

TransCanada Power Market Update

February 2018

Forward Prices Table

	Flat 7x24 (\$/MWh)	AB - 6x16 On Peak (\$/MWh)	AB - Off-Peak (\$/MWh)	AECO Gas (\$/GJ)	Heat Rate
BOM	\$37.50	\$44.25	\$29.25	\$1.85	20.3
March	\$38.00	\$44.46	\$29.64	\$1.45	26.2
BOY	\$60.30	\$77.18	\$42.21	\$1.26	47.9
2019	\$57.00	\$74.10	\$39.90	\$1.50	38.0
2020	\$47.00	\$61.10	\$32.90	\$1.63	28.8

All prices are indicative as of indicative of February 9th, 2018. For Firm power price quotes please contact TransCanada's Power Marketing team. See contacts on the last page.

Alberta Market Recap – January 2018

It has been an eventful start to 2018 started for the Alberta electricity market, especially when compared to 2016 and 2017. Not only were there various announcements from the Alberta Electric System Operator (AESO) as seen in the "In Other News Section" below, but January ended up settling at \$40.83/MWh. This monthly settle is the highest monthly average Alberta has seen since June 2015 and surpasses all of 2016 and 2017's monthly settles by at least a whopping \$15.00/MWh. Contributing to this high price was a total of thirteen hours settling above \$100/MWh. As a comparison, there were a total of 26 hours throughout all of 2017 and only eight hours throughout 2016 that were priced in the triple digits.

Extremely cold temperatures, very low wind generation, and plant outages resulted in the strong prices on January 12th, 14th and 16th. We ended up reaching a peak hourly settle of \$929.83/MWh on January 12, 2018 between 8 a.m. and 9 a.m.

On top of higher prices for the month, frigid temperatures also helped contribute to a new record hourly peak load in January. On January 11, 2018 between 5 p.m. and 6 p.m. Alberta reached a new demand peak of 11,697 MW, which is a 226 MW increase in demand from the previous high which occurred on December 28, 2017.

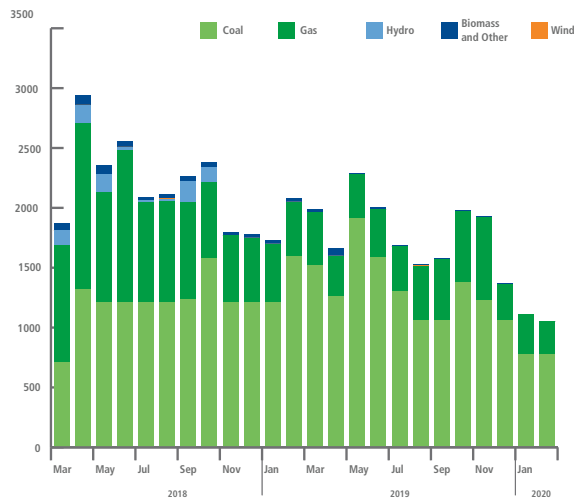
¹FORWARD-LOOKING INFORMATION This publication contains certain information that is forward looking and is intended to provide useful and timely information to Alberta power market participants. All information is from sources deemed reliable and is subject to errors and omissions which we believe to be correct, however, assume no responsibility for. The words "anticipate", "forecast", "expect", "believe", "may", "should", "estimate", "plan" or other similar words are used to identify such forward-looking information. All forward-looking statements reflect TransCanada's beliefs and assumptions based on information available at the time of this publication and are not guarantees of future performance. By their nature, forward-looking statements are subject to various assumptions, risks and uncertainties which could cause actual outcomes to differ materially from the anticipated results or expectations expressed or implied in such statements. Readers are cautioned against placing undue reliance on forward-looking information and not to use future-oriented information or financial outlooks for anything other than their intended purpose. TransCanada undertakes no obligation to update or revise any forward-looking information except as required by law.

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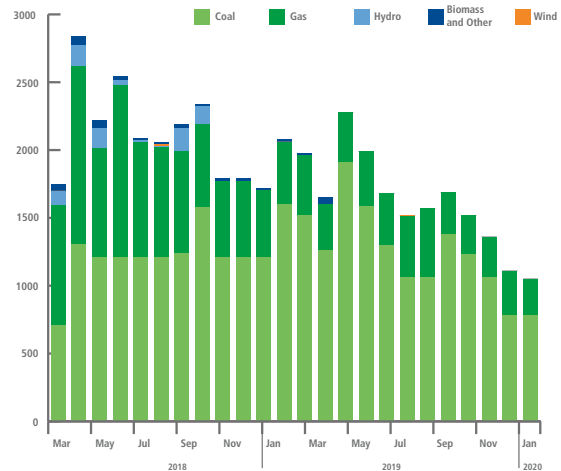
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Monthly Outages

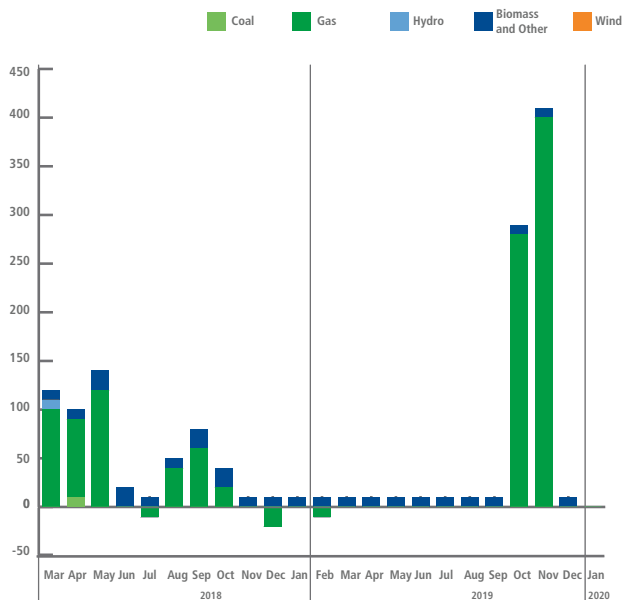
AESO Monthly Outages (as of February 5, 2018)



