

WONDERFUL ON TAP

SEVERN

TRENT

Dated: 24th May 2021

(1) Severn Trent Water Limited

(2) **Pennon Water Services Ltd**

Alternative Eligible Credit Support Agreement made under Schedule 3 of the Business Terms within the Wholesale Contract

Tier 1 Standard Discount Agreement

THIS AGREEMENT is made on 24th May 2021

BETWEEN

- (1) **Severn Trent Water Limited** of Severn Trent Centre, 2 St John's Street, Coventry CV1 2LZ (Company number **2366686**) ("the Wholesaler"); and
- (2) **Pennon Water Services Ltd** of Peninsula House, Rydon Lane, Exeter. EX2 7HR (Company number **9902835**) ("the 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 Wholesaler and the Retailer, the purpose of which is to reduce the Eligible Credit Support required to be provided by the Retailer in connection with its Wholesale Contract with the Wholesaler dated **3rd April 2017** and made under section 66E or section 117E of the Water Industry Act 1991 ("the Contract")

OPERATIVE PROVISIONS

1. All defined terms in this Agreement have the same meaning as in the Contract, unless stated otherwise.
2. This Agreement commences on the date hereof, and continues until terminated in accordance with clause 9 of this Agreement.
3. Notwithstanding anything to the contrary in the Contract, with effect from the first Credit Support Notice issued by the Wholesaler to the Retailer following the commencement of and during the term of this Agreement, the Retailer shall be required to provide Eligible Credit Support each month on the New Credit Support Amount, as calculated subject to clause 4 and 5.
4. The Credit Support Amount shall first be calculated by the Wholesaler as set out in the Contract and shall include any Unsecured Credit Allowance applicable to the Retailer in accordance with Schedule 2E. The Wholesaler shall then calculate the New Credit Support Amount by deducting an Additional Unsecured Credit Allowance of £125,000 or such lesser sum such that the New Credit Support Amount for that month is never less than zero. By way of example as to how this might work please see table below.

	Example 1	Example 2
P1 Settlement value	£300,000	£60,000
Days in month	30 days	30 days
Credit Support Requirement (50 days)	£500,000	£100,000
Unsecured Credit Allowance (20%)	£100,000	£20,000
Credit Support Amount	£400,000	£80,000
Additional Unsecured Allowance	£125,000	£80,000
New Credit Support Amount	£275,000	£0

5. This Agreement does not affect the Credit Support Requirement as calculated under the Contract.

6. This Agreement does not affect:
 - (a) any Unsecured Credit Allowance to which the Retailer is entitled; or
 - (b) the Retailer's discretion as to the manner in which it meets the New Credit Support Amount ; or
 - (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 Amount.
7. This Agreement will automatically terminate if the Contract terminates.
8. This Agreement may be terminated:
 - (a) by the Retailer on written notice to the Wholesaler; or
 - (b) by the Wholesaler on 30 days' written notice to the Retailer; or
 - (c) by the Wholesaler forthwith in the event of three or more incidents of late payment of Primary Charges, non-payment of Primary Charges or late provision of Eligible or Alternative Eligible Credit Support by the Retailer with each late event not exceeding 3 days under this Agreement or under the Contract; or
 - (d) by the Wholesaler forthwith in the event of a single incident of late payment of Primary Charges, non-payment of Primary Charges or late provision of Eligible or Alternative Eligible Credit Support by the Retailer exceeding 3 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.
9. On expiry or earlier termination of this Agreement the arrangements set out herein shall end and the provision of credit support by the 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.
10. The 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 Business Terms (forming part of the Contract); and
 - (b) that in order to comply with Schedule 3, the Wholesaler is required to publish this Agreement in full in a prominent place on its website.
11. No variation of this Agreement shall be effective unless it is in writing and signed by or on behalf of each Party.
12. In the event of any conflict between this Agreement and the Contract, the terms of the Contract shall take precedence, save as expressly specified otherwise in this Agreement.
13. The Parties do not intend any third party to have any right to enforce any provision of this Agreement under the Contracts (Rights of Third Parties) Act 1999 or otherwise.
14. Any notices under this Agreement shall be served in accordance with the provisions of the Contract.

15. Save for the Contract, this Agreement is the entire agreement between the Parties and replaces all previous written or oral agreements, representations, and understandings between them, relating to its subject matter.
16. This Agreement shall be governed by and construed in accordance with English law, and the English courts shall have exclusive jurisdiction to determine any dispute arising in connection with it (but subject to the powers of the Water Services Regulation Authority to determine disputes).

SIGNED on behalf of the Wholesaler

)

by

Name

.....

)

W. Bennett

Position

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) Head of Customer Contact

SIGNED on behalf of the Retailer

)

by

Name

PETER RAYNER

)

Peter A. Rayner

Position

*DIRECTOR OF
COMMERCIAL FINANCE*

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