June 2 Webinar Q&A

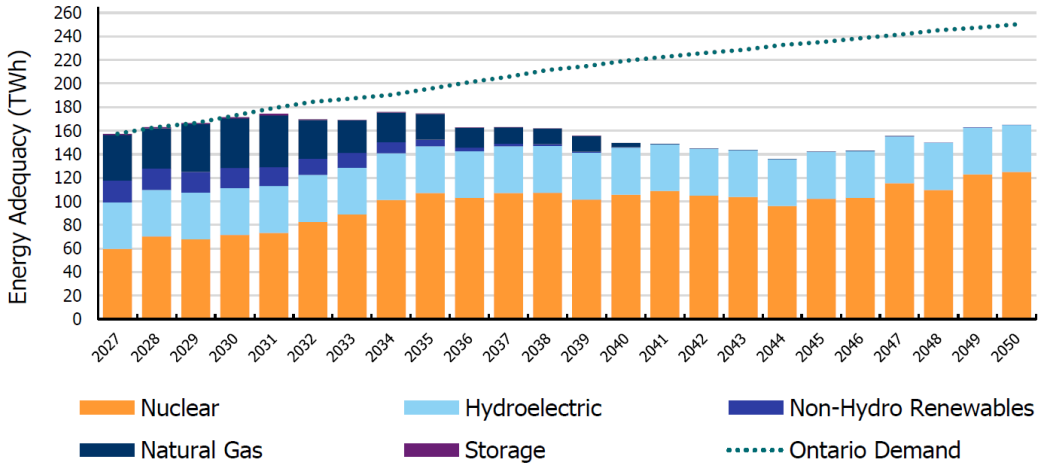
What demand are you projecting for behind the meter storage?

- Power Advisory expects behind-the-meter storage to continue to provide value in supporting customers avoiding peak demand hours and reduce GA charges and peak wholesale energy prices. Nonetheless, given changes to the amount of costs to be recovered through GA charges, the rate of growth for behind-the-meter storage may be lower than in previous years.

Looks like a power generation supply shortage in the horizon, did I miss anything?

- Hydro One recommends that customers continue to monitor the IESO's reliability outlook (short term view) and the IESO's Annual Planning Outlook (long term view) for information about Ontario's projected supply resource adequacy.
    - Reports are available on IESO website: https://www.ieso.ca/Sector-Participants/Planning-and-Forecasting/Overview
    - Figure 21 from the IESO's recent APO projects Ontario energy supply needs emerging in the 2030s when several existing contracted assets hit the end of their term. It is IESO's responsibility to plan for and ensure adequate resource acquisition to meet Ontario's electricity needs.

Figure 21 | Energy Adequacy — Reference Scenario



To clarify, consumers are fuel switching from natural gas to electricity to reach net-zero targets on the basis that our current grid is low carbon; however, as the demand on the current grid increases it is expected that the province would need to rely more heavily on natural gas generation?

- Ontario is expected to be more reliant on gas-fired generation in the near- and medium-term (mid-2030s) due to nuclear refurbishments and retirements, as well as increasing demand. The IESO anticipates that there will be between 500 and 3,700 MW of nuclear power under refurbishment each summer until 2034 (2026 Annual Planning Outlook, s. 3.1.2). Following the completion of all nuclear refurbishments in the mid-2030s, gas-fired generation is expected to reduce towards lower output levels.

How do you foresee Distributed Energy Resources (DERs) impacting future peak events?

- Ontario is expecting continued development of DERs through a range of programs and initiatives, including the IESO's Peak Perks program, Peak Performance Program, Capacity Auction (e.g., Hourly Demand Response), Local Generation Procurement, and other eDSM programs (such as the Save on Energy's Solar rebate program). Many of the resources will contribute to peak reduction.

How we get other NAICS codes included in the Class A program

- The NAICS codes eligible for participation in the ICI are set out in Ontario Regulation 429/04, section 6.1.1 (1.2). Adding other NAICS codes to ICI eligibility would require amending the regulation; this would be a Ministry of Energy decision.

Is it possible to obtain forecasted Global Adjustment Class A and B rates?

- Hydro One and the IESO do not provide forecasts for Class A or Class B Global Adjustments. Price forecasts are available to purchase from independent consulting firms, however, Hydro One cannot endorse or make specific recommendations to customers.

