

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 22 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 the Parties' letter dated 22 November 2024 requesting that the CMA consents to a derogation to the Initial Enforcement Order (the "**Initial Order**") in order to appoint a new statutory auditor for the Electricity North West Group ("**ENW Group**"). 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 ENW Group and refrain from taking any pre-emptive action which might prejudice a reference under section 22 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 derogation from the Initial Order, based on the information received from you and in the particular circumstances of this case, the Parties may carry out the following actions, in respect of the specific paragraphs:

Paragraph 4(a) – The appointment of a new statutory auditor for the ENW Group

[X], the CMA understands that the ENW Group's current statutory auditor will be stepping down as the ENW Group's statutory auditor, subject to confirmation from the ENW Group that a suitable alternative who can be appointed as statutory auditor can be identified, to ensure ongoing compliance with the requirements of the Financial Reporting Council ("**FRC**"). In this context, the CMA understands that the Parties intend to appoint a new statutory auditor with the necessary expertise, capacity, and skills to complete this audit at short notice. Such appointment will be subject to an independence review and approvals from the FRC, as required.

The CMA consents to a derogation from paragraph 4(a) of the Initial Order for the Parties to urgently appoint a new statutory auditor for the ENW Group for the purposes of preparation of the statutory audit ending 31 March 2025 and jointly engage with the FRC, as required, for this purpose.

The CMA consents to this derogation strictly on the basis that (i) the Parties will inform the CMA of the identity of the statutory auditor that will ultimately be appointed to complete the ENW Group's statutory audit for the year ending 31 March 2025, (ii) it will not result in any integration between the relevant Iberdrola Group businesses and the ENW Group; and (iii) it will not prevent any remedial action which the CMA may need to take regarding the Transaction.

Joanne Webb
Assistant Director, Mergers
6 December 2024