Report	Credit Cover Factor (%)
95-100	5A1/	A+	95-100	1A	50
90-94	5A2/4A1	A /A-	90-94	1B/2A	60
80-89	5A3/4A2/3A1	B+	80-89	1C/2B/3A	70
70-79	4A3/3A2/2A1	B/B-	70-79	2C/3B/4A	80
60-69	3A3/2A2/1A1	C+	60-69	3C/4B/5A	90
50-59	2A3/1A2/A1	C/C-	50-59	4C/5B/6A	100
40-49	1A3/A2/B1	D+	40-49	5C/6B/7A	100
30-39	A3/B2/C1	D/D-	30-39	6C/7B/8A	100
20-29	B3/C2/D1	E+	20-29	8B	100
10-19	C3/D2/E1	E/E-	10-19	8C	100
Below 10	Below E1	Below E-	Below 10	Below 8C	100

J3.9 Where Section J3.7 applies to a User:

- (a) the cost of obtaining the Credit Assessment Score in respect of that User (and/or its guarantor) shall be met by the User;
- (b) a revised Credit Assessment Score in respect of that User (and/or its guarantor) shall be obtained as often as the User reasonably requires and at least once every 12 months;
- (c) where no valid Credit Assessment Score exists in respect of a User (or its guarantor) the User's Credit Cover Factor shall be deemed to be 100%; and
- (d) where the User's Value at Risk (and/or the guarantor's Parent Company Guarantee cap) exceeds the recommended exposure limit associated with its Credit Assessment Score, its Credit Assessment Score shall be the weighted average of the Credit Assessment Score that would otherwise have applied and 100% (weighted by reference to the recommended exposure limit, and the amount by which the Value at Risk (or Parent Company Guarantee cap) exceeds such limit).

Increase or Decrease in Credit Cover Requirement

- J3.10 On notifying a User of its Credit Cover Requirement pursuant to Section J3.2, the DCC shall also specify the value of the Credit Support provided to the DCC on behalf of the User at that time. Where the value of the Credit Support is less than the User's Credit Cover Requirement, the User shall, within two Working Days after receipt of such notification, procure that additional Credit Support is provided to the DCC on the User's behalf so that the aggregate value of all such Credit Support is equal to or greater than the User's Credit Cover Requirement.
- J3.11 The DCC shall, within five Working Days after a request from a User to do so, return that User's Credit Support (or any part of it) to that User; provided that the DCC shall never be obliged to return Credit Support to the extent that such return would reduce the aggregate value of the User's Credit Support below the User Credit Cover Requirement.
- J3.12 Additions and reductions in Credit Support pursuant to Section J3.10 and J3.11 may (without limitation) be achieved by amending the terms of existing Credit Support or exchanging Credit Support.

J3.13 For the avoidance of doubt, where a Bank Guarantee, Letter of Credit or Parent Company Guarantee provided on behalf of a User ceases to satisfy the requirements of the definitions of Bank Guarantee, Letter of Credit or Parent Company Guarantee (respectively), then the value of such Credit Support or of the User's Credit Cover Factor (as applicable) shall be calculated as if no such document had been provided (and the DCC shall return such document to the User within 5 Working Days after a request to do so).

Breach of Credit Cover Obligations

J3.14 Where a User fails to procure that Credit Support (or additional Credit Support) is provided to the DCC on the User's behalf in accordance with this Section J3, then the DCC shall issue a notice to that Party:

- (a) setting out that fact; and
- (b) referring to the matters set out in Section M8.1(e) (Events of Default).

Disputes

J3.15 Where a Party disputes the amount of Credit Support requested of it pursuant to this Section J3, that Party shall nevertheless procure that such amount of Credit Support is provided to the DCC, pending resolution of such dispute. In the case of such a dispute:

- (a) such Party and the DCC shall each in good faith negotiate to resolve the dispute amicably and as soon as reasonably practicable after it arises;
- (b) the DCC shall provide all such evidence in support of its position as the disputing Party may reasonably request, and the DCC shall provide such evidence within 5 Working Days after such request;
- (c) no earlier than 1 Working Day after receipt from the DCC of the information requested under Section J3.15(b) (or, where the DCC does not comply with such request, on the expiry of the period referred to in that Section), the disputing Party may refer the dispute to the Panel, in which case each of the DCC and the disputing Party shall be entitled to provide written submissions in support of its position;

- (d) where a dispute is referred to the Panel in accordance with Section J3.15(c), the Panel shall convene a meeting and determine the dispute within 10 Working Days of the reference being made (to which meeting representatives of the disputing Party and the DCC may be invited in accordance with Section C (Governance)); and
- (e) the disputing Party and the DCC shall each give effect to any determination of the Panel pursuant to this Section J3.15, which shall be final and binding for the purposes of this Code.

