

**DATED**

**20<sup>th</sup> March 2023**

**UNITED UTILITIES WATER LIMITED**

**AND**

**PENNON WATER SERVICES LIMITED**

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**ALTERNATIVE ELIGIBLE CREDIT SUPPORT AGREEMENT**

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**This Agreement is dated**

**20<sup>th</sup> March 2023**

**Between**

- (1) United Utilities Water Limited, a company incorporated in England (No.02366678) whose registered office is at Haweswater House, Lingley Mere Business Park, Lingley Green Avenue, Great Sankey, Warrington, WA5 3LP (the “**Contracting Wholesaler**”); and
- (2) Pennon Water Services Limited, a company incorporated in England and Wales (No.09902835) whose registered office is at Peninsula House, Rydon Lane, Exeter, EX2 7HR (the “**Contracting Retailer**”).

**Whereas**

- A. The Contracting Wholesaler has entered into a Wholesale Contract with the Contracting Retailer (such contract and its schedules together with confirmations exchanged between the Contracting Wholesaler and the Contracting Retailer pursuant thereto, in each case as amended from time to time, the “**Contract**”). The Contract is entered into pursuant to the Wholesale Retail Code issued by MOSL (being the market operator of England’s non-household water market) (the “**Wholesale Code**”). The Contract incorporates the Business Terms mandated by the Wholesale Retail Code.
- B. The 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 is unable to meet its payment obligations under the Contract, but (pursuant to the Business Terms) permits the Contracting Wholesaler and the Contracting Retailer to agree an arrangement for Alternative Eligible Credit Support to reduce the amount of Eligible Credit Support required to meet the Credit Support Requirement.
- C. The Contracting Wholesaler and the Contracting Retailer have agreed such an arrangement and wish to enter into this Alternative Eligible Credit Support Agreement (the “**Agreement**”) to confirm those arrangements.

## 1. Definitions and Interpretation

- 1.1. All defined terms in this Agreement shall have the meaning as ascribed to them in the Contract, Wholesale Retail Code and/or the Business Terms.
- 1.2. 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 offering

- 3.1. 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 following the commencement of and during the term of this Agreement, the Eligible Credit Support which the Contracting Retailer is required to maintain shall be the **Adjusted Credit Support Amount**, calculated in accordance with clause 3.2.
- 3.2. The Adjusted Credit Support Amount shall be an amount equal to:
  - 3.2.1. the Credit Support Amount calculated by the Contracting Wholesaler in accordance with the Contract (this being the Credit Support Requirement as per the Contract minus any Unsecured Credit Allowance); minus
  - 3.2.2. an additional unsecured allowance of £200,000, or where that would result in the Adjusted Credit Support Amount being a negative amount, such lesser sum as reduces the Adjusted Credit Support Amount to zero.

3.3. By way of example as to how this might work please see table below.

<b>Contracting Retailer</b>	<b>Contracting Retailers Credit Support Amount (Credit Support Requirement minus Unsecured Credit Allowance calculated as per the Contract)</b>	<b>UJW additional unsecured credit allowance (maximum £200k)</b>	<b>Adjusted Credit Support Amount</b>
<b>Example 1</b>	<b>£50k-£0k = £50k</b>	<b>£50k</b>	<b>£0k</b>
<b>Example 2</b>	<b>£50k-£50k = £0k</b>	<b>£0k</b>	<b>£0k</b>
<b>Example 3</b>	<b>£200k-£50k = £150k</b>	<b>£150k</b>	<b>£0k</b>
<b>Example 4</b>	<b>£500k-£100k = £400k</b>	<b>£200k</b>	<b>£200k</b>
<b>Example 5</b>	<b>£700k-£300k = £400k</b>	<b>£200k</b>	<b>£200k</b>
<b>Example 6</b>	<b>£900k-£800k = £100k</b>	<b>£100k</b>	<b>£0k</b>

3.4 The Contracting Wholesaler reserves the right to review, temporarily suspend, or remove the entitlement of the Contracting Retailer to benefit from the arrangements provided for in this Agreement, if:

- (a) the Contracting Retailer becomes a Defaulting Trading Party under the Contract, or is otherwise in breach of the Contract; and/or
- (b) the Contracting Retailer in any event fails to make payment due under the Contract by the due date on three or more occasions in any rolling 12 month period; and/or
- (c) the Contracting Wholesaler otherwise has reasonable grounds to believe that the Contracting Retailer will default on its payment obligations under the Contract,

and in such circumstances the requirements of the Contract relating to the provision of Eligible Credit Support shall continue as though this Agreement was not in force and effect.

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 Contract, and the rights and remedies of the Contracting Wholesaler in respect of such obligations and liabilities shall be unaffected.

3.6 For the avoidance of doubt, the entitlement (or otherwise) of the Contracting Retailer to Alternative Eligible Credit Support shall be reviewed by the Contracting Wholesaler and may change from time to time to reflect the updated outcome of the calculation in clause 3.2.

#### **4. Termination of the Agreement**

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

- (a) on providing 60 days notice to the Contracting Retailer; or
- (b) with immediate effect, if any of the circumstances set out in clause 3.4 apply.

4.2. The Contracting Retailer may at its sole discretion terminate this Agreement on written notice to the Contracting Wholesaler.

4.3. On termination of this Agreement for any reason:

- (a) the arrangements set out herein shall terminate and the availability of Alternative Eligible Credit Support to the Contracting Retailer shall cease with immediate effect; and
- (b) provided the 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 Contract. The Parties shall co-operate with each other to the extent necessary to ensure compliance with the Contract.

4.4. Notwithstanding the foregoing, the calculation of the Adjusted Credit Support Amount and the associated provisions of this Agreement shall be amended by the Contracting Wholesaler to satisfy the requirements of any Relevant Legislation (including, for the avoidance of doubt, any order, decision, determination, code change, or direction of Ofwat or any other competent regulatory authority).

## **5. Expenses**

5.1. Each Party will pay its own costs and expenses in connection with performing its obligations under this Agreement, and the negotiation of it.

## **6. General**

6.1. 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.

6.2. This Agreement supplements the Contract. In the event of a conflict between this Agreement and the Contract, the terms of the Contract shall take precedence.

6.3. 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).

6.4. All notices served under this Agreement shall be served in accordance with the requirements of the Contract relating to the provision of notices on that Party. For the avoidance of doubt, all notices served on the Contracting Wholesaler shall also be served on the Company Secretary of the Contracting Wholesaler at the registered office of the Contracting Wholesaler.

6.5. Save to the extent varied or amended by the arrangements set out in this Agreement, the 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.

6.6. 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.

## **7. Entire Agreement**

7.1. This Agreement, together with the 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.

7.2. 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.

## **8. Law and Jurisdiction**

8.1. This Agreement and all matters arising from or connected with it are governed by, and shall be construed in accordance with, the law of England and Wales.

8.2. The courts of England and Wales have exclusive jurisdiction to settle any dispute (including any non-contractual dispute) arising from or connected with this Agreement. The Parties agree that the courts of England and Wales are appropriate and convenient courts to settle any such dispute and, accordingly, that they will not argue to the contrary.

**Signed by an Authorised Representative**

**for and on behalf of**

**United Utilities Water Limited**

**Signed by an Authorised Representative**

**for and on behalf of**

**Pennon Water Services Limited**