

# Deferral of Global Adjustment Charges

## Questions and Answers – *last updated June 3, 2020*

### Deferral of Global Adjustment Charges

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To provide companies with temporary immediate relief on their electricity bills, the Ontario government is deferring a portion of Global Adjustment (GA) charges for industrial and commercial electricity customers that do not participate in the Regulated Price Plan (RPP), starting from April 1, 2020 and through June 2020<sup>1</sup>. The GA rate for smaller industrial and commercial customers (i.e., Class B) will not exceed \$115 per megawatt-hour, which is roughly in line with the March 2020 value. Large industrial and commercial customers (i.e., Class A) will receive the same percentage reduction in GA charges as non-RPP Class B customers.

Industrial and commercial electricity customers will automatically see this relief reflected on their bills. Customers who have already received their April bill should see an adjustment on a future bill.

The government intends to bring forward subsequent amendments that would, if approved, recover the deferred GA charges (excluding interest) from industrial and commercial electricity customers over a 12-month period beginning in January 2021.

### Questions and Answers

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#### Global Adjustment (GA) Deferral

- Who will this GA deferral impact?
  - The Ontario government has implemented an Emergency Order to defer a portion of GA for all Class A customers and Class B customers who do not pay RPP starting from April 2020 to the end of June 2020. The Class B GA rate will not exceed \$115 per MWh, which is approximately in line with the March 2020 level.
  - Class A customers will receive a reduction in GA charges commensurate with the reduction received each month by non-RPP Class B customers. First, the percentage reduction between unadjusted Class B costs and the adjusted cost

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<sup>1</sup> The Government issued an Emergency Order on May 1, 2020 to announce the deferral and subsequently amended O. Reg. 429/04 (Adjustments under Section 25.33 of the Act) under the *Electricity Act, 1998*.

(capped at \$115/MWh) is calculated. Then, each Class A consumer's GA charge will be reduced by this percentage. See appendix for more details.

- Who will this change not impact?
  - Regulated Price Plan (RPP) customers including Time of Use (TOU) and tiered pricing customers. On April 14, 2020, The Ontario Energy Board (OEB) announced that it will defer setting new electricity prices for households and small businesses under the RPP and not set new summertime electricity prices. Please refer to the [OEB news release](#) for additional information. The government of Ontario extended emergency rate relief for time-of-use electricity customers until May 31, 2020.
  - Starting June 1, 2020, the government of Ontario has introduced a "COVID-19 Recovery Rate" of 12.8¢/kWh for TOU Regulated Price Plan (RPP) customers. This rate, subject to approvals, is intended to be in effect until October 31, 2020.
  
- Will customers be expected to pay back the temporary relief at a later date?
  - The Ontario government intends to propose regulatory amendments (together with other amendments as necessary) to O. Reg. 429/04 made under the *Electricity Act, 1998*, which if approved, would allow IESO to recover the deferred GA charges over a 12-month period beginning in January 2021. Therefore, in 2021, Class A and non-RPP Class B customers could potentially see an increase in their Global Adjustment (GA) costs over a 12-month period. Interest costs related to the deferral would not be recovered from customers.
  
- What will the GA be after June 30, 2020?
  - GA is expected to be calculated as they were prior to the GA relief.
  
- If a customer was billed on the first estimate for April, will they get a refund?
  - The Class B 1st estimate for April 2020 (\$137.07/MWh) was set prior to the government's announcement. A lower 1st estimate rate of \$92.93/MWh for May 2020 has been calculated to offset the higher April rate for these customers.
  - We encourage you to contact your local distribution company (LDC) for questions about your specific situation.
  
- What is the impact to LDC settlement processes?
  - If an LDC bills Class B GA using the monthly 1st estimate they should continue to bill customers using the 1st estimate. Likewise, if an LDC bills Class B GA using the monthly 2nd estimate they should continue to bill customers using the 2nd estimate.
  - LDCs can use the posted estimates which reflect the deferred GA rate for non-RPP Class B customers and the IESO will provide LDCs with settlement information for their Class A customers.

- Will customers served by a retailer qualify for the Global Adjustment reduction?
  - Residential and general service customers enrolled on retail contracts will benefit from the deferral of GA costs, as these consumers are billed GA volumetrically as a separate line item on bills

### **General Demand and Pricing**

- Why are electricity prices going up as demand is going down?
  - Many of the costs in Ontario's electricity system are fixed, including costs to build and maintain existing infrastructure. As Ontarians use less electricity, that can cause GA rates to increase for some customers as the same amount of money needs to be recovered from fewer megawatts. As demand rebounds, these fixed costs – which help ensure that enough electricity supply is available to meet all levels of demand – will spread out.
- What is the IESO doing to reduce costs?
  - The IESO is committed to finding efficiencies and driving down costs to ensure Ontarians benefit from a reliable and affordable electricity system. The IESO has held its fee flat for the last number of years, and is also going through a cost-cutting exercise within its organization.
  - We are also leading efforts to create a more competitive and cost-efficient electricity market. For example, our Market Renewal Program is expected to realize about \$800 million in net benefits over a 10-year time frame.

Please contact IESO Customer Relations at [customer.relations@ieso.ca](mailto:customer.relations@ieso.ca) if you have further questions on the GA deferral.

## Appendix: Class A Deferral Calculations

### How Class A Global Adjustment (GA) is Calculated

$$\begin{array}{ccccccc} \text{System-wide} & & & & \text{NEW STEP} & & \\ \text{GA costs for} & & & & \text{Deferral Adjustment} & & \\ \text{a given} & \times & \text{Your Peak} & \times & \text{Ratio}^* & = & \text{Your GA charge for} \\ \text{month} & & \text{Demand Factor} & & & & \text{the month} \end{array}$$

\*The **Deferral Adjustment Ratio** is the percentage reduction in Class B Global Adjustment costs for the month, ensuring Class A customers receive a commensurate reduction in their GA costs.

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