

23 September 2016

12 Charles II Street
London
SW1Y 4QU

T +44 (0)20 7484 1800
F +44 (0)20 7484 1801
www.ircp.com

Andrew Self (andrew.self@ofgem.gov.uk)

Dena Barasi (dena.barasi@ofgem.gov.uk)

Electricity Network Charging at Ofgem
9 Millbank
London
SW1P 3GE

Dear Sirs

REFERENCE: CUSC Modification Applications 264 and 265

InfraRed Capital Partners, on behalf of its Environmental Infrastructure Fund, is an investor in GFPII Limited, a company focusing on embedded gas generation and more commonly associated with Green Frog Power.

We made capital commitments to GFPII in February 2015 and at the time we had included revenues from TRIAD avoidance as a significant portion contributing to our business plan. We made our investment decision comforted by third-party industry expert advice commenting on the merits of the industry review launched by National Grid, which found TRIADs to be an effective mechanism for the purposes of reducing peak demand.

As a long-term investor in the UK energy sector, we are aware of the above CUSC modification applications raised by Scottish Power and EON respectively. We are concerned as to their impact on the investments we have made in response to the Energy Market Reform legislation and the subsequent Capacity Market auction schemes.

We are aware that the methodology by which residual TRIAD charges are calculated has created unsustainable escalations in pricing and to that extent we would welcome a Modification Application outcome that addresses this issue and results in a sustainable enduring level on which all parties can rely. The current modification applications in their original form do not achieve this outcome.

We recognise that investing in a regulated market implies managing regulatory risk, but substantial changes to the fabric of the regulations without a full review and on the request of interested parties seems beyond scope and would signal to the investment community that the regulatory environment is not to be relied upon.

We therefore urge you to proceed with caution, giving due consideration to the wider implications of any decision which could lead to an increase in regulatory risk as perceived by the investment community and, consequently, an upward correction in the cost of capital.

Should you wish to discuss this further please do not hesitate to contact us.

Yours faithfully

Chris Gill



Director