

January 6, 2009

Delivered via e-mail to: ken_kunz@transcanada.com

TransCanada Energy Ltd.
450 - 1st Street S.W.
Calgary, Alberta
T2P 0L6

Attention: Mr. Ken Kunz, Vice-President Western Power

Dear Mr. Kunz:

**Re: MSA File # 2008-051
Contravention of ISO rule 6.6 – Notice of Specified Penalty
TC01 – April 10, 2008**

As you will be aware, your organization is a market participant governed by the ISO rules established by the Alberta Electric System Operator (AESO).

The Market Surveillance Administrator (MSA) is granted the power and authority under s. 52 of the *Alberta Utilities Commission Act* (Act) to issue a notice of specified penalty where the MSA is satisfied that a person has contravened an ISO rule. The range of specified penalties is set out in Rule 019 of the Alberta Utilities Commission (AUC).

In accordance with the relevant enactments and rules, the MSA is hereby issuing to your organization a notice of specified penalty for non-compliance by the TC01 asset with ISO rule 6.6. A summary of other relevant particulars is set out below, for your information.

Event

On April 10, 2008 the Carseland (TC01) asset was found to be in non-compliance with Rule 6.6 (Dispatch Variance) for approximately 39 minutes between 12:36 and 13:15 at variances of up to 19 MW. The effect of ramping was noted as well as the effect of the next dispatch (at “13:12”). Taking into account all relevant facts, the non-compliance appeared to be over a period of at least 30 minutes.

Process

The suspected contravention was referred to the MSA by AESO on September 30, 2008 and your organization was notified accordingly. As part of its compliance monitoring the AESO obtained

information regarding the event and provided an opportunity for your organization to bring forward information it considered relevant to the matters at issue. Information obtained by the AESO was provided to the MSA for use in respect of its mandate. The MSA issued a subsequent information request to your organization on October 21, 2008 and received responses on November 4th and November 18th, 2008.

Findings

Based upon the information obtained by the MSA, the MSA is satisfied that the event was a contravention of ISO rule 6.6.

In this regard, the material facts which were relied upon by the MSA include the following:

1. AESO generation and dispatch data for the TC01 asset on April 10, 2008.
2. TransCanada August 27, 2008 response to AESO August 6, 2008 information request.
3. TransCanada November 4, 2008 response to MSA October 21, 2008 information request.
4. TransCanada November 18, 2008 response to MSA October 21, 2008 information request.

Specified Penalty

The Level of Non-Compliance for this specific circumstance is assessed to be Level 1 per the specified penalties matrix contained in AUC Rule 019 (the version then in effect). The MSA understands that this event constitutes the sixth contravention of ISO rule 6.6 by your organization in the trailing 12 month period. Previous contraventions within this time frame for which your organization received notifications occurred on May 7, 2007, May 14, 2007, May 14, 2007, July 1, 2007, and November 30, 2007. The first four of these were addressed by AESO non-compliance letters in the respective AESO Decisions 2007-015, 2007-016, 2007-017, and 2007-023. The last contravention was addressed by an MSA Notice of Specified Penalty (MSA file reference 2008-001) which was adjudicated in AUC Decision 2008-126.

For these reasons, and in accordance with AUC Rule 019, the MSA has determined that a total specified penalty in the amount of \$ 4,000.00 is appropriate for this specific contravention of ISO rule 6.6.

Specified Penalty Due Date

The penalty is due and payable to the AUC not later than February 5, 2009.

Delivery of Payment

Payment by cheque or certified funds is to be made payable to the "General Revenue Fund c/o Minister of Finance", and delivered to: The Alberta Utilities Commission at: 4th Floor, 425 - 1st Street S.W., Calgary, Alberta, T2P 3L8. Questions in respect of delivery of payment should be addressed to the Director of Finance, AUC. The payment should reference this notice and related MSA File # (see first page of notice). Delivery of payment should also be confirmed in writing or by email to Doug Doll, the MSA contact person noted below with copy to the following AUC personnel: Sherry Sellick, Sabi Ghavami (Director, Finance), and Darin Lowther (Director, Market Rules).

Failure to Pay Specified Penalty

Failure to pay the specified penalty in accordance with this notice will result in a hearing or other proceeding before the AUC.

Dispute re Notice of Specified Penalty

If your organization disputes the issuance of this notice of specified penalty, or if you have any other questions or comments regarding this matter, please contact Doug Doll, Senior Analyst, MSA, at (403) 233-6497 or doug.doll@albertamsa.ca.

In accordance with the relevant enactments and rules, a dispute regarding the issuance of a notice of specified penalty will be addressed by an AUC hearing or other proceeding.

Notice of Specified Penalty Public

In accordance with AUC Rule 019 (version then prevailing), the MSA will make public this notice of specified penalty by posting a copy of this notice on its website, on or after 30 days from the date of issuance of the notice. The MSA also reserves the right to make information pertaining to the notice public through other means, in accordance with relevant enactments and rules (including rules applicable to a hearing or other proceeding before the AUC).

The MSA is committed to working with your organization and other market participants on compliance related matters, including re: the ISO rules. For further information regarding the monitoring, investigation and enforcement of ISO rules, we would refer you to the *MSA Investigation Procedures* (particularly Appendix A therein), found on the MSA website under *Processes*.

Yours truly,
Market Surveillance Administrator

“Original Signed”

Per: Douglas Wilson.
Legal Counsel.

Cc: Sherry Sellick - AUC
Darin Lowther - AUC
Sabi Ghavami - AUC