

# Global Adjustment & Rebates

MPWG – December 6, 2006



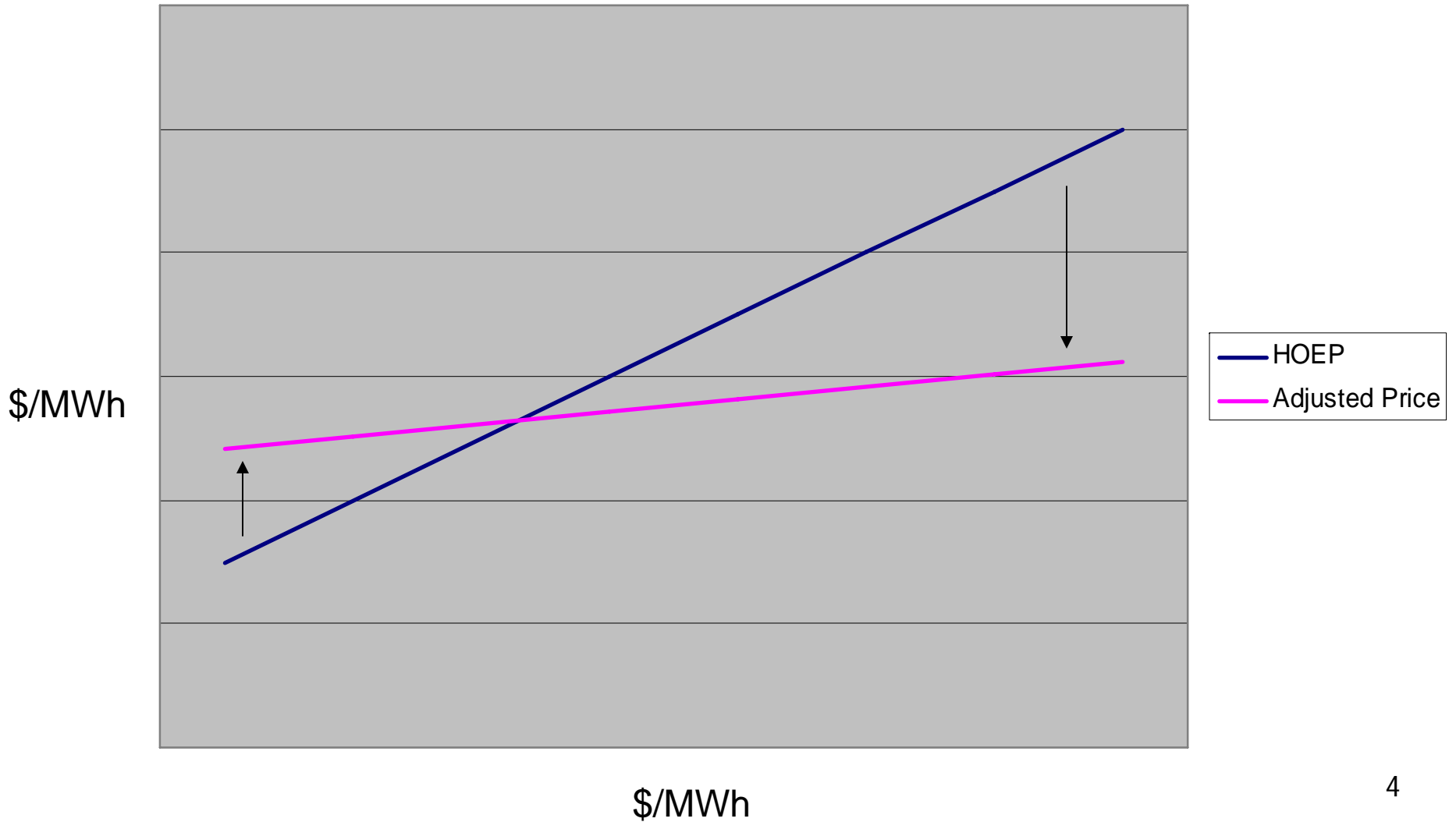
# Global Adjustment & OPG rebate: Role as a Hedge

