

# Allocation of Global Adjustment

Presentation to Stakeholder Advisory Committee  
March 31st, 2010

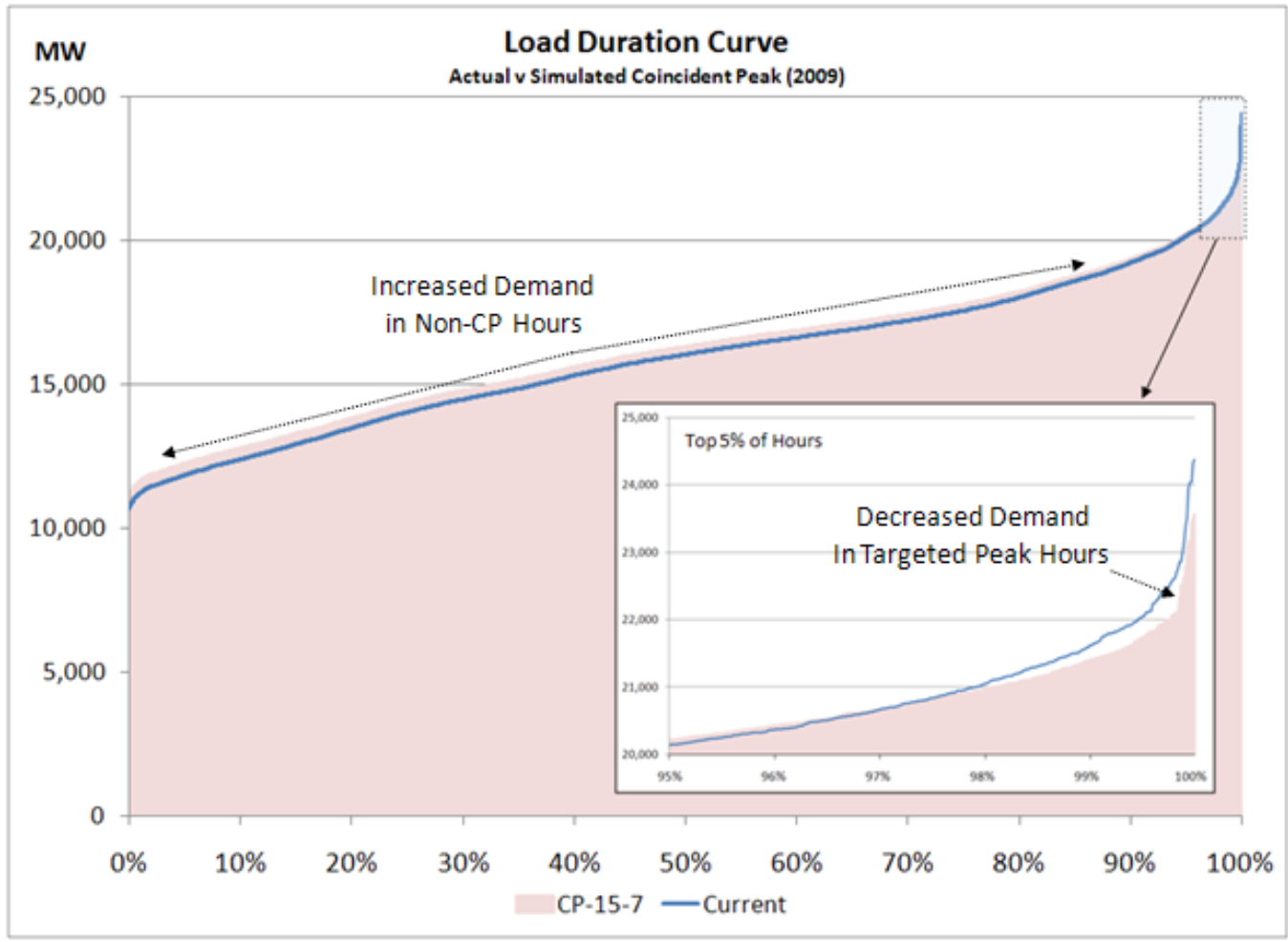


- IESO and OPA, with participation from APPRO and AMPCO, have met regularly over the past year to address electricity pricing issues in Ontario
- The growth in Global Adjustment is a concern shared by a wide variety of stakeholders
- Group defined key problem, identified possible solutions, and performed supporting analysis

