

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

Completed acquisition by National Grid Holdings One plc of PPL WPD Investments Limited ('the Transaction')

We refer to your email and accompanying submission of 8 July 2021 requesting, inter alia, that the CMA consents to a derogation 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 a derogation 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 following specific paragraph of the Initial Order:

1. Paragraph 6(l) of the Initial Order

The CMA understands that under Disclosure and Transparency Rule ('**DTR**') 4.2, National Grid is required to prepare an audited consolidated half-year financial report. DTR 4.2.6 requires that the accounting policies and presentation applied to half-year figures must be consistent with those applied to the latest published annual accounts (which are made in compliance with the Companies Act 2006), unless an exception applies. National Grid submits that it requires that certain limited National Grid employees have access to specific information on the pension position of WPD

HoldCo: (a) from completion in order to prepare its purchase price acquisition ('**PPA**') accounting for its half-year financial reporting, and (b) for its half-year financial reporting more broadly, in compliance with the Companies Act, International Financial Reporting Standards ('**IFRS**') and DTR 4. Accordingly, National Grid submits that it requires certain pensions information from WPD HoldCo to incorporate into the consolidated financial information required to be published pursuant to DTR 4.

National Grid further submits that:

- In order for National Grid to prepare the required financial reporting, National Grid's actuaries will need to provide an initial disclosure to WPD HoldCo's actuaries of [X] to enable the preparation of relevant reports relating to WPD HoldCo's pensions matters. This information will also need to be shared with the Authorised Individuals (defined below) at WPD HoldCo to enable them to assist their actuaries with preparing the abovementioned reports and also to assist with other National Grid information requests which are the subject matter of other derogations; and
- In addition, WPD HoldCo's actuaries will need to provide these reports to certain Authorised Individuals at National Grid in order for National Grid, working with its actuaries and other advisers, to prepare the relevant pensions inputs and then incorporate these inputs into the relevant financial statements.

The CMA therefore consents to WPD HoldCo and National Grid providing specified Authorised Individuals within the National Grid and WPD HoldCo businesses respectively with certain information described in Annex 1 (the '**Pensions Information**'), subject to the following conditions:

- a) Each of the specified National Grid or WPD HoldCo individuals named in Annex 1 who are entitled to receive information under this derogation (the '**Authorised Individuals**') shall enter into an NDA in a form approved by the CMA.
- b) No changes to the Authorised Individuals listed in Annex 1 are permitted without the prior written consent of the CMA (including via email).
- c) The information relating to the WPD HoldCo business shared with the National Grid business (or vice versa) shall be limited to that which is strictly necessary to enable National Grid to comply with its legal, regulatory, accounting and other external obligations (the "**Permitted Purpose**") and, in any event, shall not exceed the Pensions Information without the prior written consent of the CMA (including via email).
- d) National Grid and WPD HoldCo will implement strict access controls with the

Authorised Individuals to prevent unauthorised individuals from accessing any confidential information of the WPD HoldCo business (in the case of National Grid) or the National Grid business (in the case of WPD HoldCo) obtained pursuant to this derogation. In particular, the Authorised Individuals will store any confidential information in a specific electronic folder which is inaccessible by those not entitled to have access and ensure that any physical copies are stored securely.

- e) The Authorised Individuals are limited to those that strictly need to have access to the Pensions Information;
- f) The use to which the Pensions Information may be put is limited to enabling the National Grid business to comply with the Permitted Purpose;
- g) The Authorised Individuals are prevented from sharing any confidential information received from the other party under this derogation with any individual at National Grid (in the case of National Grid) or WPD HoldCo (in the case of WPD HoldCo) who is not one of the Authorised Individuals where this would amount to a breach of the Interim Order.
- h) Where it is necessary for the Permitted Purpose for any Pensions Information relating to the WPD HoldCo business provided under this derogation to be provided to National Grid's third party advisers or regulatory bodies other than the CMA, or for any Pensions Information relating to the National Grid business to be provided to WPD HoldCo's third party advisers (the '**Third Party Advisers**') or regulatory bodies other than the CMA, the Third Party Advisers and relevant regulatory bodies will be made aware of the terms on which such information has been provided and that it must not be provided to any National Grid or WPD HoldCo (as the case may be) employee other than in compliance with the Initial Order and this derogation;
- i) Any information relating to the WPD HoldCo business provided to National Grid (or vice versa) in accordance with this derogation will be made available to the CMA on request;
- j) Should the Transaction be prohibited or remedial action required by the CMA, save as required by law or regulation, any records or copies (electronic or otherwise) of information that have passed to from WPD HoldCo to National Grid, or from National Grid to WPD HoldCo, for the purposes of this derogation will be returned to the relevant business and any copies destroyed.
- k) This derogation 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

22 July 2021

ANNEX 1

Ref.	The Pensions Information	Authorised Individuals
A.	[X]: [X][X][X][X][X][X].	<u>For National Grid</u> [X]; [X]; [X]; [X]; [X]; [X]; [X]; and [X]. <u>For WPD HoldCo</u> [X];
B.	[X]: [X][X][X][X][X][X].	[X]; and [X].