

December 18, 2014

CAISO Board of Governors
CALIFORNIA ISO
P.O. BOX 639014
FOLSOM, CA
95763-9014

RE: CAISO PRICING ENHANCEMENTS PROPOSAL

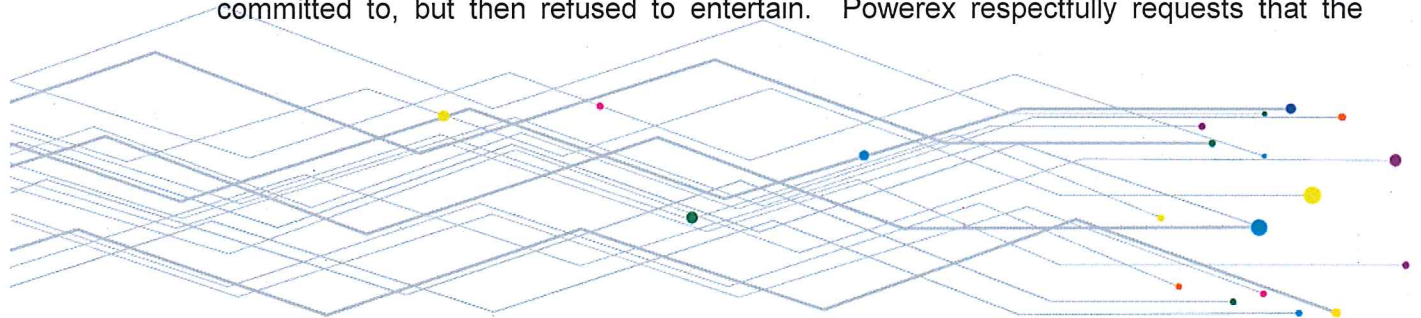
Dear Board of Governors:

Powerex appreciates the opportunity to briefly comment regarding the proposed Pricing Enhancements. Among other things, the Pricing Enhancements proposal would clarify that *force majeure* events - such as unexpected forced outages of CAISO's transmission system - do not relieve market participants of financial settlement for delivery deviations from CAISO market awards.

From a Tariff clarity perspective, Powerex strongly supports clarifications of the CAISO Tariff to remove existing ambiguity in the application of the applicable provisions. Regrettably, however, CAISO terminated the Pricing Enhancements stakeholder initiative without providing stakeholders the opportunity to fully resolve the problem that caused Powerex to seek a narrow *force majeure* exemption from financial settlement charges during outages of CAISO intertie transmission facilities.

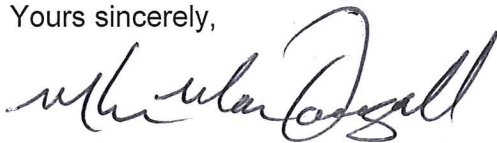
Specifically, Powerex explained that the CAISO's current price formation methodology of real-time prices at CAISO intertie scheduling points during transmission outages does not accurately represent the locational marginal price of energy at the out-of-service intertie. In the November 6 stakeholder call, CAISO offered to continue dialogue on this issue if there was stakeholder support for doing so. Despite Powerex and other stakeholders expressing support for such dialogue, CAISO declined to engage further on this issue.

If real-time intertie prices are appropriately determined during all grid conditions, Powerex believes there may no longer be a need for the narrow *force majeure* exemption from financial settlement charges it is seeking. However, with CAISO's clarification in this proposal that there will be no *force majeure* exemption from financial settlement charges - including for intertie schedules that are not delivered due to loss of CAISO transmission - there is a need to continue the stakeholder dialogue that CAISO committed to, but then refused to entertain. Powerex respectfully requests that the



Board direct CAISO to continue discussions with stakeholders to ensure that real-time intertie prices during such conditions are calculated properly to avoid unjust and unreasonable outcomes.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Mike MacDougall". The signature is fluid and cursive, with the first name "Mike" and last name "MacDougall" clearly distinguishable.

Mike MacDougall
Director, Trade Policy & IT

