

Ontario Energy Board

IN THE MATTER OF the *Ontario Energy Board Act, 1998*,
S.O. 1998, c. 15, Schedule B, as amended;

AND IN THE MATTER OF a consultation by the Board
with respect to the Development of an Ongoing, Ratepayer
Funded, Electricity Bill Assistance Program.

**Development of an Ongoing Ratepayer-Funded Low Income Ontario
Electricity Bill Support Program**

Comments

Energy Probe Research Foundation

November 10, 2014

Development of an Ongoing, Ratepayer Funded, Ontario Electricity Bill Assistance Program

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Background

The Minister has requested the OEB to develop a proposal for a Low Income Ontario Electricity Support Program.

The Minister's Letter provides direction in respect of the Matters to be considered and the attributes of such a Program:

The government has in place a number of benefit programs and tax credits that are designed to assist energy consumers with managing their energy costs. Low-income consumers face a particular challenge.

The electricity bill for a typical household consuming 800 kilowatt hours (kWh) of electricity per month represents eight per cent of the total income of a family with an annual income of \$20,000, and four per cent of the total income of a family with an annual income of \$40,000, while amounting to less than two per cent of the total income of a family with an annual income of \$100,000 or more.

Meet the needs of low-income electricity consumers while balancing the need for just and reasonable Distribution Rates.

The program would complement existing programs such as the SaveONenergy Home Assistance Program delivered by electricity and natural gas distributors, which provides support to low-income eligible customers to improve the energy efficiency of their homes. That support helps homeowners reduce their electricity rates or bills.

1. Options for the design, development and implementation of a long-term, ratepayer-funded program (The "Program") which is intended to assist qualifying low-income electricity consumers with their electricity bills. This would include consideration of *opportunities to achieve additional system benefits for the ratepayers who are funding the program, potentially through load management or conservation mechanisms*. My expectation is that the Program would:
 - Be in place on January 1, 2016;
 - Provide a similar level of relief to the Ontario Clean Energy Benefit, namely a 10 percent discount on electricity bills; and

- Be delivered as a reduction on qualifying consumers' bills.
2. The Board should develop Program options in the context of the government's overall plan. In addition, I expect the Board to *take into consideration existing programs providing assistance to low-income individuals and households*. To this end, I expect the Board to collaborate with government ministries, as well as social service delivery agents, the not-for-profit sector, and associated non-governmental organizations, with experience and expertise in existing social programs, to ensure the Program would complement existing programs. The Ministry is prepared to assist with this collaboration.
 3. Recognizing that the Board would likely be responsible for ensuring the appropriate delivery and implementation of the Program, the Board's report should consider how it would propose to address the development, implementation, funding and delivery aspects of the Program including such issues as:
 - a Identification of low-income consumers and their needs, including consideration of low-income consumers who do not pay their electricity bills directly and those who use medical equipment requiring electricity, with a view to developing an appropriate definition of "low-income" and options for a range of program eligibility criteria. These would include the use of household income thresholds of \$40,000 and Statistics Canada Low Income Cut-offs.
 - b Delivery and intake options for the Program while ensuring program accessibility. Specific consideration should be given to the anticipated consumer participation rates, identification of the role of distributors and social service delivery agents and their relationships with regard to delivery of the Program.
 - c Overall cost of the program, including Program benefits and administration, and options for scaling costs up or down.
 - d Options for funding of the Program through electricity rates and details regarding anticipated low-income consumer benefits and costs to ratepayers
 - e Value of anticipated distribution sector savings such as reduced bad debt expense and collection activities. The Board should consider whether there are opportunities to achieve overall system benefits that are advantageous to all ratepayers through mechanisms such as facilitation of load management or conservation goals.
 - f Implementation options, potential barriers to Program implementation, program uptake and mitigation strategies and consideration of interactions and other assistance programs. The Board shall include an implementation timeline that ensures the Program would be in place by January 1, 2016.
 - g Process and mechanisms for reviewing the Program, monitoring Program outcomes and measuring Program success.

Guiding Principles

The Ministers Letter contains input to developing the Guiding Principles for the Low Income OESP:

- Ongoing Program
- Affordability of Bills for Low Income Electricity Consumers
- Replacement of Ontario Clean Energy Benefit
- Funding from Electricity Rates
- Balancing the needs of LI customers with maintaining just and reasonable Distribution Rates
- Opportunities to achieve additional system benefits for the ratepayers who are funding the program,
- Take into consideration existing programs (Such as Bill Management Arrears Management under the Distribution System Code and LEAP Emergency Assistance)
- Coordinate with SaveOnEnergy and CDM Programs
- Be in place on January 1, 2016

Hydro One also addresses Guiding Principles in its presentation to the Stakeholder Forum:

- Integration and leveraging of existing processes
- Funding on Province wide basis
- First Nations and Metis (special provisions)
- Exclusion of Bundled Customers (existing subsidy)
- Program Marketing Comprehensive LI Assistance

Based on the above and discussions at the Stakeholder Forum, Energy Probe proposes the following set of Guiding Principles for the proposed OESP Program.