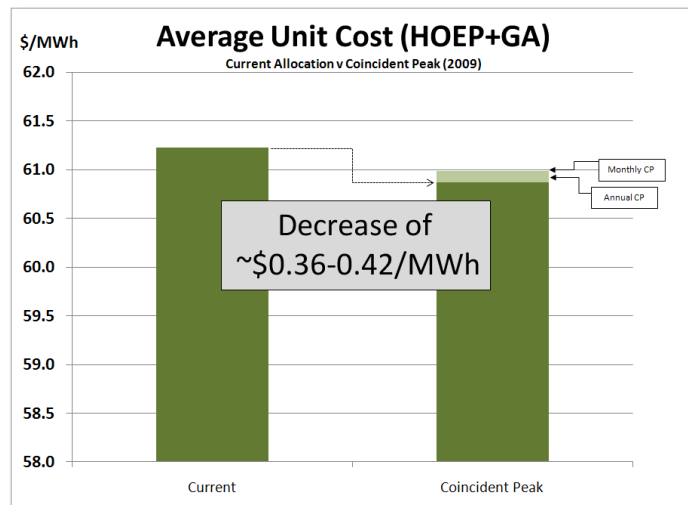
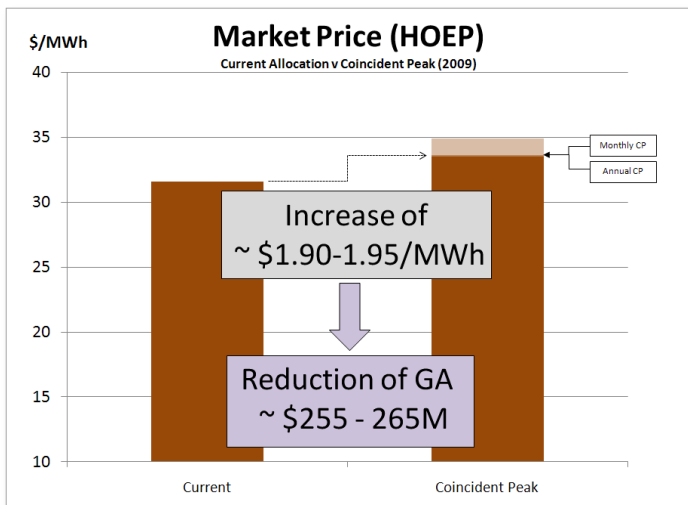
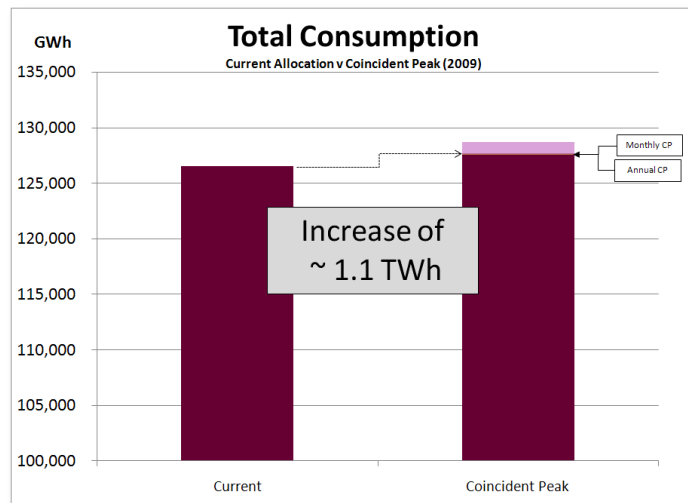
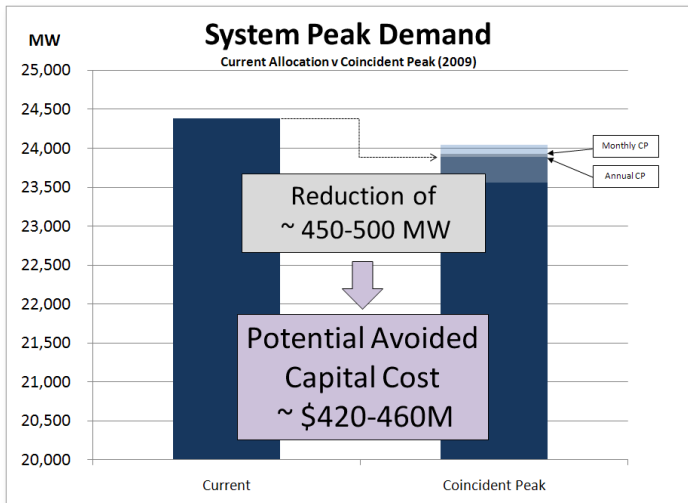
- **GA introduces a distortionary effect on the price signal, inducing inefficient consumption and an inefficient use of system resources**
  - Efficient prices, equal to marginal cost, more or less reflected by HOEP
  - GA costs represent compensation for additional fixed costs not recovered through the market
  - These fixed costs are currently recovered equally in hours based on consumption. This is in addition to the HOEP
  - Approaches inefficient “average cost pricing”
- **General problem – What is the most efficient way to fully recover these fixed costs?**
  - Classic Ramsey Pricing problem

