TransCanada
450 – 1st Street SW, Calgary, Alberta, Canada T2P 5H1

May 13, 2015

DELIVERED VIA ELECTRONIC MAIL

Alberta Securities Commission
Autorité des marchés financiers
British Columbia Securities Commission
Financial and Consumer Services Commission (New Brunswick)
Financial and Consumer Affairs Authority of Saskatchewan
Manitoba Securities Commission
Nova Scotia Securities Commission
Nunavut Securities Commission
Ontario Securities Commission
Office of the Superintendent of Securities, Newfoundland and Labrador
Office of the Superintendent of Securities, Northwest Territories
Office of the Yukon Superintendent of Securities
Superintendent of Securities, Department of Justice and Public Safety, Prince Edward Island

c/o:
Me Anne-Marie Beaudoin,
Corporate Secretary
Autorité des marchés financiers
800, square Victoria, 22e étage
C.P. 246, tour de la Bourse
Montréal, Québec H4Z 1G3
e-mail: consultation-en-cours@lautorite.qc.ca

c/o:
Josée Turcotte,
Secretary
Ontario Securities Commission
20 Queen Street West
Suite 1900, Box 55
Toronto, Ontario M5H 3S8
e-mail: comments@osc.gov.on.ca

Dear Sirs/Mesdames:

TransCanada Corporation (**TransCanada**) is pleased to submit its comments in response to Proposed National Instrument 94-101 *Mandatory Central Counterparty Clearing of Derivatives* (the **Proposed Clearing Rule**) and Proposed Companion Policy 94-101CP *Mandatory Central Counterparty Clearing of Derivatives* (the **Proposed Clearing CP** and together with the Proposed Clearing Rule, the **Proposed Rules**) as published and solicited for comment by the Canadian Securities Administrators (the **CSA**).

TransCanada appreciates the opportunity to provide its comments on the Proposed Rules. The comments below are provided with the goals of achieving effective regulatory oversight of the OTC market while not unduly burdening market participants and ensuring that the Proposed Rules contain the necessary clarity to be effectively applied. TransCanada's comments include:

- A request that the CSA finalize the registration framework prior to implementing mandatory clearing requirements;
- Clarification regarding the use of intragroup exemptions;
- Clarification on the term "clearing member";
- A request for acknowledgement that local counterparties do not necessarily need to use clearing members to clear transactions;

- Clarification on the term “straight-through processing”, and a request to address time delays in clearing derivatives transactions that are not executed on electronic platforms;

- A request to address potential advantages to certain crown corporations and government entities under the Non-Application section;

- Clarification on record keeping requirements with respect to groups of transactions vs. individual transactions; and

- Clarification on record keeping requirements with respect to assessing hedge effectiveness,

all as more fully described below.

I. TransCanada

With more than 60 years’ experience, TransCanada is a leader in the responsible development and reliable operation of North American energy infrastructure including natural gas and oil pipelines, power generation and gas storage facilities. TransCanada operates a network of natural gas pipelines that extends more than 68,000 kilometres (42,100 miles), tapping into virtually all major gas supply basins in North America. TransCanada is one of the continent's largest providers of gas storage and related services with more than 368 billion cubic feet of storage capacity. A growing independent power producer, TransCanada owns or has interests in over 10,900 megawatts of power generation in Canada and the United States. TransCanada is developing one of North America's largest oil delivery systems. TransCanada’s common shares trade on the Toronto and New York stock exchanges under the symbol TRP. For more information visit www.transcanada.com.

TransCanada constructs and invests in energy infrastructure projects, purchases and sells energy commodities, issues short-term and long-term debt, including amounts in foreign currencies, and invests in foreign operations. Certain of these activities expose the company to market risk from changes in commodity prices, foreign exchange rates and interest rates. TransCanada uses derivatives as part of its overall risk management strategy to assist in managing the exposure to market risk that results from these activities.

II. Comments

TransCanada respectfully submits the following concerns and observations with regard to the Proposed Rules:

1. **Registration** – The definition of “financial entity” under section 1(e) of the Proposed Clearing Rule, includes “*a person or company, other than an individual, that under the securities legislation of a jurisdiction of Canada is any of the following: (i) subject to the registration requirement; (ii) registered; (iii) exempted from the registration requirement*”. As a result, the requirements of the Proposed Clearing Rule are dependent on whether a company is required to register. Because the registration regime remains unclear at the present time, it is difficult for derivatives market participants to determine if they fall under the “financial entity” definition in the Proposed Clearing Rule. TransCanada recognizes the CSA commented on this concern raised previously by commenters including TransCanada in its February 12, 2015 Notice and Request for Comment on the Proposed Rules by referring commenters to the phase-in approach. However, TransCanada respectfully submits that it is necessary that the registration regime is finalized and implemented prior to any requirement to clear a mandatory clearable derivative becomes effective to allow market participants to determine if they are in fact, a “financial entity”. An inability for a company to accurately determine its status under the regulations creates significant compliance risk for it and other market participants, and may result in numerous initial reporting errors, unreported transactions and duplicate reporting on an industry-wide basis.

