

October 31, 2008

Ms. Kristen Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4
BoardSec@oeb.gov.on.ca

Dear Ms. Walli:

**Re: Consultation on Issues Relating to Low Income Consumers
Stakeholder Conference Presentations**

Board File No. EB-2008-0150

Further to our input provided to the Ontario Energy Board's consultations on energy issues relating to low income consumers held during September 22 to 25, 2008, please find enclosed a written submission that summarizes the position of the Federation Rental-housing Providers of Ontario (FRPO) on many of the matters addressed during the stakeholder conference.

Our submission reflects on the valuable information and perspectives presented during the consultation, while offering specific suggestions that we hope will be seen as having merit. As such a large percentage of low income consumers are tenants, our interests and concerns, as landlords, are inextricably linked.

The issue of energy poverty affecting low income consumers is tremendously complex, challenging, and ultimately, hugely important to all members of society. The presentations from frontline delivery agencies made that abundantly clear. This is an important public policy matter that we believe is best addressed by the Ontario government through its existing social welfare programs and policies. It would not be effective, nor progressive, to require utility ratepayers to fund a low income energy program.

Our written submission details our concerns on this matter and suggests some more specific targeted measures that would be more effective. We appreciate the opportunity to provide comment on this issue, and I encourage you to contact me should you require any further information.

Sincerely,



Mike Chopowick
Manager of Policy

Encl.

October 31, 2008

**Ontario Energy Board
Consultation on Energy Issues Relating to Low Income Consumers
Board File No.: EB-2008-0150
Submission from the Federation of Rental-housing Providers of Ontario (FRPO)**

About FRPO

FRPO is a non-profit industry association of residential landlords and property managers across Ontario. We represent over 800 members who supply over 250,000 rental suites across the province.

Our mission is: "To promote a healthy housing market, choice and quality for consumers and adequate assistance for low income households".

We support a balanced approach to affordability issues. Our position on every issue considers the impact on both housing providers and tenants. We are committed to the overall health and vibrancy of the rental market, including the need for adequate supply and investment into all forms of housing.

Summary

FRPO opposes rate-related low-income program measures which would subsidize energy consumption. Our position is that the energy rate base is ill-suited for funding assistance programs, and that there are other provincial agencies that are more appropriate for setting policies and implementing programs for improving affordability. There are also specific measures we do support, including emergency assistance funds and one-time start-up and reconnection subsidies, demand side management programs and smart submetering of the remaining three-quarters of the province's rental housing stock that is still bulk-metered.

The Role of the Regulator as it Applies to Low Income Energy Consumers.

At the outset of the consultation we observed a certain degree of polarization regarding the Board's role in this regard, extending to question whether the consultation should even occur. On this matter, FRPO strongly maintains that the regulatory responsibility of the OEB for setting just and reasonable rates does not extend to establishing subsidized rates for specific segments of consumers.

Others, including FRPO, also put forward that the Board, and in turn the LDCs, are inappropriate vehicles by which to implement poverty alleviation and social programs.

During the consultations we heard of inefficiencies and unintended consequences with existing support mechanisms and believe that no one would want resources squandered that could otherwise be used to address the problem. We believe all participants would seek the most effective and efficient use of resources, dedicated to alleviating the immediate pain of energy poverty, while building towards longer term solutions. The question then, is - who should be responsible for doing this? And by extension does the OEB and the LDCs have any obligation whatsoever?

FRPO believes there is a role for the OEB and LDCs. However rather than assuming the responsibility of *setting* public policy, we believe the Board's role is primarily one of coordinating the regulated entities in the *delivery* of programs, as appropriate.

Even within the subset of energy poverty, the Boards jurisdiction does not extend to all energy forms. As such, any action by the Board cannot affect a universal solution to energy poverty. Still the Board can address those issues within its jurisdiction that are exacerbating the problem, while providing the regulatory framework to facilitate creation of longer term solutions. Our suggestions follow from this approach.

Regulated Rate Options

The notion of a distinct subsidized rate for low income consumers is, in our opinion, an unworkable extension of the principle of the Board setting 'just and reasonable' rates. The problematic mechanics and likely unintended consequences of such an approach were raised during the consultation. Regulated rate options for low income programs would also prove redundant since there are already existing social assistance programs designed to supplement the income of low income households.

A special subsidized rate goes counter to the principle of rates based on cost causality. Using 'ability to pay' as a criteria for eligibility would be hugely problematic to implement and would most certainly lead to funding of non-targeted consumers, including those outside of the residential class. It also runs counter to the principle that conservation should be supported by having rates reflect the true cost of the service. Low income energy programs that would reduce or subsidize the price of energy below its actual cost are very likely to discourage the efficient use of energy by reducing the costs of utilities relative to other items in the budgets of low income customers.

FRPO recommends that any additional assistance to address broader energy poverty should be delivered through existing social assistance programs and policies that are already established and administered by the Ontario government. As was noted by numerous groups during the consultation, insufficient income for a significant number of consumers is the leading contributor to energy poverty. Programs to assist low-income Ontarians with the cost of living, including energy costs, already exist. Rather than duplicating these measures, the design and delivery of Ontario's social welfare programs should be improved to improve affordability of energy costs.

