

## **COMMENTS OF THE CONSUMERS COUNCIL OF CANADA**

### **Re: Consultation on Energy Issues Relating to Low-income Consumers–Report of the Board: Low-income Energy Assistance Program–EB-2008-0150**

#### **Introduction:**

On March 10, 2009, the Ontario Energy Board (“Board”) released its report entitled “Report of the Board: Low-income Energy Assistance Program” (“Report”). The Report describes the policies and measures that the Board expects electricity and natural gas distributors to put into place in order to address the needs of low-income energy consumers in relation to their use of natural gas and electricity. The Report followed a stakeholder consultation process that the Board held in the Fall of 2008.

The Board is seeking comments on the Report, specifically with respect to the anticipated implementation issues and proposed solutions. These are the submissions of the Consumers Council of Canada (“Council”).

#### **General Comments:**

The Report sets out policies for implementation of a Low-income Energy Assistance Program (“LEAP”). The program has three distinct components:

1. Temporary financial assistance for low-income energy consumers in need;
2. Access to more flexible customer service rules on matters such as bill payment and disconnection notice periods; and
3. Targeted conservation and demand management programs.

In developing the LEAP the Board considered a number of guiding principles:

1. Emergency funding available to low-income energy consumers should be increased;
2. Funding should be accessible on a province-wide basis;
3. Funding should be available to both electricity and natural gas consumers;
4. Distributors should develop partnerships with social service agencies;
5. Eligibility for the assistance program should be based on need, as determined by a social service agency;

6. The assistance program should not be overly costly or complicated to administer; and
7. The assistance program should result in more effective and efficient handling of arrears management and disconnection.

The Council accepts that the Board has approved a LEAP which it expects to be rolled out across Ontario. The Council also agrees that the guiding principles are appropriate in light of the Board's decision to approve the program. Our concerns relate to the implementation of the program and the practicality of mandating all of the local distribution companies ("LDCs") in the Province to participate on equal terms. At a high level the program seems reasonable, but it is not clear how the LDCs, and the social service agencies across the Province, will be able to simultaneously provide the type of support envisioned by the Board. The intent of our submissions is to identify where we see potential problems with the proposals as set out by the Board in its Report. In some cases we have simply raised questions that, from the Council's perspective, need to be resolved prior to implementation.

The Council acknowledges that the Board intends to establish a LEAP Implementation Working Group ("Working Group") to facilitate further discussion on the issues and to assist with the timely and efficient roll-out of the program. Our expectation is that the working group will be charged with resolving many of the implementation issues we have identified below. We expect other stakeholders will raise additional issues

#### **Nature of the Financial Assistance & Eligibility:**

The Board refers to the type of financial assistance involved as both "temporary" (p. 5) and "emergency". In addition, the Board has concluded that it does not think it possible to have a precise definition of "low-income energy consumer" that would be valid at all times and in all circumstances (p. 7). It also envisions that the LDCs will develop partnerships with social service agencies, and that those agencies will be charged with determining which consumers are eligible for assistance.

Although the Council agrees that established social service agencies are the appropriate bodies to determine eligibility, it would be useful for the Board to indicate its expectations regarding what constitutes "emergency" and "temporary". In effect, what type of relief is the Board mandating? Without further definitions there is a risk that different criteria will be applied across the Province, resulting in varying levels of assistance being provided by different entities.

This holds true for the overall eligibility of the program as well. It is possible, and likely, that different standards will be applied when determining what customers are "low-income" and eligible for the program. From the Council's perspective, in the absence of some criteria, certain customers will have access to the program while others will not. Whether it is a decision for the Board or the Provincial Government, more

specificity regarding what constitutes “low-income” for the purposes of this program should be undertaken. Problems are likely to arise if different social service agencies apply different standards when considering whether customers are “low-income”, and therefore eligible for the assistance provided by the program.

### **Universality of the Program:**

The Board has indicated that it intends to have the program available on a Province-wide basis. This is based on the Board’s belief that low-income energy assistance should be a consistent program across the Province and one where low-income consumers have access to similar services irrespective of the distributor that serves them (p. 8). Although this is a laudable goal, it may be very difficult to achieve from a practical perspective.

There are over 80 electric LDCs in the Province. Some LDCs, like Hydro One Networks - Distribution (“HON”) serve a large number of communities across the Province. Others may have limited staff and serve small communities where social service agencies are not existent, or are very limited in the type of activities they are involved in.

In HON’s case, it would be required to enter into potentially hundreds of partnerships with social service agencies across its franchise area. Given the potential diversity of those agencies HON may have problems ensuring that all of its customers are given equal access to the LEAP. There may also be areas within HON’s franchise area that do not have social service agencies at all, or ones capable of taking on the burden.

For the smaller LDCs as well, there may not be social service agencies operating specifically in their franchise areas. Even if there were, those agencies may not be capable of taking on the administration of the LEAP. In those cases, how will the Board ensure that the program be made available across the Province?

