

Alternative Eligible Credit Support Agreement

Wessex Water Services Limited
(Contracting Wholesaler)

and

Pennon Water Services Limited
(Contracting Retailer)

This agreement is made on

Between

- (1) **WESSEX WATER SERVICES LIMITED**, a company incorporated in England (No. 02366648) whose registered office is at Operations Centre, Claverton Down Road, Bath, BA2 7VW ("**Contracting Wholesaler**"); and
- (2) **PENNON WATER SERVICES LIMITED**, a company incorporated in England (No. 09902835) whose registered office is at Peninsula House, Rydon Lane, Exeter, EX2 7HR ("**Contracting Retailer**").

WHEREAS:

- A The Contracting Wholesaler and the Contracting Retailer entered a Wholesale Contract for Wholesale Services on **17 March 2017** (the "**Wholesale Contract**"). The Wholesale Contract is entered into pursuant to the Wholesale Retail Code ("**the Code**") issued by the Market Operator, being (alongside with the Market Arrangements Code), the statutory code governing the non-household retail market within the Water Industry. The Wholesale Contract incorporates the Business Terms mandated by the Code.
- B. The Business Terms require that where the Contracting Retailer has agreed Alternative Payment terms with the Contracting Wholesaler which includes Post-Payment for some or all of the Primary Charges, it must provide and maintain suitable Alternative Eligible Credit Support in accordance with Schedule 3 and Schedule 3A of the Business Terms.
- C. Accordingly, the Contracting Wholesaler and the Contracting Retailer have agreed to enter into this Alternative Eligible Credit Support Agreement ("**the Agreement**") to supplement the Wholesale Contract and the Alternative Payment Terms Agreement in accordance with Section 9 and Schedule 3 of the Business Terms.

1. Definitions and Interpretation

1.1 In this agreement:

- 1.1.1 **Additional Days** means the additional days given to the Contracting Retailer with respect to the payment of R1 Monthly Charges (above the 15 days after the date that the invoice is received as set out under Section 9.2.3(c)(ii) of the Business Terms) pursuant to Clause 3.1 of the Alternative Payment Terms Agreement.
- 1.1.2 **Alternative Payment Terms Agreement** means the agreement in relation to payment terms under the Wholesaler Contract between the Contracting Wholesaler and the Contracting Retailer of even date herewith.
- 1.1.3 **Commencement Date** means 01 March 2025
- 1.1.4 **Expiry date** means 31 March 2027.

- 1.2 Unless the context requires otherwise, terms not otherwise defined in this Agreement shall have the meaning ascribed to them in the Wholesale Contract or the Code.

- 1.3 Headings and titles are for convenience only and do not affect the interpretation of this Agreement. Unless otherwise described references in this Agreement to sections are to sections of this Agreement.

2. Consideration

- 2.1 In consideration of the Contracting Wholesaler's agreement set out

in clause 3 below, the Contracting Retailer agrees to pay to the Contracting Wholesaler on demand the sum of £1 (one pound sterling).

3. Alternative Eligible Credit Support Agreement

3.1 Not Used.

3.2 Not Used.

3.3 The Contracting Wholesaler reserves the right to review, temporarily suspend, or remove the entitlement of the Contracting Retailer to Alternative Eligible Credit Support under this Agreement, if:

- a) the Contracting retailer becomes a Defaulting Trading Party under the Wholesale Contract, and/or is otherwise in breach of the Wholesale Contract or the Alternative Payment Terms Agreement; and/or
- b) without prejudice to 3.3a above, the Contracting Retailer in any event fails to make payment due under the Wholesale Contract on or before the due date, in accordance with Business Terms, on three or more occasions in any rolling 12-month period and the Contracting Wholesaler has issued notice to the Contracting Retailer to remedy such non-payment upon at least two (2) of those occasions and those sums remain outstanding; and/or
- c) the condition in clause 3.2 is not met; and/or
- d) the Contracting Wholesaler otherwise has reasonable grounds to believe that the Contracting Retailer will default on its payment obligations under the Wholesale Contract, and in such circumstances the Contracting Wholesaler shall notify the Contracting Retailer in writing and the requirements of the Wholesale Contract relating to the provision of Eligible Credit Support shall continue as though this Agreement was not in force and effect from the date of the written notice.

3.4 The parties agree that nothing in this Agreement shall prejudice or otherwise undermine the obligation or other liability of the Contracting Retailer to pay any amount to the Contracting Wholesaler under the Wholesale Contract, and the rights and remedies of the Contracting Wholesaler in respect of such obligations and liabilities shall be unaffected.

4. Duration and Termination of this Agreement

4.1 This agreement shall commence on the Commencement Date and, unless terminated earlier in accordance with its terms, shall end on the Expiry Date.

