Via Courier

TransCanada PipeLines Tower
450 - 1st Street S.W.
Calgary, Alberta, Canada T2P 5H1

Donald J. DeGrandis
Director,
Corporate Legal Services and Senior Legal Counsel
Corporate Secretarial
tel (403) 920-7685
fax (403) 920-2467
email
don_degrandis@transcanada.com

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To: Alberta Securities Commission
Saskatchewan Securities Commission
Manitoba Securities Commission
Ontario Securities Commission
Commission des valeurs mobilières du Québec
Nova Scotia Securities Commission
Securities Administration Branch,, New Brunswick
Office of the Attorney General, Prince Edward Island
Securities Commission of Newfoundland and Labrador
Registrar of Securities, Government of Yukon
Registrar of Securities, Department of Justice, Government of the Northwest Territories
Registrar of Securities, Legal Registries Division, Department of Justice, Government of Nunavut

Ontario Securities Commission
Attention: John Stevenson, Secretary
20 Queen Street West
Suite 1900, Box 55
Toronto, Ontario M5H 3S8

Commission des valeurs mobilières du Québec
Attention: Denise Brosseau, Secretary
Tour de la Bourse
800, square Victoria
C.P. 246, 22e étage
Montréal, Québec, H4Z 1G3

In response to your request, TransCanada Corporation ("TransCanada") is pleased to have an opportunity to comment on the proposed Multilateral Instrument 52-110 for Audit Committees. By way of background, TransCanada Corporation has its common

shares listed on the Toronto and New York Stock Exchanges and its wholly owned subsidiary, TransCanada PipeLines Limited ("TCPL"), has preferred shares and preferred securities listed on either the Toronto or New York Stock Exchanges. Through these interlistings TransCanada and TCPL are subject to securities regulations in both Canada and the United States. As a result, it is important from our Corporation's perspective that harmonization be achieved where possible between relevant parts of both countries securities regulatory regimes. We believe that the fairest outcome would be that a person qualified to serve on an audit committee under Canadian rules would also be qualified to serve on an audit committee under the U.S. rules. To this end, we would have the following comments and concerns:

1. We believe that the status of "independence" being proposed is more stringent than it needs to be especially in light of the New York Stock Exchange ("NYSE") proposals, which would provide for some de minimis monetary tests. We are also concerned that monetary tests alone may have their own pitfalls. For example, TransCanada operates the major gas collection pipeline system in Alberta and is responsible for approximately 67% of the natural gas shipments out of the Western Canadian Sedimentary Basin to markets across North America. These gas transportation services are regulated by federal and provincial regulators and shippers on TransCanada's facilities pay a regulated toll. As a consequence TransCanada becomes in a sense a "common carrier" and cannot refuse to supply transportation services to producers and shippers. On a strict reading of the proposed instrument, it would appear that TransCanada may not be able to recruit independent audit committee members out of the oil and gas business community, given that all producers ship on these systems and major oil and gas companies extensively use our systems. Thus, a simple monetary de minimis exception may be insufficient and disqualify otherwise capable and independent directors. Our situation can easily be extrapolated to other industry segments that are regulated such as communications, transportation, utilities etc. The proposed instrument could have the effect of eliminating a large number of knowledgeable and experienced potential directors from sitting on our audit committee simply because their companies ship gas on a regulated pipeline system that serves this industry segment.

   Given these facts, we urge the Canadian securities regulators to consider allowing boards the ability to override the deeming provisions of the multilateral instrument where it is appropriate by providing an explanation to shareholders in the annual management information circular.

2. We also have a concern relative to the definition "executive officer" which includes chairs and vice-chairs. We believe it would be preferable that the definition be amended to make it clear that persons occupying these positions in a non-executive capacity would not be considered "executive officers" for the purposes of the proposed instrument. We believe the utilization of the word "full-

time" in the definition is not useful in this context as most non-executive chairs and vice-chairs are appointed annually, are paid an annual retainer, and carry that title throughout the year. Notwithstanding this designation, they do not report to work on a "full-time" basis. Without further modification or explanation the words "full-time" are capable of a number of interpretations.

3. In respect to the application of the instrument to subsidiaries, we would request consideration be given to providing a clear definition of "equity securities". Currently, this term is not defined in most securities legislation. In holding corporation situations it is not unusual for subsidiaries to offer preferred shares or preferred securities to the public. These securities only carry a contingent right to vote, which in most cases is only triggered after 2 years of failure to pay dividends. Consequently, we believe that the proposed instrument should be amended to include only voting shares and to exclude preferred shares or preferred securities where holders of such securities do not ordinarily have a right to vote.

4. In the section where there are deeming provisions on independence, we have a concern that the simple fact of employment of an immediate family member should not preclude the service of a director on an audit committee. This requirement in our view requires modification so as to make it clear that the employment has to be full-time and that the position occupied is of a senior nature or has executive authority or policy making characteristics. We appreciate this may be difficult to define and in this case harmonization with the NYSE proposed guidelines of U.S. $100,000 would seem to be appropriate. Alternatively, boards could be allowed to override the deeming provisions with an explanation to shareholders being contained in the annual management information circular.

5. The requirement to disclose whether an audit committee has a financial expert and if so, to identify that person causes us real concern relative to whether or not this increases personal liability of the designated director or directors. The designation of an individual in our view raises the individual's profile on the audit committee to a status which carries a form of regulatory blessing which could attract differential liability. This is done without any real legislative safe harbour. The statement that there is no intention to impose greater liability on the designated financial expert is of little comfort to the individual so designated should the courts imply a higher standard of duty on that individual. The instrument as written would have individual audit committee members consenting to being designated as a financial expert. At present, I am not aware of any major law firm in Canada saying that it is clear this designation would not attract any additional liability. Frankly, at this point it is not known whether the designation would or would not attract greater liability in absence of a safe harbour rule. Without some statutory based protection for the designated individual, the result will likely be that companies will choose not to designate a financial expert even if their audit

committee has such individuals who would otherwise meet the proposed criteria. We urge that further consideration be given as to how this practical problem could be addressed.

We look forward to seeing the Canadian securities administrators' response to our comments and those of others. Generally, we believe this initiative on Audit Committees is appropriate and we appreciate the effort and thought that has gone into this draft instrument. If we can be of further assistance, please do not hesitate to call on us.

Yours truly,

Donald J. DeGrandis
Director,
Corporate Legal Services and
Senior Legal Counsel
Corporate Secretarial

Enclosure (with diskette)