

TAB A

**Ontario Energy
Board**

**Commission de
l'énergie de l'Ontario**



Report of the Board

Developing an Ontario Electricity Support Program

December 22, 2014

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INTRODUCTION

On April 23, 2014, the Minister of Energy asked the Ontario Energy Board (the Board) to recommend an option for delivering an ongoing ratepayer-funded bill assistance program. The Minister asked the Board to provide advice on the development of an Ontario Electricity Support Program (OESP), which would assist low-income customers who are spending a disproportionate amount of their income paying for electricity.

As the Minister's letter points out, there may be a variety of reasons that low-income customers face a challenge in affording electricity, including those who rely on medical equipment in the home and those who rely on electric heating. The Minister asked the Board to engage with a wide range of stakeholders, including First Nation and Métis leaders, to improve understanding of the unique electricity affordability issues facing their community members.

In developing the OESP, the Minister asked the Board to:

- Identify low-income consumers and their needs to ensure program accessibility;
- Provide relief directly on eligible customers' bills;
- Consider unique needs of all low-income electricity consumers, including those that do not pay electricity bills directly; those that depend on medical equipment requiring electricity; and those in First Nation and Métis communities;
- Complement existing low-income energy assistance programs; and
- Recommend an implementation strategy that ensures the program is in place for January 1, 2016.

The Minister's letter is attached as Appendix "A" to the Report.

Our extensive consultations revealed an encouraging tone of cooperation and goodwill among the various stakeholders involved in this initiative. As with any policy development, there is a diversity of viewpoints. At the same time, there is a common sense of purpose in acting on shared values to help those in need, as well as a recognized shared interest in contributing to stability and fairness in the electricity distribution sector. The Board's [website](#) contains the stakeholder meeting materials and stakeholder written comments that have been received as part of the consultation.

The Board has developed a preferred option to recommend to the Minister. We recommend that the Ontario Electricity Support Program:

- Use a targeted, sliding-scale fixed credit to deliver greater benefits to those in greater need, including First Nations and Métis customers, those using medical equipment at home and those with electric heat;
- Be available to all eligible electricity customers of local distribution companies, unit sub-meter providers and retailers;

- Identify eligible low-income customers using Statistics Canada's Low-Income Measure (LIM) and, for effectiveness, use LIM for all low-income energy assistance programs;
- Use a centralized service for program intake, supplemented by social agency partners for customers requiring additional assistance; and
- Recover program costs on a provincial basis from all ratepayers.

Our recommended approach would provide meaningful assistance to an eligible population of over 500,000 Ontario low-income households. We estimate the total program cost would be between \$175 and \$225 million. All program costs and participation rate projections are best estimates based on available data.

This report is divided into three sections: An overview of consultations and the input received; a detailed description of the recommended option (as well as the rationale for not recommending other options) and recommendations on how the OESP can be implemented by January 1, 2016 and evaluated once it's in place.

1. GATHERING IDEAS, INSIGHT AND EXPERIENCE

Ontario has some experience in developing and delivering programs that provide energy assistance to those with low incomes. These experiences helped inform our recommendation for the OESP. At the same time, developing a new program is an opportunity to reconsider previous efforts, refine the approach and reach new customers in need.

That is why the Board undertook extensive consultations to further improve our knowledge of the needs of low-income customers and to seek ideas, advice and input on program design. Many stakeholders engaged in meetings with the Board to discuss the Minister's request for a program that improves affordability for low-income customers, while others provided written submissions.

This section of the report provides an overview of some of the thinking and input that went into developing the option the Board is recommending to the Minister. The views of stakeholders were extensive and meaningful to the Board's deliberations. They could not be captured here in their entirety. In summarizing input, this section highlights some of the major takeaways that helped the Board in recommending a balanced approach to meeting the objectives outlined by the Minister.

1.1 Understanding Challenges Faced by Low-Income Consumers

There are many factors that can influence whether low-income consumers across the province know about assistance programs and know how to access them successfully. As the Government's new Poverty Reduction Strategy points out, "Poverty has many faces, and there are countless circumstances that lead to poverty." That's why the Board consulted those who fight poverty to gain an understanding of the diverse circumstances facing low-income electricity customers.