The level of assistance provided to a given customer has not been established by the Board. How does the Board intend to ensure that similar levels of assistance are made available no matter where a customer resides?

### **Funding Parameters:**

The Board has established a maximum amount that the LDCs would be permitted to recover through rates to fund the LEAP. The amount is based on the distributor’s Board approved revenue requirement. With respect to funding, from the Council’s perspective, the following questions arise:

1. How will the Board assess the prudence of the expenditures? What process will be put in place to ensure ratepayer funds are used appropriately?

2. Of the amounts made available what is the appropriate allocation between the administration of the program and the actual financial assistance payments made to customers? Should there be standards developed to ensure that the amount spent on administration is not excessive?
3. If the amounts recovered continue to be more than what is required in each year will the Board revisit its approval of the amounts recoverable? Some LDCs may over-recover relative to the needs within their community and others may not have enough funds. How will this be resolved?
4. In communities where the demand may be significant can LDCs apply for increased funding levels? If so, what are the parameters for incremental funding?
5. In communities where the demand may be high how does the Board assess whether the level of funding creates an undue burden on the non-participating customers?

In addition to the questions raised above, the Board has not indicated how the costs of the program will be recovered. The Board states that a LEAP deferral account will be established and brought forward for disposal upon rebasing (p. 11). The Report indicates that the Board will review LEAP cost allocation periodically as it reviews the effectiveness of the program (p. 11). The Council submits that the Board should be clear from the outset what ratepayer groups are paying for the LEAP program. As this represents an Ontario-wide social policy initiative the costs should be recovered from all customer groups.

The Council notes that the funding levels are somewhat arbitrary representing twice the average currently being provided by some electricity distributors. It will be important for the Board to revisit this threshold amount once there has been some experience with the program.

#### **Customer Service Measures:**

The Board has proposed that customer service measures be revised to provide low-income energy consumers with ways to better manage their bill payments and lessen the need for direct financial assistance. From the Council's perspective the enhancement of existing policies is appropriate. This will assist customers, and provide the LDCs with tools to more effectively manage their costs related to collection and disconnection/connection policies.

#### **Targeted Conservation and Demand Management:**

The Council acknowledges that traditionally, it has been difficult for low-income customers to access demand side management ("DSM") and conservation and demand management ("CDM") programs. The Council has supported the development and delivery of these programs and continues to see this as appropriate. In order to ensure

consistency across the Province, and a broad level of coverage, the Council believes the most cost-effective approach would be for the OPA to take the lead in designing and delivering low-income programs. To the extent the OPA takes on primary responsibility for low-income CDM, there will not be a need for each and every LDC to develop and deliver low-income programs.

With respect to natural gas DSM the Council submits that the appropriate place to establish parameters for low-income programs is the Board's current on-going consultation process.

### **Reporting Requirements:**

The Council supports the development of reporting requirements as proposed by the Board. These requirements will be essential in order for the Board to assess the cost-effectiveness of the LEAP program. The Council suggests that the development of the reporting requirements be undertaken in conjunction with the working group process.

### **Further Consultation:**

As noted above the Council supports the establishment of a LEAP Implementation Working Group. A number of very difficult implementation issues need to be resolved prior to the roll-out of the program like eligibility and funding parameters. The Board will need to specify the mandate of the group and identify the list of issues that it is expected to resolve.

### **Education and Outreach:**

The Board has proposed that LDCs undertake a consumer awareness campaigns to ensure their local energy assistance programs are known to their customers. It is not clear how the costs of these campaigns are to be recovered. Are these costs incremental to the amounts specified by the Board, or are they to be included in the .12% of an LDC's distribution revenue requirement? To what extent are the local social service agencies expected to contribute to the consumer awareness campaigns? What is an appropriate level of funding for these campaigns?

The Council supports the Board's proposal to accumulate and organize information about programs being provided to assist eligible low-income energy consumers. Having information in one place about the programs offered across the Province will, hopefully, assist in getting help for those that require it. In addition, the Council sees merit in the Board producing information that can be used by LDCs. This may eliminate the need for each and every LDC to develop a consumer awareness campaign.

**Conclusions:**

The Council is supportive of providing assistance to low-income energy consumers. The Council agrees with the Board that it would be inappropriate to create a new category of low-income energy ratepayers. Granting flexibility within existing customer service policies and offering CDM and DSM programs to low-income consumers are the most appropriate ways for LDCs to assist their customers. The Board should move quickly to implement these two components of its LEAP.

With respect to the provision of emergency financial assistance for bill payments the Council submits a number of key issues must be resolved prior to implementation. As set out in the submissions above this includes defining what is meant by “temporary” and “emergency”. In addition, the Board will need to provide more direction to the LDCs regarding the funding parameters. At a high level the program seems reasonable, but it is not clear how the LDCs, and the social service agencies across the Province, will be able to simultaneously provide the type of support envisioned by the Board. From the Council’s perspective a full roll-out of the program should be deferred until the critical implementation issues are sufficiently resolved.