Ontario Energy Board Consultation on Issues Relating to Low Income Consumers
Submissions of the Vulnerable Energy Consumers Coalition (VECC)

Introduction

VECC is a coalition of groups advocating on behalf of consumers whose income, or life status places them in a position of vulnerability in relation to the policies, services and delivery of energy services and products. VECC has been assisted and augmented by the services of the Public Interest Advocacy Centre (PIAC) a national organization whose mandate is concerned with the delivery of important public services to ordinary consumers primarily by the private sector. VECC's constituent members are the Federation of Metro Tenants Associations (FMTA) and the Ontario Council of Senior Citizens Organizations OCSCO) that represent the interests of vulnerable energy consumers that by virtue of income, age, language and social position are least able to pay the increasing cost of energy supply and utility services or may have difficulty accessing programs such as utility DSM that might reduce cost. VECC's approach to this consultative has not been solely driven by income concerns but by the range of customer specific issues that may cause a customer to be vulnerable to a loss of connectedness to the network. While VECC agrees that vulnerable Consumers certainly include members of the low Income quintile as defined by Statistics Canada, VECC brings an additional context to the discussion as a result of its broader constituency.

Issues and Views

1) **What should be the objectives of policies, programs or other measures designed to assist low-income energy consumers?**

   <u>Summary of Views</u>

   The overarching Goal should be to maintain connectedness to the OEB- regulated Electric and Gas distribution networks for all vulnerable customers and any and all threats to disconnection should be averted/prevented. This objective flows from the historic obligations of a utility to ensure universality and inclusiveness of the network, and, as a corollary, to attempt to prevent customers from becoming disconnected from the network. This objective recognizes the value that is brought to the network by serving as many customers as possible, as well as the additional costs associated with disconnections and reconnections to the network.

   While such programs may also achieve social goals associated with income support for customers receiving such measures and programs, the achievement of such goals should not negate the desirability of the OEB mandating a substantial within the framework of its existing responsibilities. As well, the possibility of the expansion of assistance through government contribution should not be set aside as unrealistic.

The responsibility to maintain connectedness is a system responsibility, and the financial burden for so doing should fall upon all stakeholders, preferably through a contribution levy collected from all service providers. By analogy to telephony, the High Cost Serving Area fund, set up by the CRTC, subsidizes affordable telephony in rural and remote regions. It is financed by a contribution of approximately 1% of revenues from both incumbent and new entrant competitors.

To maintain connectedness to energy networks in Ontario, VECC suggests a strategy that attempts to marry new initiatives with those that are already in place for emergency support. This "Stay Connected" proposal would attempt to make available to the customer in a situation of need, a series of assistance programs to prevent disconnection or hardship in paying the energy bill. It would coordinate efforts both of relevant agencies and utilities to get customers assessed, informed and provided with what can be made available. The costs additional to those programs currently provided would be assessed to a Connectedness Fund set up in the manner previously described.

Needless to say, VECC recommends ongoing (as opposed to emergency) support for direct customers of regulated utilities that are facing loss of connectedness due to income or affordability issues, based on reasonable definitions of what constitutes "energy poverty" set out in the LIEN submissions and the Concentric Report.

For vulnerable energy consumers domiciled in socially assisted housing, it is to be noted that the majority pay an all in their shelter cost, but some (estimated at ~18%) pay the utility bills. These latter customers require the same access to energy affordability programs, taking into account their level of income and overall shelter costs.

For renters that pay for the utilities as part of the monthly rent, then the approach to maintaining connectedness is through shelter costs and providing support to tenants to ensure shelter is maintained."

To reduce energy poverty over the longer term, *targeted* DSM/CDM programs should be tied directly to support programs. In VECC's view, the identification of potential applicants for assistance with connectedness issues should give rise to efforts to remedy the threat to connectedness through the application of a suite of available remedial measures coupled with relevant DSM programs.

There are certain current energy/regulatory policies that represent policy choices rather than traditional ratemaking. These are financially burdensome to vulnerable energy consumers and add to their energy poverty. These include:

- Debt retirement Charge
- RRRP Rate assistance (except for those that qualify)
- Global Adjustment

In addition, the OEB has approved rate designs and other charges that may add to energy burden/poverty:

- Higher fixed monthly charges
- Late payment Charges.
- Security Deposits

The OEB has the jurisdiction to provide relief from the effect of these charges and measures if it chooses to do so.

2) What programs or measures currently exist to address the needs of low-income energy consumers in Ontario in relation to their consumption of electricity or natural gas?

Current programs are in the either in the category of emergency assistance (arrears management etc.) or energy conservation programs. There is not a standard set of measures, nor are they applied universally.

