

Non-household alternative eligible credit support policy



Wessex Water
YTL GROUP

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Introduction

1. Our commitment

Wessex Water is committed to supporting the non-household market and fostering constructive working relationships with all retailers operating within its region. We know how important cash flow is to manage their businesses and the dependence for many on having credit facilities in place with their wholesalers.

The market's existing business terms affords retailers a certain level of mandatory credit arrangements but only if they meet the eligible criteria. While in general this strikes the balance between the credit worthiness of the retailer and the financial exposure of the wholesaler, it may not consider all factors and may disproportionately affect new and smaller retailers' ability to secure credit. Agreeing alternative credit arrangements with their wholesalers may be their only option.

In setting out our alternative eligible credit arrangement policy, we have considered where we can best support the market, its additional financial exposure, and the administrative burden of the scheme. We seek to comply with competition law and Ofwat's latest guidance on alternative credit arrangements in the business retail market. <https://www.ofwat.gov.uk/publication/alternative-credit-arrangements-in-the-business-retail-market-a-guidance-document/>

We have therefore set out below our alternative eligible credit arrangements. As per Ofwat's guidance this facility is open to all retailers meeting its criteria. The scheme offers a maximum alternative eligible credit support cap of £120,000 which is available to each retailer, a significant commitment to support the market, but also mindful of the overall financial exposure to Wessex Water.

The policy will better support new retailers without a credit history and smaller retailers with a good credit history who will see a greater proportion of their wholesale charge eligible for alternative credit. We believe that such a policy will encourage market entry, greater choice, and support smaller more innovative retailers.

Our policy also looks to reduce the administrative burden for those wishing to access the scheme. We are removing the requirement for retailers to submit independent credit reports in support of their application and the need to provide regular credit reports after the arrangement has been agreed. All applications and subsequent agreements will be assessed and monitored using our own third-party provider Credit Safe, a recognised credit scoring agency.

2. Assessment criteria and credit limits

Retailers' individual credit scores and risk will be subject to a fair and objective assessment. Established retailers attracting a Credit Safe score of 70+ will be eligible for the maximum allowance.

New entrants may be offered up to £20,000 for the first year of trading. As credit history becomes available, retailers will be expected to follow the standard process as set out in the business terms or apply for alternative eligible credit support as set out in this policy.

Retailer	Credit Safe Score	Discount Applied
New	n/a	n/a
Established	70+	100%
Established	60-69	70%
Established	50-59	50%
Established	0-49	0%

3. Alternative eligible credit calculations

Maximum alternative eligible credit support cap is £120,000.

The Credit Safe score will determine the allowance which is applied to the credit support amount.

Eligible retailers will be offered a fixed amount up to £20,000, followed by the variable amount up to a maximum of £100,000.

There will be no excess eligible credit from either the fixed or variable credit amounts. This will only be due if another form of credit support is part of the calculation such as cash on deposit.

3.1 Worked example 1

Retailer A	
P1	£303,000
Total credit support requirement (50 days)	£488,710
Experian score (85)	20%
Unsecured credit allowance	£97,742
Reduced notice period	£87,968
Credit support amount	£303,000
Maximum fixed amount	£20,000
£20,000	
New credit support amount	£283,000
Creditsafe credit score	50
Percentage discount	50%
Alternative eligible credit support amount at 50%	£141,500
Maximum variable amount	£100,000
£100,000	
Remaining required eligible credit support amount	£183,634
Excess eligible credit support amount	£0

Worked example 2

Retailer B	
P1	£8,500
Total credit support requirement (50 days)	£13,710
Experian score (85)	0%
Unsecured credit allowance	£0.00
Reduced notice period	£0.00
Credit support amount	£13,710
Maximum fixed amount	£13,710
£20,000	
New credit support amount	£0.00
Creditsafe credit score	68
Percentage discount	70%
Alternative eligible credit support amount at 70%	£0.00
Maximum variable amount	£0
£100,000	
Remaining required eligible credit support amount	£0
Excess eligible credit support amount	£0

Terms and conditions

Wessex Water will regularly monitor each agreement. As set out as a condition of the legal arrangement, retailers will be expected to maintain good payment history and an eligible Credit Safe score throughout the duration of the contract.

For retailers who DO NOT meet the minimum credit score 50, Wessex Water will in accordance with the market codes and Ofwat's latest guidance, assess each application on its own merits.

Our contact details

For further enquiries and applications, email wholesalefinance@wessexwater.co.uk