

Attachment 7

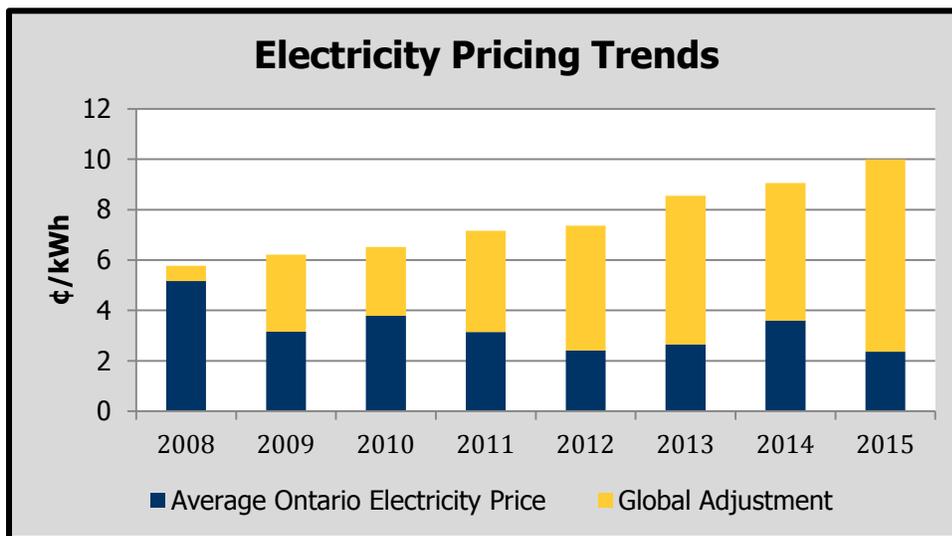
IESO Understanding Global Adjustment

Understanding Global Adjustment

January 2016

Consumers who pay market prices or have signed a retail contract for electricity will see a line for Global Adjustment (GA) on their electricity bill. The GA was established by the Ontario government in 2005 to cover the cost of providing adequate generating capacity and conservation programs for Ontario.

The Global Adjustment may be a positive or negative number, depending on whether the Hourly Ontario Energy Price (HOEP) is higher or lower than the fixed rates.



More information on the GA is available at: <http://www.ieso.ca/global.adjustment>

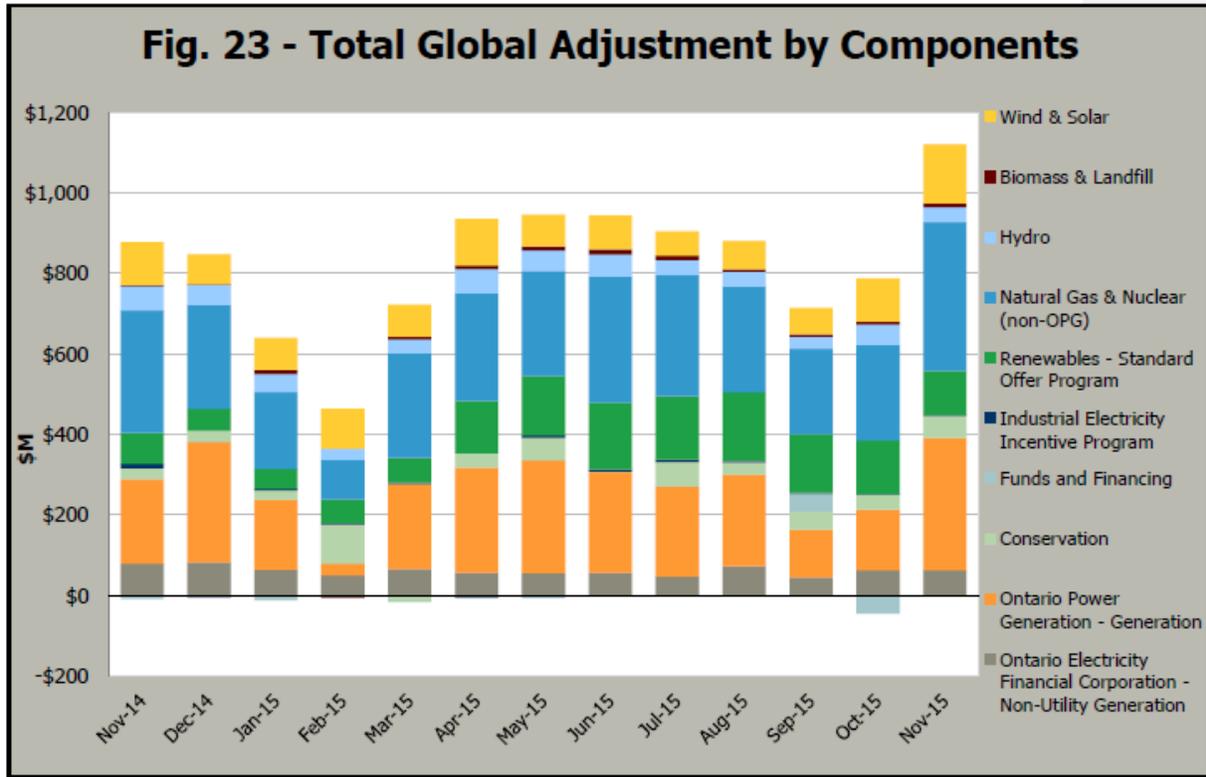
What is the Global Adjustment?

