

# Global Adjustment Deferral

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Webinar - May 8, 2020

*Revised May 25, 2020*

# Meeting Objectives

- Provide Local Distribution Companies (LDCs) with an overview of the recently announced deferral of a portion of Global Adjustment (GA) charges for electricity consumers that do not participate in the Regulated Price Plan (RPP) for the period starting from April 2020.
- Discuss implementation and process considerations for LDCs and how the IESO will provide assistance through the implementation of the deferral.

# Webinar logistics

- If you are experiencing audio difficulties, use this number for listen only:

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- Use the webinar Q&A section to submit questions
- Webinar presentation will be posted for reference on the LDC extranet

# Context

- The outbreak of COVID-19 has led to a decrease in electricity demand in Ontario
- This decrease in demand will push the unit GA rate up and also the total GA amount to a smaller degree
- In order to alleviate the impacts of increasing GA on Class B non-RPP and Class A customers, the Ontario government passed an emergency order on May 1, 2020
- The emergency order applies to non-RPP Class B and Class A customers for April, May and June\* 2020
- The emergency order does not apply to Regulated Price Plan (RPP) customers which includes TOU and Tiered. For additional guidance on RPP vs non-RPP, please consult with the OEB.

\* Pending amendments to O.Reg. 429/04

# Overview of the Global Adjustment Deferral

- GA deferral will apply for the 1<sup>st</sup> and 2<sup>nd</sup> estimates and actual GA for each of April, May and June 2020\*
- GA Class B rate has been capped at \$115/MWh
  - Class B rates may be lower than the set rate of \$115/MWh. The posted rate should be used for billing purposes per usual
  - Applies to all non-RPP Class B customers
  - Customers who have signed with a retailer will also benefit
- Class A customers will receive same percentage reduction in GA charges as non-RPP Class B customers

**Because the April 1<sup>st</sup> estimate was published prior to the passing of the emergency order, the 1<sup>st</sup> estimate for May was calculated as \$92.93 in order to take into account those customers who received bills from LDCs based on the April 1<sup>st</sup> estimate. No additional adjustment is required for non-RPP Class B customers billed at the April 1<sup>st</sup> estimate.**

# Key Dates

- April and May 2020: GA capped at \$115/MWh per May 1 Emergency Order
- June 2020: GA capped at \$115/MWh pending changes to O. Reg. 429/04
- July 2020: GA to be calculated as it was prior to the GA deferral (including March 2020 true up estimates)
- 2021: Deferred GA costs recovered. As such, Class A and non-RPP Class B consumers could potentially see an increase in their Global Adjustment (GA) costs over a 12-month period.
  - Interest costs related to the deferral will not be recovered from consumers

# Deferral Calculations - Terms & Definitions

- The term “**unadjusted**” will be used to refer to dollar amounts and rates as they would have been calculated had the emergency order not been put in place.
- The term “**adjusted**” will be used to refer to dollar amounts and rates as set in accordance with the emergency order (EO).
- The term “**deferral adjustment ratio**” is the ratio between the adjusted total non-RPP Class B dollars and the unadjusted total non-RPP Class B dollars for a given month. This is the reduction that Class B non-RPP and Class A receive for the same settlement month.
- The “**non-RPP Class B MWh**” is determined by subtracting the RPP Tiered MWh and the RPP TOU MWh from the Total Class B MWh for a given month. The Tiered MWh and the RPP TOU MWh are submitted by LDCs through Online IESO during the preliminary and final LDC submission windows for monthly settlement claims.
- The deferral calculation examples provided in the subsequent slides are based on March 2020 GA dollar amounts and rates.

# Comparison of Adjusted and Unadjusted Rates

## Adjusted

| Month | 1 <sup>st</sup> Estimate (\$/MWh) | 2 <sup>nd</sup> Estimate (\$/MWh) | Actual (\$/MWh) |
|-------|-----------------------------------|-----------------------------------|-----------------|
| April | 137.07                            | 115.00                            | 115.00          |
| May   | 92.93                             | 115.00                            | 115.00          |
| June  | 115.00                            | 115.00                            | 115.00          |

## Unadjusted

| Month | 1 <sup>st</sup> Estimate (\$/MWh) | 2 <sup>nd</sup> Estimate (\$/MWh) | Actual (\$/MWh) |
|-------|-----------------------------------|-----------------------------------|-----------------|
| April | 137.07                            | 169.27                            | TBD             |
| May   | 179.10                            | TBD                               | TBD             |
| June  | TBD                               | TBD                               | TBD             |

Posted rates will continue to be published on regular schedule.

