

Distribution Network Operators' ("DNOs") Covid-19 Optional Use of System Charges Extended Payment Terms Scheme (the "Scheme")

Background

We appreciate that these are concerning and difficult times for consumers and everyone in our industry. In conjunction with Energy Networks Association ("ENA") and Ofgem, the DNOs (each being a DNO Party as defined in the Distribution Connection and Use of System Agreement (the "DCUSA")) have been working to develop the Scheme to provide temporary relief to cashflow constrained electricity suppliers in a way that is financially viable for the DNOs to deliver.

The Scheme is intended to assist in managing the impact of COVID-19 on the energy market by introducing the option of extended terms for the payment of Use of System Charges (as defined in the DCUSA) by electricity suppliers.

The DNOs expect that electricity suppliers will use their reasonable endeavours to participate in the Scheme, should they choose to do so, in a manner that is even and proportionate to the amount invoiced across all DNOs including in circumstances such as where they choose to make payments that are in addition to those required by the Scheme.

Accordingly, the DNOs:

- a) Are introducing the Scheme in line with Ofgem's Open Letter to the industry dated 2 June 2020; and
- b) Reserve the right to withdraw the Scheme if, at any time, any entity in the relevant DNO's group would breach any of its financial covenants by the continued provision of the Scheme.

Who can make use of the Scheme?

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| Step 1 – Eligibility | |
| You will be eligible if all the following criteria are met: | |
| i. | You are a licensed electricity supplier and are a party to the DCUSA; |
| ii. | You currently receive and pay invoices in respect of Use of System Charges under Section 2A of the DCUSA; |
| iii. | You receive invoices for Use of System Charges, which the DNOs issue between 2 June 2020 and 2 September 2020 (inclusive); and |
| iv. | You have paid in full all invoices for Use of System Charges, which the DNOs issued to you on or before 1 June 2020. |
| If your company meets all of the above criteria, you may be eligible to apply for the Scheme depending on your company's credit assessment rating as set out in Step 2. | |
| Please note that invoices for metering charges are not eligible for inclusion in the Scheme. | |

Step 2 – Qualification

You will only qualify to participate in the Scheme if **both of** the following criteria are met:

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| i. | Your company does not currently hold an issuer investment grade credit rating from Moody's (Baa3 or higher) or Standard and Poor's (BBB- or higher) credit rating agencies; and |
| ii. | If you are part of a group neither your company nor any member of your corporate group holds an issuer investment grade credit rating from Moody's (Baa3 or higher) or Standard and Poor's (BBB- or higher) credit rating agencies. |

You will be eligible to apply for the Scheme, if your company meets both criteria above and if you agree to the Principal Terms set out in Step 3.

Step 3 – Principal Terms of the Scheme

You should be aware of and you agree to the following pre-conditions prior to submitting an application to join the Scheme.

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| i. | You must apply to join the Scheme at least seven days before the date on which payment is due in respect of the first invoice to which you wish the Scheme to apply or by 14 June 2020, whichever is the later. |
| ii. | If your application is accepted, the Scheme will apply to invoices for Use of System Charges issued to you by all of the DNOs. The Scheme does not include the facility for Suppliers to make applications to individual DNOs. |
| iii. | <p>You must make a minimum payment of 25% against each invoice, within 14 days from the date on which the relevant invoice is dated. The remaining balance will then qualify for the extended payment terms offered by the Scheme. Please note that:</p> <ul style="list-style-type: none"> a) You are not limited to making only the minimum payment of 25%. If you choose to pay more, you will be free to do so; b) In making your minimum payment against each invoice (or more if you choose), it is important that you confirm each month, for each invoice, how much you intend to pay to ensure your payment is applied to the correct invoice. c) If you wish to you may also make monthly payments that are greater than those set out in the payment schedule noted in Step 5 iii below or pay off the total amount outstanding earlier than 31 March 2021, you may wish do so. |
| iv. | Interest will accrue daily at a rate per annum equal to the Default Interest Rate (as defined in the DCUSA), i.e. at the rate of 8.0% above the base lending rate of Barclays Bank plc, from the 15th day following the date of issue of the relevant invoice and will be applied daily until the outstanding balance is paid. |
| v. | You will be required to make seven equal monthly payments (including any accrued interest) between September 2020 and March 2021. The first payment will be due by 30 September 2020 and the final payment will be due by 31 March 2021. |
| vi. | The amounts due and in respect of which extended payment terms will be made available under the Scheme will be aggregated per electricity supplier group and capped at £1.6m for |

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| | each DNO's licensed area and over the specified three months of invoicing to which the Scheme applies. |
| vii. | Failure to comply with the requirements of the Scheme in respect of any one of the DNOs will result in you not being eligible to continue in the Scheme. |
| viii. | The information you provide as a result of you being part of the Scheme will be shared (a) between the ENA and the DNOs to ensure the terms of the Scheme are satisfied and you continue to be eligible to remain in the Scheme and (b) with Ofgem for regulatory purposes. |
| If your company meets all of the criteria set out in Steps 1 and 2 and agrees to the Principal Terms set out in Step 3, you may now apply to be considered for the Scheme. | |

Step 4 – Making an Application

ENA will act as the central coordinator of the Scheme to ensure that electricity suppliers wishing to join the Scheme have met all of the qualifying criteria.

Consequently, if you wish to extend the terms for payment of invoices for Use of System Charges, you will need to submit a completed application to ENA. Please note that **each electricity supplier must submit a separate, completed application**. Consequently, applications **cannot be made** on the basis of one application per corporate group. The standard application form is available on the ENA website [here](#).

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| i. | If you have any trouble completing your application or need any points clarified, please email ENA at suppliercredit@energynetworks.org with details of your enquiry, contact name and contact details and someone will get back to you within 2 working days. |
| ii. | You should complete your application online at https://www.energynetworks.org/electricity/regulation/supplier-credit.html and, before submitting it, please ensure that it is signed electronically by a Director of your company.. |

Subject to any issues with your application being addressed appropriately, we will confirm your eligibility and participation in the Scheme within 3 working days from receipt of your application.

Step 5 – Successful Applicants

If we have confirmed eligibility and enrolled you in the Scheme:

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| i. | On receipt of the minimum 25% payment against each invoice dated between 2 June 2020 and 2 September 2020 (inclusive), the time allowed for making the balance of payment for that particular invoice will be extended. It is important to note that failure to make the minimum payment of 25% within 14 days of the relevant invoice date will result in you not being eligible to continue in the Scheme. |
| ii. | At the end of the period of three months of invoicing to which the Scheme applies (i.e. invoices issued between 2 June 2020 and 2 September 2020 inclusive), all qualifying balances, which are outstanding and to which the extended payment terms apply, will be consolidated into a single sum, accrued interest will be added and a payment schedule calculated for you. |

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| iii. | You will be notified by each DNO of your payment schedule by email, which will include the monthly amount you are required to pay and the dates by which each of those payments must be made. |
| iv. | If you fail to make any of your monthly payments in full and on time, you will be withdrawn from the Scheme and your total outstanding balance plus interest will become due immediately, in full, and result in the normal debt follow-up procedure taking place. |
| You will be required to pay in full all invoices issued after 2 September 2020 and going forward in accordance with the normal 14 day payment terms. | |

Step 6 – Scheme Closure

After we receive your final scheduled monthly payment:

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| i. | Your account will be checked and reconciled for differences. Any differences (credits or debits) due as result of changes in base lending rate or payments arriving early from you will be calculated and notified to you. |
| ii. | Any over-payments will be credited and any under-payments will be invoiced. |
| The Scheme ends 31 March 2021 | |