

TransCanada Power Market Update

May 2017

Forward Prices Table

	Flat 7x24 (\$/MWh)	AB - 6x16 On Peak (\$/MWh)	AB - Off-Peak (\$/MWh)	AECO Gas (\$/GJ)	Heat Rate
BOM	\$22.00	\$29.70	\$11.00	\$2.79	7.9
June	\$22.88	\$30.8	\$11.44	\$2.78	8.2
BOY	\$29.20	\$39.42	\$14.60	\$2.90	10.1
2018	\$44.25	\$59.74	\$22.13	\$2.66	16.6
2019	\$44.25	\$59.74	\$22.13	\$2.42	18.3
2020	\$44.00	\$59.40	\$22.00	\$2.46	17.9

All prices are indicative as of indicative of May 3, 2017. For Firm power price quotes please contact TransCanada's Power Marketing team. See contacts on the last page.

Alberta Market Recap – April 2017

April 2017 was a very mild month for the Alberta electricity market, settling at \$19.10/MWh for the entire month. This is the lowest average settle thus far for this year and can be attributed to the events described below.

The morning of April 8th, 2017, seemed to set the trajectory for the month with electricity prices falling to the market floor. Two hours settled at \$0.01/MWh and another two hours settled at \$0.00/MWh that morning. During these hours, wind output was high, load was weak, and the market had 99% coal availability which led to the AESO declaring a state of surplus supply in the market.

Date (HE)	Price (\$)	AIL Demand (MW)
04/08/2017 01	0.01	8472
04/08/2017 02	0	8335
04/08/2017 03	0	8273
04/08/2017 05	0.01	8151

Source: www.aeso.ca

A couple weeks later, on April 24th, 2017, prices reached the month's maximum hourly price of \$48.90/MWh between 9:00 pm to 11:00 pm. This minor spike in prices was a result of eight coal units being offline and low wind output which pushed pricing to the \$40.00/MWh range for three consecutive hours. Despite these planned and unplanned outages continuing for about a weeks' time, prices stayed relatively low and never did end up surpassing the \$50.00/MWh mark.

On the last day of April, the Alberta power market experienced a very weak off-peak with one hour settling at \$0.00/MWh, two hours settling at \$0.01/MWh, and two hours settling below \$1.00/MWh first thing in the morning. This was largely driven by high wind - averaging over 850 MW of output - weak Sunday load, and large available supply.

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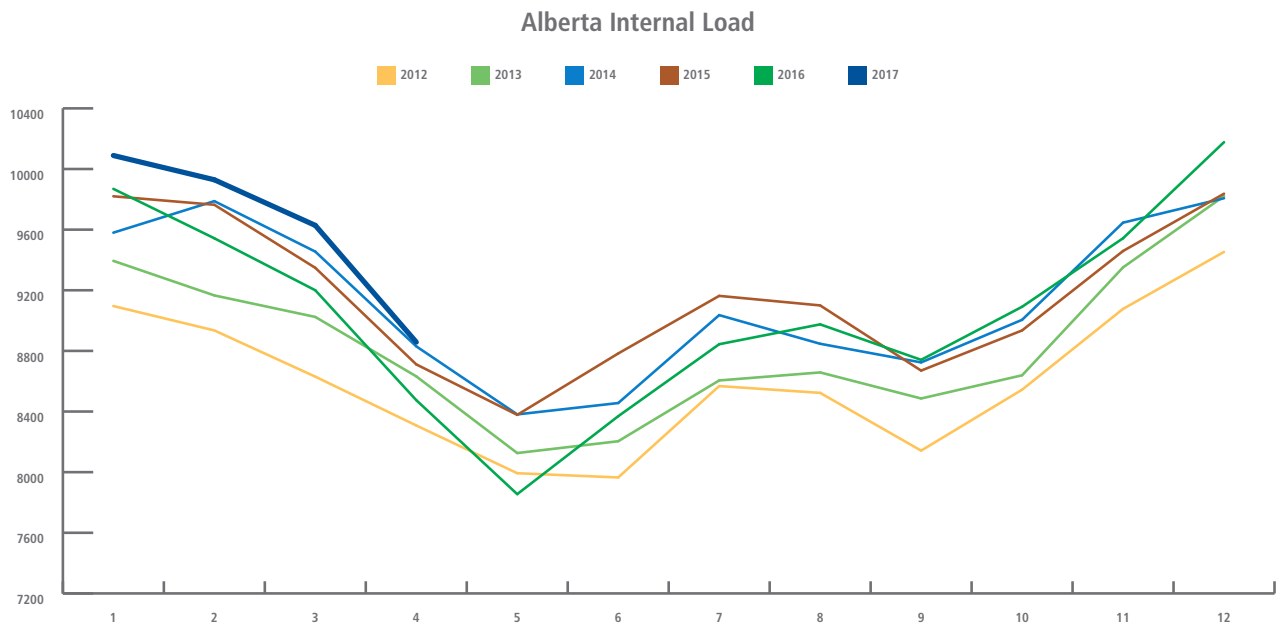
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Date (HE)	Price (\$)	AIL Demand (MW)
04/30/2017 05	0	7852
04/30/2017 04	0.01	7854
04/30/2017 03	0.01	7888
04/30/2017 07	0.68	7899
04/30/2017 08	0.91	8025

