

February 1, 2016

CAISO Board of Governors
CALIFORNIA ISO
PO Box 639014
FOLSOM, CA
95763-9014

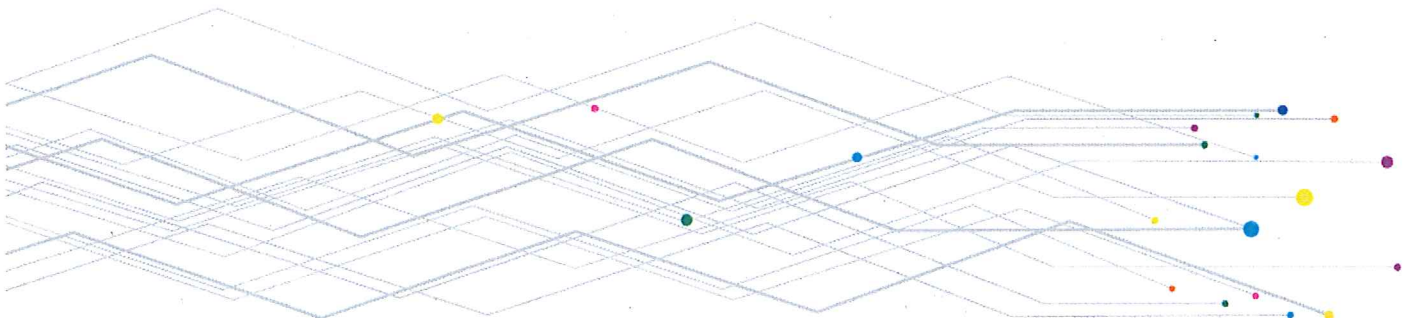
RE: FLEXIBLE RAMPING PRODUCT PROPOSAL

Dear Board of Governors,

Powerex appreciates the opportunity to express its support for the Flexible Ramping Product proposal. Not only does Powerex support the substance of the proposal itself, but it wishes to express its appreciation for the process through which the proposal was developed.

Several years ago, the CAISO and stakeholders embarked on developing a market-based product that would give CAISO the tools to procure flexible capacity necessary to balance the output of variable energy resources on the grid. This raised several challenging issues, including how much flexible capacity should be procured, for what reasons, how it would be provided, and who would bear the associated costs. Powerex was an active stakeholder participant throughout this process, and believes three aspects merit specific mention:

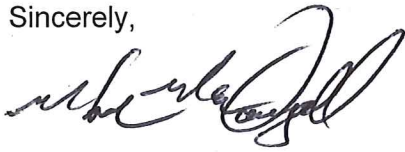
- *First*, CAISO was not only engaged with stakeholders, but it was highly responsive to the concerns expressed and issues raised, and made several substantial changes to the proposal to address those concerns.
- *Second*, as CAISO evolved its proposal, it developed a conceptual framework regarding the need for flexible capacity that distinguished between (1) flexibility needed to meet expected changes in grid conditions; and (2) flexibility needed to meet unexpected changes in grid conditions. Powerex believes this framework will provide a sound conceptual basis for many of CAISO's other initiatives to address its growing flexibility needs.
- *Third*, CAISO set forth an objective, data-driven methodology for determining the "uncertainty" component of Flexible Ramping Product procurement targets, and committed to providing a high degree of transparency regarding these levels.



Powerex believes the resulting proposal will provide a significant improvement over the current Flexible Ramping Constraint to address flexibility needs in the Real Time Market. Powerex encourages the CAISO to continue to work with stakeholders to identify future opportunities to enhance the Flexible Ramping Product design, including potentially extending it to the Day Ahead Market.

Powerex wishes to reiterate its sincere appreciation to the CAISO staff involved in this initiative, and looks forward to continued engagement with CAISO as it works to evolve its markets to address the challenges and opportunities ahead.

Sincerely,

A handwritten signature in black ink, appearing to read "Mike MacDougall". The signature is fluid and cursive, with a large loop at the end.

Mike MacDougall,
Director, Trade Policy & IT