AESO Monthly Outages (as of January 8, 2018)



Month-over-Month Change in Outages
(February 2018 over January 2018)



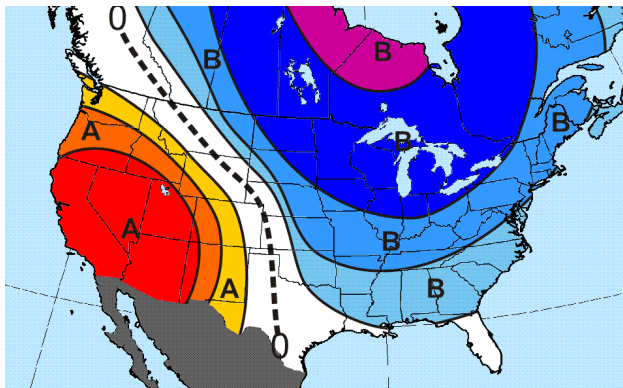
As seen in the month-over-month change in outages graph, October and November 2019 will have a substantial increase in gas outages with 280 MW and 400 MW added into the outage mix respectively. Other than this jump in outages in 2018, the remaining months over the next two years have not changed significantly since last month's report.

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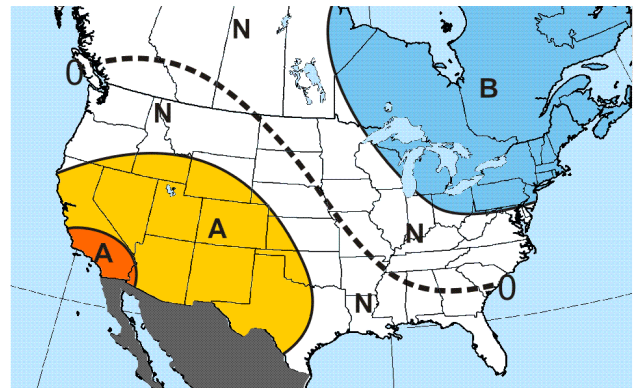
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MDA Weather Services 30-60 Day Outlook

February 2018



March 2018



February will likely see cooler temperatures throughout Canada, with the exception of British Columbia which will see near normal temperatures. All other provinces and territories will see a broad range of temperatures with anomalies ranging from -1.0 to -5.0 with the most northern of Canada seeing the most extreme temperatures. Luckily for the majority of Alberta, we will primarily be seeing -1 to -2.9 anomalies which is quite nice compared to all of the provinces East and North of us.

March looks to be more of a mild month for most of Canada with temperatures nearing normal.

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In Other News

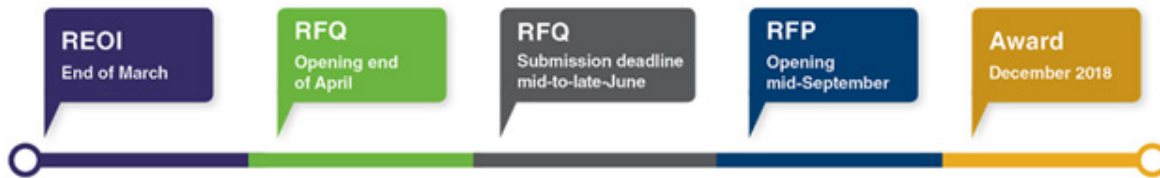
REP Rounds 2 and 3 Announced

On February 5, 2018 the Government of Alberta announced their Renewable Energy Program (REP) Rounds 2 and 3.

REP Round 2 will procure 300 MW and will include an Indigenous equity ownership requirement.

REP Round 3 will procure 400 MW and will mirror Round 1's requirements.

The AESO's proposed timeline for both of these REP rounds is as follows:



More information can be found [here](#).

Capacity Market Transition

On Friday January 26, 2018, the Alberta electric System Operator (AESO), released its first draft of the proposed Comprehensive Market Design (CMD 1). Please [click here](#) for the AESO's CMD 1 proposal and its accompanying rationale documents for the development of Alberta's new electricity capacity market design.

Overall, the AESO will be developing a three CMD drafts, with the third draft (CMD 3) being released on April 24, 2018 for industry stakeholder review and feedback.



The final CMD is scheduled to be completed by July 25, 2018 and the first capacity market auction is to commence in 2019 with first delivery of capacity to occur in 2021.

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Dispatchable Renewables and Electricity Storage

The AESO will be reviewing how dispatchable renewables and electricity storage could benefit the province's electricity system as it transitions toward 30% renewables by 2030.

Stakeholders are encouraged to provide views on dispatchable renewables and electricity storage in Alberta by Feb 14, 2018. To review more and to complete the AESO's applicable questionnaire, please visit the [AESO](#).

Federal Carbon Pricing System

On January 15, 2018, the Federal Government released its draft federal backstop legislation for public comment. The proposed backstop includes two elements:

1. A fuel charge applied to fossil fuels; and
2. An Output-Based Pricing System (OBPS) for large industrial facilities that emit over 50ktCO₂e a year with compliance flexibility and opt-in provisions.

Alberta, British Columbia, Ontario and Quebec have carbon pricing systems that will satisfy the Environment and Climate Change Canada (ECCC) requirements. All other provinces/territories will be required to either develop their own equivalent carbon tax system by September 2018 or adopt/request the federal backstop plan. The government is to implement the federal backstop – in whole or in part – by January 1, 2019.

Draft legislation can be found [here](#).

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