



NOVEMBER 2020

Industrial Conservation Initiative (ICI) Overview

Agenda

- Initiative Overview and Settlement
- Class A Eligibility
- ICI Timelines
- Defining the Peaks



Initiative Overview and Settlement

Definitions

- **Global Adjustment (GA):** electricity bill component that covers cost of building new electricity infrastructure in province, maintaining existing resources, and providing conservation and demand management programs
- **Class B:** customers that pay GA based on amount of electricity they consume in a month (kWh)
- **Class A:** customers participating in the ICI

Definitions (cont.)

- **Peak Demand Factor (PDF):** Class A customer's percentage contribution to top five peak Ontario demand hours in base period; LDC's PDF is sum of all Class A customers' PDFs
- **Base period:** May 1-April 30; the period of time when a Class A customer's consumption is assessed to determine their contribution to the top five peak Ontario demand hours, and determine their PDF
- **Adjustment period:** July 1-June 30; the billing period when a Class A customer pays GA based on their PDF from the previous base period

Overview

- ICI first launched in 2010 by Government of Ontario; Regulatory framework for Global Adjustment and ICI is set out in [Ontario Regulation 429/04](#) under *Electricity Act, 1998*
- Changes to rules and requirements of GA and/or ICI must be done by Minister of Energy, Northern Development and Mines through Cabinet-approved regulatory amendment; IESO is settlement agent
- [ICI Backgrounder and FAQs](#) available online

What is ICI?

- Eligible customers sign up and reduce their demand on the top 5 ON peaks in a 12-month period (base period) and then pay a reduced GA for the following 12-month period (adjustment period)

ICI Calendar

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------|-----|-----|-----|-----|-----|---------------|-------------------|-----|-----|-----|-----|-----|
| 2019 | | | | | | BASE PERIOD → | | | | | | |
| 2020 | | | | | | | ADJUSTMENT PERIOD | | | | | |
| 2021 | | | | | | | | | | | | |

OPT IN/OPT OUT

How to calculate a Class A customer's PDF

| Peak | Day | Hour | Customer's Consumption (MWh/h) | Peak System Consumption (MWh/h)* |
|-------|-------------------|-------|--------------------------------|----------------------------------|
| 1 | September 5, 2018 | HE 17 | 3.1 | 23,627.020 |
| 2 | July 5, 2018 | HE 15 | 4.4 | 23,833.718 |
| 3 | July 4, 2018 | HE 18 | 3.9 | 22,857.046 |
| 4 | August 28, 2018 | HE 17 | 4.1 | 22,713.159 |
| 5 | September 4, 2018 | HE 17 | 4.3 | 22,182.487 |
| TOTAL | | | 19.8 MW/h | 115,213.430 |

$$\text{PDF} = 19.8 / 115,213.430 = 0.00017185$$

*Must use [IESO Coincident Peak data](#)

How LDCs settle Class A customers

- Charge type 147 on monthly IESO invoice is system-wide GA multiplied by LDC's PDF
- LDCs divide monthly charge amongst their Class A customers, based on each Class A customer's PDF
- See detailed sections of preliminary and final settlement statements for the last day of each month (e.g. details on December Class A charge in December 31 preliminary and final statements)
- LDCs access invoices and settlement statements through the confidential IESO Reports site

How to calculate GA for a Class A customer

- Multiply the monthly, Ontario-wide total GA costs by customer's PDF
- E.g., The system-wide GA costs for February 2020 were \$1,136.5M.
Using the PDF in the earlier example:
$$\$1,136.5\text{M} \times 0.00017185 = \$195,307.53$$
 (customer's Class A GA charge for February 2020)
- Total GA can be found on [IESO's global adjustment webpage](#)

Class A Eligibility

Eligibility Criteria (full details: Ontario Regulation 429/04)

- Same Host Distributor
- Peak Demand Threshold
- No Net Generation
- Facility Load Aggregation
- Facility Information and Consent
- Continued Status



ICI Key Dates

ICI Key Dates

- **April 1 - April 15:** LDCs submit Class A load (minus eligible cogeneration injections), embedded generation and energy storage injection volumes through the Coincident Peak form through Online IESO
- **April 30:** Current base period ends
- **May 1:** The IESO will post the total system-wide consumption volumes for the top 5 peaks so that LDCs can begin calculating their customers' PDFs
- **May 20:** IESO provides LDCs with their PDFs

ICI Key Dates (cont.)

