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Dear Todd:

Thank you for the opportunity to review the AESO's October discussion paper entitled "Alberta Power Industry Credit Issues". TransCanada has been part of a number of discussions involved in forming the recommendations included in the paper. While, there are still a number of smaller items that we would like revisited, TransCanada recognizes that credit issues are effectively a zero-sum game and supports where the AESO has landed. The recommendations outlined attempt to maintain a balance for various interests.

TransCanada would like to provide an additional comment on the discussion around item 4.3 – "Unsecured Credit Provided to Non-Rated Companies". It is TransCanada's view that (a) the AESO is not in the business of getting ratings for unrated companies, and (b) that unrated companies have options to get ratings on their own. Accordingly, further research to develop proxy ratings and/or to have rating agencies conduct this work for the AESO is not warranted. It is not clear from the paper what the next steps are for the AESO. However, given that the executive summary outlines that there is "some value in providing non-rated companies unsecured credit..." we are led to believe that further work is pending. TransCanada would not support AESO conducting further work on this item.

Finally, regarding the default levy, section 4.6, the recommendation in the paper is not clear. The first recommendation that the default levy should continue to be calculated on meter volumes would assign any default to physical volumes. The second recommendation seems to contradict the first, in that only financial volumes (following net settlements) will be charged any default. Further clarification is required as to which recommendation that AESO supports as they are mutually exclusive. While attributing the default to net financial volumes may be the correct market incentive, it may equally create a risk to forecast error that is difficult to mitigate. Further discussion is required on this.

Should you wish to discuss these comments further, please contact me at 920-2092 or Chuck Morris at 920-2188.

Yours truly,

*Original Signed*

**Cheryl L. Terry**  
Manager, Market Relations

cc David Erickson, AESO  
Chuck Morris, TransCanada  
David Carmichael, TransCanada