

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

Please note that [ⓧ] indicates figures or text which have been deleted or replaced in ranges for reasons of commercial confidentiality.

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 emails and accompanying notes of 8 June 2021, 21 June 2021 and 29 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**') 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, National Grid, NGHO and WPD HoldCo may carry out the following actions, in respect of the specific paragraphs:

1. Paragraphs 6(a), 6(f) and 6(l) of the Initial Order

Based on information provided by National Grid, the CMA understands that it is necessary to carry out certain [ⓧ] work relating to the WPD HoldCo business in light of WPD HoldCo's regulatory obligations (in particular under [ⓧ]) and in light of WPD HoldCo's stated commitments in its business plan for the upcoming RIIO-ED2 price control period. [ⓧ] have been instructed to provide [ⓧ].

The CMA understands that National Grid has expertise in [REDACTED] matters and that this is a non-commercial but necessary back-end function where the provision of support by National Grid is likely to be beneficial to the ongoing operations and viability of the WPD HoldCo business. In addition, the CMA notes that the above process could lead to specific improvements in the [REDACTED] of the WPD HoldCo business, [REDACTED].

In light of the above, the CMA consents to a derogation from paragraphs 6(a), 6(f) and 6(l) of the Initial Order to permit:

- i) National Grid to facilitate and provide advice and support to a [REDACTED] project for the WPD HoldCo business (the '**Project**'), as part of which [REDACTED] with support from [REDACTED] will conduct a detailed risk assessment of the [REDACTED], and prepare one or more reports [REDACTED]; and
- ii) the WPD HoldCo business to implement improvements to [REDACTED], should WPD HoldCo consider this necessary as a result of the Project.

This consent is provided strictly on the basis that:

- a) National Grid's involvement with the Project shall be limited to the named individuals at National Grid ([REDACTED]) listed in Annex 1 (the '**NG Individuals**'). National Grid's involvement with the Project will also terminate at the end of Stage 2 of the Project as described in National Grid's submission to the CMA dated 7 June 2021, once [REDACTED] and [REDACTED] proposals for future actions have been received and discussed. For the avoidance of doubt, Stage 2 does not include the implementation of any such actions to mitigate or remediate [REDACTED] risks.
- b) WPD HoldCo business information shared with the NG Individuals shall be limited to what is strictly necessary to permit National Grid to effectively provide advice and support to the WPD HoldCo business on [REDACTED] matters relating to the Project. For the avoidance of doubt:
 - NG Individuals are entitled to receive copies of the reports produced by [REDACTED] and [REDACTED] up to and including Stage 2 of the Project, and discuss those findings between themselves, with [REDACTED] and [REDACTED], and with the named individuals at the WPD HoldCo business listed in Annex 1 (the '**WPDH Individuals**');
 - during such discussions, the NG Individuals are permitted to share with the WPDH Individuals any experience National Grid has gained from its own [REDACTED] initiatives; and

- the NG Individuals are not permitted to share or discuss any WPD HoldCo business information obtained pursuant to this derogation with any other individuals in the National Grid business (and vice versa for the WPDH Individuals in respect of any National Grid business information obtained pursuant to this derogation). By way of exception, the NG Individuals will be permitted to confirm to the National Grid Board that the Project is progressing satisfactorily (for the avoidance of doubt, without disclosing any further WPD HoldCo business information). However, to the extent that the NG Individuals wish to raise any specific issues relating to the Project with the National Grid Board, any such disclosure will require the prior written consent (including via email) of the CMA.
- c) The NG Individuals may provide advice and support to the WPD HoldCo business on the findings of the Project up to and including Stage 2 of the Project. They may also provide advice and support to the WPD HoldCo business in the Stage 2 consideration of any [X]. Further, a smaller sub-set of the NG Individuals (as specified in Annex 1) are permitted to sit with WPD HoldCo on a separate steering group which has overall responsibility for the Project, up to and including Stage 2 of the Project. However, National Grid's input (including in the course of any steering group meetings) shall be provided to the WPD HoldCo business on a purely advisory basis, and any decisions on [X] strategy and actions as a result of the Project will be taken solely by the WPD HoldCo business. The WPD HoldCo business will be able, in its sole discretion, to accept or disregard any comments, advice or support provided or offered by National Grid relating to the Project, as it sees fit.
- d) The NG Individuals and the WPDH Individuals (together, the '**Named Individuals**') are limited to those that strictly need to have access to the information provided under this derogation.
- e) Subject to paragraph b) above, (i) access to the information provided under this derogation will be limited to the Named Individuals; and (ii) the Named Individuals will be the only individuals which will engage with each other, [X] and [X] on this Project. For the avoidance of doubt, the WPDH Individuals are permitted to engage in relation to the Project, including with respect to the intended WPD HoldCo actions resulting from any National Grid advice or the reports of [X] or [X], with the senior management of WPD HoldCo, provided that such discussions do not disclose any National Grid confidential information obtained pursuant to this derogation.
- f) To the extent that it is strictly necessary to involve additional individuals in

