

**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 note of 8 June 2021 and further information of 25 June 2021, 2 July 2021, 8 July 2021, and 9 July 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 following specific paragraph of the Initial Order:

1. Paragraph 6(I) of the Initial Order

The CMA understands that National Grid is a public company listed on the London Stock Exchange as a 'premium' listed company. The CMA further understands from National Grid that it is subject to various legal, regulatory, accounting and other external obligations. This includes, among other external obligations, its ongoing obligations under the Listing Rules ('**LR**'), the UK Corporate Governance Code, the Disclosure Guidance and Transparency Rules ('**DTR**'), the London Stock

Exchange's Admission and Disclosure Standards, the Market Abuse Regulation ('MAR'), the International Financial Reporting Standards ('IFRS'), and the reporting requirements in the Companies Act 2006 (the 'Companies Act') and the US Sarbanes-Oxley Act 2002 ('SOX'), (together, the 'External Requirements'). In order to comply with the various legal, regulatory, accounting and other external obligations, National Grid submits that it will require access to certain information with respect to the WPD HoldCo business. The specific purposes pursuant to the External Requirements for which National Grid requires access to WPD HoldCo business information (together, the 'Permitted Purposes') are set out below.

Permitted Purpose 1 – Consolidated financial reports

Permitted Purpose 1 relates to enabling National Grid to publish consolidated financial information to carry out the External Requirements.

The CMA understands that in accordance with the DTR, National Grid is required to publish a half-yearly financial report covering the first six months of the financial year, including a consolidated set of financial statements and an interim management report. The consolidated financial statements must be prepared in accordance with UK-adopted IFRS, including International Accounting Standard 1: Presentation of Financial Statements.

The CMA also understands that the DTR requires that the accounting policies and presentation applied to half-yearly figures must be consistent with those applied to the latest published annual accounts, unless an exception applies. This will include the requirement under Part 15 of the Companies Act for National Grid to prepare group accounts which give a true and fair view of the assets, liabilities, financial position and profit or loss of the undertakings included in the consolidation as a whole, something which is also required by the DTR. The WPD HoldCo business will be required to be included in National Grid's consolidated financial statements.

Further, National Grid submits that it also requires this information to comply with its obligations under ICAEW Tech 14/14 to ensure it maintains appropriate accounting policies and practises. Accordingly, the CMA consents to the WPD HoldCo business providing specified individuals within National Grid (the '**Permitted Purpose 1 Authorised Individuals**') with certain information (the '**Permitted Purpose 1 Information**') required for National Grid to publish consolidated financial information to carry out the Reporting Requirements (**set out in Annex 1**), subject to the conditions set out below.

Permitted Purpose 2 - Certain management reporting information

Permitted Purpose 2 relates to access by National Grid to [X] of the WPD HoldCo business as necessary to ensure National Grid's compliance with the External Requirements, in particular its obligations under the LRs, the DTRs and MAR in

accordance with Listing Principle 1 and for quality assurance of its financial reporting as required by the Companies Act and DTR 4.

The CMA understands that as an issuer of transferable securities that are admitted to trading on a regulated market, National Grid is subject to MAR, and in particular the provisions regarding the disclosure of inside information by issuers.

The CMA also understands that National Grid monitors [X] to assess whether it is required to make any announcement under MAR. Moreover, [X] are part of National Grid's systems and controls to ensure that it can comply with its obligations under the LRs, the DTRs and MAR in accordance with Listing Principle 1.

In addition to the compliance with MAR described above, National Grid uses [X] as part of its process to ensure the quality and accuracy of its half-year financial reporting processes which are required by DTR 4.

In order for National Grid to comply with the regulatory requirements described above, the CMA consents to the WPD HoldCo business providing certain categories of information (the '**Permitted Purpose 2 Information**') to a limited group of named individuals (the '**Permitted Purpose 2 Authorised Individuals**') within National Grid (**set out in Annex 2**), subject to the conditions set out below.