The Context of Affordability

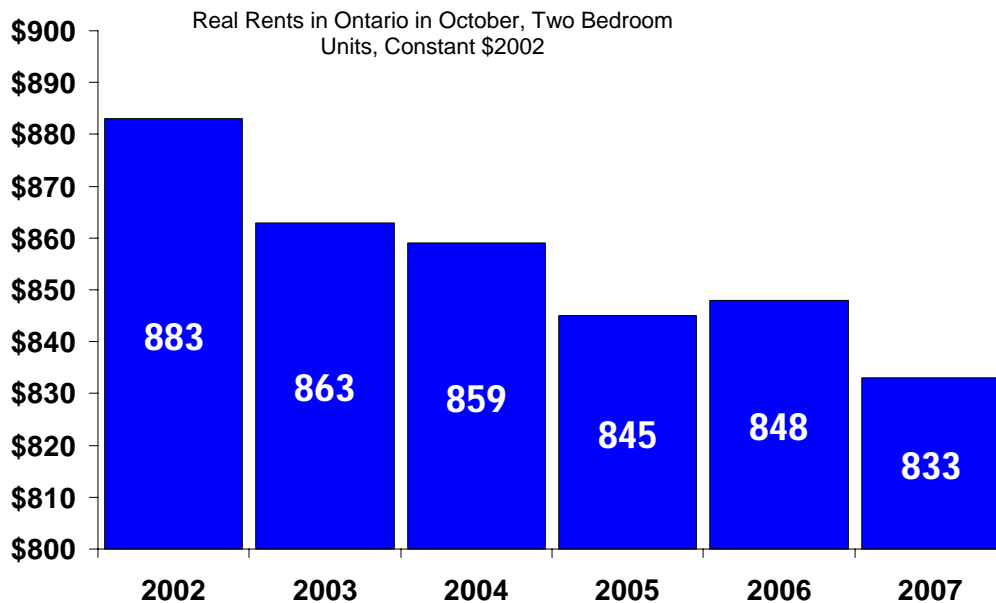
In considering affordability, we note there are many parallels between challenges facing consumers in both the energy market and rental housing market. It is important to put energy costs and prices into context within general housing affordability. For most lower-income tenants, their energy costs are a built-in component of their housing costs.

When it comes to housing in Ontario, we have adequate supply across all price points. The challenge is we have a large number of households with low or insufficient incomes. This is the root of Ontario's housing affordability problem.

As of 2001, there were 414,000 renter households (out of a total of over 1.3 million renter households) in Ontario considered to be in core housing need. For the vast majority of these households, their low incomes result in a high ratio of housing costs to income.

While low incomes result in affordability problems for many households, we do know that actual housing costs are not the primary cause of these problems. As shown here, when adjusted for inflation, real average rents in Ontario have been in decline for the past six years, falling from \$883 per month in 2002 to just \$833 per month in 2007. While average rents have declined,

however, affordability problems continue to be severe for households with the lowest average incomes.



It is important to note, for the purposes of this consultation, that these average monthly rental housing costs include energy costs for electricity and gas. Despite inclusion of these costs, average shelter prices for tenants are declining in real terms.

In terms of improving housing affordability, the solution rests in assisting households with their incomes, not with regulating prices.

In support of this solution, FRPO is trying to improve affordability by advocating for:

- a broad based housing benefit in the form of portable allowances for low income households;
- property tax fairness for tenants; and,
- removing government imposed cost and regulatory barriers to the supply of housing.

The purpose of reviewing the best solutions for housing affordability is to show that, even in the context of energy poverty, the primary issue is the insufficient incomes of many households, not necessarily the cost of energy. For this reason, and as noted earlier, energy poverty should not be

addressed on its own, but should be dealt with through existing programs that are designed to provide income support and alleviate poverty generally.

Local Distribution Company (LDC) Service Policies

We heard that existing regulatory policies with respect to security deposits, arrears management, and disconnection tend to compound the problems faced by low income energy consumers. It certainly appears that allowing greater flexibility in this regard is in the purview of the Board, and would go some way to alleviating the symptoms. The concept of maintaining connectivity, as espoused by others, is an essential goal that can serve to guide more flexibility in the application of service policies. Fundamentally, there is a direct cost to all consumers when people are disconnected. These hard costs of increased customer care and bad debts should be objectively considered when weighing the potential 'costs' of more flexibility in this regard, i.e.: greater flexibility has the potential to lead to lower costs for all. The costs to the industry of managing arrears underlines why our primary objective should be to avoid and manage arrears, not simply to collect on them once incurred.

There are some measures to address this issue which could be delivered in coordination with LDC's, including:

- An emergency energy fund. Like a rent bank this helps eligible households when they actually require assistance to ensure continuation of service.
- A start-up and maintenance benefit. This would help provide relief for security deposits, connection fees and other large one-time charges for eligible households.

Demand Side Management (DSM) Programs

Fundamental to addressing energy poverty is to focus on usage, apart from the rates (price). Obviously reduced consumption will lead to lower costs and is fundamental to a longer term solution.

