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BY EMAIL AND WEB POSTING

December 23, 2020

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

**Re: Guidance to Electricity Distributors on Implementing the Recovery of
Deferred Global Adjustment**

The Ontario Energy Board (OEB) is issuing this letter to provide guidance to electricity distributors regarding the recovery of the Global Adjustment (GA) charges that were previously deferred for the months of April, May and June 2020 for Class A customers and Class B customers that are not on the Regulated Price Plan (RPP).

Background

In a [letter](#) dated May 15, 2020 (May letter), the OEB provided guidance to distributors on the implementation of the GA deferral, which was effected through an Emergency Order made on May 1, 2020 under the *Emergency Management and Civil Protection Act* and later amendments to O. Reg. 429/04 (Adjustments under Section 25.33 of the Act) under the *Electricity Act, 1998*. The total deferred GA amount was approximately \$333 million – approximately \$206 million for non-RPP Class B customers and \$127 million for Class A customers.

On December 18, 2020, further amendments to O. Reg. 429/04 came into force. The new sections 19.3 and 19.4 provide for the recovery of the deferred costs from the same classes of customer that benefited from them, over 12 months beginning in January 2021. The deferred GA recovery amounts are in addition to the normal GA charges that Class A and non-RPP Class B customers are responsible for. There is a separate deferred GA recovery rate being calculated by the Independent Electricity System Operator (IESO) to be charged to non-RPP Class B customers.

The IESO will be posting the monthly GA recovery rates applicable to non-RPP Class B customers, and will be providing distributors with settlement information, including the allocated deferred GA recovery amounts, for their Class A customers.

Bill Presentation

For customers who will be paying both the regular GA amount and the recovery amount in 2021, distributors should combine those items and display both as one item on the bill.

The OEB expects every distributor to communicate information related to the deferred GA recovery to all Class A and non-RPP Class B customers by means of a posting on its website, at a minimum.

Accounting Guidance for Non-RPP Class B Deferred GA Recovery

Charge Type 148 and Charge Type 6148

During the period that the recovery of the GA deferral is in effect (i.e. the 2021 calendar year), a distributor's month-end settlement statement will continue to show charge type (CT) 148 "Class B Global Adjustment Settlement Amount" based on the actual Class B GA rate. The settlement statement will now also include the recovery of the GA deferral for non-RPP Class B customers, as calculated by the IESO, appearing as CT 6148 "Class B Global Adjustment Deferral Recovery Amount".

The OEB's accounting guidance for Account 1588 – RSVA Power and Account 1589 – RSVA Global Adjustment ([Accounting Guidance](#)) requires the invoiced GA rate/kWh to calculate the amount of CT 148 to be allocated between Account 1588 and Account 1589. There is no impact to this allocation resulting from the implementation of the recovery of the deferred GA amounts. CT 148 will continue to reflect the standard GA charges (and will not have any recovery amounts included in them), and the GA

rate/kWh used to calculate CT 148 will not include any component of the deferred GA recoveries.¹

CT 6148 on a distributor's settlement statement, which reflects a distributor's allocated amounts of the deferred GA recovery for non-RPP Class B customers, should be recorded entirely within Account 1589. With respect to the GA recovery amounts charged to non-RPP Class B customers, those revenues will also be entirely recorded in Account 1589. This will ensure the non-RPP Class B GA deferral recovery is allocated only to non-RPP Class B customers by way of charging those customers the monthly GA recovery rates, as well as disposing to them any variances accumulated in Account 1589.

Calculation Methodology for Charge Type 6148

Similar to the approach previously used to determine the GA deferral amounts for non-RPP Class B customers (i.e. credit to CT 148 "Non-RPP Class B Deferral Amount as per Emergency Order" that appeared on a distributor's month-end settlement statement during the period of the GA deferral), CT 6148 is derived in part from the RPP consumption information submitted by distributors as part of the RPP settlement process.² Although the recovery of the GA deferral does not apply to RPP customers, accurate settlement for RPP customers is critical to the accuracy of settlement for non-RPP customers. Distributors are reminded to continue using the Class B GA rate for RPP settlement purposes.

Accounting Guidance for Class A Deferred GA Recovery

On any given month, a distributor's month-end settlement statement will show CT 147 "Class A Global Adjustment Settlement Amount" based on the amount of GA charges allocable to Class A customers. During the period of the deferred GA recovery, the settlement statement will also show the deferred GA recovery for Class A customers as CT 6147 "Class A Global Adjustment Deferral Recovery Amount".

Like CT 147, CT 6147 is to be recorded entirely within Account 1589. In addition, the revenues associated with charging Class A customers for both the normal GA charges, as well as the deferred GA recoveries, must be recorded in Account 1589.

¹ During the periods of April to June 2020, the posted GA rate included the impacts of the GA deferral. Therefore, distributors were required to compute a GA rate for the purposes of RPP settlement (exclusive of any deferral impacts). During the GA recovery period, there is no need to adjust the posted GA rate, as it does not include the impacts of GA recoveries (which have separate recovery rates calculated).

² CT 6148 is calculated as the total Class B consumption derived by the IESO less the RPP consumption as submitted by distributors in the RPP settlement process.

Distributors are reminded to continue to settle with Class A customers based on the actual GA billed. This requirement applies to the deferred GA recovery for Class A customers as well. In doing so, distributors must reconcile the total amount that they bill their Class A customers to the aggregate of CT 147 and CT 6147 on their IESO invoice. As a result, there will be no resulting variance for Class A customers recorded in Account 1589.

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 "GA Deferral Recovery" in the subject line.

Yours truly,

Original Signed By

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