The Low-Income Energy Network (LIEN) was an important stakeholder given their broad reach into low-income communities and the resources they brought to the discussion, including an acknowledged program design expert. Over 70 organizations from across Ontario are members of LIEN, representing a wide range of sectors including: energy, public health, legal, tenant/housing, education and social and community organizations. The Board held a LIEN workshop in September 2014 to gain insights into program design, intake, eligibility criteria and other issues.

What We Heard:

- A range of obstacles can prevent low-income consumers from accessing programs that could help them, including resistance to seeking help, limited or no internet access, the fact that they are tenants, or not wanting to be labeled "low-income"
- Multiple intake sources, including engaging social service agencies, could help with program outreach and awareness and provide more choice for the customer
- The level of assistance needs to be meaningful for those most in need

1.2 Engaging First Nations and Métis

As pointed out in the Minister's letter to the Board, First Nation and Métis communities face unique situations that require solutions appropriate to their circumstances. The Board engaged communities across Ontario to gather feedback on their energy situation, seek insights on low-income support programs and solicit ideas for the design of any new program. We held nine discussions with organizations representing First Nation and Métis communities. These organizations represented a cross section of geography, size, energy access and economic opportunities. Input was formally and informally received from several other participants, including written submissions from two First Nations.

Representatives from these communities provided valuable insights on why a low-income electricity affordability program needs to consider the specific needs of First Nation and Métis communities. They cited poor housing stock, over reliance on electric heat, distance that electricity must be conveyed and higher connection costs for new customers. They also discussed the overall affordability issues faced by low-income households in their communities, such as overcoming distances to access shopping and medical care.

While First Nations and Métis people face some challenges unique to their own communities, there was considerable consistency in our consultations on how a low-income electricity assistance program could be designed to benefit First Nation and Métis people across the province. There was a clear consensus that specific program elements must address the unique challenges and needs of First Nation and Métis customers.

What We Heard:

- Low-income residents of First Nation communities face challenges that are unique to these communities and require a higher level of assistance in affording electricity
- Branding of a distinct First Nations & Métis program will encourage greater uptake
- Local participation will promote trust within the community and improve program uptake
- There are, in some cases, historic grievances that impact relationships between electricity distributors and First Nations people
- A higher threshold, above what is used for LEAP EFA, is preferred to determine low-income eligibility for First Nations & Métis customers
- There are benefits to integrating the proposed OESP program with the Ontario Power Authority's Aboriginal Conservation Program

1.3 Listening to the Ratepayer

Ratepayers are an essential stakeholder, who will be asked to support the program financially through their monthly bill. They encompass the largest, most diverse stakeholder group. They are willing to support targeted assistance, but expect transparency and fairness.

We consulted with groups representing ratepayers, particularly the Consumers Council of Canada and the Vulnerable Energy Consumers Coalition. We also engaged Environics Research Group to conduct a survey of Ontario ratepayers to gauge public support for the broad objectives of the program and to help align program design with the values and expectations of ratepayers.

What We Heard:

- Ratepayers would support targeted assistance to low-income customers with the greatest need
- Taxes are the preferred funding option but ratepayers would be satisfied with a modest provincial charge on energy bills

Ratepayer Survey Response

Do you support or oppose a program, funded by all Ontario energy customers like yourself, to help low-income customers pay their bills?

- 67% strongly/somewhat support
- 29% oppose or strongly oppose

Why do you support such a program?

- 69% important to help vulnerable/poor
- 63% everyone needs electricity in winter
- 45% it won't cost very much for each individual ratepayer

(Environics Research Group, 700 Ontario ratepayers, August 2014)

1.4 Engaging Electricity Distributors

Electricity distributors have a clear role to play in delivering assistance to low-income energy customers. As the Minister has indicated, the OESP will be delivered as a reduction on the electricity bill for qualified households. Electricity distributors took part in the Board's Stakeholder Forum and provided written submissions in order to share their views.