- Global adjustment and OPG rebate dampen monthly price changes for consumers
- Approximately 75% of Ontario supply
- Fixed Price Contracts:
  - OPG Prescribed assets, excluding base-load hydro >1900MW in any hour
  - NUGS – complete hedge on price, but not on volume
  - Bruce A
  - \*OPG Non-Prescribed Assets (85%) – OPG rebate
- CES/Early Mover Contracts:
  - each dollar paid through HOEP is deducted from monthly revenue guarantee

- Global Adjustment (positive or negative) calculated monthly
  - Credited or charged to large consumers monthly
  - Used to calculate Regulated Price Plan every 6 months
- OPG rebate calculated quarterly
  - If negative, OPG rebate is carried forward to offset future rebates

$$\text{Adjusted Price} = \text{HOEP} \pm \text{Global Adjustment} - \text{OPG Rebate}$$

# HOEP vs. Adjusted Price



## Example:

1. Calculate effective price given a hypothetical dispatch
2. Recalculate effective price with increased demand, new generation dispatch
3. Recalculate effective price following the loss of a 900MW OPG Prescribed asset
  - Same demand as example 2
  - 900MW replaced with a combination of imports, OPG Non-Prescribed assets, and market-priced generation

Generation Source	Contract Price	MW	HOEP	Rebate/Adjustment (\$)
OPG Nuclear	49.5	5500	65	85,250
OPG Base-Hydro	33	1900	65	60,800
Bruce A*	63	1400	65	2,800
Bruce B		3200	65	
OPA CES Contracts*	* 75	400	65	-4,000
NUGS*	75	400	65	-4,000
Merchant Generators		500	65	
Imports		300	65	
Wind	110	100	65	-4,500
<b>OPG Non-Prescribed</b>	46	6300	65	101,745

OPG Rebate (\$/MWh)	5.09
Global Adjustment (\$/MWh)	6.82
Effective Price	<b>53.10</b>

\*Contract prices shown here are for illustrative purposes only.

\*NUG contracts are held by OEFC. Actual terms are confidential

\*CES contracts are monthly revenue guarantees, rather than \$/MWh produced.

Generation Source	Contract Price	MW	HOEP	Rebate/Adjustment (\$)
OPG Nuclear	49.5	5500	75	140,250
OPG Base-Hydro	33	1900	75	79,800
Bruce A	63	1400	75	16,800
Bruce B		3200	75	
OPA CES Contracts*	* 75	600	75	0
NUGS**	75	400	75	0
Merchant Generators		800	75	
Imports		800	75	
Wind	110	100	75	-3,500
<b>OPG Non-Prescribed</b>	<b>46</b>	<b>7300</b>	<b>75</b>	<b>179,945</b>

OPG Rebate (\$/MWh)	8.18
Global Adjustment (\$/MWh)	10.61
Effective Price	<b>56.21</b>

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# Generation Loss: 900 MW OPG Prescribed

Generation Source	Contract Price	MW	HOEP	Rebate/Adjustment (\$)
OPG Nuclear	49.5	4600	85	163,300
OPG Base-Hydro	33	1900	85	98,800
Bruce A	63	1400	85	30,800
Bruce B		3200	85	
OPA CES Contracts*	* 75	600	85	* 3,800
NUGS**	75	400	85	4,000
Merchant Generators		800	85	
Imports		1200	85	
Wind	110	100	85	-2,500
<b>OPG Non-Prescribed</b>	46	<b>7800</b>	85	<b>258,570</b>

OPG Rebate (\$/MWh)	11.75
Global Adjustment (\$/MWh)	13.55
Effective Price	<b>59.69</b>

