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June 17, 2013

VIA electronic submission

Alberta Securities Commission
Autorité des marchés financiers
British Columbia Securities Commission
Manitoba Securities Commission
New Brunswick Securities Commission
Nova Scotia Securities Commission
Ontario Securities Commission

Dear Sirs/Mesdames:

Re: Comment Letter to CSA Staff Consultation Paper 91-407 – Derivatives: Registration

TransAlta Corporation **("TransAlta")** and its affiliates hereby respectfully submit comments on the Canadian Securities Administrators (**"CSA"**) Staff Consultation Paper 91-407 – Derivatives: Registration **("CSA Paper 91-407")** published by the CSA OTC Derivatives Committee (the **"Committee")** on April 18, 2013, providing an overview of the Committee's proposals (the **"Proposals"**) to impose a registration regime on key derivatives market participants. TransAlta appreciates this opportunity to comment on CSA Paper 91-407 and looks forward to further dialog following the submission and consideration of these comments.

Introduction:

TransAlta is Canada's largest publicly traded generator and marketer of electricity and renewable power. TransAlta owns, operates and manages a highly contracted and geographically diversified portfolio of assets that utilize a broad range of generation fuels including coal, natural gas, hydro, wind and geothermal. TransAlta's major markets are Western Canada, the Western U.S., and Eastern Canada. TransAlta owns a total of 6,536 MW of electricity generation capacity in Western Canada and 1,479 MW in Eastern Canada. TransAlta uses OTC derivatives transactions to manage its exposure to price volatility in organized electricity markets and reduce price risks associated with fuel inputs which TransAlta faces. TransAlta's primary objective as a generation company is to manage the revenue risk TransAlta faces due to fluctuations in short-term, spot market power prices.

Wholesale marketing is conducted by TransAlta Energy Marketing (U.S.) Inc. ("**TEMUS**") and TransAlta Energy Marketing Corp. ("**TEMC**"). Market activity is composed of asset hedging and optimization of our power generation portfolio and securing our fuel requirements, electricity retailing to mid to large sized commercial and industrial customers, and proprietary trading of electricity and natural gas. TransAlta utilizes a variety of instruments to manage price exposure,

including physical forward contracts for electricity, natural gas and environmental commodities, and financial derivative transactions based on those same commodities. Much of TransAlta's trading activity takes place on regulated electronic exchanges and clearing platforms, such as Intercontinental Exchange (ICE), Chicago Mercantile Exchange (CME) and Natural Gas Exchange (NGX), and via brokered transactions or directly with counterparties. Historically, at least 95% of TEMC/TEMUS's financial derivative trading is through a cleared platform. Interest rate and foreign exchange derivatives are transacted by our centralized treasury function organized within TransAlta Corporation ("**TAC**"), which is our ultimate parent company. Treasury transactions are entered into for the purpose of risk mitigation and are not used for speculative trading or investment.

For the interest of the Committee, TransAlta's companies with derivative activity are classified under the Dodd-Frank regime implemented by the CFTC as "Non-Swap Dealers / Non-Major Swap Participants / Non-Financial Entities". Under the Dodd-Frank regime, TEMUS is a "US Person" through its incorporation in Delaware but operates from our office in Calgary, Alberta. TEMC and TAC are "Non-US Persons", being incorporated under the Canada Business Corporations Act with a registered office in Calgary, Alberta. In general, TEMUS, TEMC and TAC represent themselves as a "Qualified Party" and/or an "Eligible Contract Participant" ("ECP"), as applicable, in our ISDA standardized enabling agreements.

General Comments:

First, we would like to state that we are a member of the *Canadian Energy Derivatives Working Group.* We endorse the comment letter submitted by the group on 91-407[1].

TransAlta supports the efforts of the CSA to design and implement a regulatory regime that will "strengthen Canada's financial markets and manage specific risks related to OTC derivatives, implement G-20 commitments in a manner appropriate for our markets, harmonize regulatory oversight to the extent possible with international jurisdictions, all while avoiding causing undue harm to our markets."[2]. While TransAlta supports the efforts of thoughtful and effective reform, TransAlta remains concerned that the proposals put forward in CSA Paper-91-407 are representative of effective securities markets regulation and are ill-suited to the regulation of derivatives markets.