Permitted Purpose 3 – Corporate, governance, legal and compliance information

Permitted Purpose 3 relates to access by National Grid to corporate, governance, legal and compliance information of the WPD HoldCo business as strictly necessary to comply with National Grid's legal, regulatory, accounting and other external obligations.

The CMA understands that as part of National Grid's legal, regulatory, accounting and other external obligations, National Grid must be notified of certain corporate, governance, legal and compliance information of the WPD HoldCo business.

The CMA consents to the WPD HoldCo business providing National Grid with certain categories of information (the '**Permitted Purpose 3 Information**') to a limited group of named individuals (the '**Permitted Purpose 3 Authorised Individuals**') within National Grid (**set out in Annex 3**), subject to the conditions set out below.

Permitted Purpose 4 – Risk management information

Permitted Purpose 4 relates to enabling National Grid to access certain risk management information of the WPD HoldCo business as necessary to comply with National Grid's legal, regulatory, accounting and other external obligations,

including under the UK Corporate Governance Code 2008 and under Listing Principle 1 and ICAEW Tech 14/14.

The CMA understands that as part of National Grid's external obligations cited above, National Grid must review certain risk management information of the WPD HoldCo business.

In order for National Grid to comply with the requirements described above, the CMA consents to the WPD HoldCo business providing National Grid with certain categories of information (the '**Permitted Purpose 4 Information**') to a limited group of named individuals (the '**Permitted Purpose 4 Authorised Individuals**') within National Grid (**set out in Annex 4**), subject to the conditions set out below.

Permitted Purpose 5 – Internal audit information

Permitted Purpose 5 relates to enabling National Grid to access certain internal audit information of the WPD HoldCo business as necessary to ensure it has systems and controls in place to meet its obligations under the External Requirements.

The CMA understands that National Grid is required to maintain systems and controls to enable it to comply with its obligations under the LR and other External Requirements. [✂].

The CMA understands that since WPD HoldCo will not be integrated with National Grid's own internal audit function, certain individuals within National Grid will be required to have adequate oversight over WPD HoldCo's internal audit process and the proposed scope of the internal audit during the period of the Initial Order. The information requested does not include any information on the WPD HoldCo business's commercial operations or strategy.

In order for National Grid to comply with the regulatory requirements described above, the CMA consents to the WPD HoldCo business providing National Grid with certain categories of information (the '**Permitted Purpose 5 Information**') to a limited group of named individuals (the '**Permitted Purpose 5 Authorised Individuals**') within National Grid (**set out in Annex 5**), subject to the conditions set out below.

Permitted Purpose 6 – Internal controls

Permitted Purpose 6 relates to enabling National Grid to ensure it has internal controls in place to meet its obligations under the External Requirements.

The CMA understands that National Grid is required to maintain systems and controls to enable it to comply with its obligations under the LR and other External

Requirements. Since the WPD HoldCo business's internal controls will not be integrated into National Grid's internal controls during the period of the Initial Order, National Grid requires that a limited number of individuals have access to certain information to confirm that the WPD HoldCo business's internal controls are sufficient on an ongoing basis to comply with Listing Principle 1.

In addition, National Grid submits that the requested information is strictly necessary for the preparation of certain analyses which will feed into National Grid's annual financial statements and its Form 20-F filing to the US SEC.

In order for National Grid to comply with the regulatory requirements described above, the CMA consents to the WPD HoldCo business providing National Grid with certain categories of information (the '**Permitted Purpose 6 Information**') to a limited group of named individuals (the '**Permitted Purpose 6 Authorised Individuals**') within National Grid (**set out in Annex 6**), subject to the conditions set out below.

Permitted Purpose 7 – Tax reporting

Permitted Purpose 7 relates to (i) the preparation of National Grid's audited consolidated half-year financial report required under DTR 4 in accordance with the Companies Act, IFRS and DTR; and (ii) the requirement to maintain systems and controls to enable it to comply with its obligations under the LR and other External Requirements.