With GA $ amount decreasing, even negative, why would we want to participate in the ICI program. It seems that when GA is negative Class A clients are being penalized.

- Customers will need to assess the benefits of ICI participation based on their own circumstances. While certain months may have low or negative GA, other months may have higher GA. The likelihood of an annual negative GA amount in the near-term is low, in Power Advisory's view.

There are a significant amount of PPAs reaching the end of their ~20 year terms over the coming decade although many are non-dispatchable. For assets with some continued useful life or could extend life, how do you envision some of those resources fitting into future generation resources (non-dispatchable settling at OEMP?)

- The IESO's Resource Adequacy framework contemplates the re-acquisition and continued operation of many existing supply resources with expiring contracts. Procurements such as the Medium Term (MT) RFP and the forthcoming Local Generation Program are proposed to incentivize the continued operations of existing facilities. Some facilities may also be eligible to participate in the IESO's Capacity Auction.

What is the minimum capacity shut down requirement for the class A program?

- There is no minimum shutdown capacity requirement with the ICI. Participation is entirely performance-based, meaning customers can curtail any amount of load (from minimal reductions to full shutdown), and their costs are determined by how much demand they have during the top five peak hours. While there is no mandated reduction level, participants are incented to reduce demand as much as possible during these peaks to lower their Peak Demand Factor and Global Adjustment costs.

Are there any benefits to becoming a Class A consumer?

- Becoming a Class A customer can offer potential benefits, primarily related to greater control over electricity costs; however, participation does not guarantee savings. Under the Class A framework, Global Adjustment (GA) charges are determined by a customer's contribution to the top five system-wide peak hours rather than total energy consumption. This structure allows participants to reduce costs by curtailing demand during those peak periods, creating an opportunity for savings and encouraging proactive energy management and operational flexibility.
- That said, the financial outcome depends heavily on the customer's peak demand factor relative to overall monthly consumption. To support informed decision-making, a Class A versus Class B cost comparison based on historical GA values is provided using the facility's projected peak demand factor, helping to assess whether participation is estimated to be beneficial.

If OPG's price increase is approved, will the GA be lower? And the class A benefit be reduced?

- Renewing regulated/contracted generation contracts at higher prices can place upward pressure on Global Adjustment. This is because Global Adjustment acts as a "true-up" between the wholesale market price and the regulated/contracted generation prices. The actual impact on GA will depend on the magnitude of wholesale market prices.

The Class B 1st estimate often trails the actual GA cost by 2 months. Can you speak to that?

- LDCs bill Class B customers using the 1st GA estimate to enable timely billing. This estimate is set by the IESO on the last business day of the preceding month and represents a forward-looking projection based on forecasted costs, expected provincial demand, and a true-up for prior over/under collections.

- The actual GA value for the month is calculated and published 10 business days after the month ends, once all costs and consumption data are finalized. This creates roughly a 6-week gap between the initial estimate and the actual value for the month referenced.
- **Example**
  - May 2025 actual GA ($0.1349/kWh) was published on June 16, 2025.
  - June 2025 1st estimate ($0.0890/kWh) had already been published earlier, on May 30, 2025.
  - As a result, May actual could not be reflected until the July 1st estimate, published around June 30, 2025 ($0.1159/kWh).

How do you determine your NAICS code?

- The provision of your North American Industry Classification System (NAICS) code is a requirement to opt into the Class A program. This code must be self-determined by the customer using the below link from Statistics Canada.
- https://www23.statcan.gc.ca/imdb/p3VD.pl?Function=getVD&TVD=1369825

We missed our KW usage mark by 11KW for the last base period. We might be removed from this class A. any options for us to stay in class A.

- The eligibility requirements for the ICI are strictly governed by O.Reg 429/04 and require customers to have a 500-1000kW or 1000kW + average peak demand over the base period – depending on the business type. However, for existing Class A customers, there is a provision to allow customers to remain eligible if demand was reduced through an eligible IESO program.
  - If you are currently involved in one or more of the programs specified in Section 6.2 of O. Reg 257/22 (adjustments under Section 25.33 of Ontario Regulation 429/04) and if it can be determined that this program has resulted in reducing your monthly peak demand below the 500 kW threshold, you can still be eligible for Class A under the Continued Status section of the regulation.

