

TransCanada Power Market Update

December 2017

Forward Prices Table

	Flat 7x24 (\$/MWh)	AB - 6x16 On Peak (\$/MWh)	AB - Off-Peak (\$/MWh)	AECO Gas (\$/GJ)	Heat Rate
BOM	\$25.00	\$33.75	\$12.50	\$1.75	14.3
January	\$40.00	\$54.00	\$20.00	\$1.77	22.6
2018	\$52.00	\$70.20	\$26.00	\$1.63	31.9
2019	\$53.75	\$72.56	\$26.88	\$1.81	29.7
2020	\$51.00	\$68.85	\$25.50	\$2.01	25.4

All prices are indicative as of December 6th, 2017. For Firm power price quotes please contact TransCanada's Power Marketing team. See contacts on the last page.

Alberta Market Recap – November 2017

November 2017 settled at \$25.03/MWh, the second highest monthly settle thus far in 2017, following behind July 2017's settle of \$26.96/MW. There were quite a few hours that contributed to this higher spot price including 14 hours that settled above \$50.00/MWh, two hours that settled above \$100.00/MWh, and one hour that surpassed the \$500.00/MWh mark.

Plummeting wind, cooler temperatures, eight coal units offline and strong load all left Alberta seeing spicy prices on November 20th starting in HE 10 when prices settled at \$177.01/MWh and continued until it hit a peak hourly price of \$886.00/MWh during HE 18. Alberta Internal Load (AIL) during this peak hour was 11,073 MW, which ended up being the fourth highest demand for the month.

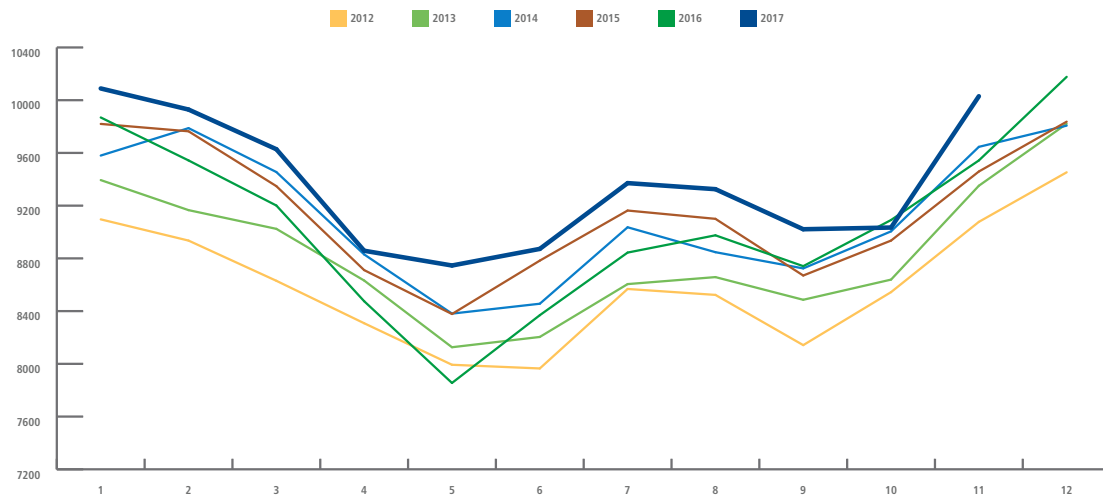
Average AIL demand for November was 10,030 MW ranging from a minimum of 8,682 MW and a maximum AIL of 11,098. To compare, demand for all of November 2016 averaged 9,542 MW, ranging from 8,236 MW to 10,830 MW. This is a 5% increase in average demand when compared to the same month last year and a 3.6% increase when temperature adjusted. This healthy load growth can be attributed to robust economic activity combined with cooler November temperatures. As seen in the graph below, 2017 has seen consistent monthly increases in AIL demand when compared YoY. Overall, demand in Alberta's electricity industry has seen an average increase of 4.6% when compared to 2016.

