

Cost Recovery.

Under the OAD framework there are several key clauses that enables or allows one operator to recover cost from another, especially where an “impact” occurs or “affects” another site party.

Below is a table that contains the key clauses that apply whereby an operator can “recover” or “reimburse” another. This also includes a column that explains the Cadent interpretation of the relevant clauses. Our view is that the requirements outlined below provide clear guidance on when cost recovery can and cannot take place.

There is a line item within the current “issues log” for cost recovery. In the majority of cases “cost recovery” should be agreed upfront and not be retrospective, ideally as part of the notification stage. The only time retrospective cost recovery should take place i.e. after the event, is in emergency situations where permitted and if interference has taken place.

Clear and consistent understanding on cost recovery must be reached between all operators and only a small minor change may be required to OAD (Section’s B and L) to enhance the arrangements.

All operators are asked to review the contents of the table below and will be asked to feedback at the next review group whether they agree to the interpretations or not. Dialogue will then be required to agree the common ground.

Clause Ref	Clause Text	Understanding
B2.2.5	<p><i>Right to Alter, Replace or Relocate</i></p> <p>Any works carried out by a Party in connection with the alteration or replacement of any Connection Facilities shall be planned and carried out as Relevant Maintenance in accordance with Section G.</p>	<p>This clause is stating that any alteration or modification of plant, equipment and buildings and is ultimately covered by an OAD Notice is treated as Relevant Maintenance and therefore any terms under Section G apply. Please now refer to clause G3.6.4.</p>
B2.3.2	<p><i>Offtake Decommissioning</i></p> <p>The downstream Party ("decommissioning" Party) shall be entitled to decommission an Offtake or Individual Offtake Point subject to and in accordance with the following:</p> <p>a) the decommissioning Party shall give not less than 6 months' notice to the upstream Party (and, where it is Site Owner, to each Site User) of its proposal to decommission</p>	<p>Either the decommissioning party is to undertake the necessary work or if the other party elects to complete the activity by itself to support the decommissioning party’s requirements then the associated cost can be recovered.</p> <p>The planned activity is also treated as “Planned Maintenance” and therefore any terms under Section G apply.</p>

	<p>such Offtake or Individual Offtake Point;</p> <p>b) each other Party at the Offtake Site may:</p> <ul style="list-style-type: none"> i. carry out itself; or ii. require the decommissioning Party (at its expense) to carry out; <p>the works necessary to give effect to such decommissioning and make safe each System and each Party's Connection Facilities;</p> <p>c) such works shall be planned and carried out as Planned Maintenance in accordance with Section G;</p> <p>d) the decommissioning Party shall bear or reimburse to each other Party the costs of any works carried out by such other Party under paragraph (b)(i);</p> <p>e) where the decommissioning Party is Site Owner, paragraph 3.5 shall apply in relation to any of the Site User's Facilities.</p>	
B2.6.5	<p>Site Services:</p> <p>The Services Party may recover from the other Party(ies) the capital costs (if any) incurred on or after the Supplemental Agreement Date in supplying or laying any pipes, wires, trenches or other equipment for the purposes of the provision of the Site Services (so far as such costs are in addition to any such costs which the Services Party would incur for its own purposes).</p>	<p>The site owner can only recover the cost if the additions to site services are required to support the ongoing needs for the site user. If the site owner is to use the additional requirements for their own purposes, then cost recovery is not allowed.</p>
B3.3.2	<p>Relocation of Site User's Facilities</p> <p>The Site Owner shall not be entitled to require such relocation of the Site User's</p>	<p>If the site user agrees to a site owners request to relocate an asset, then the</p>

	<p>Facilities without the consent of the Site User, nor unless the Site Owner agrees to reimburse to the Site User the costs incurred by the Site User in connection with such relocation.</p>	<p>cost of doing so can be recovered or charged to the Site Owner.</p>
B3.4.3	<p><i>Modification of Site User's Facilities</i></p> <p>Where the Site Owner consents to the alteration, relocation or addition of or to Site User's Facilities, the Site Owner shall perform or procure any such minor alterations or works to existing buildings or structures as are referred to in paragraph 3.4.2(d), and the Site User shall reimburse to the Site Owner the costs incurred by the Site Owner in doing so.</p>	<p>If a site user submits an OAD notice and this requires the site owner to make modifications to existing buildings, structures or housing, the cost of doing so can be recovered from the site user.</p>
B3.5.1 (d) & (e)	<p><i>Decommissioning of Site User's Facilities</i></p> <p>(d) the Site Owner shall bear or reimburse to the Site User the costs incurred by the Site User in removing the Site User's Facilities from the Site Owner's Land and where necessary of relocating the Site User's Facilities (and related parts of the Site User's System), including costs of acquiring alternative or additional land reasonably required for the purposes of such relocation, except to the extent that the Site User does not comply with paragraph (b); and</p> <p>(e) if the Site User fails to remove any Site User's Facilities as required by paragraph (b), the Site Owner shall be entitled to remove such Site User's Facilities (other than facilities forming part of any pipeline) from the Site Owner's Land (including, where relevant, detaching such facilities from the Site Owner's own Connection Facilities) and dispose of such facilities as the Site Owner deems fit, and the Site User</p>	<p>If a site owner requires a site user to remove or relocate its assets as a part of decommissioning, then the cost of doing so is to be recovered from the site owner.</p> <p>However, if the site users fails to remove its assets following a request the site owner can proceed with doing so and recover the cost from the site user.</p>