OESP should

- Provide Assistance to eligible Low Income Families at a level no less than the present Ontario Clean Energy Benefit.
- Be Universal and available to all Low Income families served on grid or off-grid.
- Be based on consumption, so electric heat customers are not disadvantaged.
- Provide easy access based on intake criteria that are clear and as simple as possible.
- Leverage existing infrastructure including Social Agencies and the Electricity Distributors CIS systems.
- Be integrated with existing assistance set out in the DSC, LEAP and SaveONEnergy CDM programs.
- Be administered at a cost no greater than 10% of the credit assistance provided.
- Funded centrally by all electricity ratepayers on either a kwh or per meter basis.
- Be 5 year Bill Assistance Program.

Comments on Board Staff OESP Design Options

1. **Should OESP be designed to provide support to the greatest number of low-income customers or to provide targeted support to those low-income customers with the greatest need?**

Energy Probe Comments

As noted above, Energy Probe suggests that the Low Income OESP should be Universal and available to Low Income Families /Households that qualify based on criteria such as LICO or LIMs (if data available).

The Rental Sector is comprised by both Social Housing and Market Rate Housing tenants and provides a challenge regarding inclusion regardless of which OESP is implemented.

Perhaps the “reach” of OCEB can be a guide to how to address this inclusion/exclusion issue. Also Information from sub-meter service providers can assist.

OESP should be available to both on-grid and off grid electricity customers.

2. **How could the OESP best meet its intended objective?**
 - a. **A percentage-based credit (i.e. 10%) applied to the customer’s total bill that is the same for all eligible low-income customers?**

Energy Probe Comments

The Minister indicates that replacement of OCEB is one guiding principle; accordingly providing assistance of a 10% credit on customers’ bills would be a minimum level

10% credit may not adequately address the issue of Electricity Bill Affordability and falls short of the 6% of income credit suggested by LIEN. However it is necessary to balance the impacts on funding ratepayers. Energy Probe addresses the costs of this Option in Appendix B.

Using a 10% credit or similar Percentage would be relatively simple to implement for Utility CIS that are already dealing with OCEB.

One important feature is that the credit is based on consumption. This ensures that higher use residential customers receive a larger credit and provides an incentive for energy conservation programs to target these higher use customers.

- b. A fixed credit (i.e. a fixed dollar-amount rebated off each bill such as \$50) that is the same for all eligible low-income customers?

Energy Probe Comments

This option should have the same features as the percentage credit *BUT unless modified is not linked to consumption.*

This is a critical flaw and should be corrected by basing the fixed \$ credit on historic consumption. If the customer is new the initial credit should still be based on the prior year.

All Utility CIS systems have information on prior year's consumption and this would be used to calculate the Credit amount, either on a monthly basis (subject to Minimum bill based in Customer charge) or a winter/summer seasonal credit.

This Option requires more modifications to the Utility CIS than a Percentage credit.

- c. A 'customized' fixed-credit that is tied to eligible low-income customers' income level and electricity consumption? (The credit could either be determined individually for each customer, such that the customer only pays and amount equal to a specified percentage (i.e. 6%) of their household income; or by establishing credits for low income customers based on predetermined income and consumption brackets (i.e. a specific credit matched to a certain estimated annual usage).

Energy Probe Comments

This is the most complex option for changes to Utility CIS and will require an individual Program intake processes.

Unless modified to include tiers or a cap based on consumption the credit is based solely on level of income.

As formulated by LIEN a 6% credit is proposed based on Affordable Electricity Bills and only Direct bill-paying customers are included (rental customers excluded).

Administration costs are likely higher than other options (estimated at 12% amortized over 5 years).

LIEN claims a Targeted Fixed Credit program is more efficient from a funding perspective and provides higher utility netbacks.

3. **How should the OESP be funded?: through a Provincial charge that is uniform for all ratepayers, collected centrally and then paid out to distributors based on their OESP requirements; or should each distributor collect the revenue required to fund the OESP needed for its service area through its distribution rate?**

Energy Probe Comments

As noted above, it is not practical to transfer funding responsibility to the 73 Electricity Distributors

OESP should be administered centrally as a Credit to eligible customers and also the recovery of costs should be a charge to all customers as part of the Global Adjustment.

This also avoids problems of netting out the OESP charge against the credit for eligible customers.

The OEB should prepare a set of LI OESP Guidelines for Distributors.

Energy Probe demonstrates in Appendix B, the Global Adjustment LI OESP charge may be about \$15.00 per year (not taking into account the removal of the Debt Retirement Charge) compared to credits of at least \$160-200 per year

Other Considerations

Eligibility

Using LICO (or LIM) may exclude Seniors that may be marginal using LICO criteria. Some of these are “House Rich and Income Poor” and cannot afford their electricity bills. It is suggested that this segment of the population should be considered and the intake criteria broadened to include age and a higher LICO threshold.

First Nations and Metis electricity consumers living in Remote Communities should participate in the program and the eligibility and subsidy should reflect the consumption and electricity bills for these customers.

Administrative Agency

Depending on the Credit and Funding option for OESP there will be significant Administrative burden and costs.

