



DATED 05 MARCH, 2024

**NORTHUMBRIAN WATER LIMITED**  
as Contracting Wholesaler

and

**PENNON WATER SERVICES LIMITED**  
as Contracting Retailer

**AGREEMENT FOR ALTERNATIVE ELIGIBLE CREDIT SUPPORT  
UNDER SCHEDULE 3 OF THE WHOLESALE CONTRACT  
(the 'Agreement')**

**DATED 05 MARCH, 2024**

## **PARTIES**

- (1) **NORTHUMBRIAN WATER LIMITED** (company no. 02366703) whose registered office is at Northumbria House, Abbey Road, Pity Me, Durham, DH1 5FJ (the "**Contracting Wholesaler**"); and
- (2) **PENNON WATER SERVICES LIMITED** (company no 09902835) whose registered office is at Peninsula House, Rydon Lane, Exeter, EX2 7HR (the "**Contracting Retailer**").

## **BACKGROUND**

- A. This is an agreement for Alternative Eligible Credit Support under Schedule 3 of the Business Terms of the Wholesale Contract dated 30 March 2017 which itself is made pursuant to Section 66D or Section 117E of the Water Industry Act 1991 (the "**Contract**") and this Agreement is to be read in conjunction with the Contract.
- B. Under the Contract, the Contracting Retailer is required to provide monthly Eligible Credit Support in the sum of the Credit Support Amount and in relation to that month's Primary Charges.
- C. The Contracting Wholesaler has agreed to enter into this Alternative Eligible Credit Support Agreement to enable it to reduce the amount of Eligible Credit Support required from the Contracting Retailer.
- D. This Agreement constitutes the entire agreement between the Parties with respect to its subject matter and supersedes and extinguishes any previous such agreements.

### **The following matters are now agreed:**

1. Unless defined in this Agreement, all defined terms herein shall have the meaning given to them in the Contract.
2. This Agreement shall take effect on the date hereof and subject to clauses 11 and 12 shall continue until 31 March 2026 when it shall automatically terminate unless otherwise agreed in writing by the parties.
3. Notwithstanding anything to the contrary in the Contract, with effect from the first Credit Support Notice issued by the Contracting Wholesaler to the Contracting Retailer during the term of this Agreement, the Contracting Retailer shall be required to provide Eligible Credit Support each month only on the Discounted Credit Support Requirement.
4. The **Discounted Credit Support Requirement** shall be calculated by the Contracting Wholesaler by deducting the **Discount Value** from the Credit Support Requirement which is calculated based on the amount specified in the P1 Aggregated Settlement Report issued to the Contracting Retailer and the Contracting Wholesaler or such lesser sum such that the Discounted Credit Support Requirement for that month is never less than £0 (zero) (which sum shall be called the '**Discount**'). The Discount Value shall be calculated as detailed below.

For the first 18 months after signing this agreement or the date of signing any previous agreement for alternative eligible credit support under schedule 3 of the Business terms of the Wholesale Contract, whichever is the earlier, the Discount Value will be £70,000, thereafter the Discount Value will depend on the Current Credit

Rating and Credit Assessment of the Contracting Retailer as detailed in Schedule 2F of the Business Terms and the table below.

<b>Credit Assessment Score</b>	<b>Discount Value</b>
10 & 9	£120,000
8 & 7	£80,000
6 & 5	£50,000
4 & 3	£30,000
2 & 1	£15,000
0	£10,000

5. The Contracting Retailer shall, at least once in any three (3) month rolling period and at its own cost, provide evidence of its own Current Credit Score to the Contracting Wholesaler.
6. Nothing in this Agreement shall affect the Credit Support Requirement as calculated under the Contract. The Discounted Credit Support Requirement and the Discount taken together shall at all times equal or exceed the relevant **Credit Support Requirement** for that month.
7. Subject to clause 5, if in any month the Primary Charges falling to be paid by the Contracting Retailer are less than the Discount then the Contracting Wholesaler shall treat the Credit Support Requirement for that month as zero.
8. Nothing in this Agreement affects:
  - (a) any Unsecured Credit Allowance to which the Contracting Retailer is entitled; or
  - (b) any choice the Contracting Retailer has of the manner in which it meets the Credit Support Requirement.
9. The Contracting Wholesaler shall show the Discount as a separate column in the relevant Credit Support Notice.
10. If as a result of this Agreement the Contracting Retailer's Credit Support Amount for any month falls to below the Discount then:
  - (a) the Contracting Wholesaler agrees that the Contracting Retailer may withdraw any existing credit support with immediate effect; and
  - (b) where requested the Contracting Wholesaler will return any cash posted as part of any cash deposit agreement between the parties within 14 working days of this Agreement being signed.
11. This Agreement will automatically terminate on the termination for any reason of the Contract.
12. This Agreement may be terminated:
  - (a) by the Contracting Retailer on written notice to the Contracting Wholesaler;
  - (b) by the Contracting Wholesaler on 30 days written notice to the Contracting Retailer; or
  - (c) by the Contracting Wholesaler forthwith in the event of three or more incidents of late payment of Primary Charges or late provision of Eligible or Alternative Eligible Credit Support by the Retailer with each late event not exceeding 3 Business days under this Agreement or under the Contract; or
  - (d) by the Contracting Wholesaler forthwith in the event of a single incident of late payment of Primary Charges or late provision of Eligible or Alternative

Eligible Credit Support by the Retailer where the late event exceeds 3 Business days under this Agreement or under the Contract; or

- (e) by either Party in the event that replacement credit support arrangements take effect between the parties.
13. On expiry or earlier termination of this Agreement the arrangements set out herein shall end and the provision of credit support by the Contracting Retailer shall be governed exclusively by the Contract and the parties agree to co-operate with each other to the extent necessary to ensure compliance with the Contract.
14. The Contracting Retailer acknowledges and agrees:
- (a) that it is entering into this Agreement as a means of obtaining Alternative Eligible Credit Support within the meaning of Schedule 3 of the Contract; and
  - (b) that in order to comply with Schedule 3, this Agreement shall be published in full on the Contracting Wholesaler's website.
15. No variation of this Agreement shall be effective unless it is in writing and signed by or on behalf of each party.
16. Except as provided in this Agreement, the Contract shall continue in full force and effect.
17. The parties do not intend any third party to have the right to enforce any provision of this Agreement under the Contracts (Rights of Third Parties) Act 1999 or otherwise.
18. Any notices under this Agreement shall be served in accordance with the provisions of the Contract.
19. This Agreement is the entire agreement between the parties in relation to the provision of alternative credit support, and replaces all previous agreements, representations, and understandings between them, relating to such subject matter whether written or oral.
20. This Agreement and any non-contractual obligations arising in connection with it (and, unless provided otherwise, any document entered into in connection with it) are governed by and construed in accordance with English law. Without prejudice to the rights of the Authority, the English courts have exclusive jurisdiction to determine any dispute arising in connection with this Agreement (and, unless provided otherwise, any document entered into in connection with it), including disputes relating to any non-contractual obligations.

## **Execution Page**

Signed by Mark Wilkinson  
for and on behalf of  
Northumbrian Water Limited:

Title: Head of Income  
Duly authorised person

Date:

Signed by Peter Rayner for  
and on behalf of Pennon  
Water Services Limited:

Title: Authorised Signatory  
Duly authorised person

Date: