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Re: Intertie Transactions Setting Real-Time Price

TranAlta offers the following comments on the Intertie setting price.

TransAlta supports the principle of allowing the interties to set price. We believe this will result in a more accurate HOEP, better indicating the resources used to meet demand in any given hour. This is important for a number of reasons:

1. Will provide a better price signal to generators of the value of their energy in any given hour.
2. Will provide a better price signal to the load which is critical when trying to establish any type of demand response program.
3. As the IESO pointed out in their paper, it will allow the price to move smoothly up and down through the bid and offer laminations without the jumps of the current market structure.

We would also share the IESO's opinion that it is very likely that any potential increase in price resulting from allowing import to set price will be mitigated to some extent by importers and exporters. As in the case in any market, price differentials between two markets are actively traded until the point where the two market prices will begin to converge.

Yours truly,

<Original signed by>

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