

Frances Warburton  
Partner  
Ofgem  
9 Millbank  
London  
SWP 3GE

Tel: 01772 534752  
Email: Richard.Tomlinson@localpensionspartnership.org.uk

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## Response to Ofgem's Open Letter Embedded Benefits Review –Triads

As the manager of the assets of the Lancashire County Pension Fund and the London Pension Fund Authority, Local Pensions Partnership (LPP) is the ultimate owner of the 60 MW Viridis Energy (Norgen) Limited landfill gas portfolio and 23 MW Harworth Power coal mine methane generation portfolio. Both of these portfolios are considered baseload generators by the major electricity suppliers we sell the electricity that we generate to. We wish to support and enlarge upon the Renewable Energy Association's response dated 23rd September 2016 to Ofgem's open letter on concerns on network charging for small electricity distribution connected generators dated 29th July 2016.

LPP's investments in UK landfill gas and coal industry methane generation assets have been on the basis of declining cash flows until the sites become uneconomic to operate. If the triad incomes were removed or significantly reduced, then the point when the sites become uneconomic will clearly arrive much sooner. This would have a serious impact on the investment performance of the assets.

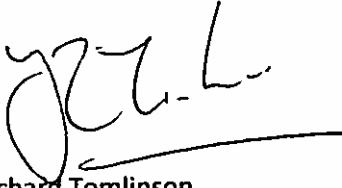
There is also an environmental impact. Methane's greenhouse gas effect is 86 times that of carbon dioxide (20 year Global Warming Potential – Intergovernmental Panel on Climate Change) making the elimination of methane emissions very important if the UK is to reach its emissions targets. We believe that a change in the triad regime which resulted in the gas collection schemes being closed early would have very adverse environmental consequences.

Finally, LPP is being encouraged by the UK Government to invest in UK infrastructure. We have a global mandate to invest between 10% and 15% of its £11bn assets under management in infrastructure in order to meet our obligation of earning the best possible risk-adjusted investment return for our members. We use this return to provide sustainable pensions now and in the future for hundreds of thousands of people.

When deciding where to invest in infrastructure, a key consideration is the stability of the regulatory structure. Changes in regulatory structures that were previously seen as stable and agreed bring uncertainty and doubt and result in the loss of investment attractiveness and value. Jurisdictions offering stable regulatory regimes that do not alter previously agreed structures are likely to be

favoured. LPP would therefore strongly urge Ofgem to consider grandfathering the existing triad arrangements and only adjust the system for new contracts/installations going forward.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'RT-L', with a long horizontal line extending from the end of the signature.

Richard Tomlinson  
Portfolio Manager – Infrastructure