The CMA understands that in order to comply with the requirements described above, National Grid requires that certain limited employees have access to specific information on the tax position of its legal subsidiaries, including the WPD HoldCo business, and material tax risks.

The CMA consents to the WPD HoldCo business providing National Grid with certain categories of information (the '**Permitted Purpose 7 Information**') to a limited group of named individuals (the '**Permitted Purpose 7 Authorised Individuals**') within National Grid (**set out in Annex 7**), subject to the conditions set out below.

Permitted Purpose 8 – Budgeting and forecasting information

Permitted Purpose 8 relates to enabling National Grid to have oversight of limited budgeting and forecasting information of WPD HoldCo to ensure compliance with IFRS, IAS, LR, Listing Principle 1 and ICAEW Tech 14/14, MAR and the UK's Corporate Governance Code.

The CMA understands that to comply with the above requirements, National Grid will need limited high level information from WPD HoldCo regarding its budgets and

forecasts to ensure that National Grid can (i) properly monitor risks in all its legal subsidiaries, (ii) confirm whether WPD HoldCo is being maintained as a going concern, and (iii) monitor WPD HoldCo's performance to determine whether performance differs from market expectations. The WPD HoldCo information which National Grid considers strictly necessary to receive is limited to aggregated cashflow items, as well as net income, broken down by its components of Operating profit, financing costs and taxation, but not broken down further (ie revenue and costs).

The CMA consents to the WPD HoldCo business providing National Grid with certain categories of information (the '**Permitted Purpose 8 Information**') to a limited group of named individuals (the '**Permitted Purpose 8 Authorised Individuals**') within National Grid (**set out in Annex 8**), subject to the conditions set out below.

Permitted Purpose 9 – Treasury information

Permitted Purpose 9 relates to enabling National Grid to comply with (1) Listing Principle 1 and ICAEW Tech 14/14, including by having established procedures that operate to manage, monitor and report to the board on transactions involving significant complexity, potential financial exposure or risk, and treasury matters; (2) the terms of the relevant licences of National Grid or WPD HoldCo's network businesses to maintain a certain credit rating; and (3) National Grid's existing third party borrowing facilities which [×]. The CMA understands that in order for National Grid to comply with its obligations listed above, it requires certain treasury information of WPD HoldCo.

The CMA consents to the WPD HoldCo business providing National Grid with certain categories of information (the '**Permitted Purpose 9 Information**') to a limited group of named individuals (the '**Permitted Purpose 9 Authorised Individuals**') within National Grid (**set out in Annex 9**), subject to the conditions set out below.

Permitted Purpose 10 – IT information

Permitted Purpose 10 relates to enabling National Grid to ensure that WPD HoldCo's critical IT systems are sufficiently resilient to ensure that data is available which allows National Grid to comply with the External Requirements, in accordance with Listing Principle 1 and ICAEW Tech 14/14.

The CMA understands that in order to ensure compliance with the above requirements, National Grid needs to monitor whether WPD HoldCo's critical IT systems are sufficiently resilient. This monitoring will require National Grid to access certain information relevant to the robustness of WPD HoldCo's IT systems.

The CMA consents to the WPD HoldCo business providing National Grid with certain categories of information (the '**Permitted Purpose 10 Information**') to a limited group of named individuals (the '**Permitted Purpose 10 Authorised Individuals**') within National Grid (**set out in Annex 10**), subject to the conditions set out below.

Conditions governing CMA consent to information-sharing for the Permitted Purposes stated above

The CMA consents to a derogation from paragraph 6(l) of the Initial Order to permit National Grid to receive certain WPD HoldCo business information for the Permitted Purposes stated above, strictly on the basis that for each Permitted Purpose:

- (a) The information required from the WPD HoldCo business will be made available to a limited group of named individuals within National Grid. These '**Authorised Individuals**' are specified in respect of each Permitted Purpose, in Annexes 1-10.
- (b) None of the Authorised Individuals shall use any information provided by the WPD HoldCo business in any way to intervene in the management or operation of the WPD HoldCo business or the National Grid business.
- (c) The Authorised Individuals named in Annexes 1-10 will enter into NDAs in a form approved by the CMA.
- (d) National Grid will implement access controls to prevent unauthorised individuals from accessing the relevant WPD HoldCo business information received under this derogation. In particular, the Authorised Individuals listed in Annexes 1-10 will store any information, emails and documents containing information relating to the WPD HoldCo business and received pursuant to this derogation in a separate electronic folder which is inaccessible by employees of the National Grid business who are not entitled to access and ensure that any physical copies are stored securely.
- (e) The information relating to the WPD HoldCo business shared with National Grid will be limited to that which is strictly necessary for each Permitted Purpose. This will be achieved by limiting information-sharing to what is requested in the templates listed in Annexes 1-10. Information provided using each of the templates listed in Annexes 1-10 will:
 - a. except where strictly necessary, be in an aggregated and high level format;
 - b. not include information on the commercial strategy of the WPD HoldCo business;

- c. be provided only on a fully anonymised basis, and not contain any information which identifies (or can be used to identify) an individual customer, supplier or counterparty without the prior written consent (including via email) of the CMA; and
 - d. not contain any commentary on the data provided as per the template unless strictly necessary having regard to the Permitted Purpose, in which case that commentary will be high level and will not contain information that may be commercially sensitive (beyond what is already in the template data) to WPD HoldCo (including details of pricing or strategy).
- (f) Where it is strictly necessary for the Authorised Individuals named in Annexes 1-10 to discuss with the WPD HoldCo business any information they are permitted access to under this derogation, discussions should be limited to the Permitted Purpose for which the information was shared.
- (g) Where it is necessary for WPD HoldCo business information provided under the terms of this derogation to be provided to National Grid's third party advisers (the '**Third Party Advisers**') or regulatory bodies other than the CMA, the Third Party Advisers and the 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 business individual other than in compliance with the Initial Order and this derogation.
- (h) No additions or changes to the Authorised Individuals or permitted information set out in each Annex shall be made under this derogation without the prior written consent (including via email) of the CMA.
- (i) The Authorised Individuals are prevented from sharing any confidential information received from the WPD HoldCo business under these derogations with any individual at National Grid who is not one of the Authorised Individuals, where this would amount to a breach of the Interim Order.
- (j) Any WPD HoldCo business information provided to National Grid in accordance with this derogation will be made available to the CMA on request.
- (k) National Grid will keep detailed records of all information received from and communications with the WPD HoldCo business in accordance with this derogation, and these records will be made available to the CMA on request.
- (l) 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 National Grid for the purposes of this derogation will be returned to WPD HoldCo and any copies destroyed.

(m) 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

Permitted Purpose 1 Information

Category	Permitted Purpose 1 Information
A.	<p>[redacted]:</p> <p>(a) [redacted]; or</p> <p>(b) [redacted].</p> <p>[redacted].</p> <p>This information will be provided using the following templates:</p> <ul style="list-style-type: none">• [redacted]
B.	<p>[redacted].</p> <p>This information will be provided using the following templates:</p> <ul style="list-style-type: none">• [redacted].• [redacted].• [redacted].• [redacted].• [redacted].• [redacted].• [redacted].• [redacted].
C.	<p>[redacted]:</p> <p>(a) [redacted];</p> <p>(b) [redacted]; and</p> <p>(c) [redacted].</p> <p>This information will be provided using the following templates:</p> <ul style="list-style-type: none">• [redacted].

Permitted Purpose 1 Authorised Individuals

- [redacted].
- [redacted].

- [REDACTED].
- [REDACTED].
- [REDACTED].

Annex 2

Permitted Purpose 2 Information

Category	Permitted Purpose 2 Information
A.	<p>[REDACTED]:</p> <p>(a) [REDACTED]; and</p> <p>(b) [REDACTED].</p> <p>This information will be provided using the following templates:</p> <ul style="list-style-type: none"> • [REDACTED]. • [REDACTED].
B.	[REDACTED].

