

## 1.2 Conduct and publish the results of a comprehensive review of the electricity sector, including an objective economic impact analysis assessing the full range of inputs that make up the Global Adjustment (GA), and then pursue cost-reducing measures based on the results

### HIGHLIGHTS

- The OCC is calling on the newly elected government to conduct and publish a full review of the electricity sector and pursue cost-reducing measures based on the results.
- Currently the Global Adjustment (GA) accounts for 77% of the typical Ontario electricity bill, (the GA accounts for the difference between market price and the contract price paid to energy producers).
- This would ensure that social policies are no longer paid for by electricity ratepayers and would reduce costs for consumers.

The Global Adjustment (GA) currently constitutes 77 per cent of a typical Ontario electricity bill,<sup>1</sup> but what it is and how it is calculated is not always clear. Electricity customers in Ontario are charged for the total commodity cost, which includes the Hourly Ontario Energy Price (HOEP) and the Global Adjustment (GA), as well as for distribution, transmission, and wholesale market services. However, rising system costs, for the most part, are passed onto customers through the GA portion of their electricity bill.<sup>2</sup>

The GA accounts for the difference between the market price and the regulated contract price paid to generators. It includes, but is not limited to, Large Renewable Procurement (LRP), Hydroelectric Contract Initiative (HCI), Industrial Electricity Incentive (IEI) Program, combined heat and power, Hydroelectric Standard Offer Program (HESOP), non-utility generators, FIT, microFIT and covers spending on conservation and demand management programs.

Ontarians deserve a comprehensive, objective analysis of the drivers behind all electricity system costs, including the GA. The OCC is looking for an objective cost benefit analysis of the cost drivers and policy choices that affect who pays for electricity and at what prices (the GA).

To do this the OCC is asking that government:

- Conduct an objective analysis of what drives costs and how this is reflected in prices;
- Be explicit about the current distribution of who pays for what; and
- Present a principled approach to any recommendation that would alter this distribution and demonstrate why it would have a differential, positive, impact on socio-economic outcomes for all Ontarians.

Based on the findings of this economic analysis, the OCC asks that government consider approaches to make sustainable change to the electricity market. This would ensure that social policies are no longer paid for by electricity ratepayers, which would reduce system costs for consumers.

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1 McKittrick, Ross. *Ontario electricity has never been cheaper, but bills have never been higher*. <http://business.financialpost.com/opinion/ontario-electricity-has-never-been-cheaper-but-bills-have-never-been-higher>

2 Holmes, Andrea. *Empowering Ontario: Constraining Costs and Staying Competitive in the Electricity Market*. Ontario Chamber of Commerce, 2015. <http://www.occ.ca/wp-content/uploads/Empowering-Ontario.pdf>