Class B rates may be lower than \$115/MWh



# Class B Deferral Calculations

- Example Calculation of Total Unadjusted non-RPP Class B Dollars

$$\text{Unadjusted non RPP Class B \$} = \frac{\text{Total non RPP Class B MWh}}{\text{Total Class B MWh}} * \text{Total Unadjusted Class B \$}$$

$$\text{Unadjusted non RPP Class B \$} = \frac{2,781,179.84 \text{ MWh}}{8,048,710.961 \text{ MWh}} * (-\$960,761,412.84)$$

$$\text{Unadjusted non RPP Class B \$} = -\$331,984,871.29$$

- Example Calculation of Total Adjusted non-RPP Class B Dollars

$$\text{Adjusted non RPP Class B \$} = \text{Total non RPP Class B MWh} * \text{Adjusted Class B Rate}$$

$$\text{Adjusted non RPP Class B \$} = 2,781,179.84 \text{ MWh} * (-\$115/\text{MWh})$$

$$\text{Adjusted non RPP Class B \$} = -\$319,835,681.60$$

# Class B Deferral Calculations

- **Example Calculation of Class B Deferral Amount**

*Class B Deferral Amount*

*= Total Unadjusted non RPP Class B \$ – Total Adjusted non RPP Class B \$*

*Class B Deferral Amount = –\$331,984,871.29 – (–\$319,835,681.60)*

*Class B Deferral Amount = –\$12,149,189.69*

*Class B Deferral Amountd = \$12,149,189.69*

- **Example Calculation of Adjusted Class B Total Dollars**

*Adjusted Class B Total \$ = Total Unadjusted Class B Total \$ – Class B Deferral Amount*

*Adjusted Class B Total \$ = (–\$960,761,412.84) – (–\$12,149,189.69)*

*Adjusted Class B Total \$ = –948,612,223.15*

# Class B Deferral Calculations

- Example Calculation of Adjusted LDC Class B Charge

$$\text{LDC Class B Deferral Adjustment} = \text{Class B Deferral Amount} * \frac{\text{LDC non RPP Load}}{\text{Total non RPP Class B MWh}}$$

$$\text{LDC Class B Deferral Adjustment} = \$12,149,189.69 * \frac{100,000\text{MWh}}{2,781,179.840\text{MWh}}$$

$$\text{LDC Class B Deferral Adjustment} = \$436,835.82$$

On the month-end preliminary settlement statement, the LDC would see a detail record ('DP' record type) for its unadjusted Class B charge under CT 148.

The LDC would also see a manual record ('MP' record type) for the deferral credit of \$436,835.82 under CT 148. The manual record will contain "Non-RPP Class B Deferral Amount as per Emergency Order" in the adjustment comment field.

# Deferral Calculations

- Example Calculation of Deferral Adjustment Ratio

$$\text{Deferral Adjustment Ratio} = \frac{\text{Total Adjusted non RPP Class B \$}}{\text{Total Unadjusted non RPP Class B \$}}$$

$$\text{Deferral Adjustment Ratio} = \frac{-\$319,835,681.60}{-\$331,984,871.29}$$

$$\text{Deferral Adjustment Ratio} = 0.963404387546964$$

# Class A Deferral Calculations

- **Example Calculation of Adjusted Class A Total Dollars**

*Adjusted Class A Total \$ = Unadjusted Class A Total \$ \* Deferral Adjustment Ratio*

*Adjusted Class A Total \$ = -\$207,078,416.74 \* 0.963404387546964*

*Adjusted Class A Total \$ = -\$199,500,255.25*

- **Example Calculation of Class A Deferral Amount**

*Class A Deferral Amount = Unadjusted Class A Total \$ – Adjusted Class A Total \$*

*Class A Deferral Amount = -\$207,078,416.74 – (-\$199,500,255.25) = -\$7,578,161.49*

- **Example Calculation of Adjusted LDC Class A Charge**

*Adjusted LDC Class A Charge = Unadjusted Class A Charge \* Deferral Adjustment Ratio*

*Adjusted LDC Class A Charge = -\$10,000,000.00 \* 0.963404387546964*

*Adjusted LDC Class A Charge = -\$9,634,043.88*

On the month-end preliminary settlement statement, the LDC would see a detail record ('DP' record type) for a charge of -\$10,000,000 under CT 147.

The LDC would also see a manual record ('MP' record type) for a credit of \$365,956.12 under CT 147. The manual record will contain "Class A Deferral Amount as per Emergency Order" in the adjustment comment field.

# Deferral Calculations - Summary

|                                  |                   |                                  |                   |                   |              |
|----------------------------------|-------------------|----------------------------------|-------------------|-------------------|--------------|
| Unadjusted Class A Total \$      | -207,078,416.74   |                                  |                   |                   |              |
| Total Class A MWh                | 3,348,675.02      |                                  |                   |                   |              |
| Month)                           | -\$961,320,521.63 |                                  |                   |                   |              |
| Total Class B MWh                | 8,048,710.96      |                                  |                   |                   |              |
| Total RPP Class B MWh            | 5,267,531.12      |                                  |                   |                   |              |
| Total non-RPP Class B MWh        | 2,781,179.84      |                                  |                   |                   |              |
| Class B Prior Period Adjustments | \$559,108.79      |                                  |                   |                   |              |
| Unadjusted Class B Total \$      | -\$960,761,412.84 |                                  |                   |                   |              |
|                                  |                   |                                  |                   |                   |              |
|                                  |                   |                                  | Class B           | Class A           |              |
| Adjusted Class B Rate (\$/MWh)   |                   | Unadjusted RPP Class B Total \$  | -\$628,776,541.55 |                   | Total GA \$  |
| -115                             |                   | Adjusted Non-RPP Total \$        | -\$319,835,681.60 | -\$199,500,255.25 | Adjusted =   |
|                                  |                   | Unadjusted Total GA \$           | -\$960,761,412.84 | -\$207,078,416.74 | Unadjusted = |
|                                  |                   | Deferral Adjustment Ratio        | 0.963404387546964 | 0.963404387546964 | Delta =      |
|                                  |                   |                                  |                   |                   |              |
|                                  |                   | Total Deferral Amount            | -\$12,149,189.69  | -\$7,578,161.49   |              |
|                                  |                   | Total Distribution Amount to MPs | \$12,149,189.69   | \$7,578,161.49    |              |

