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Housing Services Corporation (HSC) Submission to EB-2014-0134

1. Mandate of HSC

HSC (formerly Social Housing Services Corporation, SHSC) is a non-profit organization created under the *Housing Services Act*, 2011, that is committed to ensuring Ontario residents have access to safe and affordable housing that improves their quality of life. We support this by focusing on the long-term health and sustainability of Ontario's social housing asset through a broad range of programs and services, including those focused on energy efficiency and conservation. Originally created as SHSC through provincial legislation in 2002, HSC is mandated to deliver programs that benefit Ontario's social housing sector in the following areas: insurance; bulk purchasing; capital reserves management; and research, best practices, training and education. Our mandated clients include: Service Managers; Local Housing Corporations; prescribed non-profits; and co-operative housing. HSC receives no government funding and uses our mandated revenue-generating activities to support non-revenue-generating activities that build sector capacity.

2. Overview of the Social Housing Sector in Ontario

The social housing sector is comprised of over 260,000 housing units across Ontario, providing housing to over 680,000 Ontarians. Approximately 1,500 housing providers in 47 service areas in Ontario own and operate social housing units in a variety of building types, such as scattered homes, townhouse complexes, row houses, semi-detached homes, low-rise apartments, and multi-residential buildings. This sector serves as an important part of the "social safety net" for low-income individuals and families that cannot afford to pay market rents for their accommodations.

Utility costs are the single largest, controllable expense in social housing. Ontario social housing providers spend approximately $500 million per year on utilities, their most volatile operating costs. Under provincial regulations, their operating costs are benchmarked and capped at a certain amount for permissible utility expenditures. If housing providers exceed this amount, they are responsible for paying the overage and therefore have a vested interest in reducing their consumption and costs.

Over the past decade, increasing utility costs, complex and outdated funding formulas, and fund freezes have left providers without capital and funds to invest in their buildings. They are further limited in their investment ability because they are not permitted to remortgage their properties or increase their borrowing against the value of the building asset. As a result, existing and preventative maintenance actions are deferred, and providers are unable to afford much-needed energy efficiency upgrades and improvements. Due to this lack of available funds, as well as issues such as aging building stock and high numbers of electrically-heated buildings across this sector, the sector has tremendous opportunity for improved energy efficiency.

Social housing residents are much easier to access than other low-income consumers who live in private rental or homeowner markets because they are more easily identified. This ease of identification, coupled with the significant energy savings potential in social housing buildings makes them attractive opportunities for Demand Side Management (DSM) and Conservation and Demand Management (CDM) programs.

3. HSC's Comments in Response to the *Draft Report of the Board: DSM Framework for Natural Gas Distributors* and *Draft Filing Guidelines to the DSM Framework*

As a member within the Low Income Energy Network (LIEN), HSC also supports the broader comments provided to the DSM framework by LIEN and directs the following commentary specifically to the DSM framework as it impacts the social housing sector in Ontario.

Put conservation first to achieve all cost-effective DSM.

HSC supports the Ontario government's policy of "conservation first" and the Minister of Energy's efforts to put that policy into action through his Directive to establish a new DSM framework. In particular, HSC encourages the Ontario Energy Board to ensure the DSM framework will enable the realization of all cost-effective DSM.

Targets should enable natural gas distributors to achieve all cost-effective savings.

As raised by other stakeholders, neither of the two options presented in the *Draft Report* are likely to optimize all available cost-effective savings. We currently do not have a clear picture of the full potential for gas savings since there are no completed DSM studies for the applicable service territories. Achieved savings levels from previous DSM program years can inform the target setting in the new framework; however, they are not sufficient to use as the basis for finalizing long-term targets in the 2015 to 2020 period since doing so would not maximize all cost-effective conservation opportunities. Time needs to be taken to complete the potential DSM studies before setting final long-term targets. These targets should be informed by the studies, further stakeholder consultation, and the best practices of other jurisdictions with similar goals, climates, and portfolios.

Budget options should enable delivery of broader low-income offerings to all low-income customers.

HSC fully supports a DSM framework that would enable the delivery of broader low-income offerings across the province and that would ensure all low-income customers have access to natural gas energy efficiency programs. HSC also urges the Board to consider interim budget setting for the initial year(s) of the multi-year programs until long-term DSM targets are further researched and set. In response to question 2 in section 7.1 Request for Comment of the *Draft Report*, HSC supports a level of funding for low-income programs that is commensurate with achieving all available cost-effective conservation opportunities and aligns with targets defined to optimize all such opportunities.