- **May 20:** IESO provides LDCs with their PDFs
- **May 29:** Deadline for LDCs to provide eligible customers with their PDFs
- **June 15:** Deadline for eligible customers to opt in/out of the ICI
- **June 15 - June 30:** Deadline for LDCs to revise coincident peak data based on their customers' opt-in / opt-out decisions
- **July 1:** Adjustment period starts

Changes in 2020

- **May 1:** IESO posted total system-wide consumption volumes for top 5 peaks (14 days earlier than previous years)
- **June 15-30:** New opt-in/opt-out period (9 days longer than previous years)

Changes in 2020—COVID-19 response

- **May 28:** Government amended the Regulation; Class A customers that did not qualify based on their average monthly peak demand using the 12-month base period may still qualify with a 10-month base period ending February 29, 2020. This allows a customer whose demand dropped below the threshold as a result of the COVID-19 pandemic to still qualify for Class A status. The amendment also extended the GA deferral through to the end of June 2020.

Changes in 2020—COVID-19 response (cont.)

- **June 26:** Government amended Regulation and introduced a mandatory ICI peak hiatus for ICI participants to allow businesses to focus on recovering from the impacts of COVID-19. The peak hiatus applies to Class A customers participating in the 2020-2021 base period. These customers will have their PDF from 2019-2020 base period used to determine their GA charges in the 2021-2022 adjustment period. Class B customers wishing to participate in the ICI during the 2021-2022 adjustment period would have their PDF assessed based on their peak hours consumption contribution during the 2020-2021 base period.

Changes in 2020—COVID-19 response (cont.)

- The Ontario Energy Board guidance on the regulation amendments is available [here](#).
- Ontario Regulation 429/04 was amended via Ontario Regulation 335/20.
- For additional information, refer to the Ministry's [news release here](#).

Coincident Peak Data Submission

- To calculate the final values for the top five peak demand hours for each base period, the IESO requires the following data from LDCs:
 - Coincident generation values for embedded generation
 - Coincident consumption (with losses) for Class A consumers minus eligible cogeneration injections, and
 - Coincident energy injection values for Energy Storage

Coincident Peak Data Submission (cont.)

- Data for 2019/2020 base period is to be submitted through [Online IESO](#) between **April 1 and April 15** (see page 48 of the [Guide to Settlements Claims and Data Submissions](#)); all fields mandatory
- LDCs without Class A customers in current adjustment period must still report on embedded generation and energy storage injection data
- Class A data is used to calculate “draft” PDF that LDCs receive from IESO in May. Embedded generation and energy storage injection data is used to calculate final, system-wide consumption values for top five peak hours and calculate PDFs

Coincident Peak form

Settlement Claim Submissions (IESO)

Coincident Peak Data for Class A Consumer Consumption, Embedded Generation and Energy Storage

Organization Name

Settlement Period May 1, 2019 - Apr 30, 2020

Organization ID

Submission Window Apr 1, 2020 - Apr 15, 2020

Date Submitted

Submitter ID

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Coincident Peak

| # | Date | Hour Ending (HE) | Embedded Generation (kWh) | Class A Consumer Consumption Minus Eligible Cogeneration Injections (kWh) | Energy Storage Injected (kWh) |
|---|--------------|------------------|---------------------------|---|-------------------------------|
| 1 | Jul 5, 2019 | 17 | | | |
| 2 | Jul 20, 2019 | 17 | | | |
| 3 | Jul 29, 2019 | 17 | | | |
| 4 | Jul 19, 2019 | 12 | | | |
| 5 | Jul 4, 2019 | 18 | | | |

Class A Consumer Data

Number of Class A consumers with peak demand between 0.5 and 1 MWs

Number of Class A consumers with peak demand between 1 and 5 MWs

Number of Class A consumers with peak demand greater than 5 MWs

Opt-in/Opt-out Deadline

- Qualifying customers in the 500 kW – 1 MW range and >1 MW and ≤5 MW range that wish to participate will need to **opt-in** to the ICI by June 15, 2020, unless the conditions in the subsection below are satisfied from Ontario Regulation 429/04 :

500 kW – 1 MW range: Section 6.1.1, subsection (1.2)

>1 MW and ≤5 MW range: Section 6.1.1, subsection (1.1)

- Consumers >5 MW are automatically enrolled and will need to **opt-out** of the ICI by June 15, 2020
- Consumers that opt-in will be billed as Class A starting July 1, 2020 (i.e., the beginning of the next adjustment period)

Peak Demand Factor Revisions

- If a Class A-eligible customer chooses not to participate in the ICI, the host LDC must resubmit the coincident peak form to the IESO to reflect the change
- If the LDC submission window is still open, the LDC can resubmit their data through [Online IESO](#). If the submission window has closed, the LDC must send a request, including explanation for missing submission window, to settlement.pdf@ieso.ca for the submission window to be re-opened

Peak Demand Factor Revisions (cont.)

- The IESO will then notify the LDC when the window is open for the revised data to be submitted
- This must be completed by **June 30, 2020**
- The IESO will subsequently provide the LDC with its revised peak demand factor, which will be used for monthly settlements for the upcoming adjustment period



Defining the Peaks

Peak Determination

- The top five hours of peak demand in a year are those occurring on different days in which the greatest number of MWh of electricity was withdrawn from the IESO-controlled grid by all market participants in Ontario
- The measurement for this is allocated quantity of energy withdrawn (AQEW)

Peak Determination (cont.)

- For the ICI only, the regulation requires that the following volumes be subtracted from the AQEW:

AQEW
(allocated quantity of energy withdrawn):
Verified value representing the actual quantity of electricity withdrawn from the grid

-

Amounts withdrawn from the grid at Sir Adam Beck PGS

Amounts withdrawn by Fort Frances Power Corp under its physical bilateral contract with Abitibi Consolidated Hydro

Amounts related to the provision of ancillary services

PDF Values

- PDFs are calculated based on overall consumption, not simply the amount withdrawn from the IESO-controlled grid (i.e., AQEW)
 - This means generation consumed (i.e., embedded generation) and energy storage injections at the distribution level must also be included in the total values used to calculate PDFs

PDF Values (cont.)

- PDF =

AQEW
(allocated quantity of energy withdrawn):
Verified value representing the actual quantity of electricity withdrawn from the grid

-

Amounts withdrawn from the grid at Sir Adam Beck PGS

Amounts withdrawn by Fort Frances Power Corp under its physical bilateral contract with Abitibi Consolidated Hydro

Amounts related to the provision of ancillary services

Energy storage injections:
Reported by LDCs each April

+

Embedded generation:
Reported by LDCs each April

Notes on Predicting Peaks

- The peaks are predicted using Ontario Demand values but are confirmed using AQEW values.
- An hour may appear to be one of the top five based on Ontario Demand values but may be bumped out when the corresponding AQEW is available 20 days later.
- The IESO's website has a [general page on the global adjustment](#) and a [separate page for Class A customers](#)
- There are also resource materials available to help LDCs support their Class A customers and administer the ICI



Questions?



Appendix A: Global Adjustment

Global Adjustment Overview

- The global adjustment (GA) is a cost recovery mechanism that was introduced in 2005 as a way of ensuring that generators could recover their investment or capacity costs not covered through market revenues.
- It now recovers costs related to contracted and regulated generation and conservation and demand management programs.
 - Generators are paid through the market first, then compensated later through the GA to meet their regulated or contracted rates

Global Adjustment Overview (cont.)

- The regulatory framework for the GA and the ICI is set out in Ontario Regulation 429/04 under the *Electricity Act, 1998*
- Changes to the rules and requirements of the GA and ICI must be done by the Minister of Energy through a Cabinet-approved regulatory amendment.

Global Adjustment Settlement

- The IESO allocates the total GA amount between Class A and Class B customers as follows:
 1. Separate out the amount Class A customers owe by multiplying the system-wide global adjustment costs by their combined peak demand factors
 2. Divide the rest between Class B customers based on their consumption, represented by their allocated quantity of energy withdrawn (AQEW)

Global Adjustment Settlement (cont.)

- LDCs with Class A customers receive both Class A (Charge type 147) and Class B (Charge type 148) charges, which they must then allocate amongst their customers accordingly
 - The Class A amount is calculated using the combined peak demand factors of the LDC's Class A customers
 - The Class B amounts are allocated to each LDC based on its AQEW plus the embedded generation in its service territory that offset its load that month (reported to the IESO by LDCs shortly after month-end)

Monthly Global Adjustment Breakdown

- The IESO publishes [a breakdown of the GA by component](#) in the Monthly Market Summaries

