

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

Please note that [X] 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 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 and NGHO may carry out the following actions, in respect of the specific paragraphs:

1. Paragraphs 5(b), 6(b), 6(c), 6(d), 6(e), 6(h), 6(i), 6(k) and 9 of the Initial Order

In this letter:

- National Grid USA means National Grid USA, a company registered at Corporation Service Company, 251 Little Falls Drive, Wilmington DE 1908, United States, with company number 2977161;

- the '**National Grid US business**' means National Grid USA and its subsidiaries, excluding the entities set out in Annex 1; and
- the '**National Grid Non-US business**' means the National Grid business, excluding the National Grid US business.

National Grid has sought CMA consent to exclude the National Grid US business from certain obligations of the Initial Order. National Grid submits that:

- i. the activities undertaken by the National Grid US business are no wider than national in scope;
- ii. the National Grid US business does not supply any goods or services in the UK;
- iii. while the National Grid US business and National Grid Non-US business share some common Group management, independence is maintained between the National Grid Non-US business and the National Grid US business. In particular, operational decisions for the National Grid Non-US business are taken independently of the National Grid US business and vice versa; and
- iv. the National Grid US business does not have material links with the National Grid Non-US business, save for:
 - [REDACTED];
 - [REDACTED];
 - [REDACTED]; and
 - [REDACTED].
- v. the viability and competitive capability of the National Grid Non-US business on a standalone basis is not reliant on the National Grid US business.

On the basis of these representations, the CMA considers that a derogation is appropriate, given the aims of the Initial Order and the particular circumstances of this case, and will significantly ease the administrative burden on National Grid in a proportionate manner.

The CMA therefore consents to a derogation to exclude the National Grid US business, with the exception of any activities or assets shared between the National Grid US business and the National Grid Non-US business as set out in paragraph (iv) above, from the scope of the obligations in paragraphs 5(b), 6(b), 6(c), 6(d), 6(e), 6(h), 6(i), 6(k) and 9 of the Initial Order, subject to the following conditions:

- (a) All National Grid employees outside the National Grid US business (including employees of any NGV entity), and all employees within National Grid's group functions (wherever employed) who have responsibilities for both the National Grid Non-US business and the National Grid US business, will remain subject to the terms of the Initial Order in full.
- (b) National Grid will implement additional IT-related safeguards to ensure that employees of the National Grid US business will not be permitted to have contact with employees of the WPD HoldCo business for the duration of the Initial Order. In particular, National Grid will implement an email block which will prevent individuals (excluding any individuals that may be permitted to email the WPD HoldCo business for the purpose of a separate derogation to the Initial Order that has been accepted by the CMA) in the National Grid US business, US NGV entities and the US-based Group Functions from communicating with the WPD HoldCo business should any try to do so.
- (c) National Grid has disclosed all relevant links between the National Grid US business and the National Grid Non-US business.
- (d) This derogation:
 - i. will not result in any integration between the National Grid US business and the WPD HoldCo business;
 - ii. will not cause disruption to the National Grid Non-US business, nor impact its ongoing operation or viability on a standalone basis; and
 - iii. 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

The three entities (which are subsidiaries of [REDACTED]) that will remain subject to the Initial Order are as follows:

1. [REDACTED];
2. [REDACTED]; and
3. [REDACTED].