

**Annex 2B to Iberdrola Derogation Request of 3 October 2024**

**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 3 October 2024 ("**Iberdrola's Request**"), as subsequently updated on 17 October 2024, 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, Iberdrola is required to hold its group ("**Iberdrola Group**", which includes the ScottishPower group ("**SP Group**" in the UK) separate from NWEN and the rest of the Electricity North West group ("**ENW Group**") 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, Iberdrola may carry out the following actions, in respect of the specific paragraphs:

**Paragraphs 5(b), 5(c), 5(d), 5(e), 5(h), 5(i) and 5(k) and 8 – Exclusion of the SP Group's Renewables and Customer Businesses**

The CMA understands that Iberdrola requests a derogation for certain provisions of the Initial Order from applying to the SP Group's Renewables and Customer businesses (as set out in **Annex 4** to Iberdrola's Request), which operate entirely separately, both operationally and managerially, from the SP Energy Networks group ("**SPEN**") and whose activities are unrelated to those of the ENW Group.

The CMA consents to excluding the SP Group's Renewables and Customer businesses from the scope of paragraphs 5 (b), (c), (d), (e), (h) (i) and (k) and 8 of the Initial Order, on the understanding that:

- The SP Group's Renewables and Customer businesses are active in wholly distinct markets to that in which SPEN and the ENW Group operate;
- The SP Group's Renewables and Customer business are operated separately and independently by entities which are entirely distinct, legally, managerially, operationally, and functionally, from SPEN; and

- SPEN is subject to strict business separation obligations under its distribution and transmission licences, which ensure thorough rigid governance procedures already in place that SPEN is maintained as a standalone, viable business capable of competing independently. As a result, there are extremely limited links between SPEN and the SP Group's Renewables and Customer businesses and any limited services provided to SPEN by the non-networks businesses are provided on commercial, industry-standard terms, with negotiations conducted on an arms-length basis.

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

**Joanne Webb**

Assistant Director, Mergers

22 October 2024