

(1) **Dŵr Cymru Cyfyngedig**

- and -

(2) **Pennon Water Services**

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Alternative Eligible Credit Support Agreement  
Made under Schedule 3 of the Wholesale Contract

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**THIS AGREEMENT** is made on 26<sup>th</sup> day of March 2024

**BETWEEN**

- (1) **Dŵr Cymru Cyfyngedig** incorporated and registered in England and Wales with company number 02366777 whose registered office is at Linea, Fortran Road, St Mellons, Cardiff CF3 0LT ('the Contracting Wholesaler'); and
- (2) **Pennon Water Services Limited** incorporated and registered in England and Wales with company number 09902835 whose registered office is at Peninsula House, Rydon Lane, Exeter EX2 7HR ('the Contracting Retailer')

**BACKGROUND:**

- (A) This is an agreement for Alternative Eligible Credit Support made pursuant to Schedule 3 of the Business Terms of the Wholesale Contract between the Contracting Retailer and the Contracting Wholesaler dated 31<sup>st</sup> March 2017 which itself is made pursuant to Section 66D of the Water Industry Act 1991 (the "Contract") and is to be read in conjunction with the Contract.
- (B) Under the Contract, the Contracting Retailer is required to provide and maintain monthly Eligible Credit Support and/or (with the agreement of the Contracting Wholesaler) Alternative Eligible Credit Support for the Credit Support Amount.
- (C) The Parties have agreed to enter into this Alternative Eligible Credit Support agreement (the "Agreement") to enable the Contracting Retailer to, in certain circumstances, reduce the amount of Eligible Credit Support that it provides and maintains.

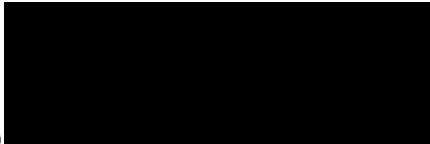
**IT IS AGREED** as follows

1. All defined terms in this Agreement have the same meaning as in the Contract, unless stated otherwise.
2. This Agreement commences on the 1<sup>st</sup> April 2024 and continues until 31<sup>st</sup> March 2025.
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 will be required to provide Eligible Credit Support each month only on the "Discounted Credit Support Requirement".
4. The Discounted Credit Support shall be calculated by the Contracting Wholesaler by deducting £65,000 from the amount stipulated in the P1 Aggregated Settlement report issued monthly by the Market operator to the Contracting Wholesaler and Contracting Retailer 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. Subject to clause 4, if in any month the Primary Charges falling due 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.
6. 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 under the Contract of the manner in which it meets the Credit Support Requirement.
7. The Contracting Wholesaler shall show the Discount as a separate row in the relevant Credit Support Notice.

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 on the termination for any reason of the Contract.
10. This Agreement may be terminated:
  - (a) by the Contracting Retailer 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 fails to make a payment under the Contract by its due date, or is otherwise in breach of the Contract; or
  - (d) if the Contracting Wholesaler has reasonable grounds to believe that the Contracting Retailer will default on its payment obligations under the Contract.
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. 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.
15. In the event of a conflict between this Agreement and the Contract, the terms of the Contract shall take precedence.
16. 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.
17. Any notices under this Agreement shall be served in accordance with the provisions of the Contract.
18. 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.
19. This Agreement and any non-contractual obligations arising in connection with it (and, unless

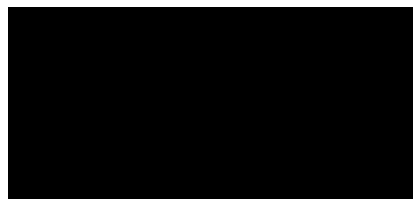
provided otherwise, any document entered into in connection with it) are governed by and construed in accordance with the laws of England and Wales as applied in Wales. Without prejudice to the rights of the Authority, the English and Welsh courts have exclusive jurisdiction to determine any dispute 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.

SIGNED by



being a duly authorised signatory on behalf of  
**Dŵr Cymru Cyfyngedig**

SIGNED by



being a duly authorised signatory on behalf of **Pennon  
Water Services Limited**

