

Alternative Eligible Credit & Alternate Payment Terms

Yorkshire Water's Eligibility Criteria

August 2021



YorkshireWater

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1 Introduction

Yorkshire Water (YW) is committed to meeting its obligations under the Market Codes and the Wholesale Contract for Wholesale Services. Additionally, YW recognises the responsibility placed upon all market participants in relation to ensuring the market operates successfully and as such, YW is keen to support the unique needs of Retailers seeking to operate within its area of appointment.

To support this philosophy and in response to ongoing dialogue with its contracted Retailers in relation to the existing payment and credit options available to Retailers, YW has developed an improved Alternative Eligible Credit Support (AECS) and Alternative Payment Terms (APT) offering. This includes the following polices:

- Credit Support 100 (CS100)
- Credit Support Maximum Credit Recommendation (CS Max)
- Credit Support Gov (CS Gov)
- Alternative Payment Terms 90 (APT90)

This enhanced approach seeks to provide a simple, effective and low maintenance credit and payment terms arrangement to all Retailers with an active Wholesale Contract for Wholesale Services with Yorkshire Water.

This document provides information regarding the eligibility criteria which must be satisfied by a contracting Retailer prior being accepted onto the AECS or APT.

Please note a contracting Retailer may only have one active AECS agreements at any one time.

2 Aim

The aim of this document is to:

- provide clear, consistent and transparent guidance regarding the eligibility criteria which must be satisfied by contracting Retailers who wish to enter into an AECS or APT agreement with Yorkshire Water.

3 Scope

This document relates to CS 100, CS Max, CS Gov only. All other forms of Eligible Credit Support should be processed in accordance with 9.11.1 of the Business Terms, Credit Support Requirements

The scope also includes Alternative Payment Terms 90 (APT90). All other forms of Alternative Payment Terms should be processed in accordance with Schedule 3(A) of the Business Terms.

Yorkshire Water will aim to review all AECS and APT applications within 10 Business Days of receipt.

No later than five (5) Business Days from the issue by the Market Operator of the P1 Settlement Report the Retailer must submit the AECS or APT application. If the application is received outside of this timeframe it will be applied from the following month.

4 Eligibility Criteria

This section applies to all AECS and APT agreements.

Prior to a AECS or APT being offered to a contracting Retailer, the Retailer must satisfy the following eligibility checks but not exclusive to;

- The application will be rejected if the Retailer has failed to make a payment due under the Wholesale Contract on or before the due date, in accordance with the Business Terms on 3 occasions within a rolling 12-month period;
- The Retailer must have no more than 2 late CSN payments within the past 12 months;
- All conditions precedent under the Wholesale Contract for Wholesale Services must always be maintained;
- Where any form of Alternative Eligible Credit or Alternative Payment Terms has been terminated due to a breach of the agreement, the contracting Retailer may remain ineligible to request Alternative Credit Support or Alternative Payment Terms until 12 months after the date of termination.

4.1 CS Max only

The below eligibility criteria apply to the CS Max policy only.

Minimum Credit Rating means the Contracting Retailer shall;

- hold and maintain a Dun and Bradstreet Rating of 5A/1 or 5A/2; and
 - hold and maintain a Dun and Bradstreet Overall Business Risk of Low, Low-Moderate or Moderate.
- If the Retailer drops below the above-mentioned minimum credit rating, then the CS Max will be temporarily suspended until the Retailer can evidence their credit score has risen to the required rating.

- If the Retailer is unable to evidence, within 3 months of the suspension, that their credit rating has risen above the minimum requirement then the CS Max agreement may be terminated.
- The Contracting Retailer shall then be governed exclusively by the Wholesale Contract and the Parties agree to co-operate with each other to the extent necessary to ensure compliance with the Wholesale Contract.

4.2 CS Gov only

The below eligibility criteria apply to the CS Gov policy only.

- The Retailer must be direct or indirect majority ownership or controlled by the government of an EU member state, the government of a member state of the European Economic Area, the UK Government (or any devolved administration of the foregoing including the devolved Scottish, Welsh and Northern Ireland administrations).
- The Government or EU member state must hold a “Minimum Credit Rating” as described in the Wholesale Contract Schedule 1: Part 1: Objectives, Principles and Definitions.

4.3 APT only

- To qualify for APT the Retailer must lodge an additional 40days collateral calculated from the PI value.
- This must be received ahead of the invoice being issued. Failure to comply will result in reverting back to the market code standard payment terms.
- The Retailer cannot use CS100, CS Max or CS Gov to cover the 40days collateral.

4.4 Rejected Requests

If any of the above eligibility criteria have not been satisfied, the Retailer will not qualify for that form of Schedule 3 Alternative Eligible Credit Support or Schedule 3A Alternate Payment Terms.

In the instance that the eligibility criteria are not satisfied, the outcome including full justification for the decision will be provided in writing to the named retail contact in accordance with the Schedule 2 within ten (10) business days of the application.

The contracting Retailer will become eligible to reapply for the AECS or APT agreement once all the criteria have been satisfied.

5 Version Control

This document will be reviewed annually or when necessary as a result of changes in legislation centrally issued guidance.

Version No	Date	Author	Summary of change(s)
1.0	11/03/19	Yorkshire Water Market Operations	Policy created by Client Relationship Manager
2.0	10/06/19	Yorkshire Water Market Operations	Revision to eligibility criteria.
3.0	31/07/19	Yorkshire Water Market Operations	Revision to eligibility criteria to include Credit Support Investment Grade, Credit Support Government and Alternative Payment Terms
4.0	12/09/19	Yorkshire Water Market Operations	Change made to add the Alternative Payment Terms, CS Investment Grade and CS Government eligibility criteria.

5.0	05/03/21	Wholesale Market Services	Added CS Max and removed CS IG. Changed the format to the new YW template
5.1	10/08/2021	Wholesale Market Services	Added section 4.3

Thank you

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