

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:

Paragraph 5(c) - Appointment of Certain Directors to the ENW Group

The CMA understands that certain new appointments to the board of directors of certain of the ENW Group companies will need to be put in place by Iberdrola post-closing of the Transaction to ensure the continuity of stable and effective governance within the ENW Group, following the departure of directors that were appointed by the sellers. The CMA understands that such changes will have no impact on the day-to-day operation of the relevant ENW Group companies.

The CMA consents to a derogation from paragraph (c) of the Initial Order for Iberdrola to appoint [X] and [X] as additional independent non-executive directors ("**New INEDs**") to the boards of NWEN, North West Electricity Networks (UK) Limited ("**NWEN UK**"), and Electricity North West Limited ("**ENWL**") (in addition to the existing board members)¹, provided the New INEDs:

¹ These directors would be independent from but appointed by and act as nominated directors of Iberdrola. For the avoidance of doubt, these appointments will not require separate notification to Ofgem as they are not intended to be Sufficiently Independent Directors for Ofgem's purposes (i.e., there will be no changes to the existing Sufficiently Independent Directors of the ENW Group for Ofgem's purposes).

- (a) have never been employed by or had a material business relationship with the Iberdrola Group;
- (b) do not have any other links with the Iberdrola Group (past or present) that may undermine their independence vis-à-vis Iberdrola;
- (c) will not receive any additional remuneration from the Iberdrola Group beyond their director's fee; and
- (d) do not share any confidential information that they may receive in their capacity as INED of the applicable ENW Group company with any other director, senior manager, or other employee of the Iberdrola Group.

The CMA also consents to a derogation from paragraph 5(c) of the Initial Order to appoint Ian Smyth and Christopher Johns (who are the CEO and CFO on ENWL and NWEN UK, respectively) to the NWEN board.

The CMA consents to this derogation strictly on the basis that (i) it will not result in any integration between the relevant Iberdrola Group 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