The GA is calculated based on the difference between the Hourly Ontario Energy Price and:

- Ontario Power Generation's regulated nuclear and hydro generation
- IESO (including former Ontario Power Authority) contracts with generators and suppliers of conservation
- Contracted rates administered by the Ontario Electricity Financial Corporation paid to existing generators

The GA varies from month to month, responding to changes in the HOEP compared to contract prices. Generally speaking, when the HOEP is lower, the GA is higher to cover additional costs

for the items referenced above. The GA rate is also impacted when new projects come into service, contract payments take effect or as a result of changes in Ontario electricity demand. The IESO's Monthly Market Summary reports contain month-by-month information on the various components of the Global Adjustment.



Source: <http://www.ieso.ca/Pages/Power-Data/Market-Summaries-Archive.aspx>

How am I charged for Global Adjustment?

All Ontario electricity customers pay for Global Adjustment, whether it is in a separate line item or embedded within time-of-use (TOU) prices. The IESO establishes a monthly GA rate based on GA costs and Ontario electricity demand. The IESO provides three variations of the GA rate that local distribution companies use for customer billing depending on the LDC billing cycle – the rate used does not affect the overall amount you pay for GA over time. Here is the methodology of how the Global Adjustment rates are calculated:

1st Estimate

- The 1st Estimate for a given month comprises three components - an estimate of the GA costs based on the previous month, an estimate of Ontario demand for the given month, and a true-up accounting for the difference between the previous month's 1st Estimate and the actual rate.

- The 1st Estimate for the upcoming month is published on the last business day of the preceding month. For example, the 1st Estimate for April is published at the end of March.

2nd Estimate

- The 2nd Estimate is a separate calculation based on actual GA costs and demand information available at the time it is published, an estimate for GA and demand for the remaining days of the month, and a true-up accounting for the difference between the previous month's 2nd Estimate and the actual rate.
- The 2nd Estimate for a given month is published on the last business day of that month. For example, the 2nd Estimate for April is published at the end of April.

Actual

- The Actual rate, based on actual electricity demand and GA costs, is published on the tenth business day of each month for the preceding month. For example, the Actual rate for April is published on the tenth business day of May.

Frequently Asked Questions

Why do I see the Global Adjustment on my bill and my neighbour does not?

All electricity customers in Ontario pay for Global Adjustment.

Residential and small customers being billed by an LDC using time-of-use (TOU) rates have GA costs embedded within those TOU prices. The Ontario Energy Board reviews TOU prices and tiered rates every six months.

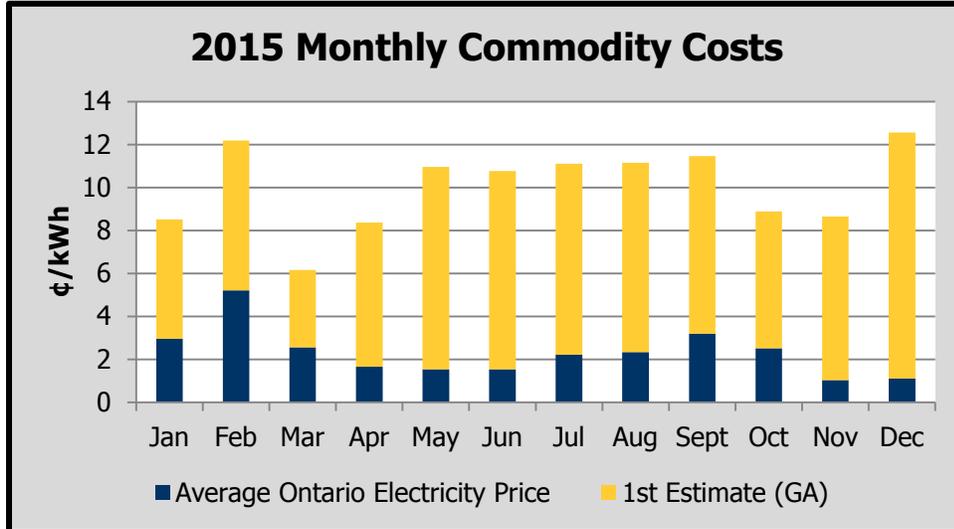
Residential and small customers who have signed a retail contract will see the GA cost as a separate line item on their bill. When you sign a retail contract, it covers the commodity portion of electricity. You will also be charged GA based on your consumption. Your retailer can provide more information about your contract.

What variation of the GA do I see on my bill?

Your LDC will be able to tell which variation of the GA they bill on. If the rate on the IESO website is different than the rate on your bill, your LDC can provide more information (e.g. your billing period spans more than one calendar month).

My billing from month-to-month is uneven. Why does it vary?

GA costs change from month-to-month depending on trends in the real-time electricity market, the addition of new contracts that contribute to total GA costs and true-ups that account for differences between estimated and actual GA costs. Customers billed by their LDC on the 1st estimate will see more swings from month to month (see chart below). The first estimate is based on the best information available when it is calculated.



Can I forecast GA costs?

GA costs change from month-to-month depending on trends in the real-time electricity market, the addition of new contracts that contribute to total GA costs and true-ups that account for differences between estimated and actual GA costs. Because of these factors, the IESO cannot forecast future GA costs.

I'm a Class A customer. How does that impact my Global Adjustment?

Class A consumers are assessed their portion of GA costs based on the percentage that their peak demand contributes to the top five Ontario system peaks. For example, if a Class A consumer is assessed to be responsible for one per cent of Ontario's peak demand for the five highest hours of the base period, they will be charged for one per cent of the total GA costs through the subsequent billing period. Class A consumers receive an annual notification from their utility with their percentage of peak demand, called the peak demand factor.

Details on Class A customer eligibility is available by visiting:
<http://www.ieso.ca/Pages/Participate/Settlements/Global-Adjustment-for-Class-A.aspx> or
 emailing the IESO at customer.relations@ieso.ca