2. **Intragroup exemption** – TransCanada thanks the CSA for the interpretation of the term “affiliated entity” provided in Section 3(1) of the Proposed Clearing Rule. TransCanada also requests that the CSA provide clarification on the nature and level of detail of the written agreement required under Section 10 (2) (c) of the Proposed Clearing Rule. TransCanada respectfully suggests that a blanket agreement between

affiliated entities acknowledging that such transactions may occur from time to time would be sufficient with the specific terms and conditions of each transaction captured in the entities' deal capture system.

3. **Clarification on 'clearing member'** – Appendix A to the Proposed Clearing Rule identifies "a local counterparty that is a member of a regulated clearing agency that offers clearing services for the derivative or class of derivatives and subscribes to such service" as the first entity type to which section 5 will apply. Is this description analogous to the term "clearing member" used in the Proposed Clearing Rule and the Proposed Clearing CP? TransCanada respectfully requests that the CSA provide specific clarity on how to distinguish a clearing member from a local counterparty who is not a clearing member, but who transacts directly with regulated clearing agencies.

4. **Duty to submit for clearing** – Part 2, section 5 of the Proposed Clearing CP elaborates on the phrase "cause to be submitted". In doing so, the Proposed Clearing CP directs local counterparties that are not clearing members of a regulated clearing agency to have arrangements in place with a clearing member before entering into a transaction. However, this instruction does not consider the possibility that local counterparties that are not clearing members may have the ability to access regulated clearing agencies directly as a customer, thus rendering a relationship with a clearing member unnecessary. The Natural Gas Exchange is an example of a clearing agency that provides clearing services directly to local counterparties that are not necessarily clearing members. TransCanada suggests that this section of the Proposed Clearing CP be revised to acknowledge methods of clearing a transaction that do not require local counterparties to have arrangements in place with a clearing member.

5. **Duty to submit for clearing** – In Annex A of the Proposed Clearing CP, the CSA has provided feedback to comments on "Former subsection 4(1) – Duty to submit for clearing". In response to concerns about local counterparties not having enough time to clear a transaction before the end of the day if the transaction is executed shortly before the clearing agency closes, the CSA states that "…this issue should not materialize where straight-through processing is implemented". TransCanada respectfully requests the CSA provide clarity in the Proposed Clearing CP on the meaning of "straight-through processing", and how this would apply when clearable derivatives transactions are entered into verbally (over the phone, speaker box, or by email). TransCanada suggests that the concern expressed in the comment may be valid as "straight-through processing" may not be viable for all methods of executing a transaction.

6. **Non-application** – Section 6 of the Proposed Clearing Rule exempts certain government entities and Crown corporations from the requirement to submit mandatory clearable derivatives for clearing. TransCanada reiterates its earlier comments that many Crown corporations in the power industry are very active participants in derivative markets and should be subject to the same requirements as all other market participants to ensure transparency and to maintain a level playing field. The clearing compliance requirement will result in additional costs compared to transacting derivatives over-the-counter. Non-Crown corporations will have to incur these additional costs while Crown corporations will avoid them, thereby giving Crown corporations a competitive cost advantage. We do acknowledge that the majority of transactions undertaken by most players in the power industry, including Crown corporations, would likely qualify for the end-user exemption but to the extent transactions are entered into that are not for hedging purposes, the same standards should apply to all entities. The exemption may also capture certain foreign companies transacting in Canada, also giving them a competitive advantage.

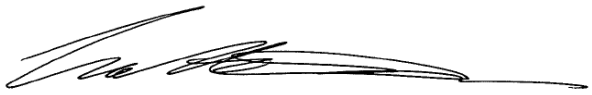
7. **Record Keeping** – Section 11 of the Proposed Clearing CP outlines that supporting information is required for 'each transaction' where the end-user exemption is relied on. The section also makes reference to "documentation of the end-user's macro, proxy or portfolio hedging strategy or program". TransCanada requests that the CSA confirm that documentation of a general hedging strategy can be used to support the use of the end-user exemption for certain groups of transactions or portfolios, as opposed to documentation on a transaction by transaction basis. TransCanada respectfully suggests that documentation of a general strategy can provide sufficient support for use of the end user exemption for certain groups of transactions or portfolios.

8. **Record Keeping** – The Proposed Clearing CP indicates that the Proposed Clearing Rule requires supporting documentation be kept that defines the basis on which the end-user exemption is relied upon. Specifically, hedge effectiveness is to be assessed, measured and corrected as appropriate, and regular compliance audits are to occur to ensure the strategy continues to be relevant for hedging purposes. The

Proposed Clearing CP also states that only new transactions will be subject to mandatory central counterparty clearing, and that the obligation to submit transactions for clearing only exists at the time the transaction is executed. TransCanada requests the CSA confirm that transactions that are initially deemed eligible for the end-user exemption (and thus not cleared), but are later determined to be ineligible for the exemption, need not be cleared. Alternatively, if this is not the case, TransCanada requests that the CSA provide guidance on how this scenario should be treated.

TransCanada hopes these comments will be useful to the CSA in their deliberations. If you have any questions or would like to discuss any of these matters, please do not hesitate to contact me.

Yours very truly,



Matthew Davies
Compliance Manager, Western Power
TransCanada Corporation