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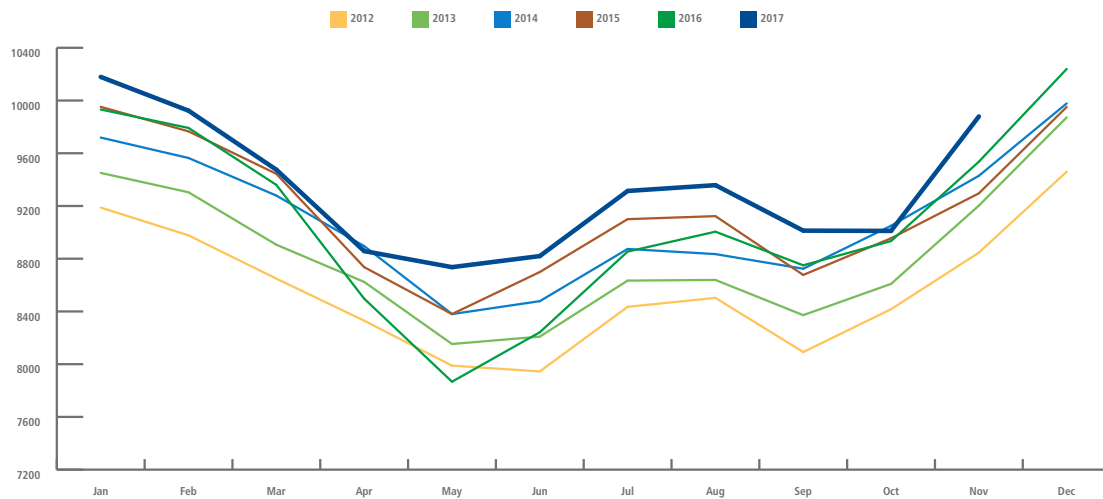
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Alberta Internal Load



AIL - Temp Adjusted

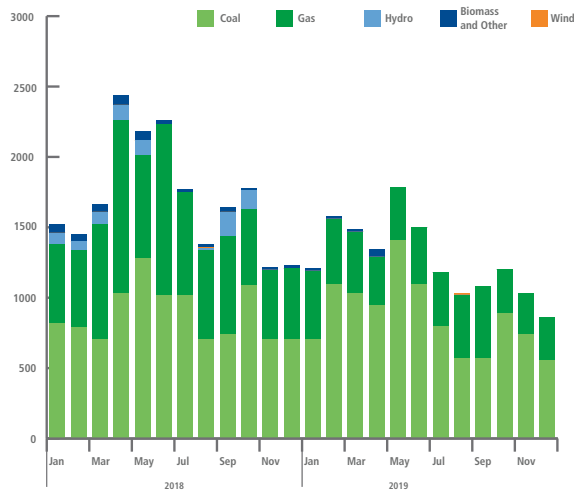


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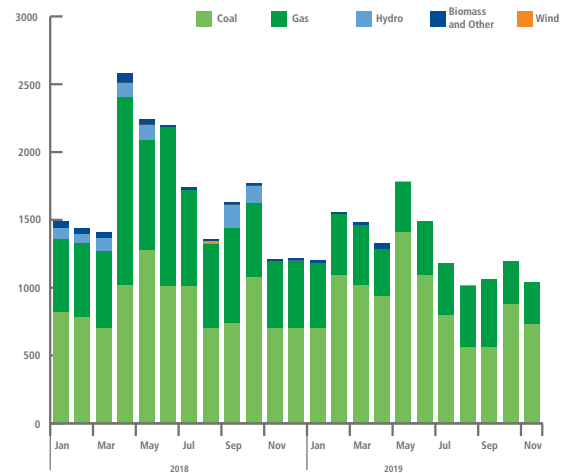
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Monthly Outages

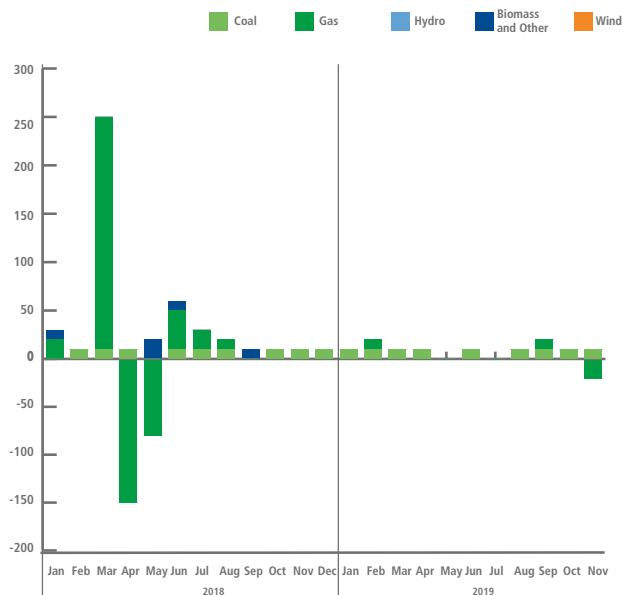
AESO Monthly Outages (as of December 1, 2017)



AESO Monthly Outages (as of November 1, 2017)



Month-over-Month Change in Outages
(December 2017 over November 2017)



As of December 1, 2017, the AESO's Monthly Outage report is showing approximately 250 MW of Gas generation being added into the outage mix for March of next year. Besides this, there have been no significant additions to the outage mix since last month's report.