3) Are there agencies or organizations that utilities could work with in? Coordinating or administering programs or other measures that would assist low income consumers?

There is a plethora of Government and non-Governmental agencies that provide financial and other types of Social Assistance to low income and other vulnerable energy consumers. Dealing with energy poverty is not their prime mandate and there a multitude of approaches administered at a local level ranging from comprehensive (for example Hamilton) to non-existent.

Ontario Utilities could provide the glue that binds the available assistance into a comprehensive, universal package of assistance that combined with rate assistance (taking the form of reduction to charges and/or special rates) and targeted DSM/CDM. These kinds of steps could in time make a major impact on energy poverty. The key is ensuring that the portals to relief, probably front-line workers in the referenced agencies or the utilities have access to the suite of measures that can effect a change. These would include the assistance available through the agencies, that which has been funded through the proposed Connectedness Fund, previously discussed (which might allow for dispensing with identified charges or rate discounts) as well as the targeted DSM programs financed in the usual fashion by the utility.

4) What is the experience with low-income energy assistance programs in other jurisdictions?

The Report produced by Board staff's consultant, Concentric Energy Advisors, addresses this issue. While the programs detailed in the Report have different degrees of success. there is widespread acceptance that energy poverty is an urgent problem. While a good part of this evidence is extrapolated by the comparison of change to incomes in the lowest income quintile of Statistics Canada, and changes both current and anticipated in the price of energy, the experience of the frontline agencies of Ontario appears to bear out the conclusion.

And while the technical aspects of implementing such programs can seem daunting, many jurisdictions provide support for vulnerable energy consumers in the form of rate discounts, waiver of fixed charges, security deposits and other types of arrears/emergency support. There does not appear to be compelling reasons why such efforts cannot be attempted in Ontario, where, as VECC has been told year after year in OEB proceedings, some of the best-run utilities in the world are located.

In all cases involving utility programs, (as opposed to Government programs) the programs are approved/overseen by the utility regulator and applied universally.

5) Criteria for Defining "Low Income Energy Consumers"

Several options were discussed in the consultative. Obviously, options will have to distinguish *direct* utility customers from indirect consumers with utility costs part of their shelter costs.

The LIEN brief and the U.K. experience seem to VECC to be the most compelling as the basis for program eligibility and target objective. Here, the alleviation of fuel poverty representing the expenditure of over 7% -10% of household income on energy costs.

It will be important, particularly if the relief available is limited by a specific funding envelope to ensure that the assistance is delivered to the right customers and is non-duplicative, while at the same time minimizing administration costs. The method(s) for accomplishing these tasks goes hand-in-glove with the assistance measures to be funded and the elaboration of criteria and their administration is premature. It would be certainly contemplated that there would have to be a coordinated approach between relevant agencies and service deliverers in keeping with Ontario privacy requirements.

6) Rate-related Measures

- VECC notes that threshold issues associated with jurisdiction and desirability of implementation of assistance through ratemaking powers will have to be decided in the context of the Board's review. However, these threshold issues and subsequent action taken should not delay or impair the consideration of other levers/regulatory instruments other than rates to alleviate energy poverty that might be part of a "Stay Connected" program coordinated in a fashion previously described.

    a. **What are the issues associated with implementation of a special distribution and/or commodity rate for low income energy consumers? Is implementation of such a rate compatible with generally accepted ratemaking principles such as cost causality?**

As we have noted above, there are a number of threshold issues that the Board will have to consider in determining the path for expansion of low income or vulnerable consumer prams if desired.

If the Board as a matter of public policy chooses to exercise its jurisdiction, then the regulatory levers/tools are available to use:

- Reduction/waiver of Monthly fixed charges would be place to start and would provide between $150-200 a year or about 10% of the total bill in relief for eligible customers.
- If deeper discounts are necessary the waiver of all distribution charges could be an option.
- Commodity rate reductions are generally not equitable given market is deregulated and there is choice of system and retailer suppliers.
- However the gas utilities could purchase a portion of their system supply for vulnerable energy consumers on a longer-term base to reduce volatility and hopefully price.

- Mandating Targeted Utility Energy Conservation Programs at no cost to customers tied to rate assistance.

b. What is the impact of an inverted rate structure (i.e., lower for the first block) on low-income energy consumers? On other consumers?

Lifeline rates and block structure are normally only applicable to unbundled distribution rates except for the RRP commodity rate that has a consumption-based two tier pricing structure.

Most solutions to maintaining connectedness would be based on distribution rates but the government could authorize to the Board to adjust the RPP to a single tier for qualified vulnerable electricity customers provided this is tied to installation of comprehensive energy conservation measures.

c. Are there data available to show whether low volume for natural gas and electricity consumption is correlated to low income customers?

