

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

Dear [✂]

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 15 June 2021 (IEO)

Completed acquisition by Pennon Group plc of Bristol Water Holdings UK Limited (the Acquisition)

We refer to your submissions dated 10 August 2021 and 16 August requesting that the CMA consents to derogations to the Initial Enforcement Order of 15 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, Pennon Group plc (**Pennon**) and its subsidiaries is required to hold separate the Pennon business from the business of Bristol Water Holdings UK Limited (**BWHUK**) and its subsidiaries, including Bristol Water plc (**Bristol Water**) and the joint ventures involving Bristol Wessex Billing Services Limited and Water 2 Business Limited. Pennon must 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, Pennon and the Bristol Water business may carry out the following actions, in respect of the specific paragraphs:

1. Paragraphs 5(c), 5(i) and 5(k) of the Initial Order - to permit [✂] to act as Interim Director of Drinking Water Services, Devon and Cornwall

The CMA understands that Pennon intends for [✂] to act as Interim Director of Drinking Water Services, Devon and Cornwall. [✂].

[✂]. The appointment is not related to the acquisition of Bristol Water and is being filled to allow Pennon to continue its business as usual activities.

2. Paragraphs 5(c), 5(i) and 5(k) of the Initial Order - to permit [✂] to be appointed as

Head of Performance and Innovation

The CMA understands that Pennon intends for [REDACTED] to be appointed as Head of Performance and Innovation at South West Water. [REDACTED].

The appointment is not related to the acquisition of Bristol Water and is being filled to allow Pennon to continue its business as usual activities [REDACTED].

Faye Fullalove
Assistant Director, Mergers

20 August 2021