	<p>shall reimburse to the Site Owner the costs incurred by the Site Owner in so doing.</p>	
<p>B4.1.4</p>	<p><i>Undertaking as to compatibility</i></p> <p>4.1.4 If a Party modifies its Connection Facilities in breach of the requirement in paragraph 4.1.1:</p> <p>(a) the other Party may either:</p> <ul style="list-style-type: none"> I. give notice to the Modifying Party requiring it to undo such modification or otherwise take such steps as may be appropriate to restore the compatibility of the Connection Facilities; or II. after giving notice to the Modifying Party of its intention to do so (and unless the modifying Party has demonstrated, to the reasonable satisfaction of the other Party, that it is taking steps sufficient to restore compatibility as quickly as is reasonably practicable) make such modifications of its own Connection Facilities as are appropriate to restore the compatibility of the Connection Facilities; <p>(b) the Modifying Party shall reimburse to the other Party the costs incurred by the other Party in modifying (where it elects to do so) its own Connection Facilities in accordance with paragraph (a)(ii);</p> <p>(c) the other Party may in any event disconnect the Connection Facilities of the Modifying Party, upon such period of notice as is practicable in the circumstances, if the modification materially and adversely affects the safe operation by the other Party of its Connection Facilities or its System.</p>	<p>If operator A undertakes work that results in operator B’s assets being incompatible with the new arrangements, Operator B can elect to restore compatibility, which includes to revert the arrangements back to how they were (via notice), and the cost in doing so can be recovered from Operator A.</p>

B4.2.1	<p>Modification procedure</p> <p>Where a Party wishes to modify any of its Connection Facilities such that they will or may not be compatible with the other Party's Connection Facilities:</p> <ul style="list-style-type: none"> a) the notice given by the Modifying Party under paragraph 2.2.4 shall operate as a request to the other Party for its consent to the modification; b) the other Party shall not unreasonably withhold or delay its consent to the modification; and c) if the other Party consents to the modification, the modifying Party shall reimburse to the other Party the costs incurred by the other Party of modifying, or changing the operation or maintenance of, its Connection Facilities in order to maintain the compatibility between the Parties' Connection Facilities. 	<p>If operator A makes a change to its connection facilities that will result in any requirements becoming incompatible, then any costs Operator B incurs to make the requirements compatible again can be covered from Operator A.</p>
B5.2.4	<p>Provision of Land for Telemetry Facilities</p> <p>The Site User shall reimburse to the Site Owner the costs of a capital nature incurred by the Site Owner in meeting the requirements of paragraph 5.2.1(d)(ii) above (but for the avoidance of doubt, Site Services shall thereafter be provided by the Site Owner to the Site User free of any charge or payment of any kind, in accordance with paragraph 2.6.6).</p>	<p>The site owner must provide land availability if the site user wants to deploy its own telemetry facilities. However, the capital cost for modifying the site services i.e. gullies and connection points undertaken by the site owner to support these new requirements can be recovered back from the site user.</p>
G3.6.4	<p>Maintenance Co-operation</p> <p>Where:</p> <ul style="list-style-type: none"> (a) such cooperation requires the affected Party to operate, adjust or control any part of its System in a particular way; and 	<p>To be read in conjunction with clause B2.2.5</p> <p>Where co-operation is required for “Relevant Maintenance” (this is what operators would see as maintenance activity per se as well as investment activity requiring an OAD notice), and</p>

	<p>(b) such operation, adjustment or control cannot be effected remotely from the affected Party's control centre;</p> <p>the affected Party may, provided it indicated its intention of doing so when was first requested (in the draft Maintenance Programme or otherwise) to provide such cooperation, recover its costs incurred in sending send any personnel to such part of its System to effect such operation, adjustment or control.</p>	<p>the impacted operator needs to incur cost for the operation, adjustment or control of the planned activity then is can be recovered providing it is indicated as such from the outset.</p>
F3.2.2	<p><i>Continuance of data provision</i></p> <p>3.2.2 The first Party shall be entitled, upon giving notice of not less than 6 months to the second Party:</p> <p>(a) to discontinue the provision of such CV data;</p> <p>(b) to impose on the second party a reasonable charge for (reflective of the incremental costs incurred by it in) the provision of CV data to the second party;</p>	<p>Provided a minimum 6 months' notice has been given by the first Party to discontinue the service, they are entitled to recover reasonable and incremental charges incurred to continue to provide said service.</p>
F4.3.3	<p><i>Changes</i></p> <p>If National Grid NTS incurs any costs:</p> <p>a) in order to implement a relevant change; or</p> <p>b) in determining daily CVs following a relevant change, in excess of the costs which it would have incurred in determining daily CVs in the absence of the change;</p> <p>the DNO shall reimburse to National Grid NTS the amount of such costs in accordance with Section L.</p>	<p>This clause relates to "relevant changes" for the daily CV. If such changes are required and this attracts a cost the upstream party can recover this from the DNO(s).</p>
Section L	<p><i>Cost Recovery & Invoicing</i></p>	<p>The section provides the overview of what costs can be recovered and the process for doing so if "recovery" or</p>

		<p>“reimbursement” needs to take place in line with respective clauses in OAD.</p> <p>Section L2.2.3 states that the loss of any transportation revenue cannot be recovered.</p>
Section N7	Liability	<p>The general rule is that you cannot recover loss or liability as each operator is responsible for its own requirements and insurance thereof.</p> <p>The current understanding is that if Operator A undertakes work on site, has notified correctly, and then damages Operator B’s assets, Operator A will remedy the situation at its own cost i.e. no recovery can take place. However, if Operator A undertakes work that damages Operator B’s assets without notification i.e. Interference as defined by Section B2.4.4 then cost to remedy in this situation can be recovered.</p>