Tariff Response Charge – Background and FAQ

March 11, 2025 *(Updated March 12, 2025)*

Background

Update: March 12, 2025
Following the Premier's statement on March 11, 2025 and the receipt of the new letter from the Minister of Energy and Electrification, the IESO has immediately suspended the implementation of the new Tariff Response Charge on all exports of electricity from Ontario's electricity market to U.S. jurisdictions.

The urgent Market Rule Amendments will remain in place with the Tariff Response Charge set to $0, subject to further change at the Minister's direction. The IESO will endeavour to update Market Participants and interested parties if additional direction is received and results in any potential impacts or changes to the Tariff Response Charge.

Update: March 11, 2025

In accordance with the regulations enacted by the Government of Ontario and at the request of the Minister of Energy and Electrification, the Independent Electricity System Operator (IESO) is implementing a Tariff Response Charge on all exports of electricity from Ontario's electricity market destined for the United States. This charge will be applied to all electricity exports destined for the United States whether flowing directly, or through another Canadian jurisdiction, beginning on March 10, 2025.

The IESO has introduced a new rule into Ontario's electricity market (known as a Market Rule) that allows the IESO to charge any electricity Market Participant who is exporting electricity destined to the United States, an additional charge of $10/MWh, on top of the cost of the exported electricity. This charge is known as the Tariff Response Charge (Charge Type 1830). The Tariff Response Charge is expected to be passed along to the US entity who is importing that electricity from Ontario. As such, the charge will only appear on invoices or settlement statements of those Market Participants conducting exports.

This charge will only impact Market Participants executing export transactions destined to the United States directly or indirectly via a neighbouring Canadian jurisdiction.

Charge Types and Settlement Impacts

Charge Type (CT) 1830: Tariff Response Charge for Exports

CT 1830 is an hourly charge. Therefore, impacted Market Participants will see these charges on their daily settlement statements.

CT 1830 came into effect for all eligible export transactions on March 10, 2025, commencing on Hour Ending (HE) 12, with the amount of the charge established by the Minister of Energy and Electrification.

As exports are scheduled hourly, any exporting participant will receive 12 energy charges and a Tariff Response Charge in the hour for each scheduled export.

Formula:

$$CT\ 1830_{k,h^i} = (-1) * (\text{EXPORT_MW}_{k,h^i}) * (PRICE_i)$$

Where:

- k = the Market Participant
- i = the intertie metering point
- h = the Settlement hours
- PRICE = the Intertie Tariff Response price
- EXPORT_MW = the hourly scheduled quantity

Illustrative Example

Export Quantity: 100 MW from Ontario to New York

Intertie Price: $40.00/MW at the ONZN - NYSI interface for all intervals in the hour

Without Tariff Response Charge:

- CT 1113 (Real-Time Energy Settlement Amount for Exports)
    - 100 MW * ($40/MW) = -$4000.00 (charge to exporter)
    - Total Settlement for 100 MW export to New York = -$4000.00

With an illustrative $10/MWh Tariff Response Charge:

- CT 1113 (Real-Time Energy Settlement Amount for Exports)
    - 100 MW * ($40/MW) = -$4000.00 (charge to exporter)

- CT 1830 (Tariff Response Charge for Exports)
    - 100 MW * ($10/MW) = -$1000.00 (charge to exporter)
- Total Settlement for 100 MW export to New York = -$5000.00

The Preliminary Settlement Statement (PSS) for March 10 will be issued on March 24. The March 10 PSS will contain CT 1830 for impacted Market Participants (i.e., those exporting to the United States).

Charge Type (CT) 1880: Tariff Response Charge for Exports Balancing Amount

An additional charge type, CT 1880 has been introduced as the corresponding balancing charge type to pair with CT 1830. CT 1880 enables a balancing payment that disburses proceeds from CT 1830, charged on exports to eligible US intertie zones. The IESO is awaiting further direction from the government regarding the use of the funds collected.

Formula:

$$CT\ 1880_{h} = (-1) * (TD_{CT\ 1830})$$

Where:

- $TD_{CT\,1830}$ = Total dollars collected through the tariff charge CT 1830

Frequently Asked Questions (FAQs)

The following list of FAQs may be updated as the IESO receives additional questions to provide Market Participants and interested parties with greater clarity on the Tariff Response Charge and its implementation.

1. Who is paying the Tariff Response Charge?

The US entity importing electricity from Ontario will pay the full cost of the exported electricity, which will include the Tariff Response Charge. This full amount will be paid to the electricity Market Participant who exported the electricity. The IESO will then collect the Tariff Response Charge from that Ontario electricity Market Participant on behalf of the Government of Ontario.

2. What happens to the revenue generated by the Tariff Response Charge?

At this time, the IESO is required to hold any revenue generated by the Tariff Response Charge until it receives further direction from the Government. For further information please contact the Ministry of Energy and Electrification.

3. When will Ontario begin to generate revenue from the Tariff Response Charge?

Ontario began to generate revenue from the Tariff Response Charge on March 10, 2025 and for the period of time during which the charge was effective, as directed by the Minister of Energy and Electrification. Ontario's electricity market is invoiced monthly, with revenues from the Tariff Response Charge accrued throughout each month. For example, revenue generated by the Tariff Response Charge for the month of March will be collected by the middle of April.

4. Will the Tariff Response Charge apply if the power is "wheeled through" another jurisdiction (i.e., Quebec or Manitoba) but destined for the United States?

Yes. Exports of electricity from the Ontario market destined for US jurisdictions, including any amount which flows through another jurisdiction such as Quebec or Manitoba, will be subject to the Tariff Response Charge.

5. What if the exports occur at negative pricing?

The Tariff Response Charge is set as an amount per MWh, so it will apply regardless of the export price

6. Why is the IESO utilizing a flat fee and not a percentage-based charge?

The structure of the Tariff Response Charge is based on government direction. The amount is subject to change and is established by the Minister of Energy and Electrification.

7. Can the Tariff Response Charge be changed or revised again in the future?

The IESO can set the Tariff Response Charge to any amount per MWh established by the Minister of the Energy and Electrification.

8. What is the status of the revenue collected by the IESO while the $10/MWh Tariff Response Charge was in effect?

The IESO has accrued revenues from the Tariff Response Charge when it was set at $10/MWh, effective between HE 12 on March 10, 2025 and HE 16 March 11, 2025.

Ontario's electricity market is settled on a monthly basis with revenues from the Tariff Response Charge accrued throughout each month. Revenue generated by the Tariff Response Charge for the month of March will be collected by the middle of April, and the IESO is required to hold the funds until it receives further direction from the Government of Ontario. For additional information please contact the Ministry of Energy and Electrification.