- **Coincident Peak (CP) allocation**
  - GA costs are allocated to consumers based upon their demand during the system peak hour(s) of demand
  - Applied Monthly or Annually
  - Similar approach used for Transmission and other forms of fixed cost recovery in neighbouring markets
- **Time-of-Use allocation**
  - GA costs allocated to different periods according to when resources are most likely to operate
  - Could be similar to OEB approach for RPP customers

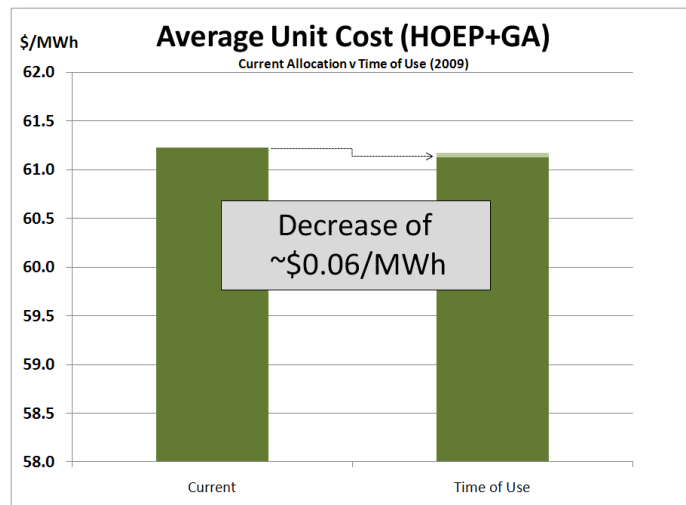
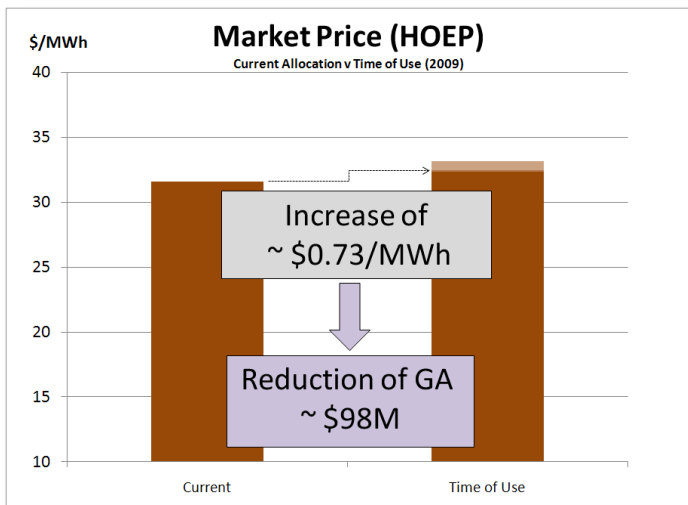
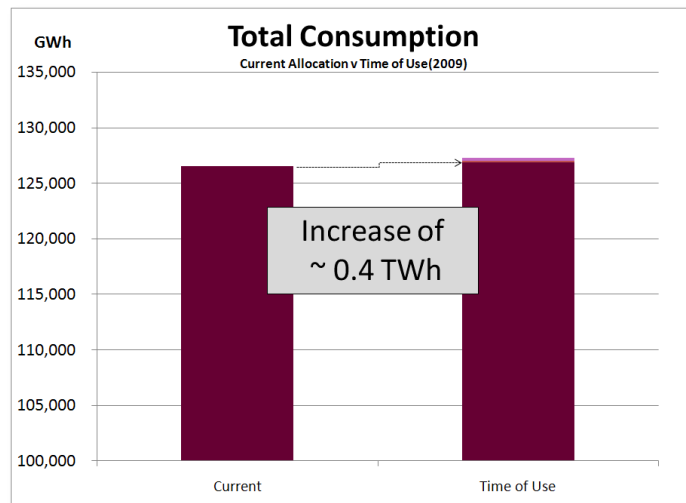
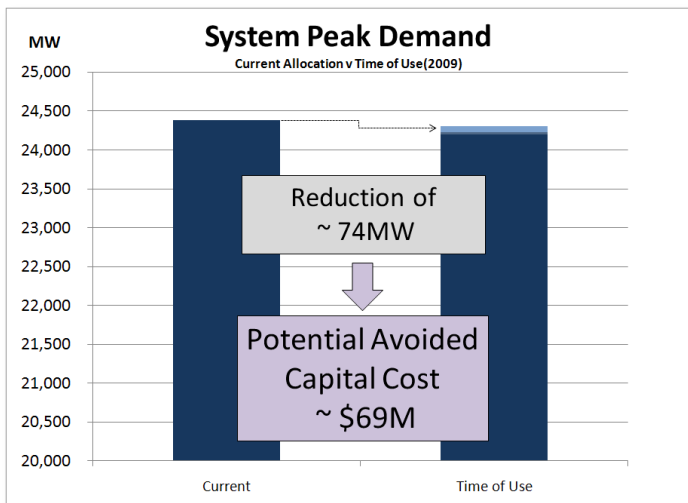
# More Efficient Consumption

