

Understanding Global Adjustment

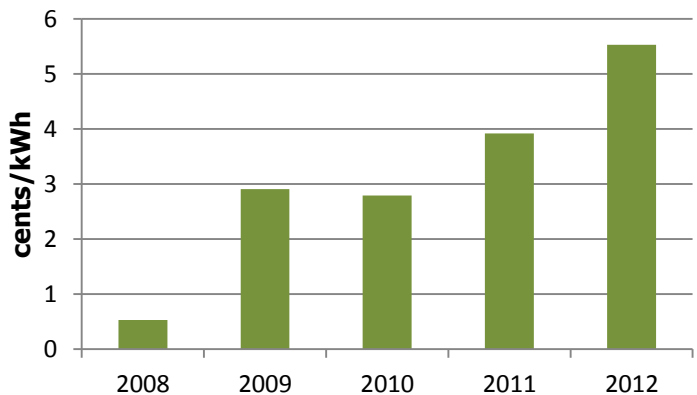
Electricity Market Bulletin – August 2012

The Global Adjustment provides both adequate generating capacity and clean energy for Ontario. It accounts for the difference between the market price and the rates paid to regulated and contracted generators as well as conservation and demand management programs. Primarily, it covers the cost of building new plants, paying regulated rates to nuclear and hydroelectric baseload generators and greening the power system through conservation, demand response and cleaner generation.

The rate includes the difference between the market price and:

- Regulated rates paid to Ontario Power Generation nuclear and baseload hydroelectric generating stations
- Payments made to suppliers that have been awarded contracts through the Ontario Power Authority such as new gas-fired facilities, renewable facilities (like wind farms), nuclear refurbishments and demand response programs
- Contracted rates administered by the Ontario Electricity Financial Corporation paid to existing generators

**Average Monthly GA
(1st Estimate)**



Global Adjustment varies from month to month

The Global Adjustment increases and decreases in response to changes in spot market prices. When the spot market price of electricity is lower, the Global Adjustment is higher in order to cover the additional costs of energy contracts and other regulated generation not received through the electricity market. It also changes when new projects come into service and the contract payments take effect.

How you are charged for Global Adjustment

The IESO sets the Global Adjustment rate each month based on price and demand. The costs include the amount of money required to settle the contracts, regulated rates and demand response programs.

For non-residential consumers, your utility charges one of three monthly rates for Global Adjustment, each available at different times of the month. Each rate is set to recover the actual total monthly Global Adjustment costs by accounting for instances where Global Adjustment was under or over-collected in previous months. The first estimate is posted by the last business day of the previous month, the second estimate is posted by the last business day of the billing month and the actual Global Adjustment is posted on the tenth business day after the end of the billing month.

All the rates are posted to www.ieso.ca/globaladjustment

Frequently Asked Questions

Why are Global Adjustment (GA) costs rising?

The monthly GA rate varies depending on factors in the electricity market that shift the energy price higher or lower. A lower average monthly price exerts an upward pressure on money that needs to be collected through the GA. Recently, the hourly Ontario electricity price has been lower because of lower overall electricity demand, very low gas prices and a sufficient electricity supply.

Consumers with a peak demand of over 50 kilowatts have GA as a separate line item on their bill.

How am I affected by GA if I am a residential customer?

All electricity consumers pay for GA. For small business and residential consumers who pay for electricity on the Regulated Pricing Plan (RPP), your GA costs are factored into the RPP.

How am I affected by GA if I am on a retail contract?

All electricity consumers pay for GA. Consumers on a retail contract have opted out of the RPP and therefore have GA as a separate line item on their bill.

I've just purchased energy efficiency equipment – why haven't I seen the savings I expected?

Month to month, your energy consumption will change and rates can change, such as the Hourly Ontario Energy Price and the GA. When you purchase new energy efficient equipment, know its reduction in monthly consumption and/or peak demand as well as the amount of hours you operate it. You can then determine what your bill would have been, had you not made the investment. You can't control the rates on your bill, but you can control your energy use. And by reducing kilowatt-hours and/or kilowatts, you are saving money.

I'm a Class A consumer – how does that impact GA?

Customers with a monthly peak demand over 5 megawatts (MW) are designated as 'Class A' consumers. A determination of Class A consumers is made by taking their peak demand for each month in the base period and determining if the average of those peaks is over 5 MW.

Class A consumers are assessed their portion of GA costs based on the percentage that their peak demand contributes to the top five Ontario system peaks. For example, if a Class A consumer is assessed to be responsible for one per cent of Ontario's peak demand for the five highest hours of the base period they will be charged for one per cent of the total GA costs through the subsequent billing period. Class A consumers receive an annual notification from their utility with their percentage of peak demand, called the peak demand factor.

Current peak demands and forecast demand information is available at www.ieso.ca/peaktracker.

The Independent Electricity System Operator is the not-for-profit organization that manages the reliability of Ontario's power system and operates the wholesale market. The IESO works with consumers paying the market price to help them manage their bottom line costs. For more information please contact IESO Customer Relations at 1.888.448.7777 or customer.relations@ieso.ca