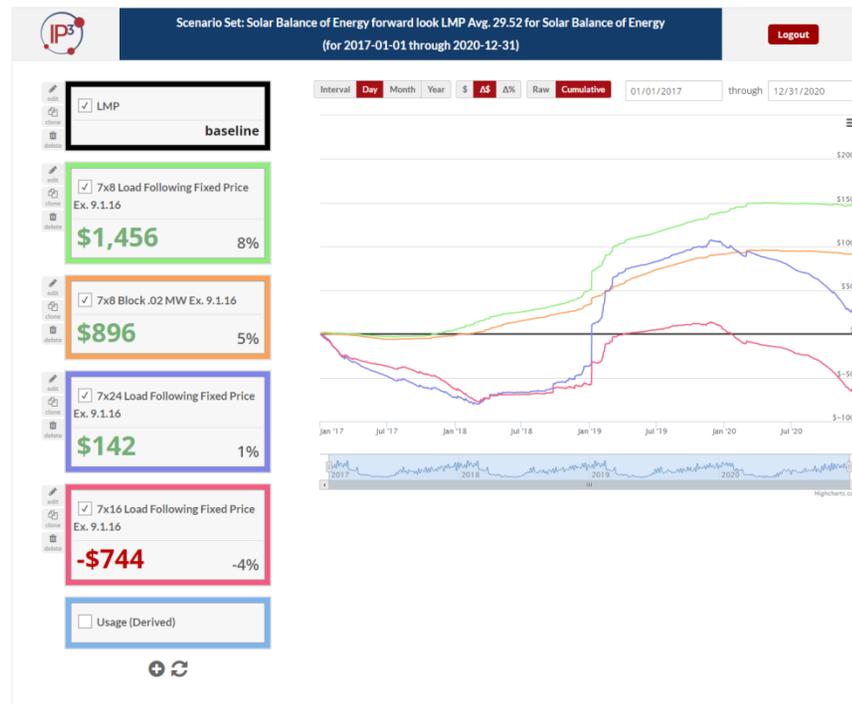


September 19, 2016

ERCOT Solar Load, Balance of Energy Discussion, and **IP₃**[™]

As solar development grows and prior to economic storage answers, how to manage the balance of energy piece falls back to grid procurement and the choices offered. Our guess is that most default to real time pricing (LMP) and that is usually a good answer. However, what do you do when it isn't a good answer? What can you use to make comparisons?

In the current market environment, natural gas is looking higher. History tells us that a ratcheting higher natural gas is accompanied by ratcheting higher LMP prices. Sooner or later, these will flatten out and LMP will again be a good answer, but that may see LMP with a \$10 to \$20/MW higher “norm”. Do you need to ride that increasing spend without alternatives? You don't and we offer the following look for example (a very small load – about 155,000 kWh/yr - but it demonstrates our point):





This is IP3™, our proprietary software that compares forward procurement available with forward curve marks and assumed LMP prices. The green numbers are improvements on the assumed \$29.52/MW LMP pricing (the average for the last 4 years' LMP pricing in ERCOT Houston Zone).

You can assign any value you want for LMP but it should be a decision based on realistic expectations. Without its own forward curve, LMP is subject to a random walk on the surface, but our analysis tells us that there's a direction bias with natural gas, so if you have an opinion on that, the educated guess gains credibility.

Infinity Power Partners LLC is dedicated to providing transparency to pricing and alternatives available. We believe that most solar development is getting the best of detail available. We also believe that this detail is not as granular as IP3. We welcome your inquiries.

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