

Understanding Global Adjustment

Consumers who pay market prices or have signed a retail contract for electricity will see a line for Global Adjustment (GA) on their electricity bill. The GA was established by the Ontario government in 2005 to cover the cost of providing adequate generating capacity and conservation programs for Ontario.

What is the Global Adjustment?

The global adjustment is set monthly to reflect:

- The differences between the wholesale market price for electricity, known as Hourly Ontario Energy Price (HOEP) and:
 - Regulated rates for Ontario Power Generation's nuclear and hydroelectric generating stations
 - Payments for building or refurbishing infrastructure such as gas-fired and renewable facilities and other nuclear, as well as the contracted rates paid to a number of generators across the province
- The cost of delivering conservation programs

The GA varies from month to month, responding to changes in the HOEP compared to contract prices. Generally speaking, when the HOEP is lower, the GA is higher to cover additional costs for the items referenced above. The GA rate is also impacted when new projects come into service, contract payments take effect or as a result of changes in Ontario electricity demand. The IESO's website reports month-by-month information on the various components of the Global Adjustment and is available at www.ieso.ca/GA-costs.

How am I charged for Global Adjustment?

All Ontario electricity customers pay for Global Adjustment. Residential and small business customers being billed by an LDC using time-of-use (TOU) rates have GA costs embedded within those TOU prices. The Ontario Energy Board reviews TOU prices and tiered rates every six months.

Residential and small customers who have signed a retail contract will see the GA cost as a separate line item on their bill. When you sign a retail contract, it covers the commodity portion of electricity. You will also be charged GA based on your consumption. Your retailer can provide more information about your contract.

The IESO establishes a monthly GA rate based on GA costs and Ontario electricity demand. The IESO provides three variations of the GA rate that local distribution companies use for customer billing depending on the LDC billing cycle – the rate used does not affect the overall amount you pay for GA over time. Here is the methodology of how the Global Adjustment rates are calculated:

1st Estimate

- The 1st Estimate for a given month comprises three components - an estimate of the GA costs based on the previous month, an estimate of Ontario demand for the given month, and a true-up accounting for the difference between the previous month's 1st Estimate and the Actual rate.
- The 1st Estimate for the upcoming month is published on the last business day of the preceding month. For example, the 1st Estimate for April is published at the end of March.

2nd Estimate

- The 2nd Estimate is a separate calculation based on actual GA costs and demand information available at the time it is published, an estimate for GA and demand for the remaining days of the month, and a true-up accounting for the difference between the previous month's 2nd Estimate and the Actual rate.
- The 2nd Estimate for a given month is published on the last business day of that month. For example, the 2nd Estimate for April is published at the end of April.

Actual

- The Actual rate, based on actual electricity demand and GA costs, is published on the tenth business day of each month for the preceding month. For example, the Actual rate for April is published on the tenth business day of May.

Your LDC will be able to tell you which variation of the GA they bill on. Customers billed by their LDC on the 1st Estimate will see more swings from month to month. The 1st Estimate is based on the best information available when it is calculated.

I'm a Class A customer. How does that impact my Global Adjustment?

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.

Details on Class A customer eligibility is available by visiting: <http://www.ieso.ca/sector-participants/settlements/global-adjustment-class-a-eligibility> or emailing the IESO at customer.relations@ieso.ca.