

RETAIL ENERGY CODE COMPANY LTD (RECCo) BAD DEBT POLICY

1. Scope

The RECCo Board ('Board') is the most senior governance group of RECCo and has accountability for all RECCo functions as well as exercising oversight over its operations¹.

This Bad Debt policy reflects RECCo's compliance with the obligations under the Retail Energy Code² (REC), good accounting practice and VAT legislation³.

2. Bad Debt Policy

On administration or receivership of a REC Party the RECCo will receive a notification from the administrator and will follow this policy / procedure.

RECCo will provide the administrator with the information requested which may include confirmation of debt outstanding, proof of delivery of services, copies of invoices etc.

Going into administration/receivership would constitute an Event of Default under 16.1 of the REC:

- (c) the Defaulting Party passes a resolution for its winding-up, or a court of competent jurisdiction makes an order for the winding-up or dissolution of the Party;
- (d) the Defaulting Party has an administration order is made in respect of it or a receiver is appointed over, or an encumbrancer takes possession of or sells, any substantial part or parts of the Party's assets, rights, or revenues;
- (e) the Defaulting Party makes an arrangement or composition with its creditors generally or makes an application to a court for protection from its creditors generally;

Following an Event of Default under the code (16.4) the Board will take the following measures against the defaulting party, including:

- (e) suspend the right of the Defaulting Party to exercise its rights in respect of Change Proposals pursuant to Clause 11;

¹ <https://www.ofgem.gov.uk/publications-and-updates/switching-programme-and-retail-code-consolidation-proposed-changes-licences-and-industry-codes>

² https://www.ofgem.gov.uk/system/files/docs/2019/02/retail_energy_code_designation.pdf

³ <https://www.gov.uk/guidance/relief-from-vat-on-bad-debts-notice-70018>

- (f) (in the case of an Energy Supplier) instruct the CSS Provider to suspend (in which case the CSS Provider shall suspend, with effect from the next following day) the right of the Defaulting Party to make new Registrations; and/or
- (g) expel the Defaulting Party from this Code subject to and in accordance with Clause 17.

RECCo will make full provision for the bad / doubtful debt in the company accounts. This complies with good accounting practice.

Any bad/doubtful debts are considered a cost to RECCo and will be recovered as part of the charging mechanism laid out in clause 9 of the REC. The bad / doubtful debts will ultimately be recovered from all other parties via the usual budgeting and billing exercise.

VAT on the invoice will be reclaimed from HM Revenue and Customs subject to conditions laid out in VAT legislation³.

On conclusion of the administration process, any monies received from the administrator will be recognised in REC's accounts and the final value of the bad debt will be fully written off.