

Case ME/7118/24

DEROGATION LETTER

IN RESPECT OF INITIAL ENFORCEMENT ORDERS ISSUED

PURSUANT TO SECTION 72(2) ENTERPRISE ACT 2002

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 21 October 2024.

Completed acquisition by Iberdrola, S.A. ("Iberdrola"), through its subsidiary Scottish Power Energy Networks Holdings Limited ("SPENH"), of North West Electricity Networks (Jersey) Limited ("NWEN") (the "Transaction").

We refer to your letter dated 11 October 2024 ("**NWEN's Request**") requesting that the CMA consents to certain derogations to the anticipated Initial Enforcement Order (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 from the CMA, NWEN is required to hold its business and that of its subsidiaries (which includes Electricity North West Limited ("**ENWL**")), (the "**ENW Group**") separate from Iberdrola and the rest of the Iberdrola group, (which includes the ScottishPower group in the UK) and refrain from taking any pre-emptive action which might prejudice a reference under section 22 or 68B of the Enterprise Act 2002 (the "**Act**"), or impede the taking of any remedial action following such a reference, unless written consent is provided by the CMA.

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, NWEN and SPENH may carry out the following actions, in respect of the specific paragraphs:

Paragraph 5(f) of the Initial Order – Exclusion for NWEN's planned IT Capex Programme

The CMA understands that ENWL is in the process of implementing a significant IT investment programme that is approved in its current business plans through to 2028 and the ED2 final determination and approved ED2 reopeners from Ofgem.

The CMA consents to a derogation from paragraph 5(f) of the Initial Order so that ENWL can implement its IT Capex Programme including:

- (a) procuring and upgrading hardware and software programmes including: [REDACTED];
- (b) [REDACTED]; and
- (c) [REDACTED].

The CMA consents to this derogation strictly on the basis that (i) it will not result in any integration between the Iberdrola businesses and NWEN businesses; and (ii) it will not prevent any remedial action which the CMA may need to take regarding the Transaction.

Joanne Webb

Assistant Director, Mergers, 21 October 2024