Use of Credit Support

J3.16 Where a User fails to pay the Charges set out in an Invoice addressed to that User by the Due Date for that Invoice, and where the DCC has issued a notice to that User pursuant to Section J2.1 (Notification of Payment Failure), the DCC shall (in addition to any other remedies available to it) on the Working Day following service of such notice:

- (a) claim an amount equal to the unpaid Charges plus interest (or, if lower, as much as is available to be claimed) under any Bank Guarantee or Letter of Credit provided on behalf of that User;
- (b) remove an amount equal to the unpaid Charges plus interest (or, if lower, as much as is available to be removed) from any Cash Deposit account; or
- (c) undertake a combination of the above in respect of a total amount equal to the unpaid Charges plus interest (or, if lower, as much as is available to be claimed or removed).

J3.17 The DCC shall notify the User as soon as reasonably practicable after the DCC takes any action pursuant to Section J3.16.

J3.18 The DCC shall only exercise its rights in respect of a User's Credit Support in accordance with Section J3.16.

J3.19 Any amount received by the DCC pursuant to the exercise of its rights in respect of a User's Credit Support shall discharge the User's payment obligations to the extent of the amount so received, and reduce the value of the Credit Support to the same extent.

Cash Deposit

- J3.20 Interest that accrues on the funds deposited in a Cash Deposit account shall be added to and form part of such deposit.
- J3.21 It is agreed that all right, title and interest in and to the Cash Deposit vests in the DCC absolutely free and clear of any liens, claims, charges, encumbrances or other security interests (but without prejudice to the DCC's obligation to return an equivalent amount of money to the User subject to and in accordance with Section J3.11).

Letters of Credit and Bank Guarantees

- J3.22 Where a User has procured that Credit Support is delivered to the DCC in the form of a Letter of Credit or Bank Guarantee, and where that Letter of Credit or Bank Guarantee has 20 Working Days or less left until it expires, the DCC shall give notice of that fact to the User (which notice must refer to the matters set out in Section J3.23).
- J3.23 Where the DCC has given notice to a User pursuant to Section J3.22, and where the User has not (within 10 Working Days after such notice) procured that replacement Credit Support of equivalent value is provided to the DCC (to take effect on or before expiry of the current Letter of Credit or Bank Guarantee), then the DCC shall:
- (a) prior to the expiry of the Letter of Credit or Bank Guarantee, claim the entire undrawn value of the Letter of Credit or Bank Guarantee; and
 - (b) hold any amount so claimed as if it had been paid to the DCC as a Cash Deposit.

J4 REVIEW AND FORECASTING OF CHARGES

Review of Charges

- J4.1 The Charges payable from time to time are set out in the Charging Statement applicable at that time.
- J4.2 The DCC shall only amend the Charging Statement from time to time in accordance with the DCC Licence. The DCC shall only amend the Charging Statement once in each calendar year, such amendments to have effect from the start of each Regulatory Year (save for amendments permitted or required in accordance with ~~to which the Authority gives consent under~~ Condition 19.10¹ of the DCC Licence, ~~and amendments to reflect within year adjustments to the Charging Methodology made in accordance with the Charging Methodology~~). This Section J4.2 is without prejudice to the requirements of Condition 19 of the DCC Licence, and (unless the Authority gives consent under Condition 19.10 of the DCC Licence) the DCC shall give notice of any proposed changes to Parties pursuant to Condition 19.9 of the DCC Licence.

Indicative Charging Statements

- J4.3 Within the first five Working Days of April, July, October and January in each year, the DCC shall create and publish on the DCC Website an indicative Charging Statement for the first Regulatory Year due to start thereafter, setting out indicative Charges for that Regulatory Year based on the information available to the DCC at the start of the month of publication.

Indicative Budgets

- J4.4 Within the first five Working Days of April, July, October and January in each year, the DCC shall create and publish on the DCC Website a budget for the second and third Regulatory Years due to start thereafter, setting out indicative figures for each such Regulatory Year based on the information available to the DCC at the start of the month of publication.
- J4.5 Each such budget will contain indicative values for the following (as each such expression is defined in the Charging Methodology):

Acronym	Name
EAR_t	Estimated Allowed Revenue
EFR_t	Estimated Fixed Revenue
$EESR_t$	Estimated Elective Services Revenue
$EECR_t$	Estimated Explicit Charges Revenue
NFR_t	National Fixed Revenue
RFR_{rt}	Regional Fixed Revenue
EC_{it}	Explicit Charge for each Explicit Charging Metric

Working Model

- J4.6 The DCC shall publish a working model which allows Parties to estimate their indicative Charges based on their view of input data relevant under the Charging Methodology, and which allows Parties to test potential modifications to the Charging Methodology. The DCC shall publish such model in an open-access or off-the-shelf software format, and hereby authorises the Parties to use and modify the model for the purposes set out in this Section J4.6 (subject to the relevant software licence). Such model shall not form part of the Charging Methodology.

Invoicing Timetable

- J4.7 The DCC shall, from time to time, publish an indicative timetable of the dates on which the DCC intends to submit invoices pursuant to Section J1.2.