

**DEROGATION LETTER
IN RESPECT OF INITIAL ENFORCEMENT ORDERS ISSUED
PURSUANT TO SECTION 72(2) ENTERPRISE ACT 2002**

Consent under section 72(3C) of the Enterprise Act 2002 to certain actions for the purposes of the Initial Enforcement Order made by the Competition and Markets Authority ('CMA') on 9 June 2021

Acquisition by National Grid Holdings One Plc of PPL WPD Investments Limited ('the Transaction')

We refer to your submission dated 10 June 2021 requesting that the CMA consents to derogations to the Initial Enforcement Order of 9 June 2021 (the '**Initial Order**'). The terms defined in the Initial Order have the same meaning in this letter.

Under the Initial Order, save for written consent by the CMA, National Grid plc ('**National Grid**'), National Grid Holdings One plc ('**NGHO**') and PPL WPD Investments Limited ('**WPD HoldCo**') (together the '**Parties**') are required to hold separate the National Grid business from the WPD HoldCo business and refrain from taking any action which might prejudice a reference under section 22 of the Act or impede the taking of any remedial action following such a reference.

After due consideration of your request for derogations from the Initial Order, based on the information received from you and in the particular circumstances of this case, NG plc, NGHO and WPD HoldCo may carry out the following actions, in respect of the specific paragraphs:

1. Paragraphs 5(a), 6(a), and 6(e), of the Initial Order

The CMA understands that Western Power Distribution plc ('**WPD plc**') is a party to a Facility Agreement under which it was provided with an unsecured credit facility. On completion of the Transaction, sums under that Facility Agreement will become immediately repayable by WPD plc as a result of a change of control. As a result, the Parties have agreed that, on completion of the Transaction, National Grid will issue an intra-group loan to WPD plc for the sums payable under the Facility Agreement (the '**National Grid-WPD plc Intra-Group Loan**').

National Grid has also submitted that the National Grid-WPD plc Intra-Group Loan is

therefore strictly necessary to ensure that the WPD HoldCo business is maintained as a going concern and sufficient resources are made available for the development of the WPD HoldCo business on the basis of their respective pre-merger business plans within the meaning of paragraph 6(b) of the IEO.

The Parties have further submitted that the National Grid-WPD plc Intra-Group Loan does not include any terms or conditions which:

- limit WPD's ability to compete or take business decisions independently;
- limit WPD's ability to implement its pre-merger business plan; or
- otherwise have any material impact on the day-to-day operations of WPD or on the viability of WPD or its ability to carry on business in the ordinary course.

The Parties have also submitted that the National Grid-WPD plc Intra-Group Loan is based on the standard National Grid template and the methodology used to calculate the interest payable by WPD plc is consistent with that used on other National Grid intra-group loans.

In light of the above, the CMA consents to a derogation from paragraphs 5(a), 6(a), and 6(e) of the Initial Order to permit National Grid and WPD plc to enter into the National Grid-WPD plc Intra-Group Loan. This consent is strictly on the basis that this action:

- is strictly necessary to ensure that the WPD HoldCo business is maintained as a going concern and sufficient resources are made available for the development of the WPD HoldCo business;
- will not result in any integration between the WPD HoldCo business and the National Grid business; and
- shall not prevent any remedial action which the CMA may need to take regarding the Transaction.

Yours sincerely,

Imogen Ditchfield

Assistant Director, Mergers

11 June 2021