TransAlta notes that the Committee considered regulatory regimes in a number of foreign jurisdictions, particularly the US and Europe, as well as the "existing CSA registration regime for securities as well as existing regulatory requirements applicable to derivatives market participants in each CSA jurisdiction."

TransAlta is concerned that the regime proposed in Consultation Paper 91-407 relies too heavily on the pre-existing registration regime for securities in Canada and does not adequately

[1] Priscilla Bunke (Dentons Canada LLP on behalf of the *Canadian Energy Derivatives Working Group*), "Comment Letter to CSA Staff Consultation Paper 91-407 - Derivatives Registration", June 17, 2013

[2] CSA Consultation Paper 91-401 on Over-the-Counter Derivatives Regulation in Canada, November 2, 2010

consider the fact that OTC derivatives, as risk-management tools, differ in material ways from securities. We are further concerned that the registration regime set out in the Proposals does not clearly align itself to those elements of reform that have been identified as necessary in order for Canada to meet G-20 commitments.[3] TransAlta respectfully comments that it is unclear whether a registration regime is required at all in order for Canada to meet its G-20 commitments.

Nevertheless, if such a regime is justifiable, TransAlta would in general, recommend close alignment with regimes being implemented by Canada's G-20 peers, and in particular, the US. In support of this recommendation, TransAlta notes that the importance of alignment has been acknowledged by the CSA.[4]

Detailed Issue Discussion:

DEFINITION OF DERIVATIVE

TransAlta respectfully comments that a necessary first step in the identification of registration categories is the definition of "OTC Derivative". TransAlta is concerned that despite the Committee's express recognition that "derivatives markets operate in ways that are different from securities markets" and that "the regulation of derivatives market participants involve derivatives-appropriate registration requirements", the Committee has nonetheless stated that it believes that is "desirable to subject all types of derivatives to a consistent regime regardless of the nature of the underlying asset".

TransAlta respectfully submits that different derivative products in fact carry different risks. This difference was acknowledged by US regulators in the exclusion of energy forward contracts from the definition of "swap" under the Dodd-Frank Act.

TransAlta notes that the Committee has defined OTC derivative for the purposes of trade reporting in *CSA Staff Consultation Paper 91-301 – Model Provincial Rules – Derivatives: Product Determination.* We recommend the adoption of the same definition for the purposes of registration, noting that the Committee has already stated that this definition would provide them some insight into the types of instruments that the Committee may recommend to be considered

[3] On October 26, 2010, the Canadian OTC Derivatives Working Group set out preliminary recommendations for implementing Canada's G-20 commitments related to OTC derivatives. The five areas of reform were: i) capital incentives and standards; ii) standardization; iii) central counterparties and risk management; iv) trade repositories and v) trading venues.

[4] "Although a significant market in Canada, the Canadian OTC derivatives market comprises a relatively small share of the global market, with a substantial portion of transactions involving Canadian market participants transacting with foreign counterparties. It is therefore crucial that rules be developed for the Canadian market that ensure Canadian market participants have access to international markets and are regulated in accordance with international principles."

derivatives for the purposes of triggering registration as a derivatives dealer.[5] At a minimum, TransAlta recommends an explicit definition of OTC derivative for the purposes of registration.

An explicit definition is required because without a meaningful definition of OTC derivative which has its roots in the mitigation of systemic risk, market participants face a high level of uncertainty regarding the registration requirements applicable to their activity and the Committee risks imposing registration on market activity that does not contribute to systemic risk. Absent such clarification, entities possibly affected face uncertainty as to which aspects of their derivative market activities (which could cover exchange-traded futures, physical, ISO trades and/or retail activity) would qualify that entity for registration. The Committee's proposals concerning registration should be confined to the appropriate derivative instruments that are the subject of the overall regulatory agenda.

Furthermore, derivatives used to hedge an entities' commercial risk (end user transactions) should be excluded from the activity that is considered as part of registration.