this Project (or, for the avoidance of doubt, add any NG Individuals or additional individuals from the National Grid business to the steering group), National Grid would inform the CMA of this fact and seek consent to add those additional individuals at that stage. No additions or changes to the Named Individuals in Annex 1 will be permitted without the prior written consent (including via email) of the CMA.

- g) Each of the Named Individuals will enter into an NDA in a form agreed with the CMA and shall not use any information of the WPD HoldCo business or National Grid business provided under this derogation in any way to intervene in the management or operation of, respectively, the National Grid business or WPD HoldCo business.
- h) National Grid and WPD HoldCo will implement strict access controls to prevent unauthorised individuals from accessing the WPD HoldCo business information or National Grid business information received by one from the other pursuant to this derogation. Specifically, the Named Individuals will store the information obtained pursuant to this derogation in a specific electronic folder which is inaccessible by those not entitled to have access and ensure that any physical copies are securely stored.
- i) The above actions are strictly necessary to ensure the ongoing viability of the WPD HoldCo business following completion and to ensure that WPD HoldCo meets, or continues to meet, its regulatory obligations and anticipated commitments under its RIIO-ED2 business plan.
- j) National Grid will inform [ⓧ] and [ⓧ] as to the existence of the Initial Order, the relevant parties' obligations under it and the scope of this derogation.
- k) The information provided under this derogation will not result in the exchange of any commercially-sensitive or confidential information relating to the commercial operations of the WPD HoldCo business or the National Grid business, but rather will be limited to information relating to [ⓧ] matters.
- l) Should the Transaction be prohibited, or remedial action required, any records or copies (electronic or otherwise) of business secrets, know-how, commercially-sensitive information, intellectual property or any other information of a confidential or proprietary nature, wherever they may be held, that were received by National Grid from the WPD HoldCo business for the purposes of this derogation will be returned to WPD HoldCo and any copies destroyed, except to the extent that record retention is required by law or regulation.

- m) This derogation will not result in any integration between the WPD HoldCo business and the National Grid business (and for the avoidance of doubt there will be no integration of the [X] of the two businesses).
- n) This derogation shall not prevent any remedial action which the CMA may need to take regarding the Transaction.

Yours sincerely,

Imogen Ditchfield

Assistant Director, Mergers

9 July 2021

Annex 1 Named Individuals

National Grid Individuals

1. [REDACTED];
2. [REDACTED];
3. [REDACTED];
4. [REDACTED];
5. [REDACTED];
6. [REDACTED];
7. [REDACTED]; and
8. [REDACTED].

Of the individuals listed above, 3, 5, 6 and 7 will be members of the steering group.

WPDH Individuals

1. [REDACTED];
2. [REDACTED];
3. [REDACTED];
4. [REDACTED];
5. [REDACTED];
6. [REDACTED];
7. [REDACTED];
8. [REDACTED];
9. [REDACTED];
10. [REDACTED];
11. [REDACTED];
12. [REDACTED];
13. [REDACTED];