



Ontario
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May 29, 2020

BY E-MAIL AND WEB POSTING

**To: All Licensed Electricity Distributors
All Licensed Electricity Retailers
Independent Electricity System Operator
All Other Interested Parties**

**Re: Amendments to the Global Adjustment Regulation: Revised Class A
Eligibility and Partial Deferral of Global Adjustment Charges for Customers
that are not on the Regulated Price Plan**

The Government of Ontario has [amended](#) O. Reg. 429/04 (Adjustments under Section 25.33 of the Act) under the *Electricity Act, 1998* (GA Regulation), which governs the Global Adjustment (GA). The purpose of this letter is to provide an overview of the amendments. In addition, the Ontario Energy Board (OEB) is taking this opportunity to provide answers to a few frequently asked questions on the GA Regulation specific to the Industrial Conservation Initiative.

Revised Class A Eligibility for 2020-2021 Adjustment Period

One of the two main elements of the amendments to the GA Regulation is a change in how Class A eligibility is determined (also known as the Industrial Conservation Initiative or ICI). Specifically, the rules have been relaxed to account for the potential impact of the COVID-19 pandemic.

Under the GA Regulation, eligibility for Class A for the 12-month “adjustment period” that begins every July 1 is normally determined by assessing the customer’s average monthly peak demand during the 12-month “base period” ending on the previous April 30. The amendments introduce some flexibility for the adjustment period commencing on July 1, 2020 for consumers or market participants that are currently in Class A. Under the new subsection 5(1.1), a consumer or market participant that does not meet

the applicable Class A eligibility threshold¹ based on their average monthly peak demand during the May 1, 2019 to April 30, 2020 base period will nevertheless qualify for Class A for the adjustment period commencing July 1, 2020 if they would have met the applicable threshold if the base period had ended on February 29, 2020. This allows a consumer or market participant whose demand dropped below the threshold as a result of the COVID-19 pandemic to nevertheless continue to qualify for Class A this year.

As a result of the amendments, when assessing a consumer's eligibility for Class A for the adjustment period commencing July 1, 2020, distributors should first calculate the consumer's average monthly peak demand in the normal manner, using the regular 12-month base period of May 1, 2019 to April 30, 2020. If that calculation shows that the customer is not eligible, the distributor should perform a second calculation, using the shortened 10-month base period of May 1, 2019 to February 29, 2020. If that calculation shows that the customer is eligible, the consumer qualifies as a Class A consumer for this adjustment period. The Independent Electricity System Operator (IESO) must do the same when assessing a market participant's eligibility for Class A.

The amendments do not change the manner in which distributors or the IESO must determine the "peak demand factor" for their Class A consumers or market participants, respectively, nor do they affect any other provision of the GA Regulation that refers to the "base period".

Partial Deferment of Global Adjustment Charges for Non-RPP Customers

On May 1, 2020, the Government issued an [Emergency Order](#) under the *Emergency Management and Civil Protection Act* deferring a portion of the Global Adjustment paid by industrial and commercial electricity consumers that do not participate in the Regulated Price Plan (RPP) for the period starting on April 1, 2020. The Emergency Order was extended to June 1, 2020, and the initiative has now been enshrined in the GA Regulation for the purposes of extending it through to the end of June 2020.

Under the new section 19.1 of the GA Regulation, Class B consumers and market participants who are not on the RPP will continue to be charged Global Adjustment based on a Class B rate of \$115/MWh instead of the Class B rate that would be calculated in the normal manner (unless the latter would be lower than \$115/MWh).

¹ Consumers and market participants with an average monthly peak demand above 5 MW are automatically treated as Class A unless they opt out. Consumers and market participants with an average monthly peak demand of more than 1 MW and up to 5 MW, and those in certain industry sectors with an average monthly peak demand of more than 500 kW and up to 1 MW, may opt in to Class A.

Class A consumers and market participants will continue to see a reduction in the same proportion.

As these amendments merely extend the initiative that is currently in place under the Emergency Order, they are not expected to have any practical impact for distributors. The required calculations will continue to be performed by the IESO. Distributors are referred to the guidance on implementing the Emergency Order provided by the OEB on [May 15, 2020 \(as corrected May 26, 2020\)](#).

The amendments do not deal with the recovery of the deferred GA amounts. The Government has [indicated](#) that, subject to the approval of subsequent regulatory amendments, the deferred GA amounts will be recovered over a 12-month period beginning in January 2021.

Frequently Asked Questions on Administering the ICI

As the adjustment period commencing July 1, 2020 approaches, distributors and other stakeholders are reminded that guidance on determining Class A eligibility and other aspects of administering the ICI has been issued by OEB staff in the form of a [Bulletin](#).

Attached to this letter as an Appendix are OEB staff responses to some frequently asked questions about the ICI which stem from the OEB staff Bulletin referenced above and are all related to load aggregation.

