

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(a), (g), and (l) - The extension of [X] D&O policy to cover the ENW Group post-closing and exchange of certain limited confidential information for this purpose

To ensure that the ENW Group continues to have appropriate Directors and Officers ("**D&O**") insurance in place and is maintained as a going concern, the CMA understands that [X] will be extending [X] own existing D&O insurance policies to cover the ENW Group post-closing and the Parties will need to exchange certain limited confidential information, as necessary to support the process.

The CMA consents to a derogation from paragraphs 5(a) and (g) of the Initial Order to enable [X] to extend its own existing D&O insurance policies to cover the ENW Group from closing of the Transaction. In addition, the CMA consents to a derogation from paragraph 5(l) of the Initial Order to enable the Parties to exchange certain limited confidential information which is necessary to implement this change and ensure coverage by its D&O insurance policy, thereby ensuring the ongoing viability of the ENW Group business, on the basis that:

- (a) Coverage under [X] D&O insurance policies will not give Iberdrola any influence on the ENW Group's commercial operations.
- (b) The Parties will share details on any confidential information to be exchanged with the CMA in advance of any such exchange, as necessary.

- (c) Any confidential information is shared between the Parties only to the extent necessary for [REDACTED] to ensure ongoing coverage by its D&O insurance policy.
- (d) Any confidential information regarding the ENW Group is only shared with the following Iberdrola employees (the "**Iberdrola Insurance Recipients**") and [REDACTED] D&O broker ([REDACTED]) or any other Iberdrola Group employee as agreed in writing by the CMA:
 - (i) [REDACTED], SP [REDACTED] team;
 - (ii) [REDACTED], IBE [REDACTED] team; and
 - (iii) [REDACTED].Any confidential information regarding Iberdrola is only shared with the following ENW Group employees (the "**ENW Insurance Recipients**") or any other ENW Group employees as agreed in writing by the CMA:
 - (i) [REDACTED];
 - (ii) [REDACTED]; and
 - (iii) [REDACTED].
- (e) The Iberdrola Insurance Recipients and the ENW Insurance Recipients will sign non-disclosure agreements in a form approved by the CMA.
- (f) Should the Transaction be prohibited, or remedies required, Iberdrola will ensure that any confidential information received from the ENW Group for the purposes of this derogation will be returned to the ENW Group and any copies destroyed, except to the extent that record retention is required by law or regulation.

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
6 November 2024