

LOWERING YOUR IESO GLOBAL ADJUSTMENT CHARGE

IESO ICI - Class A, Global Adjustment: What You Need to Know

What is Global Adjustment?

Global Adjustment (GA) was established by the Ontario government in 2005 to reflect differences between the wholesale electric price for electricity, the cost of providing adequate generating capacity, and the cost of conservation programs for Ontario.

Is Global Adjustment Significant?

The following is a portion of an electricity bill from a mid-size hospital in Ontario. During this month, the GA portion of the electricity bill was 68% of the pre-tax total.

Electricity	\$15,895.10
Global Adjustment: 724,533.6395 kWh @ 10.559000¢	\$76,503.51
Delivery	\$11,159.92
Regulatory Charges	\$4,926.83
Customer supplied transformation allowance @ \$0.60/kWh	\$758.98 CR
Debt Retirement Charge	\$4,862.50
HST	\$14,636.55
Total of your electricity charges	\$127,225.43

All Ontario electricity consumers pay GA rates. For some, it is embedded in a time-of-use rate. For others, it is a separate line item on their electricity bill. In the electricity bill above, the customer pays the GA Class B rate.

Customers who pay the GA Class B rate have no control over their monthly GA charge except by reducing their overall monthly consumption. The monthly GA Class B rate is set by the Independent Electricity System Operator (IESO) and changes every month. In 2016, GA Class B rates ranged from \$71/MWh to \$112/MWh depending on the month of the year.

Alternatives to Global Adjustment

Customers who meet certain criteria are eligible to pay monthly GA prices differently, in a manner that allows for greater control over their monthly GA charge.

Customers who participate in the Industrial Conservation Initiative (ICI) pay GA charges based on their percentage contribution to the top five peak Ontario demand hours over a 12-month period. Customers participating in this initiative are referred to as Class A. Class A GA rates are therefore not based on the customer’s overall monthly consumption.

Recent Changes

Previously, customers were required to have an average peak monthly demand that exceeded 3MW to participate in the ICI; however, in January 2017, the Government of Ontario expanded the eligibility criteria, lowering the participation threshold to 1MW and removing certain NAICS code requirements. As part of the Fair Hydro Plan announced in March, 2017, the Government of Ontario subsequently proposed that the eligibility threshold be reduced to 500 kW; however, this threshold reduction has yet to be confirmed.

Timing

The ICI program does not operate based on the calendar year. It is based on a cycle of Base Periods where the customer’s performance during the five peak Ontario demand hours is determined, coupled with Adjustment Periods where past performance is used to calculate the current GA charge.

Customers who maintain an average peak monthly demand between 1-5MW during a Base Period will be contacted by their electricity distributor before May 31 of each year to confirm eligibility. The customer then has until June 15 to opt in to the ICI program for the following Adjustment Period. This process repeats every year.

Why Does This Matter?

The ICI gives the customer an element of control over the most significant charge on their electricity bill. After opting in to the ICI, the customer's GA charge during each month of the Adjustment Period is completely dependent on the customer's performance during a very short period of time during the Base Period.

Opting in to the ICI may also result in a reduction in monthly GA charges without any demand reduction strategies in place; however, depending on past performance, this may not always hold true.

What Can You Do?

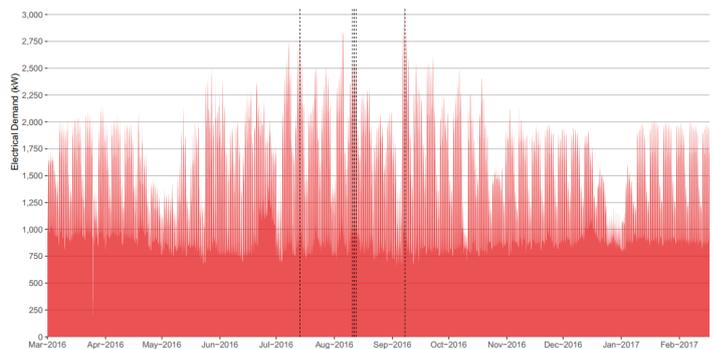
It is recommended that an analysis of your performance during the past Base Period be completed yearly, which includes financial projections for the upcoming Adjustment Period. This type of analysis provides insight on the optimal strategy for managing GA in the upcoming Adjustment Period.

Even if you are eligible for the ICI but choose to not opt in, you can still behave as a Class A GA customer even if you are a Class B GA customer. While you will still pay GA charges as Class B customer during the current Adjustment Period, any improvements in performance during the current Base Period will show up as significant financial savings during the following Adjustment Period as a Class A GA customer.

If the ICI is right for you, you need to establish strategies for managing electrical demand when required to maximize financial savings.

How Can WalterFedy Help?

As a first step, WalterFedy can assist you in determining whether or not opting in to the ICI is the right approach for you. We do this by analyzing your historical electrical utility data to project what your GA costs would be under both Class A and Class B. Our team has developed a tool that will map your demand for the past year and make an evaluation of Class A vs. Class B, including a sensitivity analysis. This first step will enable you to make an educated decision, with minimal cost, on the best approach for your business moving forward.



Regardless of the GA Class that you select, we can work with you to determine additional strategies to reduce GA costs. These may include strategies such as:

- Operating generator equipment;
- HVAC system operation strategy changes, from operation of variable frequency drives (VFDs) to scheduling equipment to operate in sequence and on a cycle;
- Minimizing lighting levels;
- Utilizing thermal storage; and
- Developing a monitoring plan, through a third-party, to identify the days these peak shaving plans should be put into action.

WalterFedy

With over 65 years providing energy management and engineering solutions to clients in all sectors of business, we have a strong foundation of experience and industry-specific knowledge from which to approach each project, ensuring that the solutions we develop are right for you. Our Energy Management Solutions group is structured to offer you turn-key solutions to meet your energy management needs, ranging from energy studies and development of recommended strategies to implementing the selected solutions and beyond.

For more information on Global Adjustment, the Industrial Conservation Initiative, and the next steps to optimizing your electricity spending, please contact WalterFedy's Energy Management Solutions team at ems@walterfedy.com.