Low consumption and low income do not appear to correlate. However for electricity use (non space heating) the size of the household does appear to be a factor. For gas space and water heating the age/archetype of the home is a key factor.

c. Is a low-income energy assistance program compatible with public utility pricing principles of cost-based, non-discriminatory rates?

Public utility rate setting has always had a component that went beyond cost causality or strict non-discriminatory principles. The Board has considered other important and social considerations such as the desirability of connection to the network is its approach to system expansion and declined to apply a PI of 1 to such efforts accordingly. Such network connectedness issues have also driven policy on Rural Rate Assistance, or ratemaking to avoid rate shock notwithstanding the potential prudence of utility expenditure. The issues here are not such much bound up with an historic departure from ratemaking dogma, but how much should be invested to maintain connectedness and the affordability principles.[1]

7) Customer Service Issues

The Board clearly has jurisdiction to order approve a *universal* set of Conditions of Service that will not disadvantage/discriminate against vulnerable energy consumers.
Existing Regulatory Instruments include

- Distribution System Code
- Gas Distribution Access Rule (see EB-2008-0313) and
- The Gas Marketers Code of Conduct

Other Instruments can/should be used

- Licensing of Electricity Sub-metering distributors

[1] Bonbright notes that it is not always the system that is efficient in the performance of recognized economic functions that is the preferable standard for ratemaking . *Principles of Public Utility Rates,* 2nd edition, page 82

VECC has provided its views on the Following Issues in its Submissions in EB-2007-0720 and will not repeat them here except in short summary form.

a. **Payment Period: Should distributors be required to offer an extended payment period to low income energy consumers or offer customers a choice of several potential payment dates within the month (e.g., choice of the 1st or 15th as the due date each month)?**

Yes to both. Payment due dates should be tied to payments of social assistance to the consumer.

Late payment charges should not be calculated until 21 days after the due date.

b. **Disconnection Rules: Should there be special relief from disconnection provisions for low income customers in special situations, such as where a distributor receives a pledge, letter of intent or other notification that a third party is forwarding payment; or where the customer makes a minimum payment? Should load limiters be encouraged in lieu of disconnection?**

Yes to all of the above. No disconnections allowed for gas or electricity between November 1 and April 1. Proper Notice and Direct contact with local Social agencies to remedy the default

c. **Security Deposits: Should separate security deposit rules be adopted for low-income energy consumers?**

Yes. The requirement for security deposits should be waived if a Social agency is providing emergency support. If either to customer or the Social agency is still required to provide surety, then interest should be paid at the utility weighted average cost of capital (after tax).

d. **Specific service charges: Should selective specific service charges such as reconnection charges, late payment charges, NSF charges etc. be waived or reduced for low-income consumers?**

Yes. All penalties should be waived on receipt of amounts owing, or upon enrolling in an arrears management plan

e. **Should gas distributors adopt similar customer service and specific service charges for low-income consumers?**

The role of the Board is inter alia to ensure consistency/universality in the application of Conditions of Service among all regulated utilities.

In addition the Board should require a standard set of conditions service for all licensed non-rate regulated distributors, including sub-metering service providers.

8) Special Arrears Management Programs

Should electricity and gas distributors be required to have separate arrears management programs for low-income consumers? i.e. provide deferred payment plans that schedule full re-payment over a period of time, take into account customer ability to pay when setting repayment terms or provide partial write offs to encourage payment of remaining arrears and service charges, etc.?

The Concentric Report and the presentations by the Pennsylvania and Quebec utilities clearly illustrate the need, opportunity and benefits of universal tiered arrears management programs. The Board should be proactive in the development and implementation of such programs for the gas and electric LDCs under its jurisdiction

9) Low Income Conservation and Demand Management Programs

a. Are the dedicated low-income customer conservation programs offered by Ontario gas distributors and OPA adequate and effective in addressing the needs of low-income energy consumers in Ontario?

No. The Programs offered by the OPA are lacking in both the urgency and targeted features required to make CDM a powerful tool in the fight against energy poverty.

The OPA claims it is constrained by the Ministers Directives, but in fact on the Single Family Home Retrofit program it is allowed to set its own annual and multi-year targets within the overall 100MW reduction target. The Multi-family Buildings Program has not set sub-targets for buildings with high LI/Seniors occupancy

The Board appears to be is limiting to its direction to the OPA on CDM to two proceedings -the Annual OPA Fees Case and the Integrated Power System Plan Review.

The Board Panel has criticized VECC for raising CDM issues in the fees case and OPA has taken the position that CDM Program details are outside of the scope of the IPSP.

This leaves stakeholders with no recourse to advocate greater emphasis on targeted CDM programs as a solution to energy poverty, except at OPAs stakeholder consultation processes.