Some participants point out that low income consumers may not have the ability to reduce consumption, for various reasons including the fact that energy 'decisions;' may be outside of their direct control. Respecting this viewpoint we still maintain that priority attention must be applied to reducing consumption through more efficient usage, and by aggressively pushing DSM programs that are especially targeted at both low income consumers and the buildings in which they may reside as tenants.

In designing DSM programs, the challenge is always in appropriately motivating the target market to participate – to create new investments in energy efficiency that would not otherwise have occurred. This creates a special challenge for low income programs. Higher incentives including full payment were advocated by some, while clear and consistent communications are seen as essential. As DSM programs are designed to provide a ‘total resource’ costs benefit, the issue of ‘who pays’ is, at least in theory, moot. Some have argued that by having affluent consumers partake in DSM programs, we are perhaps creating inequities with respect to low income consumers who are not in a position to participate. Clearly there needs to be special consideration of the target market in the design and delivery of programs for this group.

As with any DSM program that seeks to achieve a market transformation, consistency and clarity are essential. They can be confusing enough for any consumers, never mind the language or impairment challenges that can exist within the low income segment.

We heard of successful tenant based DSM programs that, by addressing real front line delivery issues, found impressive success in engaging tenants to conserve. We also heard of the delivery agents for these programs being exposed to the vagaries of program funding, and the associated challenges in maintaining staffing with appropriately skilled people.

FRPO strongly supports the continuation and considerable enhancement of tenant based DSM program delivery. While DSM delivery agents should be selected on the basis of competencies and efficiency, there should be a underlying continuity of funding to allow for the proper growth and replication of programs in a consistent manner. Market transformation , for any DSM programs, will not be achieved through pilot programs alone.

The point was made that landlords were often responsible for the energy investments that directly impact tenants, and that a coordinated effort between tenants and landlords was required. We could not agree more. Landlords are motivated to manage energy costs and improve operating efficiencies. This is evidenced by the considerable energy retrofit work undertaken to date, and ongoing initiatives that include appliance replacement and in suite lighting changes.

A coordinated effort between tenant and landlord DSM programs, with enhanced program funding is definitely in order. A true partnership between tenants and landlords in achieving conservation is possible, with properly designed programs that provide motivation and resources to both

groups. Whether tenants save energy directly or indirectly through the landlords' actions, there is ultimately a saving that can benefit all.

Submetering

FRPO maintains that to manage costs, energy consumption must be a known quantity. We believe there is intuitive logic, and ample empirical evidence, to support the notion that conservation is achieved when people are accountable for the energy they use. And we believe there is consensus on the principle that those who use less should pay less. FRPO maintains that tenant submetering is a fundamental tool to measure and manage energy usage, regardless if that energy is used by low income consumers or not.

During the consultation we also observed some confusion between the notion of time-of-use rates imposing an inappropriate shifting of costs onto low income consumers, with the notion of submetering as a tool to monitor and charge for actual energy consumed. We believe the two issues are independent. With respect to the TOU rate impact issues, our assessments are that TOU impacts are generally neutral for multi residential consumption patterns. Specific rate impact calculations for low income tenants usage patterns would be relatively straightforward to undertake, again with the benefit of submetered data that provides actual usage.

FRPO maintains that tenant submetering is fundamental to achieving conservation. Providing tenants with the ability to manage their own usage and reduce costs accordingly is, we believe, a primary tool to support any conservation effort. Over one-quarter of Ontario's rental housing stock is already submetered, and has been for many decades, with absolutely no negative public policy consequences. With respect to targeted support of low income households, submetering can provide for the identification of actual costs incurred.

We note that Board has acted to licence submetering companies to operate in condominiums and in turn has passed a code regarding the conduct of submetering practices as it relates to condominiums. From our experience, there are a number of professional submetering firms serving the condominium and multi residential market segments. The extension of licensing and applicable codes to all multi-tenant residential buildings is something that is arguably overdue. FRPO, representing landlords, would welcome this level of regulatory certainty to reinforce the professional conduct of submetering companies while providing proper consumer protections. We expect it is something that would also be supported by the submetering companies themselves.

Collectively, if energy is being wasted in a multi-residential building, either in suite or in common areas, the cost of that waste is ultimately borne by both landlords, through direct utility charges, and tenants, through energy costs embedded in their rents.

The ability for tenants to monitor and reduce energy consumption that is within their control is, we believe, central to providing the motivation for, and the means to measure, conservation efforts.

FRPO maintains that properly regulated submetering activities are desirable in all privately owned multi residential buildings. The proper implementation of submetering means that tenants are being treated equally as would any residential consumer of the LDC. They would pay only for what they use, having their own electricity account. Market rents would adjust accordingly to reflect the reduced costs burden on landlords and competition for value conscious tenants.

Conclusion

Low income energy programs should not be funded through the regulated rate measures. The focus should be instead on strengthening and improving the design of Ontario's existing social welfare program and alleviating poverty in general.

Some targeted assistance programs, like emergency funds, start up benefits and conservation programs, are most effective.

The OEB should support sub-metering in rental housing as a way to measure household consumption and allow low income customers to reduce their costs through more efficient use of energy.