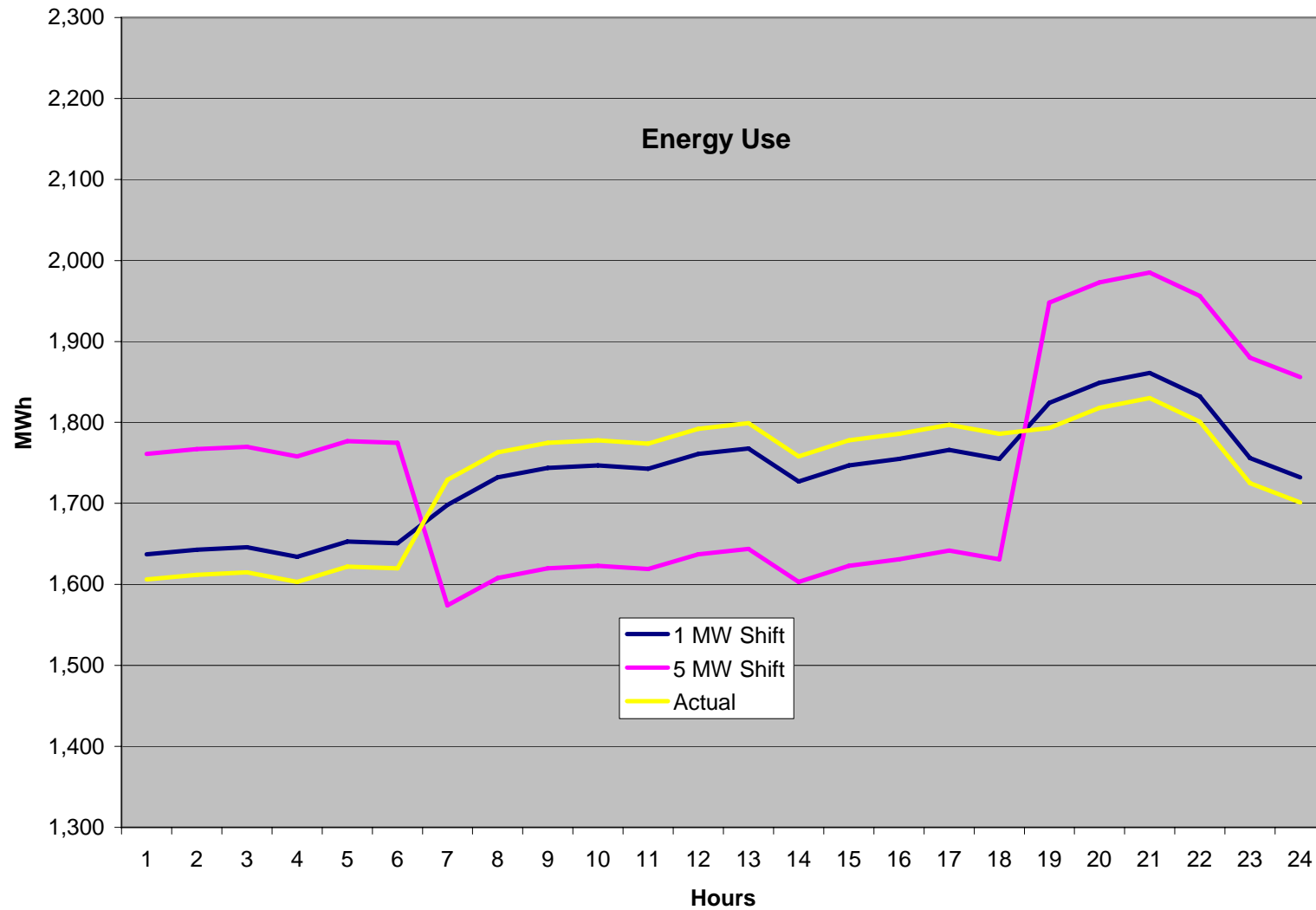
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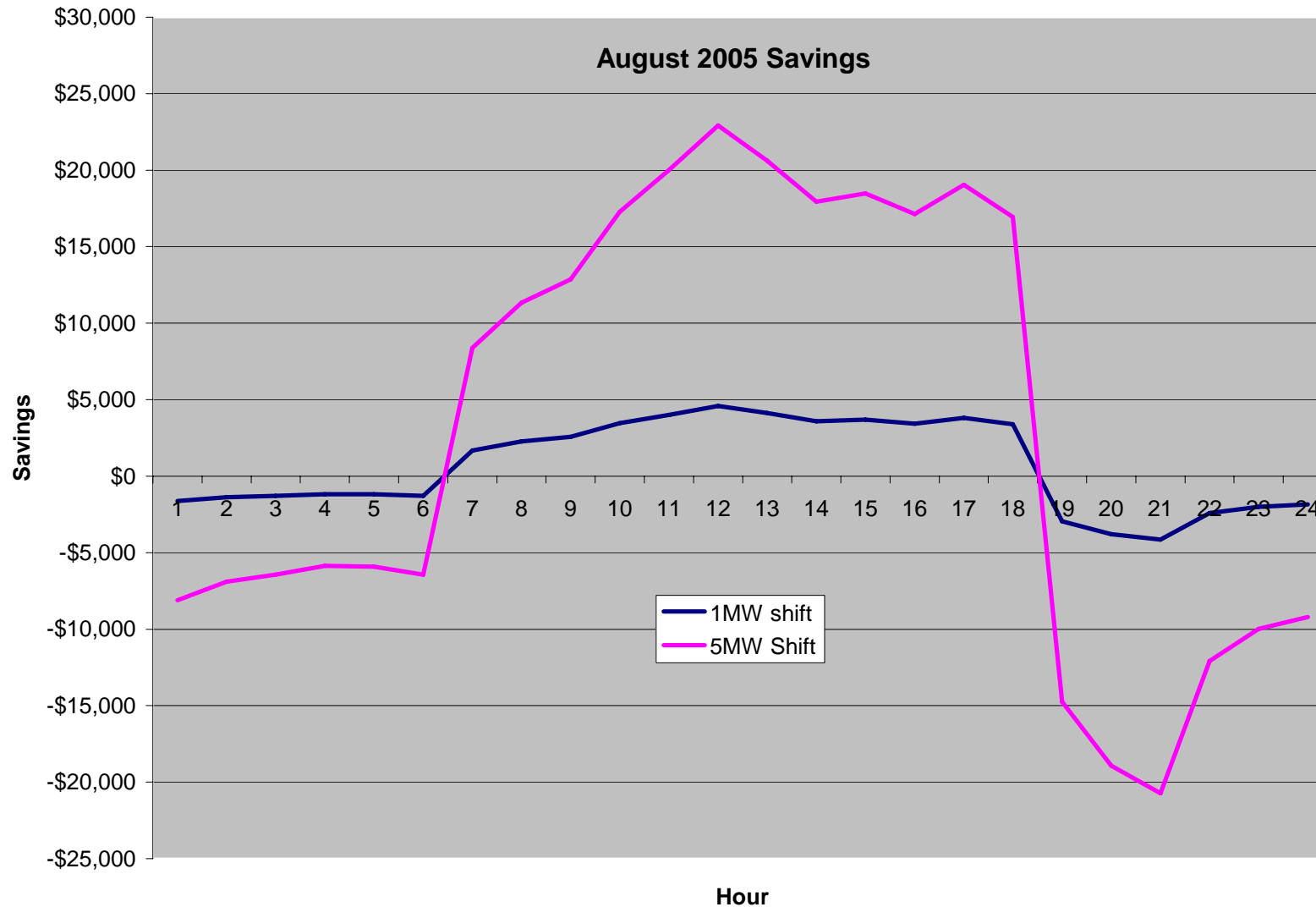
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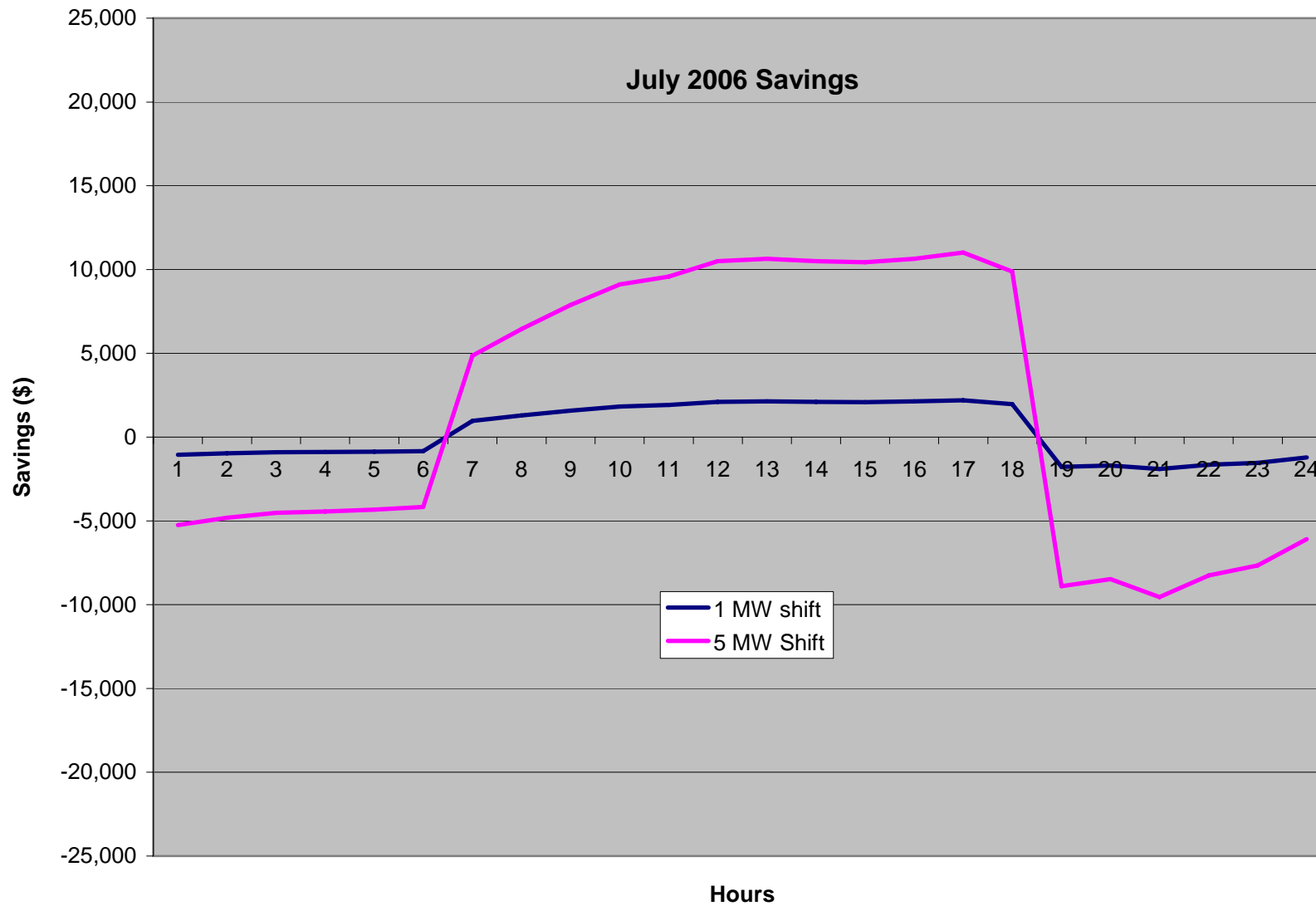
•Rebates only apply if monthly market revenues exceed net monthly revenue requirement

- Rebates and adjustments distributed on a \$/MWh basis
  - Regardless of time of use
- Metered customers that pay HOEP have an incentive to shift production from on-peak hours
- Lowers energy costs without reducing share of rebates



# Potential Savings (August 2005)





Aug-05	Base Case	1MW shift	5MW Shift
<b>Total Energy Used (MWh)</b>	58,535	58,535	58,535
<b>Energy Cost (\$)</b>	5,403,142	5,387,619	5,325,528
<b>Global Adjustment (\$)</b>	1,043,094	1,043,094	1,043,094
<b>OPG Rebate (\$)</b>	381,648	381,648	381,648
<b>Savings (\$)</b>		15,526	77,617

Jul-06	Base Case	1MW shift	5MW Shift
<b>Total Energy Used (MWh)</b>	41,661	41,661	41,661
<b>Energy Cost (\$)</b>	2,397,436	2,390,433	2,362,424
<b>Global Adjustment (-\$1.02/MWh)</b>	-42,494	-42,494	-42,494
<b>OPG Rebate (\$1.54/MWh)</b>	64,158	64,158	64,158
<b>Savings (\$)</b>		7,002	35,012

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