



Low-Income Energy Network

February 25, 2009

Ms Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge St., 27th floor
Toronto, Ontario M4P 1E4

Dear Ms Walli,

Re: **Board staff discussion paper- Draft Demand Side Management (DSM) Guidelines for Natural Gas Distributors (Board File No.: EB-2008-0346)**

I am writing on behalf of the Low-Income Energy Network (LIEN) to provide comments for consideration about the changes proposed for low-income customer programs in the above-mentioned discussion paper and draft DSM Guidelines. LIEN was formed in March 2004 by anti-poverty, affordable housing and environmental groups to raise awareness of the impact of rising energy prices on low-income consumers and to work with policy-makers and the utility sectors on solutions to energy poverty. We have been participating as an intervenor in Ontario Energy Board (OEB) hearings and proceedings regarding the electricity and gas sectors on behalf of low-income consumers, including those concerning the issue of Demand Side Management.

LIEN has over 75 members from a broad range of organizations across Ontario including environmental, legal, tenant/housing, and social service organizations that have endorsed our mandate. LIEN is directed by a Steering Committee made up of representatives from Advocacy Centre for Tenants Ontario (ACTO), Canadian Environmental Law Association (CELA), Income Security Advocacy Centre (ISAC), Toronto Environmental Alliance (TEA), Toronto Disaster Relief Committee (TDRC) and A Place Called Home (APCH).

Board Staff Discussion paper **5.3.3 Low-income customer programs**

LIEN supports the expansion of low-income DSM programs and agrees that low-income customer programs should be developed with separate budgets, targets, measurements and incentives for payment. Among other benefits, there will be greater transparency as to the extent and effectiveness of the low-income DSM programs provided by the natural gas distributors. As the discussion paper notes, there is support among

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ratepayer and environmental stakeholders to specially tailor the DSM programs to meet the unique needs of the low-income market. Union Gas and Enbridge Gas Distribution also support separate budgets and TRC targets for low-income DSM programs.

LIEN looks forward to participating in the rate proceedings which are expected to review program design, metrics and targets. LIEN brings a particular expertise that it can share with each utility in assessing how to reach and to enrol low-income customers. Moreover, LIEN has a particular interest in ensuring that utilities do not leave lost opportunities in low-income housing units treated through natural gas DSM programs.

As LIEN highlighted during the low-income energy consumer consultation stakeholder conference in September 2008, there are specific issues and factors affecting the development of successful DSM programs for low-income consumers and these should to be reflected in the program designs.

LIEN agrees, and strongly emphasizes, that spending on low-income DSM programs must be increased from the current levels. Funding must be adequate to provide fully equitable access to DSM programs for low-income customers throughout the entire franchise areas of the gas distributors. At present, the reach of the low-income DSM programs is limited as they are only available to customers living in targeted locations in the franchise areas.

In agreeing that funding must provide equitable access for customers throughout the entire franchise areas, LIEN wants to emphasize, however, that it does not expect to see shallow efficiency investments made available to a large population of low-income customers. When natural gas companies treat a low-income housing unit, they should be expected to deliver all cost-effective natural gas efficiency measures that present themselves in that housing unit. Making low-income DSM programs widely available, and delivering deep energy use reduction, should not be viewed as being antithetical to each other.

In addition, the gas distributors' low-income weatherization programs, which include the types of measures that LIEN advocates for deeper energy use reductions and bill savings, have been very limited pilots. More funding is essential to improve and expand the deeper measures weatherization programs and make them available to a substantially increased number of low-income households. As noted in the discussion paper, low-income households simply do not have enough money pay for the significant upfront capital costs for the deep measures which provide long-term benefits for the consumer and help preserve our housing stock.

Because of the need for deeper measures for long-term and sustained success, we reiterate that TRC savings are especially important for the low-income sector even in cases where the O & M costs are higher. We look forward to further input on defining and identifying the low-income consumers who will be for eligible for DSM programs. We have proposed to the gas distributors that income eligibility should be set at 125%

of the pre-tax, post-transfer payment Low income Cut-offs (LICOs) published by Statistics Canada.

Draft Guidelines

Section 3.1 Budget determination

LIEN supports the provision of separate DSM budgets for the program areas outlined in this section, namely resource acquisition, market transformation and low-income customers.

Section 3.7 Low-income Customer Program Targets

LIEN agrees with the position of the Green Energy Coalition that TRC savings are not necessarily low, but we agree that they are very valuable for low-income consumers.

Costs can be lowered for all natural gas customers if there are robust low-income DSM programs because they help reduce utility business costs associated with an inability-to-pay and bill arrears such as collections and customer call centre activity, and disconnection and reconnection costs where applied. Factors such as reductions in working capital associated with low-income arrears and reduced uncollectibles should also be taken into account.

Again, we look forward to consulting with the distributors on the eligibility criteria and program parameters and reviewing the proposed metrics and targets for the DSM programs for low-income consumers. These parameters, metrics and targets for DSM programs should together ensure that the treatment of individual low-income units does not leave cost-effective usage reduction undone. Particular attention should be paid to avoiding lost opportunities to pursue cost-effective usage reduction in each treated home.

5.1.3 Low-income Customer Programs Shareholder Incentive Payment Mechanisms

LIEN recommends that the incentives for low-income programs be established on the basis of robust incentives for deep measures which should include, but not be limited to, energy audits and air sealing, weatherization, attic and wall insulation, heating and cooling system replacement with high efficiency equipment, hot water heater replacement, and appliance upgrades. We look forward to consulting with the gas distributors with respect to the development of those shareholder incentive mechanisms.

8.1 Funding of DSM Programs

The Draft Guidelines provide that should an “alternative source” of funding become available for a program funded through distribution rates, the utility “should track the funding which was originally included in the distribution rates, so that it may be returned to ratepayers.” LIEN believes that the need for natural gas usage reduction measures in low-income households outstrips the ability of any given program to address it in a reasonable time frame. The objective of such programs is not to spend a designated amount of money, but rather to maximize the number of low-income housing units

treated, while ensuring that no treated household has lost opportunities remaining after receiving treatment. Accordingly, LIEN urges that should additional low-income program monies become available, those funds should be used to expand the number of low-income housing units receiving treatment, rather than having the utility dollars recaptured and refunded to ratepayers as suggested by the draft guidelines

As a final note, LIEN supports the proposal in the draft guidelines that one of the factors on which the gas distributors must justify their DSM budget is the government's policies/initiatives in advancing conservation in Ontario. LIEN submits that successful DSM programs will assist the government in achieving its policy priorities for poverty reduction, reduced energy use, reduction of GHG emissions, green job creation, and maintenance and improvement of existing affordable housing stock.

Sincerely,



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LIEN Coordinator