Closing

Any questions relating to this letter should be directed to the OEB's Industry Relations Enquiry e-mail at IndustryRelations@oeb.ca. Please include "ICI and Global Adjustment" in the subject line of the e-mail.

Yours truly,

Original Signed By

Brian Hewson
Vice President
Consumer Protection & Industry Performance

Appendix:

FAQs – Administering the Industrial Conservation Initiative

On October 18, 2018, Ontario Energy Board (OEB) staff issued a [Bulletin](#) providing guidance to electricity distributors and others on three related issues concerning the Industrial Conservation Initiative (ICI) and the application of Global Adjustment (GA) charges for Class A consumers.

1. The conditions under which *Load Aggregation* is permitted for the purpose of determining ICI eligibility
2. How a consumer's *Peak Demand Factor (PDF)* must be calculated
3. How a consumer's *Peak Demand Eligibility* must be determined

As noted in the Bulletin, the eligibility requirements for the ICI are set out in [Ontario Regulation 429/04](#) (the GA Regulation).

The following FAQs address some of the more common questions OEB staff has received from distributors and consumers since the publication of the Bulletin.

Any enquiries regarding these FAQs should be directed to the OEB's Industry Relations email address at IndustryRelations@OEB.ca.

What is considered a “property” for ICI purposes?

The Bulletin explained that a distributor cannot aggregate the demand of more than one load facility belonging to the same customer for the purpose of assessing whether the customer meets the demand thresholds to qualify to be a Class A consumer. However, the distributor must look at the aggregate demand as measured by all of the interval meters at a particular load facility to determine whether that facility is eligible for Class A status. OEB staff expressed the view in the Bulletin that a load facility does not need to be a single building: a facility may comprise multiple buildings, as long as they are on the same property. This is consistent with the ordinary meaning of “facility”, which is not itself defined in the GA Regulation.

There have been questions regarding what constitutes a “property” for aggregation purposes under the ICI. For example, enquiries have asked about cases where there are more than one municipal addresses associated with the buildings.

In OEB staff's view, where the Bulletin says the buildings must be on the same property, the word property is used in the everyday sense to mean a site or location, rather than in the legal sense to mean a particular parcel of land as shown on legal title. As the Bulletin notes, a retail chain with multiple stores in different locations would not be considered a single facility. However, in OEB staff's view, a single facility may straddle a legal property line, and may have more than one municipal address.

OEB staff is also of the view that the ability to aggregate further depends on whether all of the buildings on a property have a common purpose. For example, if all three buildings are part of an integrated operation, such as a furniture manufacturing operation, they would be considered a single furniture manufacturing facility. However, if one of the buildings was used for making furniture, another was a greenhouse, and the third was a car dealership, there would be three separate facilities, whose demand could not be aggregated together for determining ICI eligibility. This approach follows from the ordinary meaning of "facility".

Can a facility with a mix of interval and non-interval meters be in Class A?

The Bulletin explained that a distributor must determine a load facility's PDF based on actual hourly consumption data as measured by one or more interval meters. A facility that does not have an interval meter therefore cannot participate in the ICI.

OEB staff has received some questions about customers that have a mix of interval and non-interval meters for the same facility. Consistent with the Bulletin, it is OEB staff's view that all of the meters associated with the facility must be interval meters if the facility is to participate in the ICI (i.e., non-interval meters would need to be replaced). A facility cannot be treated as both Class A (in respect of the interval meters) and Class B (in respect of the non-interval meters) at the same time.

For clarity, where all the meters for a facility are interval meters, consumption from all those meters must be used to determine the customer's PDF (i.e., customers cannot select a subset of the interval meters because it would result in lower GA charges).

How should the GA charge be shown on the bill (or bills) where load is aggregated?

While aggregation of load from multiple meters for ICI purposes results in a single total GA charge for a Class A consumer, there may still be more than one account and therefore more than one bill associated with the consumer's facility. This has resulted in questions regarding whether the total GA charge for a Class A consumer should be

shown on only one bill or whether the total GA charge should be apportioned among all of the consumer's bills associated with the facility.

The OEB is not prescribing a specific approach in order to avoid triggering the need for distributors to incur costs associated with making billing system changes. Distributors should therefore use their discretion.

Since this is only a bill presentment matter, how the consumer is billed should not affect the amount of the GA charges owed by a Class A consumer. For clarification, on a related question, where a distributor apportions the GA charges owed by a Class A consumer among multiple accounts/bills, the total GA charge must be based on one PDF – not a different PDF for each meter/bill – since there is one load facility. This is consistent with how the Class A consumer would be billed if they had only one meter.

Further details related to determining a Class A consumer's PDF for the purpose of calculating GA charges can be found in the Bulletin.²

² A numeric example on how to calculate a single PDF can be found in Appendix 1 of the [Bulletin](#).