4.2 The Contracting Wholesaler may at its sole discretion terminate this Agreement at any time:

- a) on providing 30 days' notice to the Contracting Retailer, for any reason; or
- b) with immediate effect if any of the circumstances set out in clause 3.4 apply.

4.3 The Contracting Retailer may at its sole discretion terminate this Agreement on not less than 30 days' written notice to the Contracting Wholesaler and such termination shall not

be effective until such time as the Contracting Retailer has put alternative arrangements in place to meet its obligations with regard to the payment terms under the Wholesale Contract and the Alternative Payment Terms Agreement.

- 4.4 This Agreement shall automatically terminate if the Wholesale Contract and/or the Alternative Payment Terms Agreement terminate.
- 4.5 On termination of this Agreement for any reason:
- a) the arrangements set out herein shall terminate and the availability of Alternative Eligible Credit Support under this Agreement to the Contracting Retailer shall cease with immediate effect; and
 - b) provided the Wholesale Contract remains in force and effect, arrangements relating to Eligible Credit support, the Credit Support Amount and the Credit Support Requirement shall thereafter be governed exclusively by the Wholesale Contract. The parties shall co-operate with each other to the extent necessary to ensure compliance with the Wholesale Contract.

5. General

- 5.1 Nothing in this Agreement affects any choice the Contracting Retailer has of the manner in which it meets the Credit Support Requirement.
- 5.2 Subject to clause 4.5, no variation to this Agreement shall be effective unless it is in writing and signed by a duly authorised representative of each party.
- 5.3 Each party will pay its own costs and expenses in connection with performing its obligations under this Agreement, and the negotiation of it.
- 5.4 This Agreement supplements the Wholesale Contract and the Alternative Payment Terms Agreement. In the event of a conflict between this Agreement, the Alternative Payment Terms Agreement and the Wholesale Contract, the terms of the Wholesale Contract shall take precedence, then the terms of the Alternative Payment Terms Agreement and finally, the terms of this Agreement.
- 5.5 The parties do not intend any third party to have the right to enforce any provision of this Agreement (whether under the Contracts (Right of Third Parties) Act 1999 or otherwise).
- 5.6 All notices served under this Agreement shall be served in accordance with the requirements of the Wholesale Contract relating to the provision of notices on that party.
- 5.7 The Contracting Retailer acknowledges and agrees:
- a) that it is entering into this Agreement pursuant to Alternative Payment Terms Agreement as a means of obtaining Alternative Eligible Credit Support within the meaning of Schedule 3 of the Wholesale Contract; and
 - b) that in order to comply with Schedule 3, this Agreement shall be published in full on the Contracting Wholesaler's website; and
 - c) the parties agree that the full terms of this Agreement shall be notified to the Market Operator and the Authority by the Wholesaler and may be published in full on the Market Operators website.

- 5.8 If any provision or part-provision of this Agreement is or becomes invalid, illegal, or unenforceable, it shall be deemed deleted, but that shall not effect the validity and enforceability of the rest of this Agreement. If any provision or part-provision of this Agreement is deemed deleted under this clause, the parties shall negotiate in good faith to agree a replacement that, to the greatest extent possible, achieves the intended commercial result in the original provision.
- 5.9 Each party shall only assign, novate, or transfer its rights and/or obligations under this Agreement strictly in accordance with the restrictions imposed under the Wholesale Contract.

6. Entire Agreement

- 6.1 This Agreement, together with the Wholesale Contract and the Alternative Payment Terms Agreement, sets out the entire agreement and understanding between the parties, and supersedes all proposals and prior arrangement, course of dealings and understandings between the parties, whether written or oral, relating to its subject matter.
- 6.2 Each party acknowledges that in entering into this Agreement it does not rely on any representation, warranty, collateral contract, or other assurance of any person (whether part to this Agreement or not) that is not set out in this Agreement.

7. Cumulative Rights

- 7.1 Save as expressly indicated otherwise, all rights, powers and remedies granted to either of the parties shall be cumulative and without prejudice to any other right, power, or remedy of that party and no single or partial exercise or any right, power or remedy of that party and no single or partial exercise of any right, power or remedy shall restrict or prejudice any other or further exercise of it or the exercise of any other right, power or remedy available to it.

8. Law and Jurisdiction

- 8.1 This Agreement and any dispute or claim arising out of in connection with it or its subject matter or formation (including non-contractual disputes or claims) shall be governed by and construed in accordance with the law of England and Wales.
- 8.2 Without prejudice to the rights of the Authority, the courts of England and Wales have exclusive jurisdiction to settle any dispute or claim (including any non-contractual dispute or claim) arising from or connected with this Agreement or its subject matter or formation.