

Refinancing the Global Adjustment

Refinancing the Global Adjustment (GA) will provide significant and immediate rate relief by spreading the cost of electricity investments over a longer period of time.

Global adjustment definition:

The Global Adjustment (GA) varies from month to month, reflecting the contract terms of different electricity generators and revenues that these generators recover from the wholesale electricity market via the Hourly Ontario Energy Price (HOEP). GA generally reflects the fixed costs of running Ontario's generation fleet, as well as the cost of conservation programs. The GA is instrumental in maintaining a reliable electricity system by ensuring that sufficient generating capacity is available. The Independent Electricity System Operator (IESO) calculates the amount of the GA each month.

Rate Smoothing Mechanism

The majority of the province's electricity generators are under 20-year contracts. Some of these generators will continue to provide value to the electricity system beyond their contract lives. There is an opportunity to recognize the long-term benefit of these assets to the electricity system and "bring forward" that benefit for ratepayers today by deferring some of the current costs. GA refinancing would spread these costs over a longer period and provide immediate ratepayer relief. By recognizing that some generation assets are expected to continue to provide residual benefit to future ratepayers, beyond the term of current contracts, future ratepayers are expected to be able to utilize these assets and reduce the need to finance the development of new generation assets.

Implementation Approach

Leveraging the expertise of both companies, the government intends to introduce legislation to enable the IESO and OPG to work together to finance the GA over a longer period of time.

Cost Savings

The average consumer could save approximately **XX** a month for the first five years, including the rebate of an amount equal to the provincial portion of the HST. Cost impacts are based on a forecast for a Toronto Hydro consumer that uses 750 kWh per month. Actual ratepayer savings would vary due to differences in consumption patterns and electricity distributors.

For media inquiries only call:

Colin Nikolaichuk, Minister's Office, 416-325-2690
Colin.Nikolaichuk@ontario.ca 416-325-2690.

Natasha Demetriades, Communications Branch, 416-326-5452
natasha.demetriades@ontario.ca

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Commented [DB1]: Place holder for more info on OPG—explain how they are being utilized due to their expertise managing financial assets.. etc.