

Global Adjustment and RPP



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 long-term investment or capacity costs not covered through current 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
- Most customers in the province pay global adjustment based on the amount of electricity they consume in a month (kWh). They are referred to as Class B. Class B can be RPP and non-RPP consumers.
- Customers who participate in the Industrial Conservation Initiative (ICI), referred to as Class A, pay global adjustment based on their percentage contribution during the top five peak Ontario demand hours (i.e. peak demand factor) over a year-long period.

Global Adjustment Calculation

- The IESO uses inputs from four different sources at the **end of each month**:
 - Ontario Power Generation (OPG) information for its regulated assets
 - Ontario Electricity Financial Corporation (OEFC) information for non-utility generators submitted on IESO portal
 - Local Distribution Companies (LDCs) information submitted on IESO portal
 - IESO contracted generation and conservation and demand management programs
- These amounts are entered into the GA equation to determine the total amount that the market owes so that calculations can be added to the last trade date of each month, available about 14 days into any month:

$$(A - B) + (C - D) + (E - F) + G + H$$

OPG regulated costs minus amount paid through market	OEFC NUG costs minus amount paid through market	IESO contract costs minus amount paid through market	IESO costs for non-market procurement	Amounts payable to LDCs for contracted embedded generation
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Global Adjustment Settlement for LDCs

- The total global adjustment amount is allocated each month 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 peak demand factors (MPs and LDC combined)
 2. Divide the rest between Class B customers based on their consumption, represented by their allocated quantity of energy withdrawn (AQEW) plus embedded quantities for LDCs
- **LDCs receive both Class A (Charge type 147) and Class B (Charge type 148) charges, which they must then allocated amongst their customers accordingly.**
 - The Class A amount is the combined peak demand factors of the LDC's Class A customers multiplied by consumption submitted into IESO portal (describe on next slide)
 - The Class B amounts (described on next slide) are allocated to each LDC

Global Adjustment Settlement Class B

- The total Class B consumption for the month is calculated as follows:
 - Total Class B Load = Total metered AQEW + Embedded Generation offsetting the load of licensed distributors less Beck Pump Generating Station AQEW less Fort Frances Power Corporation under its physical bilateral contract amount less AQEW related to providing ancillary services less AQEW of Class A market participant load facilities and LDC Class A consumers.
- LDCs pay the IESO their portion of this calculation based on their AQEW plus the embedded generation in their service territory that offset their load that month submitted into IESO portal less Class A consumption submitted into the portal



Global Adjustment Settlement Timing With RPP

- LDCs pay market invoices based on Class A and Class B settlement calculation i.e. based on HOEP, AQEW, PDFs and proportional GA
- LDCs collect from metered RPP consumers based on the twice per year determined OEB rates (actual billing may differ from IESO invoicing and payment schedules)
- LDCs submit to the IESO the difference between market invoices and RPP collections in the IESO portal
- IESO holds the differences (over/under) in a RPP variance account . Any shortfalls are managed through borrowing so that generation settlement can be completed as per IESO invoice payment schedules.
- Forecast of RPP is intended to bring variance to zero i.e. RPP modelling is intended to get close to actual market commodity costs (HOEP *AQEW) and GA costs.

What The IESO Provides to OEB for RPP Calculations

- Previous year GA settlement dollars and MWhs for capacity and conservation contracts by month:
 - electricity supplied by those assets of Ontario Power Generation (OPG) whose price is regulated;
 - costs related to the contracts signed by non-utility generators (NUGs)
 - costs of the capacity contracts (IESO and LDC), and conservation and demand management initiatives
- Net variance account balance carried by the IESO as of last day before start of RPP

What We Need To Consider

- LDC RPP variance pre and post change – what should go to the refinancing Asset?
- Revisit the Final RPP Variance Settlement Amount on OEB webpage
<http://www.ontarioenergyboard.ca/OEB/Industry/Regulatory+Proceedings/Policy+Initiatives+and+Consultations/Regulated+Price+Plan/Regulated+Price+Plan+-+Variance+Settlement+Amount>

APPENDIX



Appendix - Global Adjustment LDC Monthly Submissions

- The distributor data submission to the IESO for each month includes Class A consumer consumption and embedded generation.
- The data submission must be completed by **the fourth business day** after the month-end using the embedded generation form on the IESO portal which includes the Class A consumer consumption.
- The submission includes embedded generation volumes for all non-contracted generation facilities and all contracted generation facilities (Renewable Energy Standard Offer Program, Hydroelectric Contract Initiative and Feed-In Tariff Program). The contracted embedded generation volumes are reported for the month they are metered, regardless of the contract approval status.



Appendix – ICI Timing

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2016					BASE PERIOD →							
2017					OPT IN/ OUT		ADJUSTMENT PERIOD					
2018	→											

- At the end of each base period, customers are assessed by their host LDC or the IESO to determine eligibility for Class A and their peak demand factor (i.e. percentage contribution to the top five peaks)
- The customer must decide whether to participate and provide notice by June 15
- If so, the customer is charged as Class A based on their peak demand factor over the adjustment period