While distributors are willing partners in helping the Government meet its objectives, they are cautious about engaging in commitments that go too far beyond the scope of their mission and existing relationship with customers. In particular, distributors did not

want to be put in the position of determining need because it adds to their administrative costs, raises privacy concerns and is beyond their core functions and expertise.

What We Heard:

- The higher the complexity in determining credits, the higher the distributors' administration costs will be, which can ultimately mean a lower proportion of program dollars going to those in need
- Distributors believe that the LEAP agency partnership model, where social service agencies facilitate intake, works well
- There is a strong preference for a provincial, rather than a distributor specific, charge

1.5 Transferring Knowledge across Government

The Ontario Public Service contains a reservoir of shared knowledge on assisting households with low incomes to meet a variety of life challenges. In August, Board staff met with representatives from several Ministries who were able to share advice based on their experiences developing, implementing and delivering eight different programs aimed at low-income consumers. Hearing these first-hand experiences helped us to understand challenges and opportunities, and to see development of the OESP in the broader context of the Government's poverty reduction efforts.

What We Heard:

- There are trade-offs between administrative efficiency and the definition of low-income and the level of scrutiny of income
- The Government is emphasizing the need for greater coordination of benefit programs in its Poverty Reduction Strategy, including adopting similar eligibility criteria or evaluation tools
- The OESP process should be as seamless as possible
- Ties with other programs can help minimize administration and improve participant convenience
- An accurate definition of "low-income" is an important tool in designing an effective program

1.6 LEAP Experience

The Low-Income Energy Assistance Program (LEAP) was implemented by the Board in 2011 to help electricity and natural gas customers with limited financial resources. It has three parts: emergency financial assistance (EFA), special rules for qualified low-income customers and targeted energy conservation programs.

LEAP EFA is funded by all ratepayers through the distribution rates of each distributor. Since its inception, LEAP has provided nearly \$12.5 million in emergency financial

Appendix A – The Minister's Letter

Ministry of Energy

Office of the Minister

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APR 23 2014

MC-2014-1115

Ms Rosemarie T. Leclair
Chair and Chief Executive Officer
Ontario Energy Board
PO Box 2319
2300 Yonge Street
Toronto ON M4P 1E4

Dear Ms Leclair:

Re: Requiring the Ontario Energy Board to report on Developing and Implementing an Appropriate Electricity Rate-Affordability Program for Low-Income Electricity Consumers

I write in my capacity as the Minister of Energy in order to exercise the statutory power I have under section 35 of the *Ontario Energy Board Act, 1998* (the "Act") to seek the Ontario Energy Board's advice (the "Board") in the form of a report-back to the Ministry of Energy (the "Ministry") dealing with the issues outlined below.

Background

The *Ontario Clean Energy Benefit Act, 2010* was introduced to help electricity consumers manage electricity prices as the province invests in its transition towards a clean, modern and more reliable electricity system. The Ontario Clean Energy Benefit and a number of conservation initiatives were introduced to help electricity consumers through this price transition as the province made these investments in the system. In addition to these measures, the government has in place a number of benefit programs and tax credits that are designed to assist energy consumers with managing their energy costs.

Low-income consumers face a particular challenge. The electricity bill for a typical household consuming 800 kilowatt hours (kWh) of electricity per month represents eight per cent of the total income of a family with an annual income of \$20,000, and four per cent of the total income of a family with an annual income of \$40,000, while amounting to less than two per cent of the total income of a family with an annual income of \$100,000 or more.

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The government intends to explore opportunities to protect low-income residential electricity consumers, including the potential provision of ongoing ratepayer-funded electricity assistance. Therefore, the Ministry is seeking the assistance of the Board. The Board's economic, financial and distribution sector expertise would be valuable in informing the development of such a program: one that meets the needs of low-income electricity consumers while balancing the need for just and reasonable distribution rates. The program would complement existing programs such as the saveONenergy Home Assistance Program delivered by electricity and natural gas distributors, which provides support to low-income eligible customers to improve the energy efficiency of their homes. That support helps homeowners reduce their energy bills.