TransAlta also emphasizes that the magnitude of the impact of registration requirements on market participants goes beyond the individual requirements of registrants laid out in the Proposal, specifically:

- Registration as a derivatives dealer would impose immense technology upgrades and process changes in order to meet trade reporting deadlines (i.e. the 'as soon as technologically practicable' standard vs. the existing 'next day' reporting to trade repositories that TransAlta has been required to comply with in the US).
- Registration as a derivatives dealer would disqualify an entity from taking advantage of any end-user exemption from clearing. TransAlta appreciates that the CSA has also published a discussion paper on the end user exemption and that this paper explicitly acknowledges that some participants may use derivatives exclusively for the purpose of managing commercial risk.[6] TransAlta also understands that the end user exemption applies to clearing and collateral requirements, *not to registration*. However, *CSA Consultation Paper 91-405 - End-User Exemption* puts forward a regime that would disqualify any market participant required to register as a derivatives dealer from electing to use the end user exemption. Therefore, as we will describe more fully below, TransAlta, is concerned that trading in derivatives for the purpose of asset hedging or proprietary trading may trigger registration as a derivatives dealer, and a consequent inability to elect an end user exemption from clearing for transactions that are legitimate, risk reducing hedges and that qualify as risk management activity.

APPROPRIATE DEFINITION OF QUALIFIED PARTY

As previously noted, TransAlta is in the business of operating electric generation facilities and supplying low-cost electricity to mid and large-sized consumers in Canada. While much of

[5] CSA Consultation Paper 91-301 Model Provincial Rules - Derivatives - Product Determination and Trade Repositories, December 6, 2012

[6] CSA Consultation Paper 91-405 Derivatives - End-User Exemption, April 13, 2012

TransAlta's electricity is hedged and delivered into the wholesale market, TransAlta also has a portfolio of transactions for the sale and retail supply of electricity to commercial and industrial customers[7]. In addition to aforementioned concerns regarding an appropriate definition of OTC derivative for the purposes of registration, TransAlta is concerned that without an appropriate definition of qualified party, our business of providing low-cost electricity to retail consumers (potential non-qualified parties) might trigger an onerous registration requirement, accompanied by clearing and collateral requirements. While TransAlta believes that non-qualified parties should benefit from certain protections in applicable derivatives markets, we submit that retailing arrangements for the consumption of electricity are effectively overseen by other regulatory regimes.[8]

In addition to our comments regarding the appropriate definition of OTC derivatives and derivatives dealing, TransAlta recommends that the definition of qualified party be informed by and aligned with the definition of an eligible contract participant under the Commodity Exchange Act.

MINIMISATION OF INDIVIDUAL REQUIREMENTS WHEN DEALING WITH QUALIFIED PARTIES

TransAlta believes that it is appropriate to minimize the individual requirements to qualified parties who deal primarily with other qualified parties. TransAlta appreciates that the CSA has noted material differences between the trading of securities as investment tools, and derivatives as risk management instruments. In line with this distinction, TransAlta submits that sophisticated commercial entities transacting with like entities should not be required to comply with the requirements in parts 7.2 and 7.3. TransAlta believes that sophisticated parties should be held to a standard that requires honest dealing in all of their activities, but submits that the requirements listed in 7.2 and 7.3 are suitably aimed towards the protection of unsophisticated parties. When large commercial producers of energy are engaging in risk management transactions, the protections offered by these requirements is minimal when consideration is given to safeguards present in commercial contracts, Canadian common law and when assessed against the high compliance costs associated with parts 7.2 and 7.3.

DERIVATIVES TRADING VS. DEALING

TransAlta recommends that the CSA give further consideration to their definition of what constitutes "trading" versus "dealing" in derivatives markets. It is unclear to TransAlta what the standard of "in the business of trading derivatives" amounts to. This definition appears to borrow

[7] Although Alberta's electricity market is structured as a financial market where wholesale supply and demand receive net settlement payments based on a pool price and power does not need to be scheduled from generator to load, retailing arrangements with end-use customers can be thought of as akin to physical forward transactions settling on a contracted fixed price or index price.

[8] For example, in Alberta the Alberta Utilities Commission (AUC), the Alberta Electric System Operator (AESO) and the Market Surveillance Administrator (MSA) administer and have oversight over the organized electricity market.

from Canadian securities regulation, but TransAlta submits that it does not adequately lend itself to derivatives market activity. Trading in securities lends itself easily to the concept of a dealer-client relationship, while derivatives market activity in the energy asset class does not. TransAlta recommends that the Committee differentiate dealing from trading, and define these activities in a way that aligns itself with the definitions adopted by the CFTC. Some firms will engage in derivatives dealing for the purposes of their business, but a plain reading of being "in the business of trading derivatives" does not adequately capture the hallmarks of derivatives dealing activity, such as intermediating transactions, market-marking and providing clearing services.