Source: www.aeso.ca

Although the monthly price settle was lower than previous months this year, Alberta Internal Load (AIL) Demand for all of April averaged 8,860 MW, ranging from 7,852 MW to 9,514 MW. Compared to this time last year, this was an increase of a total of 385 MW. Over the past several months, Alberta has seen an increase and strengthening of load when compared year-over-year. As seen in the below graph, January's average AIL increased by 2.2% Year over Year (YoY), February's AIL increased by 4.0% YoY, March's AIL increased by 4.7% YoY, and now April's AIL increased by 4.5% YoY.

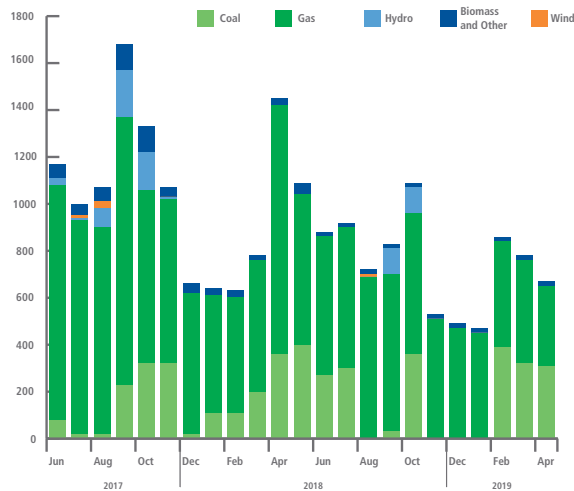


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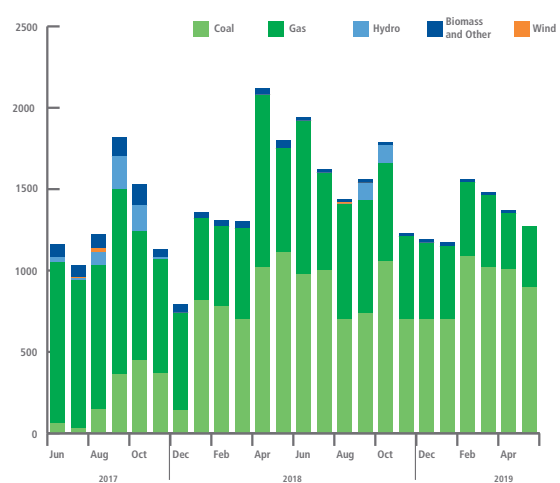
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Monthly Outages

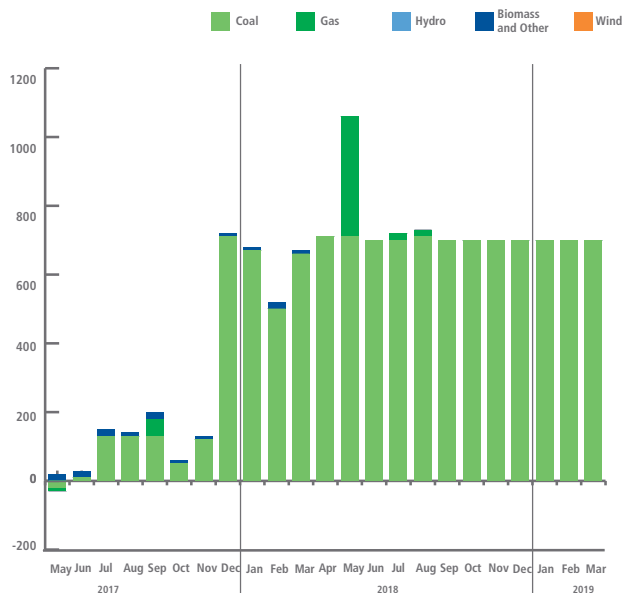
AESO Monthly Outages (as of April 5, 2017)