Furthermore, in addition to offering direct assistance to low-income electricity consumers, the program would be expected to result in system benefits through fewer disconnections, reduced delinquent account management expenses and fewer bad debt losses for electricity distributors.

Section 35 Report

Therefore, pursuant to my authority under section 35 of the Act, I require the Board to examine and report to me on the following matters:

1. Options for the design, development and implementation of a long-term, ratepayer-funded program (the "Program") which is intended to assist qualifying low-income electricity consumers with their electricity bills. This would include consideration of opportunities to achieve additional system benefits for the ratepayers who are funding the program, potentially through load management or conservation mechanisms. My expectation is that the Program would:
 - be in place on January 1, 2016;
 - provide a similar level of relief to the Ontario Clean Energy Benefit, namely a 10 per cent discount on electricity bills; and,
 - be delivered as a reduction on qualifying consumers' bills.
2. In analyzing and reporting back on the design, development and implementation options for the Program, in addition to such other factors as the Board considers appropriate, the Board shall have regard to the government's comprehensive direction for Ontario's energy future as expressed in Ontario's Long-Term Energy Plan: *Achieving Balance*. The Board should develop Program options in the context of the government's overall plan. In addition, I expect the Board to take into consideration existing programs providing assistance to low-income individuals and households. To this end, I expect the Board to collaborate with government ministries, as well as social service delivery agents, the not-for-profit sector, and associated non-governmental organizations, with experience and expertise in existing social programs, to ensure the Program would complement existing programs. The Ministry is prepared to assist with this collaboration.

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3. Recognizing that the Board would likely be responsible for ensuring the appropriate delivery and implementation of the Program, the Board's report should consider how it would propose to address the development, implementation, funding and delivery aspects of the Program including such issues as:
- a) Identification of low-income consumers and their needs, including consideration of low-income consumers who do not pay their electricity bills directly and those who use medical equipment requiring electricity, with a view to developing an appropriate definition of "low-income" and options for a range of program eligibility criteria. These would include the use of household income thresholds of \$40,000 and Statistics Canada's Low Income Cut-offs.
 - b) Delivery and intake options for the Program while ensuring program accessibility. Specific consideration should be given to the anticipated consumer participation rates, identification of the role of distributors and social service delivery agents, and their relationships with regard to delivery of the Program.
 - c) Overall cost of the program, including Program benefits and administration, and options for scaling costs up or down.
 - d) Options for funding of the Program through electricity rates and details regarding anticipated low-income consumer benefits and costs to ratepayers.
 - e) Value of anticipated distribution sector savings such as reduced bad debt expense and collection activities. The Board should consider whether there are opportunities to achieve overall system benefits that are advantageous to all ratepayers through mechanisms such as facilitation of load management or conservation goals.
 - f) Implementation options, potential barriers to Program implementation, program uptake and mitigation strategies and consideration of interactions with other assistance programs. The Board shall include an implementation timeline that ensures the Program would be in place by January 1, 2016.
 - g) Process and mechanisms for reviewing the Program, monitoring Program outcomes and measuring Program success.

My expectation is that, in order to support the preparation of its report, the Board will seek input from the public, First Nations and Métis communities, as well as key stakeholders, including social service delivery agents, electricity distributors and the Province, on the proposed Program. The Board may also wish to engage and consult with other experts it may deem appropriate.

The Board's examination of the potential options for such a Program should commence as soon as possible. It is my expectation that the report be submitted to the Ministry no later than December 1, 2014.

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As always, I thank you for your co-operation in these matters and look forward to regular updates on your progress.

Sincerely,



Bob Chiarelli
Minister

c: Hon. Ted McMeekin, Minister of Community and Social Services
Hon. Teresa Piruzza, Minister of Children and Youth Services
Hon. Deborah Matthews, Minister of Health and Long-Term Care
Serge Imbrogno, Deputy Minister, Ministry of Energy
Halyna Perun, Director, Legal Services Branch, Ministries of Energy and Infrastructure

Tab B

Percent of Customers in Arrears (Annual Average), by Age of Arrears

