



Ontario
Energy
Board | Commission
de l'énergie
de l'Ontario

BY EMAIL AND WEB POSTING

May 15, 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 Emergency Order
Regarding the Deferral of a Portion of the Global Adjustment**

The Ontario Energy Board (OEB) is issuing this letter to provide guidance to electricity distributors regarding the implementation of the May 1, 2020 [Emergency Order](#) under which a portion of the Global Adjustment (GA) is being deferred for Class A customers and Class B customers that are not on the Regulated Price Plan (RPP).

The Emergency Order

The Emergency Order, made under the *Emergency Management and Civil Protection Act*, provides non-RPP industrial and commercial electricity customers that are not on the RPP, as well as all customers who have a contract with an electricity retailer (including residential consumers), with temporary immediate relief in the form of the deferral of a portion of the GA charges that they would otherwise pay. The deferral applies with respect to consumption starting April 1, 2020, including consumption on that day. The government has stated that it intends to keep the relief in place to the end of June 2020, subject to obtaining the necessary extensions and approvals. Also subject to obtaining the necessary approvals, the government intends for the deferred

GA charges, excluding interest, to be recovered from Class A and non-RPP Class B customers over a 12-month period starting January 1, 2021. The GA deferral for the months of April and May is intended to be implemented by means of the Emergency Order, whereas the GA deferral for the month of June and the recovery of deferred GA amounts is intended to be implemented through subsequent regulatory amendments¹.

The GA deferral applies as follows:

- For non-RPP Class B customers, the Class B rate is capped at \$115/MWh for the months in which the deferral is in effect, which as noted above is intended to be the months of April, May and June 2020. As discussed below, a transitional approach has been put into place to address non-RPP Class B customers that were billed on the basis of the Class B first estimate for April, which was set prior to the Emergency Order.
- For Class A customers, their GA charges will be reduced in the same proportion as the reduction received by non-RPP Class B customers.

The Emergency Order applies to all Class A and non-RPP Class B customers, including those that have a contract with an electricity retailer. The Emergency Order **does not apply to RPP customers**.

The Independent Electricity System Operator (IESO) will be posting amounts and rates with and without the GA deferral for non-RPP Class B customers, and will be providing distributors with settlement information for their Class A customers.

Although no bill presentation requirements have been imposed in relation to the GA deferral, the OEB expects every distributor to communicate the GA deferral to their customers by means of a posting on its website at a minimum.

In this letter, “adjusted” GA means the GA amounts and rates calculated by the IESO further to the Emergency Order. “Unadjusted” GA means the GA amounts and rates that would have been calculated by the IESO had the Emergency Order not been in effect (in other words, without any GA deferral).

¹ [News Release](#) - Ontario Providing Support for Industrial and Commercial Electricity Consumers During COVID-19

1. Implementing the GA Deferral for Non-RPP Class B Customer Bills for April Consumption

Electricity distributors should continue their existing billing practice for their non-RPP Class B customers, be it based on the first estimate, second estimate or actual Class B rate. With the exception noted below, the GA deferral (if any) will be reflected in the first estimate, second estimate and actual Class B rates published by the IESO while the GA deferral is in effect.

The timing of the Emergency Order creates a transitional issue for non-RPP Class B customers that are billed based on the first estimate Class B rate published by the IESO for April 2020 (\$137.07/MWh), which was calculated prior to the Emergency Order taking effect.

To address this issue, the IESO has calculated a lower first estimate Class B rate of \$92.93/MWh for May 2020². This lower estimate was calculated to offset the higher first estimate Class B rate (\$137.07/MWh calculated for April 2020). Electricity distributors that bill their non-RPP Class B customers using the first estimate Class B rate should continue to do so, billing the first estimate Class B rate of \$137.07/MWh for consumption in April 2020 and the offsetting first estimate Class B rate of \$92.93/MWh for consumption in May 2020. As a result, no retroactive billing adjustment will be required for non-RPP Class B customers that were billed based on the April first estimate Class B rate (in other words, no separate refund, rebate or bill credit is required). This approach should be used whether or not the distributor has already billed for April consumption. The OEB understands that this approach was developed by the IESO as an efficient solution to minimize the billing and settlement challenges in implementing the Emergency Order, and that the approach is acceptable to the Ministry of Energy, Northern Development and Mines as a means of achieving that objective with minimal costs to electricity distributors, which costs would ultimately be borne by ratepayers.

2. Charge Type 148 and Credit to Charge Type 148

a) Accounting Guidance for Charge Type 148 and Credit to Charge Type 148

During the period that the GA deferral is in effect, a distributor's month-end settlement statement will show charge type 148 "Class B Global Adjustment Settlement Amount" based on the unadjusted Class B rate. The settlement statement will also reflect the GA

² IESO [Deferral of Global Adjustment Charges Questions and Answers](#) – last updated May 14, 2020

deferral for non-RPP Class B customers, as calculated by the IESO, appearing as a credit to charge type 148 “Non-RPP Class B Deferral Amount as per Emergency Order”. The resulting net charge type 148 appearing on a distributor’s IESO invoice for the month will therefore reflect the adjusted Class B rate.

