# Understanding electricity pricing in Ontario

## A guide for medium-sized and large businesses

Determining your business size is the first step in knowing which electricity pricing structure applies. In Ontario, the **Ontario Energy Board (OEB)** and the **Independent Electricity System Operator (IESO)** provide rate options to businesses using more than 250,000 kWh per year, based on the type of business and its average monthly maximum electricity demand.

Medium-sized and large businesses pay the **Ontario Electricity Market Price (Ontario Price)** as a separate line item next to the **Global Adjustment (GA)** on their bill. Depending on the business, consumers may be eligible to participate as a Class A customer under the Industrial Conservation Initiative (ICI) program, or as a Class B customer.

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# Rate options

| Size category | Eligibility criteria[1] | Pricing structure | Actions required |
|---|---|---|---|
| Small business | **250,000 kWh or less** | Regulated rate plans set by the OEB | None |
| Electricity storage facilities | Class B; may be eligible for Class A **after a full year of operation** between May 1 and April 30. | Market-based rates + Global Adjustment (may be eligible for GA exemption) | To receive a GA exemption, facilities must self-declare that they meet the definition of an "electricity storage facility." |
| Medium-sized manufacturing/industrial sector consumers (NAICS 31, 32, 33, 1114) | Class B; may be eligible for Class A if the average monthly peak demand is **between 500 kW and 1 MW.** | Market based rates + Global Adjustment | Eligible to opt-in as a Class A participant. Opt-in deadline is June 15. |
| Medium-sized consumers | Class B; may be eligible for Class A if the average monthly peak demand is **greater than 1 MW and less than 5 MW.** | Market-based rates + Global Adjustment | Eligible to opt-in as a Class A participant. Opt-in deadline is June 15. |
| Large consumers | Class A; average monthly peak demand is **greater than 5 MW**. May opt out and participate as a Class B customer. | Market-based rates + Global Adjustment | Automatically enrolled as Class A. Opt-out deadline is June 15. |

[1] For full eligibility guidelines, visit: https://www.ieso.ca/en/Sector-Participants/Settlements/Global-Adjustment-Class-A-Eligibility

# Class A vs. Class B electricity rates in Ontario

Ontario businesses are classified as either Class A or Class B customers. This classification determines how they pay the Global Adjustment (GA) fee – a charge that covers the cost difference between the market price of electricity and contracted payments to Ontario generators, including long-term energy contracts, grid reliability and conservation programs.

| Class | GA charges | GA calculation |
|---|---|---|
| Class A | Based on usage during the top five peak demand hours | GA charges are calculated by multiplying the total monthly Class A GA costs[2] by the customer's peak demand factor (PDF).[3]<br><br>Customer's monthly GA charge = System-wide GA costs for a given month x PDF |
| Class B | Based on total electricity usage | GA charges are calculated by multiplying the customer's total monthly electricity consumption by the monthly Class B GA rate[4] posted on the IESO website.<br><br>Customer's monthly GA charge = Monthly total electricity consumption (MWh) x Actual GA rate ($/MWh) |

[2] To view monthly Class A Global Adjustment components and costs, visit: https://www.ieso.ca/Sector-Participants/Settlements/Global-Adjustment-Components-and-Costs

[3] For more information on how to calculate PDF, visit: https://www.ieso.ca/en/Sector-Participants/Settlements/Global-Adjustment-and-Peak-Demand-Factor

[4] To view monthly Class B Global Adjustment rates, visit: https://www.ieso.ca/Sector-Participants/Settlements/Global-Adjustment-for-Class-B

# How is Peak Demand Factor (PDF) calculated?

A Class A customer's PDF is calculated using their consumption during the top five peak demand hours (MWh).

| Final top five peak rank | Date | Hour ending (EST) | Customer's total consumption (MWh) | Ontario system-wide total (MWh) |
|---|---|---|---|---|
| 1 | June 19, 2024 | 17 | 3.128 | 24,233.776 |
| 2 | July 31, 2024 | 17 | 4.458 | 23,573.621 |
| 3 | August 1, 2024 | 17 | 3.981 | 23,440.196 |
| 4 | June 18, 2024 | 16 | 4.123 | 23,786.073 |
| 5 | August 27, 2024 | 17 | 4.325 | 22,842.029 |
| Total | | | 20.015 | 117,875.695 |

**Peak Demand Factor =**
Customer's total consumption during top five peak hours × Sum of top five system-wide consumption peaks (MWh)

**Peak Demand Factor =** 20.015 ÷ 117,875.695

**Peak Demand Factor =** 0.00016980

## Key difference:

- Class A customers are rewarded for reducing peak demand.
- Class B customers are billed based on total usage.

Businesses should review their energy profile and ICI eligibility annually to select the most cost-effective option.[5]

## Key organizations in Ontario's electricity system

Several organizations play essential roles in setting, managing and delivering electricity pricing in Ontario, including:

- **Ontario Energy Board (OEB)**: Regulates electricity rates, oversees consumer protection and ensures transparency in pricing decisions.
- **Independent Electricity System Operator (IESO)**: Balances supply and demand for electricity across Ontario. The IESO directs the flow of electricity across the province's transmission lines. It links generators that produce power, transmitters that move it across the province, local utilities that deliver it to homes and businesses, and industrial consumers that use it in large quantities. It also plans the power system to ensure Ontario has sufficient electricity over the long term and coordinates province-wide[6] conservation efforts.
- **Local Distribution Companies (LDCs)**: Deliver electricity to businesses and handle infrastructure, billing and customer support.

[5] IESO. (2025). Global Adjustment Class A Eligibility. https://www.ieso.ca/en/Sector-Participants/Settlements/Global-Adjustment-Class-A-Eligibility

[6] 2025. OEB. Overview of energy sector. https://www.oeb.ca/ontarios-energy-sector/overview-energy-sector

# Pricing structures for medium-sized and large businesses

Medium-sized and large businesses in Ontario pay market-based electricity rates, which fluctuate with demand and supply conditions. Understanding the cost components below helps businesses optimize energy use and manage expenses.

## Key electricity cost components

| Charges[7] | Description |
|---|---|
| Energy cost | Charges for electricity usage (kWh) at the Ontario Electricity Market Price (Ontario Price). |
| Global Adjustment (GA) | All electricity customers in Ontario pay GA, either as a Class A or Class B customer.<br>• Class B businesses (most medium-sized customers) pay GA based on their monthly electricity consumption (MWh).<br>• Class A businesses (typically large, industrial customers) pay GA based on their share of Ontario's top five peak demand hours. |
| Delivery charges | Fees for the transmission and local distribution of electricity. |
| Regulatory charges | Costs for system operations and market administration. |

## Reducing electricity costs

Medium-sized and large businesses can reduce electricity costs and optimize savings by making strategic adjustments or participating in programs such as:

- **Time-of-use planning:** Shifting operations to off-peak periods.
- **Demand response programs:** Lowering consumption during peak times in exchange for reduced electricity bills.
- **Energy-efficient upgrades and projects:** Installing LED lighting, variable frequency drives or behind-the-meter energy storage to improve cost predictability.

By understanding pricing structures and managing energy use, businesses can maximize savings and improve operational efficiency.

## Tools and resources

- **Ontario Market Pricing:** https://www.ieso.ca/en/Power-Data/Price-Overview

[7] For a full description of settlement charges, visit: https://www.ieso.ca/sector-participants/settlements/guide-to-wholesale-electricity-charges