In Energy Probe's view it is not reasonable for the 73 Ontario Utilities to meet this burden, particularly prior to the January 2016 start-up deadline and accordingly it is suggested that a Central Agency will be required.

Energy Probe suggests this must be an Agency other than the OEB, given its demanding role in overseeing the Electricity Distribution Sector and the requirement to provide direction on Low Income OESP.

Program Review

A mid Term review should be conducted by the OEB and Ministry of Energy.

Conclusions

- 1. Low Income OESP should be designed to be Universal and reach the maximum number of Low Income families that either pay their electricity bill directly or in their rent. Eligibility based on LICO or other screen.**
- 2. Special consideration should be given to First Nations and Metis served by the grid or are off-grid.**
- 3. Special Consideration should be given to Seniors, based on Age and a higher income threshold.**
- 4. Based on the Stakeholder Forum discussions and information available at present, Energy Probe leans towards either Option-1 Percentage of Bill or 2. Fixed amount based on prior year consumption. Primary reasons include both consumption and income are considered and intake may be simpler and administrative requirements and costs.**
- 5. A fixed Credit (6%) based on Income is more complex and potentially more costly if it includes all Low Income customers.**
- 6. A Central Agency is required to ensure implementation for January 2016. This should not be the OEB.**
- 7. LI OESP should be funded by all ratepayers based on a centrally administered Global Adjustment Charge.**

Appendix A

Energy Probe Matrix of Guiding Principles and Proposed OESP Options

<u>Guiding Principles</u>	A percentage-based credit (e.g. 10%) applied to the customer's total bill	Fixed dollar-amount rebated off each bill such as \$50	A 'customized' fixed-credit that is tied to eligible low-income customers' income
<ul style="list-style-type: none"> Provide Assistance to eligible Low Income Families at a level no less than the present Ontario Clean Energy Benefit. 	✓	✓ ±	✓ ±
<ul style="list-style-type: none"> Be Universal and available to all Low Income families served on grid or off-grid. 	✓	✓	? As proposed only direct bill-payers
<ul style="list-style-type: none"> Be based on consumption, so electric heat customers are not disadvantaged 	✓	✓ <u>If Modified to Base Credit on Prior Year Consumption</u>	✓ <u>If modified to include Tiers based on Consumption (complex)</u>
<ul style="list-style-type: none"> Provide easy access based on intake criteria that are clear and as simple as possible. 	✓ <u>Self-Declaration based on Tax return in prior year</u>	✓ <u>Self-Declaration based on Tax return in prior year</u>	
<ul style="list-style-type: none"> Leverage existing infrastructure including Social Agencies and the Electricity Distributors CIS systems. 	✓ <u>Minor CIS Changes</u>	✓ <u>More CIS Changes</u>	✓ <u>Significant CIS changes and Intake Screening</u>
<ul style="list-style-type: none"> Be integrated with existing assistance set out in the DSC, LEAP and SaveONEnergy CDM Programs. 	✓	✓	✓
<ul style="list-style-type: none"> Be administered at a cost no greater than 10% of the credit assistance provided. 	✓	✓ +	✓ ++
<ul style="list-style-type: none"> Funded centrally by all electricity ratepayers on either a kwh or per meter basis 	✓	✓	✓

Appendix B: Estimates of the Credit Benefit and Ratepayer Cost of OESP

Input Assumptions per Ministers letter:

LI Family Income	Avg. Electricity Use /yr. (include electric heat)	Electricity Cost	%Income
\$20,000	9600 kwh (12000 kwh)	\$1600 (\$2000)	8% (10%)
\$40,000	9600 kwh (12000 kwh)	\$1600 (\$2000)	4% (5%)
\$60,000	9600 kwh (12000 kwh)	\$1600 (\$2000)	2.7% (3.3%)

Eligible Low Income Customers (LIEN)

770,000 below LICO

Renters (Electricity in Rent) 490,000 (sub metered estimate 100,000*)

380,000 net accounts

Total Ontario Electricity Customers 4.9 million (OEB 2013 Yearbook)

Estimated annual cost (assuming all customers pay for OESP)

Option a) 1. 10% credit for non- electric heat customers

Direct bill paying customers $380,000 * \$1600 * 10\% = \60.8 million/yr. credit

Add 10% administration cost \$6.1 million/yr.

Cost to all ratepayers $\$66,900,000 / 4,900,000 = \13.65 /yr.

Option a) 2, 10% credit for both standard and electric heat customers

Direct bill paying customers $380,000 * \$2000 * 10\% = \76 million/yr. credit

Add 10% Administration cost Total cost \$83.6 million/yr.

Cost to all ratepayers $\$83,600,000 / 4,900,000 = \17.06 /yr.

Sensitivities to be examined

Include portion of rental market

Increase credit by 5%

Option b) Fixed credit (\$) based on prior year consumption

Costs would be similar for \$160-\$200 annual credit

Option c) Fixed credit based on % of Household Income (per LIEN)

1. Assume LIEN eligible customer profile and 6% of LICO credit

Cost \$33 million/yr. plus 12% admin = \$40 million /yr.

Cost to all ratepayers \$8.89/yr.

* Estimate based on EnerCare statement