Are there specific incentives for Class A customers that we can utilize, if so, what are they?

- The incentive for Class A customers is embedded within the program itself. The incentive is for customers to help control their next year's Global Adjustment costs by curtailing load to the top 5 system peaks during the current base period. As customers can increase their curtailment, they will experience a lower peak demand factor and therefore lower Global Adjustment costs in the following year – assuming the remaining eligibility requirements are met.
- Customers may also be eligible for other eDSM programs via Save on Energy.

What about Class A accounts that made significant Capital investments to reduce GA, that have seen GA decrease over 50% - from over $16 billion to under $8 billion. Are there any plans to review GA billing?

- The IESO's implementation of the Market Renewal Program (MRP) fundamentally shifted how wholesale electricity prices are calculated. This renewed wholesale market aims to produce more accurate prices by removing factors that were artificially suppressing the market price.
- With respect to potential changes to the ICI, at this time, we are not aware of any proposed changes to the regulation or proposed billing framework.
- Having said that, we do see Class A participation continuing to be beneficial to many customers, albeit at a potentially reduced capacity due to lower overall GA costs.

Do you have an overall average PDF that we can compare to?

- There is no average peak demand factor that should be used for comparison as the set of circumstances for each customer opt in are based on unique values. As a general note, the same PDF for two customers may yield significantly different results – including being beneficial for one customer and detrimental to the other.

Why is there always one month out of the 12 that has a very much smaller GA $ amount

- There is an inverse relationship between the market price of electricity and the cost for global adjustment. When the market price for electricity increases, there is less "true up" paid to generators for

their contracted/regulated generation. If the GA value is close to zero, that means that the market price very accurately reflects the costs owed to generators.

Why have all past ICI communications used 1st class estimates, but the new estimates use Actual GA $/MWh? If I take your example on the slides, and replace them with the 1st estimate, then Class B looks more attractive. If we are billed using 1st class estimate, why use Actual GA as our comparison to help us decide?

- Following the implementation of the IESO's Market Renewal Program (MRP) there has been a higher degree of volatility in the market, particularly around the 1st estimate. To eliminate the noise, we decided this year to use only actual values to help demonstrate which methodology may be beneficial. The idea was to take luck out of the equation as some customers could benefit depending on where estimates are drastically off, while other customers would be heavily penalized.
    - For example, if GA estimates were significantly inaccurate in April/May, these first estimates would show up in July/August impacting seasonal customers in the summer. If estimates were significantly inaccurate in September/October, this would impact seasonal customers in the winter, etc.
- If a customer would like us to provide an assessment using the 1st estimate this year, please reach out to us at ICI@HydroOne.com.

Has this changed again? Automatically in and have to opt-out? We were asked to sign in every year in the past 2 or 3 years, we have to opted in.

- Historically, there has been a common misconception for our >5MW segment that eligibility is automatic. The eligibility is automatic but is contingent on the customer fulfilling their obligation of adhering to section 6.(1) paragraph 5 of O.Reg 429/04 which requires the customer to provide their utility with certain information in order to be included in the program.
- While the customer does not have to complete the declaration form to submit this information, it is typically the easiest way as the specific fields are provided. Additionally, it also ensures that we understand your intent to be a part of the program.

Historically we have had peaks occur during the period ending 12 which were not predicted. In these cases, are there typically significant unexpected events that lead to these peaks which are challenging from a peak avoidance perspective?

- As more customers become participants in the Class A program and curtail to system peaks, there is more load coming offline rapidly which shifts the expected peak to another hour. This would be the most applicable for dates where there is an obvious peak and triggers many customers' attention for curtailment.

Does Hydro One expect the Demand response program to be called more often

- The Save on Energy Peak Performance (for Class B customers) program anticipates calling up to 12 demand response (DR) events this summer season (June-September). Activations on this program as well as the IESO's Capacity Auction are driven by various factors including system constraints and weather. While Hydro One is not able to predict how many activations will be called in the future, the 2025 capacity auction saw a significant increase in activations compared to previous years and participants should anticipate these conditions may persist.