TransAlta agrees with the Committee that "derivatives dealers" should be subject to registration requirements as the nature and level of their activity in the derivatives market is inextricably linked to the systemic risk which OTC reform seeks to mitigate. Market participants that enter into derivatives transactions for the purpose of hedging commercial and operational risk or trading for their own account (proprietary activity) should not be required to register as a "derivatives dealer" unless there is some other aspect of their business activity indicative of dealing activity (e.g. market-making activity). Such a distinction will also provide market participants with the requisite legal certainty to assess the future of their current business models in light of forthcoming reform.

CLARIFICATION OF DERIVATIVES DEALING – BUSINESS TRIGGERS

TransAlta is concerned with the "Business Triggers for Trading" identified by the Committee. In particularly, TransAlta submits that triggers (iii) and (iv) should be redefined.

Trigger (iii) explicitly seeks to capture firms whose derivatives activity is the subject of remuneration or compensation. TransAlta is concerned that this definition fails to distinguish between the separate activities of dealing and trading in OTC derivatives and fails to provide meaningful guidance as to what will amount to a finding that one is "in the business of trading derivatives".

The trigger, as written, appears to comingle the concepts of asset hedging, asset optimization and proprietary trading (all of which are activities where traders may receive compensation based on their performance) with derivatives dealing. In particular, by referencing "compensation for carrying on derivatives trading activity, including whether the compensation is transaction or value based"[9], the Committee is including a scope of activity that extends to end-user transactions. A plain reading of this trigger would require any entity that rewards its employees with incentive-based compensation, where that employee is tasked with hedging the long-range output of the company's assets, to consider whether the entity is a derivatives dealer based on this fact alone. Thus, by including trading with the intention of being remunerated or compensated as a business trigger, the Committee will likely, in its categorization of derivative dealers, require entities that do not engage in dealing activity to register as dealers. By requiring a far larger portion of derivatives market participants to register as dealers than would

[9] Underline added.

be warranted by their activity, the Committee's Proposal is not aligned with the goals of OTC derivatives reform.

TransAlta submits that even if the business triggers are intended to be analyzed by entities on a holistic basis, without further guidance as to the weight that entities should place on each trigger, entities face significant legal and regulatory uncertainty as to how their activity should be categorized.

As it relates to business trigger (iii) TransAlta recommends the following:

- As the CSA has proposed a registration category of Derivatives Dealer, "Business Triggers for Trading" should be renamed "Business Triggers for Dealing" as this will assist in the distinction of those entities engaged in dealing activity from those who trade for their own account.
- The framework for analysis of what constitutes "dealing" should consider the primacy and level of dealing activity that an entity engages in (the requirement to register as a dealer should further be tied to a defined *de minimis* threshold).
- Registration requirements for dealers should align with swap dealer requirements under the Dodd-Frank Act. The Committee should explicitly state, as the CFTC has done in its interpretative guidance, that hedging, investment and proprietary trading are not activities that will be considered as factors defining derivatives dealers.
- Additional exemptions from the requirement to register should be developed as part of ongoing consultation.

TransAlta is also concerned with business trigger (iv) and respectfully comments that as written, the trigger appears to potentially capture activity that is not dealing.[10] When entering into derivatives for the purpose of hedging production, or other risk management purposes, it is commonplace, to contact counterparties directly with the business terms of a derivative trade an entity would like to enter into. Energy firms often have "account managers" and "originators", alongside energy traders, who seek to hedge or optimize the firm's future production or generation through direct contact with counterparties. Contacting potential counterparties directly is necessary to determine interest in completing a trade. These trades are often completed as over-the-counter financial derivatives, and termed "direct business" in reference to not having been facilitated by an intermediating broker.

TransAlta submits that this type of activity is not necessarily characteristic of dealing activity, but is rather commonplace in regular hedging and commercial risk management activity in the energy industry. Again, for entities seeking to analyze how their business will be affected by OTC reform, the consideration of this factor could lead to unintended results, catching activity that is not dealing but rather legitimate hedging.

[10] "*Directly or indirectly soliciting* -- Contacting anyone to solicit derivatives trades will typically indicate a business purpose. Solicitation includes contacting someone by any means, including advertising that offers derivatives trading or participating in a derivatives trade, or that offers services for these purposes..."

