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OEB Consultation on Energy Issues
Relating to Low Income Consumers

Presentation on Topic # 8
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Topic # 8

- Program Funding Mechanisms

Funding Considerations...

- There is no obvious source for funding low income programs
- Self-funding within the LDC industry may lead to inequity given the diversity of electric utilities
- Should funding be linked to commodity only, or to distribution charges or to something else?
- The issue of energy affordability is rather global in nature and perhaps is best linked to affordability of the total energy bill

....Funding Considerations

- Fairness of application must consider potential for advantageous treatment of consumers who use both natural gas & electricity
- Will funding cover those consumers who use non-electricity/natural gas fuel mix?
- Funding of low income programs is really a matter of social consideration and as such warrants consideration beyond LDCs.

Funding Options.....

- Given the nature of the problem consider use of mechanisms that all consumers contribute in a uniform manner
- An approach similar to Global Adjustment, Debt Retirement or Rural & Remote Rate Assistance would provide a common funding as a social issue, however would require some type of legislative direction
- It is possible to provide funding through distribution rates but this leads to increased cross-subsidization and funding on the back of distribution rate payers only that may exacerbate equity issues particularly for the smaller LDCs

...Funding Options

- Funding through distribution rates and using variance accounts to track differences in revenue recovery will likely lead to ever escalating rates for the typical customer
- The use of pre-payment meters is a viable alternative provided that the rates associated with usage of these devices are not seen to be discriminative as was noted in the UK experience
- The preferred approach would be to leverage existing processes for those having difficulty making payments, review how effective these are in providing energy assistance to the low income consumers and make the necessary changes to improve the success rate