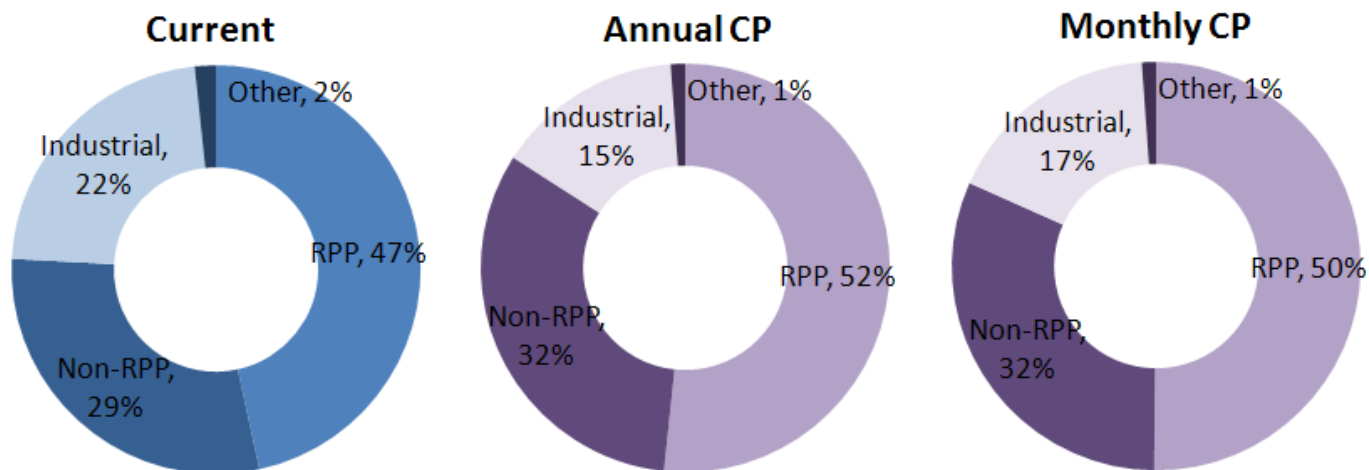


# CP: Impacts on Key Measures



# TOU: Impacts on Key Measures





- Customers with relatively flat load profiles would benefit under CP.
- Those unwilling or unable to modify their demand during system peaks would be exposed to a greater burden of costs