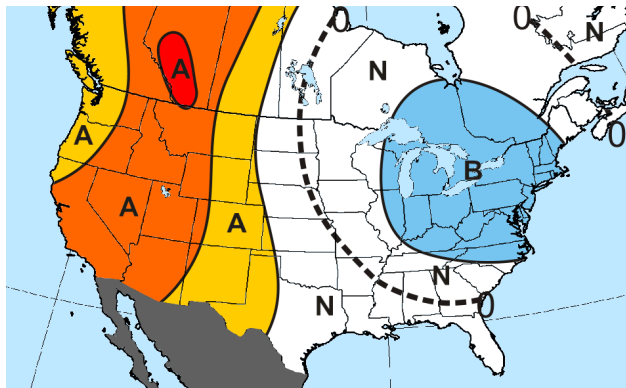
Overall, Alberta can expect an average of 1,500 MW of generation offline each month leading up to the end of 2019, with the majority of the outages being coal followed by gas.

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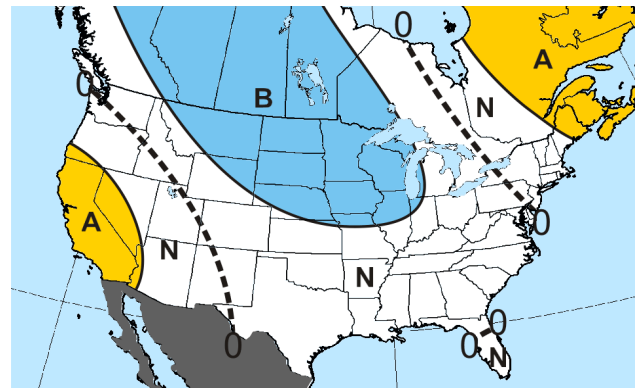
December 2017

MDA Weather Services 30-60 Day Outlook

December 2017



January 2018



The month of November was a bit cooler than normal, but did end up having a few significantly warmer days. For example, on November 26th, Calgary temperatures reached a high of 14.6 degrees Celsius due to a Chinook pushing temperatures up into double digits.

As we look into this upcoming month, MDA Weather Services' outlook has changed quite significantly compared to its previous reports. In particular, British Columbia, Alberta and Saskatchewan will no longer experience below normal temperatures as previously expected, the forecast is now predicting +1.0 to +4.9 anomalies. The remaining provinces likely won't experience quite the same warmth as the West. Most of Canada is expecting normal or slightly below normal temperatures for December.

It won't be until the New Year when we start to see cooler, below normal temperatures out West when winter might finally have the chance to settle in.

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In Other News

TransAlta Announces Accelerated Transition off Coal

Forward power markets in Alberta jumped significantly the morning of December 6, on the announcement that TransAlta Corporation intends to accelerate the transition from coal to gas and renewable generation.

Prices for 2018 and 2019 moved close to \$3.00/MWh to \$52.00 and \$53.00 in early morning trading on December 6, 2017.

TransAlta held a conference call on Wednesday morning to more fully explain their announcement which indicated the following:

- Mothballing a combination of Sundance units in 2018 and 2019:
 - Sundance Unit 3, will be temporarily mothballed on April 1, 2018 for a period of up to two years;
 - Sundance Unit 5, will be temporarily mothballed on April 1, 2018 for a period of up to one year; and
 - Sundance Unit 4, will be temporarily mothballed on April 1, 2019 for a period of up to two years.
- Accelerating the conversion of Sundance Units 3 to 6 and Keephills Units 1 and 2 from coal-fired generation to gas-fired generation between 2021 and 2022. Once converted to gas, the plants are anticipated to be able to run through to 2031 to 2039 (five-to-ten years past the unit's federal end of coal life).
- TransAlta Corporation will work with Tidewater Midstream and Infrastructure Ltd. to construct a 120 kilometre natural gas pipeline from Tidewater's Brazeau River Complex to TransAlta's generating units at Sundance and Keephills. The pipeline will provide an initial capacity of 130 million cubic feet of gas per day by 2020 and will have an expansion capability to 340 million cubic feet of gas per day.

On April 19, 2017, the Company announced that it would retire Sundance Unit 1 and mothball Sundance Unit 2, effective January 1, 2018. Sundance Unit 2 will also be available to return to service in 2020.

Ryan Laverty

Manager, Power Marketing
403.920.5616

ryan_laverty@transcanada.com

Kelsey Johannson

Power Marketing Representative
403.920.5956

kelsey_johannson@transcanada.com