The Board is capable of exercising greater control over the details of OPA’s CDM programming and funding of targeted LI CDM programs.

In addition, the Board could be proactive in encouraging all LDCs to institute LI CDM programs particularly if these are tied to other types of relief for vulnerable energy consumers.

b. How are the Ontario conservation programs for low-income energy consumers compared to similar programs in other jurisdictions?

Compared to the US OPAs programs are limited in timing and scope.

Manitoba has moved to address energy poverty by Government direction to Manitoba Hydro (including Centra Gas) under oversight of the MPUB. Quebec is ramping up its targeted programs under the direction of the Government and Regie oversight

c. **Are there sufficient conservation educational programs available for low-income energy consumers?**

VECC is particularly concerned that there may be vulnerable consumers that have barriers to access to programs based on age, language, or whose outward financial position (i.e. home ownership) masks an inability to pay for needed conservation measures. VECC believes some specific initiatives may be needed

10) Emergency Assistance Programs

Emergency Assistance programs are a last resort and as such should not be the main response to maintaining connectedness/energy poverty.

a. Should distributors be required to facilitate the collection of customer donations to emergency fuel charities?

b. Should the cost of distributors' donations to Ontario fuel charities be recoverable in the approved distribution revenue requirement?

Other than the funding from the Garland Court Decision, Utilities should be channels for customer Donations to emergency assistance programs and use the billing envelope to promote donations.

c. Should Ontario distributors be required to make referrals to assistance services provided by local charities, local governments and the province (e.g. the provincial emergency energy assistance fund)?

Absolutely, this should be a required step in account management for all utilities

11) Program Funding Mechanisms

a. Should the cost of low income energy assistance program funding be recovered through distributors' electricity and gas rates? If not, how should the program be funded?

b. Should a low income energy assistance program be implemented, would the electric or gas distributors realize any cost savings through lower customer care costs such as lower customer call volume, fewer billing and collection activities, and fewer disconnections and reconnections?

c. What issues could arise if the costs associated with the implementation of a low-income energy assistance program are shifted to other classes of ratepayers?

The funding for rate assistance should be recovered from a system-wide basis in a manner that is similar to the funding of the CRTC's High Cost Serving Area fund. The establishment of a Connectedness Fund to provide rate assistance, discounts , and remission of charges would allow the burden to distributed equitably, acknowledging that connectedness is a system wide goal.

Notwithstanding the above, the Board may wish to consider financing for arrears management and other payment management programs as part of the bad debt/working capital allowance and the approved distribution revenue requirement. Savings from bad debt management and customer care should be offset against the program costs. A long-term goal would be revenue neutrality for the suite of programs, while in the short term, any shortfall could be collected from the Fund.

The establishment of a Connectedness Fund as part of a "Stay Connected" program would be in furtherance of the regulatory objectives of the OEB. While it may be anticipated that recipients of assistance from the fund will be contributing less to their energy costs that other non-assisted customers, the purpose is not redistribute income but to maintain affordable access to the network to maintain connectedness.

Other Issues

Marketer Payment Default

It is not appropriate for regulated utilities to assume the financial liability incurred by marketers of gas or electricity and to then take collection/disconnection action against the customer. In some jurisdictions where rates are unbundled, collection action for commodity default is the responsibility of the marketer. The marketer can also request to return the customer to default supply, in order to minimize its future liability.

The Board should review the policies related to assumption of marketer liability under Distributor Consolidated Billing and determine if such policies unduly discriminate against vulnerable energy consumers.

<u>Sub-metering of Rental Housing Units</u>

Customer has limited control over building energy use- in-suite energy use is a small portion of total cost. Also the customer has no control of commodity supplier or sub-metering service contractor.

As is the case for condominium residents, for rental units which include a high portion of vulnerable energy consumers, the cost of the landlord/management company commodity supply and Sub-metering contracts will be passed on to customers.

The monthly fee is likely to be higher than the comparable residential LDC monthly charge (per comment from Toronto Hydro). Due to the commercial nature of the arrangements there will be no opportunity for sub-metering service provider to reduce/waive monthly fees or provide any other form of relief. Sub-metering of the retail housing market is a ticking time bomb that may explode once the legislation is passed.

Next Steps may include:

1. **Task force on Rate Assistance**
   - **Options**
   - **Eligibility**
   - **Cost/Benefit**
   - **Tied DSM/CDM Programs**
   - **Funding of Programs**

2. **Task Force on Conditions of Service**
   - **Late Payment**
   - **Arrears Management**
   - **Security Deposits**
   - **Disconnection**

All of Which is Respectfully Submitted this 31st day of October, 2008