Is Demand Response expected to increase? Will there be any talks about demand response program today? for greenhouse 500-1000 kW load, if any specific month the peak load exceeds 1000 kW, then will the class A be lost by that greenhouse?

- The eligibility requirements represent the minimum thresholds for a customer to become eligible into the Class A ICI program. If a customer's average peak demand exceeds the minimum threshold, they would continue to remain eligible.
- Information about the new Save on Energy Peak Performance program for Class B is included in the presentation deck. Additional information can be found on the program website: https://www.saveonenergy.ca/For-Business-and-Industry/Programs-and-incentives/Peak-Performance-Program. Information about the IESO Capacity Auction (Class A) can

be found on the IESO website: https://www.ieso.ca/en/Sector-Participants/Market-Operations/Markets-and-Related-Programs/Capacity-Auction.

With the expected "tight" supply/demand conditions for the upcoming years, will there be additional incentives to encourage curtailment.

- Save on Energy introduced the Peak Performance program this year to provide demand curtailment during summer peak times. Hydro One also recently introduced our Flexibility Initiative (https://www.hydroone.com/business-services/commercial-industrial-generators-and-ldcs/commercial-industrial-customers/flexibility) which is available in select areas of Hydro One's service territory. These or other programs may be expanded to additional areas or augmented in the future to meet evolving system needs.

June 9 Webinar Q&A

Could you please differentiate the way operating reserves were handled then and now

- Historically the IESO included Contral Action Operating Reserve (CAOR) supply in the Operating Reserve (OR) supply stack. The IESO replaced this design with an Operating Reserve Demand Curve (ORDC), which introduces a price that reflects price scarcity with higher reserve prices.

Aren't the peak generators locked in a specific price? Why would changes to Natural Gas price impact them?

- Natural gas is the key component of the marginal cost of gas-fired generators. When the gas price increases, so does the marginal cost of gas-fired generators. With gas-fired generators setting prices more often due to a tightening supply/balance, an increase in the marginal cost of gas-fired generators will put upward pressure on wholesale prices.

Will projected emission factors be published (or are they already)?

- IESO typically publishes emissions factors for the province in their Annual Planning Outlook.

What was the date Pickering was down until? How much of a percentage in jump can we expect to see with them out of the pool

- Pickering Units 5 – 8 will be taken offline for refurbishment at the end of this year. The impact on price is not published, but it is expected to put upwards pressure as it results in the removal of 2,000 MW of low marginal cost, baseload supply.

Can you remind us how we would receive notifications when natural gas generation is coming online, and wholesale prices are expected to jump in the next hour? so our company can reduce consumption

- IESO does not offer notification; however, they do publish day-ahead forecasts and schedules for supply resources each day.

If I want to develop a plan to flatten my demand curve, are there consultants that could help us? ie: intelligently project whether a particular change will in fact translate into power / cost savings?

- Hydro One's CICR team at CICR@HydroOne.com can help assist in assessing financial impact to the bill if changes are made at the load facility.

We are in the mining industry in southern Ontario, with the downswing in residential construction we fell short of meeting Class A, and at the same time did hit all 5 high consumptions days in the previous year. Ae there any exceptions in this case.

- If participation in one or more of the programs identified in Section 6.2 of O. Reg. 257/22 (adjustments under Section 25.33 of O. Reg. 429/04) has resulted in a reduction of monthly peak demand below the

500 kW threshold, eligibility for Class A may still be maintained under the “Continued Status” provisions of the regulation.

- If these conditions do not apply, there is no mechanism available for Local Distribution Companies (LDCs) to grant exceptions, as the program is strictly governed by O. Reg. 429/04. Compliance with this regulation in its entirety is mandatory for all LDCs.

Do we need to opt in to the Industrial Conservation Initiative every year?

- Yes, this program requires an annual opt in declaration.

If we qualify under the > 5000kW segment, are we automatically opted in?

- Customers with peak demand greater than 5,000 kW represent a small subset of eligible Class A consumers and do not technically require an “opt-in” under the regulation. However, they must still submit specific information required by the IESO to establish eligibility within the program. This requirement is typically fulfilled most efficiently through completion of the declaration form used for opt-in purposes.
- We are asking all participants to submit a declaration each year, regardless of the size segment the facility falls under.