Permitted Purpose 2 Authorised Individuals

- [REDACTED].
- [REDACTED].[REDACTED].[REDACTED].
- [REDACTED].
- [REDACTED].
- [REDACTED].
- [REDACTED].
- [REDACTED].
- [REDACTED].

Annex 3

Permitted Purpose 3 Information

Category	Permitted Purpose 3 Information
A.	[X]. This information will be provided using the following templates: <ul style="list-style-type: none"><li data-bbox="443 421 544 456">• [X]
B.	[X]. This information will be provided using the following templates: <ul style="list-style-type: none"><li data-bbox="443 611 544 647">• [X]
C.	[X].
D.	[X].
E.	[X].
F.	[X]. This information will be provided using the following templates: <ul style="list-style-type: none"><li data-bbox="443 1014 544 1050">• [X].

Permitted Purpose 3 Authorised Individuals

- [X].
- [X].
- [X].
- [X].
- [X].
- [X].
- [X].
- [X].

Annex 4

Permitted Purpose 4 Information

Permitted Purpose 4 Information
[X]. This information will be provided using the following templates: <ul style="list-style-type: none">• [X].

Permitted Purpose 4 Authorised Individuals

- [X].
- [X].
- [X].

Annex 5

Permitted Purpose 5 Information

Category	Permitted Purpose 5 Information
A.	[X]. This information will be provided using the following template: <ul style="list-style-type: none">• [X].
B.	[X]. This information will be provided using the following template: <ul style="list-style-type: none">• [X].

Permitted Purpose 5 Authorised Individuals

- [X].
- [X].
- [X].

Annex 6

Permitted Purpose 6 Information

Category	Permitted Purpose 6 Information
A.	[X]. This information will be provided using the following templates: <ul style="list-style-type: none">• [X].• [X].• [X].• [X].
B.	[X]. This information will be provided using the following template: <ul style="list-style-type: none">• [X]
C.	[X]. This information will be provided using the following templates: <ul style="list-style-type: none">• [X].• [X].• [X].[X].

Permitted Purpose 6 Authorised Individuals

- [X].
- [X].
- [X].
- [X].
- [X].

Annex 7

Permitted Purpose 7 Information

Category	<p>Permitted Purpose 7 Information – information for both categories below to be provided using one or more of the following templates (each of which was submitted to the CMA on 8 July 2021, except 7A-(d) which was provided on 16 July 2021):</p> <ul style="list-style-type: none"> • [X] [X] [X] [X]
A.	<p>[X]:</p> <p>(a) [X]</p> <p>(b) [X]</p> <p>(c) [X]</p> <p>(d) [X]</p> <p>(e) [X]</p> <p>(f) [X]</p> <p>(g) [X]</p> <p>(h) [X]</p>
B.	<p>[X].</p> <p>[X].</p> <p>[X].</p> <p>[X].</p>

Permitted Purpose 7 Authorised Individuals

- [X].
- [X].
- [X].
- [X].
- [X].

Annex 8

Permitted Purpose 8 Information

<p>Permitted Purpose 8 Information</p>

[X].

This information will be provided using the following template:

- [X].

Permitted Purpose 8 Authorised Individuals

- [X].

[X].[X].[X].

Annex 9

Permitted Purpose 9 Information

Category	Permitted Purpose 9 Information
A.	[X].
B.	[X]. This information will be provided using the following template: <ul style="list-style-type: none">• [X].
C.	[X]. This information will be provided using the following template: <ul style="list-style-type: none">• [X].

Permitted Purpose 9 Authorised Individuals

- [X].
- [X].
- [X].
- [X].
- [X].
- [X].

Annex 10

Permitted Purpose 10 Information

Category	Permitted Purpose 10 Information
A.	[REDACTED].
B.	[REDACTED].

Permitted Purpose 10 Authorised Individuals

- [REDACTED].
- [REDACTED].
- [REDACTED].
- [REDACTED].