AESO Monthly Outages (as of May 1, 2017)



Month-over-Month Change in Outages
(May 2017 over April 2017)

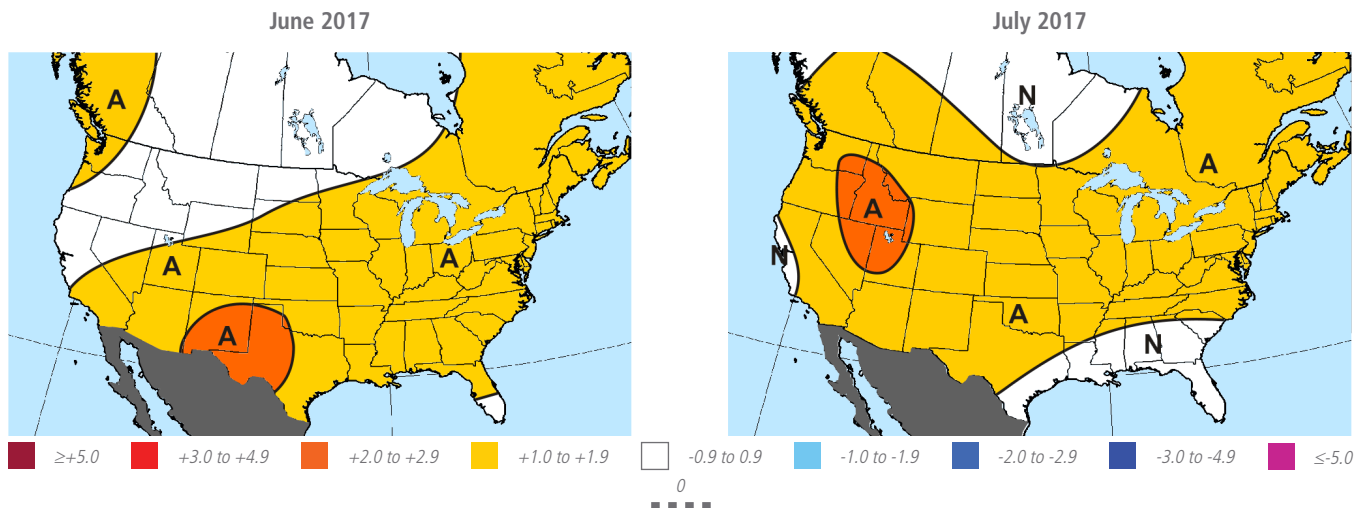


Since last month, coal outages were primarily the only generation added to the mix. Starting in January 2018, approx. additional 700MW has been added to the outages each month. This is a significant increase in outages compared to 2017 and is due to the retirement of Sundance Unit 1 (SD1).

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MDA Weather Services 30-60 Day Outlook



Based on MDA Weather Services final 30 Day Outlook, the Midwest looks to be cooler than the Southwest areas, as the Southwest region will likely see temperatures hovering around the average temperature mark for both May and June and temperatures hovering around the $+1.0$ to $+1.9$ anomaly range for July. The cooler temperatures in June could potentially be a result of a developing El Niño.

In Other News

Sundance Unit 1 and Sundance Unit 2 Update

On April 19th, 2017, TransAlta announced that it will accelerate its transition to gas and renewables generation. To do so, their strategy includes the following:

- Retirement of Sundance Unit 1 (SD1) effective January 1, 2018
- Mothballing of Sundance Unit 2 (SD2) effective January 1, 2018, for a period of up to 2 years
- Conversion of Sundance Units 3 to 6 and Keephills Units 1 and 2 from coal-fired generation to gas-fired generation between 2021 and 2023

The official news release can be found [here](#).

Ryan Laverty
Manager, Power Marketing
403.920.5616
ryan_laverty@transcanada.com

Kelsey Johannson
Power Marketing Representative
403.920.5956
kelsey_johannson@transcanada.com