The accounting guidance for Account 1588 – RSVA Power and Account 1589 – RSVA Global Adjustment³ ([Accounting Guidance](#)) requires the invoiced GA rate/kWh to calculate the amount of charge type 148 to be allocated between Account 1588 and Account 1589⁴. There is no change to the manner in which the allocation is done. However, during the period in which the GA deferral is in effect, the invoiced GA rate/kWh is to be calculated as follows:

- i) the total amount for charge type 148 for the unadjusted Class B amount, (i.e. charge type 148 only, excluding the charge type 148 credit for “Non-RPP Class B Deferral Amount as per Emergency Order”), as found on the distributor’s settlement statement, divided by
- ii) the distributor’s non-RPP Class B volumes for the calendar month.

The full amount of the charge type 148 credit for “Non-RPP Class B Deferral Amount as per Emergency Order” on a distributor’s settlement statement should be recorded in Account 1589.

The above will ensure that the unadjusted Class B GA amount is appropriately allocated between Account 1588 and Account 1589, and that the credit for the GA deferral is allocated only to non-RPP Class B customers via Account 1589.

b) True-Ups to the Charge Type 148 Credit

The charge type 148 credit for the GA deferral for non-RPP Class B customers is derived in part from the RPP consumption information submitted by distributors as part of the RPP settlement process⁵. Although the Emergency Order **does not apply to RPP customers**, accurate settlement for RPP customers is critical to the accuracy of settlement for non-RPP customers.

³ Accounting Procedures Handbook Update – Accounting Guidance Related to Commodity Pass-Through Accounts 1588 & 1589, February 21, 2019.

⁴ An example of this is Table #14 in the Accounting Guidance that calculates the invoiced GA rate and Journal Entry #6 in the Accounting Guidance that allocates charge type 148 between Account 1588 and Account 1589. Note that the charge type 148 allocation is recorded first in Account 4705 – Power Purchased and Account 4707 – Charges-Global Adjustment, before it is eventually reflected in Account 1588 and Account 1589, respectively.

⁵ Charge type 148 credit is calculated as the total Class B consumption derived by the IESO minus the RPP consumption as submitted by distributors in the RPP settlement process

In accordance with the Accounting Guidance, for any given month a distributor's RPP settlement will include an estimate for the current month as well as a true-up to actual of prices and consumption volumes related to prior months' estimates. Therefore, for any month during which the GA deferral is in effect, the charge type 148 credit will be based on an estimate of the current month's non-RPP Class B consumption by the IESO. The OEB understands that the current settlement submission process does not allow for separate reporting of non-RPP Class B consumption true-ups. As a result, the charge type 148 credit for the GA deferral will not be true-up. The OEB will communicate the process to true-up the charge type 148 credit should a need for a true-up be determined.

3. Accounting Guidance for Class A GA Deferral

As noted above, the GA deferral for Class A customers is in the form of a reduction in their GA charges in the same proportion as the reduction received by non-RPP Class B customers; in other words, their GA charges are reduced by the same percentage reduction as the reduction applied to non-RPP Class B customers. The IESO calculates this percentage reduction, which it refers to as the "deferral adjustment ratio".

Similar to charge type 148, during the period that the GA deferral is in effect, a distributor's month-end settlement statement will show charge type 147 "Class A – Global Adjustment Settlement Amount" based on the unadjusted Class A amount. The settlement statement will also show the GA deferral for Class A customers as a credit to charge type 147 "Class A Deferral Amount as per Emergency Order". The resulting net charge type 147 appearing on a distributor's IESO invoice for the month will therefore reflect the adjusted Class A amount.

Distributors can invoice the net charge type 147 to each of its Class A customers by multiplying i) the total unadjusted provincial GA for the month as calculated by the IESO by ii) the deferral adjustment ratio, and iii) by the customer's peak demand factor. Distributors are reminded to continue to settle with Class A customers based on the actual GA billed (i.e. the adjusted GA amount during the period in which the GA deferral is in effect). In doing so, distributors must perform a reconciliation to reconcile the total amount that they bill their Class A customers to the adjusted Class A amount (i.e. net charge type 147) on their IESO invoice. As a result, there will be no resulting variance for Class A customers recorded in Account 1589.

4. No Changes to RPP Settlement

The OEB understands that some distributors incorrectly settled the RPP for April 2020 based on the adjusted Class B rate of \$115/MWh. The OEB notes that the IESO briefly re-opened its RPP submission window for April 2020 to allow for corrections to be made.

As noted above, the Emergency Order does not apply to RPP customers. Distributors are reminded to continue using the unadjusted Class B rate for initial RPP settlement purposes, and then to perform all true-ups for RPP customers also using the unadjusted Class B rate.

Any questions relating to this letter should be directed to the OEB's Industry Relations Enquiry e-mail at IndustryRelation@oeb.ca. Please include "GA Deferral" in the subject line.

Yours truly,

Original Signed By

Theodore Antonopoulos
Vice President
Applications Division