

Alternative Eligible Credit Support Agreement

Wessex Water Services Limited

(Contracting Wholesaler)

And

Castle Water Limited

(Contracting Retailer)

Between

- (1) **WESSEX WATER SERVICES LIMITED**, a company incorporated in England (company number: 02366648) whose registered office is at Wessex Water Operations Centre, Claverton Down Road, Claverton Down, Bath, BA2 7WW ("**Contracting Wholesaler**"); and
- (2) **CASTLE WATER LIMITED**, a company incorporated in England and Wales (company number: SC475583) whose registered office is at 1 Boat Brae, Rattray, Blairgowrie, PH10 7BH ("**Contracting Retailer**")

WHEREAS:

- A. The Contracting Wholesaler and the Contracting Retailer entered into a Wholesale Contract for Wholesale Services on **07 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 Wholesale Contract requires the Contracting Retailer to satisfy a Credit Support Requirement to limit the financial exposure of the Contracting Wholesaler in the event that the Contracting Retailer has selected Post-Payment in accordance with Section 9 of the Business Terms and is unable to meet its obligations under the Wholesale Contract.
- C. The Business Terms require that an Unsecured Credit Allowance shall be available to the Contracting Retailer, where a Contracting Retailer holds a Current Credit Rating (as defined by the Code) or Current Credit Score (as defined by the Code). In addition, the Contracting Retailer is required to ensure the remainder of the Credit Support Amount is met through additional Eligible Credit Support and/or Alternative Eligible Credit Support (as defined by the Code).
- D. The Business Terms further state that the parties may agree Alternative Eligible Credit Support for all or part of the Credit Support Amount.
- E. Accordingly, the Contracting Wholesaler and the Contracting Retailer agree to enter into this Alternative Eligible Credit Support Agreement (the "**Agreement**") to supplement the Wholesale Contract with an Alternative Unsecured Allowance in accordance with its Policy and the Business Terms;

1. Definitions and Interpretation

1.1. In this Agreement:

- 1.1.1. **Alternative Eligible Credit Support** means the form of credit support agreed between a Contracting Wholesaler and a Contracting Retailer as an alternative to Eligible Credit Support, as further set out in Section 9.11.5 and the Schedule 3 Key Terms of the Business Terms;
- 1.1.2. **Alternative Unsecured Allowance** means an additional discretionary Unsecured Allowance that shall not exceed £100,000.00 (one hundred thousand pounds) at any time.
- 1.1.3. **Authority** means Ofwat, the Water Services Regulation Authority.
- 1.1.4. **Business Terms** means the procedures, principles, terms and conditions set out in Schedule 1, Part 2 of the Wholesale Contract;
- 1.1.5. **Commencement Date** means **01 March 2024**.
- 1.1.6. **Expiry Date** means **28 February 2025**.
- 1.1.7. **Nominated Credit Scoring Agency** means Credit Safe or such other Credit Scoring Agency as may be nominated by the Contracting Wholesaler by written notification from time to time.
- 1.1.8. **Policy** means the Contracting Wholesaler's Policy for providing Alternative Eligible Credit Support.
- 1.1.9. **Unsecured Credit Allowance** means the Unsecured Credit Allowance applicable to the Contracting Retailer in accordance with Section 9.11 and the Schedule 2E Key Terms of the Business Terms.
- 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 The Contracting Wholesaler and the Contracting Retailer agree that for such period as this Agreement is in effect, the Contracting Retailer shall be entitled to elect to benefit from the Alternative Unsecured Allowance, subject to and on the conditions of this Agreement.
- 3.2 For the avoidance of doubt, the Alternative Unsecured Allowance shall at all times be an addition to the Unsecured Credit Allowance.

- 3.3 The entitlement of the Contracting Retailer to the Alternative Unsecured Allowance is subject to the following conditions (which shall at all times be a pre-condition to the Contracting Retailer having any entitlement to any credit in excess of the existing Unsecured Credit Allowance):
- (a) the Contracting Retailer shall at all times hold and maintain a Current Credit Score that translates to a Credit Safe Score of at least 50 (such terms and scores being as set out in the Policy); and
 - (b) the Contracting Retailer shall maintain good payment history with the Contracting Wholesaler:
- 3.4 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; and/or
 - (b) without prejudice to 3.4(a) 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/or
 - (c) the Conditions in clause 3.3 are 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.
- 3.5 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.
- 4.4 This Agreement shall automatically terminate if the Wholesale Contract terminates.

- 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 in 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 4.4, 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. In the event of a conflict between this Agreement and the Wholesale Contract, the terms of the Wholesale Contract shall take precedence.
- 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 (Rights 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 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 Operator's 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 affect 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 provision that, to the greatest extent possible, achieves the intended commercial result of the original provision.

- 5.9 Save to the extent varied or amended by the arrangements set out in this Agreement, the Wholesale Contract (and all provisions of it) shall remain in full force and effect without amendment and shall continue to govern the relationship between the parties as Contracting Wholesaler and Contracting Retailer (including, for the avoidance of doubt, the liabilities and obligations of the respective parties). No greater liability shall be assumed by the Contracting Wholesaler to the Contracting Retailer as a consequence of entering into this Agreement.
- 5.10 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, sets out the entire agreement and understanding between the parties, and supersedes all proposals and prior agreements, arrangements, 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 party 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 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 or 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.