HSC also supports continued availability of emergency assistance programs for low-income customers (LEAP) to assist them in paying their utility costs and to avoid fuel poverty. The inclusion of LEAP in the eligibility criteria for low-income customers in the *Draft Filing Guidelines* is interpreted by HSC to indicate this program will continue into the 2015 to 2020 period.

Access to low-income DSM programs should be clearly and simply defined, synchronize with CDM program access, and take advantage of available delivery channels:

Social housing residents and their social housing providers have special circumstances and needs that differentiate them from the able-to-pay homeowners and renters. There currently exist several gaps in the existing DSM framework that prevent all social housing residents and providers from accessing incentive programs.

For instance, a social housing provider may be able to access incentives for their Part 3 buildings (4 storeys or more) but be unable to access incentives for the townhouse buildings on the same development. The same townhouses may also be unable to access incentives through home programs due to type of metering, billing recipient name, or equipment size eligibility. Yet these townhouses may be excellent opportunities for gas savings due to existing energy inefficiency.

In section 2.6 Low-Income Programs, the *Draft Filing Guidelines* indicate that low-income natural gas DSM programs should be, in addition to the general requirements of DSM programs, provided to private low-income, multi-residential buildings throughout the 2015 to 2020 term. HSC supports the inclusion of all social and affordable housing provider types in DSM program requirements.

HSC agrees that accessibility for low-income natural gas consumers will be enhanced if low-income DSM programs require no upfront cost to the low-income energy consumer and result in an improvement in energy efficiency within the consumer's residence, as detailed in 1.c) in section 2.6 of the *Draft Filing Guidelines*. HSC invites clarification about the applicability of point 1.c) to all or select program types (e.g. rebate, direct install, retrofit incentive, etc.).

HSC supports the allowance in the *Draft Filing Guidelines* for lower TRC net savings for programs tailored to low-income consumers. Programs for this consumer segment have added benefits, such as improved air quality, health and quality of life, which may be worth valuing as part of general overall program impact. HSC encourages the Board to include direction to gas utilities to consider projects that do not meet low-income TRC, for instance if overall TRC for a given low-income program is positive, and to ensure that low-income properties are screened at lower thresholds than other programs. HSC also supports direction for low-income program threshold that is sufficiently low to access long-term energy savings and minimize lost opportunities.

Increased collaboration between CDM and DSM programs is essential.

HSC is also in agreement with the guiding principle that, where appropriate, there should be coordination between natural gas DSM and electricity CDM efforts to achieve efficiencies. Further, HSC supports the review and inclusion of best practices from other jurisdictions as an expected component of the utilities' submissions. HSC urges the Board to provide direction to the gas distributors to take advantage of available delivery agents and partnership channels within the low-income and social housing sector to reach social housing residents and providers and help ensure consistency of program delivery for both CDM and DSM programs.

Financial incentives and new programs (such as those for customer-specific education on efficient natural gas use and energy usage benchmarking) should be inclusive and meet the unique educational needs and financial limitations of the social housing sector and low-income consumers.

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HSC commends the Board for including extended programs for low-income consumers, educational information for more efficient gas usage, and benchmarking of energy usage in the key priorities outlines in 7.0 Program Types of the *Draft Report*. Such programs should not be limited to low-income home owners but should include all low-income customers, including social housing residents and providers. Resident engagement and education as well as energy benchmarking programs can help to educate all levels of the social housing sector, from the resident, to the social housing provider, and up to the municipal Service Manager, and contribute to gas savings through better monitoring and understanding of energy usage.

HSC also encourages the Board to include direction in the program types outlined in the DSM framework for gas distributors to include measures for fuel-switching in coordination with electricity conservation efforts as well as an overall approach that optimizes whole building energy efficiency opportunities.

Concluding Remarks

- HSC supports the ministerial directive of "conservation first."
- HSC agrees with and supports the *Draft Report* and *Draft Filing Guidelines*, specifically:
    - the multi-year planning model;
    - longer-term targets and budgets;
    - integration of the DSM and CDM planning; and
    - continued inclusion of low-income programs that are screened at lower rates using a threshold sufficiently low to minimize lost opportunities, including those for long-term energy savings.
- HSC supports clear definition and terminology around low-income customers including but not limited to social housing providers and housing types.
- HSC agrees with and looks forward to being a part of the broader stakeholder consultations that the Board expects the utilities to undertake.