\* Note that the Unadjusted Total GA \$ has been updated to only include the GA \$ for the current month (i.e. it does not contain the Class B Prior Period Adjustment amount).

# Class A Deferral Calculations

- Example Calculation of Adjusted LDC Class A Consumer Charge

LDCs can distribute the Class A deferral adjustment to its Class A customers using the same calculation that the IESO used to determine the LDC's deferral adjustment:

*Adjusted Class A Consumer Charge*

*= (Total Unadjusted GA \$ \* Deferral Adjustment Ratio) \* Consumer PDF*

*Adjusted Class A Consumer Charge = (-\$1,168,398,938.37 \* 0.963404387546964) \* 0.00012345*

*Adjusted Class A Consumer Charge = (-\$1,125,640,663.63) \* 0.00012345*

*Adjusted Class A Consumer Charge = -\$138,960.34*

**LDC's using 2nd estimate GA Total to bill their Class A consumers must include the deferral adjustment ratio into their billing calculation on a subsequent bill to pass along the deferral reduction.**

# Global Adjustment Publication of Data (illustrative)

## Global Adjustment Estimates and Actual Rates\*

The 1st, 2nd estimate and actual rates for Class B customers are posted below in MWh.

|                       | 2020 | Jan    | Feb    | Mar    | Apr*   | May*  | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|-----------------------|------|--------|--------|--------|--------|-------|-----|-----|-----|-----|-----|-----|-----|
| 1st Estimate (\$/MWh) |      | 83.23  | 124.51 | 104.32 | 137.07 | 92.93 |     |     |     |     |     |     |     |
| 2nd Estimate (\$/MWh) |      | 99.93  | 114.35 | 112.12 | 115.00 |       |     |     |     |     |     |     |     |
| Actual Rate (\$/MWh)  |      | 102.32 | 113.31 | 119.42 |        |       |     |     |     |     |     |     |     |

To provide immediate, temporary relief on electricity bills, the Ontario government has deferred a portion of Global Adjustment charges starting from April 2020.

- The Class B rate will not exceed \$115/MWh.
- The Class B 1st estimate for April 2020 was set prior to the government's announcement. A lower 1st estimate of \$92.93/MWh for May 2020 has been calculated to offset the higher April rate for these customers.
- Class A customers will receive the same percentage reduction in their Global Adjustment charges each month as Class B customers.

Note: the table below will live in an accordion.

## \*Global Adjustment Estimates and Actual Rates without Deferral

Unadjusted 1st, 2nd estimate and actual rates for Class B customers without consideration for GA deferral as per the Emergency Order.

|                                  | 2020 | Jan | Feb | Mar | *Apr   | *May   | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|----------------------------------|------|-----|-----|-----|--------|--------|-----|-----|-----|-----|-----|-----|-----|
| Unadjusted 1st Estimate (\$/MWh) |      |     |     |     | 137.07 | 179.10 |     |     |     |     |     |     |     |
| Unadjusted 2nd Estimate (\$/MWh) |      |     |     |     | 169.27 |        |     |     |     |     |     |     |     |
| Unadjusted Actual Rate (\$/MWh)  |      |     |     |     | TBD    |        |     |     |     |     |     |     |     |
| Deferral Adjustment Ratio        |      | -   | -   | -   | TBD    |        |     |     |     |     |     |     |     |



# Summary

- \$115/MWh GA cap applies to non-RPP Class B and the equivalent percentage reduction for Class A customers for April, May and June 2020\*
  - includes customers who have signed with a retailer
- May 1<sup>st</sup> estimate of \$92.93/MWh takes into account the April 1<sup>st</sup> estimate of \$137.07, which was set prior to the passing of the emergency order. LDC's continue to bill customers on 1<sup>st</sup> estimate, if applicable
- LDC's using 2<sup>nd</sup> estimate GA Total to bill Class A customers must include the deferral adjustment ratio into their billing calculation on a subsequent bill to pass along the deferral reduction
- In July 2020, GA to be calculated as it was before the GA deferral Emergency Order and will include March estimate true up
- Deferred GA costs to be recovered over a 12-month period in 2021\*

# Closing

- All LDC customers should contact their LDC for questions about their specific situation
- Webinar presentation will be posted for reference on the LDC extranet
- Please contact [customer.relations@ieso.ca](mailto:customer.relations@ieso.ca) if you have further questions