TransAlta believes it may be helpful to consider the types of solicitation associated with derivative dealing in an effort to ensure that this trigger does not catch commercial risk management activity. Solicitation characteristic of dealing could include holding oneself out as being regularly available to arrange customized terms for derivatives upon request, creating new types of derivatives at the dealer's own initiative and advertising their availability. TransAlta also submits that the business triggers associated with swap dealers established through Dodd-Frank rulemaking may serve as helpful guides for establishing robust business triggers designed to identify those entities engaged in dealing activity.

LARGE DERIVATIVES PARTICIPANT (LDP)

TransAlta supports the determination of a quantifiable threshold level of derivatives exposure to identify those parties whose businesses may contribute to systemic risk. As stated above, we recommend that the definition of OTC derivatives is a necessary prerequisite to establishing the transactions that will be considered when applying the threshold level.

TransAlta submits that without an established threshold of exposure, it is unclear which participants would be required to register as an LDP. We also recommend that in order to establish a meaningful threshold and one that identifies "substantial derivatives exposure", the Committee should follow the approach of the CFTC and establish a level of activity that is linked to the G-20 commitments insofar that any threshold does not include commercial hedging transactions. Commercial hedges are used by companies to reduce the natural risks in their businesses, and are therefore scaled to the size of their physical production or generation. Setting a threshold based on this activity would penalize large producers.

JURISDICTIONAL HARMONISATION

TransAlta is concerned that the interprovincial and international nature of derivative activity will create burdensome and overlapping registration requirements for those required to register. The Committee uses five all-embracing factors to define whether a person is carrying on business in a jurisdiction and is required to register with a particular provincial regulator. However, derivatives transactions, especially in commodities markets, are often between counterparties operating from offices in different provinces or countries and that cover multiple physical locations.[11]

For Canadian companies (those incorporated under the Canada Business Corporations Act), TransAlta recommends that the Committee use the location of an entity's principal place of business to define its applicable provincial registration jurisdiction. That would allow for instance, a Canadian entity operating primarily from an office in Calgary to register in Alberta with the Alberta Securities Commission (ASC). As for companies incorporated in or having their principal place of business in another country, we recommend that the Committee look to harmonize their registration requirements with US and foreign regulators as much as possible,

[11] For example, a natural gas basis swap between Stn-2 (British Columbia) and AECO (Alberta) could be transacted between a company located in Saskatchewan and one with an office in Ontario.

including ascertaining whether an entity is subject to comparable and substitutable compliance before enforcing domestic registration.

Duplication of registration requirements is costly and should be unnecessary in the more transparent derivatives environment that is being designed by the regulators. TransAlta hopes that provincial regulators will endeavor to share information about derivatives trading activity amongst themselves and with their international counterparts, removing the burden from market participants to engage in costly repeat registration.

Comments to Selected Questions Posed by the Committee:

TransAlta has also submitted the following comments on the questions posed by the Committee:

Q2: What is the appropriate standard for determining whether a person is a qualified party? Should the standard be based on the financial resources or the proficiency of the client or counterparty? If the standard is based on financial resources should it be based on the net assets of the client or counterparty, gross annual revenues of the client or counterparty, or some other factor or factors?

For the purposes of derivatives within the energy markets, the definition of qualified parties should be tied to how entities hold themselves out for the purpose of entering into transactions. For example, TransAlta represents that it is a qualified party when it enters into an ISDA. Such representation should suffice for the purposes of determining whether a person is a qualified party. This will ensure that those entities wishing to transact as sophisticated commercial parties are not subject to burdensome requirements associated with non-qualified party transactions.

Q4: Are derivatives dealer, derivatives adviser and LDP the correct registration categories? Should the Committee consider recommending other or additional categories?

TransAlta recommends that the Committee abandon the category of derivatives advisor as this activity is properly caught by a more precise definition of derivatives dealer.

Q5: Are the factors listed the correct factors that should be considered in determining whether a person is in the business of trading derivatives? Please explain your answer.

TransAlta agrees with the factors listed but recommends that they be renamed as factors indicating that an entity is in the “business of dealing”. Derivatives dealing should in turn, trigger registration, while derivatives trading would not.

Q6: The Committee is not proposing to include frequent derivatives trading activity as a factor that we will consider when determining whether a person triggers registration as a

derivative dealer. Should frequent derivatives trading activity trigger an obligation to register where an entity is not otherwise subject to a requirement to register as a derivatives dealer or a LDP? Should entities that are carrying on frequent derivatives trading activity for speculative purposes be subject to a different registration trigger than entities trading primarily for the purpose of managing their business risks?

