

Schedule 3 – Credit Support Plus

between

**Yorkshire Water Services
Limited**

and

Pennon Water Services Ltd

THIS AGREEMENT is made on

BETWEEN

- (1) Yorkshire Water Services Limited, a company incorporated in England and Wales (No. 02366682) whose registered office is at Western House, Halifax Road, Bradford, West Yorkshire, BD6 2SZ (the **"Contracting Wholesaler"**); and
- (2) Pennon Water Services Ltd, a company incorporated in England and Wales (09902835) whose registered office is at Peninsula House, Rydon Lane, Exeter. EX2 7HR (the **"Contracting Retailer"**)

BACKGROUND:

- (A) Pursuant to Schedule 3 of the Business Terms contained within the Wholesale Contract, a wholesaler and a retailer may agree to an Alternative Eligible Credit Support arrangement.
- (B) This Agreement is an Alternative Eligible Credit Support arrangement between the Contracting Wholesaler and the Contracting Retailer, the purpose of which is to reduce the Eligible Credit Support required to be provided by the Contracting Retailer in connection with its wholesale contract with the Wholesaler dated 30 March 2017 and made under section 66E or section 117E of the Water Industry Act 1991 (**"the Contract"**).
- (C) 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;
- (D) 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 of the Contracting Retailer.

It is agreed as follows

- (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 clause 10 shall continue until 31 March 2027 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 £275,000 from 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**')
- (5) Other than the Discount, nothing in this Agreement shall affect the Credit Support Requirement as calculated under the Contract.
- (6) 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.
- (7) 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.

- (C) the Retailer's rights to have any Excess Eligible Credit Support Amount returned or to reduce the amount of Eligible Credit Support provided to match the Credit Support Requirement.
- (8) 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 7 working days of this Agreement being signed.
- (9) This Agreement will automatically terminate if the Wholesale Contract terminates.
- (10) This Agreement may be terminated:
 - (A) by the Contracting Retailer immediately on written notice to the Contracting Wholesaler; or
 - (B) by the Contracting Wholesaler on 30 days written notice to the Contracting Retailer; or
 - (C) by the Contracting Wholesaler immediately if the Contracting Retailer in any event fails to make a payment (regardless of the amount) due under the Wholesale Contract on or before the due date, in accordance with Business Terms; or
 - (D) if 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.

- (E) by either Party In the event that replacement Credit support arrangements take effect between the Parties.
- (11) 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.
- (12) 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.
- (13) No variation of this Agreement shall be effective unless it is in writing and signed by or on behalf of each party.
- (14) In the event of a conflict between this Agreement and the Contract, the terms of the Contract shall take precedence.
- (15) 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.
- (16) Any notices under this Agreement shall be served in accordance with the provisions of the Contract.
- (17) This Agreement is the entire agreement between the parties, and replaces all previous agreements, representations, and understandings between them, relating to its subject matter whether written or oral.
- (18) 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.

- (19) The Contracting Wholesaler reserve the right to reduce the "Discounted amount" on 30 days' written notice to the Contracting Retailer.

This Schedule 3 Alternative eligible credit agreement has been entered into on the date stated at the beginning of this document.



Thank you

For more information contact:

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