

The goal of the recent change to the global adjustment is to act as a further time-of-use incentive for large users to move their consumption in response to supply and demand conditions. It provides a financial incentive for large customers to use less electricity during hours when the grid is under its highest stress which subsequently provides demand response to the market without incurring additional costs. It also encourages customers to shift usage to off-peak periods when low-cost, low-emissions supply is available. This change has broad benefits for all Ontarians including:

- Reduces the amount of high-priced, high-emissions power required during those peak hours;
- Reduces electricity demand peaks which reduces the infrastructure (power plants and power lines) needed to meet those peaks;
- Encourages more efficient use of existing supply resources;
- Reduces the occasions of surplus power and
- Reduces the costs in the Global Adjustment overall

This new regulation gives another tool to consumers in Ontario to better manage their electricity costs, and participate in Ontario's dynamic electricity market.

Q. Explain this change to the Global Adjustment (GA).

The Ministry of Energy, in consultation with the IESO and other stakeholders, has passed a regulation where the GA is charged to large customers (demand over 5,000 kW) based on their share of the coincident peak. This means their GA charges are based on their peak demand similar to the way they are already charged distribution and transmission rates (rather than total consumption).

Under the new coincident peak model, the IESO will calculate the highest five hours of Ontario demand. The IESO and LDCs will then calculate each eligible customer's demand during those five hours to work out each of their percentages of total system demand. The percentage for each consumer will remain the same for the defined billing period.

For example, if a consumer's percentage of demand was 2% and the total GA costs for January were \$300 million. The consumer would be charged 2% of the \$300 million, which would be \$6 million.

Q. How was the GA charged previously?

Prior to the new regulation, the GA was charged to all consumers based on their total consumption at a monthly rate in \$/MWh. For LDC customers, the GA was charged to consumers through the provincial benefit. Because the previous model was a monthly rate based on total consumption, there was no opportunity for consumers to proactively manage their GA costs and there was less incentive for them to shift their usage away from high system peaks.

Q. What happens to the rest of consumers who don't have a 5,000 kW peak demand?

If the demand of your facility does not exceed 5,000 kW, you will continue to be charged the GA the same way you always have been, that is a rate based on your total monthly consumption. For residential customers paying the RPP (tiered or TOU), the global adjustment will continue to comprise a portion of those rates.

Q. Why will this help system reliability?

Consumers (with demand over 5,000 kW or 5 MW) that are able to control and manage their demand may choose to do so when the system reaches its highest peaks in order to reduce GA costs. If large customers reduce their demand in order to avoid periods of high Ontario demand, that will reduce Ontario's overall need for electricity during these periods. Also, in times of low demand and surplus baseload generation situations, there will be a more efficient price signal that may drive consumers to shift their consumption to off-peak periods.