TransAlta submits that frequent derivatives trading activity should not be a factor assessed when considering whether an entity triggers registration as a dealer. As addressed elsewhere in our comments, it is the nature (market-making) and size of an entities derivative market activity that should trigger registration as a dealer. Both hedging and speculation for one's own account are risk management activities that allow TransAlta and other producers of electricity to hedge commercial risk, optimize physical assets, collect market information, engage in price discovery, and make decisions to enter organized electricity markets as a generator and supplier of physical power.

Q8: Are the factors listed above the appropriate factors to consider in determining whether a person is in the business of advising on derivatives?

TransAlta submits that the category of Derivatives Advisor be abandoned. The triggers are appropriate for the category of Derivatives Dealer.

Q9: Are the factors listed for determining whether an entity is a LDP appropriate? If not what factors should be considered? What factors should the Committee consider in determining whether an entity, as a result of its derivatives market exposures, could represent a serious adverse risk to the financial stability of Canada or a province or territory of Canada?

TransAlta has addressed this question elsewhere in our comments, but in sum, the factors considered for determining whether an entity is an LDP should be tied to a quantifiable *de minimis* level of activity and exposure.

Q13: Is the Committee's proposal to impose a requirement on registrants to "act honestly and in good faith" appropriate?

Yes.

Q14: Are the requirements described appropriate registration requirements for derivatives dealers, derivatives advisers and LDPs? Are there any additional regulatory requirements that should apply to all categories of registrants? Please explain your answers.

Aside from previous comments on the suitability of the derivatives advisor category, the requirements appear appropriate. TransAlta is concerned that if the categories for registration remain as written, entities whose activity does not contribute to systemic risk will be required to meet burdensome and costly registration requirements. In this letter TransAlta has commented on the Proposals as written and urges the Committee to precisely define Derivatives Dealer that aligns with characteristic dealer activity, and establish a de minimis threshold. Market participants that do not trigger the dealer classification, nor meet the de minimis threshold would then be exempted from reporting requirements. This is desirable and in line with the aim of OTC reform, in that it will impose registration requirements on those entities that contribute to systemic risk.

Q15: Should derivatives dealers dealing with qualified parties be subject to business conduct standards such as the ones described in part 7.2(b)(iii) above? If so, please explain what standards should apply.

TransAlta recommends that derivatives dealing with qualified parties not be subject to the business conduct standards described the part 7.2 and 7.3. Derivatives dealers transacting with qualified parties are transacting with sophisticated commercial parties capable of assessing and managing their commercial risk without the protections in 7.2 and 7.3. TransAlta submits that these protections may be appropriate for dealing with non-qualified parties.

Q17: Are the recommended requirements appropriate for registrants that are derivatives dealers? If not please explain. Are there any additional regulatory requirements that should apply to registered derivatives dealers?

The requirements proposed appear to be appropriate, however TransAlta urges the Committee to consider that if the adopted definition of derivatives dealer casts too wide a net, entities not subject to registration under Dodd-Frank may be required to register, thereby incurring significant compliance costs. Please see previous comments on the appropriate definition of dealing activity.

Q20: Is the Committee's recommendation to exempt foreign resident derivatives dealers from Canadian registration requirements where equivalent requirements apply in their home jurisdictions appropriate? Please explain.

TransAlta supports this approach. Canadian regulators should seek harmonization with foreign jurisdictions in the global derivatives market where conflicting and overlapping rules could cause significant cost and confusion.

Conclusion:

TransAlta would like to thank the Committee for the opportunity to provide comments on CSA Consultation Paper 91-407 and we support the great undertaking of OTC derivatives market reform. However, in accordance with the comments in this letter, TransAlta urges the Committee to aim for precision in its distinction between derivatives trading and derivatives dealing. TransAlta also urges the categorization and exemption of derivatives that do not contribute to systemic risk, as well as the exemption of those entities whose activity is consistent with that of an end-user. These exemptions would assist in the avoidance of the imposition of costly compliance requirements on entities whose business does not contribute to systemic risk. Such an approach will also further efforts to remain harmonized with US regulation.

TransAlta looks forward to additional opportunity for comment and consultation on the Committee's efforts to design and implement OTC reform. If you have any questions or concerns regarding our comments, or require further assistance, please contact either of the undersigned.

Sincerely,

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